

## **Executive Summary**

My name is Kenichi Imamura, director and CFO of Market Enterprise.

On this occasion, as you are all aware, to prevent the spread of COVID-19 we are going to have this briefing session online, the same as the briefing for Fiscal Year Ended June 30, 2020.

Some inconveniences might occur, but we hope for your understanding and that you will stay with us until the end.

I will start today's briefing with the announcement of the results for the 2nd quarter of the fiscal year ending June 30th, 2021, and then, the company's president and CEO Kobayashi will explain the management strategy for the fiscal year ending June 2021.

Without further ado, I would like to explain our financial results.

### **< FY2021 Financial Result >**

First, on the slide shown on the screen you can see the executive Summary.

We have 3 business segments, among which, performance of the second-hand online business remained strong.

On the other hand, profitability in the media and mobile & telecommunications businesses declined due to the impact of the Google Core Update.

The outline of each business is described on the slide. The second-hand online business focused on improving the profitability of internal purchases and sales.

As I will explain further later, we focused on increasing its profitability, by reducing advertising costs associated with purchases.

Agricultural equipment, which is one of our strategic fields for the current fiscal year, and "Oikura" showed steady growth.

Although the media business has been developing various media projects, as I mentioned at the beginning, the media business, our main business, didn't perform well due to the impact of the Google Core Update.

In the mobile & telecommunications business, the number of customers sent from our own media decreased partly because the communication media in the media business didn't perform well.

As a result, the number of new service subscriptions decreased, and the number of new contracts saw a significant decline.

However, as for the earnings forecast for the fiscal year ending June 2021, we would like to keep the figures announced on August 14, last year, by offsetting the decline

thoroughly in the 2nd half.

### **【Consolidated Statement of Income】**

Moving on to the consolidated Statement of Income for the 2nd quarter, announced at 3:00 pm. today.

On the left side of the slide you can see accounts titles, next to it, results for the same quarter of the previous year, and in the middle, cumulative results for the 2nd quarter in the current period.

For the top line, net sales were 5,628 million yen, with an increase of 449 million yen and an increase rate of 8.7%.

Gross profit was 2,058 million yen, with an increase of 77 million yen and an increase rate of 3.9%.

SG&A expenses were 1,851 million yen, with an increase of 180 million yen and an increase rate of 10.7% compared to the same period of the previous year.

SG&A expense ratio was 32.9%, with a year-on-year increase of about 0.6 points.

Operating profit decreased from 309 million yen in the previous year to 206 million yen in this year, with a year-on-year decrease of 103 million yen, or 33.2%.

### **【Analysis of Changes in Operating Profit】**

I will move on to the analysis of changes in operating profit.

The left side of the slide shows cumulative year-on-year results for up to the 2nd quarter of the fiscal year ended June 2020, whose operating profit was 309 million yen.

Then, as a result of an increase in sales of about 450 million yen, there is a positive effect of 172 million yen.

On the other hand, about 95 million yen from the declined gross profit margin was a factor in the declined profit.

In addition, an increase in SG&A expenses was about 180 million yen, which was another factor in the decreased profit.

As the rightmost side of the slide shows, operating profit resulted in 206 million yen.

As described in the text at the top of the slide, the smaller number of new subscriptions in the mobile & telecommunications business reduced the gross profit margin.

In the mobile & telecommunications business, the gross profit margin of lump-sum income as sales incentives would have been extremely good if new contracts for service subscriptions had been made, but we were not able to acquire many this time, and gross profit margin declined.

For the increase in SG&A expenses of 180 million yen, it occurred due to an investment, so-called an up-front investment, in the construction of new subsidiaries, a new base opened in Vietnam in May 2020 and a cross-border EC system for agricultural equipment.

### **【Consolidated Balance Sheet】**

I will go on to explain the consolidated balance sheet.

Although cash and deposits in current assets increased significantly, this happened due to the increase in collection of receivables posted in the 4th quarter of the previous fiscal year.

