

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, 2021
(Nine Months Ended March 31, 2021)

[Japanese GAAP]

May 14, 2021

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Listing: Tokyo Stock Exchange
 URL: <http://www.marketenterprise.co.jp/>

Scheduled date of filing of Quarterly Report: May 17, 2021

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, 2021
(July 1, 2020 to March 31, 2021)

(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, 2021	8,119	3.0	98	(77.7)	71	(83.8)	(4)	-
Nine months ended Mar. 31, 2020	7,885	31.4	443	55.2	443	56.3	246	81.9

Note: Comprehensive income (millions of yen) Nine months ended Mar. 31, 2021: 28 (down 90.3%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2021	(0.87)	-
Nine months ended Mar. 31, 2020	47.30	44.82

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2021	3,730	1,687	39.5
As of Jun. 30, 2020	4,023	1,625	35.8

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2021: 1,471 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	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2021 (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, 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	10,910	0.1	68	(89.6)	41	(93.8)	(40)	-	(7.60)

Note: Revisions to the most recently announced earnings forecast: Yes

*** 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, 2021:	5,287,800 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 Mar. 31, 2021:	349 shares	As of Jun. 30, 2020:	286 shares
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3) Average number of shares outstanding during the period

Nine months ended Mar. 31, 2021:	5,249,520 shares	Nine months ended Mar. 31, 2020:	5,214,783 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, 2021, there were steep downturns in corporate earnings and the labor market in Japan as COVID-19 restricted the activities of companies and consumers. There was a temporary decline in the impact of this crisis between early summer and the beginning of autumn 2020 the state of emergency was lifted and the economy recovered somewhat. However, this was followed by another upturn in infections and the business climate has become extremely difficult again due to the third state of emergency and other factors.

Japanese consumers continued to hold down spending and purchase lower-priced items. But the 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 and concepts relating to sustainable consumption, etc.

In this social environment, activities of group companies are guided by the “optimized trading company” vision that reflects the growing diversity of consumption behavior and the increasing interest in smart consumption and gives everyone the best options for purchasing products and services. We are also developing our business to play a role in the realization of SDGs, which has recently become a global trend, and in the development of the circular economy.

2) Results of operations for the first nine months

The vision of the MarketEnterprise Group (“the Group”) is to operate as an “optimized trading company for the creation of a sustainable society.” Group companies are 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 nine months, 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 nine months of the current fiscal year, sales in the mobile & telecommunications business increased compared with the same period of the previous fiscal year due to an increase in the number of service subscriptions. On the other hand, profitability deteriorated mainly as a result of upfront investments for increasing personnel and systems for future earnings expansion in the second-hand online business, mainly in the agricultural equipment sector and “Oikura,” a nationwide platform that matches consumers (“sellers”) with second-hand stores (“buyers”). Other factors include low search rankings for highly profitable keywords in the media business and a decrease in the number of new service subscriptions in the mobile and telecommunications business due to intensifying competition in the communications market.

First nine months net sales were 8,119 million yen, 3.0% higher than in the first nine months of the previous fiscal year. Operating profit decreased 77.7% to 98 million yen, ordinary profit decreased 83.8% to 71 million yen and loss attributable to owners of parent was 4 million yen, compared with profit of 246 million yen one year earlier.

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 takakuureru.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 Oikura business and the start of full-scale operations of our cross-border e-commerce platform for agricultural equipment.

In the first nine months, 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 for 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 continued to develop an IT system that raises the accuracy of matches between sellers and buyers. Revenue received for directing customers to stores participating in this platform increased because of the full-scale start in July 2020 of sending to these stores customers with second-hand items that are difficult for MarketEnterprise to buy.

Earnings in the first nine months benefited from a decline in the volume of lower margin merchandise in categories we already handle. This was a reflection of advertising activities that place emphasis on maximizing benefits in relation to expenses. There was an increase in upfront investments or increasing personnel and systems for future earnings expansion, mainly in the agricultural equipment sector and Oikura businesses. As a result, sales decreased 7.6% to 4,832 million yen and segment profit decreased 22.5% to 412 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 nine months of the current fiscal year, the number of page views for profitable keywords remained low as in the previous quarter, resulting in a decline in revenue received for directing customers from the media related to telecommunications to our services. In addition, the Group expanded its workforce to build a stronger profit structure for this business, which has expanded rapidly in recent years.

As a result, sales decreased 2.1% to 420 million yen and segment profit decreased 29.3% to 201 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 nine months, the acquisition of new service subscriptions decreased due to a reduction in the number of customers sent to this business from our own telecommunications media. In addition, demand for the

upgrading of the communication environment following the first emergency declaration issued in the fourth quarter of the previous fiscal year has run its course. New service subscriptions were also affected by the intensification of competition in the telecommunications market as major telecommunications service firms launched low-priced telecommunications plans.

Fee income for communication services increased significantly in the first nine months 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 nine months. As a result, sales increased 21.4% to 2,949 million yen and segment profit decreased 27.2% to 136 million yen.

