



Steady progress on diversifying the business portfolio and improving the earnings structure

▷ **1Q FY6/21 Financial Results: Promoted diversification of the business portfolio with existing Second-Hand Online Business at the core. Reform of the earnings structure is also underway, and 1Q results were sales +10.5% and OP -4.2%.**

—With existing Second-Hand Online Business at the core, the Company is actively promoting diversification of the business through M&A. Agricultural Equipment sales, Media Business and Mobile & Telecommunications Business all grew steadily.

—1Q Results: Net sales ¥2.87bn (+10.5% YoY), OP ¥163mn (-4.2%).

—By segments, Second-Hand Online Business focused on reforming profitability, implementing effective advertising control. Segment sales -1.9%, OP +36.9%. Agricultural Equipment sales and 'Oikura' (How much?) second-hand platform sales also grew.

—For Media Business, due to the impact from changing Google's search engine algorithm and reactionary decline after special demand, sales declined QoQ, but YoY performance was sales +19.9%, OP -5.7%. The page view (PV) unit price maintained a high level.

—For Mobile & Telecommunications Business, while new line subscription contracts saw a reactionary decline QoQ after special demand, the number of retained lines increased, resulting in recurring revenue increasing +86% YoY. Segment sales +28.6, OP -9.7%.

▷ **Full-term FY6/21 guidance: Maintained forecast ranges. Sales ¥13.5-14.5bn (+23.8% to +33.0%), OP ¥730-900mn (+11.3% to +37.2%)**

—Citing ongoing uncertainties about the impact of COVID-19, the company left full-term guidance forecast ranges unchanged.

—Going forward, continuing the 1Q trend, in addition to improved profitability from reform of existing business, Agricultural Equipment sales, 'Oikura' platform sales, Media Business and Mobile & Telecommunications Business are expected to continue growing.

▷ **Share price trend: Dipped after the decline in profits, but focus on the trend going forward**

—The share price posted a YH on 8/19, and has since been in a declining trend, dipping further after 1Q results showing a profit decline. The Company has actively promoted improving the earnings structure of existing business and acquired business, and new business has begun contributing to earnings. As the sense of overheating seen in the share price last year has eased, the impact of COVID-19 on the Company's business is minimal, and the levels of both sales and profits are forecast to continue growing steadily, making the current level of the share price after the correction attractive to long-term investors. We also want to focus on the high evaluation of second-hand re-use business from the perspective of ESG (environmental, social and corporate governance) investing.

—The Company filed an application with the TSE on October 26 to change its market listing designation to TSE1, and it is aiming to achieve the change by the end of this fiscal year.

FY	Net Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	Ord. Profit (¥ mn)	YoY (%)	Profit ATOP (¥ mn)	YoY (%)	EPS (¥)
FY2017/6	5,630	-	(7)	-	4	-	(19)	-	(3.80)
FY2018/6	6,333	12.5	96	-	94	-	31	-	6.28
FY2019/6	8,472	33.8	452	368.6	455	379.4	203	538	6.28
FY2020/6	10,904	28.7	656	45.1	664	45.9	292	43.9	55.9
FY2021/6 (CE)	13,500 ~14,500	23.8 ~33.0	730 ~900	11.3 ~37.2	733 ~903	10.4 ~36.0	360 ~450	23.4 ~54.3	68.88 ~86.10
FY2020/6 Q1	2,598	50.1	171	683.9	170	699.4	92	-	17.86
FY2021/6 Q1	2,870	10.5	163	-4.2	160	-6.2	84	-9.4	16.12

1Q Follow-up



Focus points

Posted 14 straight years of sales growth since its founding with a focus on online second-hand business. Making steady progress in entering second-hand business for corporate customers. Diversifying business centering on second-hand goods, such as media business and Mobile & Telecommunication business.

