

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, 2023

[Japanese GAAP]

August 14, 2023

Company name: MarketEnterprise Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 3135

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

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Scheduled date of Annual General Meeting of Shareholders:

September 28, 2023

Scheduled date of payment of dividend:

-

Scheduled date of filing of Annual Securities Report:

September 28, 2023

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, 2023 (July 1, 2022 to June 30, 2023)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2023	15,257	27.3	94	-	278	-	290	-
Fiscal year ended Jun. 30, 2022	11,986	10.2	(319)	-	(328)	-	(404)	-

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2023: 395 (- %)

Fiscal year ended Jun. 30, 2022: (359) (- %)

	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, 2023	54.56	53.26	24.2	6.6	0.6
Fiscal year ended Jun. 30, 2022	(76.29)	-	(32.5)	(9.4)	(2.7)

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

Fiscal year ended Jun. 30, 2023: -

Fiscal year ended Jun. 30, 2022: -

(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, 2023	4,853	1,701	27.8	253.92
As of Jun. 30, 2022	3,531	1,296	29.7	197.95

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2023: 1,351

As of Jun. 30, 2022: 1,050

(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, 2023	192	87	421	1,643
Fiscal year ended Jun. 30, 2022	(394)	(274)	129	941

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, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Jun. 30, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Jun. 30, 2024 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 to June 30, 2024)

(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	20,000	31.1	800	745.3	745	167.5	370	27.4	69.50

*** 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, 2023: 5,324,000 shares As of Jun. 30, 2022: 5,304,800 shares

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

As of Jun. 30, 2023: 395 shares As of Jun. 30, 2022: 349 shares

3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2023: 5,322,479 shares Fiscal year ended Jun. 30, 2022: 5,297,712 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(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, 2023	9,156	26.8	(481)	-	(187)	-	36	-
Fiscal year ended Jun. 30, 2022	7,221	1.9	(525)	-	(454)	-	(445)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Jun. 30, 2023	6.91	6.75
Fiscal year ended Jun. 30, 2022	(84.04)	-

(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, 2023	3,273	745	22.8	139.93
As of Jun. 30, 2022	2,462	698	28.3	131.47

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2023: 744 As of Jun. 30, 2022: 697

* 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 in June 2023, economic activities started to recover due to the gradual elimination of restrictions on various activities due to the pandemic. However, the economic outlook remains uncertain due to factors including soaring resource prices resulting from the protracted situation in Russia and Ukraine, and rising prices and ongoing depreciation of the yen triggered by the tighten financial policies worldwide.

Consumers in Japan have an even stronger desire than before to economize and seek low prices because of rapid inflation, but this is not the only defining characteristic of consumer spending. Purchasing activity by consumers in Japan is becoming more diverse as the range of ways people spend their money expands in order to reflect the different values and preferences of consumers. These trends are most pronounced with regard to purchases made using the internet. In this social environment, activities of the MarketEnterprise Group are guided by the “optimized trading company” vision that reflects the growing diversity of consumption behavior and the increasing interest in smart consumption and has the goal of giving everyone the best options for purchasing products and services. Another goal is to use business operations to play a role in the creation of the circular economy, an economic activity aimed at the realization of SDGs, which has become a global trend in recent years.

2) Results of operations for the 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.

We are currently implementing a medium-term management plan covering the three-year period ending in June 2024. In the current fiscal year, which is the middle year of this plan, investments continued for building a sound medium-term base for earnings. We also made efforts for sales growth and becoming more profitable. The following table summarizes activities during the current fiscal year for accomplishing these goals.

Reportable segment	Activities
Second-hand Online Business	<p>(Second-hand business for individuals)</p> <ul style="list-style-type: none"> • Opening of the Chiba Purchasing Base (October 2022) and Shinagawa Purchasing Base (May 2023) for expanding operations to more areas • More buyers, vehicles and product categories for purchasing second-hand items at customers’ homes for the growth of these purchases • Full-fledged consulting sales activities for the purchase of second-hand items at the customers’ homes <p>(Agricultural equipment)</p> <ul style="list-style-type: none"> • More overseas sales channels to increase exports • Growth of business with companies in Japan at the used agricultural equipment purchasing and sales business that was acquired from Farmally, inc. in the fourth quarter of the previous fiscal year • Review of the purchase price assessment system and business process to improve profitability <p>(Oikura)</p> <ul style="list-style-type: none"> • IT system investments to increase earnings of Oikura as a second-hand distribution platform • Cooperation with local governments for public-private sector initiatives that contribute to accomplishing the SDGs (Increase the second-hand distribution of consumer products in order to reduce the amount of second-hand products in trash and the environmental impact of these products.)

