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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, 2020

[Japanese GAAP]

August 14, 2020

Company name: MarketEnterprise Co., Ltd.

Listing: Tokyo Stock Exchange (Mothers)

Securities code: 3135

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

Representative: Yasushi Kobayashi, President, CEO

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Scheduled date of Annual General Meeting of Shareholders: September 25, 2020

Scheduled date of payment of dividend: -

Scheduled date of filing of Annual Securities Report: September 25, 2020

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, 2020 (July 1, 2019 to June 30, 2020)

(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, 2020	10,904	28.7	655	45.0	664	45.9	291	43.1
Fiscal year ended Jun. 30, 2019	8,472	33.8	452	368.6	455	379.4	203	538.0

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2020: 377 (up 41.8%)

Fiscal year ended Jun. 30, 2019: 265 (up 367.4%)

	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, 2020	55.90	53.03	22.5	20.0	6.0
Fiscal year ended Jun. 30, 2019	39.87	37.66	19.4	20.5	5.3

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2020: -

Fiscal year ended Jun. 30, 2019: -

(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, 2020	4,023	1,625	35.8	275.54
As of Jun. 30, 2019	2,617	1,244	44.0	221.09

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2020: 1,440 As of Jun. 30, 2019: 1,151

(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, 2020	(64)	(602)	760	1,255
Fiscal year ended Jun. 30, 2019	224	(154)	158	1,166

### 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Dividends on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Jun. 30, 2019	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	Millions of yen -	% -	% -
Fiscal year ended Jun. 30, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Jun. 30, 2021 (forecasts)	-	0.00	-	0.00	0.00			

### 3. Consolidated Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)

(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	13,500	23.8	730	11.3	733	10.4	360	23.4	68.88
	to	to	to	to	to	to	to	to	to
	14,500	33.0	900	37.2	903	36.0	450	54.3	86.10

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): Yes

Newly added: 1 (MARKETENTERPRISE VIETNAM CO., LTD.) 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, 2020:	5,226,400 shares	As of Jun. 30, 2019:	5,207,800 shares
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2) Number of treasury shares as of the end of the period

As of Jun. 30, 2020:	286 shares	As of Jun. 30, 2019:	286 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2020:	5,217,600 shares	Fiscal year ended Jun. 30, 2019:	5,111,433 shares
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\* 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

In the fiscal year that ended in June 2020 (July 1, 2019 to June 30, 2020), the Japanese economy recovered slowly during the first half as corporate earnings increased and the labor market and personal income improved. However, the COVID-19 outbreak that began early in 2020 caused a steep drop in purchases by foreign tourists and the economic downturn became even faster following the declaration of a state of emergency as people stayed home and business activity plummeted. There are still no indications of when this crisis will end or of the final magnitude of its impact on the Japanese and global economies. Caution is therefore required concerning the risk of an economic downturn in Japan or overseas, volatility in financial markets and other effects of this crisis.

Japanese consumers continued 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 individual values, lifestyles and interests. However, COVID-19 is continuing to restrict economic activity and there is a risk of a slump in consumer spending or other negative development caused by a further downturn of the economy and the labor market.

#### 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”. The Group is 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 fiscal year, every business segment enlarged and upgraded services with measures such as adding new purchasing and sales channels, acquiring new 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.

In the fiscal year that ended in June 2020, net sales were 10,904 million yen, 28.7% higher than in the previous fiscal year. Operating profit increased 45.0% to 655 million yen, ordinary profit increased 45.9% to 664 million yen, and profit attributable to owners of parent increased 43.1% to 291 million yen.

#### 3) Overview by Business Segment

The Group made substantial investments in many business sectors during the fiscal years that ended on June 30, 2017 and 2018, which was a period for making strategic investments for medium to long-term growth. By the end of the previous fiscal year, which ended on June 30, 2019, the new businesses that resulted from these investments started to contribute to earnings. As a result, the decision was made to begin managing and reporting operations by using three business segments rather than a single business segment, the second-hand online business (buying and selling second-hand merchandise by using only the Internet and operating no brick-and-mortar stores), as in prior fiscal years. The new business segments are the second-hand online business, media business and mobile & telecommunications business. Each segment is different in terms of its business model and other characteristics.

