

# The Growth Potential of MarketEnterprise

June 17, 2015

MarketEnterprise Co., Ltd.  
(Securities code: 3135)



# 01. Company Profile



# 01-1. Company Profile

## ▶ E-Commerce Reuse Business

Purchases and sales of reuse products using the Internet and no stores

Name	MarketEnterprise Co., Ltd.
Established	July 7, 2006 (Tanabata/Taian) (Operations started November 1, 2004)
Capital	¥122.36 million *As of May 31, 2015
Representative	Yasushi Kobayashi, President
Business	E-commerce reuse business
Employees	223 (including part-time workers) *As of May 31, 2015
Business sites	Headquarters: 3-3-14, Kamezawa, Sumida-ku, Tokyo 130-0014 Reuse centers (6 locations): Koto-ku, Tokyo; Kohoku-ku, Yokohama City, Kanagawa; Wako City, Saitama; Naka-ku, Nagoya City, Aichi; Suita City, Osaka; Minami-ku, Fukuoka City, Fukuoka

# 01-2. Business Model

## ▶ C to B to C

Multi-channel purchases and sales produce a high inventory turnover (14.2 per year in FY6/14)

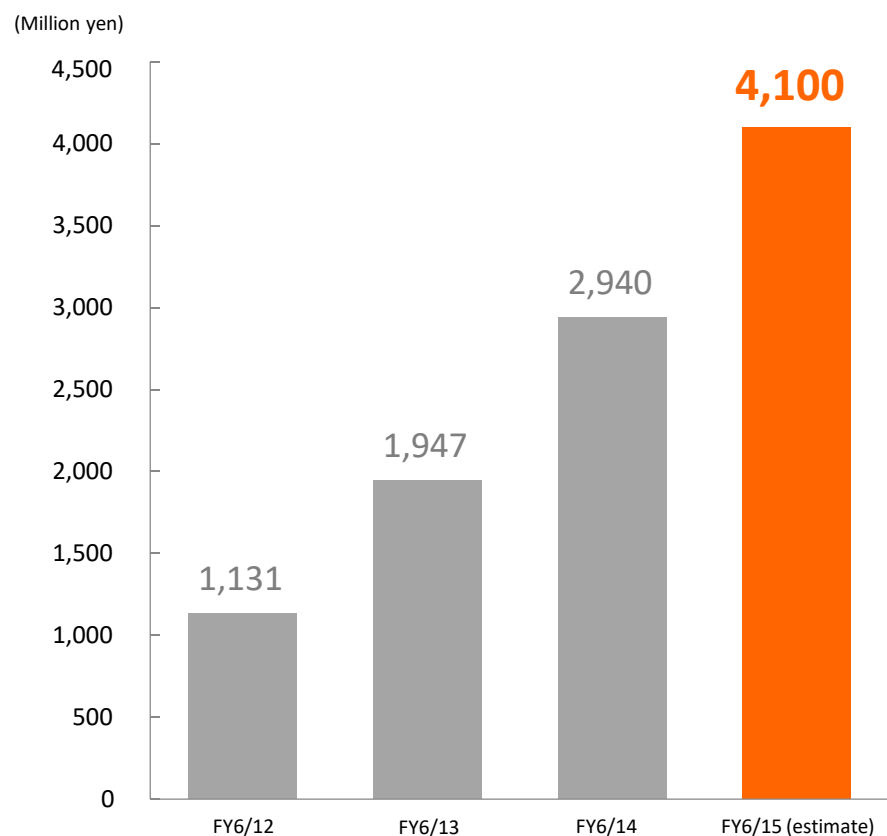


# 01-3. Performance

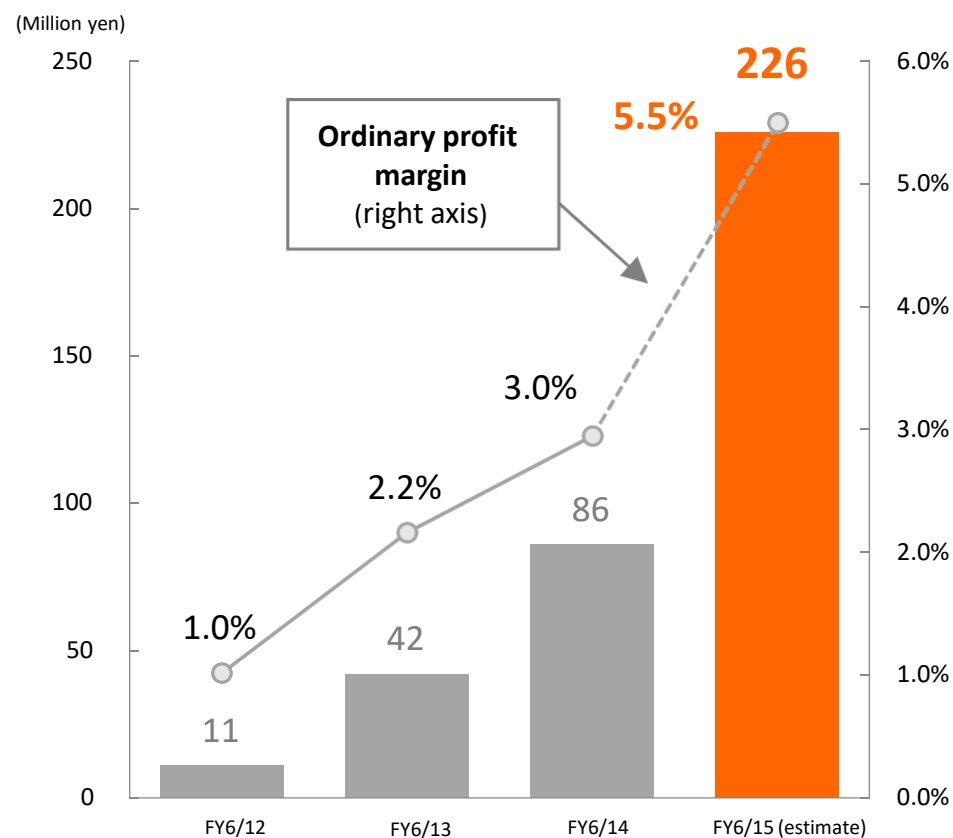
▶ No loss and sales and earnings growth every year since our establishment