What happened in the 4th quarter of the previous fiscal year is that demand for working from home, the declaration of the state of emergency, and changes in the environment due to the impact of COVID-19 generated increasing demand, which we could call special demand, in the mobile & telecommunications business.

As a result, accounts receivable increased significantly, but the demand was saturated by the 2nd quarter of the current period, and it thus resulted in a decrease, while cash and deposits increased.

In others areas there were no major changes and everything remained relatively stable.

### **< Business Segment Performance >**

#### **【Business portfolio】**

Moving on to results by segment.

Our company has been developing 3 segments.

One is the second-hand online business, our core business, which is shown on the left side of the slide.

It has services for individuals and companies and a platform.

In the platform, we mainly offer a service called "Oikura."

The middle of the slide shows the media business.

Since the previous fiscal year, this has been developing by dividing the segments. There are four fields of media in development, namely Telecom media, media for the purchase and sale of second-hand products, media for sales platforms of agricultural equipment and information platforms for its repairs, and media for starting hobbies.

Also, in the mobile & telecommunications business, we mainly sell data communication devices with the brand name "Kashimo WiMAX."

This business has been developed by our subsidiary, ME Mobile.

### **【Results by Business Segment】**

I will mention an overview by segment, before explaining about each of them separately. Net sales, segment profit, and Segment profit to net sales margin are shown as a list from the top of the slide. Net sales are relatively stable compared to the previous fiscal year, although the second-hand online business saw a slight decrease.

The media business and mobile & telecommunications business saw increases of 15.6% and 27.5%, respectively.

Next, regarding segment profit, as I mentioned at the beginning, the second-hand online business slightly increased due to the attempt of using advertising expenses efficiently.

On the other hand, both media business and mobile & telecommunications business didn't perform well partly due to the impact of the Google Core Update.

As a result, we had difficulties acquiring new customers for the mobile & telecommunications business, and segment profit saw a decrease of 11.3% in the media business, and 18.5% in the mobile & telecommunications business.

The profit margin was affected accordingly.

The second-hand online business saw an increase of about 0.6 points, while both media business and mobile & telecommunications business significantly decreased.

### **【 Second-hand online business - Advertising Expenses for MarketEnterprise Purchases】**

Next, I would like to talk about the features of each business.

First, as I mentioned earlier, we have been promoting the second-hand online business, while reducing advertising costs associated with in-house purchases.

This trend has continued since the 1st quarter, but the ratio of advertising costs to sales was 6.6% year-on-year in the first half of the previous fiscal year.

On the other hand, it was 4.7% in the current fiscal year, which saw a year-on-year decrease of 32%.

We have been advertising for purchases with a focus on most profitable ones.

### **【Online second-hand business - Business Results】**

This is the sales breakdown.

Sales for individuals are highlighted in orange, and ones for agricultural equipment in green.

Although sales for individuals slightly decreased, in the field of agricultural equipment and construction machinery, which is one of our focus fields, we saw a significant year-on-year increase of 51.2%.

Segment profit slightly increased partly due to the efficient use of advertising expenses, as I mentioned earlier.

### **【Second-hand online business - MarketEnterprise Sales and Inventory】**

Next, you can see the sales amount as shown on the left side.

Advertising costs in the second-hand online business are mainly for advertisement associated with the purchase of second-hand goods. While cutting them down, we managed to keep the inventory value almost at the same level of the same period of the previous year.

### **【Second-hand online business – Profile of Oikura】**

I will move on to "Oikura," which is one of our focus fields along with agricultural equipment.

"Okura" is originally a matching platform that connects members of the services shown on the right side of the slide, such as Second-Hand shops, brand specialty stores and pawnshops across the country, with general consumers who want to sell things as shown on the left side of the slide.

We will also develop this further while attempting to improve profitability.

### **【Second-hand Online Business – Oikura 1H Activities】**

Moving on to the "Oikura" activities in the 1st half.