The Group started reporting results of operations with three reportable segments in the current fiscal year. No prior-year segment comparisons are shown because it is not possible to determine accurate data for these segments in the previous fiscal year.

- Second-Hand Online Business

This business buys and sells second-hand merchandise by using the Internet and operating no brick-and-mortar stores. The Group operates the takakuru.com purchasing website as well as separate purchasing websites for 30 categories of merchandise. This business receives an average of about 40,000 purchase requests every month. 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.

To make business operations even more efficient, there were more initiatives during the current fiscal year for improving the accuracy of efficient and effective web marketing activities and using IT and standardization for business processes. In recent years, the market for large agricultural equipment sold to companies has been attracting attention. ME Trading Co., Ltd., a consolidated subsidiary established in May 2020, gives the Group a platform for buying and selling used agricultural equipment in Japan as well as a platform for cross-border e-commerce. This new company plans to buy businesses and use other measures for growth. Oikura, an Internet platform that matches consumers who want to sell items with second-hand stores throughout Japan, continued to develop an IT system that raises the accuracy of these matches and started full-scale operations in July 2020.

The number of purchasing requests decreased temporarily because of reduced operating hours and other effects of COVID-19 and the declaration of a state of emergency. For the entire fiscal year, the number of purchase requests increased 2.8% to 470,000 and the inventory of second-hand merchandise for sale at the end of the fiscal year was 384 million yen.

As a result, this segment had sales of 6,702 million yen and a segment profit of 547 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
- Takakuru.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, acquisitions added several businesses to the media business: SIMCHANGE, Saiyasu-Syuuri.com and Used Agricultural Equipment Market UMM. As a result, the number of media in this business increased to eight. Page views of media with information about mobile & telecommunications increased because of the surge in demand for mobile communications media following the September 2019 and May 2020 launches of new iPhones. In addition, sales from advertisements with fees linked to the number of people sent to companies outside the Group increased.

Demand for improving communication environments is growing as more companies use teleworking because of the COVID-19 crisis. One result has been higher sales from advertisements in media about mobile & telecommunications that generate fees by directing people to MarketEnterprise Group companies and other companies. Furthermore, the overall volume of activity of media in this business has increased significantly. The number of page views for all media was a record-high 14,480 thousand in April 2020. A primary reason for this growth is the ability to supply information that helps people with ways to spend the greater amount of time at home due to COVID-19. For example, the Beginners media with information about starting a new hobby recorded a large number of video views and distributed an app for books.

As a result, sales were 696 million yen and segment profit was 481 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.

Although competition increased during the current fiscal year as new companies entered this market, MEmobile continued to sell its service subscriptions to new customers by using synergies with the media business. For example, MEmobile was able to target demand created by reexaminations of communication fees associated with the launch of a new iPhone.

The growth of teleworking because of COVID-19 has created an urgent need at many households for upgrading communication services. The result was increasing demand for MarketEnterprise communication services that require no installation work and can often be sent to customers the same day as a new service agreement is signed. In the fourth quarter of the fiscal year, sales of service subscriptions to new customers increased significantly and reached a new all-time quarterly high.

As a result, sales were 3,873 million yen and segment profit was 390 million yen.

## **(2) Financial Position**

### Assets

Total assets at the end of the current fiscal year increased 1,405 million yen from the end of the previous fiscal year to 4,023 million yen. This was mainly due to increases of 779 million yen in accounts receivable-trade due to the growth of our operations, 194 million yen in goodwill due to acquisition of businesses, 129 million yen in buildings and 84 million yen in land.

### Liabilities

Total liabilities increased 1,024 million yen from the end of the previous fiscal year to 2,397 million yen. The main reasons were increases of 194 million yen in accounts payable-trade and 768 million yen in long-term borrowings (including current portion of long-term borrowings).

### Net assets

Net assets increased 380 million yen from the end of the previous fiscal year to 1,625 million yen. This was mainly due to profit attributable to owners of parent of 291 million yen.

## **(3) Cash Flows**

Cash and cash equivalents (hereinafter, “cash”) at the end of the current fiscal year were 1,255 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 64 million yen (compared with 224 million yen provided in the previous fiscal year). Main factors include profit before income taxes of 623 million yen and an increase of 767 million yen in trade receivables.

