

## Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2018 (Based on Japanese Accounting Standards)

August 10, 2018

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, President and Representative Director  
 Contact: Takahiro Nagano, Director, Vice President and General Manager of Administration Division  
 (TEL) +81-3-6894-0139  
 Scheduled date of ordinary general meeting of shareholders: September 27, 2018  
 Scheduled date of the start of dividend payments: September 28, 2018  
 Scheduled date to submit annual securities report: September 27, 2018  
 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. Consolidated Financial Results for the Fiscal Year Ended June 30, 2018 (from July 1, 2017 to June 30, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2018	11,209	13.6	551	24.9	566	33.7	403	35.9
Year ended June 30, 2017	9,868	11.8	441	61.3	423	54.2	296	68.1

(Note) Comprehensive income: Year ended June 30, 2018 398 million yen (31.0%)  
Year ended June 30, 2017 303 million yen (88.5%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income margin
	Yen	Yen	%	%	%
Year ended June 30, 2018	28.20	26.95	21.9	12.9	4.9
Year ended June 30, 2017	22.51	22.09	24.1	12.6	4.5

(Reference) Equity method gain or loss: Year ended June 30, 2018 – million yen  
Year ended June 30, 2017 – million yen

(Notes) 1. Net Marketing Co. Ltd. (hereinafter the “Company”) listed its shares on the JASDAQ market of the Tokyo Stock Exchange on March 31, 2017. For that reason, diluted net income per share is calculated by assuming the average share price from the listing date to June 30, 2017 as the average share price during the period.

2. 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) Consolidated 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, 2018	4,892	2,066	42.2	141.90
As of June 30, 2017	3,908	1,613	41.3	115.38

(Reference) Shareholders’ equity: Year ended June 30, 2018 2,066 million yen  
Year ended June 30, 2017 1,613 million yen

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

#### (3) State of Consolidated 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, 2018	920	-21	-33	3,027
Year ended June 30, 2017	718	-227	342	2,162

## 2. Dividends

	Dividends per share					Total dividends paid	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	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, 2017	—	0.00	—	0.00	0.00	—	—	—
Year ended June 30, 2018	—	0.00	—	5.00	5.00	72	17.7	3.5
Year ending June 30, 2019 (forecast)	—	0.00	—	5.00	5.00		28.2	

(Notes) 1. The Company performed a share split at the ratio of two common shares for one common share on March 14, 2018. For that reason, the effects of the share split concerned are taken into consideration for year-end dividends per share for the fiscal year ended June 30, 2018.

2. The dividend payout ratio for the fiscal year ending June 30, 2019 is stated on an individual basis.

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

Net Marketing International, Inc., a consolidated subsidiary of the Company, was dissolved on July 31, 2018. The Company does not disclose a consolidated financial results forecast for the fiscal year ending June 30, 2019 because it is switching to non-consolidated accounting starting this fiscal year. Non-consolidated financial results forecasts are stated in 2. Non-Consolidated Financial Results Forecasts for the Fiscal Year Ending June 30, 2019 (from July 1, 2018 to June 30, 2019) in Reference: Overview of Non-Consolidated Financial Results on the following page.

### \* NOTE

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No
- (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 June 30, 2108	14,562,000 shares	As of June 30, 2017	13,988,000 shares
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  - (ii) Number of treasury stock at the end of the period
 

As of June 30, 2108	146 shares	As of June 30, 2017	— shares
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  - (iii) Average number of shares issued during the period
 

Year ended June 30, 2018	14,315,298 shares	Year ended June 30, 2017	13,189,194 shares
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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.

Reference: Overview of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended June 30, 2018 (from July 1, 2017 to June 30, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2018	11,209	13.6	554	25.0	569	33.7	397	32.6
Year ended June 30, 2017	9,868	11.8	443	60.5	426	53.6	299	66.8

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended June 30, 2018	27.75	26.53
Year ended June 30, 2017	22.71	22.29

(Notes) 1. Net Marketing Co. Ltd. (hereinafter the “Company”) listed its shares on the JASDAQ market of the Tokyo Stock Exchange on March 31, 2017. For that reason, diluted net income per share is calculated by assuming the average share price from the listing date to June 30, 2017 as the average share price during the period.

