



**Consolidated Financial Results for the Third Quarter
FY 04/20 [Japanese GAAP]**

March 11, 2020

Listed company name Hamee Corp. Listed stock exchanges East
 Stock code 3134 URL https://hamee.co.jp/
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 Date to file Quarterly Securities Report: March 11, 2020 Date of dividends payment —
 Supplementary materials for quarterly financial results: Yes
 Quarterly results briefing : None

(Millions of yen are rounded down)

1. Consolidation Results for the third quarter of April 1, 2020 (May 1, 2019-January 31, 2020)

(1) Consolidated Operating Results (cumulative) (Percentages indicate year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q3 FY04/20	8,660	13.0	1,383	56.9	1,396	58.6	958	51.8
Q3 FY04/19	7,664	8.7	882	(15.0)	880	(4.4)	631	1.0

(NOTE) Comprehensive income Q3 FY04/20 915Millions of yen 48.2% Q3 FY04/19 617Millions of yen (8.5%)

	Quarterly Earnings Per Share	Diluted Quarterly Earnings Per Share
	Yen	Yen
Q3 FY04/20	60.40	59.95
Q3 FY04/19	39.31	38.80

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Q3 FY04/20	7,335	4,945	65.5
FY 04/19	5,760	4,188	70.3

(Reference) Shareholder's equity Q3 FY04/20 4,807Millions of yen FY 04/19 4,047Millions of yen

2. Dividends

	Annual Dividend Per Share				
	End of first quarter	End of second quarter	End of the third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY 04/19	-	0.00	-	6.50	6.50
FY 04/20	-	0.00	-		
FY 04/20 (Forecast)				6.50	6.50

(NOTE) Revisions to the most recently announced dividend forecast : None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending April 30, 2020 (May 1, 2019-April 30, 2020)

(Percentages indicate year-on-year changes)

	Net sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent		Net Earnings Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	11,288	9.6	1,427	22.7	1,438	21.9	974	18.6	61.29

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

(NOTE) As we manage business performance on an annual basis, business performance forecasts are only for the full year.

※ Notes

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

(Changes in specified subsidiaries affecting the scope of consolidation)

New None Removed None

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : None

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

- | | | |
|---|---|------|
| ① Changes in accounting policies caused by revision of accounting standards | : | 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 stock)

① Number of shares outstanding at the end of the period (including treasury stock)	Q3 FY 04/20	16,121,200 Shares	FY 04/19	16,087,600 Shares
② Number of treasury stock at the end of the period	Q3 FY 04/20	227,502 Shares	FY 04/19	159,875 Shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year)	Q3 FY 04/20	15,860,809 Shares	Q3 FY 04/19	16,061,623 Shares

※This quarterly financial results report is not subject to quarterly review by certified public accountants or auditing firms.

※Disclaimer regarding to Forward Looking Statements

The earnings forecasts and other forward-looking statements presented in these materials reflect information available to the Company and assumptions as of the date of this announcement that are based on uncertain factors that may affect future results, and the Company does not guarantee the achievement of these targets. Actual results may differ significantly as a consequence of numerous factors. Refer to "1. Qualitative information on the current quarter's performance (3) Explanation of future forecasts such as consolidated performance forecasts" on p. 2 of the attached document for the conditions that are prerequisites for performance forecasts and precautions for use of performance forecasts.

(Reference purpose only)

In case of any discrepancies between Japanese version and English version, Japanese Language version shall prevail.

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1. Qualitative information on the current quarter's performance

(1) Explanation of Operating Results.

The government's economic policy during the third quarter continued to improve corporate revenues, employment and personal income environment, and while the trend was on a slow recovery, the domestic economy remains unclear due to the effects of trade friction between the U.S. and China, geographical risks in neighboring countries in E.U., and the expansion of new types of corona virus infection sickness.

Under business conditions above, we continued to sell mobile (smartphones and mobile phones) accessories. Sales of "iFace Reflection", a new model of iFace series released in February 2019, remained strong, and sales of iPhone11 related products launched in September 2019 remained strong as well.

With regard to the proprietary cloud (SaaS) e-commerce platform "Next Engine," we continued to work with a wide range of partners to increase the added value of the platform, including strengthening collaboration with Logizard ZERO, a cloud-based warehousing management system provided by Logizard Co., Ltd.

