

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, 2023
(Nine Months Ended March 31, 2023)

[Japanese GAAP]

May 15, 2023

Company name: MarketEnterprise Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 3135

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

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Scheduled date of filing of Quarterly Report:

May 15, 2023

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, 2023
(July 1, 2022 to March 31, 2023)

(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, 2023	11,163	30.8	39	-	89	-	(106)	-
Nine months ended Mar. 31, 2022	8,532	5.1	(223)	-	(240)	-	(213)	-

Note: Comprehensive income (millions of yen)

Nine months ended Mar. 31, 2023: (49) (- %)

Nine months ended Mar. 31, 2022: (176) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2023	(20.01)	-
Nine months ended Mar. 31, 2022	(40.34)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2023	4,317	1,257	22.0
As of Jun. 30, 2022	3,531	1,296	29.7

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2023: 950

As of Jun. 30, 2022: 1,050

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2022	-	0.00	-	0.00	0.00
Fiscal year ending Jun. 30, 2023	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2023 (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, 2023 (July 1, 2022 to June 30, 2023)

(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	15,000	25.1	300	-	275	-	167	-	31.39

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 Mar. 31, 2023:	5,324,000 shares	As of Jun. 30, 2022:	5,304,800 shares
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2) Number of treasury shares as of the end of the period

As of Mar. 31, 2023:	395 shares	As of Jun. 30, 2022:	349 shares
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3) Average number of shares outstanding during the period

Nine months ended Mar. 31, 2023:	5,322,105 shares	Nine months ended Mar. 31, 2022:	5,295,917 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 in June 2023, there were expectations for a recovery of economic activities due to the gradual elimination of restrictions on various activities due to the pandemic. However, the economic outlook remains uncertain due to factors including soaring resource prices resulting from the protracted situation in Russia and Ukraine and rising prices resulting from the ongoing depreciation of the yen.

Consumers in Japan have an even stronger desire than before to economize and seek low prices because of rapid inflation, but this 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 are guided by the “optimized trading company” vision that reflects the growing diversity of consumption behavior and the increasing interest in smart consumption and has the goal of giving everyone the best options for purchasing products and services. Another goal is to use business operations to play a role in the creation of the circular economy, an economic activity aimed at the realization of SDGs, which has become a global trend in recent years.

2) Results of operations for the first nine months

The MarketEnterprise 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, business operators and companies. Activities include use of the internet to give customers a selection of purchasing channels in order to match their needs.

We are currently implementing 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. In the current fiscal year, which is the middle year of this plan, investments are continuing for building a sound medium-term base for earnings. There are also activities for sales growth and becoming more profitable. The following table summarizes activities during the first nine months for accomplishing these goals.

Reportable segment	Activities
Second-hand Online Business	<p>(Second-hand business for individuals)</p> <ul style="list-style-type: none"> • Opening of the Chiba Purchasing Base in October 2022 for expanding operations to more areas • More buyers and vehicles for purchasing second-hand items at customers’ homes for the growth of these purchases • Developing a full-fledged consulting business for purchasing second-hand items at customers’ homes <p>(Agricultural equipment)</p> <ul style="list-style-type: none"> • More overseas sales channels to increase exports • Growth of business with companies in Japan at the used agricultural equipment purchasing and sales business that was acquired from Farmally, inc. in the fourth quarter of the previous fiscal year. • Review of the purchase price assessment system to improve profitability. <p>(Oikura)</p> <ul style="list-style-type: none"> • IT system investments to increase earnings of Oikura as a second-hand distribution platform • Cooperation with local governments for public-private sector initiatives that contribute to accomplishing the SDGs (Increase the second-hand distribution of consumer products in order to reduce the amount of second-hand products in trash and the environmental impact of these products.)