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

As a result, net sales were 15,257 million yen, 27.3% higher than in the previous fiscal year. Operating profit was 94 million yen, compared with a loss of 319 million yen one year earlier, and ordinary profit was 278 million yen, compared with a loss of 328 million yen one year earlier, mainly due to a gain on valuation of derivatives under non-operating income. Profit attributable to owners of parent was 290 million yen, compared with a loss of 404 million yen one year earlier, due to a gain of sales of investment securities under extraordinary income.

3) Differences between the consolidated forecast and results

On August 12, 2022, we announced the consolidated forecast for the fiscal year ended June 30, 2023. However, there have been differences between this forecast and the actual results. The content of and main reasons for these differences are shown below. For details, please refer to the press release “Results of Operations for the Fiscal Year Ended June 30, 2023, and Rolling Data for the Medium-Term Management Plan” that was announced simultaneously with this document.

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previous forecast (A)	15,000	300	275	167
Results (B)	15,257	94	278	290
Change (B-A)	257	(205)	3	123
Change (%)	1.7	(68.5)	1.3	73.9
FY6/22 results	11,986	(319)	(328)	(404)

• Net sales

While results overperformed or underperformed the plan for each segment, all segments achieved record sales, and results on a consolidated basis were generally in line with the forecast.

• Operating profit

Operating profit was far below the forecast because of a decrease in gross profit and a temporary increase in selling, general and administrative expenses. The main contents of each category are as follows:

Decrease in gross profit

In the four quarter, gross profit in the reuse segment was below the forecast mainly due to a lower-than-expected number of buyers for purchasing second-hand items at customers' homes.

Temporary increase in selling, general and administrative expenses

Selling, general and administrative expenses increased due to unexpected costs incurred in connection with trust-type stock options and higher costs from the expedited expansion of facilities.

Regarding expenses related to trust-type stock options, the National Tax Agency's “Taxation on Stock Options (Q&A),” published on May 30, 2023, indicates that the trust-type stock options are considered substantial salary from the company when employees and others exercise their rights under the trust-type stock options and acquire shares (referred to below as the “National Tax Agency's View”). As a result, there will be an unexpected occurrence of income tax related to employment income for executives and employees. Accordingly, in the fourth quarter, we recorded these expenses as an alternative form of compensation to be provided.

- Ordinary profit

Due to the recording of non-operating income (gain on valuation of derivatives resulting from the rise in the Company's stock price) resulting from the "Forward Contracts for In-House Stock Prices Settled for Difference" with SBI SECURITIES Co., Ltd., which was announced on September 14, 2022, ordinary profit was mostly unchanged from the previous forecast.

- Profit attributable to owners of parent

Profit attributable to owners of parent was significantly higher than the previous forecast due to extraordinary income as a result of sales of investment securities as announced on May 15, 2023.

4) Business Segment Overview

- Second-Hand Online Business

This business, which is the core business of the MarketEnterprise Group, buys and sells second-hand merchandise by using only the internet and operating no brick-and-mortar stores.

To purchase second-hand merchandise, this business operates the takakuureru.com comprehensive purchasing website for all types of merchandise as well as other purchasing websites for specific categories of merchandise. Second-hand merchandise is sold using the internet by posting goods simultaneously on many websites, including YAHUOKU!, Rakuten, Amazon, ReRe, our own e-commerce site, and others. The main targets of this business are large or expensive merchandise and merchandise in large quantities. These types of merchandise are not suitable for C2C transactions because of the difficulty of packaging and sending these items. Using the C2B2C structure instead gives people confidence about the quality of merchandise and other aspects of these transactions due to the inclusion of a reputable company as an intermediary. During the past few years, we have used knowledge acquired by operating this business to start a second-hand agricultural equipment business. In addition to operating this business in Japan, we plan to diversify this business by using synergies with other group businesses, such as by exporting used agricultural equipment. There are also numerous initiatives under way for enlarging the base of operations for Oikura, an internet platform that matches sellers of second-hand items, which are ordinary consumers, with buyers, which are second-hand stores.

Results by category during the current fiscal year are as follows.

