

(Revised) Consolidated Financial Results (Japanese Accounting Standards)

For the Second Quarter Ended 31 March 2020

28 April 2020

Company Name BEENOS Inc. Stock Exchange Listing Tokyo
 Stock Code 3328 URL <http://www.beenos.com>
 Representative President and Group CEO Shota Naoi
 Contact Executive Officer Hisanori Matsuda (TEL) 03-5739-3350
 Scheduled filing date of the Annual Securities Report TBD Scheduled date of commencement of dividend payment —
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for Analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter Ended 31 March 2020

(1 October 2019 – 31 March 2020)

(1) Consolidated Results of Operations (Accumulated Total) (% show year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q FY2020	14,286	22.2	2,616	—	2,605	—	1,711	—
2Q FY2019	11,690	10.2	△18	—	0	△99.9	△69	—

(Note) Comprehensive Income 2Q FY2020 1,605 Mil. yen (—%) 2Q FY2019 △210 Mil. yen (—%)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
2Q FY2020	138.27	—
2Q FY2019	△5.71	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY2020	19,493	11,352	57.8	877.55
FY2019	18,811	10,171	45.3	713.16

(Reference) Shareholders' equity 2Q FY2020 11,270 Million yen FY2019 8,512 Million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	0.00	—	18.00	18.00
FY2020	—	0.00			
FY2020(Forecast)			—	18.00	18.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal Year Ending 30 September 2020

(1 October 2019 – 30 September 2020)

(Percentage figures for the fiscal year represent the changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Year ending	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	23,500	△ 7.0	2,350	37.6	2,350	37.1	1,400	30.0	112.00
	~26,000	~2.9	~3,140	~83.9	~3,140	~83.2	~1,900	~76.4	~152.00

(Note) Adjustments from the most recently released forecast: Yes

※ Notes

(1) Changes of important subsidiaries during period : None

New companies: - (Company name: -)

Excluded companies: - (Company name: -)

(2)

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement : None

(4) Number of shares outstanding (common shares)

① Number of shares outstanding at the end of period (including treasury shares)

② Number of treasury shares at end of period

③ Average number of shares outstanding during the term

2Q FY2020	13,335,995 Shares	FY2019	12,332,600 Shares
2Q FY2020	492,450 Shares	FY2019	396,747 Shares
2Q FY2020	12,377,430 Shares	2Q FY2019	12,098,298 Shares

※ Status of a quarterly review

This financial summary does not need to undergo auditing.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.

○ Table of Contents

1. Qualitative Information for this Fiscal Year's Results	4
(1) Business Performance Report	4
(2) Financial Status Report	6
(3) Outlook for FY2020	7
2. Quarterly Financial Statements and Major Notes	9
(1) Quarterly Consolidated Balance Sheet	9
(2) Quarterly Consolidated Profit & Loss Statement and	
Quarterly Consolidated Statement of Comprehensive Income	11
Quarterly Consolidated Profit & Loss Statement	
Consolidated Cumulative 2nd Quarter	11
Quarterly Consolidated Statement of Comprehensive Income	
Consolidated Cumulative 2nd Quarter	12
(3) Quarterly Consolidated Statement of Cash Flows	13
(4) Notes on Consolidated Financial Statement	15
(Notes regarding the premise of on-going concerns)	15
(Notes regarding significant changes in the amount of shareholder's equity)	15
(Segment Information)	15

1. Qualitative Information for this Fiscal Year's Results

(1) Business Performance Report

The BEENOS Group aims to be on the "Global Platform Frontier" and continue to create platforms that will connect Japan with the world. We combine the expertise accumulated in the Cross Border Business with our global investment network in the Incubation Business to create new technology and internet-based markets.

Our focus this year is to evolve our current businesses while actively taking part in creating new ones. We aim to add a fourth business domain, the Inbound Business, to the existing Cross Border Business, Value Cycle Business, and Retailing and Licensing (Entertainment) Business. With these four domains we will attain the following: "the global expansion of Japanese products and secondary distribution," "the centralized support for resolving issues in the entertainment field," and "the establishment of an inbound travel platform utilizing data and AI."

