

## First Look



### Focus points

**Bull:** Posted 13 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 & telecommunications business.  
**Bear:** High level of P/B ratio. Can a further expansion of the share price be expected from here?

### Key Indicators

Share price (8/12)	2,774
YH (20/1/14)	3,100
YL (20/3/23)	1,469
10YH (19/11/19)	3,650
10YL (16/11/9)	461
Shrs out. (mn, shrs)	5.23
Mkt cap (¥bn)	14.50
EV (¥bn)	13.11
Shr eqty ratio	43.4%
FY6/20 P/E (CE)	53.5x
FY6/19 ROE (act)	20.5%
FY6/19 P/B (act)	10.37x
FY6/20 DY (CE)	0.0%

Share Price Chart 52 weeks



Source: SPEEDA

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## High Level of ROE Among Second-Hand Businesses Looking to Cultivate Enormous Potential Market

### Executive Summary

- Notably, MarketEnterprise (ME) commands the highest level of ROE in the second-hand goods industry (25.3%, LTM). The share price bakes in high expectations, trading at a P/E ratio of 58.4x and a P/B ratio of 8.4x. Whether the firm can maintain its high level of ROE over the medium-to long-term will likely determine how the share price will move. The firm has delivered consecutive years of sales expansion since its founding in 2006, demonstrating robust top-line growth momentum, with a CAGR of +28% over the last six years. Net sales (TTM) over the past year have increased by +30-40%.
- ME boasts a stunningly high inventory turnover of 17.2 times per year (FY6/19), and this is a key factor contributing to its ROE. The high inventory turnover is attributable to the use of an integrated core business system developed in-house that streamlines and accelerates operations, and its business model centered on online purchase and sale.
- ME differentiates itself from peers by specializing in a second-hand online business, with a business model that stands in contrast to existing businesses that operate multiple directly-managed and franchise stores. The firm's steady cultivation of the second-hand market has been by virtue of the following: strength in efficient web marketing that drives customer traffic targeting conscious consumers who aim to shop wisely, swift and convincing price assessments, and warranties and other services that create an environment for consumers to buy second-hand items with peace of mind.
- The average selling unit price is high at over ¥30,000, because ME mainly handles high-priced products (e.g., home appliance, audio, camera, musical instrument) rather than books or clothing. Furthermore, the reuse of specialized equipment for corporate use (e.g., agricultural machinery, construction machinery, medical equipment), in which overseas exports can be expected, is shaping into a new earnings driver.
- Management aims to step up the distribution of unused items in households and offices to tap the ¥4.5 trillion potential market, which surpasses the current size of the second-hand market (¥2.6 trillion in 2020, according to The Reuse Business Journal's estimate). ME is diversifying its business through operations with the second-hand business at the core, such as a matching platform that connects sellers with second-hand shops across Japan, a media business, and a mobile & telecommunications business.

### MarketEnterprise: Consolidated Earnings Trend

JPY mn, %	Net sales	YoY	Oper.	YoY	Ord.	YoY	Profit	YoY	EPS
	¥	%	Profit	%	Profit	%	ATOP	%	(¥)
FY6/16	4,863	21.9	96	-59.3	93	-58.9	49	-63.7	9.79
FY6/17	5,630	—	-7	—	4	—	-19	—	-3.80
FY6/18	6,333	12.5	96	—	94	—	31	—	6.28
FY6/19	8,472	33.8	452	368.6	455	379.4	203	538	39.87
FY6/20 CE	10,000	18	600	32.7	602	32.2	270	32.5	51.85

Note: Non-consolidated earnings in FY6/16

This report was prepared by Sessa Partners on behalf of MarketEnterprise Co., Ltd. Please refer to the legal disclaimer at the end for details.

### Key Questions

- Will MarketEnterprise outperform the remarkable growth of the second-hand market?
- Will MarketEnterprise sustain its high ROE and profit momentum?
- How should MarketEnterprise's governance be evaluated, given that the management team holds more than 60% of the firm's shares?

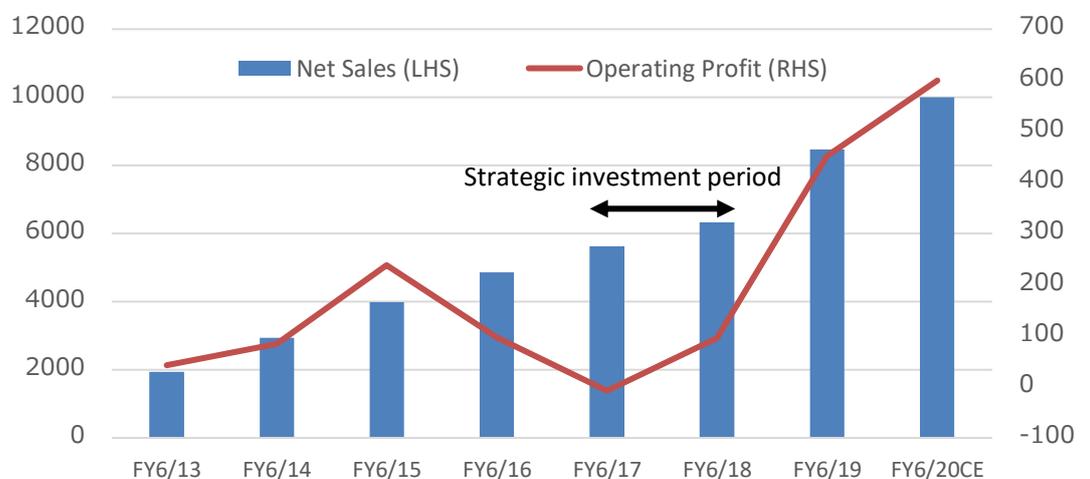
### 1 Breakthrough in Earnings Structure Following Strategic Investment Period

MarketEnterprise (ME) has an ROE of 25.3% (LTM, as of March 31, 2020), outshining the industry standard, and its shares have traded at an elevated P/B ratio of 10.4x.

