

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 Second Quarter of the Fiscal Year Ending June 30, 2018
(Six Months Ended December 31, 2017)

[Japanese GAAP]

February 14, 2018

Company name: MarketEnterprise Co., Ltd.
 Securities code: 3135
 Representative: Yasushi Kobayashi, President, CEO
 Contact: Kenichi Imamura, Director, CFO
 Tel: +81-(0)3-5159-4060

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

Scheduled date of filing of Quarterly Report: February 14, 2018

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2018

(July 1, 2017 to December 31, 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	%
Six months ended Dec. 31, 2017	2,914	12.3	5	-	(3)	-	(6)	-
Six months ended Dec. 31, 2016	2,595	-	(71)	-	(67)	-	(54)	-

Note: Comprehensive income (millions of yen) Six months ended Dec. 31, 2017: (3) (-%)

Six months ended Dec. 31, 2016: (57) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2017	(1.20)	-
Six months ended Dec. 31, 2016	(10.68)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2017	1,739	916	52.2
As of Jun. 30, 2017	1,536	917	59.4

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2017: 907 As of Jun. 30, 2017: 912

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2017	-	0.00	-	0.00	0.00
Fiscal year ending Jun. 30, 2018	-	0.00			
Fiscal year ending Jun. 30, 2018 (forecasts)			-	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

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

Note: Revisions to the most recently announced earnings forecast: None

*** Notes**

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

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

(4) Number of shares outstanding (common shares)

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

As of Dec. 31, 2017:	5,085,600 shares	As of Jun. 30, 2017:	5,077,000 shares
----------------------	------------------	----------------------	------------------

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

As of Dec. 31, 2017:	174 shares	As of Jun. 30, 2017:	174 shares
----------------------	------------	----------------------	------------

3) Average number of shares outstanding during the period

Six months ended Dec. 31, 2017:	5,082,730 shares	Six months ended Dec. 31, 2016:	5,073,434 shares
---------------------------------	------------------	---------------------------------	------------------

* This summary report is not subject to quarterly review 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
(3) Quarterly Consolidated Statement of Cash Flows	7
(4) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending in June 2018 (July 1, 2017 to December 31, 2017), the Japanese economy recovered slowly as corporate earnings and business sentiment improved and capital expenditures increased at a moderate pace. The job market and personal income were also strong. In addition, consumer spending continued to recover slowly, partly due to an improvement in consumer sentiment, even though consumers remain budget-minded and interested mainly in lower-priced items.

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). In Japan, the reuse market has been posting solid growth year after year. The Group has positioned the current fiscal year and the next fiscal year as the two years of its strategic investments period for medium to long-term growth. We are making substantial upfront investments for adding more locations, expanding the product categories to buy and sell, launching businesses associated with our core reuse business and taking other actions, in order to establish a new earnings base.

There were several significant accomplishments during the first half:

- More expansion of the purchasing infrastructure

We established the Western Tokyo Reuse Center in the city of Fuchu to meet the increasing demand in the Tokyo metropolitan area for reuse services.

We established the Sapporo Reuse Center in the city of Sapporo, Hokkaido, to meet the demand for reuse services in Hokkaido.

- A new reuse product category

We started full-scale operations for used agricultural equipment.

- Alliance with a large company

We formed a reuse product purchasing service alliance with Yahoo Japan Corporation.

- New peripheral business using e-commerce reuse business expertise

We started a home delivery rental service.

Upfront investments were accompanied by measures for creating a lean structure for business operations so that we can maintain a high level of efficiency. We reexamined our business processes and disposed of our inventory items that had been unsold for a long time.

First half sales were 2,914 million yen, 12.3% higher than in the first half of the previous fiscal year. A temporary decline in the gross profit margin caused by the disposal of long-term unsold inventory items had a negative impact on earnings. Operating profit was 5 million yen compared with a 71 million yen loss one year earlier. Due to non-operating expenses for issuing subscription rights to shares in the first quarter, there was an ordinary loss of 3 million yen compared with a 67 million yen loss one year earlier. The first half loss attributable to owners of parent was 6 million yen compared with a 54 million yen loss one year earlier.

(2) Explanation of Financial Position

Assets

Total assets at the end of the second quarter of the current fiscal year increased 202 million yen from the end of the previous fiscal year to 1,739 million yen. This was mainly due to increases of 217 million yen in cash and deposits, 33 million yen in accounts receivable-trade, and 46 million yen in property, plant and equipment due to opening of business sites.

Liabilities

Total liabilities increased 204 million yen from the end of the previous fiscal year to 823 million yen. The main reasons were increases of 49 million yen in current portion of long-term loans payable and 78 million yen in long-term loans payable as a result of the drawdown of new loans, and 57 million yen in accounts payable-other associated with capital expenditures for the opening of business sites.

Net assets

Net assets decreased 1 million yen from the end of the previous fiscal year to 916 million yen. This was mainly due to the booking of loss attributable to owners of parent of 6 million yen.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the second quarter increased 217 million yen from the end of the previous fiscal year to 1,043 million yen. The cash flow components and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities was 124 million yen (compared with 78 million yen used in the same period of the previous fiscal year). Main factors include a decrease in inventories of 119 million yen.

Cash flows from investing activities

Net cash used in investing activities was 27 million yen (compared with 5 million yen used in the same period of the previous fiscal year). Main factors include purchase of property, plant and equipment of 18 million yen due to opening of new business sites.

