



(TSE Mothers: 3135)

FY2020 3Q
Supplementary Materials for Financial
Results Ending June 30,2020

May 15, 2020

Contents

- 1. Social Issues around us and Growth Strategy**
- 2. FY2020 3Q Financial Results**
- 3. Summary of Businesses by Segment**
 - Second-hand online business**
 - Media business**
 - Mobile & telecommunications business**
- 4. Earnings Forecast for FY 2020**

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New Social Issues Facing the Company

MarketEnterprise has been preparing for a digital shift through investment in Oikura systems, strengthening our media business, M&A, and more.

“New Lifestyle” for curbing spread of COVID-19
→ accelerated shift to digital

Close contact: store-based sales and door-to-door sales



Online marketing

Crowded places: gathering in offices to work
Closed spaces: avoiding closed-off places



Telecommuting

Social Issues Facing Company & Areas of Focus

Our company is prepared to incorporate customer demand for a digital shift

Second-
hand
online
business

Online marketing

- Oikura helps second-hand brick and mortal shops throughout Japan
- Actively entering areas with less online presence
→ **strengthening agricultural equipment field**

Media
business

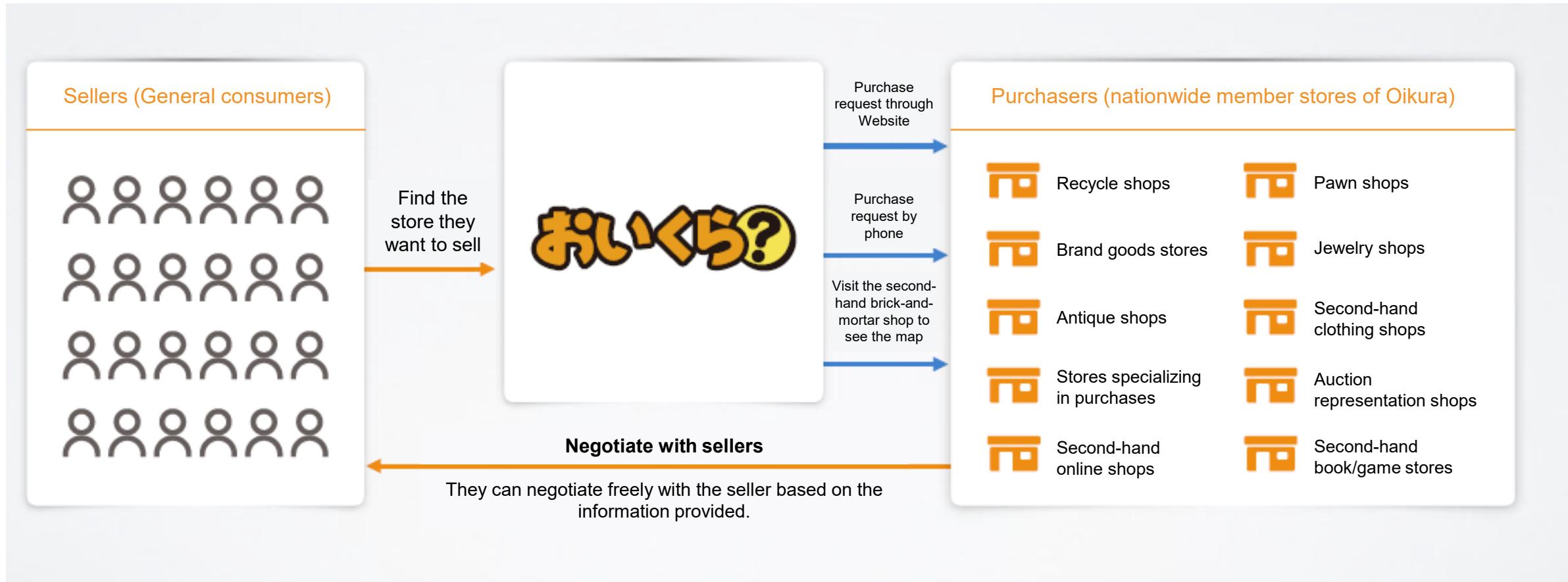
- Using in-house media to **support online marketing**

Mobile &
telecomm
unication
business

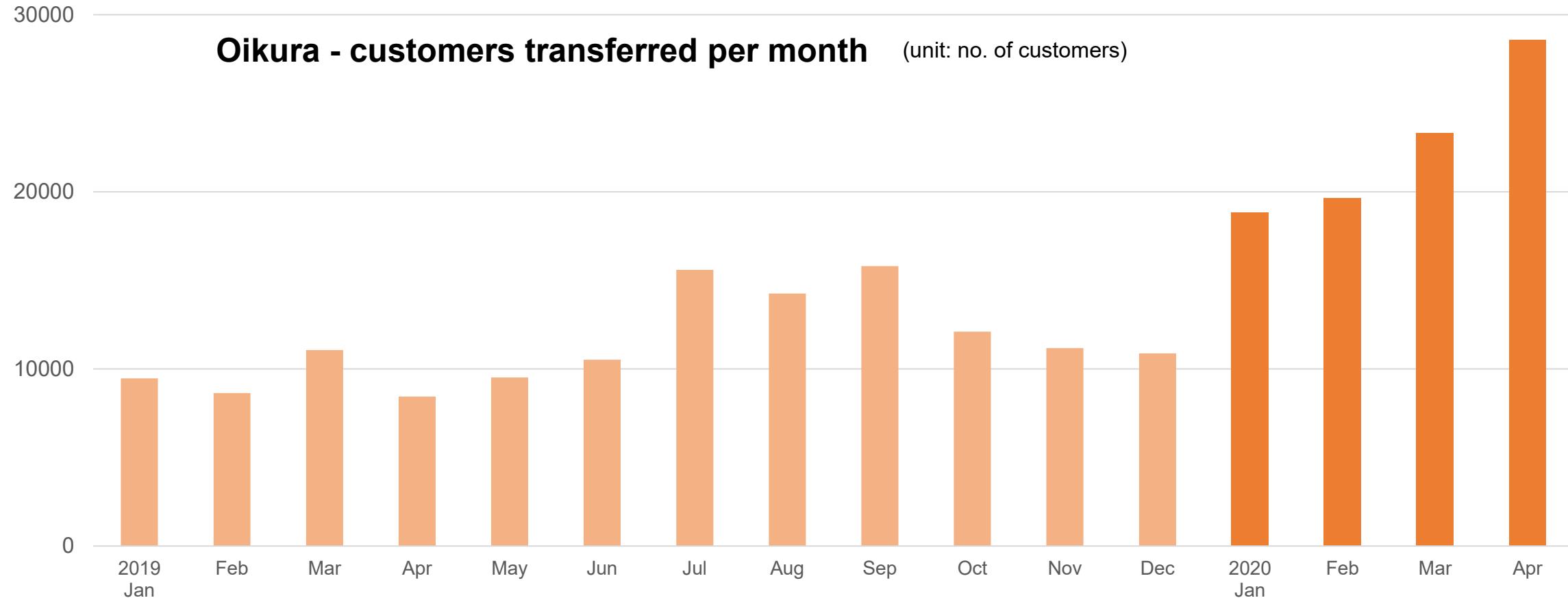
Telecommuting

Building communication environment for working **at home**
→ supporting spread of **WiMAX service**