Strong business growth has been accompanied by an increasing ordinary profit margin

### Net sales



### Ordinary profit / Ordinary profit margin



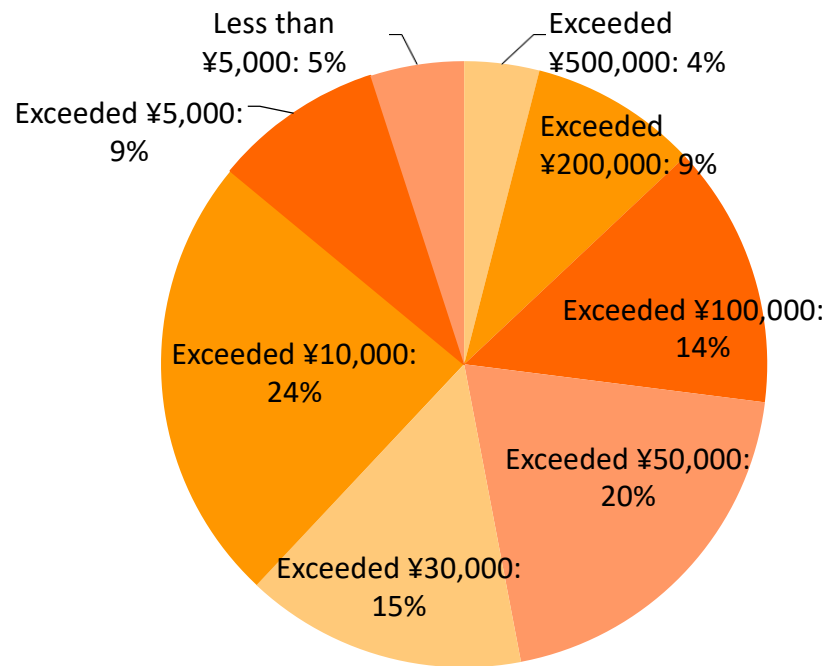
# 01-4. Sales Composition by Product

▶ Most merchandise is relatively at the higher end of price categories in both the e-commerce and reuse market sectors

Specializing in the Internet has the added benefit of providing access to people in foreign countries

Sales by Price Category (FY6/14 Results)

Average price is about ¥25,000, relatively higher than average for the e-commerce market



# 02. Market Environment



# 02-1. E-commerce Market

▶ E-commerce market = ¥11.2 trillion (Source: Ministry of Economy, Trade and Industry in FY2013)

Sales were 17.4% higher than in FY2012 as e-commerce was still only 3.67% of all consumer spending in Japan

## Change in consumer behavior

Shoppers frequently use Internet price comparison sites and other methods to compare prices before making a purchase, including for reuse products.



## Change at major e-commerce sites

More e-commerce sites, which initially sold only new products, are selling both new and reuse products.



