



Results of Operations for the Third Quarter of the Fiscal Year Ending June 30, 2021

May 14, 2021



MarketEnterprise Co., Ltd.



Securities code : 3135

Agenda

- 1) Executive Summary**
- 2) FY2021 Q3 Performance Overview**
- 3) Investment in the current term**
- 4) FY2021 Q3 Business Climate**
- 5) Earnings Forecast for FY2021**

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Executive Summary

Overview Amidst an uncertain external environment, we have turned this fiscal year into an investment period for the next fiscal year and beyond. Operating income decreased as a result of accelerated investment in human resources and systems.

Note: The details of the investment are described below.

Second-hand Online: For Individual business is steady. Accelerate investment in human resources and systems

Media: Sales from directing customers to services of other companies (external) continued to grow. Focus on expanding and training personnel for future growth

Mobile & Telecommunications: Continued impact of reactionary decline from special demand in Q4 of FY2020. Intensifying competition in the telecommunications market

Headquarters expenses: Accelerating Human Investment in Vietnam Offshore Development Bases

Earnings forecast: Revised earnings forecast

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Quarterly Consolidated Statement of Income (For the Nine-month Period)

Increase in sales but decrease in operating profit.

Unit: million yen	Nine months ended Mar. 31, 2020	Nine months ended Mar. 31, 2021	YoY Change	
			Amount	Percentage
Net sales	7,885	8,119	+233	+3.0%
Gross profit	3,019	2,922	(96)	(3.2%)
SG&A expenses	2,576	2,824	+247	+9.6%
SG&A expense ratio	32.7%	34.8%	—	+2.1pt
Operating profit	443	98	(344)	(77.7%)
Operating profit to net sales	5.6%	1.2%	—	(4.4pt)

Quarterly Consolidated Statement of Income (By quarter)

Operating loss in the third quarter

Unit: million yen	Q 1	Q 2	Q 3
Net sales	2,870	2,758	2,491
Gross profit	1,103	955	864
SG&A expenses	939	912	972
SG&A expense ratio	32.7%	33.1%	39.0%
Operating profit	163	42	(107)
Operating profit to net sales	5.7%	1.5%	(4.3%)

Results by Business Segment (For the Nine-month Period)

Decrease due to deterioration of lower profit in 3 businesses and increase in adjustments.

Unit: million yen	Nine months ended Mar. 31, 2020	Nine months ended Mar. 31, 2021	Amount of change	Percentage change
Net sales	7,885	8,119	+233	+3.0%
Second-Hand Online	5,229	4,832	(396)	(7.6%)
Media	429	420	(9)	(2.1%)
Mobile & Telecommunications	2,430	2,949	+519	21.4%
Elimination for inter-segment transactions	(203)	(82)	—	—
Segment profit	443	98	(344)	(77.7%)
Second-Hand Online	532	412	(120)	(22.5%)
Media	285	201	(84)	(29.3%)
Mobile & Telecommunications	188	136	(51)	(27.2%)
Adjustment	(563)	(652)	(90)	—
Segment profit to net sales	5.6%	1.2%	(4.4%)	—
Second-Hand Online	10.2%	8.5%	(1.6%)	—
Media	66.6%	48.1%	(18.5%)	—
Mobile & Telecommunications	7.7%	4.6%	(3.1%)	—

Results by Business Segment (By quarter)

Unit: million yen	Q 1	Q 2	Q 3
Net sales	2,870	2,758	2,491
Second-Hand Online	1,665	1,690	1,476
Media	169	134	115
Mobile & Telecommunications	1,086	953	909
Elimination for inter-segment transactions	(51)	(21)	(9)
Segment profit	163	42	(107)
Second-Hand Online	228	123	61
Media	95	61	44
Mobile & Telecommunications	75	38	22
Adjustment	(235)	(180)	(236)
Segment profit to net sales	5.7%	1.5%	(4.3%)
Second-Hand Online	13.7%	7.3%	4.1%
Media	56.4%	45.4%	38.8%
Mobile & Telecommunications	7.0%	4.0%	2.5%

Consolidated Balance Sheet

Maintain financial soundness.

Unit: million yen	As of Jun. 30, 2020	As of Mar. 31, 2021	Change	Main factors
Current assets	3,068	2,778	(290)	
Cash and deposits	1,255	1,576	+321	Due to the increase in collection of receivables posted in the 4Q FY6/20
Accounts receivable-trade	1,283	595	(687)	Mainly because of the collection of receivables
Merchandise	404	405	+1	
Non-current assets	954	952	(2)	
Property, plant and equipment	358	371	+12	
Intangible assets	313	255	(57)	
Investments and other assets	281	324	+43	
Total assets	4,023	3,730	(292)	
Accounts payable-trade	370	296	(73)	Due to the payment of payables posted in the 4Q
Borrowings	1,324	1,259	(65)	
Other	702	486	(216)	
Total liabilities	2,397	2,043	(354)	
Net assets	1,625	1,687	+62	Increase for retained earnings

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SG&A expenses

Accelerate investment in labor costs, system development, and other areas for the future while promoting efficiency in marketing expenses.

Unit: million yen	Nine months ended Mar. 31, 2020	Nine months ended Mar. 31, 2021	Amount of change	Percentage change
Total SG&A expenses	2,576	2,824	247	9.6%
Marketing expenses	459	390	(69)	-15.1%
Labor costs	870	1,116	246	28.3%
System development and infrastructure costs	346	434	87	25.4%
Other	902	884	(17)	-1.9%

Note: System development and infrastructure costs are the sum of Commission fee, rent, and lease payments.

