



Consolidated Financial Results for the Second Quarter FY04/22 [Japanese GAAP]

December 13, 2021

Name of listed company Hamee Corp. Listed stock exchanges East
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 Quarterly Securities Report
 Preparation of supplementary material on quarterly: Yes
 financial results
 Quarterly results briefing : Yes

(Millions of yen are rounded down.)

FY04/2022 Q2 consolidated result (May 1, 2021 to October 31, 2021)

(1) Consolidated Operating results (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 FY04/22	5,948	5.8	1,134	14.3	1,202	24.1	943	40.5
Q2 FY04/21	5,621	3.8	992	17.8	968	10.4	671	11.5

(NOTE) Comprehensive income Q2 FY04/22 849 Millions of yen (19.2%) Q2 FY04/21 712 Millions of yen (48.3%)

	Earnings Per share	Diluted Earnings Per share
	Yen	Yen
Q2 FY04/22	59.40	59.18
Q2 FY04/21	42.54	42.16

(2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	Millions of yen	Millions of yen	%
Q1 FY04/22	9,975	7,236	71.6
FY04/21	8,338	6,528	77.1

(Reference) Shareholders' equity Q2 FY04/22 7,141 Millions of yen FY04/21 6,429 Millions of yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of the third quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
FY04/21	-	0.00	-	10.00	10.00
FY04/22	-	0.00	-	-	-
FY04/22 (Forecast)	-	-	-	20.50	20.50

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

3. Forecasts for the fiscal year ended April 31, 2022 (May 1, 2021 to April 30, 2022)

(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	14,000	13.2	2,250	3.2	2,248	4.6	1,612	3.6	101.53

(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 : 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)	Q2 FY04/22	16,267,200Shares	FY04/21	16,255,200Shares
② Number of treasury shares at the end of the period	Q2 FY04/22	369,481Shares	FY04/21	377,523Shares
③ Average number of shares during the period	Q2 FY04/22	15,889,462Shares	Q2 FY04/21	15,794,423Shares

※ 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 5 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.

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1. Qualitative Information on the current quarter's performance

(1) Explanation of Operating Results

In the second quarter of the cumulative year under review, the outlook for the Japanese economy remained uncertain due to concerns over the re-expansion of COVID-19 and the global shortage of semiconductors, while expectations for a recovery in the real economy are expected due to the stabilization of the expansion of COVID-19 and the lifting of the declaration of an emergency situation.

Under these circumstances, the status of each of our segments in the second quarter of the current fiscal year was as follows.

① Commerce Business

a. Domestic business

In the new iPhone shopping season, which was the biggest shopping season in the second quarter of the current fiscal year, we developed products that captured market trends, such as the launch of Pail Blue in iFace Reflection, maximized the number of new products to be launched on the handset launch date, delivered numerous new product presses before and after the handset's launch, resulting in "visibility ➡ customer referrals," and introduced a new series (Look in Clear, Cardina) in accordance with the initial plan. In addition, we controlled inventories to prevent stock shortages and excessiveness while watching sales and sales forecasts for each model in advance. As a result, we were able to greatly increase our overall responsiveness compared to the previous fiscal year and maximize sales.

Retailing: iFace has received nominated purchases due to its strong brand power (awareness and repeat rate), and is performing well compared to its competitors, further enhancing its presence within the market.

Wholesale: Sale continued track record of sales to carriers helped us expand sales through new carrier sales channels, which led to a significant increase in sales.

b. Overseas Business

In the U.S., which is the core of our overseas business, strengthening organizational strength of EC sales, e-commerce sales of music toys remained strong, and orders from Retailer increased due to the impact of the resuming economic activity in the country. Strengthening organizational strength of product planning and low rebound general merchandise development progressed. Especially sales of low-rebound general merchandise were supported by many consumers by strengthening character development, and iFace was able to increase sales by developing characters tailored to low-rebound general merchandise. As a result of the above, in the consolidated cumulative second quarter under review, retail sales grew significantly by 15.0% from the same quarter of the previous year, and wholesale sales grew by 209.7% from the same quarter of the previous year.

As a result, the Commerce Business posted net sales of JPY4,486,877 thousand (up 1.4% year on year) and segment income (operating income) of JPY1,178,699 thousand (down 3.7% year on year) for the second quarter of the current fiscal year.

