

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, 2022
(Three Months Ended September 30, 2021)

[Japanese GAAP]

November 12, 2021

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

Scheduled date of filing of Quarterly Report: November 15, 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 First Quarter of the Fiscal Year Ending June 30, 2022
(July 1, 2021 to September 30, 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	%
Three months ended Sep. 30, 2021	2,607	(9.2)	(165)	-	(161)	-	(121)	-
Three months ended Sep. 30, 2020	2,870	10.5	163	(4.2)	160	(6.2)	84	(9.4)

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2021:(121) (- %) Three months ended Sep. 30, 2020: 100 (down 10.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2021	(23.00)	-
Three months ended Sep. 30, 2020	16.12	15.30

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2021	3,297	1,532	40.0
As of Jun. 30, 2021	3,461	1,653	41.5

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2021: 1,318 As of Jun. 30, 2021: 1,437

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2021	-	0.00	-	0.00	0.00
Fiscal year ending Jun. 30, 2022	-				
Fiscal year ending Jun. 30, 2022 (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, 2022 (July 1, 2021 to June 30, 2022)

(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	12,000	10.3	(400)	-	(405)	-	(440)	-	(83.10)

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: Yes

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, 2021:	5,296,200 shares	As of Jun. 30, 2021:	5,295,300 shares
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2) Number of treasury shares as of the end of the period

As of Sep. 30, 2021:	349 shares	As of Jun. 30, 2021:	349 shares
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3) Average number of shares outstanding during the period

Three months ended Sep. 30, 2021:	5,295,176 shares	Three months ended Sep. 30, 2020:	5,226,087 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 and business environment

In the first quarter of the fiscal year ending in June 2022, states of emergency and other measures to combat the pandemic restricted economic activity and consumer spending in Japan nationwide. Although the Japanese economy was sluggish, benefits of vaccinations and other actions concerning the pandemic are emerging. The government is reducing restrictions on various activities, but the outlook is still uncertain and the economic climate remains challenging.

Japanese consumers continue 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 the different values and preferences of consumers. These trends are most pronounced with regard to purchases made using the internet.

In this social environment, activities of the MarketEnterprise Group (“the Group”) 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 development of the circular economy, which is an economic activity aimed at the realization of SDGs, that has become a global trend in recent years.

2) First quarter results of operations

The Group’s vision 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. On August 13, 2021, we announced a medium-term management plan covering the three-year period ending in June 2024. The goals for the plan’s final year are net sales of 20 billion yen and an operating profit of 1.2 billion yen. Numerous initiatives are under way for accomplishing these goals.

In the first quarter, there were many up-front expenditures, primarily involving the second-hand online business, for achieving medium-term growth. Examples include substantial marketing expenditures to increase the number of items submitted for purchasing in the personal second-hand field, new business sites for agricultural equipment operations, and expenditures for recruiting activities and IT systems for building a base to support growth in earnings. In the media business, there were maintenance activities for articles in this business to reflect updated search engine algorithms. Due to this maintenance and other activities, there are signs of a recovery in search rankings for highly profitable keywords from the low levels of the previous fiscal year. In the mobile & telecommunications business, a new rate plan was introduced and activities focused on selling new subscriptions in order to build a sound base for generating recurring income for a medium term.

Due to activities that placed priority on building a framework for the medium-term generation of earnings, mainly in the second-hand business, net sales were 2,607 million yen, 9.2% lower than in the first quarter of the previous fiscal year. Operating loss was 165 million yen, compared with profit of 163 million yen one year earlier, ordinary loss was 161 million yen, compared with profit of 160 million yen one year earlier, and loss attributable to owners of parent was 121 million yen, compared with profit of 84 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. This business uses a cross-border e-commerce platform for agricultural equipment, which is sold to companies. We provide one-stop convenience by handling every step from the receipt of orders from customers in other countries to export procedures required for shipping equipment to these customers. In addition, we are diversifying the second-hand online business by utilizing synergies with existing operations of this business such as Oikura, a nationwide platform that matches sellers and buyers (second-hand stores throughout Japan).