Key Indicators

Share price (12/15)	2,014
YH (20/8/19)	3,285
YL (20/3/23)	1,469
10 YH (19/11/19)	3,650
10 YL (16/11/9)	461
Shares out. (mn shrs)	5.226
Mkt cap (¥ bn)	10.51
EV (¥ bn)	10.42
Equity ratio (6/30)	35.8%
FY6/21 P/E (CE)	29.2x
FY6/20 P/B (act)	6.89x
FY6/30 ROE (act)	28.5%
FY6/21 DY (CE)	0.0%

Share price chart (1 year)



Source: SPEEDA

SESSA Research team

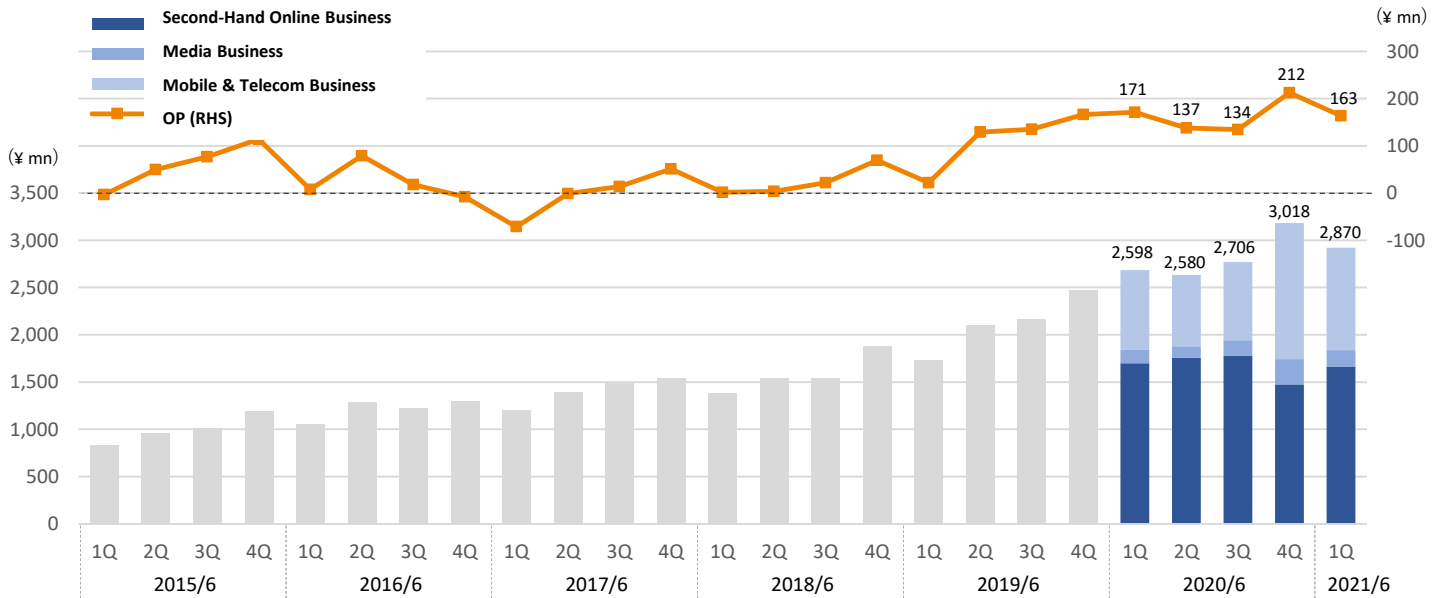
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Quarterly Consolidated Results Trend: Sales by Segments and Total OP



Source: compiled by SESSA Partners from company IR materials

① 1Q FY6/21 Financial Results

1) 1Q results came in as sales up/profits down, but the business environment is healthy.
 —1Q results were: net sales ¥2,870bn (+10.5% YoY), OP ¥163mn (-4.2%), ordinary profit ¥160mn (-6.2%), and profit attributable to owners of parent ¥84mn (-9.4%).

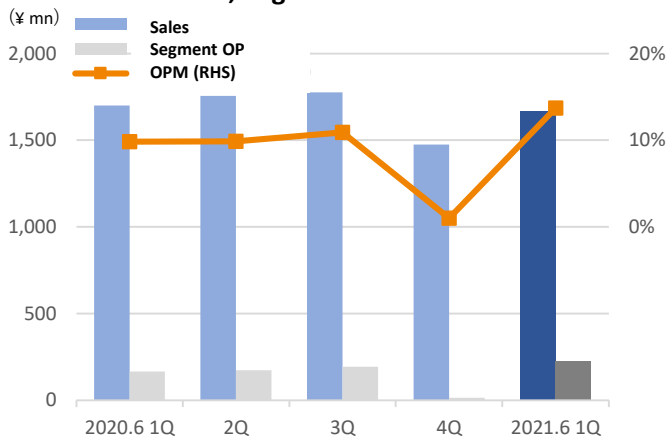
—While existing core business of Second-Hand Online Business posted a gain in profits, both Media Business and Mobile & Telecom Business recorded declines in profits, resulting in a decline in total profit.