A platform helping second-hand shops around Japan attract customers

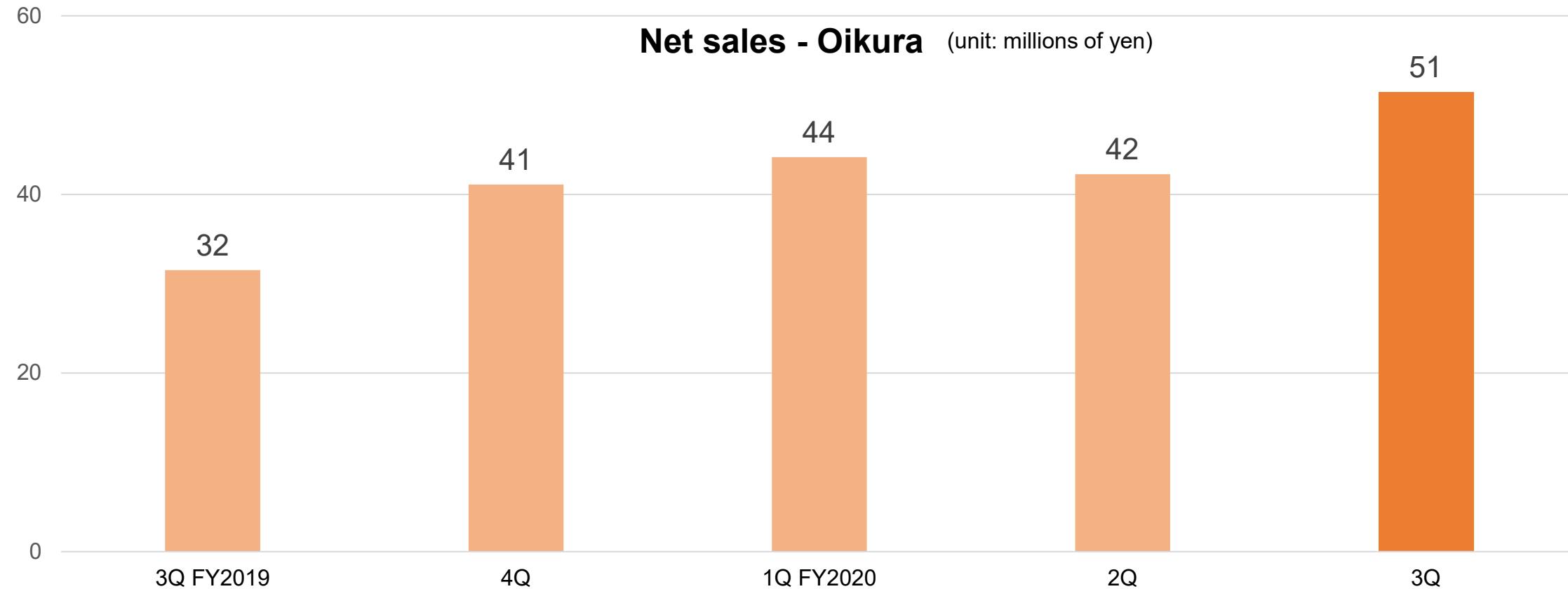


Digital shift leading to increase in number of customers transferred



Supporting Digital Shift (1): Second-Hand Online Business “Oikura”

Third quarter net sales increased due to investments in systems, such as improving customer-transfer logic. Preparations are complete for full-scale capture of demand.



Promoting a Digital Shift (2): Agricultural Equipment

Targeting a B to B market which has been slow to shift online

For C to C

4.4 trillion yen

- Clothing and accessories
- Books
- Daily necessities and sundries
- Software and media
- Baby & children's goods
- Other

Our target

3.2 trillion yen

- 4 major household appliances
- Cameras and accessories
- Computers and peripherals
- Mobile phones/smartphones
- Toys and models
- Bicycles, bicycle components, and parts
- Brand-name goods
- Furniture
- Other

B to B market

1.3 trillion yen
+ α

- agricultural equipment
- Construction machinery
- Medical devices
- Other

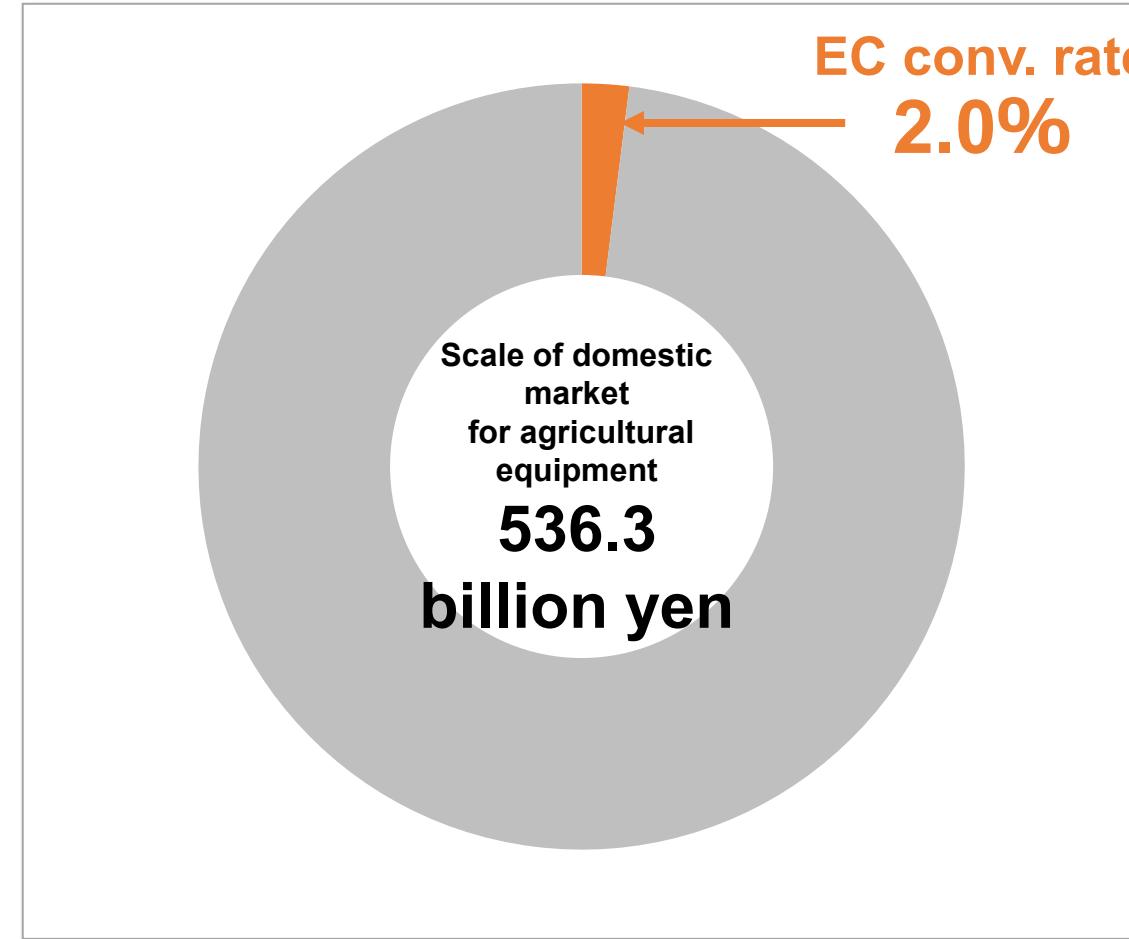
*Source: Ministry of Economy, Trade and Industry, "FY2018 Infrastructure Development for a Data Driven Society in Japan (Market Survey on Electronic Commerce)"

*Source: Monetary values obtained by multiplying 30% future used goods ratio by data from the following sources; agricultural equipment: Ministry of Agriculture, Forestry and Fisheries, Construction machinery: Japan Construction Equipment Manufacturers Association, Medical devices: "Pharmaceutical Industry Production Trend Statistics" (annual report).

Our market: 4.5 trillion yen + α

Promoting a Digital Shift (2): Agricultural Equipment

Conversion rate to EC is only 2.0% for agricultural equipment. Major room for market expansion.

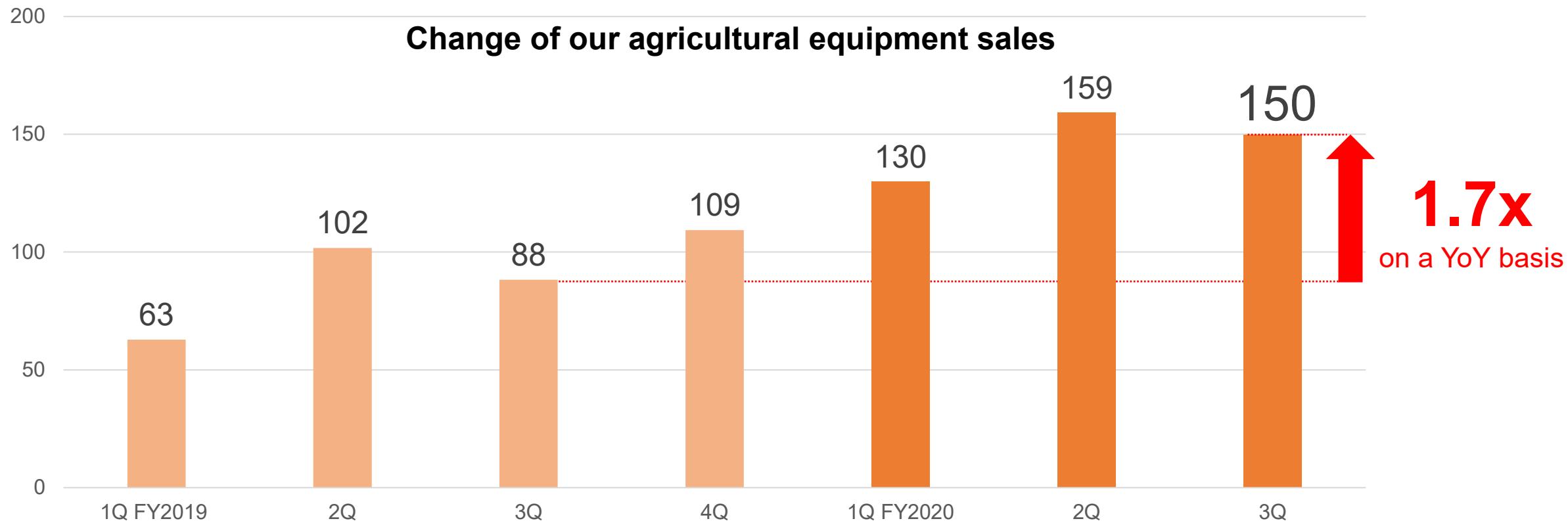


Source: Japan Agricultural Machinery Manufacturers Association, "Shipments Made in 2019 (Final Numbers)"
Ministry of Finance Customs Statistics, "Agricultural Machinery Exports" and "Agricultural Machinery Imports"
EC sales amounts based on our company's estimates

