

Consolidated Financial Results for the first half of the Fiscal Year ending March 31, 2007

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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/
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Approval date by the Board of Directors: November 2, 2006
Name of Parent Company: Sumitomo Electric Industries, Ltd. (Code: 5802)
Shareholding Ratio of Parent Company: 52.8%
Application of US GAAP: None

1 Consolidated Financial Results in 1H ended September 30, 2006 (from April 1, 2006 to September 30, 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	%
FY2006 1H (Ended September 30, 2006)	23,018	-0.5	-625	---	-801	---
FY2005 1H (Ended September 30, 2005)	23,123	-12.9	-173	---	-218	---
FY2005	55,896		1,143		1,002	

	Net Income		Earnings per share (EPS)		Earnings per share (diluted)	
	Million yen	%	Million yen		Million yen	
FY2006 1H (Ended September 30, 2006)	-1,614	---	-9,328.74		---	
FY2005 1H (Ended September 30, 2005)	-255	---	-1,495.06		---	
FY2005	346		1,968.40		1,926.82	

(Notes) 1) Equity in earnings of affiliates (unit: million yen) : FY2006 1H: -28 FY2005 1H: --- FY2005: ---
2) Average number of shares outstanding (consolidated) FY2006 1H: 173,104 FY2005 1H: 170,740 FY2005: 171,088
3) Changes in accounting procedures was not 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	%	Yen
FY2006 1H (Ended September 30, 2006)	30,021	5,721	15.5	26,795.89
FY2005 1H (Ended September 30, 2005)	27,379	6,031	22.0	35,367.86
FY2005	31,367	6,913	22.0	39,910.64

(Notes) 1) Number of outstanding shares at the end of each period (consolidated): FY2006 1H: 173,244 FY2005 1H: 170,550
FY2005: 172,976
2) The amount of shareholders' equity as of the end of the first half of fiscal 2006 includes 1,078 million yen in minority interests and 1 million yen in deferred hedge losses (deduction), resulting from the adoption of the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5). Without their inclusion, the amount of shareholders' equity would have been 4,640 million yen. Revised calculation methods applicable under the newly adopted accounting standard have been used to calculate shareholders' equity ratio and shareholders' equity per share as of the first half of fiscal 2006. However, the impact of such changes in the calculation methods is modest with the effective difference limited to an amount equivalent to that of deferred hedge losses.

(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 end of period
	Million yen	Million yen	Million yen	Million yen
FY2006 1H (Ended September 30, 2006)	414	-895	144	1,811
FY2005 1H (Ended September 30, 2005)	651	-955	-447	2,583
FY2005	443	-2,734	1,106	2,150

(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: 1

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

Consolidated: (New) none (Excluded) none
Application of the equity method: (New) 1 (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
FY2006	60,000	500	-1,180