2) Trend by Segments

a) Second-Hand Online Business: sales ¥1,665mn (-1.9%), OP ¥228mn (+36.9%)

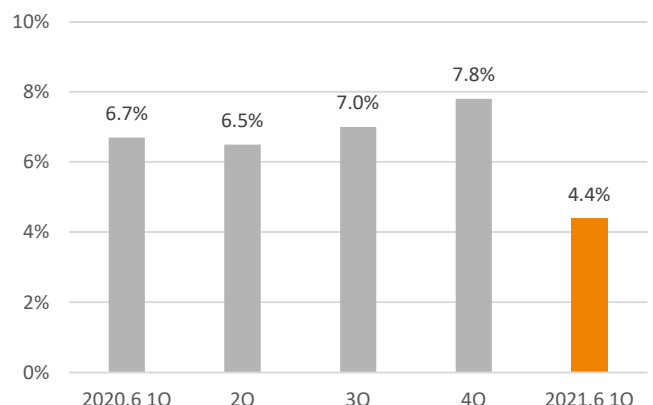
—Since the Company is engaged in the purchase and sale of second-hand re-use items dedicated to the internet, advertising expense on the internet has an influence on the change in sales. In order to address the uncertain external environment under COVID-19, the Company carefully reviewed the makeup of advertising expenses. As a result of reducing wasteful advertising and promoting efficiency by controlling advertising spending, the advertising expense ratio to sales declined from 6.7% the previous term to 4.4%,

Trend of Second-Hand Online Business Sales, Segment OP and OPM

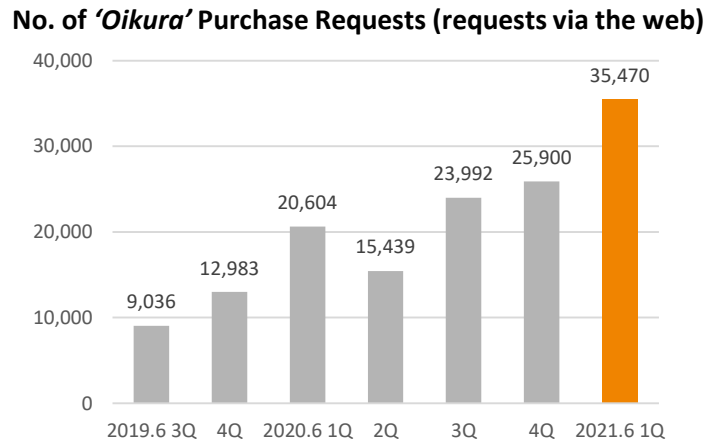
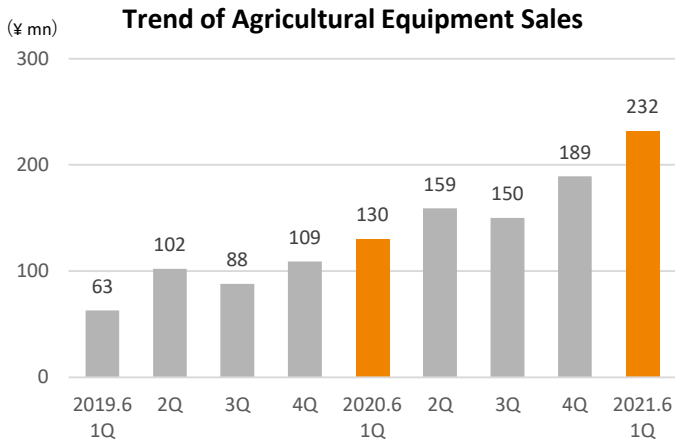


Source: compiled by SESSA Partners from company IR materials

Trend of the Advertising Exp. Ratio to Sales



Source: compiled by SESSA Partners from company IR materials



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resulting in achieving a sharp improvement in profits despite the decline in sales.