We have strengthened profitability in the Cross Border Business and cut costs to focus our resources on the most focal measures and to optimize work flow in the Value Cycle Business this cumulated in 2Q FY2020. Furthermore, we announced the intention to monetize 20% (43 Billion JPY) of our appraised gains in our Incubation Business by the end of March 2020 and update our portfolio. We monetized about 2 Billion JPY by the end of FY2019 and as of the end of 1Q FY2020 we have recorded approximately 2.7 Billion JPY in sales from our operational investment securities.

As a result, sales for the first half of the fiscal year under review were 14,286 Million JPY (+22.2% from 2Q FY2019), operating profit was 2,616 Million JPY (operating loss was 18 Million JPY in 2Q FY2019), ordinary profit was 2,605 Million JPY (ordinary profit was 0.90 Million JPY in 2Q FY2019), and net profit attributable to parent company owners was 1,711 Million JPY (net loss attributable to parent company owners was 0.69 Million JPY in 2Q FY2019).

Our consolidated GMV for 2Q FY2020 was 24.5 Billion JPY (-1.4% from 2Q FY2019).

The book value of operational investment securities as of 31 March 2020 was 4.1 Billion JPY, with a market value of 22.6 Billion JPY (the book value as of 30 September 2019 was 4.1 Billion JPY, the market value was 25.2 Billion JPY, and the Company has sold 2.9 Billion JPY since 30 September 2019, effectively constituting a 0.1 Billion JPY increase). The market value for listed companies is calculated at its stock price. Unlisted companies are calculated based on our number of shares with the price of the most recent stock issuance (if a company has recorded allowance for loss on investments, it is priced at book value). This amount has been calculated internally and has not gone through the auditing process.

Please refer to each segment regarding the impact of COVID-19. We anticipate that the spread of this disease will have a significant impact on the global economy and will continue to devote ourselves to implementing the most appropriate measures while closely monitoring the situation going forward.

The achievements of each business segment are as follows.

① E-Commerce Business

1-1 Cross-Border Business

The Package Forwarding and Proxy Purchasing Business (From Japan), has formed a business alliance with Mercari, Inc. from 1Q. Buyee, the proxy purchasing service, will provide support by translating shipping and handling customer support. As a result, we were able to sell products that are listed on Mercari to customers in more than 100 countries. Buyee has also added the following six languages to its website: Indonesian, Thai, Korean, Spanish, German, and Russian so more customers around the world can enjoy a greater convenience when shopping. The website now supports a total of 10 languages in addition to the current Japanese, English, Simplified and Traditional Chinese. In addition, we are working to improve customer satisfaction by introducing cheaper delivery methods to Taiwan, one of our focal regions, and by preparing additional delivery methods for as many countries and regions as possible to disperse risk in the event of an emergency. With regard to the impact of COVID-19, Japan Post Co.,Ltd. has suspended its services to a select number of countries and regions.

However, due to the introduction of alternative shipping methods other than Nippon Post, the impact on shipments has remained minor at the present time. Meanwhile, as we see the global shift to digital technology accelerate, both sellers (domestic e-commerce sites) and buyers (overseas consumers) increased their demand for cross-border e-commerce and distribution expanded.

As a result, in the first 6 months of the fiscal year under review, GMV, sales and operating profit all recorded record highs.

The Global Shopping Business (To Japan) worked to increase sales through ongoing SEO measures and customer-focused marketing. At the same time, we aggressively strengthened our profit structure by automating operations and restructuring distribution schematics. COVID-19 has forced a lock down in California, where the US warehouse is located. However, logistics facilities have been deemed as an essential business and is currently operational, thus has no impact at this point in time.

As a result of the above, sales for the first half of the fiscal year under review were 2,803 Million JPY (+16.6% from 2Q FY2019) and operating profit was 785 Million JPY(+171.1% from 2Q FY2019).

1-2 Value Cycle Business

The Apparel Reuse Business has seen a drop in sales due to consumers cutting back on spending amidst the stay at home orders given out by the effects of COVID-19, but we are taking measures such as controlling sales and maintenance costs. We reviewed our advertising methods on the purchasing side and shifted from mass advertising to a more cost-effective targeted advertising. As a result of efforts to improve the cost-effectiveness of advertising and promotional expenses, the purchase amount and net sales decreased year on year, but operating loss improved significantly. On 14 January 2020, we converted Defactostandard, Ltd., which operates the Internet shopping and sales business Brandear, into a wholly owned subsidiary through a simple share exchange. We are working to increase its corporate value by utilizing the management resources of the entire Group, formulating long-term business strategies, and making swift decisions. (For details, please refer to our announcement on 24 December 2019, "BEENOS Inc. to make Defactostandard, Ltd. a Wholly Owned Subsidiary through Simple Share Exchange (Revised Abbreviated Version)".)