Although the firm has recorded 13 straight years of sales growth since its founding, its journey has by no means been smooth sailing. After being listed on TSE Mothers in 2015, it revised down guidance for two years in a row since the second year of listing.

In response, ME positioned the two years from FY6/17 to FY6/18 as a strategic investment period and took measures. These measures included setting up fulfillment centers ("reuse centers") across Japan that serve as the purchase basing for the second-hand online business, opening a contact center in Tokushima to respond to the rising number of purchase requests, expanding product categories that it handled, and developing new businesses. In addition, it actively invested in IT and personnel to further reinforce the integrated core business systems used in its existing second-hand online business. As a result, the second-hand online business achieved an improvement in inventory turnover, from 8.8 times per year in FY6/17 to 17.2 times per year in FY6/19. ROE had fallen to 5.5% in FY6/16, but recovered to 19.4% in FY6/19.

### Net Sales and Operating Profit (JPY mn)



Source: Sessa Partners from company data (summary of financial results)

## ② High Management Shareholding Ratio

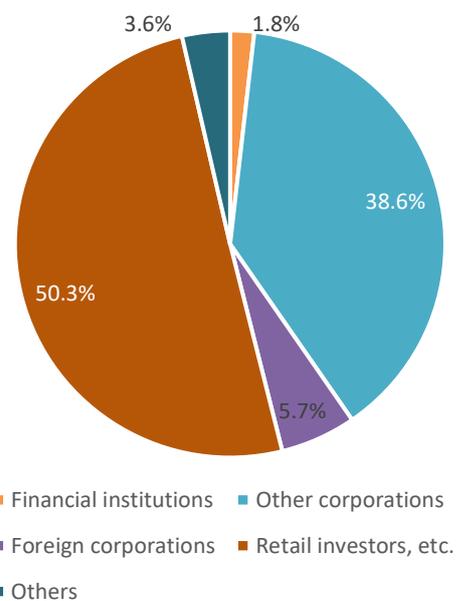
ME has been strengthening and enhancing its corporate governance by inviting two highly independent outside directors and having two out of three auditors be outside auditors. As for the shareholder composition as of FY6/19, the current management team holds more than 60% of shares, with founder and president Yasushi Kobayashi owning a substantial majority. Shareholdings of financial institutions and foreign corporations are both low at 1.8% and 5.6%, respectively.

From the perspective of protecting minority shareholders, the situation in which the founder holds the reins of decision-making including the appointment and dismissal of directors appears to be a concern for governance. On the other hand, even though it has been 14 years since its founding, ME is still in an early stage of building a new business model centered on the second-hand online business. Thus, the founder's leadership can also be seen positively, as it enables the speedy execution of the necessary management decisions to promote business reforms driven by strategic investments as explained above. In this context, the management team's thoughts on how it intends to shape the shareholder composition will bear watching.

### Status of major shareholders

(As of December 31, 2019)

Rank	Shareholder	No. of shares (thous)	Holding ratio (%)
1	WWG KK	1,600	30.63
2	Yasushi Kobayashi	1,140	21.82
3	Tomoyuki Kamo	540	10.34
4	YJI Investment Partnership	400	7.66
5	Goldman Sachs International	118	2.27
6	BNY Mellon (GCM)	101	1.94
7	Trust & Custody Services Bank	68	1.30
8	Kohei Maruo	55	1.06
9	SBI Securities Co., Ltd.	42	0.80
10	The Master Trust Bank of Japan	38	0.73
—	Others	1,121	21.45
	Total	5,224	100.00



Source: SPEEDA

## ③ Overview of Core Business

ME was founded in 2006 by current president Yasushi Kobayashi. It started out by selling used discount batteries online, then launched a flea market and other businesses before transitioning to a second-hand online business. The firm was listed on TSE Mothers in June 2015.

From FY6/17 to FY6/18, it implemented strategic investments to set up reuse centers (purchasing/distribution bases) in 10 locations across Japan and launch a media business and mobile & telecommunications business. The media business operates online media aimed at providing beneficial information to conscious consumers, while the mobile & telecommunications business provides mobile data communication services. ME is diversifying its business through business acquisition and the establishment of new companies.

In FY6/19, the sales weighting was 66% second-hand online, 31% mobile & telecommunications, and 5% media (incl. intra-group sales).

In FY6/20, ME saw a rise in transactions of used agricultural equipment that was started in 2017. In May 2020, it acquired Oho Trading's agricultural equipment business (purchasing, sales, exports). ME looks set to accelerate the expansion of its second-hand online business through overseas exports fueled by strong overseas demand for large-sized second-hand products such as made-in-Japan agricultural equipment and construction machinery.

