

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, 2016

[Japanese GAAP]

August 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

Contact: Kenichi Imamura, Director, CFO

Tel: +81-(0)3-5159-4060

Scheduled date of Annual General Meeting of Shareholders: September 29, 2016

Scheduled date of payment of dividend: -

Scheduled date of filing of Annual Securities Report: September 30, 2016

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, 2016 (July 1, 2015 to June 30, 2016)

(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	%
Fiscal year ended Jun. 30, 2016	4,863	21.9	96	(59.3)	93	(58.9)	49	(63.7)
Fiscal year ended Jun. 30, 2015	3,988	35.6	237	182.8	227	162.2	136	19.1

	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, 2016	9.79	9.44	5.5	6.7	2.0
Fiscal year ended Jun. 30, 2015	30.68	29.48	25.8	23.8	6.0

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2016: - Fiscal year ended Jun. 30, 2015: -

Note: MarketEnterprise conducted a 500-for-1 common stock split effective on March 11, 2015 and 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 these stock splits had taken place at the beginning of the previous fiscal year.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2016	1,499	931	62.2	183.87
As of Jun. 30, 2015	1,301	882	67.8	174.11

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2016: 931

As of Jun. 30, 2015: 882

(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, 2016	(60)	(91)	157	744
Fiscal year ended Jun. 30, 2015	(31)	(66)	513	739

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, 2015	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Jun. 30, 2016	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Jun. 30, 2017 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Earnings Forecast for the Fiscal Year Ending June 30, 2017 (July 1, 2016 to June 30, 2017)

(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	5,960	22.6	50	(48.3)	63	(32.6)	38	(23.4)	7.50

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: Yes
- 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, 2016:	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 Jun. 30, 2016:	174 shares	As of Jun. 30, 2015:	- shares
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- 3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2016:	5,068,928 shares	Fiscal year ended Jun. 30, 2015:	4,456,559 shares
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Note: MarketEnterprise conducted a 500-for-1 common stock split effective on March 11, 2015 and a 2-for-1 common stock split effective on January 1, 2016. The number of shares outstanding (common shares) is 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

During the fiscal year that ended in June 2016, the performance of companies was strong, chiefly at large corporations, and the labor market continued to improve with the support of substantial economic stimulus measures by the Japanese government. However, there was an abrupt shift from a weaker to a stronger yen, stock prices dropped, and consumer spending was generally flat. As a result, the economic outlook remained uncertain.

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). 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. According to the Recycle Business Data Book 2016, which is produced by The Japan Journal of Remodeling, fiscal 2014 sales in Japan's recycling market (excluding real estate and automobiles) was estimated at approximately 1.6 trillion yen, 7.0% higher than in the prior year. This shows that the reuse market is still growing consistently.

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 13.8 trillion yen in 2015, 7.6% higher than in 2014.

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 using contact centers 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)

We currently operate 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.

We have a nationwide network of eight reuse centers for store purchases or for purchasing using home pick-ups. This includes centers in Tokyo, Yokohama, Saitama, Nagoya, Osaka and Fukuoka and centers in Kobe and Sendai that were opened during the fiscal year that ended in June 2016. This makes it possible to 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 (ReRe)

We sell reuse merchandise by placing shops using our ReRe 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 2016, we opened reuse centers in Sendai and Kobe to enlarge the regions where we purchase reuse merchandise while starting full-scale activities to establish alliances with major companies. Along with these activities to enlarge out purchasing infrastructure, there were internal measures to improve the quality of our business processes and standardize these processes. As a result, net sales increased 21.9% from the previous fiscal year to 4,863 million yen.

Selling, general and administrative expenses increased 27.7% to 2,119 million yen and increased 2.0 points as a percentage of sales, which was higher than planned. There were expenses for precisely targeted web marketing activities involving the purchase of reuse items and for improving the efficiency of current operations, such as by further upgrading our internally developed core business operations IT system. Personnel expenses increased because we recruited IT engineers, web marketing professionals and contact center personnel to be prepared for anticipated mid- to long-term growth and be prepared for the launch of new businesses. In addition, there were expenses for opening the Tokushima Contact Center in anticipation of an increase in purchase requests due to new alliances with major companies.

