

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 First Quarter of the Fiscal Year Ending June 30, 2021
(Three Months Ended September 30, 2020)

[Japanese GAAP]

November 12, 2020

Company name: MarketEnterprise Co., Ltd.

Listing: Tokyo Stock Exchange (Mothers)

Securities code: 3135

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Scheduled date of filing of Quarterly Report:

November 13, 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 First Quarter of the Fiscal Year Ending June 30, 2021
(July 1, 2020 to September 30, 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	%
Three months ended Sep. 30, 2020	2,870	10.5	163	(4.2)	160	(6.2)	84	(9.4)
Three months ended Sep. 30, 2019	2,598	50.1	171	683.9	170	699.4	92	-

Note: Comprehensive income (millions of yen)

Three months ended Sep. 30, 2020: 100 (down 10.9%)

Three months ended Sep. 30, 2019: 112 (up 899.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2020	16.12	15.30
Three months ended Sep. 30, 2019	17.86	16.92

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2020	3,746	1,729	40.8
As of Jun. 30, 2020	4,023	1,625	35.8

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2020: 1,526

As of Jun. 30, 2020: 1,440

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Jun. 30, 2021	-				
Fiscal year ending Jun. 30, 2021 (forecasts)		0.00	-	0.00	0.00

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

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)

(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	13,500	23.8	730	11.3	733	10.4	360	23.4	68.88
	to 14,500	to 33.0	to 900	to 37.2	to 903	to 36.0	to 450	to 54.3	to 86.10

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 Sep. 30, 2020:	5,226,400 shares	As of Jun. 30, 2020:	5,226,400 shares
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2) Number of treasury shares as of the end of the period

As of Sep. 30, 2020:	315 shares	As of Jun. 30, 2020:	286 shares
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3) Average number of shares outstanding during the period

Three months ended Sep. 30, 2020:	5,226,087 shares	Three months ended Sep. 30, 2019:	5,207,598 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 quarter overview of the economy

In the first quarter of the fiscal year ending on June 30, 2021, there were steep downturns in corporate earnings and the labor market in Japan as COVID-19 restricted the activities of companies and consumers. Although the Japanese economy started to recover after the state of emergency ended, the economic environment is still negative because of fears of another surge in new infections.

Japanese consumers continued to hold down spending and purchase lower-priced items, but 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 expands in order to reflect individual values, lifestyles and interests.

In this challenging business climate, the MarketEnterprise Group (“the Group”) is focusing on activities that reflect the growing diversity of consumption behavior and the increasing interest in smart consumption. Activities of group companies are guided by the “optimized trading company” vision in order to give everyone the best possible options for purchasing products and services.

2) First quarter results of operations

The vision of the Group is to operate as an “optimized trading company for the creation of a sustainable society”. The Group is dedicated to providing products and services that match the increasingly diverse range of consumption behavior and styles of people and, for some products and services, companies. Activities include use of the Internet to give customers a selection of purchasing channels in order to match their needs. During the first quarter, every business segment enlarged and upgraded services with measures such as adding new purchasing and sales channels, operating Internet media, and using more efficient web marketing activities. Furthermore, as in the previous fiscal year, there were activities to improve business processes and increase efficiency, such as by automating business processes and making services easier to use. In May 2020, the Group established a consolidated subsidiary in Vietnam to reinforce IT development capabilities in order to support the expected growth of business activities. In addition, two newly established consolidated subsidiaries made investments for future growth, such as by acquiring a business in the agricultural equipment sector, a business field that is currently attracting much attention.

In the first quarter, there was a big increase in profits of the second-hand online business. However, margins were lower in the media business and mobile & telecommunications business because of the end of an upturn in demand for upgrading communication services in the fourth quarter of the previous fiscal year caused by changes in the markets for these businesses. First quarter net sales were 2,870 million yen, 10.5% higher than in the first quarter of the previous fiscal year. Operating profit decreased 4.2% to 163 million yen, ordinary profit decreased 6.2% to 160 million yen, which includes a foreign exchange loss caused by the yen’s appreciation, and profit attributable to owners of parent decreased 9.4% to 84 million yen.

3) Overview by Business Segment

• 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.