### Second-hand online business: Growth driven by M&A in addition to core business

- ME has posted 13 consecutive periods of sales growth (as of August 2020), ever since its founding on July 7, 2006, with the second-hand online business at the core. The distinctive feature of the business is that it specializes in conducting both purchasing and sales online, unlike brick-and-mortar second-hand stores. It supports a diverse range of purchase methods, including home delivery, door-to-door, and over-the-counter by setting up reuse centers (i.e., purchase basing) in 10 cities across Japan. ME leverages a proprietary “assessment database” that realizes speedy and highly accurate primary assessment of used products conducted at its contact centers.
- ME not only uses its own websites to sell second-hand products, but also actively uses leading e-commerce websites, such as major e-commerce auction services. It utilizes a “centralized inventory management system,” which manages simultaneous listings on multiple websites. By listing goods on multiple e-commerce websites at the same time, the firm realized an inventory turnover of 17.2 times per year in FY6/19, a very high level for a second-hand business operator.
- Key products handled (e.g., home appliance, audio, camera, musical instrument, PC) account for 60% of total sales. ME does not target low-priced products like books or apparel. It also doesn’t handle brand products, for which there are many competitors. By focusing on high-priced products, it offers the added value of a sense of security and warranty services that come with reused products handled by a listed company and distinguishes itself from C-to-C second-hand businesses such as flea market apps.
- From FY2018, the firm broadened its offerings beyond consumer products by launching a second-hand business for specialized equipment (e.g., agricultural equipment, construction machinery, medical equipment) whose second-hand market is still unripe. As of 1H FY6/20, net sales increased by 85.8% YoY, with the sales composition ratio growing to exceed 10%.
- ME offers three types of warranties: initial warranty, extended warranty (up to three years), and purchase warranty (within 30 days of purchase). Second-hand products usually do not come with a warranty because each item differs in price and condition. The firm possesses a sales advantage by attaching these three major warranty services.
- In February 2019, ME acquired Oikura, a second-hand matching platform that connects sellers with second-hand shops across Japan. The firm is enhancing customer satisfaction by extending support beyond its covered areas and referring sellers of products it doesn’t handle. It is also using Oikura to promote the digital shift of brick-and-mortar second-hand shops nationwide. Performance fees for customer referrals (approx. 30,000/month as of April 2020) have also been on the rise.
- ME is entrusted with the business of purchasing on large e-commerce platforms such as Amazon and Yahoo!, and trade-ins on the direct e-commerce platforms of major manufacturers. The firm has established a solid position amidst a shift to e-commerce in the second-hand industry.

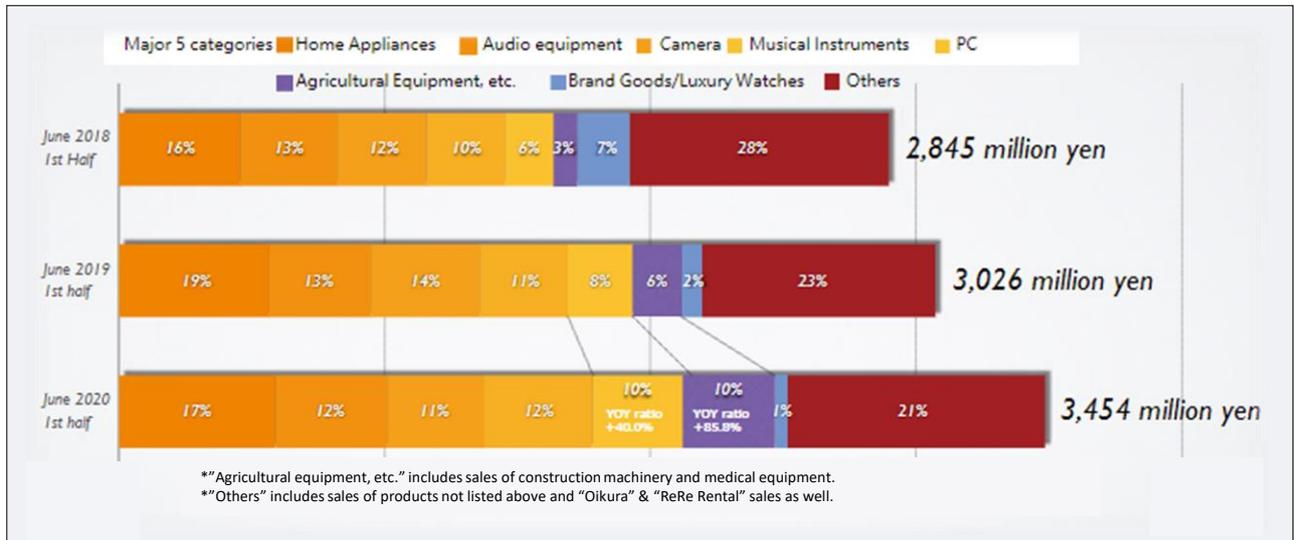
### Business flow of second-hand online business



- Purchase: Customers are referred from Takakuureru.com operated by ME.
- Sale: In addition to opening stores on multiple marketplaces (e.g., Yahuoku!, Rakuten Ichiba, Amazon), ME operates its own site ReRe.

Source: Company materials (financial results briefing materials for 1H FY6/20)

## Second-hand online business: Net sales ratio by product



Source: Company materials (financial results briefing materials for 1H FY6/20)

### Differentiation strategy in second-hand online business

ME has differentiated itself from peers by focusing on high-priced products (e.g., camera, audio, home appliance, PC) instead of targeting low-priced products often traded through C-to-C channels like flea market apps, and by refraining from emphasizing purchases of brand products, for which there are many competitors.

ME doesn't rely on a mere price appeal, but rather, it offers three types of warranties: initial warranty, extended warranty (up to three years), and purchase warranty (within 30 days of purchase). Typically, it is difficult to attach warranties to second-hand products, due to differences in price and condition depending on each item. However, ME creates an environment for consumers to buy second-hand products with peace of mind, because they have a purchase warranty even if they were to be dissatisfied with the item they buy. ME's strength lies not only in its know-how in handling second-hand products, but also in promoting the adoption of IT and independently building integrated core business systems and mechanisms. It leverages the following to enhance its business efficiency:

- Assessment database: a product assessment system based on past purchase data and transaction status on auction sites.
- Centralized inventory managed system: a system that manages simultaneous listings on multiple e-commerce websites.
- Selling price database: a database that helps grasp selling prices on multiple e-commerce websites in real-time.

