

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 Third Quarter of the Fiscal Year Ending June 30, 2019
(Nine Months Ended March 31, 2019)

[Japanese GAAP]

May 15, 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

Contact: Kenichi Imamura, Director, CFO

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

Scheduled date of filing of Quarterly Report:

May 15, 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:

None

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

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

(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	%
Nine months ended Mar. 31, 2019	5,999	34.7	285	962.9	283	-	135	-
Nine months ended Mar. 31, 2018	4,455	9.0	26	-	15	-	(4)	-

Note: Comprehensive income (millions of yen) Nine months ended Mar. 31, 2019: 179 (-%)

Nine months ended Mar. 31, 2018: 5 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2019	26.57	25.82
Nine months ended Mar. 31, 2018	(0.92)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2019	2,435	1,156	44.4
As of Jun. 30, 2018	1,829	976	51.7

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2019: 1,082

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	8,300	31.1	385	299.0	387	307.4	180	463.5	35.27

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 Mar. 31, 2019:	5,103,800 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 Mar. 31, 2019:	220 shares	As of Jun. 30, 2018:	220 shares
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3) Average number of shares outstanding during the period

Nine months ended Mar. 31, 2019:	5,102,677 shares	Nine months ended Mar. 31, 2018:	5,084,926 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
(3) Notes to Quarterly Consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending in June 2019 (July 1, 2018 to March 31, 2019), 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 intensified U.S.-China trade friction, the volatility of the U.S. stock market at the beginning of the year 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 values, lifestyles 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. Following the strong growth in the first half of the current fiscal year, there was significant growth in the third quarter due to active marketing activities, brushing up of the service menu and other actions.

The volume of existing services increased steadily in the third quarter against the backdrop of rising replacement product purchases as well as new purchases accompanying brisk residential relocations. At the same time, in addition to automation of the appraisal process, we made operations even more efficient by increasing the use of IT in the purchasing process and standardizing many of our business processes. The above actions led to higher profit levels.

Oikura is a comprehensive reuse information website that MarketEnterprise took over through an absorption split in February 2019 (It is one of the largest services in Japan for comparisons of purchase prices of used household items, using a process that matches consumers with reuse shops throughout Japan). MarketEnterprise will continue to make investments in Oikura to capture synergy with our existing services and contribute to earnings going forward.

First nine months sales were 5,999 million yen, 34.7% higher than in the first nine months of the previous fiscal year, and there was a sharp increase in earnings. Operating profit was 285 million yen compared with operating profit of 26 million yen one year earlier, ordinary profit totaled 283 million yen compared with ordinary profit of 15 million yen one year earlier, and profit attributable to owners of parent was 135 million yen compared with a loss of 4 million yen one year earlier. We continued to invest, including that for business succession deals, for the purpose of boosting future earnings.

(2) Explanation of Financial Position

Assets

Total assets at the end of the third quarter of the current fiscal year increased 606 million yen from the end of the previous fiscal year to 2,435 million yen. This was mainly due to increases of 204 million yen in cash and deposits, 202 million yen in accounts receivable-trade, and 74 million yen in merchandise.

Liabilities

Total liabilities increased 425 million yen from the end of the previous fiscal year to 1,278 million yen. The main reasons were increases of 113 million yen in accounts payable-trade due to the growth in purchases and 157 million yen in long-term loans payable.

Net assets

Net assets increased 180 million yen from the end of the previous fiscal year to 1,156 million yen. This was mainly due to the booking of profit attributable to owners of parent of 135 million yen.

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

First nine months sales and earnings were higher than the revised forecast that was announced on February 14, 2019 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 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 (May 15, 2019).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY6/18 (As of Jun. 30, 2018)	Third quarter of FY6/19 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	938,736	1,143,164
Accounts receivable-trade	223,191	426,035
Merchandise	217,742	291,861
Supplies	6,991	-
Other	85,042	99,911
Total current assets	1,471,704	1,960,973
Non-current assets		
Property, plant and equipment	132,402	145,665
Intangible assets		
Goodwill	14,000	91,555
Other	8,156	18,018
Total intangible assets	22,156	109,574
Investments and other assets	202,822	218,956
Total non-current assets	357,381	474,196
Total assets	1,829,085	2,435,170
Liabilities		
Current liabilities		
Accounts payable-trade	57,294	171,103
Current portion of long-term loans payable	158,873	228,619
Accounts payable-other	156,420	196,044
Lease obligations	7,046	11,949
Income taxes payable	47,976	79,240
Provision for bonuses	-	18,194
Provision for loss on order received	13,490	8,644
Other	156,986	136,252
Total current liabilities	598,087	850,049
Non-current liabilities		
Long-term loans payable	228,711	386,329
Lease obligations	25,579	36,992
Other	-	4,851
Total non-current liabilities	254,290	428,173
Total liabilities	852,377	1,278,223
Net assets		
Shareholders' equity		
Capital stock	305,353	305,811
Capital surplus	284,993	285,451
Retained earnings	355,514	491,096
Treasury shares	(256)	(256)
Total shareholders' equity	945,604	1,082,102
Share acquisition rights	1,440	1,440
Non-controlling interests	29,663	73,404
Total net assets	976,707	1,156,947
Total liabilities and net assets	1,829,085	2,435,170

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

(Thousands of yen)

	First nine months of FY6/18 (Jul. 1, 2017 – Mar. 31, 2018)	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)
Net sales	4,455,098	5,999,935
Cost of sales	2,581,415	3,566,460
Gross profit	1,873,683	2,433,474
Selling, general and administrative expenses	1,846,811	2,147,840
Operating profit	26,872	285,634
Non-operating income		
Foreign exchange gains	-	87
Insurance premiums refunded cancellation	1,311	-
Vending machine income	589	817
Other	775	1,316
Total non-operating income	2,675	2,221
Non-operating expenses		
Interest expenses	1,755	2,471
Issuance cost of share acquisition rights	10,149	-
Foreign exchange losses	1,087	-
Compensation expenses	536	501
Cancellation penalty	-	547
Other	137	599
Total non-operating expenses	13,667	4,118
Ordinary profit	15,880	283,736
Profit before income taxes	15,880	283,736
Income taxes-current	20,521	94,654
Income taxes-deferred	(10,392)	9,759
Total income taxes	10,129	104,413
Profit	5,751	179,323
Profit attributable to non-controlling interests	10,448	43,741
Profit (loss) attributable to owners of parent	(4,697)	135,581

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

	(Thousands of yen)	
	First nine months of FY6/18 (Jul. 1, 2017 – Mar. 31, 2018)	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)
Profit	5,751	179,323
Comprehensive income	5,751	179,323
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(4,697)	135,581
Comprehensive income attributable to non-controlling interests	10,448	43,741

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.