



President and CEO Kyohei Iwata

BuySell Technologies Co., Ltd (7685)



Company Information

Market	TSE Mothers
Industry	Wholesale (trade)
President and CEO	Kyohei Iwata
HQ address	8 th Floor, PALT Building, 28-8, Yotsuya 4-Chome, Shinjuku-ku, Tokyo
Year-end	End of December
Homepage	https://buysell-technologies.com/

Stock Information

Share Price	Shares Outstanding	Total Market Cap	ROE (Act.)	Trading unit	
¥4,115	14,095,044 shares	¥58,564 million	17.5%	100 shares	
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥12.00	0.3%	¥87.45	47.5 x	¥230.72	18.0 x

* The share price is the closing price as of August 20, 2021. Shares outstanding, DPS and EPS are taken from the brief financial report for the second quarter of FY December 2021. ROE and BPS are the results in the previous term.

Earnings Trend

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
December 2017	8,917	341	319	226	18.85	3.75
December 2018	10,118	496	472	329	27.50	5.50
December 2019	12,828	846	817	505	41.94	7.50
December 2020	14,764	968	922	565	41.12	7.50
December 2021 Est.	25,200	2,230	2,200	1,230	87.45	12.00

* The estimated values are based on the forecasts made by the Company. On January 1, 2021, a 2-for-1 stock split was conducted. EPS and DPS were adjusted retroactively.

This Bridge Report presents BuySell Technologies' financial results for the second quarter of fiscal year ending December 2021 and so on.

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Key Points

- The sales in the cumulative second quarter of the term ending Dec. 2021 were 11,706 million yen, up 84.3% year on year. The performance in the first quarter (January-March) was affected by the declaration of a state of emergency, but the number of at-home visits recovered in the second quarter (April-June). Further, the acquisition of Timeless Corporation as a subsidiary, too, contributed. Ordinary profit increased 519.0% year on year to 1,318 million yen. The rise in the volume of purchases per at-home visit, the increase in the ratio of sales to individuals with high-profit margins, and the inclusion of Timeless's performance absorbed the increase in SG&A expenses, resulting in a significant increase in profit.
- The company upwardly revised its full-year forecasts considering the strong performance due to improved variable profit per at-home visit and early realization of synergies with Timeless. For the term ending Dec. 2021, the company forecasts consolidated sales of 25.2 billion yen, up 70.7% from the previous term, and an operating profit of 2,230 million yen, up 130.3% from the previous term. After considering the 2-for-1 stock split implemented on January 1, 2021, the company plans to pay a dividend of 12.0 yen per share, up 4.5 yen per share from the previous term. The expected dividend payout ratio is 13.7%.
- The company has revised its earnings forecasts to reflect the current strong performance. The rates of progress toward the upwardly revised forecasts are at high levels, nearly 50% for sales and about 60% for profit. However, sales in the second quarter (April-June) were slightly larger than those in the previous quarter. Looking at the first-half and second-half trends, the profit in the second half of the term is expected to be lower than that in the first half. As the company is aware, the impact of the spread of the novel coronavirus is unclear, and we will be watching the situation from the third quarter onward.
- On the other hand, it is highly noteworthy that synergies with the subsidiary Timeless have already been exerted. It will be interesting to see how the company will proceed with its key strategies of "accelerating its technological strategy," "monetizing senior-related areas by leveraging customer needs," and "aggressively pursuing M&A to maximize business synergies" and how fast it will achieve profitability.

1. Corporate Overview

BuySell Technologies operates reuse business that leverages the strengths of the "Internet" and "Real world".

The Company attracts sellers through a marketing strategy that makes full use of the Internet and mass media, and also provides the at-home pick up service throughout Japan. Its characteristics or strengths include the maximization of synergy with a variety of purchase and sales channels, the robust customer base centered around seniors, and the high-quality management. The Company is aiming for further growth by developing a huge potential reuse market and creating new businesses utilizing its customer base.

[1-1 History]

President Iwata, who was in charge of marketing at a major advertising company, questioned the situation where large and famous companies with abundant advertising expenses are favored to the disadvantage of small and medium-sized companies and start-ups with a small budget. He retired from the major advertising company and established a consulting company for his desire to help companies, including ones with weak capital, develop true marketing. He met BuySell Technologies (formerly Ace Co., Ltd.) while supporting many start-ups and small businesses.

The Company had long been providing the at-home pick up service, which is its current core business, but when President Iwata's consulting engagement started in May 2016, its marketing depended almost entirely on flyers. The homepage was not sophisticated, and the business performance was not good. The Company, which undertook a full-fledged reform under President Iwata, began to see the results when it registered a record number of applications in August of the same year, renewing the record in September.

In this process, President Iwata felt that while "the at-home pick up service" has a high added value and there are many customers who need it, the way in which the benefits of the service are communicated, the brand is constructed, marketing actions are taken, and others were extremely inadequate. He was convinced that with his marketing know-how, the Company could transform itself into a more attractive company.

In October of the same year, President Iwata assumed the role of Chief Strategy and Marketing Officer (CSMO). In November, the Company name was changed to BuySell Technologies, and a new TV commercial was put on air and the reform sped up. He assumed the post of president in September 2017. The business expanded steadily thanks to the success of conducting the PDCA cycle of creative activities and the purchase of TV commercials utilizing his expertise. The Company also established a compliance system and was listed on the Tokyo Stock Exchange Mothers in December 2019.

[1-2 Corporate Philosophy and Management Philosophy]

The Company upholds the following missions and values.

Mission	Beyond people, beyond time, we aim to become a bridge connecting important things.
Value	<p>Immediately connect: start immediately, complete immediately, and move on</p> <p>Connect oneself: don't evaluate, move your hands</p> <p>Connect without fear: change yourself, change your organization, and continue to challenge to change the world</p>

