



Hamee Corp.

Q1 FY 04/21

Results briefing materials

Reference only

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

TSE Part1, Securities Code 3134
September 14, 2020



DX銘柄2020
Digital Transformation

Awarded as the Digital Transformation stock
selected by the METI and the TSE



Get over COVID-19.

Sales and Profits (YoY) in both Platform and Commerce, to take opportunities of Consumption at home / Digital shift.

Summary of financial results for Q1 FY04/21

Net sales

JPY2.68 billion

(YoY)

+4.9%

Operating income

JPY410 million

(YoY)

+8.2%

Platform Business

Because of new trend, **Consumption at home and Digital shift** caused by COVID-19, EC market had been expanding and Next engine **boost up ARPU**, also made **significant number of Customer Acquisition**, Sales rose 21.9% YoY. Slowdown huge upfront investment and move to investment-return phase. Operating income jumped 81.0% YoY.

Commerce Business

Good sales portfolio (EC – Wholesale 50:50) help to maintain sales level and Domestic retail sales rose significantly to **134.0%** YoY. iFace remained strong, due to iPhone SE (the second generation).

Others (New Businesses)

Hometown Tax Payment Support Service continues to perform well. On the other hand, as a result of increased upfront investments in RUKAMO and new Hamic series, JPY81 million loss (JPY37 million loss in last year) recorded.

I. Financial Results

II. Business Overview

III. Mid-Term Management Plan

I. Financial Results

Achieved to increase Sales and Profits (YoY) in both Platform and Commerce, to take opportunities of Digital shift caused by COVID-19.

Millions of yen

	FY 04/20 1Q	%	FY 04/21 1Q	Increase/ Decrease	YoY	%
Net sales	2,557	100.0%	2,684	126	4.9%	100.0%
Operating income	384	15.0%	415	31	8.2%	15.5%
Ordinary income	399	15.6%	400	0	0.2%	14.9%
Net Profit attributable to owners of parent	291	11.4%	260	△30	△10.6%	9.7%

Quarterly earnings per
share

18.41 yen

16.54 yen

Q1 FY04/21 Income Statement

Millions of yen

	FY 04/20 1Q	% of sales	FY 04/21 1Q	Increase/ Decrease	% YoY	% of sales
Net sales	2,557	100.0%	2,684	126	4.9%	100.0%
■ Commerce	2,074	81.1%	2,084	10	0.5%	77.7%
EC	932	36.5%	1,218	285	30.6%	45.4%
Wholesale	1,141	44.6%	866	△275	△24.1%	32.3%
■ PF business*1	450	17.6%	549	98	21.9%	20.5%
■ Other*2	32	1.3%	50	17	54.6%	1.9%
Cost of sales	1,152	45.1%	1,053	△99	△8.6%	39.2%
Gross profit	1,404	54.9%	1,630	225	16.1%	60.8%
SGA	1,021	40.0%	1,218	196	19.2%	45.4%
Distribution expenses	128	5.0%	145	16	13.1%	5.4%
Personnel expenses	385	15.1%	456	71	18.5%	17.0%
Commissions expenses	176	6.9%	224	47	26.9%	8.4%
Operating income	384	15.0%	415	31	8.2%	15.5%
Ordinary income	399	15.6%	400	0	0.2%	14.9%
Net Profit attributable to owners of parent	291	11.4%	260	△30	△10.6%	9.7%

Millions of yen

Gross profit 415 (+31 YoY)

Gross profit	+225	Effect of revenue increase
SG&A expenses	+196	
Personnel	+71	at Korean subsidiary acquisition of manufacturing operations
Travel	△ 11	Decrease in travel opportunities
Advertisement	+13	EC mall advertising Increase
Commissions paid	+47	Increase in retail sales
logistics costs	+16	Increase in retail sales
Amortization of goodwill	+26	at Korean subsidiary acquisition of manufacturing operations

Non-operating income and expenses △ 15

[Non-operating income]

■ Compensation income +3

[Non-operating expenses]

■ Foreign exchange loss △ 10

■ Interest expenses △ 2

■ Other non operating expenses △ 6

※ 1 PF Business: Platform Business

※ 2 Other: New services that cannot be clearly classified into the Commerce Business or the Platform Business are presented as "Other."

Millions of yen

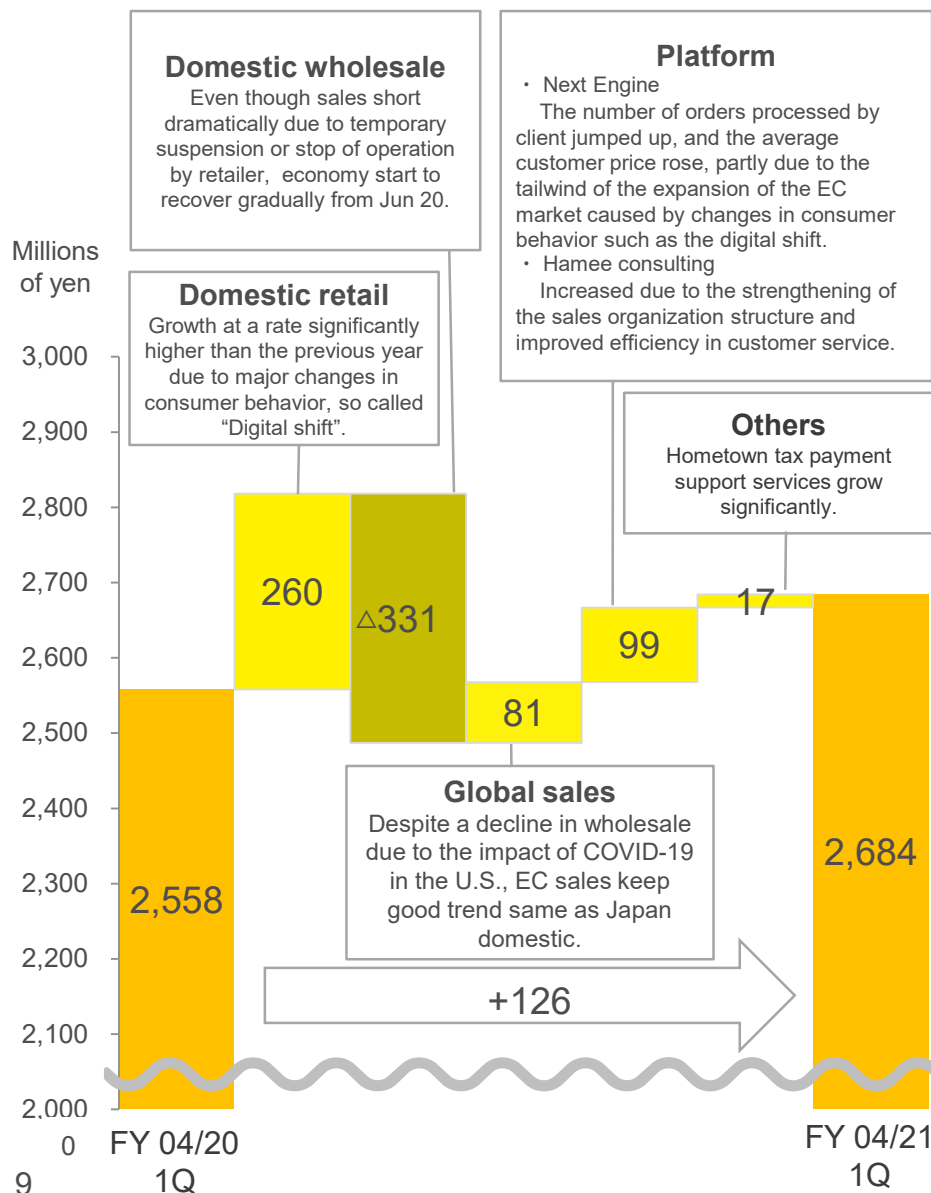
		FY 04/20 1Q	FY 04/21 1Q	Increase /Decrease	YoY	Composition ratio
Commerce Business	Net sales	2,074	2,084	10	0.5%	77.7%
	Segment profit	501	506	5	1.1%	77.3%
	Profit ratio	24.2%	24.3%	0.2%	-	-
Platform Business	Net sales	450	549	98	21.9%	20.5%
	Segment profit	127	230	103	81.2%	35.2%
	Profit ratio	28.2%	42.0%	13.8%	-	-
Other *1	Net sales	32	50	17	54.6%	1.9%
	Segment profit	△37	△81	△43	-	△12.4%
	Profit ratio	-	-	-	-	-
Total	Net sales	2,557	2,684	126	5.0%	100.0%
	Segment profit	590	655	64	11.0%	100.0%
	Adjusted amount ※2	△206	△239	△33	-	-
	Operating profit	384	415	31	8.2%	-
	Profit ratio	15.0%	15.5%	0.5%	-	-

※1 Other: New services that cannot be clearly classified into either the Commerce Business or the Platform Business are presented as "Other."

