Stock Code 6175

NET MARKETING CO. LTD.

Net Marketing Co. Ltd.

FINANCIAL RESULTS

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

©2020 Net Marketing Co. Ltd. All right reserved.

Contents



Financial Highlights

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

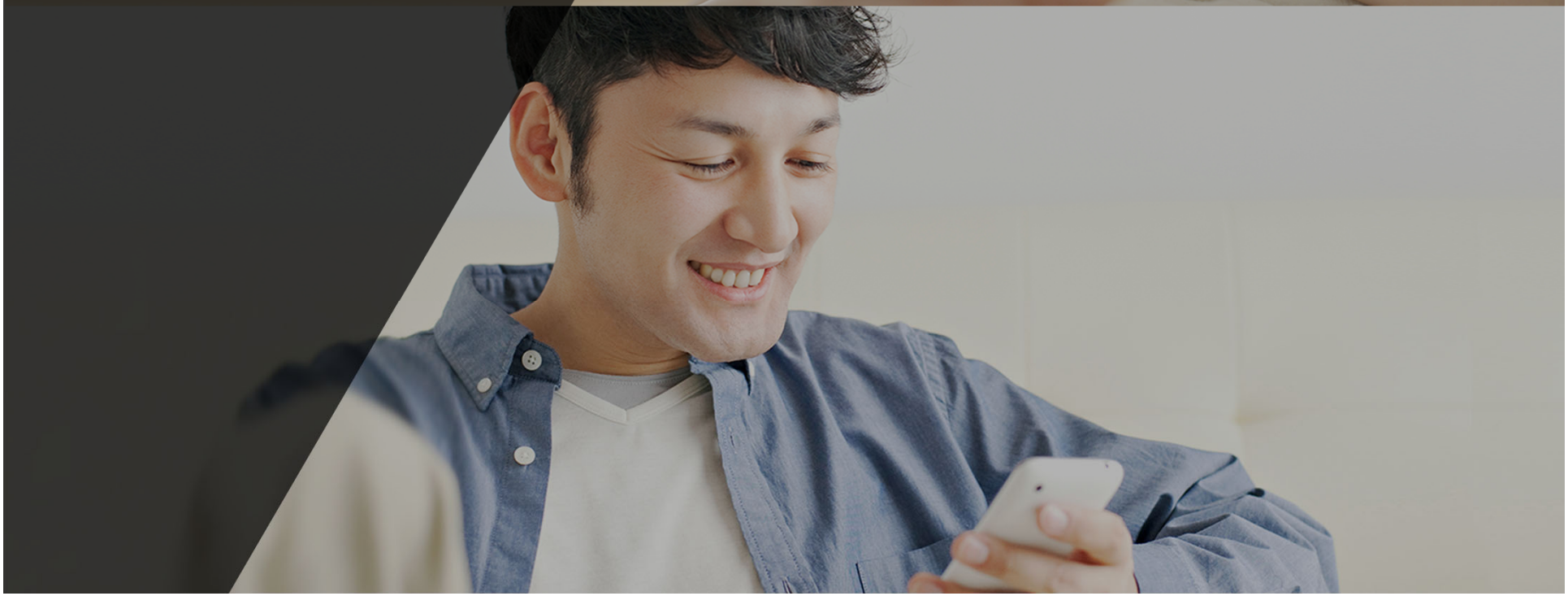
©2020 Net Marketing Co. Ltd. All right reserved.

Financial Highlights

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



NET MARKETING CO. LTD.



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

NET MARKETING CO. LTD.

Corporate

- Aug. 9, 2019 Medium-Term Management Plan updated – No change to basic or core policies
- Sep. 26, 2019 New Corporate Identity

Business

Company-wide

Company-wide sales and income increased year on year.
The full-year earnings forecast is currently being calculated due to the spread of COVID-19 coronavirus infections..... P. 7

Media Business



We carried out a rebranding of Omiai and started to roll out new creative

- The cumulative total number of members reached five million. (as of December 2019)
- Moved initiatives forward with a focus on key issues (marketing/PR/products)..... P. 13
- PR activities (rebranding, talent casting, outdoor advertising, etc.)..... P. 14, 15

Advertising Business



Both sales and profit showed continued growth

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

©2020 Net Marketing Co. Ltd. All right reserved.

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

NET MARKETING CO. LTD.

Both net sales and income rose year on year

Million yen	2019.6 3Q	2020.6 3Q	YoY Increase/Decrease
Net Sales	9,812	**11,313**	**+1,500** (+15.3%)
Gross Profit	2,989	**3,589**	**+600**
Gross Profit Margin (Gross Profit/Net Sales)	30.5%	**31.7%**	
Operating Income	143	**602**	**+458**
Operating Income Margin (Operating Income/Net Sales)	1.5%	**5.3%**	
Ordinary Income	139	**613**	**+473**
Net Income	91	**419**	**+328**

* As strategic investments in the Media Business were implemented in the third quarter of the fiscal year ended June 30, 2019, operating income fell on a temporary basis.

©2020 Net Marketing Co. Ltd. All right reserved.

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

NET MARKETING CO. LTD.

The full-year earnings forecast is currently being recalculated.
There are no changes to expected dividends.

The forecast will be announced once the impact on earnings can be predicted.

Million yen	3Q Actual	Full-year Earnings Forecast
Net Sales	**11,313**	—
Operating Income	**602**	—
Ordinary Income	**613**	—
Net Income	**419**	—
Year-end Dividend (Payout Ratio)	—	6 yen （—）

©2020 Net Marketing Co. Ltd. All right reserved.

Impact of the COVID-19 Coronavirus

<Impact on Earnings>

Company-wide

The spread of COVID-19 coronavirus infections is still ongoing, and a state of uncertainty over the future persists. Under these circumstances, an impact on company earnings has begun to emerge, but we have determined that at this stage it is difficult to calculate a specific earnings forecast. Accordingly, on a temporary basis we will not produce an earnings forecast, but will promptly announce a forecast once it becomes possible to make the appropriate calculations. Information on the expected impact on our individual business is given below.

