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Notice of Differences between Forecast and Results of Operations

MarketEnterprise Co., Ltd. is announcing the following information concerning the differences between the consolidated results of operations announced today and the consolidated forecast for the fiscal year ended June 30, 2017 (July 1, 2016 – June 30, 2017) that was announced on February 10, 2017.

1. Differences between the consolidated forecast and results of operations for the fiscal year ended June 30, 2017

	Net sales	Operating income	Ordinary income	Net profit	Net profit per share
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(Yen)
Previous forecast (A)	5,970	5	17	6	1.18
Results (B)	5,630	(7)	4	(19)	(3.80)
Change (B - A)	(339)	(12)	(12)	(25)	-
Percentage change (%)	(5.7)	-	(75.3)	-	-
(Reference) Previous fiscal year (ended June 30, 2016)	4,863	96	93	49	9.79

Note: Sales and earnings for the previous fiscal year are non-consolidated because MarketEnterprise started preparing consolidated financial statements in the fiscal year ended June 30, 2017.

2. Reasons for differences

(1) Net sales, purchases and gross profit

In the first nine months of the fiscal year (July 1, 2016 to March 31, 2017), net sales, purchases and gross profit were generally consistent with the forecast. However, the fiscal year gross profit was below the forecast because the cost of sales ratio was 4.1 percentage points higher than the ratio used for the previous forecast. One reason is that, in the fourth quarter, purchases of higher-priced merchandise, which has a low gross profit margin, were a higher than expected share of total merchandise purchases. In addition, there was an inventory write-down resulting from the revaluation of inventories at the end of the fiscal year based on conservative standards.

(2) Operating profit, ordinary profit and profit attributable to owners of parent

Selling, general and administrative expenses were generally consistent with the previous forecast. However, as was explained in (1) above, the gross profit was less than the previous forecast. Operating profit and ordinary profit were less than the previous forecast as a result. In addition, the reversal of deferred tax assets due to decreased profitability caused tax expense to increase. This caused an even larger difference between profit attributable to owners of parent and the forecast.