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Summary of Consolidated Financial Results for the Six Months Ended December 31, 2023 [Japanese GAAP]

February 14, 2024

Company name: MarketEnterprise Co.,Ltd.

Stock exchange listing: Tokyo

Code number: 3135

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

Representative: KOBAYASHI Yasushi

President, CEO

Contact: IMAMURA Kenichi

Managing Director, CFO

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Scheduled date of filing quarterly securities report: February 14, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended December 31, 2023 (July 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended December 31, 2023	8,526	15.4	(41)	-	(282)	-	(627)	-
December 31, 2022	7,386	34.5	(43)	-	(73)	-	(134)	-

(Note) Comprehensive income: Six months ended December 31, 2023: ¥ (590) million [-%]

Six months ended December 31, 2022: ¥ (119) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended December 31, 2023	(117.73)	-
December 31, 2022	(25.20)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	4,682	1,112	15.4
June 30, 2023	4,853	1,701	27.8

(Reference) Equity: As of December 31, 2023: ¥ 721 million

As of June 30, 2023: ¥ 1,351 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	-	0.00	-	0.00	0.00
Fiscal year ending June 30, 2024	-	0.00			
Fiscal year ending June 30, 2024 (Forecast)			-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2024(July 1, 2023 to June 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	18,000	18.0	100	5.7	(135)	-	(547)	-	(102.63)

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the six months ended December 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2023: 5,329,600 shares

June 30, 2023: 5,324,000 shares

2) Number of treasury shares at the end of the period:

December 31, 2023: 395 shares

June 30, 2023: 395 shares

3) Average number of shares outstanding during the period:

Six months ended December 31, 2023: 5,326,808 shares

Six months ended December 31, 2022: 5,321,800 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.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	1,643,596	1,515,091
Accounts receivable - trade	1,111,482	1,241,734
Merchandise	574,797	649,032
Allowance for doubtful accounts	(152)	(21,709)
Other	143,197	225,985
Total current assets	3,472,920	3,610,134
Non-current assets		
Property, plant and equipment	429,439	270,450
Intangible assets		
Goodwill	97,309	61,121
Other	30,006	21,841
Total intangible assets	127,315	82,962
Investments and other assets	824,175	718,761
Total non-current assets	1,380,930	1,072,174
Total assets	4,853,851	4,682,308
Liabilities		
Current liabilities		
Accounts payable - trade	424,626	502,405
Short-term borrowings	1,500,000	2,200,000
Current portion of long-term borrowings	147,472	45,819
Accounts payable - other	355,220	294,557
Lease liabilities	25,064	27,314
Income taxes payable	206,126	70,833
Other	419,114	356,706
Total current liabilities	3,077,624	3,497,636
Non-current liabilities		
Lease liabilities	74,133	71,772
Other	191	191
Total non-current liabilities	74,325	71,964
Total liabilities	3,151,950	3,569,601
Net assets		
Shareholders' equity		
Share capital	331,339	332,096
Capital surplus	310,979	311,736
Retained earnings	697,110	70,007
Treasury shares	(582)	(582)
Total shareholders' equity	1,338,847	713,257
Accumulated other comprehensive income		
Foreign currency translation adjustment	12,901	8,726
Total accumulated other comprehensive income	12,901	8,726
Share acquisition rights	928	913
Non-controlling interests	349,223	389,809
Total net assets	1,701,900	1,112,707
Total liabilities and net assets	4,853,851	4,682,308