Media Business

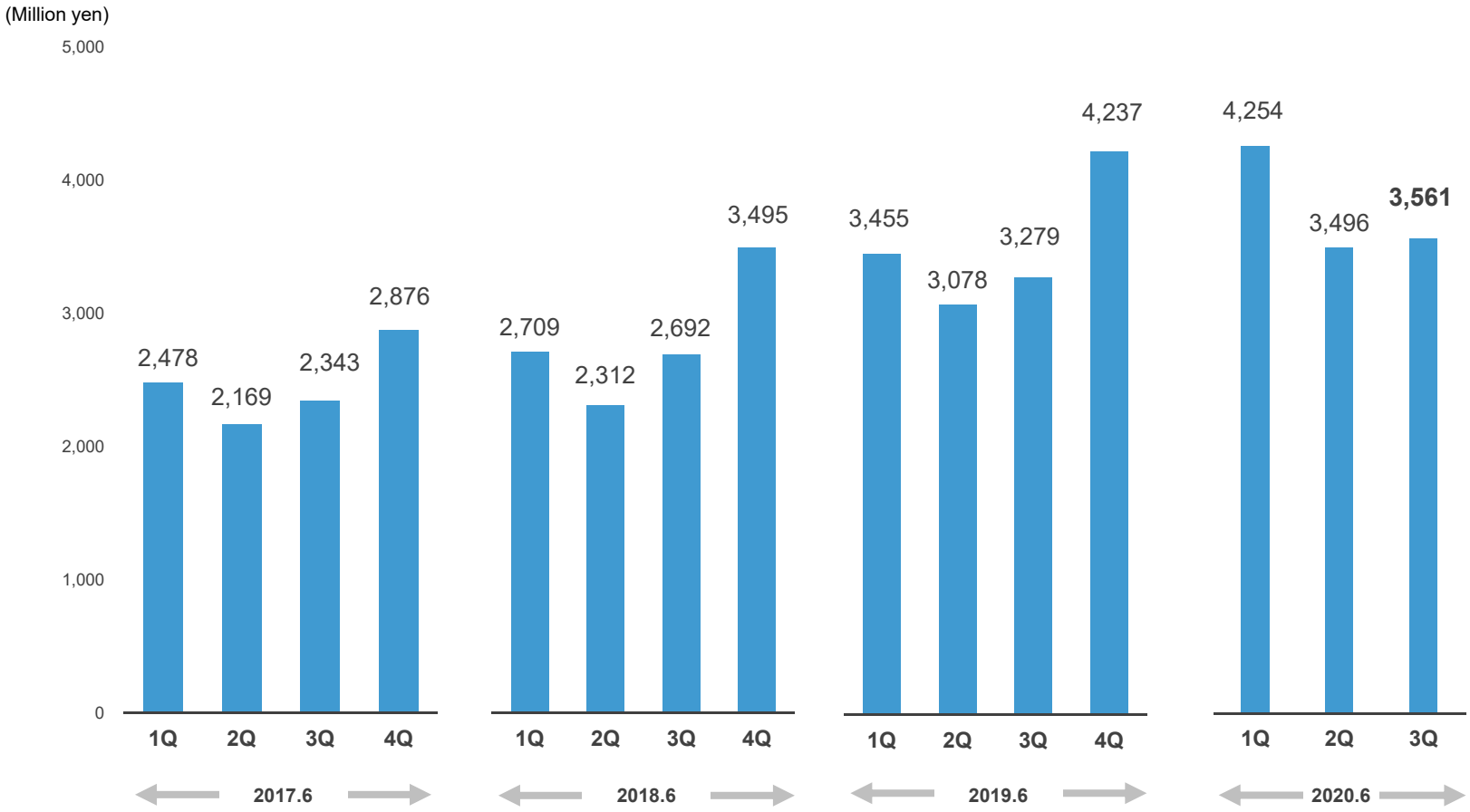
If the falling consumer sentiment continues due to the government's voluntary stay-at-home request, there may be a greater impact on business KPIs.

Advertising Business

If the closure or reduced operating hours of businesses at the request of the national government and local governments continues, sales could fall, particularly from advertisers in the category of businesses with physical stores.

©2020 Net Marketing Co. Ltd. All right reserved.

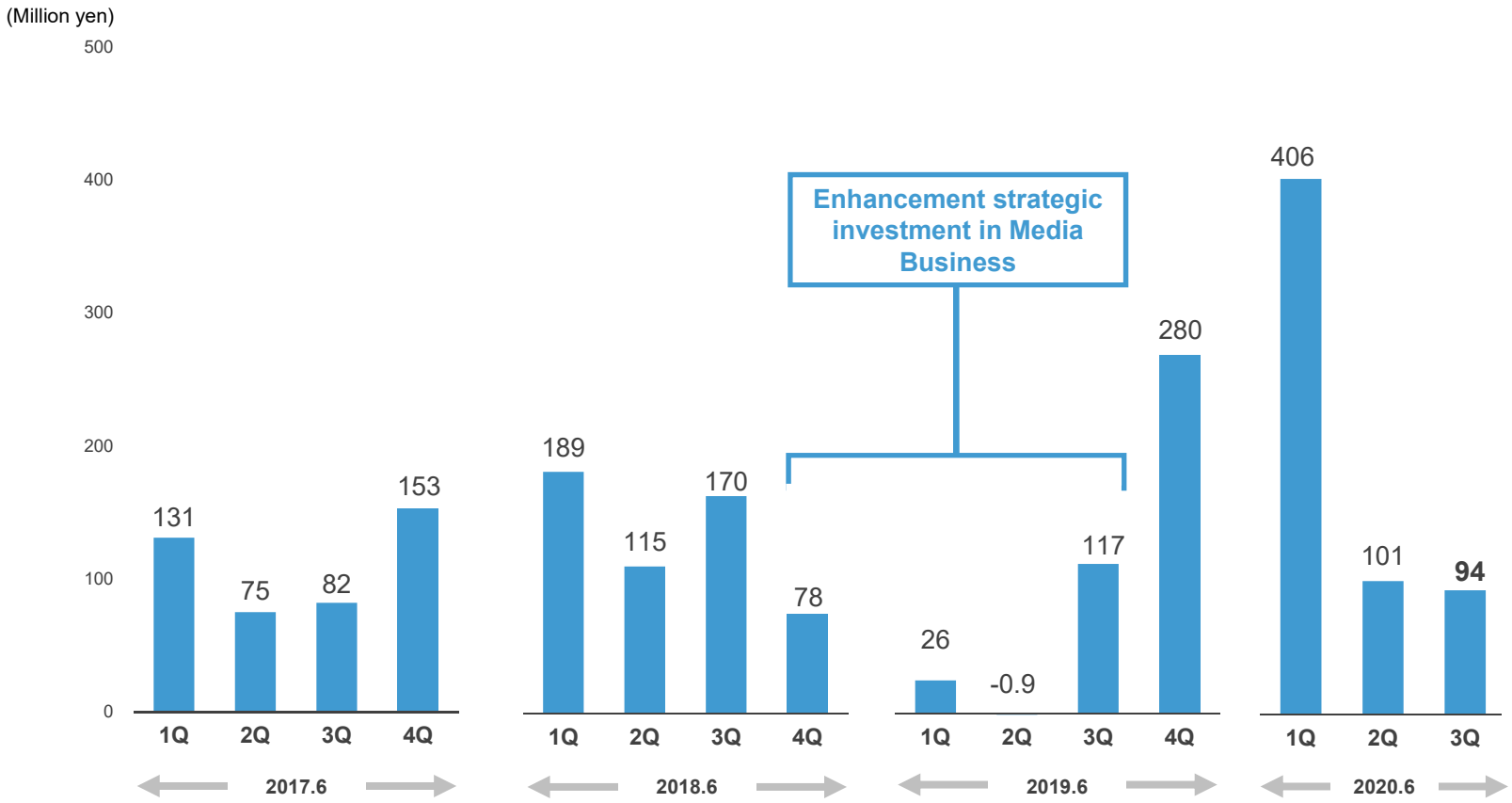
Changes in Quarterly Net Sales



* 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.

