

## 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 Fiscal Year Ended June 30, 2021

[Japanese GAAP]

August 13, 2021

Company name: MarketEnterprise Co., Ltd.

Securities code: 3135

Representative: Yasushi Kobayashi, President, CEO

Contact: Kenichi Imamura, Director, CFO

Tel: +81-(0)3-5159-4060

Scheduled date of Annual General Meeting of Shareholders:

September 29, 2021

Scheduled date of payment of dividend:

-

Scheduled date of filing of Annual Securities Report:

September 29, 2021

Preparation of supplementary materials for financial results:

Yes

Holding of financial results meeting:

Yes (for institutional investors)

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 to June 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	%
Fiscal year ended Jun. 30, 2021	10,875	(0.3)	54	(91.7)	32	(95.1)	(40)	-
Fiscal year ended Jun. 30, 2020	10,904	28.7	655	45.0	664	45.9	291	43.1

Note: Comprehensive income (millions of yen)

Fiscal year ended Jun. 30, 2021: (7) (-%)

Fiscal year ended Jun. 30, 2020: 377 (up 41.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2021	(7.63)	-	(2.8)	0.9	0.5
Fiscal year ended Jun. 30, 2020	55.90	53.03	22.5	20.0	6.0

Reference: Equity in earnings of affiliates (millions of yen)

Fiscal year ended Jun. 30, 2021: -

Fiscal year ended Jun. 30, 2020: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2021	3,461	1,653	41.5	271.50
As of Jun. 30, 2020	4,023	1,625	35.8	275.54

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2021: 1,437

As of Jun. 30, 2020: 1,440

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jun. 30, 2021	595	(76)	(306)	1,469
Fiscal year ended Jun. 30, 2020	(64)	(602)	760	1,255

### 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Jun. 30, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Jun. 30, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Jun. 30, 2022 (forecasts)	-	0.00	-	0.00	0.00		-	

### 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)

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) 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

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding as of the end of the period (including treasury shares)

As of Jun. 30, 2021: 5,295,300 shares As of Jun. 30, 2020: 5,226,400 shares

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

As of Jun. 30, 2021: 349 shares As of Jun. 30, 2020: 286 shares

3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2021: 5,260,221 shares Fiscal year ended Jun. 30, 2020: 5,217,600 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 to June 30, 2021)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2021	7,083	(3.6)	(89)	-	(45)	-	(39)	-
Fiscal year ended Jun. 30, 2020	7,345	12.1	242	59.9	297	61.1	149	68.8

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Jun. 30, 2021	(7.53)	-
Fiscal year ended Jun. 30, 2020	28.62	27.15

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2021	2,580	1,141	44.2	215.32
As of Jun. 30, 2020	3,088	1,145	37.0	218.92

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 1,140 As of Jun. 30, 2020: 1,144

\* This summary report is not subject to audit 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. Overview of Results of Operations

### (1) Results of Operations

#### 1) Fiscal year overview of the economy and business environment

During the fiscal year ended on June 30, 2021, there were steep downturns in corporate earnings and the labor market in Japan as COVID-19 restricted the activities of companies and consumers. There was a temporary decline in the impact of this crisis between early summer and the beginning of autumn 2020 and the economy recovered somewhat. However, this was followed by another upturn in infections and the business climate has become extremely difficult again due to repeated declarations of a state of emergency and other factors.

Japanese consumers continued to hold down spending and purchase lower-priced items. But the 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 individual values, lifestyles and interests and concepts relating to sustainable consumption, etc.

In this social environment, activities of group companies 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) Results of operations for the fiscal year

The vision of the MarketEnterprise Group (“the Group”) 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. During the current fiscal year, every business segment enlarged and upgraded services with measures such as adding new purchasing and sales channels, operating internet media, and using more efficient web marketing activities. Furthermore, as in the previous fiscal year, there were activities to improve business processes and increase efficiency, such as by automating business processes and making services easier to use. In May 2020, the Group established a consolidated subsidiary in Vietnam to reinforce IT development capabilities in order to support the expected growth of business activities. In addition, two newly established consolidated subsidiaries made investments for future growth, such as by acquiring a business in the agricultural equipment sector, a business field that is currently attracting much attention.

