



Consolidated Financial Results for the Second Quarter FY04/23 [Japanese GAAP]

December 14, 2022

Name of listed company Hamee Corp. Listed stock exchanges Tokyo Stock Exchange
 Code Number 3134 URL <https://hamee.co.jp/>
 Representative (Title) President and CEO (Name) Ikuhiro Mizushima
 Contact (Title) Officer (Name) Yukihiro Tomiyama (TEL) +81-465-42-9181
 Scheduled date to file December 14, 2022 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.FY04/23 Q2 consolidated results (May 1, 2022 to October 31, 2022)

(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 FY04/23	6,633	11.5	574	△49.4	757	△37.0	495	△47.5
Q2 FY04/22	5,948	5.8	1,134	14.3	1,202	24.1	943	40.5

(NOTE) Comprehensive income Q2 FY04/23 JPY491million (△42.1%) Q2 FY04/22 JPY849million (19.2%)

	Earnings Per share	Diluted Earnings Per share
	Yen	Yen
Q2 FY04/23	31.13	31.13
Q2 FY04/22	59.40	59.18

(2)Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	Millions of yen	Millions of yen	%
Q2 FY04/23	11,441	8,443	73.0
FY04/22	10,518	8,252	77.6

(Reference) Shareholders' equity Q2 FY04/23 JPY8,348million FY04/22 JPY8,157million

2.Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of the third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY04/22	-	0.00	-	22.50	22.50
FY04/23	-	0.00			
FY04/23 (Forecast)			-	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 2023 (May 1, 2022 to April 30, 2023)

(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	14,098	5.1	1,014	△53.9	1,145	△50.8	764	△56.1	48.10

(NOTE) Revisions to the consolidated forecasts most recently announced : Yes

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

※ Notes

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

(Changes in specified subsidiaries resulting in changes in the 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 : Yes
- 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 FY04/23	16,268,800Shares	FY04/22	16,268,800Shares
② Number of treasury shares at the end of the period	Q2 FY04/23	362,916Shares	FY04/22	369,516Shares
③ Average number of shares during the period (quarterly consolidated cumulative period)	Q2 FY04/23	15,900,934Shares	Q2 FY04/22	15,889,462Shares

※ 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.

○Accompanying Materials – Contents

1. Qualitative Information on the current quarter’s performance.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position.....	4
(3) Explanation of future forecasts such as Consolidated performance Forecasts.....	5
2. Quarter Consolidated Financial Statements and Major Notes.....	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarter Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	8
(3) Quarterly Consolidated Statements of Cash Flows	10
(4) Notes to Quarter Consolidated Financial Statements.....	12
(Notes on the Going Concern Assumption).....	12
(Changes in the scope of consolidation or application of the equity method).....	12
(Notes on Significant Changes in the Amount of Shareholders' Equity).....	12
(Changes in Accounting Policies)	12
(Segment information etc.).....	13
(Business Combinations and Related Matters).....	15
(Significant Subsequent Events).....	17

1. Qualitative Information on the current quarter's performance

(1) Explanation of Operating Results

Looking at the Japanese economy in the second quarter of the fiscal year under review, DI (Business Conditions Index) of all large enterprises in the Bank of Japan's quarterly economic survey in September was positive for the last three consecutive quarters, reaching 11 for the most recent three consecutive quarters. With the trend toward easing of action restrictions associated with the spread of COVID-19, business conditions in the non-manufacturing industry, particularly in the personal service industry, improved. On the other hand, concerns about deterioration in business results in the manufacturing industry, etc. due to rising raw material and energy prices against the backdrop of the yen's depreciation and the Ukrainian situation have emerged, and the sense of uncertainty regarding the future remains uncertain.

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

From the first quarter of the current fiscal year, we have changed its business segments to be reported as reportable segments. Comparisons and analysis for the second quarter of the current fiscal year are based on the classification after the change. For details of the changes, see "3. Changes in reportable segments" under "2. Quarterly Consolidated Financial Statements and Major Notes, (4) Notes to Quarterly Consolidated Financial Statements (Segment information, etc.) Segment information."

