

Translation

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Summary of Non-Consolidated Financial Results for the Fiscal Year Ended June 30, 2020 (Based on Japanese Accounting Standards)

August 11, 2020

Company Name: Net Marketing Co. Ltd.
 Stock Exchange Listing: Tokyo Stock Exchange
 Code Number: 6175
 URL: <https://www.net-marketing.co.jp/>
 Representative: Kunihisa Miyamoto, Representative Director and CEO
 Contact: Koji Mimura, Director and CFO
 (TEL) +81-3-6894-0139
 Scheduled date of ordinary general meeting of shareholders: September 29, 2020
 Scheduled date of the start of dividend payments: September 30, 2020
 Scheduled date to submit annual securities report: September 29, 2020
 Supplementary material for financial results: Yes
 Briefing on financial results: Yes (for institutional investors, securities analysts and news media)

(Amounts of less than one million yen are rounded off.)

1. Financial Results for the Fiscal Year Ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

(1) Financial Results (Percentages calculated on year-on-year basis.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2020	14,363	2.2	735	73.3	747	77.4	509	79.6
Year ended June 30, 2019	14,050	25.3	424	(23.6)	421	(26.1)	283	(28.5)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income margin
	Yen	Yen	%	%	%
Year ended June 30, 2020	34.53	33.92	20.2	14.6	5.1
Year ended June 30, 2019	19.49	18.97	13.0	8.3	3.0

(Reference) Equity method gain or loss: Year ended June 30, 2020 – million yen
Year ended June 30, 2019 – million yen

(2) Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2020	4,977	2,753	55.3	186.04
As of June 30, 2019	5,281	2,290	43.4	157.08

(Reference) Shareholders' equity: Year ended June 30, 2020 2,752 million yen
Year ended June 30, 2019 2,290 million yen

(3) State of Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended June 30, 2020	367	(70)	(126)	3,214
Year ended June 30, 2019	212	42	(158)	3,043

2. Dividends

	Dividends per share					Total dividends paid	Dividend payout ratio	Dividend on equity
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended June 30, 2019	—	0.00	—	5.00	5.00	72	25.7	3.2
Year ended June 30, 2020	—	0.00	—	6.00	6.00	88	17.4	3.2
Year ending June 30, 2021 (forecast)	—	0.00	—	6.00	6.00		16.1	

(Note) The above dividend payout ratio for the year ending June 30, 2021 (forecast) is the lower bound of a forecast range of 16.1–26.1%.

3. Financial Results Forecasts for the Fiscal Year Ending June 30, 2021 (from July 1, 2020 to June 30, 2021)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending June 30, 2021	15,500	7.9	500–800	(32.0) –8.8	500–800	(33.1) –7.1	340–550	(33.3) –7.9	22.98–37.17

(Note) The Company uses ranges of values for certain financial results forecasts for the fiscal year ending June 30, 2021.

* NOTE

(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

- (i) Changes in accounting principles accompanying the amendment of accounting standards: None
- (ii) Changes other than those in (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatements: None

(2) Number of Shares Issued (Common shares)

- (i) Number of shares issued at the end of the period (including treasury stock)

As of June 30, 2020	14,796,800 shares	As of June 30, 2019	14,579,400 shares
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- (ii) Number of treasury stock at the end of the period

As of June 30, 2020	188 shares	As of June 30, 2019	146 shares
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- (iii) Average number of shares issued during the period

Year ended June 30, 2020	14,765,703 shares	Year ended June 30, 2019	14,570,787 shares
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* The summaries of financial results are positioned outside the scope of the audit performed by a certified public accountant or an audit corporation.

* Explanations Regarding the Appropriate Use of Financial Results Forecasts and Other Items Worthy of Special Mention

<Precautions for Forward-Looking Statements

Forward-looking statements in this summary, such as financial results forecasts, are based on information available to the Company at present and certain assumptions the Company judges to be rational. Those descriptions do not mean that the Company promises their achievement. Actual financial results and the like may also differ significantly from those descriptions depending on various factors.

<Method for Obtaining Supplementary Materials for Explaining Financial Results and the Details of Results Briefings>

The Company will hold a results briefing (online) for institutional investors, securities analysts and news media on Tuesday, August 18, 2020. The Company will publish supplementary materials for explaining the financial results through the Company Announcements Disclosure Service of the Tokyo Stock Exchange and on its official website on Tuesday, August 11, 2020.

Financial Statements

(1) Balance Sheets

(Thousand yen)

	Previous fiscal year (As of June 30, 2019)	Fiscal year under review (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	3,043,817	3,214,015
Accounts receivable - trade	1,759,412	1,198,906
Supplies	187	200
Advance payments - trade	6,684	4,397
Prepaid expenses	69,439	95,242
Other	3,446	2,179
Allowance for doubtful accounts	(14)	(9)
Total current assets	4,882,974	4,514,932
Non-current assets		
Property, plant and equipment		
Buildings	93,704	93,704
Tools, furniture and fixtures	73,200	78,230
Accumulated depreciation	(46,047)	(65,327)
Total property, plant and equipment	120,857	106,608
Intangible assets		
Goodwill	–	28,908
Software	14,961	449
Other	–	15,950
Total intangible assets	14,961	45,308
Investments and other assets		
Long-term prepaid expenses	79	55
Deferred tax assets	27,267	58,352
Leasehold and guarantee deposits	235,342	252,275
Total investments and other assets	262,688	310,683
Total non-current assets	398,507	462,599
Total assets	5,281,482	4,977,532

(Thousand yen)

