

SHARING TECHNOLOGY

S H A R I N G T E C H N O L O G Y I N C .

FY2021 3Q Financial Results Briefing Document

- ◆ **Due to the economic slowdown, Sales revenue was 87% YoY. With worsening of advertisement cost ratio to sales, Operating loss was 132 mil. yen.**
- ◆ **We decrease FY2021 sales revenue forecast to 3,400 mil. yen. Operating profit is TBD (ref. P.12).**
- ◆ **Countermeasures for business recovery is decreasing listing business ratio and developing business by genre specialized organization.**

- 1. 3Q FY2021 YTD Performance reporting**
- 2. Revision to FY2021 forecast and Countermeasures**
- 3. Supplementary materials**

**3Q FY2021 YTD
Performance
reporting**

Consolidated 3Q YTD results (9 months)

3Q YTD sales revenue maintained 2Q YTD results (YoY 87 %), however, due to intensified competition ended in severe results. Operating profit and Net income were also below the previous year, ended in 132 mil. yen loss and 170 mil. yen loss, respectively, due to rising of advertising cost ratio to sales brought by intensified competition. Sales revenue and operating profit of FY2020 are amounts related to “Household problems” business only after reclassification.

	3Q YTD results FY2021	3Q YTD results FY2020※	YoY change
Sales revenue	2,497mil.yen	2,856mil.yen	(358)mil.yen
Operating profit	(132)mil.yen	211mil.yen	(344)mil.yen
Net income	(170)mil.yen	(1,309)mil.yen	+1,138mil.yen

※FY2020 includes WEB Consulting sales.

Consolidated 3Q results (3 months)

3Q sales revenue were 898 mil.yen (136 mil.yen below the previous 3Q). Operating profit ended in 114 mil.yen loss (below the previous 3Q) due to rising of advertising cost ratio to sales brought by intensified competition, etc. Since slowdown trend of sales revenue and rising of advertising cost ratio to sales are assumed to continue also in 4Q, we have announced revision of FY2021 forecast.

	3Q results FY2021	3Q results FY2020*	YoY change
Sales revenue	898mil.yen	1,035mil.yen	(136)mil.yen
Operating profit	(114)mil.yen	106mil.yen	(221)mil.yen
Net income	(121)mil.yen	(929)mil.yen	+808mil.yen

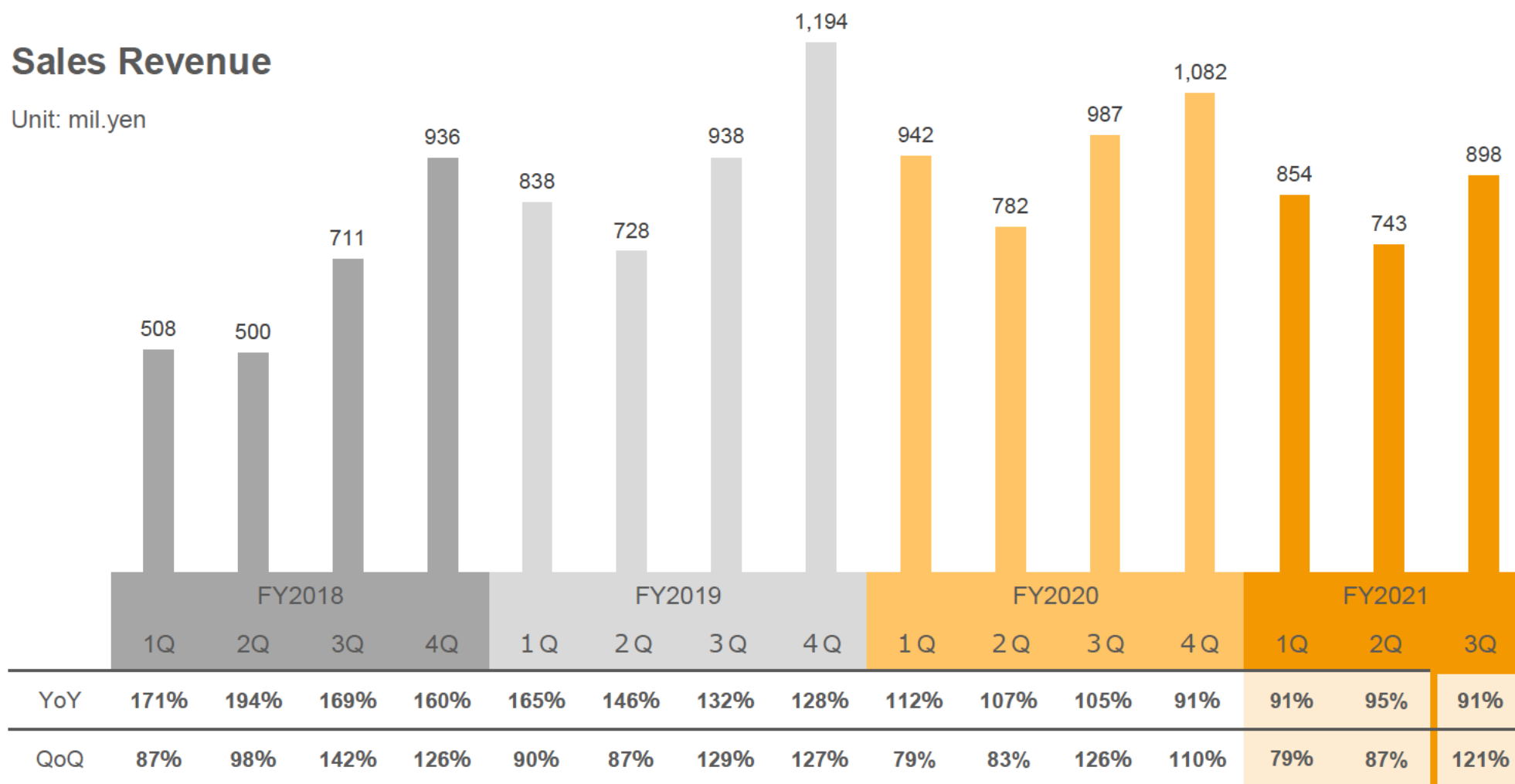
※FY2020 includes WEB Consulting sales.