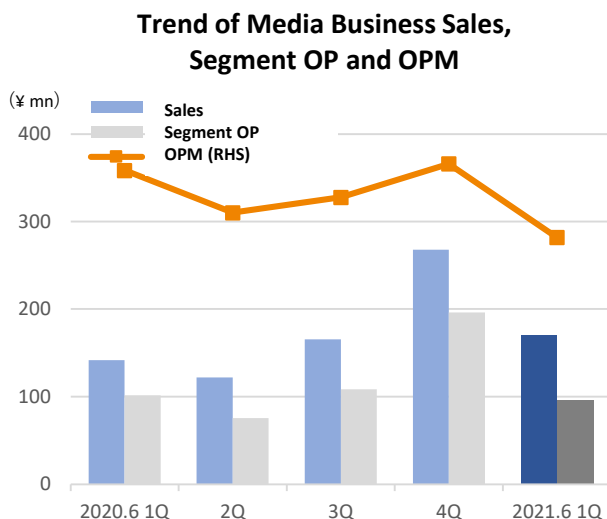
—Agricultural Equipment Sales, a focus in recent years, maintained high growth of +73% YoY. Cross-border e-commerce performed well, mainly for consolidated subsidiary ME Trading.

—The second-hand re-use platform 'Oikura' (How much?) has improved matching accuracy by investing in system development. The Company started working together with Takakuureru.com, a comprehensive purchasing website for all types of merchandise, and the number of requests has entered a full-swing growth trend.

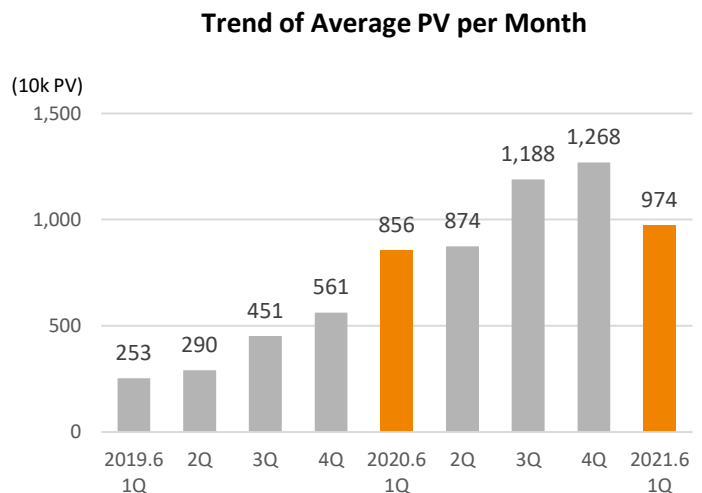
b) Media Business: sales ¥169mn (+19.9%), OP ¥95mn (-5.7%)

—in addition to the impact from the change in Google's search engine core algorithm implemented in May 2020, there was a reactionary decline from special demand in the 2H of last term, and growth in the number of page views (PV) slowed.

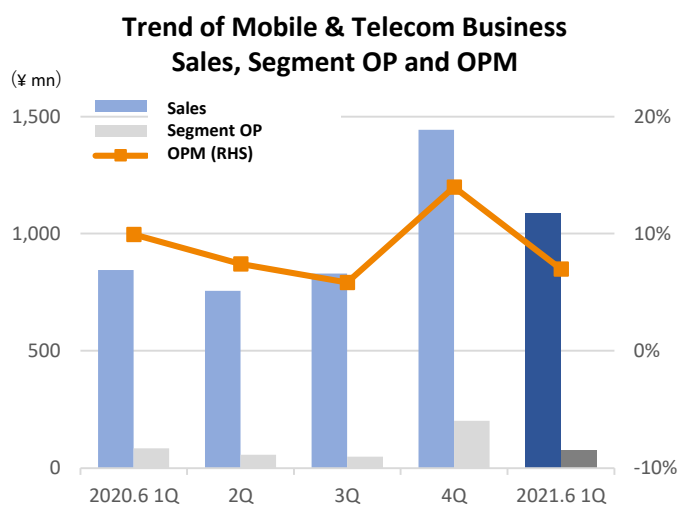
—Advertising revenue grew favorably for certain media, but the decline in advertising revenue mainly for mobile telecom, and the rise in personnel expense related to strengthening the business structure, resulted in profits declining YoY.



