

**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.

**Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2015**

**[Japanese GAAP]**

August 7, 2015

Company name: MarketEnterprise Co., Ltd.

Listing: Tokyo Stock Exchange (Mothers)

Securities code: 3135

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

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Scheduled date of Annual General Meeting of Shareholders: September 29, 2015

Scheduled date of payment of dividend: -

Scheduled date of filing of Annual Securities Report: September 30, 2015

Preparation of supplementary materials for financial results: Yes

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

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

**1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2015 (July 1, 2014 to June 30, 2015)**

**(1) Results of operations**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2015	3,988	35.6	237	182.8	227	162.2	136	19.1
Fiscal year ended Jun. 30, 2014	2,940	51.0	84	94.9	86	105.8	114	288.8

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2015	61.37	58.97	25.8	23.8	6.0
Fiscal year ended Jun. 30, 2014	57.40	-	96.3	18.9	2.9

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2015: - Fiscal year ended Jun. 30, 2014: -

Notes: 1. MarketEnterprise conducted a 2-for-1 common stock split effective on February 13, 2014 and a 500-for-1 common stock split effective on March 11, 2015. Net income per share and diluted net income per share are calculated as if these stock splits had taken place at the beginning of the previous fiscal year.

2. Diluted net income per share for the fiscal year ended June 30, 2014 is not shown. Although there were outstanding dilutive shares, it is not possible to determine an average stock price because the stock of MarketEnterprise was not listed.

3. The stock of MarketEnterprise was listed on the Tokyo Stock Exchange Mothers Market on June 17, 2015. Diluted net income per share for the fiscal year ended June 30, 2015 was determined by using an average stock price during the period between the listing and the end of June 2015.

**(2) Financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2015	1,301	882	67.8	348.23
As of Jun. 30, 2014	609	176	29.0	87.76

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2015: 882

As of Jun. 30, 2014: 176

**(3) 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, 2015	(31)	(66)	513	739
Fiscal year ended Jun. 30, 2014	68	55	77	325

**2. Dividends**

	Dividend per share					Total dividends	Dividend payout ratio	Dividends on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Jun. 30, 2014	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Jun. 30, 2015	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Jun. 30, 2016 (forecasts)	-	0.00	-	0.00	0.00			

**3. Earnings Forecast for the Fiscal Year Ending June 30, 2016 (July 1, 2015 to June 30, 2016)**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,250	31.6	320	34.6	321	41.3	200	46.3	78.91

Note: The first-half forecast is omitted because MarketEnterprise manages financial performance on a fiscal year basis.

**\* Notes**

(1) 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

(2) 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, 2015:	2,534,500 shares	As of Jun. 30, 2014:	2,015,000 shares
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2) Number of treasury shares as of the end of the period

As of Jun. 30, 2015:	- shares	As of Jun. 30, 2014:	- shares
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3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2015:	2,228,279 shares	Fiscal year ended Jun. 30, 2014:	2,000,041 shares
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Note: MarketEnterprise conducted a 2-for-1 common stock split effective on February 13, 2014 and a 500-for-1 common stock split effective on March 11, 2015. The number of shares outstanding as of the end of the period and the average number of shares outstanding during the period are calculated as if these stock splits had taken place at the beginning of the previous fiscal year.

\* Indication of audit procedure implementation status

This summary report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. At the time when this report was released, the audit procedures for financial statements have not been completed.

\* Explanation of appropriate use of earnings forecast, and other special items

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. Please refer to "1. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations" on page 2 for forecast assumptions and notes of caution for usage.

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## 1. Analysis of Results of Operations and Financial Position

### (1) Analysis of Results of Operations

#### 1) Results of operations

The Japanese economy recovered slowly during the fiscal year that ended in June 2015. Backed by numerous government measures to support the economy, corporate earnings and consumer spending improved as the yen weakened and stock prices moved up. But there were negative effects from the debt crisis in Europe and slowing economic growth in emerging countries.

MarketEnterprise operates an e-commerce reuse business (buying and selling a broad range of reuse merchandise by using only the Internet and operating no brick-and-mortar stores). We use the Internet as a platform to buy and sell a diverse array of merchandise for reuse. Market conditions in the reuse market and e-commerce market in Japan are as follows.