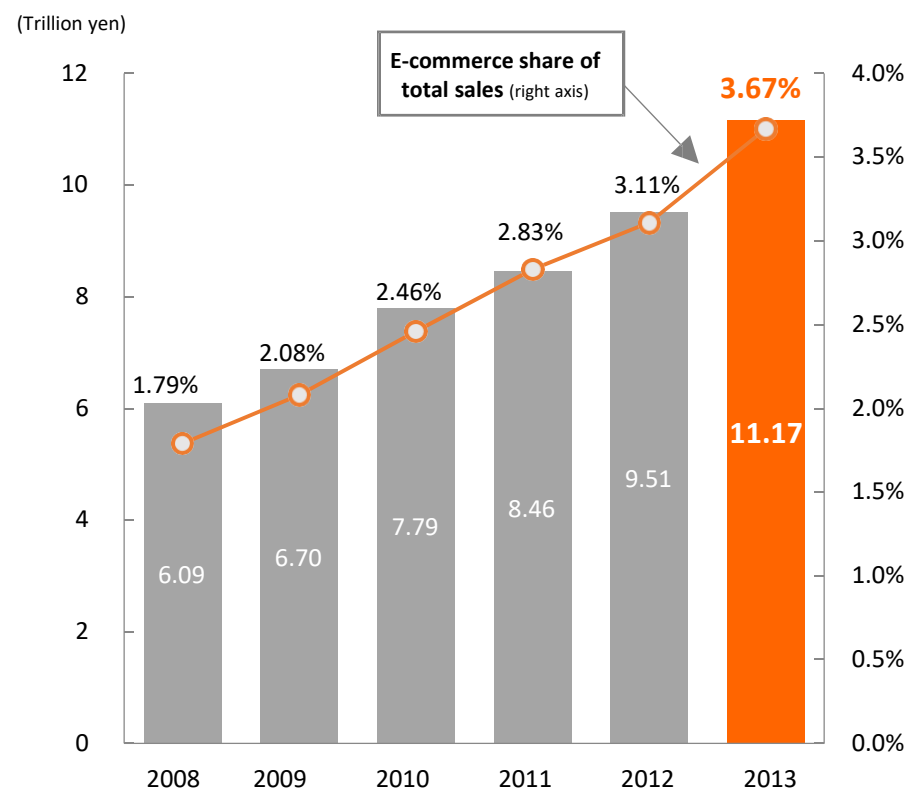
Outlook for the e-commerce market

**The increasing reliance on reuse products alongside new products** will give reuse product suppliers a bigger role in this market.



Very few companies can provide a reliable supply of reuse products for the e-commerce market. **MarketEnterprise is well positioned to become a major supplier of reuse products.**

(Reference) Growth of Japan's e-commerce market



Note: Excluding automobiles, motorbikes and moped bikes  
Source: Based on the E-Commerce Market Survey, Ministry of Economy, Trade and Industry



# 02-2. Reuse Market

▶ Reuse market = ¥1.2 trillion (Source: Ministry of the Environment in FY2012)

Sales were 19.0% higher than in FY2009/Much growth potential due to the small number of consumers who currently buy reuse products

## Favorable business climate

Many Japanese gov't programs to reduce the country's environmental impact – reduce/reuse/recycle, eco-products, eliminate waste



## More "smart consumers"

Growing awareness of "smart consumption" enhances consumer appetite for reuse products due their price advantage

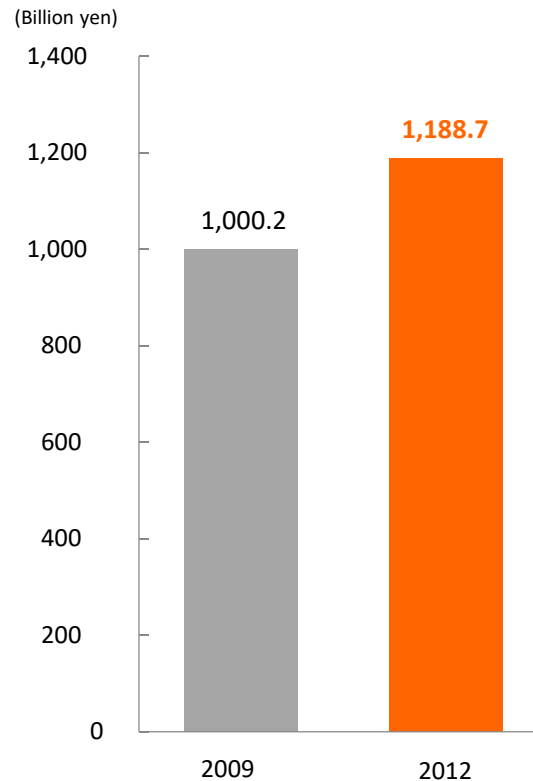


Faster growth in the number of people **who compare new and reuse products** before making a purchase.