(Second-hand business for individuals)

Operations started at the Chiba Purchasing Base in October 2022 and Shinagawa Purchasing Base in May 2023 to support the expansion of operations to more areas and increase the volume of purchases in order to meet the very strong demand of consumers for services for purchasing second-hand items. We also hired and trained buyers who visit customers and added more vehicles for this purchasing service. Various resources were gradually prepared as a result of these investments, and the volume of goods handled increased with the development of a full-scale consulting business for purchasing second-hand items at customers' homes. However, due to delays in hiring and training on-site buyers compared to the initial plan, the Company was unable to secure the planned number of operating personnel in the fourth quarter (April to June), leading to a lower-than-expected volume of product purchases and resulting in both sales and profits falling below initial expectations.

(Agricultural equipment)

The volume of business with companies in Japan increased due to synergies with the used agricultural equipment buying and selling business of Farmally that we acquired in April 2022. In addition, during the third and fourth quarters, we reviewed the purchase price assessment system and business processes to assess purchase prices more accurately for improved profitability in the future. As a result, this category was profitable in the fourth quarter (April to June 2023).

(Oikura)

In the Oikura business, we invested in IT systems as a second-hand platform to build a larger and more powerful base for long-term earnings. Public-private sector collaboration involving the SDGs is another major theme of this business. We are establishing partnerships with local governments with the goal of increasing the utilization of

markets for used consumer goods in order to reduce the volume of waste materials and the environmental impact of discarded items. At the end of June 2023, there were 50 of these partnerships, 47 more than at the end of the previous fiscal year. On the other hand, sales and profits fell short of the forecasts due to delays in expanding our network of affiliated stores and lineup of services, which contribute to our current performance.

Sales increased 26.6% to 8,392 million yen and segment profit increased 195.6% to 329 million yen.

· Media Business

The media business uses internet media to distribute useful information concerning purchasing activities to people interested in smart consumption. This business operates eight internet media in five categories.

- iPhone Kakuyasu SIM Tsushin and SIMCHANGE, which have information about mobile phones and services
- Takakuureru.com Magazine and Oikura Magazine, which have information about selling and disposing items
- Beginners and Outlet Japan, which have information about buying items
- Saiyasu-Syuuri.com, which has information about repairing items
- Used Agricultural Equipment Market UMM, a platform for buying and selling used agricultural equipment

In the current fiscal year, there were maintenance activities for articles in the media of this business to reflect updated search engine algorithms. Due to this maintenance and the addition of more product and service categories used to send customers to other MarketEnterprise businesses, search rankings for highly profitable keywords were generally consistent with the forecast. As a result, performance in the core mobile phone and services media category was generally firm. In other media categories (hobbies, lifestyles and other sectors), there were big increases in page views and revenue from directing customers to other media. In addition, in order to sustainably expand the scale of its business operations, the MarketEnterprise Group experimented with media development in new areas.

Supported by these business activities and the diversification of sources of sales and earnings, sales increased 29.4% to 775 million yen and segment profit increased 28.3% to 443 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, a large number of customers were sent to this business from our mobile phone and services media as collaboration with the media business increased. In addition, this business increased its exposure on media operated by other companies. The result was an increase in the number of new service contracts sold. In addition, we took steps to increase the length of contracts with customers as customers requested a switch to 5G service at the end of their 4G service plans. The revenue generated from contract lines consists of one-time income (income recorded all at once when a new line is acquired) and recurring income (income recorded monthly over the term of the user’s contract). As a result of future expected recurring income surpassing the initial projections, we shifted to a revenue plan with a higher weighting of one-time income from the third quarter of the current fiscal year.

Because of these numerous marketing initiatives, sales increased 27.6% to 6,204 million yen and segment profit increased 236.8% to 454 million yen.

(2) Financial Position

1) Assets

Total assets at the end of the current fiscal year increased 1,322 million yen from the end of the previous fiscal year to 4,853 million yen. This was mainly due to increases of 701 million yen in cash and deposits, 140 million yen in accounts receivable-trade, 135 million yen in merchandise, and 197 million yen in leasehold and guarantee deposits due to opening of new business sites.

2) Liabilities

Total liabilities increased 916 million yen from the end of the previous fiscal year to 3,151 million yen. The main reasons were increases of 700 million yen in short-term borrowings, 160 million yen in income taxes payable, 72 million yen in accounts payable-other and 71 million yen in accrued expenses. There was a decrease of 247 million yen in long-term borrowings including current portion.