To purchase second-hand merchandise, this business operates the takauureru.com comprehensive purchasing website for all types of merchandise as well as other purchasing websites for specific categories of merchandise. Second-hand merchandise is sold using the Internet by posting goods simultaneously on many websites, including YAHUOKU!, Rakuten, Amazon, ReRe, our own e-commerce site, and others. The main targets of this business are large or expensive merchandise and merchandise in large quantities. These types of merchandise are not suitable for C2C transactions because of the difficulty of packaging and sending these items. Using the C2B2C structure instead gives people confidence about the quality of merchandise and other aspects of these transactions due to the inclusion of a reputable company as an intermediary. There are many activities for the diversification

of second-hand online business activities in manner that captures synergies with the current operations of this business. Two examples are the acquisition of Oikura, which operates a second-hand merchandise Internet platform, and the full-scale start of an agricultural equipment export business.

In the first quarter, progress continued with using IT and standardization for business processes. Due to the uncertain business climate, the highest priority is conducting business activities while more efficiently using Internet advertisements concerning the purchase of second-hand merchandise. In recent years, the market for large agricultural equipment sold to companies has been attracting attention. We strengthened business activities for the purchase and sale of used agricultural equipment. This business is conducted primarily by consolidated subsidiary ME Trading Co., Ltd., which was established in April 2020. We buy and sell agricultural equipment in Japan and operate a cross-border e-commerce platform for this equipment. Oikura, an Internet platform that matches consumers who want to sell items with second-hand stores throughout Japan, continued to develop an IT system that raises the accuracy of these matches. In July 2020, this company started the full-scale provision of a service for directing customers to companies that purchase types of second-hand items that are difficult for the Group to buy.

Profits in the first quarter increased as the contribution to earnings from the growth in purchases and sales of agricultural equipment, a sector targeted for growth, offset a decrease in the volume of lower margin merchandise, mostly in categories already handled, because of advertising activities with emphasis on maximizing benefits in relation to expenses. As a result, sales decreased 1.9% to 1,665 million yen and segment profit increased 36.9% to 228 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 eight Internet media in five categories.

- iPhone Kakuyasu SIM Tsushin and SIMCHANGE, which have information about mobile & telecommunications
- Takakuureru.com Magazine and Oikura Magazine, which have 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
- Used Agricultural Equipment Market UMM, a platform for buying and selling used agricultural equipment

In the first quarter, the number of page views in this business was suppressed by the May 2020 revision by Google of the core algorithms for its search engine. First quarter performance also reflected the end of the upturn in the fourth quarter of the previous fiscal year of demand for upgrading communication services as many companies started using teleworking. As a result, sales were down from advertisements in media about mobile & telecommunications that generate fees by directing people to MarketEnterprise Group companies and other companies. In addition, more people were hired to build a stronger profit structure for this business, which has been growing rapidly.

Some categories of media performed well in the first quarter, such as Beginners, which has information about starting a new hobby. However, advertising revenue was down, mainly in the mobile communications sector, as consumer spending linked to the need to stay home decreased. Personnel expenses increased to build a stronger framework for the media business. As a result, sales increased 19.9% to 169 million yen and segment profit decreased 5.7% to 95 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 an Internet connection service that uses a mobile Wi-Fi router.

In the first quarter, the number of new service subscriptions decreased following the end of the upturn in demand for upgrading communication services as many companies started using teleworking in the fourth quarter of the

previous fiscal year.

Fee income for communication services increased significantly in the first quarter due to the larger number of customers resulting from new service contracts, mainly in the fourth quarter of the previous fiscal year. However, there was a decrease in sales incentive fees because of the smaller number of new service subscriptions in the first quarter. As a result, sales increased 28.6% to 1,086 million yen and segment profit decreased 9.7% to 75 million yen.

(2) Explanation of Financial Position

Assets

Total assets at the end of the first quarter of the current fiscal year decreased 276 million yen from the end of the previous fiscal year to 3,746 million yen. This was mainly due to a decrease of 581 million yen in accounts receivable-trade, while there was an increase of 307 million yen in cash and deposits.

Liabilities

Total liabilities decreased 380 million yen from the end of the previous fiscal year to 2,017 million yen. The main reasons were decreases of 136 million yen in income taxes payable and 110 million yen in long-term borrowings.

Net assets

Net assets increased 104 million yen from the end of the previous fiscal year to 1,729 million yen. This was mainly due to profit attributable to owners of parent of 84 million yen and an increase of 17 million yen in non-controlling interests.

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

The Group maintains its consolidated forecast for the fiscal year ending June 30, 2021 that was announced on August 14, 2020.

