

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, 2022

[Japanese GAAP]

August 12, 2022

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, 2022

Scheduled date of payment of dividend:

-

Scheduled date of filing of Annual Securities Report:

September 29, 2022

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, 2022 (July 1, 2021 to June 30, 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	%
Fiscal year ended Jun. 30, 2022	11,986	10.2	(319)	-	(328)	-	(404)	-
Fiscal year ended Jun. 30, 2021	10,875	(0.3)	54	(91.7)	32	(95.1)	(40)	-

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2022: (359) (-%)

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

	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, 2022	(76.29)	-	(32.5)	(9.4)	(2.7)
Fiscal year ended Jun. 30, 2021	(7.63)	-	(2.8)	0.9	0.5

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

Fiscal year ended Jun. 30, 2022: -

Fiscal year ended Jun. 30, 2021: -

(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, 2022	3,531	1,296	29.7	197.95
As of Jun. 30, 2021	3,461	1,653	41.5	271.50

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2022: 1,050

As of Jun. 30, 2021: 1,437

(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, 2022	(394)	(274)	129	941
Fiscal year ended Jun. 30, 2021	595	(76)	(306)	1,469

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, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Jun. 30, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Jun. 30, 2023 (forecasts)	-	0.00	-	0.00	0.00		-	

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

*** 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: Yes

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, 2022: 5,304,800 shares As of Jun. 30, 2021: 5,295,300 shares

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

As of Jun. 30, 2022: 349 shares As of Jun. 30, 2021: 349 shares

3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2022: 5,297,712 shares Fiscal year ended Jun. 30, 2021: 5,260,221 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (July 1, 2021 to June 30, 2022)

(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, 2022	7,221	1.9	(525)	-	(454)	-	(445)	-
Fiscal year ended Jun. 30, 2021	7,083	(3.6)	(89)	-	(45)	-	(39)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Jun. 30, 2022	(84.04)	-
Fiscal year ended Jun. 30, 2021	(7.53)	-

(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, 2022	2,462	698	28.3	131.47
As of Jun. 30, 2021	2,580	1,141	44.2	215.32

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2022: 697

As of Jun. 30, 2021: 1,140

* 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.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	4
(3) Cash Flows	5
(4) Outlook	5
2. Basic Approach to the Selection of Accounting Standards	5
3. Consolidated Financial Statements and Notes	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows	12
(5) Notes to Consolidated Financial Statements	14
Changes in Accounting Policies	14
Revenue Recognition	14
Segment Information	15
Per-share Information	17
Subsequent Events	17

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, 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 fiscal year

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. 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. The current fiscal year, which was the first year of this plan, was a period for making investments to build a sound medium-term base for earnings. There were many activities during the fiscal year for establishing this base, primarily involving Second-hand Online business. To establish a framework for consistent earnings (sources of recurring income), there were measures for extending the number of years that the mobile & telecommunications business generates monthly revenue from monthly service plan fees.

The following table summarizes the investment and other activities of reportable segments.

Reportable segment	Activities
Second-hand Online Business	(Second-hand service for individuals) <ul style="list-style-type: none"> • Marketing investment for increasing the number of used items submitted for purchases • More buyers who visit customers, more vehicles and other measures to increase the number of used items purchased (Agricultural equipment) <ul style="list-style-type: none"> • New location in order to increase the volume of equipment purchased and sold (Yuki, Ibaraki prefecture) • Purchased the used agricultural equipment business of Farmally, inc. to increase business with companies in Japan (Oikura) <ul style="list-style-type: none"> • IT system investments to increase earnings of Oikura as a second-hand distribution platform • Joint activities with local governments to contribute to accomplishing the SDGs (reduction of large household items in trash and reduction of the environmental impact of discarded items)

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"> • Started a new rate plan for establishing a profit structure based on medium-term recurring income • Acquisition of new mobile phone lines for the new 5G service

As a result, net sales were 11,986 million yen, 10.2% higher than in the previous fiscal year. Operating loss was 319 million yen, compared with profit of 54 million yen one year earlier, ordinary loss was 328 million yen, compared with profit of 32 million yen one year earlier, and loss attributable to owners of parent was 404 million yen, compared with loss of 40 million yen one year earlier. Sales and earnings were generally consistent with the assumptions used for the medium-term management plan.

