



Consolidated Financial Results for the Second Quarter FY04/24 [Japanese GAAP]

December 14, 2023

Name of listed company Hamee Corp.	Listed stock exchanges East
Code Number 3134	URL https://hamee.co.jp/
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Scheduled date to file December 14, 2023	Scheduled date of commencement of dividend payment -
Quarterly Securities Report	Preparation of supplementary material on quarterly financial results: Yes
Quarterly results briefing : Yes (For analysts and institutional investors to be held on December 15.)	(Millions of yen are rounded down.)

1.FY04/24 Q2 consolidated results (May 1, 2023 to October 31, 2023)

(1)Consolidated Operating Results (Cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q2 FY04/24	7,631	15.0	633	10.3	700	△7.5	201	△59.2
Q2 FY04/23	6,633	11.5	574	△49.4	757	△37.0	495	△47.5

(NOTE) Comprehensive income Q2 FY04/24 552Millions of yen (12.4%) Q2 FY04/23 491Millions of yen (△42.1%)

	Earnings Per share	Diluted Earnings Per share
	Yen	Yen
Q2 FY04/24	12.69	12.68
Q2 FY04/23	31.13	31.13

(2)Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	Millions of yen	Millions of yen	%
Q2 FY04/24	13,196	9,156	68.7
FY04/23	12,320	8,960	72.0

(Reference) Shareholders' equity Q2 FY04/24 9,062Millions of yen FY04/23 8,864Millions of yen

2.Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY04/23	—	0.00	—	22.50	22.50
FY04/24	—	0.00	—	22.50	22.50
FY04/24 (Forecast)	—	0.00	—	22.50	22.50

(NOTE) Revisions to the most recently announced dividend forecasts None

3.Forecast of Consolidated Financial Results for the Year Ending April 2024 (May 1, 2023 to April 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net profit Attributable to owners of parent		Earnings Per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	16,813	19.8	2,086	64.1	2,069	47.8	1,537	62.7	94.46

(NOTE) Revisions to the consolidated forecasts most recently announced :None

(NOTE)Because we manage our performance on an annual basis, our earnings forecasts are only for the full fiscal year.

※ Notes

(1) Changes of important subsidiaries during the period : None

(changes in specified subsidiaries resulting in change in scope of consolidation)

New - Exclusion -

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : None

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement : None

(4) Number of shares of outstanding (common stock)

① Number of shares outstanding at the end of the period (including treasury stock)	Q2 FY04/24	16,280,000Shares	FY04/23	16,280,000Shares
② Number of treasury shares at the end of the period	Q2 FY04/24	355,537Shares	FY04/23	363,737Shares
③ Average number of shares during the period (quarterly consolidated cumulative period)	Q2 FY04/24	15,917,689Shares	Q2 FY04/23	15,900,934Shares

※ This quarterly financial report is not subject to quarterly review by a certified public accountant or auditing firm.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Qualitative Information on the current quarter's performance, (3) Explanation of future forecasts such as Consolidated performance Forecasts" on page 5 of the attached material for the assumptions underlying the earnings forecasts and notes on the use of the earnings forecasts.

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1. Qualitative Information on the current quarter's performance

(1) Explanation of Operating Results

As for Japan's economy in the second quarter of the fiscal year under review, DI for all large enterprises (Business Conditions Index) improved for two consecutive quarters in the manufacturing sector and improved for six consecutive quarters in the non-manufacturing sector. As a result, there were signs of a recovery in consumer spending due to normalization of economic activity. On the other hand, the outlook remains uncertain due to factors such as concerns about an economic slowdown as a result of soaring raw material and fuel prices, the yen's depreciation, and the prolonged situation in Ukraine.

In this business environment, our operating results by segment for the second quarter of the consolidated year under review were as follows.