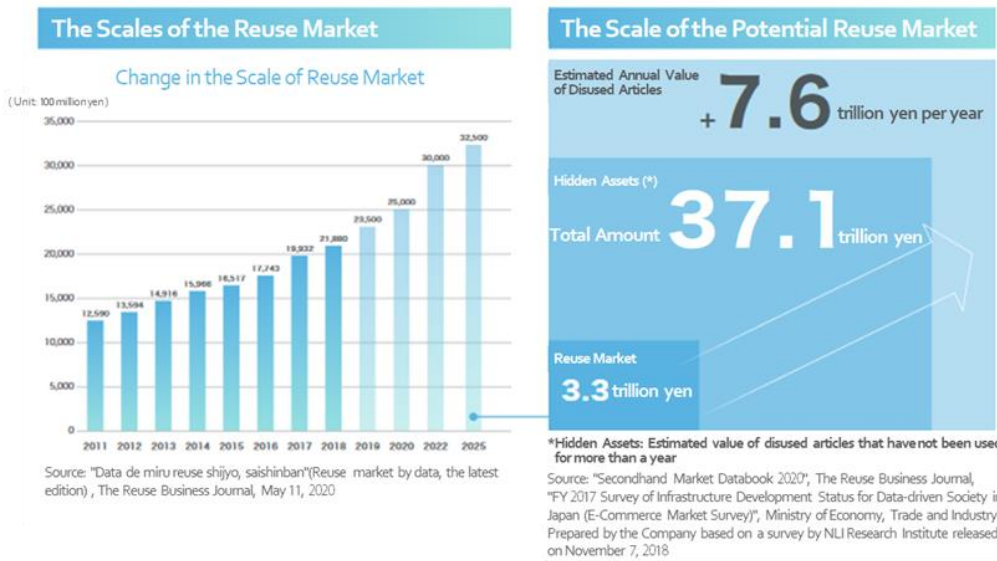
The Company believes that things have value that goes beyond their physical existence, and that properly connecting them is its mission and social existence value.

[1-3 Market Environment]

Although the reuse market is estimated to be approximately 3.3 trillion yen in 2025, the Company estimates that the total size of the potential reuse market, including unused "hidden assets at home" that have not been used for more than a year, is approximately 37 trillion yen as of 2018.

In addition, in Japan, where the population continues to shrink, disused articles are estimated to increase by 7.6 trillion yen each year, and the potential reuse market is expected to continue expanding.

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(Source: the reference material of the Company)

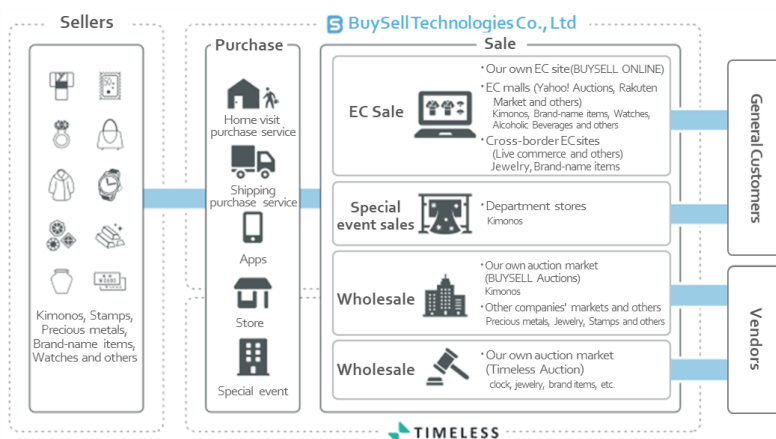
BuySell Technologies intends to develop reuse markets with large growth potential by digging up potential products that constitute "hidden assets at home" sleeping at home with a focus on its strength in the at-home pick up service.

[1-4 Business Description]

(1) Business Model

The company and its subsidiary, Timeless, operate the reuse business by utilizing respective strengths in the Internet and in real transactions. It attracts sellers through a marketing strategy that makes full use of the internet and mass media, and also provides a shipping purchase service and a store purchase service as well as the at-home pick up service delivered by its assessors who can travel throughout Japan.

The Company sells purchased products to general customers through EC sales at EC malls such as the Company's own EC site "BUYSELL ONLINE" and Yahoo! Auctions, and at cross-border EC sites such as eBay, and special event sales at department stores. In addition, it sells to external vendors through the Company's own auction market "BUYSELL Auctions", "Timeless Auction", which is held by Timeless Corporation, which was acquired as a subsidiary, and wholesale using other companies' markets.



(Source: the reference material of the Company)

The Company has built a system to consistently manage and execute the entire flow from marketing to attracting customers, purchase appraisal, inventory management, and sales on its own.

At the same time as expanding its mainstay reuse business, the Company is also focusing on launching and developing new business adjacent to the reuse business and other services utilizing customer data.

(2) Overview of Each Service

The Company's reuse business consists of the following business flow: "Attracting sellers" → "Conducting purchase" → "Selling purchased products". The outline and features of each step of "customer attraction", "purchase" and "sales" are described in detail below.

1) Attracting Customers: Developing cross-media marketing aimed at high-net-worth seniors

◎Marketing

Marketing activities for receiving appraisal requests from customers are the starting point of the business strategy and execution, and maximizing the number of customers is the first key to the success of the Company's business. The marketing skills and expertise of the management team, including President Iwata, play a major role.

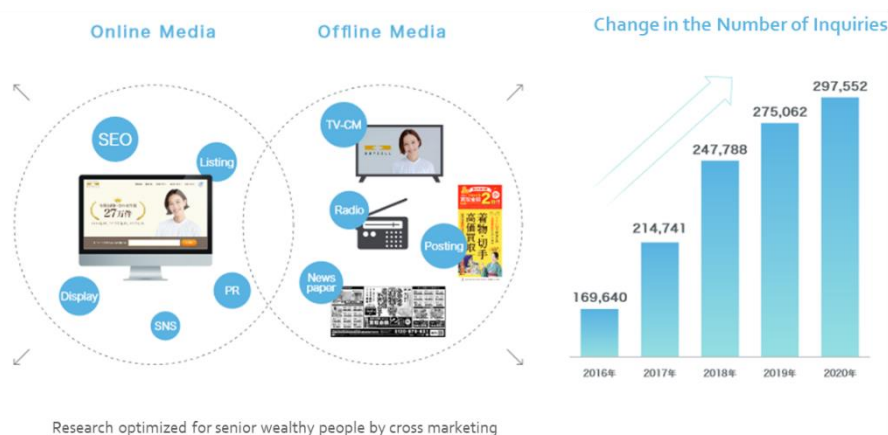
The Company develops cross-media marketing that leverages "the Internet", such as SEO (Search Engine Optimization), listing ads, and SNS, as well as "the mass media" centered on TV commercials. In addition to advertising operations from a macro perspective based on market conditions and seasonality, the Company conducts marketing activities that maximize cost-effectiveness by conducting detailed daily analyses of each media and geographic area. Due to such detailed marketing activities, the number of inquiries and customers are increasing year by year.

◎Inquiries: Providing services that meet customer needs and maximizing the efficiency of assessor operations

The call center, which is built in-house, handles inquiries.

Approximately 100 operators listen directly to customer requests and communicate the requests to assessors to provide services that meet customer needs.

