

FY2021 1H Financial Result Briefing

February 12, 2021



MarketEnterprise Co., Ltd.



Securities code: 3135

Agenda

(1) FY2021 Financial Result

(2) FY2021 Forecast

(3) Business Climate and Strategic Goals

Agenda

(1) FY2021 Financial Result

(2) FY2021 Forecast

(3) Business Climate and Strategic Goals

Executive Summary

The second-hand online business remained strong, while profitability in the media and mobile & telecommunications businesses declined due to the impact of the Google Core Update

Result by segment

Second-hand online

Focusing on improving profitability; steady growth of agricultural equipment and Oikura

Media

Negative impact of the Google Core Update, mainly in the telecommunications category

Mobile & Telecommunications

Decrease in new service subscriptions due to a decline in customers sent from our owned media

No change in FY6/21 forecasts
Forecasts continue to use ranges rather than specific numbers

Consolidated Statement of Income

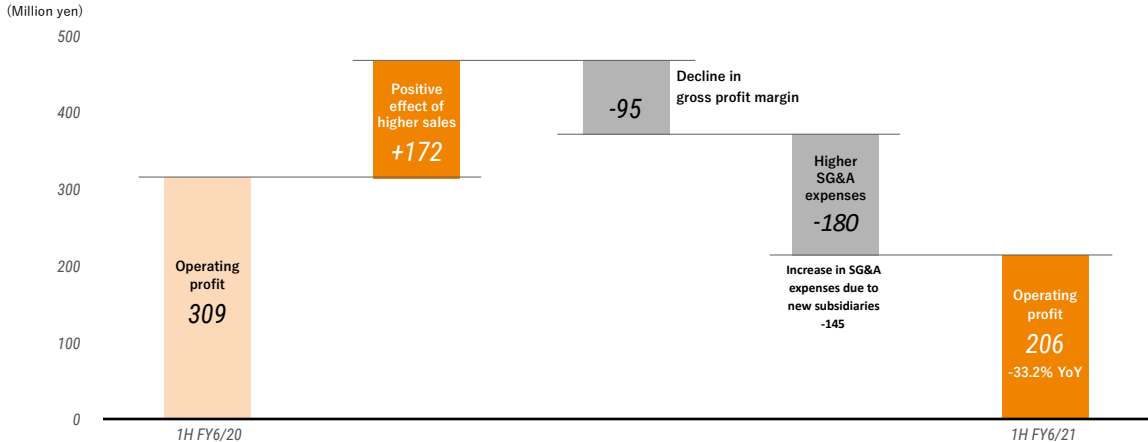
Sales up but operating profit down

(Million yen)	1H FY6/20	1H FY6/21	YoY change	
			Amount	%
Net sales	5,179	5,628	+449	+8.7%
Gross profit	1,981	2,058	+77	+3.9%
SG&A expenses	1,672	1,851	+180	+10.7%
SG&A expense ratio	32.3%	32.9%	-	+0.6pt
Operating profit	309	206	-103	-33.2%
Operating profit to net sales	6.0%	3.7%	-	-2.3pt

Analysis of Changes in Operating Profit

The smaller number of new subscriptions in the mobile & telecommunications business reduced the gross profit margin.

Investments for new subsidiaries (offshore IT system development, cross-border agricultural equipment e-commerce) decrease in profits.



Consolidated Balance Sheet

No change in financial soundness

(Million yen)	As of June 30, 2020	As of December 31, 2020	Change	Main factors
Current assets	3,068	2,995	-73	
Cash and deposits	1,255	1,816	+561	Due to the increase in collection of receivables posted in the 4Q FY6/20
Accounts receivable-trade	1,283	655	-628	Mainly because of the collection of receivables
Merchandise	404	398	-6	Due to the increase in merchandise sales
Non-current assets	954	949	-4	
Property, plant and equipment	358	379	+21	
Intangible assets	313	275	-39	
Investments and other assets	281	295	+14	
Total assets	4,023	3,945	-78	
Accounts payable-trade	370	313	-57	Due to the payment of payables posted in the 4Q
Borrowings	1,324	1,319	-6	
Other	702	537	-165	Decrease in income taxes payable: -104
Total liabilities	2,397	2,169	-228	
Net assets	1,625	1,775	+150	Due to the increase in retained earnings

Business Segment Performance

Business Portfolio

Second-hand Online Business

For individuals



Platform



For companies



ME TRADING



Media Business

Telecom



Platform



Second-hand



Hobbies



Mobile & Telecommunications Business



Service Brand

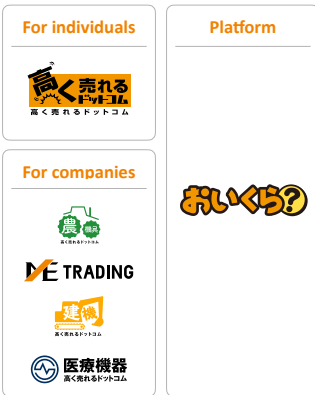


Results by Business Segment

Profitability improved in the second-hand online business; profit was down in the other two segments

(Million yen)	1H FY6/20	1H FY6/21	Change (amount)	Change (%)
Net sales	5,179	5,628	+449	+8.7%
Second-hand Online	3,454	3,356	-97	-2.8%
Media	263	304	+41	+15.6%
Mobile & Telecommunications	1,600	2,039	+439	+27.5%
Elimination for inter-segment transactions	(138)	(73)	-	-
Segment profit	309	206	-103	-33.2%
Second-hand Online	339	351	+12	+3.6%
Media	177	157	-20	-11.3%
Mobile & Telecommunications	139	113	-26	-18.5%
Adjustment	(347)	(416)	-69	-
Segment profit to net sales	6.0%	3.7%	-2.3pt	-
Second-hand Online	9.8%	10.5%	+0.6pt	-
Media	67.2%	51.5%	-15.7pt	-
Mobile & Telecommunications	8.7%	5.6%	-3.1pt	-

