Stock Code 6175

NET MARKETING CO. LTD.

Net Marketing Co. Ltd.

FINANCIAL RESULTS

FOR THE SECOND QUARTER OF THE FISCAL YEAR ENDING JUNE 30, 2020

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Financial Highlights

for the Second Quarter of the
Fiscal Year Ending June 30, 2020

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Financial Highlights

for the Second Quarter of the Fiscal Year Ending June 30, 2020



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Second Quarter of the Fiscal Year Ending June 30, 2020
– Summary –

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Corporate

- Aug. 9 Medium-Term Management Plan updated – No change to basic or core policies
- Sep. 26 New Corporate Identity

Business

Company-wide

Company-wide sales and income increased significantly year on year.
Surpassed the earnings forecast for the first half, driven by the Advertising Business.

Media Business



Sales and operating income decreased temporarily due to the allocation of expenses to the area of PR activities.

- The cumulative total number of members reached five million.
- Moved initiatives forward with a focus on key issues (marketing/PR/products)…….. P. 12

Advertising Business



Both sales and profit rose, reflecting the strong performance of the main categories.

- We continued sales activities by attaching weight to up-selling and profit increases of existing projects.
- We enhanced initiatives for social media advertising.

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Second Quarter of the Fiscal Year Ending June 30, 2020
– Financial Results Summary (Reference: YoY Comparison) –

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Company-wide sales and income increased significantly year on year.

Million yen	2019.6 2Q	2020.6 2Q	YoY Increase/Decrease
Net Sales	6,533	**7,751**	**+1,218** (+18.6%)
Gross Profit	1,953	**2,503**	**+550**
Gross Profit Margin (Gross Profit/Net Sales)	29.9%	**32.3%**	
Operating Income	25	**508**	**+482**
Operating Income Margin (Operating Income/Net Sales)	–	**6.6%**	
Ordinary Income	21	**513**	**+491**
Net Income	9	**351**	**+342**

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Second Quarter of the Fiscal Year Ending June 30, 2020
– Financial Results Summary (Opening Earnings Comparison) –

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Surpassed the earnings forecast for the first half, driven by the Advertising Business.

Million yen	2Q Actual	2Q Earnings Forecast	Full-year Earnings Forecast
Net Sales	**7,751**	7,535	16,302
Operating Income	**508**	398	813
Ordinary Income	**513**	398	812
Net Income	**351**	275	563
Year-end Dividend (Payout Ratio)	**0 yen**	0 yen	6 yen (15.5%)

* Any expected significant impact to performance and strategy will be announced as soon as practicable.

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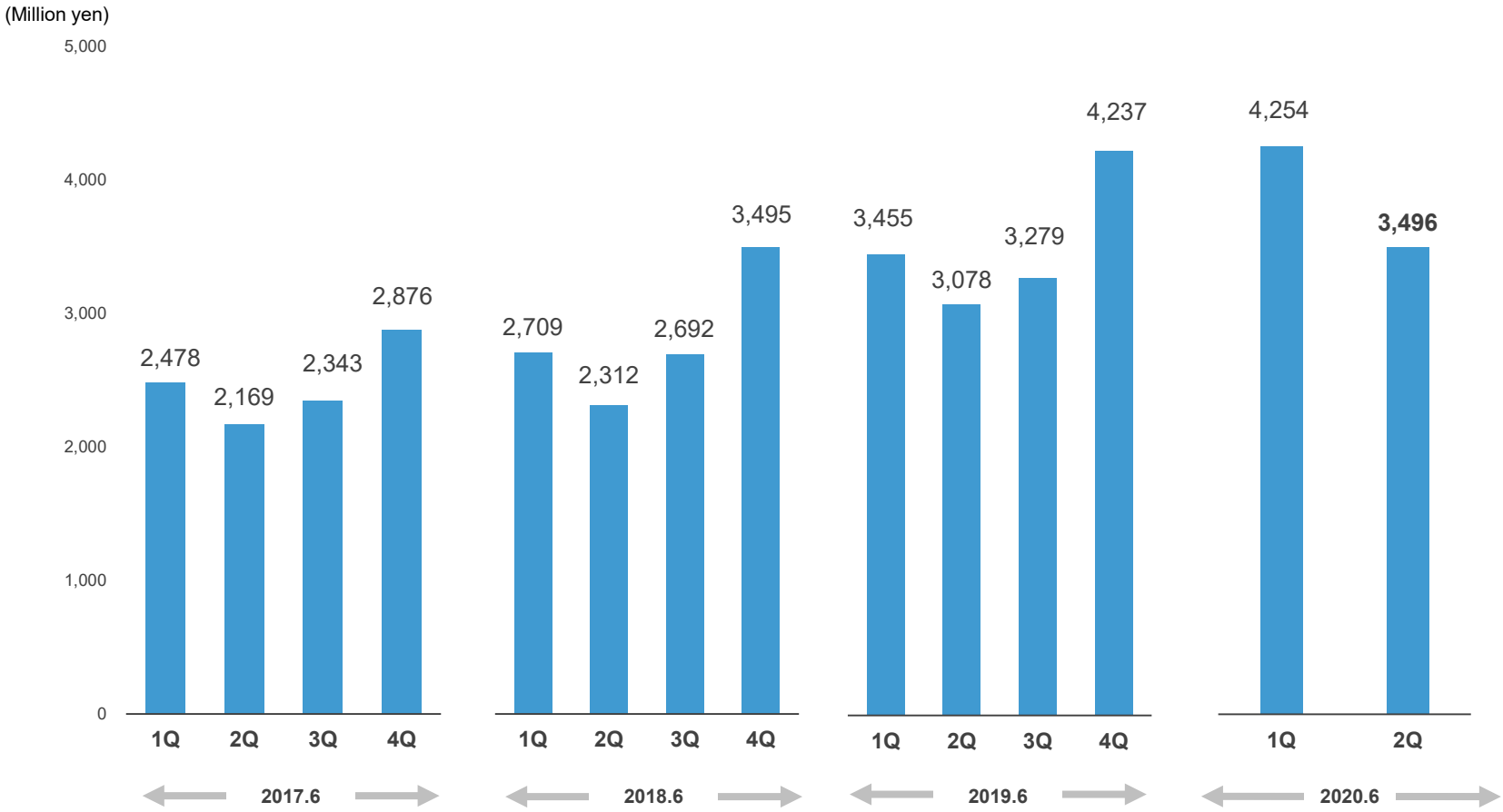
Changes in Quarterly Net Sales