① Commerce segment

a. Mobile Life Business

Sales tended to grow significantly from the second quarter to the third quarter of every year, driven by sales of products for the new iPhone, which are scheduled to be announced every September. However, during the second quarter of the fiscal year under review, demand for products for the new iPhone14 series was more sluggish than anticipated due to the rise in prices, and product development for models other than the new iPhone was delayed than planned due to the concentrated investment of human resources such as product development resources and sales resources in preparation for the new-model iPhone shopping season. In addition, the development of new products incorporating market trends was slower than planned. As a result, both wholesale and retail sales struggled in the domestic market. In November of this year, we implemented an organizational restructuring to improve the speed at which new products are introduced to the market with the aim of improving these issues.

In addition, sales of mainstay iFace products, such as First Class series, which have become popular firearms, and Reflection series, which have penetrated the market at a faster pace than this, were sluggish. On the other hand, sales of Look in Clear series, which is a full clear case newly released in the previous fiscal year, grew, but sales in the Mobile Life Business decreased significantly compared with the same period of the previous fiscal year due to the events described above.

b. Gaming Accessories Business

In the previous fiscal year, there was a period in which procurement was difficult due to problems in the semiconductor supply chain and other factors. However, this issue has already been resolved and sales steadily expanded in the first two quarters under review. In October, Pixio, a gaming monitor business, was awarded the Category Award (personal computers and office supplies category) in Amazon.co.jp Retailer Award 2022. In addition, we invested in TechnoBlood eSports Inc.'s eSports café to create synergies. We also focused on sales promotions in real-world locations, such as demonstrations of actual sales. Sales of EC increased significantly from the same period of the previous fiscal year due to the accelerated opening of PayPay Mall in May 2022 and Rakuten Ichiba and Yahoo Auction in July, despite the operation of only own store and Amazon 1 store in the previous fiscal year.

c. Cosmetics Business

The release of skin care products (toner pads, beauty salon, cream, etc.), which had been positioned as a mainstay product group, was significantly delayed from April to September, which was originally planned, resulting in a significant rise in the full-year target. However, the release of this product group

showed signs of growth in net sales. We also received 23 awards sponsored by media companies as high-profile cosmetics, and the expansion of awareness after the launch was more than expected.

In terms of sales channels, as of the end of Q2, we have expanded to four wholesale customers and EC 3 stores (only own and Amazon, Qoo10), and in addition, we plan to acquire one new wholesale customer and open EC 2 stores during December. Meanwhile, in response to the growth in sales channels, we will improve ROAS by maintaining a certain level of advertising expenditures. Going forward, we will strive to build a business foundation that can generate stable incomes.

Although we were able to launch our mainstay product lineup, which is a prerequisite for the formulation of our business plan, it would take time to dispel the operating results of the initial plan. On the other hand, we had to invest in advertising and promotion, so the Cosmetics Business continued to record an operating loss in the cumulative second quarter of this fiscal year.

Although the domestic cosmetics industry as a whole is a mature market and competition for market share is fierce, particularly among major companies, the Ministry of Finance trade statistics indicate that the value of imports from South Korea has increased rapidly in recent years in terms of the value of domestic cosmetics imports, and the South Korean cosmetics (K-beauty) market is likely to grow rapidly. At the moment, there are few major companies entering the market, so we judge that it is an area where we can take advantage of the group's strengths to take initiatives early on.

d. Global Business

At our South Korean subsidiary, although purchased products such as Otamatone performed well, our proprietary mobile accessories struggled similarly in the domestic market. As a result, gross profit margin declined due to a change in the product mix.

In the U.S. subsidiary, the trend of increased sales from the previous fiscal year continued firmly in the second quarter of the current fiscal year, and sales of Otamatone music toys and squeeze low-rebound general merchandise grew significantly. However, operating income fell sharply due to a decline in the gross profit margin resulting from discount sales implemented as part of sales expansion measures and the recording of inventory valuation losses, as well as an increase in operating expenses, such as the expansion of advertising expenses. From the third quarter onward, we will revise sales prices and revise sales promotion measures to improve profit margins.

As a result, net sales for the Commerce Segment in the consolidated cumulative second quarter of this fiscal year were JPY5,041,852 thousand (up 11.2% from the same quarter of the previous year), and segment income (operating income) was JPY377,175 thousand (down 63.7% from the same period of the previous year).

② Platform segment

a. Next Engine Business

We recognize that there were changes in the business environment in the second quarter as follows.

(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) Reaction to Consumption Behavior Advanced in COVID-19 pandemic

Digital shifts in consumer behavior progressed due to COVID-19, but the reaction to the digital shift became pronounced, as consumption at brick-and-mortar 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 consumer spending on goods to consumer spending (travel, events, etc.) became more pronounced after the period of self-restraint.