To eliminate negative perceptions of reuse products due to uncertainty about quality and reliability, MarketEnterprise will **become a source of reuse products that people can buy with a sense of security and safety.**

(Reference) Growth of Japan's reuse market



Note: Excluding automobiles, motorbikes and moped bikes  
Source: Based on the Summary of Reuse Product Distribution Status and Market Size Survey, Ministry of the Environment

(Reference) Other statistics data

People who have purchased a reuse product	38%
People who have not sold an item no longer needed	62%
People who have an unused product of a well-known brand at home	54%
People who have an unused PC/PC peripheral at home	60%

Source: Based on the Results of Consumer Survey for Project to Increase Environmental Awareness of Reuse Product Companies, Ministry of the Environment

# 02-3. E-commerce Market × Reuse Market

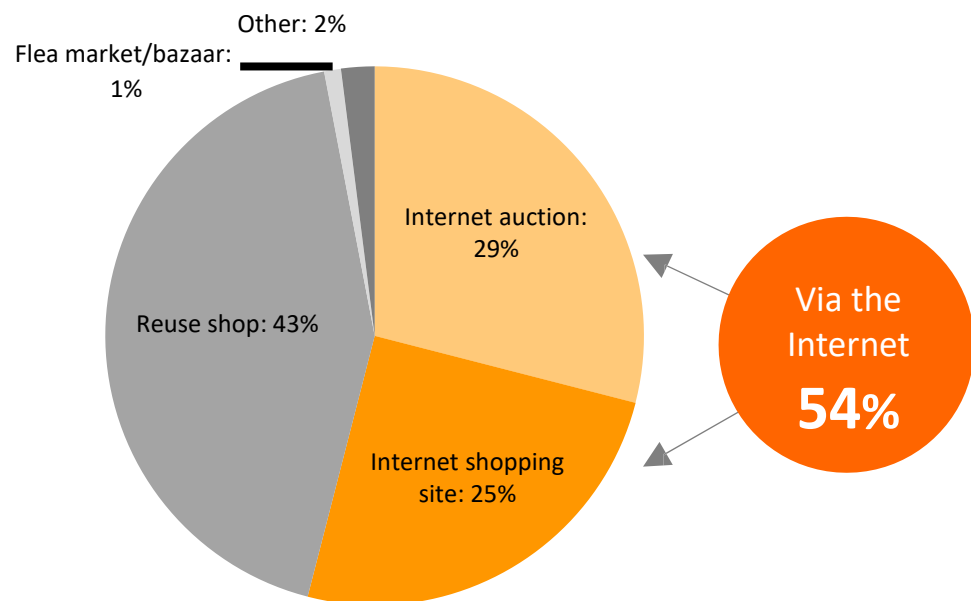
## ▶ Internet is used for 54.0% of reuse purchases in Japan

(Source: Ministry of the Environment in FY2012)

Young people account for the majority of consumers who use products with the intention of eventually passing them on for reuse

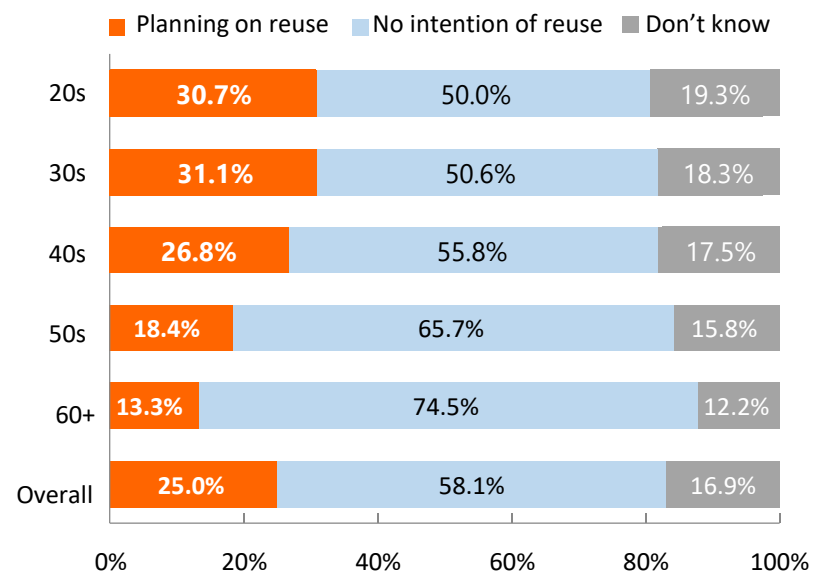
### Channels for buying reuse products

The combined reuse product purchase share of Internet auctions and Internet shopping sites is now larger than the physical reuse shop share.



