

※ 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 : Yes
- 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) | Q1 FY04/22 | 16,267,200Shares | FY04/21 | 16,255,200Shares |
| ② Number of treasury shares at the end of the period | Q1 FY04/22 | 377,549Shares | FY04/21 | 377,523Shares |
| ③ Average number of shares during the period | Q1 FY04/22 | 15,885,335Shares | Q1 FY04/21 | 15,766,779Shares |

※ 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 forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors. Please refer to "1. Qualitative information on the current quarter's performance, (3) Explanation of future forecasts such as Consolidated performance Forecasts" on page 3 of the attached material for the assumptions on the performance forecast and notes on the use of the performance forecast.

(Reference only)

In case of any discrepancies between Japanese version and English version, Japanese Language version shall Prevail.

○Accompanying Materials – Contents

| | |
|---|----|
| 1. Qualitative Information on the current quarter’s performance | 2 |
| (1) Explanation of Operating Results | 2 |
| (2) Explanation of Financial Position | 3 |
| (3) Explanation of future forecasts such as Consolidated performance Forecasts..... | 4 |
| 2. Quarter Consolidated Financial Statements..... | 5 |
| (1) Quarterly Consolidated Balance Sheets..... | 5 |
| (2) Quarter Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income..... | 7 |
| (3) Notes to Quarterly Consolidated Financial Statements..... | 9 |
| (Notes on the Going Concern Assumption)..... | 9 |
| (Notes on Significant Changes in the Amount of Shareholders' Equity)..... | 9 |
| (Changes in Accounting Policies) | 9 |
| (Segment Information, etc.) | 11 |
| (Significant Subsequent Events)..... | 12 |

1. Qualitative Information on the current quarter's performance

(1) Explanation of Operating Results

In the first quarter of the current consolidated fiscal year, the Japanese economy is in a state of uncertainty, including the reoccurrence of the Declaration of Emergency Situation due to the resurgence of infectious diseases with COVID-19 and soaring marine freight rates due to the worldwide shortage of semiconductors and container shortages, despite the gradual progress of vaccination and positive signs.

Under these circumstances, the status of each business segment in the first quarter of the fiscal year under review was as follows.

① Commerce Business

a. Domestic business

Product: In the mainstay iFace series, although there were sales of iPhone SE (second-generation) in the same quarter of the previous year, there were no sales of new models (iPhone) in the same quarter of the previous year, sales of Reflection and AirPods CASE, which are 1 of our mainstay products, were strong, and we were able to secure sales at almost the same level as the previous year. In July 2021, we released Look in Clear as a new iFace series after our mainstay products First Class and Reflection, and in August of the same year we launched upfront bookings for "notebook-type" products, for which there is strong customer demand. We are steadily preparing for a new iPhone sales campaign that will be a major shopping season throughout the year. On the other hand, in light of future product development aimed at strengthening brand power, the number of products to be launched declined as a result of narrowing down the number of product development items for some smartphone accessories such as neckstrap, and the impact of difficulty in purchasing products from other companies' brands, particularly sundries and toys, due to the impact of a shortage in the supply of IC chips.

Wholesale: Compared to the same quarter of the previous year due to the impact of COVID-19 infectious disease, the period covered by the Emergency Declaration, etc. lengthened. As a result, there was no reaction after the termination of the Declaration, which was seen last year, and the impact on both cities and rural areas due to the expansion of the areas covered. As a result, we were unable to exceed the previous year.

Retail: Revenues were down, similar to wholesale, due to the aforementioned product-related impacts, as well as stable growth compared to rapid growth in the same quarter of the previous year despite continued growth in the EC market and the impact of markdowns by competitors.

b. International Business

In the U.S., which handles mainly music toys and character miscellaneous goods, sales increased 29% year on year due to the further acceleration of retail, which has been expanding since the previous year, and wholesale sales grew significantly due to the impact of the economy, which is being resumed. As a result, sales in the U.S. as a whole increased significantly by 89%.

As a result of the above, net sales in the Commerce Business for the first quarter of the current fiscal year were JPY1,899,787 thousand (down 8.9% from the same quarter of the previous fiscal year), and segment income (operating income) was JPY358,855 thousand (down 29.2%).