Also, ME has a 1000-page operation manual that even enables staff with little expertise to perform inspections and maintenance. The firm is expanding business not only by handling a wider range of second-hand products, but also by utilizing its accrued know-how in IT. ME's advantage over competitors is that it operates a service platform allowing consumers to use second-hand items with peace of mind, rather than simply pursuing trade margins. By creating a setting where consumers can buy second-hand items with peace of mind, the firm looks to activate the distribution of unused items stored in homes and offices across Japan, and thereby augment the second-hand market. The estimated size of the second-hand market is ¥2.6 trillion in 2020 (The Reuse Business Journal). But when including the B2B market, the firm estimates its target market to be worth ¥4.5 trillion or more. Cultivating this huge potential market will lead to the firm's medium-to long-term growth.

Second-hand online business: Inventory and inventory turnover



Potential market size of second-hand online business: ¥4.5 trillion or more

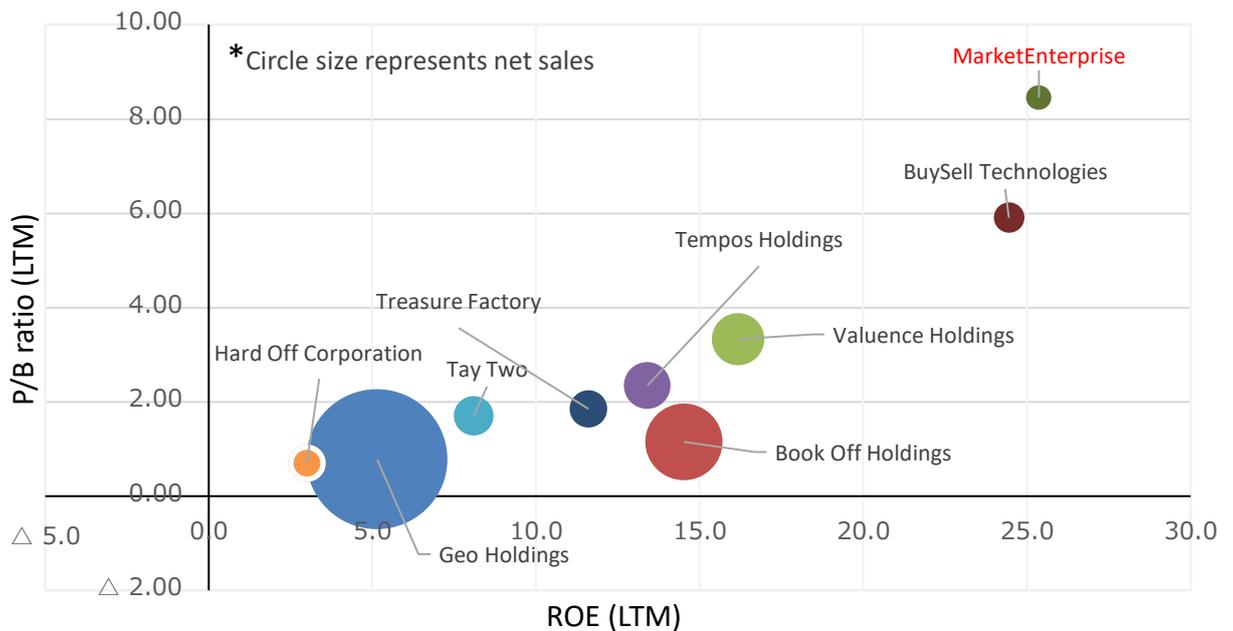


Source: Company materials (financial results briefing materials for 1H FY6/20)

#### 4 Peer-to-Peer Comparison

As of 3Q FY6/20, ME's shares are trading at a high P/B ratio (LTM) of 8.4x. The firm's significant improvement in earnings following the strategic investment period is reflected in the current share price. The firm's policy is to not pay dividends for the time being, as it considers to be in a growth expansion phase and enhancing internal reserves would allow it to fund the strengthening of the management base and actively develop the business. ROE is also at an elevated level of 25.3%, but the share price has likely priced in expectations for the firm to continue to maintain a high ROE and increase its equity capital.

#### P/B ratio and ROE of major second-hand businesses



Source: SESSA Partners from SPEEDA data

Let's compare ME's ROE and P/B ratio with peers in the second-hand industry. Early movers in the industry expanded earnings by operating multiple directly-managed and franchise stores. In the market expansion phase, an increase in the number of stores was directly linked to higher earnings. However, this strategy can deteriorate management efficiency if the scope for further store openings is limited, or if changes in the market environment diminish demand for second-hand products. While the second-hand market is currently expanding, this does not mean that sales are expanding for all products. We believe the requirements for a second-hand business to receive a favorable market evaluation are as follows:

- Handle specialized products with a high barrier to entry
- Focus more heavily on online second-hand business, in which the market is growing faster than brick-and-mortar stores

Competitors meet either of the two requirements. For instance, BuySell Technologies mainly handles high-priced products (e.g., kimono, stamps) while specializing in online second-hand business, Valence Holdings excels in the purchase of antiques and art as well as B2B sales of second-hand goods, and Tenpos Holdings deals with used kitchen equipment as its core product.

Conventionally, the second-hand business has been centered on low-price products (e.g., game software, books, clothing), which have been mainstream among second-hand goods. However, future growth in the low-priced market is unlikely due to price reductions of new products owing to the spread of online shopping, the shift to digital content sales, and the expansion of C-to-C services as exemplified by Mercari. Companies that position low-priced products as their main products will thus unavoidably face a lower market evaluation. ME fulfills both requirements stated above. Not only does it handle high-priced products that consumers cannot buy on C-to-C channels with confidence, it also meets the consumer demand to buy valuable products from a reliable vendor at a competitive price. In addition, it handles agricultural equipment and construction machinery, which are highly specialized products in which corporate demand and overseas exports can be expected. Above all, it specializes in online transactions. Indeed, it embodies a new second-hand online business model, which is likely being evaluated positively by the market. Going forward, attention will be paid on whether ME can maintain a high ROE above 20%. By utilizing IT rather than relying on trade margins, the firm can make a “value proposition” in the second-hand business. We believe this is the firm’s strength that will help it realize a high management efficiency, even if the business were to expand.