### Use of products with the intention of passing them on for reuse (by age segment)

Young people are the majority of consumers who use products with the intention of selling them later. The utilization rate of the Internet for these transactions will probably increase. (Young people have the greatest awareness and commitment concerning the shared economy.)



Note: Excluding automobiles, motorbikes and moped bikes

Source: Based on the Summary of Reuse Product Distribution Status and Market Size Survey, Ministry of the Environment

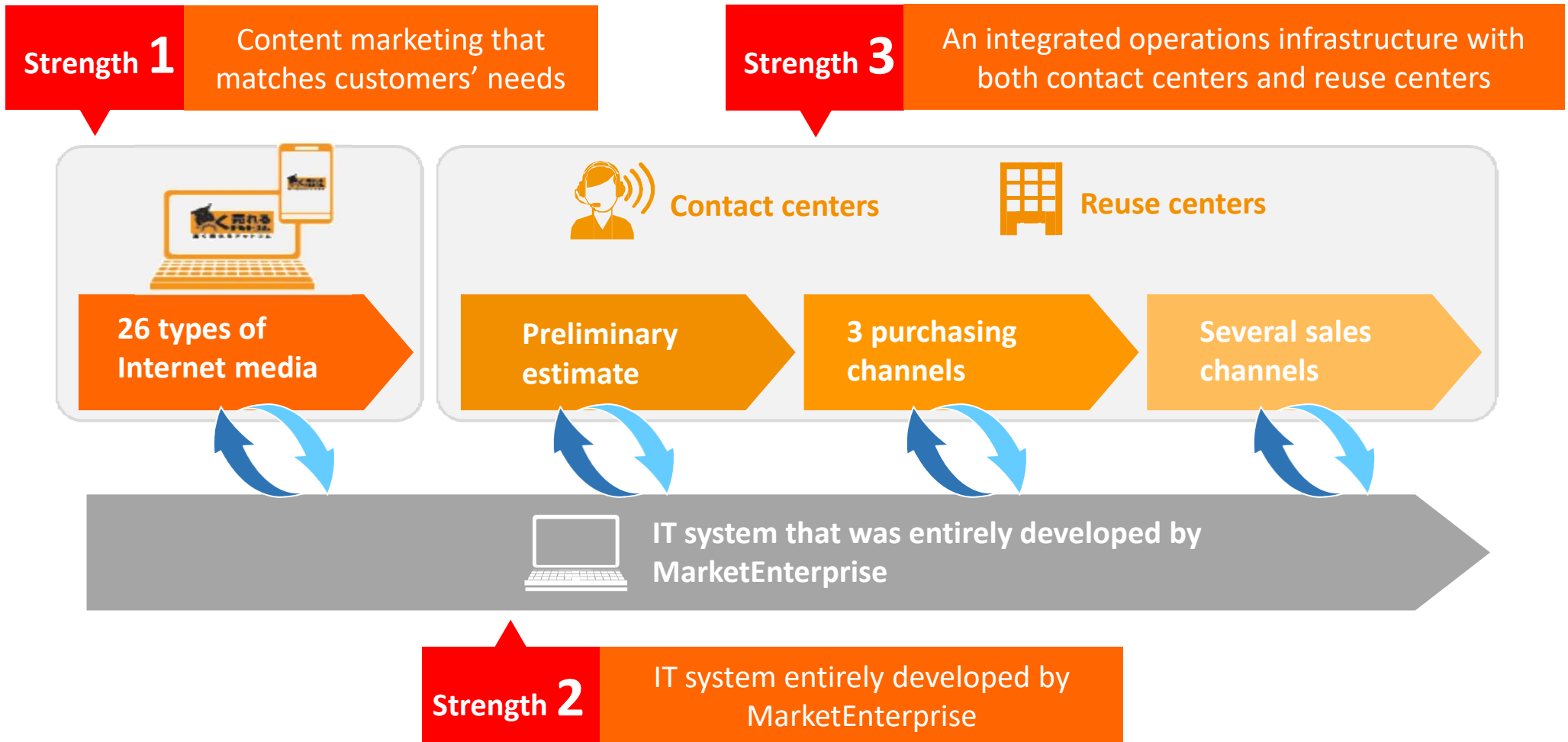
# 03. Our Strengths



# 03. Our Business Process

## ▶ A nationwide purchase and sales network combining IT and real elements

Highly efficient operations by performing all IT tasks (web systems and business systems) internally