As part of our management strategy to increase corporate value over the medium to long term, we are strategically investing in growth. Recent examples include the acquisition of a product manufacturing business by a Korean subsidiary in the Commerce Business, the acquisition of an e-commerce sales support consulting company (M&A) in the Platform Business and the development investment to realize the enhancement of Next Engine functions in the Platform Business, and the research and development of IoT services in the Others Segment. As a result, increases in software depreciation expenses, amortization of goodwill, and R&D expenses have become apparent. As a result, profit growth at each stage was restrained, particularly in the previous fiscal year. However, we believe this is an important initiative that contributes to enhancing corporate value over the medium to long term. We have already begun to see some significant results, such as the acquisition of contracts that exceed our initial plan for the Furusato Tax Payment Support Service.

As a result of the above, sales in the cumulative period were JPY8,660,163 thousand (up 13.0% YoY), operating profit was JPY1,383,679 thousand (up 56.9%), ordinary profit was JPY1,396,343 thousand (up 58.6%), and net profit attributable to parent company owners was JPY958,059 thousand (up 51.8%).

As a reference indicator, year-on-year changes based on EBITDA, an indicator of profitability to know growth-oriented investments, are shown below.

(Thousands of yen)

	Previous year 3rd quarter, Consolidated cumulative period	Current year 3rd quarter, Consolidated cumulative period	Increase (decrease) YoY	Rate of change YoY
Quarter Net Income Before Income Taxes and Minority Interests	882,703	1,397,082	514,378	58.3%
Interest Expenses	1,390	1,569	178	12.8%
Depreciation and Amortization	210,405	315,306	104,900	49.9%
EBITDA	1,094,500	1,713,958	619,457	56.6%
Research and Development	90,036	143,172	53,135	59.0%

Due to factors such as the launch of new iPhone smartphones and Christmas demand at the end of the calendar year, sales for the third quarter are tended to be the largest compared to the other quarters, and the second and fourth quarters are tended to be at the same level and the first quarter the smallest.

Results by business segment are as follows.

① Commerce Business

In addition to "iFace Reflection" series, sales of "iFace First Class" series, the mainstay series, remained strong both at domestic retail and wholesale stores. This was attributable to increased demand for iFace series in both iPhone11 series, which was launched in September 2019, and the previous iPhone series, for which price reductions were announced. In particular, sales to major mobile carrier shops grew in the domestic wholesale market. In January, Hamee Rakuten Ichiba Smartphone Case Store opened in Rakuten Ichiba, an online mall, won the Smartphone, Tablet, and Peripheral Equipment genre prize for Rakuten Ichiba Shop of the Year 2019, which is selected from among more than 40 thousand stores. This was the eighth time to win and the Rakuten Ichiba Store had a strong presence in the market.

Overseas, a consolidated subsidiary in South Korea acquired a product manufacturing business in order to create products that can be developed globally and to reduce manufacturing costs for the Group. In the U.S., while retail sales rose from the same period of the previous fiscal year due to continued strong sales of miscellaneous goods, wholesale sale was declined due to large-scale orders in the previous fiscal year.

The substantial increase in domestic sales with better margin comparatively than overseas sales, has driven the growth in the overall business's margins. The total sales for the third quarter cumulative was JPY7,072,321 thousand (up 11.0%, YoY) and the segment's revenue (operating revenue) was JPY1,688,601 thousand (up 33.7%, YoY).

② Platform Business

The transfer of call center operations, which we have been working on since the previous fiscal year, was largely completed with the aim of maintaining and improving service levels and effectively utilizing our own resources. Although the pace of contract acquisition has slowed temporarily due to building internal organization to once again increase the pace of customer contracts acquisition in order to achieve the medium-term plan, we succeeded steadily to meet the initial plan. As a result, the total number of subscribers was 3,849 (up 227 from the end of the previous fiscal year) and the number of stores used was 30,034 (up 2,028 from the end of the previous fiscal year, both according to our own survey).

Hamee Consulting Corp., which provides sales support consulting to e-commerce businesses, has been restrained by upfront investments (recruitment of consultants) aimed at growing from the next fiscal year onward. However, she continued to work on business growth such as releasing "mark bench", a sales survey tool that enables it to estimate sales of other companies' products in the Rakuten Ichiba easily at low prices. As a result, sales in the platform business in the cumulative period were JPY1,362,972 thousand (up 6.5% YoY) and segment profit (operating profit) was JPY414,384 thousand (up 10.7% YoY) mainly due to an increase in gross profit resulting from increase of sales of Next Engine.