##### i. The reuse market in Japan

The number of people, mainly young people, who buy products with the intention of selling them when no longer needed is increasing as more consumers become aware of the benefits of the shared economy. The volume of reuse product purchases and sales is slowly climbing as a result. Japan's reuse market has been growing consistently in recent years and the sales in this market was estimated at approximately 1.5 trillion yen in 2013, 9.7% higher than in 2012.

##### ii. The e-commerce market in Japan

Use of the Internet is increasing among people of all ages, both men and women, along with growing number of smartphones, tablets and other smart devices in use. This is driving steady growth of the e-commerce market. According to the Ministry of Economy, Trade and Industry, e-commerce sales in Japan to ordinary consumers was about 12.8 trillion yen in 2014, 14.6% higher than in 2013.

##### iii. Reuse and e-commerce market linkage

According to the Ministry of the Environment, reuse shops accounted for 50.0% of all purchases of reuse products in 2009. In 2012, the Internet accounted for a majority of these purchases with a share of 54.0%, the sum of 28.7% for Internet auctions and 25.3% for Internet shopping sites.

One reason is the emergence in recent years of various price comparison websites as the e-commerce market continued to grow. People became accustomed to comparing prices before buying or selling a product on the Internet. This gave consumers more opportunities to select reuse merchandise, which have lower prices, when searching for items to purchase. Major e-commerce sites that previously handled mostly new products have responded to this trend by selling both new and used merchandise. In the past, new products drove e-commerce sales growth. From now on, both new and reuse merchandise will be contributing to growth of e-commerce sales. Consequently, companies able to provide MarketEnterprise with a reliable supply of reuse products and companies providing associated services (reuse companies, reuse product sales agents, price data provision and analysis companies and others) will play an increasingly important role.

MarketEnterprise has established the following vision to guide its business activities: "More Reuse! Make reuse even more convenient!" Our goal is to supply merchandise that people can buy with confidence by reducing the uncertainties that accompany reuse product transactions. We do this by offering and enlarging a variety of services, such as preliminary estimates prior to purchasing items and the provision of guarantee services.

This dedication to making reuse products even more accessible and reliable is a major reason for our growth. Our e-commerce reuse business consists of purchasing and sales operations as described below.

### Purchasing (takakuureru.com)

As of the date of this earnings announcement, we operated 26 websites exclusively for purchasing used merchandise, including the flagship purchasing site called *takakuureru.com* (“you can sell at high prices”). Customers can use three methods to sell items: (1) Send items to MarketEnterprise using a parcel delivery service; (2) Take items to a MarketEnterprise purchasing location; and (3) Ask MarketEnterprise to pick up an item at the customer’s home.

For purchasing using home pick-ups and store purchases, we have a network of six reuse centers (Tokyo, Yokohama, Saitama, Nagoya, Osaka, Fukuoka) that can serve customers in many areas of Japan. We make the purchasing process as easy as possible, such as by paying the cost of a parcel delivery service for items we buy. The result is an efficient purchasing framework for both customers and MarketEnterprise.

### Sales (yasukukaeru.com)

We sell reuse merchandise by placing shops using our *yasukukaeru.com* (“you can buy at low prices”) brand on the YAHUOKU! Internet auction site of Yahoo Japan Corporation and on the websites of Amazon, Rakuten, eBay and other prominent e-commerce companies.

Unlike with new products, even products of the same model are different depending on their condition. For Internet purchases of reuse products, customers cannot see and hear items as they could at a store. Instead, purchasing decisions are made by looking at photos and reading information about products. Accordingly, selling reuse products on the Internet requires highly persuasive photos and explanation along with proper pricing. We have standardized processes for critical items such as knowledge concerning merchandise photos and how to determine selling prices. Everyone at MarketEnterprise studies and uses our business process manual that we call the Standard Book. Using this manual enables our entire organization to use the same know-how and avoid relying on the expertise of a particular individual for sales of reuse products.

To reduce customers’ concerns about reuse products and enable them to make purchases with confidence, we have several guarantee services that customers can select as needed. We have an operation guarantee (a full refund if the product does not operate the first time it is activated), a repair guarantee (pays the cost of repairs if a product malfunctions) and a purchase guarantee (we will buy a product back in designated cases).

