

# Consolidated Financial Results for the Fiscal Year ended March 31, 2006

May 10, 2006

Company name: NETMARKS INC. Listed on: Tokyo Stock Exchange First Section (Code: 3713)  
 Location of the head office: Tokyo, Japan URL: http://www.netmarks.co.jp/  
 Representative: Atsushi Ohashi, President and Representative Director Tel.: (03)3423-3291  
 Contact: Noriaki Tateishi, Executive Officer, Financial Department  
 Approval date by the Board of Directors: May 10, 2006  
 Name of Parent Company: Sumitomo Electric Industries, Ltd. (Code: 5802)  
 Shareholding Ratio of Parent Company: 52.9%  
 Application of US GAAP: None

## 1 Consolidated Financial Results for Fiscal Year ended March 31, 2006

(from April 1, 2005 to March 31, 2006)

### (1) Consolidated Operating Results

(Note: Figures are rounded down to the nearest millionth.)

	Net Sales		Operating profit		Recurring profit	
	Million yen	%	Million yen	%	Million yen	%
FY2005 (Ended March 31, 2006)	59,251	2.4	1,143	-51.8	1,002	-53.7
FY2004 (Ended March 31, 2005)	57,836	40.4	2,372	65.8	2,163	64.9

	Net Income		Earnings per share (EPS)	Fully-diluted EPS	Return on equity (ROE)	Recurring profit to total assets	Recurring profit to net sales
	Million yen	%	yen	yen	%	%	%
FY2005 (Ended March 31, 2006)	346	-67.5	1,968.40	1,926.82	5.0	3.3	1.7
FY2004 (Ended March 31, 2005)	1,066	76.1	6,453.38	6,149.65	21.0	7.5	3.7

- (Notes) 1) Equity in earnings of affiliates: FY2005: none FY2004: none  
 2) Average number of shares outstanding (consolidated) FY2005: 171,088 FY2004: 161,431  
 3) Changes in accounting procedures was made  
 4) The percentages of net sales, operating profit, recurring profit and net income columns indicate year-to-year changes

### (2) Consolidated Financial Position

(Note: Figures are rounded down to the nearest millionth.)

	Total Assets		Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per share
	Million yen	Million yen	Million yen	%	Yen
FY2005 (Ended March 31, 2006)	31,367	6,913	22.0	39,910.64	
FY2004 (Ended March 31, 2005)	28,752	7,008	24.4	40,635.67	

- (Notes) 1) Number of outstanding shares at the end of each period (consolidated): FY2005: 172,976 FY2004: 171,869

### (3) Consolidated Cash Flows

(Note: Figures are rounded down to the nearest millionth.)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at fiscal year end
	Million yen	Million yen	Million yen	Million yen
FY2005 (Ended March 31, 2006)	443	-2,734	1,106	2,150
FY2004 (Ended March 31, 2005)	1,745	-1,446	1,476	3,335

### (4) Information on Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 3  
 Number of non-consolidated subsidiaries accounted for using the equity method: none  
 Number of affiliates accounted for using the equity method: none

### (5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated: (New) none (Excluded) none  
 Application of the equity method: (New) none (Excluded) none

## 2 Forecast of Consolidated Financial Results for Fiscal Year ending March 31, 2007

(from April 1, 2006 to March 31, 2007)

	Net Sales	Recurring profit	Net Income
	Million yen	Million yen	Million yen
Interim	26,000	-750	-570
Full-year	69,000	1,400	530

(Reference) Expected Earning per Share (full-year) 3,064.01 yen

\* The above forecasts are based on the information available at the time of this announcement. Actual results may differ from the forecasts due to various factors.