©2020 Net Marketing Co. Ltd. All right reserved.

Changes in Quarterly Operating Income



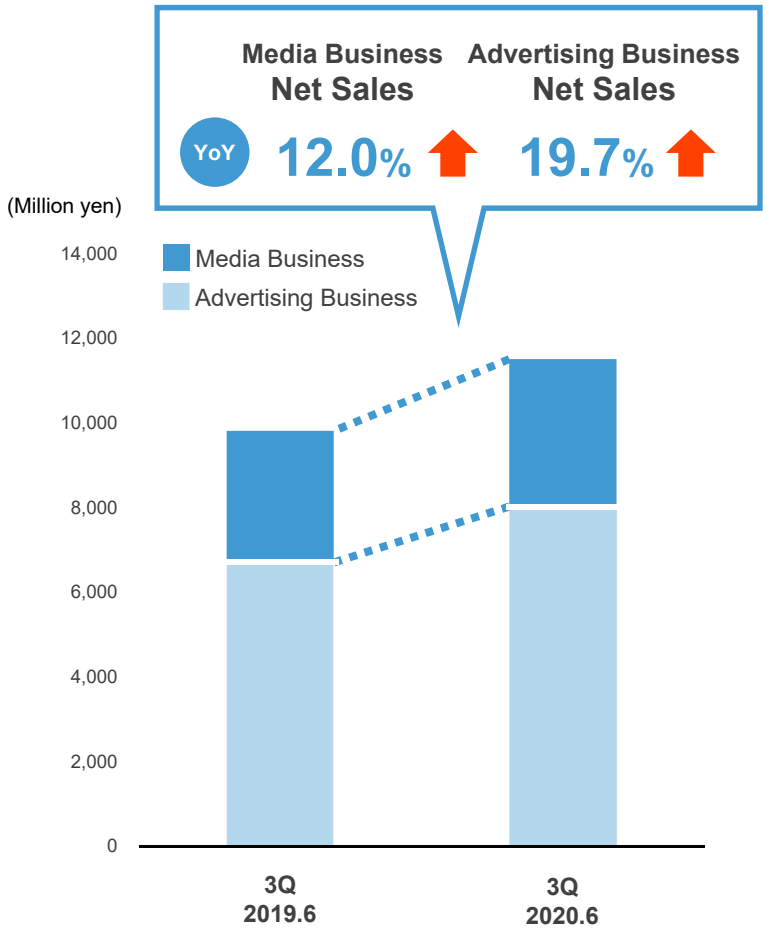
* Although we announced the consolidated financial results in the fiscal year ended June 2017 and 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ended June 2019.

©2020 Net Marketing Co. Ltd. All right reserved.

Results by Segment
– Comparison with 3Q Last Year –

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

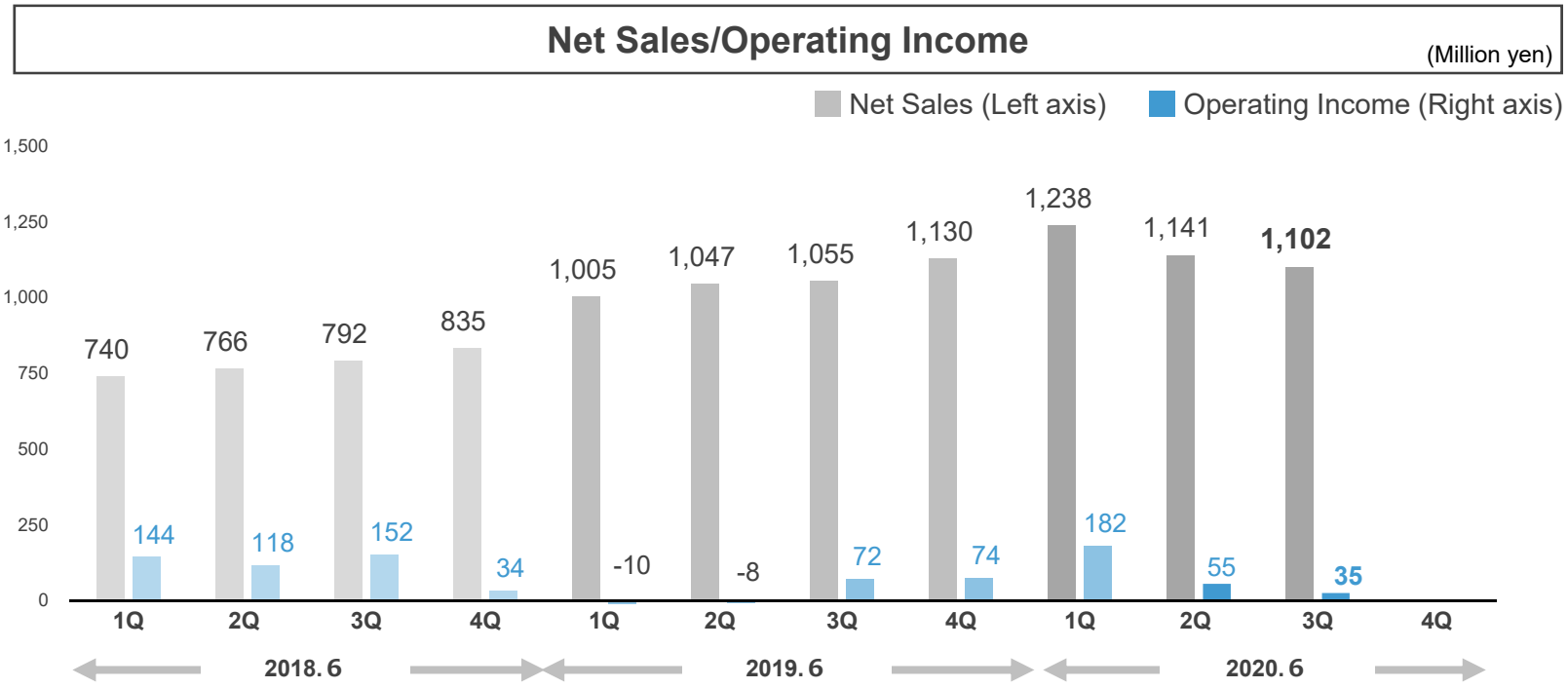
Million yen	2019.6 3Q	2020.6 3Q
Media Business		
Net Sales	3,108	**3,482**
Operating Income	53	**273**
Profit Margin (Operating Income/Net Sales)	1.7%	**7.9%**
Advertising Business		
Net Sales	6,704	**8,028**
Operating Income	494	**778**
Profit Margin (Operating Income/Net Sales)	7.4%	**9.7%**
Adjustments		
Net Sales	—	**-197**
Corporate Expenses	-404	**-449**