Sales revenue trend

3Q Sales revenue were below previous 3Q (YoY 91%). QoQ (Quarter on the most recent Quarter) were 121%. We expected YoY ratio recovery from 3Q on apple to apple base (COVID-19 material impact started from previous 3Q), but was not realized. In 4Q also, drastic recovery of business trend is not projected.

Sales Revenue

Unit: mil.yen

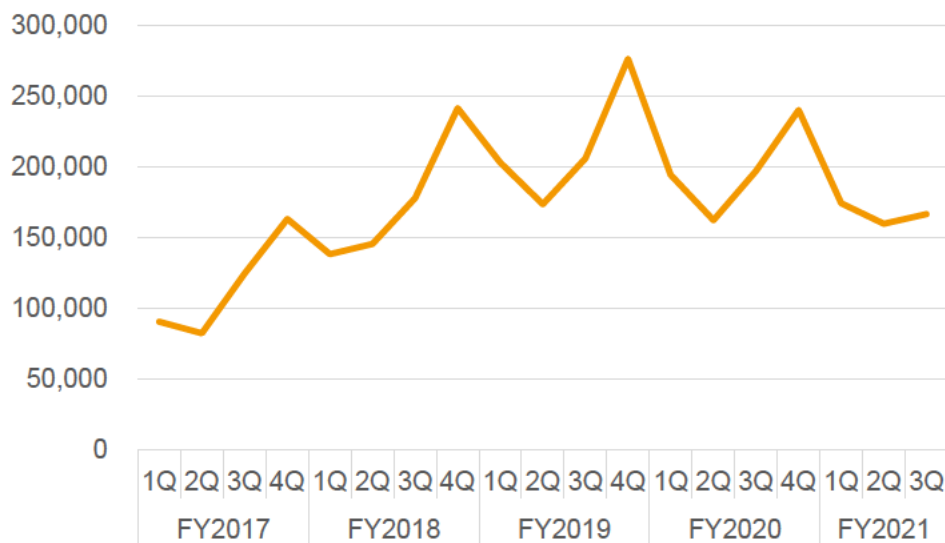


Analysis of Sales revenue

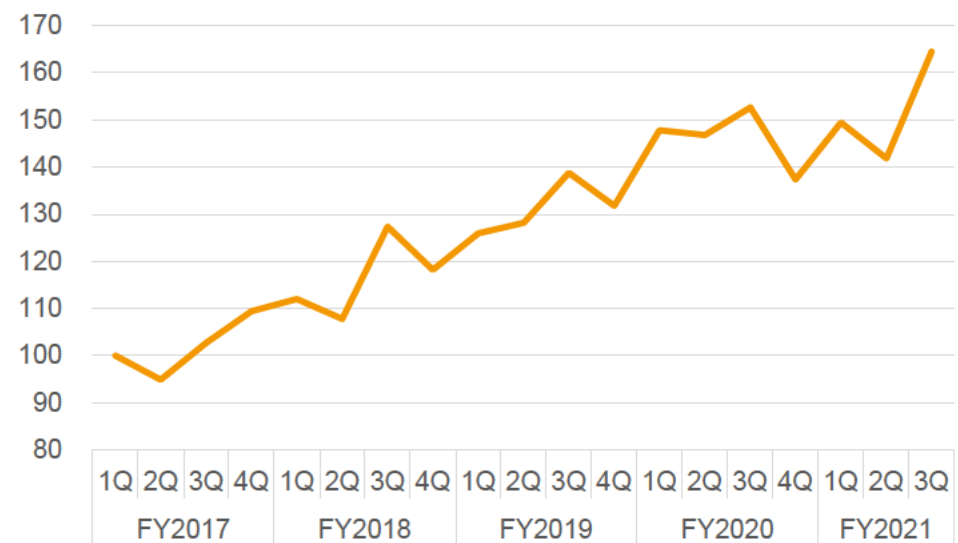
Sales revenue consists of “Number of inquiries” and “Unit price per inquiry”. “Number of inquiries” were pretty below the last year, following 1st half trend. Although “Unit price per inquiry” maintained the increasing trend, but are not sufficient to offset the decrease of “Number of inquiries”, resulting in sales revenue below the previous year. We will implement current countermeasures for further business growth.



Number of inquiries
(cases)



Unit price per inquiry
(2017 1Q = 100)



KPI of “Household problems” business

3Q Operating profit ended 114 mil. yen loss. In addition to the decrease of sales revenue, rapid rising of advertisement cost ratio to sales YoY (41%→56%) curbed Operating profit. The ratio to sales of Labor cost of Call center has been contained stably. Other expense are also stable 419 mil.yen. Other balance (net 10 mil.yen loss) mainly consist of 68 mil. yen of gain on disposal of land of ex-affiliate, and 70 mil.yen of appraisal loss of investment securities.