During the current fiscal year, compared with one year earlier, profitability deteriorated mainly as a result of upfront investments for increasing personnel and systems for future earnings expansion in the second-hand online business, mainly in the agricultural equipment sector and “Oikura,” a nationwide platform that matches consumers (“sellers”) with second-hand stores (“buyers”). Other factors include low search rankings for highly profitable keywords in the media business and a decrease in the number of new service subscriptions in the mobile & telecommunications business due to intensifying competition in the communications market.

In the fourth quarter of the current fiscal year, there was a clear recovery in cross-border e-commerce (international e-commerce conducted with overseas customers via internet websites) in the personal second-hand field of the second-hand online business and in the agricultural equipment sector. However, because of up-front investment in the Oikura platform and the deterioration in the business environment for the media and the mobile & telecommunications businesses, net sales were 10,875 million yen, 0.3% lower than in the previous fiscal year. Operating profit decreased 91.7% to 54 million yen, ordinary profit decreased 95.1% to 32 million yen and loss attributable to owners of parent was 40 million yen, compared with profit of 291 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 takakureru.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. There are many activities for the diversification of second-hand online business activities in manner that captures synergies with the current operations of this business. Two examples are the Oikura business and the start of full-scale operations of our cross-border e-commerce platform for agricultural equipment.

During the current fiscal year, progress continued with using IT and standardization for business processes. Due to the uncertain business climate, the highest priority is conducting business activities while more efficiently using internet advertisements for the purchase of second-hand merchandise. In recent years, the market for large agricultural equipment sold to companies has been attracting attention. We strengthened business activities for the purchase and sale of used agricultural equipment. This business is conducted primarily by consolidated subsidiary ME Trading Co., Ltd., which was established in April 2020. We buy and sell agricultural equipment in Japan and operate a cross-border e-commerce platform for this equipment. Further development has continued to improve Oikura's IT system to raise the accuracy of matching between buyers and sellers. Besides, an advertising campaign has been run to raise awareness of the Oikura business.

In the fourth quarter, the personal second-hand sector sales and cross-border e-commerce sales in agricultural machinery sectors recovered, but annual volume of transactions declined due to a narrowing of the focus to concentrate on high-margin products within the categories we handle through cost-effective advertising activities. There was an increase in upfront investments or increasing personnel and systems for future earnings expansion, mainly in the agricultural equipment sector and the Oikura business. As a result, sales decreased 1.8% to 6,580 million yen and segment profit decreased 2.4% to 534 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
- Takakureru.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 fourth quarter, the number of page views for profitable keywords remained low as in the third quarter, resulting in a decline in revenue received for directing customers from the media related to telecommunications to our services. On the other hand, the Group expanded its workforce to build a stronger profit structure for this business, which has expanded rapidly in recent years.

As a result, sales decreased 25.5% to 519 million yen and segment profit decreased 51.9% to 231 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 current fiscal year, the number of new service subscriptions fell due to a decline in the number of customers sent to this business from our own telecommunications media operated by the media business. In

addition, demand for the upgrading of the communication environment following the first emergency declaration issued in the fourth quarter of the previous fiscal year has run its course. New service subscriptions were also affected by the intensification of competition in the telecommunications market as major telecommunications service firms launched low-priced telecommunications plans. The Group launched 5G-compliant telecommunications services in April 2021.

Fee income for communication services increased significantly in the current fiscal year due to the larger number of customers resulting from new service contracts, mainly in the fourth quarter of the previous fiscal year. However, there was a decrease in sales incentive fees because of the smaller number of new service subscriptions in the current fiscal year. As a result, sales decreased 0.2% to 3,866 million yen and segment profit decreased 64.7% to 137 million yen.