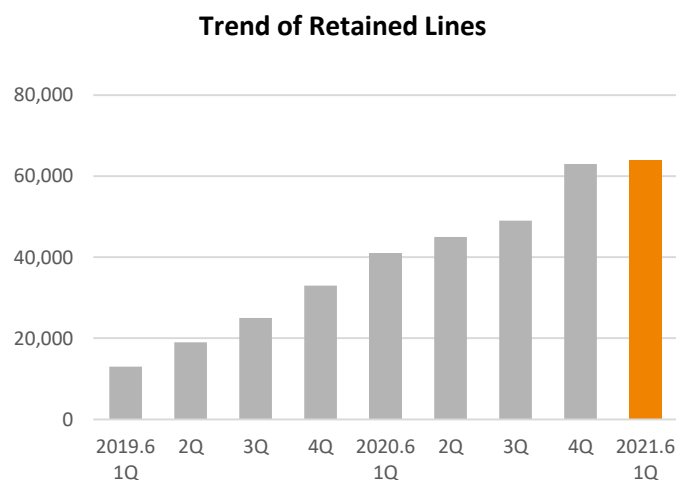
Source: compiled by SESSA Partners from company IR materials



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c) Mobile & Telecom Business: sales ¥1,086mn (+28.6%), OP ¥75mn (-9.7%)

—During the 4Q of last term, stay at home orders pursuant to the declaration of a state of emergency, special demand arose due to the surge in demand to improve the home network environment. Then in the 1Q of this term, the number of new line subscription contracts experienced a reactionary decline, and the associated sales incentives decreased.

—At the same time, communication fee revenue increased significantly from the accumulation of retained lines. Stable cash flow generation has become possible.

—As a result, sales rose sharply by +28.6%, however OP declined -9.7% due to the decrease in new sales incentives.

② Full-term FY6/21 Guidance: forecast ranges were unchanged. Sales ¥13.5-14.5bn (+23.8% to +33.0%), OP ¥730-900mn (+11.3% to +37.2%)

— Citing ongoing uncertainties about the impact of COVID-19, the company left full-term guidance forecast ranges unchanged. Net sales ¥13.5-14.5bn (+23.8% to +33.0%), OP ¥730-900mn (+11.3% to +37.2%), ordinary profit ¥733-903mn (+10.4% to +36.0%) and profit attributable to owners of parent ¥360-450mn (+23.4% to +54.3%).

—As seen in 1Q results, the Company expects growth to continue due to:

- i) For existing Second-Hand Online Business, it will continue to strive for improved profitability through implementing various system improvements in response to changes in the environment,
- ii) It will target further opportunities to grow earnings by promoting business diversification through M&A as well as aiming at synergies with existing business,
- iii) For Mobile and Telecom Business, it has achieved a recurring revenue model, and it can expect to generate stable cash flow, and
- iv) The impact from COVID-19 is limited since its second-hand re-use business is basically an online business model. At the same time, it is a positive tailwind for Mobile & Telecom Business.

3-Year Weekly Share Price Trend



Source: compiled by SESSA Partners from SPEEDA data

③ Share Price Trend

— The Company's share price posted a YH on 8/19, the day of the 4Q FY6/20 results briefing, and has since been in a declining trend, dipping further the day after 1Q results showing a profit decline were announced on 11/12.

—1Q results this term included reactionary declines to special demand in the 4Q of last term as well as unexpected events, resulting in the 1Q profit decline, but this will likely return to the profit growth trend for the full-term. The Company has actively promoted improving the earnings structure of existing business and acquired business, and new business has begun making a contribution to earnings. While the sense of overheating seen in the share price last year has eased, the impact of COVID-19 on the Company's business is minimal, and the levels of both sales and profits are forecast to continue growing steadily, making the current level of the share price after the correction attractive to long-term investors. We also want to focus on the high evaluation of second-hand re-use business from the perspective of ESG (environmental, social and corporate governance) investing, which is an important factor in investment decision-making for overseas institutional investors.