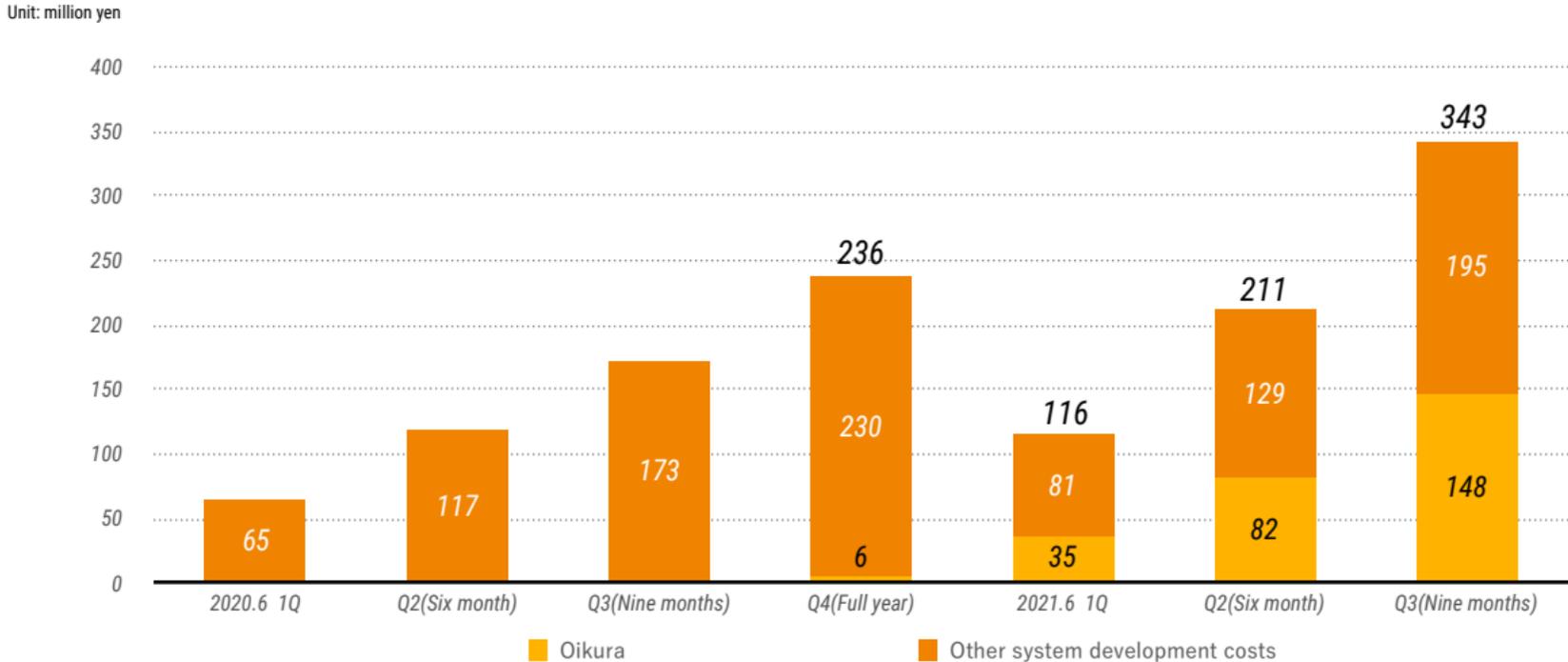
Personnel investment

Expanded staff, mainly in Second-Hand Online business and system development division.

Unit: person	Nine months ended Mar. 31, 2020	Nine months ended Mar. 31, 2021	Amount
Permanent employees	164	242	+78
Second-hand Online	117	151	+34
For Individuals	109	121	+12
Agricultural Equipment	4	23	+19
Oikura	4	7	+3
Media	11	19	+8
Mobile & Telecommunications	4	5	+1
System development (of which offshore development base in Vietnam)	11 (0)	39 (25)	+28 (+25)
Administration division and other	21	28	+7

Investment in system development

System development capacity grow due to the start of offshore base in Vietnam.



Amount of system development costs includes Domestic engineer labor costs, system infrastructure costs, SG&A costs of Vietnam base