Promoting a Digital Shift (2): Agricultural Equipment

Agricultural equipment buying and selling business expanding steadily

(unit: millions of yen)

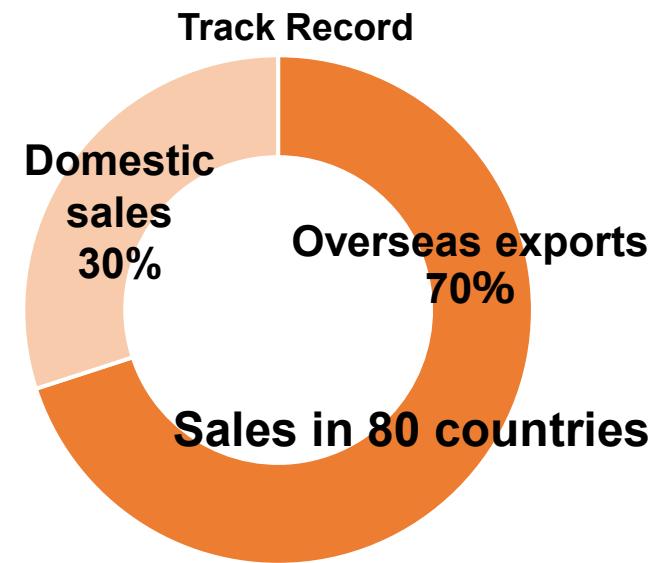


Promoting a Digital Shift (2): Agricultural Equipment



Newly-established subsidiary ME Trading acquired agricultural equipment business from OHO Trading, an overseas exporter of used agricultural equipment (announced April 28, 2020)

New Subsidiary	ME Trading Co., Ltd.
Sales Office Locations	Tottori City, Tottori; Oyama City, Tochigi
Business Description	Purchasing, sales, and overseas export of used agricultural equipment
Media Managed	Manages agricultural equipment purchasing media <i>Nokigu kaitori.com</i> (“agricultural equipment purchasing” dot com), <i>kautora.net</i> , membership-based overseas sales site <i>FARM MART</i>



Newly-established subsidiary UMM acquired JUM, one of Japan's largest online marketplaces specializing in used agricultural equipment

(announced May 15, 2020)

New Subsidiary	UMM Co., Ltd.
Location	Tokyo
Business Description	Planning and management of marketplace for used items, focusing on agricultural equipment

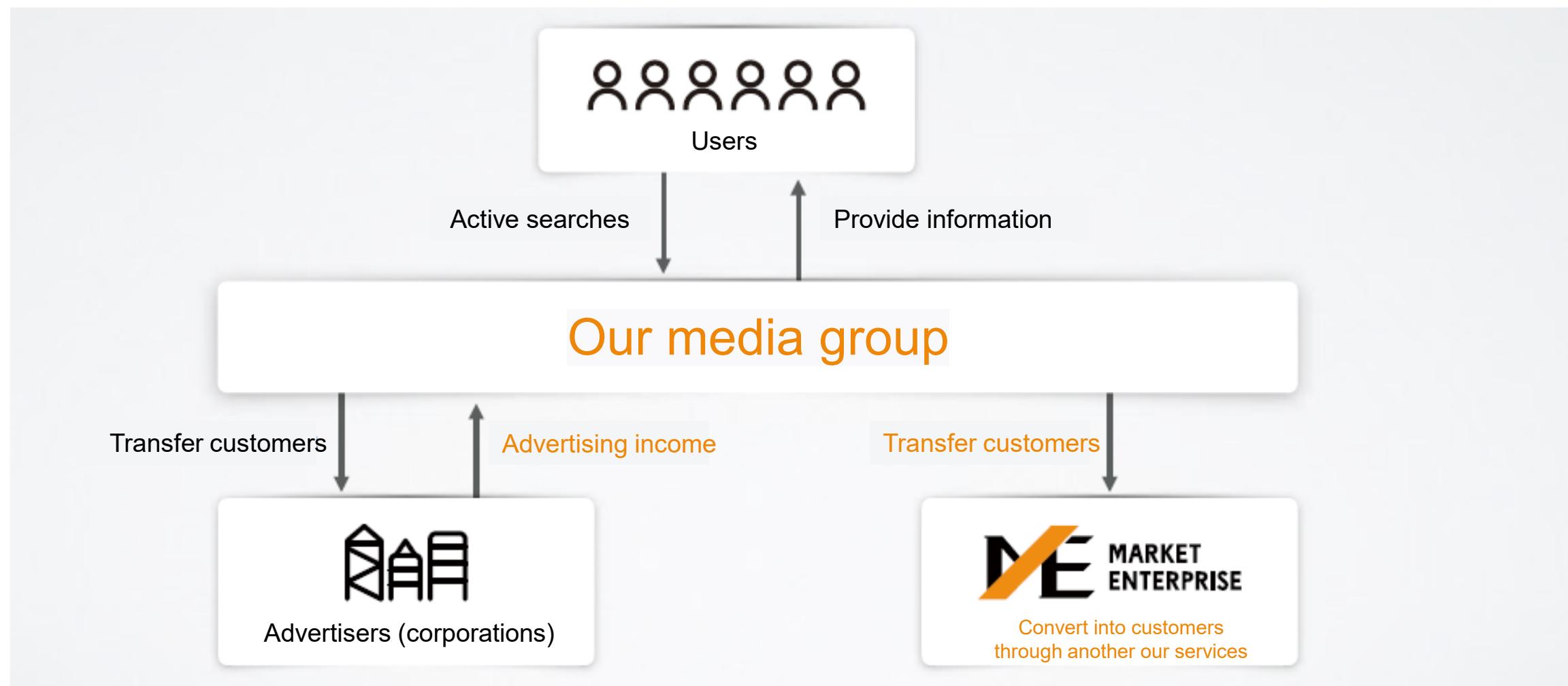
The name “UMM” is an acronym for “Used Machine Market,” based on our desire to create a marketplace for providing quality Japanese used agricultural equipment to both the domestic and foreign markets.

Gross merchandise volume (GMV)	1.2 billion yen (CY2019 results)
Total registered agricultural equipment businesses	698
Number of member farmers	4,574



Supporting Digital Shift (3): Media Business

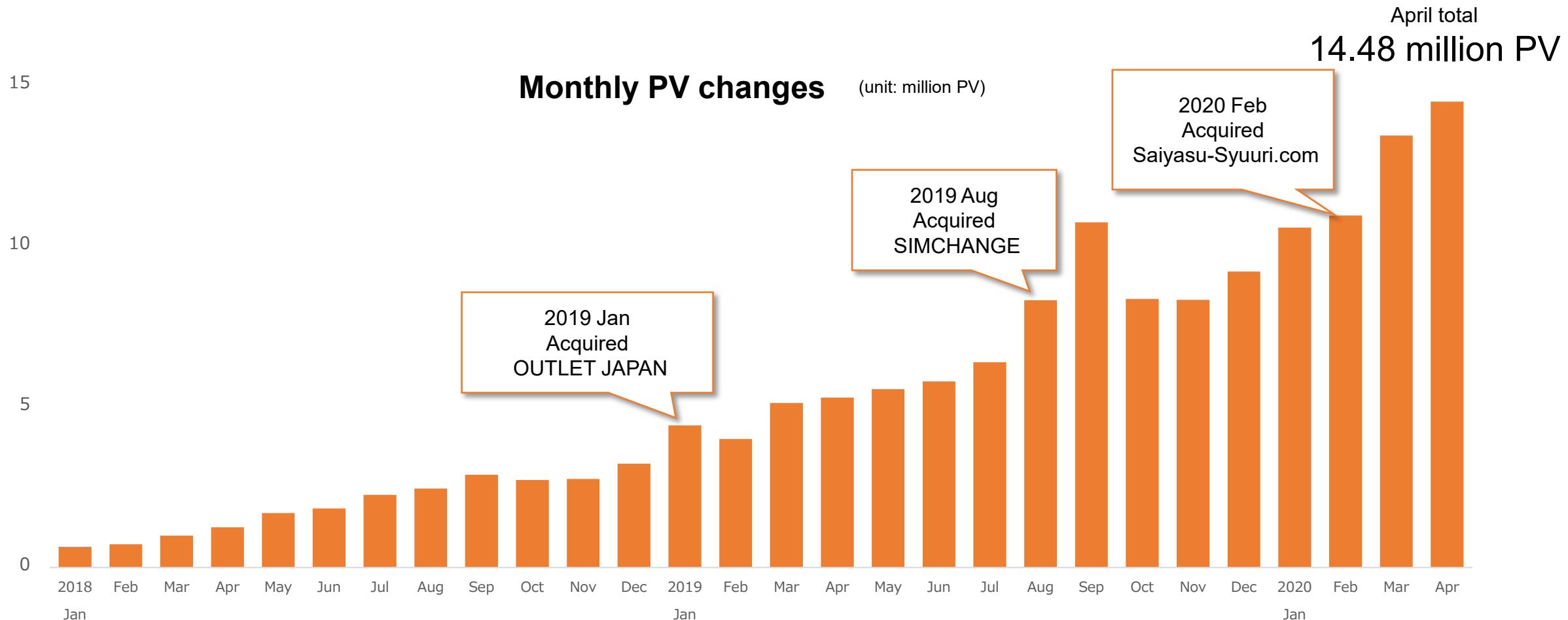
Helping advertisers attract customers through in-house media