① Commerce segment

a. Mobile Life Business

The biggest selling opportunity in the second quarter of the current fiscal year, sales of new iPhone, we developed 96 types of products, including Reflection series and First class series of popular iFace series, and conducted sales activities at levels exceeding last year. Sales increased 5.3% year on year because of steady sales growth in both EC and wholesale. This reflected the implementation of various measures to continuously launch products for models other than new iPhone and new products incorporating market trends in collaboration with leading IP, as well as the focus on sales of Magsafe compatible iFace "Magnetic series" etc. as a means of creating new trends.

b. Gaming accessories business

Sales expanded steadily in the previous fiscal year, reflecting the recognition of Pixio brand. However, from the first quarter of the fiscal year under review, competition with competitors intensified, and the second quarter continued to be on a similar trend. As a new measure to overcome this trend, we worked to develop wholesale customers, such as major electronics retailers, and worked to improve the top line by introducing new products, such as white-model gaming monitors and monitor arms, into the market. However, net sales decreased 4.6% year on year.

c. Cosmetics Business

Sales of ByUR brands-which made a major leap forward after being introduced at a TV program in April 2023-continued to perform well in the fourth quarter of the previous fiscal year, and sales have exceeded the target by twice. As a result of an increase in our presence in EC market, contracts with new wholesale customers have increased significantly, and both EC and wholesale sales have remained strong. In addition, we invested in advertising in conjunction with the development of new products in the autumn. As a result, recognition of both base makeup and skincare products expanded. As a result, net sales increased 1001.3% year on year.

d. Global Business

Sales outside the group in both the Korean, U.S. and Chinese markets have been strong since the first quarter, and sales increased 31.3% year on year. This was mainly because of business sales of Otamatone music toys, which we acquired in January of this year, in the U.S. market. However, consolidated adjusted net sales decreased 0.3% year on year due to an increase in the elimination of consolidated net sales resulting from an increase in inter-group transactions for products related to the Cosmetics Business, for which sales were strong.

As a result, net sales in the Commerce segment for the second quarter of the current fiscal year were JPY5,992,596 thousand (up 18.9% year on year) and segment income (operating income) was JPY393,007 thousand (up 4.2% year on year).

② Platform segment

a. Next Engine Business

While there were signs of a recovery in the inflow of new clients in the first quarter of the fiscal year under review, we believe that EC market remains sluggish due to factors such as a shift to consumption of experience due to summer holidays in the second quarter of the fiscal year under review, and that it will take some time to improve the market.

(a) Structural changes in EC marketplace

Despite an increase in the number of businesses entering EC industry due to COVID-19, the increasingly competitive landscape brought about by an increase in players widened the gap between EC operators with brand power and financial capacity and those who did not, resulting in the polarization of the industry.

(b) Rebound in consumer behavior during COVID-19 pandemic

Digital shifts in consumer behavior progressed due to COVID-19, but the rebound to the digital shift became pronounced, as consumption at real stores tended to increase against the backdrop of the penetration of vaccinations and the decline in the number of seriously injured people, and a shift from consumption of goods to consumption of experience (travel, events, etc.) became more pronounced after self-restraint period.

(c) Shifting urgent management issues for EC operators

Against the backdrop of the above, the management priorities of EC operators are shifting from streamlining back-office operations to maximizing sales and securing incomes, and it is thought that the willingness to introduce various business efficiency improvement services is temporarily declining.

The revision of service prices implemented in June 2023 expanded the scope of transactions for small businesses in EC sales, while at the same time increasing the number of orders processed, which is the basis for pay-as-you-go billing, became more easily reflected in usage fees. In particular, a reduction in the basic usage fee from JPY10,000 to JPY3,000 per month resulted in an increase in applications for free subscriptions. As a result, the pace at which contract acquisition were obtained recovered, and the net number of clients increased to 261 clients in the second quarter under review. Nevertheless, ARPU of EC operators has declined due to a downturn in the number of orders received, which has been accompanied by a downturn in the market. As a result, we cannot remain optimistic about this situation.

In addition, although there have been a certain number of cases of withdrawal from EC following the previous fiscal year, the number of cancellations themselves remained low, and the churn rate for the second quarter was 0.82%.

Against this backdrop, net sales in the Next Engine Business increased 3.8% year on year.

b. Consulting Business

While continuing to address the management issue of securing consultant resources, we are also in the process of promoting a new growth strategy aimed at improving our performance. Despite a decline in sales attributable to a shortage of consultants, we are focusing on activities with an emphasis on profitability. As a result, operating income in the second quarter exceeded our initial plan. In Consulting Business profit ratio improved and its sales looks like decreasing YoY. It was due to the fact that the previous fiscal year's sales level was overstated by one month, as we absorbed Hamee Consulting Corp., which handles the consulting business, into NE Inc. in the previous fiscal year, and incorporated seven months' worth of results.

c. Localco Business

Sales grew significantly in September because of last-minute surge in demand stemming from a partial system change related to the hometown tax payment that took effect in October. Net sales in the second quarter increased 45.2% year on year, despite a reactionary decline in demand was confirmed after the last-minute surge demand in October. In the second quarter, we were able to win 2 new contracts with local governments. We will continue to focus on providing added value to existing

contract municipalities and acquiring contracts with new municipalities.

