

NET
MARKETING
CO. LTD.

Net Marketing Co. Ltd.

FINANCIAL RESULTS

FOR THE SECOND QUARTER OF THE FISCAL YEAR ENDING JUNE 30, 2019

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for the Second Quarter of the
Fiscal Year Ending June 30, 2019

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Financial Highlights for the Second Quarter of the Fiscal Year Ending June 30, 2019



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Corporate

- **Aug. 10** Announcement of Medium-Term Management Plan to announce a three-year plan including strategic investments
- **Sep. 27** Holding of an ordinary shareholders' meeting, at which a dividend was distributed for the first time
- **Sep. 27** Announcement of executive appointment, aiming to clarify the division of roles and improve management efficiency
Further enhancement of corporate governance
- **Nov. 2** Issuance of new share subscription rights in a third party allocation and introduction of trust for such rights issued at market value

Business

Company-wide

- **Upward revision of the financial results for the first half of the fiscal year**
* No change in the full-year earnings forecast

Media Business

**Omiai results remained strong.**

- Omiai** ▶ We reviewed the promotion strategy between October and December. We took steps to optimize marketing and then relaunch an efficient way to attract customers in 2H.
We responded to changing market environments, such as the diversification of advertising methods and the expansion of media to post ads.
We took steps toward social issues in cooperation with local government bodies (ESG activities)

- QooN** ▶ End of the service on March 28, 2019 (see the disclosure on February 12, 2019, for details).

Forecast for the size of the domestic online love & marriage matching service market

**Upward
revision** ↑

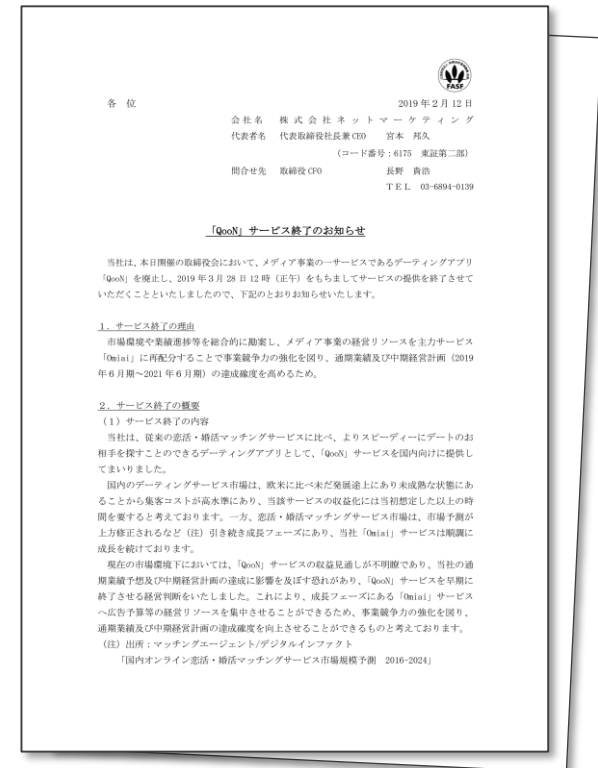
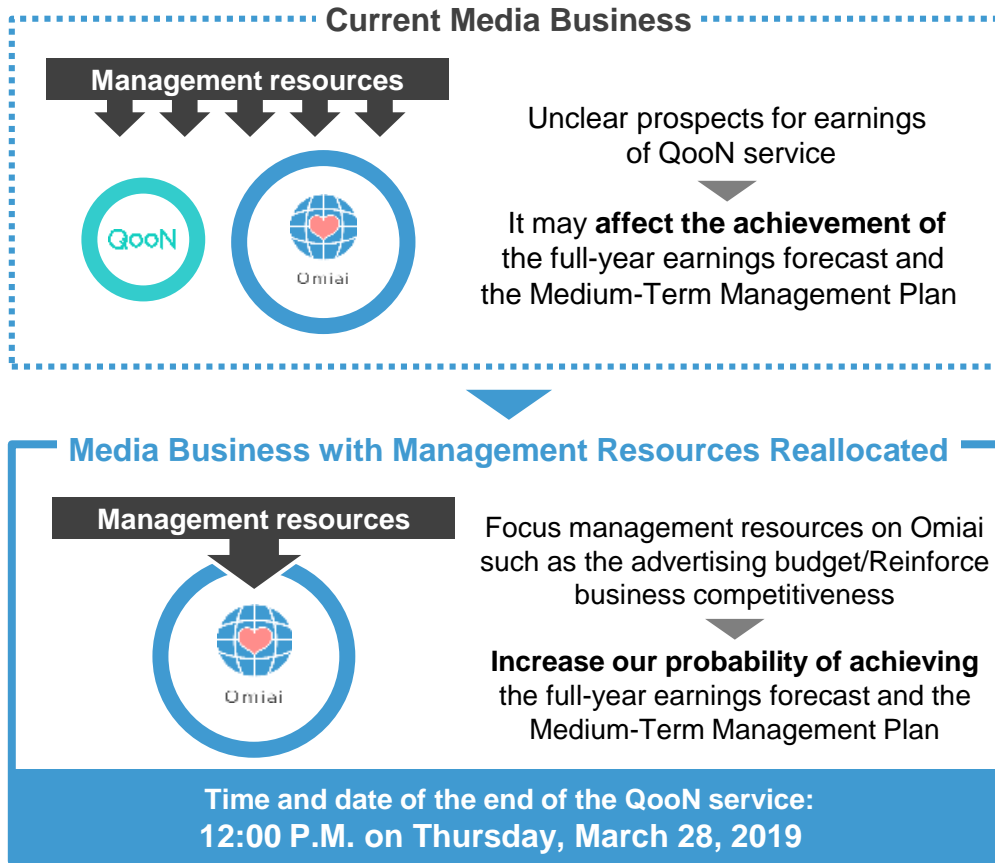
See p. 20 for details