The Liquor Mediation Business continued to be the highest bidder in the industry to purchase liquor, resulting in a significant increase in both the purchase amount and quantity. In addition, although net sales were steady due to the shortening of the delay time from purchase to listing and the curtailment of opportunity losses, an operating loss was recorded due to a decline in the gross margin resulting from the persistently high purchase prices. We have opened the E-Commerce site "moment" that allows customers to purchase high-end/rare liquor at a fixed price in response to feedback from users that want products immediately and feel a burden to bid for items in an auction. In addition, we have linked "moment's" system with Buyee, the proxy purchasing service operated by tenso inc., we have been able to provide convenient purchasing services to customers outside Japan where there is a strong demand for Japanese liquor.

As a result, sales for the first half of the fiscal year under review were 6,337 Million JPY (-5.3% from the 2Q FY2019) and operating profit was 59 JPY Million (operating loss was 105 Million JPY in 2Q FY2019).

1-3 Retailing and Licensing Business

Sales declined in the Entertainment Business despite efforts to focus on sales of goods through e-commerce via online events and other means due to the impact of events being cancelled due to COVID-19.

The Pokemon Cosme Series, which was launched in July 2018, has exceeded 1 million units. In March 2020, a new line of cosmetics featuring the popular game character, Kirby, was released. It was released throughout 1,000 stores nationwide and its first installment of 50,000 units sold out immediately. The Fragrance and Body Care brand, SWATi, expanded its brand recognition by expanding the number of stores handling fragrance body care products and launching pop-up stores.

As a result, sales for the first half of the fiscal year under review were 2,218 Million JPY (-10.5% from 2Q FY2019) and operating loss was 28 JPY Million (operating income was 68 Million JPY in 2Q FY2019).

For the E-Commerce Business as a whole, net sales were 11,360 Million JPY (-1.8% from 2Q FY2019) and operating income was 815 Million JPY (+222.6% from 2Q FY2019).

② Incubation Business

The Investment and Consultation Business has focused on investing in startups in online marketplaces and online payments in emerging countries and Japanese inbound tourism in Japan. We have also been monetizing these investments at the opportune moments and provided a guidance to monetize 20% (4.3 Billion JPY) of our appraised gains as of March 2019 by the end of March 2020. We have subsequently monetized about 2 Billion JPY of our investment securities in the second half of last year and 2.7 Billion JPY in the first half of this year.

Due to COVID-19 we are seeing markets shift to digital in rapid succession which is benefiting general marketplaces that sells daily necessities. They are seeing a high increase in users and orders. However, specialized marketplaces, especially in non-essential items such as fashion and automobiles, are being hit hard as consumers are cutting back on spending. We are confident that this shift to digital will continue to accelerate even after COVID-19 is subdued. In the meantime, every company is producing ways to adapt to the digital shift and create new services. Regarding the fund-raising situation of each company, while companies that had planned to raise funds with enhanced valuations are forced to postpone their fund-raising plans as new investments are held back for the foreseeable future, they have already taken measures such as procuring funds mainly from existing shareholders and securing working capital for 12 months or more. At this point, there is no impact on our market value evaluation. However, because of the possibility of a slowdown in growth, such as delays in the timing of fund-raising by investee companies, we are working more actively than ever to communicate with them in an effort to ascertain the situation.

In new businesses, we are actively working to create new businesses in the Entertainment and Inbound business domains to realize integrated support for solving entertainment issues and the creation of a travel platform that utilizes data and AI.

In October 2019, we collaborated with Shopee, one of the largest e-commerce malls in Taiwan and Southeast Asia, to support Japanese companies open their stores on Shopee. We are increasing overseas sales and offering opportunities for Japanese companies to expand their potential through this partnership. We are also working to collaborate with foreign companies to expand the overseas sales market.