During the fiscal year that ended in June 2015, there were many activities to further improve customer satisfaction concerning both purchasing and selling merchandise. For example, we expanded product guarantee services, formed alliances with major companies and expanded regions where we purchase reuse merchandise by opening more business sites. There were also internal measures to improve the quality of our business processes and standardize these processes. As a result, net sales increased 35.6% from the previous fiscal year to 3,988 million yen.

Selling, general and administrative expenses increased 23.0% to 1,660 million yen but decreased by 4.3 points as a percentage of sales. These expenses were lower in relation to sales because of our efforts to make operations even more streamlined. The efforts included more efficient marketing activities for purchasing reuse merchandise and a further upgrading of our internally developed core business operations IT system.

Earnings were higher despite a decrease in the gross profit margin. This margin declined because we started buying and selling used designer handbags, high-end watches and other expensive merchandise with high prices but lower gross profit margins than in other product categories. Due to the efficient use of selling, general and administrative expenses, operating income was up 182.8% to 237 million yen, ordinary income was up 162.2% to 227 million yen and net income increased 19.1% to 136 million yen.

There is no business segment information because MarketEnterprise operates only in the e-commerce reuse business segment.

## 2) Outlook

As was explained earlier, the reuse and e-commerce markets in Japan, where MarketEnterprise operates, are expanding as the entire Japanese economy continues to recover at a moderate pace. At this time, we expect sales and earnings to remain firm based on our plans for opening more business sites in large cities throughout Japan, starting new purchasing and sales services, and making our operations even more efficient.

### i. Net sales

MarketEnterprise uses the Internet for purchasing and selling reuse products. Due to this business format, we do not determine plans for earnings by using the sum of the goals for earnings at individual locations, which is the profit planning method used by most conventional retailers.

The sales forecast for the fiscal year that ended in June 2015 was determined by establishing a forecast for upcoming purchases based on the inventory at the end of the previous fiscal year, taking into consideration the expected growth of Japan's reuse and e-commerce markets and our business network during the fiscal year, and other factors.

The purchasing forecast reflects past purchases and combines the outlook for the number of items and the prices of those items. To calculate the number of items, we multiply the expected number of purchase requests every month and the conversion rate, which is the percentage of purchase requests from customers that result in actual purchases. We estimate the prices of items purchased by using past performance.

In the fiscal year ending in June 2016, we are planning on opening more business sites in large cities and starting new services for purchasing and selling reuse products. Our forecast is increases in both the number of purchase requests and the conversion rate and an increase of about 30% in the number of items purchased.

Based on our outlook for no significant change in the balance of the products we purchase and sell, we expect that the price per item purchased will be about the same as in the fiscal year that ended in June 2015. As a result, we forecast an increase of about 30% in purchases.

Consequently, we expect net sales to increase 31.6% to 5,250 million yen in the fiscal year ending in June 2016.

### ii. Gross profit

We foresee no change in the gross profit margin from the fiscal year that ended in June 2015 based on the outlook of no significant change in the balance of the products we purchase and sell.

### iii. Operating income

We anticipate no change in selling, general and administrative expenses as a percentage of sales. There will be expenditures for opening business sites, launching new services and other activities. But we expect benefits from the continuation of measures for efficient marketing activities for purchasing reuse products and from more upgrades to the internally developed core business operations IT system.

As a result, we expect operating income to increase 34.6% to 320 million yen.

### iv. Ordinary income

Expenses for the initial public offering and stock market listing reduced ordinary income in the fiscal year that ended in June 2015. In the fiscal year ending in June 2016, we expect interest income and other customary sources of non-operating income to be about 1 million yen.

As a result, we expect ordinary income to increase 41.3% to 321 million yen.

### v. Net income

At this time, we do not expect any extraordinary gains or losses in the fiscal year ending in June 2016. We forecast income before income taxes of 321 million yen and, after taxes, net income of 200 million yen, 46.3% higher than in the fiscal year that ended in June 2015.

Note: This forecast is based on information that is currently available. Actual performance may differ from this forecast for a number of reasons.

## **(2) Analysis of Financial Position**

### **1) Assets, liabilities and net assets**

Total assets at the end of the current fiscal year increased 691 million yen from the end of the previous fiscal year to 1,301 million yen.

Current assets increased 646 million yen to 1,181 million yen. The main reasons were increases of 414 million yen in cash and deposits, the result of proceeds from the initial public offering in June, and 183 million yen in merchandise because of higher purchases resulting from the growing scale of business operations.