② Platform Business

a. Next Engine

Since the launch of this service in 2008, Next Engine has pursued operational efficiency and automation in its e-commerce back-office by developing functions that leverage the strengths of its own Internet shop operations. In 2013, we realized platformization with the API that we released, and in 2018, we made upfront investments in call center BPO (business process outsourcing) in order to shift our Next Engine operating resources to more important customer success activities for further business growth. Currently, we have provided even better quality than in-house call center operations. As a result, the total number of contracted clients exceeded 5,000 as of September 2021, and grew to 5,093 as of the end of the second quarter (up 17.1% from the same quarter of the previous year). In addition,

during the second quarter of the fiscal year under review, GMV (the amount of orders processed) among Next Engine clients was JPY268.5 billion (an increase of 28.8% from the same quarter of the previous fiscal year), and the unit price per client was JPY35,141 (an increase of 0.7% from the same quarter of the previous fiscal year), maintaining a high level compared to the level before the expansion of COVID-19. As a result, net sales rose 20.1% year on year to JPY552,213 thousand. On the cost front, we recorded steady increases in both sales and profits, up 21.3% year on year, despite a moderate increase in the operating income margin. This was due to an increase in fixed costs stemming from a temporary increase of JPY12,137 thousand year on year in server costs as a result of promote in investment in the shift to cloud infrastructure. Hamee Consulting Corp., which had been planned at the beginning of the fiscal year, started the establishment agent in this quarter, and we will further strengthen cross-selling with this company and pursue synergies.

b. Hamee Consulting Corp.

Hamee Consulting Corp., which provides sales support consulting for e-commerce businesses, continued to expand sales through consulting from large customers, and we were able to significantly increase revenues. In addition, we are seeing an increase in orders for e-commerce website management agency and production and renewal. Accordingly, we will establish a new specialized department in November 2021 to make it a new pillar of our business.

As a result, net sales in the Platform Business increased 21.7% year on year to JPY1,323,078 thousand and segment profit increased 20.4% to JPY545,156 thousand.

③ Others

This is new services that 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, the service has been expanded to meet front-side needs such as the conversion and renovation of local government portal sites and advertising production, and the amount of donations in the second quarter of the current fiscal year increased significantly by 53.4% from the same quarter of the previous fiscal year. We will continue to leverage the strengths of our e-commerce operations while aiming to expand our business by utilizing Next Engine to improve operational efficiency.

Regarding Hamic POCKET, we plan to release Hamic POCKET L which has significantly improved recharging functions compared to conventional products. Going forward, we will continue to verify issues while deepening communication with users, with the aim of achieving PMF.

As a result, sales in the cumulative second quarter of the fiscal year under review amounted to JPY138,501 thousand (up 26.5% from the same quarter of the previous year). On the other hand, segment income (operating loss) amounted to a loss of JPY151,325 thousand (loss of JPY168,467 thousand for the same quarter of the previous year).

As a result, in the first half of the current fiscal year, net sales were JPY5,948,457 thousand (up 5.8% year on year); operating income was JPY1,134,415 thousand (up 14.3%); ordinary income was JPY1,202,276 thousand (up 24.1%); and Net profit attributable to owners of parent was JPY943,795 thousand (up 40.5%).

As a change in accounting policy, we have 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, (4) Notes to Quarterly Consolidated Financial Statements(Changes in Accounting Policies)."

(2) Explanation of Financial Position

① Financial position

Assets at the end of the second quarter under review increased by JPY1,636,837 thousand from the end of the previous fiscal year to JPY9,975,591 thousand. This was mainly due to an increase of JPY268,785 thousand in notes and accounts receivable-trade due to an increase in net sales, an increase of JPY599,608 thousand in other current assets mainly due to an increase in advances paid, and an increase of JPY359,805 thousand in buildings and structures and JPY309,623 thousand in land resulting from the relocation of offices of Hamee Global Inc.

Liabilities increased by JPY928,126 thousand from the end of the previous fiscal year to JPY2,738,827 thousand. This was mainly due to an increase of JPY887,822 thousand in short-term loans payable.

Net assets increased by JPY708,711 thousand from the end of the previous fiscal year to JPY7,236,764 thousand. This was mainly due to an increase of JPY784,876 thousand in retained earnings due to an increase in retained earnings carried forward and a decrease of JPY94,157 thousand in foreign currency translation adjustments.

② Cash Flow

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the second quarter of the current fiscal year increased by JPY51,034 thousand from the end of the previous fiscal year to JPY3,405,651 thousand.