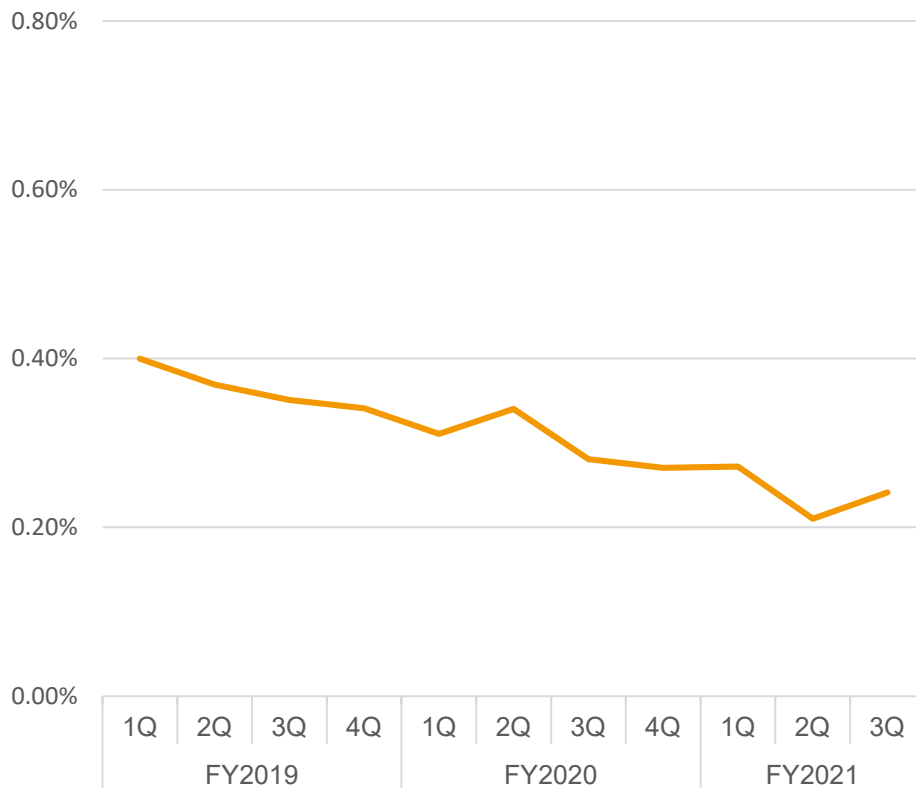
mil. Yen Ratio to sales	FY2019*				FY2020*				FY2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Sales revenue	838	728	938	1,194	942	782	987	1,082	854	743	898
Cost (CGS & SGA)	1,077	1,042	1,030	1,073	893	823	951	947	896	845	1,002
Advertise. (PPC)	418 50%	377 52%	372 40%	420 35%	355 38%	316 41%	402 41%	436 40%	384 45%	343 46%	501 56%
Labor cost of Call center	99 12%	101 14%	114 12%	108 9%	85 9%	80 10%	78 8%	79 7%	71 8%	65 9%	82 9%
Other balance	(1)	59	1	4	4	(4)	22	(29)	65	60	(10)
Operating Profit (Loss)	(240)	(254)	(90)	125	53	(45)	58	105	23	(41)	(114)

※Excludes WEB Consulting sales.

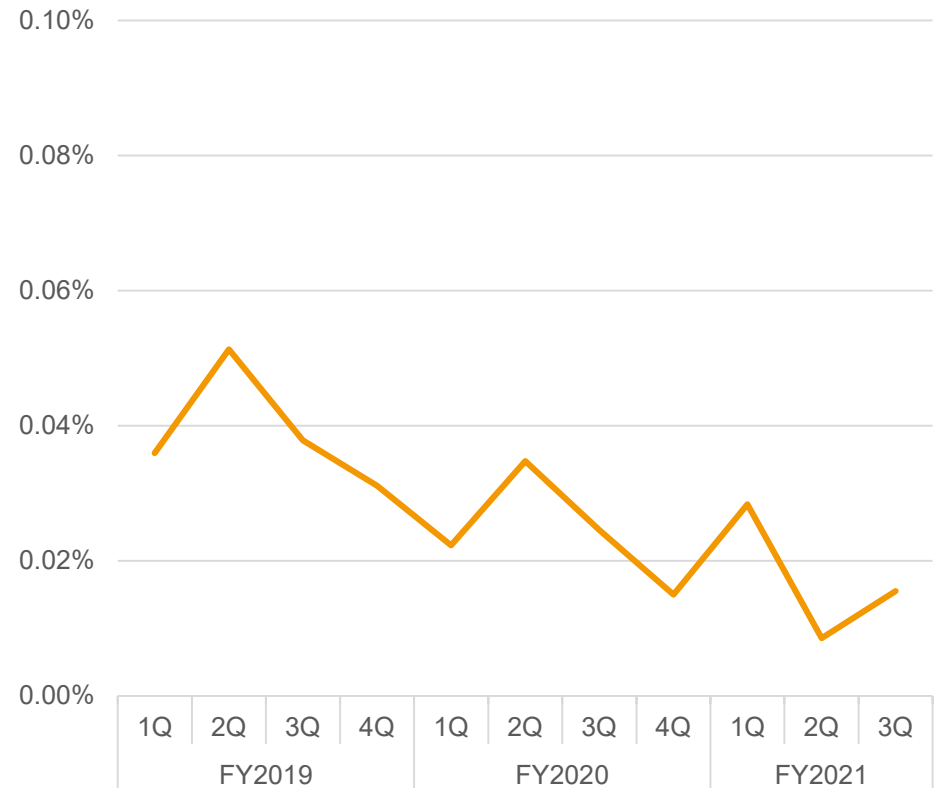
For Satisfaction of Customers and Partner Stores

Claim ratio from customers and partner stores are continuously low. Both are decreasing trend with certain level. For further customer satisfaction, we will continue to draw up on-site needs, and reflect them on our business. We believe that low claim ratio and superiority in customer care are important key success factor of B to B business alliance from now on.

Claim ratio from customers



Claim ratio from partner stores



Revision to FY2021 forecast and Countermeasures

Revision to FY2021 forecast

We expected certain recovery from 3Q on apple to apple base (COVID-19 material impact started from previous 3Q), but was not realized. In addition, advertising cost ratio to sales has increased due to rapidly intensified competition. Accordingly, we revised Sales revenue from 4,400~4,800 mil. yen of previous forecast to 3,400 mil.yen. Operating profit is estimated approximately 200 mil.yen loss, after adding 3Q YTD actual and 4Q estimate. However, since there still exists possibility of additional expenses such as appraisal loss of assets, the revision to operating loss is TBD (to be decided).

