

Translation

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Summary of Non-consolidated Financial Results for the First Half Ended December 31, 2018 (Based on Japanese Accounting Standards)

February 12, 2019

Company Name: Net Marketing Co. Ltd.
 Stock Exchange Listing: Tokyo Stock Exchange
 Code Number: 6175
 URL: <http://www.net-marketing.co.jp/>
 Representative: Kunihisa Miyamoto, Representative Director and CEO
 Contact: Takahiro Nagano, Director and CFO
 (TEL) +81-3-6894-0139
 Scheduled date to submit the quarterly report: February 13, 2019
 Scheduled date of the start of dividend payments: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for institutional investors, securities analysts, the press)

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

1. Financial Results for the First Half Ended December 31, 2018 (from July 1, 2018 to December 31, 2018)

(1) Financial Results (Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended December 31, 2018	6,533	30.1	25	(91.5)	21	(93.1)	9	(95.9)
First half ended December 31, 2017	5,021	8.0	305	47.4	317	53.4	222	59.0

	Net income per share	Diluted net income per share
	Yen	Yen
First half ended December 31, 2018	0.63	0.61
First half ended December 31, 2017	15.77	14.88

(Note) The Company performed a share split at the ratio of two common shares for one common share on March 14, 2018. Net income per share and diluted net income per share are calculated on the assumption that the share split concerned was performed at the beginning of the previous fiscal year.

(2) Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	Million yen	Million yen	%
As of December 31, 2018	4,028	2,013	50.0
As of June 30, 2018	4,900	2,075	42.3

(Reference) Shareholders' equity: As of December 31, 2018 2,013 million yen
 As of June 30, 2018 2,075 million yen

Starting from this fiscal year, the Company does not prepare consolidated financial statements because it dissolved Net Marketing International, Inc., its consolidated subsidiary, on July 31, 2018. Therefore, operating results and financial conditions for the fiscal year under review have been disclosed based entirely on the non-consolidated financial statements of the Company in the summary of financial results for the first half ended December 31, 2018. Operating results and financial conditions for the first half of the previous year and financial conditions for the previous fiscal year have also been disclosed based on the Company's non-consolidated financial statements in consideration of the comparability of periods.

2. Dividends

	Annual Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended June 30, 2018	–	0.00	–	5.00	5.00
Year ending June 30, 2019	–	0.00			
Year ending June 30, 2019 (forecast)			–	5.00	5.00

(Note) Revisions to dividend forecasts published most recently: No

3. Financial Results Forecasts for the Fiscal Year Ending June 30, 2019 (from July 1, 2018 to June 30, 2019)

(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, 2019	14,465	29.0	373	(32.6)	372	(34.6)	258	(35.0)	17.73

(Note) Revisions to results forecasts published most recently: No

* NOTE

(1) Application of particular accounting treatment concerning preparation of quarterly financial statements: None

(2) 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 (a) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(3) Number of Shares Issued (Common shares)

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

As of December 31, 2108: 14,570,000 shares

As of June 30, 2018: 14,562,000 shares

(ii) Number of treasury stock at the end of the period

As of December 31, 2108: 146 shares

As of June 30, 2018: 146 shares

(iii) Average number of shares issued during the period

First Half ended December 31, 2018: 14,569,754 shares

First Half ended December 31, 2017: 14,093,742 shares

The Company performed a share split at the ratio of two common shares for one common share on March 14, 2018. The number of shares issued at the end of the period, the number of treasury stock at the end of the period and the average number of shares issued during the period are calculated on the assumption that the share split concerned was performed at the beginning of the previous fiscal year.

* The summaries of financial results are positioned outside the scope of a quarterly review by certified public accountants and audit firm.

* 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 quarterly results supplementary materials for explaining the financial results and contents of the quarterly results briefing>

The Company is expected to hold a quarterly results briefing for institutional investors, securities analysts, the press on Thursday February 14, 2019. The Company will publish quarterly 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, February 12, 2019.