In addition, the call center not only performs administrative tasks such as receiving inquiries about products to be sold and arranging the date and time of visits, but also provides the customer with an explanation that will be given when they are visited by an assessor, as well as an overview of the Company's services, information regarding the range of products that can be assessed, and a guidance for preventing uninvited solicitations so that customers can use the Company's services with greater confidence.



(Source: the reference material of the Company)

2) Purchase: Developing the "at-home pick up service" meeting a wide range of customer needs

◎The At-home Pick up Service

"The at-home pick up service" which involves going to the homes of customers who made inquiries and conducting an appraisal and a purchase, is the main purchasing method.

In addition, the Company also carries out a "shipping purchase service", in which customers send products to be sold to the Company, and a "store purchase service", in which customers bring products directly to the Company.

The Company has approximately 300 assessors for "the at-home pick up service", covering the entire country from 12 regional centers located in the Kanto area, the Kansai area, Nagoya and Fukuoka, etc. (as of June 2021)

"The at-home pick up service" can flexibly respond to purchase requests from customers who have difficulty using store purchases service or shipping purchase service and meet a wider range of customer needs, such as when there is a wide variety of products to be

assessed, the quantity of appraisals is large, it is difficult to carry the products due to their weight, as well as when there are inquiries from distant customers and elderly customers.

For example, if a customer wants to sell a large number of kimonos which weighs approximately 1 kg per piece, and it is difficult to carry them, "the at-home pick up service" in which the Company's assessor visits a customer's home to conduct an appraisal and a purchase, is highly compatible with such customer needs.

◎Assessor

In order to increase customer satisfaction, the Company emphasizes the education of assessors and regularly conducts on-the-job training, including sales skills training and on-site training, to improve sales attitude, appraisal skills, and compliance awareness.

In addition, the Company is working to achieve thorough compliance because the Company must provide customers with safety and security when its employees visit customers' houses.

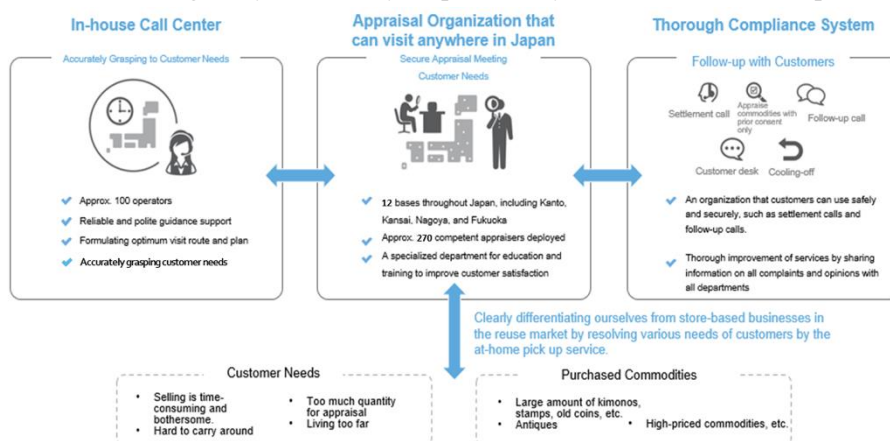
The assessors alone cannot make a decision on the contract, and the compliance department calls the customer at the time of the contract and issues a decision call to confirm the contents of the sales contract (confirmation of the product, the price and the customer's satisfaction with the price), after which the contract is finalized.

Furthermore, the compliance department calls the customer again (follow-up call) after the assessor has left to receive the customer's candid opinions about the at-home pick up service, specifically about the assessor's attitude, compliance and customer satisfaction. The results of follow-up call, including customers' voices, complaints and compliments are managed for each assessor, and the assessors are thoroughly informed of these to further improve their performance.

◎Authenticity Appraisal

To ensure accurate appraisal and prevention of counterfeit purchase and assessors' fraudulent appraisal, the Company's appraisal system requires not only an on-site appraisal by a visiting assessor but also a double check by another assessor who specialize in authenticity appraisal and appraisal, based on information from photos and videos sent from the visiting assessor using mobile terminals and such.

In this way, the Company's unique efforts to improve customer satisfaction, such as accurately grasping and responding to customer needs and ensuring safety and security, helped steadily increase the number of purchases that is the second key to its business success.



(Source: the reference material of the Company)

◎Products

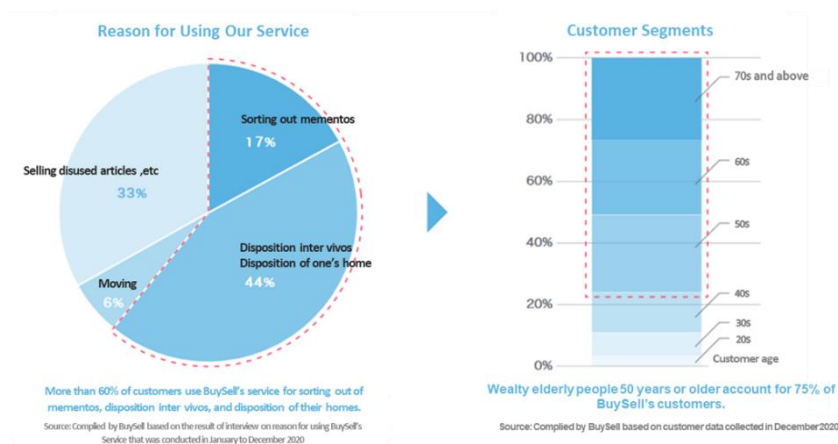
It mainly deals with kimonos, stamps, old coins, precious metals, jewelry, brand-name items, watches, antiques, furs, alcoholic beverages and others, and focuses mainly on products with high selling prices.

◎Main Customers

There are many inquiries from senior wealthy people whose needs are aligned with the at-home pick up service, which is the Company's main service. In the FY ended December 2020, customers in their 50s and over accounted for approximately 75% of all customers.

In addition, senior customers use the Company's purchase services for disposition of one's home, sorting out mementos and pre departure decluttering cleaning which account for approximately 60% of the reasons for using the services.

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(Source: the reference material of the Company)

3) Sales:

◎Inventory Management

After the cooling-off period, purchased products are managed centrally from inspection to exhibition by more than 100 staff in the Company's own warehouse in Narashino, Chiba Prefecture.

AXIS, an IT system developed by the Company, manages inventory for each product, and processes cooling-off requests.

The product is sent to the most suitable sales route, taking into account various aspects such as the characteristics and condition of the product as well as the market environment.

◎Sales System

After planning sales strategies based on inventory status, the Company sells purchased products through sales channels such as antique markets, auctions for dealers, e-commerce sales, special events, in-house kimono auctions and others.