* Although we announced the consolidated financial results in the fiscal year ended June 2017 and 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ended June 2019.

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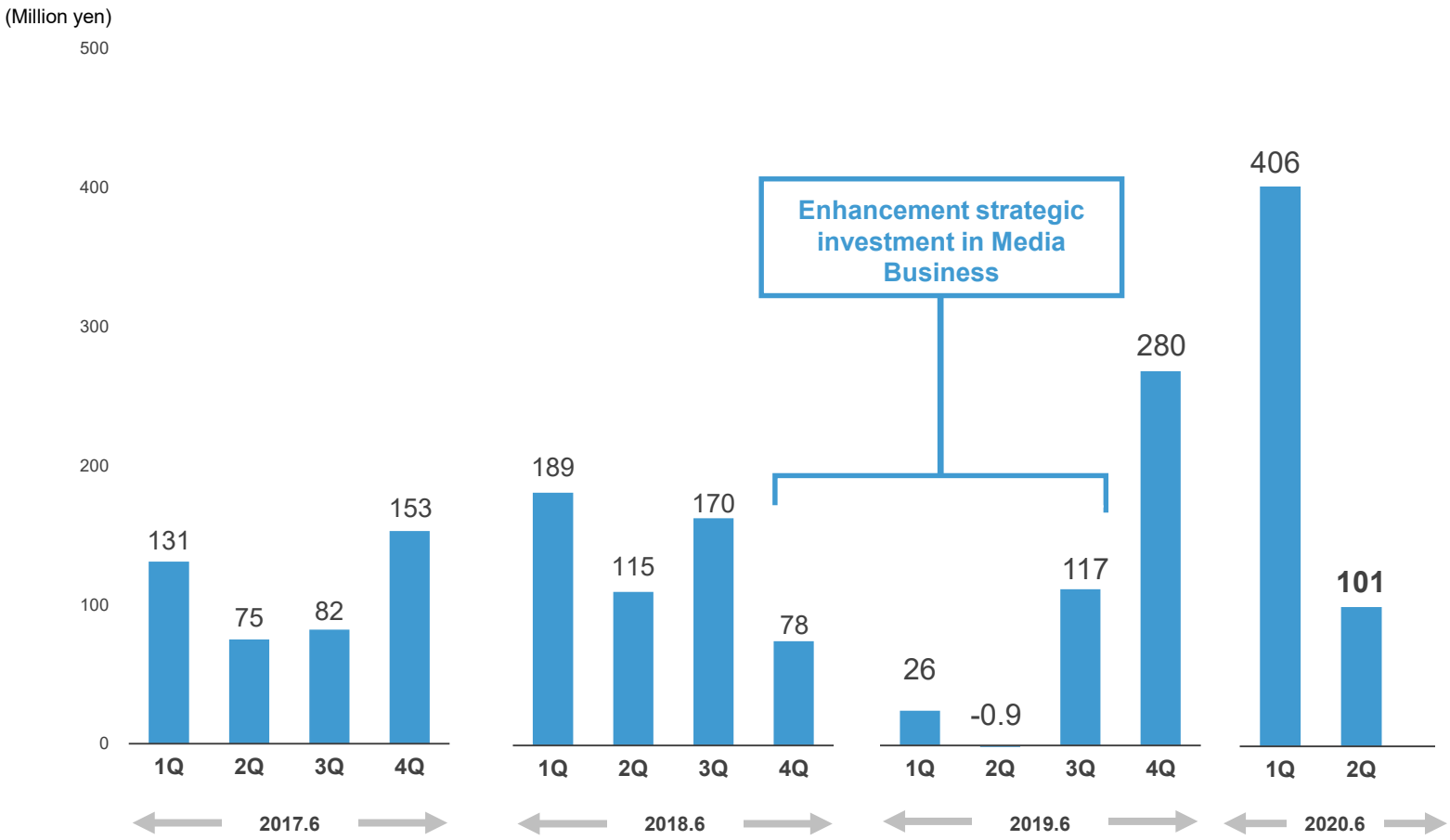
Changes in Quarterly Operating Income



