

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 First Quarter of the Fiscal Year Ending June 30, 2017
(Three Months Ended September 30, 2016)

[Japanese GAAP]

November 11, 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:

November 13, 2016

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting:

None

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

1. Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2017
(July 1, 2016 to September 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	%
Three months ended Sep. 30, 2016	1,205	14.1	(71)	-	(70)	-	(51)	-
Three months ended Sep. 30, 2015	1,056	-	7	-	7	-	3	-

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2016	(10.13)	-
Three months ended Sep. 30, 2015	0.70	0.67

Note: 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 Sep. 30, 2016	1,397	880	63.0
As of Jun. 30, 2016	1,499	931	62.2

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2016: 880 As of Jun. 30, 2016: 931

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2016	-	0.00	-	0.00	0.00
Fiscal year ending Jun. 30, 2017	-	-	-	-	-
Fiscal year ending Jun. 30, 2017 (forecasts)	-	0.00	-	0.00	0.00

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

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: Revisions to the most recently announced earnings forecast: None

*** 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 Sep. 30, 2016:	5,076,000 shares	As of Jun. 30, 2016:	5,069,000 shares
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2) Number of treasury shares as of the end of the period

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

Three months ended Sep. 30, 2016:	5,071,043 shares	Three months ended Sep. 30, 2015:	5,069,000 shares
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* 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 2 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

In the first quarter of the fiscal year ending in June 2017 (July 1, 2016 to September 30, 2016), the Japanese economy continued the gradual trend towards recovery from the previous fiscal year as corporate earnings steadily improved in response to the government's economic stimulus measures and monetary easing. On the other hand, consumer sentiment is stagnant, and the future outlook remains uncertain.

Both the reuse market and e-commerce market in Japan, where MarketEnterprise operates, continue to grow steadily. In the reuse market, in addition to themes in consumer sentiment defined as "low prices" and "smart consumption," 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.

In the e-commerce market, it is now becoming common to purchase goods via the Internet along with growing number of smartphones, tablets and other devices in use. In addition, the tendency among well-known e-commerce sites on the Internet towards selling both new and used merchandise is growing.

Given the business environment described above, MarketEnterprise is positioning the current fiscal year and the next fiscal year as the two years of its strategic investment period for its medium to long-term growth and is making substantial upfront investments in both personnel and facilities.

Specifically, in the first quarter of the current fiscal year, MarketEnterprise has added personnel and expanded facilities of the Tokushima Contact Center (a business unit dedicated to conducting preliminary estimates of merchandise prior to purchase), which was established at the end of the previous fiscal year, and of the newly started mobile virtual network operator (MVNO) business. MarketEnterprise has proactively recruited IT engineers to expand the systems that support both our existing business and new businesses.

As a result, sales in the first quarter strongly increased to 1,205 million yen, 14.1% higher than in the same period of the previous fiscal year. Selling, general and administrative expenses increased 21.3% to 609 million yen, which resulted in an operating loss of 71 million yen (compared with operating income of 7 million yen one year earlier). Ordinary loss totaled 70 million yen (compared with ordinary income of 7 million yen one year earlier), and there was a net loss of 51 million yen (compared with net profit of 3 million yen one year earlier).

(2) Explanation of Financial Position

Assets

Total assets at the end of the first quarter of the current fiscal year decreased 101 million yen from the end of the previous fiscal year to 1,397 million yen. There were increases of 67 million yen in merchandise due to the growth in purchases and 12 million yen in investments and other assets, which resulted in a 174 million yen decrease in cash and deposits.

Liabilities

Total liabilities decreased 50 million yen from the end of the previous fiscal year to 516 million yen. The main reasons were decreases of 16 million yen in current portion of long-term loans payable and 17 million yen in long-term loans payable due to repayments.

Net assets

Net assets decreased 51 million yen from the end of the previous fiscal year to 880 million yen. This was mainly due to a 51 million yen decrease in retained earnings due to the booking of net loss.

(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 12, 2016. Results of operations for the first quarter 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)

	FY6/16 (As of Jun. 30, 2016)	First quarter of FY6/17 (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	744,455	569,968
Accounts receivable-trade	114,849	83,779
Merchandise	367,235	434,863
Supplies	5,665	6,093
Other	86,301	108,125
Total current assets	1,318,507	1,202,831
Non-current assets		
Property, plant and equipment	72,064	69,358
Intangible assets	1,283	4,885
Investments and other assets	107,674	120,515
Total non-current assets	181,021	194,759
Total assets	1,499,529	1,397,591
Liabilities		
Current liabilities		
Current portion of long-term loans payable	125,015	108,903
Accounts payable-other	140,976	155,273
Income taxes payable	8,677	3,467
Other	125,111	98,729
Total current liabilities	399,780	366,372
Non-current liabilities		
Long-term loans payable	167,753	150,529
Total non-current liabilities	167,753	150,529
Total liabilities	567,533	516,901
Net assets		
Shareholders' equity		
Capital stock	304,865	304,907
Capital surplus	284,505	284,547
Retained earnings	342,847	291,456
Treasury shares	(221)	(221)
Total shareholders' equity	931,996	880,689
Total net assets	931,996	880,689
Total liabilities and net assets	1,499,529	1,397,591

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

	(Thousands of yen)	
	First three months of FY6/16 (Jul. 1, 2015 – Sep. 30, 2015)	First three months of FY6/17 (Jul. 1, 2016 – Sep. 30, 2016)
Net sales	1,056,675	1,205,228
Cost of sales	546,157	666,408
Gross profit	510,517	538,819
Selling, general and administrative expenses	502,558	609,830
Operating income (loss)	7,959	(71,010)
Non-operating income		
Insurance income	-	650
Vending machine income	339	108
Other	126	366
Total non-operating income	465	1,125
Non-operating expenses		
Interest expenses	306	516
Compensation expenses	567	419
Other	61	23
Total non-operating expenses	935	959
Ordinary income (loss)	7,488	(70,845)
Profit (loss) before income taxes	7,488	(70,845)
Income taxes-current	569	1,131
Income taxes-deferred	3,385	(20,586)
Total income taxes	3,954	(19,454)
Profit (loss)	3,534	(51,390)

(3) 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.