As a result of the above, the Platform segment recorded sales of JPY1,645,028 thousand (up 3.2% year on year) and segment profit (operating profit) of JPY758,502 thousand (up 15.6% year on year) for the second quarter of the current fiscal year.

As a result of the above, in the second quarter of the current fiscal year, net sales were JPY7,631,488 thousand (up 15.0% year on year), operating income was JPY633,632 thousand (up 10.3%), ordinary income was JPY700,329 thousand (down 7.5%), and profit attributable to owners of parent was JPY201,947 thousand. (down 59.2%)

(2) Explanation of Financial Position

① Financial position

Assets at the end of the second quarter of the current fiscal year increased by JPY876,141 thousand from the end of the previous fiscal year to JPY13,196,628 thousand. This was mainly due to an increase of JPY856,124 thousand in product, an increase of JPY352,824 thousand in notes and accounts receivable-trade because of an increase in net sales, an increase of JPY221,139 thousand in other current assets, an increase of JPY78,286 thousand in raw materials and supplies, an increase of JPY56,848 thousand in investment securities, a decrease of JPY553,125 thousand in cash and deposits, and a decrease of JPY201,434 thousand in deferred tax assets due to a change in the dividend policy from a consolidated subsidiary to ours.

Liabilities increased by JPY680,349 thousand from the end of the previous fiscal year to JPY4,040,335 thousand. This was mainly due to an increase of JPY360,000 thousand in long-term loans payable, an increase of JPY334,579 thousand in accounts payable-other, a decrease of JPY199,353 thousand in income taxes payable, and a decrease of JPY100,000 thousand in short-term loans payable, despite an increase of JPY173,576 thousand in accounts payable-trade.

Net assets increased JPY195,791 thousand from the end of the previous fiscal year to JPY9,156,292 thousand. This was mainly due to an increase of JPY307,781 thousand in foreign currency translation adjustments and an increase of JPY43,151 thousand in valuation difference on other-for-sale securities, partially offset by a decrease of JPY162,152 thousand in retained earnings.

② Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter of the current fiscal year decreased by JPY553,125 thousand from the end of the previous fiscal year to JPY2,982,543 thousand.

The status of each cash flow and its factors at the end of the second quarter of the current fiscal year are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was JPY245,902 thousand, compared with JPY118,793 thousand used in the same quarter of the previous year. This was mainly due to an increase of JPY857,044 thousand in inventories, an increase of JPY598,592 thousand in other assets, and an increase of JPY289,446 thousand in notes and accounts receivable-trade, which were the main cash inflows factors including profit before income taxes of JPY696,355 thousand, an increase of JPY419,472 thousand in accounts payable-other, and depreciation of JPY336,578 thousand.

(Cash flows from investing activities)

Net cash used in investing activities was JPY299,442 thousand, compared with JPY529,912 thousand used in the same quarter of the previous year. This was mainly due to the acquisition of asset, plant and equipment of JPY214,461 thousand, the purchase of intangible assets such as software of JPY79,240 thousand, and other cash outflows of JPY6,194 thousand, despite the proceeds from sales of property, plant and equipment of JPY454 thousand.

(Cash flows from financing activities)

Net cash used in financing activities was JPY79,313 thousand, compared with net cash provided by financing activities of JPY48,919 thousand in the same quarter of the previous fiscal year. This was mainly due to cash provided by long-term loans payable of JPY450,000 thousand offset by cash dividends paid of JPY358,116 thousand, repayments of short-term loans payable of JPY100,000 thousand, and repayments of lease obligations of JPY71,196 thousand.

(3) Explanation of future forecasts such as Consolidated performance Forecasts

There are no changes to the full-year consolidated earnings forecast announced on June 14, 2023.