## **(2) Financial Position**

### Assets

Total assets at the end of the current fiscal year decreased 561 million yen from the end of the previous fiscal year to 3,461 million yen. This was mainly due to decreases of 702 million yen in accounts receivable-trade and 119 million yen in merchandise, while there was an increase of 213 million yen in cash and deposits.

### Liabilities

Total liabilities decreased 589 million yen from the end of the previous fiscal year to 1,808 million yen. The main reasons were decreases of 62 million yen in accounts payable-trade, 161 million yen in income taxes payable and 297 million yen in long-term borrowings (including current portion of long-term borrowings).

### Net assets

Net assets increased 27 million yen from the end of the previous fiscal year to 1,653 million yen. This was mainly because of increases of 17 million yen each in share capital and capital surplus due to the exercise of share acquisition rights.

## **(3) Cash Flows**

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year were 1,469 million yen. The cash flow components during the current fiscal year and the main reasons for changes are as described below.

### Cash flows from operating activities

Net cash provided by operating activities was 595 million yen (compared with 64 million yen used in the previous fiscal year). Main factors include a decrease of 702 million yen in trade receivables.

### Cash flows from investing activities

Net cash used in investing activities was 76 million yen (compared with 602 million yen used in the previous fiscal year). Main factors include payments of leasehold and guarantee deposits of 40 million yen.

### Cash flows from financing activities

Net cash used in financing activities was 306 million yen (compared with 760 million yen provided in the previous fiscal year). Main factors include repayments of long-term borrowings of 497 million yen and proceeds from long-term borrowings of 200 million yen.

**(4) Outlook**

The forecast for the Group's consolidated financial results for the fiscal year ending June 30, 2022 is as follows.

Net sales:	12,000 million yen (up 10.3% year on year)
Operating loss:	400 million yen (compared with profit of 54 million yen in the current fiscal year)
Ordinary loss:	405 million yen (compared with profit of 32 million yen in the current fiscal year)
Loss attributable to owners of parent:	440 million yen (compared with a loss of 40 million yen in the current fiscal year)

On August 13, 2021, the date of submission of this document, the Group formulated a medium-term management plan for the period from the fiscal year ending June 30, 2022 to the fiscal year ending June 30, 2024. The Group will strive to deliver results in line with its forecasts by steadily implementing a range of various measures and initiatives.

For details of the medium-term management plan, please refer to the "Results of Operations for the Fiscal Year Ended June 30, 2021 and Medium-term Management Plan" published today (August 13, 2021).

**(5) Important Information about Going Concern Assumption**

Not applicable.

**2. Basic Approach to the Selection of Accounting Standards**

The Group prepares consolidated financial statements using generally accepted accounting principles in Japan. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) while monitoring changes involving the use of these standards.

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

(Thousands of yen)

	FY6/20 (As of Jun. 30, 2020)	FY6/21 (As of Jun. 30, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	1,255,622	1,469,224
Accounts receivable-trade	1,283,911	581,128
Merchandise	404,786	285,310
Supplies	12,321	9,607
Other	112,341	185,388
<b>Total current assets</b>	<b>3,068,982</b>	<b>2,530,660</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	268,920	280,561
Accumulated depreciation	(62,380)	(81,448)
Buildings, net	206,539	199,113
Structures	15,727	15,727
Accumulated depreciation	(137)	(961)
Structures, net	15,590	14,766
Vehicles	61,110	89,398
Accumulated depreciation	(25,813)	(42,982)
Vehicles, net	35,296	46,416
Tools, furniture and fixtures	43,854	49,237
Accumulated depreciation	(27,114)	(33,779)
Tools, furniture and fixtures, net	16,739	15,458
Land	84,703	84,510
<b>Total property, plant and equipment</b>	<b>358,869</b>	<b>360,264</b>
<b>Intangible assets</b>		
Software	33,019	24,331
Goodwill	280,910	211,686
<b>Total intangible assets</b>	<b>313,929</b>	<b>236,017</b>
<b>Investments and other assets</b>		
Investment securities	12,489	22,989
Deferred tax assets	44,343	45,234
Leasehold and guarantee deposits	206,887	244,808
Other	17,726	21,926
<b>Total investments and other assets</b>	<b>281,447</b>	<b>334,958</b>
<b>Total non-current assets</b>	<b>954,246</b>	<b>931,240</b>
<b>Total assets</b>	<b>4,023,229</b>	<b>3,461,901</b>



