

Translation

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Summary of Non-Consolidated Financial Results for the Fiscal Year Ended June 30, 2019 (Based on Japanese Accounting Standards)

August 9, 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 of ordinary general meeting of shareholders: September 27, 2019
 Scheduled date of the start of dividend payments: September 30, 2019
 Scheduled date to submit annual securities report: September 27, 2019
 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, 2019 (from July 1, 2018 to June 30, 2019)

(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, 2019	14,050	25.3	424	-23.6	421	-26.1	283	-28.5
Year ended June 30, 2018	11,209	13.6	554	25.0	569	33.7	397	32.6

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income margin
	Yen	Yen	%	%	%
Year ended June 30, 2019	19.49	18.97	13.0	8.3	3.0
Year ended June 30, 2018	27.75	26.53	21.5	12.9	5.0

(Reference) Equity method gain or loss: Year ended June 30, 2019 – million yen
Year ended June 30, 2018 – 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 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	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2019	5,281	2,290	43.4	157.08
As of June 30, 2018	4,900	2,075	42.3	142.50

(Reference) Shareholders' equity: Year ended June 30, 2019 2,290 million yen
Year ended June 30, 2018 2,075 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 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, 2019	212	42	-158	3,043
Year ended June 30, 2018	924	-21	-33	2,946

Effective from the fiscal year under review, the Company stopped preparing consolidated financial statements because it dissolved Net Marketing International, Inc., its consolidated subsidiary, on July 31, 2018. Therefore, in this summary of financial results for the fiscal year ended June 30, 2019, 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 connection with this disclosure, operating results and financial conditions for the previous fiscal year have also been disclosed based on the Company's non-consolidated financial statements in this summary of financial results, from the perspective of comparability with the previous fiscal year.

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, 2018	—	0.00	—	5.00	5.00	72	18.0	3.5
Year ended June 30, 2019	—	0.00	—	5.00	5.00	72	25.7	3.2
Year ending June 30, 2020 (forecast)	—	0.00	—	6.00	6.00		15.5	

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

(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
First six months	7,535	15.3	398	—	398	—	275	—	18.92
Year ending June 30, 2020	16,302	16.0	813	91.8	812	92.9	563	98.4	38.64

Year-on-year changes in operating income, ordinary income and net income for the first six months of the fiscal year ending June 30, 2020, which will be higher than 1000% respectively, have been presented as “-”.

* 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, 2019 14,579,400 shares
 - As of June 30, 2018 14,562,000 shares
- (ii) Number of treasury stock at the end of the period
 - As of June 30, 2019 146 shares
 - As of June 30, 2018 146 shares
- (iii) Average number of shares issued during the period
 - Year ended June 30, 2019 14,570,787 shares
 - Year ended June 30, 2018 14,315,298 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 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 for institutional investors, securities analysts and news media on Monday, August 19, 2019. 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 9, 2019.

Financial Statements and Key Notes

(1) Balance Sheets

(Thousand yen)

	Previous fiscal year (As of June 30, 2018)	Fiscal year under review (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	2,946,851	3,043,817
Accounts receivable - trade	1,384,187	1,759,412
Supplies	384	187
Advance payments - trade	4,314	6,684
Prepaid expenses	32,012	69,439
Other	5,045	3,446
Allowance for doubtful accounts	-11	-14
Total current assets	4,372,785	4,882,974
Non-current assets		
Property, plant and equipment		
Buildings	93,704	93,704
Tools, furniture and fixtures	74,819	73,200
Accumulated depreciation	-27,654	-46,047
Total property, plant and equipment	140,869	120,857
Intangible assets		
Software	43,119	14,961
Total intangible assets	43,119	14,961
Investments and other assets		
Shares of subsidiaries and associates	80,225	-
Long-term prepaid expenses	450	79
Deferred tax assets	59,890	27,267
Other	203,609	235,342
Total investments and other assets	344,175	262,688
Total non-current assets	528,164	398,507
Total assets	4,900,949	5,281,482

(Thousand yen)

	Previous fiscal year (As of June 30, 2018)	Fiscal year under review (As of June 30, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	1,767,099	2,033,006
Current portion of long-term loans payable	79,992	79,992
Accounts payable - other	448,772	539,479
Accrued expenses	9,590	3,284
Income taxes payable	131,689	16,767
Advances received	138,548	191,938
Deposits received	18,061	12,365
Other	72,060	34,264
Total current liabilities	2,665,815	2,911,098
Non-current liabilities		
Long-term loans payable	160,024	80,032
Total non-current liabilities	160,024	80,032
Total liabilities	2,825,839	2,991,130
Net assets		
Shareholders' equity		
Capital stock	393,525	395,442
Capital surplus		
Legal capital surplus	383,525	385,442
Total capital surplus	383,525	385,442
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,298,160	1,509,268
Total retained earnings	1,298,160	1,509,268
Treasury shares	-101	-101
Total shareholders' equity	2,075,110	2,290,051
Share acquisition rights	-	300
Total net assets	2,075,110	2,290,351
Total liabilities and net assets	4,900,949	5,281,482