2. 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) Non-Consolidated 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, 2018	4,900	2,075	42.3	142.50
As of June 30, 2017	3,917	1,623	41.4	116.07

(Reference) Shareholders’ equity: Year ended June 30, 2018 2,075 million yen  
Year ended June 30, 2017 1,623 million yen

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

2. Non-Consolidated Financial Results Forecasts for the Fiscal Year Ending June 30, 2019

(from July 1, 2018 to June 30, 2019) (Percentages calculated on year-on-year basis.)

	Net Sales		Operating Income		Ordinary Income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	6,652	—	-169	—	-169	—	-170	—	-11.68
Full year	14,465	29.0	373	-32.6	372	-34.6	258	-35.0	17.73

(Notes) The Company does not compare forecasts for the first six months on a year-on-year basis because it is switching to non-consolidated accounting starting in the fiscal year ending June 30, 2019.

\* The summaries of consolidated 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.

Refer to (4) Outlook for the Future in 1. Operating Results and Other General Conditions on page 4 of the appended material for preconditions for financial results forecasts, precautions for the use of financial results forecasts and the like.

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

The Company will hold a results briefing for institutional investors, securities analysts and news media on Tuesday, August 21, 2018. 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 Friday, August 10, 2018.

## Consolidated Financial Statements and Key Notes

### (1) Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of June 30, 2017)	Fiscal year under review (As of June 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	2,243,671	3,027,166
Accounts receivable - trade	1,233,000	1,384,187
Deferred tax assets	11,774	16,324
Other	28,631	41,756
Allowance for doubtful accounts	-12,755	-11
Total current assets	3,504,323	4,469,424
Non-current assets		
Property, plant and equipment		
Buildings	21,715	93,704
Tools, furniture and fixtures	26,468	74,819
Accumulated depreciation	-31,634	-27,654
Total property, plant and equipment	16,550	140,869
Intangible assets		
Software	120,829	43,119
Total intangible assets	120,829	43,119
Investments and other assets		
Deferred tax assets	18,839	34,840
Other	247,550	204,059
Total investments and other assets	266,390	238,900
Total non-current assets	403,770	422,888
Total assets	3,908,094	4,892,313

(Thousand yen)

	Previous fiscal year (As of June 30, 2017)	Fiscal year under review (As of June 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,431,956	1,767,099
Current portion of long-term loans payable	87,509	79,992
Accounts payable - other	289,935	448,772
Income taxes payable	113,910	131,778
Other	130,853	238,261
Total current liabilities	2,054,164	2,665,903
Non-current liabilities		
Long-term loans payable	240,016	160,024
Total non-current liabilities	240,016	160,024
Total liabilities	2,294,180	2,825,927
<b>Net assets</b>		
Shareholders' equity		
Capital stock	366,345	393,525
Capital surplus	356,345	383,525
Retained earnings	875,981	1,279,633
Treasury shares	—	-101
Total shareholders' equity	1,598,672	2,056,583
Accumulated other comprehensive income		
Foreign currency translation adjustment	15,241	9,802
Total accumulated other comprehensive income	15,241	9,802
Total net assets	1,613,914	2,066,385
Total liabilities and net assets	3,908,094	4,892,313

(2) Consolidated Statements of Profit and Loss and Comprehensive Income  
(Consolidated Statements of Profit and Loss)

(Thousand yen)

	Previous fiscal year (From July 1, 2016 to June 30, 2017)	Fiscal year under review (From July 1, 2017 to June 30, 2018)
Net sales	9,868,130	11,209,930
Cost of sales	7,336,576	7,937,889
Gross profit	2,531,553	3,272,041
Selling, general and administrative expenses	2,090,141	2,720,670
Operating Income	441,411	551,370
Non-operating income		
Interest income	22	23
Commission fee	117	2,306
Reversal of allowance for doubtful accounts	—	12,749
Other	41	1,510
Total non-operating income	181	16,589
Non-operating expenses		
Interest expenses	1,823	1,307
Guarantee commission	572	183
Going public expenses	13,960	—
Other	1,462	—
Total non-operating expenses	17,818	1,491
Ordinary Income	423,773	566,468
Extraordinary income		
Gain on transfer from business divestitures	—	8,807
Total extraordinary income	—	8,807
Extraordinary losses		
Loss on retirement of non-current assets	—	208
Head office transfer cost	—	1,822
Total extraordinary losses	—	2,031
Profit before income taxes	423,773	573,244
Income taxes - current	144,547	194,470
Income taxes - deferred	-17,719	-24,877
Total income taxes	126,828	169,593
Profit	296,944	403,651
Profit attributable to owners of parent	296,944	403,651