COVID-19 has put an abrupt halt on travel, and we predict that it will not recover for the foreseeable future. As a result, we are cutting down on marketing costs and delaying other preliminary investment plans in the inbound travel services that we had initially decided to use our resources for.

As a result, net sales for the segment came to 2,975 Million JPY for the first half under review (compared to 125 Million JPY in 2Q FY2019). Operating income for the segment was 2,248 Million JPY (compared to an operating loss of 72 Million JPY in 2Q FY2019).

The book value of operational investment securities as of 31 March 2020 was 4.1 Billion JPY, with a market value of 22.6 Billion JPY (the book value as of 30 September 2019 was 4.1 Billion JPY, the market value was 25.2 Billion JPY, and the Company has sold 2.9 Billion JPY since 30 September 2019, effectively constituting a 0.1 Billion JPY increase). The market value for listed companies is calculated at its stock price. Unlisted companies are calculated based on our number of shares with the price of the most recent stock issuance (if a company has recorded allowance for loss on investments, it is priced at book value). This amount has been calculated internally and has not gone through the auditing process.

(2) Financial Status Report

① Financial Status Analysis

(i) Assets

Total assets at the end of the 2Q of the fiscal year under review amounted to 19,493 Million JPY, an increase of 682 Million JPY from the end of the previous fiscal year.

Current assets totaled 16,975 Million JPY, an increase of 567 Million JPY from the end of the previous fiscal

year. Major components included an increase of 1,501 Million JPY in cash and deposits, an increase of 676 Million JPY in deposits paid included in other current assets, and a decrease of 1,764 Million JPY in notes and accounts receivable-trade.

Total fixed assets amounted to 2,518 Million JPY, up 114 Million JPY from the end of the previous fiscal year. This was mainly due to an increase of 163 Million JPY in investment securities, 148 Million JPY in goodwill, and a decrease of 199 Million JPY in deferred tax assets.

(ii) Liabilities

Total liabilities at this consolidated quarter end were 8,141 Million JPY, a decrease of 498 Million JPY from the end of the previous consolidated fiscal year.

Current liabilities totaled 7,569 Million JPY, a decrease of 589 Million JPY from the end of the previous fiscal year. The main factors were decreases of 950 Million JPY in short-term loans payable, 544 Million JPY in accounts payable-other, 438 Million JPY in income taxes payable, and 276 Million JPY in deposits received.

Total long-term liabilities amounted to 571 Million JPY, an increase of 90 Million JPY from the end of the previous fiscal year. This was mainly due to a 90 Million JPY increase in deferred tax liabilities.

(iii) Net assets

Total net assets at the end of the 2Q under review were 11,352 Million JPY, an increase of 1,180 Million JPY from the end of the previous fiscal year. Major components included an increase of 1,361 Million JPY in capital surplus, an increase of 1,496 Million JPY in retained earnings, and a decrease of 1,587 Million JPY in non-controlling interests.

② Cash Flow Report

At the end of the 2Q of the fiscal year under review, the amount of current and current equivalents (hereinafter referred to as "fund") was 7,656 Million JPY, an increase of 2,178 Million JPY from the end of the previous fiscal year.

The status of each Cash Flow for this fiscal year are outlined below.

(Net cash provided by operating activities)

Net cash provided by operating activities was 3,997 Million JPY. The main components of the increase were income before income taxes of 2,614 Million JPY and a decrease in notes and accounts receivable-trade of 1,838 Million JPY, while the main components of the decrease were a decrease of 580 Million JPY in accounts payable-other.

(Net cash provided by investment activities)

Net cash used in investing activities was 355 Million JPY. Major outflows included 160 Million JPY for acquisition of business and 131 Million JPY for acquisition of investment securities.

(Net cash provided by financing activities)

Net cash used in financing activities was 1,459 Million JPY. Major outflows included a decrease of 950 Million JPY in short-term loans payable, cash dividends paid of 215 Million JPY, and purchase of treasury stock of subsidiaries of 180 Million JPY.