	Revised forecast (Aug.13, 2021)	Previous forecast (Nov.13, 2020)	Change
Sales revenue	3,400mil.yen	4,400~4,800 mil.yen	(1,000)~(1,400) mil.yen
Operating profit	TBD ※due to the possibility of variance by appraisal result of assets, etc.	More than 364mil.yen of the previous year	—

KPI of “Household problems” business and future forecast

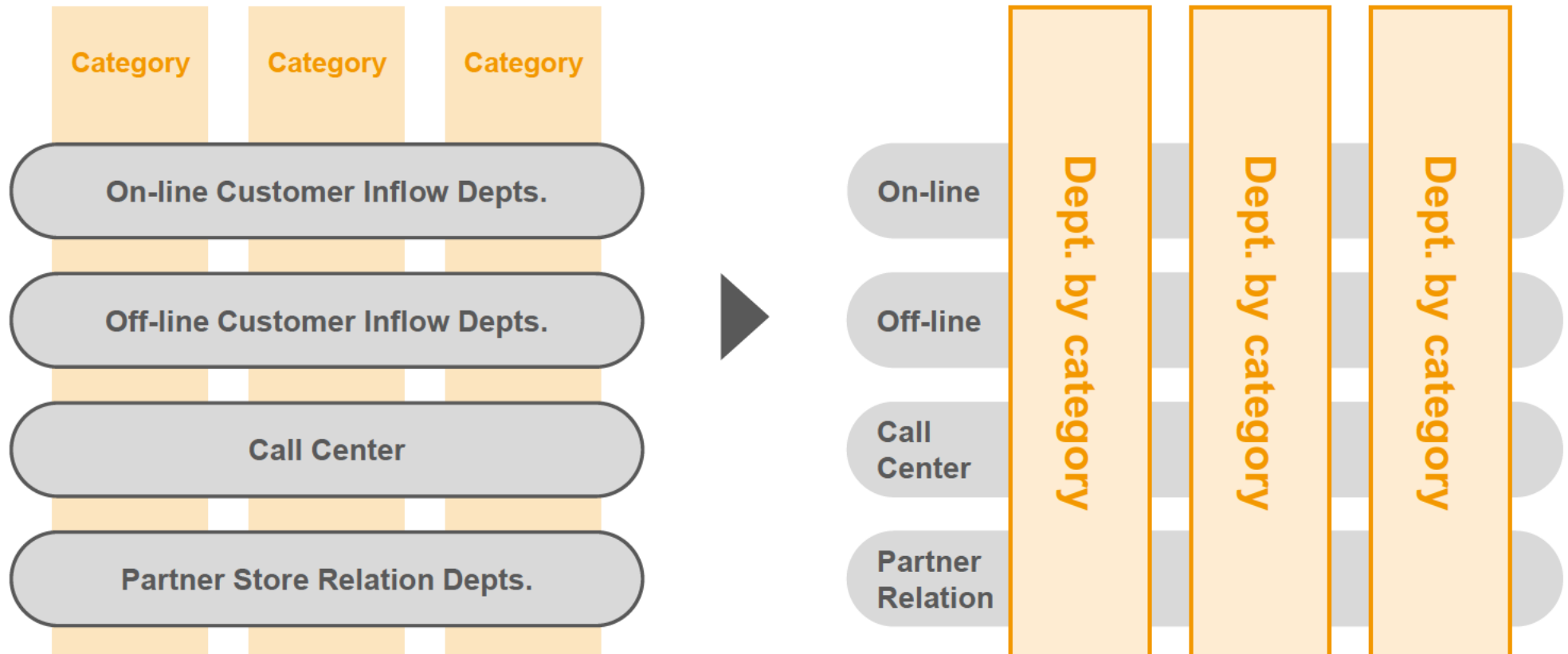
Below table compares KPI of 3Q YTD of FY2019, FY2020, FY2021. Due to intensified competition, sales revenue decreased, advertisement cost ratio to sales increased, which resulted in the decrease of Operating profit. Since other expenses except Labor cost of Call center and advertisement cost have been contained stably, we will focus on advertisement cost and reconstruct business.

mil. Yen Ratio to sales	FY2019 1~3Q*	FY2020 1~3Q*	FY2021 1~3Q*	ASQ	Countermeasures
Sales revenue	2,505	2,712	2,497	Due to intensified competition, sales thru listing decreased.	Maximizing sales thru listing, increase other inflows, unit price.
Cost (CGS & SGA)	3,149	2,667	2,745	Exclud. variable cost (Advertise. Cost and Call center), 1,665→1,348→1,296 mil.yen (decrease. trend)	Continuing cost reduction, target approximately 1,700 mil.yen /Y
Advertise. (PPC)	1,168 47%	1,074 40%	1,229 49%	Due to intensified competition, unit cost per click rising, resulting in cost ratio to sales worsening.	Keeping current Advertisement cost ratio to sales, reduce the ratio of sales thru listing.
Labor cost of Call center	316 13%	244 9%	219 9%	Thanks to new system, operation improvement, cost ratio decrease. 13%→9%→9%	Continuing to pursue efficiency, current cost ratio (9%) is justifiable.
Other balance	59	22	115	Consists of temporal gain (disposal of land of ex-affiliate, cash back with new system) and expense (impairment of security)	May happen in future also. Since difficult to foresee, we will explain when happen.
Operating Profit (Loss)	(585)	67	(132)	Due to rising of Advertisement cost ratio to sales, profitability is worsening.	Strengthen customer inflow and improve unit price (sales per inquiry). Still in develop. Phase.

Transition to Organization specialized by genre

Current organization is functional (e.g. WEB, Off-line customer inflow, Call Center, Partner Store relation) shall be transformed into new organization by category, aiming specialized service by genre, in stead of “Customer inflow service”. In advance, since Oct. 2020, in some 1 genre, new organization has been implemented with success. Deployment to other genres is being processed in search of growth.