## (Consolidated Statements of Comprehensive Income)

(Thousand yen)

	Previous fiscal year (From July 1, 2016 to June 30, 2017)	Fiscal year under review (From July 1, 2017 to June 30, 2018)
Profit	296,944	403,651
Other comprehensive income		
Foreign currency translation adjustment	7,005	-5,438
Total other comprehensive income	7,005	-5,438
Comprehensive income	303,950	398,212
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	303,950	398,212
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity  
 Previous fiscal year (From July 1, 2016 to June 30, 2017)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	136,820	126,820	579,036	—	842,676	8,236	8,236	850,912
Changes of items during period								
Issuance of new shares	222,345	222,345			444,691			444,691
Issuance of new shares - exercise of share acquisition rights	7,180	7,180			14,360			14,360
Profit attributable to owners of parent			296,944		296,944			296,944
Purchase of treasury shares				—				
Net changes of items other than shareholders' equity						7,005	7,005	7,005
Total changes of items during period	229,525	229,525	296,944	—	755,996	7,005	7,005	763,001
Balance at end of current period	366,345	356,345	875,981	—	1,598,672	15,241	15,241	1,613,914

Fiscal year under review (From July 1, 2017 to June 30, 2018)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	366,345	356,345	875,981	—	1,598,672	15,241	15,241	1,613,914
Changes of items during period								
Issuance of new shares	—	—			—			—
Issuance of new shares - exercise of share acquisition rights	27,180	27,180			54,360			54,360
Profit attributable to owners of parent			403,651		403,651			403,651
Purchase of treasury shares				-101	-101			-101
Net changes of items other than shareholders' equity						-5,438	-5,438	-5,438
Total changes of items during period	27,180	27,180	403,651	-101	457,910	-5,438	-5,438	452,471
Balance at end of current period	393,525	383,525	1,279,633	-101	2,056,583	9,802	9,802	2,066,385



## (4) Consolidated Statement of Cash Flows

(Thousand yen)

	Previous fiscal year (From July 1, 2016 to June 30, 2017)	Fiscal year under review (From July 1, 2017 to June 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	423,773	573,244
Depreciation	70,080	77,078
Loss on retirement of non-current assets	—	208
Gain on transfer from business divestitures	—	-8,807
Increase (decrease) in allowance for doubtful accounts	490	-12,744
Interest and dividend income	-22	-23
Interest expenses	1,823	1,307
Guarantee commission	572	183
Going public expenses	13,960	—
Decrease (increase) in notes and accounts receivable - trade	-47,318	-151,186
Increase (decrease) in notes and accounts payable - trade	203,867	335,143
Other	106,449	283,012
Subtotal	773,676	1,097,417
Interest income received	27	27
Interest and guarantee commissions paid	-1,733	-1,303
Income taxes paid	-53,479	-175,673
Cash flows from operating activities	718,491	920,468
<b>Cash flows from investing activities</b>		
Payments into time deposits, etc.	-12,014	-10,006
Repayments of time deposits, etc.	—	91,047
Purchase of property, plant and equipment	-12,262	-145,088
Purchase of intangible assets	-29,632	-18,200
Proceeds from business divestiture	—	30,000
Other	-173,476	30,680
Cash flows from investing activities	-227,384	-21,567
<b>Cash flows from financing activities</b>		
Repayments of long-term loans payable	-102,624	-87,509
Proceeds from issuance of common shares	444,691	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	14,360	54,360
Purchase of treasury shares	—	-101
Other	-14,029	—
Cash flows from financing activities	342,397	-33,250
Effect of exchange rate change on cash and cash equivalents	7,025	-1,116
Net increase (decrease) in cash and cash equivalents	840,530	864,534
Cash and cash equivalents at beginning of period	1,322,100	2,162,631
Cash and cash equivalents at end of period	2,162,631	3,027,166