

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, 2020
(Three Months Ended September 30, 2019)

[Japanese GAAP]

November 13, 2019

Company name: MarketEnterprise Co., Ltd.
 Securities code: 3135
 Representative: Yasushi Kobayashi, President, CEO
 Contact: Kenichi Imamura, Director, CFO
 Tel: +81-(0)3-5159-4060

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

Scheduled date of filing of Quarterly Report: November 13, 2019

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

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, 2020
(July 1, 2019 to September 30, 2019)

(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, 2019 | 2,598 | 50.1 | 171 | 683.9 | 170 | 699.4 | 92 | - |
| Three months ended Sep. 30, 2018 | 1,731 | 25.5 | 21 | - | 21 | - | (1) | - |

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2019: 112 (up 899.3%)

Three months ended Sep. 30, 2018: 11 (-%)

| | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended Sep. 30, 2019 | 17.86 | 16.92 |
| Three months ended Sep. 30, 2018 | (0.20) | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of Sep. 30, 2019 | 2,897 | 1,357 | 42.9 |
| As of Jun. 30, 2019 | 2,617 | 1,244 | 44.0 |

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2019: 1,244

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 | - | - | - | - | - |
| Fiscal year ending Jun. 30, 2020 (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, 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 Sep. 30, 2019: | 5,208,400 shares | As of Jun. 30, 2019: | 5,207,800 shares |
|----------------------|------------------|----------------------|------------------|

2) Number of treasury shares as of the end of the period

| | | | |
|----------------------|------------|----------------------|------------|
| As of Sep. 30, 2019: | 286 shares | As of Jun. 30, 2019: | 286 shares |
|----------------------|------------|----------------------|------------|

3) Average number of shares outstanding during the period

| | | | |
|-----------------------------------|------------------|-----------------------------------|------------------|
| Three months ended Sep. 30, 2019: | 5,207,598 shares | Three months ended Sep. 30, 2018: | 5,101,140 shares |
|-----------------------------------|------------------|-----------------------------------|------------------|

* 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 and business environment

In the first quarter of the fiscal year ending on June 30, 2020, domestic demand in Japan continued to recover slowly due to increasing corporate earnings, improvements in the labor market and personal income, etc. However, the economic outlook remained uncertain because of rising trade barriers, including U.S.-China trade friction, instability in financial markets and other events.

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 increasingly diverse as the range of ways people spend their money grows in order to reflect individual values, lifestyles and interests.

The diversify of purchasing behavior in Japan is increasing and there is growing interest in “smart consumption.” 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 each individual. Many activities are under way to accomplish this goal.

2) First quarter results of operations

The Group conducted aggressive and efficient web marketing activities during the first quarter that targeted the increasing diversity of purchasing behavior and consumers seeking “smart consumption.” There were also many activities involving media and services. At the same time, the Group continued to automate business processes, make its services easier to use and take other actions for making operations more efficient.

First quarter net sales were 2,598 million yen, 50.1% higher than in the first quarter of the previous fiscal year. Operating profit increased 683.9% to 171 million yen, ordinary profit increased 699.4% to 170 million yen, and profit attributable to owners of parent was 92 million yen, compared with a loss of 1 million yen one year earlier. Earnings were much higher than one year earlier even as the Group made investments for business acquisitions and more synergies among its businesses in order to build a base for more earnings growth.

3) New business 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 were starting 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 comparisons are shown for these business segments because it is not possible to determine segment data 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 takakuureru.com purchasing website as well as separate purchasing websites for 30 categories of merchandise. The Group receives an average of about 40,000 purchase requests every month. It uses many channels for the sale of second-hand merchandise, including YAHUOKU!, Rakuten, Amazon and other websites. Merchandise is also sold on the ReRe e-commerce website.

The main target of the second-hand is large or expensive merchandise or 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 quarter, there were many activities for selling inventory items held at the end of the previous fiscal year. In addition, the Group took actions for sales growth while improving its efficiency. These measures included raising the accuracy of web marketing for purchases, further increasing the use of IT for business processes and standardizing these processes. Another first half activity was the start of collaboration between its takakureru.com purchasing website and Oikura, which the Group acquired in February 2019. Oikura is one of the largest Internet platforms in Japan for comparisons of purchase prices of used household items, using a process that matches consumers with second-hand stores throughout Japan. Due to the success of all these initiatives, the volume of second-hand transactions increased significantly in the strategic categories of agricultural equipment, construction machinery and medical equipment. All of these categories have considerable growth potential and high barriers to new entrants. In addition, the transaction volume increased in the existing categories of home appliances, musical instruments and audio equipment. As a result, this segment had sales of 1,698 million yen and a segment profit of 166 million yen while increasing the inventory of second-hand merchandise for sale.

• Media Business

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

- Takakureru.com Magazine, which has information about selling and discarding items
- Outlet Japan and Beginners, which have information about buying items
- iPhone Kakuyasu SIM Tsushin and SIMCHANGE, which have information about mobile & telecommunications

In the first quarter, there was a strong performance by mobile & telecommunications media, which was acquired in August 2019. Total monthly page views for all five internet media have increased to more than 10 million.

As a result, sales were 141 million yen and segment profit was 101 million yen.

• Mobile & Telecommunications Business

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 uses the Kashimo brand, which is an abbreviation for the words “smart mobile” in Japanese.

