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Release of Summary of Q&A Session at the Fiscal Year End Information Meeting

MarketEnterprise Co., Ltd. is providing the following summary of questions and answers at the August 21, 2024, information meeting for the results of operations for the fiscal year that ended in June 2024.

Summary of Questions and Answers

Question 1

How do you intend to handle the derivative transaction agreement you have with SBI Securities after the maturity date of September 14?

Answer 1

As I explained earlier, we hope to renew this derivative contract after September. From a medium- to long-term perspective, our policy is to gradually review derivative transactions on the assumption that the stock price will move toward a stable upward trend.

Question 2

Do you see any impact of the sharp exchange rate fluctuations of the Japanese yen and geopolitical risks in the Middle East, Israel, and Iran, etc. on your future performance?

Answer 2

In the area of machinery business, we sell domestically as well as overseas. The depreciation of the Japanese yen can be a positive factor in making it easier for customers to purchase goods, but on the other hand, the higher ocean freight rates due to geopolitical risks can have a negative impact on our business performance. In the machinery business, we are taking measures to minimize the overall impact of the project, while taking such factors into consideration and developing domestic sales channels and overseas sales channels where ocean freight rates are not high.

Question 3

In the area of individual reuse, there has been some confusion over the past few years in terms of optimizing the purchase channels, and there have been a number of measures taken, but has this been resolved to a large extent at this point, or are there still a number of issues that need to be addressed? Could you tell us about the current situation?

Answer 3

First of all, in the area of the reuse purchase channel, our company has always been a secondhand online business, and with nearly 400,000 purchase requests per year, we have a great advantage in that we receive the largest number of requests via the Internet in Japan. In such a situation, we have been optimizing the three channels of in-store purchases, on-site purchases, and purchases using delivery services, but our most recent priority strategy has been to focus on on-site purchases. I think there were some cases where we were too much focused on on-site purchases. We are optimizing these efforts, and while we continue to strengthen in-store purchases and purchases using delivery services, which are our original strengths, the number of on-site purchases does not seem to have increased significantly, but the unit price per purchase has risen significantly, and our efficiency has improved significantly. So, after this confusion, or rather,

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after taking on a major challenge, the timing is such that we are moving forward with a renewed clarity of our company's strengths, and we recognize that we are now in a situation where we can grow steadily from here on.

Question 4

Another thing is the machinery business, which I think is very interesting in terms of overseas development, but from a medium- to long-term perspective, how do you plan to expand this business? For example, you mentioned earlier that you are increasing purchases from corporations.

Answer 4

Thank you. First of all, the market seems to be growing steadily, with acquisition of trading volume from both domestic and overseas. As I mentioned a little earlier, the average age of farmers in Japan is 67 years old, and there are a great many farmers who are leaving the farm every year, so we are in a situation where such products are becoming available increasingly in Japan. In addition, since we have overseas sales channels, we have been able to capture selling needs from domestic dealers, agricultural equipment stores, and other corporate customers, and our domestic purchases are expanding significantly, especially from corporate customers. As far as overseas countries are concerned, a great deal of agricultural machinery that is no longer active in Japan is still in use. As most people would imagine, you might think that most of our products are sold in the Asian region, but in fact, we sell a great deal of agricultural machinery not only in Asia, but also in Europe. There is still a great demand for used Japanese agricultural machinery that can make small turns, and we would like to capture this demand. As a result of our recent improvement of making our website available in multiple languages, we have received an increasing number of inquiries from South America and other areas not only in Europe and Asia, where our company has always been strong in sales. In the long term, we are also looking at the African continent, where we have had a number of ambassadors come to visit our company, and there are still many countries where agriculture is still done by hand. I would like to continue to offer these no-longer-used items as "Used in Japan." We believe that the selling needs of these products in Japan and the demand for overseas customers will continue to grow. We expanded this business to JPY3 billion in the last six years, and we aim at continuing the growth.

Question 5

Why is the operating income plan for FY2025 set to JPY700 million? I think it is rather conservative.

