

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, 2022
(Nine Months Ended March 31, 2022)

[Japanese GAAP]

May 13, 2022

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

Scheduled date of filing of Quarterly Report: May 16, 2022

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, 2022
(July 1, 2021 to March 31, 2022)

(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, 2022	8,532	5.1	(223)	-	(240)	-	(213)	-
Nine months ended Mar. 31, 2021	8,119	3.0	98	(77.7)	71	(83.8)	(4)	-

Note: Comprehensive income (millions of yen)

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

Nine months ended Mar. 31, 2021: 28 (down 90.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2022	(40.34)	-
Nine months ended Mar. 31, 2021	(0.87)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2022	3,757	1,477	32.8
As of Jun. 30, 2021	3,461	1,653	41.5

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2022: 1,231

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	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2022 (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, 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 Mar. 31, 2022:	5,301,400 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 Mar. 31, 2022:	349 shares	As of Jun. 30, 2021:	349 shares
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3) Average number of shares outstanding during the period

Nine months ended Mar. 31, 2022:	5,295,917 shares	Nine months ended Mar. 31, 2021:	5,249,520 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, 2022, the Japanese economy was sluggish because measures to combat the pandemic were in force. Now, we expect economic activities and consumer spending to recover gradually as these restrictions were lifted completely in late March 2022. Nevertheless, the economic outlook remains uncertain due to global political instability caused by Russia's invasion of Ukraine, soaring raw material prices, and the accelerating depreciation of the yen.

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 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. 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, 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 nine months, there were many up-front expenditures, primarily involving the second-hand online business, which is the core business of the MarketEnterprise Group, 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 in order to improve 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 of the new WiMAX 5G service in order to build a sound base for generating recurring income for a medium term.

As a result, net sales were 8,532 million yen, 5.1% higher than in the first nine months of the previous fiscal year. Operating loss was 223 million yen, compared with profit of 98 million yen one year earlier, ordinary loss was 240 million yen, compared with profit of 71 million yen one year earlier, and loss attributable to owners of parent was 213 million yen, compared with loss of 4 million yen one year earlier.

3) Overview by Business Segment

• 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 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. During the past few years, we have used knowledge acquired by operating this business to start a second-hand agricultural equipment business. Activities include up-front investments for the expansion of a base for making the export of this agricultural equipment another profit center. More activities are planned for leveraging synergies with current businesses for the diversification of the business portfolio. 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.

To accomplish the goals of the medium-term management plan, there were many up-front expenditures during the first nine months. Examples include substantial marketing expenditures to increase the number of items submitted for purchasing, new business sites for agricultural equipment operations and increasing sales in Japan, and expenditures for recruiting activities and IT systems.

As a result, sales decreased 2.1% to 4,731 million yen and segment profit decreased 80.6% to 79 million yen.

On April 1, 2022, MarketEnterprise concluded a business transfer agreement with Farmally, inc. to acquire its second-hand agricultural equipment purchase and sales business. Going forward, we will leverage Farmally's extensive business channels to local companies for purchase and sales activities and speed-up the expansion of our second-hand agricultural equipment activities, which is the core strength of this business.

• 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 this business to reflect updated search engine algorithms. Due to this maintenance and other activities, search rankings for highly profitable keywords are recovering and, as a result, there is also a recovery at the core mobile phone and services media in revenue received for directing customers to other media, including in sectors other than telecommunications. At media in sectors other than mobile phones and services, there is also a recovery in the number of page views and revenue for directing customers to other media.

Sales decreased 1.1% to 415 million yen and segment profit increased 18.5% to 239 million yen. Although sales in the cumulative third quarter decreased, sales and earnings in the third quarter (January to March 2022) were higher than in the third quarter of the previous fiscal year, following the second quarter (October to December 2021).

• 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, signs of a recovery began to appear concerning the number of customers sent to this

business from the mobile phone and services media operated by the media business in the second quarter and afterward. As a result, the number of new subscriptions increased, 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 at the time 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 nine months 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 increased 17.0% to 3,451 million yen and segment profit decreased 4.6% to 130 million yen.

(2) Explanation of Financial Position

1) Assets

Total assets at the end of third quarter of the current fiscal year increased 295 million yen from the end of the previous fiscal year to 3,757 million yen. This was mainly due to decreases of 330 million yen in cash and deposits, and 51 million yen in goodwill, while there were increases of 375 million yen in accounts receivable-trade, 141 million yen in merchandise and 155 million yen in investments and other assets.