Non-current assets increased 45 million yen to 119 million yen. The main reasons were increases of 27 million yen in lease and guarantee deposits and 5 million yen in buildings, both primarily the result of opening more reuse centers.

Total liabilities at the end of the current fiscal year decreased 14 million yen from the end of the previous fiscal year to 418 million yen.

Current liabilities increased 35 million yen to 336 million yen. This was mainly due to increases of 19 million yen in accrued expenses and 13 million yen in income taxes payable.

Non-current liabilities decreased 50 million yen to 81 million yen. This was mainly due to a decrease of 50 million yen in long-term loans payable.

Net assets at the end of the current fiscal year increased 705 million yen from the end of the previous fiscal year to 882 million yen. This was mainly due to an increase of 284 million yen each in capital stock and legal capital surplus through the initial public offering and third-party allotment, and a 136 million yen increase in retained earnings resulting from the booking of net income.

### **2) Cash flows**

Cash and cash equivalents at the end of the current fiscal year increased 414 million yen from the end of the previous fiscal year to 739 million yen. Cash flows by category are as described below.

#### **Cash flows from operating activities**

Net cash used in operating activities was 31 million yen, compared with net cash provided of 68 million yen in the previous fiscal year. Main positive factors include income before income taxes of 227 million yen and depreciation of 12 million yen, and main negative factors include an increase in inventories of 183 million yen and income taxes paid of 81 million yen.

#### **Cash flows from investing activities**

Net cash used in investing activities was 66 million yen, compared with net cash provided of 55 million yen in the previous fiscal year. Main factors include payments for lease and guarantee deposits of 28 million yen and purchase of property, plant and equipment of 25 million yen.

#### **Cash flows from financing activities**

Net cash provided by financing activities was 513 million yen, compared with net cash provided of 77 million yen in the previous fiscal year. Main positive factors include proceeds from issuance of new shares of 569 million yen, and main negative factors include repayments of long-term loans payable of 50 million yen.

## Reference: Trends in cash flow indicators

	FY6/14	FY6/15
Shareholders' equity ratio (%)	29.0	67.8
Shareholders' equity ratio based on market value (%)	-	660.0
Interest-bearing debt to cash flow ratio (%)	2.6	-
Interest coverage ratio (Times)	45.2	-

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. Cash flows are the figures for operating cash flows in the statement of cash flows.

2. Shareholders' equity ratio based on market value is not shown for FY6/14 because MarketEnterprise stock was not listed.

3. Market capitalization is calculated based on the number of shares outstanding.

4. Interest-bearing debt includes all debts on the balance sheet that incur interest. Interest payments are calculated using the figures for interests paid in the statement of cash flows.

5. Interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for FY6/15 because operating cash flows were negative.

### (3) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

MarketEnterprise places importance on the distribution of earnings to shareholders. At this time, MarketEnterprise is in a growth phase that requires using retained earnings for building a stronger infrastructure for business operations and actively pursuing business expansion. We are also strengthening our financial soundness and using funds for working capital and capital expenditures required for growth. Consequently, we believe that using earnings for activities for more growth will result in the greatest possible return of these earnings to shareholders.

For the time being, we continue to pay no dividend in order to retain earnings for working capital for more reuse product purchases and other activities for more growth. In the future, we plan to consider paying a dividend as one way to distribute earnings to shareholders in accordance with our financial position and results of operations in each fiscal year. At this time, no decision has been made about paying a dividend or when to start paying a dividend.

If we start paying a dividend from retained earnings, our basic policy is to pay only a dividend at the end of every fiscal year that will be determined by a resolution submitted at the General Meeting of Shareholders. The Articles of Incorporation also provide for the payment of an interim dividend that is determined by the Board of Directors.

## 2. Management Policies

### (1) Basic Management Policy

MarketEnterprise is dedicated to playing a role in the establishment of a sustainable society in which items that are no longer needed are reused, reduced and recycled. Our operations, which are based entirely on the Internet, are centered on reuse as a means of lowering the volume of unneeded items. All our activities are guided by our vision of "More Reuse! Make reuse even more convenient!"