For corporate sales through antique markets and auctions, the Company uses face-to-face auction formats for each product, and repeats negotiations with business partners until they find a sales partner that can produce a higher Profit Margin. Approximately 85% of Sales comes from corporate customers.

In addition, the company holds an auction of kimonos regularly at Narashino Warehouse, and actualizes appropriate sales at each quality level and the distribution of more goods through Timeless Auction, which is held by Timeless Corporation, which was acquired as a subsidiary.

On the other hand, in sales to end-user general consumers, in order to provide high-quality products, the Company conducts EC sales (Rakuten Market, Yahoo! Auctions and others) and sales at department store events. It operates two e-commerce sites, "BUYSELL ONLINE" which was launched in July 2018 and focuses on the sales of reused kimonos, and "BUYSELL brandch e", which was opened on February 2020 and focuses on selling luxury reuse products such as brand-name items, watches, jewelry and alcoholic beverages. The company is also running a live commerce business for the Chinese market.

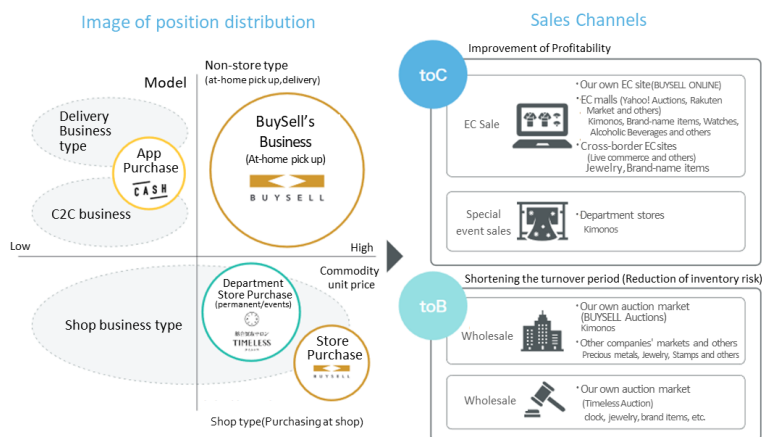
The Company aims to maximize Profits by expanding sales to general consumers while shortening the inventory turnover period (reducing inventory risk) through sales to corporations.

By formulating optimal sales strategies for each product according to demand trend and building various sales channels, the Company is steadily accumulating results in sales, which is the third key to the success of the reuse business.

[1-5 Strengths and Features]

1) Maximization of synergy with a broad range of purchase and sales channels

The company is striving to maximize synergy by utilizing the strengths of the company and its subsidiary, Timeless, based on a wide array of purchase and sales channels of the two companies. Among many players in the reuse market, the Company has a unique business model of purchasing "luxury products" with a high unit price though a non-store-type "the at-home pick up service" which is unmatched by other competitors and constitutes a clear differentiator.



(Source: the reference material of the Company)

2) Strong Customer Base Centered on Senior Customers

As mentioned above, customers in their 50s and over make up approximately 75% of the Company's customer base. According to the Company's survey, 80% of the customers said they would like to use the service again, and the trust of senior high net worth individuals is strong.

This strong customer base will be a great advantage in future business development.

3) High Quality Management Team

One of the factors supporting the Company's growth is its excellent marketing strategy. According to President Iwata, no other start-up can run TV commercials as cost-effectively as the Company.

Running successful TV commercials requires familiarity with the industry structure including which players exist and what kind of setups are required, but at the Company, President Iwata and Executive Vice President and COO, Mr. Masaki Taniguchi (joined in October 2016), who are from a major advertising company and have a great deal of knowledge, experience, and expertise, are strongly promoting a cross-marketing strategy.

In addition, in order to pursue sustainable growth by earning the trust of customers as well as to list the Company, it is essential to have a complete compliance system, and cash management in the purchase process is also an important point. Under the leadership of Mr. Koji Ono, who was appointed as Director and CFO in October 2016, the Company has been working to improve operations from an accounting perspective.

At the annual meeting of shareholders in Mar. 2021, a new director and CTO was appointed. The CTO Masayuki Imamura has the experience of engaging in a variety of digital transformation (DX) projects.

The Company runs its business with six high-quality executives, including two outside board directors, covering both offense and defense.

4) Main KPIs: "the number of at-home visit" x "Variable profit per at-home pick up purchase"

The Company has set "the number of at-home visit" x "Variable profit per at-home pick up purchase" as the main KPIs for the reuse business.

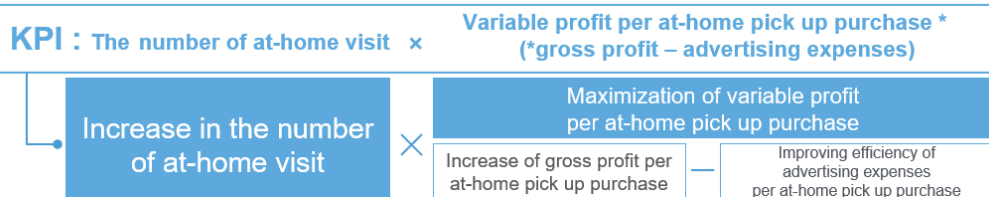
It pursues an increase in the number of inquiries by raising awareness in order to increase "the number of at-home visit", and seeks to maximize Variable profit per at-home pick up purchase by increasing the purchase of high-priced products and optimizing advertising expenses.

In the term ended Dec. 2020, the business performance was affected by the novel coronavirus, but both indicators exceeded those in the previous term for full-year results.

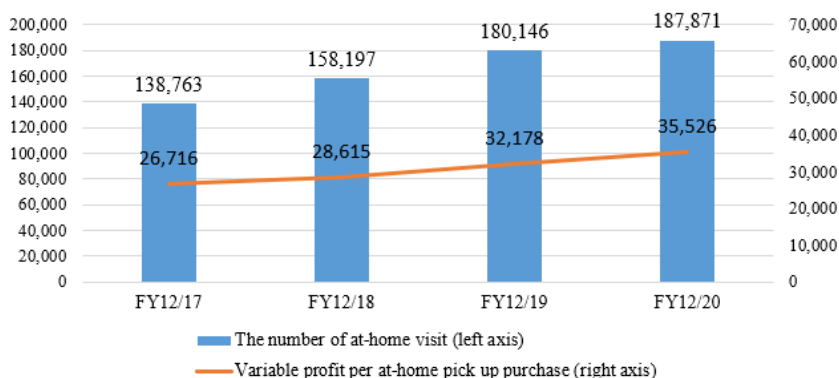
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Main KPI for business growth



(Source: the reference material of the Company)



* Unit: case, yen

2. The Second Quarter of Fiscal Year Ending December 2021 Earnings Results

(1) Business Results

	2Q of FY 12/20	Ratio to Sales	2Q of FY 12/21	Ratio to Sales	YoY
Net Sales	6,351	100.0%	11,706	100.0%	+84.3%
Gross Profit	4,149	65.3%	6,890	58.9%	+66.1%
SG&A	3,932	61.9%	5,559	47.5%	+41.4%
Operating Income	216	3.4%	1,330	11.4%	+516.0%
Ordinary Income	213	3.4%	1,318	11.3%	+519.0%
Quarterly Net Income	92	1.4%	690	5.9%	+651.0%

* Unit: million yen. Non-consolidated numbers of 2Q of FY 12/20 are from the reference material of the Company. Numbers of 2Q of FY 12/21 are consolidated. Year-on-year changes are calculated by Investment Bridge Co., Ltd.