Supporting Digital Shift (3): Media Business

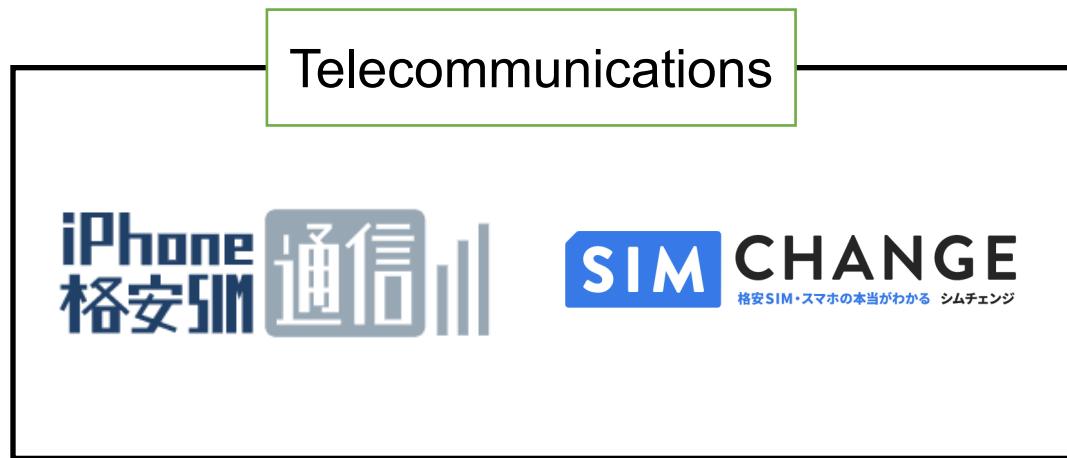
Using our own management know-how leading to increased page views (PV)

Also captured demand from “staying home” in response to call to refrain from going out



Supporting Digital Shift (3): Media Business

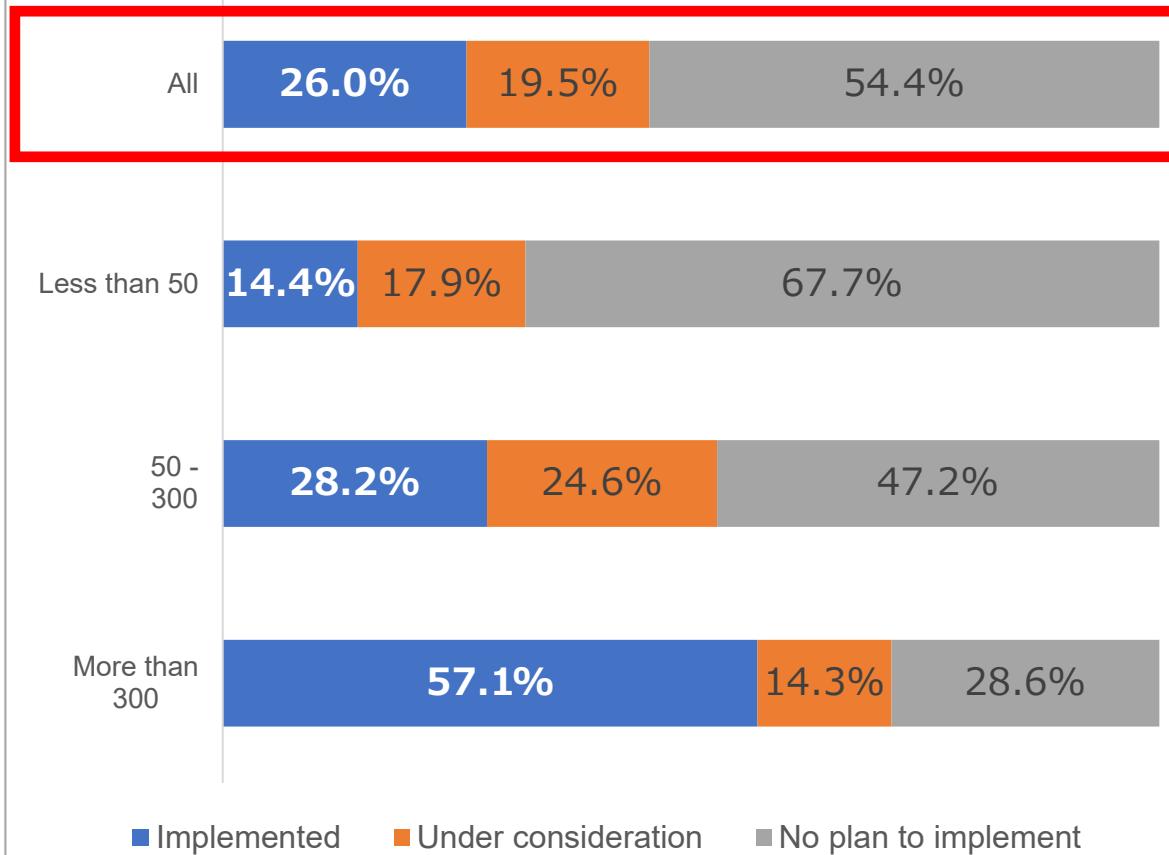
**Acquired businesses offering customer attraction support services for repair shops.
Currently expanding business domains.**



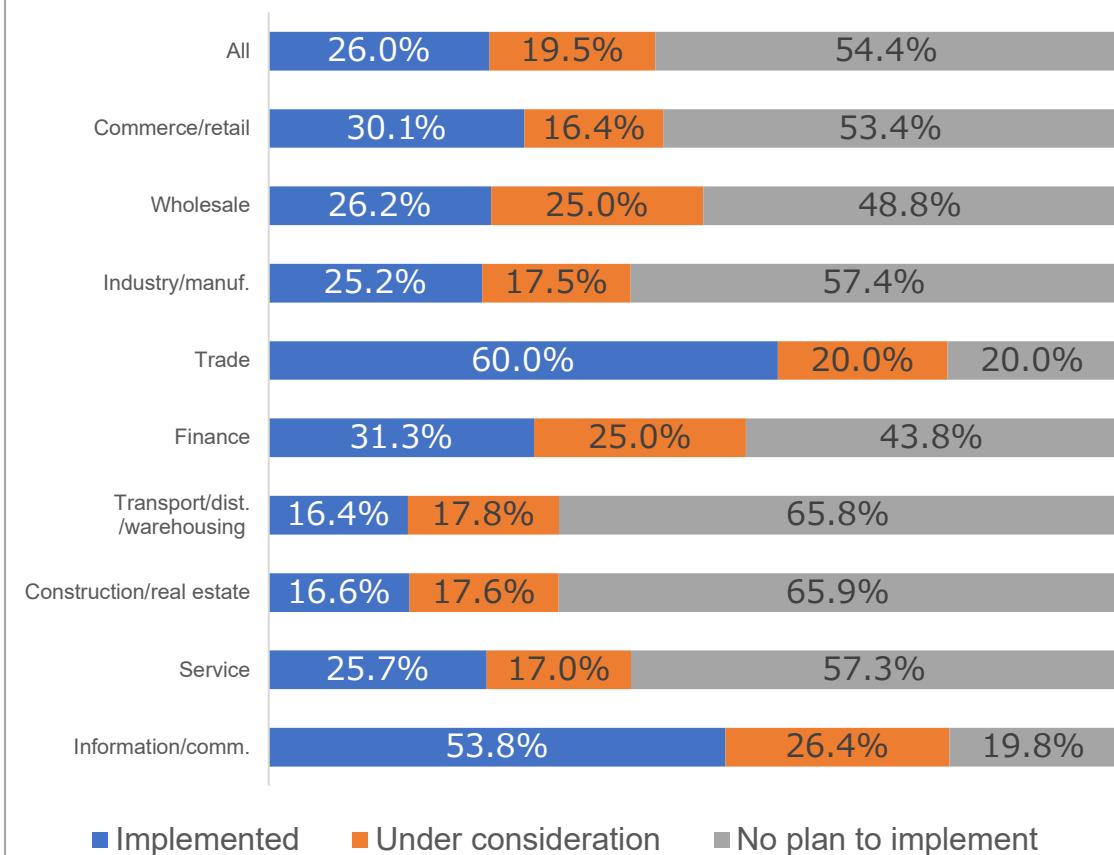
Supporting Digital Shift (4): Mobile & Telecommunications Business