(3) Outlook for FY2020

Though the effects of COVID-19 is minimal to the Cross Border Business, we are seeing a negative impact on the Value Cycle Business and Retailing and Licensing Business due to consumers cutting back on recreational shopping and the cancellation of events. There is also uncertainty regarding the sales of investment securities in the Incubation Business. Given these circumstances, we have made the following adjustments to our FY2020

forecast initially announced on 7 November 2019. The lower range of the adjustments are predicated under the following conditions:

Cross Border: International shipping logistics maintain its current status

Value Cycle: Sales drop due to consumers cutting back on spending from the stay at home order

Retailing and Licensing: All events involving large audiences in 2H 2020 are cancelled

Incubation: Decreased opportunity to sell investments

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit:1,000 JPY)

	Year-end FY2019 (30 September 2019)	2Q FY2020 (31 March 2020)
Assets		
Current assets		
Cash and deposits	5,175,775	6,677,517
Notes and accounts receivable	2,527,865	763,420
Operational investment securities	4,176,825	4,120,047
Products	2,689,382	2,524,934
Accounts receivable	862,433	1,124,746
Other	975,034	1,764,471
Total current assets	16,407,315	16,975,138
Fixed assets		
Tangible Assets		
Buildings and structures	603,067	600,940
Accumulated depreciation	△256,794	△280,309
Buildings and structures, net	346,272	320,630
Vehicles	9,614	9,601
Accumulated depreciation	△7,753	△8,250
Vehicles, net	1,861	1,350
Tools, materials and supplies	192,338	200,153
Accumulated depreciation	△122,589	△134,618
Tools, materials and supplies, net	69,748	65,535
Total tangible assets	417,882	387,516
Intangible assets		
Goodwill	303,842	452,290
Other	150,753	162,693
Total intangible assets	454,596	614,983
Investments etc.		
Investment securities	887,065	1,050,591
Deferred tax assets	215,992	16,114
Other	428,433	449,044
Total investments etc.	1,531,491	1,515,750
Total fixed assets	2,403,970	2,518,251
Total assets	18,811,286	19,493,390

(Unit:1,000 JPY)

	Year-end FY2019 (30 September 2019)	2Q FY2020 (31 March 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	384,508	410,820
Short-term loan	3,550,000	2,600,000
Accounts payable-other	2,956,824	2,412,680
Deposits received	714,796	991,638
Income taxes payable	89,157	527,405
Other	463,805	626,907
Total current liabilities	8,159,091	7,569,453
Fixed liabilities		
Deferred tax liabilities	287,680	377,830
Asset retirement obligations	193,043	193,876
Total fixed liabilities	480,724	571,706
Total liabilities	8,639,815	8,141,160
Net assets		
Shareholders' equity		
Capital stock	2,775,840	2,775,840
Capital surplus	2,542,577	3,903,953
Retained earnings	3,966,442	5,463,050
Treasury Stock	△567,835	△603,252
Total shareholders' equity	8,717,025	11,539,592
Other accumulated comprehensive income		
Valuation difference on securities	△314,461	△363,764
Foreign currency translation adjustments	109,571	95,026
Total other accumulated comprehensive income	△204,890	△268,738
Share subscription rights	46,677	56,273
Non-controlling shareholders' equity	1,612,657	25,102
Total net assets	10,171,470	11,352,230
Total liabilities and net assets	18,811,286	19,493,390

(2) Quarterly Consolidated Profit & Loss Statement and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Profit & Loss Statement

Consolidated Cumulative 2nd Quarter

(Unit:1,000 JPY)

	2Q FY2019 (1 October 2018 – 31 March 2019)	2Q FY2020 (1 October 2019 – 31 March 2020)
Net sales	11,690,188	14,286,146
Cost of sales	6,141,373	6,259,410
Gross profit	5,548,814	8,026,735
Selling, general and administrative expenses	5,567,615	5,410,668
Operating income (△ losses)	△18,801	2,616,067
Non-operating income		
Interest income	38	43
Equity in earnings of affiliates	23,043	-
Subsidy income	6,401	7,925
Gain on investments in partnerships	-	68,795
Other	12,914	24,350
Total non-operating income	42,398	101,115
Non-operating expenses		
Interest expenses	7,453	4,362
Equity in loss of affiliates	-	32
Foreign exchange losses	6,104	14,799
Commissions paid	2,016	91,242
Loss on investments in partnerships	6,789	-
Other	324	809
Total non-operating expenses	22,687	111,246
Ordinary income	909	2,605,936
Extraordinary income		
Gain on reversal of subscription rights to shares	-	8,806
Total extraordinary income	-	8,806
Income (△) before income taxes and minority interests	909	2,614,742
Income taxes	112,137	655,363
Income taxes-deferred	△16,169	289,942
Total income taxes	95,967	945,306
Net Income or Loss (△)	△95,058	1,669,436
Loss (△) attributable to non-controlling interests	△26,007	△42,016
Net income (△) attributable to owners of parent	△69,050	1,711,453