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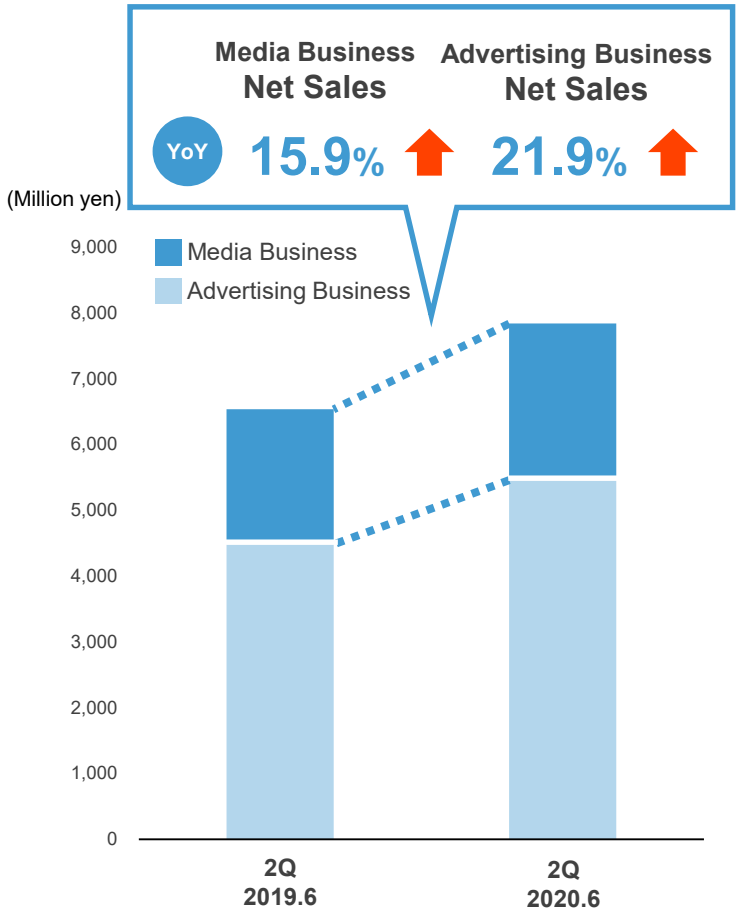
Results by Segment
– Comparison with 2Q Last Year –

Both the Media Business and the Advertising Business achieved double-digit increases in net sales year on year.

Million yen	2019.6 2Q	2020.6 2Q
Media Business		
Net Sales	2,053	**2,379**
Operating Income	-18	**238**
Profit Margin (Operating Income/Net Sales)	–	**10.0%**
Advertising Business		
Net Sales	4,480	**5,460**
Operating Income	314	**568**
Profit Margin (Operating Income/Net Sales)	7.0%	**10.4%**
Adjustments		
Net Sales	–	**-88**
Corporate Expenses	-269	**-297**