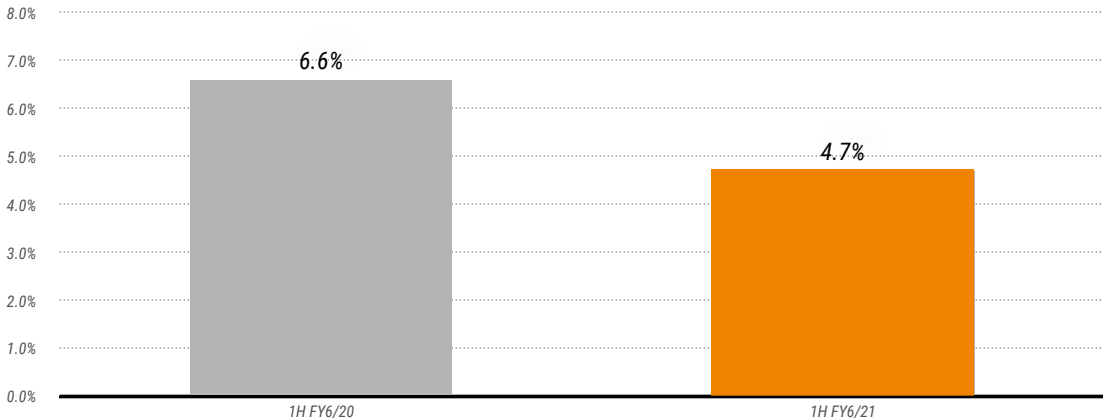
Second-hand Online Business



Second-hand Online Business – Advertising Expenses for MarketEnterprise Purchases

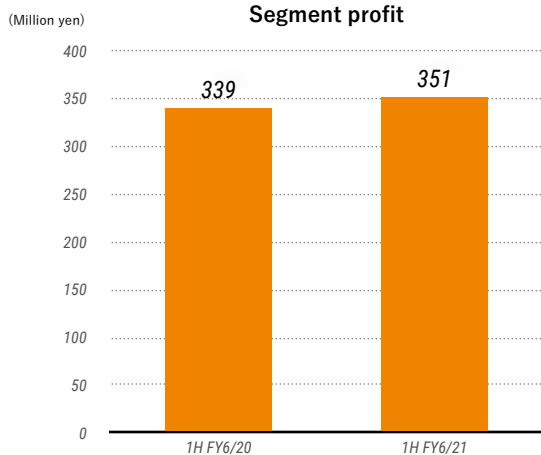
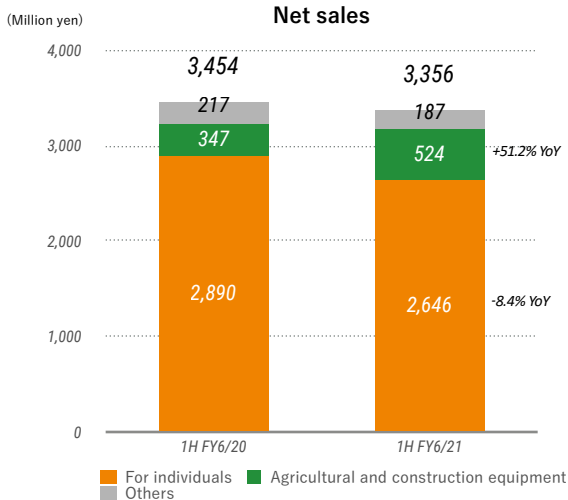
Advertising expenses were down about 32% from one year earlier but sales were almost the same level due to the shift to higher priced merchandise, resulting in a decrease in these expenses as a percentage of sales.

Advertising expenses to sales ratio



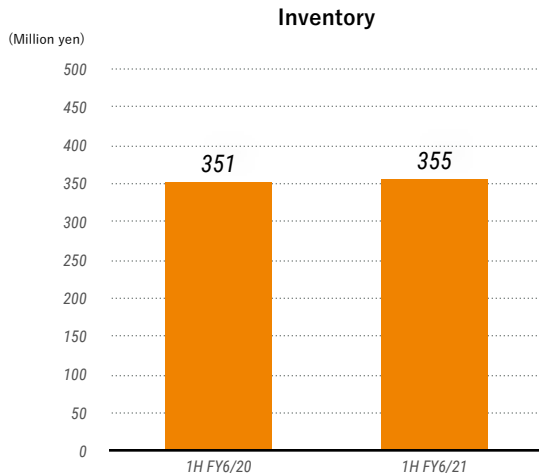
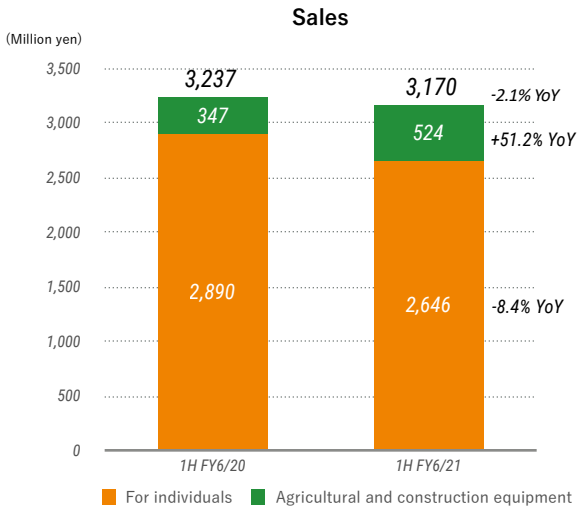
Second-hand Online Business Results

Sales to individuals decreased but agricultural equipment sales increased; profitability improved due to the efficient use of advertising expenses.