Various price comparison websites have emerged along with the growth of the e-commerce market. People are accustomed to comparing prices before buying or selling a product on the Internet. In addition to comparing prices of new items, people are using these websites to compare prices of new and reuse items as well as prices of only reuse items. Due to these comparisons, purchase prices of reuse items have become much more transparent. However, there are still transparency problems regarding prices for purchasing reuse items from consumers and the quality of those items.

One problem involving selling items is the inability to know how much a company will pay until that item is actually given to the prospective buyer. When buying reuse items, people are often worried or suspicious about

the possibility of the item functioning for only a short time.

MarketEnterprise has many services that enable people to buy and sell reuse products with confidence. When buying items, we perform preliminary estimates so that sellers know the price in advance. When selling items, we offer a variety of guarantee services. By enabling people to buy and sell reuse products with convenience and confidence, we will continue to help create a sustainable society that recycles products. We want to be part of a social infrastructure that underpins the shared economy.

## **(2) Performance Targets**

We believe that continuing the growth of our operations in order to create an environment in which all people can buy and sell reuse products with convenience and confidence will increase our corporate value. As a result, the primary goals concerning our performance are to increase the scale of our operations, become more profitable and use our people, capital and other corporate resources effectively.

Specific performance indicators for achieving these goals are operating income, which is an indicator of the growth of our operations, the operating income to net sales ratio, which is an indicator of our profitability, and the ordinary income to total assets ratio, which is an indicator of the effective use of our resources.

## **(3) Medium- and Long-term Business Strategy**

All activities of MarketEnterprise, which are focused on reuse and based entirely on the Internet, are guided by our vision: “More Reuse! Make reuse even more convenient!” Our goal is to help create a sustainable society that recycles products and be part of a social infrastructure that underpins the shared economy by enabling people to buy and sell reuse products with convenience and confidence.

To accomplish this goal, we will create more opportunities to enable as many people as possible to utilize our diverse lineup of services. The sustained growth of our own operations as well will be vital to accomplishing this goal. Accordingly, we will continue to place priority on the following three strategic initiatives.

### 1) Horizontal expansion (enlarge the purchasing network by opening more reuse centers in large cities throughout Japan)

Expanding our network of reuse centers to be closer to our customers will reduce the mental and physical barriers to using our services. We believe this will increase the number of purchase requests and raise the rate at which requests are converted into actual purchases. In addition, more reuse centers will allow customers to convert items into cash and dispose of items faster as well as cut the cost of transporting goods. We believe these benefits will increase purchases of high-priced merchandise and improve customer satisfaction.

### 2) Vertical expansion (enlarge the monetizing zone by adding more product categories)

We currently handle 26 categories of reuse merchandise, ranging from commodities such as home appliances and PCs to products like cameras and model trains that people enjoy in their free time. Since our inception, we have consistently increased the number of product categories in order to achieve all-inclusive operations consisting of many category killers. We plan to continue adding product categories. As we acquire more specialized knowledge about products and reuse business, we will standardize and share this know-how with the goal of efficiently enlarging the zone where we can monetize reuse merchandise.

### 3) Create new services by making substantial IT investments

Increasing the efficiency of the e-commerce reuse business has been the primary objective of IT investments in prior years. Expenditures were made for internal operations systems, a database and other back-end systems that are required to provide our services. Now we believe it is time to shift the focus of investments to IT systems that can achieve the greatest possible customer satisfaction. Recently, the concept of the shared economy is becoming increasingly accepted worldwide, mainly in affluent countries. People are no longer buying products solely for

their own use. Many people are utilizing the reuse marketplace and, even while owning a product, are sharing these items with others in some instances. The result is the emergence of a new format for using products of many types.

In response to the growth of the shared economy, we are making substantial investments in IT systems to create services that will position us as part of the social infrastructure that underpins the shared economy. These activities will extend our activities beyond our takakuureru.com and yasukukaeru.com websites. We plan to launch services using new brands, develop apps that maximize convenience for our customers, and improve and expand our services in other ways. For example, we want to create apps that allow people to determine the monetary value of items they own and submit requests for items they want to buy.

#### **(4) Key Issues**

Making the e-commerce reuse business model (buying and selling a broad range of reuse merchandise by using only the Internet and operating no brick-and-mortar stores) even more powerful will be vital to our ability to achieve sustained growth. This will require providing an environment that enables people to buy and sell reuse products with complete confidence. To build a base for sustained growth, we are focusing our energy on the following three key issues.