Advertising Business

**Business results remained steady despite seasonal factors.**

- We continued sales activities by attaching weight to up-selling and profit increases of existing projects.
- We took steps to reinforce/support social media ads.

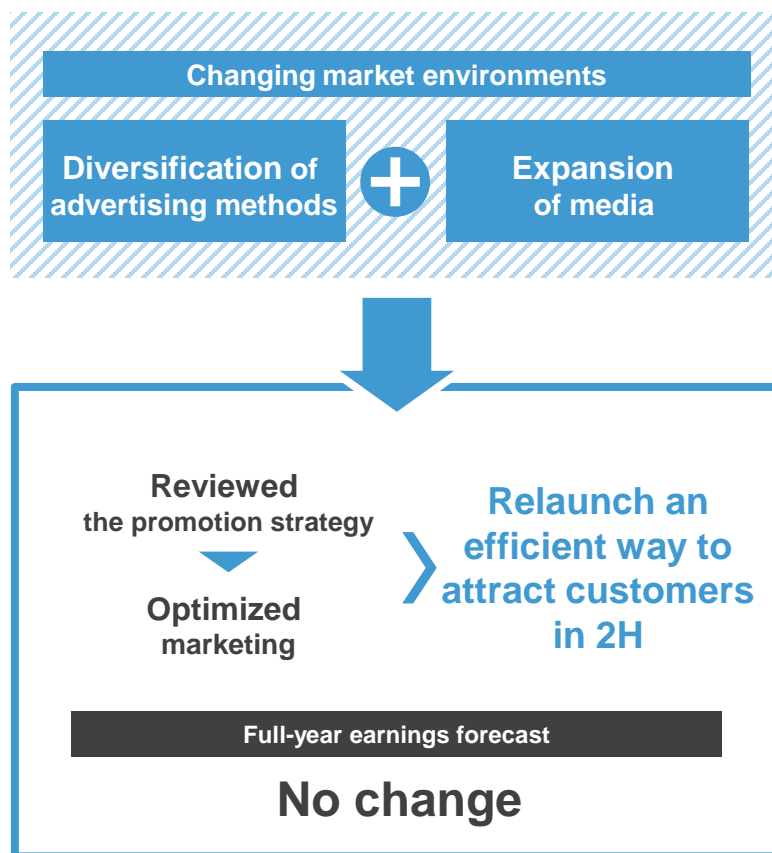
We ended the QooN service and focused management resources on our main service, Omiai.



Disclosed on February 12, 2019
Announcement of the end of the QooN service

* The impact of the end of the service on the business results of the fiscal year ending June 2019 is immaterial. Moreover, there is no change in the figures of the plan regarding the Company's Medium-Term Management Plan. If a material impact is anticipated on our business results and strategies in the future, it will be made public as soon as it becomes definite.

Reviewed the promotion strategy and responded to changing markets. Optimize marketing and relaunch an efficient way to attract customers in 2H.



各位

2019年2月12日

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第2四半期(累計)業績予想と実績値の差異に関するお知らせ

当社は、2018年8月10日に公表いたしました2019年6月期第2四半期(累計)業績予想と、本日公表の実績値に差異が生じたので、下記のとおりお知らせいたします。

記

1. 2019年6月期第2四半期(累計)業績予想数値と実績値の差異
(2018年7月1日～2018年12月31日)

	売上高	営業利益	経常利益	四半期純利益	1株当たり 四半期純利益
前四半期予想(A)	百37円	百37円	百37円	百37円	円 1.08
	6,402	△189	△189	△179	△11.08
実績値(B)	6,555	25	25	9	0.03
増減額(B-A)	△118	195	191	179	
増減率(%)	△1.8	—	—	—	—
(ご参考) 前期実績 (2018年6月期第2四半期)	5,821	395	317	222	15.77

2. 2019年6月期第2四半期(累計)業績予想数値と実績値の差異及び修正の理由について

- Omiai サービスは、2019年6月期第2四半期時点において、業績は順調な進捗でしたが、10月以降、広告手法の多様化や媒体の拡大といった市場環境の変化に対応すべくマーケティングの最適化に取り組み、プロモーション戦略を見直したことにより広告費等が未定となり差異が生じました。

以上のことから、前回発表の2019年6月期第2四半期(累計)業績予想を上回る結果となりました。

Disclosed on February 12, 2019
Announcement on the gap between earnings forecast
for the first half of the fiscal year and the results

As for the results for the first half of the fiscal year, net sales were almost the same as the earnings forecast, income substantially exceeded the earnings forecast.