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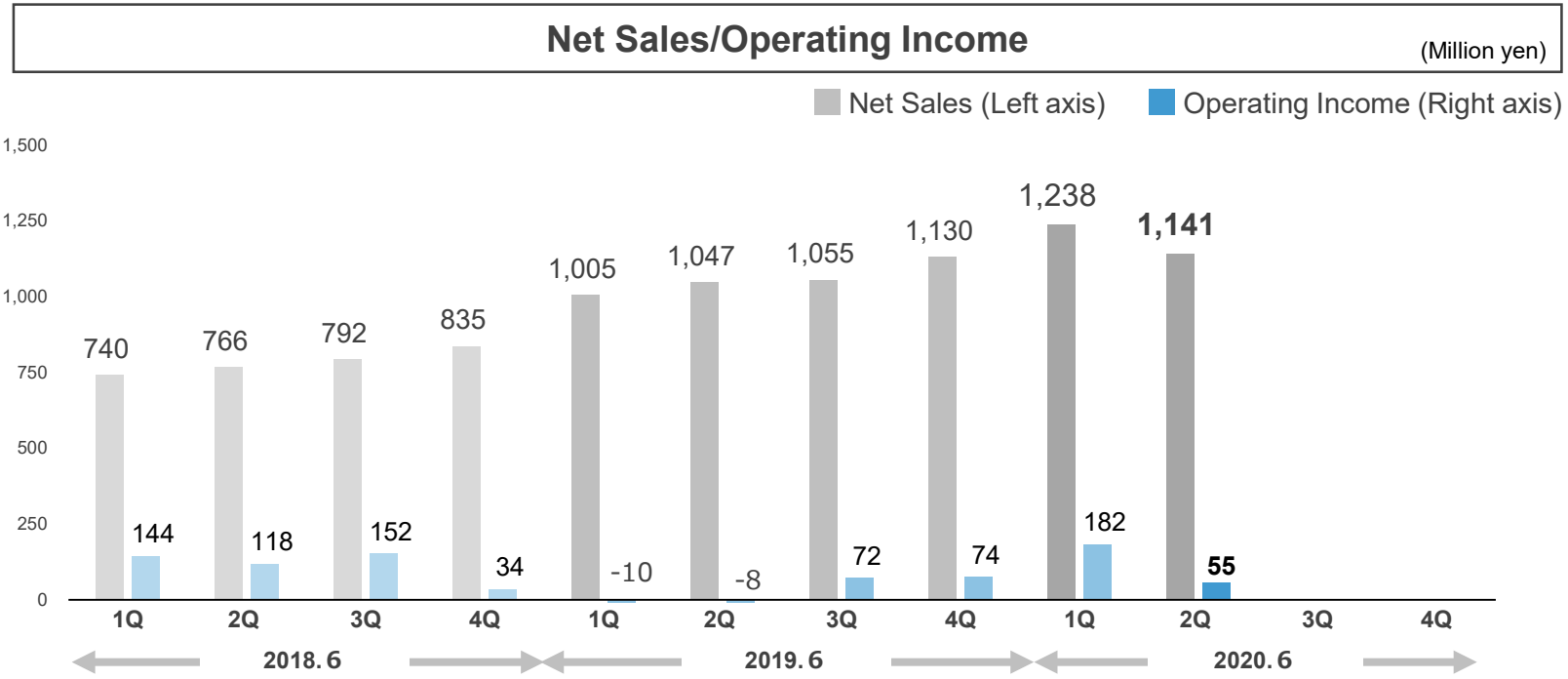
Media Business
– Change in Earnings Over Time –

Sales and operating income decreased temporarily due to the allocation of expenses to the area of PR activities.



* The figures in the graph include segment adjustments.
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Media Business
− Trend in Number of Paying Omiai Members −

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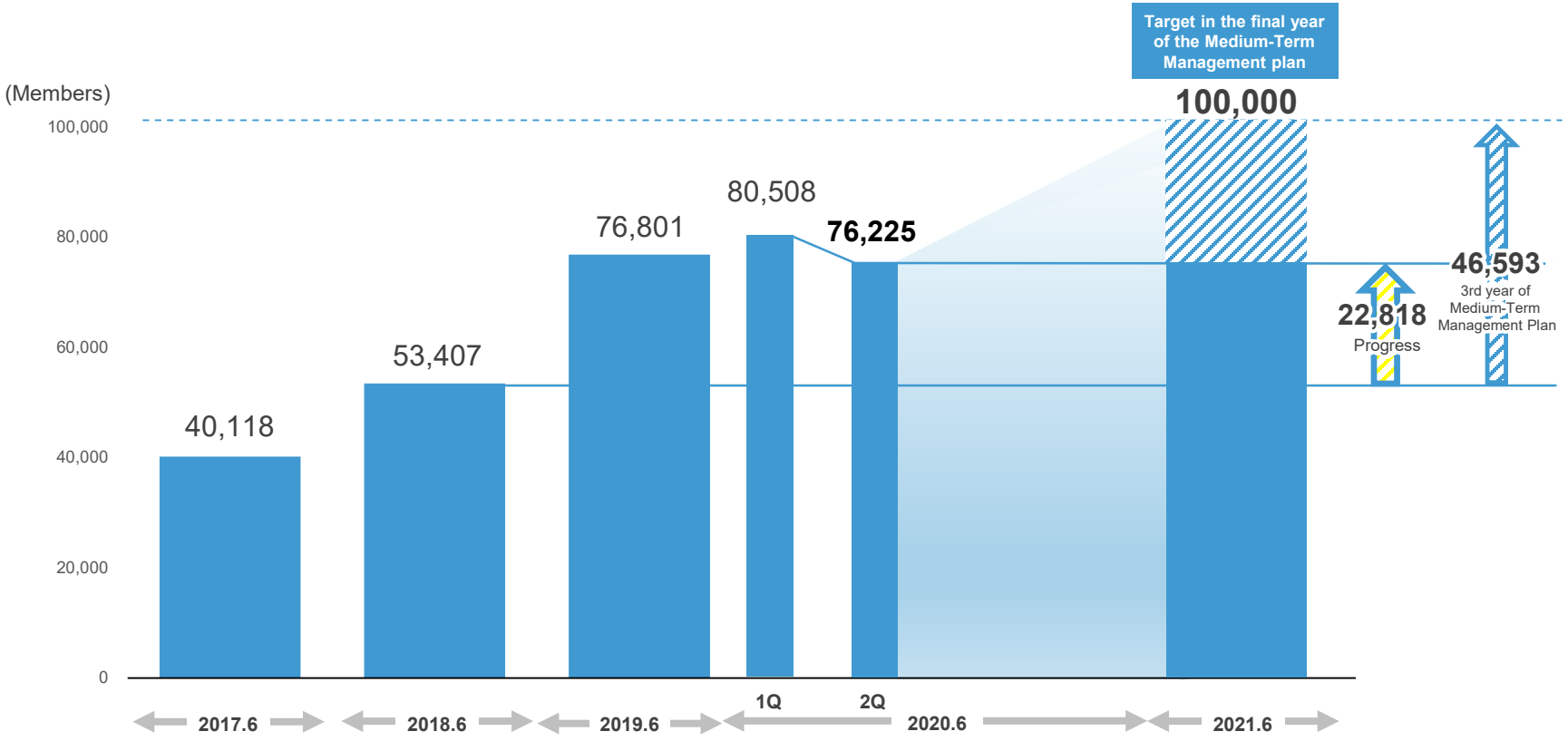
Allocated management resources to prepare PR measures in which celebrities are featured.
The number of paying members recovered in January thanks to enhanced member acquisition measures taken during the New Year holidays.