To accomplish the goals of the medium-term management plan, there were many up-front expenditures during the first quarter. Examples include substantial marketing expenditures to increase the number of items submitted for purchasing, new business sites for agricultural equipment operations, and expenditures for recruiting activities and IT systems. In addition, Oikura, an internet platform that matches people who want to sell items with second-hand stores throughout Japan, conducted a large volume of sales activities to increase the number of member stores that use this platform.

Due to these large up-front expenditures, sales decreased 11.6% to 1,472 million yen and segment loss was 4 million yen, compared with profit of 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, there were maintenance activities for articles in this business to reflect updated search engine algorithms. Due to this maintenance and other activities, there are signs of a recovery in search rankings for highly profitable keywords. There is also a recovery in revenue received for directing customers to our own services involving telecommunications. There was also strong revenue for directing customers to media outside the MarketEnterprise Group in sectors other than telecommunications. Despite these activities, sales and earnings were down from one year earlier when all keywords had high search rankings. As a result, sales decreased 25.7% to 126 million yen and segment profit decreased 29.9% to 67 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, signs of a recovery began to appear concerning the number of customers sent to this business from our own telecommunications media operated by the media business. As a result, the number of new subscriptions is improving, chiefly for the new WiMAX 5G service. A new rate plan was introduced to build a base for the medium-term generation of recurring income. The new plan temporarily reduces earnings recorded when a new subscription is sold but increases monthly earnings over the entire subscription period. This new rate plan lowered the profitability of this business in the first quarter because the plan spreads earnings over a longer

time for each service contract and there was a temporary increase in the cost of acquiring customers for this plan.

As a result, sales decreased 5.5% to 1,025 million yen and segment loss was 7 million yen, compared with profit of 75 million yen.

(2) Explanation of Financial Position

1) Assets

Total assets at the end of first quarter of the current fiscal year decreased 164 million yen from the end of the previous fiscal year to 3,297 million yen. This was mainly due to a decrease of 433 million yen in cash and deposits, while there were increases of 93 million yen in accounts receivable-trade, 69 million yen in merchandise and 67 million yen in investments and other assets.

2) Liabilities

Total liabilities decreased 43 million yen from the end of the previous fiscal year to 1,764 million yen. The main reasons were decreases of 35 million yen in current portion of long-term borrowings and 91 million yen in long-term borrowings.

3) Net assets

Net assets decreased 120 million yen from the end of the previous fiscal year to 1,532 million yen. This was mainly because of loss attributable to owners of parent of 121 million yen.

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

First quarter sales and earnings are in line with our business plan. The Group maintains its consolidated forecast for the fiscal year ending June 30, 2022 that was announced on August 13, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY6/21 (As of Jun. 30, 2021)	First quarter of FY6/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	1,469,224	1,035,234
Accounts receivable-trade	581,128	674,767
Merchandise	285,310	355,089
Other	194,996	207,709
Total current assets	2,530,660	2,272,800
Non-current assets		
Property, plant and equipment	360,264	383,649
Intangible assets		
Goodwill	211,686	194,380
Other	24,331	44,338
Total intangible assets	236,017	238,718
Investments and other assets	334,958	402,003
Total non-current assets	931,240	1,024,371
Total assets	3,461,901	3,297,172
Liabilities		
Current liabilities		
Accounts payable-trade	308,176	315,835
Short-term borrowings	-	100,000
Current portion of long-term borrowings	421,439	385,750
Accounts payable-other	204,531	214,202
Lease obligations	18,608	18,655
Income taxes payable	2,888	4,392
Provision for bonuses	-	14,650
Other	200,092	158,060
Total current liabilities	1,155,735	1,211,545
Non-current liabilities		
Long-term borrowings	605,308	513,823
Lease obligations	29,765	25,084
Other	17,944	14,451
Total non-current liabilities	653,018	553,359
Total liabilities	1,808,753	1,764,905
Net assets		
Shareholders' equity		
Share capital	324,679	324,935
Capital surplus	304,319	304,575
Retained earnings	810,896	689,119
Treasury shares	(530)	(530)
Total shareholders' equity	1,439,365	1,318,099
Accumulated other comprehensive income		
Foreign currency translation adjustment	(1,764)	518
Total accumulated other comprehensive income	(1,764)	518
Share acquisition rights	1,063	1,058
Non-controlling interests	214,482	212,590
Total net assets	1,653,147	1,532,267
Total liabilities and net assets	3,461,901	3,297,172