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Business Portfolio

Second-Hand Online

For individuals



Platform



For corporate



NE TRADING



Media

Telecommunication



Platform



Second-hand



Hobby



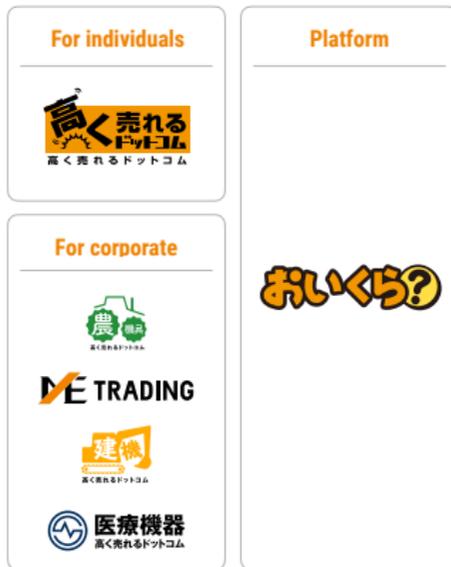
Mobile & Telecommunications



Service Brand

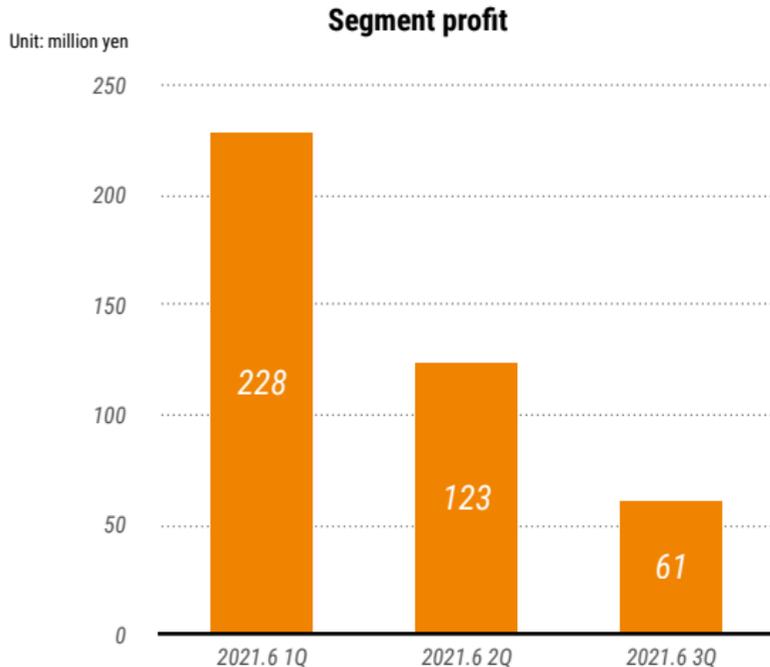
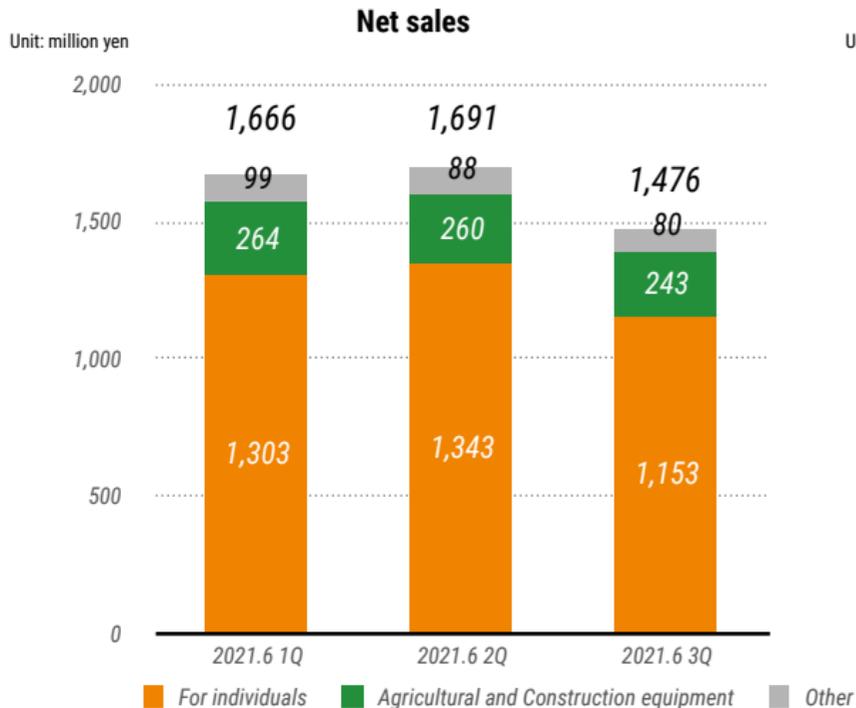


Second-Hand Online



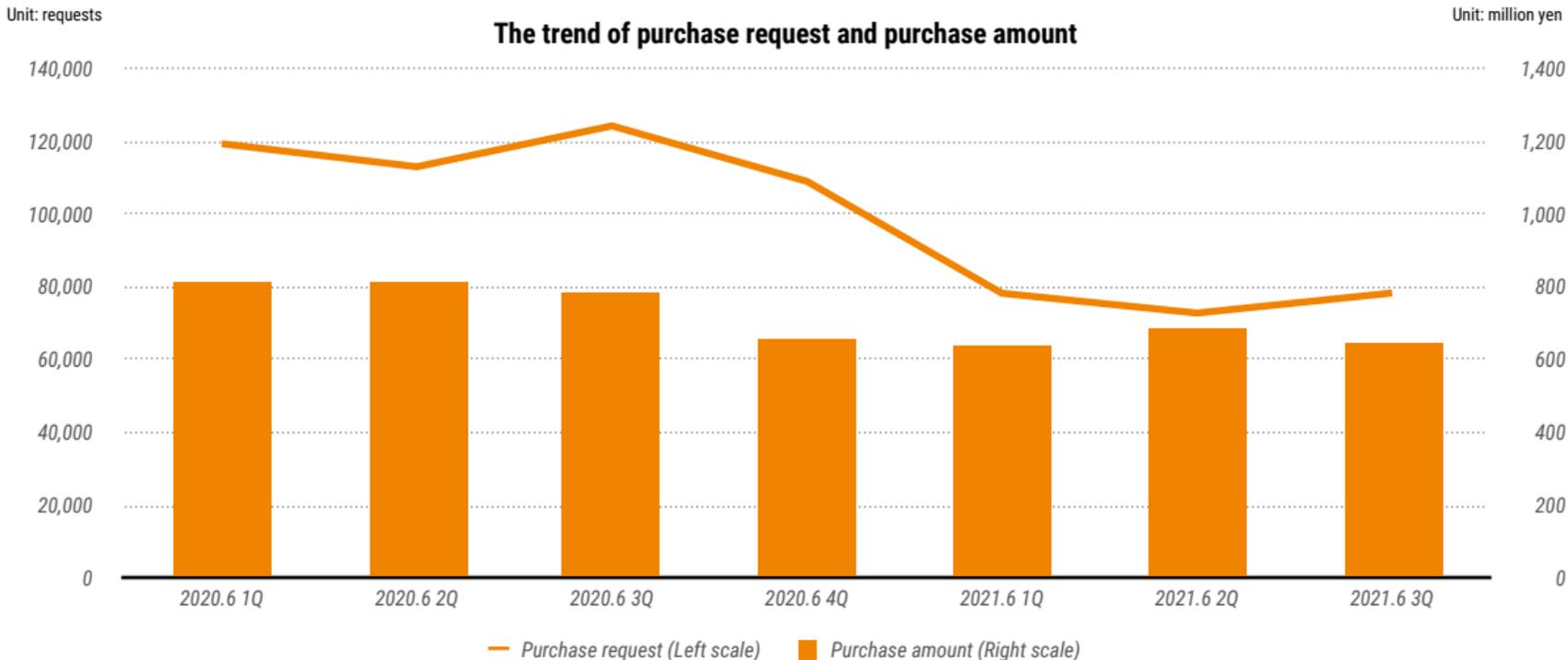
Second-hand Online business Quarterly Business Results

Sales decreased QoQ due to restrained marketing expenses and seasonality.
For lower sales and accelerated investment, Income down.