First, we have been strengthening cooperation with "Takakuureru.com," which runs a website for various product categories such as home appliances and personal computers, since July this year, when the 1st quarter started.

In the 2nd half of the fiscal year, we also started a collaborative program with companies that often dispose of various things, such as moving companies and real estate and rental brokerage companies.

Through these measures, we have focused on increasing the number of customers directed to "Oikura" for second-hand goods purchase projects.

### **【Second-hand online business - Growth of Oikura Purchase Requests Received via the Internet】**

Growth in the number of purchase requests for "Oikura" is shown here.

In a comparison between the 1st half of the fiscal year ended June 2020 on the left side of the slide and the 1st half of the fiscal year ending June 2021 on the right side, the number of purchase requests saw an increase of about 87%.

### **【Monthly Growth of Internet Reuse Item Purchase Requests Received by Oikura】**

Next, please look at the monthly breakdown of the growth rate mentioned earlier.

In a comparison between 2019 on the left side of the slide and 2020 on the right side, the monthly average grew steadily and increased by 91% during a year from January 2020.

Since the business was acquired in February 2019, it has been growing because of improvements to the logic used by the matching system and other aspects related to information technology, coordination with our other websites, improvements of affiliated stores, and alliances with major companies through partnership programs.

### **【Second-hand online business - Oikura Sales and Earnings】**

These are changes in performance.

Although the share of "Oikura" in our total sales is still small, we will continue to increase it steadily.

On the left side of the slide you can see the sales breakdown. We are aiming to expand online requests highlighted in orange, which are the most profitable.

It has grown more than double year-on-year.

As a result, the number of online requests for profitable purchase projects increased, and segment profit saw a year-on-year increase of about 40%.

### **【Media Business Results】**

Moving on to the media business.

Sales from directing customers to MarketEnterprise services (internal) decreased because of a decline in telecommunications media page views caused by the Google Core Update.

Although sales slightly increased year-on-year, in-house sales halved in the communication media, which is our core business.

In addition, segment profit decreased because of higher fixed expenses resulting from workforce growth.

### **【Media Business – Average Monthly Page Views】**

As for the average number of monthly page views, it has been growing steadily since last year, and we would like to work on it to make it more profitable, including support for Google Core Updates.

### **【Mobile & Telecommunication Business Results】**

I will go on to explain the mobile & telecommunications business.

The left side of the slide shows net sales, and the right side shows segment profit.

As for the net sales breakdown, fee income for telecom services is highlighted in orange, and that from sales incentive fees is yellow.

It means that the bottom shows stock while the top shows incentives, or initial income, and the ratio was roughly half and half in the same period of the previous year.

However, as I mentioned earlier in the media business, the inflow from our in-house communication media saw a significant decrease.

Sales increased because of higher fee income for telecom services.

Segment profit decreased because of a decline in new WiMAX subscriptions, the result of a downturn in MarketEnterprise telecommunications media page views.

Income from sales incentives in yellow decreased by about 30% year-on-year.

This trend has been seen since the 1st quarter. We recognize that a large factor is that our 4th quarter from April to June 2020 saw a downturn against the special demand caused by needs for working from home due to the declaration of the state of emergency.

Accordingly, segment profit and income from sales incentives decreased and segment profit also slightly declined in the mobile & telecommunications business.

### **【FY2021 Forecasts】**

I will next explain the earnings forecast for the fiscal year ending June 2021.

To get straight to the point, we would like to keep the earnings forecast that was originally announced. There were revisions to the consolidated forecasts.

As the state of emergency has been extended and the social environment is uncertain, we would like to continue to announce figures with some ranges for the 2nd quarter to keep the earnings forecast unchanged and proceed in the 3rd and 4th quarters.

That is all for the overview up to the 2nd quarter of the fiscal year ending June 30, 2021.

Next, the company's president and CEO Kobayashi will explain our management strategy for the 3rd quarter and beyond.

I will now pass the baton to the president and CEO Kobayashi.