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Net sales	7,386,286	8,526,447
Cost of sales	4,703,571	5,412,172
Gross profit	2,682,714	3,114,275
Selling, general and administrative expenses	2,726,142	3,155,753
Operating loss	(43,427)	(41,478)
Non-operating income		
Dividend income of insurance	260	348
Subsidy income	1,639	26
Vending machine income	242	192
Gain on valuation of derivatives	4,800	-
Gain on sale of scraps	1,072	2,754
Other	1,313	764
Total non-operating income	9,327	4,085
Non-operating expenses		
Interest expenses	6,563	9,659
Foreign exchange losses	5,598	5,029
Commission expenses	26,590	35,062
Loss on valuation of derivatives	-	191,700
Other	580	3,361
Total non-operating expenses	39,331	244,813
Ordinary loss	(73,431)	(282,205)
Extraordinary income		
Gain on sale of non-current assets	1,124	-
Total extraordinary income	1,124	-
Extraordinary losses		
Impairment losses	-	190,384
Loss on retirement of non-current assets	0	1,833
Loss on sale of non-current assets	-	8
Total extraordinary losses	0	192,226
Loss before income taxes	(72,307)	(474,432)
Income taxes - current	36,430	63,480
Income taxes - deferred	5,205	48,602
Total income taxes	41,635	112,083
Loss	(113,942)	(586,516)
Profit attributable to non-controlling interests	20,153	40,586
Loss attributable to owners of parent	(134,096)	(627,102)

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Loss	(113,942)	(586,516)
Other comprehensive income		
Foreign currency translation adjustment	(5,589)	(4,174)
Total other comprehensive income	(5,589)	(4,174)
Comprehensive income	(119,532)	(590,690)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(139,685)	(631,277)
Comprehensive income attributable to non-controlling interests	20,153	40,586

Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Cash flows from operating activities		
Loss before income taxes	(72,307)	(474,432)
Depreciation	32,347	34,391
Impairment losses	-	190,384
Amortization of goodwill	37,688	36,188
Increase (decrease) in allowance for doubtful accounts	14,943	21,557
Interest and dividend income	(35)	(39)
Interest expenses	6,563	9,659
Decrease (increase) in trade receivables	33,562	(130,252)
Decrease (increase) in inventories	(220,579)	(76,766)
Increase (decrease) in trade payables	37,502	77,778
Loss (gain) on sale of non-current assets	(1,124)	8
Loss on retirement of non-current assets	0	1,833
Subsidy income	(1,639)	(26)
Decrease (increase) in deposits paid	(23)	-
Increase (decrease) in accounts payable - other	46,550	(28,670)
Increase (decrease) in accrued expenses	3,214	(26,349)
Increase (decrease) in accrued consumption taxes	(29,226)	(61,279)
Decrease (increase) in consumption taxes refund receivable	84,646	(15,611)
Commitmentline expense	26,590	34,953
Loss (gain) on valuation of derivatives	(4,800)	191,700
Other, net	(45,623)	(57,451)
Subtotal	(51,750)	(272,422)
Interest and dividends received	35	39
Interest paid	(6,563)	(9,659)
Income taxes paid	(39,592)	(187,653)
Income taxes refund	0	-
Subsidies received	1,639	26
Net cash provided by (used in) operating activities	(96,231)	(469,670)
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,658)	(40,051)
Proceeds from sale of property, plant and equipment	1,124	280
Purchase of investment securities	(15,000)	-
Purchase of intangible assets	-	(920)
Payments of leasehold and guarantee deposits	(158,117)	(171,054)
Other, net	454	7,201
Net cash provided by (used in) investing activities	(198,197)	(204,543)

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	10,018	1,497
Proceeds from short-term borrowings	4,701,000	4,200,000
Repayments of short-term borrowings	(3,900,000)	(3,500,000)
Repayments of long-term borrowings	(118,818)	(101,653)
Repayments of lease liabilities	(9,856)	(14,099)
Arrangement fees and others paid	(27,605)	(36,008)
Other, net	(52)	-
Net cash provided by (used in) financing activities	654,687	549,735
Effect of exchange rate change on cash and cash equivalents	(5,255)	(4,026)
Net increase (decrease) in cash and cash equivalents	355,003	(128,504)
Cash and cash equivalents at beginning of period	941,696	1,643,596
Cash and cash equivalents at end of period	1,296,699	1,515,091