② Platform Business

a. Next Engine

In terms of the number of clients, we were able to efficiently acquire customers as a result of the start of the effects of organizational changes made in the previous fiscal year to strengthen customer success activities. In addition, the churn rate was stable at a low level, resulting in an increase of 210 companies from the previous quarter to 4,949 clients. The average spend per customer increased 2% from the previous quarter to JPY36,525 due to the impact of the EC market, which remained active while stabilizing compared to the same quarter of the previous year. In order to develop services that

utilize Next Engine data, in addition to making "AI Auto Recommendation" apps paid for, in order to provide new marketing solutions, we will continue to focus on upsell measures and work to continuously strengthen earnings, including starting test marketing with Criteo, which has 1 of the largest advertising networks in Japan and provides targeted advertising services.

b. Hamee Consulting Corp.

Hamee Consulting Corp, which provides sales support consulting for e-commerce businesses, steadily increased revenues thanks to progress in obtaining contracts from large customers. In order to increase contract acquisition in the future, we will focus on strengthening the recruitment of consultants and other measures to further expand earnings. In addition, in August 2021, we launched a proxy for setting up the Next Engine. By pursuing synergies with Next Engine, we aim to improve the profitability of the platform business as a whole.

As a result, the Platform Business posted net sales of JPY656,966 thousand (an increase of 19.5% from the same quarter of the previous year) and segment income (operating income) of JPY272,937 thousand (an increase of 18.3%).

③ Others

This is related to new services that cannot be clearly categorized into either the Commerce Business or the Platform Business, and includes Hometown Tax Payment Support Service, Hamic POCKET mobile devices for elementary school students, and RUKAMO ethical net shops.

With regard to the Hometown Tax Payment Support Service, from the beginning of the fiscal year under review, the NTA worked to improve the donation amount of existing contract municipalities by implementing various e-commerce marketing measures, such as the use of advertising strengthened by increasing the number of web designers and the distribution of e-mail magazines, and by developing new return gifts. The NTA steadily proceeded with preparations for November-December, when the hometown tax payment market will be the most active. With regard to Hamic POCKET, we are continuing to work to improve hardware and software in response to customer requests, and we aim to be a product market fit during the fiscal year ending April 2022.

As a result, net sales for the first quarter of the current fiscal year amounted to JPY60,473 thousand (up 20.6% year on year). On the other hand, segment income (operating loss) amounted to a loss of JPY83,390 thousand (loss of JPY81,559 thousand for the same quarter of the previous year).

As a result of the above, for the first quarter of the current fiscal year, net sales were JPY2,617,227 thousand (down 2.5% year on year), operating income was JPY327,864 thousand (down 21.2% year on year), ordinary income was JPY347,690 thousand (down 13.2% year on year), and profit attributable to owners of parent was JPY254,480 thousand (down 2.4% year on year).

As a change in accounting policy, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

(2)Explanation of Financial Position

Assets at the end of the first quarter of the current fiscal year decreased by JPY273,698 thousand from the end of the previous fiscal year to JPY8,065,055 thousand. This was mainly due to a decrease of JPY267,869 thousand in cash and deposits resulting from payment of income taxes and consumption taxes.

Liabilities decreased by JPY370,959 thousand from the end of the previous fiscal year to JPY1,439,742 thousand. This was mainly due to a decrease of JPY348,239 thousand in income taxes payable.

Net assets increased by JPY97,261 thousand from the end of the previous fiscal year to JPY6,625,313 thousand. This was mainly due to an increase of JPY93,876 thousand in retained earnings due to an increase in retained earnings carried forward, and an increase of JPY3,742 thousand in capital stock and additional paid-in capital due to the exercise of stock options.

(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, 2021.

