NET MARKETING CO. LTD.

Net Marketing Co. Ltd.

FINANCIAL RESULTS

FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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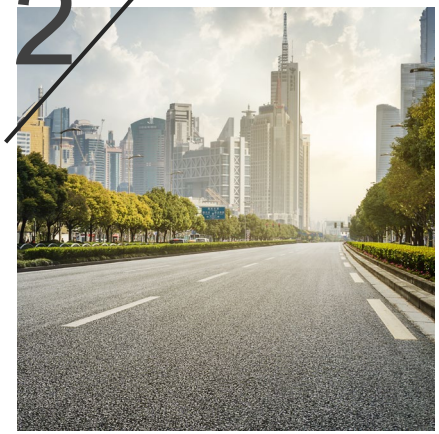
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For the Fiscal Year Ended June 30, 2020

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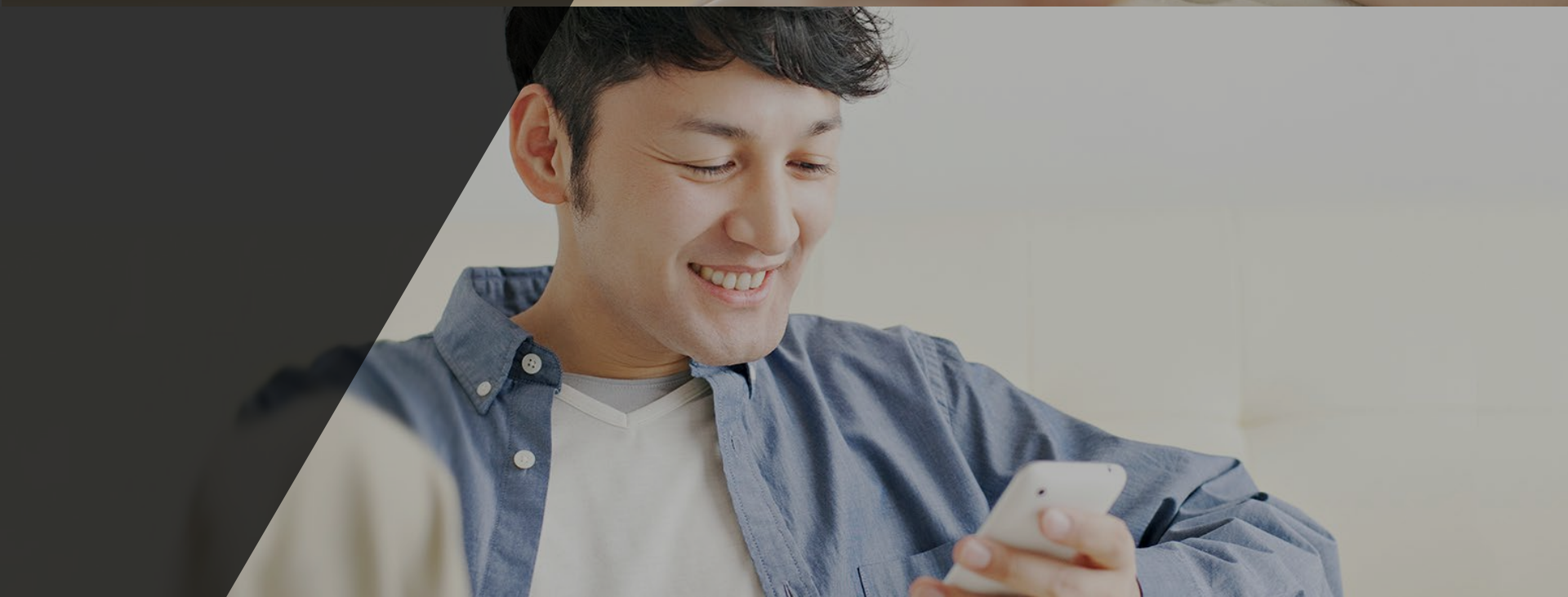
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Financial Highlights
for the Fiscal Year Ended June 30, 2020





1 Fiscal Year Ended June 30, 2020
– Summary –

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Corporate

- Aug. 9, 2019 Medium-Term Management Plan updated – No change to basic or core policies
- Sep. 26, 2019 New Corporate Identity
- Feb. 28, 2020 Notice Regarding Our Initiatives in Response to COVID-19 Coronavirus Infections.....P. 25
- Jun. 8, 2020 Notice Regarding Revision of Business Forecasts

Business

Company-wide

Sales and income increased, albeit slightly, despite the impact of COVID-19 coronavirus infections.

Media Business



- The cumulative total number of members reached five million. (as of December 2019)
- Rebranding (appointment of a brand ambassador) (February 2020)
- Moved initiatives forward with a focus on key issues (marketing/PR/products)
- Video-call function, Online Dating, added

Advertising Business



- Sales activities by attaching weight to up-selling and profit increases of existing projects
- Enhance initiatives for social media advertising.

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1 Impact of the COVID-19 Coronavirus on Results

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The government requested cancellation of events on February 26 and declared a state of emergency on April 7.

Consumption from consumers going out fell.

Media Business

- ◉ Decrease in dating opportunities due to stay-at-home requests
- ➢ Fall in the paying member conversion rate
- ➢ Existing members holding back from purchases of points
- ➢ Curbing promotion costs due to the above

Advertising Business

- ◉ Effects on advertisers in the category of businesses with physical stores
- ➢ Decrease in the number of customers due to stay-at-home requests and temporary closures of stores
- ➢ Curbing ad placement and decreasing advertising opportunities

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Fiscal Year Ended June 30, 2020

– Financial Results Summary (Comparison with Forecasts) –

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The full-year forecast was revised due to the COVID-19 coronavirus.

Results were almost the same as the revised forecasts previously announced.

(Note) Notice Regarding Revision of Business Forecasts was published on June 8, 2020.