Around 1/4 of companies using telecommuting, even in Tokyo

Telecommuting implementation status - by no. employees

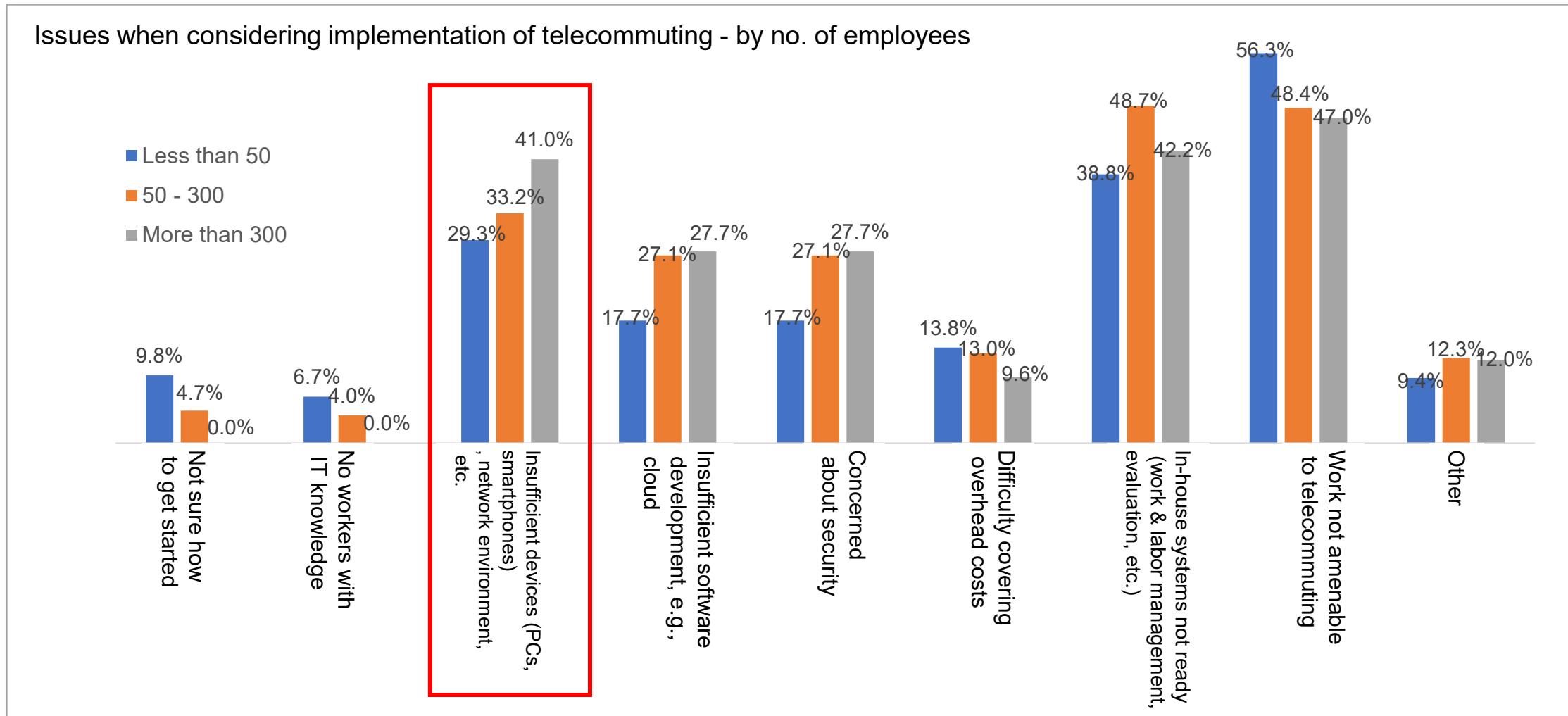


Telecommuting implementation status - by industry



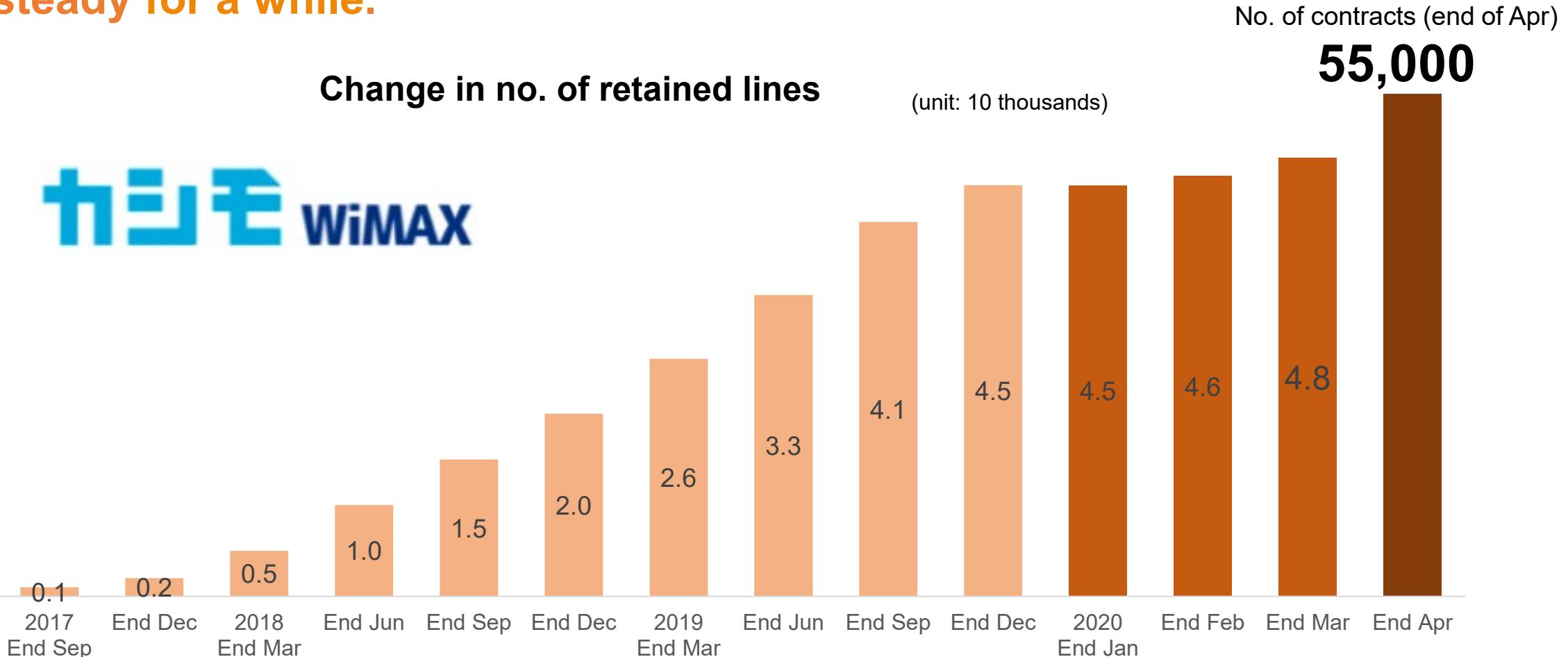
Supporting Digital Shift (4): Mobile & Telecommunications Business

Issues in developing a network environment for telecommuting



Supporting Digital Shift (4): Mobile & Telecommunications Business

Major jump in number of retained lines in April. Demand expected to hold steady for a while.



