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February 14, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)



Company name: Commerce One Holdings Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4496
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 Scheduled date to file quarterly securities report: February 14, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material 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, 2023 (from April 1, 2023 to December 31, 2023)

(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	%
Nine months ended								
December 31, 2023	2,628	12.5	446	2.4	497	7.4	320	9.5
December 31, 2022	2,337	7.5	435	(14.9)	462	(15.4)	293	(19.6)

Note: Comprehensive income For the nine months ended December 31, 2023: ¥384 million [61.4%]
 For the nine months ended December 31, 2022: ¥237 million [(21.7)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	44.45	-
December 31, 2022	38.96	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	3,581	2,696	75.3
March 31, 2023	3,505	2,616	74.6

Reference: Equity
 As of December 31, 2023: ¥2,696 million
 As of March 31, 2023: ¥2,616 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, 2023	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2024	-	27.00	-		
Fiscal year ending March 31, 2024 (Forecast)				7.00	34.00

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

Note: Dividends at the end of the second quarter of fiscal year ending March 31, 2024

Ordinary dividend: ¥7.00, Commemorative dividend: ¥20.00

3. Consolidated financial results forecast for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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	3,558	11.3	488	(15.9)	502	(17.3)	336	(23.7)	45.85

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

*** Notes**

- (1) Changes in significant subsidiaries 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: None
 - (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, 2023	7,523,400 shares
As of March 31, 2023	7,523,400 shares

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

As of December 31, 2023	330,049 shares
As of March 31, 2023	179,249 shares

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

Nine months ended December 31, 2023	7,217,041 shares
Nine months ended December 31, 2022	7,523,351 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* 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. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

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 nine months ended December 31, 2023, 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., provider of "futureshop," has expanded the optional and alliance services available on "futureshop," including automatic integration with TikTok's advertising platform "TikTok for Business," resulting in increased sales and profit year-on-year. In November 2023, Future Shop opened "FUTURE 20th SQUARE" on the social VR platform "VRChat" as an event to celebrate the 20th anniversary of the "futureshop" service launch. This initiative explores new ways of communicating with consumers of the future within a virtual space where technology and creativity converge.

Softel Inc.

Softel Inc., provider of our Tsuhan-Suruza software, has initiated API integration between Tsuhan-Suruza and the cloud POS Smaregi, enhancing integration necessary for OMO strategies with physical stores, including product information, inventory information, membership information, point information, etc. While net sales remained strong due to these efforts, costs related to upgrading engineer skills increased, resulting in increased sales and decreased profits year-on-year.

Other

For SAMURAI TECHNOLOGY Co., Ltd. and SOLAIRO, INC., which became part of the Group during the previous fiscal year, we are intensifying investments to further upgrade the skills of the obtained engineer resources. SOLAIRO, INC. is currently developing solutions that propose new ways of providing web-based customer service.

As a result of these efforts, the operating results of the Group and the financial results of its main consolidated subsidiaries during the nine months ended December 31, 2023 are as indicated in the table below.

[Consolidated financial results]

(Thousands of yen)

	Nine months ended December 31, 2022 (cumulative)	Nine months ended December 31, 2023 (cumulative)	Increase/decrease	Percentage (%)
Net sales	2,337,023	2,628,607	291,584	12.5
EBITDA	523,248	559,665	36,416	7.0
Operating profit	435,812	446,427	10,614	2.4
Ordinary profit	462,968	497,349	34,381	7.4
Profit attributable to owners of parent	293,072	320,769	27,697	9.5

*EBITDA = Operating profit + Depreciation + Amortization of goodwill

[Financial results of major consolidated subsidiaries]

(Thousands of yen)

		Nine months ended December 31, 2022 (cumulative)	Nine months ended December 31, 2023 (cumulative)	Increase/decrease	Percentage (%)
Future Shop Co., Ltd.	Net sales	1,811,165	1,912,922	101,756	5.6
	Operating profit	525,406	602,947	77,541	14.8
Softel Inc.	Net sales	518,966	541,026	22,059	4.3
	Operating profit	71,650	25,935	(45,714)	(63.8)

(2) Explanation of Financial Position

Total assets increased by ¥75,573 thousand from the end of the previous fiscal year to ¥3,581,567 thousand. Current assets decreased by ¥7,095 thousand from the end of the previous fiscal year to ¥2,299,682 thousand. This was primarily due to a decrease of ¥111,170 thousand in deposits paid due to the purchase of treasury shares.

Non-current assets increased by ¥82,669 thousand from the end of the previous fiscal year to ¥1,281,884 thousand. This was primarily due to an increase of ¥110,383 thousand in investments and other assets due to the additional purchase of investment securities and a rise in market price.