Earnings were negatively affected by an increase in purchases of high-priced merchandise, which has a lower gross profit margin, as a percentage of all reuse item purchases compared to prior years. This caused the gross profit margin to decline 2.0 points from the previous fiscal year to 45.6%. In addition, selling, general and administrative expenses were higher than planned because of up-front investments to build a foundation for mid- to long-term growth. As a result, operating income was down 59.3% to 96 million yen, ordinary income was down 58.9% to 93 million yen and profit decreased 63.7% to 49 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. Due to the increasing number and variety of participants in these two markets, competition among these companies will probably become increasingly heated. We will continue to focus on horizontal expansion (opening more locations in large cities throughout Japan) and vertical expansion (covering a broader spectrum of merchandise and customer segments). In addition, to build a stable mid- to long-term profit structure, we will make substantial up-front investments for creating new operations with business models that generate steady sales and earnings.

To accomplish these goals, at this stage of our growth, we will use earnings from the current e-commerce reuse business to fund expenditures for launching new businesses that can contribute to more growth. Due to these expenditures, we anticipate a temporary decline in the operating income to net sales ratio in the fiscal year ending in June 2017.

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 2016 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 2017, we expect an increase of about 25% in the number of items purchased based on our forecast for increases in both the number of purchase requests and the conversion rate. This outlook reflects the opening of more business sites in large cities in Japan and the growth of our lineup of services for purchasing reuse items. Most significant is our purchasing service alliance with Amazon Japan, which started in the fourth quarter of the fiscal year that ended in June 2016, and the new Private Buyer purchasing service for wealthy customers.

Consequently, we expect net sales to increase 22.6% to 5,960 million yen in the fiscal year ending in June 2017.

ii. Gross profit

We expect our capabilities to conduct preliminary estimates of merchandise prior to purchase to increase in the fiscal year ending in June 2017 due to the first full-year contribution of the Tokushima Contact Center, which started operating in June 2016. We expect that this center will raise the volume of lower-priced, high-margin merchandise, which has been a product category where we needed to expand our capabilities. Due to this outlook, we anticipate an improvement of about one percentage point in the gross profit margin.

iii. Operating income

As in the fiscal year that ended in June 2016, there will be substantial expenditures during the fiscal year ending in June 2017 to increase our workforce, make capital expenditures and for other activities needed for the creation of new businesses. Due to these expenditures, we anticipate an increase of about 2.5 percentage points in selling, general and administrative expenses as a percentage of sales.

As a result, we expect operating income to decrease 48.3% to 50 million yen.

iv. Ordinary income

In addition to interest income and other customary sources of profit, we expect to receive a subsidy of 13 million yen from the Tokushima prefecture and city governments in association with the start of operations at the Tokushima Contact Center.

As a result, we expect ordinary income to decrease 32.6% to 63 million yen.

v. Profit

At this time, we do not expect any extraordinary gains or losses in the fiscal year ending in June 2017. We forecast profit before income taxes of 64 million yen and, after taxes, profit of 38 million yen, 23.4% lower than in the fiscal year that ended in June 2016.

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 198 million yen from the end of the previous fiscal year to 1,499 million yen.

Current assets increased 136 million yen to 1,318 million yen. The main reasons were increases of 11 million yen in accounts receivable-trade associated with sales growth, and 57 million yen in merchandise because of higher purchases resulting from the growing scale of business operations.

Non-current assets increased 61 million yen to 181 million yen. The main reasons were increases of 23 million yen in lease and guarantee deposits and 31 million yen in buildings, both primarily the result of opening more reuse centers.

Total liabilities at the end of the current fiscal year increased 149 million yen from the end of the previous fiscal year to 567 million yen.

Current liabilities increased 62 million yen to 399 million yen. This was mainly due to increases of 36 million yen in accounts payable-other and 75 million yen in current portion of long-term loans payable as a result of the drawdown of new loans, while there was a 57 million yen decrease in income taxes payable as taxes were paid.

Non-current liabilities increased 86 million yen to 167 million yen. This was mainly due to an increase of 86 million yen in long-term loans payable as a result of the drawdown of new loans.

Net assets at the end of the current fiscal year increased 49 million yen from the end of the previous fiscal year to 931 million yen. This was due to a 49 million yen increase in retained earnings mainly due to the booking of profit.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased 4 million yen from the end of the previous fiscal year to 744 million yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash used in operating activities was 60 million yen, compared with net cash used of 31 million yen in the previous fiscal year. Main positive factors include profit before income taxes of 84 million yen and depreciation of 23 million yen, and main negative factors include an increase in inventories of 61 million yen and income taxes paid of 103 million yen.