3) Net assets

Net assets increased 405 million yen from the end of the previous fiscal year to 1,701 million yen. This was mainly due to an increase of 290 million yen in retained earnings due to profit attributable to owners of parent.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the current fiscal year were 1,643 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 192 million yen (compared with 394 million yen used in the previous fiscal year). Main factors include profit before income taxes of 615 million yen, while there was an increase of 140 million yen in trade receivables.

Cash flows from investing activities

Net cash provided by investing activities was 87 million yen (compared with 274 million yen used in the previous fiscal year). Main factors include proceeds from sale of investment securities of 345 million yen, while there were purchase of property, plant and equipment of 34 million yen due to openings of new business sites and payments of leasehold and guarantee deposits of 211 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 421 million yen (compared with 129 million yen provided in the previous fiscal year). Main factors include proceeds from short-term borrowings of 8,002 million yen, while there were repayments of short-term borrowings of 7,302 million yen and repayments of long-term borrowings of 247 million yen.

(4) Outlook

The forecast for the Group’s consolidated financial results for the fiscal year ending June 30, 2024 is as follows.

Net sales:	20,000 million yen (up 31.1% year on year)
Operating profit:	800 million yen (up 745.3% year on year)
Ordinary profit:	745 million yen (up 167.5% year on year)
Profit attributable to owners of parent:	370 million yen (up 27.4% year on year)

Through the “Forward Contracts for In-House Stock Prices Settled for Difference,” concluded with SBI SECURITIES Co., Ltd. on September 14, 2022, the difference between the Company’s stock price at the end of the current fiscal year and the stock price at the end of each quarter of the fiscal year ending June 2024 will impact our non-operating income or loss. Due to the difficulty of predicting the Company’s stock price, the ordinary profit and

profit attributable to owners of parent shown above are calculated based on the assumption that the Company's stock price will remain at the same level as it is now.

Regarding this point and specific details behind this performance forecast, please refer to the press release "Results of Operations for the Fiscal Year Ended June 30, 2023, and Rolling Data for the Medium-Term Management Plan" that was announced today (August 14, 2023).

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)

	FY6/22 (As of Jun. 30, 2022)	FY6/23 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	941,696	1,643,596
Accounts receivable-trade	971,026	1,111,482
Merchandise	439,020	574,797
Supplies	13,204	14,677
Allowance for doubtful accounts	-	(152)
Other	176,126	128,520
Total current assets	2,541,074	3,472,920
Non-current assets		
Property, plant and equipment		
Buildings	301,772	324,966
Accumulated depreciation	(102,724)	(125,004)
Buildings, net	199,047	199,962
Structures	41,468	41,468
Accumulated depreciation	(2,660)	(5,505)
Structures, net	38,808	35,963
Vehicles	89,535	141,200
Accumulated depreciation	(61,267)	(49,438)
Vehicles, net	28,267	91,762
Tools, furniture and fixtures	55,822	63,916
Accumulated depreciation	(40,597)	(46,675)
Tools, furniture and fixtures, net	15,225	17,241
Land	84,510	84,510
Total property, plant and equipment	365,858	429,439
Intangible assets		
Software	44,095	30,006
Goodwill	171,685	97,309
Total intangible assets	215,781	127,315
Investments and other assets		
Investment securities	16,391	20,231
Deferred tax assets	68,518	61,327
Leasehold and guarantee deposits	302,074	499,182
Other	21,683	243,433
Total investments and other assets	408,667	824,175
Total non-current assets	990,307	1,380,930
Total assets	3,531,382	4,853,851

	(Thousands of yen)	
	FY6/22	FY6/23
	(As of Jun. 30, 2022)	(As of Jun. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	366,179	424,626
Short-term borrowings	800,000	1,500,000
Current portion of long-term borrowings	247,656	147,472
Accounts payable-other	282,308	355,220
Accrued expenses	197,350	269,111
Lease liabilities	15,462	25,064
Income taxes payable	46,044	206,126
Other	103,456	150,002
Total current liabilities	2,058,458	3,077,624
Non-current liabilities		
Long-term borrowings	147,472	-
Lease liabilities	14,288	74,133
Other	15,071	191
Total non-current liabilities	176,832	74,325
Total liabilities	2,235,290	3,151,950
Net assets		
Shareholders' equity		
Share capital	325,937	331,339
Capital surplus	305,577	310,979
Retained earnings	406,710	697,110
Treasury shares	(530)	(582)
Total shareholders' equity	1,037,694	1,338,847
Accumulated other comprehensive income		
Foreign currency translation adjustment	12,322	12,901
Total accumulated other comprehensive income	12,322	12,901
Share acquisition rights	1,040	928
Non-controlling interests	245,033	349,223
Total net assets	1,296,091	1,701,900
Total liabilities and net assets	3,531,382	4,853,851