©2020 Net Marketing Co. Ltd. All right reserved.

Media Business
– Change in Earnings Over Time –

Despite an increase in the number of paying members, net sales declined due to the promotion of long-term plans that generate lower sales per customer. This approach aims to achieve future sales increases by extending the lifetime of paid memberships.

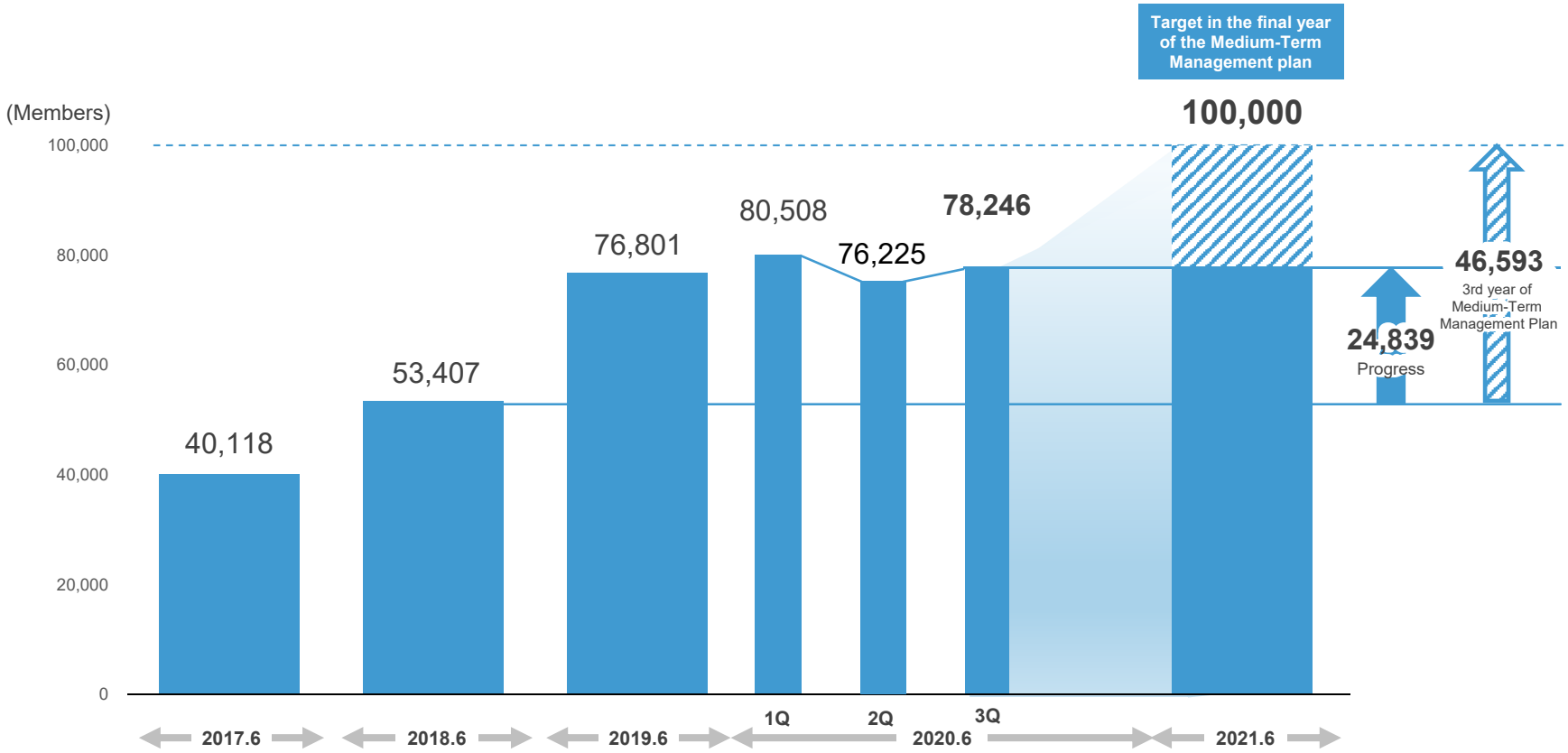


* The figures in the graph include segment adjustments.
* Although we announced the consolidated financial results in the fiscal year ended June 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ended June 2019.

©2020 Net Marketing Co. Ltd. All right reserved.

Media Business
– Trend in Number of Paying Omiai Members –

The number of paying members rebounded compared with 2Q due to measures to boost new memberships in the year-end and New Year period.



Number of paying members
Number of members who use the monthly subscription service as of the end of March 2020.

©2020 Net Marketing Co. Ltd. All right reserved.

Media Business
– Efforts to Expand Market Share –

NET MARKETING CO. LTD.

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**	**Engage the services of brand ambassadors and implement PR measures such as outdoor advertising to raise awareness and public favor in the medium-to-long-term.**
Products	**Improving UI/UX, etc.**	**Updated user interface due to the rebranding**

©2020 Net Marketing Co. Ltd. All right reserved.

- Promoting improved recognition and public favor through rebranding -

Omiai Rebranding

Omiai Rebranding Outline

We are now in an age where meeting a partner through the Internet has become commonplace. As a driver of the domestic matching service market, we aim to offer a "**service that those looking for safer and more serious matches can use with peace of mind**."

■ Redesigned brand logo

Omiai

The new logo was designed based on the idea of wanting to "cheer on serious new relationships that involve love (ai)"

■ The services of brand ambassador "NON" were employed



We employed the services of NON, a talent who appeals to a wide range of age groups and enjoys a clean image

■ Roll-out of new creative



Brand message of support for those embarking on new relationships

Rebranding press conference held on February 20



From left: COO Hideki Matsumoto, NON, CEO Kunihisa Miyamoto
At CROAK Prime Studio. Scenes from the event were reported on by many media outlets.

