



※ Notes

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

(changes in specified subsidiaries resulting in changes in scope of consolidation)

New -Company Exclusion -Company

(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)	Q1 FY04/21	16,203,400Shares	FY04/20	16,135,600Shares
② Number of treasury shares at the end of the period	Q1 FY04/21	392,678Shares	FY04/20	343,925Shares
③ Average number of shares during the period	Q1 FY04/21	15,766,779Shares	Q1 FY04/20	15,846,656Shares

※ This quarterly financial report is not subject to quarterly review by a certified public accountant or auditing firm.

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

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors. Please refer to "1. Qualitative information on the current quarter results, (3) Explanation of future forecast information such as the forecast of the consolidated results" on page 3 of the attached material for the assumptions on the performance forecast and notes on the use of the performance forecast.

(Reference only)

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

○ Accompanying Materials – Contents

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## 1. Qualitative information on the current quarter's performance

### (1) Explanation of Operating Results

During the first quarter of the fiscal year under review, the Japanese economy faced extremely severe conditions, with socioeconomic activity stagnating rapidly due to COVID-19. Economic activity has been resumed gradually and is expected to recover gradually in the future. However, the period of convergence became protracted due to, such as the second wave, and the possibility of its impact continuing throughout the fiscal year under review could not be ruled out. Both in Japan and overseas, conditions were affected by downside risks to the economy.

The Group is making various efforts to continue its business under the influence of this infectious disease. Specifically, the Group takes measures according to the situation, such as securing liquidity on hand to ensure management stability, implementing telecommuting, strengthening restrictions on business trips and travel to Japan and abroad, thoroughly disseminating measures to prevent infections, and ascertaining trends in each region through the Group's domestic and overseas networks. We will continue to place the highest priority on the safety of our group employees and stakeholders. In order to fulfill our social responsibilities as a group, we will work to prevent infectious diseases and spread infectious diseases based on the government's policies, action plans and requests, and at the same time strive to grow our business.

In this business conditions, iFace Reflection, a transparent iFace series that utilizes reinforced glass, continues to capture market demand in sales of mobile phone accessories, leading the overall Commerce Business. Domestic wholesale recovered steadily as economic activity gradually resumed, despite a significant decline due to restraints on the outings of consumers caused by the spread of this infectious disease and temporary suspension of physical stores operations. Domestic retail sales grew at a significantly higher pace than in the previous fiscal year due to major changes in consumer behavior, such as the conspicuous shift in house spending due to changes in daily lives and the shift to digital e-commerce.

As a result, in the first quarter under review, sales were JPY2,684,108 thousand (up 4.9% YoY), operating income was JPY 415,976 thousand (up 8.2%), ordinary income was JPY400,401 thousand (up 0.2%), and net income attributable to owners of the parent was JPY260,712 thousand (down 10.6%).

In addition, the Ministry of Economics, Industries and the Tokyo Stock Exchange selected HAMEE as "Aggressive IT Management Brand" for three consecutive years from 2016 to 2018 and "IT Management Focus Firm 2019" for 2019 to select businesses that are actively utilizing IT to improve management innovation, income level, and productivity. In this year, the "Aggressive IT Management Brand" was changed to "Digital Transformation Brand" and was selected as the DX Brand in the first time in which it was nutritious, resulting in an award for five consecutive years.

Results by business segment are as follows.

#### ① Commerce Business

Sales of iFace Reflection series continued to be favorable, buoyed by an increase in product recognition following the launch of a series of new products in 2019, and the launch of the second-generation iPhone SE in April 2020. The mainstay iFace First Class series also performed well.

In the domestic wholesale business, although the monthly results fell down due to voluntary restraints by consumers on going out, and temporary suspension of operations by actual stores, recovered significantly due to the resumption of economic activities and other factors. Domestic retail sales increased significantly by 134% due to the impact of the expansion of the EC market as a result of major changes in consumer behavior, such as the demand for in house consumptions due to requests to refrain from going abroad and temporary holidays at various schools, as well as the shift in consumer spending to digital (EC).

Overseas, sales increased compared with the same period in the previous year due to strong retail sales in the same way as in Japan, despite a decline in wholesale sales due to the impact of COVID-19 in the United States.

As a result, sales in the Commerce Business increased 0.5% YoY to JPY2,084,678 thousand and segment profit increased 1.1% to JPY506,731 thousand.

## ② Platform Business

As a result of the market expansion caused by changes in consumption behavior, such as the aforementioned conspicuous consumption in house and a digital shift to EC use, the number of orders received by next-engine client businesses also increased, and sales of the next engine, which is a volume-based charge system related to the EC transaction by client, were also strong. In addition, with the aim of providing support to companies wishing to enter the EC business and supporting the introduction of various services and tools to companies that have already entered the EC business, the Group worked to improve added value as a platform by compiling support measures provided by the next engine and partner companies. In addition, cost reductions, such as a relative decline in server costs, contributed to higher sales and profits.