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

(Thousands of yen)

	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)
Net sales	11,986,761	15,257,617
Cost of sales	7,717,840	9,436,998
Gross profit	4,268,920	5,820,619
Selling, general and administrative expenses	4,588,278	5,725,974
Operating profit (loss)	(319,357)	94,645
Non-operating income		
Gain on valuation of derivatives	-	219,900
Dividend income of insurance	195	260
Foreign exchange gains	7,438	-
Subsidy income	6,746	3,258
Vending machine income	478	392
Gain on sale of scraps	3,884	2,994
Other	1,665	1,874
Total non-operating income	20,409	228,680
Non-operating expenses		
Interest expenses	6,949	14,866
Foreign exchange losses	-	766
Commission expenses	21,748	27,671
Other	436	1,479
Total non-operating expenses	29,134	44,784
Ordinary profit (loss)	(328,082)	278,540
Extraordinary income		
Gain on sale of non-current assets	-	2,124
Gain on sale of investment securities	-	345,600
Total extraordinary income	-	347,724
Extraordinary losses		
Loss on retirement of non-current assets	7,798	0
Loss on valuation of investment securities	6,597	11,159
Total extraordinary losses	14,396	11,159
Profit (loss) before income taxes	(342,479)	615,104
Income taxes-current	57,021	213,324
Income taxes-deferred	(25,866)	7,190
Total income taxes	31,155	220,515
Profit (loss)	(373,634)	394,589
Profit attributable to non-controlling interests	30,551	104,189
Profit (loss) attributable to owners of parent	(404,185)	290,400

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY6/22	FY6/23
	(Jul. 1, 2021 – Jun. 30, 2022)	(Jul. 1, 2022 – Jun. 30, 2023)
Profit (loss)	(373,634)	394,589
Other comprehensive income		
Foreign currency translation adjustment	14,086	579
Total other comprehensive income	14,086	579
Comprehensive income	(359,548)	395,168
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(390,099)	290,979
Comprehensive income attributable to non-controlling interests	30,551	104,189

(3) Consolidated Statement of Changes in Equity

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
Profit (loss) attributable to owners of parent			(404,185)		(404,185)
Purchase of treasury shares					
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
Profit (loss) attributable to owners of parent					(404,185)
Purchase of treasury shares					-
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

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	325,937	305,577	406,710	(530)	1,037,694
Changes during period					
Issuance of new shares-exercise of share acquisition rights	5,402	5,402			10,804
Profit (loss) attributable to owners of parent			290,400		290,400
Purchase of treasury shares				(52)	(52)
Net changes in items other than shareholders' equity					
Total changes during period	5,402	5,402	290,400	(52)	301,152
Balance at end of period	331,339	310,979	697,110	(582)	1,338,847

	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	12,322	12,322	1,040	245,033	1,296,091
Changes during period					
Issuance of new shares-exercise of share acquisition rights					10,804
Profit (loss) attributable to owners of parent					290,400
Purchase of treasury shares					(52)
Net changes in items other than shareholders' equity	579	579	(111)	104,189	104,656
Total changes during period	579	579	(111)	104,189	405,809
Balance at end of period	12,901	12,901	928	349,223	1,701,900

