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Company name: MarketEnterprise Co., Ltd.
Representative: Yasushi Kobayashi, President, CEO
Securities code: 3135, Tokyo Stock Exchange, Prime
Contact: Kenichi Imamura, Managing Director
Tel: +81-3-5159-4060

Q&A for the Financial Results Briefing for the 2Q of the Fiscal Year Ending June 30 2025

On February 21 2025, we held an online financial results briefing for the 2Q of the fiscal year ending June 30 2025. This document summarizes and makes public the main points of the Q&A session. Some amendments have been made for clarity.

Q1: The Q2 gross profit margin for second-hand products for individual has decreased. Could you tell me the reason for it? You also explained that the gross profit margin is expected to rise again from Q3 and onward. Could you tell me if this could be because of a temporary factor?

A1: Although the gross profit margin decreased in Q2, excluding the purchase of vehicles, the gross profit margin was 47.4%, which is not so different from the levels in previous years. We do not see this as a problem but rather as progressing within our expectations, as we expect to see improvements in Q3.

Q2: Am I correct in understanding that the progress of recruitment and turnover is not a problem?

A2: Yes, the understanding is correct. They are also progressing as planned. The overall situation is beginning to improve favorably, as we have moved forward with measures to optimize our purchasing channels, optimizing them from the point where we have increased and developed our door-to-door purchasing staff.

Q3: I remember that at last year's financial results briefing, you explained that the growth drive would start this year. This year's explanation sounded like a slight slowdown in speed. Could you elaborate on the change in views from last year?

A3: Overall, we recognize that consolidated sales increased 34.6% and are beginning to drive up very significantly compared to last year. In terms of growth, first of all, in the case of second-hand online, I would like you to look at the growth in operating profit rather than the growth in sales. In the area of segment profit, we are beginning to make progress in the second-hand online business, which is becoming more profitable, as business efficiency improves through optimized channel development. In addition, the mobile and telecommunications area has seen an increase in revenues as a result of solid recognition measures. In the machinery business, there has been a slight standstill due to unexpectedly high ocean freight rates, but overall, the whole of our businesses is progressing efficiently, with a 34.6% increase compared to last year.

Q4: Please give us an update on the criteria for maintaining prime market listing. What are your thoughts again on maintaining the prime market listing? Are you considering any additional measures to clear standards in the future?

A4: Regarding the prime market, the criteria for maintaining a listing on the prime market is a market capitalization of at least JPY10 billion, which is an area we have not yet reached. We are expecting record-high profits in the current fiscal year, and we would like to take measures to contribute to the improvement of our stock price in the next fiscal year as well, first of all by firmly increasing our business performance. On the other hand, in case we do not reach the criteria for the prime market, we are considering applying for the standard market at the same time. However, we will make firm announcements and take whatever measures we can to improve our business performance over the long term.

Q5: Could you explain the reasons for the decline in the gross margin of machinery and the outlook for the gross margin in the future and the reasons for the decline?

A5: This time, due to the impact of ocean freight rates and other factors, the ratio of overseas sales has dropped slightly, and the ratio of domestic sales has increased. Overseas, the gross margin is high, but the SG&A expenses, including container transportation, are high in the commercial distribution system, while in Japan, the gross margin is a little lower, but the SG&A expenses are not so large. Under these circumstances, the gross profit margin is at 20%, a low level compared to the past, due to increased domestic sales resulting from higher ocean freight rates, but we believe that we can establish a system in which the gross profit margin will improve as overseas sales return. On the other hand, as I mentioned earlier about domestic sales and holding exhibitions, we have completed the construction of a system that will enable us to efficiently sell our products in the future, and we are also working on a system that can respond with resilience. Therefore, while sales have increased 20 times over the past six years, we are now at a slight standstill, and we intend to firmly rebuild from here.

Q6: Could you tell me the reason for the early termination of the agreement with SBI SECURITIES Co.,Ltd., and whether it is correct to assume that the shares will no longer be sold after May 22?

A6: This is a forward contract of our own stock price for settlement of difference, so we have a total of 400,000 shares of this derivative, and we have put it out in the form that we will proceed with the sale of these 200,000 shares until May 21. Currently, they are gradually being sold to the market, but I believe that after May 22, the selling will temporarily stop. Since the contract was signed at JPY971 at the time, we believe that it is appropriate for us to first eliminate half of this amount at the current share price. We intend to return the area of attention firmly to the contribution of improved business performance while sequentially eliminating factors of concern to investors from this point forward.

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