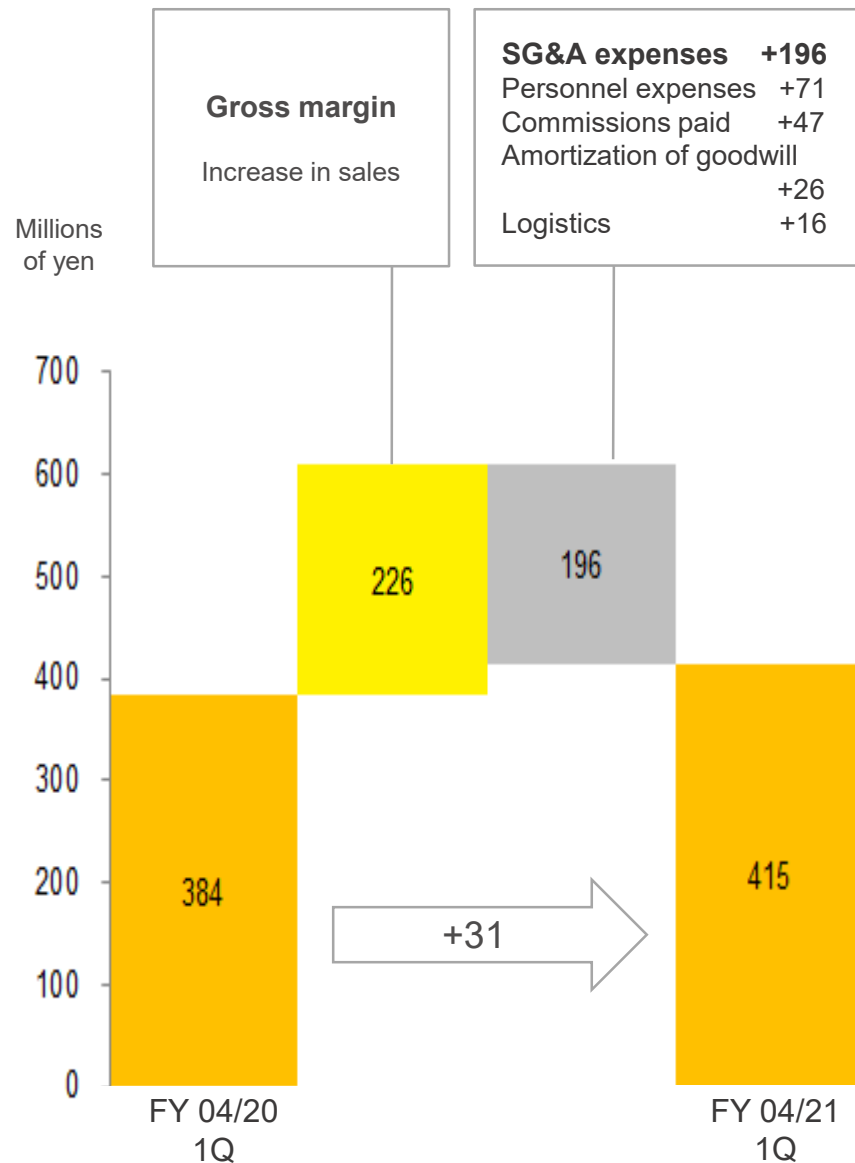
8 ※2 Adjustments: Back office administrative expenses

Q1 FY04/21 Sales/Operating income analysis

Net sales



Operating income



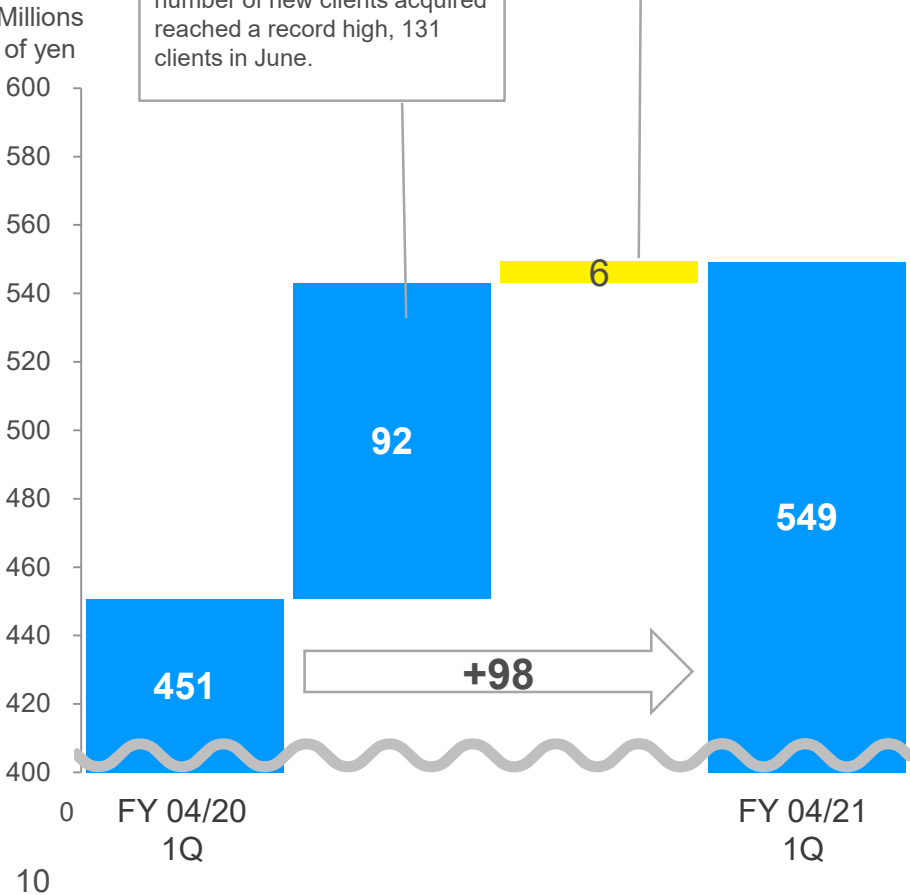
Net sales

Next Engine

To take opportunities of Digital shift caused by COVID-19, EC market had been expanding and Next engine boost up customer unit price. Also the number of new clients acquired reached a record high, 131 clients in June.

Hamee consulting

Increased due to the strengthening of the sales organization structure and improved efficiency in customer service.



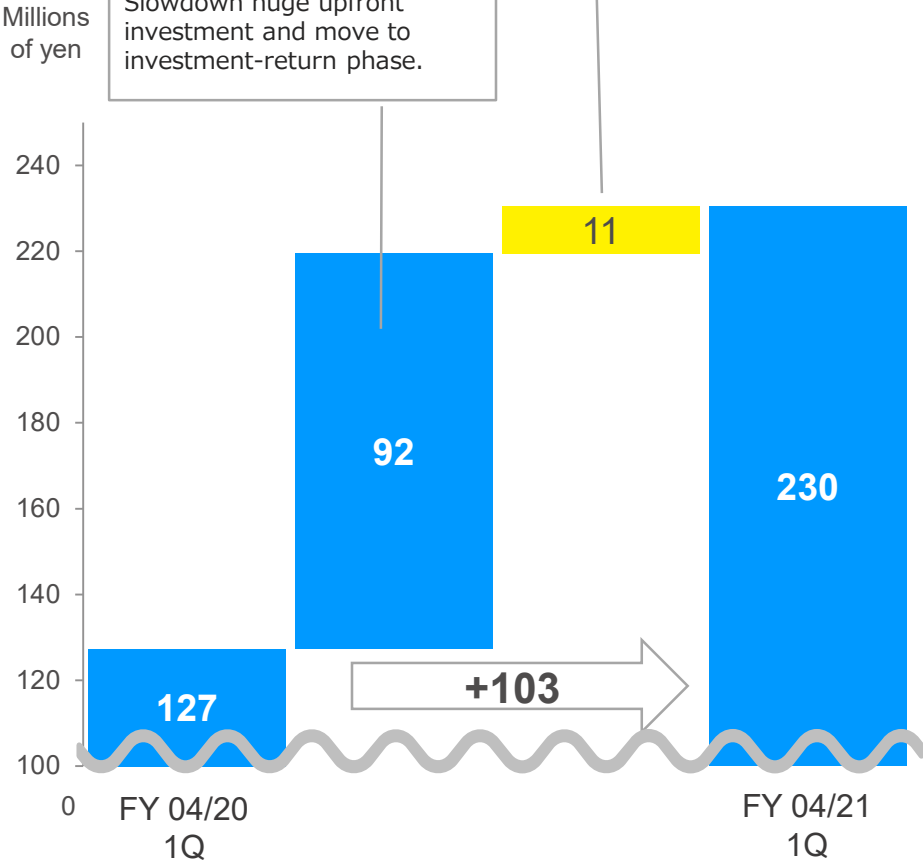
Segment profit

Next Engine

Despite an increase in outsourcing costs associated with the transfer of the call center, operating income increased significantly due to reduction of server costs. Slowdown huge upfront investment and move to investment-return phase.

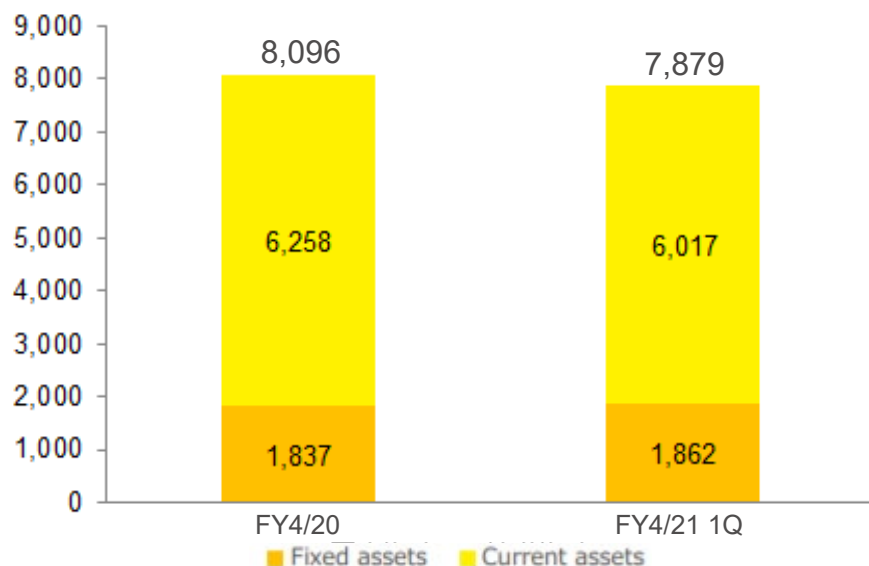
Hamee consulting

Profit increased due to reduction of recruitment expenses. Improved in the turnover rate of consultant.