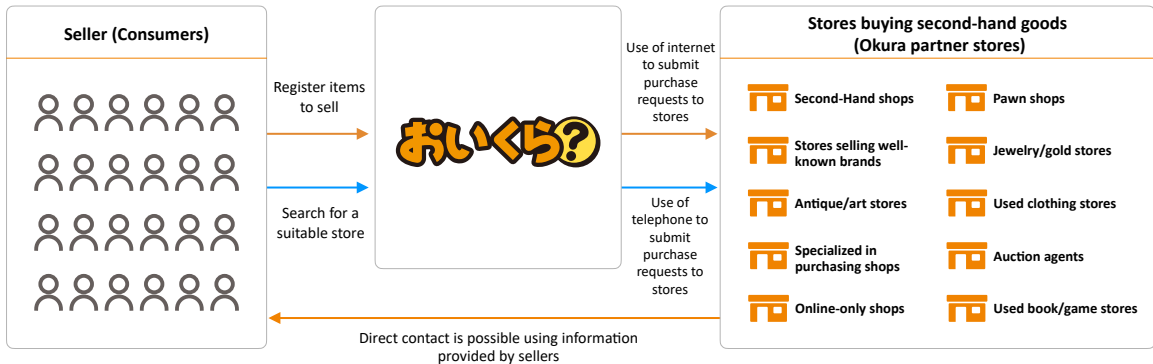
Second-hand Online Business – MarketEnterprise Sales and Inventory

Steady sales and consistently high inventory.



Second-hand Online Business – Profile of Oikura

Oikura is an internet platform that matches customers who want to sell items with the about 1,000 second-hand brick-and-mortar stores throughout Japan that are registered with this platform. Oikura is focusing on increasing the number of second-hand goods purchase requests received via the internet.



Second-hand Online Business – Oikura 1H Activities

Using collaboration with takakuureru.com and partner companies in order to increase the number of customers directed to Oikura.

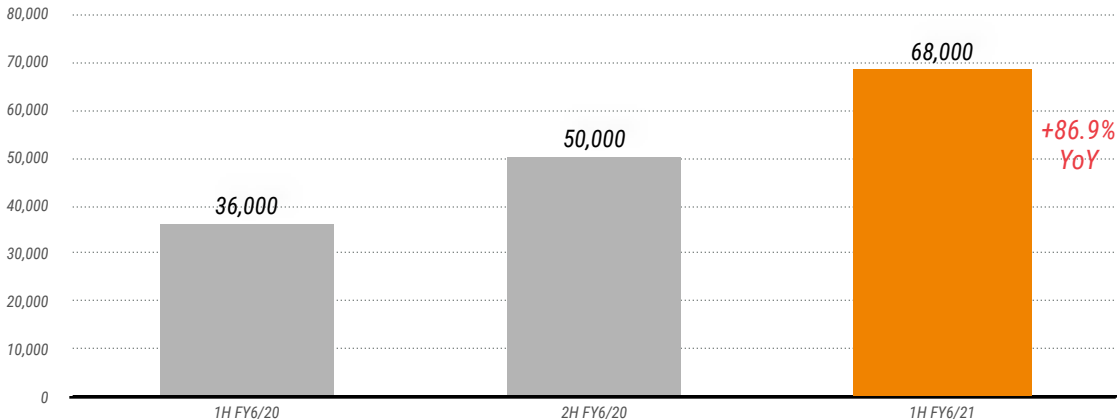


Second-hand Online Business

Growth of Oikura Purchase Requests Received via the Internet

Requests received via the internet by Oikura for purchasing second hand items in 1H of FY2021 were 86.9% higher than one year earlier.

(Number of requests)