2. Quarter Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	End of previous fiscal year (As of April 30, 2023)	End of second quarter of the fiscal year (October 31, 2023)
Assets		
Current assets		
Cash and deposits	3,535,669	2,982,543
Notes and accounts receivable	1,797,001	2,149,825
Inventory	1,643,852	2,499,977
Work in process	10,658	17,252
Supplies	35,569	113,855
Others	1,597,362	1,818,502
Allowance for doubtful accounts	△38,135	△47,151
Total current assets	8,581,977	9,534,805
Fixed assets		
Property, plant and equipment		
Buildings	745,514	812,782
Accumulated depreciation	△129,270	△167,352
Buildings, net	616,243	645,430
Automotive equipment	3,604	3,883
Accumulated depreciation	△863	△1,319
Vehicles, net	2,740	2,564
Tools, furniture and fixtures	1,040,999	1,288,955
Accumulated depreciation	△722,982	△923,981
Tools, furniture, and fixtures, net	318,016	364,973
Right-of-use asset	355,894	401,376
Accumulated depreciation	△123,214	△195,737
Assets for right of use, net	232,679	205,639
Land	337,086	363,243
Construction in progress	1,564	1,686
Total property, plant and equipment	1,508,332	1,583,536
Intangible assets		
Goodwill	490,930	473,337
Software	305,312	297,426
Trademark right	15,219	17,522
Others	14,098	14,597
Total intangible assets	825,562	802,884
Investments and other assets		
Investment securities	550,030	606,879
Stocks of subsidiaries and affiliates	45,018	46,673
Net defined benefit asset	143,447	144,800
Deferred tax assets	563,817	362,382
Others	118,340	134,341
Allowance for doubtful accounts	△16,039	△19,675
Total investments and other assets	1,404,614	1,275,402
Total noncurrent assets	3,738,509	3,661,823
Total assets	12,320,486	13,196,628

(Thousands of yen)

	End of previous fiscal year As of April 30, 2023	End of second quarter of the fiscal year under review (As of October 31, 2023)
Liabilities		
Current liabilities		
Accounts payable	166,048	339,624
Short-term loans payable	1,300,000	1,200,000
Current portion of long-term loans payable	-	90,000
Accounts payable-other	862,932	1,197,511
Accrued expenses	245,155	237,492
Income taxes payable	438,653	239,300
Provision for bonuses	25,201	29,940
Others	198,268	219,280
Total current liabilities	3,236,260	3,553,151
Long-term liabilities		
Long-term debt	-	360,000
Asset retirement obligations	11,341	12,221
Deferred tax liabilities	-	22,753
Others	112,384	92,209
Total noncurrent liabilities	123,725	487,184
Total liabilities	3,359,985	4,040,335
Net assets		
Shareholders' equity		
Common stock	598,262	598,262
Capital surplus	543,737	544,751
Retained earnings	7,834,362	7,672,210
Treasury stock	△349,636	△341,754
Total shareholders' equity	8,626,725	8,473,470
Other accumulated comprehensive income		
Valuation difference on securities	3,163	46,315
Foreign currency translation adjustments	235,004	542,785
Total other accumulated comprehensive income	238,167	589,101
Stock Option	95,608	93,721
Total net assets	8,960,501	9,156,292
Total liabilities and net assets	12,320,486	13,196,628

(2)Quarter Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Consolidated income statement for the quarter

Second quarter consolidated cumulative accounting period

	(Thousands of yen)	
	First six-month period of previous fiscal year (May 1, 2022 To October 31, 2022)	First six-month period of fiscal year under review (May 1, 2023 To October 31, 2023)
Net sales	6,633,562	7,631,488
Cost of sales	2,635,886	2,910,376
Gross profit	3,997,676	4,721,112
Selling, general and administrative expenses	3,423,302	4,087,479
Operating income	574,373	633,632
Non-operating income		
Interest income	4,720	454
Consumption tax difference	10	22,798
Equity in earnings of associated companies	1,121	1,869
Foreign exchange gain	167,309	41,339
Others	18,389	21,672
Total non-operating income	191,551	88,134
Non-operating expenses		
Interest expenses	4,571	15,314
Payment Guarantee Fee	3,868	3,887
Others	191	2,235
Total non-operating expenses	8,631	21,437
Ordinary income	757,293	700,329
Extraordinary income		
Gain on sales of noncurrent assets	792	103
Gain on reversal of stock acquisition rights	-	1,887
Total extraordinary income	792	1,990
Extraordinary losses		
Loss on retirement of noncurrent assets	7,486	893
Write-down of investment securities	14,253	5,070
Total extraordinary loss	21,739	5,963
Current net income for the quarter before income taxes and minority interests	736,346	696,355
Income taxes	194,415	269,286
Income taxes-deferred	46,873	225,121
Total income taxes	241,289	494,408
Net profit	495,056	201,947
Net profit attributable to owners of parent	495,056	201,947