Million yen	Full-year forecast	Actual	Comparison with forecast (Increase/Decrease)
Net Sales	**14,290**	**14,363**	**100.5% (+73)**
Operating Income	**700**	**735**	**105.0% (+35)**
Ordinary Income	**710**	**747**	**105.2% (+37)**
Net Income	**480**	**509**	**106.0% (+29)**
Year-end Dividend (Payout Ratio)	**6 yen** (18.3%)	**6 yen** **(17.4%)**	—

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Fiscal Year Ended June 30, 2020

– Financial Results Summary (YoY Comparison) –

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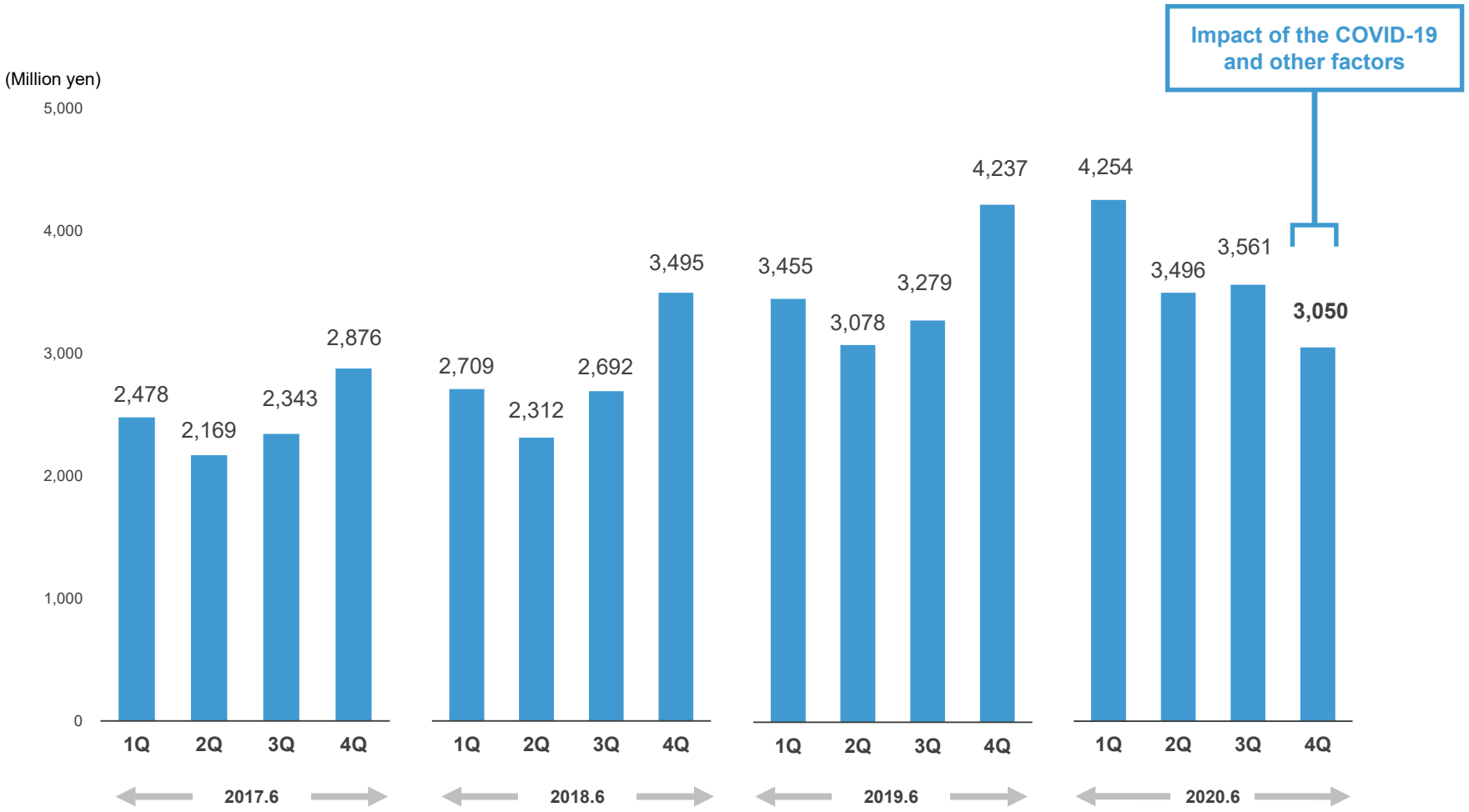
Company-wide net sales and operating income both hit a record high.

Net sales rose for the fourth consecutive year since the listing.

Million yen	2019.6	2020.6	YoY (Increase/Decrease)
Net Sales	14,050	**14,363**	**102.2% (+313)**
Gross Profit	4,331	**4,570**	**105.5% (+238)**
Gross Profit Margin (Gross Profit/Net Sales)	30.8%	**31.8%**	
Operating Income	424	**735**	**173.3% (+311)**
Operating Income Margin (Operating Income/Net Sales)	3.0%	**5.1%**	
Ordinary Income	421	**747**	**177.4% (+325)**
Net Income	283	**509**	**179.6% (+225)**

