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February 14, 2025

Consolidated Financial Results for the Nine Months Ended December 31, 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 nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	2,752	4.7	495	11.0	333	(33.0)	128	(59.9)
December 31, 2023	2,628	12.5	446	2.4	497	7.4	320	9.5

Note: Comprehensive income For the nine months ended December 31, 2024: ¥24 million [(93.7%)]
 For the nine months ended December 31, 2023: ¥384 million [61.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	17.91	—
December 31, 2023	44.45	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	3,591	2,677	74.5
March 31, 2024	3,882	2,844	73.3

Reference: Equity
 As of December 31, 2024: ¥2,676 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	—	10.00	—		
Fiscal year ending March 31, 2025 (Forecast)			—	10.00	20.00

Notes: 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 Commemorative 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: Yes

Newly included: 1 (Company name) KIDOKU inc., Excluded: -

(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 December 31, 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 December 31, 2024	56,149 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)

Nine months ended December 31, 2024	7,179,391 shares
Nine months ended December 31, 2023	7,217,041 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.

1. Overview of Operating Results, etc.....	2
(1) Overview of Operating Results for the Nine Months Ended December 31, 2024	2
(2) Overview of Financial Position for the Nine Months Ended December 31, 2024	4
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	5
2. Quarterly Consolidated Financial Statements and Principal Notes	6
(1) Quarterly Consolidated Balance Sheets.....	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	8
Quarterly Consolidated Statements of Income	8
Nine Months Ended December 31, 2024	8
Quarterly Consolidated Statements of Comprehensive Income.....	9
Nine Months Ended December 31, 2024.....	9
(3) Quarterly Consolidated Statements of Cash Flows	10
(4) Notes to Quarterly Consolidated Financial Statements	11
(Notes on going concern assumption).....	11
(Notes in case of significant changes in shareholders' equity).....	11
(Changes in accounting policies)	11
(Notes to segment information, etc.)	11
(Significant subsequent events).....	11

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Nine Months Ended December 31, 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 has been expanding its business domains by enhancing the range of optional and alliance services that increase store sales, entering the e-commerce consulting business, and providing solutions using generative AI that helps improve the efficiency of back-office operations.

As such, the Group has aimed to become "an E-Commerce platform that maximizes the power of people using our technology," while proactively tapping into business domains related to the E-Commerce business.

Under this business environment, during the nine months ended December 31, 2024, the Group strove to secure net sales in line with market growth and actively made growth investments in a bid 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, started to provide a practical group consulting option "EC practical workshop" to steadily increase the sales of e-commerce operators. It is a unique learning program of Future Shop and provides high-quality EC expertise, with the aim of providing an environment in which e-commerce operators can continue to grow and increase sales, rather than just a temporary sales increase. Future Shop will continue enhancing services to support the e-commerce operators.

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.

Also in December 2024, FUTURE 20th SQUARE, a metaverse world operated by Future Shop, was reopened on the social VR platform "VRChat." The subsidiary has continued its initiative to explore new ways of communicating with consumers of the future within a virtual space where technology and creativity converge.

Softel Inc.

Softel Inc. (hereinafter "Softel" or the "subsidiary"), provider of our Tsuhan-Suruzo software, focused on making proposals tailored to major customer needs. Specifically, Softel launched an image creation service using generative AI, which helps streamline back-office operations of e-commerce operators through collaboration with KIDOKU inc., which became its consolidated subsidiary during the period. While net sales remained strong due to these efforts, costs related to engineers involved in large projects increased, resulting in increased sales and decreased profits year-on-year.

Other

SOLAIRO, INC. has been developing new solutions.

As a result of the above, during the nine months ended December 31, 2024, the operating results of the Group and the financial results of its major consolidated subsidiaries were as indicated in the table below.

