

**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 Second Quarter of the Fiscal Year Ending June 30, 2016**  
**(Six Months Ended December 31, 2015)**

**[Japanese GAAP]**

February 12, 2016

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:

February 12, 2016

Scheduled date of payment of dividend:

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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. Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2016**  
**(July 1, 2015 to December 31, 2015)**

**(1) Results of operations**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Dec. 31, 2015	2,340	-	87	-	87	-	53	-
Six months ended Dec. 31, 2014	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2015	10.54	10.16
Six months ended Dec. 31, 2014	-	-

Notes: 1. The year-on-year changes and figures for the six months ended December 31, 2014 are not presented because the quarterly financial statements were not prepared in the six months ended December 31, 2014.

2. MarketEnterprise conducted a 2-for-1 common stock split effective on January 1, 2016. Net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

**(2) Financial position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2015	1,373	935	68.1
As of Jun. 30, 2015	1,301	882	67.8

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2015: 935

As of Jun. 30, 2015: 882

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2015	-	-	-	0.00	0.00
Fiscal year ending Jun. 30, 2016	-	-	-	-	-
Fiscal year ending Jun. 30, 2016 (forecasts)	-	-	-	0.00	0.00

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

**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		Profit		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	39.46

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

MarketEnterprise conducted a 2-for-1 common stock split effective on January 1, 2016. Net income per share forecast is calculated as if this stock split had taken place at the beginning of the current fiscal year.

**\* Notes**

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

(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 Dec. 31, 2015:	5,069,000 shares	As of Jun. 30, 2015:	5,069,000 shares
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2) Number of treasury shares as of the end of the period

As of Dec. 31, 2015:	104 shares	As of Jun. 30, 2015:	- shares
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3) Average number of shares outstanding during the period

Six months ended Dec. 31, 2015:	5,068,994 shares	Six months ended Dec. 31, 2014:	- shares
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Note: MarketEnterprise conducted a 2-for-1 common stock split effective on January 1, 2016. Number of shares outstanding (common shares) is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

\* Information regarding the implementation of quarterly review procedures

This summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act. At the time when this report was released, the review procedures for the quarterly financial statements have 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. (3) Explanation of Earnings Forecast and Other Forward-looking Statements" on page 4 for forecast assumptions and notes of caution for usage.

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## 1. Qualitative Information on Quarterly Financial Performance

### (1) Explanation of Results of Operations

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). All our activities are guided by our vision of “More Reuse! Make reuse even more convenient!”

In the first half of the fiscal year ending in June 2016 (July 1, 2015 to December 31, 2015), the Japanese economy recovered slowly as corporate earnings and the job market moderately improved with the support of economic stimulus measures by the Japanese government and monetary easing by the Bank of Japan. However, the outlook is still unclear due to volatile foreign exchange rates and stock prices linked to uncertainty about the global economy and other reasons.

Both the reuse market and e-commerce market in Japan, where MarketEnterprise operates, continue to grow steadily.

In the reuse market, public awareness of “low prices” and “smart consumption” is continuing to increase. In addition, 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 sharing economy. Increasing acceptance of the sharing economy is likely to contribute to the growth of Japan’s reuse market.

In the e-commerce market, the use of the Internet is increasing among people of all ages, both men and women, along with growing number of tablets, smartphones, and other smart devices in use. As a result, the e-commerce market is expanding as people become accustomed to using the Internet to purchases products and services.

There were many activities during the fiscal year’s first half for growth. Two significant events were the October 2015 opening of the Kobe Reuse Center, our seventh reuse center in Japan, and the expansion of the reuse merchandise purchasing network in the Kinki, Chugoku and Shikoku area.

To benefit from the increasing public awareness of the reuse market, we established a department solely for handling business alliances. The productive activities of this department have increased the number of alliances and potential alliances with companies of all sizes, resulting in growth in the number of purchase requests received through these business partners. Purchases using alliances have increased as a share of our total reuse product purchases. The share of alliance purchases has grown to more than 10% in high-volume months, although this level changes from month to month. Using these partners is making it possible to efficiently increase the volume of purchases while enlarging these activities to cover a broader range of customer segments.

Due to the nature of Japan’s reuse market, purchase requests and product sales are concentrated in the fourth quarter of every fiscal year (April to June) because this is the period when the number of people moving to a new residence is highest, resulting in substantial demand to replace items or purchase new ones. While profitability tends to be high in the fourth quarter, sales are usually low in the first half (July to December), which makes it difficult to be profitable.

During the first half, the benefits of activities outlined earlier and other initiatives for growth resulted in a steady increase in inventories. Net sales was 2,340 million yen, operating income was 87 million yen, ordinary income was 87 million yen and profit was 53 million yen.

For reference, quarterly sales and operating income in the previous fiscal year and the current fiscal year were as follows.

	(Thousands of yen)			
FY6/15	Three months ended Sep. 30, 2014	Six months ended Dec. 31, 2014	Nine months ended Mar. 31, 2015	Full year
Net sales	833,468	1,794,727	2,798,922	3,988,688
Composition (%)	20.9	45.0	70.2	100.0
Operating income	(3,151)	47,473	124,163	237,683
Composition (%)	(1.3)	20.0	52.2	100.0

Note: The stock of MarketEnterprise was listed on the Tokyo Stock Exchange Mothers Market on June 17, 2015.

No quarterly reports have been submitted for the first, second and third quarters of the fiscal year that ended in June 2015. Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the financial statements for the first three quarters of the fiscal year that ended in June 2015 underwent a quarterly review by KPMG AZSA LLC.