©2020 Net Marketing Co. Ltd. All right reserved.

Media Business
– Full-scale operation of PR measures utilizing well-known talent (2) -

Engaging the services of Omiai brand ambassador “NON”

Results of Recent PR Measures

■ Changes to app and website pages





■ Launch of special website



- Omiai couple interviews
- Behind-the-scenes video
- Graphic materials
- Advance streaming of web-based commercials

■ Outdoor advertising

Advertising areas: Kanto, Kansai

Advertising media:
Fixed outdoor signboards
Outdoor electronic signage
Posters inside train carriages
Digital signage inside train stations



■ Web-based commercials

The commercials are also streamed on the special website →

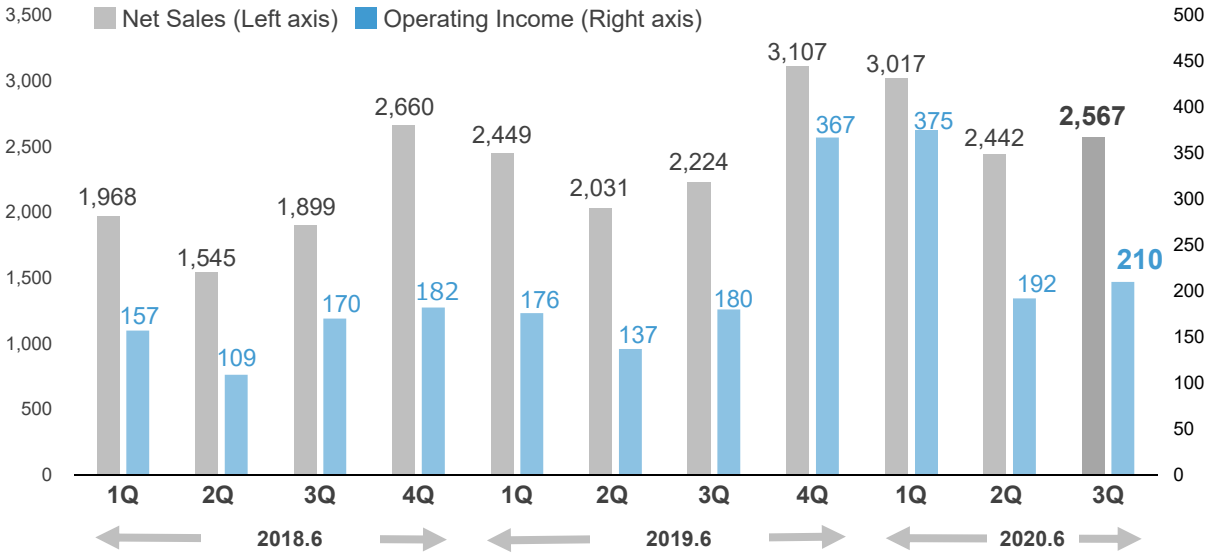


©2020 Net Marketing Co. Ltd. All right reserved.

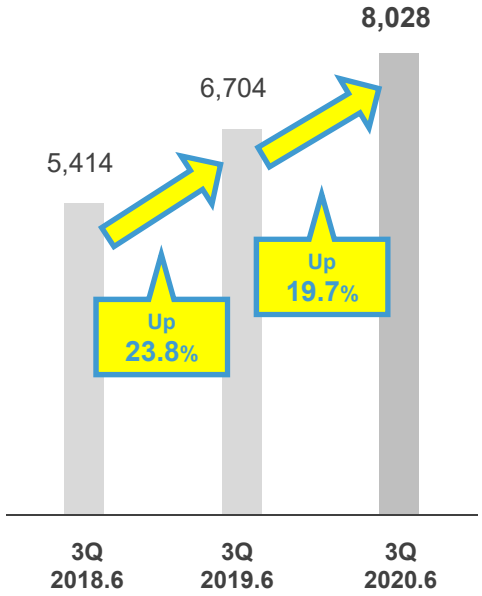
Advertising Business
– Changes in Business Performance Over Time –

Both sales and profit showed continued growth

Net Sales/Operating Income (Million yen)



Comparison of 3Q net sales (cumulative) (Million yen)



* The figures in the graph include segment adjustments.
* Although we announced the consolidated financial results in the fiscal year ended June 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ended June 2019.

©2020 Net Marketing Co. Ltd. All right reserved.



NET MARKETING CO. LTD.