(2) Explanation of Financial Position

Assets

Total assets at the end of the third quarter of the current fiscal year decreased 292 million yen from the end of the previous fiscal year to 3,730 million yen. This was mainly due to a decrease of 687 million yen in accounts receivable-trade, while there was an increase of 321 million yen in cash and deposits.

Liabilities

Total liabilities decreased 354 million yen from the end of the previous fiscal year to 2,043 million yen. The main reasons were decreases of 73 million yen in accounts payable-trade and 163 million yen in income taxes payable.

Net assets

Net assets increased 62 million yen from the end of the previous fiscal year to 1,687 million yen. This was mainly due to increases of 17 million yen in share capital, 17 million yen in capital surplus and 30 million yen in non-controlling interests.

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

MarketEnterprise has revised its full-year earnings forecast for the fiscal year ending June 30, 2021 that was announced on August 14, 2020 because the consolidated results of operations are expected to be less than initially anticipated as is explained in “(1) Explanation of Results of Operations.”

For details, please refer to the press release “Notice of Revisions to Consolidated Forecast for the Fiscal Year Ending June 30, 2021” that was announced today (May 14, 2021).

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

(Thousands of yen)

	FY6/20 (As of Jun. 30, 2020)	Third quarter of FY6/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,255,622	1,576,902
Accounts receivable-trade	1,283,911	595,913
Merchandise	404,786	405,790
Other	124,662	200,009
Total current assets	3,068,982	2,778,615
Non-current assets		
Property, plant and equipment	358,869	371,489
Intangible assets		
Goodwill	280,910	228,992
Other	33,019	26,973
Total intangible assets	313,929	255,966
Investments and other assets	281,447	324,754
Total non-current assets	954,246	952,209
Total assets	4,023,229	3,730,825
Liabilities		
Current liabilities		
Accounts payable-trade	370,379	296,805
Short-term borrowings	-	100,000
Current portion of long-term borrowings	464,952	462,692
Accounts payable-other	209,729	204,459
Lease obligations	14,974	18,882
Income taxes payable	164,164	513
Provision for bonuses	-	27,736
Other	282,407	182,807
Total current liabilities	1,506,607	1,293,895
Non-current liabilities		
Long-term borrowings	859,747	696,793
Lease obligations	21,887	34,434
Other	9,601	17,889
Total non-current liabilities	891,236	749,117
Total liabilities	2,397,843	2,043,013
Net assets		
Shareholders' equity		
Share capital	306,797	324,234
Capital surplus	286,437	303,874
Retained earnings	851,014	846,421
Treasury shares	(394)	(530)
Total shareholders' equity	1,443,854	1,474,000
Accumulated other comprehensive income		
Foreign currency translation adjustment	(3,853)	(2,078)
Total accumulated other comprehensive income	(3,853)	(2,078)
Share acquisition rights	1,440	1,071
Non-controlling interests	183,945	214,818
Total net assets	1,625,386	1,687,811
Total liabilities and net assets	4,023,229	3,730,825

(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 FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Net sales	7,885,605	8,119,435
Cost of sales	4,865,843	5,196,514
Gross profit	3,019,761	2,922,920
Selling, general and administrative expenses	2,576,574	2,824,158
Operating profit	443,187	98,762
Non-operating income		
Foreign exchange gains	247	-
Guarantee commission received	139	164
Dividend income of insurance	130	162
Commission income	170	604
Subsidy income	2,000	-
Vending machine income	225	275
Other	307	1,309
Total non-operating income	3,221	2,517
Non-operating expenses		
Interest expenses	2,607	3,961
Foreign exchange losses	-	2,520
Listing expenses	-	22,685
Other	215	468
Total non-operating expenses	2,823	29,636
Ordinary profit	443,585	71,643
Extraordinary income		
Gain on sales of non-current assets	-	355
Total extraordinary income	-	355
Extraordinary losses		
Loss on sales of non-current assets	-	844
Loss on retirement of non-current assets	790	132
Total extraordinary losses	790	976
Profit before income taxes	442,795	71,021
Income taxes-current	120,987	37,661
Income taxes-deferred	31,947	7,079
Total income taxes	152,935	44,741
Profit	289,860	26,280
Profit attributable to non-controlling interests	43,223	30,872
Profit (loss) attributable to owners of parent	246,636	(4,592)

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

	(Thousands of yen)	
	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Profit	289,860	26,280
Other comprehensive income		
Foreign currency translation adjustment	-	1,775
Total other comprehensive income	-	1,775
Comprehensive income	289,860	28,055
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	246,636	(2,817)
Comprehensive income attributable to non-controlling interests	43,223	30,872

(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 FY6/20 (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)	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 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.

II. First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)

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

	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	4,832,943	337,244	2,949,246	8,119,435	-	8,119,435
Inter-segment sales and transfers	-	82,876	-	82,876	(82,876)	-
Total	4,832,943	420,121	2,949,246	8,202,311	(82,876)	8,119,435
Segment profit	412,689	201,871	136,942	751,503	(652,741)	98,762

Notes: 1. The -652 million yen adjustment to segment profit includes elimination for inter-segment transactions of 45 million yen, and -697 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.