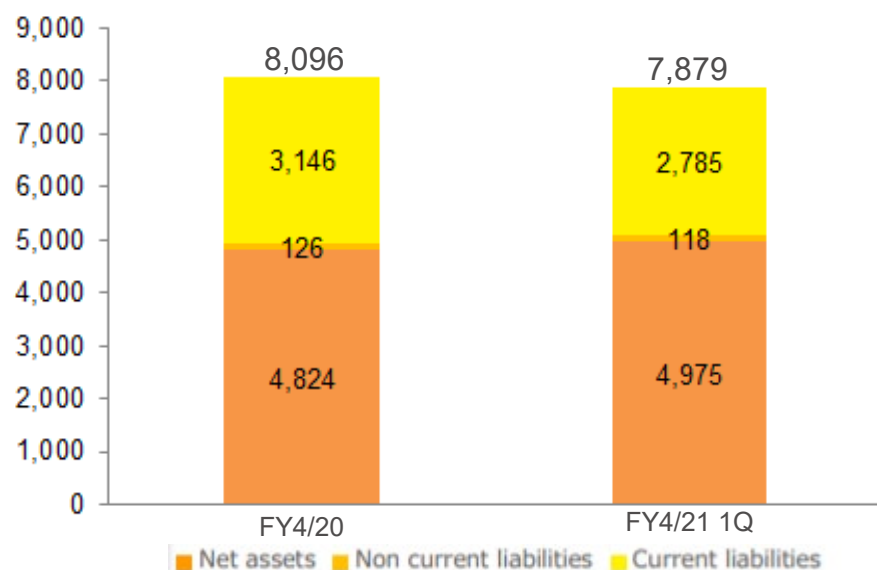
Q1 FY04/21 Balance Sheet

Millions of yen



Current assets	6,017 (△241)
■ Cash and deposits	3,289 (△163)
■ Notes and accounts receivable	1,134 (△95)
■ Inventory	1,125 (+70)
■ Others	496 (△26)

Fixed assets	1,862 (+24)
■ Property, plant and equipment	598 (+29)
■ Intangible assets	708 (△52)
■ Investments and other assets	555 (+47)



Current liabilities	2,785 (△360)
■ Accounts payable	189 (+23)
■ Short-term loans	1,611 (+11)
■ Accounts payable-other	507 (△153)

Non current liabilities	118 (△7)
■ Long-term loan	79 (△12)

Net assets	4,975 (+151)
■ Retained earnings	4,317 (+150)

Indicator of profitability taking into account growth investments

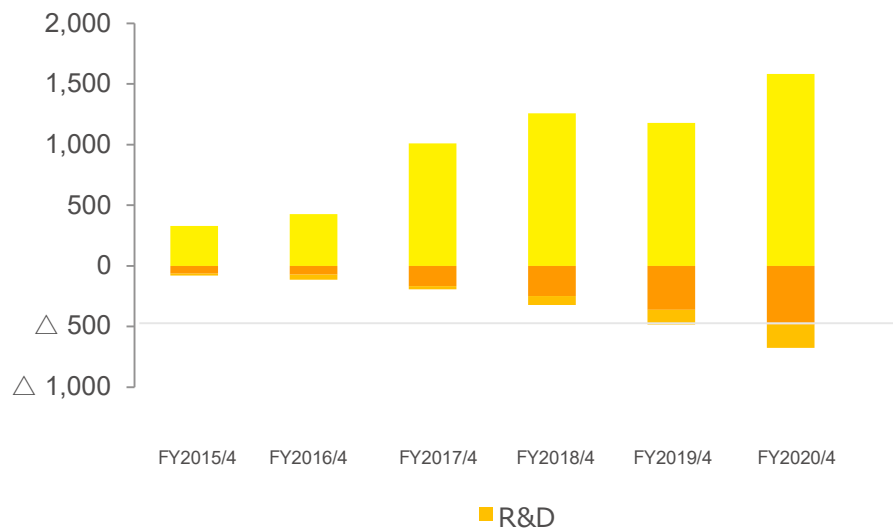
Millions of yen

		FY 04/20 1Q	FY 04/21 1Q	Increase/Decrease	YoY change
	Quarter net income before income taxes and minority interests	400	391	△9	△2.5%
	Interest expenses	0	2	2	317.1%
	Depreciation and amortization	89	113	24	27.0%
	Software	34	34	0	0.2%
	Goodwill	22	48	26	118.4%
	Other intangible assets	1	1	△0	△13.1%
EBITDA		491	507	16	3.3%
RESEARCH AND DEVELOPMENT COSTS		37	30	△6	△17.6%

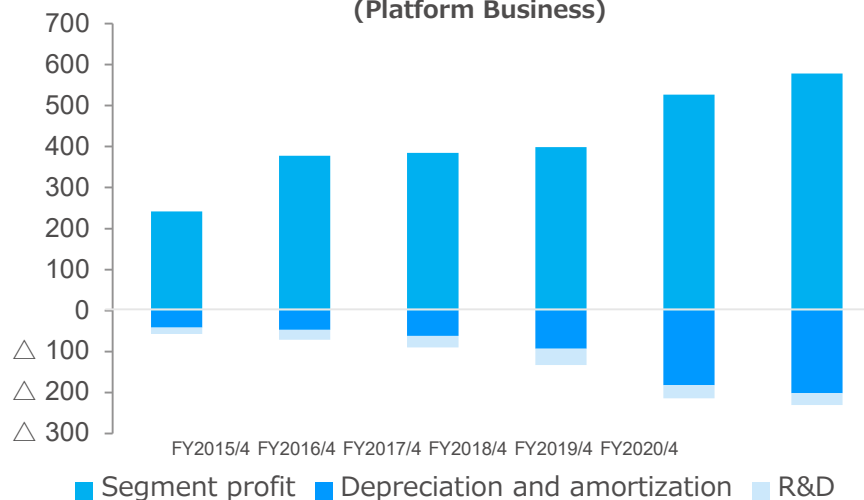
Depreciation and amortization (Breakdown):

Software	Goodwill	Other intangible assets
Personnel expenses for medium-sized development projects of Next Engine such as 1, Enhancement of Next Engine functions 2, Development of Next Engine apps 3, Other Amortized over 3years	Platform business JPY14 million (Hamee Consulting) Commerce business JPY33 million (JEI DESIGN WORKS)	Commerce business JPY1 million (iFace trademark)

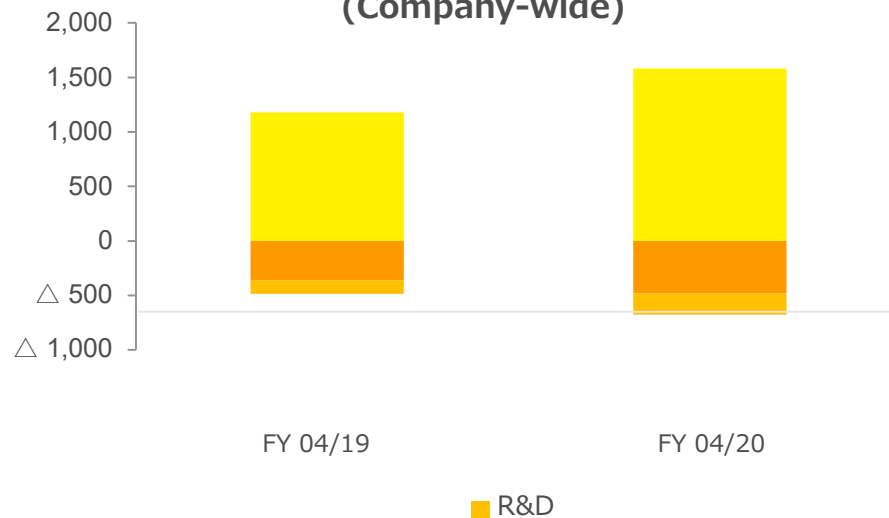
EBITDA + R&D (full-year) Millions of yen



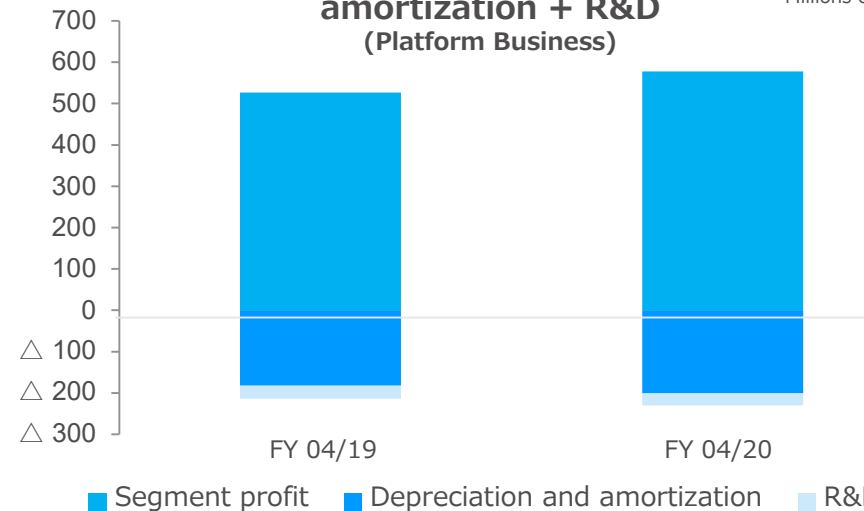
Segment income + Depreciation and amortization + R&D (Platform Business) Millions of yen



EBITDA+R&D (Company-wide) Millions of yen



Segment income + Depreciation and amortization + R&D (Platform Business) Millions of yen



FY04/21 Income Statement – Full year forecast

Millions of yen

	FY04/20	% of sales	FY04/21 forecast	Increase/ Decrease	YoY %	% of sales
Net sales	11,325	100.0%	12,832	1,507	13.3%	100.0%
■ Commerce Business	9,208	81.3%	9,990	781	8.5%	77.9%
Retail	4,560	40.3%	5,482	921	20.2%	42.7%
Wholesale	4,648	41.0%	4,507	△140	△3.0%	35.1%
■ PF Business ※1	1,848	16.3%	2,059	211	11.4%	16.1%
■ Others ※2	268	2.4%	782	514	191.8%	6.1%
Cost of sales	4,894	43.2%	5,082	187	3.8%	39.6%
Gross profit	6,430	56.8%	7,750	1,319	20.5%	60.4%
SGA cost	4,686	41.4%	5,971	1,285	27.4%	46.5%
Distribution expenses	576	5.1%	647	70	12.3%	5.1%
Of which, personnel expenses	1,659	14.7%	2,080	421	25.4%	16.2%
Commissions paid	804	7.1%	1,093	288	35.8%	8.5%
Operating income	1,744	15.4%	1,778	33	1.9%	13.9%
Ordinary income	1,756	15.5%	1,764	7	0.4%	13.8%
Net profit Attributable to owners of parent	1,064	9.4%	1,260	196	18.5%	9.8%

※1 PF Business: Platform Business

※2 Other: New services that cannot be clearly classified into either the Commerce Business or the PF Business are presented as "Other."

FY04/21 Segment – Full year forecast

Both the Commerce Business and the Platform Business are expected to achieve record high profits as both sales and profits continue to increase.

The company expects a large increase in sales in other segments but a wider loss due to upfront investment.

