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On September 14, 2020, Hamee Corp. announced earnings results for Q1 FY04/21.

Cumulative (JPYmm)	FY04/19				FY04/20				FY04/21 Q1	FY04/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		% of Est.	FY Est.
Sales	2,235	4,639	7,665	10,303	2,558	5,413	8,660	11,325	2,684	20.9%	12,832
YoY	8.6%	10.2%	8.7%	9.9%	14.5%	16.7%	13.0%	9.9%	4.9%		13.3%
Gross profit	1,114	2,324	3,904	5,244	1,406	2,954	4,773	6,431	1,634	21.1%	7,750
YoY	10.6%	9.2%	10.1%	10.2%	26.3%	27.1%	22.3%	22.6%	16.2%		20.5%
Gross profit margin	49.8%	50.1%	50.9%	50.9%	55.0%	54.6%	55.1%	56.8%	60.9%		60.4%
SG&A expenses	879	1,857	3,022	4,081	1,022	2,111	3,389	4,686	1,218	20.4%	5,971
YoY	16.3%	17.7%	20.5%	20.7%	16.2%	13.7%	12.2%	14.8%	19.2%		27.4%
SG&A ratio	39.3%	40.0%	39.4%	39.6%	40.0%	39.0%	39.1%	41.4%	45.4%		46.5%
Operating profit	235	466	882	1,164	385	843	1,384	1,745	416	23.4%	1,778
YoY	-6.4%	-15.2%	-15.0%	-15.7%	63.9%	80.7%	56.9%	50.0%	8.2%		1.9%
Operating profit margin	10.5%	10.1%	11.5%	11.3%	15.0%	15.6%	16.0%	15.4%	15.5%		13.9%
Recurring profit	240	469	881	1,179	400	878	1,396	1,757	400	22.7%	1,764
YoY	1.0%	-0.2%	-4.4%	-6.9%	66.7%	87.0%	58.6%	49.0%	0.2%		0.4%
Recurring profit margin	10.7%	10.1%	11.5%	11.4%	15.6%	16.2%	16.1%	15.5%	14.9%		13.7%
Net income	175	337	631	821	292	603	958	1,064	261	20.7%	1,260
YoY	0.6%	8.5%	1.0%	-5.9%	66.7%	78.8%	51.8%	29.5%	-10.6%		18.4%
Net margin	7.8%	7.3%	8.2%	8.0%	11.4%	11.1%	11.1%	9.4%	9.7%		9.8%

Quarterly (JPYmm)	FY04/19				FY04/20				FY04/21 Q1
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	2,235	2,404	3,026	2,638	2,558	2,856	3,247	2,665	2,684
YoY	8.6%	11.7%	6.5%	13.5%	14.5%	18.8%	7.3%	1.0%	4.9%
Gross profit	1,114	1,210	1,580	1,340	1,406	1,547	1,819	1,658	1,634
YoY	10.6%	7.8%	11.6%	10.3%	26.3%	27.9%	15.1%	23.7%	16.2%
Gross profit margin	49.8%	50.3%	52.2%	50.8%	55.0%	54.2%	56.0%	62.2%	60.9%
SG&A expenses	879	978	1,165	1,059	1,022	1,089	1,279	1,297	1,218
YoY	16.3%	18.9%	25.3%	21.2%	16.2%	11.3%	9.8%	22.5%	19.2%
SG&A ratio	39.3%	40.7%	38.5%	40.1%	40.0%	38.1%	39.4%	48.7%	45.4%
Operating profit	235	232	416	282	385	458	541	361	416
YoY	-6.4%	-22.6%	-14.7%	-17.7%	63.9%	97.7%	30.1%	28.3%	8.2%
Operating profit margin	10.5%	9.6%	13.7%	10.7%	15.0%	16.1%	16.7%	13.6%	15.5%
Recurring profit	240	230	411	299	400	478	519	361	400
YoY	1.0%	-1.4%	-8.9%	-13.5%	66.7%	108.2%	26.1%	20.7%	0.2%
Recurring profit margin	10.7%	9.5%	13.6%	11.3%	15.6%	16.7%	16.0%	13.5%	14.9%
Net income	175	162	294	190	292	311	355	106	261
YoY	0.6%	18.5%	-6.5%	-23.2%	66.7%	91.8%	20.8%	-44.2%	-10.6%
Net margin	7.8%	6.7%	9.7%	7.2%	11.4%	10.9%	10.9%	4.0%	9.7%