Million yen	2Q Actual	2Q Earnings Forecast	Change	Full-year Earnings Forecast
Net Sales	6,533	6,652	-118	14,465
Operating Income	25	-169	+195	373
Ordinary Income	21	-169	+191	372
Net Income	9	-170	+179	258
Year-end Dividend (Payout Ratio)	0 yen	0 yen	-	5 yen (28.2%)

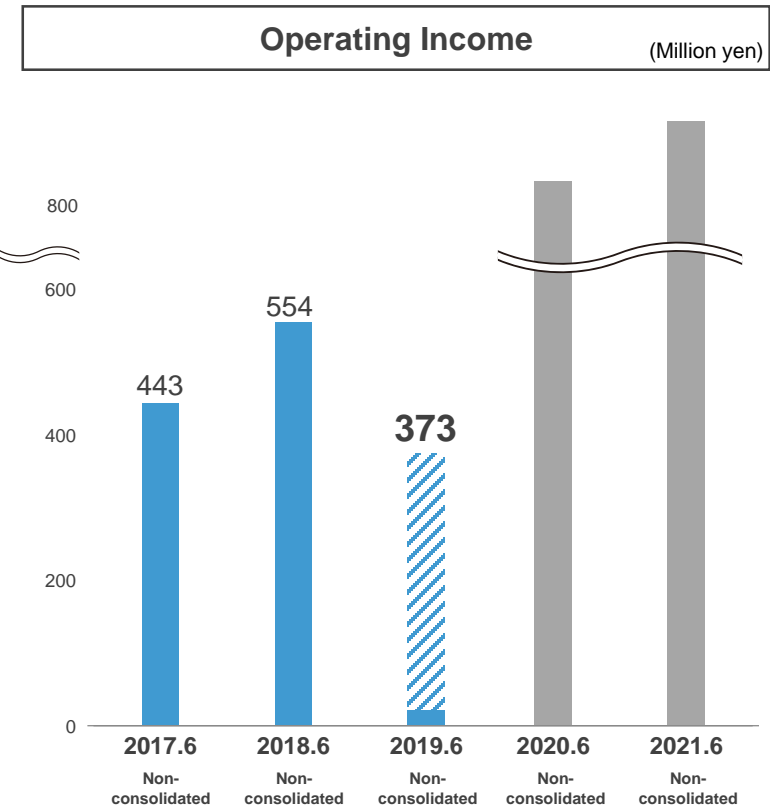
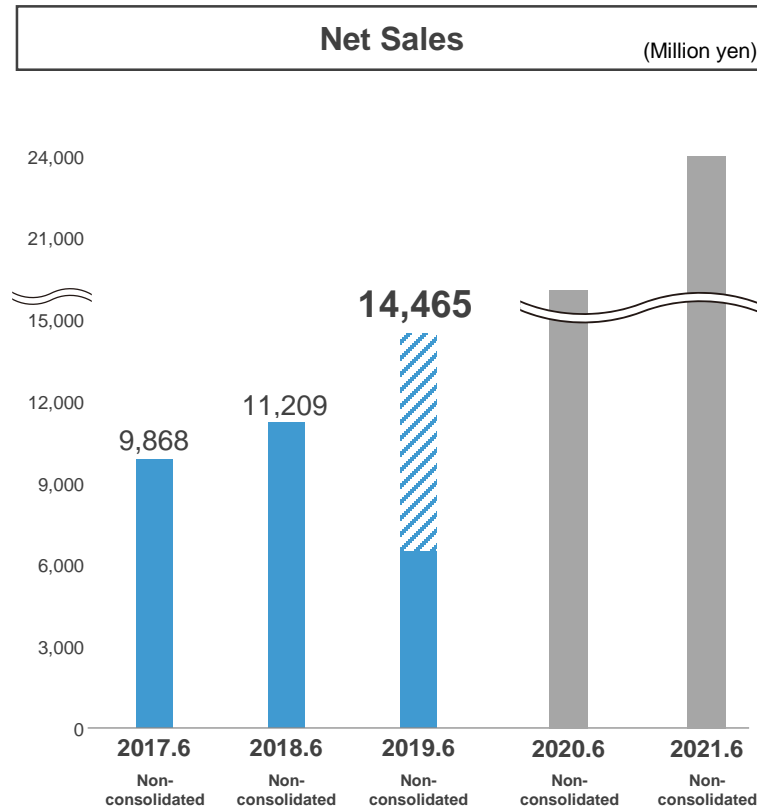
Reviewed promotion strategy for attracting customers in the Media Business (October-December). Advertising expenses and others are yet to be appropriated.
Relaunch an efficient way of drawing customers in 2H by optimizing marketing.

No change in the full-year earnings forecast

Performance Trend for the Second Quarter of the Fiscal Year Ending June 30, 2019

– Total Net Sales and Operating Income –

Net sales grew by 45.2% in the full-year earnings forecast.



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

Net sales grew by 30% year on year.