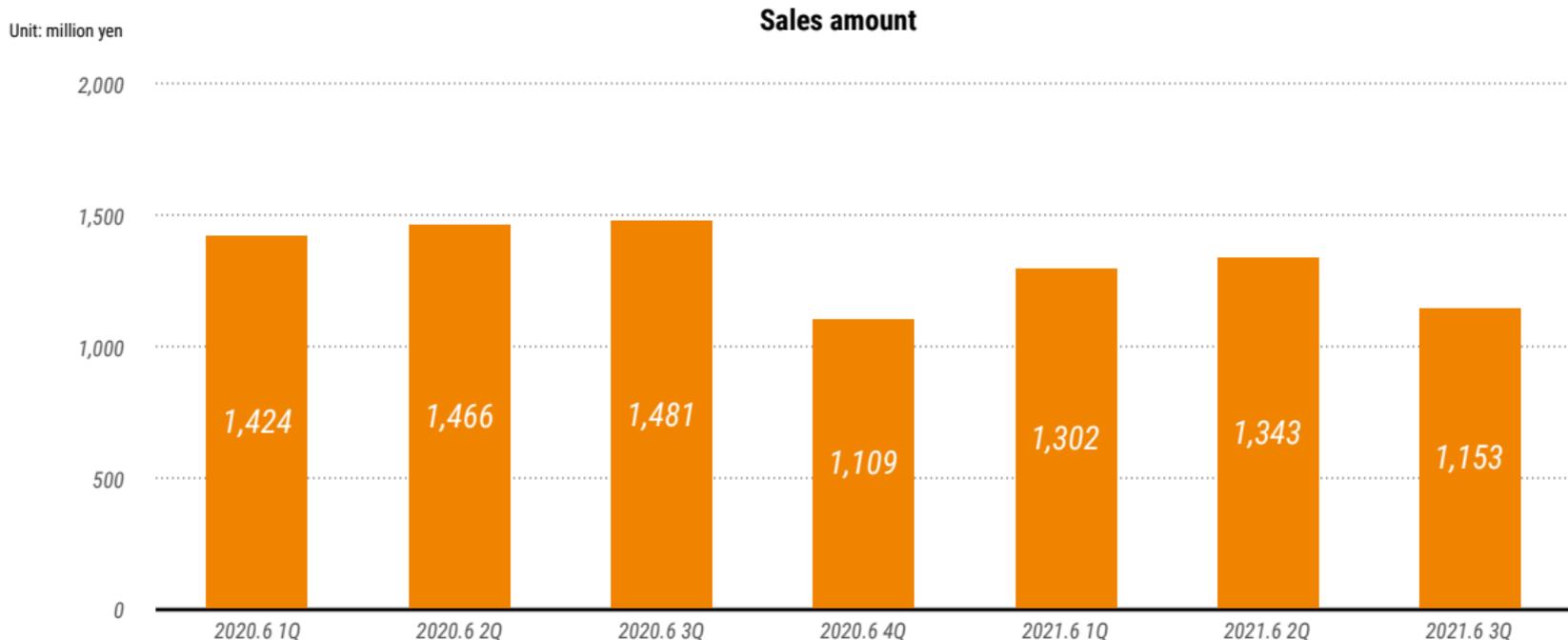
Second-hand Online business Quarterly Purchase Result for individuals

The number of purchase requests decreased as a result of marketing expenses control. On the other hand, the purchase amount remained steady.



Second-hand Online business Quarterly Sales Result for individuals

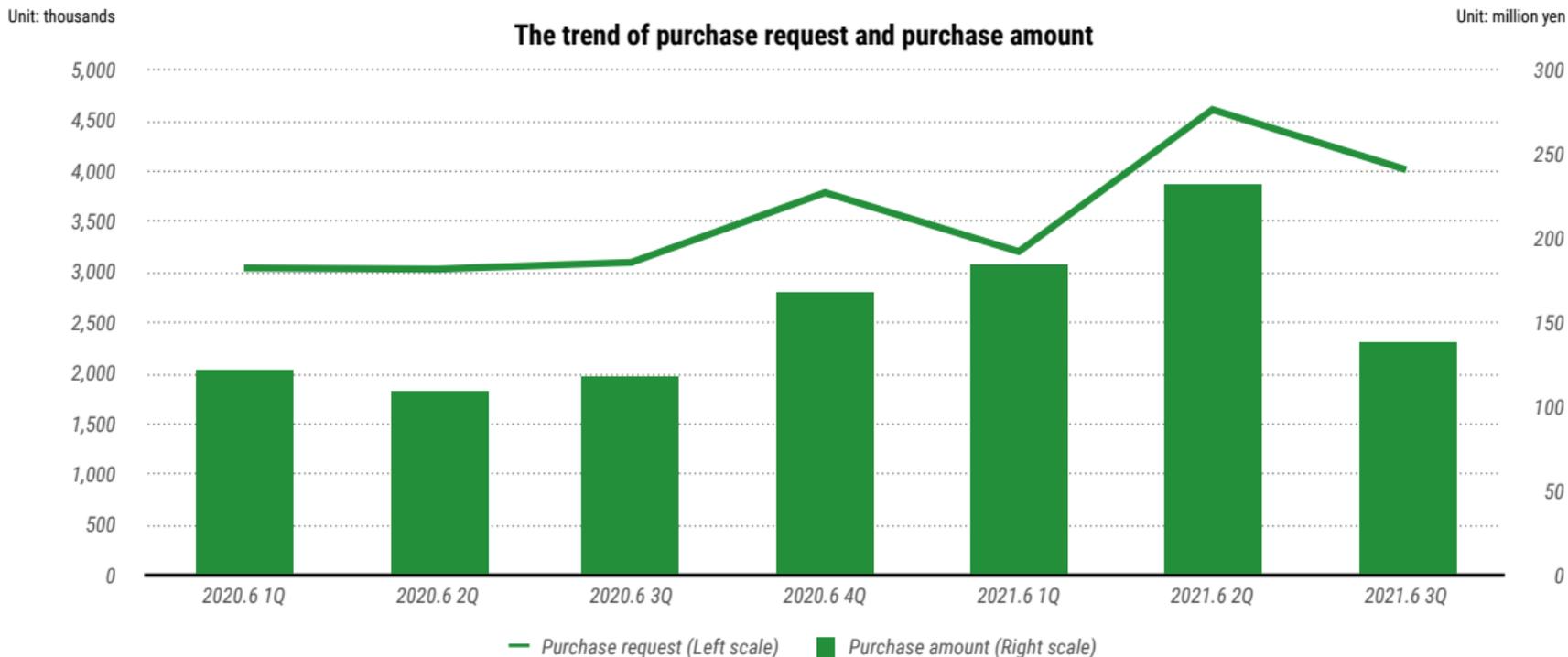
Sales is stable.