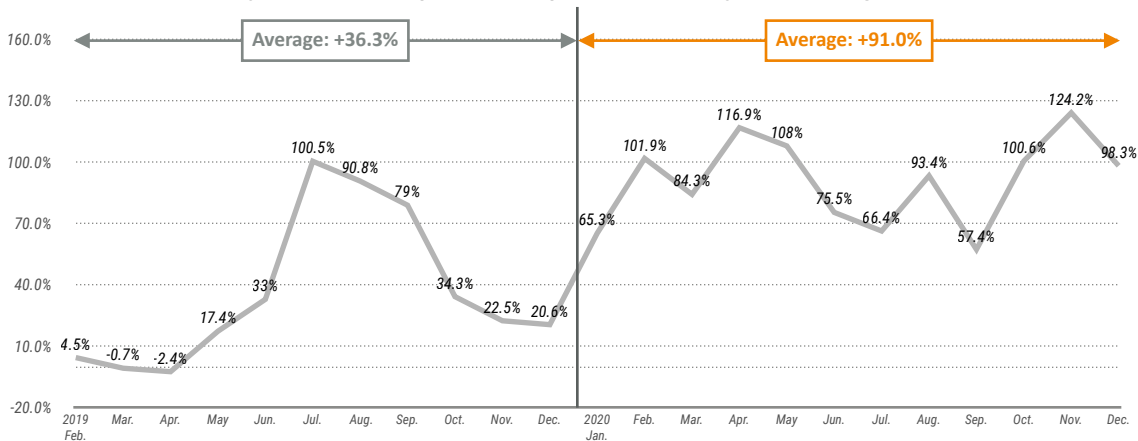


Second-hand Online Business

Monthly Growth of Internet Reuse Item Purchase Requests Received by Oikura

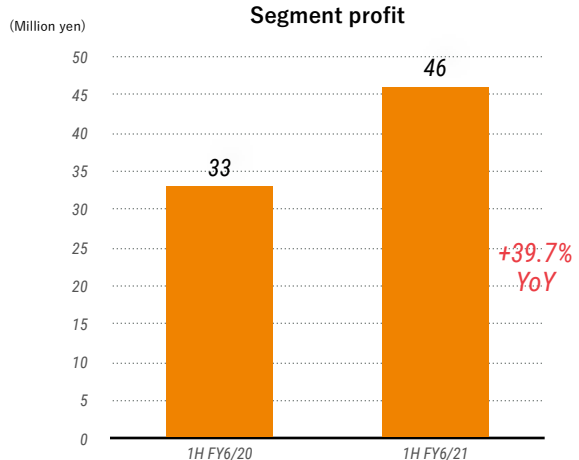
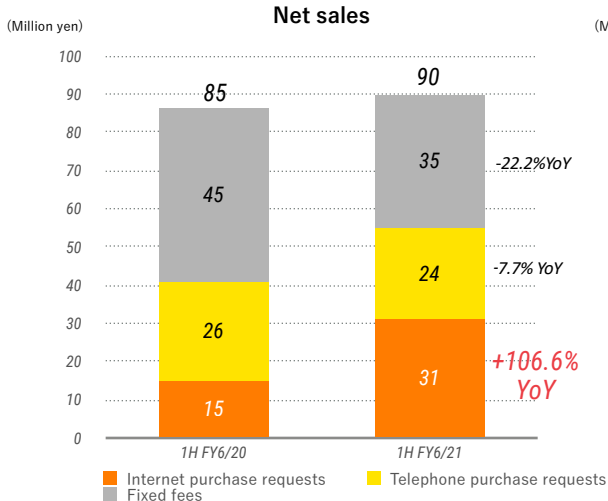
Steady growth of internet purchase requests received by Oikura because of improvements to the logic used by the matching system following the February 2019 acquisition of Oikura and the full-scale launch of the alliance with Takakuureru.com in July 2020.

Year-on-year increase in purchase requests received by Oikura using the internet



Second-hand Online Business – Oikura Sales and Earnings

Big increase in fees from passing on second hand item purchase requests via the internet to partner companies contributed to growth of the segment profit.



Media Business

Telecom

iPhone
格安通信

SIM CHANGE
SIM・iPhone・Android・MVNO

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

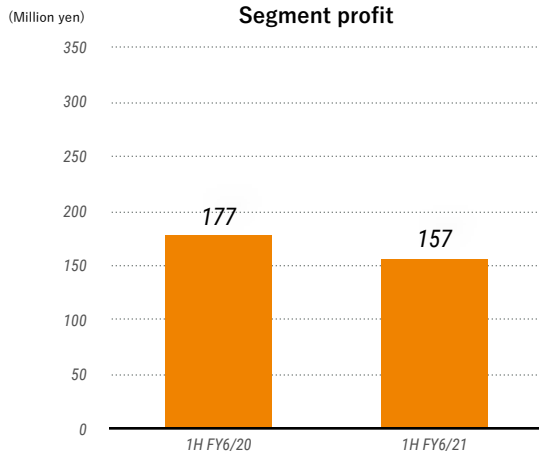
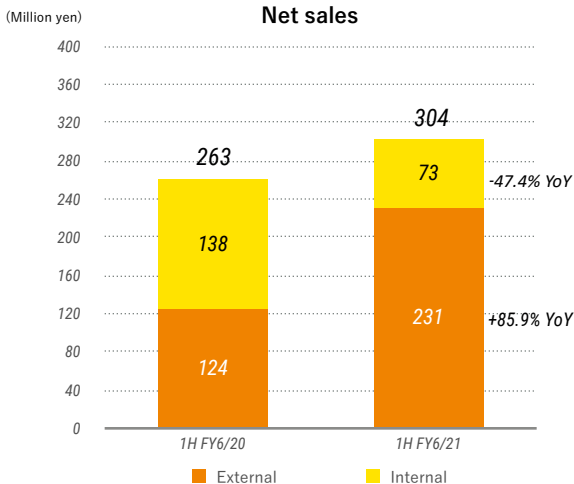
Hobbies

ビギナズ

OUTLET JAPAN

Media Business Results

Sales from directing customers to MarketEnterprise services (internal) decreased because of a decline in telecommunications media page views caused by the Google Core Update. Sales from directing customers to services of other companies (external) continued to grow, but the segment profit decreased because of higher fixed expenses resulting from workforce growth.