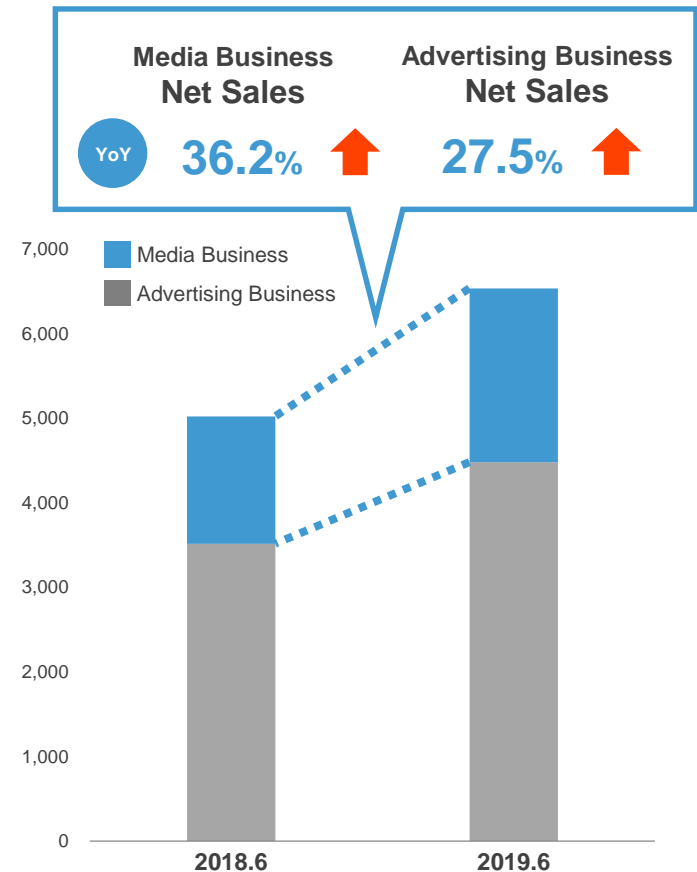
Operating and other income decreased year on year due to the investment phase of the current fiscal year.

Million yen	2019.6 2Q	2018.6 2Q	YoY Increase/Decrease
Net Sales	6,533	5,021	+1,511
Gross Profit	1,953	1,516	+436
Gross Profit Margin (Gross Profit/Net Sales)	29.9%	30.2%	
Operating Income	25	305	-279
Operating Income Margin (Operating Income/Net Sales)	0.4%	6.1%	
Ordinary Income	21	317	-295
Net Income	9	222	-213

* 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 ending June 2019.

Both the Media Business (Omiai) and the Advertising Business grew substantially.

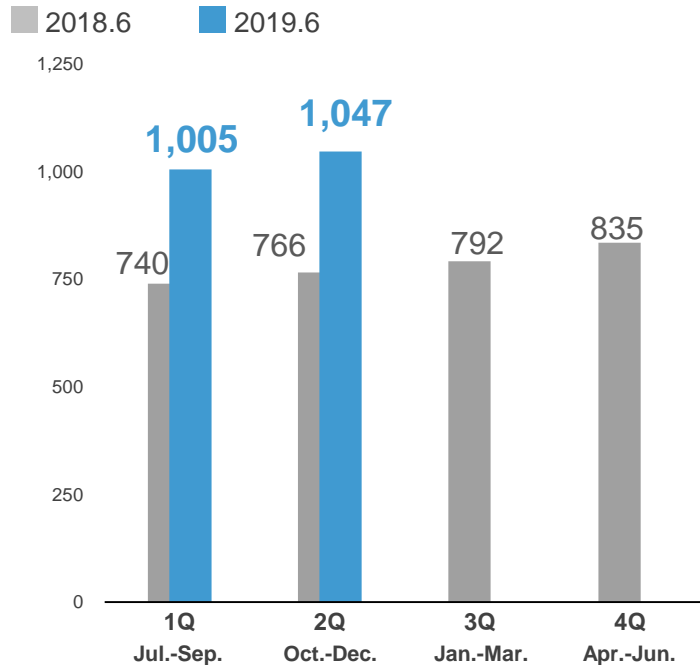
Million yen	2019.6 2Q	2018.6 2Q
Media Business		
Net sales	2,053	1,507
Operating Income	-18	263
Profit Margin (Operating income/Net Sales)	–	17.5%
Advertising Business		
Net sales	4,480	3,514
Operating Income	314	266
Profit Margin (Operating income/Net Sales)	7.0%	7.6%
Adjustments		
Net Sales	–	-0
Corporate Expenses	-269	-224