Media Business	<ul style="list-style-type: none"> • Maintenance activities for articles in this business to accommodate updated search engine algorithms • Expand the categories of products and services used to send customers to other MarketEnterprise businesses
Mobile & Telecommunications Business	<ul style="list-style-type: none"> • New rate plans that match customers' needs for increasing new service subscriptions • Service agreements with longer terms as customers ask to change from 4G to 5G

As a result, net sales were 11,163 million yen, 30.8% higher than in the first nine months of the previous fiscal year. Operating profit was 39 million yen, compared with a loss of 223 million yen one year earlier, ordinary profit was 89 million yen, compared with a loss of 240 million yen one year earlier, and loss attributable to owners of parent was 106 million yen due to an increase in tax expense, compared with a loss of 213 million yen one year earlier. Sales and earnings were generally consistent with the assumptions used for the medium-term management plan.

3) Business Segment Overview

• Second-Hand Online Business

This business, which is the core business of the MarketEnterprise 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. During the past few years, we have used knowledge acquired by operating this business to start a second-hand agricultural equipment business. In addition to operating this business in Japan, we plan to diversify this business by using synergies with other group businesses, such as by exporting used agricultural equipment. There are also numerous initiatives under way for enlarging the base of operations for Oikura, an internet platform that matches sellers of second-hand items, which are ordinary consumers, with buyers, which are second-hand stores throughout Japan.

During the first nine months, operations started at the Chiba Purchasing Base in October 2022 to support the expansion of operations to more areas in order to meet the very strong demand for services for purchasing second-hand items. We also hired and trained buyers who visit customers and added more vehicles for this purchasing service in the second-hand business for individuals. Various resources have gradually expanded as a result of these investments, and the volume of goods handled increased with the development of a full-scale consulting business for purchasing second-hand items at customers' homes. In the agricultural equipment sector, the volume of business with companies in Japan increased due to synergies with the used agricultural equipment buying and selling business of Farmally that we acquired in April 2022. In addition, we are reviewing the purchase price assessment system to assess purchase prices more accurately for improved profitability in the future. In the Oikura business, we invested in IT systems as a second-hand platform to build a larger and more powerful base for long-term earnings. Public-private sector collaboration involving the SDGs is another major theme of this business. We are establishing partnerships with local governments with the goal of increasing the utilization of markets for used consumer goods in order to reduce the volume of waste materials and the environmental impact of discarded items. At the end of March 2023, there were 34 of these partnerships, 18 more than at the end of the second quarter of the current fiscal year.

Sales increased 29.7% to 6,137 million yen and segment profit increased 171.9% to 217 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 phones and services
- 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, there were maintenance activities for articles in the media of this business to reflect updated search engine algorithms. Due to this maintenance and the addition of more product and service categories used to send customers to other MarketEnterprise businesses, search rankings for highly profitable keywords were generally consistent with the forecast just as in the second quarter. As a result, performance in the core mobile phone and services media category was generally firm. In other media categories (hobbies, internet services and other sectors), there were big increases in page views and revenue from directing customers to other media. In addition, in order to sustainably expand the scale of its business operations, the MarketEnterprise Group experimented with media development in new areas.

Supported by these business activities and the diversification of sources of sales and earnings, sales increased 38.1% to 574 million yen and segment profit increased 38.0% to 330 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.

During the first nine months, a large number of customers were sent to this business from our mobile phone and services media as collaboration with the media business increased. In addition, this business increased its exposure on media operated by other companies. The result was an increase in the number of new service contracts sold. In addition, we took steps to increase the length of contracts with customers as customers requested a switch to 5G service at the end of their 4G service plans. As a result of future expected recurring income surpassing the initial projections, a revenue plan was implemented in the third quarter of the current fiscal year with a view to profitability in the current financial year.

Because of these numerous marketing initiatives, sales increased 31.6% to 4,542 million yen and segment profit increased 104.7% to 267 million yen.

(2) Explanation of Financial Position

1) Assets

Total assets at the end of the third quarter increased 785 million yen from the end of the previous fiscal year to 4,317 million yen. This was mainly due to increases of 155 million yen in accounts receivable-trade, 131 million yen in merchandise, 255 million yen in investments and other assets and 343 million yen in cash and deposits.