Cash flows from investing activities

Net cash used in investing activities was 91 million yen, compared with net cash used of 66 million yen in the previous fiscal year. Main factors include payments for lease and guarantee deposits of 24 million yen and purchase of property, plant and equipment of 61 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 157 million yen, compared with net cash provided of 513 million yen in the previous fiscal year. Main positive factors include proceeds from long-term loans payable of 250 million yen, and main negative factors include repayments of long-term loans payable of 88 million yen.

Reference: Trends in cash flow indicators

	FY6/14	FY6/15	FY6/16
Shareholders' equity ratio (%)	29.0	67.8	62.2
Shareholders' equity ratio based on market value (%)	-	660.0	310.0
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 excluding treasury shares.
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 and FY6/16 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.

Currently, the e-commerce reuse business is our only business segment. Our goal is to use the knowledge, technologies and assets we have accumulated by operating this business in order to go beyond our involvement with recycling merchandise. We want to be part of a social infrastructure that underpins the shared economy. Performing this role will require adding peripheral business activities as well as making up-front investments for starting new businesses in a broad range of market sectors. One of our highest priorities is using these activities for the establishment of a sound mid- to long-term foundation for earnings.

(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.

We believe that accomplishing this goal will require going beyond our current e-commerce reuse business model by adding peripheral business activities and new businesses. This is why we are placing priority on the following three activities. We want to create more opportunities for our diverse lineup of services to be utilized by even more customers in even more ways.

- 1) Horizontal expansion (existing business growth – 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 (existing business growth – enlarge the monetizing zone by covering a broader spectrum of merchandise and customer segments)

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.

We have started the Private Buyer business, which is a purchasing service exclusively for wealthy individuals that handles paintings, musical instruments and other high-priced items involving the hobbies and other interests of these individuals. In another vertical expansion step, we entered into an alliance with Amazon that enables us to offer our reuse item purchasing service by using Amazon.co.jp. Furthermore, we started full-scale activities to enter into the cross-border e-commerce markets. Taking these actions will allow us to serve customer segments that we could not previously access.

3) Add new business activities by making substantial up-front investments

Currently, the e-commerce reuse business is our only business segment. Our goal is to use the knowledge, technologies and assets we have accumulated by operating this business in order to go beyond our involvement with recycling merchandise. We want to be part of a social infrastructure that underpins the shared economy. Performing this role will require adding activities related to the e-commerce reuse business as well as starting new businesses in a broad range of market sectors. One of our highest priorities is using these activities for the establishment of a sound mid- to long-term foundation for earnings.

In addition, preparations are currently under way to start a mobile virtual network operator business that utilizes used smartphones and tablets. The business will use our own brand for a mobile communication service for smartphones, tablets and other devices. We are also in the preparatory stage of a rental business for high-priced art, hobby and personal-interest items, home appliances, and other products.

All of these initiatives are possible because of our ability to leverage the operational skills and IT infrastructure that we accumulated through our e-commerce reuse business. Furthermore, adding new businesses will enable us to establish a steady-revenue business model, which is a business category that we do not yet have.

We are performing a variety of trials regarding the feasibility of a number of other potential new business activities. Our plan is to use new businesses to build a stable mid- to long-term profit structure.

(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 continue growing. This will require providing an environment that enables people to buy and sell reuse products with complete confidence.

Furthermore, we believe that our ability to achieve sustained growth will require the creation of peripheral businesses and new businesses that can become our second and third core drivers of growth alongside the e-commerce reuse business.

To build a base for sustained growth, we are focusing our energy on the following three key issues.

1) Further upgrade and standardize know-how

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.

2) Become even more trusted by customers

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 (business units dedicated exclusively to using telephone, e-mail and other channels for preliminary estimates of merchandise prior to purchase), 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. To enhance our services, we plan to provide IT and other services that allow our customers to make a purchase request at any time and from any place by using a quick and simple procedure.

3) Establish new sources of earnings

As was explained earlier, the reuse and e-commerce markets in Japan, where MarketEnterprise operates, are expanding. Due to the increasing number and variety of participants in these two markets, competition among these companies will probably become increasingly heated. We will continue to focus on horizontal expansion (opening more locations in large cities throughout Japan) and vertical expansion (covering a broader spectrum of merchandise and customer segments). In addition, to build a stable mid- to long-term profit structure, we will make substantial up-front investments for creating new operations with business models that generate steady sales and earnings.