Number of paying members
Number of members who use the monthly subscription service as of the end of December 2019

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Media Business
– Efforts to Expand Market Share –

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Aim to further expand business by moving key initiatives forward.

Key Issue : Focus areas in preparation for high demand season		Initiatives
Marketing	Efforts to optimize each KPI and expand advertising methods/channels	Continue efforts to optimize each KPI and expand advertising methods/channels.
PR	PR activities to raise awareness and public favor	**Preparing PR measures in which celebrities are featured.**
Products	Improving UI/UX, etc.	Continue to enhance products by optimizing paths for registration, among other approaches.

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Media Business
− Efforts for Regional Revitalization −

	First time	Second time	Third time	Fourth time
Municipality	**Okayama Prefecture** **Okayama Omiai Marriage Matching Party**	**Izumo City, Shimane Prefecture** **Izumo × Omiai Matchmaking Party**	**Aomori Prefecture** **Aomori Omiai Matchmaking Party**	**Kurashiki City, Okayama Prefecture** **Kurashiki Omiai Marriage Matching Party**
Held on	August 25, 2018	February 9, 2019	March 23, 2019	April 13, 2019
Location	Shimbashi, Tokyo	Omotesando, Tokyo	Shimbashi, Tokyo	Kurashiki city, Okayama prefecture

	Fifth time	Sixth time
Municipality	**Wakayama Prefecture** **Wakayama Love Draft**	**Tsuyama City, Okayama Prefecture** **Okayama × Omiai Marriage Matching Party**	**Currently planning**
Held on	July 26, 2019	November 3, 2019	
Location	Honmachi, Osaka	Shimbashi, Tokyo	

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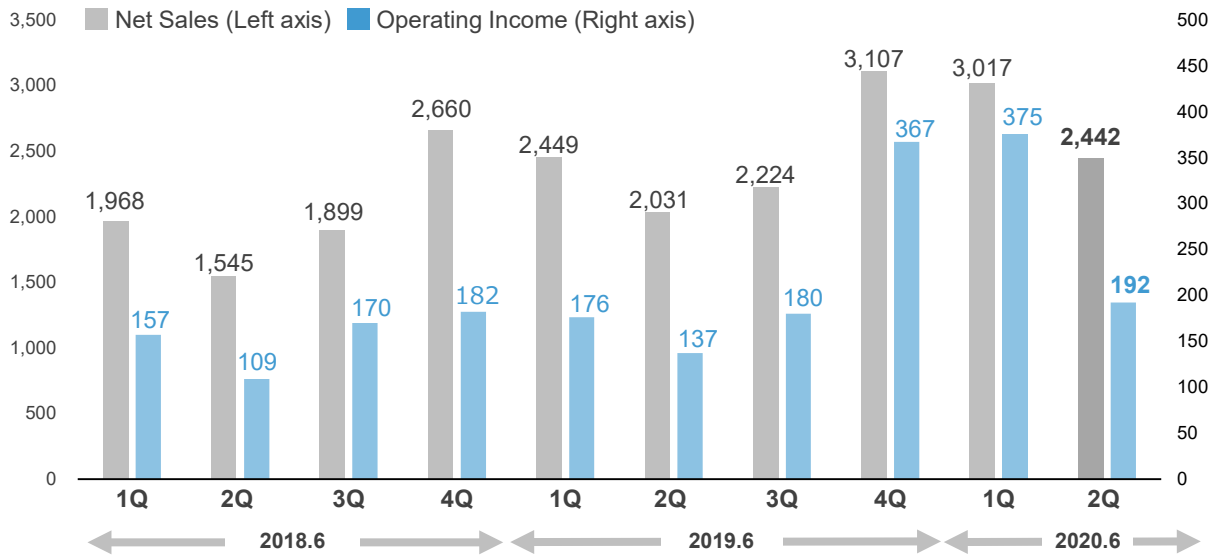
Advertising Business
– Changes in Business Performance Over Time –

Net sales grew by more than 20% in 2Q, as in the previous 2Q.