Quarterly Consolidated Statements of Comprehensive Income
 Second quarter consolidated cumulative accounting period

	(Thousands of yen)	
	Second quarter of previous fiscal year (May 1, 2022 To October 31, 2022)	Second quarter of fiscal year (May 1, 2023 To October 31, 2023)
Quarter net profit	495,056	201,947
Other comprehensive income		
Valuation difference on securities	△429	43,151
Adjustment on foreign currency statement translation	△2,848	307,781
Total other comprehensive income	△3,278	350,933
Quarterly comprehensive income	491,778	552,880
(Details)		
Quarterly comprehensive income attributable to owners of parent	491,778	552,880
Quarterly comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousands of yen)	
	First six-month period of previous fiscal year (May 1, 2022 To October 31, 2022)	First six-month period of fiscal year under review (May 1, 2023 To October 31, 2023)
Net cash provided by operating activities		
Current net income for the quarter before income taxes and minority interests	736,346	696,355
Depreciation and amortization	308,709	336,578
Amortization of goodwill	107,707	54,233
Loss on retirement of property, plant and equipment	7,486	893
Loss on sales of property, plant and equipment (Δ gain)	Δ 792	Δ 103
Unrealized gains on available-for-sale securities. (Δ gain)	14,253	5,070
Increase in allowance for doubtful accounts (Δ decrease)	8,785	9,162
Increase in accrued bonuses (Δ decrease)	Δ 30,393	2,710
Increase in net defined benefit asset and liability	Δ 64,849	9,523
Interest and dividend income	Δ 4,720	Δ 454
Interest expenses	4,571	15,314
Equity in earnings of affiliates (Δ gain)	Δ 1,121	Δ 1,869
Decrease in notes and accounts receivable-trade (Δ increase)	Δ 162,357	Δ 289,446
Decrease in inventories (Δ increase)	Δ 319,325	Δ 857,044
Increase in notes and accounts payable-trade (Δ decrease)	120,896	148,411
Increase in advances paid (Δ increase)	151,356	Δ 15,396
Increase in accounts payable-other (Δ decrease)	3,555	419,472
Increase in accrued expenses (Δ decrease)	Δ 3,225	Δ 13,782
Others	Δ 673,891	Δ 598,592
Subtotal	202,992	Δ78,962
Interest and dividends income received	634	9,633
Interest expenses paid	Δ 1,273	Δ 2,014
Income taxes paid	Δ 321,147	Δ 174,558
Net cash provided by operating activities	Δ118,793	Δ245,902
Cash flow from investing activities		
Purchase of property, plant and equipment	Δ 171,397	Δ 214,461
Proceeds from sales of property, plant and equipment	872	454
Purchase of intangible assets	Δ 111,100	Δ 79,240
Purchase of investment securities	Δ 10,900	-
Lending of loans receivable	Δ 270,600	-
Others	33,212	Δ 6,194
Cash flow from investing activities	Δ529,912	Δ299,442
Cash flow from financing activities		
Net increase in short-term borrowings (Δ decrease)	500,000	Δ 100,000
Proceeds from long-term debt	-	450,000
Repayment of long-term loans payable	Δ 24,018	-
Repayments of lease obligations	Δ 69,328	Δ 71,196
Cash dividends paid	Δ 357,734	Δ 358,116
Cash flow from financing activities	48,919	Δ79,313
Effect of exchange rate change on cash and cash equivalents	42,124	71,532
Net increase in cash and cash equivalents (Δdecrease)	Δ557,661	Δ553,125

	(Thousands of yen)	
	First six-month period of previous fiscal year (May 1, 2022 To October 31, 2022)	First six-month period of fiscal year under review (May 1, 2023 To October 31, 2023)
Cash and cash equivalents at beginning of term	4,025,758	3,535,669
Period-end balance of cash and cash equivalents	3,468,096	2,982,543

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment information, etc.)