③ Others

This includes new services that cannot be clearly classified into either the Commerce Business or the Platform Business, such as the Furusato Tax Payment Support Service, services for EC businesses that are not linked to the main functions of Next Engine, the "Hamic BEAR" audio message robot for children has'nt got smartphones, and the investment business launched in October 2019. Sales in the cumulative period were JPY231,718 thousand (up 1,351.9% YoY), while segment loss (operating loss) was JPY90,010 thousand (loss of JPY127,883 thousand YoY) because other than Furusato Tax Payment Support Services were in the still prior investment phase.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased by JPY1,574,596 thousand from the end of the previous fiscal year to JPY7,335,395 thousand. This was mainly because of an increase in cash and deposits of JPY302,133 thousand due to an increase in profit before income taxes, an increase in goodwill of JPY296,770 thousand due to the acquisition of a manufacturing business by a Korean subsidiary, and an increase in other current assets of JPY516,454 thousand mainly due to temporal advances paid in the Furusato Tax Payment support services.

Liabilities stood at JPY2,389,962 thousand, an increase of JPY817,733 thousand from the end of the previous fiscal year. This was mainly because of an increase of JPY500 million in short-term loans payable and an increase of JPY398,415 thousand in accounts payable-other in the Furusato Tax Payment Support Service, etc.

Net assets totaled JPY4,945,432 thousand, an increase of JPY756,862 thousand from the end of the previous fiscal year. This was mainly attributable to net income attributable to owners of the parent of JPY958,059 thousand, dividends of JPY103,530 thousand, and an increase in treasury stock of JPY52,136 thousand.

(3) Explanation of future forecasts such as consolidated performance forecasts

Regarding the expected results for current fiscal year, based on the progress of business results for the cumulative period of the third quarter, as well as the recent management environment, the forecast for the consolidated business announced on December 11, 2019 was updated. For details of the revisions, please refer to "Notice of Amendment to Full-Year Performance Forecasts" published on March 11, 2020 (Japanese version only).

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	End of previous fiscal year (As of April 30, 2019)	End of 3rd quarter of the fiscal year (As of January 31, 2020)
Assets		
Current assets		
Cash and deposits	1,660,313	1,962,446
Notes and accounts receivable	1,283,232	1,454,202
Inventory	1,032,246	1,209,997
Work in process	-	2,328
Raw materials and supplies	191	3,262
Others	419,149	935,603
Allowance for doubtful accounts	(21,460)	(14,568)
Total current assets	4,373,671	5,553,272
Fixed assets		
Property, plant and equipment		
Buildings and structures	196,036	207,003
Accumulated depreciation	(31,854)	(42,398)
Buildings and structures, net	164,182	164,605
Tools, furniture and fixtures	335,619	457,299
Accumulated depreciation	(225,210)	(297,766)
Tools, furniture, and fixtures, net	110,409	159,532
Construction in progress	2,058	-
Total property, plant and equipment	276,651	324,137
Intangible assets		
Goodwill	358,755	655,526
Software	246,232	231,776
Trademark rights	16,372	29,531
Technology assets	7,758	5,804
Customer related asset	86,936	72,119
Others	28	1,568
Total intangible assets	716,085	996,327
Investments and other assets		
Investment securities	177	15,342
Stocks of subsidiaries and affiliates	30,119	38,264
Insurance reserve	36,114	-
Deferred tax assets	219,847	242,297
Others	108,130	165,753
Total investments and other assets	394,390	461,658
Total noncurrent assets	1,387,127	1,782,122
Total assets	5,760,799	7,335,395

(Thousands of yen)