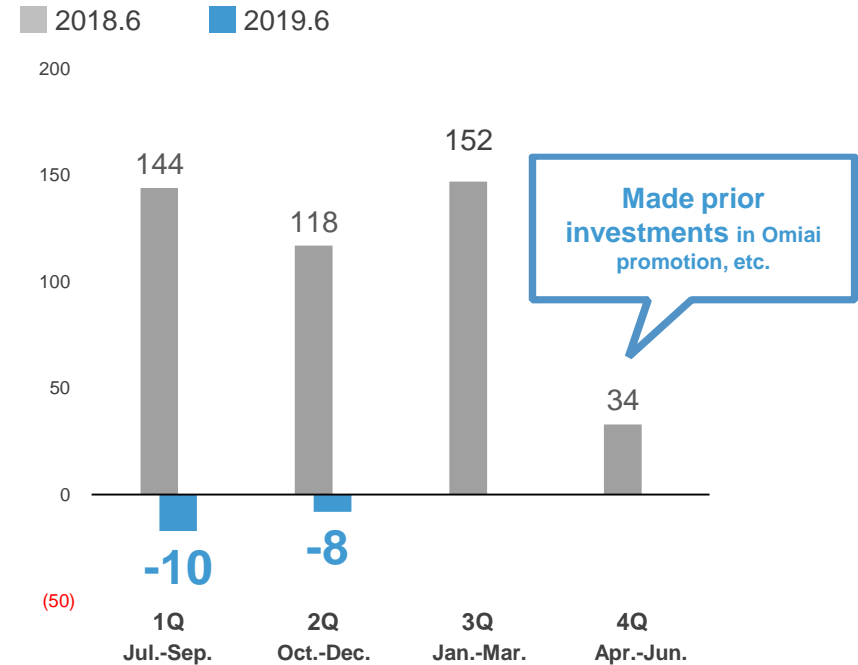
* Although we announced the consolidated financial results in the fiscal year ended June 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ending June 2019.

Net sales grew by 36.6% year on year.

Net Sales (Million yen)



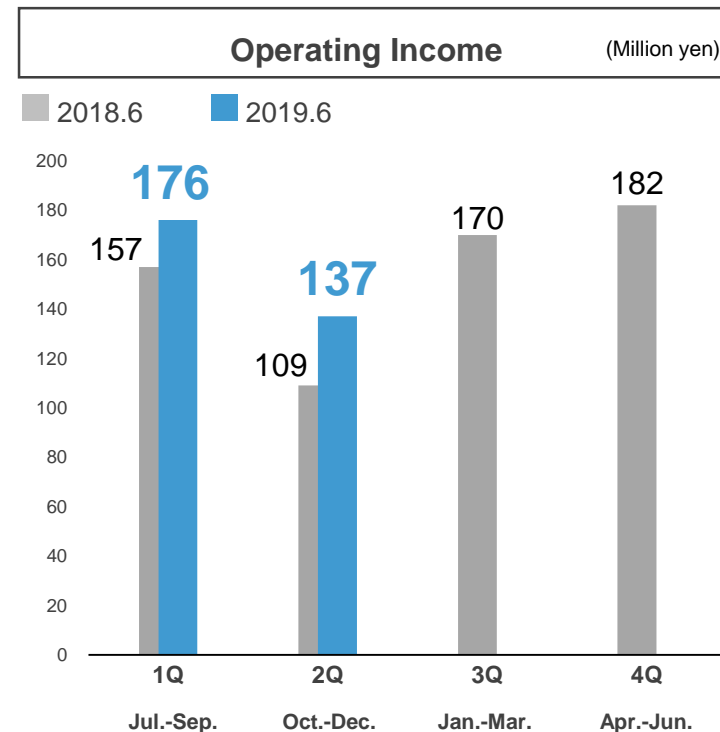
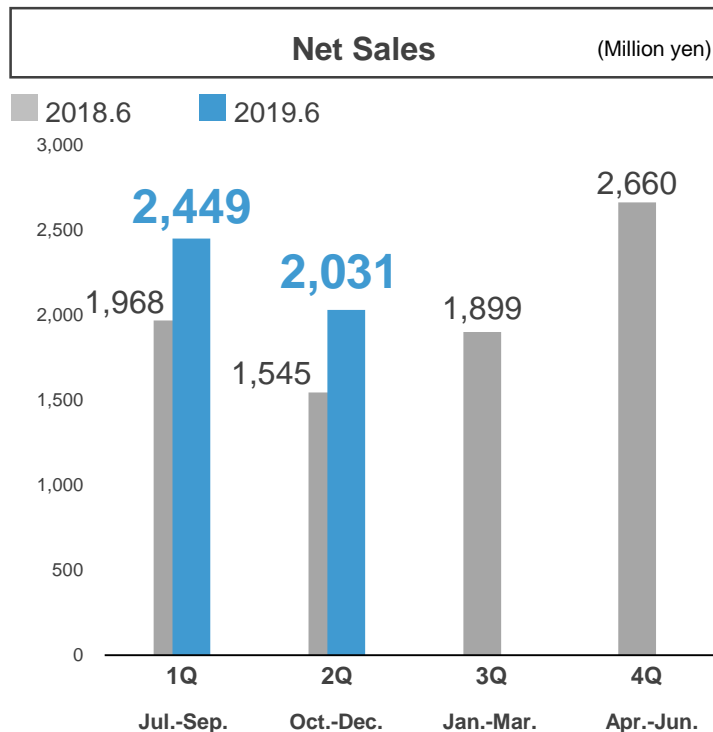
Operating Income (Million yen)



* 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 ending June 2019.