Quarterly Consolidated Statements of Comprehensive Income
Consolidated Cumulative 2nd Quarter

(Unit:1,000 JPY)

	2Q FY2019 (1 October 2018 – 31 March 2019)	2Q FY2020 (1 October 2019 – 31 March 2020)
Net Income or Loss (△)	△95,058	1,669,436
Other comprehensive income		
Valuation difference on securities	△51,446	△48,888
Foreign currency translation adjustments	△60,575	△13,826
Share of other comprehensive (loss) income in associates	△3,478	△1,133
Total other comprehensive income	△115,500	△63,848
Quarterly Comprehensive income	△210,558	1,605,588
(Breakdown)		
Comprehensive income attributable to owners of parent	△184,551	1,647,605
Comprehensive income attributable to non-controlling interests	△26,007	△42,016

(3) Consolidated Statements of Cash Flows

(Unit:1,000 JPY)

	2Q FY2019 (1 October 2018 – 31 March 2019)	2Q FY2020 (1 October 2019 – 31 March 2020)
Net cash provided by (used in) operating activities		
Income before income taxes	909	2,614,742
Depreciation and amortization	52,627	62,449
Amortization of goodwill	46,446	51,552
Increase in allowance for doubtful accounts (Decrease:△)	3,955	-
Stock-based Compensation Expense	12,725	41,285
Interest and dividends income	△38	△43
Interest expenses	7,453	4,362
Foreign exchange losses (Gains:△)	△7,107	△539
Equity in losses of affiliates (Gains:△)	△23,043	32
Loss on investments in partnership (Gains:△)	6,789	△68,795
Gain on reversal of subscription rights to shares	-	△8,806
Decrease in notes and accounts receivable- trade (Increase:△)	△393,902	1,838,981
Increase in operational investment securities (Increase: △)	△1,095,271	11,003
Decrease in inventories (Increase:△)	△776,643	164,389
Increase in notes and accounts payable-trade (Decrease:△)	380,756	24,395
Increase in accounts payable-other (Decrease: △)	574,593	△580,724
Increase in deposits received (Decrease:△)	810,217	276,736
Increase in consumption taxes payable (Decrease:△)	△10,388	40,741
Other	△51,842	△338,575
Subtotal	△461,761	4,133,187
Interest and dividend received	61,232	12,733
Interest expenses paid	△7,427	△4,250
Income taxes refunded	-	75,943
Income taxes paid	△430,331	△219,913
Net cash provided by (used in) operating activities	△838,288	3,997,700
Net cash provided by investment activities		
Purchase of property, plant and equipment	△98,443	△7,913
Purchase of intangible assets	△39,877	△42,102
Purchase of investment securities	△65,807	△131,592
Payments for lease and guarantee deposits	△1,710	△21,846
Proceeds from collection of lease and guarantee deposits	13,626	45
Proceeds from distributions from investment partnerships	-	8,235
Payments for transfer of business	-	△160,000
Purchase of treasury stock of subsidiaries in consolidation	-	△180,450
Other	△219	100
Cash flow from investing activities	△192,433	△535,523

(Unit:1,000 JPY)

	2Q FY2019 (1 October 2018 – 31 March 2019)	2Q FY2020 (1 October 2019 – 31 March 2020)
Cash flow from financing activities		
Increase in short-term loans payable (Decrease:△)	872,900	△950,000
Repayment of long-term loans payable	△4,440	-
Purchase of treasury stock	△288,008	△114,857
Sales of treasury stock	-	162
Cash dividends paid to non-controlling interests	△19,549	-
Proceeds from issuance of subscription rights to shares	-	1,418
Cash dividends paid	△158,580	△215,567
Cash flow from financing activities	402,321	△1,278,844
Effect of exchange rate change on cash and cash equivalents	△10,074	△4,723
Net increase in cash and cash equivalents(Decrease:△)	△638,475	2,178,608
Cash and cash equivalents at the beginning of the year	6,175,435	5,478,335
Cash and cash equivalents	5,536,960	7,656,944