**⑤ Other Segment Trends**

**Media Business**

- ME’s media business started with the “iPhone Kakuyasu SIM Tsushin” launched in June 2017 to refer customers to the mobile & telecommunications business, and “Beginners” aimed at referring customers to the second-hand online business. The firm has eight online media related to second-hand, communication, and consumption developed internally and acquired through M&A, aimed at providing useful information to consumers conscious of smart consumption.
- The main feature of ME’s online media is that it started out as an “owned media” (i.e., to refer customers to its own service), but recently it has also functioned as an “affiliate media” (i.e., earns advertising income by referring customers to other services). The firm’s media stands out for the high originality of published articles, superior content quality, and highly-skilled SEO that boosts their ranking in search engines by using frequently searched words. Against this backdrop, ME’s media has steadily increased page views (PV), hitting a record 14.48 million PV per month in April 2020 when many people stayed at home to curb the spread of COVID-19.
- As for advertising revenue, the increased PV of its media has propelled their value, and a growing number of clients outside of the Group have contacted ME about advertisement placements. In 3Q FY6/20, external sales measured up to intra-group sales. Previously, online media were positioned as a sales promotion tool to prompt the use of the second-hand online and mobile & telecommunications businesses. However, external client sales have been expanding due to the increased exposure of each media.

**Business flow of the media business**



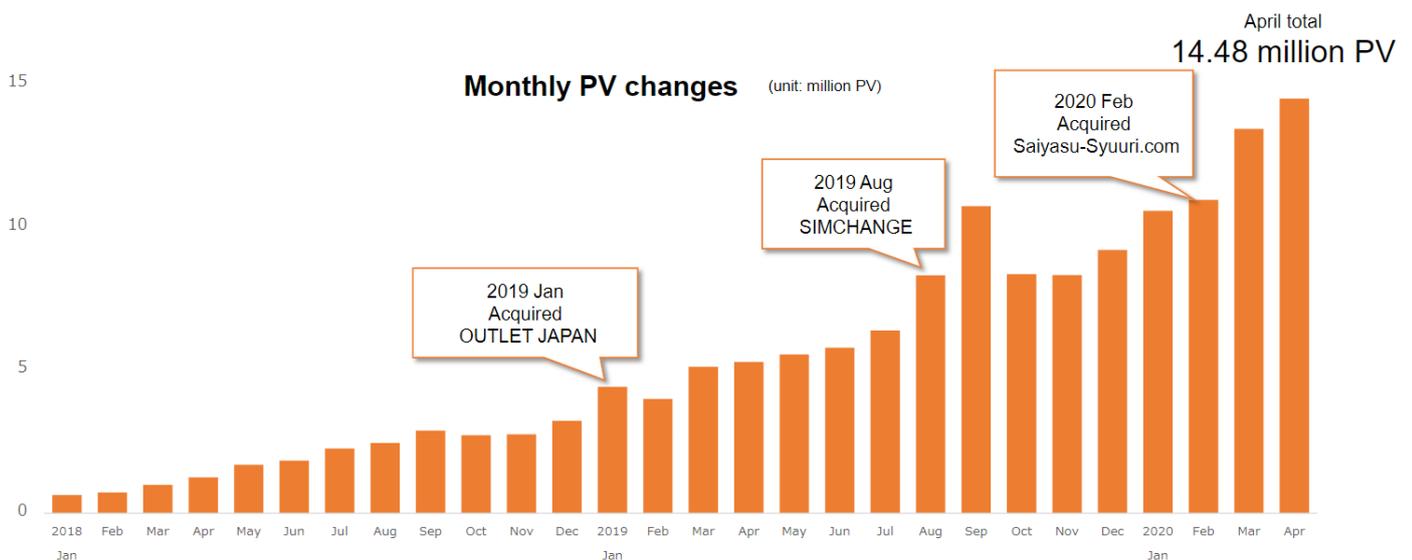
Source: Company materials (supplementary materials for 3Q FY6/20)

### Outlook on the media business

The Internet is already inundated with media aimed at earning affiliate income, making it difficult to make a profit from advertising income alone. Meanwhile, ME is seeing a rise in advertisements placed by clients outside of the Group. In addition, its media serves to refer customers to its second-hand online and mobile & telecommunications businesses, helping the media business secure profits. One of ME's strengths is its ability to create steady profits even when acquiring media let go by other companies.

COVID-19's spread caused people to stay at home, creating an opportunity for people to spend more time on digital media. If first-time users become repeat users leading to more referrals to its second-hand and mobile & telecommunications businesses, ME may be able to further demonstrate its strength of specializing in online channels.

### Rising PV trend spurred by stay-at-home mood due to COVID-19



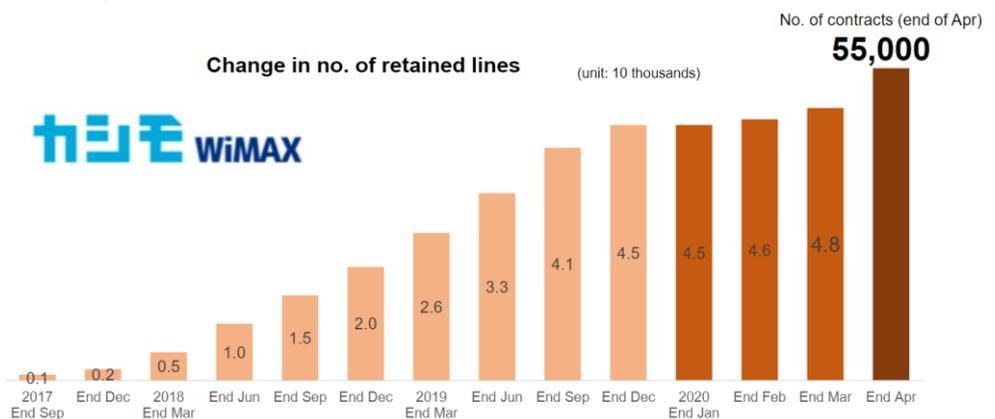
Source: Company materials (supplementary materials for 3Q FY6/20)