Quarterly Financial Statements and Key Notes

(1) Quarterly Balance Sheets

(Unit: Thousand yen)

	Previous fiscal year (As of June 30, 2018)	End of first half of the fiscal year under review (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	2,946,851	2,678,813
Accounts receivable - trade	1,384,187	848,782
Other	41,756	74,738
Allowance for doubtful accounts	(11)	(7)
Total current assets	4,372,785	3,602,328
Non-current assets		
Property, plant and equipment	140,869	131,703
Intangible assets	43,119	22,901
Investments and other assets	344,175	271,412
Total non-current assets	528,164	426,017
Total assets	4,900,949	4,028,345
Liabilities		
Current liabilities		
Accounts payable - trade	1,767,099	1,141,330
Current portion of long-term loans payable	79,992	79,992
Accounts payable - other	448,772	427,746
Income taxes payable	131,689	6,024
Other	238,261	239,395
Total current liabilities	2,665,815	1,894,489
Non-current liabilities		
Long-term loans payable	160,024	120,028
Total non-current liabilities	160,024	120,028
Total liabilities	2,825,839	2,014,517
Net assets		
Shareholders' equity		
Capital stock	393,525	394,560
Capital surplus	383,525	384,560
Retained earnings	1,298,160	1,234,507
Treasury shares	(101)	(101)
Total shareholders' equity	2,075,110	2,013,527
Share acquisition rights	–	300
Total net assets	2,075,110	2,013,827
Total liabilities and net assets	4,900,949	4,028,345

(2) Quarterly Statement of Income
(First six-month period)

(Unit: Thousand yen)

	First six months of the previous fiscal year (From July 1, 2017 to December 31, 2017)	First six months of the fiscal year under review (From July 1, 2018 to December 31, 2018)
Net sales	5,021,762	6,533,381
Cost of sales	3,505,377	4,580,323
Gross profit	1,516,384	1,953,058
Selling, general and administrative expenses	1,210,626	1,927,103
Operating Income	305,757	25,955
Non-operating income		
Interest income	12	26
Commission fee	63	6,658
Reversal of allowance for doubtful accounts	12,749	4
Other	82	479
Total non-operating income	12,907	7,168
Non-operating expenses		
Interest expenses	699	528
Foreign exchange losses	345	142
Share acquisition rights expenses	–	10,558
Other	137	0
Total non-operating expenses	1,183	11,230
Ordinary income	317,481	21,893
Extraordinary income		
Gain on transfer from business divestitures	8,807	–
Total extraordinary income	8,807	–
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	–	329
Total extraordinary losses	–	329
Net income before income taxes	326,289	21,563
Income taxes - current	107,181	265
Income taxes - deferred	(3,195)	12,142
Total income taxes	103,986	12,407
Net income	222,303	9,156

(3) Quarterly Statement of Cash Flows
(First six-month period)

(Unit: Thousand yen)

	First six months of the previous fiscal year (From July 1, 2017 to December 31, 2017)	First six months of the fiscal year under review (From July 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Net income before income taxes	326,289	21,563
Depreciation	39,660	31,011
Increase (decrease) in allowance for doubtful accounts	(12,749)	(4)
Interest and dividend income	(12)	(26)
Interest expenses	699	528
Share acquisition rights expenses	–	10,558
Gain on transfer from business divestitures	(8,807)	–
Loss (gain) on liquidation of subsidiaries and associates	–	329
Decrease (increase) in notes and accounts receivable - trade	438,599	535,405
Increase (decrease) in notes and accounts payable - trade	(534,992)	(625,768)
Other, net	73,212	(56,130)
Subtotal	321,899	(82,532)
Interest income received	16	26
Interest expenses paid	(697)	(522)
Income taxes paid	(103,354)	(122,154)
Net cash provided by (used in) operating activities	217,863	(205,182)
Cash flows from investing activities		
Payments into time deposits	(6,006)	–
Purchase of property, plant and equipment	(1,189)	(1,095)
Purchase of intangible assets	(18,200)	–
Gain from business divestitures	30,000	–
Proceeds from liquidation of subsidiaries	–	79,896
Other, net	(7,200)	(21,100)
Net cash provided by (used in) investing activities	(2,596)	57,701
Cash flows from financing activities		
Repayments of long-term loans payable	(44,994)	(39,996)
Cash dividends paid	–	(72,372)
Expenditures from issuance of share acquisition rights	–	(10,258)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	20,880	2,070
Purchase of treasury shares	(101)	–
Net cash provided by (used in) financing activities	(24,215)	(120,556)
Net increase (decrease) in cash and cash equivalents	191,051	(268,038)
Opening balance of cash and cash equivalents	2,077,432	2,946,851
Balance of cash and cash equivalents at the end of the quarter	2,268,484	2,678,813