As a result of these activities, the total number of subscribers was 4179 (up 182 from the end of the previous fiscal year) and the number of subscribing EC shops was 31,771 (up 936 from the end of the previous fiscal year, according to our own research).

For Hamee Consulting, which provides sales support consulting services for e-commerce businesses, profits increased in the first quarter of the current fiscal year due to a decline in certain expenses, including a reduction in expenses for new recruitment activities due to improvements in the turnover rate of consultants.

As a result, sales in the platform business for the first quarter of the current fiscal year were JPY549,632 thousand (up 21.9% from the same quarter of the previous year). Segment Profit (Operating Profit) was JPY230,720 thousand (up 81.2%) due primarily to an increase in gross margin resulting from an increase in sales of the next engine.

## ③ Others

New services that cannot be clearly classified into neither the commerce or platform, include Hometown tax payment support services, voice messaging robots for children who do not have smartphones named Hamic BEAR, and RUKAMO, which was opened in March 2020. In particular, sales of the hometown tax payment support service grew significantly, partly due to an increase in the market (donations). As a result, sales for the first quarter of the fiscal year under review amounted to JPY50,126 thousand (up 54.6% year on year). Segment operating loss was JPY81,559 thousand (compared with an operating loss of JPY37,743 thousand in the same period of the previous fiscal year), mainly due to upfront expenditures in RUKAMO, which we launched in March 2020, and in Hamic new series, which we are currently developing.

## (2) Explanation of Financial Position

Assets at the end of the first quarter of the current fiscal year decreased by JPY216,755 thousand from the end of the previous fiscal year to JPY7,879,770 thousand. This was mainly attributable to a decrease in income taxes payable due to the payment of income taxes, a decrease in consumption taxes payable due to the payment of consumption taxes, and a decrease in cash and deposits of JPY163,935 thousand due to the acquisition of treasury stock.

Total liabilities amounted to JPY2,903,984 thousand, a decrease of JPY368,176 thousand from the end of the previous fiscal year. This was mainly due to a 251,672 thousand yen decrease in income taxes payable resulting from the payment of income taxes, and a 153,644 thousand yen decrease in accounts payable-other. As in the previous fiscal year, to ensure management stability in response to the spread of COVID-19, we increased liquidity on hand by borrowing from financial institutions, and short-term borrowings amounted to JPY1,611,850 thousand.

Net assets stood at JPY4,975,786 thousand, an increase of JPY151,421 thousand from the end of the previous fiscal year. This was mainly attributable to profit attributable to owners of parent of JPY260,712 thousand, an increase of JPY35,871 thousand in capital stock and capital surplus due to the exercise of stock options, dividends of surplus of JPY110,541 thousand, and an increase of JPY65,064 thousand in treasury stock.

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

There are no changes to the full-year consolidated earnings forecasts announced on June 12, 2020.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	End of previous fiscal year (As of April 30, 2020)	End of 1st quarter of the year (As of July 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	3,453,297	3,289,362
Notes and accounts receivable	1,230,062	1,134,152
Inventory	1,054,844	1,125,788
Work in process	3,382	3,124
Raw materials and supplies	5,207	5,507
Others	523,676	496,999
Allowance for doubtful accounts	△11,723	△37,408
Total current assets	6,258,748	6,017,525
Fixed assets		
Property, plant and equipment		
Buildings and structures	204,725	205,030
Accumulated depreciation	△45,517	△49,999
Buildings and structures, net	159,208	155,030
Tools, furniture and fixtures	440,696	517,931
Accumulated depreciation	△329,805	△376,437
Tools, furniture, and fixtures, net	110,891	141,493
Construction in progress	299,015	301,697
Total property, plant and equipment	569,114	598,221
Intangible assets		
Goodwill	514,544	468,830
Software	230,164	224,128
Trademark rights	16,577	15,939
Others	28	28
Total intangible assets	761,315	708,928
Investments and other assets		
Investment securities	15,342	18,677
Stocks of subsidiaries and affiliates	43,200	47,164
Deferred tax assets	289,000	334,491
Others	159,803	154,760
Total investments and other assets	507,347	555,095
Total noncurrent assets	1,837,777	1,862,244
Total assets	8,096,525	7,879,770

(Thousands of yen)

