

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, 2017

[Japanese GAAP]

August 14, 2017

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 Securities code: 3135
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Listing: Tokyo Stock Exchange (Mothers)
 URL: <http://www.marketenterprise.co.jp/>

Scheduled date of Annual General Meeting of Shareholders: September 29, 2017

Scheduled date of payment of dividend: -

Scheduled date of filing of Annual Securities Report: September 29, 2017

Preparation of supplementary materials for financial results: None

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, 2017 (July 1, 2016 to June 30, 2017)

(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, 2017	5,630	-	(7)	-	4	-	(19)	-
Fiscal year ended Jun. 30, 2016	-	-	-	-	-	-	-	-

Note: Comprehensive income (millions of yen)

Fiscal year ended Jun. 30, 2017: (21) (-%)

Fiscal year ended Jun. 30, 2016: - (-%)

	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, 2017	(3.80)	-	(2.1)	0.3	(0.1)
Fiscal year ended Jun. 30, 2016	-	-	-	-	-

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2017: - Fiscal year ended Jun. 30, 2016: -

Note: Figures for the fiscal year ended June 30, 2016 and year-on-year changes are not presented because MarketEnterprise began to prepare the consolidated financial statements from the fiscal year ended June 30, 2017.

(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, 2017	1,536	917	59.4	179.80
As of Jun. 30, 2016	-	-	-	-

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2017: 912

As of Jun. 30, 2016: -

Note: Figures as of June 30, 2016 are not presented because MarketEnterprise began to prepare the consolidated financial statements from the fiscal year ended June 30, 2017.

(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, 2017	26	(19)	74	825
Fiscal year ended Jun. 30, 2016	-	-	-	-

Note: Figures for the fiscal year ended June 30, 2016 are not presented because MarketEnterprise began to prepare the consolidated financial statements from the fiscal year ended June 30, 2017.

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, 2016	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Jun. 30, 2017	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Jun. 30, 2018 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2018 (July 1, 2017 to June 30, 2018)

(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	6,600	17.2	55	-	51	-	29	-	5.71

*** 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, 2017:	5,077,000 shares	As of Jun. 30, 2016:	5,069,000 shares
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2) Number of treasury shares as of the end of the period

As of Jun. 30, 2017:	174 shares	As of Jun. 30, 2016:	174 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2017:	5,074,689 shares	Fiscal year ended Jun. 30, 2016:	5,068,928 shares
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* This summary report is not subject to audit procedures.

* 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

Forward-looking statements are based on the decisions of the MarketEnterprise Group's management as of June 30, 2017.

No comparisons with figures for the previous fiscal year and at the end of the previous fiscal year are included because this is the first year that MarketEnterprise has prepared consolidated financial statements.

(1) Results of Operations

A favorable economic cycle gained momentum in Japan during the fiscal year that ended in June 2017 as corporate earnings increased and there were improvements in the labor market and personal income due to effects of the government's economic stimulus measures and monetary easing by the Bank of Japan. However, the economic outlook remains uncertain because of concerns about slowing economic growth in emerging countries, Britain's departure from the EU, policies of the new U.S. administration and other factors. Consumer spending in Japan continued to rebound along with an improvement in consumer sentiment. However, the outlook for consumer spending is still unclear because of uncertainty about overseas economies and volatility in financial markets.

The MarketEnterprise Group primarily operates an e-commerce reuse business (buying and selling reuse merchandise by using only the Internet and operating no brick-and-mortar stores). Japan's reuse market is growing because consumers are budget-minded and interested mainly in lower-priced items. The emergence of flea-market apps that allow individuals to buy and sell reuse products is also contributing to this market's growth. Furthermore, Japan's entire e-commerce market is expanding due to the widespread use of smartphones and diversification of consumer needs.

MarketEnterprise has positioned the current fiscal year and the next fiscal year as the two years of its strategic investment period for medium to long-term rapid growth. We are making substantial upfront investments for the expansion of personnel and facilities, adding more product categories to buy and sell, launching new services and taking other actions, in order to establish a new earnings base.

There were several significant accomplishments during the fiscal year:

- More personnel and facilities

Operations started at the new Tokushima Contact Center, which will allow us to handle a larger volume of reuse product purchase requests.

- More categories of reuse products

We used our existing purchasing infrastructure to start buying used agricultural machinery and other equipment.

- New services

We used our ability to buy and sell a broad range of reuse merchandise in order to start a home delivery rental service.

We used our reuse smartphone purchasing skills to start a mobile virtual network operator (MVNO) business.

In the fiscal year that ended in June 2017, sales were strong and amounted to 5,630 million yen. However, there was an operating loss of 7 million yen because of an increase in selling, general and administrative expenses. Ordinary profit totaled 4 million yen because of the recording of subsidy income due to new opening of the Tokushima Contact Center. Loss attributable to owners of parent was 19 million yen due to an increase in tax expense resulting from a reversal of deferred tax assets.

(2) Financial Position

Assets

Total assets at the end of the current fiscal year were 1,536 million yen.