# 連結貸借対照表 Consolidated Balance Sheets

Unit: thousand yen

区 分		As of March 31, 2005		As of March 31, 2006		Change Amount
		Amount	Percentage	Amount	Percentage	
(資産の部)	(Assets)		%		%	
I 流動資産	I Current assets					
1. 現金及び預金	1 Cash and time deposits	3,335,256		2,150,004		-1,185,252
2. 受取手形及び売掛金	2 Trade notes and accounts receivable	15,783,769		16,622,516		838,746
3. たな卸資産	3 Inventories	4,122,767		4,730,572		607,805
4. 繰延税金資産	4 Deferred tax assets	431,465		410,501		-20,964
5. その他	5 Others	952,198		1,051,475		99,277
6. 貸倒引当金	6 Allowance for doubtful receivables	-3,542		-5,428		-1,885
流動資産合計	Current assets	24,621,915	85.6	24,959,642	79.6	337,727
II 固定資産	II Fixed assets					
1. 有形固定資産	1 Property, plant and equipment					
(1)建物及び構築物	(1)Buildings and structures	404,639		493,493		
減価償却累計額	Less accumulated depreciation	119,332	285,307	131,208	362,284	76,976
(2)機械装置及び運搬具	(2)Machinery	172,182		177,107		
減価償却累計額	Less accumulated depreciation	125,578	46,604	132,158	44,949	-1,654
(3)器具及び備品	(3)Equipment and fixtures	2,938,941		3,482,598		
減価償却累計額	Less accumulated depreciation	1,590,841	1,348,100	1,980,783	1,501,815	153,715
有形固定資産合計	Property, plant and equipment	1,680,011	5.8	1,909,049	6.1	229,037
2. 無形固定資産	2 Intangible assets					
(1)連結調整勘定	(1)Consolidation goodwill	168,859		120,556		-48,302
(2)ソフトウェア等	(2)Software and others	713,520		1,011,731		298,210
無形固定資産合計	Intangible assets	882,379	3.1	1,132,287	3.6	249,908
3. 投資その他の資産	3 Investments and other assets					
(1)投資有価証券	(1)Investment securities	741,515		2,566,987		1,825,472
(2)繰延税金資産	(2)Deferred tax assets	187,044		86,916		-100,127
(3)その他	(3)Others	639,761		712,888		73,126
投資その他の資産合計	Investments and other assets	1,568,320	5.5	3,366,791	10.7	1,798,471
固定資産合計	Fixed assets	4,130,712	14.4	6,408,128	20.4	2,277,416
資産合計	Total assets	28,752,627	100.0	31,367,771	100.0	2,615,143

Unit: thousand yen

区 分		As of March 31, 2005		As of March 31, 2006		Change
		Amount	Percentage	Amount	Percentage	Amount
(負債の部)	(Liabilities)		%		%	
I 流動負債	I Current liabilities					
1. 支払手形及び買掛金	1 Trade notes and accounts payable	9,120,411		10,253,211		1,132,799
2. 短期借入金	2 Short-term borrowings	300,000		800,000		500,000
3. 1年以内返済長期借入金	3 Current portion of long-term debt	2,500,000		1,000,000		-1,500,000
4. 未払費用	4 Accrued expenses	1,698,505		1,700,876		2,371
5. 未払法人税等	5 Accrued income tax, etc.	674,762		345,255		-329,507
6. その他	6 Others	2,897,763		3,685,406		787,643
流動負債合計	Current liabilities	17,191,442	59.8	17,784,748	56.7	593,306
II 固定負債	II Long-term liabilities					
1. 長期借入金	1 Long-term debt	3,000,000		5,050,000		2,050,000
2. 繰延税金負債	2 Deferred tax liabilities	2,382		72,474		70,091
3. 退職給付引当金	3 Reserve for employees retirement benefits	395,808		381,765		-14,043
4. 役員退職慰労引当金	4 Accrued retirement benefits for directors	61,725		56,832		-4,892
5. 連結調整勘定	5 Consolidation goodwill	5,824		4,368		-1,456
6. その他	6 Others	98,024		---		-98,024
固定負債合計	Long-term liabilities	3,563,765	12.4	5,565,440	17.8	2,001,675
負債合計	Total liabilities	20,755,207	72.2	23,350,189	74.5	2,594,981
(少数株主持分)	(Minority interests)					
少数株主持分	Minority interests	988,508	3.4	1,104,191	3.5	115,682
(資本の部)	(Shareholders' equity)					
I 資本金	I Common stock	2,919,573	10.2	2,970,977	9.5	51,404
II 資本剰余金	II Capital surplus	2,028,920	7.1	2,080,322	6.6	51,401
III 利益剰余金	III Earned surplus	2,170,798	7.5	1,879,725	6.0	-291,073
IV その他有価証券評価差額金	IV Others	61,748	0.2	450,006	1.4	388,258
V 自己株式	V Treasury stock	-172,129	-0.6	-467,641	-1.5	-295,512
資本合計	Total shareholders' equity	7,008,911	24.4	6,913,390	22.0	-95,520
負債、少数株主持分及び資本合計	Total liabilities, minority interests and shareholders' equity	28,752,627	100.0	31,367,771	100.0	2,615,143