(Thousands of yen)

FY6/16	Three months ended Sep. 30, 2015	Six months ended Dec. 31, 2015	Nine months ended Mar. 31, 2016	Full year (forecast)
Net sales	1,056,675	2,340,534	-	5,250,000
Pct. of forecast (%)	20.1	44.6	-	-
Operating income	7,959	87,082	-	320,000
Pct. of forecast (%)	2.5	27.2	-	-

Note: The percentages are net sales and operating income in the first quarter and first half as a percentage of the full year net sales and operating income forecasts that were announced on August 7, 2015.

## (2) Explanation of Financial Position

### Assets

Total assets at the end of the second quarter of the current fiscal year increased 72 million yen from the end of the previous fiscal year to 1,373 million yen. This was mainly due to increases of 75 million yen in merchandise due to the growth in purchases and 33 million yen in property, plant and equipment due to opening of business sites.

### Liabilities

Total liabilities increased 19 million yen from the end of the previous fiscal year to 437 million yen. The main reasons were a decreases of 30 million yen in income taxes payable as taxes were paid, and increases of 16 million yen in current portion of long-term loans payable and 9 million yen in long-term loans payable as a result of the drawdown of new loans.

### Net assets

Net assets increased 53 million yen from the end of the previous fiscal year to 935 million yen. This was mainly due to a 53 million yen increase in retained earnings due to the booking of profit.

### Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the second quarter of the current fiscal year was 667 million yen. The cash flow components and the main reasons for changes are as described below.

#### Cash flows from operating activities

Net cash used in operating activities was 45 million yen. Main positive factors include income before income taxes of 87 million yen, and main negative factors include an increase in inventories of 79 million yen due to the growth in purchases and income taxes paid of 60 million yen.

#### Cash flows from investing activities

Net cash used in investing activities was 53 million yen. Main factors include purchase of property, plant and equipment of 44 million yen due to opening of business sites.

#### Cash flows from financing activities

Net cash provided by financing activities was 26 million yen. Main factors include proceeds from long-term loans payable of 50 million yen and repayments of long-term loans payable of 23 million yen.

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

There is no change in the full-year earnings forecast that was released on August 7, 2015. Results of operations for the first half trended generally in line with our plan.

**2. Matters Related to Summary Information (Notes)**

**(1) Application of Special Accounting Methods for Presenting Quarterly Financial Statements**

Not applicable.

**(2) Changes in Accounting Policies and Accounting-based Estimates, and Restatements**

Not applicable.

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

(Thousands of yen)

	FY6/15 (As of Jun. 30, 2015)	Second quarter of FY6/16 (As of Dec. 31, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	739,830	667,120
Accounts receivable-trade	103,251	111,510
Merchandise	309,274	384,804
Supplies	2,208	6,572
Other	27,180	42,369
Total current assets	1,181,744	1,212,378
Non-current assets		
Property, plant and equipment	31,250	65,150
Intangible assets	201	1,498
Investments and other assets	87,867	94,428
Total non-current assets	119,320	161,077
Total assets	1,301,065	1,373,456
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term loans payable	50,004	66,684
Accounts payable-other	104,452	130,091
Income taxes payable	65,979	35,649
Other	116,386	113,775
Total current liabilities	336,822	346,200
Non-current liabilities		
Long-term loans payable	81,663	91,368
Total non-current liabilities	81,663	91,368
Total liabilities	418,485	437,568
<b>Net assets</b>		
Shareholders' equity		
Capital stock	304,865	304,865
Capital surplus	284,505	284,505
Retained earnings	293,210	346,650
Treasury shares	-	(132)
Total shareholders' equity	882,580	935,887
Total net assets	882,580	935,887
Total liabilities and net assets	1,301,065	1,373,456

**(2) Quarterly Non-consolidated Statement of Income****(For the Six-month Period)**

	(Thousands of yen)
	First six months of FY6/16 (Jul. 1, 2015 – Dec. 31, 2015)
Net sales	2,340,534
Cost of sales	1,236,400
Gross profit	1,104,133
Selling, general and administrative expenses	1,017,050
Operating income	87,082
Non-operating income	
Vending machine income	1,041
Other	486
Total non-operating income	1,527
Non-operating expenses	
Interest expenses	548
Compensation expenses	795
Other	155
Total non-operating expenses	1,499
Ordinary income	87,111
Income before income taxes	87,111
Income taxes-current	31,571
Income taxes-deferred	2,098
Total income taxes	33,670
Profit	53,440



**(3) Quarterly Non-consolidated Statement of Cash Flows**

	(Thousands of yen)
	First six months of FY6/16 (Jul. 1, 2015 – Dec. 31, 2015)
Cash flows from operating activities	
Income before income taxes	87,111
Depreciation	9,129
Decrease (increase) in notes and accounts receivable-trade	(8,259)
Decrease (increase) in inventories	(79,895)
Other, net	7,674
Subtotal	<u>15,761</u>
Interest and dividend income received	69
Interest expenses paid	(548)
Income taxes paid	(60,873)
Net cash provided by (used in) operating activities	<u>(45,590)</u>
Cash flows from investing activities	
Purchase of property, plant and equipment	(44,868)
Payments for lease and guarantee deposits	(6,750)
Other, net	(1,753)
Net cash provided by (used in) investing activities	<u>(53,371)</u>
Cash flows from financing activities	
Proceeds from long-term loans payable	50,000
Repayments of long-term loans payable	(23,615)
Purchase of treasury shares	(132)
Net cash provided by (used in) financing activities	<u>26,252</u>
Net increase (decrease) in cash and cash equivalents	<u>(72,710)</u>
Cash and cash equivalents at beginning of period	<u>739,830</u>
Cash and cash equivalents at end of period	<u>667,120</u>

**(4) Notes to Quarterly Non-consolidated Financial Statements**

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

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