

## Contents of the Question and Answer Section during the 1Q FY 2020 Financial Results Briefing

The following is a summary of the questions asked and the responses given during the financial results briefing held on Wednesday 5 February. Some portions have been edited and modified for clarification.

**Q1. What kind of marketplaces are you considering expanding into Internationally regarding Brandear?**

We currently list on eBay in the US, but we plan to expand into China and the ASEAN. As there are many options in China to do business, we hope to find the optimal partner and expand our business accordingly.

**Q2. Were there any seasonal influences in the decline of sales in the Value Cycle Business?**

The warmer winter definitely had an affect on heavy clothing, but we have already calculated this risk into our forecasts as warmer winters have been trending for the past few years.

**Q3. Can you give us an update on FASBEE?**

The service has already launched last July, but we have found multiple areas of improvement that we are in the process of addressing. We plan to finish the improvement phase within 2Q and immediately proceed into the promotional phase.

**Q4. In light of Brandear's shift to "High Brand" items, what specific types of products are you planning to handle and how are you going to appraise them?**

We will focus primarily on bags/purses and watches. We will train appraisers while also building a control center at headquarters that will create a scheme for appraisals to be done at all stores.

**Q5. How many Brandear brick and mortar stores are you hoping to open this fiscal year?**

We plan to open about 5 stores by the end of this fiscal year. We have made a few hypotheses as to how to operate these stores, so we plan to test them at these stores, implement the methods that show potential and increase to about 100 stores across Japan.

**Q6. Is there anything to fear in your business in regard to the coronavirus outbreak?**

As of the time of this briefing, it has not affected our business. The biggest risk is that we would have to shut down operations in the case that there is a confirmed case in any of our warehouses. We are currently



creating countermeasures in the case that happens. We are also considering the option to work remotely for employees who do not have to work on site.

**Q7. What are you planning to use the profits from the sales of the investment securities for?**

We will be using the profits to invest in new businesses that show signs of growth in areas that we are currently focusing on, create new businesses within the Group as well as returning to shareholders.

**Q8. It is hard to think that you would need that much money to create new stores and invest in new businesses. Are you really going to use all your resources on those things?**

The variable that would affect the amount of resources we will spend on these investments is speed. For example, in regard to the Inbound Business, we aim to expand the service into more languages once we have finalized its system infrastructure. We would need the resources to rapidly collect data to enhance the precision of the AI as well as launch promotions in their respective countries.

**Q9. What strengths does Defactostandard have that will allow them to have an advantage over its competitors and will it be able to purchase items from users at a high price?**

Defactostandard has many strengths, but the following 3 are the most noteworthy:

- Products will be sold exclusively on the internet, not brick and mortar stores, so the operation costs will be low
- The items will be sold to customers (B2C business model) which has a higher profit margin than a B2B model
- Networking with foreign sales channels and domestic EC sites via our Cross Border Business

There is an increasing demand for used products abroad and we believe there is a lot of potential overseas.

**Q10. It appears that the partnership with Mercari is a large factor in the increase of profits in the From Japan, Cross Border Business. What kind of volume increase from Mercari do you expect for 2Q forward?**

The main factor for increased profits in 1Q is the change in service fee, but Mercari is producing healthy numbers. We cannot disclose details regarding Mercari, but we forecast that it will continue to grow beyond 2Q.

**Q11. As you have stated that you have finished the current plan of sales of investment securities, does that mean that any future sales 2Q forward are not in the current forecast?**

We currently have no plans to sell any investment securities so no more are currently forecasted. However, since the investment scene in Southeast Asia is rapidly changing, we may not be able to sell even if we wanted to. We will assess every opportunity that may come up and sell investments if we deem it to be appropriate.

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