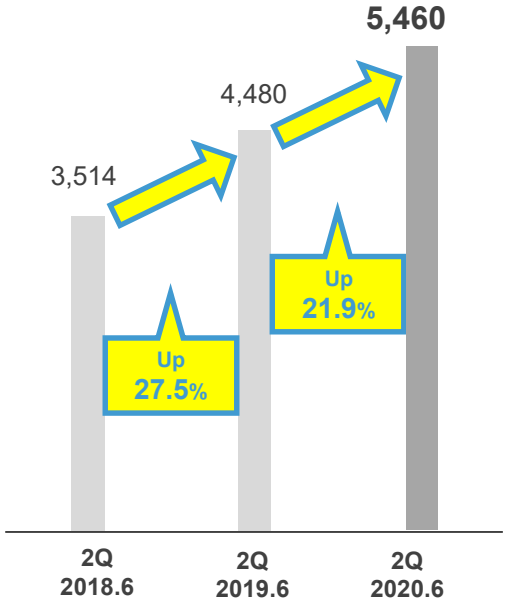
Net Sales/Operating Income

(Million yen)



Comparison of 2Q net sales (cumulative)

(Million yen)



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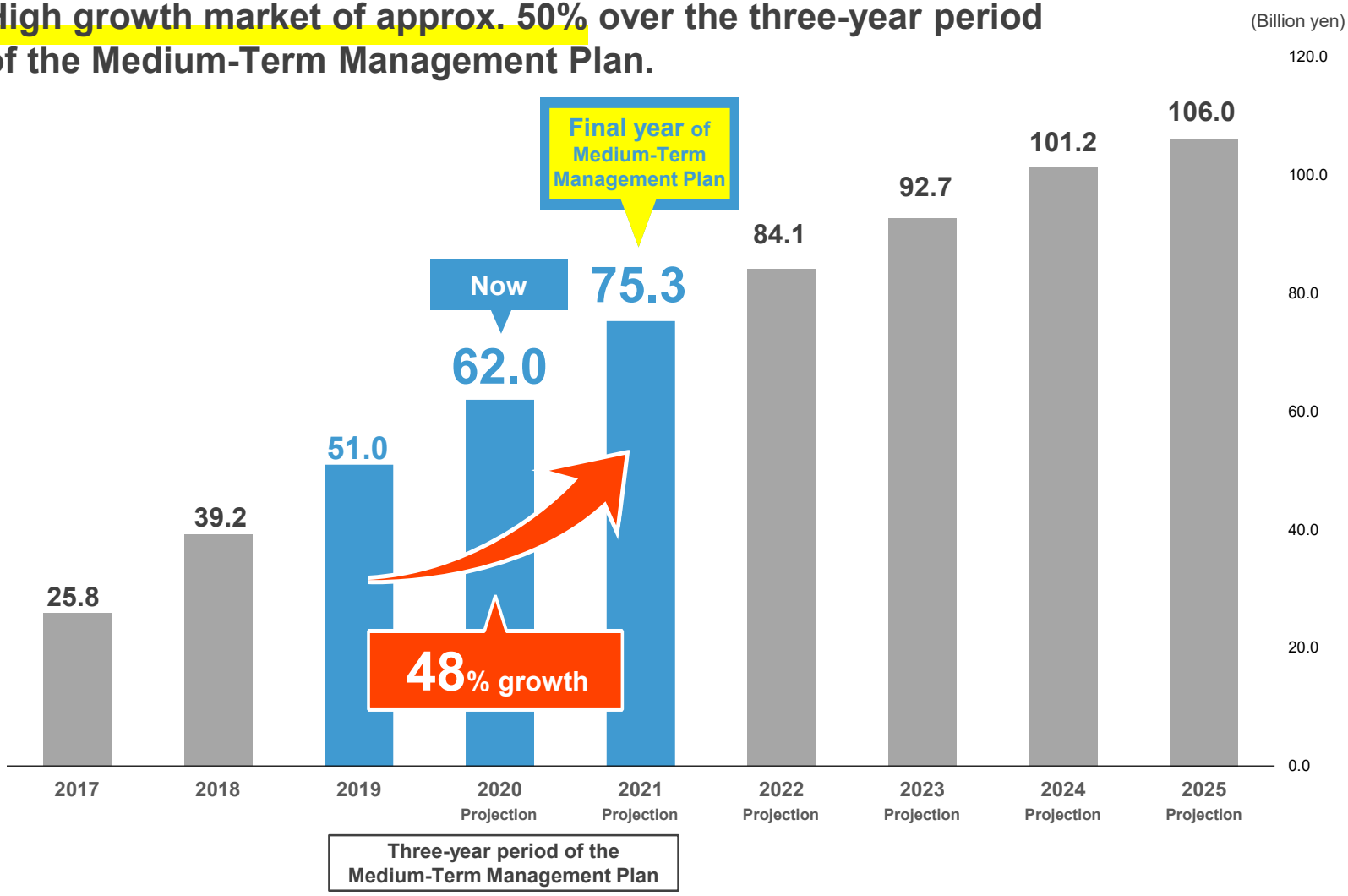
Appendix