	End of previous fiscal year (As of April 30, 2020)	End of 1st quarter of the fiscal year (As of July 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	166,127	189,634
Short-term loans	1,600,000	1,611,850
Current portion of long-term loans payable	48,036	48,036
Accounts payable-other	660,915	507,270
Accrued expenses	182,402	178,855
Income taxes payable	453,119	201,447
Provision for bonuses	2,789	1,613
Reserve for sales returns	6,716	3,396
Provision for discount points	2,414	2,457
Others	23,529	41,050
<b>Total current liabilities</b>	<b>3,146,051</b>	<b>2,785,613</b>
Noncurrent liabilities		
Long-term loan	91,889	79,880
Obligations for retirement	9,365	10,666
Others	24,853	27,824
<b>Total Noncurrent liabilities</b>	<b>126,108</b>	<b>118,370</b>
<b>Total liabilities</b>	<b>3,272,160</b>	<b>2,903,984</b>
Net assets		
Shareholders' equity		
Common stock	536,677	572,548
Capital surplus	456,677	492,548
Retained earnings	4,166,941	4,317,111
Treasury stock	△313,117	△378,181
<b>Total shareholders' equity</b>	<b>4,847,178</b>	<b>5,004,026</b>
Other accumulated comprehensive income		
Adjustments on Foreign currency statement translation	△161,192	△140,831
<b>Total other accumulated comprehensive income</b>	<b>△161,192</b>	<b>△140,831</b>
Stock Option	138,380	112,591
<b>Total net assets</b>	<b>4,824,365</b>	<b>4,975,786</b>
<b>Total liabilities and net assets</b>	<b>8,096,525</b>	<b>7,879,770</b>

## (2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

## Quarterly Consolidated income statement

First 1st quarter of the fiscal year

(Thousands of yen)

	1st quarter of previous fiscal year (From May 1, 2019 to July 31, 2019)	1st quarter of fiscal year (From May 1, 2020 to July 31, 2020)
Net sales	2,557,816	2,684,108
Cost of sales	1,152,921	1,053,295
Gross profit	1,404,894	1,630,813
Reversal of reserve for sales returns	6,807	6,716
Provision for reserve for sales returns	5,203	3,396
Gross profit after adjustment of reserve for sales returns	1,406,498	1,634,133
Selling, general and administrative expenses	1,021,986	1,218,156
Operating profit	384,511	415,976
Non-operating income		
Interest income	85	158
Refund on insurance	19,351	-
Equity in earnings of affiliates	6,280	1,155
Compensation income	1,449	3,295
Others	765	960
Total non-operating income	27,933	5,570
Non-operating expenses		
Interest expenses	633	2,642
Payment Guarantee Fee	1,629	1,337
Foreign exchange losses	5,391	10,454
Others	5,097	6,710
Total non-operating expenses	12,751	21,145
Ordinary Profit	399,693	400,401
Extraordinary income		
Gain on sales of noncurrent assets	-	378
Gain on reversal of subscription rights to shares	2,516	1,258
Total extraordinary income	2,516	1,636
Extraordinary losses		
Loss on retirement of noncurrent assets	1,298	-
Loss on valuation of investment securities	-	10,164
Loss on reversal of foreign currency translation adjustments	-	868
Total extraordinary loss	1,298	11,032
Quarter net profit before income taxes and minority interests	400,910	391,004
Income taxes	108,423	174,852
Income taxes-deferred	799	△44,560
Total income taxes	109,223	130,292
Quarterly net profit	291,687	260,712
Quarterly net profit attributable to owners of parent	291,687	260,712



Quarterly Consolidated Statements of Comprehensive Income

First 1st quarter of the fiscal year

(Thousands of yen)

	1st quarter of previous fiscal year (From May 1, 2019 to July 31, 2019)	1st quarter of fiscal year (From May 1, 2020 to July 31, 2020)
Quarterly net profit	291,687	260,712
Other comprehensive income		
Adjustments on foreign currency statement translation	△68,913	20,361
Total other comprehensive income	△68,913	20,361
Quarterly Comprehensive income	222,773	281,073
(Details)		
Quarterly Comprehensive income attributable to owners of parent	222,773	281,073
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)

Not applicable.

(Segment information, etc.)

[Segment Information]

I Previous 1st Quarter (From May 1, 2019 to July 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 1st party	2,074,602	450,786	2,525,389	32,427	2,557,816	-	2,557,816
Intersegment sales	-	-	-	-	-	-	-
Total	2,074,602	450,786	2,525,389	32,427	2,557,816	-	2,557,816
Segment profit or (loss)	501,373	127,303	628,676	△37,743	590,933	△206,422	384,511

(NOTE) 1. "Other" refers to business segment that are not included in reportable segments, and includes

Services for EC businesses that are not linked to the main functions of Next Engine.

(NOTE) 2. adjustments to segment profit of △206,422 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 income in the quarterly consolidated statements of income.

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

Not applicable.

II Current 1st Quarter (From May 1, 2020 to July 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 1st party	2,084,678	549,303	2,633,981	50,126	2,684,108	-	2,684,108
Intersegment sales	-	329	329	-	329	△329	-
Total	2,084,678	549,632	2,634,310	50,126	2,684,437	△329	2,684,108
Segment profit or (loss)	506,731	230,720	737,451	△81,559	655,892	△239,916	415,976

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

(NOTE) 2. adjustments to segment profit of △239,916 thousand are mainly corporate expenses that are not allocated to reportable segments, and mainly general and administrative expenses.

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

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

Not applicable.

(Significant Subsequent Events)

Not applicable.