Second-hand Online business

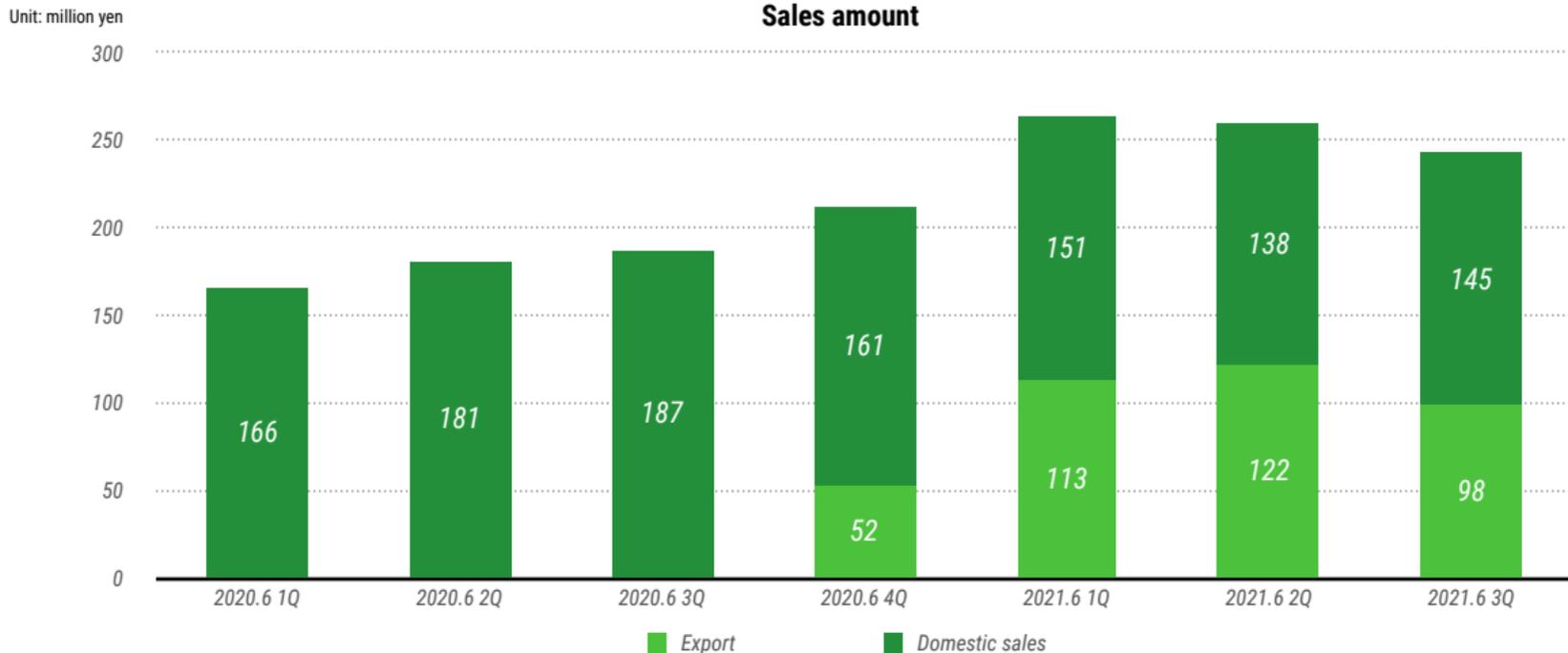
Quarterly Purchase Result of Agricultural and Construction equipment

Temporary restraint on purchases due to global container shortage.