### **【(3) Business Climate and Strategic Goals】**

Hello, from now I will proceed with the presentation. I would like to explain our current perception and future strategy.

I'll discuss the following 3 main points.

First is " Strategies for accomplishing the FY2021 sales and profit plan " Second is " Key businesses for the medium-term growth," and third is " Reason of applying for change in listing to the TSE first section " .

### **【Strategies for accomplishing the FY2021 sales and profit plan】**

As for the overall strategy, signs of a recovery have started appearing in all businesses. There are no changes in the initial forecast and we are determined to achieve the targets in this forecast.

First, we will focus on business volume between March and May, the busiest period of every year for purchasing second hand items from individuals.

In addition, we intend to continue strengthening purchasing activities for agricultural equipment to prepare for the peak spring season of this market sector.

In the media business our top priority is the number of page-views for the telecommunication media.

Although these page views are expected to decrease, we are aiming for an earnings recovery by adapting to the core algorithm and targeting market sectors where demand is growing.

Besides, we would like to focus on recovering profit.

It was announced that a standard called "Core Web Vitals" would be established as a new update for Google search in May 2021.

We would like to work on this promptly and improve SEO to strengthen our performance.

In the mobile & telecommunications business, we have also been watching the status of customers sent from our own media.

March, April, and May are the demand season for this business as well, so we would like to focus on recovering profit around the period.

Furthermore, we would like to enhance new subscription sales by developing the market for corporations as well as launch 5G-compatible Wi-Fi services.

### **【Key Businesses for the Medium-term Growth】**

I will go on to the Key Businesses for the Medium-term Growth.

This slide is divided into our three segments, and we would like to focus especially on the "Oikura" platform business.



< Oikura >

### **【MarketEnterprise sets Oikura as the Highest Priority】**

Our company “Marker Enterprise” has set the Oikura business as the highest priority to focus upon.

Although each business has room for growth, we will proceed with the policy that the Oikura business is the most important field of focus.

### **【Oikura and the Sustainable Development Goals】**

We have been working on realizing a sustainable society by focusing on the second-hand online business for a long time.

However, while the second-hand business has been increasingly active in the purchase and sale of products and there is a trend toward the realization of a sustainable society, I think that there are many issues that cannot be solved by only maintaining the status quo.

The EC conversion rate in Japan has reached about 8%, and I think that it will increase further up to 9% or 10%.

While C2C business as well as second-hand online business like ours have been becoming a bigger part of society, we also have many larger items or items that are difficult to reuse without roots in local communities.

For example, items that cost packaging fees or expensive shipping fees are difficult to be reused on e-commerce platforms.

However, I believe that this can be solved through the "Oikura" service.

From the perspective of the SDGs, we can achieve the circular economy by reducing the volume of waste materials and distributing them as second hand goods.

It can also be a chance for everyone to think about "environmental consideration."

In addition, local governments and communities can aim to achieve sustainable “towns.”

As illustrated here, I believe that we can create a sustainable society with "Oikura" solving various problems with larger themes.

### **【Oikura business climate (Market Size)】**

Next, I would like to talk about the " Oikura business climate," " The strengths of Oikura" and " The goals of Oikura".

First, I'd like to explain the " Oikura business climate."

The Ministry of Economy, Trade and Industry issues an estimate for the products that fall into disuse in the past one year. The whole second-hand market has a very large market size of about 7 trillion and 625.4 billion yen.

It is said that the manifested scale of second-hand business including second-hand shops, online auctions and various apps is 2.1 trillion yen.

It is also been said that the gap of about 5.5 trillion yen is for what has been stored at home or lying dormant in warehouses without being reused yet.

Although the value decreases little by little every year, it is said that the "hidden property" across Japan amounts to about 37 trillion yen.

This means around 280,000 yen per person, which is a very large amount.

We would like to circulate such "hidden property" that is lying dormant in the second-hand business.