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

	(Thousands of yen)	
	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Net sales	2,870,143	2,607,325
Cost of sales	1,767,000	1,729,184
Gross profit	1,103,143	878,141
Selling, general and administrative expenses	939,169	1,043,720
Operating profit (loss)	163,973	(165,578)
Non-operating income		
Guarantee commission received	164	-
Dividend income of insurance	162	221
Subsidy income	-	4,667
Vending machine income	70	290
Other	328	1,423
Total non-operating income	726	6,602
Non-operating expenses		
Interest expenses	1,282	1,047
Foreign exchange losses	3,222	1,193
Other	84	33
Total non-operating expenses	4,589	2,274
Ordinary profit (loss)	160,110	(161,251)
Extraordinary losses		
Loss on sale of non-current assets	844	-
Loss on retirement of non-current assets	-	7,798
Total extraordinary losses	844	7,798
Profit (loss) before income taxes	159,265	(169,049)
Income taxes-current	22,400	1,014
Income taxes-deferred	35,464	(46,395)
Total income taxes	57,865	(45,380)
Profit (loss)	101,400	(123,669)
Profit (loss) attributable to non-controlling interests	17,164	(1,892)
Profit (loss) attributable to owners of parent	84,236	(121,776)

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

(Thousands of yen)

	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Profit (loss)	101,400	(123,669)
Other comprehensive income		
Foreign currency translation adjustment	(1,247)	2,282
Total other comprehensive income	(1,247)	2,282
Comprehensive income	100,152	(121,386)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	82,988	(119,493)
Comprehensive income attributable to non-controlling interests	17,164	(1,892)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

MarketEnterprise has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in the proviso to paragraph 84 of this standard, there is no effect on retained earnings at the beginning of the first quarter.

There is also no effect of this application on profit.

Furthermore, in accordance with the transitional treatment prescribed in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), MarketEnterprise has not presented information on revenue from contracts with customers broken down for the first quarter of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

MarketEnterprise has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies prescribed in the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no effect of this change on the quarterly consolidated financial statements.

Segment Information

I. 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.

II. First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)

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	1,472,233	109,119	1,025,972	2,607,325	-	2,607,325
Inter-segment sales and transfers	-	17,051	-	17,051	(17,051)	-
Total	1,472,233	126,170	1,025,972	2,624,376	(17,051)	2,607,325
Segment profit (loss)	(4,728)	67,117	(7,183)	55,205	(220,784)	(165,578)

Notes: 1. The -220 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 19 million yen, and -239 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 (losses) are adjusted to be consistent with operating loss 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.

Revenue Recognition

Information on revenue from contracts with customers broken down

First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)

(Thousands of yen)

	Reportable segment			
	Second-hand online	Media	Mobile & Telecommunications	Total
Comprehensive reuse	1,235,046	-	-	1,235,046
Machinery (agricultural equipment/ construction machinery)	237,187	-	-	237,187
Performance-based advertising revenue	-	109,119	-	109,119
Communication service fee income	-	-	1,025,972	1,025,972
Revenue from contracts with customers	1,472,233	109,119	1,025,972	2,607,325
Other income	-	-	-	-
External sales	1,472,233	109,119	1,025,972	2,607,325