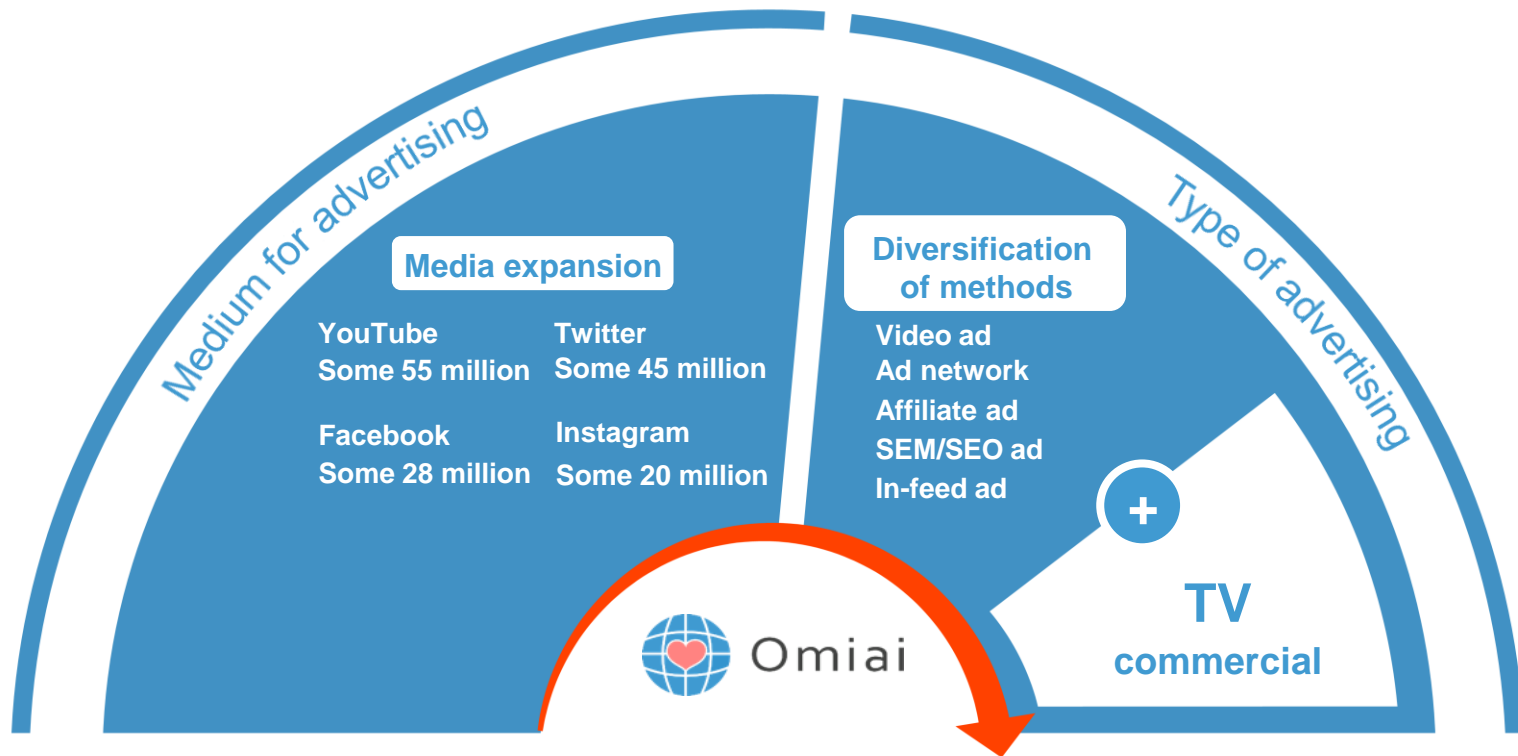
Both net sales and operating income remained steady.



* The figures in the graph include segment adjustments.