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

(Thousands of yen)

	FY6/20 (As of Jun. 30, 2020)	First quarter of FY6/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	1,255,622	1,563,079
Accounts receivable-trade	1,283,911	702,244
Merchandise	404,786	400,520
Other	124,662	129,221
Total current assets	3,068,982	2,795,066
Non-current assets		
Property, plant and equipment	358,869	378,087
Intangible assets		
Goodwill	280,910	263,604
Other	33,019	31,232
Total intangible assets	313,929	294,837
Investments and other assets	281,447	278,813
Total non-current assets	954,246	951,738
Total assets	4,023,229	3,746,805
Liabilities		
Current liabilities		
Accounts payable-trade	370,379	321,178
Current portion of long-term borrowings	464,952	459,388
Accounts payable-other	209,729	178,303
Lease obligations	14,974	27,778
Income taxes payable	164,164	28,001
Provision for bonuses	-	14,049
Provision for loss on order received	501	107
Other	281,905	191,047
Total current liabilities	1,506,607	1,219,854
Non-current liabilities		
Long-term borrowings	859,747	749,073
Lease obligations	21,887	37,399
Other	9,601	10,994
Total non-current liabilities	891,236	797,467
Total liabilities	2,397,843	2,017,321
Net assets		
Shareholders' equity		
Share capital	306,797	306,797
Capital surplus	286,437	286,437
Retained earnings	851,014	939,265
Treasury shares	(394)	(464)
Total shareholders' equity	1,443,854	1,532,034
Accumulated other comprehensive income		
Foreign currency translation adjustment	(3,853)	(5,101)
Total accumulated other comprehensive income	(3,853)	(5,101)
Share acquisition rights	1,440	1,440
Non-controlling interests	183,945	201,110
Total net assets	1,625,386	1,729,483
Total liabilities and net assets	4,023,229	3,746,805

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

(Thousands of yen)

	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Net sales	2,598,495	2,870,143
Cost of sales	1,594,794	1,767,000
Gross profit	1,003,700	1,103,143
Selling, general and administrative expenses	832,486	939,169
Operating profit	171,214	163,973
Non-operating income		
Guarantee commission received	69	164
Dividend income of insurance	130	162
Other	301	399
Total non-operating income	501	726
Non-operating expenses		
Interest expenses	996	1,282
Foreign exchange losses	-	3,222
Other	1	84
Total non-operating expenses	998	4,589
Ordinary profit	170,718	160,110
Extraordinary losses		
Loss on sales of non-current assets	-	844
Loss on retirement of non-current assets	201	-
Total extraordinary losses	201	844
Profit before income taxes	170,516	159,265
Income taxes-current	27,923	22,400
Income taxes-deferred	30,220	35,464
Total income taxes	58,144	57,865
Profit	112,371	101,400
Profit attributable to non-controlling interests	19,387	17,164
Profit attributable to owners of parent	92,984	84,236

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

	(Thousands of yen)	
	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Profit	112,371	101,400
Other comprehensive income		
Foreign currency translation adjustment	-	(1,247)
Total other comprehensive income	-	(1,247)
Comprehensive income	112,371	100,152
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	92,984	82,988
Comprehensive income attributable to non-controlling interests	19,387	17,164

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)****1. Information related to net sales and profit or loss for each reportable segment**

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Second-hand online	Media	Mobile & Telecommunica- tions	Total		
Net sales						
External sales	1,698,820	54,821	844,853	2,598,495	-	2,598,495
Inter-segment sales and transfers	-	86,916	-	86,916	(86,916)	-
Total	1,698,820	141,737	844,853	2,685,411	(86,916)	2,598,495
Segment profit	166,667	101,555	83,839	352,062	(180,848)	171,214

Notes: 1. The -180 million yen adjustment to segment profit includes elimination for inter-segment transactions of 9 million yen, and -189 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 impairment losses on non-current assets or goodwill, etc. for each reportable segment**Significant change in goodwill**

Goodwill was booked in the “Media Business” segment as the Company has acquired the SIMCHANGE business in the first quarter of FY6/20.

Accordingly, goodwill of 150 million yen was recorded.

II. First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)**1. Information related to net sales and profit or loss for each reportable segment**

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Second-hand online	Media	Mobile & Telecommunica- tions	Total		
Net sales						
External sales	1,665,897	118,020	1,086,225	2,870,143	-	2,870,143
Inter-segment sales and transfers	-	51,890	-	51,890	(51,890)	-
Total	1,665,897	169,910	1,086,225	2,922,034	(51,890)	2,870,143
Segment profit	228,169	95,811	75,748	399,729	(235,755)	163,973

Notes: 1. The -235 million yen adjustment to segment profit includes elimination for inter-segment transactions of 15 million yen, and -251 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 impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.