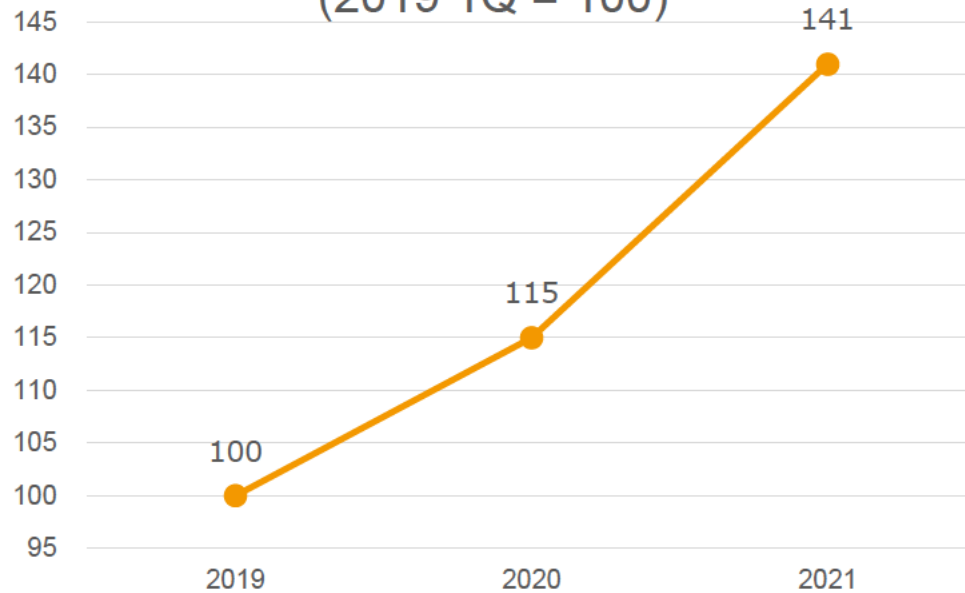
Organization from “functional” to “by category”



Countermeasure to competition environment

Due to new comers' entry to emergency genres (e.g. key-lost, plumbing, window glass repair), advertisement competition in On-line customer inflow becomes rapidly intensified. We, heavily depending on listing inflow, suffers from decrease of sales revenue and increase of advertisement cost ratio to sales, resulting in stagnation of Operating profit. Profit model shall be drastically reconstructed.

Index of unit cost
of advertisement in major sites
(2019 1Q = 100)



※Unit cost (our original calculation) of frequently appearing advertisement words in major sites

Our perception

ASQ

Due to new entries, Online advertise. unit cost hike
Unit cost hike worsens 1st advertise. ratio to sales
Further worsening decreases advertise. and sales
In result, 2nd advertise ratio to sales deteriorated.

Prospective area

Online organic customer inflow is promising (though taking time), since there exists no overwhelming player.

Quotes for alliance with companies are gradually increasing. Although it takes time to expand sales, large lot of sales per inquiry and business stability promise prominent growth.

**Maintaining sales thru listing,
Focus on other customer inflows.**

Supplementary materials

Solving household problems

We have contracts with over 5,100 partner stores that can provide support for various “Household problems,” and we accept users who visit the website our company operates and introduce them to these partner stores.



Over 150 genres
From light work to renovations

Accepted 24 hours
a day, 365 days a year
In-house call center

Corresponding
throughout Japan
Over 5,100 partner stores

Website operated by the Company

We operate two types of websites relating to "Household problems." One is "Seikatsu 110," a portal site that posts multiple categories onto a single site. Another is about 200 vertical media websites that specialize in specific categories. The portal site mainly receives inflow from SEO, while the vertical media sites have a high inflow ratio from listings.

Portal site "Seikatsu 110"



生活  番

Over 150 categories/mainly organic inflow

Vertical media site "XX 110"