### Cash flows from investing activities

Net cash used in investing activities was 602 million yen (compared with 154 million yen used in the previous fiscal year). Main factors include payments for acquisition of businesses of 487 million yen and payments of leasehold and guarantee deposits of 74 million yen.

### Cash flows from financing activities

Net cash provided by financing activities was 760 million yen (compared with 158 million yen provided in the previous fiscal year). Main factors include proceeds from long-term loans payable of 1,100 million yen and

repayments of long-term borrowings of 331 million yen.

#### **(4) Outlook**

In the fiscal year that ended in June 2020, the second-hand online business, media business and mobile & telecommunications business all performed well. But COVID-19 negatively affected sales and earnings in the fiscal year's fourth quarter. The impact was greatest in the second-hand online business, where performance was somewhat less than planned as operating hours were reduced and some purchasing channels were temporarily shut down. In the media business and mobile & telecommunications business, sales and earnings were higher than planned because of growth in the demand for new or upgraded Internet services and hardware as people stayed home for teleworking and other reasons involving COVID-19.

The outlook for the fiscal year ending in June 2021 is extremely uncertain. Although economic activity in Japan has been restarting in stages, the number of COVID-19 infections in Japan began to climb rapidly in the middle of July.

The uncertainty of the outlook makes it impossible to determine a reliable forecast at this time. Consequently, we are announcing a range of sales and earnings for the forecast for the fiscal year ending in June 2021.

#### Net sales

The upper end of the sales forecast range (14,500 million yen) assumes that there will be no state of emergency or similar event during the fiscal year, no worsening of consumer sentiment caused by further economic downturn, and no reduction in operating hours of MarketEnterprise businesses or reductions in the operations of platform service member stores and partner companies.

This assumption for the upper end of the sales forecast includes the following major expected sources of growth.

- An increase in the number of customers sent by Oikura to its member second-hand merchandise shops due to higher accuracy of matching customers with specific shops and the addition of more alliance partners for this business
- Growth of purchases of agricultural equipment and overseas sales of this equipment by using synergies with newly acquired businesses
- Increases in the number of customers sent to advertisers and in fees received per customer sent resulting from raising domain value by upgrading the content of media business websites and taking other actions
- More customers for mobile data communication services due to the extensive use of web marketing and the enlargement of the lineup of services

#### Selling, general and administrative expenses and operating profit

To cut expenses even more, the Group is continuing to improve internal operations by standardizing business and administrative activities and further increasing the use of IT for business processes. However, fixed expenses are expected to increase because of the new subsidiary and business acquisitions in April and May 2020. For these reasons, the operating profit forecast is 730 million yen to 900 million yen, depending on the level of sales.

#### Non-operating income/expenses and ordinary profit

Income from subsidies, which is included in non-operating income, is expected again in the fiscal year ending in June 2021 and interest expenses will probably be the major component of non-operating expenses. The forecast range for ordinary profit is 733 million yen to 903 million yen.

#### Extraordinary income/losses and profit attributable to owners of parent

No significant extraordinary income or loss items are expected in the fiscal year ending in June 2021. As a result, after income taxes and profit attributable to non-controlling interests, the forecast range for profit attributable to owners of parent is 360 million yen to 450 million yen, depending on the level of sales.

#### Precaution concerning earnings forecast

Remarks about the future business climate and earnings forecast are based on information that is currently available and assumptions used when establishing business plans. Actual results may differ from these forecasts for a number of reasons. Although a range of forecasts has been announced in this document, an announcement of a specific forecast will be made promptly once results of operations as the fiscal year progresses and other information make it possible to determine a reliable forecast.