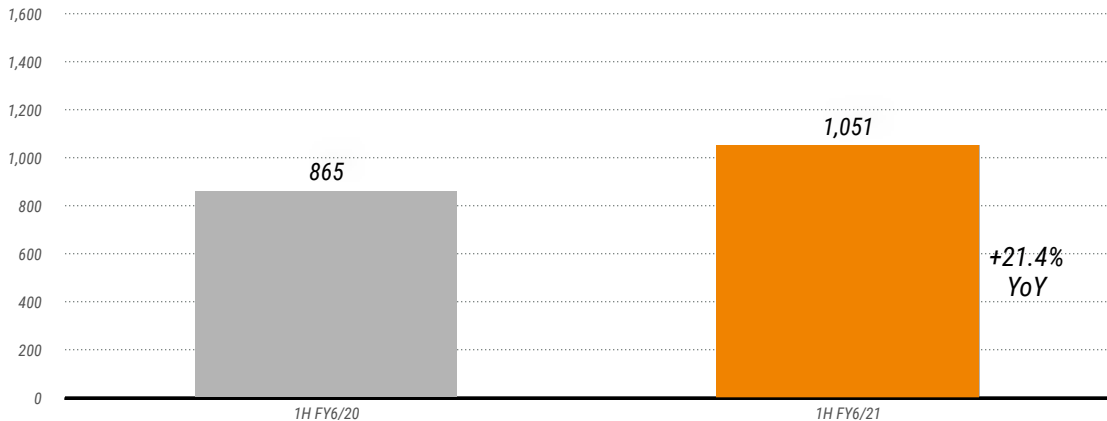


Media Business – Average Monthly Page Views

Page views were higher than one year earlier as the growth of hobby and other media more than offset the decline in telecommunications media page views caused by the Google Core Update.

(10,000 page views)

Average monthly page views



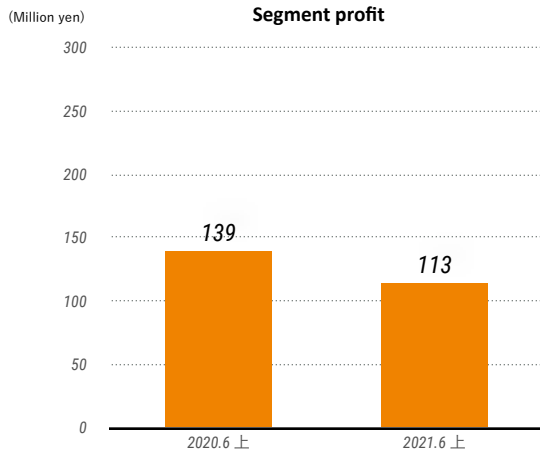
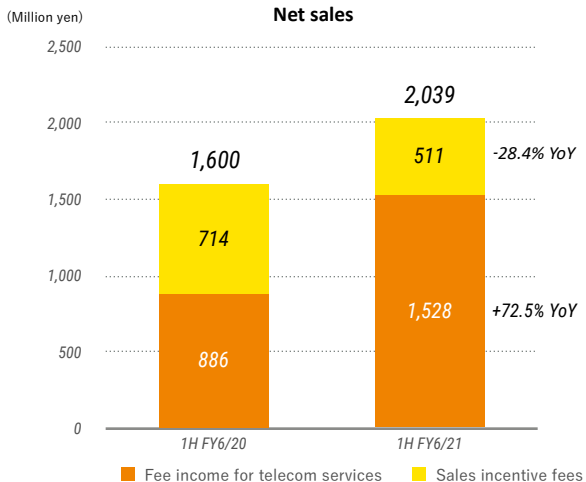
Mobile & Telecommunications Business



Mobile & Telecommunication Business Results

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.



Agenda

(1) FY2021 Financial Result

(2) FY2021 Forecast

(3) Business Climate and Strategic Goals

FY2021 Forecasts

No revisions to the consolidated forecasts.

(Million yen)	FY6/20 results	FY6/21 forecasts	YoY change
Net sales	10,904	13,500 to 14,500	+23.8% to +33.0%
Operating profit	655	730 to 900	+11.3% to +37.2%
Ordinary profit	664	733 to 903	+10.4% to +36.0%
Profit attributable to owners of parent	291	360 to 450	+23.4% to +54.3%

Agenda

(1) FY2021 Financial Result

(2) FY2021 Forecast

(3) Business Climate and Strategic Goals

(3) Business Climate and Strategic Goals

- I. Strategies for accomplishing the FY2021 sales and profit plan
- II. Key businesses for the medium-term growth
- III. Reason of applying for change in listing to the TSE first section

I. Strategies for accomplishing the FY2021 sales and profit plan

Overall strategy

Signs of a recovery are started to appear in all businesses. There are no changes in the initial forecast and we are determined to achieve the targets in this forecast.

Second-hand Online Business

- Focus on business volume between March and May, the busiest period of every year for purchasing second hand items from individuals
- Continue strengthening purchasing activities for agricultural equipment to prepare for the peak spring season of this market sector

Media Business

- The priority is telecommunications media page views; 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
- Strengthen SEO by rapidly adapting to the new Google search standard (Core Web Vitals* in May 2021)

Mobile & Telecommunications Business

- Focus on the slow declining number of customers sent from our owned media; increase new subscription sales by offering a 5G Wi-Fi service and targeting opportunities in the corporate market sector

*Core Web Vitals are a set of three factors that are important for achieving an outstanding webpage user experience: largest contentful paint, first input delay and cumulative layout shift.

II. Key Businesses for the Medium-term Growth

Second-hand Online Business

For individuals



For companies



ME TRADING



Platform

おいくら?