Millions of yen

		FY 04/20	FY 04/21 Forecast	Increase /Decrease	YoY change	Composition ratio
Commerce Business	Net sales	9,213	9,990	777	8.4%	77.9%
	Segment profit	2,207	2,561	296	13.5%	93.8%
	Profit ratio	24.0%	25.2%	1.1%	-	-
Platform Business	Net sales (Next Engine)	1,848 (1,607)	2,059 (1,770)	211 (163)	11.4% (10.2%)	16.1% (13.8%)
	Segment profit (Next Engine)	579 (627)	661 (732)	82 (105)	14.2% (16.7%)	24.8% (27.5%)
	Profit ratio	31.4%	32.1%	0.8%	-	-
Others * 1	Net sales	268	782	514	191.8%	6.1%
	Segment profit	△179	△405	△316	176.4%	△18.6%
	Profit ratio	△66.8%	△63.3%	3.5%	-	-
Total	Net sales	11,329	12,832	1,502	13.3%	100.0%
	Segment profit	2,607	2,670	63	2.4%	100.0%
	Adjusted amount ※2	△859	△1,042	△183	21.3%	△39.1%
	Operating income	1,747	1,627	△119	△6.9%	-
	Profit ratio	15.4%	12.7%	△2.7%	-	-

※1 Others: New services that cannot be clearly classified into either the Commerce Business or the Platform Business are presented as "Other."

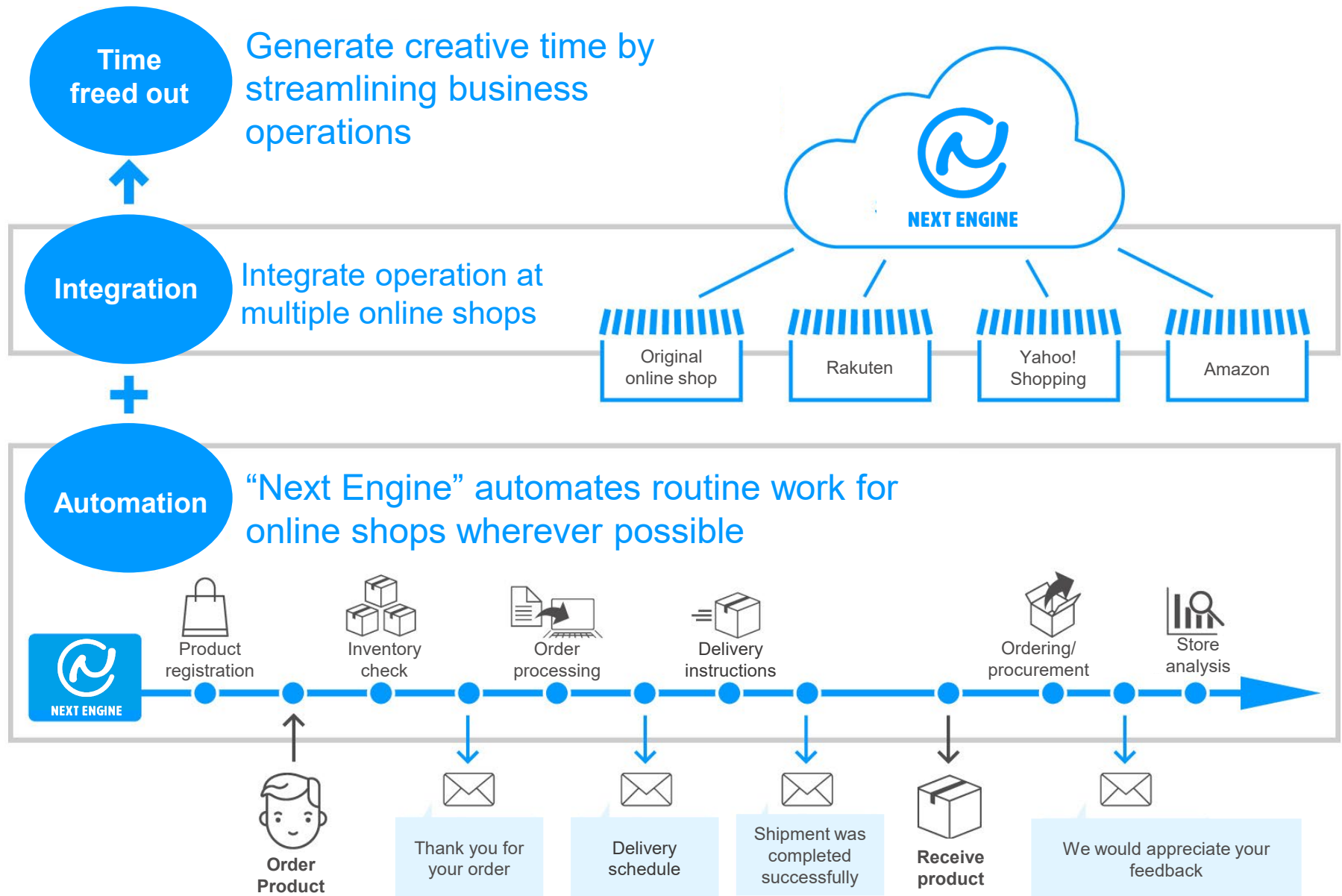
※2 Adjustments: Company-wide administrative expenses are stated as "Adjustments."

II. Business Overview

Platform Business



NEXT ENGINE





(Partially listed)

Product analysis and inventory control



滞留在庫アプリ

Slow-moving inventory app
An app that visualizes products that remain unsold even after a certain period of time (slow-moving inventory) and displays them in a new service (RUKAMO) that distributes slow-moving inventory.

13 Dec 2018 officially released

Sales up




レコメンドメール 自動配信

Mail recommendation auto mail delivery
Auto mail delivery to consumer for EC operator to insert advertisement in email to consumer to recommend other product by same client, based on data in Next Engine by A.I..

※2019/3/8 officially released

Accounting



freee専用 会計ソフト連携アプリ

Connect with “freee” (Accounting system)
Apps to interface order data (both customer and purchase) in Next Engine to freee.

Provided by Inagora

Logistics



400店舗以上が利用中の
アウトソース先倉庫との自動連携アプリ！

Auto shipping instruction to “LOGIZARD ZERO”

Power by ネクストエンジン

Connect with LOGIZARD ZERO provided by Logizard Co., Ltd. to make auto shipping instruction.

Provided by SHIPPInno

CRM



顧客管理 顧客分析

リピート 利益拡大

EC CRM LTV-Lab

To utilize data in Next Engine to visualize repeat sales, repeat %.

Provided by Coreforth

Loan (Fintech)



GMO-PG Transaction rending

For speedy loan examination without mortgage or joint guarantor to utilize data in Next Engine such as order, sales etc.

Provided by GMO Payment gateway ,inc.

CBEC



豌豆公主(Wandou)

Auto registration to Wandou (China market) for data registered in Next Engine.

Provided by Inagora

Customization



Customization of Next Engine data preparation

Customize data in Next Engine to output or data connection with other system.



NEXT ENGINE

Total number of subscribers:

4,179 clients

182 companies increased from April 2020

Number of stores: 31,771

936 stores increased from April 2020

Clients ※ Partially posted



THE BODY SHOP.



(as of July 31, 2020)

Next Engine main function - Number of clients

The number of clients as of Jul 2020 was 4,179, increase of 12.4% YoY.

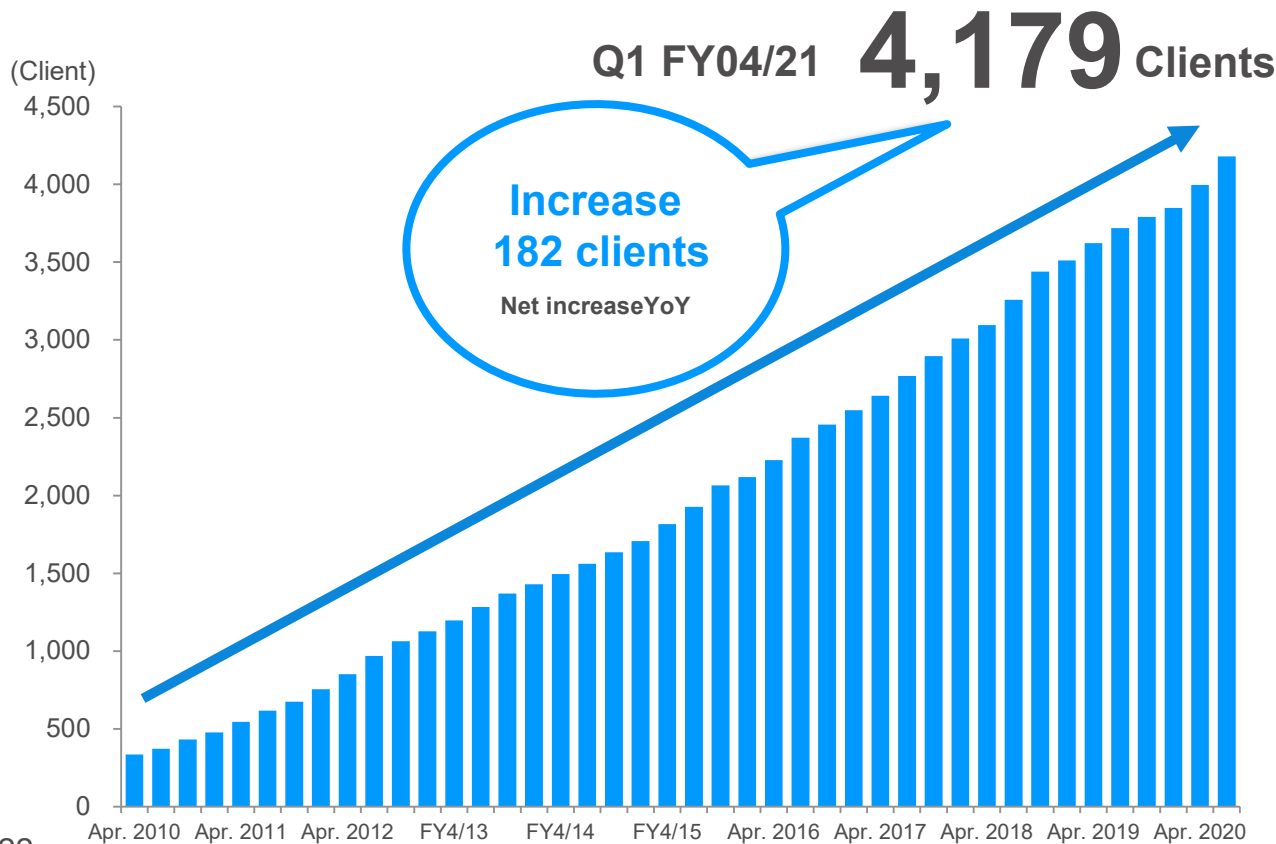
※ As of the end of July 2020

<Background>

To take opportunities of Consumption at home and Digital shift caused by COVID-19, EC market had been expanding and Next engine boost up customer unit price.