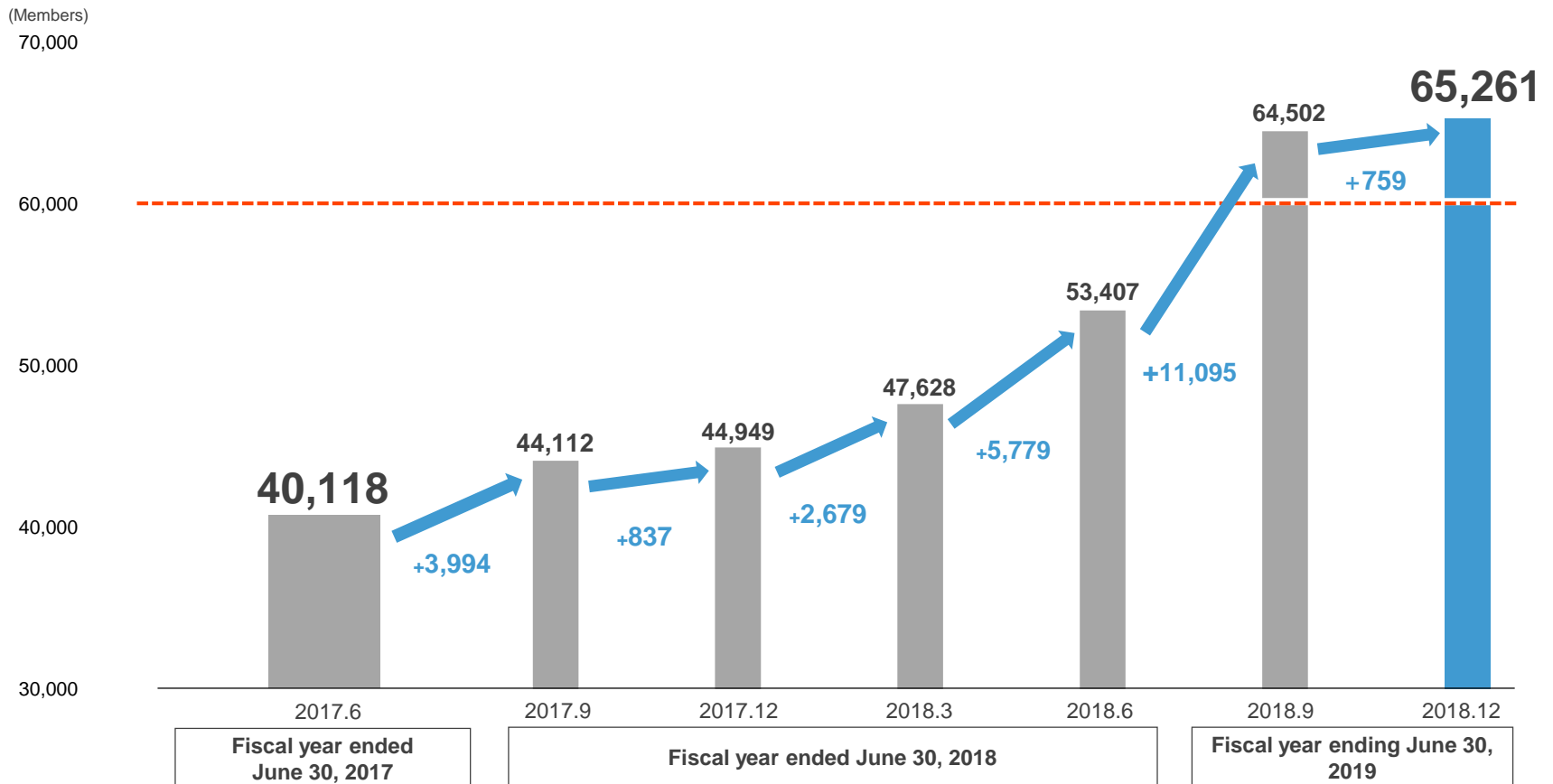
* Although we announced the consolidated financial results in the fiscal year ended June 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ending June 2019.

**Changes in the market environment, such as diversification of advertising methods and expansion of media.
Took steps to optimize marketing.**



* Nielsen survey for YouTube, official announcements by each company for others
* MAU is used for Facebook and Instagram, no. of monthly users are stated for Twitter and YouTube.

Relaunch an efficient way to attract customers in the second half by optimizing marketing.

