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August 14, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)



Company name: Commerce One Holdings Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4496
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	898	3.8	154	29.3	107	(22.2)	40	(50.5)
June 30, 2023	865	13.7	119	(22.5)	137	(16.3)	81	(21.2)

Note: Comprehensive income For the three months ended June 30, 2024: ¥35 million [(59.9%)]
 For the three months ended June 30, 2023: ¥88 million [93.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	5.64	—
June 30, 2023	11.29	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	3,743	2,801	74.8
March 31, 2024	3,882	2,844	73.3

Reference: Equity
 As of June 30, 2024: ¥2,801 million
 As of March 31, 2024: ¥2,844 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	27.00	—	11.00	38.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		10.00	—	10.00	20.00

Note: 1. Revisions to the forecast of cash dividends most recently announced: None

2. Dividends at the end of the second quarter of fiscal year ended March 31, 2024:

Ordinary dividend of ¥7.00 and Commemorate dividend of ¥20.00

3. Consolidated financial results forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,815	7.3	604	(6.1)	683	(2.7)	454	9.6	63.22

Note: Revisions to the financial results forecast most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	7,193,400 shares
As of March 31, 2024	7,193,400 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2024	49 shares
As of March 31, 2024	49 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	7,193,351 shares
Three months ended June 30, 2023	7,264,944 shares

- * Review of the attached consolidated quarterly financial results reports by certified public accountants or an audit corporation: None

- * Proper use of earnings forecasts and other special matters

Results forecasts and other forward-looking statements presented in this document are based on information currently available to the Company and certain assumptions that are deemed reasonable. The Company does not intend to guarantee that the said forecasts will be achieved. Actual results may vary significantly due to various factors. For more information on the preconditions on which the forecasts are based and the notes on its use, please see “1. Overview of Operating Results, etc. (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 5 of the attachments.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Three Months Ended June 30, 2024

The Group provides a variety of solutions that E-Commerce operators need in order to launch and operate business. The Group's goal is the development and growth of a sound E-Commerce market in which everyone, including consumers and E-Commerce operators, can engage in transactions that are safe and secure. To achieve this, the Group engages in business activities as a corporate group that offers E-Commerce platforms that provide business infrastructure for E-Commerce operators.

The domestic E-Commerce market, the Group's primary business area, has been continually growing, backed by the diversification of products sold, a rising number of market participants, dramatic reductions in delivery times by logistics operators, increases in the amount of information shared via social media, and other factors. In the domestic E-Commerce market, which grew rapidly due to the impact of the COVID-19 pandemic, as economic activity has normalized from FY2022 onward, the rate of growth has slowed down, but the market is continuing to grow steadily. For consumers, new lifestyles and workstyles appear to have taken firm hold, prompting the need for business developments that align with current trends. To support businesses facing challenges in this rapidly changing market, the Group aims to expand its business domains while working toward becoming "an E-Commerce platform that maximizes the power of people using our technology." This will be achieved by expanding the range of optional and alliance services that increase store sales, entering the E-Commerce consulting business, and providing solutions that enhance the value of customer experiences, such as web-based customer services.

Under this business environment, during the three months ended June 30, 2024, the Group strove to ensure net sales in line with market growth and actively engaged in growth investment in order to adapt to the future market environment.

Future Shop Co., Ltd.

Future Shop Co., Ltd.(hereinafter "Future Shop" or the "subsidiary"), operating the "futureshop" platform, released the upgraded version of delivery/shipping fee functions at Commerce Creator, a solution to assist clients in building EC sites, to improve the functionality of the platform.

Future Shop has continued to enhance optional and alliance services to improve the convenience of the "futureshop." With such growth investments and due in part to the price revision in June 2024, the subsidiary recorded year-on-year increases in both sales and profits while net sales remained strong.

Softel Inc.

Softel Inc. (hereinafter "Softel" or the "subsidiary"), provider of our Tsuhan-Suruza software, focused on making proposals tailored to major customer needs, including collaborations with major e-commerce warehouses and automatic invoicing. Specifically, Softel made efforts such as strengthening the collaborative functions that help streamline back-office operations of e-commerce operators. Driven by these efforts, while net sales remained strong, the subsidiary recorded year-on-year increases in both sales and profits.

Other

For SAMURAI TECHNOLOGY Co., Ltd. and SOLAIRO, INC., we have strengthened investments in upgrading the skills of the engineer resources secured. SOLAIRO, INC. is currently developing solutions that propose new ways of providing web-based customer service.

As a result of these efforts, during the three months ended June 30, 2024, the operating results of the Group and the financial results of its main consolidated subsidiaries were as indicated in the table below.