Cash flows from financing activities

Net cash provided by financing activities was 120 million yen (compared with 150 million yen provided in the same period of the previous fiscal year). Main factors include proceeds of long-term loans payable of 200 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There is no change in the consolidated earnings forecast that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2017” on August 14, 2017. Results of operations for the first half trended generally in line with our plan.

An announcement will be made promptly if a forecast revision is needed.

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

(Thousands of yen)

	FY6/17 (As of Jun. 30, 2017)	Second quarter of FY6/18 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	825,827	1,043,475
Accounts receivable-trade	107,303	141,183
Merchandise	352,204	229,968
Other	79,259	99,057
Total current assets	1,364,596	1,513,684
Non-current assets		
Property, plant and equipment	60,181	106,757
Intangible assets	4,519	6,952
Investments and other assets	107,581	112,440
Total non-current assets	172,281	226,151
Total assets	1,536,877	1,739,836
Liabilities		
Current liabilities		
Accounts payable-trade	1,315	24,816
Current portion of long-term loans payable	144,739	194,432
Accounts payable-other	114,412	172,354
Provision for loss on order received	-	5,597
Other	143,641	132,618
Total current liabilities	404,109	529,819
Non-current liabilities		
Long-term loans payable	215,231	294,000
Total non-current liabilities	215,231	294,000
Total liabilities	619,340	823,819
Net assets		
Shareholders' equity		
Capital stock	304,913	305,275
Capital surplus	284,553	284,915
Retained earnings	323,570	317,474
Treasury shares	(221)	(221)
Total shareholders' equity	912,815	907,443
Subscription rights to shares	-	1,440
Non-controlling interests	4,721	7,132
Total net assets	917,536	916,016
Total liabilities and net assets	1,536,877	1,739,836

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Six-month Period)**

(Thousands of yen)

	First six months of FY6/17 (Jul. 1, 2016 – Dec. 31, 2016)	First six months of FY6/18 (Jul. 1, 2017 – Dec. 31, 2017)
Net sales	2,595,251	2,914,381
Cost of sales	1,454,531	1,707,794
Gross profit	1,140,720	1,206,587
Selling, general and administrative expenses	1,212,568	1,201,393
Operating profit (loss)	(71,848)	5,193
Non-operating income		
Foreign exchange gains	4,490	308
Insurance income	650	-
Insurance premiums refunded cancellation	-	1,311
Vending machine income	211	431
Other	853	726
Total non-operating income	6,205	2,778
Non-operating expenses		
Interest expenses	895	1,085
Issuance cost of subscription rights to shares	-	10,149
Compensation expenses	1,181	305
Other	33	107
Total non-operating expenses	2,110	11,647
Ordinary loss	(67,753)	(3,676)
Extraordinary losses		
Loss on theft	7,394	-
Total extraordinary losses	7,394	-
Loss before income taxes	(75,148)	(3,676)
Income taxes-current	1,827	4,851
Income taxes-deferred	(19,315)	(4,843)
Total income taxes	(17,488)	7
Loss	(57,660)	(3,683)
Profit (loss) attributable to non-controlling interests	(3,475)	2,411
Loss attributable to owners of parent	(54,184)	(6,095)

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY6/17 (Jul. 1, 2016 – Dec. 31, 2016)	First six months of FY6/18 (Jul. 1, 2017 – Dec. 31, 2017)
Loss	(57,660)	(3,683)
Comprehensive income	(57,660)	(3,683)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(54,184)	(6,095)
Comprehensive income attributable to non-controlling interests	(3,475)	2,411

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY6/17 (Jul. 1, 2016 – Dec. 31, 2016)	First six months of FY6/18 (Jul. 1, 2017 – Dec. 31, 2017)
Cash flows from operating activities		
Loss before income taxes	(75,148)	(3,676)
Depreciation	9,831	7,347
Issuance cost of subscription rights to shares	-	10,149
Decrease (increase) in notes and accounts receivable-trade	35,568	(33,880)
Decrease (increase) in inventories	(49,407)	119,326
Increase (decrease) in notes and accounts payable-trade	456	23,501
Decrease (increase) in deposits paid	(23,071)	(12,537)
Increase (decrease) in accounts payable-other	28,695	22,157
Other, net	(3,969)	(6,553)
Subtotal	(77,044)	125,835
Interest and dividend income received	20	4
Interest expenses paid	(895)	(1,085)
Income taxes paid	(3,467)	(610)
Income taxes refund	2,937	733
Net cash provided by (used in) operating activities	(78,449)	124,876
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,295)	(18,161)
Proceeds from sales of property, plant and equipment	6,007	-
Purchase of intangible assets	(3,800)	(2,412)
Other, net	(1,205)	(7,131)
Net cash provided by (used in) investing activities	(5,293)	(27,706)
Cash flows from financing activities		
Proceeds from long-term loans payable	200,000	200,000
Repayments of long-term loans payable	(56,950)	(71,537)
Proceeds from share issuance to non-controlling shareholders	7,000	-
Payments for issuance of subscription rights to shares	-	(8,709)
Other, net	84	724
Net cash provided by (used in) financing activities	150,134	120,477
Net increase (decrease) in cash and cash equivalents	66,390	217,647
Cash and cash equivalents at beginning of period	744,455	825,827
Cash and cash equivalents at end of period	810,845	1,043,475

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.