電気工事  番



ペット葬儀  番



草刈り  番



雨漏り修理  番

One category per site/mainly listing inflow

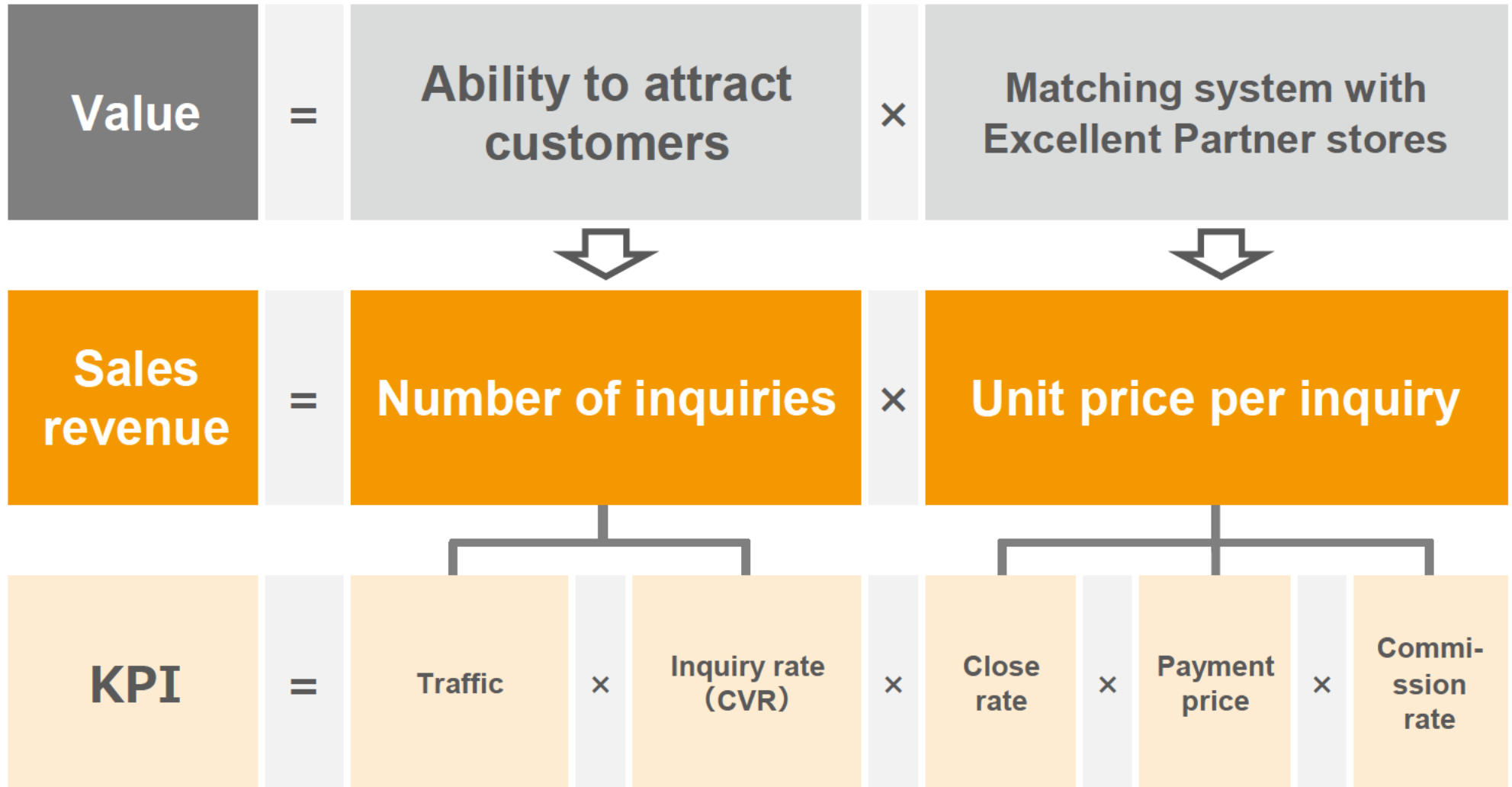
Business Flow

Users with "Household problems" contact us through our website. Then, we select the most appropriate partner store judging (1) Genre (2) Location and (3) Desired service date and time. We will receive a commission only after the service is completed. (in some cases, receive a commission just after introducing)



Profit Model

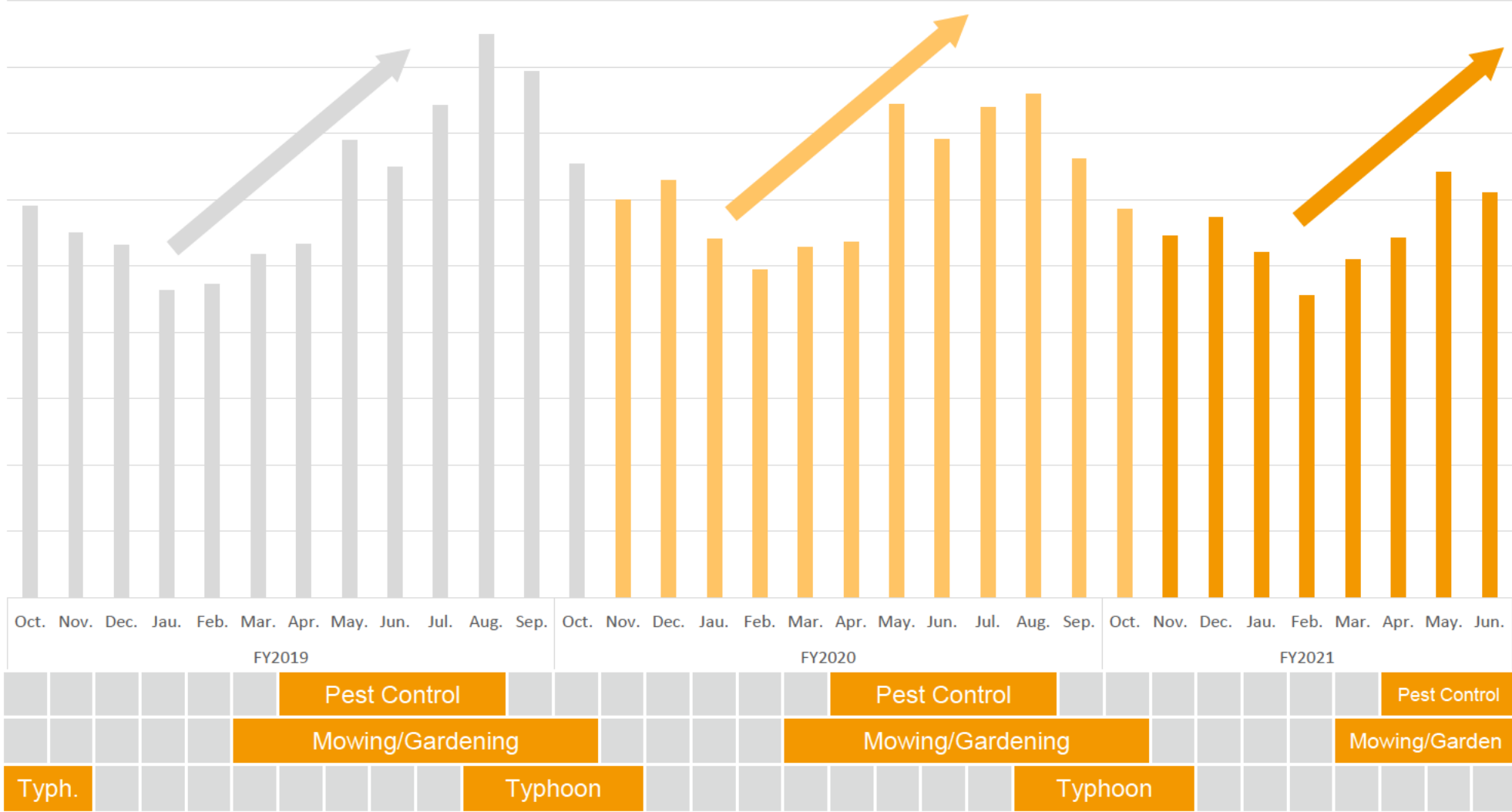
Our value source (Value) is defined as a matching system and excellent partner stores network that monetizes the ability to attract customers. Each numeric value represents “Number of inquiries” and “Unit price per inquiry”, and a further disassembled KPI management is followed up.