(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.

Against this background, the number of free contracts, which had previously been able to secure a certain number of contracts due to natural inflows, has been sluggish. Although the conversion rate from free contracts to formal contracts does not change significantly, the number of contract companies has slowed down. In addition, there has been an upward trend in the number of businesses withdrawing from EC, and the churn rate also tended to deteriorate slightly from 0.80% in the first quarter to 1.04%.

On the other hand, we were able to achieve steady year-on-year growth in both sales and operating income by thoroughly controlling costs, including the reduction of server costs, and by leveraging our strengths, which are our stock business.

We will take advantage of changes in the business environment and aim to achieve further profit growth by incorporating the customer success philosophy that we have been promoting in our business and supporting user growth while demonstrating our strengths as a platform.

b. Consulting business

As a result of our ongoing efforts to address the management issue of securing the resources of consultants, we saw a decline in profits due to an increase in outsourcing costs resulting from the outsourcing of insufficient resources and an increase in personnel costs. We are continuing to maintain strong inquiries, such as receiving orders from major corporations for projects related to website construction, and we will strive to improve profitability by retaining human resources and improving occupancy rates.

c. Localco Business

As a result of continuing sales activities targeting new municipalities, sales increased by 24.7% year on year, maintaining favorable performance. In order to acquire new local governments for the next fiscal year, we will continue to maintain high growth generation by strengthening sales through collaboration with external partners.

As a result, net sales in the Platform segment for the consolidated cumulative second quarter of this fiscal year were JPY1,593,735 thousand (up 12.7% from the same quarter of the previous year), and segment income (operating income) was JPY656,139 thousand (up 24.1% from the same quarter of the previous year).

As a result, for the consolidated cumulative second quarter, net sales were JPY6,633,562 thousand (up 11.5% year on year), operating income was JPY574,373 thousand (down 49.4%), ordinary income was JPY757,293 thousand (down 37.0%), and profit attributable to owners of parent was JPY495,056 thousand (down 47.5%).

(2) Explanation of Financial Position

① Financial position

Assets at the end of the second quarter of the current fiscal year increased by JPY923,472 thousand from the end of the previous fiscal year to JPY11,441,666 thousand. This was mainly due to an increase of JPY179,316 thousand in notes and accounts receivable-trade due to an increase in net sales, an increase of JPY341,980 thousand in merchandise, an increase of JPY734,481 thousand in other current assets as a result of an increase in advances due to growth in the Hometown tax payment support service and an increase in short-term loans receivable at subsidiaries, and a decrease of JPY557,661 thousand in cash and deposits, despite an increase of JPY312,096 thousand in assets for right of use due to the application of International Financial Reporting Standards at overseas consolidated subsidiaries as described in (Changes in Accounting Policies).

Liabilities increased by JPY732,634 thousand from the end of the previous fiscal year to JPY2,997,911 thousand. This was mainly due to an increase of JPY500,000 thousand in short-term loans payable and an increase of JPY135,728 thousand in other current liabilities and JPY171,296 thousand in other non-

current liabilities as a result of the application of International Financial Reporting Standards at overseas consolidated subsidiaries in the same manner as the factors behind the increase in assets.

Net assets increased JPY190,838 thousand from the end of the previous fiscal year to JPY8,443,754 thousand. This was mainly due to an increase of JPY186,236 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 JPY557,661 thousand from the end of the previous fiscal year to JPY3,468,096 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 JPY118,793 thousand, compared with JPY58,385 thousand used in the same quarter of the previous year. This was mainly due to an increase in advances paid, etc. and an increase in other expenses of JPY673,891 thousand, etc. compared to income before income taxes of JPY736,346 thousand and a decrease in advances paid of JPY151,356 thousand, etc.

Cash flows from investing activities

Net cash used in investing activities was JPY529,912 thousand, compared with JPY578,203 thousand used in the same quarter of the previous year. This was mainly due to expenditures of JPY270,600 thousand for loans at consolidated subsidiaries, JPY171,397 thousand for purchases of property, plant and equipment, and JPY111,100 thousand for purchases of intangible assets such as software.

Cash flows from financing activities

Net cash provided by financing activities was JPY48,919 thousand, compared with net cash provided by financing activities of JPY722,080 thousand in the same quarter of the previous fiscal year. This was mainly due to cash inflows such as an increase in short-term loans payable of JPY500,000 thousand offset by cash dividends paid of JPY357,734 thousand.