2.Quarter Consolidated Financial Statements
(1)Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | End of previous fiscal year (As of April 30, 2021) | End of 1st quarter of the year (As of July 31, 2021) |
|---------------------------------------|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,354,616 | 3,086,747 |
| Notes and accounts receivable | 1,590,162 | 1,291,037 |
| Inventory | 962,612 | 1,052,255 |
| Work in process | 4,674 | 6,034 |
| Raw materials and supplies | 5,800 | 5,624 |
| Others | 571,999 | 721,174 |
| Allowance for doubtful accounts | △33,133 | △32,583 |
| Total current assets | 6,456,733 | 6,130,291 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 208,420 | 224,672 |
| Accumulated depreciation | △60,667 | △63,464 |
| Buildings and structures, net | 147,753 | 161,208 |
| Tools, furniture and fixtures | 638,447 | 700,706 |
| Accumulated depreciation | △501,983 | △522,199 |
| Tools, furniture, and fixtures, net | 136,464 | 178,507 |
| Construction in progress | 334,921 | 353,457 |
| Total property, plant and equipment | 619,139 | 693,172 |
| Intangible assets | | |
| Goodwill | 340,255 | 288,618 |
| Software | 235,794 | 246,974 |
| Trademark rights | 14,002 | 13,521 |
| Others | 13,720 | 13,720 |
| Total intangible assets | 603,772 | 562,835 |
| Investments and other assets | | |
| Investment securities | 34,407 | 61,926 |
| Stocks of subsidiaries and affiliates | 46,749 | 46,006 |
| Net defined benefit asset | 15,197 | 1,471 |
| Deferred tax assets | 417,860 | 427,550 |
| Others | 150,945 | 144,816 |
| Allowance for doubtful accounts | △6,052 | △3,016 |
| Total investments and other assets | 659,108 | 678,755 |
| Total noncurrent assets | 1,882,020 | 1,934,764 |
| Total assets | 8,338,753 | 8,065,055 |

(Thousands of yen)

| | End of previous fiscal year (As of April 30, 2021) | End of 1st quarter of the year (As of July 31, 2021) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 208,741 | 224,569 |
| Short-term loans | 12,177 | - |
| Current portion of long-term loans payable | 48,036 | 48,036 |
| Accounts payable-other | 729,990 | 687,008 |
| Accrued expenses | 185,142 | 207,752 |
| Income taxes payable | 478,607 | 130,367 |
| Provision for bonuses | 51,096 | 10,294 |
| Reserve for sales returns | 6,938 | - |
| Provision for discount points | 217 | - |
| Others | 25,114 | 80,058 |
| Total current liabilities | 1,746,062 | 1,388,085 |
| Noncurrent liabilities | | |
| Long-term loan | 43,853 | 31,844 |
| Others | 20,785 | 19,812 |
| Total Noncurrent liabilities | 64,638 | 51,656 |
| Total liabilities | 1,810,701 | 1,439,742 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 594,043 | 597,785 |
| Capital surplus | 532,785 | 536,527 |
| Retained earnings | 5,612,726 | 5,706,603 |
| Treasury stock | △363,636 | △363,677 |
| Total shareholders' equity | 6,375,918 | 6,477,238 |
| Other accumulated comprehensive income | | |
| Valuation difference on securities | - | △111 |
| Adjustments on Foreign currency statement translation | 54,009 | 52,578 |
| Total other accumulated comprehensive income | 54,009 | 52,466 |
| Stock Option | 98,124 | 95,608 |
| Total net assets | 6,528,052 | 6,625,313 |
| Total liabilities and net assets | 8,338,753 | 8,065,055 |

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

Consolidated income statement for the quarter
1st Quarter of the fiscal year

(Thousands of yen)