(3) Notes on Quarterly Consolidated Financial Statements

(Notes regarding the premise of on-going concerns)

Not Applicable

(Notes regarding significant changes in the amount of shareholder's equity)

As of 14 January 2020, our subsidiary, Defactostandard, Ltd., became a wholly owned subsidiary through share exchange. As a result, capital surplus increased by 1,545 Million JPY in the first half of the current fiscal year.

(Segment Information, etc.)

【Segment Information】

I Previous Consolidated Cumulative 2nd Quarter(1 October 2018 – 31 March 2019)

1. Information regarding sales, profit or loss, and liabilities by reporting segment

(Unit:1,000 JPY)

	Reporting Segment						Adjustments (Note)1	Recorded Amount on Quarterly Consolidated Profit & Loss Statement (Note)2
	E-Commerce Business				Incubation Business	Total		
	Cross Border	Value Cycle	Retailing and Licensing	Subtotal				
Net Sales								
Sales to Customer	2,399,850	6,689,027	2,476,199	11,565,077	125,110	11,690,188	-	11,690,188
Internal Sales or Transfer Between Segment	3,952	92	3,388	7,433	-	7,433	△7,433	-
Total	2,403,803	6,689,120	2,479,588	11,572,511	125,110	11,697,621	△7,433	11,690,188
Segment Earnings	276,354	△ 105,303	68,580	239,631	△72,716	166,914	△198,965	△32,050

(Note) 1. The segment earnings or loss adjustment of △198 Million JPY includes the deletion of inter-segment transactions of △390 Million JPY, company-wide revenue of 573 Million JPY, that is not distributed to each reporting segment, and company-wide cost of △381 Million JPY. Company-wide revenues are mainly the Company's received commission from each subsidiary. Company-wide costs are mainly the Company's administrative costs toward the subsidiaries.

2. Segment Losses are adjusted in the operating income of the Quarterly Consolidated Profit & Loss Statement.

2. Information regarding impairments or losses of fixed assets or goodwill per segment

(Important impairments or losses regarding fixed assets)

Not Applicable

(Important changes in goodwill)

Not Applicable

(Important profits from negative goodwill)

Not Applicable

II Current Consolidated Cumulative 2nd Quarter (1 October 2019 – 31 March 2020)

1. Information regarding sales, profit or loss, and liabilities by reporting segment

(Unit:1,000 JPY)

	Reporting Segment						Adjustments (Note)1	Recorded Amount on Quarterly Consolidated Profit & Loss Statement (Note)2
	E-Commerce Business				Incubation Business	Total		
	Cross Border	Value Cycle	Retailing and Licensing	Subtotal				
Net Sales								
Sales to Customer	2,794,854	6,337,944	2,218,825	11,351,625	2,934,521	14,286,146	—	14,286,146
Internal Sales or Transfer Between Segment	8,475	—	92	8,567	40,911	49,478	△49,478	—
Total	2,803,329	6,337,944	2,218,918	11,360,192	2,975,432	14,335,625	△49,478	14,286,146
Segment Earnings	785,075	59,357	△28,648	815,783	2,248,916	3,064,699	△448,632	2,616,067

(Note) 1. The segment earnings or loss adjustment of △448 Million JPY includes the deletion of inter-segment transactions of △1,830 Million JPY, company-wide revenue of 2,042 Million JPY, that is not distributed to each reporting segment, and company-wide cost of △661 Million JPY. Company-wide revenues are mainly the Company's received commission from each subsidiary. Company-wide costs are mainly the Company's administrative costs toward the subsidiaries.

2. Segment Losses are adjusted in the operating income of the Quarterly Consolidated Profit & Loss Statement.

2. Information regarding impairments or losses of fixed assets or goodwill per segment

(Important impairments or losses regarding fixed assets)

Not Applicable

(Important changes in goodwill)

Not Applicable

(Important profits from negative goodwill)

Not Applicable