[Segment Information]

I Previous Second Quarter (May 1, 2022 to October 31, 2022)

1. Information on net sales and profits or losses by reportable segment and revenue decomposition information

(Thousands of yen)

	Reportable segments			Adjusted amount (NOTE)1	Quarterly consolidated amount recorded in the income statement (NOTE)2
	Commerce	Platform	Total		
Net sales					
Arise from contracts with customers revenue	5,041,852	1,591,710	6,633,562	–	6,633,562
Sales to customers	5,041,852	1,591,710	6,633,562	–	6,633,562
Inter-segment sales or reclasses	–	2,025	2,025	△2,025	–
Total	5,041,852	1,593,735	6,635,588	△2,025	6,633,562
Segment profit	377,175	656,139	1,033,314	△458,941	574,373

(NOTE)1. The adjusted amount of segment profit, △JPY458,941 thousand is mainly corporate expenses that are not allocated to each reportable segment, and is mainly general and administrative expenses.

(NOTE)2. Segment income is consistent with operating income in the quarterly consolidated statements of income.

2. Information on impairment loss on noncurrent assets and goodwill by reportable segment

Not applicable.

II Current First Quarter (May 1, 2023 to October 31, 2023)

1. Information on net sales and profits or losses by reportable segment and revenue decomposition information

(Thousands of yen)

	Reportable segments			Adjusted amount (NOTE)1	Quarterly consolidated amount recorded in the income statement (NOTE)2
	Commerce	Platform	Total		
Net sales					
Arise from contracts with customers revenue	5,991,556	1,639,932	7,631,488	–	7,631,488
Sales to customers	5,991,556	1,639,932	7,631,488	–	7,631,488
Inter-segment sales or reclasses	1,040	5,095	6,136	△6,136	–
Total	5,992,596	1,645,028	7,637,625	△6,136	7,631,488
Segment profit	393,007	758,502	1,151,510	△517,877	633,632

(NOTE)1. The adjusted amount of segment profit, △JPY517,877 thousand is mainly corporate expenses that are not allocated to each reportable segment, and is mainly general and administrative expenses.

(NOTE)2. Segment income is consistent with operating income in the quarterly consolidated statements of income.

2. Information on impairment loss on noncurrent assets and goodwill by reportable segment

Not applicable.

(Significant Subsequent Events)

(Business Combination through Acquisition)

At a Board of Directors meeting held on September 15, 2023, we resolved to acquire 80% of the shares of anea design Inc. and make it a subsidiary. On September 30, 2023, we concluded a share transfer contract. In addition, on November 2, 2023, we acquired 80 shares of common stock of anea design Inc.

1.The outline of the Business Combination

(1) Name and business of the acquisition company

Name of acquisition company: anea design Inc.

Business: horticultural and interior decoration businesses

(2) Main reasons for the business combination

In 2014, anea design Inc. began EC and sales of bulk plants. In 2016, they opened BOTANIZE, a shop centered on bulk plants, in Daikanyama. As of, we operate Shirokane and Omotesando. Recently, the tuberous root vegetation boom has become increasingly famous both domestically and internationally, and we are focusing our efforts on the support of young domestic artists, introducing them in galleries and collaborating in various ways, and attracting attention as an influencer in Instagram. In the future, we decided to leverage our expertise in IT, manufacturing and EC sales to create a "BOTANIZE" brand that will satisfy as many people as possible. We also determined that this would lead to further business growth for our group through the enhancement of the value of our existing brands, the creation of new brands, and the M&A of other companies' brands.

(3) Date of business combination

November 2, 2023 (deemed acquisition date January 31, 2024)

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name following business combination

There is no change.

(6) Percentage of voting rights acquired

80.00%

(7) Main rationale for determining the company to acquire

This was due to the acquisition of shares by us in exchange for cash.

2.Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	JPY300,000 thousand
Acquisition cost		JPY300,000 thousand

3.Details and amount of major acquisition-related expenses

Compensation and fees for advisory services JPY1,396 thousand

4.Goodwill, reason for recognizing goodwill, amortization method and amortization term

It has not been determined at this time.

5.The amount of assets accepted and liabilities assumed on the date of the business combination, and major breakdown thereof

It has not been determined at this time.