Market Environment

Market Data

– Love & Marriage Matching Service Market Projection –

High growth market of approx. 50% over the three-year period of the Medium-Term Management Plan.



Source: MatchingAgent, Inc./digitalinfact

Prepared by the Company based on the Domestic Online Love & Marriage Matching Service Market Projection for 2017-2025

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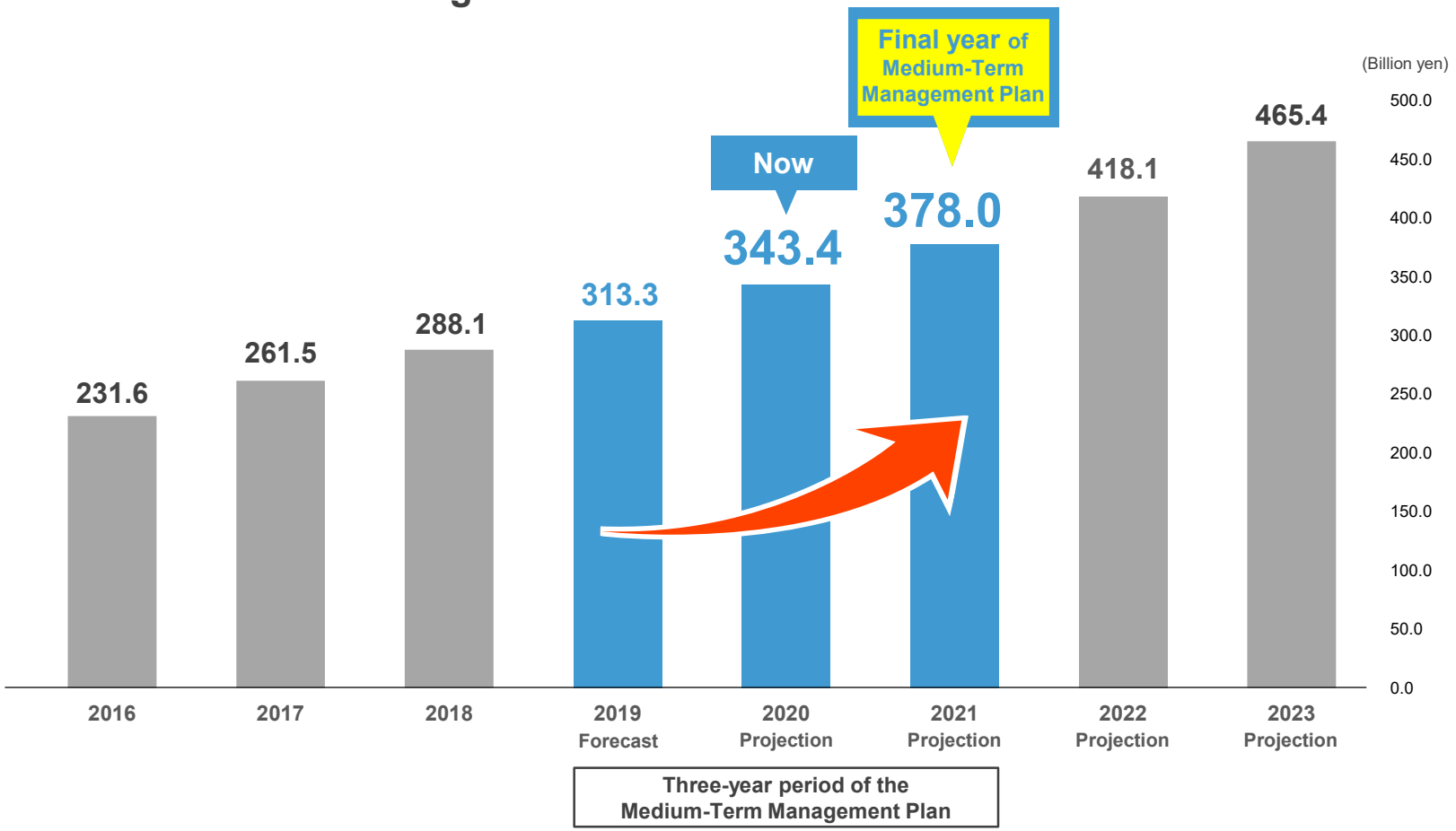
Market Data
– Affiliate Marketing Market Projection –

A market where stable growth is expected over the three-year period of the Medium-Term Management Plan.