Current assets were 1,364 million yen. The main components were cash and deposits of 825 million yen and merchandise of 352 million yen.

Non-current assets amounted to 172 million yen. The main components were buildings of 48 million yen and lease and guarantee deposits of 89 million yen.

Liabilities

Total liabilities amounted to 619 million yen. The main components were current portion of long-term loans payable of 144 million yen, accounts payable-other of 114 million yen and long-term loans payable of 215 million yen.

Net assets

Net assets totaled 917 million yen. The main components were capital stock of 304 million yen, capital surplus of 284 million yen and retained earnings of 323 million yen.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year were 825 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 26 million yen. Main factors include depreciation of 17 million yen, decreases of 11 million yen in deposits paid and 15 million yen in inventories, and subsidy income of 13 million yen.

Cash flows from investing activities

Net cash used in investing activities was 19 million yen. Main factors include purchase of property, plant and equipment of 13 million yen mainly due to opening of new business sites, purchase of intangible assets of 4 million yen due to purchase of software and payments for lease and guarantee deposits of 6 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 74 million yen. Main positive factors include proceeds from long-term loans payable of 220 million yen, while there were repayments of long-term loans payable of 152 million yen.

(4) Outlook

As was explained earlier, the reuse and e-commerce markets in Japan, where the MarketEnterprise Group operates, are continuing to expand. Our objective is to achieve sustained medium and long-term growth by building a powerful foundation for business operations in these two markets. To accomplish this goal, we have positioned the fiscal year ended in June 2017 and the fiscal year ending in June 2018 as a period for making the strategic investments needed to build a stable foundation for medium to long-term earnings. These investments are aimed at strengthening our horizontal expansion (opening more locations in large cities throughout Japan) and vertical expansion (covering a broader spectrum of merchandise and customer segments), which have been our goals for several years. In addition, we are making substantial upfront investments to create new services and take other actions for growth.

Due to this policy, at this time we are using our earnings to fund for investing activities to achieve more growth in the future. Consequently, in the fiscal year ending in June 2018 as well, we forecast sales growth but only a small recovery in earnings.

We expect sales to increase based on the outlook for an increase of about 20% in the number of reuse items purchased. The addition of more product categories, such as agricultural equipment, and the opening of more locations will allow us to meet an even broader range of reuse purchasing needs. As we anticipate sales growth to be proportional to the increase in purchasing volume, we forecast a 17.2% increase in sales to 6,600 million yen.

Expenses are expected to increase in part because of expenses for rent, equipment and personnel resulting from the addition of two reuse centers and the expansion of facilities and personnel at these sites. We anticipate benefits from the efficient use of web marketing activities and other internal improvements. Based on the outlook for the growth rate of selling, general and administrative expenses to be smaller than the sales growth rate, we forecast operating profit of 55 million yen.

The ordinary profit forecast is 51 million yen. There will be interest expenses and other standard non-operating expenses but we do not expect to receive subsidy income (non-operating income) as we did in the fiscal year ended in June 2017.

At this time, we do not expect any extraordinary income or losses in the fiscal year ending in June 2018. We forecast profit before income taxes of 51 million yen and, after taxes, profit attributable to owners of parent of 29 million yen.

Precaution concerning earnings forecast

Information 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.

2. Basic Approach to the Selection of Accounting Standards

The MarketEnterprise 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)
	FY6/17
	(As of Jun. 30, 2017)
Assets	
Current assets	
Cash and deposits	825,827
Accounts receivable-trade	107,303
Merchandise	352,204
Supplies	5,549
Deferred tax assets	15,134
Other	58,575
Total current assets	<u>1,364,596</u>
Non-current assets	
Property, plant and equipment	
Buildings	75,207
Accumulated depreciation	(26,947)
Buildings, net	<u>48,260</u>
Vehicles	1,872
Accumulated depreciation	(1,872)
Vehicles, net	<u>0</u>
Tools, furniture and fixtures	25,689
Accumulated depreciation	(13,962)
Tools, furniture and fixtures, net	<u>11,727</u>
Land	193
Total property, plant and equipment	<u>60,181</u>
Intangible assets	
Software	4,519
Total intangible assets	<u>4,519</u>
Investments and other assets	
Investment securities	1,147
Deferred tax assets	307
Lease and guarantee deposits	89,167
Other	16,958
Total investments and other assets	<u>107,581</u>
Total non-current assets	<u>172,281</u>
Total assets	<u>1,536,877</u>

	(Thousands of yen)
	FY6/17
	(As of Jun. 30, 2017)
Liabilities	
Current liabilities	
Accounts payable-trade	1,315
Current portion of long-term loans payable	144,739
Accounts payable-other	114,412
Accrued expenses	103,194
Income taxes payable	7,769
Other	32,678
Total current liabilities	<u>404,109</u>
Non-current liabilities	
Long-term loans payable	<u>215,231</u>
Total non-current liabilities	<u>215,231</u>
Total liabilities	<u>619,340</u>
Net assets	
Shareholders' equity	
Capital stock	304,913
Capital surplus	284,553
Retained earnings	323,570
Treasury shares	(221)
Total shareholders' equity	<u>912,815</u>
Accumulated other comprehensive income	
Non-controlling interests	<u>4,721</u>
Total net assets	<u>917,536</u>
Total liabilities and net assets	<u>1,536,877</u>