	(Thousands of yen)	
	FY6/20	FY6/21
	(As of Jun. 30, 2020)	(As of Jun. 30, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	370,379	308,176
Current portion of long-term borrowings	464,952	421,439
Accounts payable-other	209,729	204,531
Accrued expenses	179,104	161,828
Lease obligations	14,974	18,608
Income taxes payable	164,164	2,888
Provision for loss on order received	501	-
Other	102,801	38,264
<b>Total current liabilities</b>	1,506,607	1,155,735
<b>Non-current liabilities</b>		
Long-term borrowings	859,747	605,308
Lease obligations	21,887	29,765
Deferred tax liabilities	-	2,582
Other	9,601	15,361
<b>Total non-current liabilities</b>	891,236	653,018
<b>Total liabilities</b>	2,397,843	1,808,753
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	306,797	324,679
Capital surplus	286,437	304,319
Retained earnings	851,014	810,896
Treasury shares	(394)	(530)
<b>Total shareholders' equity</b>	1,443,854	1,439,365
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	(3,853)	(1,764)
<b>Total accumulated other comprehensive income</b>	(3,853)	(1,764)
Share acquisition rights	1,440	1,063
Non-controlling interests	183,945	214,482
<b>Total net assets</b>	1,625,386	1,653,147
<b>Total liabilities and net assets</b>	4,023,229	3,461,901

**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income**

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net sales	10,904,257	10,875,993
Cost of sales	6,662,290	6,996,511
Gross profit	4,241,966	3,879,481
Selling, general and administrative expenses	3,586,153	3,825,208
Operating profit	655,813	54,273
Non-operating income		
Foreign exchange gains	35	-
Subsidy income	11,589	8,626
Vending machine income	282	477
Other	977	3,116
Total non-operating income	12,884	12,219
Non-operating expenses		
Interest expenses	3,953	5,134
Foreign exchange losses	-	3,599
Listing expenses	-	22,685
Cancellation penalty	215	-
Other	352	2,384
Total non-operating expenses	4,520	33,803
Ordinary profit	664,176	32,688
Extraordinary income		
Gain on sale of non-current assets	-	355
Total extraordinary income	-	355
Extraordinary losses		
Loss on sale of non-current assets	-	796
Loss on retirement of non-current assets	790	132
Loss on valuation of investment securities	39,985	-
Total extraordinary losses	40,775	928
Profit before income taxes	623,401	32,115
Income taxes-current	245,705	40,004
Income taxes-deferred	(3,177)	1,692
Total income taxes	242,527	41,696
Profit (loss)	380,873	(9,581)
Profit attributable to non-controlling interests	89,184	30,536
Profit (loss) attributable to owners of parent	291,689	(40,118)

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Profit (loss)	380,873	(9,581)
Other comprehensive income		
Foreign currency translation adjustment	(3,853)	2,089
Total other comprehensive income	(3,853)	2,089
Comprehensive income	377,019	(7,491)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	287,835	(38,028)
Comprehensive income attributable to non-controlling interests	89,184	30,536

**(3) Consolidated Statement of Changes in Equity**

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	306,375	286,015	559,324	(394)	1,151,320
Changes during period					
Issuance of new shares-exercise of share acquisition rights	422	422			844
Profit attributable to owners of parent			291,689		291,689
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	422	422	291,689	-	292,533
Balance at end of period	306,797	286,437	851,014	(394)	1,443,854