Monthly Sales revenue of “Household problems” business

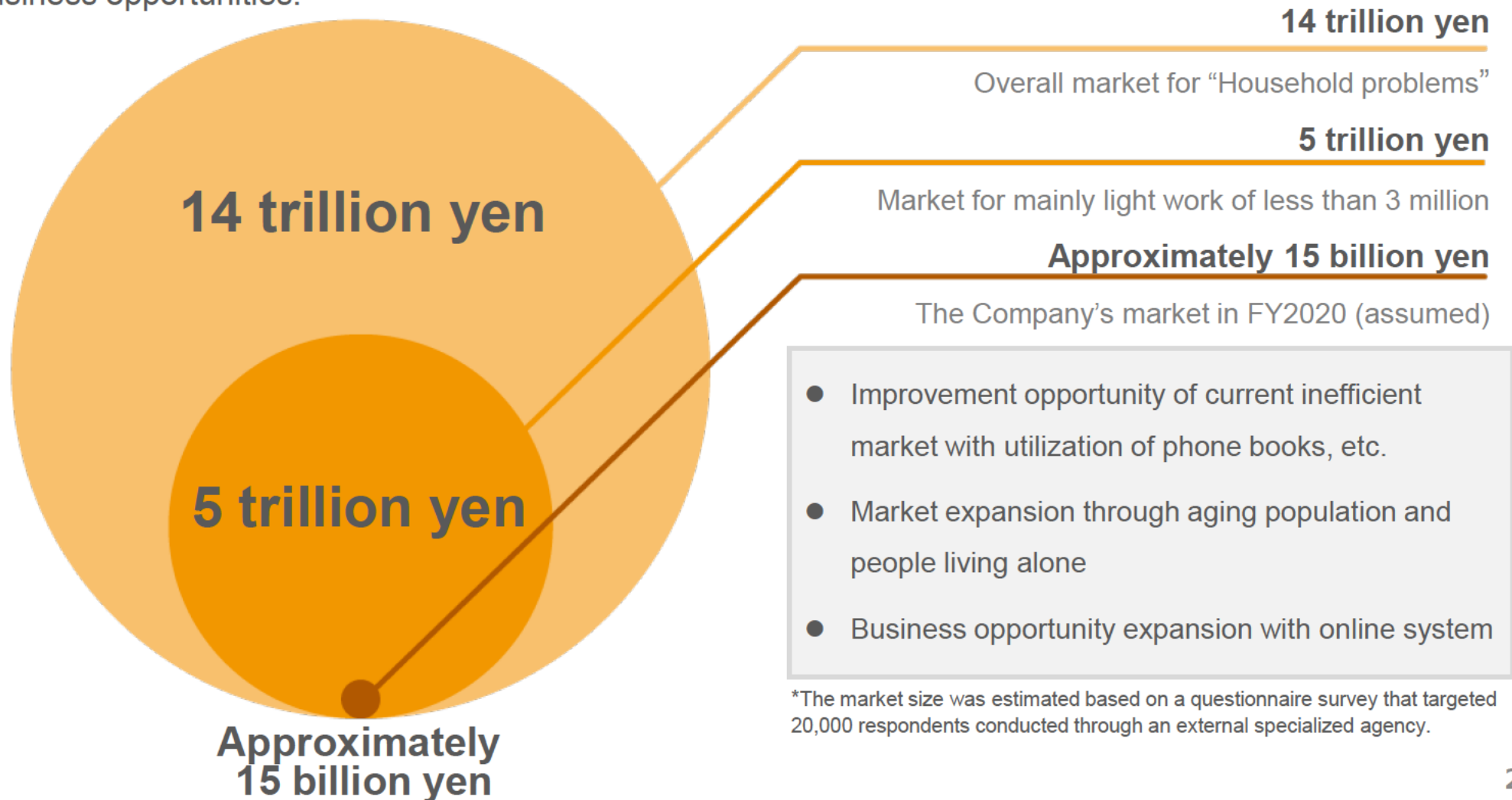
Although 3Q sales revenue have been slow due to continuing COVID-19, etc., we keep increasing trend in the latter half of the fiscal year by current countermeasures.

Monthly sales revenue of “Household problems” business



Market of “Household problems”