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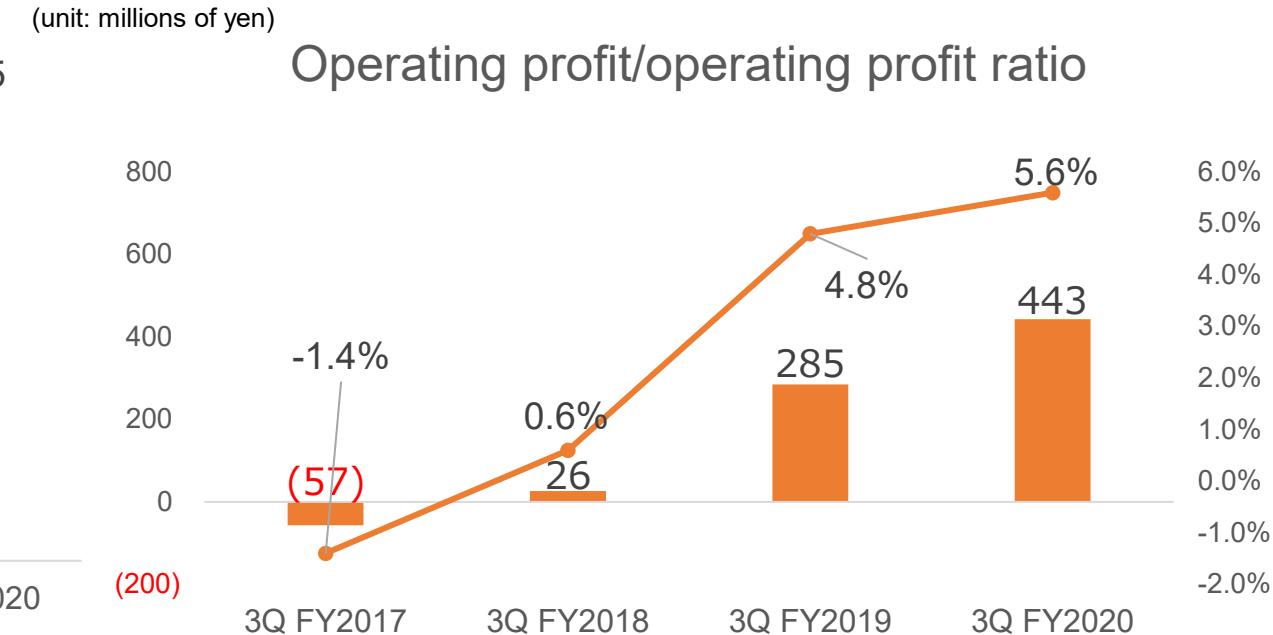
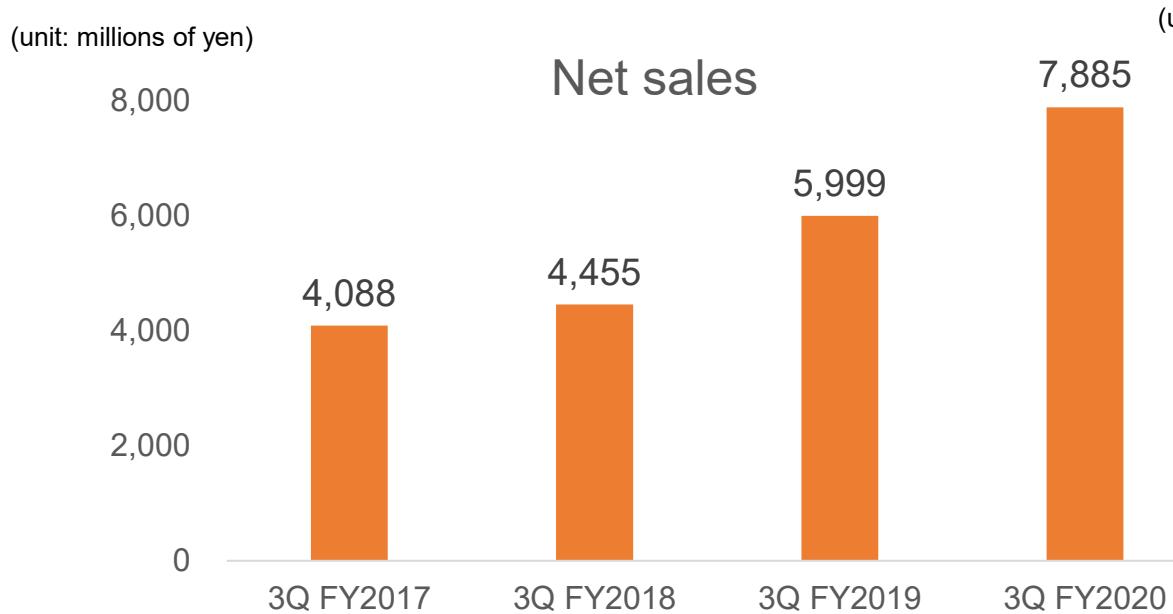
Changes in Consolidated Financial Results - 3Q Cumulative

3Q of FY 2020
(Cumulative)

Had record high net sales and operating profit for three consecutive quarters

Net sales 7,885 million yen (increased by 31.4% YoY)

Operating profit 443 million yen (increased by 55.2% YoY)
Operating profit ratio: increased by 0.8 points YoY.



Changes in Consolidated Financial Results - Quarterly

3Q of FY 2020
(Three months)

Second-hand online and media business contributed to increased revenue in 3Q. However, operating profit dropped due to the slump in acquisition of new broadband lines in Jan-Feb.

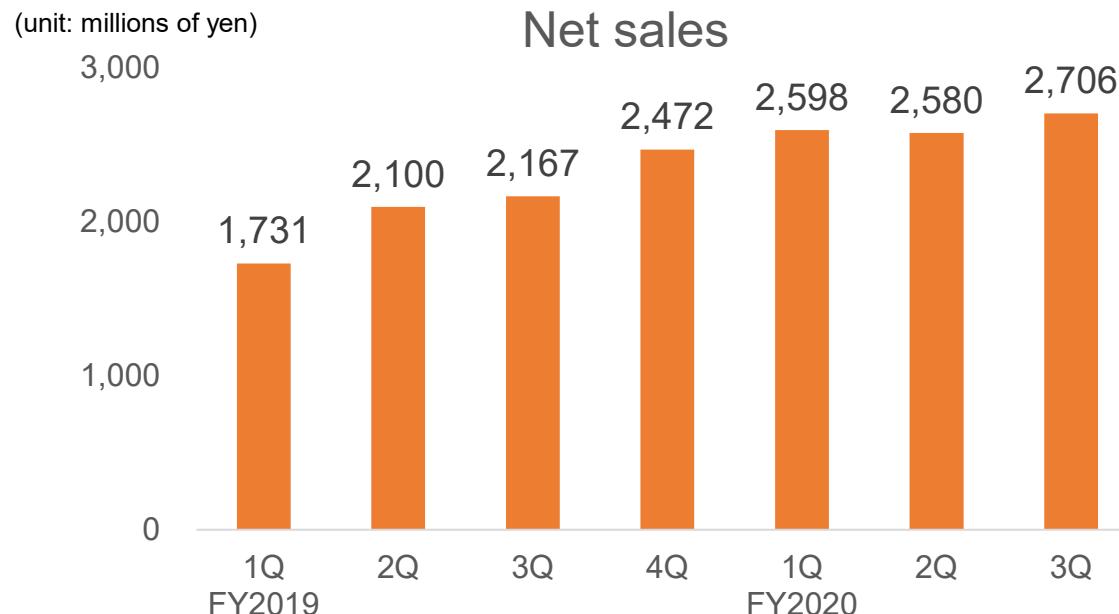
Net sales

Increased by 24.9% YoY

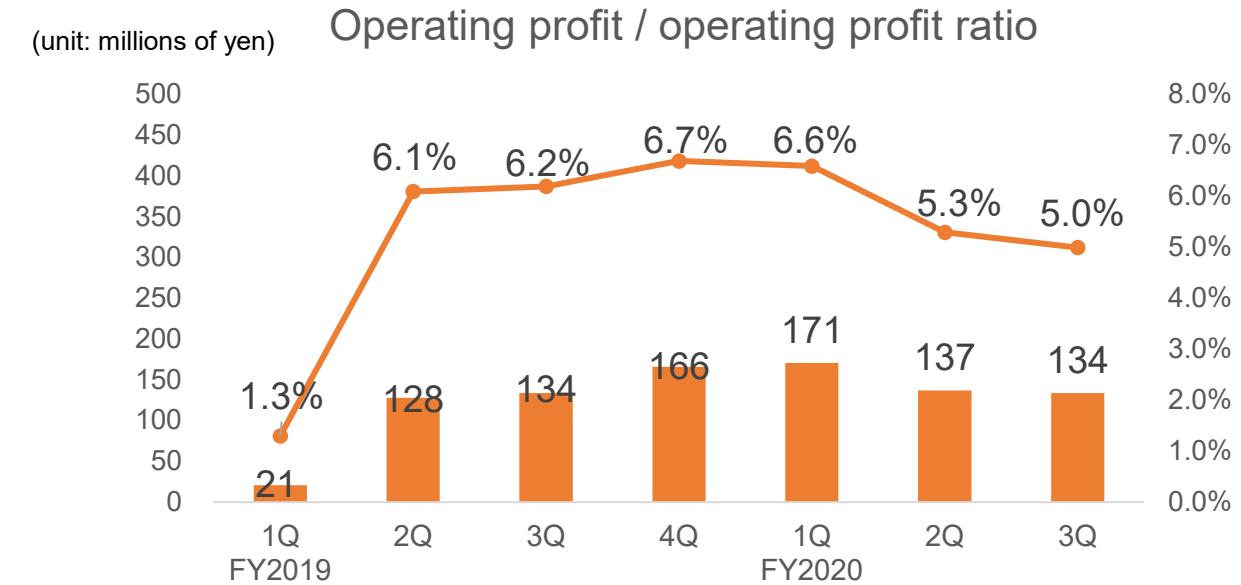
Operating profit

Declined by 0.6% YoY

(unit: millions of yen)



(unit: millions of yen)



Consolidated Income Statement

(unit: millions of yen)	3Q 2019 Nine months	3Q 2020 Nine months	Pct. change
Net sales	5,999	7,885	+31.4%
Gross profit	2,433	3,019	+24.1%
Operating profit	285	443	+55.2%
(Operating profit ratio)	4.8%	5.6%	-
Ordinary profit	283	443	+56.3%
Profit attributable to owners of parent	135	246	+81.9%

Changes in Results by Segment

**Disclosures for 3 segments starting this period
2 new businesses moving forward smoothly**

(unit: millions of yen)	FY ending Jun 2019 3Q cumulative (reference)	FY ending Jun 2020 3Q cumulative	Pct. change
Net sales	5,999	7,885	+31.4%
Second-hand online business	4,629	5,229	+13.0%
Media business	99	429	4.3x
Mobile & telecommunications business	1,346	2,430	1.8x
Adjustment	(74)	(203)	-

*Net sales for 3Q of FY ending Jun 2019 are for reference purposes only, as the company began managing multiple segments in FY ending Jun 2020.