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 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. 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 current fiscal year. In the second-hand business for individuals, there were substantial marketing expenditures to increase the volume of used items submitted to be purchased. We also increased the number of buyers who visit customers and added more vehicles in order to target additional sources of demand for purchasing used items. To increase the volume of business in the agricultural equipment sector, we opened an office in the city of Yuki in Ibaraki prefecture, acquired the used agricultural equipment buying and selling business of Farmally, which used the DMM Noki (agricultural machinery) brand, and made investments in IT systems. In the Oikura business, we invested in IT systems and worked with local governments for private-public sector collaboration involving the SDGs (reducing large household items in trash and reducing the environmental impact of discarded items) with the goal of building a stronger base for medium to long-term earnings.

Due to up-front expenditures, sales increased 0.8% to 6,631 million yen and segment profit decreased 79.2% to 111 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

During the current fiscal year, there were maintenance activities for articles in 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 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.

Because of these numerous marketing initiatives, sales increased 15.5% to 599 million yen and segment profit decreased 49.2% to 345 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, sales of new mobile phone service plans increased, primarily for the new WiMAX 5G service, as the number of customers sent to this business from the mobile phone and services media business recovered from the low level of the second half of the previous fiscal year. 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 current fiscal year because the plan spreads earnings over a longer time for each service contract. Large expenditures for sales of service plans to new customers also held down earnings.

Because of these numerous marketing initiatives, sales increased 25.7% to 4,861 million yen and segment profit decreased 2.0% to 134 million yen.

(2) Financial Position

Assets

Total assets at the end of the current fiscal year increased 69 million yen from the end of the previous fiscal year to 3,531 million yen. This was mainly due to increases of 389 million yen in accounts receivable-trade, 153 million yen in merchandise, 57 million yen in lease and guarantee deposits due to opening of new business sites, while there was a decrease of 527 million yen in cash and deposits.

Liabilities

Total liabilities increased 426 million yen from the end of the previous fiscal year to 2,235 million yen. The main reasons were a decrease of 631 million yen in long-term borrowings (including current portion of long-term borrowings), while there were increases of 800 million yen in short-term borrowings, 58 million yen in accounts payable-trade and 77 million yen in accounts payable-other.

Net assets

Net assets decreased 357 million yen from the end of the previous fiscal year to 1,296 million yen. This was mainly because of a decrease of 404 million yen in retained earnings due to loss attributable to owners of parent.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the current fiscal year were 941 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 used in operating activities was 394 million yen (compared with 595 million yen provided in the previous fiscal year). Main factors include loss before income taxes of 342 million yen and a 399 million yen increase in notes and accounts receivable-trade.

Cash flows from investing activities

Net cash used in investing activities was 274 million yen (compared with 76 million yen used in the previous fiscal year). Main factors include purchase of property, plant and equipment of 55 million yen due to opening of new business sites, payments of leasehold and guarantee deposits of 62 million yen, and payments for acquisition of businesses of 125 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 129 million yen (compared with 306 million yen used in the previous fiscal year). Main factors include a decrease in short-term loans payable of 900 million yen and repayments of long-term borrowings of 631 million yen, while there were proceeds from short-term borrowings of 1,700 million yen.

(4) Outlook

The forecast for the Group’s consolidated financial results for the fiscal year ending June 30, 2023 is as follows.