#### **(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)

	FY6/19 (As of Jun. 30, 2019)	FY6/20 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	1,166,847	1,255,622
Accounts receivable-trade	504,267	1,283,911
Merchandise	367,659	404,786
Supplies	8,742	12,321
Other	70,207	112,341
Total current assets	2,117,723	3,068,982
Non-current assets		
Property, plant and equipment		
Buildings	139,264	268,920
Accumulated depreciation	(49,423)	△62,380
Buildings, net	89,841	206,539
Structures	-	15,727
Accumulated depreciation	-	(137)
Structures, net	-	15,590
Vehicles	55,904	61,110
Accumulated depreciation	(13,591)	(25,813)
Vehicles, net	42,312	35,296
Tools, furniture and fixtures	35,847	43,854
Accumulated depreciation	(23,290)	(27,114)
Tools, furniture and fixtures, net	12,557	16,739
Land	193	84,703
Total property, plant and equipment	144,904	358,869
Intangible assets		
Software	22,480	33,019
Goodwill	86,666	280,910
Total intangible assets	109,146	313,929
Investments and other assets		
Investment securities	52,475	12,489
Deferred tax assets	41,166	44,343
Leasehold and guarantee deposits	135,631	206,887
Other	16,429	17,726
Total investments and other assets	245,702	281,447
Total non-current assets	499,753	954,246
Total assets	2,617,477	4,023,229

	(Thousands of yen)	
	FY6/19	FY6/20
	(As of Jun. 30, 2019)	(As of Jun. 30, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	176,090	370,379
Current portion of long-term borrowings	221,971	464,952
Accounts payable-other	197,870	209,729
Accrued expenses	152,284	179,104
Lease obligations	11,979	14,974
Income taxes payable	179,845	164,164
Provision for loss on order received	6,138	501
Other	53,459	102,801
<b>Total current liabilities</b>	<b>999,639</b>	<b>1,506,607</b>
<b>Non-current liabilities</b>		
Long-term borrowings	333,823	859,747
Lease obligations	33,986	21,887
Other	5,505	9,601
<b>Total non-current liabilities</b>	<b>373,315</b>	<b>891,236</b>
<b>Total liabilities</b>	<b>1,372,955</b>	<b>2,397,843</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	306,375	306,797
Capital surplus	286,015	286,437
Retained earnings	559,324	851,014
Treasury shares	(394)	(394)
<b>Total shareholders' equity</b>	<b>1,151,320</b>	<b>1,443,854</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	-	(3,853)
<b>Total accumulated other comprehensive income</b>	<b>-</b>	<b>(3,853)</b>
Share acquisition rights	1,440	1,440
Non-controlling interests	91,761	183,945
<b>Total net assets</b>	<b>1,244,522</b>	<b>1,625,386</b>
<b>Total liabilities and net assets</b>	<b>2,617,477</b>	<b>4,023,229</b>

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

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net sales	8,472,508	10,904,257
Cost of sales	5,039,706	6,662,290
Gross profit	3,432,801	4,241,966
Selling, general and administrative expenses	2,980,648	3,586,153
Operating profit	452,153	655,813
Non-operating income		
Foreign exchange gains	-	35
Subsidy income	6,789	11,589
Surrender value of insurance policies	62	77
Vending machine income	890	282
Other	1,095	900
Total non-operating income	8,838	12,884
Non-operating expenses		
Interest expenses	3,077	3,953
Foreign exchange losses	609	-
Compensation expenses	697	41
Cancellation penalty	590	215
Other	634	311
Total non-operating expenses	5,609	4,520
Ordinary profit	455,382	664,176
Extraordinary losses		
Loss on retirement of non-current assets	-	790
Loss on valuation of investment securities	18,717	39,985
Total extraordinary losses	18,717	40,775
Profit before income taxes	436,664	623,401
Income taxes-current	188,485	245,705
Income taxes-deferred	(17,728)	(3,177)
Total income taxes	170,756	242,527
Profit	265,908	380,873
Profit attributable to non-controlling interests	62,098	89,184
Profit attributable to owners of parent	203,809	291,689

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Profit	265,908	380,873
Other comprehensive income		
Foreign currency translation adjustment	-	(3,853)
Total other comprehensive income	-	(3,853)
Comprehensive income	265,908	377,019
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	203,809	287,835
Comprehensive income attributable to non-controlling interests	62,098	89,184

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

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at beginning of period	305,353	284,993	355,514	(256)	945,604	1,440	29,663	976,707
Changes during period								
Issuance of new shares-exercise of share acquisition rights	1,022	1,022			2,044			2,044
Profit attributable to owners of parent			203,809		203,809			203,809
Purchase of treasury shares				(137)	(137)			(137)
Net changes in items other than shareholders' equity						-	62,098	62,098
Total changes during period	1,022	1,022	203,809	(137)	205,716	-	62,098	267,814
Balance at end of period	306,375	286,015	559,324	(394)	1,151,320	1,440	91,761	1,244,522