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Second-Hand Online Business - Performance

3Q of FY 2020
(Three months)

Solid performance in third quarter. In April, the State of Emergency Declaration resulted in shorter business hours at purchase sites, which in turn led to a drop in in-store and door-to-door purchases, but an increase in home delivery purchases.

Net sales

Increased by 1.1% QoQ

Segment profit

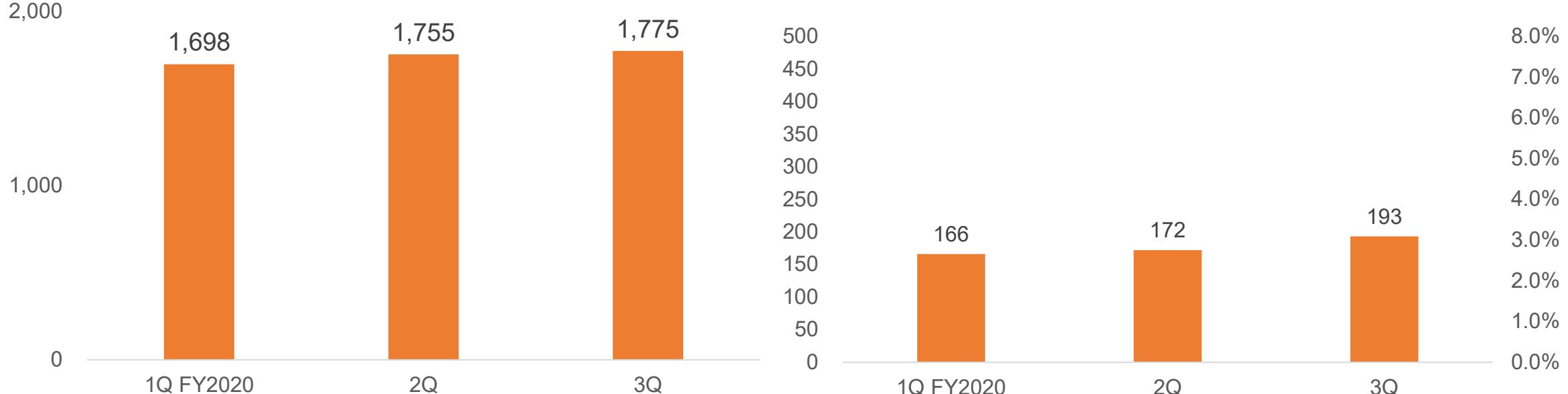
Increased by 11.7% QoQ

Segment profit ratio: improved by 1.1 points from 9.8% to 10.9%.

(unit: millions of yen)

Net sales

Segment profit



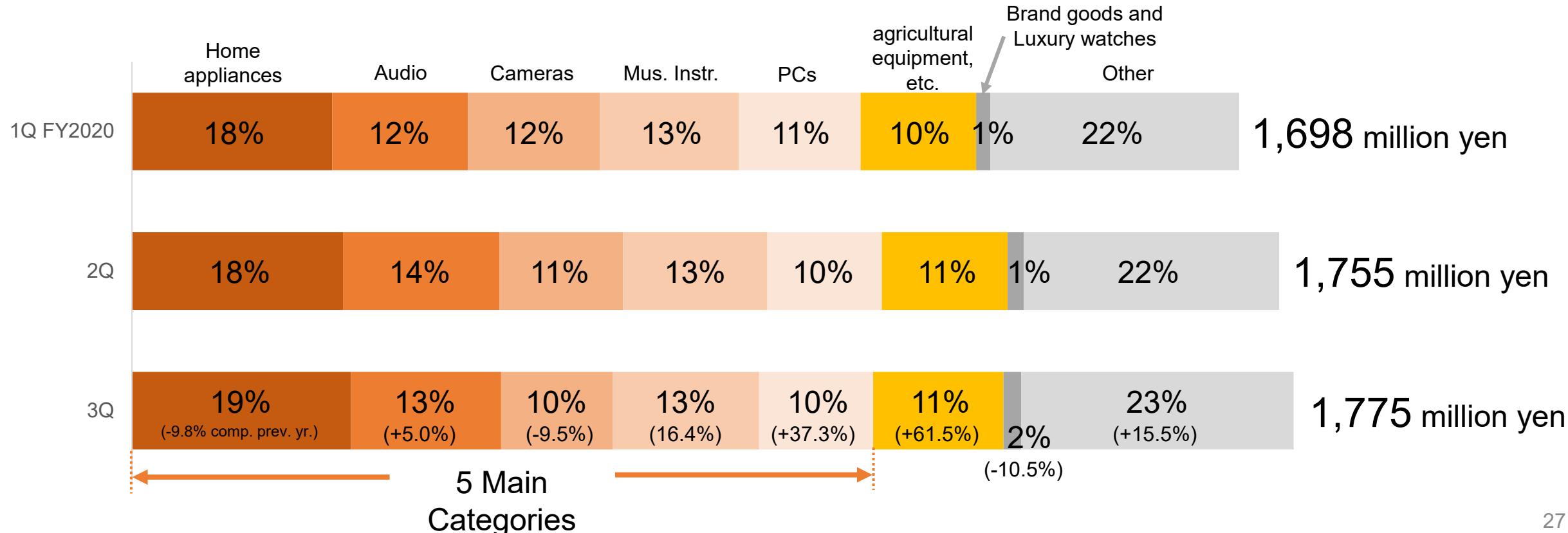
*Figures for net sales and segment profit before adjustment for amount recorded in quarterly consolidated statements of income.

Second-Hand Online Business - Net Sales Ratio by Product

Net sales trends by product

In main categories, home appliances and cameras saw losses, while musical instruments, audio, and PCs made gains. agricultural equipment, which we are focusing on as a strategic field, is progressing steadily.

- For other fields, hobby items including model train grew.



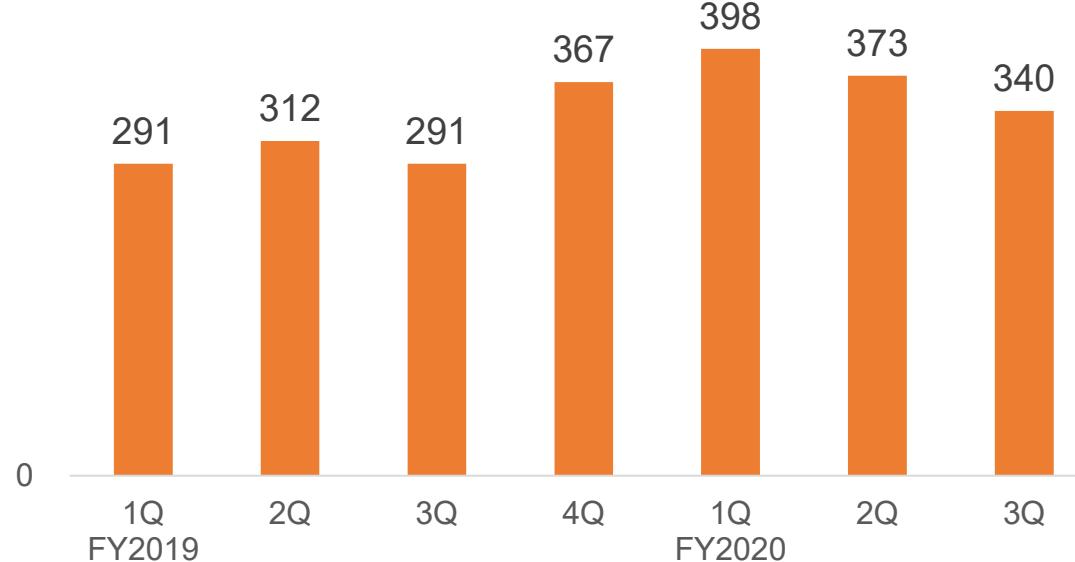
Inventory
turnover
stayed high

Product inventory for the end of 3Q held at a healthy level despite a decline from the previous quarter.