Net sales:	15,000 million yen (up 25.1% year on year)
Operating profit:	300 million yen (compared with a loss of 319 million yen in the current fiscal year)
Ordinary profit:	275 million yen (compared with a loss of 328 million yen in the current fiscal year)
Profit attributable to owners of parent:	167 million yen (compared with a loss of 404 million yen in the current fiscal year)

On August 13, 2021, the MarketEnterprise Group announced the start of a medium-term management plan that will end with the fiscal year ending in June 2024. The business climate and activities of group companies in the current fiscal year, which was the first year of this plan, were generally as expected. As a result, there will be more activities based on this plan during the fiscal year ending in June 2023.

For details of the medium-term management plan, please refer to the “Results of Operations for the Fiscal Year Ended June 30, 2022” published today (August 12, 2022).

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)

	FY6/21 (As of Jun. 30, 2021)	FY6/22 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	1,469,224	941,696
Accounts receivable-trade	581,128	971,026
Merchandise	285,310	439,020
Supplies	9,607	13,204
Other	185,388	176,126
Total current assets	2,530,660	2,541,074
Non-current assets		
Property, plant and equipment		
Buildings	280,561	301,772
Accumulated depreciation	(81,448)	(102,724)
Buildings, net	199,113	199,047
Structures	15,727	41,468
Accumulated depreciation	(961)	(2,660)
Structures, net	14,766	38,808
Vehicles	89,398	89,535
Accumulated depreciation	(42,982)	(61,267)
Vehicles, net	46,416	28,267
Tools, furniture and fixtures	49,237	55,822
Accumulated depreciation	(33,779)	(40,597)
Tools, furniture and fixtures, net	15,458	15,225
Land	84,510	84,510
Total property, plant and equipment	360,264	365,858
Intangible assets		
Software	24,331	44,095
Goodwill	211,686	171,685
Total intangible assets	236,017	215,781
Investments and other assets		
Investment securities	22,989	16,391
Deferred tax assets	45,234	68,518
Leasehold and guarantee deposits	244,808	302,074
Other	21,926	21,683
Total investments and other assets	334,958	408,667
Total non-current assets	931,240	990,307
Total assets	3,461,901	3,531,382

	(Thousands of yen)	
	FY6/21 (As of Jun. 30, 2021)	FY6/22 (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	308,176	366,179
Short-term borrowings	-	800,000
Current portion of long-term borrowings	421,439	247,656
Accounts payable-other	204,531	282,308
Accrued expenses	161,828	197,350
Lease liabilities	18,608	15,462
Income taxes payable	2,888	46,044
Other	38,264	103,456
Total current liabilities	1,155,735	2,058,458
Non-current liabilities		
Long-term borrowings	605,308	147,472
Lease liabilities	29,765	14,288
Deferred tax liabilities	2,582	-
Other	15,361	15,071
Total non-current liabilities	653,018	176,832
Total liabilities	1,808,753	2,235,290
Net assets		
Shareholders' equity		
Share capital	324,679	325,937
Capital surplus	304,319	305,577
Retained earnings	810,896	406,710
Treasury shares	(530)	(530)
Total shareholders' equity	1,439,365	1,037,694
Accumulated other comprehensive income		
Foreign currency translation adjustment	(1,764)	12,322
Total accumulated other comprehensive income	(1,764)	12,322
Share acquisition rights	1,063	1,040
Non-controlling interests	214,482	245,033
Total net assets	1,653,147	1,296,091
Total liabilities and net assets	3,461,901	3,531,382