Also the number of new clients acquired reached a record high, 131 clients in June 2020.

※ Excluding cancellations



**Accelerating
Client contracts
after
outsourcing**



**Call center jobs
Outsourcing**



**Distributors, etc.
Partner leveraging**



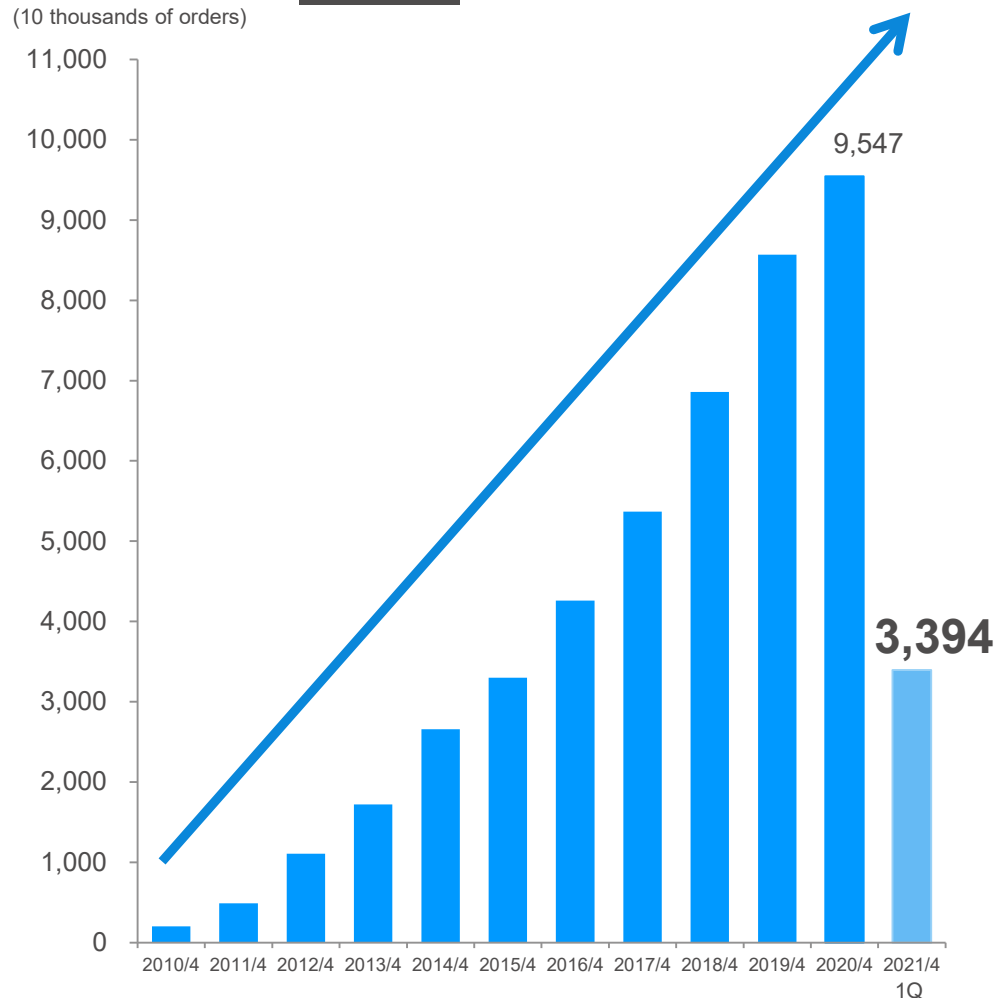
**Enhance number
of help desk staff**



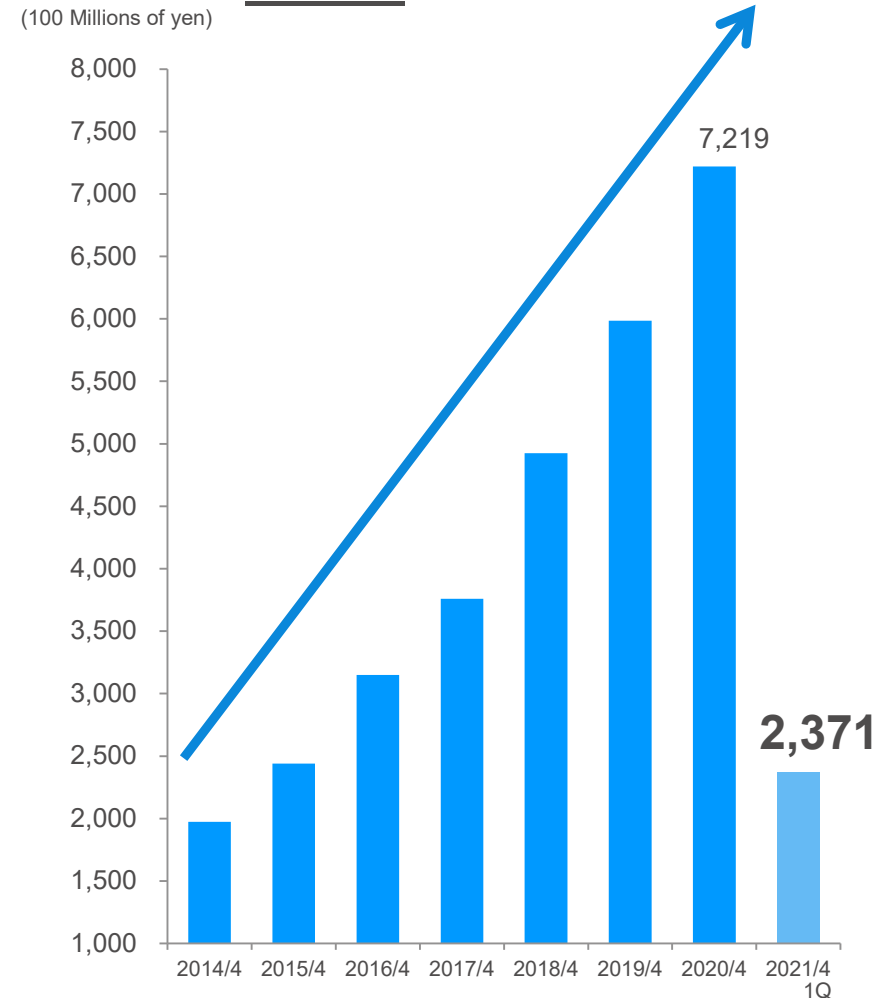
**Enhance Next Engine
function**

Due to Consumption at home and Digital shift caused by COVID-19,
Order processing amount exceeded JPY75 billion in May-July 2020, up 152% YoY

Number of client's orders



Amount of client's orders



Commerce Business

Major Sales Channels in the Commerce Business Hamee



iFace Going to WORLD WIDE brand

Product development matched with each market needs

Enhance core brand lineup



Continuously develop and release new series



Enhance brand value

Brand concept



iFace is always By Your Side.

Investment to branding

Promotion

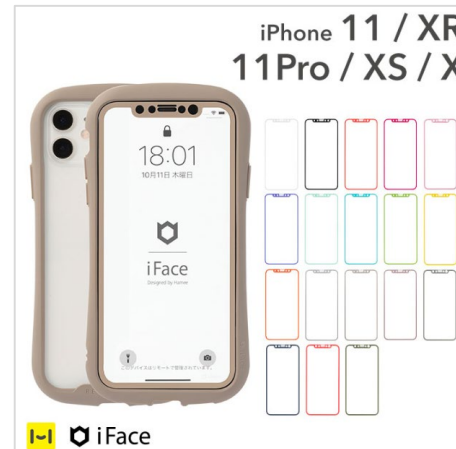


Enhance brand value to continuously develop and release "iFace", core brand.

iFace Reflection won in the first half of Rakuten 2020 award
And ranked No. 1 in the Smartphone & Tablet Division!



iFace Protection films



iFace ring holders



Enhance brand due to in house development to meet market needs.

AC Adapter tap with USB



Products for the apparel market



Floating waterproof case



Strengthen communications with iFace users and pursue customer experience value



Explore new colors to meet user preferences, such as pure color and café series

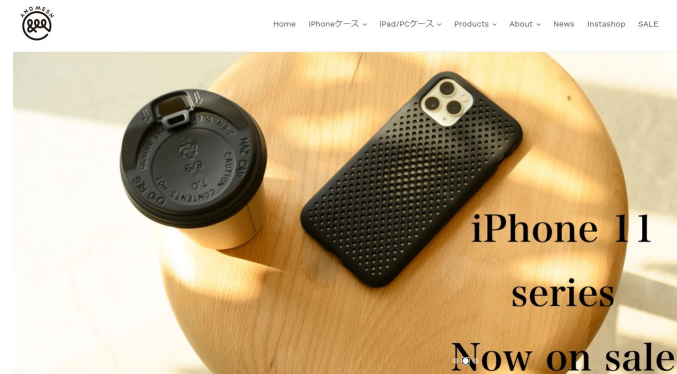
iFace won NO1 in “Popularity”, “Protection”, “Recommendation” category.