	End of previous fiscal year (As of April 30, 2019)	End of 3rd quarter of the fiscal year (As of January 31, 2020)
Liabilities		
Current liabilities		
Accounts payable	207,738	127,674
Short-term loans	300,000	800,000
Current portion of long-term loans payable	60,506	48,036
Accounts payable-other	334,664	733,079
Accrued expenses	172,300	180,209
Income taxes payable	187,296	325,467
Provision for bonuses	77,265	1,394
Reserve for sales returns	6,807	8,154
Provision for discount points	841	1,480
Others	34,415	14,372
Total current liabilities	1,381,834	2,239,870
Noncurrent liabilities		
Long-term loan	139,925	103,968
Obligations for retirement	7,042	4,372
Others	43,427	41,751
Total Noncurrent liabilities	190,394	150,092
Total liabilities	1,572,229	2,389,962
Net assets		
Shareholders' equity		
Common stock	535,803	536,461
Capital surplus	455,803	456,461
Retained earnings	3,202,658	4,055,578
Treasury stock	(126,046)	(178,183)
Total shareholders' equity	4,068,219	4,870,317
Other accumulated comprehensive income		
Adjustments on foreign currency statement translation	(20,544)	(63,264)
Total other accumulated comprehensive income	(20,544)	(63,264)
Share Option	140,896	138,380
Total net assets	4,188,570	4,945,432
Total liabilities and net assets	5,760,799	7,335,395

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 Quarterly Consolidated income statement
 First 3rd quarter of the fiscal year

	(Thousands of yen)	
	First 3rd quarter of previous fiscal year (From May 1, 2018 to January 31, 2019)	First 3rd quarter of fiscal year (From May 1, 2019 to January 31, 2020)
Net sales	7,664,932	8,660,163
Cost of sales	3,759,159	3,887,041
Gross profit	3,905,773	4,773,122
Reversal of reserve for sales returns	3,615	6,807
Provision for reserve for sales returns	5,325	8,154
Gross profit after adjustment of reserve for sales returns	3,904,063	4,771,774
Selling, general and administrative expenses	3,021,955	3,388,094
Operating profit	882,107	1,383,679
Non-operating income		
Interest income	690	721
Refund on insurance	-	19,351
Equity in earnings of affiliates	4,228	14,458
Others	5,610	6,164
Total non-operating income	10,530	40,696
Non-operating expenses		
Interest expenses	1,390	1,569
Payment Guarantee Fee	5,490	5,194
Foreign exchange losses	1,067	16,526
Others	4,039	4,743
Total non-operating expenses	11,988	28,033
Ordinary profit	880,649	1,396,343
Extraordinary income		
Gain on reversal of subscription rights to shares	6,290	2,516
Total extraordinary income	6,290	2,516
Extraordinary losses		
Impairment loss	4,091	-
Loss on retirement of noncurrent assets	144	1,776
Total extraordinary loss	4,236	1,776
Quarter net profit before income taxes and minority interests	882,703	1,397,082
Income taxes	243,931	463,350
Income taxes-deferred	7,458	(24,328)
Total income taxes	251,390	439,022
Quarterly net profit	631,313	958,059
Net profit attributable to owners of parent	631,313	958,059

Quarterly Consolidated Statements of Comprehensive Income

First 3rd quarter of the fiscal year

(Thousands of yen)

	First 3rd quarter of previous fiscal year (From May 1, 2018 to January 31, 2019)	First 3rd quarter of fiscal year (From May 1, 2019 to January 31, 2020)
Quarterly net profit	631,313	958,059
Other comprehensive income		
Adjustments on foreign currency statement translation	(13,858)	(42,720)
Total other comprehensive income	(13,858)	(42,720)
Quarterly Comprehensive income	617,454	915,339
(Details)		
Quarterly Comprehensive income attributable to owners of parent	617,454	915,339
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

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

I Previous 3rd Quarter (From May 1, 2018 to January 31, 2019)

Dividends paid

(Resolution)	Type of stock	Total dividends (thousand yen)	Dividends per share (yen)	Record Date	Effective date	Source of distributions
July 26, 2018 Annual General Meeting	Common stock	88,293	5.50	April 30, 2018	July 27, 2018	Retained earnings

II Current 3rd Quarter (From May 1, 2019 to January 31, 2020)

Dividends paid

(Resolution)	Type of stock	Total dividends (thousand yen)	Dividends per share (yen)	Record Date	Effective date	Source of distributions
July 25, 2019 Annual General Meeting	Common stock	103,530	6.50	April 30, 2019	July 26, 2019	Retained earnings

(Segment Information, etc.)

