

**Disclaimer:**

This financial report is solely a translation of the “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.

**Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending June 30, 2020**  
**(Nine Months Ended March 31, 2020)**

**[Japanese GAAP]**

May 15, 2020

Company name: MarketEnterprise Co., Ltd.

Listing: Tokyo Stock Exchange (Mothers)

Securities code: 3135

URL: <http://www.marketenterprise.co.jp/>

Representative: Yasushi Kobayashi, President, CEO

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Scheduled date of filing of Quarterly Report:

May 15, 2020

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting:

None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2020**  
**(July 1, 2019 to March 31, 2020)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Mar. 31, 2020	7,885	31.4	443	55.2	443	56.3	246	81.9
Nine months ended Mar. 31, 2019	5,999	34.7	285	962.9	283	-	135	-

Note: Comprehensive income (millions of yen)

Nine months ended Mar. 31, 2020: 289 (up 61.6%)

Nine months ended Mar. 31, 2019: 179 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2020	47.30	44.82
Nine months ended Mar. 31, 2019	26.57	25.82

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2020	3,224	1,535	43.4
As of Jun. 30, 2019	2,617	1,244	44.0

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2020: 1,398

As of Jun. 30, 2019: 1,151

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2019	-	0.00	-	0.00	0.00
Fiscal year ending Jun. 30, 2020	-	0.00	-		
Fiscal year ending Jun. 30, 2020 (forecasts)				0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Forecast for the Fiscal Year Ending June 30, 2020 (July 1, 2019 to June 30, 2020)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	10,000	18.0	600	32.7	602	32.2	270	32.5	51.85

Note: Revisions to the most recently announced earnings forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding as of the end of the period (including treasury shares)

As of Mar. 31, 2020:	5,226,400 shares	As of Jun. 30, 2019:	5,207,800 shares
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2) Number of treasury shares as of the end of the period

As of Mar. 31, 2020:	286 shares	As of Jun. 30, 2019:	286 shares
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3) Average number of shares outstanding during the period

Nine months ended Mar. 31, 2020:	5,214,783 shares	Nine months ended Mar. 31, 2019:	5,102,677 shares
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\* This summary report is not subject to quarterly review by certified public accountants or auditing firms.

\* Explanation of appropriate use of earnings forecast, and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to MarketEnterprise's management at the time these materials were prepared, but are not promises by MarketEnterprise regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

#### 1) First nine months overview of the economy and business environment

In the first nine months of the fiscal year ending on June 30, 2020, the Japanese economy initially recovered slowly backed by improvements in corporate earnings, the labor market and personal income. However, the COVID-19 outbreak that began in 2020 had an increasingly severe impact on production and sales activities in many industries. Furthermore, consumer spending plummeted as people stayed home for safety and demand from foreign tourists in Japan fell sharply. Overall, there was a rapid slowdown in economic activity and the outlook is extremely unclear.

The desire to hold down spending and purchase lower-priced items is still influencing consumer spending in Japan. Nevertheless, this emphasis on economizing and seeking low prices is not the only defining characteristic of consumer spending. Purchasing activity by consumers in Japan is becoming more diverse as the range of ways people spend their money grows in order to reflect individual values, lifestyles and interests. In addition, COVID-19 is sparking an even faster change in consumer behavior as people shift their purchases to the Internet in order to avoid direct contact with others.

The diversification of purchasing behavior in Japan is increasing as consumers seek more ways of purchasing. To meet the needs of consumers, the MarketEnterprise Group (the “Group”) has established the vision of becoming an “optimized trading company centered on second-hand” in order to be a source of the best possible purchasing choices for everyone. Many activities are under way to accomplish this goal.