##### 1) Further strengthen IT systems for the creation of new services

MarketEnterprise conducts business activities based entirely on the Internet with the goal of realizing our vision of “More Reuse! Make reuse even more convenient!” We must create and launch new services in order to make the reuse market even more accessible to the public as an integral part of their lives. With our current business model, people have an opportunity to use our services and the reuse market only when they make a purchase request or buy reuse products. Our goal is to look beyond buying and selling reuse products in order to increase the number of opportunities to interact with customers. By providing new services, we want people to feel closer to MarketEnterprise and the entire marketplace for reuse merchandise. Accomplishing this goal will require making more investments in IT systems.

We have a department devoted exclusively to IT system development with the objective of performing internally everything from the development of our own core business operations systems to the operation and maintenance of those systems. IT system investments in prior years have involved mainly projects that make our operations more efficient. At this point, while continuing to make expenditures for efficiency, we believe that we need to shift our focus to investments in IT systems for the creation and operation of new services that can maximize customer satisfaction.

Many initiatives are under way to make MarketEnterprise and the reuse product marketplace more easily accessible. One example is our development of an app for the real-time visualization of the current price of a reuse item. By registering a product on the MarketEnterprise database, a customer can automatically obtain an appraisal at any time. This service creates an opportunity for making customers feel closer to the reuse market. For MarketEnterprise, this service helps to increase and strengthen customer relationships as well as to make marketing activities more efficient. Starting this service will make us an even more important component of a social infrastructure that will create a reuse platform.

##### 2) Reinforce organization for more growth

MarketEnterprise buys and sells a very large variety of reuse products. Prices at which items are purchased and sold must be determined individually because even products of the same age and model may have different values depending on their condition. In addition, products must be bought and sold quickly in order to meet the needs of as many customers as possible. This is why the employees at each location in our service network have the authority to establish prices for buying and selling merchandise. Due to this delegation of authority, the buying and selling decisions that our people make every day have a significant effect on our sales and earnings. We provide training to upgrade the skills of these people. Furthermore, we supervise our employees who buy and sell items in a manner that reflects our corporate philosophy, management policies and strategic goals. We are well

aware that people with the skills to generate results as part of an organization will be vital to our ability to make stable growth.

To support our employees, we maintain close lines of communication, provide internal training on a regular basis, standardize business processes by using the Standard Book, and offer other forms of assistance. By reinforcing all of these workforce programs, we plan to build an even more powerful organization in order to continue growing.

### 3) Become even more trusted by customers in order to increase users of our services

Our reputation is critical to our ability to grow because of our business model of buying and selling reuse products and using only the Internet for these activities. Customers must continue to recognize MarketEnterprise as an organization with services of outstanding convenience and transactions that are reliable and safe. One way we build relationships rooted in trust with our customers is by operating contact centers, which is very unusual in the reuse industry. To make buying and selling reuse products as easy as possible, we have a lineup of services such as product guarantees and shopping loans that we have expanded and upgraded over the years.

For more growth, we are determined to further improve the reliability and safety of our reuse product transactions. We want to allow customers to make a purchase request at any time and from any place by using a quick and simple procedure. Launching services with new brands that people can use with absolute confidence is another goal. We have a strong commitment to using these measures and many other initiatives in order to become an even more trusted partner for our customers.

### **(5) Other Important Management Matters**

Not applicable.

### **3. Basic Approach to the Selection of Accounting Standards**

MarketEnterprise prepares 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) by taking into account the growth of our operations and associated factors in Japan and other countries.

**4. Non-consolidated Financial Statements****(1) Non-consolidated Balance Sheet**

(Thousands of yen)

