

Translation

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Summary of Non-consolidated Financial Results for the Three Months Ended September 30, 2018 (Based on Japanese Accounting Standards)

November 12, 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, Representative Director and CEO
 Contact: Takahiro Nagano, Director and CFO
 (TEL) +81-3-6894-0139
 Scheduled date to submit the quarterly report: November 13, 2018
 Scheduled date of the start of dividend payments: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: None

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

1. Financial Results for the Three Months Ended September 30, 2019 (from July 1, 2018 to September 30, 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 three months ended September 30, 2018 | 3,455 | 27.5 | 26 | (85.8) | 27 | (86.6) | 16 | (88.3) |
| First three months ended September 30, 2017 | 2,709 | 9.3 | 189 | 43.9 | 202 | 52.6 | 144 | 119.5 |

| | Net income per share | Diluted net income per share |
|---|----------------------|------------------------------|
| | Yen | Yen |
| First three months ended September 30, 2018 | 1.16 | 1.13 |
| First three months ended September 30, 2017 | 10.27 | 9.67 |

(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 September 30, 2018 | 4,307 | 2,021 | 46.9 |
| As of June 30, 2018 | 4,900 | 2,075 | 42.3 |

(Reference) Shareholders' equity: As of September 30, 2018 2,021 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 quarter ending June 30, 2019. Operating results and financial conditions for the first quarter 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 | – | – | – | – | – |
| Year ending June 30, 2019 (forecast) | – | 0.00 | – | 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 |
| First half | 6,652 | — | (169) | — | (169) | — | (170) | — | (11.68) |
| 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 September 30, 2108: 14,569,800 shares

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

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

As of September 30, 2108: 146 shares

As of June 30, 2018: 146 shares

(iii) Average number of shares issued during the period

Three Months ended September 30, 2018: 14,569,654 shares

Three Months ended September 30, 2017: 14,034,610 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 Supplementary Materials for Explaining Financial Results>

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 Monday, November 12, 2018.

Quarterly Financial Statements and Key Notes

(1) Quarterly Balance Sheets

(Unit: Thousand yen)

| | Previous fiscal year (As of June 30, 2018) | End of first three months of the fiscal year under review (As of September 30, 2018) |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,946,851 | 2,667,783 |
| Accounts receivable - trade | 1,384,187 | 1,162,383 |
| Other | 41,756 | 54,479 |
| Allowance for doubtful accounts | (11) | (9) |
| Total current assets | 4,372,785 | 3,884,636 |
| Non-current assets | | |
| Property, plant and equipment | 140,869 | 136,027 |
| Intangible assets | 43,119 | 32,923 |
| Investments and other assets | 344,175 | 253,835 |
| Total non-current assets | 528,164 | 422,786 |
| Total assets | 4,900,949 | 4,307,423 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 1,767,099 | 1,417,347 |
| Current portion of long-term loans payable | 79,992 | 79,992 |
| Accounts payable - other | 448,772 | 443,307 |
| Income taxes payable | 131,689 | 3,024 |
| Other | 238,261 | 202,554 |
| Total current liabilities | 2,665,815 | 2,146,226 |
| Non-current liabilities | | |
| Long-term loans payable | 160,024 | 140,026 |
| Total non-current liabilities | 160,024 | 140,026 |
| Total liabilities | 2,825,839 | 2,286,252 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 393,525 | 394,524 |
| Capital surplus | 383,525 | 384,524 |
| Retained earnings | 1,298,160 | 1,242,223 |
| Treasury shares | (101) | (101) |
| Total shareholders' equity | 2,075,110 | 2,021,171 |
| Total net assets | 2,075,110 | 2,021,171 |
| Total liabilities and net assets | 4,900,949 | 4,307,423 |

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

(Unit: Thousand yen)

| | First three months of the previous fiscal year (From July 1, 2017 to September 30, 2017) | First three months of the fiscal year under review (From July 1, 2018 to September 30, 2018) |
|--|---|---|
| Net sales | 2,709,450 | 3,455,028 |
| Cost of sales | 1,938,309 | 2,473,368 |
| Gross profit | 771,140 | 981,659 |
| Selling, general and administrative expenses | 581,211 | 954,750 |
| Operating Income | 189,929 | 26,908 |
| Non-operating income | | |
| Interest income | 10 | 26 |
| Commission fee | 33 | 225 |
| Reversal of allowance for doubtful accounts | 12,741 | 2 |
| Other | 46 | 345 |
| Total non-operating income | 12,831 | 599 |
| Non-operating expenses | | |
| Interest expenses | 359 | 275 |
| Foreign exchange losses | 201 | 142 |
| Other | 68 | 0 |
| Total non-operating expenses | 629 | 417 |
| Ordinary income | 202,131 | 27,090 |
| 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 | 210,938 | 26,761 |
| Income taxes - current | 58,129 | 136 |
| Income taxes - deferred | 8,627 | 9,752 |
| Total income taxes | 66,757 | 9,889 |
| Net income | 144,181 | 16,872 |