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

With regard to the full-year earnings forecast, we have revised the full-year consolidated earnings forecast announced on June 13, 2022, based on the progress of earnings in the second quarter of the current fiscal year and the recent business environment. For details of the revisions, please refer to the "Notice Regarding Revisions to Full-Year Earnings Forecasts" announced on December 14, 2022.

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, 2022	End of 2nd quarter of the fiscal year under review (As of October 31, 2022)
Assets		
Current assets		
Cash and deposits	4,025,758	3,468,096
Notes and accounts receivable	1,667,063	1,846,380
Inventory	1,428,407	1,770,387
Work in process	9,556	34,315
Raw materials and supplies	5,507	12,147
Advance payments	551,987	416,982
Others	501,449	1,235,931
Allowance for doubtful accounts	△31,493	△40,515
Total current assets	8,158,236	8,743,726
Fixed assets		
Property, plant and equipment		
Buildings	738,271	735,169
Accumulated depreciation	△90,409	△98,451
Buildings, net	647,862	636,718
Automotive equipment	2,370	2,368
Accumulated depreciation	△712	△552
Automotive equipment, net	1,657	1,815
Tools, furniture and fixtures	859,869	906,235
Accumulated depreciation	△628,646	△583,569
Tools, furniture, and fixtures, net	231,223	322,665
Right-of-use asset	-	482,477
Accumulated depreciation	-	△170,381
Right-of-use assets, net	-	312,096
Land	331,201	330,874
Construction in progress	664	845
Total property, plant and equipment	1,212,610	1,605,017
Intangible assets		
Goodwill	136,347	29,996
Software	302,343	309,229
Trademark right	15,424	13,367
Others	3,093	3,346
Total intangible assets	457,208	355,940
Investments and other assets		
Investment securities	32,302	28,333
Stocks of subsidiaries and affiliates	39,232	43,314
Net defined benefit asset	-	44,672
Deferred tax assets	473,990	519,107
Others	144,611	101,553
Total investments and other assets	690,137	736,982
Total noncurrent assets	2,359,956	2,697,939
Total assets	10,518,193	11,441,666

(Thousands of yen)

	End of previous fiscal year As of April 30, 2022	End of 2nd quarter of the fiscal year under review (As of October 31, 2022)
Liabilities		
Current liabilities		
Accounts payable	173,579	298,214
Short-term loans	500,000	1,000,000
Current portion of long-term loans payable	43,853	19,835
Accounts payable-other	821,281	784,077
Accrued expenses	221,240	219,428
Income taxes payable	361,473	274,367
Provision for bonuses	41,824	11,949
Others	69,063	204,792
Total current liabilities	2,232,316	2,812,665
Noncurrent liabilities		
Obligations for retirement pay	19,000	-
Asset retirement obligations	11,143	11,132
Others	2,817	174,113
Total Noncurrent liabilities	32,960	185,245
Total liabilities	2,265,277	2,997,911
Net assets		
Shareholders' equity		
Paid-in Capital	597,803	597,803
Capital surplus	541,753	543,277
Retained earnings	7,198,228	7,384,464
Treasury stock	△355,971	△349,615
Total shareholders' equity	7,981,813	8,175,930
Other accumulated comprehensive income		
Valuation difference on securities	727	297
Adjustments on Foreign currency statement translation	174,767	171,918
Total other accumulated comprehensive income	175,494	172,216
Stock Option	95,608	95,608
Total net assets	8,252,916	8,443,754
Total liabilities and net assets	10,518,193	11,441,666

