

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Non-consolidated Financial Results for the First Half Ended December 31, 2020 (Based on Japanese Accounting Standards)

February 9, 2021

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 to submit the quarterly report: February 10, 2021
 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, 2020 (from July 1, 2020 to December 31, 2020)

(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, 2020	6,671	(13.9)	247	(51.3)	255	(50.1)	172	(51.0)
First half ended December 31, 2019	7,751	18.6	508	–	513	–	351	–

	Net income per share	Diluted net income per share
	Yen	Yen
First half ended December 31, 2020	11.65	11.47
First half ended December 31, 2019	23.86	23.40

(Note) Year-on-year changes in operating income, ordinary income and net income for the first half of the fiscal year ended June 30, 2020, which will be higher than 1000% respectively, have been presented as “–.”

(2) Financial Position

	Total assets	Net assets	Ratio of shareholders’ equity to total assets
	Million yen	Million yen	%
As of December 31, 2020	5,006	2,836	56.7
As of June 30, 2020	4,977	2,753	55.3

(Reference) Shareholders’ equity: As of December 31, 2020 2,836 million yen
 As of June 30, 2020 2,752 million yen

2. Dividends

	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, 2020	–	0.00	–	6.00	6.00
Year ending June 30, 2021	–	0.00			
Year ending June 30, 2021 (forecast)			–	6.00	6.00

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

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
Year ending June 30, 2021	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	14,400	0.3	400	(45.6)	400	(46.5)	270	(47.0)	18.25

(Note) Revisions to results forecasts published most recently: Yes

* 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 (i) 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, 2020: 14,796,800 shares

As of June 30, 2020: 14,796,800 shares

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

As of December 31, 2020: 188 shares

As of June 30, 2020: 188 shares

(iii) Average number of shares issued during the period

First half ended December 31, 2020: 14,796,612 shares

First half ended December 31, 2019: 14,737,428 shares

* 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 Supplementary Materials for Explaining Financial Results>

The Company is expected to hold a quarterly results briefing (online) for institutional investors, securities analysts, and the press on Friday February 26, 2021. 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, February 9, 2021.

Quarterly Financial Statements

(1) Quarterly Balance Sheets

(Unit: Thousand yen)

	Previous fiscal year (As of June 30, 2020)	End of first half of the fiscal year under review (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	3,214,015	3,549,852
Accounts receivable - trade	1,198,906	869,099
Other	102,019	107,982
Allowance for doubtful accounts	(9)	(7)
Total current assets	4,514,932	4,526,927
Non-current assets		
Property, plant and equipment	106,608	102,037
Intangible assets	45,308	78,222
Investments and other assets	310,683	299,460
Total non-current assets	462,599	479,720
Total assets	4,977,532	5,006,648
Liabilities		
Current liabilities		
Accounts payable - trade	1,262,867	1,127,175
Current portion of long-term loans payable	80,032	40,036
Income taxes payable	215,817	72,126
Other	665,789	930,691
Total current liabilities	2,224,505	2,170,029
Total liabilities	2,224,505	2,170,029
Net assets		
Shareholders' equity		
Capital stock	408,329	408,329
Capital surplus	398,329	398,329
Retained earnings	1,946,203	2,029,794
Treasury shares	(135)	(135)
Total shareholders' equity	2,752,726	2,836,318
Share acquisition rights	300	300
Total net assets	2,753,026	2,836,618
Total liabilities and net assets	4,977,532	5,006,648

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

(Unit: Thousand yen)

	First half of the previous fiscal year (From July 1, 2019 to December 31, 2019)	First half of the fiscal year under review (From July 1, 2020 to December 31, 2020)
Net sales	7,751,792	6,671,548
Cost of sales	5,248,204	4,454,028
Gross profit	2,503,588	2,217,520
Selling, general and administrative expenses	1,995,502	1,970,009
Operating income	508,086	247,511
Non-operating income		
Interest income	13	15
Commission fee	3,241	–
Rewards income	1,862	1,731
Subsidy income	–	6,630
Other	393	309
Total non-operating income	5,509	8,686
Non-operating expenses		
Interest expenses	347	153
Foreign exchange losses	21	68
Other	3	3
Total non-operating expenses	371	224
Ordinary income	513,224	255,972
Net income before income taxes	513,224	255,972
Income taxes - current	162,457	62,661
Income taxes - deferred	(868)	20,939
Total income taxes	161,589	83,601
Net income	351,634	172,371

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

(Unit: Thousand yen)

	First half of the previous fiscal year (From July 1, 2019 to December 31, 2019)	First half of the fiscal year under review (From July 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Net income before income taxes	513,224	255,972
Depreciation	16,935	8,152
Amortization of goodwill	—	5,256
Increase (decrease) in allowance for doubtful accounts	(6)	(2)
Interest income	(13)	(15)
Interest expenses	347	153
Decrease (increase) in notes and accounts receivable - trade	759,487	329,807
Increase (decrease) in notes and accounts payable - trade	(683,948)	(135,691)
Other, net	(55,067)	258,471
Subtotal	550,960	722,103
Interest income received	13	15
Interest expenses paid	(347)	(150)
Income taxes paid	(7,219)	(201,043)
Net cash provided by (used in) operating activities	543,407	520,925
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,317)	(2,419)
Purchase of intangible assets	—	(43,704)
Other, net	(18,667)	(10,500)
Net cash provided by (used in) investing activities	(19,985)	(56,623)
Cash flows from financing activities		
Repayments of long-term loans payable	(39,996)	(39,996)
Cash dividends paid	(72,487)	(88,468)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	24,622	—
Purchase of treasury shares	(34)	—
Net cash provided by (used in) financing activities	(87,895)	(128,464)
Net increase (decrease) in cash and cash equivalents	435,526	335,836
Opening balance of cash and cash equivalents	3,043,817	3,214,015
Balance of cash and cash equivalents at the end of the quarter	3,479,343	3,549,852