### Mobile & telecommunications business

- The mobile & telecommunications business offers a mobile data communication service called Kashimo WiMAX. This service is provided through Memobile Co., Ltd., established as a JV with Hikari Tsushin, Inc. in July 2016 (65% stake).
- In Japan, communication charges are said to be higher than in other countries, and rising communication costs in households have become a major social problem. The government has responded with initiatives to unbundle the cost of mobile handsets from communication devices. The mobile & telecommunications business targets smart consumers looking to reduce communication costs.
- The spread of budget SIM card services has been slower than the firm expected, and it has stopped acquiring new users. ME launched its SIM card service in September 2016, which ended up being a little too early, as major mobile carriers were very slow to make progress on sales reforms. However, demand for ME's packaged sales of budget SIM cards and second-hand smartphones may increase if the unbundling of handset and mobile services gains greater penetration.

- Currently, the mobile & telecommunications business revolves around Kashimo WiMAX, which is a wireless broadband solution that ME offers exclusively through online channels. By doing so, it suppresses operating costs, personnel expenses, and other costs, while improving price competitiveness.
- Although Japan had been slow to adopt teleworking, the outbreak of COVID-19 and subsequent stay-at-home requests accelerated the shift to working from home. Since April 2020, demand for wireless service contracts have surged, driving a rapid expansion in the number service contracts for Kashimo WiMAX.

#### Jump in demand for WiMAX service due to expansion of teleworking promoted by COVID-19 measures



Source: Company materials (supplementary materials for 3Q FY6/20)

#### Outlook on mobile & telecommunications business

ME has rolled out a rebate campaign to sell Kashimo WiMAX service contracts as part of a packaged product when buying a new PC such as at mass retailers of home electronics to acquire new customers. Meanwhile, it is not yet common for wireless service contracts to be sold at second-hand shops across Japan that handle used products like PCs and smartphones. If the firm can also introduce packaged products of WiMAX service contracts with used products at second-hand shops nationwide, we believe it has the potential to boost new customer acquisition, given that it already has a service infrastructure for referring customers to second-hand shops.

Almost certainly, consumption styles of wireless services will grow increasingly diverse. The mobile & telecommunications business may be set to enter a further growth stage, should it introduce novel ways of combining wireless service contracts with second-hand devices.

#### ⑥ M&A Strategy for Further Business Expansion

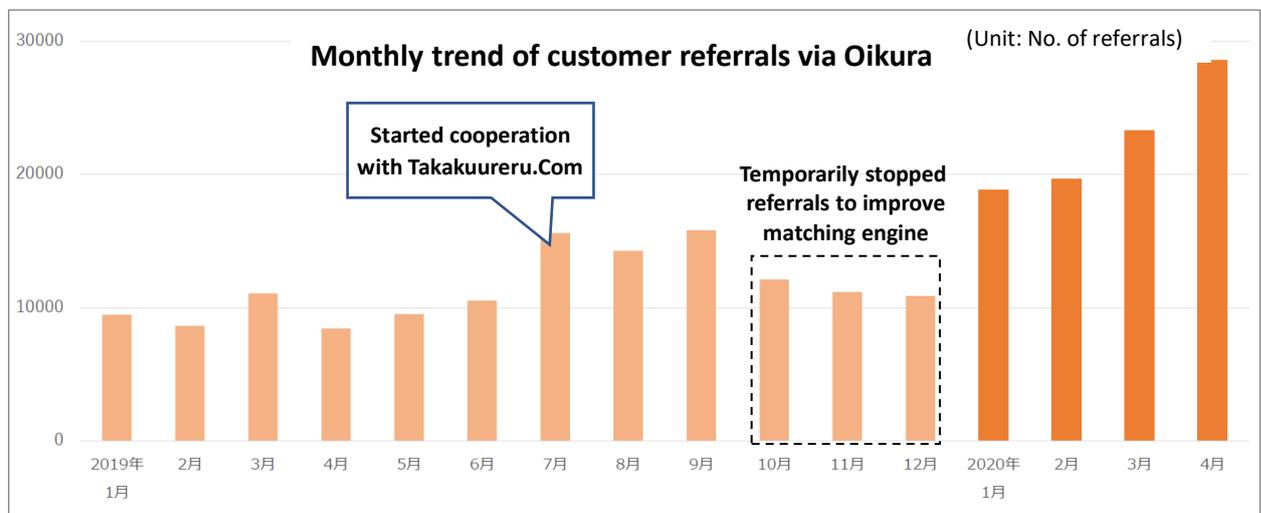
ME's core business, the second-hand online business, has been a solid source of earnings. Meanwhile, there is a limit to increasing the growth rate merely by broadening the product range. To drive growth, ME has been aggressively conducting M&As.

In recent years, it has been acquiring businesses at a rapid pace, including Oikura (second-hand matching platform), SIMCHANGE (budget SIM/smartphone information site), the used agricultural equipment business of ME Trading Co., Ltd., and the JUM All Japan Used Machine Market of UMM Co., Ltd.

Would the rapid expansion of business fields adversely affect the firm's earnings? Essentially, the businesses that ME acquires are all related to its core second-hand online business or the mobile & telecommunications business, rather than businesses in completely new domains. The firm's aim in acquiring the business of existing services is to gain new customers while building its brand awareness. Acquisitions have led to a significant reduction in the time and cost required to put businesses on a profitable basis.