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

Consolidated income statement for the quarter

Second quarter

	(Thousands of yen)	
	First six-month period of previous fiscal year (May 1, 2021 to October 31, 2021)	First six-month period of fiscal year under review (May 1, 2022 to October 31, 2022)
Net sales	5,948,457	6,633,562
Cost of sales	2,046,856	2,635,886
Gross profit	3,901,601	3,997,676
Selling, general and administrative expenses	2,767,185	3,423,302
Operating income	1,134,415	574,373
Non-operating income		
Interest income	730	4,720
Equity in earnings of associated companies	-	1,121
Foreign exchange gain	43,924	167,309
Others	29,157	18,400
Total non-operating income	73,812	191,551
Non-operating expenses		
Interest expenses	76	4,571
Payment Guarantee Fee	3,395	3,868
Equity in losses of affiliates	736	-
Others	1,742	191
Total non-operating expenses	5,951	8,631
Ordinary profit	1,202,276	757,293
Extraordinary gains		
Gain on sales of noncurrent assets	28	792
Gain on sales of stock of affiliates	172,307	-
Total extraordinary profit	172,336	792
Extraordinary loss		
Loss on retirement of noncurrent assets	1,309	7,486
Loss on valuation of investment securities	27,611	14,253
Total extraordinary loss	28,921	21,739
Quarter net profit before income taxes and minority interests	1,345,691	736,346
Income taxes	441,093	194,415
Income taxes-deferred	△39,196	46,873
Total income taxes	401,896	241,289
Quarterly net profit	943,795	495,056
Quarterly net profit attributable to owners of parent	943,795	495,056

Quarterly Consolidated Statements of Comprehensive Income
Second quarter

	(Thousands of yen)	
	First six-month period of previous fiscal year (May 1, 2021 to October 31, 2021)	First six-month period of fiscal year under review (May 1, 2022 to October 31, 2022)
Quarterly net profit	943,795	495,056
Other comprehensive income		
Valuation difference on securities	108	△429
Adjustment on foreign currency statement translation	△94,157	△2,848
Total other comprehensive income	△94,048	△3,278
Quarterly comprehensive income	849,746	491,778
(Details)		
Quarterly comprehensive income attributable to owners of the parent	849,746	491,778
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, 2021 to October 31, 2021)	First six-month period of fiscal year under review (May 1, 2022 to October 31, 2022)
Net cash provided by operating activities		
Quarter net profit before income taxes and minority interests	1,345,691	736,346
Depreciation and amortization	169,603	308,709
Amortization of goodwill	102,373	107,707
Loss on retirement of property, plant and equipment	1,309	7,486
Loss (gain) on sales of property, plant and equipment (△gain)	△28	△792
Gain on sales of stock of affiliates	△172,307	-
Unrealized gains (losses) on available-for-sale securities. (△gain)	27,611	14,253
Increase (decrease) in allowance for doubtful accounts (△decrease)	846	8,785
Increase (decrease) in provision for point card certificates (△decrease)	△217	-
Increase (decrease) in accrued bonuses	△31,024	△30,393
Increase (decrease) in provision for sales returns (△decrease)	△6,938	-
Increase (decrease) in net defined benefit asset and liability	11,760	△64,849
Interest and dividend income	△730	△4,720
Interest expenses	76	4,571
Equity in earnings of affiliates (△gain)	736	△1,121
Foreign exchange gains (losses)(△gain)	△469	-
Decrease (increase) in notes and accounts receivable-trade (△increase)	△281,865	△162,357
Decrease (increase) in inventories (△increase)	△288,794	△319,325
Increase (decrease) in notes and accounts payable-trade (△decrease)	36,864	120,896
Increase (decrease) in advances paid (△increase)	△344,312	151,356
Increase (decrease) in accounts payable-other (△decrease)	111,152	3,555
Increase (decrease) in accrued expenses (△decrease)	28,070	△3,225
Others	△289,183	△673,891
Subtotal	420,224	202,992
Interest and dividend received	730	634
Interest expenses paid	△557	△1,273
Income taxes paid	△478,782	△321,147
Net cash provided by operating activities	△58,385	△118,793
Cash flow from investing activities		
Purchase of property, plant and equipment	△637,318	△171,397
Proceeds from sales of property, plant and equipment	267	872
Purchase of intangible assets	△90,122	△111,100
Purchase of investment securities	△36,065	△10,900
Lending of loans receivable	-	△270,600
Proceeds from sale of investments in subsidiaries	182,354	-
Others	2,679	33,212
Cash flow from investing activities	△578,203	△529,912
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings (△decrease)	900,000	500,000
Repayment of long-term loans payable	△24,018	△24,018
Repayments of lease obligations	-	△69,328

(Thousands of yen)

	First six-month period of previous fiscal year (May 1, 2021 to October 31, 2021)	First six-month period of fiscal year under review (May 1, 2022 to October 31, 2022)
Proceeds from issuance of common stock	4,968	-
Purchase of treasury stock	△93	-
Cash dividends paid	△158,776	△357,734
Cash flow from financing activities	722,080	48,919
Effect of exchange rate change on cash and cash equivalents	△34,457	42,124
Net increase (decrease) in cash and cash equivalents	51,034	△557,661
Cash and cash equivalents at beginning of term	3,354,616	4,025,758
Period-end balance of cash and cash equivalents	3,405,651	3,468,096

(4)Notes to Quarter Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

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

Significant changes in the scope of consolidation

From the first quarter of the current fiscal year, the newly established NE Inc. has been included in the scope of consolidation. In the second quarter of the current fiscal year, Hamee Consulting Corp., which was a consolidated subsidiary of us, was extinguished due to an absorption-type merger in which NE Inc., a consolidated subsidiary of us, was the surviving company, and therefore was excluded from the scope of consolidation.