Liabilities decreased by ¥4,450 thousand from the end of the previous fiscal year to ¥885,143 thousand. This was primarily due to decreases of ¥11,255 thousand in advances received and ¥26,362 thousand in income taxes payable.

Net assets increased by ¥80,024 thousand from the end of the previous fiscal year to ¥2,696,423 thousand. This was primarily because of an increase of ¥63,272 thousand in valuation difference on available-for-sale securities due to the rise in the market price of investment securities and an increase of ¥126,548 thousand in retained earnings due to profit attributable to owners of parent, despite an increase of ¥109,797 thousand in treasury shares.

As a result, the equity-to-asset ratio rose from 74.6% at the end of the previous fiscal year to 75.3%.

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.

(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, 2024 is unchanged from the forecast announced in the previous earnings summary (May 15, 2023).

We forecast full-year net sales of ¥3,558 million, operating profit of ¥488 million, ordinary profit of ¥502 million, and profit attributable to owners of parent of ¥336 million.

For the financial results in the nine months ended December 31, 2023, 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, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	1,608,724	1,659,922
Trade receivables and contract asset	290,977	272,675
Work in process	5,872	14,488
Prepaid expenses	91,027	92,825
Deposits paid	112,220	1,050
Income taxes refund receivable	69,945	51,050
Other	132,013	210,552
Allowance for doubtful accounts	(4,002)	(2,882)
Total current assets	2,306,778	2,299,682
Non-current assets		
Property, plant and equipment	90,981	81,436
Intangible assets		
Goodwill	61,031	38,144
Other	322,239	326,958
Total intangible assets	383,270	365,102
Investments and other assets		
Investment securities	563,479	674,294
Other	164,524	163,984
Allowance for doubtful accounts	(3,041)	(2,934)
Total investments and other assets	724,962	835,345
Total non-current assets	1,199,215	1,281,884
Total assets	3,505,993	3,581,567

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	37,446	32,730
Short-term borrowings	47,000	47,000
Advances received	408,635	397,379
Income taxes payable	104,885	78,522
Provision for bonuses	581	141
Other	209,699	219,019
Total current liabilities	808,247	774,793
Non-current liabilities		
Asset retirement obligations	47,445	47,583
Deferred tax liabilities	21,667	52,782
Other	12,232	9,984
Total non-current liabilities	81,345	110,349
Total liabilities	889,593	885,143
Net assets		
Shareholders' equity		
Share capital	210,400	210,400
Capital surplus	160,400	160,400
Retained earnings	2,123,373	2,249,922
Treasury shares	(139,224)	(249,022)
Total shareholders' equity	2,354,948	2,371,699
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	261,450	324,723
Total accumulated other comprehensive income	261,450	324,723
Total net assets	2,616,399	2,696,423
Total liabilities and net assets	3,505,993	3,581,567

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Thousands of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	2,337,023	2,628,607
Cost of sales	1,014,034	1,154,533
Gross profit	1,322,988	1,474,074
Selling, general and administrative expenses	887,176	1,027,647
Operating profit	435,812	446,427
Non-operating income		
Interest income	15	19
Dividend income	25,715	23,068
Foreign exchange gains	-	15,143
Other	1,843	13,061
Total non-operating income	27,574	51,293
Non-operating expenses		
Interest expenses	-	141
Foreign exchange losses	330	-
Other	88	229
Total non-operating expenses	418	370
Ordinary profit	462,968	497,349
Extraordinary income		
Gain on sale of investment securities	10,751	24,146
Total extraordinary income	10,751	24,146
Profit before income taxes	473,720	521,496
Income taxes - current	166,819	192,670
Income taxes - deferred	13,828	8,056
Total income taxes	180,648	200,727
Profit	293,072	320,769
Profit attributable to owners of parent	293,072	320,769

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Thousands of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	293,072	320,769
Other comprehensive income		
Valuation difference on available-for-sale securities	(55,197)	63,272
Total other comprehensive income	(55,197)	63,272
Comprehensive income	237,875	384,042
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	237,875	384,042

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

In accordance with a resolution of the Board of Directors on February 14, 2023, the Company has purchased 150,800 shares of treasury 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.

(Significant subsequent events)

(Cancellation of treasury shares)

At the Board of Directors meeting held on February 14, 2024, the Company resolved to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act.

1. Reasons for cancellation

To improve capital efficiency and enhance shareholder returns

2. Details of the cancellation

(1) Class of shares to be cancelled	Common stock
(2) Total number of shares to be cancelled	330,000 shares (4.39% of the total number of issued shares before cancellation)
(3) Scheduled cancellation date	February 29, 2024
(4) Total number of issued shares after cancellation	7,193,400 shares