(Reference) Expected Earning per Share (FY2006) -6,811.20 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 September 30, 2005		As of September 30, 2006		Change		As of March 31, 2006	
		Amount	Percentage	Amount	Percentage	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	2,583,415		1,811,934		-771,481	-17.5	2,150,004	
2. 受取手形及び売掛金	2 Trade notes and accounts receivable	12,949,131		12,371,685		-577,445	-13.1	15,197,692	
3. たな卸資産	3 Inventories	5,671,244		6,475,002		785,757	31.6	4,730,572	
4. 未収入金	4 Accrued revenue	---		2,642,214		2,642,214		1,610,154	
5. その他	5 Others	1,712,508		1,670,950		-41,558	17.7	1,276,646	
6. 貸倒引当金	6 Allowance for doubtful receivables	-2,361		-1,075,781		-1,073,420	-58.2	-5,428	
流動資産合計	Current assets	22,913,939	83.7	23,878,004	79.5	964,065	-0.2	24,959,642	79.6
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	498,839		577,792				493,493	
減価償却累計額	Less accumulated depreciation	115,452	383,386	160,830	416,962	33,575	-6.1	131,208	362,284
(2)機械装置及び運搬具	(2)Machinery	178,202		184,240				177,107	
減価償却累計額	Less accumulated depreciation	133,564	44,638	139,569	44,671	33	-0.8	132,158	44,949
(3)器具及び備品	(3)Equipment and fixtures	3,287,931		3,748,681				3,482,598	
減価償却累計額	Less accumulated depreciation	1,759,884	1,528,046	2,178,258	1,570,422	42,376	12.1	1,980,783	1,501,815
有形固定資産合計	Property, plant and equipment	1,956,071	7.1	2,032,056	6.8	75,985	8.1	1,909,049	6.1
2. 無形固定資産	2 Intangible assets								
(1)連結調整勘定	(1)Consolidation goodwill	146,800		---		-146,800	-30.4	120,556	
(2)のれん	(2)Goodwill	---		103,041		103,041		---	
(3)ソフトウェア等	(3)Software and others	779,349		1,176,087		396,738	38.9	1,011,731	
無形固定資産合計	Intangible assets	926,150	3.4	1,279,129	4.3	352,978	26.8	1,132,287	3.6
3. 投資その他の資産	3 Investments and other assets								
(1)投資有価証券	(1)Investment securities	806,097		1,643,750		837,653	132.1	2,566,987	
(2)その他	(2)Others	777,408		1,188,346		410,937	34.7	799,804	
投資その他の資産合計	Investments and other assets	1,583,506	5.8	2,832,097	9.4	1,248,591	85.8	3,366,791	10.7
固定資産合計	Fixed assets	4,465,727	16.3	6,143,282	20.5	1,677,555	40.2	6,408,128	20.4
資産合計	Total assets	27,379,666	100.0	30,021,287	100.0	2,641,620	7.2	31,367,771	100.0

Unit: thousand yen

区分		As of September 30, 2005		As of September 30, 2006		Change Amount	As of March 31, 2006	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
(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	8,034,288		6,002,692		-2,031,595	10,253,211	
2. 短期借入金	2 Short-term borrowings	350,000		3,000,000		2,650,000	800,000	
3. 1年以内返済 長期借入金	3 Current portion of long-term debt	3,000,000		---		-3,000,000	1,000,000	
4. 未払金	4 Accrued receivable	2,330,904		5,660,560		3,329,655	---	
5. 未払費用	5 Accrued expenses	1,721,310		1,958,309		236,999	1,700,876	
6. その他	6 Others	1,679,963		2,070,812		390,849	4,030,661	
流動負債合計	Current liabilities	17,116,467	62.5	18,692,375	62.2	1,575,908	17,784,748	56.7
II 固定負債	II Long-term liabilities							
1. 長期借入金	1 Long-term debt	2,750,000		5,050,000		2,300,000	5,050,000	
2. 退職給付引当金	2 Reserve for employees retirement benefits	400,787		455,175		54,388	381,765	
3. 役員退職慰労引当金	3 Accrued retirement benefits for directors	49,663		99,028		49,365	56,832	
4. 連結調整勘定	4 Consolidation goodwill	5,096		---		-5,096	4,368	
5. 負ののれん	5 Negative goodwill	---		3,640		3,640	---	
6. その他	6 Others	24,315		---		-24,315	72,474	
固定負債合計	Long-term liabilities	3,229,862	11.8	5,607,844	18.7	2,377,982	5,565,440	17.8
負債合計	Total liabilities	20,346,329	74.3	24,300,220	80.9	3,953,890	23,350,189	74.5
(少数株主持分)	(Minority interests)							
少数株主持分	Minority interests	1,001,349	3.7	---	---	-1,001,349	1,104,191	3.5
(資本の部)	(Shareholders' equity)							
I 資本金	I Common stock	2,927,749	10.7	---	---	-2,927,749	2,970,977	9.5
II 資本剰余金	II Capital surplus	2,037,096	7.4	---	---	-2,037,096	2,080,322	6.6
III 利益剰余金	III Earned surplus	1,676,908	6.1	---	---	-1,676,908	1,879,725	6.0
IV その他有価証券 評価差額金	IV Net unrealized gains (losses) on securities and others	73,049	0.3	---	---	-73,049	450,006	1.4
V 自己株式	V Treasury stock	-682,816	-2.5	---	---	682,816	-467,641	-1.5
資本合計	Total shareholders' equity	6,031,987	22.0	---	---	-6,031,987	6,913,390	22.0
負債、少数株主持分 及び資本合計	Total liabilities, minority interests and shareholders' equity	27,379,666	100.0	---	---	-27,379,666	31,367,771	100.0
(純資産の部)	(Net assets)							
I 株主資本	I Shareholders' equity							
1. 資本金	1 Common stock	---	---	2,970,977	9.9	2,970,977	---	---
2. 資本剰余金	2 Capital surplus	---	---	2,080,322	6.9	2,080,322	---	---
3. 利益剰余金	3 Earned surplus	---	---	102,586	0.3	102,586	---	---
4. 自己株式	4 Treasury stock	---	---	-400,692	-1.3	-400,692	---	---
株主資本合計	Total shareholders' equity	---	---	4,753,193	15.8	4,753,193	---	---
II 評価・換算差額等	II Valuation and translation adjustments							
1. その他有価証券 評価差額金	1 Net unrealized gains (losses) on securities and others	---	---	-112,933	-0.4	-112,933	---	---
2. 繰延ヘッジ損益	2 Deferred gains and losses on hedges	---	---	1,969	0.0	1,969	---	---
評価・換算差額等合計	Total valuation and translation adjustments	---	---	-110,964	-0.4	-110,964	---	---
III 少数株主持分	III Minority interests	---	---	1,078,837	3.7	1,078,837	---	---
純資産合計	Total net assets	---	---	5,721,067	19.1	5,721,067	---	---
負債純資産合計	Total liabilities and net assets	---	---	30,021,287	100.0	30,021,287	---	---