Appendix

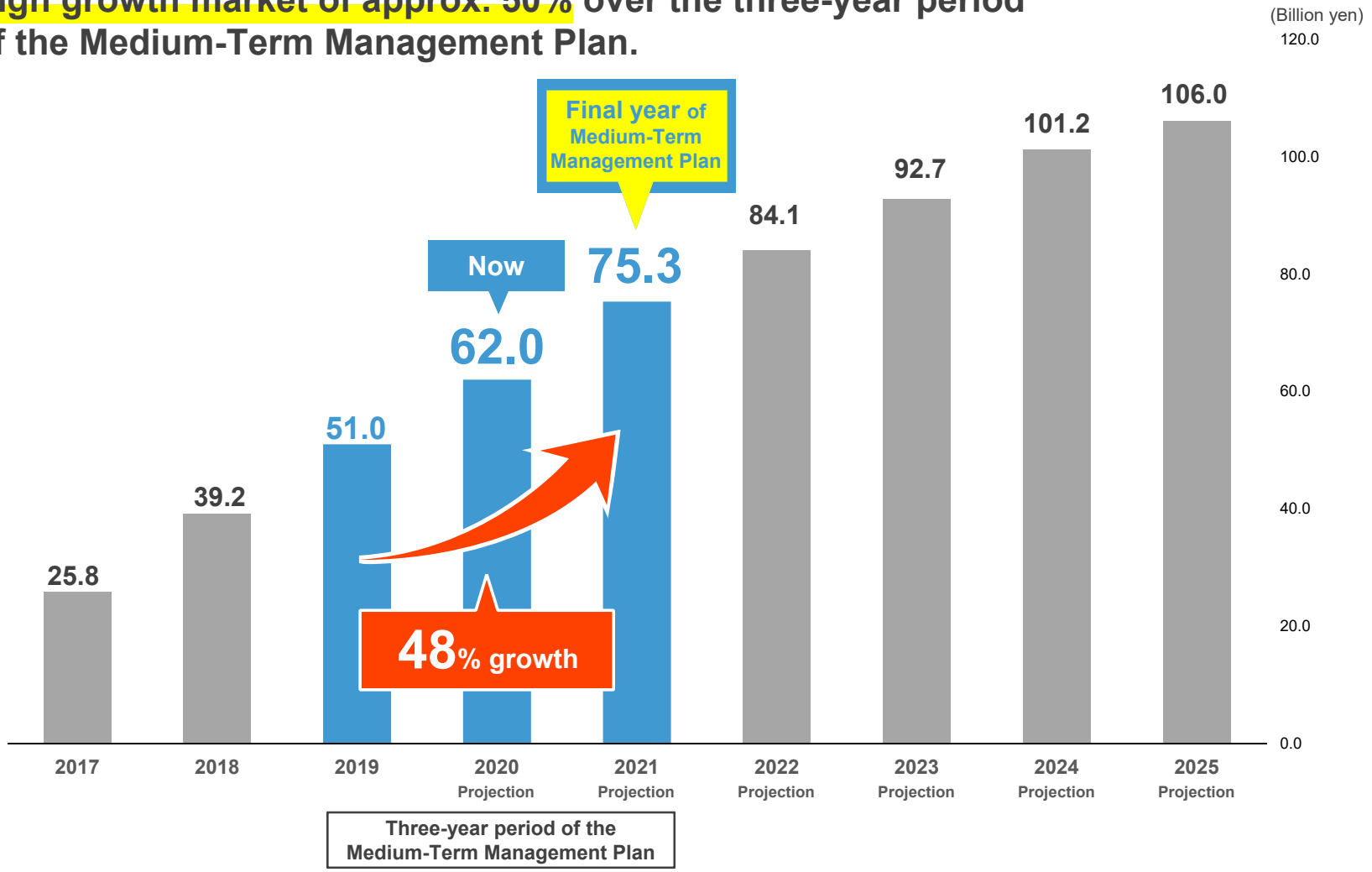
Market Environment

This market forecast does not reflect the impact from the spread of COVID-19 coronavirus infections.

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
Graph prepared by the Company based on figures in the Domestic Online Love & Marriage Matching Service Market Projection for 2017-2025

Note: As figures for 2020 and beyond are based on projections released as of January 2020, the impact of the COVID-19 coronavirus is not reflected.

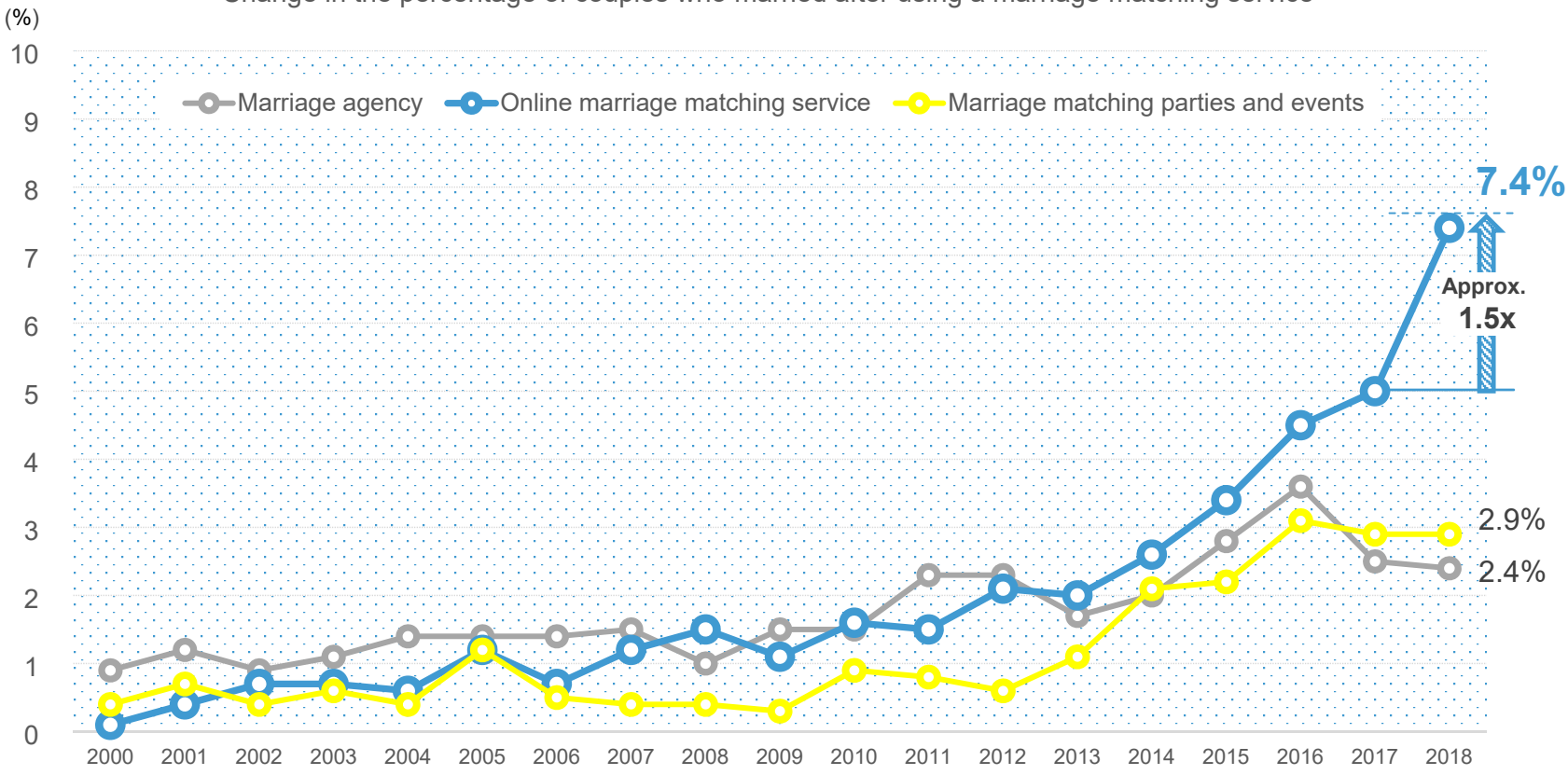
©2020 Net Marketing Co. Ltd. All right reserved.