Segments (JPYmm)	FY04/19				FY04/20				FY04/21 Q1	FY04/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		% of Est.	FY Est.
Total sales	2,235	2,404	3,026	2,638	2,558	2,856	3,247	2,665	2,684	20.9%	12,832
YoY	8.6%	11.7%	6.5%	13.5%	14.5%	18.8%	7.3%	1.0%	4.9%		13.3%
Commerce	1,811	1,983	2,576	2,175	2,075	2,369	2,629	2,137	2,085	20.9%	9,990
YoY	2.8%	7.4%	2.4%	9.0%	14.6%	19.5%	2.1%	-1.7%	0.5%		8.5%
% of total sales	81.0%	82.5%	85.1%	82.4%	81.1%	82.9%	81.0%	80.2%	77.7%		77.9%
Retail	755	848	1,290	1,063	932	1,046	1,329	1,253	1,218	22.2%	5,482
YoY	6.9%	7.9%	3.9%	17.7%	23.4%	23.3%	3.0%	17.9%	30.7%		20.2%
% of total sales	33.8%	35.3%	42.6%	40.3%	36.4%	36.6%	40.9%	47.0%	45.4%		42.7%
Wholesale	1,056	1,135	1,286	1,112	1,143	1,323	1,300	883	867	19.2%	4,507
YoY	0.0%	7.0%	0.9%	1.7%	8.2%	16.5%	1.1%	-20.6%	-24.1%		-3.0%
% of total sales	47.3%	47.2%	42.5%	42.1%	44.7%	46.3%	40.0%	33.1%	32.3%		35.1%
Platform	419	417	442	443	451	447	465	485	550	26.7%	2,059
YoY	44.1%	38.1%	37.9%	36.8%	7.5%	7.1%	5.1%	9.5%	21.9%		11.4%
% of total sales	18.8%	17.4%	14.6%	16.8%	17.6%	15.7%	14.3%	18.2%	20.5%		16.0%
Other	4	4	8	21	32	46	153	37	50	6.4%	782
YoY	2.3%	-3.2%	80.0%	278.5%	645.6%	1048.9%	1918.4%	78.0%	54.6%		191.5%
% of total sales	0.2%	0.2%	0.3%	0.8%	1.3%	1.6%	4.7%	1.4%	1.9%		6.1%
Operating profit	235	232	416	282	385	458	541	361	416	23.4%	1,778
YoY	-6.4%	-22.6%	-14.7%	-17.7%	63.9%	97.7%	30.1%	28.3%	8.2%		1.9%
Operating profit margin	10.5%	9.6%	13.7%	10.7%	15.0%	16.1%	16.7%	13.6%	15.5%		13.9%
Commerce	352	364	548	374	501	567	620	510	507	19.8%	2,561
YoY	4.8%	-15.5%	-0.4%	-19.5%	42.5%	55.9%	13.3%	36.1%	1.1%		16.5%
Profit margin	19.4%	18.3%	21.3%	17.2%	24.2%	23.9%	23.6%	23.9%	24.3%		25.6%
Platform	133	114	127	154	127	142	145	171	231	34.9%	661
YoY	31.0%	8.5%	19.2%	79.2%	-4.4%	24.9%	13.8%	11.6%	81.2%		12.9%
Profit margin	31.7%	27.3%	28.8%	34.7%	28.2%	31.8%	31.2%	35.3%	42.0%		32.1%
Other	-40	-44	-43	-34	-38	-44	-8	-89	-82	-	-405
YoY	-	-	-	-	-	-	-	-	-		-
Profit margin	-	-	-	-	-	-	-	-	-		-
Adjustments	-210	-202	-216	-212	-206	-206	-216	-230	-240		-1,039