[Consolidated financial results]

(Thousands of yen)

	Nine months ended December 31, 2023 (cumulative)	Nine months ended December 31, 2024 (cumulative)	Increase/decrease	Percentage change (%)
Net sales	2,628,607	2,752,305	123,697	4.7
EBITDA	559,665	589,687	30,021	5.4
Operating profit	446,427	495,384	48,957	11.0
Ordinary profit	497,349	333,301	(164,047)	(33.0)
Profit attributable to owners of parent	320,769	128,567	(192,201)	(59.9)

*EBITDA = Operating profit + Depreciation + Amortization of goodwill

[Financial results of major consolidated subsidiaries]

(Thousands of yen)

		Nine months ended December 31, 2023 (cumulative)	Nine months ended December 31, 2024 (cumulative)	Increase/decrease	Percentage change (%)
Future Shop Co., Ltd.	Net sales	1,912,922	2,062,984	150,061	7.8
	Operating profit	602,947	645,514	42,567	7.1
Softel Inc.	Net sales	541,026	541,574	548	0.1
	Operating profit	25,935	20,825	(5,110)	(19.7)

(2) Overview of Financial Position for the Nine Months Ended December 31 2024

Total assets decreased by ¥291,377 thousand from the end of the previous fiscal year to ¥3,591,310 thousand. Current assets decreased by ¥48,827 thousand from the end of the previous fiscal year to ¥2,257,058 thousand. This is attributable to a decrease of ¥102,310 thousand in cash and deposits due primarily to dividends paid and purchase of treasury shares.

Non-current assets decreased by ¥242,549 thousand from the end of the previous fiscal year to ¥1,334,252 thousand. This is attributable primarily to a decrease of ¥334,184 thousand in investments and other assets due in part to the sale and a decline in the market price of investment securities.

Liabilities decreased by ¥123,998 thousand from the end of the previous fiscal year to ¥913,714 thousand. This is attributable primarily to a decrease of ¥121,789 thousand in income taxes payable and a decrease of ¥37,298 thousand in deferred tax liabilities due in part to a decline in the market price of investment securities.

Net assets decreased by ¥167,378 thousand from the end of the previous fiscal year to ¥2,677,595 thousand. This is attributable primarily to an increase in retained earnings backed by increased profit attributable to owners of parent, which was more than offset by a decrease of ¥104,518 thousand in valuation difference on available-for-sale securities, dividends paid of ¥150,860 thousand, and an increase of ¥41,533 thousand in treasury shares.

As a result, the equity-to-asset ratio increased from 73.3% at the end of the previous fiscal year to 74.5%.

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 nine months ended December 31, 2024, cash and cash equivalents (hereinafter “net cash”) decreased by ¥102,310 thousand from the end of the previous fiscal year to ¥1,631,569 thousand.

The status of cash flows and their contributing factors during the nine months ended December 31, 2024 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥248,924 thousand.

This is attributable primarily to ¥334,967 thousand in profit before income taxes, ¥94,302 thousand in depreciation, ¥193,050 thousand in share of loss of entities accounted for using equity method, increase in deposits paid of ¥33,700 thousand, and income taxes paid of ¥261,434 thousand.

(Cash flows from investing activities)

Net cash used in investing activities was ¥158,738 thousand.

This is attributable primarily to ¥48,315 thousand in purchase of property, plant and equipment associated with the relocation of the Tokyo office for Future Shop Co., Ltd., ¥35,762 thousand in payments of leasehold and guarantee deposits, ¥90,413 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 ¥195,679 thousand.

This is attributable primarily to ¥150,590 thousand in dividends paid and ¥41,782 thousand in purchase of treasury shares.

(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 during the nine months ended December 31, 2024, net sales and operating profit have progressed steadily against the forecasts. However, as we have continued to make upfront investments in Enecycle Inc. during the nine months ended December 31, 2024, we recognized ¥193,050 thousand in share of loss of entities accounted for using equity method. Going forward, we expect to record net sales in line with the progress of each project, we currently have no plan to revise share of loss (profit) of entities accounted for using equity method in the full-year financial results forecast for the fiscal year ending March 31, 2025 which was announced on May 15, 2024.