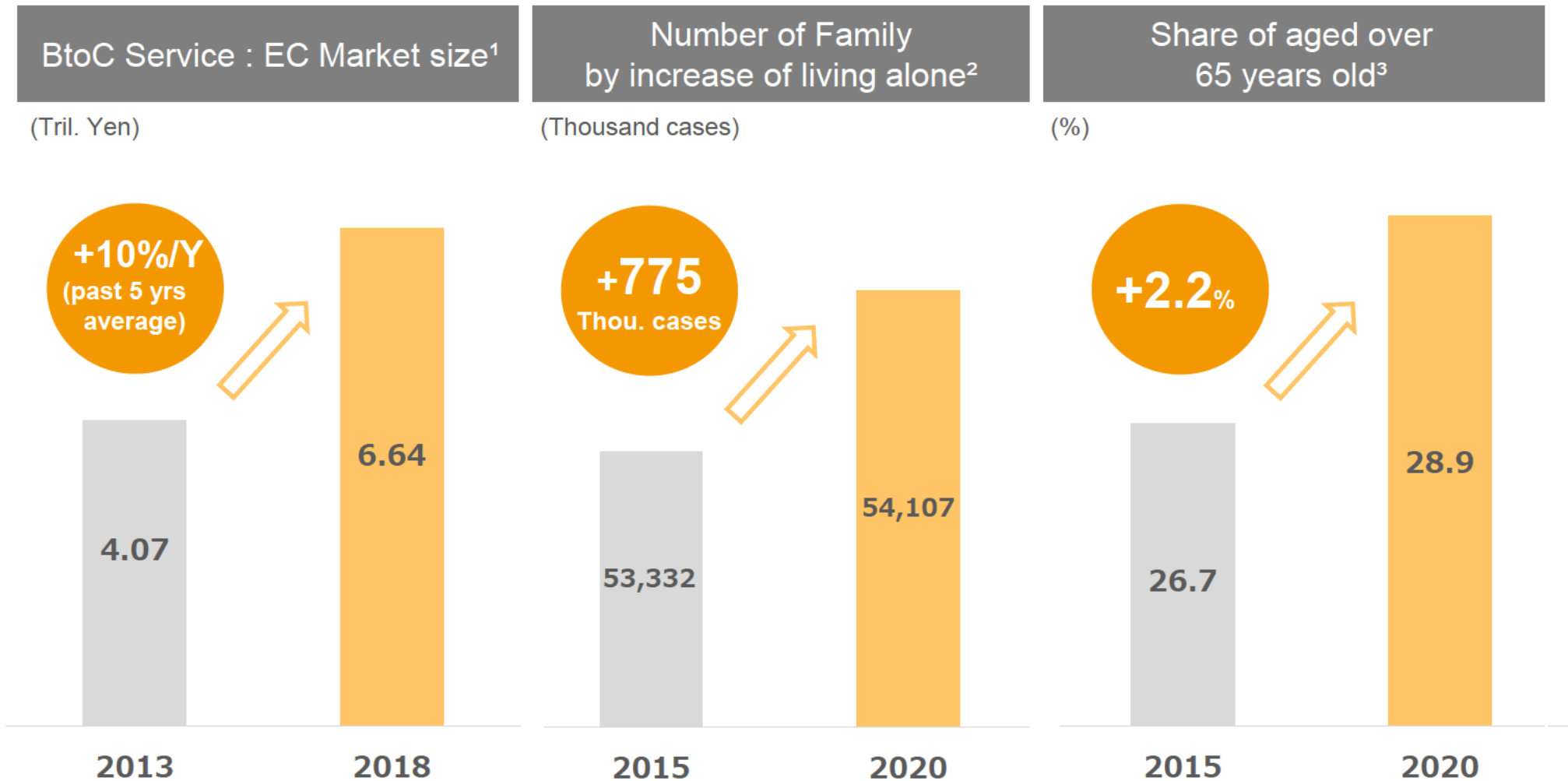
Domestic market of "household problems" is around 14 trillion yen, and of that, we estimate that the market with low-price light work is worth 5 trillion yen. With the increase of the aged and people living alone, this market is expected to grow continuously. In addition, currently, the majority of customers are attracted offline. With an ongoing shift from offline to online, we, who have strengths in online business, will enjoy expansion of business opportunities.



*The market size was estimated based on a questionnaire survey that targeted 20,000 respondents conducted through an external specialized agency.

Follow wind of Market opportunity

The single and aged society and EC of services will enlarge the market ow “Household problem” business.



1.Ministry of Economy, Trade and Industry “Infrastructure of Data Driven Society (EC Market Research)”

2.Notional Social Security Population Problem Research “Estimate of Japanese family numbers 2018”

3.Ministry of Public Management, Home Affairs, Posts and Telecommunications “Statistics Topics No. 113 Japanese aged society”

3Q FY2021 balance sheet

(million yen)

	FY2020 (As of Sep. 30,2020)	3Q, FY2021 (As of Jun. 30,2021)	YoY Change
Current assets	2,964	2,422	(541)
Fixed assets	2,812	1,932	(879)
Total assets	5,776	4,354	(1,421)
Current liabilities	2,128	2,098	(29)
Fixed liabilities	2,538	1,115	(1,422)
Total equity	1,110	1,140	+30
Capital ratio	19.2%	26.2%	+7.0%

第3四半期 連結損益計算書

(million yen)

	3Q, YTD, FY2020 (End of Jun.,2020)	3Q, YTD, FY2021 (End of Jun.,2021)	YoY change
Sales revenue	2,856	2,497	(358)
Cost of sales	47	57	+10
Gross profit	2,808	2,439	(368)
SGA expense	2,621	2,687	+65
Operating profit	211	(132)	(344)
Pre-tax profit	187	(149)	(336)
Net income from Continuing operations	179	(170)	(349)
Net income from Discontinued operations	(1,488)	-	-
Net income	(1,309)	(170)	+1,138

Company profile

- Company name SHARINGTECHNOLOGY INC.
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- TEL / FAX TEL : +81-52-414-5919 FAX : +81-52-526-2000
- Executive officers
 - Representative Director, CEO Nobuhiro Moriyoshi
 - Director Eisaku Ueda
 - Director Yoshitaka Katayama
 - Director Chiaki Harada
 - Audit and Supervisory Committee Member
 - Outside Director Hiroo Asai
 - Audit and Supervisory Committee Member
 - Outside Director Yuichi Zenri
 - Audit and Supervisory Committee Member
- Capital 1,308.06 million yen *As of the end of June,2021
- Number of Employees 283 (including 83 temporary and part-time workers)
*As of the end of June,2021
- Accounting Period End of September
- Market Securities Code: 3989 (Tokyo Stock Exchange Mothers)

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The disclosed documents include matters relating to the future outlook of forecasts, perspectives, goals and plans relating to SHARINGTECHNOLOGY Group, and have been generated on the basis of forecasts at the time of disclosure based on the information that could be obtained at the time of disclosure.

Certain assumptions have been utilized for these matters, and they include risks and uncertainties that are merely decisions made by SHARINGTECHNOLOGY Group's management and subjective predictions.

As a result, please note that due to various factors, the performances, operating results and financial situations may yield different results compared to the current forecasts, perspectives, goals.

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