

## **Q&A: About SDGs and Management Strategies**

Imamura: We have received the following question: “How are the SDG’s 2, 3 & 6 involved in your business strategy?”

Kobayashi: As explained on the 23<sup>rd</sup> page, the second-hand equipment which is lying dormant in Japan is steadily being circulated overseas through our company. For example, agricultural equipment is exported to many countries. There are many export destinations, which include developing and advanced countries, but in areas where Japanese makers have not yet emerged, second-hand agricultural equipment is being used to improve the efficiency of agriculture itself.

In regards to the 2<sup>nd</sup> SDG “Zero Hunger”, we are looking at it from the agricultural standpoint. I also believe that we are contributing to the 3<sup>rd</sup> SDG “Good health and well-being” through second-hand usage of medical equipment. There is a lot of medical equipment already present in developing countries, but we receive information that: “Through the second-hand usage, low priced and appropriate equipment became available even in locations where it was not accessible before”.

In addition to that, construction equipment is also being exported overseas. Such infrastructure details as water supply and toilets are related to construction, and due to that, we have also added the contribution to the 6<sup>th</sup> SDG “Clean Water and Canalization”. The 12<sup>th</sup> SDG “Responsible Consumption and Production” is mentioned because we believe that second-hand usage overall and second-hand usage of equipment contribute to the creation of a sustainable society.

## **Q&A: Regarding the effect of Covid-19 on the best and worst predictions**

Imamura: The next question was, ‘Regarding best and worst predictions, what level of risk is associated with Covid-19?’ I would like to answer this question.

For gross revenue, our estimate is 13.5 billion to 14.5 billion yen, and for net profit, 730 million to 900 million yen.

As Kobayashi explained, with “Oikura”, it would be very important to see the trends in our nationwide affiliated recycle stores.

Perhaps some affiliated stores may voluntarily close if a state of emergency is declared again.

Also, for agricultural equipment manufacturers, some partner companies may be affected.

The best-case estimate of 14.5 billion yen gross revenue and 900 million yen net profit assumes that our company, as well as our affiliated stores and partner companies, can avoid those effects.

To be honest, it is difficult to see into the future, and if there are any effects, that would gradually bring us closer to the lower estimate.

**Q&A: Demand for used agricultural equipment and distribution issues of exporting goods.**

Imamura: The next question was, 'Please tell us about the demand for used agricultural equipment. Also, please tell us if there are any distribution issues with exporting to other countries.'

Kobayashi: This explanation will be slightly qualitative, but first of all, regarding the domestic situation, the average age of farmers in Japan is 67 years old, and this is increasing at a rapid pace.

We have received an increasingly large number of sales requests from farmers who want to quit, and we expect more growth in this market.

There has been a slight increase in those who want to start agricultural activities in Japan, and those newcomers would also like to utilize second-hand agricultural equipment rather than new ones for cost efficiency when they start farming. Therefore, the demand for second-hand agriculture equipment in Japan is steadily growing.

On the other hand, overseas, there is a demand to be able to buy used agricultural equipment cheaply, and there is a significant increase in demand for 'Used in Japan' equipment as well.

We have always been considering methods for exporting, and this time, we were able to accomplish it by establishing a new subsidiary, ME Trading Co., Ltd. for this purpose.

Related to exporting, we are organizing a system to steadily export our used agricultural machinery in containers to overseas brokers.

We are now in the process of creating a system to be able to efficiently export more agricultural equipment.

**Q&A: Regarding demand related to teleworking in the mobile & telecommunications business**

Imamura: Next is the following question, 'We received information that the mobile communications business had increased demand in April & May due to telecommuting. Would it be correct to say that this has settled now?'

Kobayashi: Regarding the mobile communications business, special demand did arise due to the COVID-19 pandemic, which influenced the increase of telecommuting. Our 'KASHIMO WiMAX' product especially received a lot more orders than usual and was in special demand, as it does not require any construction work and is sent out earliest on the ordering day.

There is still higher than usual demand for devices due to continuing telecommuting, but we believe that the special high demand has settled down for now.

We are planning to proceed with the accumulation of the stock from now on.

### **Q&A: Current second-hand situation**

Imamura: I would like to answer the following question, “Currently, is the second-hand business situation returning to normal?”

Basically, we have returned to our normal sales structure, but in this current situation, we never know if another event similar to the state of emergency might occur again.

We are operating normally at the moment, but the same time, we do recognize that the future is still somewhat unstable.

### **Q&A: Oikura’s forecast for this term**

Imamura: We also received the following question, “Please provide a forecast on Oikura’s conversion rate as well as trends in the average unit price for this term”.

Kobayashi: Although I cannot tell you all specific numbers, our company’s second-hand online business has originally been buying very high unit price products (32,000 yen per item) from our customers via our purchasing media and re-selling them through multiple electronic commerce sites.

On the other hand, we have had to, unfortunately, decline purchasing products which are difficult to sell online, such as tables and sofas.

For those products which still can be used second-hand, but cannot be easily sold online, we are working with our 1,000 affiliated stores located nationwide to find a solution to create a sustainable society.

Compared with high unit price products, there is more variety in products that have a slightly lower unit price and the volume of purchase requests is higher.

We have told you earlier that we are in the early stages of trying to set up for purchase requests of one million cases per year, and we are still looking into several strategies for unit price and conversion rate. The projected completion time might shift, but we strongly view this as a necessary service for the future, and going forward, we appreciate your continued support.

### **Q&A: Mergers and Acquisitions deals in the current term**

Imamura: The next question was, 'Are you planning to pursue M&A deals aggressively in this current term too?'

Kobayashi: As for M&A deals, the businesses that we planned to develop are now established as part of our company and incorporated into our portfolio.

Currently, we are in the process of matching those acquired businesses within our company structure to maximize effectiveness, so, therefore, we are not thinking of actively pursuing M & A deals in this current term.

### **Q&A: Sales Ratio of Agricultural equipment**

Imamura: Lastly, the question was, "How much are you planning to raise the sales ratio of agricultural equipment, and is there any target?"

Kobayashi: We have disclosed the sales distribution ratio by product, but it was posted with the preface that the product composition is as such because it is for second-hand products.

We hope you understand that we do not develop KPIs with a view to increase the sales ratio of these products.

At this time, we will also focus on developing a system for exporting.

This means we are going to work towards handling a wide range of products we cannot sell in Japan, and although the products may have a lower unit price, there might be some products with a high-profit rate.

Along with strengthening our export system and marketplace, we believe there is still a lot of room for development in the agricultural equipment field, so we would like to try out a variety of new things in the future.