Source: “Trends in and Outlook for the Affiliate Marketing Market 2019” by Yano Research Institute

Note: Estimate for FY2019 and predictions for FY2020 and beyond as of December 2019. The market size was calculated by adding the rewards for results from affiliate advertising, fees and various expenses.

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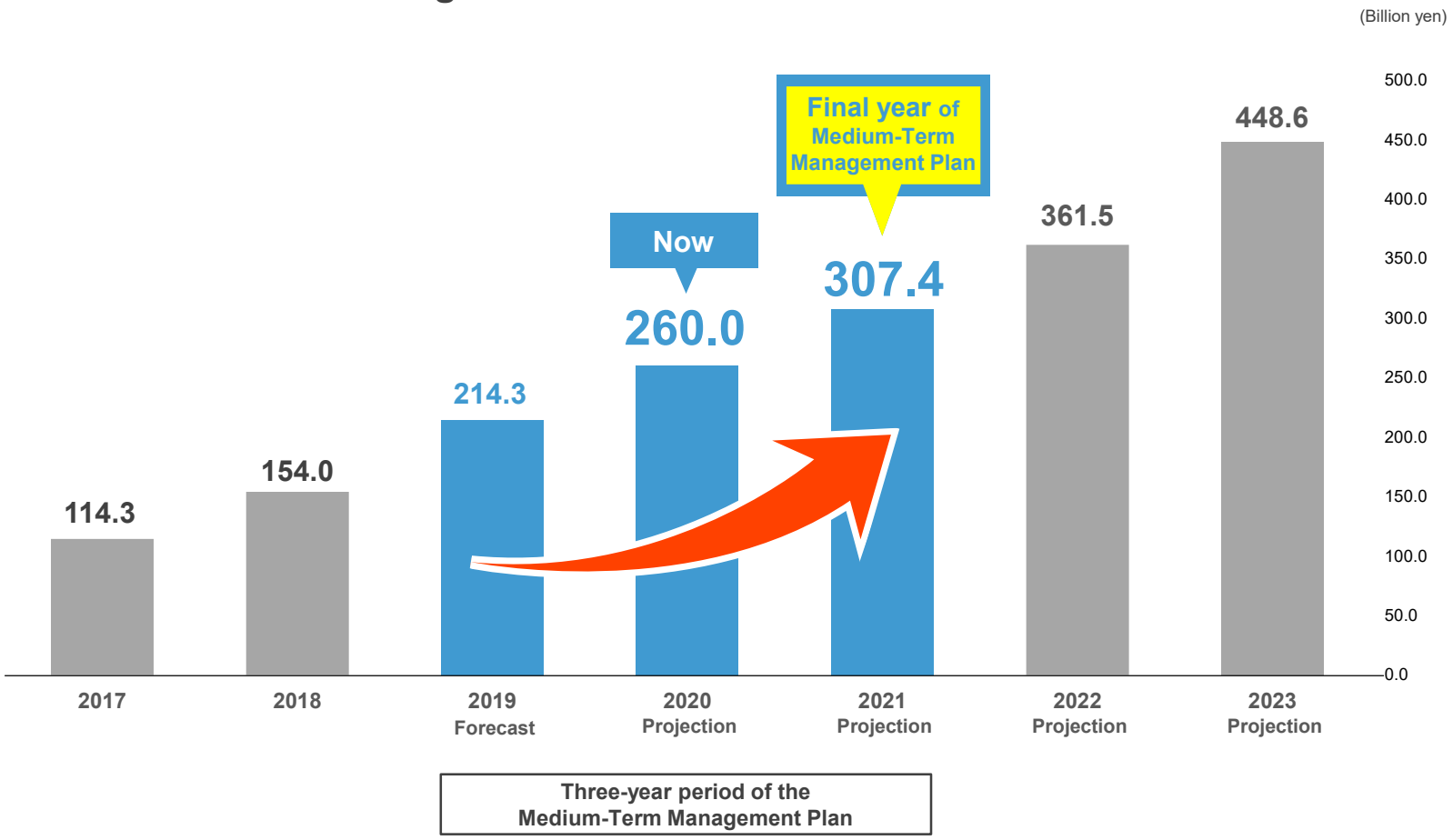
Market Data
– Social Advertising Market Projection –

Growth market of approx. 43% over the three-year period of the Medium-Term Management Plan.



Source: Prepared by the Company based on the Status and Outlook of Net Advertising and Web Solutions 2019 by MIC Research Institute.

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