

Q&A Session

President & CEO of MarketEnterprise Co., Ltd. Yasushi Kobayashi

Questioner 1 : I would like to hear your business image for the second half. If your business is biased toward the second half of the year, I think you should revise it. Also, I think you are considering the possibility of inventory impairment, but I would like to know what you think of the second half, including that point.

Kobayashi : As I explained, the media and mobile & telecommunications businesses grew in the first quarter due to the special demand. The second quarter was not bad. For the first quarter was good, so it looks like it's going down because of its appearance. However, overall sales in the first half of the fiscal year were very strong.

In the second half of the fiscal year, It will promote second-hand in March, April, and May, when there are moving season in Japan, such as the proceeds to the next level of education, employment, or personnel changes. In the media and mobile & telecommunications businesses, the number of accesses will be likely to increase too.

We think now is a good trend overall. It may look conservative, but we will keep our performance unchanged and proceed steadily.

As for inventory impairment, we have maintained this rate of turnover in the past while building a solid internal system. After purchasing goods, we thoroughly manage inventory according to the holding days by "More than 30 days" "More than 60 days" "More than 90 days" and "More than 180 days" "Within 365 days". Currently, there is no sign of impairment.

Q&A: The reason of that Operating Profit Ratio Has Improved

Questioner 2 : Including the operating profit margin and the net profit margin, I think your company is improving very fast. The operating profit margin was 1.5% two years ago, but this year it was 6%. You mentioned, "drop in SG&A expenses ratio" as a factor behind this. Could you tell us what specific measures contributed to this?

Also, could you give us your mid-to-long term view on the level of profitability you expect to achieve in the next fiscal year?

Kobayashi : There are several factors. Regarding the increase in operating profit, our media business and mobile & telecommunications business have higher profit ratio than the current second-hand online business in the business portfolio. One of the key points is that these high-profit businesses have grown steadily.

Second, the profitability of Second-hand online business itself has increased. As for this, I think you saw the unit price rising steady. While the purchase cost per product remained the same, we actively developed products with high unit prices.

In addition, as to the purchasing cost per one product is down and its profit ratio increased significantly due to the increased productivity of our in-house development system. That's why SG&A expenses have been decreasing.

In the future, Of course there is growth in the media business, we intend to further improve profitability for sending customers to "Oikura" that cannot be handled by existing services. However, there is an anxiety element in the mobile & telecommunications business due to the ratio of profit margin on new acquisitions is very high. We are going to get new customers firmly. But, If the number of new customers decreases, I think it may be a depressing factor in the profit margin.

As the whole company, we aim to increase our profit ratio to nearly 10% in the future.

Q&A: Coronavirus Impact and PC Purchase Demand

Questioner 3 : Two questions, please. The first question regarding the coronavirus, many people will probably ask you, but I think it will affect the moving demand from March to May.

I am a little concerned that the current situation may lead to people quitting moving. Please tell me how do you think of the impact on your company's movement against the coronavirus.

It's the second point. You said, "PC buying demand increased". I thought this was probably about "Windows 7" but recently there was a security incident involving the resale of hard disks.

So I think there is a lot of demand for discarding PCs. I believe that using your company's network to reach these areas will lead to interesting developments. Could you tell us about that?

Kobayashi : First, regarding the coronavirus, we do not think that our company will be greatly affected as a whole. Our company's second-hand has been close to protecting people's livelihoods in a good or bad economy. So there are not many factors that make our sales lower during times of economic downturn, and I think it is a strong service even in such times.

Of course, if the economy is good, the product replacement cycle will proceed, so it is better if the economy is good. However, it is a well-balanced situation in which we can take such measures even when the economy is bad.

As for PCs, yes there was a special demand due to a change in the model but not only that. At that time, we established a data erasing center in our company. Its full-scale operation of the center also helped us meet the purchase demand.

In the topic of data erasing for personal computers, there is a method of data erasing for complex cases involving various operating systems. The establishment of a system that enables us to actively develop its own data erasing services is another reason why we were able to meet increased demand.

Hard drive problems have recently made headlines, but our company's robust data-erasing practices are based on the same standards used by the U.S. Department of Defense. I believe that the risk was high at that time due to human problems rather than the method of erasure, but we will take further measures to address these issues.

I think there will be a lot of replacement demand for PCs in the future. As is the case with low-priced PCs, our company handles a large number of esports PCs called "gaming PCs", and we intend to expand these areas.

Q&A: How the iPhone Model Change Affects Your Business

Questioner 4 : Regarding your company's media and mobile & telecommunications businesses, you explained that there was a special demand for the iPhone in the 1st quarter. Today, Apple announced that it's "to fail to achieve the sales guidance for the January-March period". How do you think this will affect you?

Kobayashi : I am aware of such an announcement. The new iPhone is usually announced in September. Recently, there have been a few minor changes, and even if a new smartphone comes out, there may be fewer people changing models.

In particular, we sold a cumulative total of about 10,000 new-model iPhones during this fiscal year through customers sent from our media. As there is such a large amount of demand, even if it is a minor change, as our media traffic increases, we expect that demand will continue to appear in our company.

Questioner 4 : Well, looking at the past data, September seems to be strong. This is probably the result of a model change for the iPhone, but is it correct to say that the impact of such a model change will diminish in the future?

Kobayashi : I think the demand will greatly change depending on what kind of model comes out and how much impact it has. If there is a major change, the impact on our company will be greater, and even if it is a minor change, this kind of special demand can be expected. We provide a lot of information on how smart consumers choose products and what models they should choose, so we will develop our products in a way that more people can easily choose.

As conditions change in the telecom industry, we intend to build a structure that will allow our customers to place ads that generate our revenue and facilitate traffic growth in our company.