	FY6/14 (As of Jun. 30, 2014)	FY6/15 (As of Jun. 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	325,442	739,830
Accounts receivable-trade	60,561	103,251
Merchandise	125,560	309,274
Supplies	1,972	2,208
Prepaid expenses	15,127	20,556
Deferred tax assets	6,942	5,632
Other	108	992
Total current assets	535,714	1,181,744
Non-current assets		
Property, plant and equipment		
Buildings	20,153	28,861
Accumulated depreciation	(4,343)	(7,980)
Buildings, net	15,809	20,881
Vehicles	22,783	29,560
Accumulated depreciation	(18,875)	(25,033)
Vehicles, net	3,908	4,527
Tools, furniture and fixtures	9,099	12,116
Accumulated depreciation	(4,389)	(6,467)
Tools, furniture and fixtures, net	4,709	5,648
Land	193	193
Total property, plant and equipment	24,620	31,250
Intangible assets		
Software	470	201
Total intangible assets	470	201
Investments and other assets		
Investment securities	-	10,000
Investments in capital	20	20
Long-term prepaid expenses	4,748	5,184
Deferred tax assets	51	81
Lease and guarantee deposits	33,343	60,970
Other	10,879	11,611
Total investments and other assets	49,042	87,867
Total non-current assets	74,134	119,320
Total assets	609,848	1,301,065

	(Thousands of yen)	
	FY6/14 (As of Jun. 30, 2014)	FY6/15 (As of Jun. 30, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	-	4,319
Current portion of long-term loans payable	50,004	50,004
Accounts payable-other	108,501	104,452
Accrued expenses	51,097	70,528
Income taxes payable	52,790	65,979
Accrued consumption taxes	29,214	35,817
Advances received	7,648	2,448
Deposits received	2,095	3,272
<b>Total current liabilities</b>	<b>301,351</b>	<b>336,822</b>
<b>Non-current liabilities</b>		
Long-term loans payable	131,667	81,663
<b>Total non-current liabilities</b>	<b>131,667</b>	<b>81,663</b>
<b>Total liabilities</b>	<b>433,018</b>	<b>418,485</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,360	304,865
<b>Capital surplus</b>		
Legal capital surplus	-	284,505
<b>Total capital surpluses</b>	<b>-</b>	<b>284,505</b>
<b>Retained earnings</b>		
Legal retained earnings	1,600	1,600
Other retained earnings		
Retained earnings brought forward	154,870	291,610
<b>Total retained earnings</b>	<b>156,470</b>	<b>293,210</b>
<b>Total shareholders' equity</b>	<b>176,830</b>	<b>882,580</b>
<b>Total net assets</b>	<b>176,830</b>	<b>882,580</b>
<b>Total liabilities and net assets</b>	<b>609,848</b>	<b>1,301,065</b>

**(2) Non-consolidated Statement of Income**

	(Thousands of yen)	
	FY6/14	FY6/15
	(Jul. 1, 2013 – Jun. 30, 2014)	(Jul. 1, 2014 – Jun. 30, 2015)
Net sales	2,940,537	3,988,688
Cost of sales	1,506,156	2,090,327
Gross profit	1,434,381	1,898,360
Selling, general and administrative expenses	1,350,341	1,660,677
Operating income	84,040	237,683
Non-operating income		
Foreign exchange gains	-	731
Vending machine income	843	1,401
Subsidy income	3,024	-
Penalty income	1,050	-
Other	647	532
Total non-operating income	5,565	2,665
Non-operating expenses		
Interest expenses	1,519	1,503
Listing expenses	-	9,855
Compensation expenses	1,131	1,013
Other	195	468
Total non-operating expenses	2,845	12,840
Ordinary income	86,759	227,508
Extraordinary income		
Gain on transfer of business	85,029	-
Total extraordinary income	85,029	-
Income before income taxes	171,788	227,508
Income taxes-current	60,478	89,488
Income taxes-deferred	(3,483)	1,280
Total income taxes	56,995	90,769
Net income	114,793	136,739

**(3) Non-consolidated Statement of Changes in Equity**

FY6/14 (Jul. 1, 2013 – Jun. 30, 2014)

(Thousands of yen)

	Shareholders' equity					Total net assets
	Capital stock	Retained earnings			Total shareholders' equity	
		Legal retained earnings	Other retained earnings	Total retained earnings		
			Retained earnings brought forward			
Balance at beginning of current period	20,000	1,600	40,077	41,677	61,677	61,677
Changes of items during period						
Issuance of new shares	360				360	360
Net income			114,793	114,793	114,793	114,793
Total changes of items during period	360	-	114,793	114,793	115,153	115,153
Balance at end of current period	20,360	1,600	154,870	156,470	176,830	176,830

FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)

(Thousands of yen)