Media Business

Telecom



Platform



Second-hand



Hobbies



Mobile & Telecommunications Business

ME MOBILE

Service Brand



II. Key Businesses for the Medium-term Growth

Second-hand Online Business

For individuals	Platform
<p>高く売れる パソコン 高く売れるドットコム</p>	
For companies	
<p>農 Ryugasaki</p>	
<p>ME TRADING</p>	
<p>建機 Ryugasaki</p>	
<p>医療機器 高く売れるドットコム</p>	

Media Business

Telecom	Platform
<p>iPhone 格安SIM通信</p>	<p>UMM USED MACHINE MARKET</p>
<p>SIM CHANGE Ryugasaki</p>	<p>格安修理+</p>
Second-hand	Hobbies
<p>高く売れる パソコン MAGAZINE</p>	<p>ビギナズ</p>
<p>oikura? マガジン</p>	<p>OUTLET JAPAN</p>

Mobile & Telecommunications Business

ME MOBILE

Service Brand

cashimo WiMAX
powered by UQ WiMAX

MarketEnterprise sets Oikura as the Highest Priority

Oikura and the Sustainable Development Goals

Our goal is to use Oikura to play a role in creating a sustainable society.

Environment – Prevent pollution caused by waste materials

Achieve the circular economy by reducing the volume of waste materials and distributing as second hand goods





Solve many issues to help create a sustainable society

People – Make everyone aware of environmental issues

Encourage people to help protect nature and the environment



Government/Regions – Sustainable communities

Help cut the cost of waste materials, reduce incinerators and solve other problems in order to play a role in the regional recycling of resources




Profile of Oikura

- i. Oikura business climate**
- ii. The strengths of Oikura**
- iii. The goals of Oikura**

- i. **Oikura business climate**
- ii. The strengths of Oikura
- iii. The goals of Oikura

i. Oikura business climate (Market Size)

Every year, about ¥5.5 trillion (¥7.6 minus ¥2.1 trillion) of unneeded items are stored, representing hidden assets of approximately ¥37 trillion.

Estimated value of merchandise that became unneeded during the past year
(Excluding automobiles, motorcycles and scooters)

¥7,625.4 billion



Potential size of the second hand market

About ¥2,100 billion

Source: Infrastructure for a Data-driven Society in Japan, Ministry of Economy, Trade and Industry (2017)

Estimated value of household hidden assets in Japan

More than **¥37,000 billion**



Average hidden assets per capita

¥281,277

Source: Consumer Hidden Assets Survey Committee (2018)

i. Oikura business climate (Policies of Ministry of the Environment)

Distributing used products is a higher priority than recycling

Measures to increase the distributing used products of used and other items

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

Distributing used products extends the useful life of products and reduces the amount of waste materials. Another benefit is the reduction of the cost of resources and the environmental burden when products are manufactured and discarded.

Source: Ministry of Environment website (<https://www.env.go.jp/recycle/circul/reuse/>)

Basic Act on Establishing a Sound Material-Cycle Society

Article 7 The cyclical use and disposal of circulative resources must be undertaken to the extent technologically and economically possible, taking it into full consideration that, for the reduction of environmental load, it is necessary to proceed under the provisions of the following items. However, consideration must be given to not proceeding under the provisions of the following items if it is deemed effective in reducing environmental load not to proceed under those provisions.

- (i) Regarding the entirety of, or one part of, circulative resources, that what can be reused must be reused.
- (ii) Regarding the entirety of, or one part of, circulative resources, that what are not reused under the preceding item (i) and can be recycled must be recycled.
- (iii) Regarding the entirety of, or one part of, circulative resources, that what is not reused under the above item (i) nor recycled under the preceding item (ii), and from which heat recovery is possible, heat recovery must be undertaken.
- (iv) Regarding the entirety of, or one part of, circulative resources, that what does not undergo cyclical use under the foregoing three items must be disposed of.

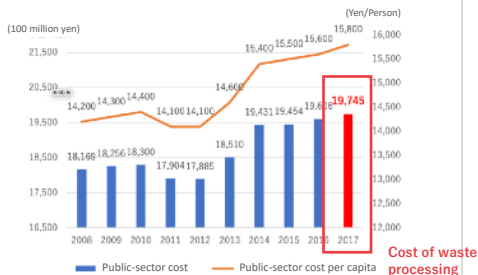
Source: Basic Act on Establishing a Sound Material-Cycle Society

i. Oikura business climate (Reduce the Cost of Waste Processing)

Distributing used products cuts the cost of processing waste materials

Annual public-sector cost of waste processing

About ¥1,900 billion



Value of reusable items in public-sector processed waste

About ¥190 to ¥380 billion

The annual public-sector cost (paid by tax revenue) of processing waste is about ¥1,900 billion.

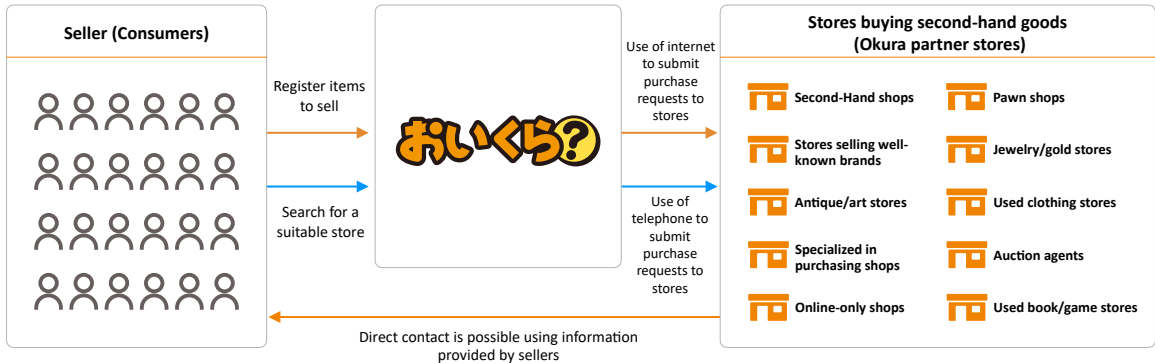
Between about 10% and 20% of products no longer needed by households can be distributed.