Answer 5

With expectation of profit increase by JPY4 billion, the growth ratio of the machinery and mobile businesses will be slightly higher. The gross profit margin of these businesses is slightly lower than that of other businesses, so we expect a slight decrease in the consolidated gross profit margin. In addition, as you are aware, we expect the SG&A ratio to decline, but taking into account a slight decrease in the gross margin, we believe that landing at JPY700 million is appropriate. As for the question of whether we are being conservative, our policy is to disclose highly probable business results to investors, so please bear that in mind.

Question 6

In the quarterly trend of reuse for individuals on page 20 of the document, the gross margin was 48% for the fiscal year ended June 30, 2023, but it dropped to 45% for the fiscal year ended June 30, 2024. What is the reason for this?

Answer 6

The 48.3% rate on page 20 in parentheses indicates that the rate is 48.3% when the handling of used cars is excluded, at the same level as FY2023, instead of 45%. Conversely, the gross profit margin for car products is slightly lower than that for general reuse, so the gross profit margin tends to decline as the trading volume expands, but the gross profit margin for the general reuse area has not declined. As for the car business, we receive nearly 400,000 purchase inquiries per year, and we are able to make proposals to customers who want to sell their cars spontaneously at the same time of those purchases. So please understand that we are starting to handle new businesses without a large upfront investment. I'd appreciate if you would take that into consideration.

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Question 7

The machinery sales on page 30 of the document are increasing steadily, but the segment profit is still low at 2.5%. What are the projected sales for this business and the segment profit for the fiscal year ending June 30, 2026? If profits can be expected to improve, please tell us why.

Answer 7

As a premise, I will refrain from explaining about specific profit amount since we are not disclosing a separate business forecast for the machinery sales alone. As I explained earlier, we are strengthening purchases from corporate customers in the machinery business. This has been successful since H2 of the fiscal year ended June 30, 2024, and has increased the efficiency of procurement. I can say that unit price or gross profit per products tend to be slightly low when we purchase from corporate customers. However, for example, we can purchase approximately one unit of agricultural machinery from an individual customer, while we can purchase two or three units of agricultural machinery from a corporate customer. Therefore, we expect to improve not gross profit margin but total segment income, operating income, and profitability, including SG&A expenses, by further increasing the gross profit. I'd appreciate if you take that into consideration. The agricultural equipment are products that are scattered in various regions, since farmers are located in various regions throughout Japan. So the cost can be lower when we purchase from corporate customers. The efficiency of procurement has been increasing, and the number of corporate customers has now expanded to 850, and since the number continues to increase, we expect to gradually expand this transaction. In sales, we are strengthening our relationships with overseas customers, and we are selling these products to corporations in the same way. We expect to make further improvements in the future since we see the improvements of the effective sales.

Question 8

While your company is refraining from focusing too much on on-site purchases, other companies in the same industry specializing in on-site purchases are expanding their business through M&A and other means. I assume that the cost structure of on-site purchases differs from that of purchases using delivery services and in-store purchases. Please tell us about your company's strategic response to future on-site purchases.

Answer 8

The reuse market is extremely strong, and other companies are doing just as well, but our company receives about 400,000 purchase requests per year, and we have developed our business as the company that receives the most purchase requests via the internet in Japan. In this context, we have been focusing on sales of products such as home appliances, musical instruments, cameras, and audio equipment, as these are the areas in which we excel. We are gradually increasing the number of brand-name products and precious metals among such items that we purchase from on-site customers. While all the secondhand businesses tend to be considered all the same, we will continue to strengthen the areas in which we are strong in, and also promote the potential needs for purchases through our optimum channels. We would like to make the most of both our strengths and the potential needs of our clients by visiting them on-site.

Question 9

There are many unlisted companies in the reuse industry, and compliance issues continue to follow them. I believe that there is a problem called forced purchases in the homes of the elderly. Do you think it is contributing to lower the inquiries of on-site purchases?