Continuous multi-brand development



SALISTY branding sites

<https://www.strapya.com/special/salisty/>



ANDMESH branding sites

<https://www.andmesh.com/>

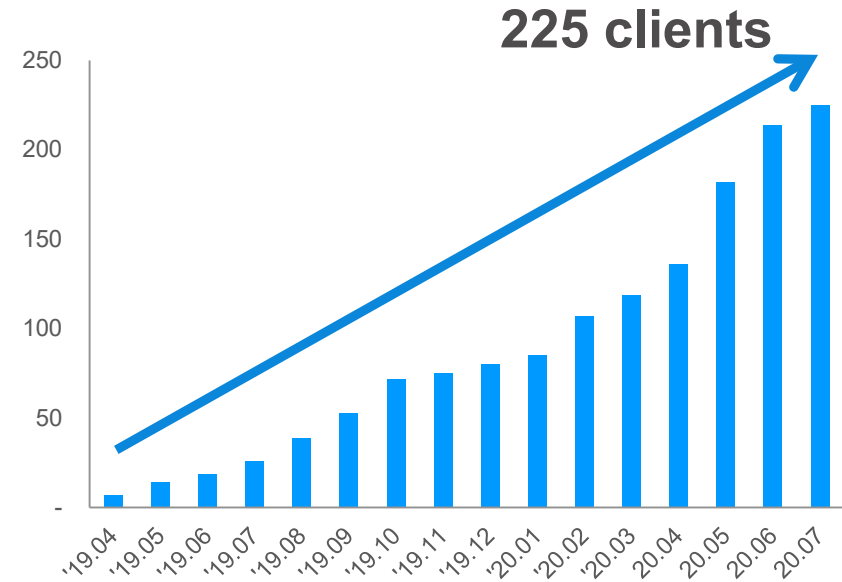
Global expansion

Service in Korea market Which have many EC malls competing

To establish subscription model in overseas market
based on mid term plan















Next Engine Korea Number of clients
As of July 2020



※ Until FY04/20, included the number of companies with free period.
From FY04/21 Q1, started to posting the number of paid subscribers.

Clients

Partially published, as of April 2020

 SmartStore	 coupang	 Gmarket	 AUCTION.	 11>	 INTERPARK
 emart	 SHINSEGAE MALL	 LOTTE.COM	 MakeShop®	 cafe24	 10X10

Continuously release in house brand to oversea market



Korea (hamee.co.kr)

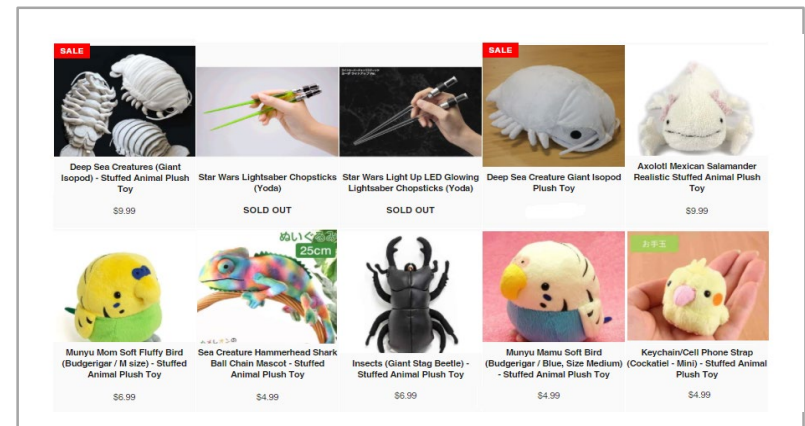


Taobao China(strappy.world.taobao.com)

Strategic product launched for US market

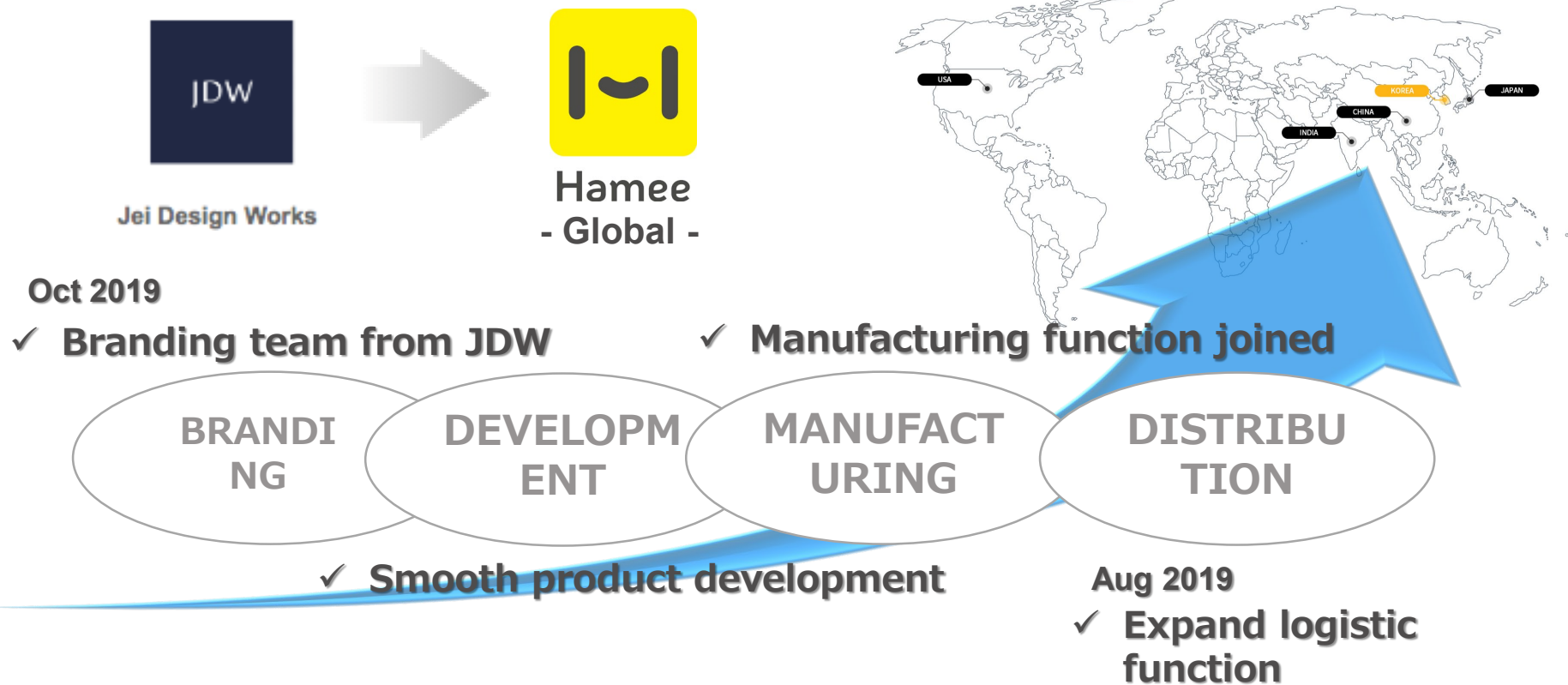


PATCHWORKS(patchworks.us)



US (hamee.com)

Hamee Global control from Product branding to Distribution, after acquisition of Jei Design Works on Oct 2019



- Capable to launch product matching with market needs and price

- In addition to production margin, available smooth product development because of full process management from product branding to distribution.

Challenge “Global product”



K-Design Award
Grand Prize

2017,2018



Red Dot
Design Award

2017,2018



Good Design

2017

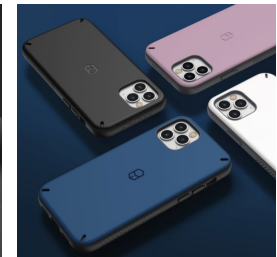


iF Design Award

2019

Branding team joined from JEI DESIGN WORKS Inc. on Oct 2019 are professional product branding team and have won several award such as K-Design Award, Good Design Award etc.

Develop global products with original design



Develop and manufacture global items by inhouse,
and distribute to global market.



III. Mid-Term Plan

Mid term plan-Summary (Updated on Dec 2019)

Target to achieve minimum **13.8B** yen of Sales, minimum **16%** of Operating profit ratio by **Apr 2022**, Hamee challenges to shift business model from Flow (Pay per product model) to Stock (Subscription mode) to seek Customer Experience based on current capability (management resources).

Mid term plan Minimum target

Consolidation sales

(FY04/22)

13.8B yen

Consolidation operating profit

(FY04/22)

16%

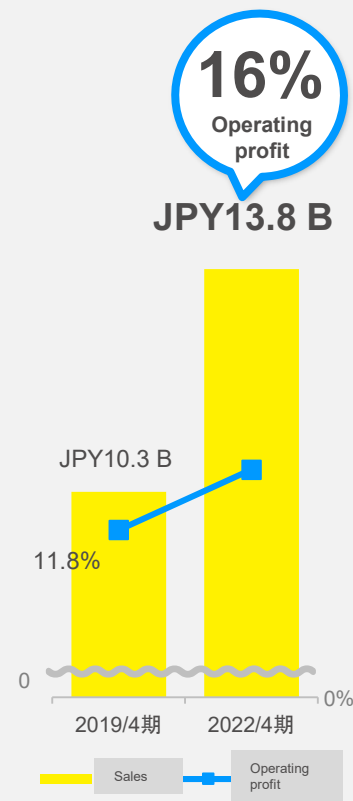
Dividend ratio

(FY04/22)

20%

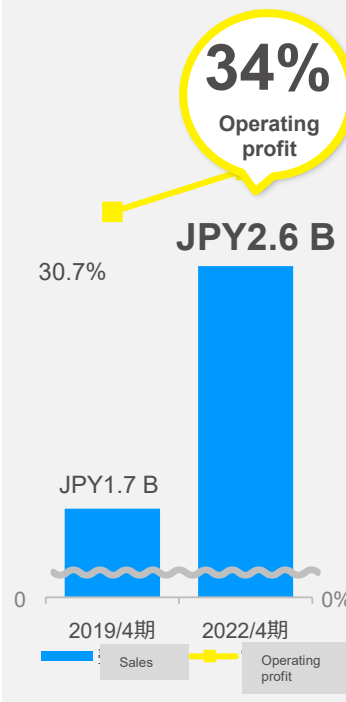
Consolidation

Shift business model from Flow (Pay per product) to Stock(Subscription)



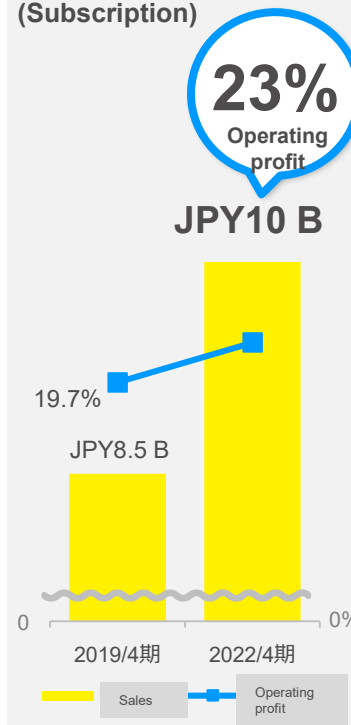
Platform

Seek Customer Success, target more than 5,500 clients. Contribute client's sales, profit growth and business model changes.