KPI related to Next Engine (quarterly)	FY04/19				FY04/20				FY04/21 Q1
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Total contracts for main service features	3,259	3,440	3,511	3,622	3,718	3,790	3,849	3,997	4,179
YoY	17.8%	18.8%	18.3%	17.0%	14.1%	10.2%	9.6%	10.4%	12.4%
Stores using Next Engine	25,025	26,064	27,006	28,006	28,814	29,376	30,034	30,835	31,771
YoY	18.6%	19.1%	17.9%	17.4%	15.1%	12.7%	11.2%	10.1%	10.3%
Number of orders processed (mn)	23.89	19.08	21.69	21.05	22.48	21.33	23.02	28.64	33.94
YoY	46.9%	21.2%	19.8%	13.8%	-5.9%	11.8%	6.1%	36.1%	51.0%
Gross merchandise value (JPYbn)	152.58	132.62	161.90	151.70	158.50	169.40	184.80	209.20	237.10
YoY	27.5%	22.3%	22.2%	15.1%	3.9%	27.7%	14.1%	37.9%	49.6%

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Results for Q1 FY04/21 (out September 14, 2020)

Overview

- For Q1 FY04/21, the company reported consolidated sales of JPY2.7bn (+4.9% YoY), operating profit of JPY416mn (+8.2% YoY), net income attributable to owners of the parent of JPY261mn (-10.6% YoY), and EBITDA of JPY507mn (+3.3% YoY). At the individual segment level, overall sales and earnings were up at the Commerce segment but trends within the segment were split, with retail sales rising as more consumers switched to buying online and the gains here offsetting the drop in wholesale sales to brick-and-mortar retailers, which were effectively forced to shut down or shorten operating hours following the government's state of emergency declaration in April. At the Platform segment, sales and earnings rose on the back of increases in orders processed by client companies, who were themselves benefiting from the growing volume of online buying underpinned by shelter-in-place demand. On the earnings front, the consolidated gross profit margin of 60.9% was up from 55.0% in the same quarter last year, the sharp rise stemming largely from the increase in the proportion of sales accounted for by high-margin retail sales at the Commerce segment. The gross margin improvement was partially offset by an increase in the SG&A expense ratio, which rose to 15.5% from a year-earlier 15.0% as SG&A spending outpaced sales, rising 19.2% YoY on increases in spending on personnel and in other areas. The decline in net income reflected a combination of a JPY10mn valuation loss on investment securities holdings and higher taxes.
- Having made no changes to its initial full-year forecast for FY04/21, the company is projecting full-year consolidated sales of JPY12.8bn (+13.3% YoY), operating profit of JPY1.8bn (+1.9% YoY), net income of 1.3bn (+18.4% YoY), and EPS of JPY79.8. Compared with this forecast, Q1 results left the company with 20.9% of its full-year target for sales (versus 22.6% at this time last year), 23.4% of its full-year target for operating profit (versus 22.0%), and 20.7% of its full-year target for net income (versus 27.4% at this time last year).
- At the Commerce segment, Q1 sales of JPY2.1bn were up 0.5% YoY and operating profit of JPY507mn was up 1.1% YoY, the gain in operating profit reflecting a modest improvement in the segment's operating profit margin, which at 24.3% was up slightly from 24.2% in the same quarter last year. Trends within the segment were split, with wholesale sales falling 24.1% YoY to JPY867mn as brick-and-mortar retailer stores closed or shortened operating hours in response to the government's state of emergency declaration while retail sales jumped 30.7% YoY to JPY1.2bn as more consumers turned to buying online. At the individual product level, the company pointed to strong sales of its iFace Reflection series of smartphone cases, which benefited from April launch of Apple's second-generation iPhone SE model.
- At the Platform segment, Q1 sales of JPY550mn were up 21.9% YoY and operating profit of JPY231mn was up 81.2% YoY. The strong top-line gains were driven by increases in pay-per-use fee income from clients of its Next Engine service as order processing volumes jumped 51.0% YoY to 33.94mn thanks to rising shelter-in-place demand due to COVID-19 and the general shift toward online purchases. The number of Next Engine contracts at end-Q1 stood at 4,179, reflecting a net increase of 182 contracts (+12.4% YoY). Earnings were further aided by internal efforts to hold down spending, including spending on things such as servers, and smaller losses at its consulting business, where higher retention rate of employees working as consultants brought down new hiring costs.
- At the Other segment, Q1 sales of JPY50mn were up 54.6% YoY; the operating loss of JPY82mn compared with a year-earlier loss of JPY38mn. The top-line gains were driven by increases in the amounts handled by its Hometown tax donation support service. The larger operating loss reflected increases in investment spending to support the March 2020 launch of its new ethical online store, RUKAMO, and ongoing development spending on new products for its Hamic series.

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