#### 2) Results of operations for the first nine months

The Group conducted aggressive and efficient web marketing activities that targeted the increasing diversity of purchasing behavior and consumers seeking more diverse ways of purchasing. There were also many activities involving media and services. The Group continued to automate business processes, make services easier to use and take other actions for making operations more efficient, while expanding services in each segment, such as by developing new purchasing channels. To continue growing while upgrading and expanding services, MarketEnterprise decided in March 2020 to establish a subsidiary in Vietnam that will function as an overseas base for developing IT systems. The aim is to further strengthen the IT infrastructure, which is one of the key strengths of the Group. Preparations have started for the establishment of this company.

In the first nine months of the fiscal year, net sales were 7,885 million yen, 31.4% higher than in the same period of the previous fiscal year. Operating profit increased 55.2% to 443 million yen, ordinary profit increased 56.3% to 443 million yen, and profit attributable to owners of parent increased 81.9% to 246 million yen.

#### 3) Overview by Business Segment

The Group made substantial investments in many business sectors during the fiscal years that ended on June 30, 2017 and 2018, which was a period for making strategic investments for medium to long-term growth. By the end of the previous fiscal year, which ended on June 30, 2019, the profitability of existing businesses, improved and the new businesses and related activities that resulted from these investments started to contribute to earnings. As a result, the decision was made to begin managing and reporting operations by using three business segments rather than a single business segment, the second-hand online business (buying and selling second-hand merchandise by using only the Internet and operating no brick-and-mortar stores), as in prior fiscal years. The new business segments are the second-hand online business, media business and mobile & telecommunications business. Each segment is different in terms of its business model and other characteristics.

The Group started reporting results of operations with three reportable segments in the current fiscal year. No prior-year segment comparisons are shown because it is not possible to determine accurate data for these segments in the previous fiscal year.

#### • Second-Hand Online Business

This business, which is the core business of the Group, buys and sells second-hand merchandise by using only the Internet and operating no brick-and-mortar stores. The Group operates the takaureru.com purchasing website as well as separate purchasing websites for 30 categories of merchandise. This business receives an average of about 40,000 purchase requests every month. We use many channels for the sale of second-hand merchandise, including YAHUOKU!, Rakuten, Amazon and other marketplace. Merchandise is also sold on the ReRe, our own e-commerce website. The main targets of this business are large or expensive merchandise and merchandise in large quantities. Difficulties involving quality and logistics make C-to-C transactions difficult for these types of items. In addition, this business covers a broad array of product categories including niche products.

During the first nine months of the fiscal year, there was growth in demand for purchases to replace household items and for the purchase of new products, mainly in association with people who are moving to a new home. There was a large number of requests for purchasing products, resulting in a large volume of purchases and sales of second-hand merchandise. In February 2020, MarketEnterprise was selected by YAHUOKU!, which is used as one channel to sell this merchandise, as the winner of the 2019 Best Store Overall Grand Prix. This is the third consecutive year that MarketEnterprise was selected for this honor in the YAHUOKU! Best Store Awards from among the approximately 20,000 retail companies that work with YAHUOKU!. MarketEnterprise also received awards in four categories (PC/smartphone, home appliances, DIY/agricultural machinery, toys/games/hobby goods), more than any other company. Oikura, an Internet platform that matches consumers with second-hand stores throughout Japan, strengthened its ties with takaureru.com. To increase the rate of successful matches, there have been repeated system development and verification activities for raising the number of customers directed to second-hand stores.

In addition, there was a big increase in the volume of second-hand machinery and other equipment, a strategic category targeted for growth in recent years. This category includes agricultural equipment, construction machinery, medical equipment and other large items.

As a result, this segment had sales of 5,229 million yen and a segment profit of 532 million yen.

#### • Media Business

The media business uses Internet media to distribute useful information concerning purchasing activities to people interested in “smart consumption.” This business operates six Internet media in four categories.