Commerce

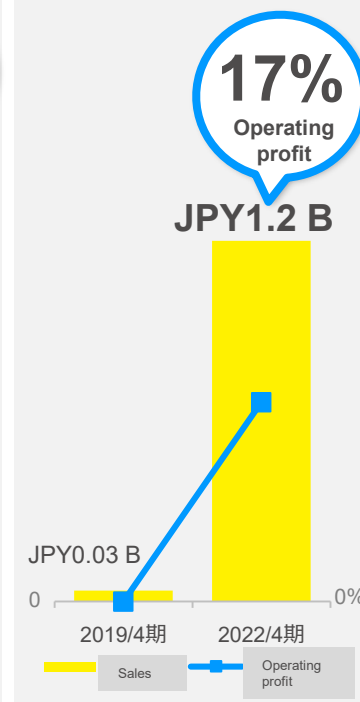
Keep to strengthen branding for in house product such as iFace, same time to challenge to shift business model from Flow to Stock (Subscription)



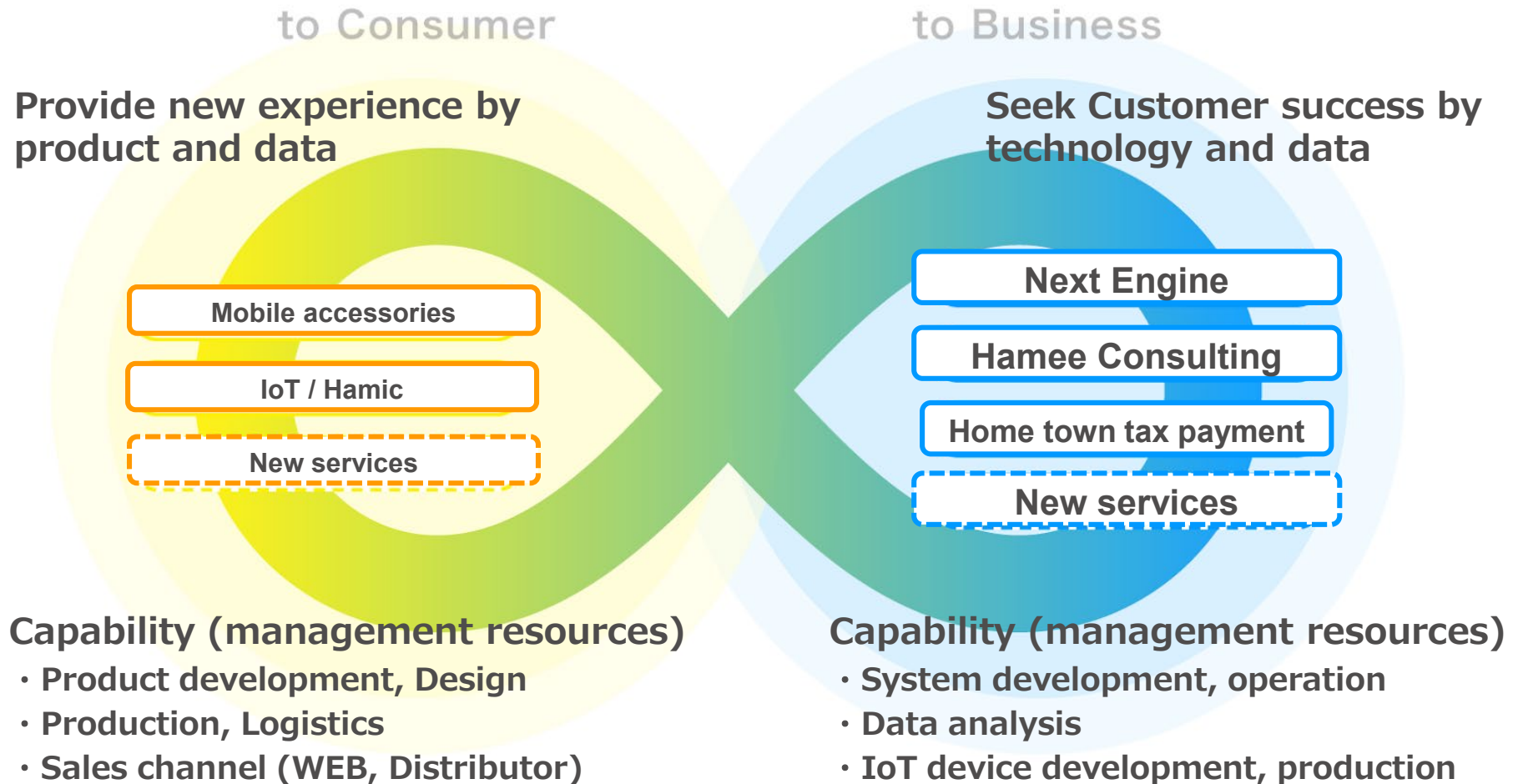
New Business

Expand subscription model, Hamic series.

New business with data collaboration with existing business unit.



Challenge to shift business model from Flow (Pay per product model) to Stock (Subscription mode) to seek Customer Experience based on current capability (management resources)



to Consumer

プロダクトとデータで新体験を提供

New experience for users
By providing products and data

Make more touch points with consumers by expanding sales of iFace

Release multi services to link with iFace

More series of IoT/Hamic to launch

Other new services to collaborate data from each business unit

to Business

テクノロジーとデータで顧客サクセスを追求

Recommendation mail AI system help Next Engine client to boost up sales

Support local government to expand “Hometown tax payment support”

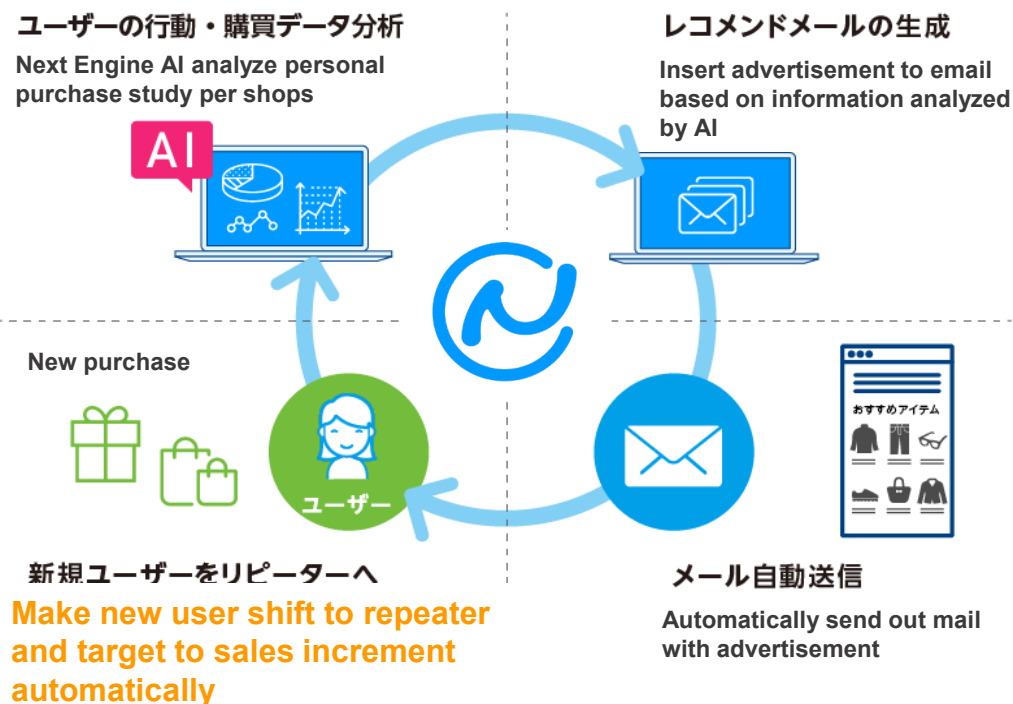
Expand business to Fintech to utilize Next Engine data

Promote to make Next Engine client business from flow model to stock model

Other new service with collaboration by each business unit

Next Engine and official release of product recommendation AI ~ automatic increase in sales

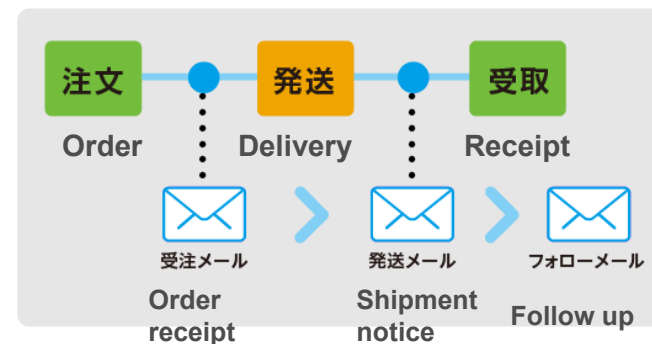
Scheme of Mail recommendation by AI



Details



Mail recommendation automatically insert advertisement into mail of Order confirmation / Shipment notice/ Follow up. Each date delivered or received, different product information are inserted.



Released a product recommendation AI on Dec 13, 2018 using Next Engine EC data (748 clients as of July 2020). By automatically publishing personalized product recommendations in e-mails delivered from the Next Engine to buyers, we will be able to provide added value to EC operators through support for sale sales, securing repeat customers, and raising awareness.

AI-automated mail magazine maker "manekine"

Completed closed beta testing and entered the next development phase



Manekine, an application that automates the operation of EC operator's e-mail magazines by AI. Started closed beta testing using the expertise accumulated by providing Next-Engine services and the technologies of the "AI Mail Recommendation" app.

The results of the beta test will continue to be reflected in further development.