連結損益計算書 Consolidated Statements of Income

Unit: thousand yen

区 分		FY2005 1H (September 30, 2005)		FY2006 1H (September 30, 2006)		Change Amount	FY2005 (March 31, 2006)				
		Amount		Amount			Amount	Amount			
			Percentage		Percentage				Percentage		
I 売上高	I Net sales	23,123,161	100.0	23,018,733	100.0	-104,428	55,896,085	100.0			
II 売上原価	II Cost of sales	17,547,426	75.9	17,803,641	77.3	256,214	43,500,297	77.8			
	Gross profit	5,575,734	24.1	5,215,091	22.7	-360,643	12,395,788	22.2			
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	589,616		473,674			1,030,330				
2. 給与諸手当福利費	2 Employees salaries and welfare expenses	3,177,242		3,201,067			6,360,520				
3. 退職給付費用	3 Retirement benefits expenses	52,819		86,136			63,998				
4. 賃借料	4 Rent expense	481,569		506,444			993,306				
5. 業務委託料	5 Outsourcing expense	647,431		725,124			1,243,088				
6. 研究開発費	6 Research and development expenses	64,753		79,373			118,235				
7. その他	7 Others	735,854	5,749,286	24.9	769,021	5,840,842	25.4	91,556	1,442,965	11,252,444	20.2
営業利益又は営業損失(-)	Operating profit (loss)		-173,551	-0.8		-625,751	-2.7	-452,199		1,143,344	2.0
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	3,957		8,373			4,729				
2. 仕入割引	2 Purchase discounts	2,355		1,846			2,408				
3. 為替差益	3 Foreign exchange gains, net	2,583		---			---				
4. 販売報奨金	4 Sales promotion premium	4,916		2,559			---				
5. 連結調整勘定償却額	5 Amortization of goodwill	---		---			1,456				
6. 役員保険解約返戻金	6 Surrender value of insurance policies for executives	2,819		---			2,819				
7. その他	4 Others	1,837	18,449	0.1	2,860	15,640	0.1	-2,809	3,706	15,119	0.1
V 営業外費用	V Other expenses										
1. 支払利息	1 Interest expense	35,863		46,449			79,544				
2. たな卸資産除却損	2 Loss on disposal of inventories	22,035		1,125			65,655				
3. たな卸資産評価損	3 Loss on valuation of inventories	---		114,004			---				
4. 持分法による投資損失	4 Investment profit (loss) on equity method	---		28,202			---				
5. その他	6 Others	5,138	63,037	0.2	1,402	191,184	0.9	128,147	11,153	156,353	0.3
経常利益又は経常損失(-)	Recurring profit (loss)		-218,139	-0.9		-801,295	-3.5	-583,156		1,002,109	1.8
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	94,659		---			260,617				
2. 子会社株式売却益	2 Gain on sale of stocks of subsidiaries	---		---			10,705				
3. 貸倒引当金戻入益	3 Reversal of allowance for doubtful receivable	2,398	97,058	0.4	---	---	---	-97,058	1,271	272,594	0.5
VII 特別損失	VII Extraordinary loss										
1. 固定資産除却損	1 Loss on disposal of fixed assets	53,693		4,624			69,641				
2. 投資有価証券評価損	2 Loss on revaluation of investment securities	51,054		829			286,721				
3. 事務所移転費用	3 Office relocation expense	41,041		---			41,041				
4. 貸倒引当金繰入額	4 Addition to allowance for doubtful accounts	---		1,057,990			---				