2) Liabilities

Total liabilities increased 824 million yen from the end of the previous fiscal year to 3,059 million yen. The main reasons were increases of 801 million yen in short-term borrowings, 113 million yen in accounts payable-trade, 28 million yen in accounts payable-other and 38 million yen in income taxes payable. There were decreases of 54 million yen in current portion of long-term borrowings and 132 million yen in long-term borrowings.

3) Net assets

Net assets decreased 38 million yen from the end of the previous fiscal year to 1,257 million yen. This was mainly due to loss attributable to owners of parent of 106 million yen.

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

As stated in the 'Announcement of expected recording of extraordinary income on sales of investment securities' released concurrently with this document, we anticipate the occurrence of extraordinary gains in the future. We are currently reviewing the consolidated forecast for the fiscal year ending June 30, 2023, based on this impact and other factors, and an announcement will be made promptly if a revision is needed.

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

(Thousands of yen)

	FY6/22 (As of Jun. 30, 2022)	Third quarter of FY6/23 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	941,696	1,285,127
Accounts receivable-trade	971,026	1,126,806
Merchandise	439,020	570,704
Allowance for doubtful accounts	-	(15,638)
Other	189,331	145,532
Total current assets	2,541,074	3,112,532
Non-current assets		
Property, plant and equipment	365,858	392,060
Intangible assets		
Goodwill	171,685	115,403
Other	44,095	33,249
Total intangible assets	215,781	148,653
Investments and other assets	408,667	663,883
Total non-current assets	990,307	1,204,597
Total assets	3,531,382	4,317,130
Liabilities		
Current liabilities		
Accounts payable-trade	366,179	479,843
Short-term borrowings	800,000	1,601,000
Current portion of long-term borrowings	247,656	193,156
Accounts payable-other	282,308	311,272
Lease liabilities	15,462	15,824
Income taxes payable	46,044	84,689
Provision for bonuses	-	37,709
Other	300,807	285,216
Total current liabilities	2,058,458	3,008,712
Non-current liabilities		
Long-term borrowings	147,472	14,568
Lease liabilities	14,288	36,224
Other	15,071	191
Total non-current liabilities	176,832	50,984
Total liabilities	2,235,290	3,059,697
Net assets		
Shareholders' equity		
Share capital	325,937	331,339
Capital surplus	305,577	310,979
Retained earnings	406,710	300,766
Treasury shares	(530)	(582)
Total shareholders' equity	1,037,694	942,503
Accumulated other comprehensive income		
Foreign currency translation adjustment	12,322	7,518
Total accumulated other comprehensive income	12,322	7,518
Share acquisition rights	1,040	928
Non-controlling interests	245,033	306,482
Total net assets	1,296,091	1,257,433
Total liabilities and net assets	3,531,382	4,317,130

(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 FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)	First nine months of FY6/23 (Jul. 1, 2022 – Mar. 31, 2023)
Net sales	8,532,842	11,163,154
Cost of sales	5,501,046	7,011,172
Gross profit	3,031,795	4,151,982
Selling, general and administrative expenses	3,255,354	4,112,375
Operating profit (loss)	(223,558)	39,607
Non-operating income		
Dividend income of insurance	195	260
Subsidy income	4,746	2,405
Vending machine income	416	308
Gain on valuation of derivatives	-	87,900
Gain on sale of scraps	3,105	2,458
Other	1,380	2,322
Total non-operating income	9,844	95,655
Non-operating expenses		
Interest expenses	4,483	10,636
Foreign exchange losses	490	7,290
Commission expenses	21,148	27,139
Other	340	929
Total non-operating expenses	26,462	45,995
Ordinary profit (loss)	(240,176)	89,267
Extraordinary income		
Gain on sale of non-current assets	-	1,124
Total extraordinary income	-	1,124
Extraordinary losses		
Loss on retirement of non-current assets	7,798	0
Total extraordinary losses	7,798	0
Profit (loss) before income taxes	(247,975)	90,391
Income taxes-current	52,702	103,861
Income taxes-deferred	(116,892)	31,594
Total income taxes	(64,189)	135,455
Loss	(183,786)	(45,063)
Profit attributable to non-controlling interests	29,841	61,448
Loss attributable to owners of parent	(213,627)	(106,512)