Substantial increase in sales and profit due to increase in on-site purchase volume and contribution from Timeless subsidiary

The sales in the cumulative second quarter of the term ending Dec. 2021 were 11,706 million yen, up 84.3% year on year. The performance in the first quarter (January-March) was affected by the declaration of a state of emergency, but the number of at-home visits recovered in the second quarter (April-June). Further, the acquisition of Timeless Corporation as a subsidiary, too, contributed. Ordinary profit increased 519.0% year on year to 1,318 million yen. The rise in the volume of purchases per at-home visit, the increase in the ratio of sales to individuals with high-profit margins, and the inclusion of Timeless's performance absorbed the increase in SG&A expenses, resulting in a significant increase in profit.

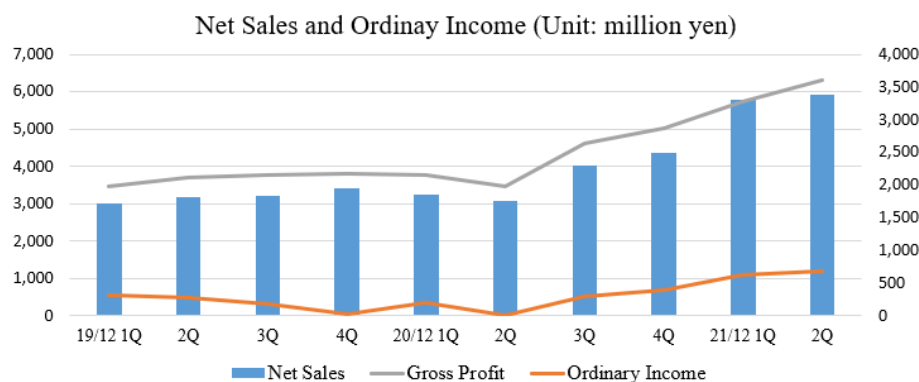
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(Main SG&A expenses)

	2Q of FY 12/20	2Q of FY 12/21	YoY
Advertising Expense	1,335	1,737	+30.1%
Labor Costs	1,100	1,458	+32.5%
Total SG&A	3,932	5,559	+41.4%

* Unit: million yen. Non-consolidated numbers of 2Q of FY 12/20 are from the reference material of the Company. Numbers of 2Q of FY 12/21 are consolidated. Year-on-year changes are calculated by Investment Bridge Co., Ltd.



Numbers until FY 12/20 are unconsolidated, FY 12/21 numbers are consolidated

(2) Trends of major KPIs

The number of at-home visits decreased in the first quarter but recovered in the second quarter.

In terms of variable profit per at-home pick up purchase, the establishment of an organization for inside sales (interviewing potential buyers about items they could buy prior to the visit) in the call center division, which started in the second half of the previous year, was successful. Significant growth was seen due to an increase in appointment ratio and a rise in purchase volume per visit.

◎ Non-consolidated

	2Q of FY 12/20	2Q of FY 12/21	YoY
The Number of At-home Visit	85,924	94,711	+10.2%
Variable Profit per At- home pick up Purchase	32,753	42,557	+29.9%

* Unit: case, yen

◎ Timeless

	FY 12/20 January to June	2Q of FY 12/21	YoY
Auction volume	1,667	3,588	+114.0%
Number of permanent stores	4	10	+150.0%
Number of events	11	30	+172.7%

* Unit: million yen, store, time

(3) Financial Condition and Cash Flows**◎ Main BS (Non-consolidated)**

	End of 12/20	End of 6/21		End of 12/20	End of 6/21
Current Assets	5,822	6,129	Current Liabilities	3,084	3,018
Cash Equivalent	3,640	3,929	ST Interest Bearing Liabilities	1,059	1,003
Inventories	1,862	1,874	Non-current Liabilities	2,501	2,081
Noncurrent Assets	3,014	2,873	LT Interest Bearing Liabilities	2,495	2,078
Tangible Assets	305	348	Liabilities	5,586	5,099
Intangible Assets	2,246	2,123	Net Assets	3,251	3,903
Investment, Others	462	401	Retained Earnings	1,595	2,181
Assets	8,837	9,002	Total Liabilities and Net Assets	8,837	9,002

* Unit: million yen

Total assets increased 165 million yen from the end of the previous term to 9,002 million yen due to an increase in cash and deposits. Total liabilities decreased 486 million yen from the end of the previous term to 5,099 million yen due to a decrease in long-term debt. Net assets increased 651 million yen from the end of the previous term to 3,903 million yen due to an increase in retained earnings. Capital-to-asset ratio increased 6.4% from the end of the previous term to 43.0%.

In terms of inventories, the company is working to increase the turnover period to improve the ratio of high-margin sales to general consumers.

(4) Topics**◎ Business alliance with Speee to promote DX in the real industry**

In May 2021, the company announced that it had signed an agreement to form a business alliance with Speee Inc. (TSE JQS, 4499), which promotes DX in the real industry.

(Overview of Speee, Inc.)

Speee is promoting DX in the real industry, including real estate trading, remodeling, and nursing care, and aims to deliver a high-quality customer experience to end-users by providing integrated value for end users and businesses. As a service for selling and assessing real estate, it offers IEUL, which provides matching with over 1,600 real estate brokerage companies, and Sumai Step, which introduces only excellent companies that have passed a strict screening process.

(Background of the Business Alliance)

About 75% of BuySell Technologies' customers are wealthy seniors in their 50s or older, and about 60% of the reasons for using the service are tidying houses, sorting out mementos, and cleaning up items before death. As a result, there are many opportunities to receive consultations from clients regarding the sale of vacant houses and other real estate, and the company has been working to resolve these issues.

In this business alliance, IEUL and Sumai Step will be introduced to customers who are considering selling their real estate. This will allow customers in any area of Japan to consider the best conditions from a variety of real estate agents at once, which they believe will lead to the provision of services with a higher level of satisfaction.