5. その他	5 Others	2,841	148,629	0.7	2,309	1,065,753	4.6	917,123	2,964	400,368	0.7
税金等調整前中間(当期)純損失(-)又は税金等調整前中間(純利益)	Income (loss) before income taxes and minority interests		-269,710	-1.2		-1,867,049	-8.1	-1,597,338		874,334	1.6
法人税、住民税及び事業税	Corporate tax, inhabitants tax and business tax	96,982		75,224			446,020				
法人税等調整額	Deferred income taxes	-167,213	-70,230	-0.3	-346,264	-271,039	-1.2	-200,807	-74,833	371,187	0.7
少数株主利益	Minority gain		55,786	0.2		18,831	0.1	-36,954		156,570	0.3
中間(当期)純損失(-)又は当期純利益	Net income (loss)		-255,266	-1.1		-1,614,842	-7.0	-1,359,575		346,577	0.6

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

Unit: thousand yen

区 分		FY2005 1H	FY2006 1H	Change	FY2005
		(Ended September 30,2005)	(Ended September 30,2006)		(Ended March 31, 2006)
		Amount	Amount	Amount	Amount
I 営業活動による キャッシュ・フロー	I Cash flows from operating activities				
税金等調整前中間(当期)純損失 又は税金等調整前当期純利益	Income (loss) before income taxes and minority interests	-269,710	-1,867,049	-1,597,338	874,334
減価償却費	Depreciation and amortization	383,005	431,225	48,219	836,328
連結調整勘定償却額	Amortization of consolidation goodwill	21,330	---	-21,330	42,660
のれん償却額	Amortization of negative goodwill	---	21,318	21,318	---
負ののれん償却額	Amortization of goodwill	---	-728	-728	---
貸倒引当金の増加額	Increase (decrease) in allowance for doubtful receivables	-1,181	1,070,353	1,071,535	1,885
退職給付引当金の増加額	Increase (decrease) in accrued retirement benefits	4,979	73,410	68,431	-14,043
役員退職慰労引当金の増加額	Increase (decrease) in allowance for directors retirement benefits	-12,062	42,195	54,257	-4,892
固定資産除却損	Loss on disposal of fixed assets	53,693	4,624	-49,069	69,641
投資有価証券評価損	Loss on revaluation of investment securities	51,054	829	-50,225	286,721
受取利息及び受取配当金	Interest and dividend received	-3,957	-8,373	-4,415	-4,729
支払利息	Interest expense	35,863	46,449	10,586	79,544
投資有価証券売却益	Gain on sale of investment securities	-94,659	---	94,659	-260,617
子会社株式売却益	Gain on sale of stock of subsidiaries	---	---	---	-10,705
売上債権の減少額	Decrease in trade receivables	2,834,638	2,826,006	-8,631	586,077
たな卸資産の増加額 (減少額)	Increase (decrease) in inventories	-1,551,716	-1,726,429	-174,712	-603,412
仕入債務の増加額 (減少額)	Increase (decrease) in trade payables	-946,661	-4,233,926	-3,287,265	1,179,089
未払費用の減少額 (増加額)	Decrease (increase) in accrued expenses	20,930	259,962	239,031	-2,203
役員賞与支払額	Directors bonus	-28,434	-13,842	14,591	-28,434
その他	Others	831,407	3,887,486	3,056,079	-1,651,382
小 計	Subtotal	1,328,518	841,715	-486,803	1,375,863
利息及び配当金の受取額	Interest and dividends received	3,957	8,366	4,408	4,729
利息の支払額	Interest paid	-34,602	-49,141	-14,538	-77,367
法人税等の支払額	Income taxes paid	-646,216	-386,687	259,528	-860,162
営業活動によるキャッシュ・フロー	Cash flows from operating activities	651,656	414,251	-237,404	443,062