—The Company announced in a press release dated December 15, 2020 that it filed an application with the Tokyo Stock Exchange on October 26, 2020 to change its market listing designation to the TSE First Section. It appears to be aiming for a change in market listing designation before the end of this fiscal year.

Quarterly Consolidated Results Trend

	2019/6				2020/6				2021/6
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net sales	1,731	2,101	2,168	2,473	2,598	2,581	2,706	3,019	2,870
YoY	25.5%	37.0%	40.7%	15.0%	50.1%	22.8%	24.9%	22.1%	10.5%
Second-Hand Online Business	—	—	—	—	1,699	1,755	1,775	1,474	1,666
YoY	—	—	—	—	—	—	—	—	-1.9%
% of sales	—	—	—	—	65.4%	68.0%	65.6%	48.8%	58.0%
Media Business	—	—	—	—	142	122	165	268	170
YoY	—	—	—	—	—	—	—	—	19.9%
% of sales	—	—	—	—	5.5%	4.7%	6.1%	8.9%	5.9%
Mobile & Telecom Business	—	—	—	—	845	756	830	1,443	1,086
YoY	—	—	—	—	—	—	—	—	28.6%
% of sales	—	—	—	—	32.5%	29.3%	30.7%	47.8%	37.8%
Segment OP									
Second-Hand Online Business	—	—	—	—	167	173	193	15	228
YoY	—	—	—	—	—	—	—	—	36.9%
OPM	—	—	—	—	9.8%	9.8%	10.9%	1.0%	13.7%
Media Business	—	—	—	—	102	76	108	196	96
YoY	—	—	—	—	—	—	—	—	-5.7%
OPM	—	—	—	—	71.7%	62.0%	65.5%	73.2%	56.4%
Mobile & Telecom Business	—	—	—	—	84	56	48	202	76
YoY	—	—	—	—	—	—	—	—	-9.7%
OPM	—	—	—	—	9.9%	7.4%	5.8%	14.0%	7.0%
COS	1,020	1,254	1,293	1,473	1,595	1,603	1,688	1,776	1,767
YoY	29.1%	36.6%	48.0%	34.2%	56.3%	27.9%	30.6%	20.6%	10.8%
Gross Profit	711	847	875	999	1,004	978	1,039	1,222	1,103
YoY	20.3%	37.6%	31.2%	28.1%	41.1%	15.4%	18.7%	22.3%	9.9%
GPM	41.1%	40.3%	40.4%	40.4%	38.6%	37.9%	38.4%	40.5%	38.4%
SG&A expenses	690	718	740	833	832	840	904	1,010	939
YoY	17.0%	17.4%	14.7%	17.2%	20.7%	16.9%	22.2%	21.2%	12.8%
Ratio to sales	39.8%	34.2%	34.1%	33.7%	32.0%	32.5%	33.4%	33.4%	32.7%
OP	22	129	135	167	171	138	134	213	164
YoY	1187.0%	3584.6%	522.6%	139.2%	683.9%	7.0%	-0.6%	27.7%	-4.2%
OPM	1.3%	6.1%	6.2%	6.7%	6.6%	5.3%	5.0%	7.0%	5.7%
Ordinary profit	21	128	134	172	171	138	135	221	160
YoY	—	2743.1%	585.9%	116.9%	699.4%	7.3%	0.9%	28.5%	-6.2%
Ratio to sales	1.2%	6.1%	6.2%	6.9%	6.6%	5.3%	5.0%	7.3%	5.6%
Profit attrib. to owners of parent	(1)	68	69	68	93	75	79	45	84
YoY	—	6163.1%	4830.0%	86.2%	—	10.1%	14.7%	-34.0%	-9.4%
Ratio to sales	-0.1%	3.2%	3.2%	2.8%	3.6%	2.9%	2.9%	1.5%	2.9%

Source: compiled by SESSA Partners from company IR materials. Segment Information disclosed from FY6/20. Slight difference with company reported figures due to rounding.

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