- Q3 inventory declined from previous quarter due to seasonality, but inventory balance still held high at 340 mil. yen
 - Inventory turnover stayed high at 16.3 days
- We are reducing inventory risk through rigorous inventory evaluation and focusing on selling fresh products

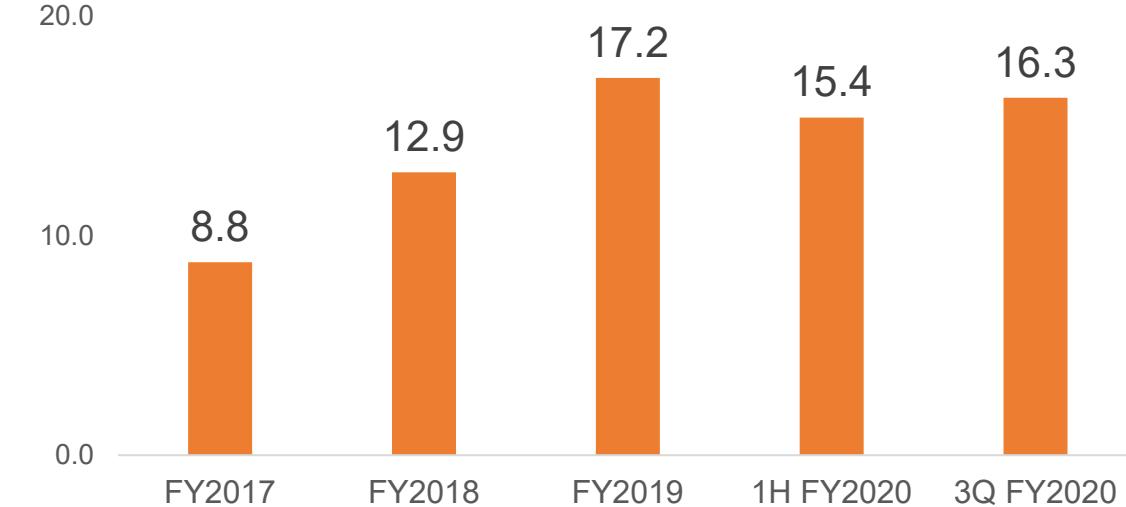
(unit: millions of yen)
500

Inventory



(unit: times)

Inventory turnover



Topic: Internet Survey on Purchasing Services

Ranked No. 1 Recommended Service in seven categories of purchasing service survey!

- (1) No. 1 recommended purchasing service selected by **flea market app users**
- (2) No. 1 recommended purchasing service selected by **auction site users**
- (3) No. 1 recommended purchasing service selected by **purchasing service users**
- (4) No. 1 recommended purchasing service selected by **audio enthusiasts**
- (5) No. 1 recommended purchasing service selected by **camera enthusiasts**
- (6) No. 1 recommended purchasing service selected by **model train enthusiasts**
- (7) No. 1 recommended purchasing service selected by **musical instrument enthusiasts**



Media Business - Performance

3Q of FY 2020
(Three months)

PV increased mainly in telecommunications and entertainment areas due to stay-home consumption. Sales increased due to more advertising from outside customers resulting from increased media exposure. (See page 15 for PV trends)

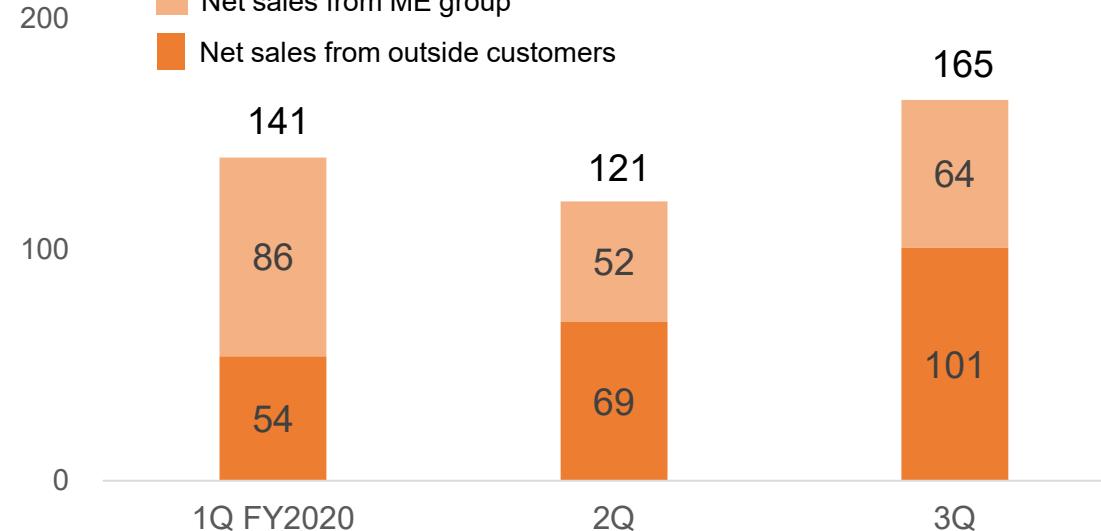
Net sales Increased by 35.7% QoQ

Segment profit Increased by 43.4% QoQ

(unit: millions of yen)

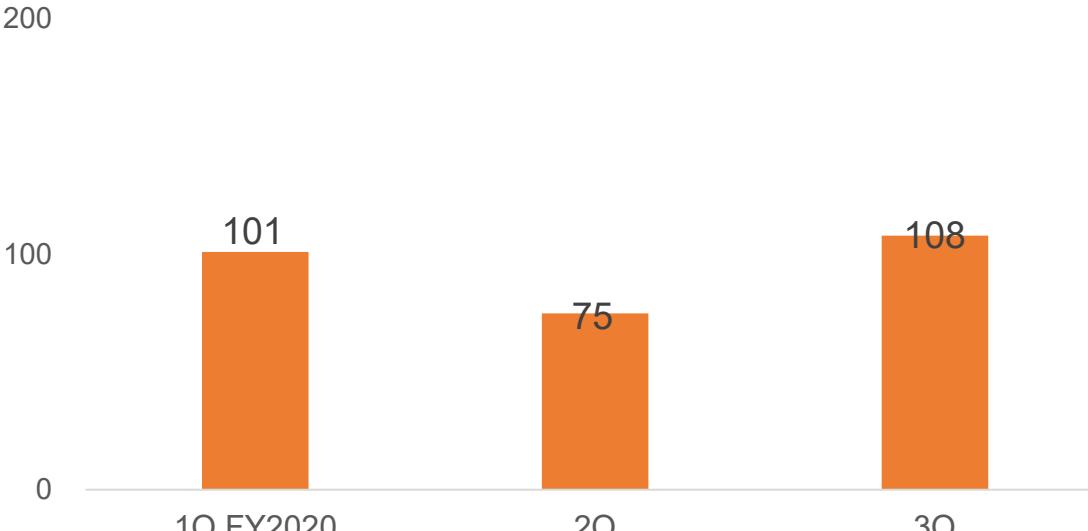
Net sales

- Net sales from ME group
- Net sales from outside customers



(unit: millions of yen)

Segment profit



*Figures for net sales and segment profit before adjustment for amount recorded in quarterly consolidated statements of income.

Mobile & Telecommunications Business - Performance

3Q of FY 2020
(Three months)

Sales increased on the back of higher line revenues due to an increase in the number of customers owned. Profit dropped due to slump in acquisition of new lines in Jan-Feb. However, profits rose in April (see page 19).

Net sales Increased by 9.8% QoQ

Segment profit Declined by 13.5% QoQ

(unit: millions of yen)
1,000

Net sales

(unit: millions of yen)

Segment profit

844

755

829

100

83

55

48

1Q FY2020

2Q

3Q

1Q FY2020

2Q

3Q

*Figures for net sales and segment profit before adjustment for amount recorded in quarterly consolidated statements of income.

Establishment of MarketEnterprise Vietnam, Our Offshore Development [Site](#)

As the digital shift accelerates, we are actively recruiting IT engineers at overseas sites to strengthen our systems development organization.

New Subsidiary	MARKETENTERPRISE VIETNAM CO., LTD.
Representative	Kohei Maruo, General Director (Director & CTO at MarketEnterprise Co., Ltd.)
Location	Vietnam
Business Description	System development pertaining to the group businesses
Capital	\$500,000 (USD)
Shareholder Composition	MarketEnterprise, 100%



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Earnings Forecast for FY 2020

Earnings forecasts remain as-is considering the uncertain economic environment, such as the impact of COVID-19.

(unit: millions of yen)	3Q of FY2020 (Cumulative)		FY2020 full year (Forecast)	
	Amount	YoY Change	Amount	Progress rate
Net sales	7,885	+31.4%	10,000	78.9%
Operating profit	443	+55.2%	600	73.9%
Ordinary profit	443	+56.3%	602	73.7%
Profit attributable to owners of parent	246	+81.9%	270	91.4%

For IR-Related Inquiries

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IR website:

<https://www.marketenterprise.co.jp/ir/index.html>

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Continuing operations while ensuring the safety of our customers and employees

Second-Hand Online Business

**Reduced business hours: 10:30 - 16:00
(normally 10:00 - 19:00)**

- Implemented shortened hours at 10 locations nationwide (Effective period: April 8 - TBD)

*We plan to resume normal operations once the State of Emergency declaration has been lifted.

- Door-to-door purchases only available when items can be picked up at doorstep.
- Contact center is basically operating normally through telecommuting (9:19 - 21:00)

Media Business Mobile & Telecommunications Business

Operating as normal

- Operations and business basically continuing as normal through telecommuting

Reference: Positioning of Group Companies