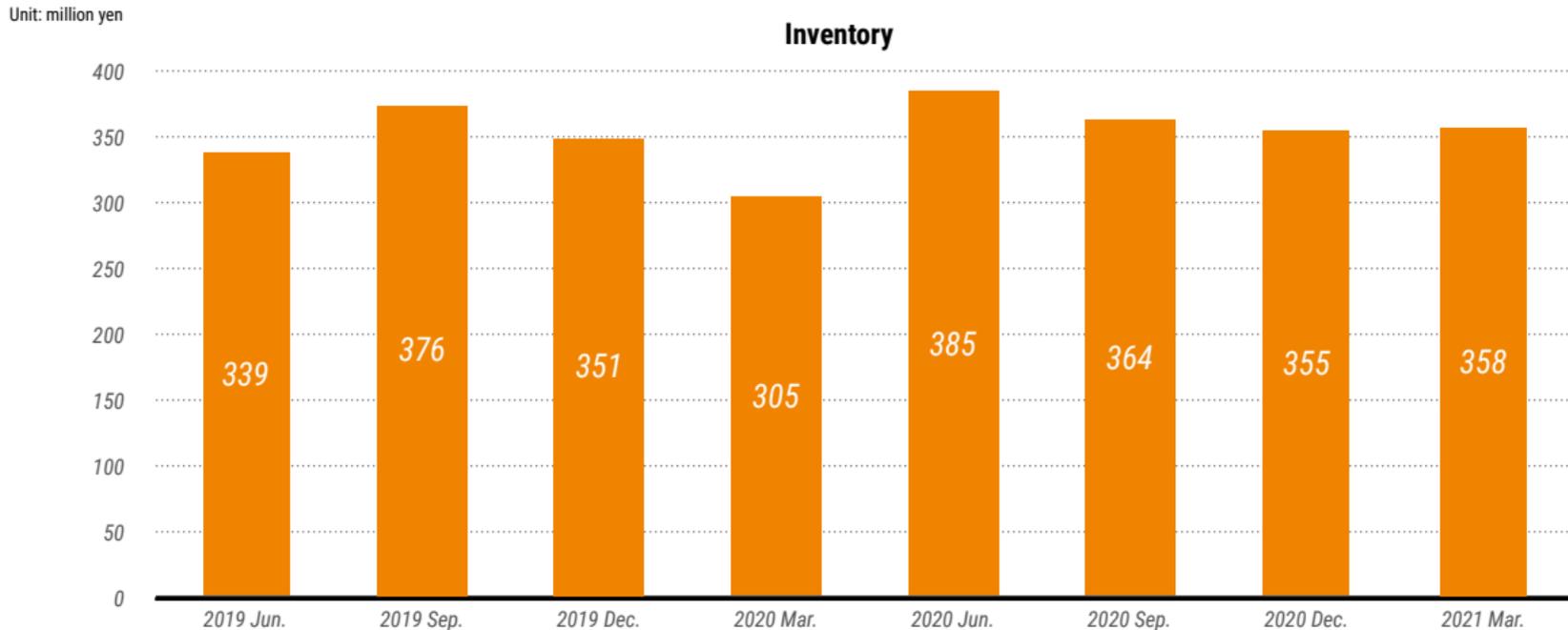
Second-hand Online business Quarterly Sales Result of Agricultural and Construction equipment

Because of the global container shortage, exports declined QoQ, but domestic sales covered the decline.



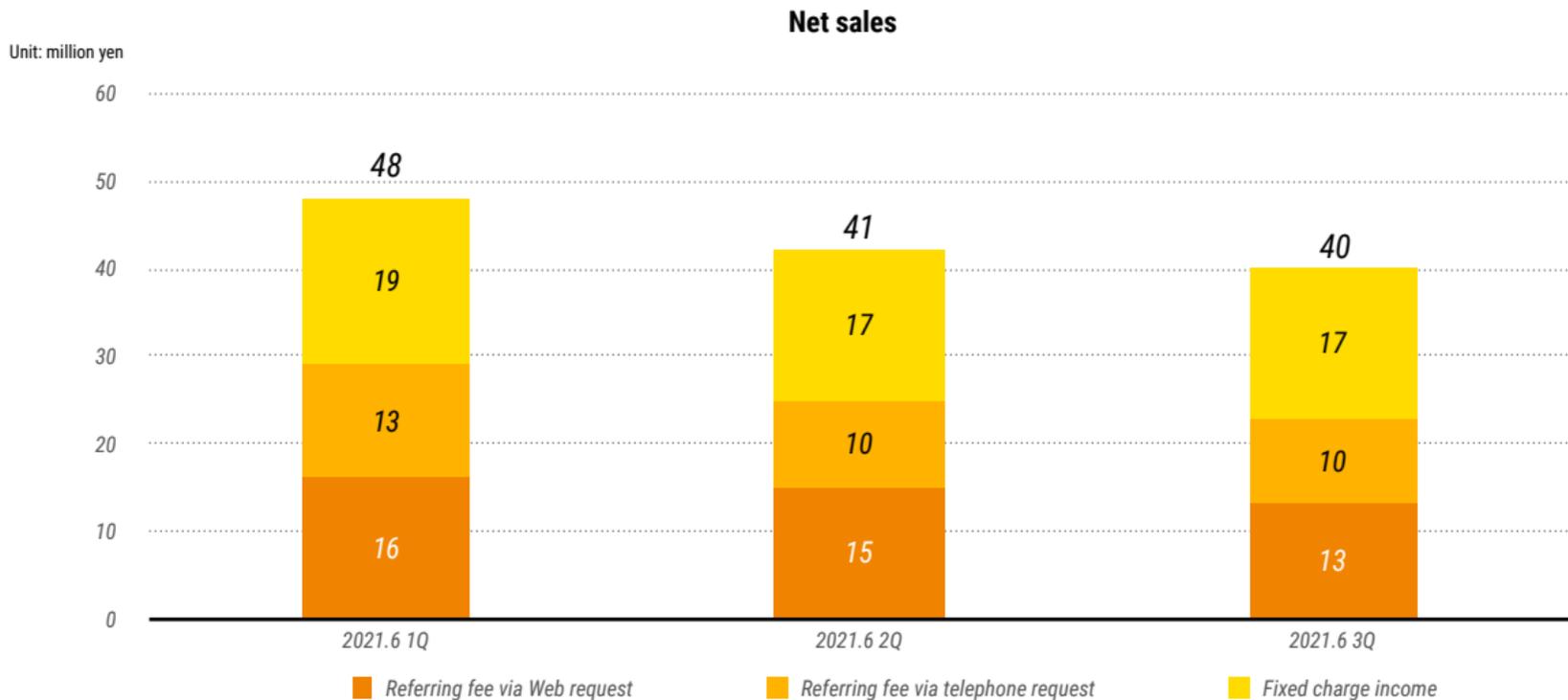
Second-hand Online business Quarterly Inventory Changes

Inventory levels remain high.



Second-hand Online business Quarterly Business Results of Oikura

Sales remain stable.