	Accumulated other comprehensive income		Share acquisition rights	Non- controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	-	-	1,440	91,761	1,244,522
Changes during period					
Issuance of new shares-exercise of share acquisition rights					844
Profit attributable to owners of parent					291,689
Purchase of treasury shares					-
Net changes in items other than shareholders' equity	(3,853)	(3,853)	-	92,184	88,330
Total changes during period	(3,853)	(3,853)	-	92,184	380,863
Balance at end of period	(3,853)	(3,853)	1,440	183,945	1,625,386

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	306,797	286,437	851,014	(394)	1,443,854
Changes during period					
Issuance of new shares-exercise of share acquisition rights	17,882	17,882			35,765
Loss attributable to owners of parent			(40,118)		(40,118)
Purchase of treasury shares				(136)	(136)
Net changes in items other than shareholders' equity					
Total changes during period	17,882	17,882	(40,118)	(136)	(4,489)
Balance at end of period	324,679	304,319	810,896	(530)	1,439,365

	Accumulated other comprehensive income		Share acquisition rights	Non- controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(3,853)	(3,853)	1,440	183,945	1,625,386
Changes during period					
Issuance of new shares-exercise of share acquisition rights					35,765
Loss attributable to owners of parent					(40,118)
Purchase of treasury shares					(136)
Net changes in items other than shareholders' equity	2,089	2,089	(376)	30,536	32,250
Total changes during period	2,089	2,089	(376)	30,536	27,761
Balance at end of period	(1,764)	(1,764)	1,063	214,482	1,653,147

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	623,401	32,115
Depreciation	36,811	57,691
Loss (gain) on valuation of investment securities	39,985	-
Amortization of goodwill	54,085	69,224
Interest and dividend income	(14)	(65)
Interest expenses	3,953	5,134
Listing expenses	-	22,685
Decrease (increase) in trade receivables	(767,419)	702,782
Decrease (increase) in inventories	(5,231)	122,189
Increase (decrease) in trade payables	187,640	(62,203)
Loss (gain) on sale of non-current assets	-	489
Subsidy income	(11,589)	(8,626)
Decrease (increase) in deposits paid	(4,767)	82
Increase (decrease) in accounts payable-other	(3,169)	(2,217)
Increase (decrease) in accrued expenses	26,819	(17,275)
Increase (decrease) in accrued consumption taxes	44,592	(59,892)
Other, net	(35,393)	(9,424)
Subtotal	189,704	852,690
Interest and dividends received	14	65
Interest paid	(3,953)	(5,134)
Income taxes paid	(261,863)	(260,860)
Subsidies received	11,589	8,626
Net cash provided by (used in) operating activities	(64,508)	595,387
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,809)	(20,515)
Proceeds from sale of property, plant and equipment	-	548
Purchase of intangible assets	(7,236)	(580)
Payments of leasehold and guarantee deposits	(74,234)	(40,551)
Payments for acquisition of businesses	(487,888)	-
Purchase of investment securities	-	(10,500)
Other, net	1,170	(4,956)
Net cash provided by (used in) investing activities	(602,998)	(76,555)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	35,389
Proceeds from long-term borrowings	1,100,000	200,000
Repayments of long-term borrowings	(331,095)	(497,952)
Repayments of lease obligations	(12,613)	(20,773)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	3,000	-
Payment of listing expenses	-	(22,685)
Other, net	844	(136)
Net cash provided by (used in) financing activities	760,135	(306,158)
Effect of exchange rate change on cash and cash equivalents	(3,853)	927
Net increase (decrease) in cash and cash equivalents	88,775	213,602
Cash and cash equivalents at beginning of period	1,166,847	1,255,622
Cash and cash equivalents at end of period	1,255,622	1,469,224

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Segment Information**

## 1. Overview of reportable segment

Segments used for financial reporting are the constituent units of MarketEnterprise for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group has three reportable segments based on business activities and categories of products and services: second-hand online, media, and mobile & telecommunications.