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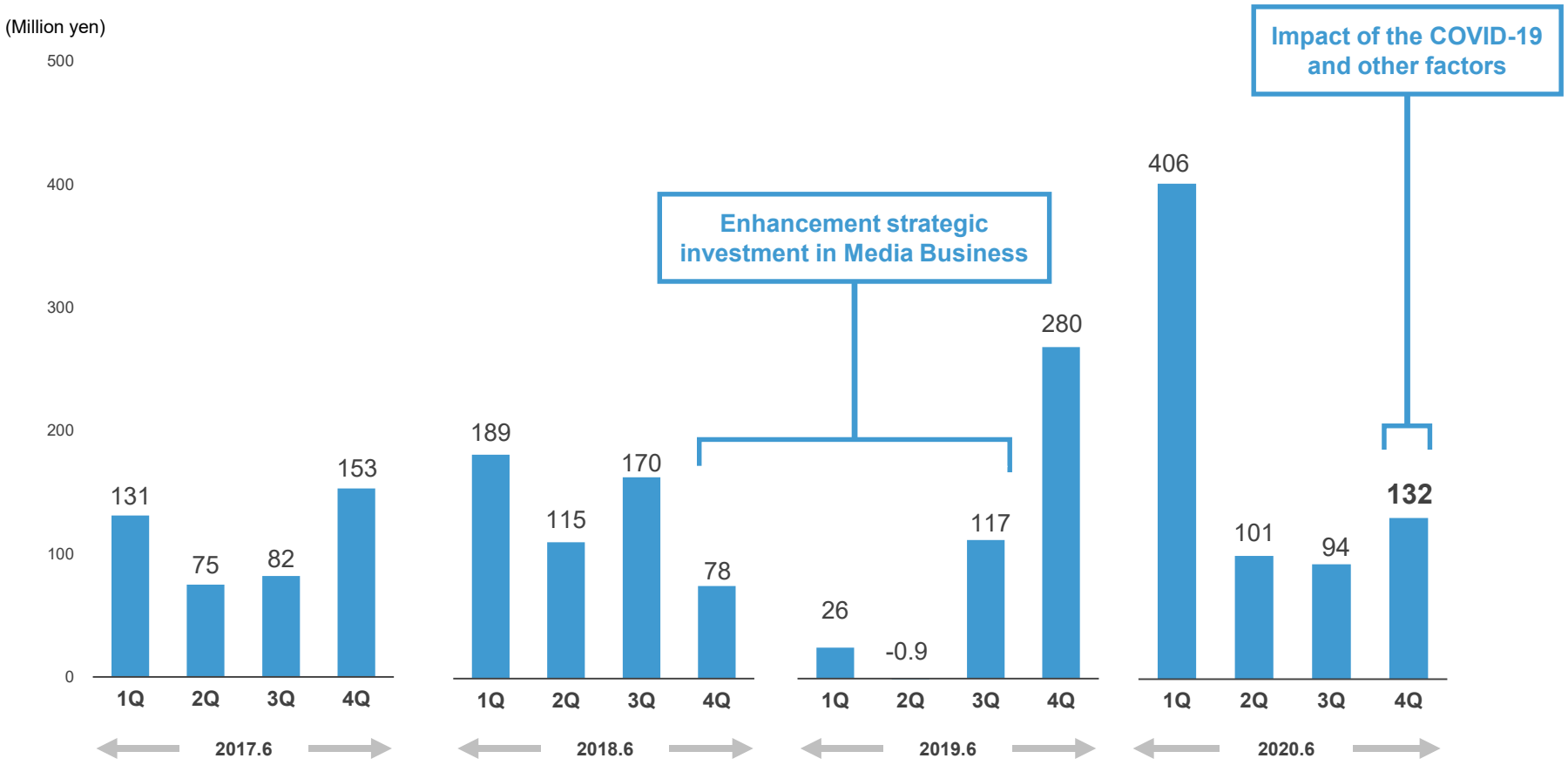
1 Changes in Quarterly Net Sales



* 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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1 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.

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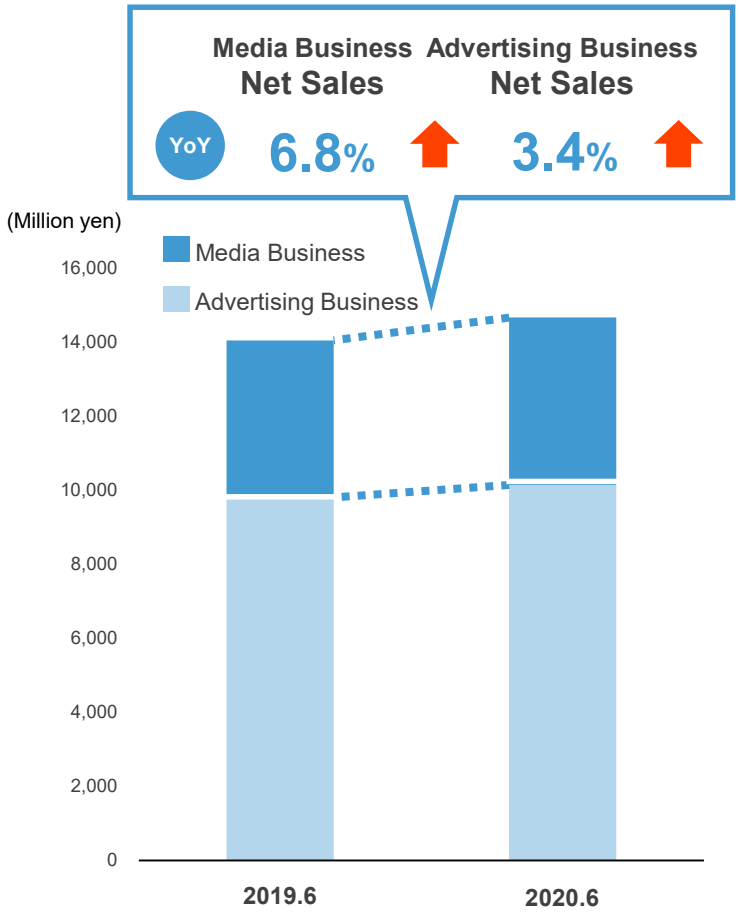
1 Results by Segment
– YoY Comparison –

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Despite the impact of the COVID-19 coronavirus, both net sales and operating income rose, albeit slightly, in the Media Business and the Advertising Business.