Media

Telecommunication

iPhone
格安通信

SIM CHANGE
SIM・iPhone・Android 対応

Platform

UMM
USED MACHINE MARKET

最安修理
プラス

Second-hand

高く売れる
中古品
MAGAZINE

おいくら?
マガジン

Hobby

ビギナズ

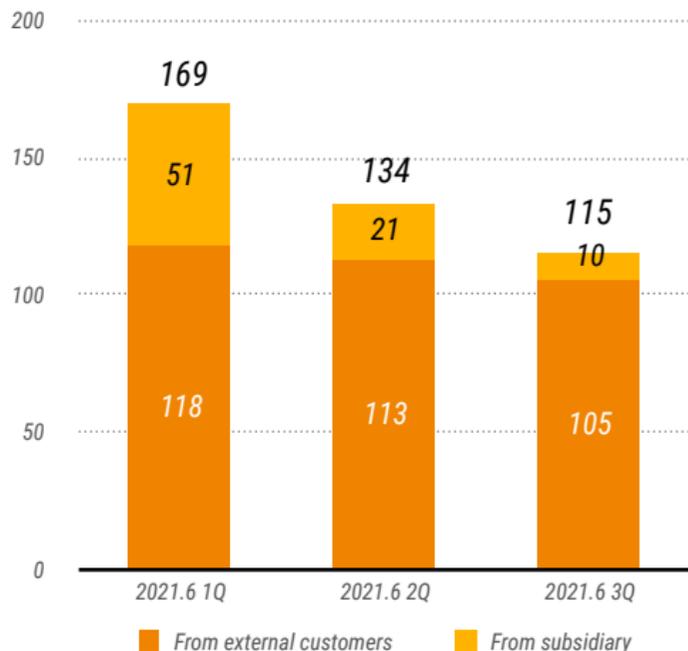
OUTLET JAPAN

Media business Quarterly Business Results

Sales declined for a decrease in revenue from subsidiary. Stable sales to external customers.
 Decrease due to increase in personnel expenses from increase in number of employees.

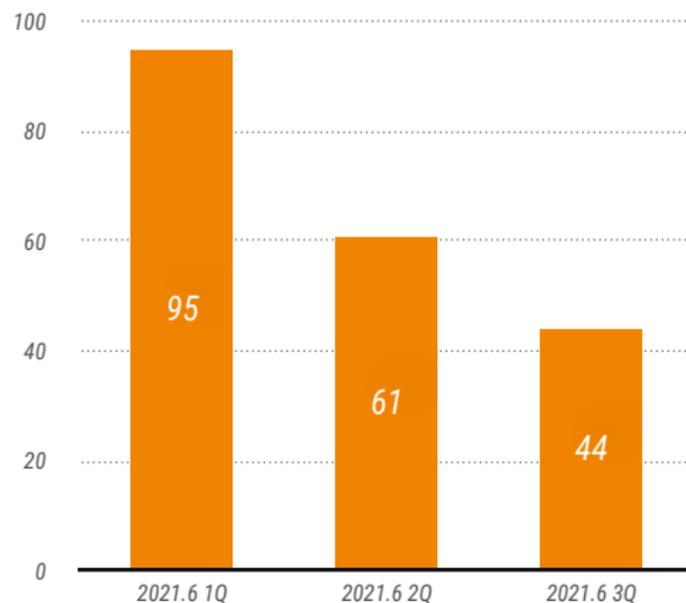
Net sales

Unit: million yen



Segment profit

Unit: million yen



Mobile & Telecommunications

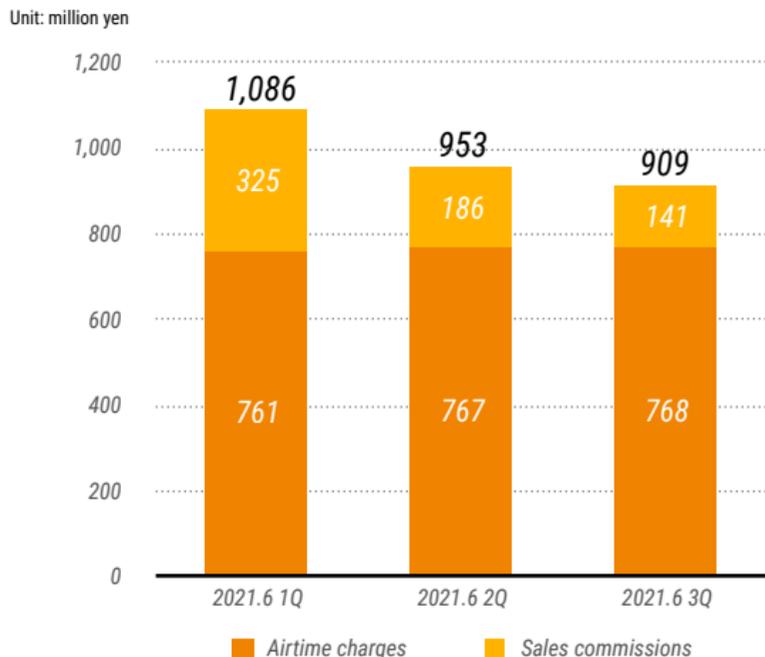


Mobile and telecommunications business Quarterly Business Results

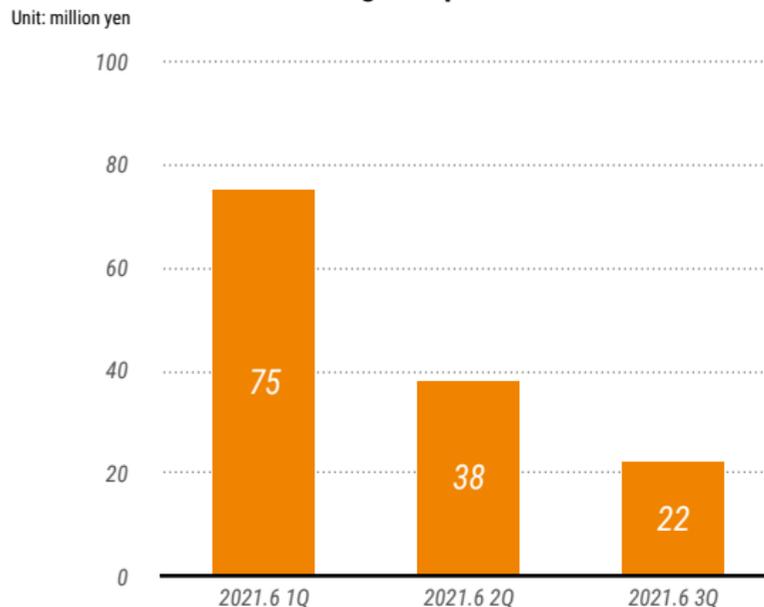
Airtime charges is stable

Operating income decreased due to a decrease in sales commissions from fewer new acquisitions