# 03-1. Content Marketing That Matches Customers' Needs

## ▶ We created and operate 26 categories of purchasing media

Efficient receipt of purchase requests by adding elements of search engine optimization and content marketing for listing ads<sup>\*1</sup>

### Media for purchasing merchandise

26 sites exclusively for purchasing



### Key Features

- ▶ Specialization along with comprehensive coverage due to the operation of many vertical media
- ▶ Content marketing enables customers to use these media with a sense of security and trust
- ▶ Having internal service media makes it possible to form effective alliances<sup>\*2</sup> with large companies that have Internet services
- ▶ Approximately 26,000 requests to purchase items every month (FY3/15)

Notes <sup>\*1</sup>: The production and distribution of beneficial and persuasive content for customers

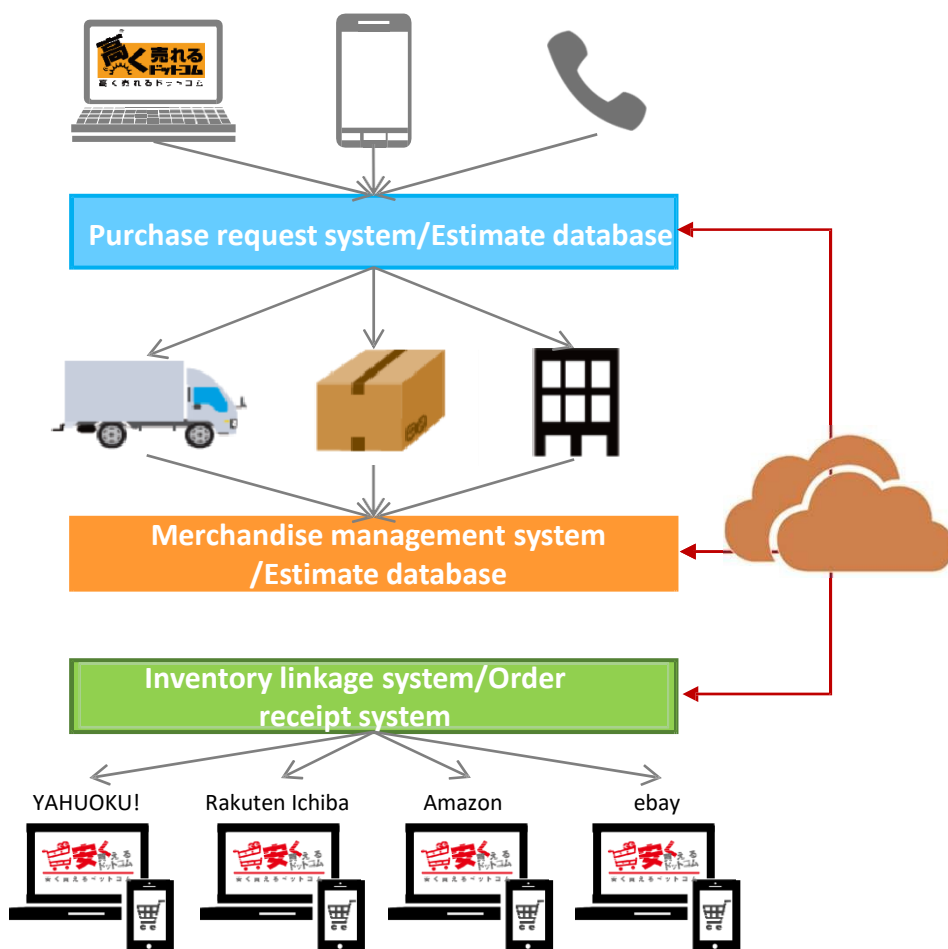
<sup>\*2</sup>: Recent alliances:

- Yahoo Japan Corporation (Provision of the Yahoo Purchasing Service)
- All Nippon Airways Co., Ltd. (Provision of purchasing service in the ANA Mileage Mall)
- Credit Saison Co., Ltd. (Provision of purchasing service in the point site of Eikyufumetsu.com)
- Asahi Kasei Homes Corporation (Provision of purchasing service in the site for members)
- istyle Inc. (Provision of purchasing service in the site for members), and others

