

**Disclaimer:**

This financial report is solely a translation of the “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.

**Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending June 30, 2019**  
**(Six Months Ended December 31, 2018)**

**[Japanese GAAP]**

February 14, 2019

Company name: MarketEnterprise Co., Ltd.

Listing: Tokyo Stock Exchange (Mothers)

Securities code: 3135

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

Representative: Yasushi Kobayashi, President, CEO

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Scheduled date of filing of Quarterly Report:

February 14, 2019

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:

Yes (for securities analysts and institutional investors)

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

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

**(1) Consolidated results of operations**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Dec. 31, 2018	3,832	31.5	150	-	149	-	66	-
Six months ended Dec. 31, 2017	2,914	12.3	5	-	(3)	-	(6)	-

Note: Comprehensive income (millions of yen) Six months ended Dec. 31, 2018: 94 (-%)

Six months ended Dec. 31, 2017: (3) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2018	13.06	12.88
Six months ended Dec. 31, 2017	(1.20)	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2018	2,230	1,072	45.4
As of Jun. 30, 2018	1,829	976	51.7

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2018: 1,013

As of Jun. 30, 2018: 945

**2. Dividends**

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

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

**3. Consolidated Forecast for the Fiscal Year Ending June 30, 2019 (July 1, 2018 to June 30, 2019)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,065	27.3	245	153.9	247	160.0	115	260.0	22.53

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

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: -

Excluded: -

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

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding as of the end of the period (including treasury shares)

As of Dec. 31, 2018:	5,103,600 shares	As of Jun. 30, 2018:	5,098,600 shares
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2) Number of treasury shares as of the end of the period

As of Dec. 31, 2018:	220 shares	As of Jun. 30, 2018:	220 shares
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3) Average number of shares outstanding during the period

Six months ended Dec. 31, 2018:	5,102,260 shares	Six months ended Dec. 31, 2017:	5,082,730 shares
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\* This summary report is not subject to quarterly review by certified public accountants or auditing firms.

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

Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to MarketEnterprise's management at the time these materials were prepared, but are not promises by MarketEnterprise regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the fiscal year ending in June 2019 (July 1, 2018 to December 31, 2018), the labor market and personal income in Japan recovered slowly as corporate earnings increased with the support of the government's economic stimulus measures. However, the economic outlook remained uncertain due to concerns about the effects of intensified U.S.-China trade friction on the global economy and other reasons.

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

The MarketEnterprise Group primarily operates an e-commerce reuse business (buying and selling reuse merchandise by using only the Internet and operating no brick-and-mortar stores). The primary goal is to become an "optimized trading company" that is capable of giving customers the best possible choices for matching an increasingly diverse range of purchasing behavior.

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

In addition, as the volume of existing services continued to increase, we made our operations even more efficient by increasing the use of IT and standardizing many of our business processes.

First half sales were 3,832 million yen, 31.5% higher than in the first half of the previous fiscal year, and there was a sharp increase in earnings. Operating profit was 150 million yen compared with operating profit of 5 million yen one year earlier, ordinary profit totaled 149 million yen compared with ordinary loss of 3 million yen one year earlier, and profit attributable to owners of parent was 66 million yen compared with a loss of 6 million yen one year earlier.

### (2) Explanation of Financial Position

#### Assets

Total assets at the end of the second quarter of the current fiscal year increased 401 million yen from the end of the previous fiscal year to 2,230 million yen. This was mainly due to increases of 134 million yen in cash and deposits, 164 million yen in accounts receivable-trade, and 94 million yen in merchandise.

#### Liabilities

Total liabilities increased 306 million yen from the end of the previous fiscal year to 1,158 million yen. The main reasons were increases of 120 million yen in accounts payable-trade due to the growth in purchases and 140 million yen in long-term loans payable.

#### Net assets

Net assets increased 95 million yen from the end of the previous fiscal year to 1,072 million yen. This was mainly due to the booking of profit attributable to owners of parent of 66 million yen.

## Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the second quarter increased 134 million yen from the end of the previous fiscal year to 1,073 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 30 million yen (compared with 124 million yen provided in the same period of the previous fiscal year). Main factors include increases of 164 million yen in notes and accounts receivable-trade and 97 million yen in inventories.

### Cash flows from investing activities

Net cash used in investing activities was 19 million yen (compared with 27 million yen used in the same period of the previous fiscal year). Main factors include payments for lease and guarantee deposits of 10 million yen.

### Cash flows from financing activities

Net cash provided by financing activities was 185 million yen (compared with 120 million yen provided in the same period of the previous fiscal year). Main factors include proceeds of long-term loans payable of 300 million yen.

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

First half sales and earnings were higher than initially planned because of the growth of new services and increasing efficiency of existing services, as was explained in “(1) Explanation of Results of Operations.”

As a result, MarketEnterprise has revised its full-year earnings forecast for the fiscal year ending June 30, 2019 that was announced on August 13, 2018.

For details, please refer to the press release “Notice of Revisions to Consolidated Forecast for the Fiscal Year Ending June 30, 2019” that was announced today (February 14, 2019).