Million yen	2019.6	2020.6
Media Business		
Net Sales	4,238	**4,529**
Operating Income	128	**448**
Profit Margin (Operating income/Net Sales)	3.0%	**9.9%**
Advertising Business		
Net Sales	9,812	**10,142**
Operating Income	861	**891**
Profit Margin (Operating income/Net Sales)	8.8%	**8.8%**
Adjustments		
Net Sales	–	**-307**
Corporate Expenses	-565	**-604**

* Operating income in the Media Business in the fiscal year ended June 30, 2019 was adversely affected by strategic investment.



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1 Media Business

– Change in Earnings Over Time –

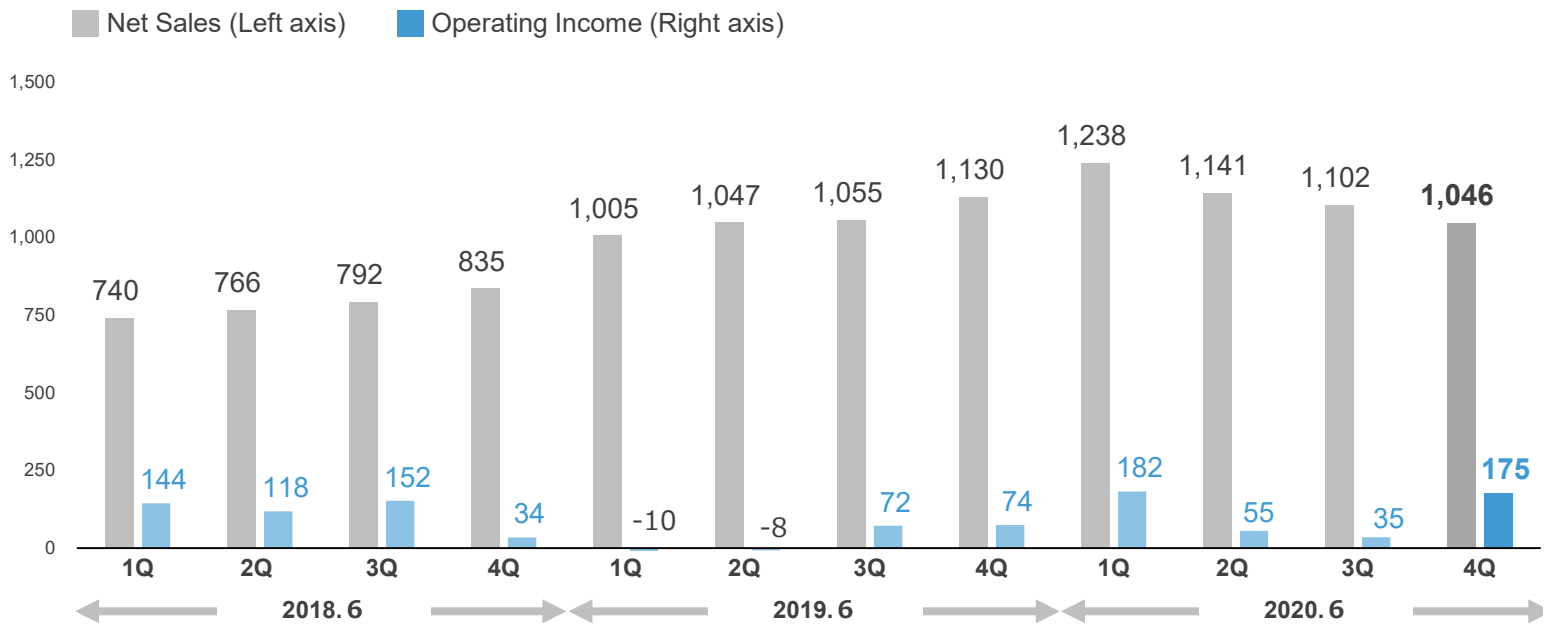
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The number of new members and net sales fell in 4Q due to the COVID-19 coronavirus.

The Company curbed costs for promotions to attract customers, taking the decline in consumer motivation into consideration.

Net Sales/Operating Income

(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.

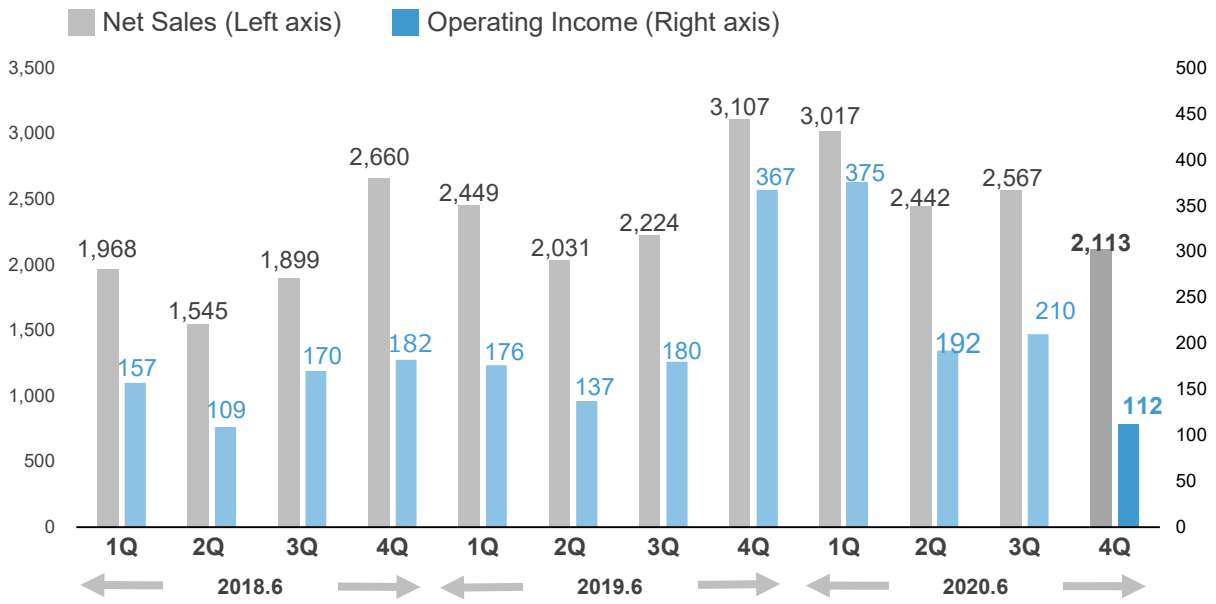
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Advertising Business
– Change in Earnings Over Time –