For example, the second-hand matching platform Oikura has seen a sharp rise in the number of customers since starting cooperation with ME's own comprehensive purchasing website Takakuureru.com in July 2019. Customer referrals were temporarily stopped from October to December 2019 to improve the matching rate. However, since restarting referrals, the number of customers rose significantly by 1.9x YoY in January 2020, and the uptrend has continued since February.

### Dramatic increase in use of Oikura's price comparison service after linking with own service



Source: Sessa Partners from company materials (financial results briefing materials for 1H FY6/20, supplementary materials for 3Q FY6/20)

The size of the domestic market for agricultural equipment was ¥536.3 billion in 2019 based on actual shipments (Japan Agricultural Machinery Manufacturers Association). But the firm estimates only 2.0% of purchases were through e-commerce, leaving plenty of room for cultivating the used agricultural equipment market. In fact, in 3Q FY6/20, ME's net sales for second-hand agricultural equipment grew by an impressive 1.7x YoY to ¥438 million, indicating the strong demand for trading used agricultural equipment in Japan. Further growth can be expected by the recent acquisition of two businesses through M&A. At first glance, it appears the firm embraces an aggressive M&A strategy, but most are sound deals in line with the expansion track of the core second-hand online business. Management has been quick to review businesses that fall short of expectations. In addition to the temporary suspension of budget SIM card sales in the mobile & telecommunications business stated earlier, it suspended services of ReRe Rental, a comprehensive service for the home delivery of rental products (e.g., home appliances, musical instruments, cameras) as of July 2020. The need to foresee market trends will inevitably lead to some decisions for expansion that run aground. Management's swift decisions to review businesses will be crucial in the firm's growth strategy going forward.

### 7 Recent Business Trends

In FY6/20, ME forecasts growth in net sales of +18% YoY, operating profit of +33% YoY, ordinary profit of +32% YoY, and profit attributable to owners of parent of +32% YoY. Based on results up to 3Q, it looked within reach to overshoot the forecasts. However, management left guidance intact, given the state-of-emergency declaration and stay-at-home requests caused by COVID-19.

In April 2020, when the government declared a state of emergency and issued stay-at-home requests, the number of door-to-door and over-the-counter purchases declined, in part due to shorter business hours at purchasing bases. Meanwhile, customer referrals to second-hand shops from the Oikura matching platform rose, and the number of PVs on owned media increased. The platform business centered on the second-hand online business, which the firm is promoting, has shown steady results.

## MarketEnterprise: Results by Segment

(Unit: JPY mn)

Fiscal Year	FY6/18	FY6/19	FY6/20				Composition ratio
Segment sales			1Q	2Q	3Q	9M	(%)
<b>Second-hand online business</b>	<b>5,791</b>	<b>6,359</b>	<b>1,699</b>	<b>1,755</b>	<b>1,775</b>	<b>5,229</b>	<b>66.3%</b>
Sales composition ratio by product (%)							
Home appliances	—	—	18%	18%	19%	—	
Audio equipment	—	—	12%	14%	13%	—	
Camera	—	—	12%	11%	10%	—	
Musical instrument	—	—	13%	13%	13%	—	
PC	—	—	11%	10%	10%	—	
Agricultural machinery, etc.	—	—	10%	11%	11%	—	
Brand/Watch	—	—	1%	1%	2%	—	
Other	—	—	22%	22%	23%	—	
<b>Media Business</b>	<b>—</b>	<b>—</b>	<b>142</b>	<b>122</b>	<b>165</b>	<b>429</b>	<b>5.4%</b>
<b>Mobile &amp; telecommunications business</b>	<b>—</b>	<b>—</b>	<b>845</b>	<b>756</b>	<b>830</b>	<b>2,430</b>	<b>30.8%</b>
Elimination	—	—	(87)	(52)	(64)	(203)	-2.6%
<b>Segment profit</b>							
<b>Second-hand online business</b>	<b>—</b>	<b>—</b>	<b>167</b>	<b>173</b>	<b>193</b>	<b>532</b>	<b>120.1%</b>
<b>Media Business</b>	<b>—</b>	<b>—</b>	<b>102</b>	<b>76</b>	<b>108</b>	<b>286</b>	<b>64.4%</b>
<b>Mobile &amp; telecommunications business</b>	<b>—</b>	<b>—</b>	<b>84</b>	<b>56</b>	<b>48</b>	<b>188</b>	<b>42.5%</b>
Adjustments	—	—	(181)	(167)	(216)	(563)	

Source: SESSA Partners from company materials (summary of financial results, financial results briefing materials)

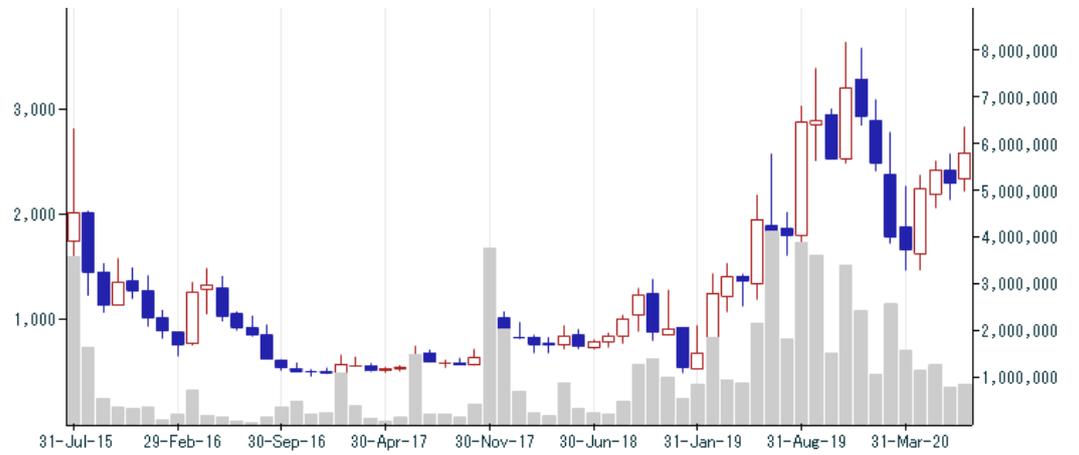
## MarketEnterprise: Financial Highlights