Market Data

– Percentage of Online Marriage Matching Service Penetration –

The percentage of couples who married through an online marriage matching service reached a record 7.4%, roughly 1.5 times the figure from the previous year

Change in the percentage of couples who married after using a marriage matching service

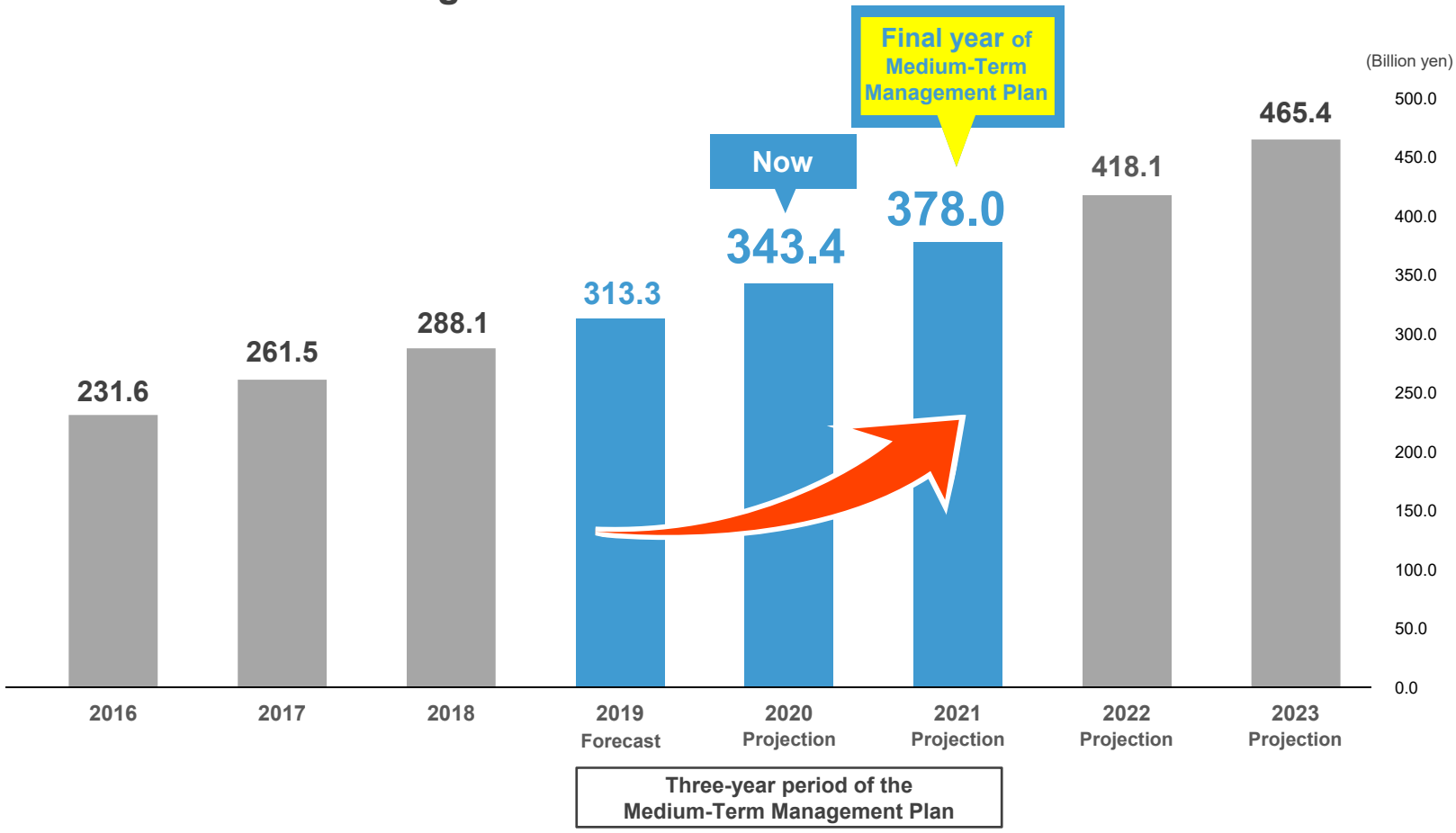


Source: Graph created by the Company based on figures from 2019 Marriage Matching Fact-finding Survey 2019 (Recruit Bridal Souken)

©2020 Net Marketing Co. Ltd. All right reserved.