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

Not applicable.

(Changes in Accounting policies)

(Application of Accounting Standard for Calculation of Market Value)

We will apply the "Implementation Guidance on Accounting Standard for Calculation of Market Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Guidance on Accounting Standard for Market Value Calculation") from the beginning of the first quarter of the current fiscal year, and apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Market Value Calculation in accordance with the transitional treatment stipulated in Article 27-2 of the Guidance on Accounting Standard for Market Value Calculation in the future. We do not hold any financial instruments with a fair value that is reflected in the quarterly consolidated balance sheets, and there is no impact on the quarterly consolidated financial statements.

(Application of Accounting in Accordance with International Financial Reporting Standards (IFRS) at Overseas Subsidiaries and Immediate Treatment of Accounting at Overseas Subsidiaries in the Preparation of Consolidated Financial Statements)

Previously, Hamee Global Inc of overseas consolidated affiliates. (Global), Hamee US, Corp. (US), Hamee Shanghai Tech & Trading Co., Ltd. Each of the three companies (Shanghai) prepared financial statements in accordance with local accounting standards. The two companies in US, Shanghai became 100% owned subsidiaries of Global (our 100% subsidiary) by the end of the previous fiscal year. As a result, the three companies in Global, US, Shanghai unified accounting standards to standardize accounting treatment and strengthen performance management, IFRS has been applied from the beginning of the first quarter of the consolidated fiscal year under review.

In addition, from the first quarter of the current fiscal year, we have adopted the "Immediate Treatment of Accounting Treatment for Foreign Subsidiaries, etc. in the Preparation of Consolidated Financial Statements" (ASBJ PITF No. 18, September 14, 2018). In the past, three Global, US, Shanghai consolidated subsidiaries overseas used financial statements prepared in accordance with local accounting standards as a basis for accounting procedures in accordance with Japanese accounting standards. From the first quarter of the consolidated fiscal year under review, the three Global, US, Shanghai consolidated subsidiaries have used financial statements prepared in accordance with IFRS. The application of Practical Issues Task Force (PITF) No. 18, etc. follows the transitional treatment, and the cumulative effect of a change in accounting policy is recorded in retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, the impact on retained earnings, income (loss) and per share information at the beginning of the second quarter of the current fiscal year is immaterial.

(Segment Information etc.)

[Segment Information]

I Previous Second Quarter(May 1, 2021-October 31, 2021)

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	4,534,857	1,413,600	5,948,457	-	5,948,457
Sales to customers	4,534,857	1,413,600	5,948,457	-	5,948,457
Inter-segment sales or reclasses	-	-	-	-	-
Total	4,534,857	1,413,600	5,948,457	-	5,948,457
Segment profit/ loss (△)	1,039,366	528,625	1,567,991	△433,576	1,134,415

(NOTE)1 The adjusted amount of segment loss,△JPY433,576 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 Second Quarter (May 1, 2022-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/ loss (△)	377,175	656,139	1,033,314	△458,941	574,373

(NOTE)1 The adjusted amount of segment loss,△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.

3.Changes in reportable segments

In a resolution (written resolution in lieu of the resolution of the Board of Directors) pursuant to Article 370 of the Companies Act dated June 13, 2022, we decided to change a part of its reportable segments in accordance with the new management structure on the occasion of the spin-off of the Platform Business. Major changes are as follows.

	Hamic	Localco (Hometown Tax Payment)	RUKAMO	Next Engine Korea (Note)
Existing segments (until the fiscal year ended April 2022)	Others	Others	Others	Platform
Segment after change (from the fiscal year ended April 2023)	Commerce	Platform	Platform	Commerce

(NOTE) Next Engine Korea plans to aggregate and disclose services suitable for the Korean EC market in the Commerce Segment in order to seek new forms of services while independently developing and developing them under Hamee Global Inc.