Unit: thousand yen

区 分		FY2005 1H	FY2006 1H	Change	FY2005
		(Ended September 30,2005)	(Ended September 30,2006)		(Ended March 31, 2006)
		Amount	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	-993,205	-668,307	324,898	-1,384,873
有形固定資産の売却による収入	Proceeds from sale of property and equipment	204,185	265,994	61,808	408,272
無形固定資産の取得による支出	Payments for intangible assets	-221,248	-402,020	-180,772	-492,106
無形固定資産の売却による収入	Proceeds from sale of intangible fixed assets	---	---	---	78,962
投資有価証券の取得による支出	Payments for purchase of investment securities	-105,012	-50,000	55,012	-1,598,709
投資有価証券の売却による収入	Proceeds from sale of investment securities	111,809	---	-111,809	462,043
関連会社株式の取得による支出	Payments for purchase of investment in affiliated companies	-10,200	-8,749	1,450	-129,450
非連結子会社への出資による支出	Payments for purchase of stocks of unconsolidated subsidiaries	---	---	---	-59,790
連結子会社株式の売却による収入	Proceeds from sale of consolidated subsidiary's securities	---	---	---	45,000
営業譲受に伴う支出	Payments for acquisition of business	---	---	---	-119,285
その他	Others	57,681	-32,256	-89,938	55,410
投資活動によるキャッシュ・フロー	Cash flows from investing activities	-955,989	-895,339	60,650	-2,734,526
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	50,000	2,200,000	2,150,000	500,000
長期借入による収入	Proceeds from long-term debt	750,000	---	-750,000	3,050,000
長期借入金の返済による支出	Repayment of long-term debt	-500,000	-1,000,000	-500,000	-2,500,000
配当金の支払額	Dividends paid	-85,934	-103,785	-17,851	-188,264
少数株主への配当金の支払額	Paid dividends for minority shareholders	-35,450	-36,200	-750	-63,850
株式の発行による収入	Proceeds from issuance of common stock	16,291	---	-16,291	102,745
自己株式の取得による支出	Payment for purchase of treasury stock	-675,592	---	675,592	-1,586,713
自己株式の処分による収入	Proceeds from sales of treasury stock	33,155	14,295	-18,860	862,752
預り担保金の受入による収入	Proceeds from receipt of cash collateral deposit	---	---	---	930,240
預り担保金の返済による支出	Repayment 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	-447,529	144,069	591,599	1,106,911
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	21	-1,052	-1,073	-699
V 現金及び現金同等物の減少額	V Net decrease (increase) in cash and cash equivalents	-751,840	-338,070	413,770	-1,185,252
VI 現金及び現金同等物の期首残高	VI Cash and cash equivalents at beginning of year	3,335,256	2,150,004	-1,185,252	3,335,256
VII 現金及び現金同等物の期末残高	VII Cash and cash equivalents at end of year	2,583,415	1,811,934	-771,481	2,150,004