### **【i. Oikura business climate (Policies of Ministry of the Environment)】**

As for the second point of the "i. Oikura business climate" an excerpt from the website of the Ministry of the Environment is shown on the slide.

Used products are positioned as a higher priority than recycling in Article 7 (basic principle) of the Basic Act on Establishing a Sound Material-Cycle Society.

The text highlighted in red also says ", that what can be reused must be reused. "

In this way, we would like to reduce the amount of waste and circulate resources by prioritizing the promotion of reuse more than recycling in Japan as a whole.

Such an idea is emerging more strongly.

### **【i. Oikura business climate (Reduce the Cost of Waste Processing)】**

As for the waste processing costs of the whole country, it is said that the annual public-sector cost of waste processing by the government is 1.9 trillion yen.

The right side of the slide shows the value of the products that the government disposes of but that can be reused. They found that between about 10% and 20% of products no longer needed by households can be distributed.

Therefore, reusable items that are worth about 190 billion yen to 380 billion yen are thrown away at the expense of the government.

It means that, for example, usable items at home are labeled with a waste sticker designated by the government and disposed of with unnecessary costs.

We believe that there are a lot of things that are processed in this way in the "hidden property" while people think in terms of "It is still usable, but may be too large to reuse," "There is no second-hand store near here," and "This may be difficult to sell."

## **【The Oikura Business Model】**

Next, Oikura's strengths.

As I showed you earlier, this is a service where, if consumers want to sell items, they can easily apply for an estimate via the Internet or by using mobile phone before receiving multiple estimates from recycle shops nationwide to sell them at the highest price or to sell them easily while staying at home.

## **【Oikura's strengths (1)】**

I'd like to talk about 4 main points.

First, this is the service with the largest number of stores registered nationwide as we have 1,000 member stores across the country.

Since it covers a wide range of product categories, it has not only general recycle shops but also many specialty stores as its members.

It can make proposals that have roots in each local community.

The response rate for appraisals is now 80 percent.

Many people may think that many items won't be set a price even if they ask for an estimate, but about 80% of the items are set prices and there are a lot of estimates requested.

In addition, price offer rate for at-home purchases is 90%.

We believe that e-commerce as a service, which is different from e-commerce for sales, has been significantly growing.

Recently, services that deliver food products to home are also significantly growing. Similarly, we feel that the increasing number of products can be sold without going out while people are staying at home longer.

## **【The Strengths of Oikura(2)】**

As Oikura's second strength, 4 main points are listed here as well.

First, we have been Partner Store Ratings.

We rate their product categories, purchase methods, distances, and assessment response rates on a daily basis so that we make sure to select member stores with higher matching rates to meet the users' needs on top of recycle shops near their neighborhood.

As the bottom left of the slide shows, for the quality assurance of the member stores, we confirm their used item business permits, compliance checks, and ID checks of managers, as part of the admission criteria.

Also, we have been working on improving the management system by setting removal criteria in such operation.

Next, please look at the top right of the slide.

Users can get not only one estimate from one company, but also multiple estimates from multiple companies, which makes it convenient to compare and use, thus promoting transparency and fairness.

In addition, for user support, we already have a support system where we have been annually obtaining about 600,000 purchase requests in the online second-hand business. We have also been establishing a similar support system for "Oikura."

### **【Potential Growth of the Second hand Market】**

Therefore, as I mentioned earlier about the potential Growth of the Second hand Market, there is indeed enormous potential for more growth.

Flea market applications have been having a growing presence in the market over the last few years. Similarly, we believe that there are many things lying dormant at home or in warehouses that is thought as "I would like to reuse them, but they are too big."

"Oikura" offers services that a wider range of people can use, and we would like to invest not only in the existing second-hand business, but also in fields mentioned earlier.

### **【Oikura Growth Stages】**

Next, I would like to talk about "Future measures for Oikura."

This is the current image of growth and you can see a place where it is written " Current stage in 2021 ".