| | First 1st quarter of previous fiscal year (From May 1, 2020 to July 31, 2020) | First 1st quarter of fiscal year (From May 1, 2021 to July 31, 2021) |
|--|--|--|
| Net sales | 2,684,108 | 2,617,227 |
| Cost of sales | 1,053,295 | 952,799 |
| Gross profit | 1,630,813 | 1,664,428 |
| Reversal of reserve for sales returns | 6,716 | - |
| Provision for reserve for sales returns | 3,396 | - |
| Gross profit after adjustment of reserve for sales returns | 1,634,133 | 1,664,428 |
| Selling, general and administrative expenses | 1,218,156 | 1,336,563 |
| Operating income | 415,976 | 327,864 |
| Non-operating income | | |
| Interest income | 158 | 395 |
| Subsidy income | 177 | 4,944 |
| Gain from forgiveness of debt | - | 12,073 |
| Equity in earnings of associated companies | 1,155 | - |
| Foreign exchange gains | - | 2,701 |
| Others | 4,078 | 4,070 |
| Total non-operating income | 5,570 | 24,183 |
| Non-operating expenses | | |
| Interest expenses | 2,642 | 55 |
| Payment Guarantee Fee | 1,337 | 1,680 |
| Equity in losses of affiliates | - | 1,730 |
| Foreign exchange losses | 10,454 | - |
| Others | 6,710 | 890 |
| Total non-operating expenses | 21,145 | 4,357 |
| Ordinary profit | 400,401 | 347,690 |
| Extraordinary gains | | |
| Gain on sales of noncurrent assets | 378 | - |
| Gain on reversal of subscription rights to | 1,258 | - |
| Total extraordinary income | 1,636 | - |
| Extraordinary income | | |
| Loss on valuation of investment securities | 10,164 | 3,472 |
| Loss on reversal of foreign currency translation adjustments | 868 | - |
| Total extraordinary loss | 11,032 | 3,472 |
| Quarter net profit before income taxes and minority interests | 391,004 | 344,218 |
| Income taxes | 174,852 | 98,045 |
| Income taxes-deferred | △44,560 | △8,307 |
| Total income taxes | 130,292 | 89,738 |
| Quarterly net profit | 260,712 | 254,480 |
| Quarterly net profit attributable to owners of parent | 260,712 | 254,480 |

Quarterly Consolidated Statements of Comprehensive Income

1st Quarter of the fiscal year

(Thousands of yen)

| | First 1st quarter of previous fiscal year (From May 1, 2020 to July 31, 2020) | First 1st quarter of fiscal year (From May 1, 2021 to July 31, 2021) |
|--|--|--|
| Quarterly net profit | 260,712 | 254,480 |
| Other comprehensive income | | |
| Valuation difference on securities | - | △111 |
| Adjustment on foreign currency statement translation | 20,361 | △1,431 |
| Total other comprehensive income | 20,361 | △1,542 |
| Quarterly comprehensive income | 281,073 | 252,937 |
| (Details) | | |
| Quarterly comprehensive income attributable to owners of the parent | 281,073 | 252,937 |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

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

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") and other standards are applied from the beginning of the first quarter of the current fiscal year to recognize revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

As a result, sales discounts, which were previously recorded as non-operating expenses, have been reduced from net sales. In the Commerce segment, the Company changed its method of recognizing as income and cost of sales the allowance for sales returns, which was recorded as a current liability based on the amount equivalent to gross profit, excluding the amount equivalent to revenue and cost of sales of products expected to be returned. Consequently, the consideration for products expected to be returned is included in "Other" in current liabilities as a refund liability, and assets recognized as the right to recover products from customers when the refund liability is settled are included in "Other" in current assets as a return asset.

In the past, the unused portion of the in-house points granted to customers was recorded as "Provision for points." However, due to the immateriality of the amount of these points, the Company has changed to a method that does not identify separate performance obligations.

The Commerce business applies the alternative treatment set forth in Item 98 of "Guidance on Accounting Standards for income Recognition" and recognizes revenue upon shipment for domestic sales of merchandise when the period between the time of shipment and the time when control of the merchandise is transferred to the customer is normal.

With regard to the application of the revenue recognition accounting standard, etc., in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been adjusted to retained earnings at the beginning of the first quarter of the current fiscal year, and a new accounting policy has been applied from the beginning balance of the current fiscal year. However, the new accounting policy has not been applied retrospectively to contracts for which the method set forth in paragraph 86 of the Accounting Standard for income Recognition has been applied and substantially all revenue amounts have been recognized in accordance with previous treatment prior to the beginning of the first quarter of the current fiscal year. In addition, we apply the method stipulated in paragraph 86 of the Accounting Standard for Revenue Recognition and paragraph (1) of the Write-down Method to account for contract modifications made prior to the beginning of the first quarter under review based on the periods of the contract after reflecting all contract modifications, and adjusts the cumulative effect to retained earnings at the beginning of the first quarter under review.