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

	(Thousands of yen)
	FY6/17
	(Jul. 1, 2016 – Jun. 30, 2017)
Net sales	5,630,708
Cost of sales	3,190,047
Gross profit	2,440,660
Selling, general and administrative expenses	2,448,078
Operating loss	(7,418)
Non-operating income	
Subsidy income	13,528
Other	2,712
Total non-operating income	16,240
Non-operating expenses	
Interest expenses	2,460
Compensation expenses	1,917
Other	240
Total non-operating expenses	4,618
Ordinary profit	4,202
Extraordinary losses	
Loss on theft	7,394
Total extraordinary losses	7,394
Loss before income taxes	(3,192)
Income taxes-current	21,089
Income taxes-deferred	(2,726)
Total income taxes	18,363
Loss	(21,555)
Loss attributable to non-controlling interests	(2,278)
Loss attributable to owners of parent	(19,276)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)
	FY6/17
	(Jul. 1, 2016 – Jun. 30, 2017)
Loss	(21,555)
Comprehensive income	(21,555)
Comprehensive income attributable to:	
Comprehensive income attributable to owners of parent	(19,276)
Comprehensive income attributable to non-controlling interests	(2,278)

(3) Consolidated Statement of Changes in Equity

FY6/17 (Jul. 1, 2016 – Jun. 30, 2017)

(Thousands of yen)

	Shareholders' equity					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of current period	304,865	284,505	342,847	(221)	931,996	-	931,996
Changes of items during period							
Issuance of new shares-exercise of subscription rights to shares	48	48			96		96
Loss attributable to owners of parent			(19,276)		(19,276)		(19,276)
Net changes of items other than shareholders' equity						4,721	4,721
Total changes of items during period	48	48	(19,276)	-	(19,180)	4,721	(14,459)
Balance at end of current period	304,913	284,553	323,570	(221)	912,815	4,721	917,536

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)
	FY6/17
	(Jul. 1, 2016 – Jun. 30, 2017)
Cash flows from operating activities	
Loss before income taxes	(3,192)
Depreciation	17,437
Interest and dividend income	(29)
Interest expenses	2,460
Decrease (increase) in notes and accounts receivable-trade	7,545
Decrease (increase) in inventories	15,147
Subsidy income	(13,528)
Decrease (increase) in deposits paid	11,927
Increase (decrease) in accounts payable-other	(23,564)
Increase (decrease) in accrued expenses	6,300
Increase (decrease) in accrued consumption taxes	4,711
Other, net	12,404
Subtotal	37,621
Interest and dividend income received	29
Interest expenses paid	(2,460)
Income taxes paid	(24,831)
Income taxes refund	2,937
Proceeds from subsidy income	13,528
Net cash provided by (used in) operating activities	26,823
Cash flows from investing activities	
Purchase of property, plant and equipment	(13,558)
Proceeds from sales of property, plant and equipment	6,007
Purchase of intangible assets	(4,240)
Payments for lease and guarantee deposits	(6,472)
Other, net	(1,486)
Net cash provided by (used in) investing activities	(19,750)
Cash flows from financing activities	
Proceeds from long-term loans payable	220,000
Repayments of long-term loans payable	(152,797)
Proceeds from share issuance to non-controlling shareholders	7,000
Other, net	96
Net cash provided by (used in) financing activities	74,298
Net increase (decrease) in cash and cash equivalents	81,372
Cash and cash equivalents at beginning of period	744,455
Cash and cash equivalents at end of period	825,827

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

Not applicable.

Segment Information

Segment information is omitted due to its immateriality since the Group has only a single business segment, which is the e-commerce reuse business.

Per-share Information

(Yen)

	FY6/17 (Jul. 1, 2016 – Jun. 30, 2017)
Net assets per share	179.80
Net loss per share	(3.80)

Notes: 1. Diluted net income per share is not presented since MarketEnterprise posted a net loss per share while there were dilutive shares.

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

(Thousands of yen)

	FY6/17 (Jul. 1, 2016 – Jun. 30, 2017)
Net loss per share	
Loss attributable to owners of parent	(19,276)
Amounts not attributable to common shareholders	-
Loss attributable to common shareholders of parent	(19,276)
Average number of common shares outstanding during the period (shares)	5,074,689
Diluted net income per share	
Adjustment to profit attributable to owners of parent	-
[of which interest expenses (after deducting amount equivalent to tax)]	[-]
Increase in the number of common shares (shares)	-
[of which convertible bond-type bonds with subscription rights to shares (shares)]	[-]
[of which subscription rights to shares (shares)]	[-]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-

Subsequent Events

Not applicable.