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

Cash flows from operating activities

Net cash used in operating activities was JPY58,385 thousand (net cash inflow of JPY181,545 thousand for the same quarter of the previous year). This was mainly due to outflows of JPY172,307 thousand for gain on sales of shares of subsidiaries and associates, an increase of JPY281,865 thousand for trade receivables, an increase of JPY288,794 thousand for inventories, an increase of JPY344,312 thousand for advance payments, and income taxes paid of JPY478,782 thousand, which outweighed income factors such as income before income taxes and minority interests of JPY1,345,691 thousand.

Cash flows from investing activities

Net cash used in investing activities was JPY578,203 thousand (compared with JPY155.1 million used in the same quarter of the previous fiscal year). This was mainly due to outflow factors such as purchase of property, plant and equipment of JPY637,318 thousand and purchase of intangible assets of JPY90,122 thousand, which outweighed inflow factors such as proceeds from sales of shares of subsidiaries and associates of JPY182,354 thousand.

Cash flows from financing activities

Net cash provided by financing activities was JPY722,080 thousand (compared with an outflow of JPY130,419 thousand for the same quarter of the previous year). This was mainly due to factors such as an increase in short-term loans payable of JPY900 million and dividend payments of JPY158,776 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, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	End of previous fiscal year (As of April 30, 2021)	End of 2nd quarter of the year (As of October 31, 2021)
Assets		
Current assets		
Cash and deposits	3,354,616	3,405,651
Notes and accounts receivable	1,590,162	1,858,947
Inventory	962,612	1,232,691
Work in process	4,674	8,094
Raw materials and supplies	5,800	13,704
Others	571,999	1,171,608
Allowance for doubtful accounts	△33,133	△39,358
Total current assets	6,456,733	7,651,340
Fixed assets		
Property, plant and equipment		
Buildings and structures	208,420	568,225
Accumulated depreciation	△60,667	△65,570
Buildings and structures, net	147,753	502,655
Automotive equipment	-	2,216
Accumulated depreciation	-	△166
Vehicles, net	-	2,049
Tools, furniture and fixtures	638,447	788,879
Accumulated depreciation	△501,983	△564,174
Tools, furniture, and fixtures, net	136,464	224,705
Land	-	309,623
Construction in progress	334,921	107,781
Total property, plant and equipment	619,139	1,146,816
Intangible assets		
Goodwill	340,255	232,323
Software	235,794	250,710
Trademark rights	14,002	12,378
Others	13,720	15,104
Total intangible assets	603,772	510,516
Investments and other assets		
Investment securities	34,407	48,750
Stocks of subsidiaries and affiliates	46,749	26,108
Net defined benefit asset	15,197	3,186
Deferred tax assets	417,860	453,913
Others	150,945	134,959
Allowance for doubtful accounts	△6,052	-
Total investments and other assets	659,108	666,919
Total noncurrent assets	1,882,020	2,324,251
Total assets	8,338,753	9,975,591

(Thousands of yen)

	End of previous fiscal year (As of April 30, 2021)	End of 2nd quarter of the year (As of October 31, 2021)
Liabilities		
Current liabilities		
Accounts payable	208,741	240,603
Short-term loans	12,177	900,000
Current portion of long-term loans payable	48,036	48,036
Accounts payable-other	729,990	769,504
Accrued expenses	185,142	212,374
Income taxes payable	478,607	451,563
Provision for bonuses	51,096	19,064
Reserve for sales returns	6,938	-
Provision for discount points	217	-
Others	25,114	67,173
Total current liabilities	1,746,062	2,708,319
Noncurrent liabilities		
Long-term loan	43,853	19,835
Others	20,785	10,673
Total Noncurrent liabilities	64,638	30,508
Total liabilities	1,810,701	2,738,827
Net assets		
Shareholders' equity		
Common stock	594,043	597,785
Capital surplus	532,785	541,735
Retained earnings	5,612,726	6,397,603
Treasury stock	△363,636	△355,929
Total shareholders' equity	6,375,918	7,181,195
Other accumulated comprehensive income		
Valuation difference on securities	-	108
Adjustments on Foreign currency statement translation	54,009	△40,147
Total other accumulated comprehensive income	54,009	△40,038
Stock Option	98,124	95,608
Total net assets	6,528,052	7,236,764
Total liabilities and net assets	8,338,753	9,975,591