As a result, for the first quarter of the current fiscal year, net sales increased by JPY5,395 thousand, cost of sales increased by JPY4,157 thousand, operating income increased by JPY1,238 thousand, and ordinary income and income before income taxes increased by JPY2,566 thousand each. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by JPY1,826 thousand.

In accordance with the transitional treatment stipulated in paragraph 28-15 of the "Accounting

Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), information disaggregated by revenue from contracts with customers for the first quarter of the previous fiscal year is not presented.

(Segment information, etc.)

[Segment Information]

I Previous 1st Quarter (From May 1, 2020 to July 31, 2020)

1.Information on net sales and profits or losses by reported segment

(Thousands of yen)

| | Reportable segments | | | Others (NOTE)1 | Total | Adjusted amount (NOTE)2 | Quarterly consolidated amount recorded in the income statement (NOTE)3 |
|--------------------------------------|----------------------|----------------------|-----------|-------------------|-----------|-------------------------------|--|
| | Commerce Business | Platform Business | Total | | | | |
| Net sales | | | | | | | |
| To external customers Net sales | 2,084,678 | 549,303 | 2,633,981 | 50,126 | 2,684,108 | - | 2,684,108 |
| Inter-segment Sales or reclassess | - | 329 | 329 | - | 329 | △329 | - |
| Total | 2,084,678 | 549,632 | 2,634,310 | 50,126 | 2,684,437 | △329 | 2,684,108 |
| Segment profit/loss (△) | 506,731 | 230,720 | 737,451 | △81,559 | 655,892 | △239,916 | 415,976 |

(NOTE)1. The "Others" category is a business segment that is not included in the reportable segments, which includes Hometown tax payment support services and services for EC companies that are not linked to the main functions of Next Engine.

(NOTE)2. △ reconciliations of segment income (loss) (△) of JPY239,916 thousand are mainly corporate expenses that are not allocated to each reportable segment, and are mainly general and administrative expenses.

(NOTE)3. 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 (From May 1, 2021 to July 31, 2021)

1.Information on net sales and income (loss) by reportable segment and revenue decomposition information

(Thousands of yen)

| | Reportable segments | | | Others (NOTE)1 | Total | Adjusted amount (NOTE)2 | Quarterly consolidated amount recorded in the income statement (NOTE)3 |
|---|----------------------|----------------------|-----------|-------------------|-----------|-------------------------------|--|
| | Commerce Business | Platform Business | Total | | | | |
| Net sales | | | | | | | |
| Arise from contracts with customers Revenue | 1,899,787 | 656,966 | 2,556,753 | 60,473 | 2,617,227 | - | 2,617,227 |
| Sales to customers | 1,899,787 | 656,966 | 2,556,753 | 60,473 | 2,617,227 | - | 2,617,227 |
| Inter-segment Sales or reclasses | - | - | - | - | - | - | - |
| Total | 1,899,787 | 656,966 | 2,556,753 | 60,473 | 2,617,227 | - | 2,617,227 |
| Segment profit/loss (△) | 358,855 | 272,937 | 631,792 | △83,390 | 548,401 | △220,537 | 327,864 |

(NOTE)1. The "Others" category is a business segment that is not included in the reportable segments, and includes hometown tax payment support services, Hamic POCKET, a watch mobile device for elementary school students, and RUKAMO, an ethical net shop.

(NOTE)2. △ reconciliations of segment income (loss) (△) of JPY220,537 thousand are mainly corporate expenses that are not allocated to each reportable segment, and are mainly general and administrative expenses.

(NOTE)3. 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.

3.Changes in reportable segments

As stated in "Changes in Accounting Policies," we have applied the Revenue Recognition Accounting Standards, etc. from the beginning of the first quarter of the current fiscal year, and changed the accounting method for revenue recognition. As a result, the method of calculating income or loss for business segments has been changed in the same manner.

As a result of this change, compared with the previous method, for the first quarter of the current fiscal year, net sales in the Commerce Business increased by JPY5,178 thousand, segment income increased by JPY1,021 thousand, net sales in the Other Business increased by JPY217 thousand, and segment income increased by JPY217 thousand.

(Significant Subsequent Events)

Not applicable.