Oikura can play a role in lowering the cost of waste processing and creating an infrastructure of used goods distribution.

- i. Oikura business climate
- ii. The strengths of Oikura**
- iii. The goals of Oikura

The Oikura Business Model

Oikura is an internet platform that assists about 1,000 second-hand brick-and-mortar stores throughout Japan to attract customers.



The Strengths of Oikura (1)

About 1,000 partner stores nationwide



Expansive

A broad range of product categories



80% response rate for appraisals



High probability of an acceptable value

90% price offer rate for at-home purchases



Rate of at-home price offers
(vs. use of a delivery service or visiting a store)

Convenient

The Strengths of Oikura (2)

Partner Store Ratings



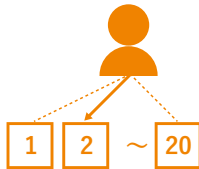
Up to 20 companies are selected based on product categories/ purchasing method, distance, appraisal response rate and other factors.

We will continue to improve ratings to enable customers to select the best possible partner store.

Customer can sell their used good with confidence

Trans
parency

+ extra
fairness



Customers can choose from among up to 20 stores rather than receiving a recommendation for only one store

Assurance of Store Quality

+ extra
reliability

New stores

- Confirm used item business permit
- Confirm compliance
- Confirm identity of manager

Reasons for removal

- ▲ Violation of a law/regulation
- ▲ Violation of the contract
- ▲ Failure to make improvements as asked

We plan to strengthen the oversight of partner stores

Customer Support

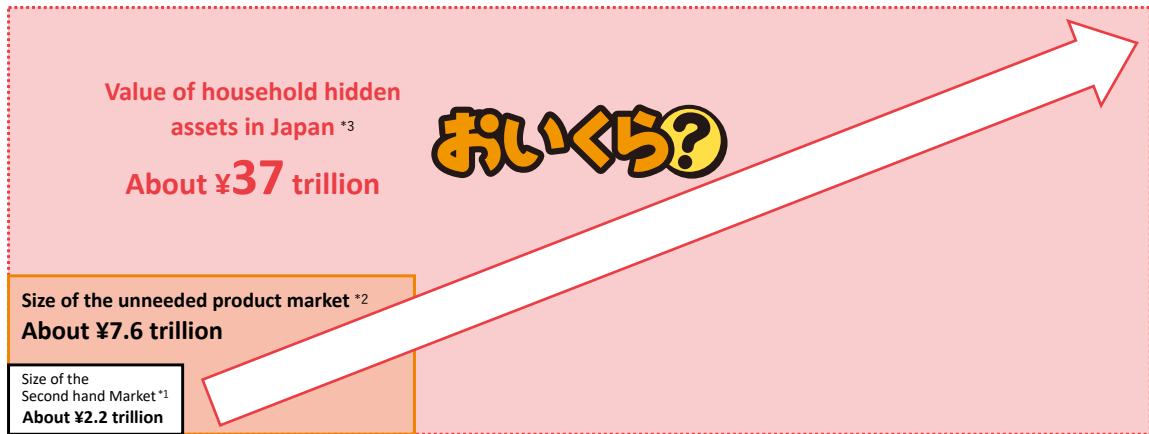
+ extra
reliability



MarketEnterprise can serve as an intermediary if there is a problem between a customer and partner store

Potential Growth of the Second hand Market

Oikura is making large investments to establish a prominent position in the Second hand Market, which has enormous potential for more growth.



*1 2020 Used Product Market Data Book, Recycle Tsushin

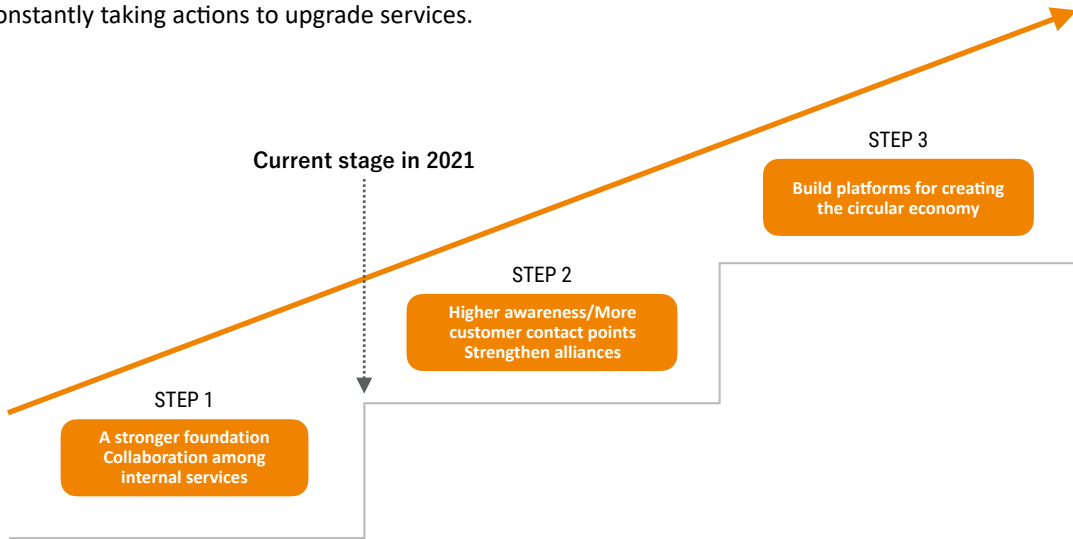
*2 Infrastructure for a Data-driven Society in Japan (E-commerce Market Survey), Ministry of Economy, Trade and Industry (2017)

*3 Consumer Hidden Assets Survey Committee press release (November 2018)

- i. Oikura business climate
- ii. The strengths of Oikura
- iii. The goals of Oikura**

Oikura Growth Stages

Constantly taking actions to upgrade services.