2) Liabilities

Total liabilities increased 472 million yen from the end of the previous fiscal year to 2,280 million yen. The main reasons were decreases of 168 million yen in current portion of long-term borrowings and 397 million yen in long-term borrowings, while there were increases of 800 million yen in short-term borrowings, 115 million yen in accounts payable-trade, 66 million yen in accounts payable-other and 34 million yen in income taxes payable.

3) Net assets

Net assets decreased 176 million yen from the end of the previous fiscal year to 1,477 million yen. This was mainly because of loss attributable to owners of parent of 213 million yen.

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

Sales and earnings in the first nine months are in line with our business plan. The MarketEnterprise 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)	Third quarter of FY6/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	1,469,224	1,139,130
Accounts receivable-trade	581,128	957,058
Merchandise	285,310	427,145
Other	194,996	163,055
Total current assets	2,530,660	2,686,389
Non-current assets		
Property, plant and equipment	360,264	372,792
Intangible assets		
Goodwill	211,686	159,768
Other	24,331	48,809
Total intangible assets	236,017	208,577
Investments and other assets	334,958	490,063
Total non-current assets	931,240	1,071,433
Total assets	3,461,901	3,757,823
Liabilities		
Current liabilities		
Accounts payable-trade	308,176	423,868
Short-term borrowings	-	800,000
Current portion of long-term borrowings	421,439	252,657
Accounts payable-other	204,531	270,788
Lease obligations	18,608	17,117
Income taxes payable	2,888	36,968
Provision for bonuses	-	31,018
Other	200,092	206,613
Total current liabilities	1,155,735	2,039,032
Non-current liabilities		
Long-term borrowings	605,308	207,724
Lease obligations	29,765	17,300
Other	17,944	16,711
Total non-current liabilities	653,018	241,736
Total liabilities	1,808,753	2,280,768
Net assets		
Shareholders' equity		
Share capital	324,679	325,022
Capital surplus	304,319	304,662
Retained earnings	810,896	597,268
Treasury shares	(530)	(530)
Total shareholders' equity	1,439,365	1,226,422
Accumulated other comprehensive income		
Foreign currency translation adjustment	(1,764)	5,250
Total accumulated other comprehensive income	(1,764)	5,250
Share acquisition rights	1,063	1,057
Non-controlling interests	214,482	244,324
Total net assets	1,653,147	1,477,054
Total liabilities and net assets	3,461,901	3,757,823

(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 FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)
Net sales	8,119,435	8,532,842
Cost of sales	5,196,514	5,501,046
Gross profit	2,922,920	3,031,795
Selling, general and administrative expenses	2,824,158	3,255,354
Operating profit (loss)	98,762	(223,558)
Non-operating income		
Guarantee commission received	164	-
Dividend income of insurance	162	195
Commission income	604	-
Subsidy income	-	4,746
Vending machine income	275	416
Gain on sales of scraps	-	3,105
Other	1,309	1,380
Total non-operating income	2,517	9,844
Non-operating expenses		
Interest expenses	3,961	4,483
Foreign exchange losses	2,520	490
Commission expenses	-	21,148
Listing expenses	22,685	-
Other	468	340
Total non-operating expenses	29,636	26,462
Ordinary profit (loss)	71,643	(240,176)
Extraordinary income		
Gain on sales of non-current assets	355	-
Total extraordinary income	355	-
Extraordinary losses		
Loss on sale of non-current assets	844	-
Loss on retirement of non-current assets	132	7,798
Total extraordinary losses	976	7,798
Profit (loss) before income taxes	71,021	(247,975)
Income taxes-current	37,661	52,702
Income taxes-deferred	7,079	(116,892)
Total income taxes	44,741	(64,189)
Profit (loss)	26,280	(183,786)
Profit attributable to non-controlling interests	30,872	29,841
Loss attributable to owners of parent	(4,592)	(213,627)

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

	(Thousands of yen)	
	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)
Profit (loss)	26,280	(183,786)
Other comprehensive income		
Foreign currency translation adjustment	1,775	7,014
Total other comprehensive income	1,775	7,014
Comprehensive income	28,055	(176,771)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(2,817)	(206,612)
Comprehensive income attributable to non-controlling interests	30,872	29,841

(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 nine months 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 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

(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	4,832,943	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.

II. 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.

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