# 03-2. IT system entirely developed by MarketEnterprise

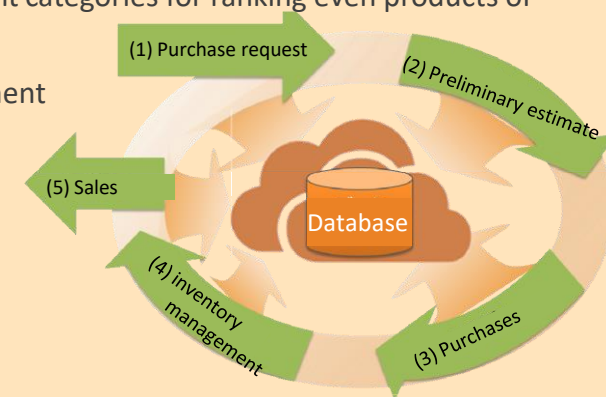
▶ We created and operate an IT system and database that meet the requirements of our distinctive business model

Our IT infrastructure simplifies procedures, improves efficiency and is capable of supporting future growth



## Key Features

- ▶ Multi-channel purchasing system encompassing many purchase request channels and purchasing methods
- ▶ Product management system for the traceability of individual items
- ▶ Inventory linkage system for submitting individual items for sale on two or more channels at the same time
- ▶ Estimate database with different categories for ranking even products of the same model
- ▶ Centralized database management using a cloud platform
- ▶ Growth in the volume of merchandise handled results in an even larger database, which in turn makes business operations even more efficient
- ▶ All of these systems and the database were created entirely by MarketEnterprise, making it possible to develop systems as needed quickly and inexpensively as purchasing and sales channels increase and new services are added



# 03-3. An Integrated Operations Infrastructure with Both Contact Centers and Reuse Centers

▶ Every element of the preliminary estimate/purchase/sales operations system is handled internally

A standardized framework that gives customers confidence and is capable of encompassing a diverse array of purchasing and sales activities



## Market Enterprise

Preliminary estimate from a contact center



Contact center tells a prospective seller the purchase price and purchasing method

About 800 pages of business manuals



Three purchasing channels

Pick up from seller

Delivered by seller

At a store



Reuse centers handle all procedures



Reuse centers are in Tokyo, Yokohama, Saitama, Nagoya, Osaka and Fukuoka

## Key Features

- ▶ Functions for preliminary estimates that allow customers to use with a sense of security and safety and for highly efficient purchasing operations.
- ▶ Nationwide network of reuse centers for fulfillment services allows purchasing items by using parcel delivery services as well as by picking up goods at customers' homes and businesses in a broader area and purchasing goods at stores.
- ▶ Operating in locations near where customers live reduces the mental and physical barriers to buying and selling reuse products. This will increase the number of purchase requests and raise the rate of converting requests into actual purchases.
- ▶ Nationwide network allows quickly meeting customers' needs to convert their possessions into cash.
- ▶ "Standard Book" business manuals define all business processes from purchasing through sales so that everyone has access to the same know-how. This reduces variations in service quality due to differences in knowledge and experience of individuals.
- ▶ Product guarantee service when items are sold eliminates worries about reuse products.

Three guarantees for peace of mind

Extended Operation Purchase  
guarantee guarantee guarantee



- ▶ For high-priced, large and specialized products, our business model is clearly different from the conventional C-to-C model due to the reliability of sellers and the safety and reliability of transactions.

# 04. Growth Strategies





# 04-1. Horizontal Expansion

## ▶ Enlarging the nationwide network of reuse centers

New reuse centers in major cities will make the MarketEnterprise reuse purchasing infrastructure even more powerful