The second-hand online business buys and sells second-hand merchandise by using only the Internet and operating no brick-and-mortar stores. The media business uses Internet media to distribute useful information concerning purchasing activities to people interested in “smart consumption.” In the mobile & telecommunications business, consolidated subsidiary MEmobile Co., Ltd. provides telecommunication services that are less expensive, simpler and easier to understand.

## 2. Calculation methods for net sales, profit or loss, assets, liabilities and other items for each reportable segment

The accounting policies for reportable business segments are generally the same as those described in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Profits for reportable segments are generally operating profit figures.

Inter-segment sales or transfers are based on market prices.

## 3. Information related to net sales and profit or loss, assets, liabilities and other items for each reportable segment

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Second-hand online	Media	Mobile & Telecommunica- tions	Total		
Net sales						
External sales	6,650,520	380,488	3,873,248	10,904,257	-	10,904,257
Inter-segment sales and transfers	52,454	316,417	-	368,871	(368,871)	-
Total	6,702,975	696,905	3,873,248	11,273,129	(368,871)	10,904,257
Segment profit	547,290	481,690	390,082	1,419,064	(763,250)	655,813
Other items						
Depreciation	27,383	544	3,966	31,895	4,916	36,811
Goodwill amortization	17,308	36,777	-	54,085	-	54,085

Notes: 1. The -763 million yen adjustment to segment profit includes elimination for inter-segment transactions of 47 million yen, and -810 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.

3. Segment assets are not shown because MarketEnterprise does not allocate assets to reportable segments.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Second-hand online	Media	Mobile & Telecommunica- tions	Total		
Net sales						
External sales	6,580,339	429,172	3,866,481	10,875,993	-	10,875,993
Inter-segment sales and transfers	-	89,967	-	89,967	(89,967)	-
Total	6,580,339	519,139	3,866,481	10,965,960	(89,967)	10,875,993
Segment profit	534,308	231,545	137,556	903,410	(849,137)	54,273
Other items						
Depreciation	43,438	1,675	4,199	49,313	8,378	57,691
Goodwill amortization	19,559	49,665	-	69,224	-	69,224

Notes: 1. The -849 million yen adjustment to segment profit includes elimination for inter-segment transactions of 61 million yen, and -911 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.

3. Segment assets are not shown because MarketEnterprise does not allocate assets to reportable segments.



**Per-share Information**

(Yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net assets per share	275.54	271.50
Net income (loss) per share	55.90	(7.63)
Diluted net income per share	53.03	-

Notes: 1. Diluted net income per share for FY6/21 is not presented because net loss was posted although there were outstanding dilutive shares.

2. The basis of calculating net income (loss) per share and diluted net income per share is as follows:

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net income (loss) per share		
Profit (loss) attributable to owners of parent	291,689	(40,118)
Amounts not attributable to common shareholders	-	-
Profit (loss) attributable to common shareholders of parent	291,689	(40,118)
Average number of common shares outstanding during the period (shares)	5,217,600	5,260,221
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	282,348	-
[of which share acquisition rights (shares)]	[282,348]	[-]
Summary of dilutive shares not included in calculation of diluted net income per share since there was no dilutive effect	1 type of share acquisition rights (1,200 units)	1 type of share acquisition rights (1,200 units)

3. The basis of calculating the net assets per share is as follows:

(Thousands of yen)

	FY6/20 (As of Jun. 30, 2020)	FY6/21 (As of Jun. 30, 2021)
Total net assets	1,625,386	1,653,147
Deduction on total net assets	185,385	215,546
[of which share acquisition rights]	[1,440]	[1,063]
[of which non-controlling interests]	[183,945]	[214,482]
Net assets applicable to common shares	1,440,000	1,437,601
Number of common shares used in calculation of net assets per share (shares)	5,226,114	5,294,951

**Subsequent Events**

Not applicable.