Segment information for the first quarter of the previous fiscal year is based on the new classification method.

(Business Combinations and Related Matters)

(Transactions Under Common Control)

On August 1, 2022, we transferred our Platform Business to NE Inc. through a corporate split.

(1) Summary of Transactions

① The name of the business to be succeeded to and the contents of such business

Name of business: Platform Business

Description of business: EC support and SaaS business

② Date of business combination

August 1, 2022

③ Legal form of business combination

Absorption-type company split in which we became a spin-off company and NE Inc.(our consolidated subsidiary) as a successor company

④ Name following business combination

NE Inc.(our consolidated affiliate)

⑤ Business Results of the Successor Division (Fiscal Year Ended April 2022)

Net sales JPY2,639 million

⑥ Other matters related to the outline of transactions

Our group's original business is the Commerce Business, which started as a EC specializing in mobile phone straps (Note 1). Next engine of the Platform Business is the services we created to resolve the various issues that arise in operating EC stores in this business.

The fact that Next Engine was born from the field of EC operations, namely the Commerce Business, has been the biggest differentiator from services provided by other companies. On the other hand, the use of Next Engine by a large number of users based on the trust of customers has enabled us to incorporate EC management know-how other than ours. This has enabled us to realize groupwide growth while leveraging the mutual synergies between the Commerce Business and Platform Business.

Nevertheless, the number of users of Next Engine in the Platform Business currently exceeds 5,400 clients, and it is growing into an infrastructure that supports the distribution of a wide variety of products and the businesses of EC businesses of various sizes. Although the Commerce Business continues to be a Next Engine user, the perspective of realizing improved functions of services themselves by solving the issues of a single company is fading. More than 5,400 users, and beyond, all Japanese EC businesses are required to develop services to solve the issues.

Meanwhile, in the Commerce Business, in contrast to the initial focus on purchasing and sales of other companies' products, our own products now account for approximately 90% of total sales. Our products have the functions of planning, developing, and manufacturing products within the group, and it has evolved into a business model that enables us to complete everything from upstream to downstream in the supply chain.

In light of these facts, we have come to recognize that the growth phases of both the Platform and Commerce businesses have changed significantly. On the premise of this, we believe that various issues will arise as the two businesses grow as a single organization, including the increasing complexity and inefficiency of management operations and the difficulty of maintaining and improving employee motivation through a single personnel system.

Hamee's mission is to "Ignite your creativity." We believe that this will be achieved by creating an environment where every member of Hamee can continue to maintain high-calorie levels. We have concluded that the means to maintain and realize our mission in the super-long term is the spin-off of our platform-based business.

As a concrete effect of the spin-off, we expect to be able to realize agile and flexible decision-making by streamlining each organization. Generally speaking, there are no cases in which there are concerns that a sense of unity as a group will be lost as a result of the spin-off. Nevertheless, we will continue to maintain our ability to grow with a sense of unity as a group by maintaining a common mission of "Ignite your creativity" and a culture that strongly links it with the entire group.

(Note 1) EC is an abbreviation for electronic commerce (Electronic Commerce), which refers to all transactions involving the purchase and sale or distribution of goods and services through

electronic communications over computer networks.

(2) Accounting method

In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the transaction is treated as a transaction under common control.

(Transactions Under Common Control)

On September 5, 2022, we implemented an absorption-type merger in which NE Inc. (our consolidated subsidiary) became the surviving company and Hamee Consulting Corp. (a consolidated subsidiary of NE Inc.) became an extinguished company.

(1) Summary of Transactions

① Combined entity's name and business

- Combined company (surviving company)

Name NE Inc.

Description of business EC support and SaaS business

- Combined company (extinguished company)

Name Hamee Consulting Corp.

Business description Consulting business for EC sites

② Date of business combination

September 5, 2022

③ Legal form of business combination

Absorption-type merger in which NE Inc. (our consolidated subsidiary) is the surviving company and Hamee Consulting Corp. (a consolidated subsidiary of NE Inc.) is the extinguished company

④ Name following business combination

NE Inc. (our consolidated affiliate)

⑤ Other matters related to the outline of transactions

This merged with the aim of further strengthen support services for EC operators, which are our main customers in the platform business, while at the same time streamlining business operations and strengthening sales capabilities.

(2) Accounting method

In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the transaction is treated as a transaction under common control.

(Significant subsequent Events)

Not applicable.