[Consolidated financial results]

(Thousands of yen)

	Three months ended June 30, 2023 (cumulative)	Three months ended June 30, 2024 (cumulative)	Increase/decrease	Percentage (%)
Net sales	865,862	898,956	33,093	3.8
EBITDA	158,111	183,642	25,530	16.1
Operating profit	119,611	154,688	35,076	29.3
Ordinary profit	137,955	107,367	(30,587)	(22.2)
Profit attributable to owners of parent	81,999	40,599	(41,400)	(50.5)

*EBITDA = Operating profit + Depreciation + Amortization of goodwill

[Financial results of major consolidated subsidiaries]

(Thousands of yen)

		Three months ended June 30, 2023 (cumulative)	Three months ended June 30, 2024 (cumulative)	Increase/decrease	Percentage (%)
Future Shop Co., Ltd.	Net sales	625,571	663,247	37,675	6.0
	Operating profit	185,339	201,723	16,383	8.8
Softel Inc.	Net sales	180,343	191,338	10,994	6.1
	Operating profit	11,086	20,167	9,080	81.9

(2) Overview of Financial Position for the Three Months Ended June 30, 2024

Total assets decreased by ¥139,272 thousand from the end of the previous fiscal year to ¥3,743,415 thousand. Current assets decreased by ¥63,594 thousand from the end of the previous fiscal year to ¥2,242,290 thousand. This is attributable to an increase of ¥36,808 thousand in cash and deposits and a decrease of ¥22,945 thousand in trade receivables and contract asset due primarily to the expansion of our business; a decrease of ¥80,234 thousand in other under current assets due primarily to the appropriation of advance payments to suppliers.

Non-current assets decreased by ¥75,677 thousand from the end of the previous fiscal year to ¥1,501,124 thousand. This is attributable primarily to a decrease of ¥70,415 thousand in investment securities due to the recognition of a share of loss of entities accounted for using equity method.

Liabilities decreased by ¥95,827 thousand from the end of the previous fiscal year to ¥941,885 thousand. This is attributable primarily to a decrease of ¥122,523 thousand in income taxes payable.

Net assets decreased by ¥43,444 thousand from the end of the previous fiscal year to ¥2,801,530 thousand. This is attributable primarily to dividends paid.

As a result, the equity-to-asset ratio rose from 73.3% at the end of the previous fiscal year to 74.8%.

The Company operates in a single segment, the E-Commerce platform business segment. Therefore, descriptive information about its reportable segments is not stated in this document.

(Cash flows)

During the three months ended June 30, 2024, cash and cash equivalents (hereinafter “net cash”) increased by ¥36,808 thousand from the end of the previous fiscal year to ¥1,770,688 thousand.

The status of cash flows and their contributing factors during the three months ended June 30, 2024 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥128,556 thousand.

This is attributable primarily to ¥107,367 thousand in profit before income taxes, ¥28,954 thousand in depreciation, ¥63,149 thousand in share of loss of entities accounted for using equity method, and decrease of ¥22,964 thousand in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥27,169 thousand.

This is attributable primarily to ¥26,982 thousand in purchase of intangible assets associated with software development by Future Shop Co., Ltd. such as the development of new functions.

(Cash flows from financing activities)

Net cash used in financing activities was ¥78,547 thousand.

This is attributable primarily to ¥77,644 thousand in dividends paid.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The full-year financial results forecast for the fiscal year ending March 31, 2025 is unchanged from the forecast announced in the previous earnings summary (May 15, 2024).

We forecast full-year net sales of ¥3,815 million, operating profit of ¥604 million, ordinary profit of ¥683 million, and profit attributable to owners of parent of ¥454 million.

For the financial results in the three months ended June 30, 2024, we have been making steady progress against forecasts.

These forecasts are based on information currently available to the Company and certain assumptions that are deemed reasonable. Actual results may vary in the future due to various factors.

2. Quarterly Consolidated Financial Statements and Principal Notes**(1) Quarterly Consolidated Balance Sheets**

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	1,733,879	1,770,688
Trade receivables and contract asset	293,050	270,104
Work in process	7,562	6,333
Prepaid expenses	88,808	85,569
Income taxes refund receivable	55,929	62,375
Other	129,890	49,655
Allowance for doubtful accounts	(3,234)	(2,435)
Total current assets	2,305,885	2,242,290
Non-current assets		
Property, plant and equipment	78,489	74,340
Intangible assets	328,514	331,717
Investments and other assets		
Investment securities	1,002,854	932,709
Other	169,491	164,884
Allowance for doubtful accounts	(2,546)	(2,527)
Total investments and other assets	1,169,798	1,095,066
Total non-current assets	1,576,802	1,501,124
Total assets	3,882,688	3,743,415

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	33,676	33,856
Short-term borrowings	47,000	47,000
Advances received	422,847	430,828
Income taxes payable	175,881	53,357
Provision for bonuses	5,107	226
Asset retirement obligations	-	4,798
Other	231,062	247,688
Total current liabilities	915,574	817,755
Non-current liabilities		
Deferred tax liabilities	65,428	73,075
Asset retirement obligations	47,629	42,876
Other	9,081	8,177
Total non-current liabilities	122,138	124,129
Total liabilities	1,037,713	941,885
Net assets		
Shareholders' equity		
Share capital	210,400	210,400
Capital surplus	160,400	160,400
Retained earnings	2,095,031	2,056,504
Treasury shares	(36)	(36)
Total shareholders' equity	2,465,794	2,427,267
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	379,180	374,263
Total accumulated other comprehensive income	379,180	374,263
Total net assets	2,844,974	2,801,530
Total liabilities and net assets	3,882,688	3,743,415

