

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 Third Quarter of the Fiscal Year Ending June 30, 2019
(Nine Months Ended March 31, 2019)

[Japanese GAAP]

May 15, 2019

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 filing of Quarterly Report:

May 15, 2019

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting:

None

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2019
(July 1, 2018 to March 31, 2019)

(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 | % |
| Nine months ended Mar. 31, 2019 | 5,999 | 34.7 | 285 | 962.9 | 283 | - | 135 | - |
| Nine months ended Mar. 31, 2018 | 4,455 | 9.0 | 26 | - | 15 | - | (4) | - |

Note: Comprehensive income (millions of yen) Nine months ended Mar. 31, 2019: 179 (-%)

Nine months ended Mar. 31, 2018: 5 (-%)

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended Mar. 31, 2019 | 26.57 | 25.82 |
| Nine months ended Mar. 31, 2018 | (0.92) | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of Mar. 31, 2019 | 2,435 | 1,156 | 44.4 |
| As of Jun. 30, 2018 | 1,829 | 976 | 51.7 |

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2019: 1,082

As of Jun. 30, 2018: 945

2. Dividends

| | Dividend per share | | | | |
|--|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended Jun. 30, 2018 | - | 0.00 | - | 0.00 | 0.00 |
| Fiscal year ending Jun. 30, 2019 | - | 0.00 | - | - | - |
| Fiscal year ending Jun. 30, 2019 (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, 2019 (July 1, 2018 to June 30, 2019)

(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 | 8,300 | 31.1 | 385 | 299.0 | 387 | 307.4 | 180 | 463.5 | 35.27 |

Note: Revisions to the most recently announced earnings forecast: Yes

*** 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 Mar. 31, 2019: | 5,103,800 shares | As of Jun. 30, 2018: | 5,098,600 shares |
|----------------------|------------------|----------------------|------------------|

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

| | | | |
|----------------------|------------|----------------------|------------|
| As of Mar. 31, 2019: | 220 shares | As of Jun. 30, 2018: | 220 shares |
|----------------------|------------|----------------------|------------|

3) Average number of shares outstanding during the period

| | | | |
|----------------------------------|------------------|----------------------------------|------------------|
| Nine months ended Mar. 31, 2019: | 5,102,677 shares | Nine months ended Mar. 31, 2018: | 5,084,926 shares |
|----------------------------------|------------------|----------------------------------|------------------|

* This summary report is not subject to quarterly review 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. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending in June 2019 (July 1, 2018 to March 31, 2019), the labor market and personal income in Japan recovered slowly as corporate earnings increased with the support of the government's economic stimulus measures. However, the economic outlook remained uncertain due to intensified U.S.-China trade friction, the volatility of the U.S. stock market at the beginning of the year and other reasons.

The desire to hold down spending and purchase lower-priced items is still influencing consumer spending in Japan. Nevertheless, this emphasis on economizing and seeking low prices is not the only defining characteristic of consumer spending. Purchasing activity by consumers in Japan is becoming increasingly diverse as the range of ways people spend their money grows in order to reflect individual values, life styles and interests.

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). The primary goal is to become an "optimized trading company" that is capable of giving customers the best possible choices for matching an increasingly diverse range of purchasing behavior.

The fiscal years that ended in June 2017 and 2018 were positioned as a period for making strategic investments aimed at medium to long-term rapid growth. We used these investments to launch new services at the beginning of the current fiscal year that are already contributing to earnings. One example is the expansion of our purchasing activities to more areas of Japan because of the addition of reuse centers in western Tokyo and Sapporo in the previous fiscal year. We also added more product categories by starting to handle agricultural equipment and medical equipment, which are sectors requiring specialized knowledge. The profitability of our owned media and the growth of operations involving communication products (at subsidiary MEMobile Co., Ltd.) are two more examples of our ongoing progress. Following the strong growth in the first half of the current fiscal year, there was significant growth in the third quarter due to active marketing activities, brushing up of the service menu and other actions.

The volume of existing services increased steadily in the third quarter against the backdrop of rising replacement product purchases as well as new purchases accompanying brisk residential relocations. At the same time, in addition to automation of the appraisal process, we made operations even more efficient by increasing the use of IT in the purchasing process and standardizing many of our business processes. The above actions led to higher profit levels.

Oikura is a comprehensive reuse information website that MarketEnterprise took over through an absorption split in February 2019 (It is one of the largest services in Japan for comparisons of purchase prices of used household items, using a process that matches consumers with reuse shops throughout Japan). MarketEnterprise will continue to make investments in Oikura to capture synergy with our existing services and contribute to earnings going forward.

First nine months sales were 5,999 million yen, 34.7% higher than in the first nine months of the previous fiscal year, and there was a sharp increase in earnings. Operating profit was 285 million yen compared with operating profit of 26 million yen one year earlier, ordinary profit totaled 283 million yen compared with ordinary profit of 15 million yen one year earlier, and profit attributable to owners of parent was 135 million yen compared with a loss of 4 million yen one year earlier. We continued to invest, including that for business succession deals, for the purpose of boosting future earnings.