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

Consolidated income statement for the quarter
2nd Quarter of the fiscal year

	(Thousands of yen)	
	First six-month period of previous fiscal year (From May 1, 2020 To October 31, 2020)	First six-month period of fiscal year (From May 1, 2021 To October 31, 2021)
Net sales	5,621,882	5,948,457
Cost of sales	2,155,876	2,046,856
Gross profit	3,466,006	3,901,601
Reversal of reserve for sales returns	6,716	-
Provision for reserve for sales returns	3,986	-
Gross profit after adjustment of reserve for sales returns	3,468,736	3,901,601
Selling, general and administrative expenses	2,475,911	2,767,185
Operating income	992,825	1,134,415
Non-operating income		
Interest income	384	730
Equity in earnings of associated companies	1,529	-
Foreign exchange gains	-	43,924
Others	8,181	29,157
Total non-operating income	10,094	73,812
Non-operating expenses		
Interest expenses	5,229	76
Payment Guarantee Fee	2,749	3,395
Equity in losses of affiliates	-	736
Foreign exchange losses	17,162	-
Others	8,857	1,742
Total non-operating expenses	33,999	5,951
Ordinary profit	968,920	1,202,276
Extraordinary gains		
Gain on sales of noncurrent assets	370	28
Gain on sales of investment securities	4,999	-
Gain on sales of stock of affiliates	-	172,307
Gain on reversal of subscription rights to shares	1,258	-
Total extraordinary income	6,628	172,336
Extraordinary loss		
Loss on retirement of noncurrent assets	-	1,309
Loss on valuation of investment securities	10,164	27,611
Loss on reversal of foreign currency translation adjustments	868	-
Total extraordinary loss	11,032	28,921
Quarter net profit before income taxes and minority interests	964,515	1,345,691
Income taxes	364,888	441,093
Income taxes-deferred	△72,275	△39,196
Total income taxes	292,613	401,896
Quarterly net profit	671,902	943,795
Quarterly net profit attributable to owners of parent	671,902	943,795

Quarterly Consolidated Statements of Comprehensive Income
 Second Quarter Consolidated Cumulative Period

(Thousands of yen)

	First six-month period of previous fiscal year (From May 1, 2020 To October 31, 2020)	First six-month period of fiscal year (From May 1, 2021 To October 31, 2021)
Quarterly net profit	671,902	943,795
Other comprehensive income		
Valuation difference on securities	-	108
Adjustment on foreign currency statement translation	40,959	△94,157
Total other comprehensive income	40,959	△94,048
Quarterly comprehensive income	712,862	849,746
(Details)		
Quarterly comprehensive income attributable to owners of the parent	712,862	849,746
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 (From May 1, 2020 To October 31, 2020)	First six-month period of fiscal year (From May 1, 2021 To October 31, 2021)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	964,515	1,345,691
Depreciation and amortization	140,957	169,603
Amortization of goodwill	96,604	102,373
Loss on retirement of property, plant and equipment	-	1,309
Loss on sales of property, plant and equipment (△gains)	△370	△28
Gain on sales of stock of affiliates	-	△172,307
Loss on revaluation of marketable securities (△gains)	10,164	27,611
Loss on sales of marketable equity securities (△gains)	△4,999	-
Increase (decrease) in allowance for doubtful accounts (△decreased)	20,929	846
Increase (decrease) in provision for point for discount(△decreased)	215	△217
Increase (decrease) in accrued bonuses	219	△31,024
Increase (decrease) in provision for sales returns (△decreased)	△2,730	△6,938
Increase (decrease) in liability for retirement benefits(△decrease)	19,367	-
Increase (decrease) in net defined benefit asset and liability	-	11,760
Interest and dividend income	△384	△730
Interest expenses	5,229	76
Share of profit (loss) of entities accounted for using equity method (△profit)	△1,529	736
Foreign exchange gains (△gains)	917	△469
Loss on reversal of foreign currency translation adjustments due to liquidation of a foreign subsidiary	868	-
Increase (decrease) in notes and accounts receivable trade (△increased)	△589,232	△281,865
Increase (decrease) in inventories (△increased)	24,775	△288,794
Increase (decrease) in sales returns (△increased)	-	△17,773
Increase(decrease) in notes and accounts payable- trade(△decrease)	△22,065	36,864
Increase (decrease) in advances paid (△increased)	△61,611	△344,312
Increase (decrease) in deposits paid (△ increased)	687	△8,679
Increase (decrease) in accounts payable-other (△decrease)	15,972	111,152
Increase (decrease) in accrued expenses (△decrease)	29,115	28,070
Increase (decrease) in refund liability(△decrease)	-	28,269
Others	△40,166	△290,999
Subtotal	607,450	420,224
Interest and dividend received	384	730
Interest expenses paid	△5,019	△557
Income taxes paid	△421,268	△478,782
Net cash provided by (used in) operating activities	181,545	△58,385
Cash flow from investing activities		
Purchase of property, plant and equipment	△91,350	△637,318
Proceeds from sales of property, plant and equipment	370	267
Purchase of intangible assets	△57,683	△90,122
Purchase of investment securities	△14,250	△36,065
Proceeds from sale of investment securities	5,000	-
Proceeds from sale of investments in subsidiaries	-	182,354
Others	2,812	2,679
Cash flow from investing activities	△155,100	△578,203