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 December 31, 2024
Assets		
Current assets		
Cash and deposits	1,733,879	1,631,569
Trade receivables and contract asset	293,050	302,107
Work in process	7,562	11,916
Prepaid expenses	88,808	102,458
Deposits paid	994	34,694
Income taxes refund receivable	55,929	8,302
Other	128,896	168,577
Allowance for doubtful accounts	(3,234)	(2,568)
Total current assets	2,305,885	2,257,058
Non-current assets		
Property, plant and equipment	78,489	139,655
Intangible assets		
Goodwill	-	13,551
Other	328,514	345,431
Total intangible assets	328,514	358,983
Investments and other assets		
Investment securities	1,002,854	656,374
Other	169,491	180,858
Allowance for doubtful accounts	(2,546)	(1,618)
Total investments and other assets	1,169,798	835,613
Total non-current assets	1,576,802	1,334,252
Total assets	3,882,688	3,591,310

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	33,676	35,351
Short-term borrowings	47,000	49,256
Advances received	422,847	422,694
Income taxes payable	175,881	54,091
Provision for bonuses	5,107	-
Asset retirement obligations	-	3,988
Other	231,062	237,948
Total current liabilities	915,574	803,330
Non-current liabilities		
Long-term borrowings	-	6,196
Deferred tax liabilities	65,428	28,129
Asset retirement obligations	47,629	52,799
Other	9,081	23,259
Total non-current liabilities	122,138	110,384
Total liabilities	1,037,713	913,714
Net assets		
Shareholders' equity		
Share capital	210,400	210,400
Capital surplus	160,400	160,400
Retained earnings	2,095,031	2,072,739
Treasury shares	(36)	(41,570)
Total shareholders' equity	2,465,794	2,401,968
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	379,180	274,661
Total accumulated other comprehensive income	379,180	274,661
Non-controlling interests	-	965
Total net assets	2,844,974	2,677,595
Total liabilities and net assets	3,882,688	3,591,310

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31, 2024

(Thousands of yen)

	For the nine months ended December 31 2023	For the nine months ended December 31, 2024
Net sales	2,628,607	2,752,305
Cost of sales	1,154,533	1,192,318
Gross profit	1,474,074	1,559,986
Selling, general and administrative expenses	1,027,647	1,064,601
Operating profit	446,427	495,384
Non-operating income		
Interest income	19	147
Dividend income	23,068	24,305
Foreign exchange gains	15,143	2,940
Other	13,061	4,740
Total non-operating income	51,293	32,133
Non-operating expenses		
Interest expenses	141	141
Share of loss of entities accounted for using equity method	-	193,050
Other	229	1,025
Total non-operating expenses	370	194,216
Ordinary profit	497,349	333,301
Extraordinary income		
Gain on sale of investment securities	24,146	6,176
Total extraordinary income	24,146	6,176
Extraordinary losses		
Impairment losses	-	1,193
Loss on retirement of non-current assets	-	3,317
Total extraordinary losses	-	4,511
Profit before income taxes	521,496	334,967
Income taxes - current	192,670	193,638
Income taxes - deferred	8,056	12,761
Total income taxes	200,727	206,399
Profit	320,769	128,567
Profit attributable to owners of parent	320,769	128,567

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended December 31, 2024

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	320,769	128,567
Other comprehensive income		
Valuation difference on available-for-sale securities	63,272	(104,518)
Total other comprehensive income	63,272	(104,518)
Comprehensive income	384,042	24,049
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	384,042	24,049