(2) Explanation of Financial Position

Assets

Total assets at the end of the third quarter of the current fiscal year increased 606 million yen from the end of the previous fiscal year to 2,435 million yen. This was mainly due to increases of 204 million yen in cash and deposits, 202 million yen in accounts receivable-trade, and 74 million yen in merchandise.

Liabilities

Total liabilities increased 425 million yen from the end of the previous fiscal year to 1,278 million yen. The main reasons were increases of 113 million yen in accounts payable-trade due to the growth in purchases and 157 million yen in long-term loans payable.

Net assets

Net assets increased 180 million yen from the end of the previous fiscal year to 1,156 million yen. This was mainly due to the booking of profit attributable to owners of parent of 135 million yen.

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

First nine months sales and earnings were higher than the revised forecast that was announced on February 14, 2019 because of the growth of new services and increasing efficiency of existing services, as was explained in “(1) Explanation of Results of Operations.”

As a result, MarketEnterprise has revised its full-year earnings forecast.

For details, please refer to the press release “Notice of Revisions to Consolidated Forecast for the Fiscal Year Ending June 30, 2019” that was announced today (May 15, 2019).

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

(Thousands of yen)

| | FY6/18 (As of Jun. 30, 2018) | Third quarter of FY6/19 (As of Mar. 31, 2019) |
|--|---------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 938,736 | 1,143,164 |
| Accounts receivable-trade | 223,191 | 426,035 |
| Merchandise | 217,742 | 291,861 |
| Supplies | 6,991 | - |
| Other | 85,042 | 99,911 |
| Total current assets | 1,471,704 | 1,960,973 |
| Non-current assets | | |
| Property, plant and equipment | 132,402 | 145,665 |
| Intangible assets | | |
| Goodwill | 14,000 | 91,555 |
| Other | 8,156 | 18,018 |
| Total intangible assets | 22,156 | 109,574 |
| Investments and other assets | 202,822 | 218,956 |
| Total non-current assets | 357,381 | 474,196 |
| Total assets | 1,829,085 | 2,435,170 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 57,294 | 171,103 |
| Current portion of long-term loans payable | 158,873 | 228,619 |
| Accounts payable-other | 156,420 | 196,044 |
| Lease obligations | 7,046 | 11,949 |
| Income taxes payable | 47,976 | 79,240 |
| Provision for bonuses | - | 18,194 |
| Provision for loss on order received | 13,490 | 8,644 |
| Other | 156,986 | 136,252 |
| Total current liabilities | 598,087 | 850,049 |
| Non-current liabilities | | |
| Long-term loans payable | 228,711 | 386,329 |
| Lease obligations | 25,579 | 36,992 |
| Other | - | 4,851 |
| Total non-current liabilities | 254,290 | 428,173 |
| Total liabilities | 852,377 | 1,278,223 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 305,353 | 305,811 |
| Capital surplus | 284,993 | 285,451 |
| Retained earnings | 355,514 | 491,096 |
| Treasury shares | (256) | (256) |
| Total shareholders' equity | 945,604 | 1,082,102 |
| Share acquisition rights | 1,440 | 1,440 |
| Non-controlling interests | 29,663 | 73,404 |
| Total net assets | 976,707 | 1,156,947 |
| Total liabilities and net assets | 1,829,085 | 2,435,170 |

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

(Thousands of yen)

| | First nine months of FY6/18 (Jul. 1, 2017 – Mar. 31, 2018) | First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019) |
|--|---|---|
| Net sales | 4,455,098 | 5,999,935 |
| Cost of sales | 2,581,415 | 3,566,460 |
| Gross profit | 1,873,683 | 2,433,474 |
| Selling, general and administrative expenses | 1,846,811 | 2,147,840 |
| Operating profit | 26,872 | 285,634 |
| Non-operating income | | |
| Foreign exchange gains | - | 87 |
| Insurance premiums refunded cancellation | 1,311 | - |
| Vending machine income | 589 | 817 |
| Other | 775 | 1,316 |
| Total non-operating income | 2,675 | 2,221 |
| Non-operating expenses | | |
| Interest expenses | 1,755 | 2,471 |
| Issuance cost of share acquisition rights | 10,149 | - |
| Foreign exchange losses | 1,087 | - |
| Compensation expenses | 536 | 501 |
| Cancellation penalty | - | 547 |
| Other | 137 | 599 |
| Total non-operating expenses | 13,667 | 4,118 |
| Ordinary profit | 15,880 | 283,736 |
| Profit before income taxes | 15,880 | 283,736 |
| Income taxes-current | 20,521 | 94,654 |
| Income taxes-deferred | (10,392) | 9,759 |
| Total income taxes | 10,129 | 104,413 |
| Profit | 5,751 | 179,323 |
| Profit attributable to non-controlling interests | 10,448 | 43,741 |
| Profit (loss) attributable to owners of parent | (4,697) | 135,581 |

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

(Thousands of yen)

| | First nine months of FY6/18 (Jul. 1, 2017 – Mar. 31, 2018) | First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019) |
|--|---|---|
| Profit | 5,751 | 179,323 |
| Comprehensive income | 5,751 | 179,323 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | (4,697) | 135,581 |
| Comprehensive income attributable to non-controlling interests | 10,448 | 43,741 |

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.