Step 1: Past Activities of Oikura (A Stronger Foundation)



**A stronger
foundation**

- **Update the database, establish server redundancy**
- **Improve user interfaces**
- **Remodel stores and customers' personal internet pages**
- **Improve the all-inclusive appraisal form**
- **Improve the logic used for store matching**
- **Nationwide assessment service started**

Step 1: Past Activities of Oikura (Collaboration among Internal Services)



Collaboration among internal services

- **July 2019:** Started collaboration with Takakuureru.com (Suspended in October 2019)
- **January 2020:** Resumed collaboration with Takakuureru.com
- **July 2020:** Started collaboration with the 22 MarketEnterprise websites for specific product categories

Step 2: Higher Awareness of Oikura/More Customer Contact Points



TV commercials



Development of app

Oikura TV Commercial

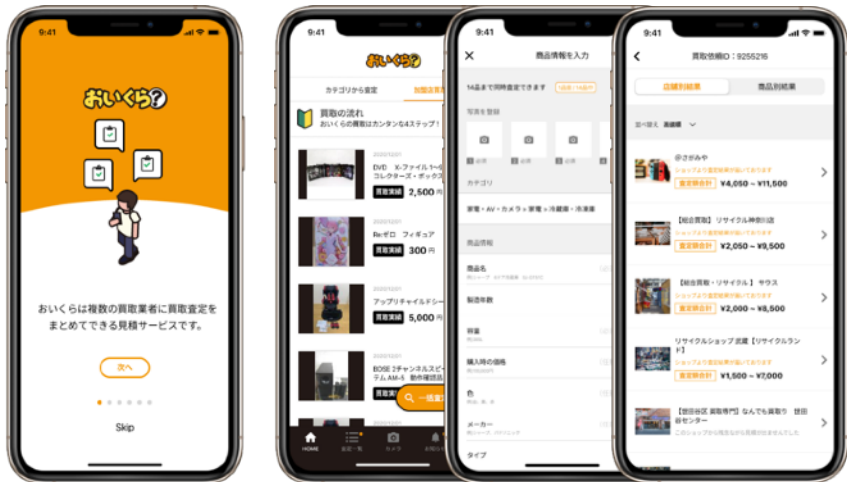
Started trials of TV commercials in mid-February 2021 in the Nagoya and Shizuoka regions and plan to start nationwide TV commercials in the next fiscal year.

<https://www.youtube.com/watch?v=dTtUtCdtq10&feature=youtu.be>



Development of Oikura App

Plan to expand TV commercials in stages to nationwide coverage when the Oikura app is launched.



Step 2: Strengthen Oikura Alliances (1) – Alliances with Companies

Form new alliances faster, mainly in the real estate sector.

Miyoshi Real Estate Co., Ltd.



Relo Club, Ltd.



Alliance started at the end of January

Leopalace 21 Corporation



Alliance started on February 2

DAITOKENTAKU PARTNERS CO., LTD.



Alliance started on February 5

LIFULL Co., Ltd.



Alliance plans to be started at the end of December

CHINTAI Corporation



Alliance plans to be started at the end of November

Strengthen Oikura Alliances (2) – Alliance with YAHUOKU!

A joint seminar with YAHUOKU! is scheduled for February 25.

緊急開催 すぐに役立つネット活用法! おいくら、ヤフオク! で売上高アップ

WEB依頼数 昨年対比200%UP!
「低コスト・低リスクでネット集客を成功させる秘訣」

おいくら

株式会社マーケットエンタープライズ

日本最大級のネットオークション!
「成功ストアから学ぶヤフオク! で売上を上げる秘訣」

ヤフオク!

ヤフー株式会社

開催概要

参加費
無料

2/25

16:00

START

- リユース事業者様限定
- オンライン開催 (ZOOM)
- 申込期限: 2/24 (水)

詳細・お申込みはこちら!



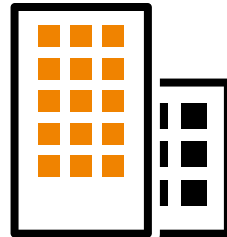
<https://forms.gle/Feti7Xrq2dEumu3d8>

問合せ先:株式会社マーケットエンタープライズ おいくら推進室
【本社】〒104-0031 東京都中央区京橋3-6-18 東京建物京橋ビル3F 電話番号: 03-6691-3220 メール: oikura_support@marketenterprise.co.jp




Strengthen Oikura Alliances (3) – Alliance with the Public Sector

We have formed a team devoted solely to forming alliances with public-sector partners.



Local governments



Our Vision for Oikura

**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

We have applied for a Tokyo Stock Exchange first section listing for the purpose of achieving more growth in corporate value by raising public awareness of our services along with our reputation for reliability. Consequently, this application represents our strong commitment to achieving sustained growth.

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. The plan will consist of actions and strategies for more growth of all of our business operations.

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.

For IR-Related Inquiries and Inquiries about this Document
Market Enterprise - IR

ir@marketenterprise.co.jp

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