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	521,496	334,967
Depreciation	90,351	94,302
Impairment losses	-	1,193
Amortization of goodwill	22,886	-
Increase (decrease) in allowance for doubtful accounts	(1,227)	(1,594)
Increase (decrease) in provision for bonuses	(439)	(5,107)
Interest and dividend income	(23,088)	(24,452)
Interest expenses	141	141
Share of loss (profit) of entities accounted for using equity method	-	193,050
Foreign exchange losses (gains)	(14,286)	(3,078)
Loss (gain) on sale of investment securities	(24,146)	(6,176)
Loss on retirement of non-current assets	-	3,317
Decrease (increase) in trade receivables	18,409	(4,324)
Decrease (increase) in inventories	(8,615)	(4,353)
Decrease (increase) in prepaid expenses	(1,798)	(13,307)
Increase (decrease) in trade payables	(4,716)	1,674
Increase (decrease) in advances received	(11,255)	(152)
Decrease (increase) in deposits paid	111,170	(33,700)
Other, net	(71,739)	(46,351)
Subtotal	603,141	486,047
Interest and dividends received	23,088	24,452
Interest paid	(141)	(141)
Income taxes paid	(201,767)	(261,434)
Net cash provided by (used in) operating activities	424,320	248,924
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,881)	(48,315)
Purchase of intangible assets	(85,371)	(90,413)
Purchase of investment securities	(27,825)	-
Proceeds from sale of investment securities	32,739	8,828
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(5,974)
Payments for asset retirement obligations	-	(7,009)
Payments of leasehold and guarantee deposits	(4,511)	(35,762)
Proceeds from refund of leasehold and guarantee deposits	461	19,012
Other, net	70	895
Net cash provided by (used in) investing activities	(86,319)	(158,738)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(600)
Repayments of lease liabilities	(2,709)	(2,705)
Purchase of treasury shares	(109,797)	(41,782)
Dividends paid	(188,094)	(150,590)
Net cash provided by (used in) financing activities	(300,601)	(195,679)
Effect of exchange rate change on cash and cash equivalents	13,797	3,182
Net increase (decrease) in cash and cash equivalents	51,197	(102,310)
Cash and cash equivalents at beginning of period	1,608,724	1,733,879
Cash and cash equivalents at end of period	1,659,922	1,631,569

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

In accordance with the resolution of the Board of Directors on February 14, 2023, the Company repurchased its own shares of 150,800 shares. As a result, during the nine months ended December 31, 2023, the value of treasury shares increased by ¥109,797 thousand, and the value of treasury shares as of December 31, 2023 is ¥249,022 thousand.

For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

In accordance with the resolution of the Board of Directors on August 14, 2024 and November 14, 2024, the Company has repurchased its own shares of 30,000 shares and 26,100 shares respectively. As a result, during the nine months ended December 31, 2024, the value of treasury shares increased by ¥41,533 thousand, and the value of treasury shares as of December 31, 2024 is ¥41,570 thousand.

(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 the beginning of the first three months 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 three months of the fiscal year 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, 2023.

(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.

(Significant subsequent events)

Acquisition of its treasury shares

Commerce One Holdings Inc. (the "Company") has resolved at its Board of Directors meeting held on November 14, 2024 to repurchase its own shares in accordance with the provision of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act, and thus, has repurchased its own shares since November 15, 2024, as follows.

1. Reasons for the repurchase of its own shares

Based on the financial strategies set out in its Medium-term Management Plan (fiscal year ending March 31, 2025 to fiscal year ending March 31, 2027), the Company will proactively and flexibly repurchase its

own shares while comprehensively taking into account its strategic investment opportunities, financial position, and the levels of its share prices.

2. Details of share repurchases
 - (i) Class of shares to be repurchased: Common shares
 - (ii) Total number of shares to be repurchased: Up to 100,000 shares
 - (iii) Total value of shares to be repurchased: Up to 75,000,000 yen
 - (iv) Repurchase period: From November 15, 2024 to March 31, 2025
 - (v) Method of repurchase: Market purchases based on a discretionary trading contract

3. Results of the share repurchased at the end of the previous month of the month to which the filing date of this financial report belongs
 - (i) The shares repurchased from November 15, 2024 to December 31, 2024 based on the resolution of the Board of Directors

Total number of shares repurchased:	26,100 shares
Total value of repurchased shares:	19,377,000 yen
 - (ii) The shares repurchased from January 1, 2025 to January 31, 2025 based on the resolution of the Board of Directors

Total number of shares repurchased:	11,300 shares
Total value of repurchased shares:	8,647,000 yen
 - (iii) Total number of shares to be repurchased after February 1, 2025: 46,976,000 yen