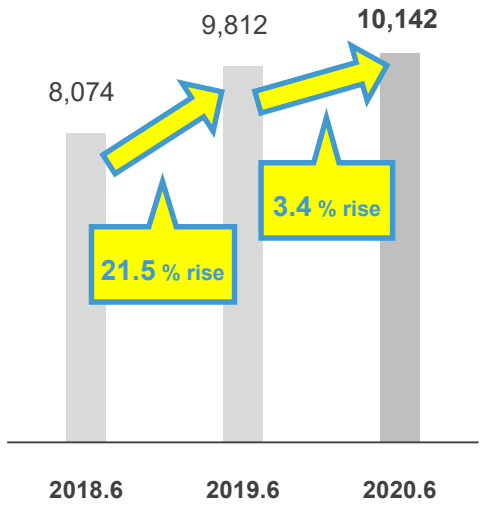
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Although 4Q is usually a busy season, the contribution of results was limited this year due to advertisers curbing ad placement.

Net Sales/Operating Income (Million yen)



Comparison of Annual Net Sales (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.

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計画

2

Fiscal Year Ending June 2021

- Final Year of Medium-Term Management Plan -

Earnings Forecast and Key Issues and Initiatives

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The Company has formulated the Medium-Term Management Plan from the fiscal year ended June 2019 to the fiscal year ending June 2021.

Earnings Forecast for the Fiscal Year Ending June 2021

– Policy for the final year of the Medium-Term Management Plan –

Considering the impact of the spread of the COVID-19 coronavirus, the Company has revised downward the forecast for the fiscal year ending June 30, 2021, announced in August 2019.

Nevertheless, the forecast states that net sales will increase for the fifth consecutive year and income will rise year on year. The Company will be able to broadcast TV commercials only from the fourth quarter and cannot determine whether it will be able to broadcast any TV commercials and the details of commercials if they are broadcast. Because we cannot estimate the effects of investment in commercials, we present a range of operating income forecasts.

To achieve the forecasts for the fiscal year ending June 30, 2021, we will actively take on challenges in each business described from the next page, aiming to maximize the corporate value.

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2 Earnings Forecast for the Fiscal Year Ending June 2021

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We factor in changes in the external environment, reflecting the impact of the COVID-19 coronavirus.

Nevertheless, we forecast that the business will continue to grow, and net sales will rise for the fifth consecutive year.

Million yen	2021.6
Net Sales	15,500
Operating Income	500–800
Ordinary Income	500–800
Net Income	340–550

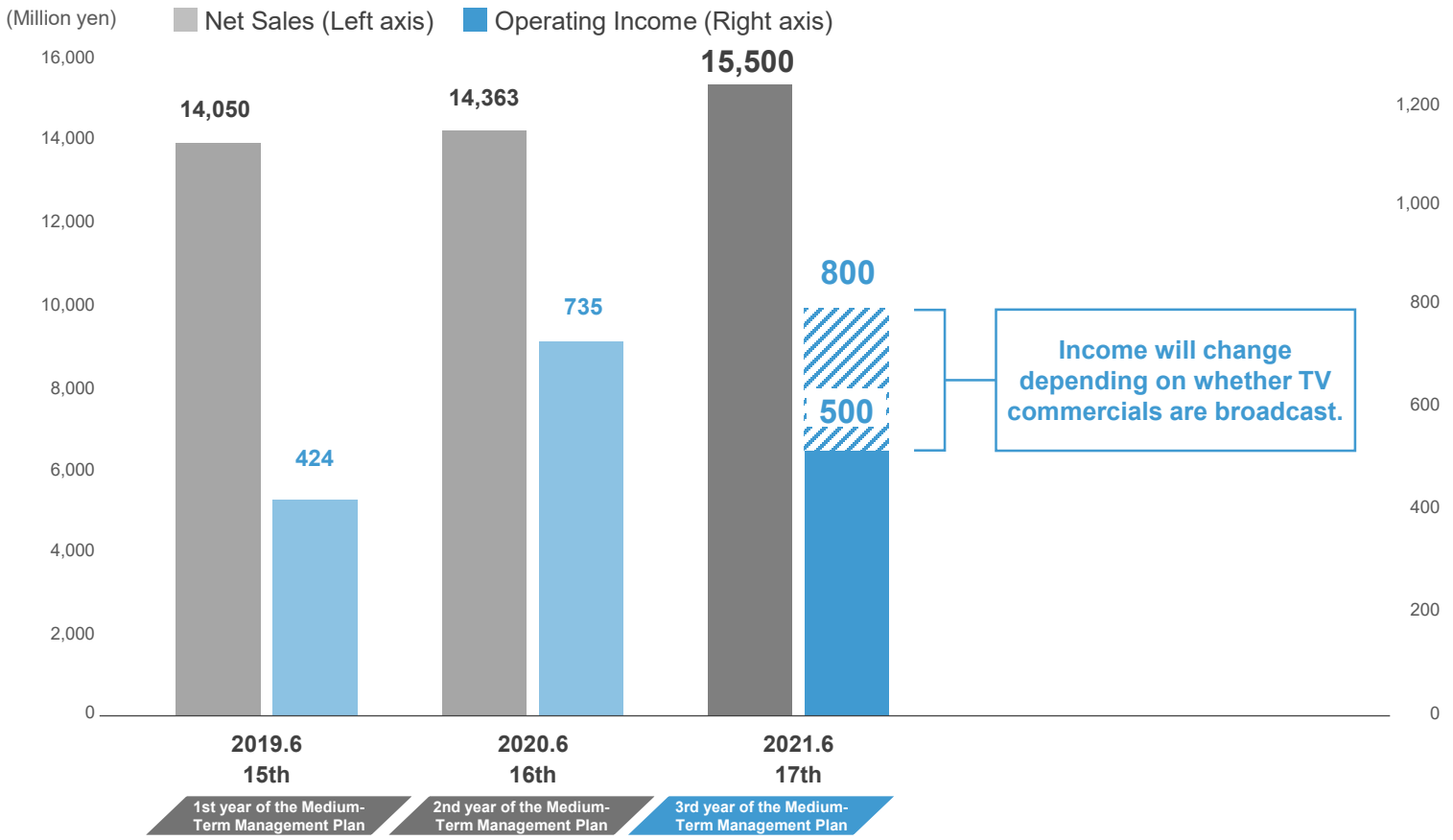
Income will change depending on whether TV commercials are broadcast.