In addition to realizing the goal of turning someone's unnecessary things into someone's necessary things in the real estate field, the company will promote this service as part of its efforts to solve the diverse needs and issues of the senior citizens who are its main customer segment.

3. Fiscal Year Ending December 2021 Earnings Forecasts

(1) Business Results

◎Consolidated

	FY 12/20	Ratio to Sales	FY 12/21 Est.	Ratio to Sales	YoY	Revision rate	Progress rate against the full year
Net Sales	14,764	100.0%	25,200	100.0%	+70.7%	-0.6%	46.5%
Gross Profit	9,664	65.5%	14,830	58.8%	+53.4%	+4.3%	46.5%
SG&A	8,696	58.9%	12,600	50.0%	+44.9%	-0.3%	44.1%
Operating Income	968	6.6%	2,230	8.8%	+130.3%	+41.1%	59.7%
Ordinary Income	922	6.2%	2,200	8.7%	+138.4%	+41.8%	59.9%
Net Income	565	3.8%	1,230	4.9%	+117.4%	+28.0%	56.2%

*Unit: million yen.

Revised earnings forecast

The company upwardly revised its full-year forecasts considering the strong performance due to improved variable profit per at-home visit and early realization of synergies with Timeless. For the term ending Dec. 2021, the company forecasts consolidated sales of 25.2 billion yen, up 70.7% from the previous term, and an operating profit of 2,230 million yen, up 130.3% from the previous term. After considering the 2-for-1 stock split implemented on January 1, 2021, the company plans to pay a dividend of 12.0 yen per share, up 4.5 yen per share from the previous term. The expected dividend payout ratio is 13.7%.

(Main SG&A expenses)

	FY 12/20	FY 12/21 Est.	YoY
Advertising Expense	2,990	3,900	+30.4%
Labor Costs	2,349	3,200	+36.2%

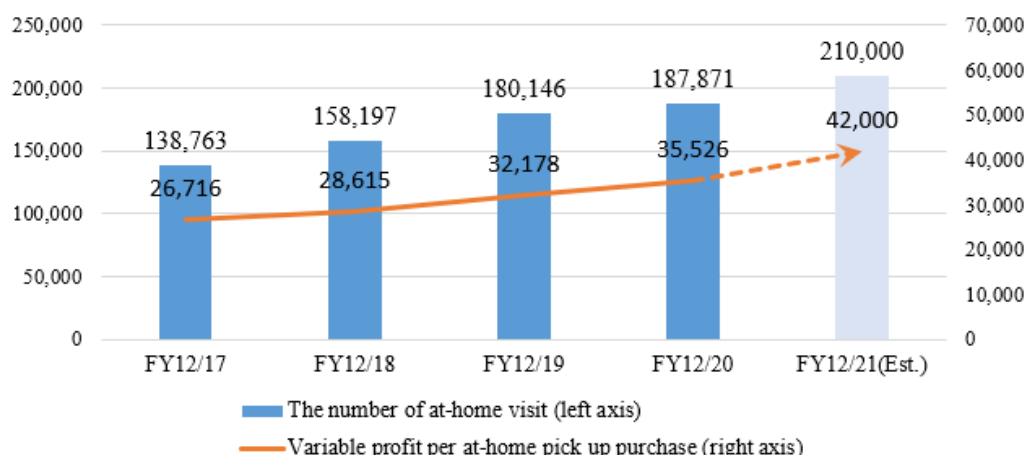
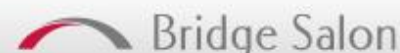
* Unit: million yen. FY 12/20 numbers are non-consolidated.

(Transition of KPIs)

	FY 12/20	FY 12/21 Est.	YoY
The Number of At-home Visit	187,871	210,000	+11.8%
Variable Profit per At-home pick up Purchase	35,526	42,000	+18.2%

* Unit: case, yen

BRIDGE REPORT



* Unit: case, yen

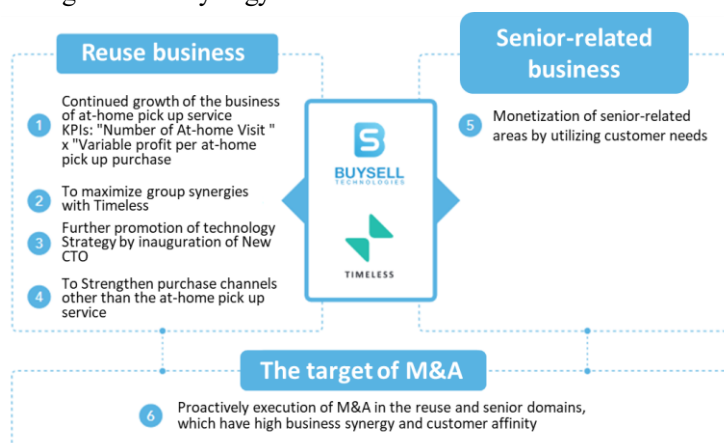
(2) Impact of the novel coronavirus

At the time of the first and second declaration of the state of emergency, the number of business inquiries decreased by 20-30%. Although the postponement of events had an impact on business performance, the impact on the number of inquiries was minor after the third declaration, and the impact on the volume of purchases per at-home visit was also small.

In addition, the number of at-home visits in the first quarter of the term ending Dec. 2021 declined year on year but has been recovering since the second quarter. In addition, the purchase amount per at-home visit is increasing due to the success of the training of assessors. However, due to the recent increase in the number of infected people nationwide, there remains uncertainty about the number of inquiries, the number of at-home visits, and the volume of purchases per at-home visit.

4.Key Strategy

The company will strive to grow the reuse business further, commercialize the domain related to seniors, and accelerate M&A, which has high business synergy.



(Source: the reference material of the Company)

Specifically, the Company lists the below six initiatives.

Key strategy (1)

(1) Human Resources Strategy (Recruitment x Education)

In addition to strengthening the recruitment of assessors, the Company will also strengthen employee education to develop excellent appraisers with high-level hospitality and expand "the number of at-home visit" and "Gross Profit per at-home pick up purchase".

Regarding recruitment, the Company switched to a policy of strengthening new graduate recruitment in 2017. Despite fierce competition for recruitment due to a shortage of human resources, the Company could recruit approximately 112 new graduates (including 69 in the Reuse Business Department) in 2021 by leveraging its strength in recruitment.

Regarding education, a systematic education and training system for appraisers has been introduced by the "Enablement Department", a specialized department for education and training.

The training is implemented by scoring various items such as sales skills, appraisal expertise, product knowledge, and compliment rates for each appraiser.