- iPhone Kakuyasu SIM Tsushin and SIMCHANGE, which have information about mobile & telecommunications
- Takaureru.com Magazine, which has information about selling and disposing items
- Beginners and Outlet Japan, which have information about buying items
- Saiyasu-Syuuri.com, which has information about repairing items

During the first nine months of the fiscal year, this business continued to use all of its Internet media to provide users with valuable and useful content and to make these media even easier to use. On February 1, 2020, MarketEnterprise acquired Saiyasu-Syuuri.com, one of the largest platforms in Japan for information about providers of repair and maintenance services. This acquisition expands the operations of this business to include after-market services. In March 2020, the monthly page views for all six Internet media increased to 13.42 million. Internet advertising performance was strong. One reason is increasing demand since March for searches concerning upgrades and improvements to home communication services as more people work from home.

As a result, sales were 429 million yen and segment profit were 285 million yen.

#### • Mobile & Telecommunications Business

Consolidated subsidiary MEmobile Co., Ltd. is the primary component of this business. This company provides telecommunication services that are less expensive, simpler and easier to understand. The main service, which uses the Kashimo brand (an abbreviation for the words “smart mobile” in Japanese), is a mobile Wi-Fi router service.

During the first nine months of the fiscal year, as in prior years, there were many web marketing activities for

selling new mobile phone subscriptions. In addition, the number of options was increased to improve convenience for customers. This business is also improving business processes in order to establish a framework for low-cost operations. In this business, sales and earnings are usually highest in March and April because of the large number of people in Japan who are starting a new job, relocating to a different location or residence, or making other changes in their lives. In the third quarter, performance benefited from this seasonal rise in demand as well as from the rapid increase in teleworking that started in March. The result was a big increase in demand and a large number of new subscribers in this business. Growth was backed by the ability to provide services that are very convenient for customers. One example is the Kashimo WiMAX, a Wi-Fi router that customers can receive and start using as soon as the day after submitting an application for this service. The success of marketing activities using synergies with the media business also contributed to growth.

As a result, sales were 2,430 million yen and segment profit were 188 million yen.

## **(2) Explanation of Financial Position**

### Assets

Total assets at the end of the third quarter of the current fiscal year increased 607 million yen from the end of the previous fiscal year to 3,224 million yen. This was mainly due to increases of 204 million yen in cash and deposits, 203 million yen in accounts receivable-trade, and 187 million yen in goodwill.

### Liabilities

Total liabilities increased 316 million yen from the end of the previous fiscal year to 1,689 million yen. The main reasons were increases of 106 million yen in accounts payable-trade, the result of an increase in purchasing activities, and 256 million yen in long-term borrowings.

### Net assets

Net assets increased 290 million yen from the end of the previous fiscal year to 1,535 million yen. This was mainly due to profit attributable to owners of parent of 246 million yen.

## **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

At this time, the effect of COVID-19 on results of operations is negligible. Consequently, there are no revisions to the consolidated forecast for the fiscal year ending June 30, 2020 that was announced on August 14, 2019.

An announcement will be made promptly if there is a need to revise this forecast because of upcoming events involving COVID-19 or other events that affect sales and earnings.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY6/19 (As of Jun. 30, 2019)	Third quarter of FY6/20 (As of Mar. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	1,166,847	1,371,147
Accounts receivable-trade	504,267	708,152
Merchandise	367,659	340,035
Other	78,949	110,350
Total current assets	2,117,723	2,529,685
Non-current assets		
Property, plant and equipment	144,904	144,646
Intangible assets		
Goodwill	86,666	274,497
Other	22,480	23,360
Total intangible assets	109,146	297,857
Investments and other assets	245,702	252,741
Total non-current assets	499,753	695,245
Total assets	2,617,477	3,224,930
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	176,090	282,164
Current portion of long-term borrowings	221,971	339,948
Accounts payable-other	197,870	207,613
Lease obligations	11,979	12,069
Income taxes payable	179,845	32,735
Provision for bonuses	-	24,179
Provision for loss on order received	6,138	1,240
Other	205,744	166,393
Total current liabilities	999,639	1,066,343
Non-current liabilities		
Long-term borrowings	333,823	590,572
Lease obligations	33,986	24,923
Other	5,505	7,865
Total non-current liabilities	373,315	623,361
Total liabilities	1,372,955	1,689,704
<b>Net assets</b>		
Shareholders' equity		
Share capital	306,375	306,797
Capital surplus	286,015	286,437
Retained earnings	559,324	805,961
Treasury shares	(394)	(394)
Total shareholders' equity	1,151,320	1,398,801
Share acquisition rights	1,440	1,440
Non-controlling interests	91,761	134,984
Total net assets	1,244,522	1,535,226
Total liabilities and net assets	2,617,477	3,224,930