### Action

Plan to add five reuse centers during the next three years

### Purposes

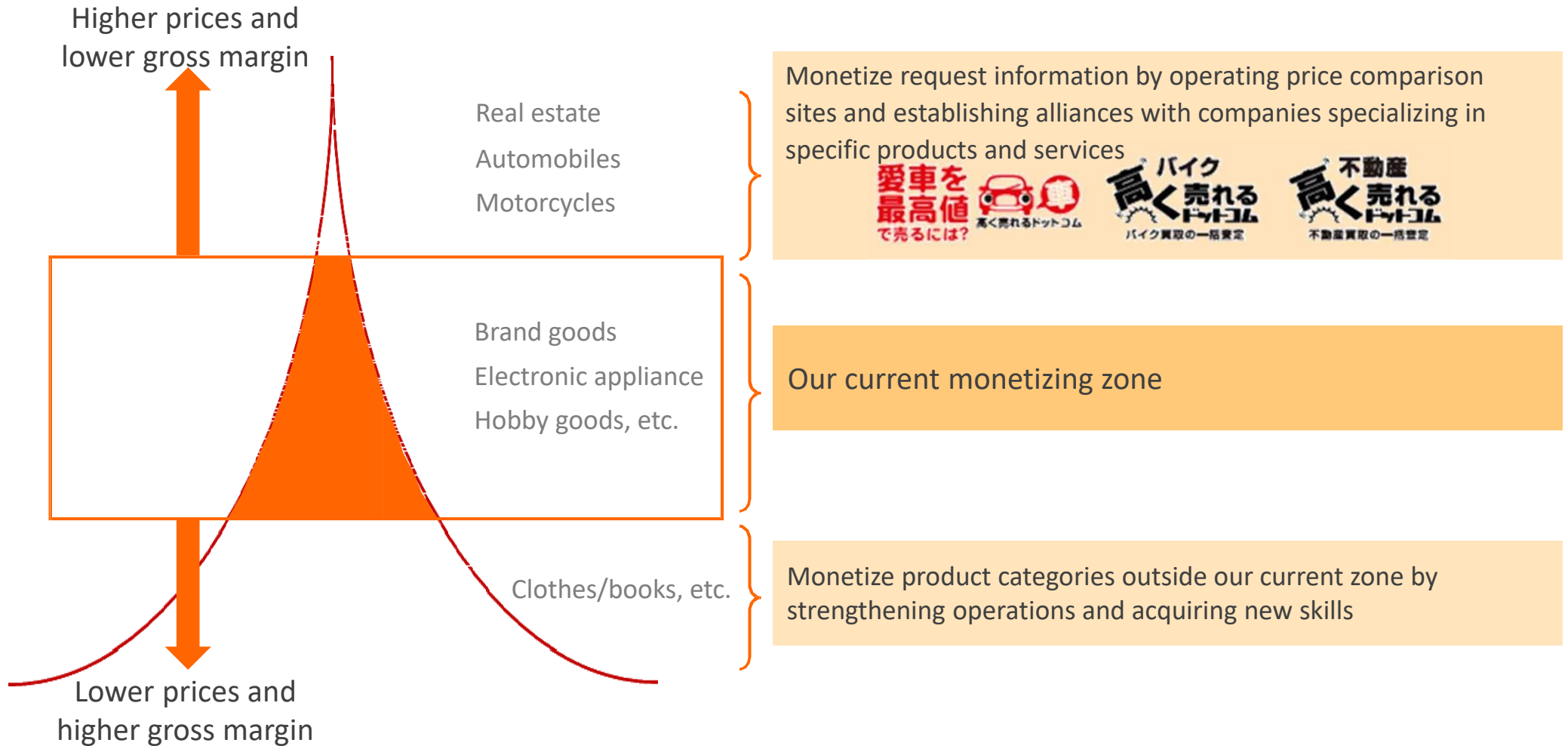
#### Build an even larger and stronger purchasing infrastructure

- More centers will increase the pct. of Japan's population covered by home pick-up and store purchases.
- Operating in locations near where customers live will reduce the mental and physical barriers to buying and selling reuse products. This will increase the number of purchase requests and raise the rate of converting requests into actual purchases.
- More reuse centers will allow quickly meeting customers' needs to convert their possessions into cash and reducing the cost of transporting goods. These benefits are expected to increase merchandise purchases at high prices and improve customer satisfaction.

# 04-2. Vertical Expansion

## ▶ More categories of reuse products

Adding more product categories will make it possible to accept a broader range of purchase requests, thereby enlarging the zone for monetizing merchandise



## 04-3. Establishment of New Services

### ▶ Create new services by making substantial IT investments

Become part of the infrastructure underpinning the shared economy

#### Reason for new services

As the awareness of “smart consumption” grows, more consumers will be purchasing various items with the intention of selling them when no longer needed.  
Result – Growing awareness and acceptance of the shared economy.

#### IT investments until now

Investments were used for the establishment of back-end systems, such as systems for internal operations and databases.  
Result – The current investments for efficiency and standardization of e-commerce reuse operations.

#### IT investments from now on

Investments to develop services for meeting upcoming customer needs that are even more demanding and advanced; first step will be creation of an app that allows customers to see automatically and in real time the current value of items they own.

#### Future activities

Our goal is to continue making investments for the establishment of an environment that allows people to buy and sell items with confidence and for developing services that are part of the infrastructure underpinning the shared economy.

# 04-4. Outlook for Sources of Growth

▶ Our goal is to add a variety of services and continue growing in order to be an important part of the social infrastructure needed to make the shared economy a reality

■ Horizontal expansion – A stronger profit structure by expanding our network of reuse centers and other business sites

■ Vertical expansion – A broader monetizing zone by purchasing and selling more categories of merchandise

■ Business domain enlargement – Create new sources of earnings by establishing new services





Earnings forecasts and other forward-looking statements in these materials include the outlook, assumptions used for developing plans and forecasts. Actual results may differ significantly from these forecasts for a number of reasons.