	(Thousands of yen)	
	First six-month period of previous fiscal year (From May 1, 2020 To October 31, 2020)	First six-month period of fiscal year (From May 1, 2021 To October 31, 2021)
Cash flow from financing activities		
Increase (decrease) in short-term borrowings, net (△decreased)	11,694	900,000
Repayment of long-term loans payable	△24,018	△24,018
Proceeds from issuance of common stock	57,561	4,968
Purchase of treasury stock	△65,116	△93
Dividends paid	△110,541	△158,776
Cash flow from financing activities	△130,419	722,080
Effect of exchange rate change on cash and cash equivalents	13,269	△34,457
Increase (decrease) in cash and cash equivalents (△ decreased)	△90,704	51,034
Cash and cash equivalents at beginning	3,453,297	3,354,616
Period-end balance of cash and cash equivalents	3,362,592	3,405,651

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Change in scope of consolidation or scope of application of the equity method)

Significant changes in the scope of application of the equity method

During the second quarter of the current fiscal year, we sold a portion of its shares in Shippino Co., Ltd. and removed it from the scope of application of the equity method.

(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, we have changed to a method that does not identify separate performance obligations.

The Commerce segment 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 is added or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy is 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 Revenue Recognition Accounting Standard 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, the Company applies the method stipulated in paragraph 86 of the Revenue Recognition Accounting Standard and paragraph (1) of the Written Accounting Standard. Contract modifications made prior to the beginning of the first quarter of the current fiscal year are accounted for under the terms of the contract after reflecting all contract modifications, and the cumulative effect of these modifications is adjusted to retained earnings at the beginning of the first quarter of the current

fiscal year.

As a result, net sales for the second quarter of the current fiscal year decreased by JPY5,381 thousand, cost of sales decreased by JPY2,151 thousand, operating income decreased by JPY3,230 thousand, and ordinary income and income before income taxes decreased by JPY917 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 second quarter of the previous fiscal year is not presented.

(Segment Information, etc.)

[Segment Information]

I Previous 2nd Quarter (From May 1, 2020 to October 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 Form Business	Total				
Net sales							
Sales to customers	4,425,659	1,086,745	5,512,404	109,477	5,621,882	-	5,621,882
Inter-segment Sales or reclasses	-	658	658	-	658	△658	-
Total	4,425,659	1,087,403	5,513,062	109,477	5,622,540	△658	5,621,882
Segment profit / (loss) (△)	1,223,658	452,685	1,676,344	△168,467	1,507,877	△515,052	992,825

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

(NOTE)2. Adjusted amount of △JPY515,052 thousand is mainly corporate expenses that are not allocated to reportable segments, and mainly general and administrative expenses.

(NOTE)3. Segment profit is consistent with operating profit in the quarterly consolidated statements of income.

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

Not applicable.

II Current Second Quarter (From May 1, 2021 to October 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 Form Business	Total				
Net sales							
Arise from contracts with customers revenue	4,486,877	1,323,078	5,809,955	138,501	5,948,457	-	5,948,457
Sales to customers	4,486,877	1,323,078	5,809,955	138,501	5,948,457	-	5,948,457
Inter-segment Sales or reclasses	-	-	-	-	-	-	-
Total	4,486,877	1,323,078	5,809,955	138,501	5,948,457	-	5,948,457
Segment profit / (loss) (△)	1,178,699	545,156	1,723,855	△151,325	1,572,530	△438,114	1,134,415

(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. Adjusted amount of △JPY438,114 thousand is mainly corporate expenses that are not allocated to reportable segments, and mainly general and administrative expenses.

(NOTE)3. Segment profit is consistent with operating profit 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 Standard and other standards 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, net sales in the Commerce Business for the second quarter of the current fiscal year decreased by JPY5,599 thousand, segment income decreased by JPY3,447 thousand, net sales in the Other Business increased by JPY217 thousand, and segment income increased by JPY217 thousand.

(Significant Subsequent Events)

Not applicable.