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

(Thousands of yen)

	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)	First nine months of FY6/23 (Jul. 1, 2022 – Mar. 31, 2023)
Loss	(183,786)	(45,063)
Other comprehensive income		
Foreign currency translation adjustment	7,014	(4,803)
Total other comprehensive income	7,014	(4,803)
Comprehensive income	(176,771)	(49,867)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(206,612)	(111,315)
Comprehensive income attributable to non-controlling interests	29,841	61,448

(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 FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)****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	4,731,566	349,817	3,451,458	8,532,842	-	8,532,842
Inter-segment sales and transfers	-	65,822	-	65,822	(65,822)	-
Total	4,731,566	415,639	3,451,458	8,598,664	(65,822)	8,532,842
Segment profit (loss)	79,876	239,179	130,587	449,643	(673,201)	(223,558)

Notes: 1. The -673 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 60 million yen, and -733 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.

II. First nine months of FY6/23 (Jul. 1, 2022 – Mar. 31, 2023)**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 financial statements (Note 2)
	Second-hand online	Media	Mobile & Telecommunica- tions	Total		
Net sales						
External sales	6,137,482	482,949	4,542,722	11,163,154	-	11,163,154
Inter-segment sales and transfers	-	91,247	-	91,247	(91,247)	-
Total	6,137,482	574,196	4,542,722	11,254,401	(91,247)	11,163,154
Segment profit	217,194	330,132	267,349	814,675	(775,068)	39,607

Notes: 1. The -775 million yen adjustment to segment profit includes elimination for inter-segment transactions of 78 million yen, and -854 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 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 nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Reportable segment			
	Second-hand online	Media	Mobile & Telecommunications	Total
Comprehensive reuse	3,853,948	-	-	3,853,948
Machinery (agricultural equipment/ construction machinery)	877,618	-	-	877,618
Performance-based advertising revenue	-	349,817	-	349,817
Communication service fee income	-	-	3,451,458	3,451,458
Revenue from contracts with customers	4,731,566	349,817	3,451,458	8,532,842
Other income	-	-	-	-
External sales	4,731,566	349,817	3,451,458	8,532,842

First nine months of FY6/23 (Jul. 1, 2022 – Mar. 31, 2023)

(Thousands of yen)

	Reportable segment			
	Second-hand online	Media	Mobile & Telecommunications	Total
Second-hand business for individuals	4,627,374	-	-	4,627,374
Machinery (agricultural equipment/ construction machinery)	1,510,107	-	-	1,510,107
Performance-based advertising revenue	-	482,949	-	482,949
Communication service fee income	-	-	4,542,722	4,542,722
Revenue from contracts with customers	6,137,482	482,949	4,542,722	11,163,154
Other income	-	-	-	-
External sales	6,137,482	482,949	4,542,722	11,163,154

Subsequent Events

Sale of investment securities

On May 14, 2023, the MarketEnterprise Group entered into a share transfer agreement to sell part of its holdings of investment securities. Accordingly, a gain on the sale of investment securities (extraordinary income) will be recorded in the fourth quarter of the fiscal year ending June 30, 2023.

1. Reason for sales of investment securities

Strengthening of financial structure and enhancing efficiency of owned assets for future business growth

2. Details of sales of investment securities

(1) Details of investment securities to be sold

One unlisted security held by the MarketEnterprise Group

(2) Scheduled date for the sale

From May to end of June 2023

(3) Gain on sale of investment securities

Approx. 300 million yen (estimate)