Note: The estimated effect of TV commercials is not reflected in the net sales forecast.

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We present a range of operating income forecasts, taking into consideration possible TV commercials, which will provide growth opportunities.



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Develop services in accordance with changes in society and people's values.

	Key Issue	Initiatives
Marketing	● Improving efficiency in attracting customers ● Optimizing KPIs	● Undertake initiatives to increase potential customers' recognition. ● Attract customers by improving products and changing the price plan.
PR	● Increasing the recognition of services and brand power	● Improve the Company's services and the reliability of the industry. ➢ Obtain the IMS certification. ➢ Prepare TV commercials. ➢ Expand channels, including YouTube.
Products	● Improving UI/UX, etc.	● Update the video-call function, Online Dating, and add new services.

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Prepare to obtain certification as a proper business operator in the spring of 2021 to improve the reliability of the marriage matching websites and applications.

インターネット型
結婚相手紹介サービス
認証
特定非営利活動法人
結婚相手紹介サービス業認証機構

Schedule of the first certification

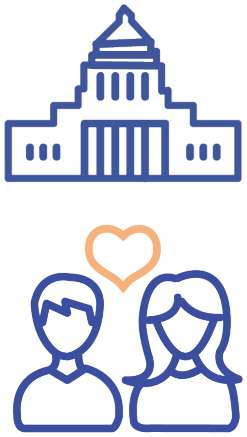
July 2, 2020:
Acceptance of applications for certification starts

Sep. 30, 2020:
Acceptance of applications for certification ends

Oct. 1, 2020:
Examination for certification starts

Around March 2021:
Granting of the certification mark starts

A certification system for the online marriage matching service established following the system for physical-store marriage matching system



The government's policy

Promoting marriage is important as a countermeasure against the declining birth rate.

Certification system starts

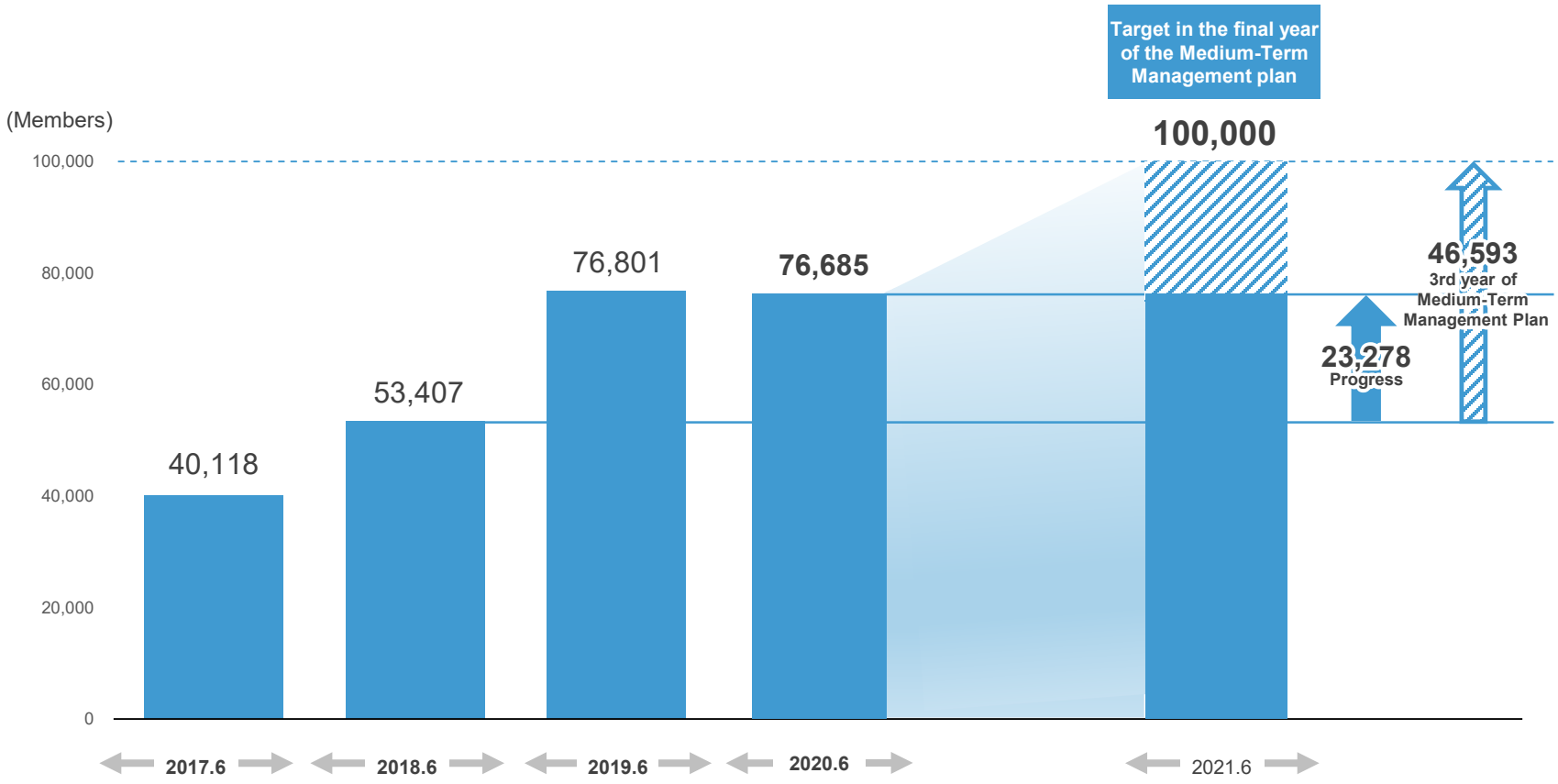
Improving the reliability of service to promote the growth of the market