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	(342,479)	615,104
Depreciation	61,064	68,053
Loss (gain) on valuation of investment securities	6,597	11,159
Amortization of goodwill	70,762	74,126
Increase (decrease) in allowance for doubtful accounts	-	152
Interest and dividend income	(86)	(79)
Interest expenses	6,949	14,866
Decrease (increase) in trade receivables	(399,100)	(140,455)
Decrease (increase) in inventories	(62,769)	(137,248)
Decrease (increase) in prepaid expenses	(15,499)	(20,945)
Increase (decrease) in trade payables	58,003	58,447
Loss (gain) on sale of investment securities	-	(345,600)
Loss (gain) on sale of non-current assets	-	(2,124)
Loss on retirement of non-current assets	6,641	0
Subsidy income	(6,746)	(3,258)
Increase (decrease) in accounts payable-other	75,110	16,299
Increase (decrease) in accrued expenses	35,489	128,860
Increase (decrease) in accrued consumption taxes	35,831	34,894
Decrease (increase) in consumption taxes refund receivable	(73,986)	76,978
Commitment line expense	21,748	27,671
Loss (gain) on valuation of derivatives	-	(219,900)
Other, net	70,414	13,306
Subtotal	(452,054)	270,309
Interest and dividends received	86	79
Interest paid	(6,949)	(14,866)
Income taxes paid	(21,776)	(65,833)
Income taxes refund	79,345	0
Subsidies received	6,746	3,258
Net cash provided by (used in) operating activities	(394,601)	192,948
Cash flows from investing activities		
Purchase of property, plant and equipment	(55,651)	(34,337)
Proceeds from sale of property, plant and equipment	-	2,124
Proceeds from sale of investment securities	-	345,600
Purchase of intangible assets	(33,170)	-
Payments of leasehold and guarantee deposits	(62,533)	(211,665)
Payments for acquisition of businesses	(125,299)	-
Purchase of investment securities	-	(15,000)
Proceeds from refund of leasehold and guarantee deposits	3,177	4,047
Other, net	(1,326)	(3,590)
Net cash provided by (used in) investing activities	(274,802)	87,176

	(Thousands of yen)	
	FY6/22	FY6/23
	(Jul. 1, 2021 – Jun. 30, 2022)	(Jul. 1, 2022 – Jun. 30, 2023)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,491	10,693
Arrangement fees and others paid	(22,382)	(27,704)
Proceeds from short-term borrowings	1,700,000	8,002,000
Repayments of short-term borrowings	(900,000)	(7,302,000)
Repayments of long-term borrowings	(631,619)	(247,656)
Repayments of lease obligations	(18,622)	(13,766)
Other, net	-	(52)
Net cash provided by (used in) financing activities	129,867	421,514
Effect of exchange rate change on cash and cash equivalents	12,008	259
Net increase (decrease) in cash and cash equivalents	(527,528)	701,899
Cash and cash equivalents at beginning of period	1,469,224	941,696
Cash and cash equivalents at end of period	941,696	1,643,596

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

Not applicable.

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

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	Reportable segment			
	Second-hand online	Media	Mobile & Telecommunications	Total
Second-hand business for individuals	6,288,002	-	-	6,288,002
Machinery (agricultural equipment/ construction machinery)	2,104,252	-	-	2,104,252
Performance-based advertising revenue	-	660,493	-	660,493
Communication service fee income	-	-	6,204,869	6,204,869
Revenue from contracts with customers	8,392,254	660,493	6,204,869	15,257,617
Other income	-	-	-	-
External sales	8,392,254	660,493	6,204,869	15,257,617

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, profit or loss, assets, liabilities and other items for each reportable segment
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.

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(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	8,392,254	660,493	6,204,869	15,257,617	-	15,257,617
Inter-segment sales and transfers	-	115,088	-	115,088	(115,088)	-
Total	8,392,254	775,581	6,204,869	15,372,705	(115,088)	15,257,617
Segment profit	329,212	443,391	454,151	1,226,754	(1,132,109)	94,645
Other items						
Depreciation	52,385	3,628	3,661	59,674	8,378	68,053
Goodwill amortization	24,461	49,665	-	74,126	-	74,126

Notes: 1. The -1,132 million yen adjustment to segment profit includes elimination for inter-segment transactions of 111 million yen, and -1,243 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)

	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)
Net assets per share	197.95	253.92
Net income (loss) per share	(76.29)	54.56
Diluted net income per share	-	53.26

Notes: 1. Diluted net income per share for FY6/22 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)

	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)
Net income (loss) per share		
Profit (loss) attributable to owners of parent	(404,185)	290,400
Amounts not attributable to common shareholders	-	-
Profit (loss) attributable to common shareholders of parent	(404,185)	290,400
Average number of common shares outstanding during the period (shares)	5,297,712	5,322,479
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	-	129,769
[of which share acquisition rights (shares)]	[-]	[129,769]
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)

	FY6/22 (As of Jun. 30, 2022)	FY6/23 (As of Jun. 30, 2023)
Total net assets	1,296,091	1,701,900
Deduction on total net assets	246,074	350,151
[of which share acquisition rights]	[1,040]	[928]
[of which non-controlling interests]	[245,033]	[349,223]
Net assets applicable to common shares	1,050,016	1,351,748
Number of common shares used in calculation of net assets per share (shares)	5,304,451	5,323,605

Subsequent Events

Not applicable.