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

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

	(Thousands of yen)	
	FY6/19	FY6/20
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	436,664	623,401
Depreciation	30,722	36,811
Loss (gain) on valuation of investment securities	18,717	39,985
Amortization of goodwill	10,124	54,085
Interest and dividend income	(9)	(14)
Interest expenses	3,077	3,953
Decrease (increase) in trade receivables	(266,670)	(767,419)
Decrease (increase) in inventories	(151,668)	(5,231)
Increase (decrease) in trade payables	118,795	187,640
Subsidy income	(6,789)	(11,589)
Decrease (increase) in deposits paid	(1,907)	(4,767)
Increase (decrease) in accounts payable-other	28,015	(3,169)
Increase (decrease) in accrued expenses	39,033	26,819
Increase (decrease) in accrued consumption taxes	(633)	44,592
Other, net	19,514	(35,393)
Subtotal	276,987	189,704
Interest and dividends received	9	14
Interest paid	(3,077)	(3,953)
Income taxes paid	(64,517)	(261,863)
Income taxes refund	7,846	-
Proceeds from subsidy income	6,789	11,589
Net cash provided by (used in) operating activities	224,036	(64,508)
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,089)	(34,809)
Purchase of intangible assets	(13,501)	(7,236)
Payments of leasehold and guarantee deposits	(35,751)	(74,234)
Payments for acquisition of businesses	(82,588)	(487,888)
Purchase of investment securities	(10,000)	-
Other, net	(866)	1,170
Net cash provided by (used in) investing activities	(154,797)	(602,998)
Cash flows from financing activities		
Proceeds from long-term borrowings	400,000	1,100,000
Repayments of long-term borrowings	(231,790)	(331,095)
Repayments of lease obligations	(11,244)	(12,613)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	3,000
Other, net	1,906	844
Net cash provided by (used in) financing activities	158,871	760,135
Effect of exchange rate change on cash and cash equivalents	-	(3,853)
Net increase (decrease) in cash and cash equivalents	228,110	88,775
Cash and cash equivalents at beginning of period	938,736	1,166,847
Cash and cash equivalents at end of period	1,166,847	1,255,622

## **(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.

The Group made substantial investments in many business sectors during the fiscal years that ended on June 30, 2017 and 2018, which was a period for making strategic investments for medium to long-term growth. By the end of the previous fiscal year, which ended on June 30, 2019, the new businesses and related activities that resulted from these investments started to contribute to earnings. As a result, the decision was made to begin managing and reporting operations by using three business segments rather than a single business segment, the second-hand online business, as in prior fiscal years. The new business segments are the second-hand online business, media business and mobile & telecommunications business. Each segment is different in terms of its business model and other characteristics.

The Group started reporting results of operations with three reportable segments in the current fiscal year. No prior-year segment comparisons are shown because it is not possible to determine accurate data for these segments in the previous fiscal year.

#### 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  
FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

Segment information is omitted since the Group has only a single business segment, which is the second-hand online business.

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.

**Per-share Information**

(Yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net assets per share	221.09	275.54
Net income per share	39.87	55.90
Diluted net income per share	37.66	53.03

Notes: 1. The basis of calculating net income per share and diluted net income per share is as follows:

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net income per share		
Profit attributable to owners of parent	203,809	291,689
Amounts not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	203,809	291,689
Average number of common shares outstanding during the period (shares)	5,111,433	5,217,600
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	300,877	282,348
[of which share acquisition rights (shares)]	[300,877]	[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)

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

(Thousands of yen)

	FY6/19 (As of Jun. 30, 2019)	FY6/20 (As of Jun. 30, 2020)
Total net assets	1,244,522	1,625,386
Deduction on total net assets	93,201	185,385
[of which share acquisition rights]	[1,440]	[1,440]
[of which non-controlling interests]	[91,761]	[183,945]
Net assets applicable to common shares	1,151,320	1,440,000
Number of common shares used in calculation of net assets per share (shares)	5,207,514	5,226,114

**Subsequent Events**

Not applicable.