We believe that achieving steady and rapid progress with making the new businesses created by these investments profitable will be critical for our sustained growth. With this goal in mind, we are using all of our resources to train people, add a variety of business partners and form more alliances with other companies.

(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)

	FY6/15 (As of Jun. 30, 2015)	FY6/16 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	739,830	744,455
Accounts receivable-trade	103,251	114,849
Merchandise	309,274	367,235
Supplies	2,208	5,665
Advance payments-trade	-	9,873
Prepaid expenses	20,556	34,215
Deferred tax assets	5,632	8,844
Other	992	33,368
Total current assets	1,181,744	1,318,507
Non-current assets		
Property, plant and equipment		
Buildings	28,861	70,081
Accumulated depreciation	(7,980)	(17,384)
Buildings, net	20,881	52,696
Vehicles	29,560	41,536
Accumulated depreciation	(25,033)	(32,868)
Vehicles, net	4,527	8,667
Tools, furniture and fixtures	12,116	20,257
Accumulated depreciation	(6,467)	(9,751)
Tools, furniture and fixtures, net	5,648	10,506
Land	193	193
Total property, plant and equipment	31,250	72,064
Intangible assets		
Software	201	1,283
Total intangible assets	201	1,283
Investments and other assets		
Investment securities	10,000	1,147
Investments in capital	20	20
Long-term prepaid expenses	5,184	5,845
Deferred tax assets	81	3,871
Lease and guarantee deposits	60,970	84,432
Other	11,611	12,357
Total investments and other assets	87,867	107,674
Total non-current assets	119,320	181,021
Total assets	1,301,065	1,499,529

	(Thousands of yen)	
	FY6/15 (As of Jun. 30, 2015)	FY6/16 (As of Jun. 30, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	4,319	234
Current portion of long-term loans payable	50,004	125,015
Accounts payable-other	104,452	140,976
Accrued expenses	70,528	96,894
Income taxes payable	65,979	8,677
Accrued consumption taxes	35,817	22,435
Advances received	2,448	806
Deposits received	3,272	4,740
Total current liabilities	336,822	399,780
Non-current liabilities		
Long-term loans payable	81,663	167,753
Total non-current liabilities	81,663	167,753
Total liabilities	418,485	567,533
Net assets		
Shareholders' equity		
Capital stock	304,865	304,865
Capital surplus		
Legal capital surplus	284,505	284,505
Total capital surpluses	284,505	284,505
Retained earnings		
Legal retained earnings	1,600	1,600
Other retained earnings		
Retained earnings brought forward	291,610	341,247
Total retained earnings	293,210	342,847
Treasury shares	-	(221)
Total shareholders' equity	882,580	931,996
Total net assets	882,580	931,996
Total liabilities and net assets	1,301,065	1,499,529

(2) Non-consolidated Statement of Income

(Thousands of yen)

	FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)	FY6/16 (Jul. 1, 2015 – Jun. 30, 2016)
Net sales	3,988,688	4,863,308
Cost of sales	2,090,327	2,646,720
Gross profit	1,898,360	2,216,587
Selling, general and administrative expenses	1,660,677	2,119,966
Operating income	237,683	96,620
Non-operating income		
Foreign exchange gains	731	-
Vending machine income	1,401	1,497
Other	532	1,297
Total non-operating income	2,665	2,794
Non-operating expenses		
Interest expenses	1,503	1,734
Foreign exchange losses	-	2,652
Listing expenses	9,855	-
Compensation expenses	1,013	1,352
Other	468	190
Total non-operating expenses	12,840	5,929
Ordinary income	227,508	93,485
Extraordinary losses		
Loss on valuation of investment securities	-	8,852
Total extraordinary losses	-	8,852
Profit before income taxes	227,508	84,632
Income taxes-current	89,488	41,998
Income taxes-deferred	1,280	(7,002)
Total income taxes	90,769	34,995
Profit	136,739	49,637

(3) Non-consolidated Statement of Changes in Equity

FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus	Retained earnings			Treasury shares	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	176,830
Changes of items during period								
Issuance of new shares	284,505	284,505					569,010	569,010
Profit				136,739	136,739		136,739	136,739
Total changes of items during period	284,505	284,505	-	136,739	136,739	-	705,749	705,749
Balance at end of current period	304,865	284,505	1,600	291,610	293,210	-	882,580	882,580