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30, 2024

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	865,862	898,956
Cost of sales	392,173	398,023
Gross profit	473,688	500,933
Selling, general and administrative expenses	354,076	346,244
Operating profit	119,611	154,688
Non-operating income		
Interest income	5	8
Foreign exchange gains	16,466	13,856
Other	1,922	2,433
Total non-operating income	18,394	16,298
Non-operating expenses		
Interest expenses	47	47
Share of loss of entities accounted for using equity method	-	63,149
Other	4	423
Total non-operating expenses	51	63,619
Ordinary profit	137,955	107,367
Profit before income taxes	137,955	107,367
Income taxes - current	44,815	52,369
Income taxes - deferred	11,139	14,398
Total income taxes	55,955	66,768
Profit	81,999	40,599
Profit attributable to owners of parent	81,999	40,599

Quarterly Consolidated Statements of Comprehensive Income
Three Months Ended June 30, 2024

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	81,999	40,599
Other comprehensive income		
Valuation difference on available-for-sale securities	6,896	(4,916)
Total other comprehensive income	6,896	(4,916)
Comprehensive income	88,896	35,682
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	88,896	35,682

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	137,955	107,367
Depreciation	30,871	28,954
Amortization of goodwill	7,628	-
Increase (decrease) in allowance for doubtful accounts	528	(817)
Increase (decrease) in provision for bonuses	(439)	(4,881)
Interest and dividend income	(6)	(9)
Interest expenses	47	47
Share of loss (profit) of entities accounted for using equity method	-	63,149
Foreign exchange losses (gains)	(16,466)	(13,969)
Decrease (increase) in trade receivables	(16,061)	22,964
Decrease (increase) in inventories	(3,337)	1,228
Decrease (increase) in prepaid expenses	15,863	3,238
Increase (decrease) in trade payables	(1,529)	180
Increase (decrease) in advances received	10,044	7,981
Decrease (increase) in deposits paid	109,883	230
Other, net	121,691	88,195
Subtotal	396,671	303,859
Interest and dividends received	6	9
Interest paid	(47)	(47)
Income taxes paid	(154,653)	(175,264)
Net cash provided by (used in) operating activities	241,977	128,556
Cash flows from investing activities		
Purchase of property, plant and equipment	(618)	(193)
Purchase of intangible assets	(19,642)	(26,982)
Other, net	(3,858)	6
Net cash provided by (used in) investing activities	(24,118)	(27,169)
Cash flows from financing activities		
Repayments of lease liabilities	(903)	(903)
Purchase of treasury shares	(109,797)	-
Dividends paid	-	(77,644)
Net cash provided by (used in) financing activities	(110,700)	(78,547)
Effect of exchange rate change on cash and cash equivalents	16,596	13,969
Net increase (decrease) in cash and cash equivalents	123,753	36,808
Cash and cash equivalents at beginning of period	1,608,724	1,733,879
Cash and cash equivalents at end of period	1,732,478	1,770,688

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable

(Changes in accounting policies)

The Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022") effective from beginning of the first quarter of the fiscal year under review.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso of paragraph 65-2 (2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter under review. This change in accounting policies is applied retrospectively, and quarterly consolidated financial statements and consolidated financial statements for the previous year are after retrospective application. Please note that these changes in accounting policies have no impact on the quarterly consolidated financial statements and full-year consolidated financial statements for the fiscal year ended March 31, 2024.

(Notes to Segment information, etc.)

Segment information is omitted as the Group's business segment consists of a single segment, the E-Commerce platform business, and the information is insignificant.

(Subsequent Event)

Notice Concerning Decision on Matters Relating to Acquisition of Treasury Stock

Commerce One Holdings Inc. (the "Company") hereby announces that it has resolved at its Board of Directors meeting held on August 14, 2024, the Company has resolved the matters relating to acquisition of treasury stock in accordance with the provision of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act, as follows.

1. Reason for purchase of treasury stock

In keeping with the financial strategy set out in the medium-term business plan (from the fiscal year ending March 2025 to the fiscal year ending March 2027), the Company repurchase of its own shares in consideration of a comprehensive array of factors, including strategic investment opportunities, the Company's financial position, and the price of its common stock.

2. Details of matters relating to the acquisition of treasury stock

- (1) Class of shares to be acquired: Common stock
- (2) Total number of shares that may be acquired: Up to 100,000
- (3) Total value of acquired shares: Up to 75,000,000 yen
- (4) Acquisition period: From August 15, 2024 to November 8, 2024

(5) Method of acquisition: Market purchases based on a discretionary trading contract