Net sales



Segment profit



Agenda

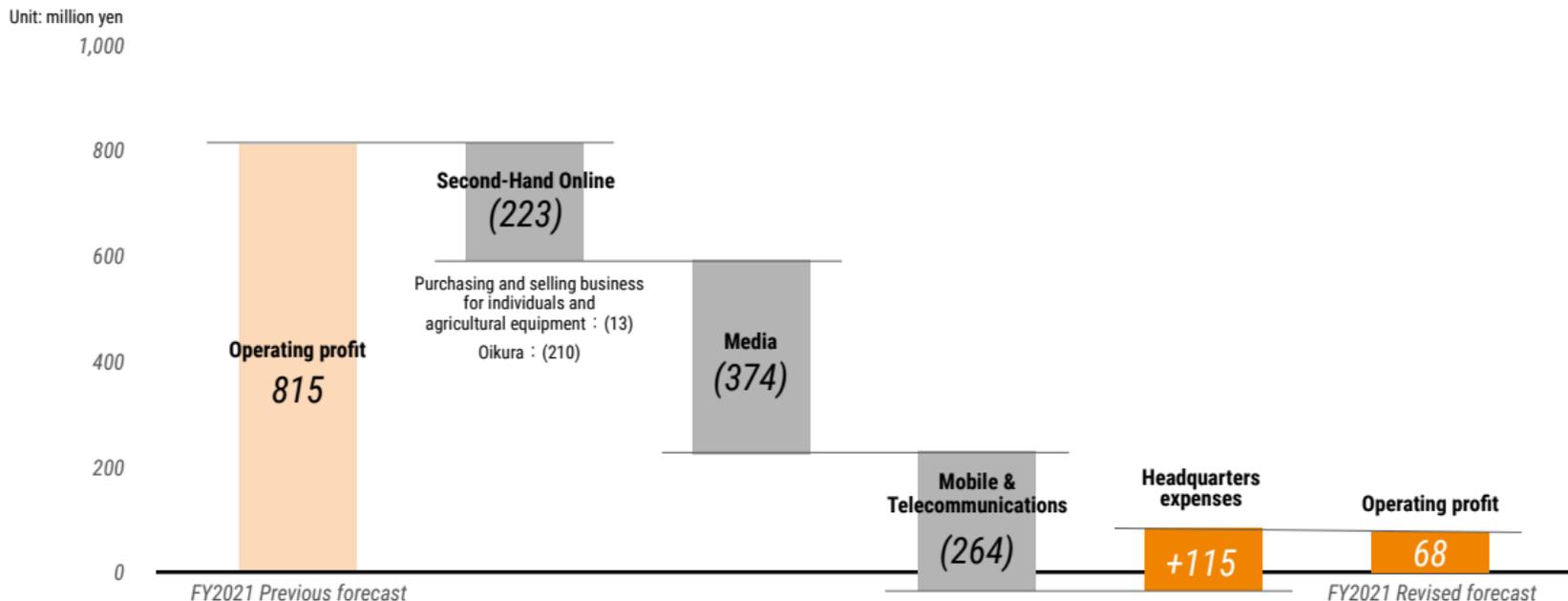
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Earnings forecast of FY2021

Revised earnings forecast

Unit: million yen	FY2020 Result (A)	FY2021 Previous forecast (B)	FY2021 Revised forecast (C)	B/A	B/C
Net sales	10,904	13,500~14,500	10,910	+0.1%	(19.2%) ~(24.7%)
Operating profit	655	730~900	68	(89.6%)	(90.6%) ~(92.4%)
Ordinary profit	664	733~903	41	(93.8%)	(94.4%) ~(95.4%)
Profit attributable to owners of parent	291	360~450	(40)	—	—

Breakdown of revisions to consolidated operating income forecast by segment



Note: Median of initial operating profit forecast of 730 million yen to 900 million yen

The reason of forecast revised

Overview

Downwardly revised earnings forecast due to upfront investment in growth areas and deteriorating profitability of Media and Mobile&Telecommunications.

Second-hand Online

- For individuals: Sales decreased compared to budget mainly in the low price range due to efficient marketing. On the other hand, profitability improved due to higher average unit prices and productivity.
- Agricultural and Construction equipment: Because of the global container shortage, sales declined. Profit down for an increase in upfront investments such as personnel and system investments
- Oikura: Sales decline due to a decrease in fixed income resulting from a review of the service menu. Decrease profit because of upfront investments in systems, such as revisions to matching logic and expansion of assessment functions.

Media

- Sales underachieved due to low search rankings for highly profitable keywords, mainly in the telecommunications field. Decreased profit for an increase personnel costs resulting from expansion of workforce to strengthen business structure.

Mobile&Telecommunications

- New line acquisition fell short of budget due to intensified competition.

Situation of 4Q

Overview

Sales showed signs of recovery mainly in Second-hand Online business.

Second-hand Online

- For individuals: Although the impact of the state of emergency is unclear, both purchases and sales increased QoQ.
- Agricultural and Construction equipment: The global container shortage will continue for some time. But domestic sales are steady.
- Oikura: Web requests bottomed out in January. Renewal of the development system and preparation for the mid-term strategy.

Media , Mobile&Telecommunications

- Almost unchanged from 3Q.

Strategies for the next fiscal year and beyond

We are currently working on a new medium-term management plan that we expect to announce at the information meeting for results of operations in the current fiscal year, which ends in June 2021. At that time, We will again explain the growth strategy of each business.

Forward-looking statements in this document, such as forecasts of business performance, include forward-looking statements, assumptions and projections that are the basis of our plans. Actual business results may differ substantially due to various factors.

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**To be an Optimized Trading Company for the
creation of Sustainable Society**