	Previous fiscal year (As of June 30, 2019)	Fiscal year under review (As of June 30, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	2,033,006	1,262,867
Current portion of long-term loans payable	79,992	80,032
Accounts payable - other	539,479	391,791
Accrued expenses	3,284	2,597
Income taxes payable	16,767	215,817
Advances received	191,938	207,665
Deposits received	12,365	5,630
Other	34,264	58,104
Total current liabilities	2,911,098	2,224,505
Non-current liabilities		
Long-term loans payable	80,032	–
Total non-current liabilities	80,032	–
Total liabilities	2,991,130	2,224,505
Net assets		
Shareholders' equity		
Capital stock	395,442	408,329
Capital surplus		
Legal capital surplus	385,442	398,329
Total capital surplus	385,442	398,329
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,509,268	1,946,203
Total retained earnings	1,509,268	1,946,203
Treasury shares	(101)	(135)
Total shareholders' equity	2,290,051	2,752,726
Share acquisition rights	300	300
Total net assets	2,290,351	2,753,026
Total liabilities and net assets	5,281,482	4,977,532

(2) Statement of Income

(Thousand yen)

	Previous fiscal year (From July 1, 2018 to June 30, 2019)	Fiscal year under review (From July 1, 2019 to June 30, 2020)
Net sales	14,050,718	14,363,944
Cost of sales	9,718,823	9,793,585
Gross profit	4,331,895	4,570,358
Selling, general and administrative expenses	3,907,701	3,835,138
Operating income	424,193	735,219
Non-operating income		
Interest income	39	29
Commission fee	8,078	9,958
Rewards income	189	1,862
Other	539	745
Total non-operating income	8,847	12,595
Non-operating expenses		
Interest expenses	957	595
Share acquisition rights expenses	10,558	–
Other	219	33
Total non-operating expenses	11,735	628
Ordinary income	421,305	747,186
Extraordinary income		
Gain on sales of non-current assets	77	–
Total extraordinary income	77	–
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	329	–
Total extraordinary losses	329	–
Net income before income taxes	421,054	747,186
Income taxes - current	104,514	254,522
Income taxes - deferred	32,623	(17,167)
Total income taxes	137,137	237,355
Net income	283,916	509,831

(3) Statement of Changes in Equity
Previous fiscal year (From July 1, 2018 to June 30, 2019)

(Thousand yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings				
Balance at beginning of current period	393,525	383,525	383,525	1,298,160	1,298,160	(101)	2,075,110	–	2,075,110
Changes of items during period									
Issuance of new shares - exercise of share acquisition rights	1,917	1,917	1,917				3,834		3,834
Net income				283,916	283,916		283,916		283,916
Purchase of treasury shares						–	–		–
Dividends from retained earnings				(72,809)	(72,809)		(72,809)		(72,809)
Net changes of items other than shareholders' equity								300	300
Total changes of items during period	1,917	1,917	1,917	211,107	211,107	–	214,941	300	215,241
Balance at end of current period	395,442	385,442	385,442	1,509,268	1,509,268	(101)	2,290,051	300	2,290,351

Fiscal year under review (From July 1, 2019 to June 30, 2020)

(Thousand yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings				
Balance at beginning of current period	395,442	385,442	385,442	1,509,268	1,509,268	(101)	2,290,051	300	2,290,351
Changes of items during period									
Issuance of new shares - exercise of share acquisition rights	12,887	12,887	12,887				25,774		25,774
Net income				509,831	509,831		509,831		509,831
Purchase of treasury shares						(34)	(34)		(34)
Dividends from retained earnings				(72,896)	(72,896)		(72,896)		(72,896)
Net changes of items other than shareholders' equity									–
Total changes of items during period	12,887	12,887	12,887	436,934	436,934	(34)	462,674	–	462,674
Balance at end of current period	408,329	398,329	398,329	1,946,203	1,946,203	(135)	2,752,726	300	2,753,026

(4) Statement of Cash Flows

(Thousand yen)

	Previous fiscal year (From July 1, 2018 to June 30, 2019)	Fiscal year under review (From July 1, 2019 to June 30, 2020)
Cash flows from operating activities		
Net income before income taxes	421,054	747,186
Depreciation	50,055	33,791
Amortization of goodwill	–	2,628
Loss (gain) on sales of non-current assets	(77)	–
Loss (gain) on liquidation of subsidiaries and associates	329	–
Share acquisition rights expenses	10,558	–
Increase (decrease) in allowance for doubtful accounts	3	(5)
Interest and dividend income	(39)	(29)
Interest expenses	957	595
Decrease (increase) in notes and accounts receivable - trade	(375,224)	560,505
Increase (decrease) in notes and accounts payable - trade	265,906	(770,138)
Other	59,668	(145,736)
Subtotal	433,191	428,797
Interest income received	39	29
Interest paid	(952)	(593)
Income taxes paid	(219,446)	(60,699)
Cash flows from operating activities	212,831	367,534
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,929)	(5,030)
Payments for acquisition of businesses	–	(45,454)
Proceeds from liquidation of subsidiaries	79,896	–
Payments of leasehold and guarantee deposits	(35,000)	(20,200)
Other	–	132
Cash flows from investing activities	42,966	(70,553)
Cash flows from financing activities		
Repayments of long-term loans payable	(79,992)	(79,992)
Dividends paid	(72,416)	(72,531)
Payments for issuance of share acquisition rights	(10,258)	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	3,834	25,774
Purchase of treasury shares	–	(34)
Cash flows from financing activities	(158,832)	(126,783)
Net increase (decrease) in cash and cash equivalents	96,965	170,197
Cash and cash equivalents at beginning of period	2,946,851	3,043,817
Cash and cash equivalents at end of period	3,043,817	3,214,015