	Shareholders' equity					Total net assets	
	Capital stock	Capital surplus	Retained earnings				Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of current period	20,360	-	1,600	154,870	156,470	176,830	
Changes of items during period							
Issuance of new shares	284,505	284,505				569,010	
Net income				136,739	136,739	136,739	
Total changes of items during period	284,505	284,505	-	136,739	136,739	705,749	
Balance at end of current period	304,865	284,505	1,600	291,610	293,210	882,580	

**(4) Non-consolidated Statement of Cash Flows**

(Thousands of yen)

	FY6/14 (Jul. 1, 2013 – Jun. 30, 2014)	FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)
Cash flows from operating activities		
Income before income taxes	171,788	227,508
Depreciation	13,708	12,142
Interest and dividend income	(38)	(81)
Interest expenses	1,519	1,503
Subsidy income	(3,024)	-
Loss (gain) on transfer of business	(85,029)	-
Listing expenses	-	9,855
Decrease (increase) in notes and accounts receivable-trade	(40,820)	(42,690)
Decrease (increase) in inventories	(40,634)	(183,949)
Increase (decrease) in notes and accounts payable-trade	-	4,319
Increase (decrease) in accounts payable-other	36,190	(4,418)
Increase (decrease) in accrued expenses	10,452	19,431
Increase (decrease) in accrued consumption taxes	18,984	6,602
Other, net	6,042	812
Subtotal	89,139	51,034
Interest and dividend income received	38	81
Interest expenses paid	(1,519)	(1,503)
Proceeds from subsidy income	3,024	-
Income taxes paid	(21,949)	(81,336)
Net cash provided by (used in) operating activities	68,732	(31,723)
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,195)	(25,764)
Purchase of investment securities	-	(10,000)
Proceeds from transfer of business	85,029	-
Purchase of long-term prepaid expenses	-	(2,204)
Payments for lease and guarantee deposits	(10,800)	(28,270)
Other, net	(2,044)	(662)
Net cash provided by (used in) investing activities	55,988	(66,901)
Cash flows from financing activities		
Increase in short-term loans payable	200,000	-
Decrease in short-term loans payable	(200,000)	-
Proceeds from long-term loans payable	160,000	-
Repayments of long-term loans payable	(82,577)	(50,004)
Proceeds from issuance of new shares	360	569,010
Payment of listing expenses	-	(5,992)
Net cash provided by (used in) financing activities	77,783	513,014
Net increase (decrease) in cash and cash equivalents	202,504	414,388
Cash and cash equivalents at beginning of period	122,937	325,442
Cash and cash equivalents at end of period	325,442	739,830

**(5) Notes to Non-consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Equity in Earnings of Affiliates**

Not applicable as MarketEnterprise does not have an affiliate.

**Segment and Other Information**

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

**Per-share Information**

(Yen)

	FY6/14 (Jul. 1, 2013 – Jun. 30, 2014)	FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)
Net assets per share	87.76	348.23
Net income per share	57.40	61.37
Diluted net income per share	-	58.97

Notes: 1. MarketEnterprise conducted a 2-for-1 common stock split effective on February 13, 2014 and a 500-for-1 common stock split effective on March 11, 2015. Net assets per share, net income per share and diluted net income per share are calculated as if these stock splits had taken place at the beginning of FY6/14.

2. Diluted net income per share for FY6/14 is not shown. Although there were outstanding dilutive shares, it is not possible to determine an average stock price because the stock of MarketEnterprise was not listed.

3. The stock of MarketEnterprise was listed on the Tokyo Stock Exchange Mothers Market on June 17, 2015. Diluted net income per share for FY6/15 was determined by using an average stock price during the period between the listing and the end of June 2015.

4. The basis of calculating the net income per share and diluted net income per share is as follows:

(Thousands of yen)

	FY6/14 (Jul. 1, 2013 – Jun. 30, 2014)	FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)
Net income per share		
Net income	114,793	136,739
Amount not attributable to common shares	-	-
Net income applicable to common shares	114,793	136,739
Average number of common shares outstanding during the period (shares)	2,000,041	2,228,279
Diluted net income per share		
Adjustment to net income	-	-
Increase in the number of common shares (shares)	-	90,695
[of which subscription rights to shares (shares)]	-	[90,695]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	4 types of subscription rights to shares (190 units)	-

**Subsequent Events**

Not applicable.