# 連結損益計算書 Consolidated Statements of Income

Unit: thousand yen

区 分		FY2004 (Ended March 31, 2005)			FY2005 (Ended March 31, 2006)			Change
		Amount		Percentage	Amount		Percentage	Amount
				%			%	
I 売上高	I Net sales		57,836,301	100.0		59,251,395	100.0	1,415,094
II 売上原価	II Cost of sales		45,396,162	78.5		46,855,607	79.1	1,459,444
売上総利益	Gross profit		12,440,138	21.5		12,395,788	20.9	-44,350
III 販売費及び一般管理費	III Selling, general and administrative expenses							
1. 広告宣伝費及び販売諸経費	1 Advertising expenses and sales overhead expenses	953,558			1,030,330			
2. 給与諸手当福利費	2 Employees salaries and welfare expenses	5,713,555			6,360,520			
3. 退職給付費用	3 Severance retirement benefits	117,037			63,998			
4. 賃借料	4 Rent expense	856,500			993,306			
5. 業務委託料	5 Outsourcing expense	993,475			1,243,088			
6. 研究開発費	6 Research and development expenses	135,212			118,235			
7. その他	7 Others	1,298,059	10,067,398	17.4	1,442,965	11,252,444	19.0	1,185,046
営業利益	Operating profit		2,372,740	4.1		1,143,344	1.9	-1,229,396
IV 営業外収益	IV Non-operating income							
1. 受取利息及び受取配当金	1 Interest and dividend received	4,114			4,729			
2. 仕入割引	2 Purchase discounts	511			2,408			
3. 販売報奨金	3 Sales promotion premium	3,034			---			
4. 連結調整勘定償却額	4 Amortization of goodwill	1,456			1,456			
5. 役員保険解約返戻金	5 Surrender value of insurance policies for executives	---			2,819			
6. その他	6 Others	4,413	13,531	0.0	3,706	15,119	0.0	1,588
V 営業外費用	V Other expenses							
1. 支払利息	1 Interest expense	71,045			79,544			
2. 新株発行費	2 Stock issuance cost	133,022			---			
3. 上場手数料	3 Listing fee	7,402			---			
4. たな卸資産除却損	4 Loss on disposal of inventories	---			65,655			
5. 商標登録諸費用	5 Trademark registration fee	9,000			---			
6. その他	6 Others	2,080	222,549	0.4	11,153	156,353	0.2	-66,196
経常利益	Recurring profit		2,163,721	3.7		1,002,109	1.7	-1,161,612

Unit: thousand yen

区 分		FY2004 (Ended March 31, 2005)		FY2005 (Ended March 31, 2006)		Change	
		Amount	Percentage	Amount	Percentage	Amount	
VI 特別利益	VI Extraordinary income			%		%	
1. 投資有価証券売却益	1 Gain on sale of investment securities	50,143			260,617		
2. 子会社株式売却益	2 Gain on sale of stocks of subsidiaries	2,804			10,705		
3. 貸倒引当金戻入益	3 Reversal of allowance for doubtful accounts	---	52,947	0.1	1,271	272,594	0.5
219,646							
VII 特別損失	VII Extraordinary loss						
1. 固定資産除却損	1 Loss on disposal of fixed assets	106,020			69,641		
2. 過年度退職給付費用	2 Expenses for retirement benefits for prior years	13,140			---		
3. 投資有価証券評価損	3 Loss on revaluation of investment securities	---			286,721		
4. 事務所移転費用	4 Office relocation expense	17,136			41,041		
5. その他	5 Others	---	136,297	0.2	2,964	400,368	0.7
264,071							
税金等調整前当期純利益	Income before income taxes and minority interests		2,080,371	3.6		874,334	1.5
-1,206,036							
法人税、住民税及び事業税	Corporate tax, inhabitants tax and business tax	800,861			446,020		
法人税等調整額	Deferred income taxes	49,299	850,161	1.5	-74,833	371,187	0.6
-478,974							
少数株主利益	Minority gain		163,535	0.3		156,570	0.3
-6,965							
当期純利益	Net income		1,066,674	1.8		346,577	0.6
-720,097							