Answer 9

As a secondhand online business company, we receive a large number of purchase requests via the internet. Therefore, as a basis, we respond to the customers' inquiries, and not vice versa. Therefore, we have not been greatly affected by such incidents of on-site purchases, and we have not heard about the incidents from our customers. On the other hand, I think it is very important to strengthen compliance, and when we visit a client's home, we record the visit with the client's permission to check for any problems. When a customer's purchase is completed, we make a thank you call to

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the customer to let them know that there were no problems with the transaction and that they can take action if they are eligible for a cooling-off period, and that we will make sure to inform them of this. We are currently developing initiatives to prevent such problems from occurring, and we will continue to promote transactions with a sense of security.

Question 10

Your company is putting a lot of effort into expanding special benefits and IR for individual investors. Can you tell us about your approach to shareholder returns, the balance between special benefits, dividends, and share buybacks, and the shareholder composition you are aiming for?

Answer 10

Our first priority is to increase corporate value through growth in business performance, and we will continue to return profits to shareholders at every milestone. In the last fiscal year, we introduced a shareholder special benefit plan for the first time. It has been about nine years since we were listed on the Tokyo Stock Exchange Mothers, and this is the first time we have done so. We would like to make a series of such efforts, whether it be shareholder special benefits or a solid dividend policy, at a time when we are expanding our business through upfront investment. We are aware that the most urgent issue is to increase the market capitalization of the Company while maintaining the prime listing, and we will consider returning profits to our shareholders as we move forward with this.

Question 11

I understand that you have started handling used cars, and that the used car market is a very large market. What is your impression on your used car business? Could you tell us the situation? Also, since it is quite different from the conventional products you handle, please tell us about any risks or concerns, such as valuation, for example.

Answer 11

Our company is not on the business model where we buy and sell at stores, so we have developed a unique model of the secondhand online business where we receive requests from customers via the internet, and after conducting interviews with them, we make proposals for in-store, on-site, and ship-out services. So, for example, when we entered the agricultural equipment market back then, we heard from customers that they wanted to sell agricultural equipment as well, so we uncovered their needs and made it possible for us to offer land transportation and other services. That resulted in expansion of handling of agricultural equipment. Similarly, while we receive approximately 400,000 purchase requests a year, and after having sold our products in this way and having established a relationship of trust, we have received a few requests to sell used cars as well. Under these circumstances, we finally started handling used cars during the period, and as a result, we recorded sales of about JPY665 million in the first year. The car industry is a very large market with a lot of competition, but rather than entering a red ocean, or a market with a lot of competition, we have already received a lot of requests from our customers. Also, by telling customers that we can provide them with additional services, we are uncovering used cars for sale, and there is a need for such services. I believe that we can continue to move forward efficiently. In this reuse business, we have handled a wide range of products. If you wonder whether the risk is higher for handling used cars, for example, with counterfeit brand products, the value of the product may be reduced to zero. However, in light of the various risks associated with cars, we have entered this field because we consider it is a business that is sufficiently profitable, even after carefully considering the risks involved. To speak more broadly, with Japan's population declining from current 120 million to less than 90 million in the 2060s, we believe that there will be a major shift in the way various products are sold in the future. Because we receive so many requests like this, I believe that we will be able to provide more and more of these types of discussions as a package to our customers in the future, and we will continue to work hard to promote them.

Question 12

It is not limited to the reuse business, but in any business where money is transferred from customers, scandals can occur regarding the handling of such money. Please tell us about any employee training or other initiatives you are

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undertaking.

Answer 12

: Recently, there have been various reports in the reuse industry, and we are promoting various training programs to prevent such incidents from occurring. In areas where there is actually a lot of fraud within other companies, many customers actually bring their products directly to the storefront, and money is exchanged in such areas. In the case of our company, we receive inquiries via the internet, and also inquiries are handled at our contact center. We can record the conversation at our contact center to ensure security and safety. While we have services of in-store, on-site, ship-out, in case of on-site, where only the customer and our employees are present, we confirm the recording with the customer's approval as I mentioned earlier, and after the actual visit, we make a "thank you call" to the customer to confirm compliance. In this sense, we are taking measures to mitigate the risk of money transfers, and we also provide employee training programs such as watching videos, and we have our own 1,000-page manual called the Standard Book, which we hope will become the our company's standard. We are also promoting measures to have those materials available in our intranet. We will continue to work to prevent these issues from occurring.