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

(Thousands of yen)

	FY6/18 (As of Jun. 30, 2018)	Second quarter of FY6/19 (As of Dec. 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	938,736	1,073,393
Accounts receivable-trade	223,191	387,610
Merchandise	217,742	312,683
Other	92,033	79,889
Total current assets	1,471,704	1,853,576
Non-current assets		
Property, plant and equipment	132,402	151,365
Intangible assets	22,156	23,872
Investments and other assets	202,822	201,790
Total non-current assets	357,381	377,028
Total assets	1,829,085	2,230,605
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	57,294	177,669
Current portion of long-term loans payable	158,873	207,795
Accounts payable-other	156,420	157,730
Lease obligations	7,046	11,919
Income taxes payable	47,976	52,244
Provision for loss on order received	13,490	9,987
Other	156,986	131,636
Total current liabilities	598,087	748,984
Non-current liabilities		
Long-term loans payable	228,711	369,538
Lease obligations	25,579	40,057
Total non-current liabilities	254,290	409,595
Total liabilities	852,377	1,158,579
<b>Net assets</b>		
Shareholders' equity		
Capital stock	305,353	305,771
Capital surplus	284,993	285,411
Retained earnings	355,514	422,174
Treasury shares	(256)	(256)
Total shareholders' equity	945,604	1,013,099
Share acquisition rights	1,440	1,440
Non-controlling interests	29,663	57,486
Total net assets	976,707	1,072,026
Total liabilities and net assets	1,829,085	2,230,605

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

(Thousands of yen)

	First six months of FY6/18 (Jul. 1, 2017 – Dec. 31, 2017)	First six months of FY6/19 (Jul. 1, 2018 – Dec. 31, 2018)
Net sales	2,914,381	3,832,268
Cost of sales	1,707,794	2,273,795
Gross profit	1,206,587	1,558,472
Selling, general and administrative expenses	1,201,393	1,407,817
Operating profit	5,193	150,655
Non-operating income		
Foreign exchange gains	308	85
Insurance premiums refunded cancellation	1,311	-
Vending machine income	431	746
Other	726	887
Total non-operating income	2,778	1,719
Non-operating expenses		
Interest expenses	1,085	1,548
Issuance cost of share acquisition rights	10,149	-
Compensation expenses	305	383
Cancellation penalty	-	547
Other	107	289
Total non-operating expenses	11,647	2,768
Ordinary profit (loss)	(3,676)	149,606
Profit (loss) before income taxes	(3,676)	149,606
Income taxes-current	4,851	45,316
Income taxes-deferred	(4,843)	9,807
Total income taxes	7	55,123
Profit (loss)	(3,683)	94,482
Profit attributable to non-controlling interests	2,411	27,822
Profit (loss) attributable to owners of parent	(6,095)	66,659

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

(Thousands of yen)

	First six months of FY6/18 (Jul. 1, 2017 – Dec. 31, 2017)	First six months of FY6/19 (Jul. 1, 2018 – Dec. 31, 2018)
Profit (loss)	(3,683)	94,482
Comprehensive income	(3,683)	94,482
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(6,095)	66,659
Comprehensive income attributable to non-controlling interests	2,411	27,822

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY6/18 (Jul. 1, 2017 – Dec. 31, 2017)	First six months of FY6/19 (Jul. 1, 2018 – Dec. 31, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	(3,676)	149,606
Depreciation	7,347	14,258
Amortization of goodwill	-	1,500
Interest and dividend income	(4)	(4)
Interest expenses	1,085	1,548
Issuance cost of share acquisition rights	10,149	-
Decrease (increase) in notes and accounts receivable-trade	(33,880)	(164,418)
Decrease (increase) in inventories	119,326	(97,409)
Increase (decrease) in notes and accounts payable-trade	23,501	120,375
Decrease (increase) in deposits paid	(12,537)	(331)
Increase (decrease) in accounts payable-other	22,157	(675)
Increase (decrease) in accrued expenses	(11,945)	(11,939)
Increase (decrease) in accrued consumption taxes	(7,800)	(9,883)
Other, net	12,111	3,616
Subtotal	125,835	6,241
Interest and dividend income received	4	4
Interest expenses paid	(1,085)	(1,548)
Income taxes paid	(610)	(43,251)
Income taxes refund	733	7,846
Net cash provided by (used in) operating activities	124,876	(30,707)
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,161)	(5,238)
Purchase of intangible assets	(2,412)	(4,627)
Payments for lease and guarantee deposits	(7,042)	(10,260)
Proceeds from collection of lease and guarantee deposits	269	349
Purchase of insurance funds	(358)	(209)
Net cash provided by (used in) investing activities	(27,706)	(19,986)
Cash flows from financing activities		
Proceeds from long-term loans payable	200,000	300,000
Repayments of long-term loans payable	(71,537)	(110,251)
Repayments of lease obligations	-	(5,234)
Proceeds from issuance of new shares	724	836
Payments for issuance of share acquisition rights	(8,709)	-
Net cash provided by (used in) financing activities	120,477	185,350
Net increase (decrease) in cash and cash equivalents	217,647	134,656
Cash and cash equivalents at beginning of period	825,827	938,736
Cash and cash equivalents at end of period	1,043,475	1,073,393

**(4) Notes to Quarterly Consolidated Financial Statements**

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.