IMS: The abbreviation for institution for matchmaking service, a specified non-profit corporation
A third-party organization that examines certifications (granting a certification mark) in the marriage matching service certification system

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Media Business
– Number of Paying Omiai Members –

In the final year of the Medium-Term Management Plan, the Company will address priority issues to achieve 100,000 paying members as planned.



Number of paying members
Number of members who use the monthly subscription service (excludes members who do not use the monthly subscription service and have purchased the point premium pack only)

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Strengthen the earnings base to expand business.

	Key Issue	Initiatives
Stabilizing business	● Reducing dependence on specific customers and products	● Gain new customers and optimize the project portfolio ● Expand operations into new categories
Expanding earnings	● New projects, upselling in existing projects	● Increase the service level, strengthening consultation and building new ad technologies

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Fiscal Year Ending June 30, 2021
– Dividend Policy –

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Dividend forecast: Dividend per share

	2019.6	2020.6*	2021.6 (Forecast)
Interim Dividend	0 yen	0 yen	0 yen
Year-end Dividend (Payout Ratio)	**5 yen** (25.7%)	**6 yen** (17.4%)	**6 yen** (16.1–26.1%)

* The year-end dividend plan for the fiscal year ended June 30, 2020 will be proposed at the ordinary general meeting of shareholders to be held in September 2020.

Basic dividend policy

The Company will return profits to shareholders based on the results, considering the balance between medium- to long-term initiatives to maximize the corporate value and retained earnings, which are necessary to expand business.

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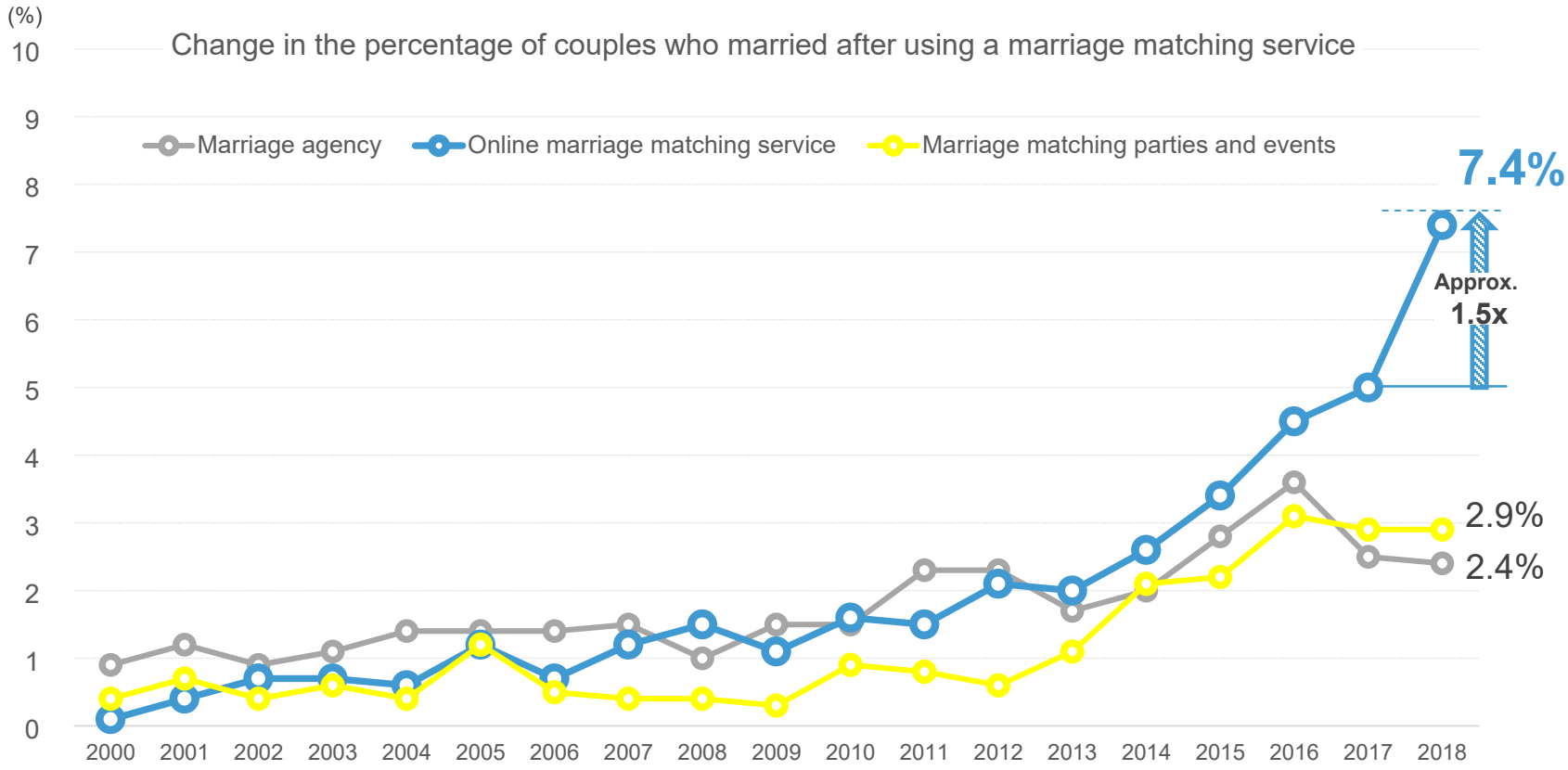
3 Appendix