Market Data
– Affiliate Marketing Market Projection –

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

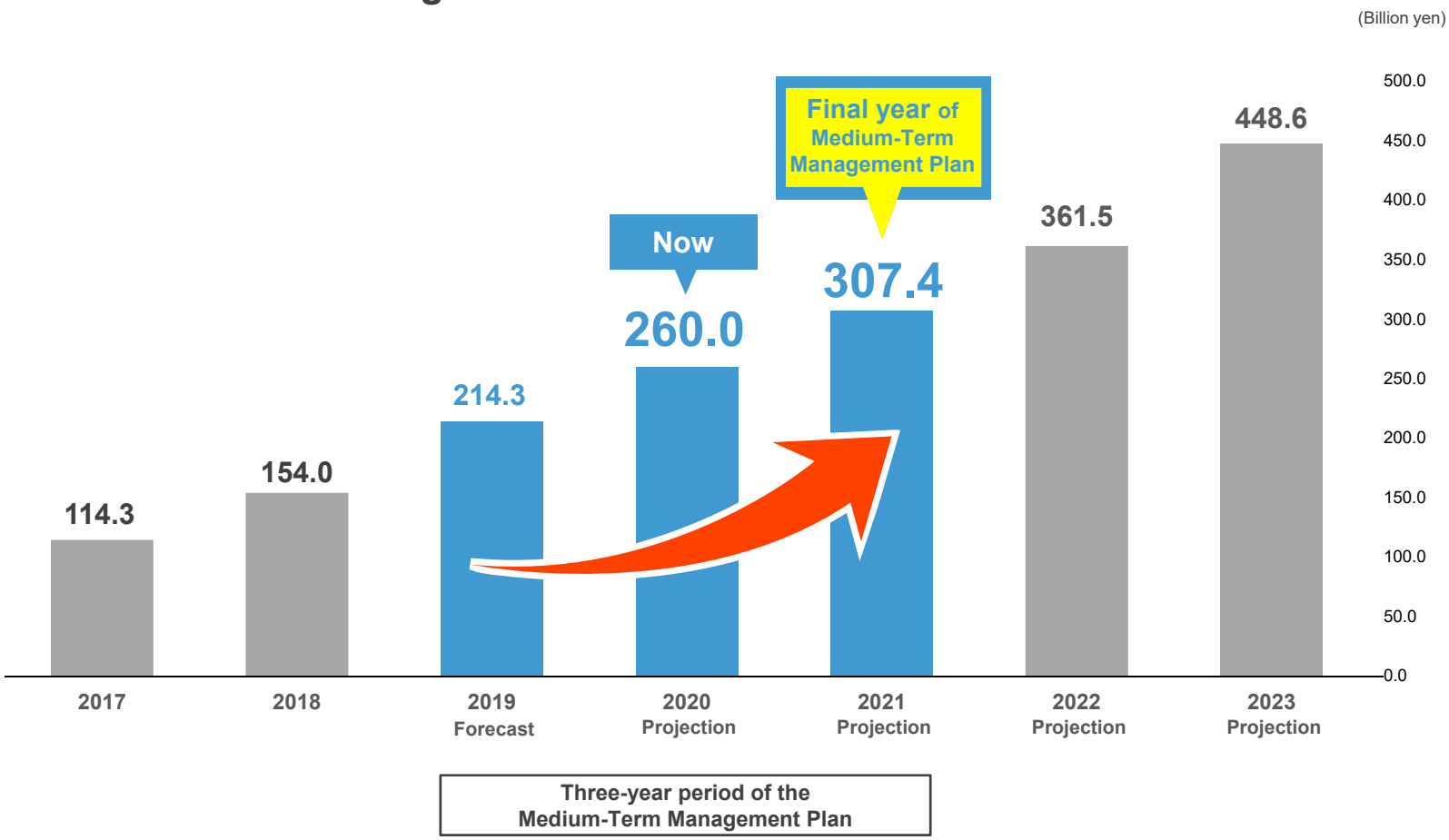


Source: "Trends in and Outlook for the Affiliate Marketing Market 2019". Graph created by the Company based on figures announced on February 7, 2020
Note: Estimate for FY2019 and predictions for FY2020 and beyond as of December 2019. The market size was calculated by adding the rewards for results from affiliate advertising, fees and various expenses. For 2020 and beyond, as the projections are based on information available as of December 2019, the impact of the COVID-19 coronavirus is not reflected.

©2020 Net Marketing Co. Ltd. All right reserved.

Market Data
– Social Advertising Market Projection –

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



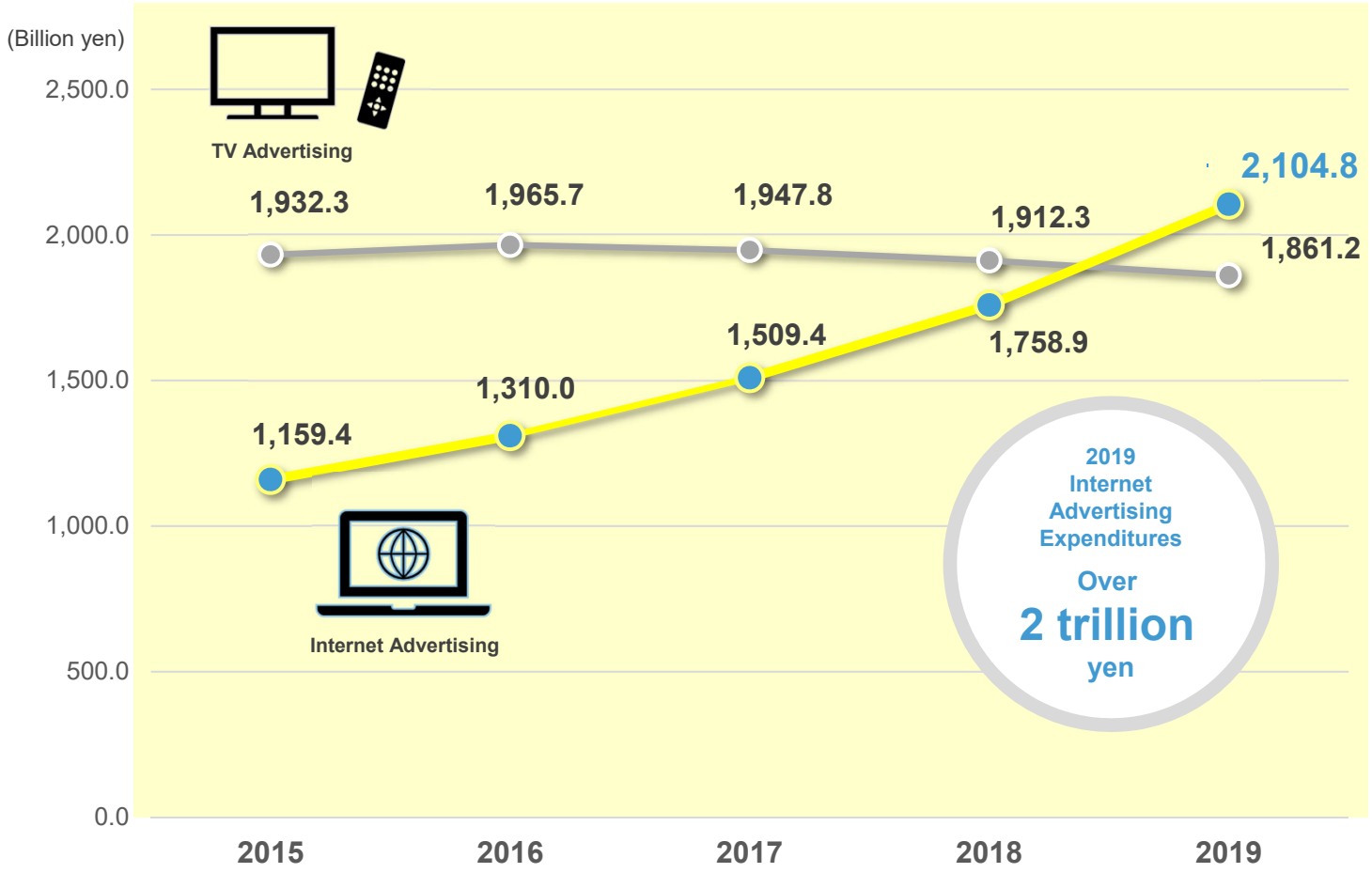
Source: Graph created by the Company based on figures from Status and Outlook of Net Advertising and Web Solutions Market 2019 (MIC Research Institute)
Note: Future projections are based on the issue published June 28, 2019 and do not reflect the impact of the COVID-19 coronavirus.

©2020 Net Marketing Co. Ltd. All right reserved.

Market Data

– Comparative Shift in TV Advertising and Internet Advertising Expenditures –

In 2019, expenditures on internet advertising overtook TV advertising for the first time



Source: Graph created by the Company based on figures from 2019 Advertising Expenditures in Japan (Dentsu Inc.)

©2020 Net Marketing Co. Ltd. All right reserved.

NET MARKETING CO. LTD.

This material was prepared by Net Marketing Co. Ltd. (hereinafter referred to as “the Company”) to increase understanding of the current status of the Company. The information contained in this material is derived from various sources including knowledge within the Company and public information available to the Company and the Company makes no guarantee of the accuracy of such information. The actual performance of the Company may differ due to a variety of factors.

©2020 Net Marketing Co. Ltd. All right reserved.