

Translation

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Summary of Non-consolidated Financial Results for the First Half Ended December 31, 2019 (Based on Japanese Accounting Standards)

February 12, 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 to submit the quarterly report: February 13, 2020
 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, 2019 (from July 1, 2019 to December 31, 2019)

(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, 2019	7,751	18.6	508	–	513	–	351	–
First half ended December 31, 2018	6,533	30.1	25	(91.5)	21	(93.1)	9	(95.9)

	Net income per share	Diluted net income per share
	Yen	Yen
First half ended December 31, 2019	23.86	23.40
First half ended December 31, 2018	0.63	0.61

(Note) 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 “–.”

(2) Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	Million yen	Million yen	%
As of December 31, 2019	4,975	2,593	52.1
As of June 30, 2019	5,281	2,290	43.4

(Reference) Shareholders' equity: As of December 31, 2019 2,593 million yen
As of June 30, 2019 2,290 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, 2019	–	0.00	–	5.00	5.00
Year ending June 30, 2020	–	0.00	–	–	–
Year ending June 30, 2020 (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, 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
Year ending June 30, 2020	16,302	16.0	813	91.8	812	92.9	563	98.4	38.64

(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 (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, 2019: 14,793,600 shares

As of June 30, 2019: 14,579,400 shares

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

As of December 31, 2019: 188 shares

As of June 30, 2019: 146 shares

(iii) Average number of shares issued during the period

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

First Half ended December 31, 2018: 14,569,754 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 for institutional investors, securities analysts, and the press on Tuesday February 25, 2020. 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 Wednesday, February 12, 2020.

Quarterly Financial Statements and Key Notes

(1) Quarterly Balance Sheets

(Unit: Thousand yen)

	Previous fiscal year (As of June 30, 2019)	End of first half of the fiscal year under review (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	3,043,817	3,479,343
Accounts receivable - trade	1,759,412	999,924
Other	79,758	94,517
Allowance for doubtful accounts	(14)	(8)
Total current assets	4,882,974	4,573,777
Non-current assets		
Property, plant and equipment	120,857	113,543
Intangible assets	14,961	7,020
Investments and other assets	262,688	281,311
Total non-current assets	398,507	401,875
Total assets	5,281,482	4,975,653
Liabilities		
Current liabilities		
Accounts payable - trade	2,033,006	1,349,058
Current portion of long-term loans payable	79,992	79,992
Income taxes payable	16,767	175,618
Other	781,332	737,270
Total current liabilities	2,911,098	2,341,939
Non-current liabilities		
Long-term loans payable	80,032	40,036
Total non-current liabilities	80,032	40,036
Total liabilities	2,991,130	2,381,975
Net assets		
Shareholders' equity		
Capital stock	395,442	407,753
Capital surplus	385,442	397,753
Retained earnings	1,509,268	1,788,006
Treasury shares	(101)	(135)
Total shareholders' equity	2,290,051	2,593,378
Share acquisition rights	300	300
Total net assets	2,290,351	2,593,678
Total liabilities and net assets	5,281,482	4,975,653

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

(Unit: Thousand yen)

	First six months of the previous fiscal year (From July 1, 2018 to December 31, 2018)	First six months of the fiscal year under review (From July 1, 2019 to December 31, 2019)
Net sales	6,533,381	7,751,792
Cost of sales	4,580,323	5,248,204
Gross profit	1,953,058	2,503,588
Selling, general and administrative expenses	1,927,103	1,995,502
Operating income	25,955	508,086
Non-operating income		
Interest income	26	13
Commission fee	6,658	3,241
Rewards income	189	1,862
Other	293	393
Total non-operating income	7,168	5,509
Non-operating expenses		
Interest expenses	528	347
Share acquisition rights expenses	10,558	—
Other	143	24
Total non-operating expenses	11,230	371
Ordinary income	21,893	513,224
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	329	—
Total extraordinary losses	329	—
Net income before income taxes	21,563	513,224
Income taxes - current	265	162,457
Income taxes - deferred	12,142	(868)
Total income taxes	12,407	161,589
Net income	9,156	351,634

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

(Unit: Thousand yen)

	First six months of the previous fiscal year (From July 1, 2018 to December 31, 2018)	First six months of the fiscal year under review (From July 1, 2019 to December 31, 2019)
Cash flows from operating activities		
Net income before income taxes	21,563	513,224
Depreciation	31,011	16,935
Increase (decrease) in allowance for doubtful accounts	(4)	(6)
Interest and dividend income	(26)	(13)
Interest expenses	528	347
Share acquisition rights expenses	10,558	–
Loss (gain) on liquidation of subsidiaries and associates	329	–
Decrease (increase) in notes and accounts receivable - trade	535,405	759,487
Increase (decrease) in notes and accounts payable - trade	(625,768)	(683,948)
Other, net	(56,130)	(55,067)
Subtotal	(82,532)	550,960
Interest income received	26	13
Interest expenses paid	(522)	(347)
Income taxes paid	(122,154)	(7,219)
Net cash provided by (used in) operating activities	(205,182)	543,407
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,095)	(1,317)
Proceeds from liquidation of subsidiaries	79,896	–
Other, net	(21,100)	(18,667)
Net cash provided by (used in) investing activities	57,701	(19,985)
Cash flows from financing activities		
Repayments of long-term loans payable	(39,996)	(39,996)
Cash dividends paid	(72,372)	(72,487)
Expenditures from issuance of share acquisition rights	(10,258)	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,070	24,622
Purchase of treasury shares	–	(34)
Net cash provided by (used in) financing activities	(120,556)	(87,895)
Net increase (decrease) in cash and cash equivalents	(268,038)	435,526
Opening balance of cash and cash equivalents	2,946,851	3,043,817
Balance of cash and cash equivalents at the end of the quarter	2,678,813	3,479,343