We have been working on " A stronger foundation" and " Collaboration among internal services " as STEP 1, and this is a point where the measures have been steadily taken.

Then as STEP 2, we are going to work on " Higher awareness/More customer contact points " " Strengthen alliances ".

Furthermore, we would like to move on to the stage named " Build platforms for creating the circular economy."

### **【STEP1: Past Activities of Oikura (A Stronger Foundation)】**

One of the measures we have been working on is A Stronger Foundation.

In terms of our own development factors, such as database update, server redundancy, UI improvement, stores and customers' personal internet pages remodel, improvement of the all-inclusive appraisal form, improvement of the logic used for store matching, and nationwide assessment service release, we have been working on improving the foundation for services that are easier to use and run faster.

### **【STEP1: Past Activities of Oikura (Collaboration among Internal Services)】**

For the Collaboration among internal services for the measures taken so far, we first coordinated with the website "Takakuureru.com."

Although we suspended it once since it didn't go well, we have resumed it since and managed to coordinate with other with the 22 MarketEnterprise websites for specific product categories.

As a result, we have established a collaborative system where users with items that could not be estimated through our internal services part are sent to "Oikura" to obtain estimates from locally established shops.

### **【STEP2: Higher Awareness of Oikura/More Customer Contact Points】**

We will also work on TV commercials and application development in order to make "Oikura" more known and expose it to more customers.

#### **【Oikura TV commercials】**

First, I'd like to talk about Oikura TV commercial.

From mid-February 2021, we have started trial broadcasting in 4 prefectures, namely Aichi, Shizuoka, Mie, and Gifu in the Tokai region.

By making such trials again and again, we would like to create an advertising system that can broadcast nationwide from the next fiscal year.

#### **【Development of Oikura App】**

We have also been developing the Oikura app.

Once it is launched, we would like to gradually deploy TV commercials nationwide.

We would like to create services where your items can be more easily picked up at home and you can get estimates immediately even for large items.

### **【STEP2: Strengthen Oikura Alliances (1) —Alliances with Companies】**

I will move on to the strengthening of alliances.

Alliances with companies across different industries have been accelerating, especially in the real estate industry.

We have started to cooperate with various companies, such as "FUKURI KOSEI CLUB" that is being developed by RELO CLUB, Leopalace21, Daito Construction Partners, LIFULL, and CHINTAI, on top of Miyoshi Real Estate and AMBITION that we already announced before.

We would like to continue to enhance alliances with companies related to daily life, such as ones of real estate and moving.

**【STEP2: Strengthen Oikura Alliances (2) —Alliance with YAHUOKU!】**

For the second topic of strengthening of alliances, we are scheduled to hold a joint seminar with YAHUOKU!.

This is for the second-hand business industry, but there is also an accelerating trend of DX to procure and sell products on the Internet even in this field.

Under such circumstances, we would like to increase the number of member stores by having " YAHUOKU! " as the largest "to Business" platform to appear in the seminar and combining our strengths to attract customers with theirs.

**【STEP2: Strengthen Oikura Alliances (3) —Alliance with the Public Sector】**

I have mentioned earlier that usable items are disposed by the government and wasted. Thus, we are also trying to collaborate with the public-sector.

We have formed a team devoted solely to forming alliances with public-sector partners, to make various proposals for initiatives with the government and local authorities.

**【Our Vision for Oikura】**

As for Our Vision for Oikura, we would like to work on various measures to grow Oikura into " A platform that functions as the foundation for the circular economy in Japan ".

**【Reason of applying for change in listing to the TSE first section】**

Finally, I'd like to explain why we applied for a change in listing to the TSE first section. It was done for the purpose of achieving more growth in corporate value by raising public awareness of our services along with our reputation for reliability.

This application represents our strong commitment to achieving sustained growth.

We are working on a new medium-term management plan that we expect to announce in the current fiscal year, ending June 2021.

We are aiming to be an Optimized Trading Company for the creation of Sustainable Society and will appreciate your cooperation.