Market Data

– Percentage of couples who married through an online marriage matching service –

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



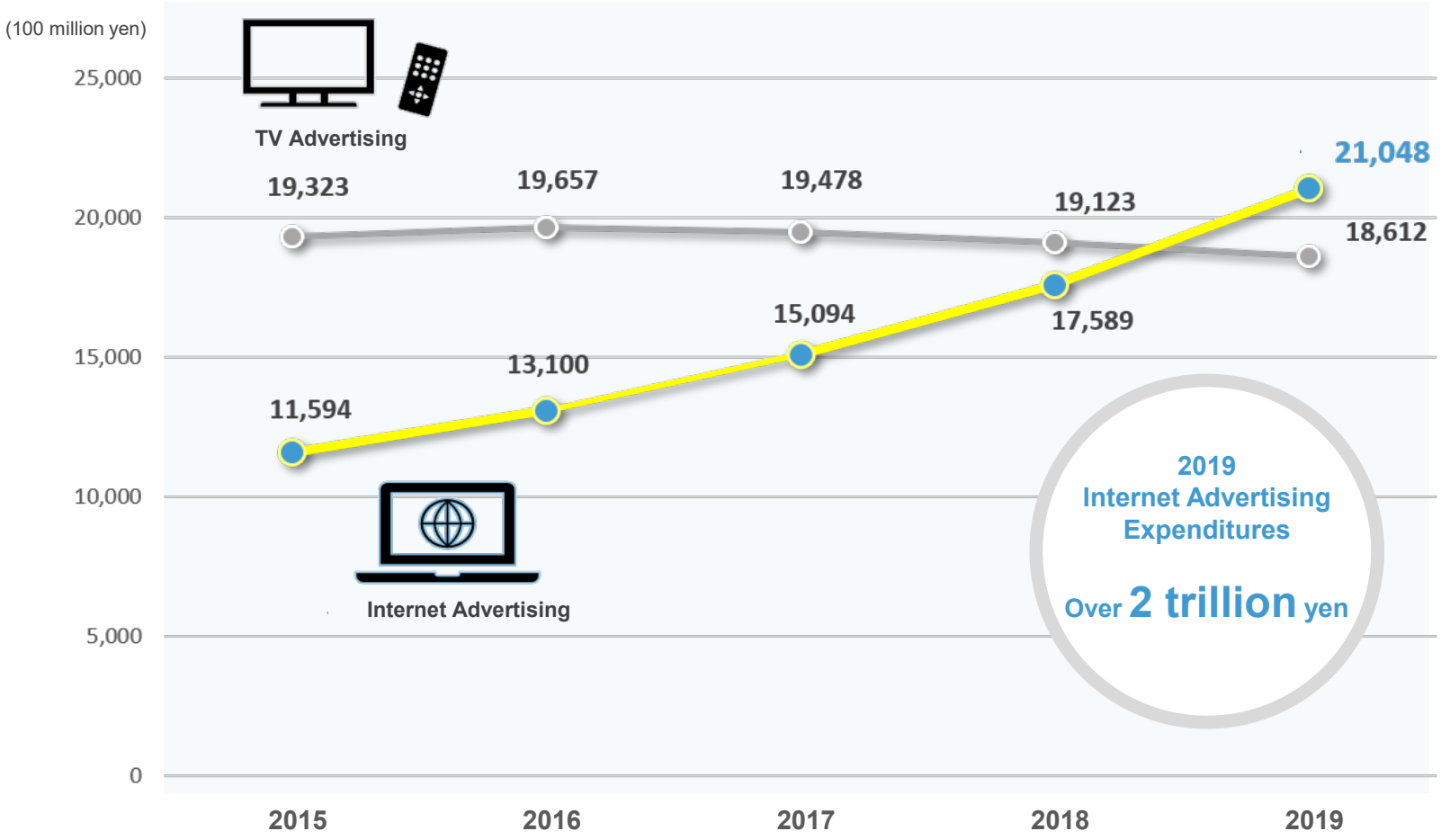
Source: Graph created by the Company based on figures from Marriage Matching Fact-finding Survey 2019 (Recruit Bridal Souken)

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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.)

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3 The Company's Initiatives in Response to the COVID-19 Coronavirus

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We have taken the following steps for the safety and health of our partners, our employees and their families.

1. Working arrangements

- Strongly encouraged staggered work hours, holiday work and substitute holidays.
  Introduced staggered work hours, holiday work and substitute holidays to avoid congestion while commuting.
- Recommended remote work.
  Recommended working at home primarily to employees with infants and pregnant employees.

2. Events

- Events hosted by the Company that were planned for early March were cancelled.
  Events in mid-March and thereafter were scaled down or were held online.

3. Meetings

- Refrained from holding internal meetings attended by many people.
- Recommended online meetings.
- Requested that employees refrain from going out or traveling on business trips if possible.
- Requested that employees refrain from participating in events with many people.

4. Other initiatives at the Company

- Requested that employees wash their hands, gargle and disinfect objects with alcohol.
- Requested that they refrain from coming to work if they have a fever or other cold-like symptoms.
- Requested that they report to the Company if they are in close contact with someone infected by the coronavirus or others who have been in close contact with infected people.

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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.

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