FY6/16 (Jul. 1, 2015 – Jun. 30, 2016)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus	Retained earnings			Treasury shares	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	304,865	284,505	1,600	291,610	293,210	-	882,580	882,580
Changes of items during period								
Profit				49,637	49,637		49,637	49,637
Purchase of treasury shares						(221)	(221)	(221)
Total changes of items during period	-	-	-	49,637	49,637	(221)	49,416	49,416
Balance at end of current period	304,865	284,505	1,600	341,247	342,847	(221)	931,996	931,996

(4) Non-consolidated Statement of Cash Flows

(Thousands of yen)

	FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)	FY6/16 (Jul. 1, 2015 – Jun. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	227,508	84,632
Depreciation	12,142	23,958
Loss (gain) on valuation of investment securities	-	8,852
Interest and dividend income	(81)	(152)
Interest expenses	1,503	1,734
Listing expenses	9,855	-
Decrease (increase) in notes and accounts receivable-trade	(42,690)	(11,597)
Decrease (increase) in inventories	(183,949)	(61,419)
Decrease (increase) in advance payments	-	(9,873)
Increase (decrease) in notes and accounts payable-trade	4,319	(4,084)
Increase (decrease) in accounts payable-other	(4,418)	35,983
Increase (decrease) in accrued expenses	19,431	26,365
Increase (decrease) in accrued consumption taxes	6,602	(13,382)
Other, net	812	(36,941)
Subtotal	51,034	44,075
Interest and dividend income received	81	152
Interest expenses paid	(1,503)	(1,734)
Income taxes paid	(81,336)	(103,008)
Net cash provided by (used in) operating activities	(31,723)	(60,515)
Cash flows from investing activities		
Purchase of property, plant and equipment	(25,764)	(61,372)
Purchase of investment securities	(10,000)	-
Purchase of long-term prepaid expenses	(2,204)	(3,750)
Payments for lease and guarantee deposits	(28,270)	(24,596)
Other, net	(662)	(2,156)
Net cash provided by (used in) investing activities	(66,901)	(91,875)
Cash flows from financing activities		
Proceeds from long-term loans payable	-	250,000
Repayments of long-term loans payable	(50,004)	(88,899)
Proceeds from issuance of stocks	569,010	-
Purchase of treasury shares	-	(221)
Payment of listing expenses	(5,992)	(3,863)
Net cash provided by (used in) financing activities	513,014	157,016
Net increase (decrease) in cash and cash equivalents	414,388	4,624
Cash and cash equivalents at beginning of period	325,442	739,830
Cash and cash equivalents at end of period	739,830	744,455

(5) Notes to Non-consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, MarketEnterprise has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on profit or loss for the current fiscal year is insignificant.

Segment and Other Information

Segment information

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

Related information

1. Information by product or service

This information is omitted since sales to external customers which account for more than 90% of net sales shown on the non-consolidated statement of income are derived from a single product or service category.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan accounted for more than 90% of net sales shown on the non-consolidated statement of income.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

This information is omitted because no single external customer accounted for 10% or more of net sales shown on the non-consolidated statement of income.

Information related to impairment losses of non-current assets for each reportable segment

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

Not applicable.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Equity in Earnings of Affiliates

Not applicable as MarketEnterprise does not have an affiliate.

Per-share Information

(Yen)

	FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)	FY6/16 (Jul. 1, 2015 – Jun. 30, 2016)
Net assets per share	174.11	183.87
Net income per share	30.68	9.79
Diluted net income per share	29.48	9.44

Notes: 1. MarketEnterprise conducted a 500-for-1 common stock split effective on March 11, 2015 and a 2-for-1 common stock split effective on January 1, 2016. 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 FY6/15.

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

(Thousands of yen)

	FY6/15 (Jul. 1, 2014 – Jun. 30, 2015)	FY6/16 (Jul. 1, 2015 – Jun. 30, 2016)
Net income per share		
Profit	136,739	49,637
Amount not attributable to common shares	-	-
Profit applicable to common shares	136,739	49,637
Average number of common shares outstanding during the period (shares)	4,456,559	5,068,928
Diluted net income per share		
Adjustment to profit	-	-
Increase in the number of common shares (shares)	181,377	186,534
[of which subscription rights to shares (shares)]	[181,377]	[186,534]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Subsequent Events

Not applicable.