[Segment Information]

I Previous 3rd Quarter (From May 1, 2,018 to January 31, 2019)

1. Information on net sales and profits or losses by reported segment

(Thousands of yen)

	Reportable segments			Others (NOTE) 1	Total	Adjusted amount (NOTE) 2	Quarterly consolidated Amount recorded in the statement of income (NOTE) 3
	Commerce Business	Platform Business	Total				
Net sales							
Sales to 3rd party	6,369,739	1,279,233	7,648,972	15,959	7,664,932	-	7,664,932
Intersegment sales	-	-	-	-	-	-	-
Total	6,369,739	1,279,233	7,648,972	15,959	7,664,932	-	7,664,932
Segment profit or (loss)	1,263,193	374,353	1,637,547	(127,883)	1,509,664	(627,556)	882,107

(NOTE) (OTHER) "Others" refers to business segments that are not included in reportable segments and includes services, etc. for EC businesses that are not linked to the main functions of Next Engine.

(NOTE) 2. adjustments to segment profit of (627,556) thousand is corporate expenses that are not allocated to reportable segments, and mainly general and administrative expenses.

(NOTE) 3. Segment profit is consistent with operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss on noncurrent assets and goodwill by reportable segment

Not applicable.

II Current 3rd Quarter (From May 1, 2,019 to January 31, 2020)

1. Information on net sales and profits or losses by reported segment

(Thousands of yen)

	Reportable segments			Others (NOTE) 1	Total	Adjusted amount (NOTE) 2	Quarterly consolidated Amount recorded in the statement of income (NOTE) 3
	Commerce Business	Platform Business	Total				
Net sales							
Sales to 3rd party	7,072,321	1,356,122	8,428,444	231,718	8,660,163	-	8,660,163
Intersegment sales	-	6,849	6,849	-	6,849	(6,849)	-
Total	7,072,321	1,362,972	8,435,294	231,718	8,667,012	(6,849)	8,660,163
Segment profit or (loss)	1,688,601	414,384	2,102,985	(90,010)	2,012,975	(629,295)	1,383,679

(NOTE) 1 "Other" is a business segment not included in the reporting segment, which includes services to assist taxation and services for EC companies that are not linked to the main functions of Next Engine.

(NOTE) 2 adjustments to segment profit of (629,295) thousand are mainly corporate expenses that are not allocated to each reportable segment, and mainly general and administrative expenses.

(NOTE) 3. Segment profit is consistent with operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss on noncurrent assets and goodwill by reportable segment

Not applicable.

(Business Combinations)

On October 1, 2019, Hamee Korea Co. Ltd. (this quarter end: December 31), a consolidated subsidiary of the Company, signed a business transfer agreement with JEI DESIGN WORKS Inc. regarding the transfer of the Company's manufacturing business, and acquired the business on that date.

1. The outline of the Business Combination

(1) Name and contents of business of the partner company

Name of partner company: JEI DESIGN WORKS Inc.

Content of Business: Product Manufacturing Business

(2) Main reasons for the business combination

The decision was made to acquire this business with the aim of creating products that can be developed globally and reducing the manufacturing costs of our group's products.

(3) Date of business combination

October 1, 2019

(4) Legal form of business combination

Transfer of business in consideration of cash

(5) Name following business combination

No change.

(6) Main reasons for determining the partner company

This is because Hamee Korea Co. Ltd., consolidated subsidiary, received the business in exchange for cash.

2. Period of business results of acquired businesses included in this Quarterly Consolidated Statements of Income

From October 1, 2019 to December 31, 2019

3. Acquisition cost of acquired business and breakdown by type of consideration

<u>Consideration for acquisition</u>	<u>Cash</u>	<u>KRW4,278,839 thousand (approximate 396,000 thousand yen)</u>
Acquisition cost		KRW4,278,839 thousand (approximate 396,000 thousand yen)

4. Goodwill, reason for recognizing goodwill, amortization method and amortization term

(1) Amount of goodwill incurred

370,000 thousand yen

The above figures are provisionally calculated amounts.

(2) Causes of occurrence

This is attributable to the future excess earning capability expected from future business development.

(3) Method and term to amortize goodwill

Straight-line method over 8 years

5. Details of the additional consideration in the future stipulated in the business combination agreement and the accounting policies for this payment

(1) Content of Conditional Consideration for Acquisition

Payment is made for 15 months after closing in accordance with the level of achievement of business performance.

(2) Accounting policies

When additional payments are made, the acquisition cost is updated and the amount of goodwill and the amortization of goodwill are adjusted to reflect the assumption that the payment was made at the time of acquisition.

(Significant Subsequent Events)

Not applicable.

3. Others

Significant Events Related to Going Concern Assumptions

Not applicable.