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

(Thousands of yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net sales	10,875,993	11,986,761
Cost of sales	6,996,511	7,717,840
Gross profit	3,879,481	4,268,920
Selling, general and administrative expenses	3,825,208	4,588,278
Operating profit (loss)	54,273	(319,357)
Non-operating income		
Foreign exchange gains	-	7,438
Subsidy income	8,626	6,746
Vending machine income	477	478
Gain on sales of scraps	1,021	3,884
Other	2,094	1,860
Total non-operating income	12,219	20,409
Non-operating expenses		
Interest expenses	5,134	6,949
Foreign exchange losses	3,599	-
Commission expenses	-	21,748
Listing expenses	22,685	-
Other	2,384	436
Total non-operating expenses	33,803	29,134
Ordinary profit (loss)	32,688	(328,082)
Extraordinary income		
Gain on sales 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	132	7,798
Loss on valuation of investment securities	-	6,597
Total extraordinary losses	928	14,396
Profit (loss) before income taxes	32,115	(342,479)
Income taxes-current	40,004	57,021
Income taxes-deferred	1,692	(25,866)
Total income taxes	41,696	31,155
Loss	(9,581)	(373,634)
Profit attributable to non-controlling interests	30,536	30,551
Loss attributable to owners of parent	(40,118)	(404,185)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY6/21	FY6/22
	(Jul. 1, 2020 – Jun. 30, 2021)	(Jul. 1, 2021 – Jun. 30, 2022)
Loss	(9,581)	(373,634)
Other comprehensive income		
Foreign currency translation adjustment	2,089	14,086
Total other comprehensive income	2,089	14,086
Comprehensive income	(7,491)	(359,548)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(38,028)	(390,099)
Comprehensive income attributable to non-controlling interests	30,536	30,551

(3) Consolidated Statement of Changes in Equity

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

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	324,679	304,319	810,896	(530)	1,439,365
Changes during period					
Issuance of new shares-exercise of share acquisition rights	1,257	1,257			2,515
Loss attributable to owners of parent			(404,185)		(404,185)
Net changes in items other than shareholders' equity					
Total changes during period	1,257	1,257	(404,185)	-	(401,670)
Balance at end of period	325,937	305,577	406,710	(530)	1,037,694

	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	(1,764)	(1,764)	1,063	214,482	1,653,147
Changes during period					
Issuance of new shares-exercise of share acquisition rights					2,515
Loss attributable to owners of parent					(404,185)
Net changes in items other than shareholders' equity	14,086	14,086	(23)	30,551	44,614
Total changes during period	14,086	14,086	(23)	30,551	(357,056)
Balance at end of period	12,322	12,322	1,040	245,033	1,296,091

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	32,115	(342,479)
Depreciation	57,691	61,064
Loss (gain) on valuation of investment securities	-	6,597
Amortization of goodwill	69,224	70,762
Interest and dividend income	(65)	(86)
Interest expenses	5,134	6,949
Decrease (increase) in trade receivables	702,782	(399,100)
Decrease (increase) in inventories	122,189	(62,769)
Increase (decrease) in trade payables	(62,203)	58,003
Loss on retirement of non-current assets	-	6,641
Subsidy income	(8,626)	(6,746)
Decrease (increase) in deposits paid	82	28,699
Increase (decrease) in accounts payable-other	(2,217)	75,110
Increase (decrease) in accrued expenses	(17,275)	35,489
Increase (decrease) in accrued consumption taxes	(59,892)	35,831
Decrease (increase) in consumption taxes refund receivable	-	(73,986)
Commitment line expense	-	21,748
Listing expense	22,685	-
Other, net	(8,934)	26,216
Subtotal	852,690	(452,054)
Interest and dividends received	65	86
Interest paid	(5,134)	(6,949)
Income taxes paid	(260,860)	(21,776)
Income taxes refund	-	79,345
Subsidies received	8,626	6,746
Net cash provided by (used in) operating activities	595,387	(394,601)
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,515)	(55,651)
Proceeds from sale of property, plant and equipment	548	-
Purchase of intangible assets	(580)	(33,170)
Payments of leasehold and guarantee deposits	(40,551)	(62,533)
Payments for acquisition of businesses	-	(125,299)
Purchase of investment securities	(10,500)	-
Other, net	(4,956)	1,851
Net cash provided by (used in) investing activities	(76,555)	(274,802)