(Unit: JPY mn, %)

(Fiscal Year J-GAAP)	FY6/15 Non-cons. Result	FY6/16 Non-cons. Result	FY6/17 Cons. Result	FY6/18 Cons. Result	FY6/19 Cons. Result	FY6/20 Cons. Initial forecast	FY6/20 Cons. 3Q (9M)	Progress vs. Initial forecast
<b>Net sales</b>			<b>5,631</b>	<b>6,333</b>	<b>8,473</b>	<b>10,000</b>	<b>7,886</b>	<b>79%</b>
<b>Net sales (non-consolidated)</b>	<b>3,989</b>	<b>4,863</b>						
Gross profit	1,898	2,217	2,441	2,654	3,433	—	3,020	—
Gross profit margin	47.6%	45.6%	43.3%	41.9%	40.5%	—	38.3%	—
SG&A expenses	1,661	2,120	2,448	2,558	2,981	—	2,577	—
SG&A ratio	41.6%	43.6%	43.5%	40.4%	35.2%	—	32.7%	—
EBITDA	250	121	10	117	493	—	—	—
EBITDA margin	6.3%	2.5%	0.2%	1.8%	5.8%	—	—	—
<b>Operating profit (loss)</b>			<b>(7)</b>	<b>96</b>	<b>452</b>	<b>600</b>	<b>443</b>	<b>74%</b>
<b>Operating profit (non-consolidated)</b>	<b>238</b>	<b>97</b>						
Operating profit margin	—	—	—	1.5%	5.3%	6.0%	5.6%	—
Non-operating income	3	3	16	13	9	—	3	—
Non-operating expenses	13	6	5	14	6	—	3	—
<b>Ordinary profit (loss)</b>			<b>4</b>	<b>95</b>	<b>455</b>	<b>602</b>	<b>444</b>	<b>74%</b>
<b>Ordinary profit (non-consolidated)</b>	<b>228</b>	<b>93</b>	<b>11</b>	<b>(10)</b>	<b>190</b>			
Ordinary profit margin	5.7%	1.9%	0.1%	1.5%	5.4%	6.0%	5.6%	—
YoY (%)								—
Extraordinary profit/loss								—
Extraordinary profit								—
Extraordinary loss		8	7		19		1	—
Profit (loss) before income taxes	228	85	(3)	95	437		443	—
Profit margin before income taxes								—
Income taxes	91	35	18	38	181		153	—
<b>Profit (loss) attributable to owners of parent</b>			<b>(19)</b>	<b>32</b>	<b>204</b>	<b>270</b>	<b>247</b>	<b>91%</b>
<b>Net profit (non-consolidated)</b>	<b>137</b>	<b>50</b>						
Ratio to sales	3.4%	1.0%	—	0.5%	2.4%		3.1%	—
YoY	19.1%	-63.7%	—	—	538.0%	32.5%	81.9%	—
EPS	30.68	9.79	-3.80	6.28	39.87	51.85	47.30	—
DPS	—	—	—	—	—	—	—	—
BPS	183.87	180.63	179.80	185.47	221.09	—	—	—
Total assets	1,301	1,500	1,537	1,829	2,617	—	3,225	—
Total shareholders' equity	883	932	913	947	1,153	—	1,399	—
Shareholders' equity ratio	67.87%	62.13%	59.40%	51.78%	44.06%	—	43.37%	—
Interest-bearing debt	132	293	360	420	602	—	—	—
D/E ratio	0.15x	0.31x	0.39x	0.44x	0.52x	—	—	—
ROE	25.85%	5.51%	—	3.44%	19.43%	—	—	—
ROA	14.34%	3.57%	—	1.90%	9.18%	—	—	—

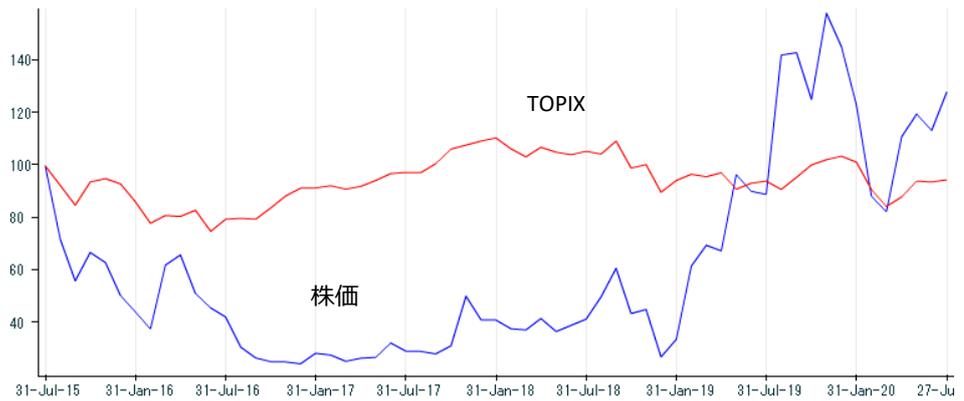
Source: SESSA Partners from SPEEDA data and summary of financial results

Share price chart



Source: SPEEDA

Relative performance (vs. TOPIX)



Source: SPEEDA

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