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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 ending June 30, 2018 (July 1, 2017 – June 30, 2018) that was announced on August 14, 2017.

1. Differences between the consolidated forecast and results of operations for the fiscal year ended June 30, 2018

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(Yen)
Previous forecast (A)	6,600	55	51	29	5.71
Results (B)	6,333	96	94	31	6.28
Change (B - A)	(266)	41	43	2	-
Percentage change (%)	(4.0)	75.4	86.3	10.2	-
(Reference) Previous fiscal year (ended June 30, 2017)	5,630	(7)	4	(19)	(3.80)

2. Reasons for differences

(1) Net sales

In the first nine months of the fiscal year (July 1, 2017 to March 31, 2018), net sales were generally consistent with the initial forecast. However, in the fourth quarter, purchases of higher-priced merchandise, which has a low gross profit margin, were a smaller than expected share of total merchandise purchases. In addition, MarketEnterprise reviewed its inventory strategies for future business expansion and reduced the inventory volume of higher-priced and long-held merchandise to optimize the inventory levels. As a result, net sales were less than the initial forecast.

(2) Earnings at all levels

In the fiscal year ended June 30, 2017, MarketEnterprise added agricultural equipment and telecommunications products to the categories of products handled. In the fiscal year ended June 30, 2018, sales were higher than the initial forecasts in both of these new categories, which have higher operating margins than in most other product categories. Due to the higher sales, the ratio of selling, general and administrative expenses to sales was about 3 percentage points less than was initially anticipated. As a result, operating profit, ordinary profit and profit attributable to owners of parent were all higher than the previous forecast.