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income  
(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)
Net sales	5,999,935	7,885,605
Cost of sales	3,566,460	4,865,843
Gross profit	2,433,474	3,019,761
Selling, general and administrative expenses	2,147,840	2,576,574
Operating profit	285,634	443,187
Non-operating income		
Dividend income of insurance	-	130
Foreign exchange gains	87	247
Subsidy income	-	2,000
Vending machine income	817	225
Other	1,316	617
Total non-operating income	2,221	3,221
Non-operating expenses		
Interest expenses	2,471	2,607
Compensation expenses	501	-
Cancellation penalty	547	-
Other	599	215
Total non-operating expenses	4,118	2,823
Ordinary profit	283,736	443,585
Extraordinary losses		
Loss on retirement of non-current assets	-	790
Total extraordinary losses	-	790
Profit before income taxes	283,736	442,795
Income taxes-current	94,654	120,987
Income taxes-deferred	9,759	31,947
Total income taxes	104,413	152,935
Profit	179,323	289,860
Profit attributable to non-controlling interests	43,741	43,223
Profit attributable to owners of parent	135,581	246,636



**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Nine-month Period)**

	(Thousands of yen)	
	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)
Profit	179,323	289,860
Comprehensive income	179,323	289,860
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	135,581	246,636
Comprehensive income attributable to non-controlling interests	43,741	43,223

**(3) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment Information**

I. First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)

Segment information is omitted since the Group has only a single business segment, which is the second-hand online business.

II. First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)

1. Information related to net sales and profit or loss for each reportable segment

	Reportable segment				Adjustment (Note 1)	(Thousands of yen) Amounts shown on quarterly consolidated statement of income (Note 2)
	Second-hand online	Media	Mobile & Telecommunica- tions	Total		
Net sales						
External sales	5,229,447	226,057	2,430,100	7,885,605	-	7,885,605
Inter-segment sales and transfers	-	203,005	-	203,005	(203,005)	-
Total	5,229,447	429,062	2,430,100	8,088,610	(203,005)	7,885,605
Segment profit	532,479	285,593	188,202	1,006,275	(563,088)	443,187

Notes: 1. The -563 million yen adjustment to segment profit includes elimination for inter-segment transactions of 28 million yen, and -591 million yen in corporate expenses that cannot be allocated to any of the reportable segments.

Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment profits are adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to revisions for reportable segments

The Group made substantial investments in many business sectors during the fiscal years that ended on June 30, 2017 and 2018, which was a period for making strategic investments for medium to long-term growth. By the end of the previous fiscal year, which ended on June 30, 2019, the new businesses and related activities that resulted from these investments started to contribute to earnings. As a result, the decision was made to begin managing and reporting operations by using three business segments rather than a single business segment, the second-hand online business (buying and selling second-hand merchandise by using only the Internet and operating no brick-and-mortar stores), as in prior fiscal years. The new business segments are the second-hand online business, media business and mobile & telecommunications business. Each segment is different in terms of its business model and other characteristics.

The Group started reporting results of operations with three reportable segments in the current fiscal year. No prior-year segment comparisons are shown because it is not possible to determine accurate data for these segments in the previous fiscal year.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant change in goodwill

Goodwill was booked in the "Media" segment as MarketEnterprise has acquired the SIMCHANGE business in the first quarter and has acquired the Saiyasu-Syuuri.com business in the third quarter of FY6/20.

Accordingly, goodwill of 225 million yen was recorded.