OPEN of e-commerce “RUKAMO” explore sustainability by reducing slow-moving inventory

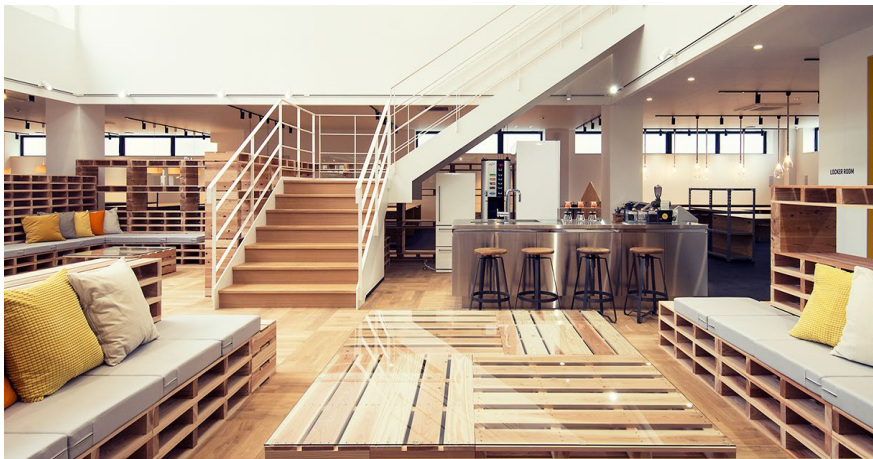


RUKAMO is developed as a solution to reduce slow-moving or disposed inventories. Manufacturers/retailers list up products, and consumers get 50% points on purchase. Provide sustainable services to meet SDGs's goals of 12 “Sustainable consumption and production” 423 clients participated with 11,030 items listed (as of July 2020)

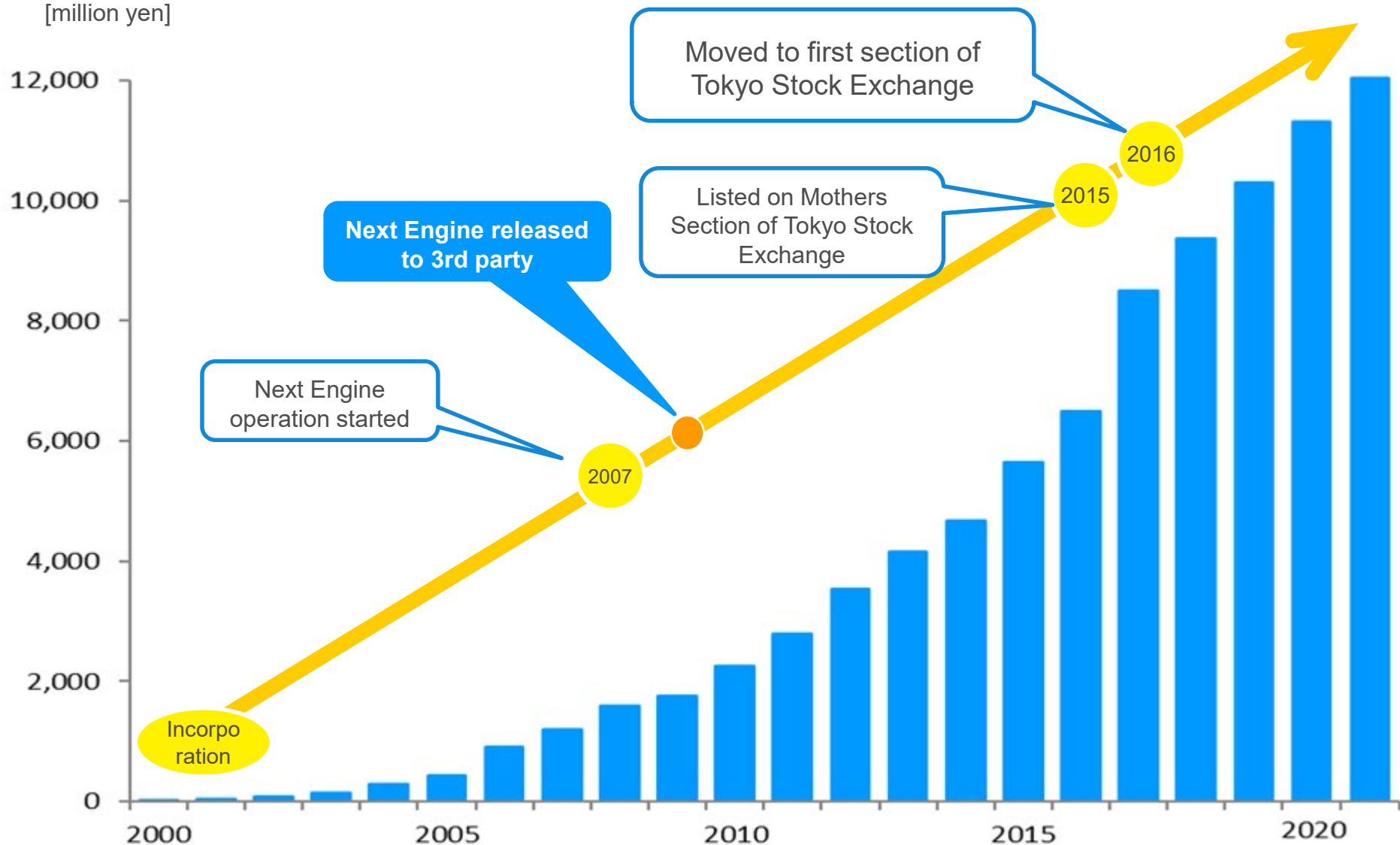
APPENDIX

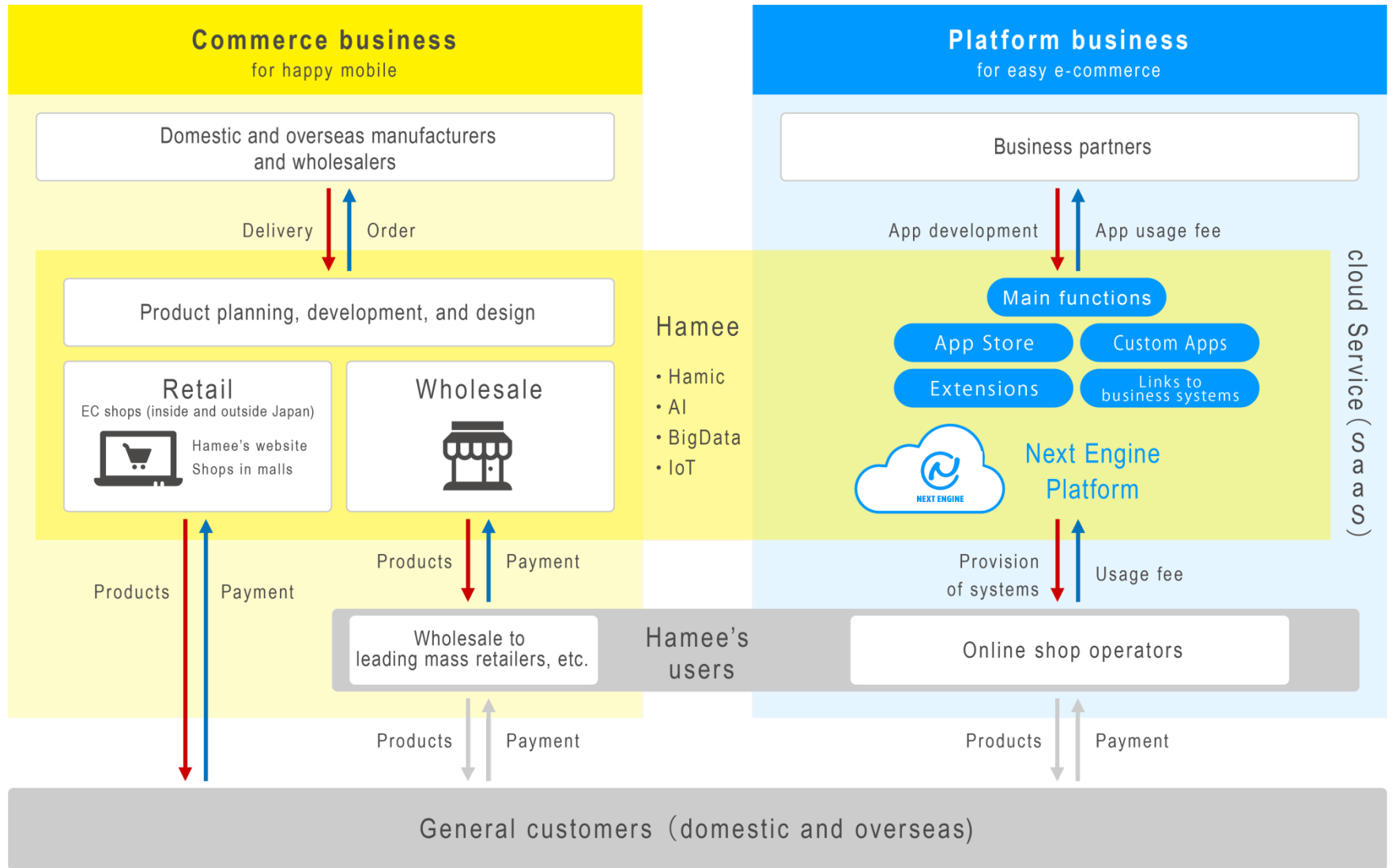
Corporate name	Hamee Corp.
Representative	Atsushi Higuchi
Founded in	May 1998
Headquartered at	2-12-10 Sakae-cho, Odawara-shi, Kanagawa Prefecture
Capital	572 million yen
Business content	<p>Commerce business Planning, procurement, and online sales of multi goods, mainly accessories for smart phones, and wholesale to large general merchandise stores and electronics retailers</p> <p>Platform business Development and providing of the cloud and ASP (Application Service Provider) service “Next Engine” for the unified management of back-office tasks for e-commerce enterprises</p>
Consolidated subsidiaries	Hamee Global Inc. Hamee US,Corp. Hamee Shanghai Trade Co.,Ltd Hamee India Pvt.Ltd. Hamee Consulting Corp.
No. of employees	Consolidated: 362 (excluding 30 part-timers)

Japan Headquarter at Odawara, Kanagawa



Net Sales
[million yen]





- This document includes the outlook for our company, future plans, and managerial goals. These forward-looking statements are based on current assumptions regarding future events and trends, and there is no guarantee that the assumptions are correct. There is a possibility that actual results will be different from those mentioned in this document for various reasons.
- Unless otherwise specified, the financial data in this document are indicated in accordance with the accounting principles that are generally recognized in Japan.
- Regardless of future events, the company will not necessarily revise our announcements about future outlooks, etc. unless required to do so in accordance with disclosure regulations.
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Hamee Corp.

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