These measures have been successful, and even new employees have successfully acquired abilities to make an appraisal visit in about six months.

(2) Improvement in the ratio of sales to consumers, including overseas ones

The Company aims to increase "Gross Profit per at-home pick up purchase" by increasing Direct Sales Ratio to consumers and improving Profit Margins.

As part of this measure, in February 2020, the Company launched "BUYSELL brandch e" which focuses on selling luxury reuse products such as brand-name items, watches, jewelry and alcoholic beverages.

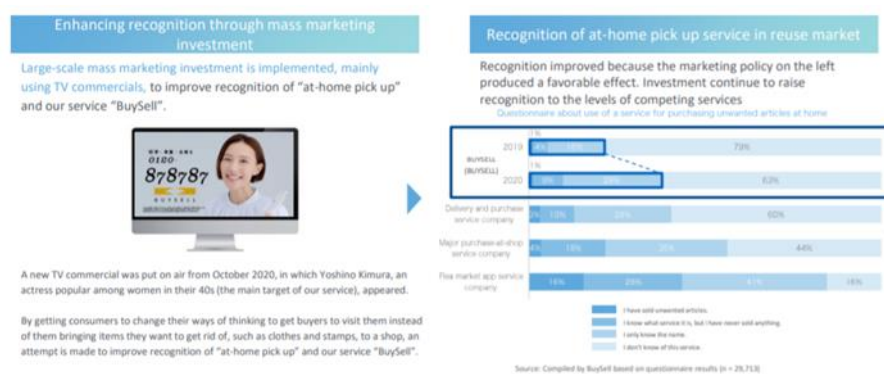
As the Company's current sales channels are mostly domestic, it aims to improve profitability by developing overseas sales channels, such as strengthening its listings on "Taobao", a live commerce sales channel in China, and the cross-border EC shopping app "Wandou". In the term ended 2Q of Dec. 2021, the sales of their EC site, BuySell Online, and the sales of the live commerce business steeply grew 213% and 377%, respectively, year on year.

(3) To acquire brand recognition through mass marketing investment

In the reuse market, the recognition and usage of the at-home pickup service are still low.

For this reason, the Company will continue to strengthen the "BuySell" brand and develop a marketing strategy to raise awareness of the "at-home pick up service" which has a large potential in the reuse market.

In detail, the company will invest in mass marketing, mainly TV commercials. The Company aims to increase the rate (1) of imaging using "at-home pick up service", (2) that customers who want to use the service safely and securely choose "at-home pick up service", and (3) of organic inflow rate in the mid-long term. Then, The Company does "the number of at-home visit" and the efficiency of "advertising expense per at-home pick up purchase".



(Source: the reference material of the Company)

In October 2020, a new TV commercial featuring Ms. Yoshino Kimura, who is popular among the main target audience of women in their 40s and older, was released and has been well received.

The goal is to promote a change in people's concept when disposing of a large number of unwanted items, from taking them to a store to having someone come to your house, and to increase awareness of the at-home pickup service and BuySell.

(4) Streamlining of business operations and acceleration of CRM based on data-driven business administration

Segmentalized data will be analyzed with the customer management system GYRO, utilizing data on customers and merchandise analysis.

The company will try to improve KPIs by optimizing operations, and clarify customer needs by actualizing advanced CRM to improve the ratio of repeat customers and propose other services, etc.

Key strategy (2)

(1) Expansion of the Timeless auction business

By listing products from both BuySell and Timeless, the company aims to leverage its customer base, improve the quantity and quality of products, and increase the number of member companies.

Also, for watches, jewelry, and loose auctions, the company utilized BuySell's engineers to realize web-based auctions.

After reorganizing Timeless into a subsidiary, the Timeless Auction, which had been held as a collaborative one with other companies, became a sole auction in Jan. 2021.

(2) Increase of permanent stores and events of Timeless

The company aims to buy more items at permanent stores and events in department stores, which are used for the original business strategy of Timeless.

To do so, the company will strive to increase workforce through personnel exchanges and active recruitment, and enhance its marketing capability by giving joint proposals with the event sales business section of BuySell.

Through the enhancement of workforce and marketing capacity after M&A, the numbers of permanent stores and events of Timeless increased considerably. As of the end of June 2021, the number of permanent stores was 10 (four at the end of June 2020), and the number of events held was 30 in the first half of 2021 (11 in the same period last year).

Key strategy (3): Acceleration of technological strategies

In March 2021, Mr. Masayuki Imamura was appointed as Director and CTO.

Mr. Imamura was engaged in new business development at Yahoo Japan Corporation and also promoted DX in a wide range of areas at ZOZO, such as product development, engineering organization management including recruitment, training, and evaluation of engineers, information systems, and security management.

The gist of future technological strategies is as follows:

*** Maximization of purchase**

To streamline business operations by improving the precision of automatic appraisal based on AI, increasing available products, and reducing the person-hours of appraisal.

To establish the platform for purchase and reuse that can tolerate future M&A.

*** Maximization of sale**

To enhance the utilization and linkage of data of EC sites.

To streamline and expand the online auction business.

*** Launch of the R&D department**

To establish an organization specializing in research and development in the fields of reuse and auctions.

To create an innovation business utilizing the strengths and technologies of BuySell.

*** Strengthening of the development section**

To design mid/long-term technological strategies.

To recruit more engineers, enhance personnel development, and develop the brand for recruitment.

Key strategy (4)

(1) Opening more stores for purchase

To expand purchase channels, the company has been purchasing items at stores on a trial basis since FY 12/19. Thanks to the synergy between the strengths of products they handle and the popularity of the at-home pick up service, the probability that purchase at stores will generate profits is expected to be high, so the company plans to open more stores mainly in the Tokyo metropolitan area.

At present, five stores (Nagoya-Sakae Central Park Store, Yokohama-Motomachi Store, Yurakucho Store, Shinjuku Subnade Store and Osaka Store) are in operation.

The company aims to increase new users by attracting a different customer segment from its main service of the at-home pickup service and customers who are not comfortable with at-home visits.

In addition, the company will pursue synergies with the at-home pickup service by creating a sense of security through the presence of physical stores.

Key strategy (5): Monetization of services related to seniors utilizing customer needs

The company will promote services targeted at mainly seniors that can be monetized by meeting the needs based on the contact points with customers at the time of the at-home pick up service.

The company aims to improve LTV by offering peripheral services tailored to customer needs through in-house development or collaboration.