During the first quarter, one priority was using synergies with the media business to increase sales of new mobile phone subscriptions. To support sales activities, the Group offers service plans with fees that are simple and easy to understand and utilized web marketing. This business continued to perform well in the first quarter because of these activities and cumulative sales of mobile phone subscriptions surpassed 40,000.

As a result, sales were 844 million yen and segment profit was 83 million yen.

(2) Explanation of Financial Position

Assets

Total assets at the end of the first quarter of the current fiscal year increased 280 million yen from the end of the previous fiscal year to 2,897 million yen. This was mainly due to increases of 159 million yen in accounts receivable-trade, 31 million yen in merchandise and 140 million yen in goodwill, while there was a decrease of 49 million yen in cash and deposits.

Liabilities

Total liabilities increased 167 million yen from the end of the previous fiscal year to 1,540 million yen. The main reasons were increases of 65 million yen in accounts payable-trade, 78 million yen in current portion of long-term borrowings and 246 million yen in long-term loans payable, while there was a decrease of 147 million yen in income taxes payable.

Net assets

Net assets increased 112 million yen from the end of the previous fiscal year to 1,357 million yen. This was mainly due to the booking of profit attributable to owners of parent of 92 million yen and an increase of 19 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, 2020 it announced on August 14, 2019.

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

(Thousands of yen)

| | FY6/19 (As of Jun. 30, 2019) | First quarter of FY6/20 (As of Sep 30, 2019) |
|---|---------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,166,847 | 1,117,473 |
| Accounts receivable-trade | 504,267 | 664,019 |
| Merchandise | 367,659 | 398,705 |
| Other | 78,949 | 93,085 |
| Total current assets | 2,117,723 | 2,273,283 |
| Non-current assets | | |
| Property, plant and equipment | 144,904 | 149,461 |
| Intangible assets | | |
| Goodwill | 86,666 | 226,776 |
| Other | 22,480 | 21,278 |
| Total intangible assets | 109,146 | 248,055 |
| Investments and other assets | 245,702 | 226,942 |
| Total non-current assets | 499,753 | 624,459 |
| Total assets | 2,617,477 | 2,897,743 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 176,090 | 241,247 |
| Current portion of long-term borrowings | 221,971 | 299,988 |
| Accounts payable-other | 197,870 | 197,255 |
| Lease obligations | 11,979 | 12,009 |
| Income taxes payable | 179,845 | 32,512 |
| Provision for bonuses | - | 11,030 |
| Provision for loss on order received | 6,138 | 5,713 |
| Other | 205,744 | 123,392 |
| Total current liabilities | 999,639 | 923,147 |
| Non-current liabilities | | |
| Long-term borrowings | 333,823 | 580,526 |
| Lease obligations | 33,986 | 30,973 |
| Other | 5,505 | 5,961 |
| Total non-current liabilities | 373,315 | 617,461 |
| Total liabilities | 1,372,955 | 1,540,608 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 306,375 | 306,495 |
| Capital surplus | 286,015 | 286,135 |
| Retained earnings | 559,324 | 652,309 |
| Treasury shares | (394) | (394) |
| Total shareholders' equity | 1,151,320 | 1,244,545 |
| Share acquisition rights | 1,440 | 1,440 |
| Non-controlling interests | 91,761 | 111,148 |
| Total net assets | 1,244,522 | 1,357,134 |
| Total liabilities and net assets | 2,617,477 | 2,897,743 |

(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 FY6/19 (Jul. 1, 2018 – Sep. 30, 2018) | First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019) |
|--|--|--|
| Net sales | 1,731,408 | 2,598,495 |
| Cost of sales | 1,020,059 | 1,594,794 |
| Gross profit | 711,348 | 1,003,700 |
| Selling, general and administrative expenses | 689,507 | 832,486 |
| Operating profit | 21,841 | 171,214 |
| Non-operating income | | |
| Dividend income of insurance | 136 | 130 |
| Foreign exchange gains | 606 | - |
| Other | 458 | 370 |
| Total non-operating income | 1,200 | 501 |
| Non-operating expenses | | |
| Interest expenses | 712 | 996 |
| Compensation expenses | 383 | - |
| Cancellation penalty | 455 | - |
| Other | 135 | 1 |
| Total non-operating expenses | 1,686 | 998 |
| Ordinary profit | 21,355 | 170,718 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | - | 201 |
| Total extraordinary losses | - | 201 |
| Profit before income taxes | 21,355 | 170,516 |
| Income taxes-current | 14,680 | 27,923 |
| Income taxes-deferred | (4,570) | 30,220 |
| Total income taxes | 10,110 | 58,144 |
| Profit | 11,245 | 112,371 |
| Profit attributable to non-controlling interests | 12,290 | 19,387 |
| Profit (loss) attributable to owners of parent | (1,045) | 92,984 |

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

(Thousands of yen)

| | First three months of FY6/19 (Jul. 1, 2018 – Sep. 30, 2018) | First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019) |
|--|--|--|
| Profit | 11,245 | 112,371 |
| Comprehensive income | 11,245 | 112,371 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | (1,045) | 92,984 |
| Comprehensive income attributable to non-controlling interests | 12,290 | 19,387 |

(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 FY6/19 (Jul. 1, 2018 – Sep. 30, 2018)

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

II. 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 & Telecommunication | Subtotal | | |
| 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 revisions for reportable segments

The MarketEnterprise 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 rapid 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 were starting 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 communications business. Each segment is different in terms of its business model and other characteristics.

MarketEnterprise 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 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.