# 連結キャッシュ・フロー計算書 Consolidated Statements of Cash Flows

Unit: thousand yen

区 分		FY2004	FY2005	Change
		(Ended March 31, 2005)	(Ended March 31, 2006)	
		Amount	Amount	
I 営業活動によるキャッシュ・フロー	I Cash flows from operating activities			
税金等調整前当期純利益	Income before taxes and minority interests	2,080,371	874,334	-1,206,036
減価償却費	Depreciation and amortization	672,998	836,328	163,330
連結調整勘定償却額	Amortization of consolidation goodwill	37,366	42,660	5,293
貸倒引当金の増加額	Increase (decrease) in allowance for doubtful receivables	-10,844	1,885	12,729
退職給付引当金の増加額	Increase (decrease) in accrued retirement benefits	71,904	-14,043	-85,948
役員退職慰労引当金の増加額	Increase (decrease) in allowance for directors retirement benefits	6,504	-4,892	-11,397
固定資産除却損	Loss on disposal of fixed assets	106,020	69,641	-36,379
投資有価証券評価損	Loss on revaluation of investment securities	---	286,721	286,721
受取利息及び受取配当金	Interest and dividend received	-4,114	-4,729	-614
支払利息	Interest expense	71,045	79,544	8,499
投資有価証券売却益	Gain on sale of investment securities	-50,143	-260,617	-210,474
子会社株式売却益	Gain on sale of stock of subsidiaries	-2,804	-10,705	-7,901
新株発行費	Stock issue expense	133,022	---	-133,022
売上債権の減少額 (増加額)	Decrease (increase) in trade receivables	2,437,064	-838,746	-3,275,810
たな卸資産の増加額 (減少額)	Increase (decrease) in inventories	-118,949	-603,412	-484,463
仕入債務の増加額 (減少額)	Increase (decrease) in trade payables	-4,433,169	1,179,089	5,612,259
未払費用の増加額 (減少額)	Increase (decrease) in accrued expenses	288,228	-2,203	-290,432
役員賞与支払額	Directors bonus	-19,000	-28,434	-9,434
その他	Others	1,177,883	-226,558	-1,404,441
<b>小 計</b>	<b>Subtotal</b>	<b>2,443,384</b>	<b>1,375,864</b>	<b>-1,067,519</b>
利息及び配当金の受取額	Interest and dividends received	4,114	4,729	614
利息の支払額	Interest paid	-66,046	-77,367	-11,320
法人税等の支払額	Income taxes paid	-636,328	-860,162	-223,833
<b>営業活動によるキャッシュ・フロー</b>	<b>Cash flows from operating activities</b>	<b>1,745,123</b>	<b>443,063</b>	<b>-1,302,060</b>

区 分		FY2004	FY2005	Change
		(Ended March 31, 2005)	(Ended March 31, 2006)	
		Amount	Amount	Amount
II 投資活動によるキャッシュ・フロー	II Cash flows from investing activities			
有形固定資産の取得による支出	Payments for purchase of property and equipment	-1,066,439	-1,384,873	-318,434
有形固定資産の売却による収入	Proceeds from sale of property and equipment	372,967	408,272	35,305
無形固定資産の取得による支出	Payments for intangible assets	-315,323	-492,106	-176,783
無形固定資産の売却による収入	Proceeds from sale of intangible fixed assets	29,900	78,962	49,062
投資有価証券の取得による支出	Payments for purchase of investment securities	-131,159	-1,598,709	-1,467,550
投資有価証券の売却による収入	Proceeds from sale of investment securities	62,143	462,042	399,899
関連会社株式の取得による支出	Payments for purchase of investment in affiliated companies	-14,246	-129,450	-115,203
非連結子会社への出資による支出	Payments for purchase of stocks of unconsolidated subsidiaries	-23,182	-59,790	-36,608
連結子会社株式の取得による支出	Payments for purchase of consolidated subsidiary's securities	-269,272	---	269,272
連結子会社株式の売却による収入	Proceeds from sale of consolidated subsidiary's securities	54,132	45,000	-9,132
営業譲受に伴う支出	Payments for acquisition of business	---	-119,285	-119,285
その他	Others	-145,926	55,410	201,326
投資活動によるキャッシュ・フロー	Cash flows from investing activities	-1,446,397	-2,734,526	-1,288,129
III 財務活動によるキャッシュ・フロー	III Cash flows from financing activities			
短期借入金の純増額	Net increase (decrease) in short-term borrowings	-3,150,000	500,000	3,650,000
長期借入による収入	Proceeds from long-term debt	2,000,000	3,050,000	1,050,000
長期借入金の返済による支出	Repayment of long-term debt	---	-2,500,000	-2,500,000
配当金の支払額	Dividends paid	-128,338	-188,264	-59,926
少数株主への配当金の支払額	Paid dividends for minority shareholders	-34,250	-63,850	-29,600
株式の発行による収入	Proceeds from issuance of common stock	2,961,071	102,745	-2,858,325
自己株式の取得による支出	Payment for purchase of treasury stock	-172,129	-1,586,713	-1,414,583
自己株式の処分による収入	Proceeds from sales of treasury stock	---	862,752	862,752
預り担保金の受入による収入	Proceeds from receipt of cash collateral deposit	---	930,240	930,240
財務活動によるキャッシュ・フロー	Cash flows from financing activities	1,476,354	1,106,911	-369,443
IV 現金及び現金同等物に係る換算差額	IV Effect of exchange rate changes on cash and cash equivalents	-155	-699	-543
V 現金及び現金同等物の増加額	V Net increase (decrease) in cash and cash equivalents	1,774,925	-1,185,252	-2,960,177
VI 現金及び現金同等物の期首残高	VI Cash and cash equivalents at beginning of year	1,560,331	3,335,256	1,774,925
VII 現金及び現金同等物の期末残高	VII Cash and cash equivalents at end of year	3,335,256	2,150,004	-1,185,252