	(Thousands of yen)	
	FY6/21	FY6/22
	(Jul. 1, 2020 – Jun. 30, 2021)	(Jul. 1, 2021 – Jun. 30, 2022)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	35,389	2,491
Arrangement fees and others paid	-	(22,382)
Proceeds from short-term borrowings	-	1,700,000
Repayments of short-term borrowings	-	(900,000)
Proceeds from long-term borrowings	200,000	-
Repayments of long-term borrowings	(497,952)	(631,619)
Repayments of lease liabilities	(20,773)	(18,622)
Payment of listing expenses	(22,685)	-
Other, net	(136)	-
Net cash provided by (used in) financing activities	(306,158)	129,867
Effect of exchange rate change on cash and cash equivalents	927	12,008
Net increase (decrease) in cash and cash equivalents	213,602	(527,528)
Cash and cash equivalents at beginning of period	1,255,622	1,469,224
Cash and cash equivalents at end of period	1,469,224	941,696

(5) Notes to Consolidated Financial Statements**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 fiscal year that ended in June 2022. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

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 was no effect on retained earnings at the beginning of the fiscal year that ended in June 2022.

There is also no effect of this application on profit.

In accordance with the transitional treatment prescribed in paragraph 89-3 of the Accounting Standard for Revenue Recognition, there is no note concerning revenue recognition in the fiscal year that ended in June 2021.

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 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 consolidated financial statements.

Revenue Recognition

Information on revenue from contracts with customers broken down

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	Reportable segment			
	Second-hand online	Media	Mobile & Telecommunications	Total
Second-hand business for individuals	5,266,251	-	-	5,266,251
Machinery (agricultural equipment/ construction machinery)	1,365,129	-	-	1,365,129
Performance-based advertising revenue	-	493,960	-	493,960
Communication service fee income	-	-	4,861,418	4,861,418
Revenue from contracts with customers	6,631,381	493,960	4,861,418	11,986,761
Other income	-	-	-	-
External sales	6,631,381	493,960	4,861,418	11,986,761

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

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

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

	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.

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(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	6,631,381	493,960	4,861,418	11,986,761	-	11,986,761
Inter-segment sales and transfers	-	105,515	-	105,515	(105,515)	-
Total	6,631,381	599,475	4,861,418	12,092,276	(105,515)	11,986,761
Segment profit (loss)	111,364	345,552	134,829	591,746	(911,104)	(319,357)
Other items						
Depreciation	45,844	2,294	4,199	52,338	8,725	61,064
Goodwill amortization	21,097	49,665	-	70,762	-	70,762

Notes: 1. The -911 million yen adjustment to segment profit includes elimination for inter-segment transactions of 89 million yen, and -1,000 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 (loss) are adjusted to be consistent with operating loss 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)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net assets per share	271.50	197.95
Net loss per share	(7.63)	(76.29)
Diluted net income per share	-	-

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. As described in the Changes in Accounting Policies, MarketEnterprise has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the current fiscal year. The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment set forth in the proviso of Paragraph 84 of this standard. There is no impact on net assets per share and net loss per share.

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

(Thousands of yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net loss per share		
Loss attributable to owners of parent	(40,118)	(404,185)
Amounts not attributable to common shareholders	-	-
Loss attributable to common shareholders of parent	(40,118)	(404,185)
Average number of common shares outstanding during the period (shares)	5,260,221	5,297,712
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	-	-
[of which share acquisition rights (shares)]	[-]	[-]
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)

	FY6/21 (As of Jun. 30, 2021)	FY6/22 (As of Jun. 30, 2022)
Total net assets	1,653,147	1,296,091
Deduction on total net assets	215,546	246,074
[of which share acquisition rights]	[1,063]	[1,040]
[of which non-controlling interests]	[214,482]	[245,033]
Net assets applicable to common shares	1,437,601	1,050,016
Number of common shares used in calculation of net assets per share (shares)	5,294,951	5,304,451

Subsequent Events

Not applicable.