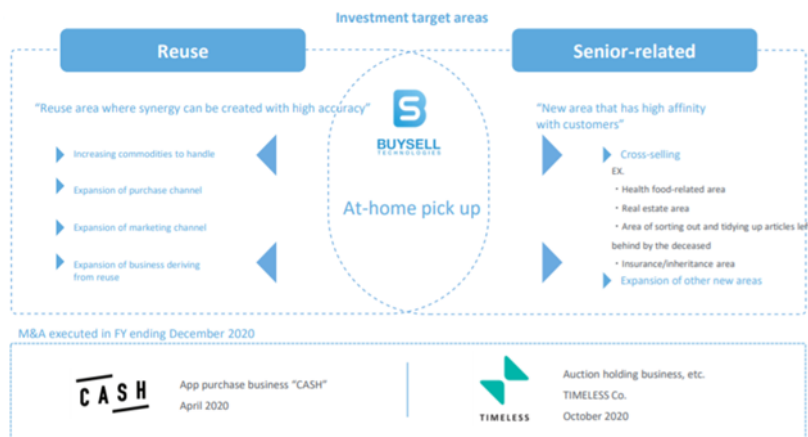


(Source: the reference material of the Company)

Key strategy (6): Execution of M&A for maximizing business synergy

The company will actively implement M&A in the domains related to reuse and seniors that would exert business synergy and satisfy customers.

By utilizing the knowledge of optimization of business operation through data analysis, the company aims to grow group companies that have high reproducibility in the integration process after acquisition.



(Source: the reference material of the Company)

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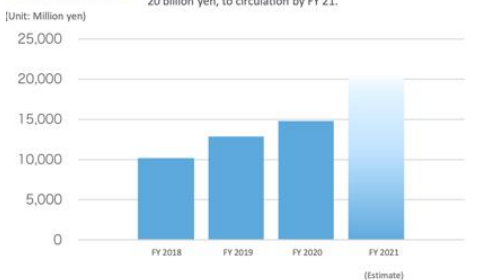
5. ESG/SDGs

The company will contribute to the realization of a recycling-oriented society by reducing waste through the development of the reuse business.

Moreover, the company will continue to implement a thorough compliance system and service improvements to ensure that its services can be used with confidence.



We are expanding the reuse business centering on at-home pick up service, taking "Transcend people and time to become a bridge that connects precious things" as our mission. We aim at creating a recycling society, expecting that we can return unnecessary things, which exceed about 20 billion yen, to circulation by FY 21.



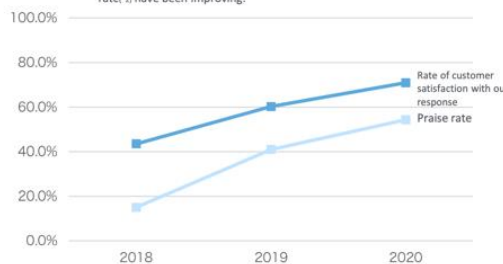
Calculated, based on consolidated and non-consolidated sales, by adding or subtracting the group's auction turnover, etc.



Our original compliance systems, such as for settlement call and follow-up call, have been built so that customers can use our services safely and without worry.



Information about all complaints and opinions have been shared with all departments to thoroughly improve the service. In addition, both the rate of customer satisfaction with our response⁽¹⁾ and the praise rate⁽²⁾ have been improving.



Created by us based on the results of a questionnaire conducted during follow-up calls
⁽¹⁾ Rate of customer satisfaction with our response: Rate of customers who replied "very satisfied" or "satisfied" to a question about responses by our employees
⁽²⁾ Praise rate: Of the above, reply concretely describing what the customer was satisfied with

(Source: the reference material of the Company)

6. Conclusions

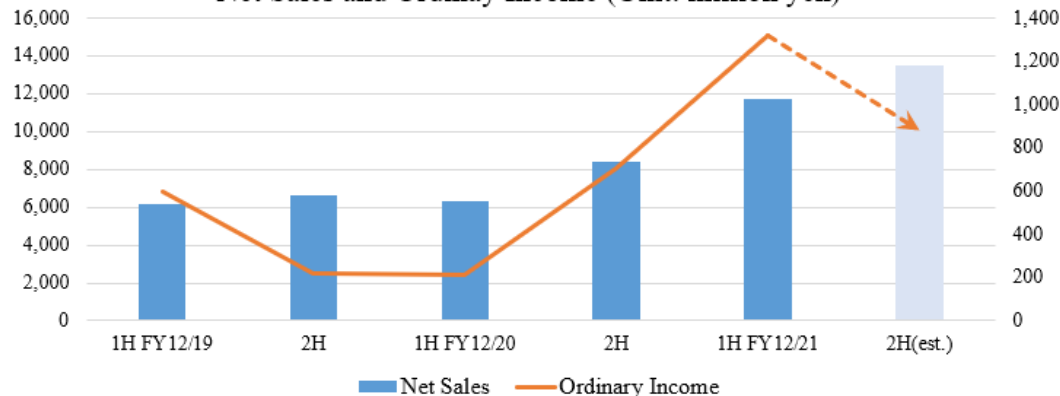
The company has revised its earnings forecasts to reflect the current strong performance. The rates of progress toward the upwardly revised forecasts are at high levels, nearly 50% for sales and about 60% for profit.

However, sales in the second quarter (April-June) were slightly larger than those in the previous quarter.

Looking at the first-half and second-half trends, the profit in the second half of the term is expected to be lower than that in the first half. As the company is aware, the impact of the spread of the novel coronavirus is unclear, and we will be watching the situation from the third quarter onward.

On the other hand, it is highly noteworthy that synergies with the subsidiary Timeless have already been exerted. It will be interesting to see how the company will proceed with its key strategies of "accelerating its technological strategy," "monetizing senior-related areas by leveraging customer needs," and "aggressively pursuing M&A to maximize business synergies" and how fast it will achieve profitability.

Net Sales and Ordinary Income (Unit: million yen)



Numbers until FY 12/20 are unconsolidated, FY 12/21 numbers are consolidated

<Reference: Regarding Corporate Governance>

Organization type, and the composition of directors and auditors

Organizational Type	Company with audit and supervisory
Directors	6 directors, including 2 outside directors
Auditors	3 auditors, including 3 outside auditors

Corporate Governance Report

The latest revision date: March 25, 2021

<Fundamental Concept>

The Company recognize that establishing corporate governance is essential in order to increase corporate value, maximize shareholder returns, and build good relationships with stakeholders such as customers, business partners, employees, local communities, and government agencies.

To this end, the Company believe that it is important to establish a decision-making body that responds quickly and fairly to changes in the business environment, pursue Profits through its businesses, ensure that its financial soundness and improve its credibility, actively disclose information to fulfill accountability, build an effective internal control system, and ensure that audit and supervisory board members maintain their independence and fulfill their audit functions.

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