(2) Statement of income

(Thousand yen)

	Previous fiscal year (From July 1, 2017 to June 30, 2018)	Fiscal year under review (From July 1, 2018 to June 30, 2019)
Net sales	11,209,930	14,050,718
Cost of sales	7,937,889	9,718,823
Gross profit	3,272,041	4,331,895
Selling, general and administrative expenses	2,717,155	3,907,701
Operating income	554,885	424,193
Non-operating income		
Interest income	23	39
Commission fee	2,306	8,078
Reversal of allowance for doubtful accounts	12,749	–
Other	1,510	729
Total non-operating income	16,589	8,847
Non-operating expenses		
Interest expenses	1,307	957
Share acquisition rights expenses	–	10,558
Other	184	219
Total non-operating expenses	1,491	11,735
Ordinary income	569,983	421,305
Extraordinary income		
Gain on transfer from business divestitures	8,807	–
Gain on sales of non-current assets	–	77
Total extraordinary income	8,807	77
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	14,365	–
Loss on liquidation of subsidiaries and associates	–	329
Loss on retirement of non-current assets	208	–
Head office transfer cost	1,822	–
Total extraordinary losses	16,396	329
Net income before income taxes	562,394	421,054
Income taxes - current	194,382	104,514
Income taxes - deferred	-29,276	32,623
Total income taxes	165,106	137,137
Net income	397,288	283,916

(3) Statement of Changes in Equity
Previous fiscal year (From July 1, 2017 to June 30, 2018)

(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	366,345	356,345	356,345	900,872	900,872	-	1,623,563	-	1,623,563
Changes of items during period									
Issuance of new shares - exercise of share acquisition rights	27,180	27,180	27,180				54,360		54,360
Net income				397,288	397,288		397,288		397,288
Purchase of treasury shares						-101	-101		-101
Dividends from retained earnings				-	-		-		-
Net changes of items other than shareholders' equity								-	-
Total changes of items during period	27,180	27,180	27,180	397,288	397,288	-101	451,546	-	451,546
Balance at end of current period	393,525	383,525	383,525	1,298,160	1,298,160	-101	2,075,110	-	2,075,110

Fiscal year under review (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

(4) Statement of Cash Flows

(Thousand yen)

	Previous fiscal year (From July 1, 2017 to June 30, 2018)	Fiscal year under review (From July 1, 2018 to June 30, 2019)
Cash flows from operating activities		
Net income before income taxes	562,394	421,054
Depreciation	77,078	50,055
Loss on valuation of shares of subsidiaries and associates	14,365	—
Loss on retirement of non-current assets	208	—
Loss (gain) on sales of non-current assets	—	-77
Gain on transfer from business divestitures	-8,807	—
Loss (gain) on liquidation of subsidiaries and associates	—	329
Share acquisition rights expenses	—	10,558
Increase (decrease) in allowance for doubtful accounts	-12,744	3
Interest and dividend income	-23	-39
Interest expenses	1,307	957
Decrease (increase) in notes and accounts receivable - trade	-151,186	-375,224
Increase (decrease) in notes and accounts payable - trade	335,143	265,906
Other	283,360	59,668
Subtotal	1,101,096	433,191
Interest income received	27	39
Interest paid	-1,303	-952
Income taxes paid	-175,583	-219,446
Cash flows from operating activities	924,237	212,831
Cash flows from investing activities		
Payments into time deposits, etc.	-10,006	—
Repayments of time deposits, etc.	91,047	—
Purchase of property, plant and equipment	-145,088	-1,929
Purchase of intangible assets	-18,200	—
Proceeds from business divestiture	30,000	—
Proceeds from liquidation of subsidiaries	—	79,896
Other	30,680	-35,000
Cash flows from investing activities	-21,567	42,966
Cash flows from financing activities		
Repayments of long-term loans payable	-87,509	-79,992
Dividends paid	—	-72,416
Payments for issuance of share acquisition rights	—	-10,258
Proceeds from issuance of shares resulting from exercise of share acquisition rights	54,360	3,834
Purchase of treasury shares	-101	—
Cash flows from financing activities	-33,250	-158,832
Net increase (decrease) in cash and cash equivalents	869,419	96,965
Cash and cash equivalents at beginning of period	2,077,432	2,946,851
Cash and cash equivalents at end of period	2,946,851	3,043,817