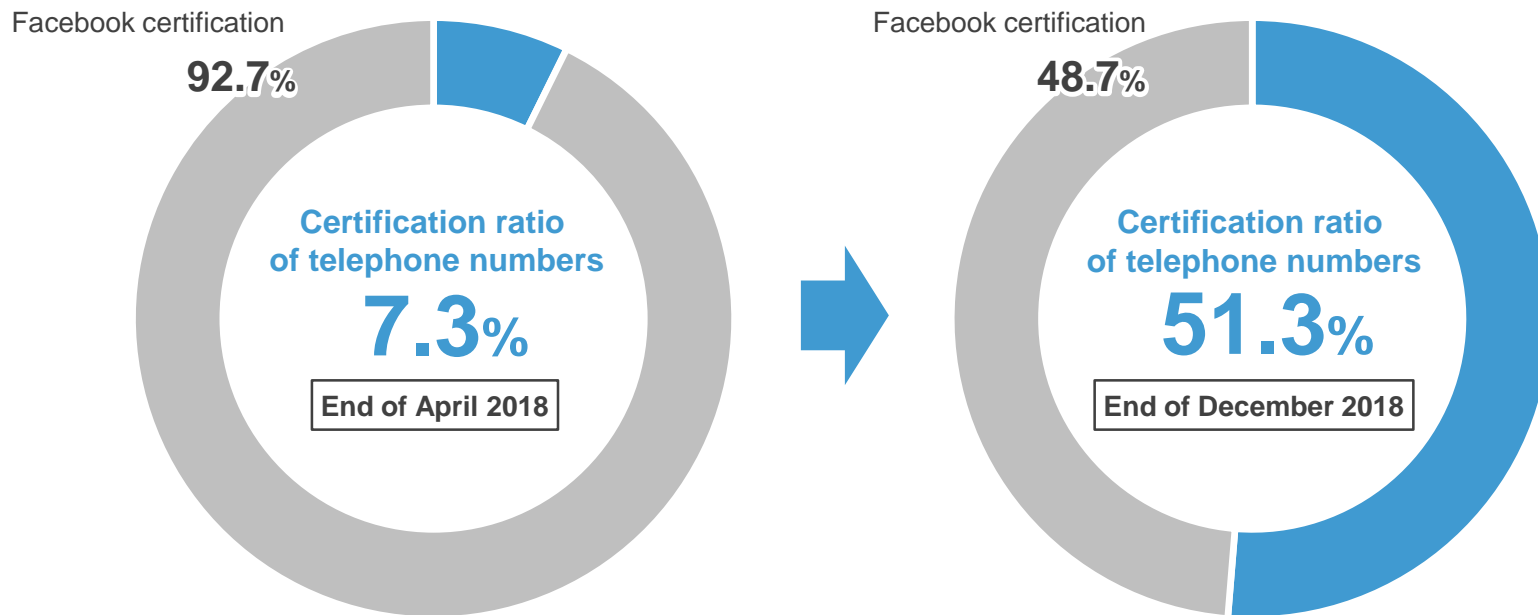


Number of paying members

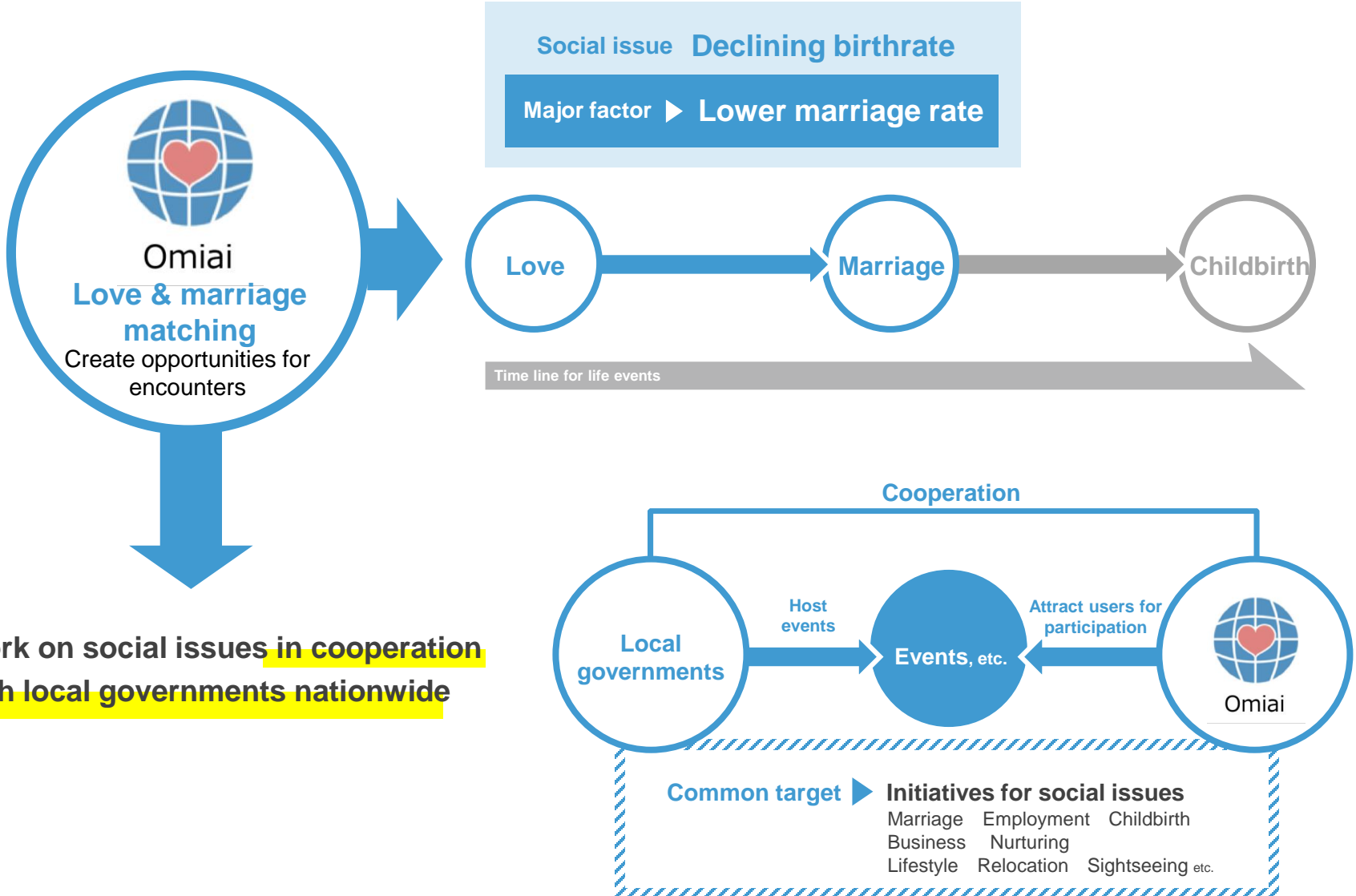
Number of members who use the monthly subscription service as of the end of June 2018 (excludes members who do not use the monthly subscription service and have purchased the point premium pack only)

The certification ratio of telephone numbers during account registration rose and the dependency on Facebook declined.

Breakdown of new members by certification*



* A breakdown that shows whether new members used Facebook or a telephone number as a certification method during the Omiai account registration



Work on social issues in cooperation with local governments nationwide

1 Cooperation with Local Government Bodies

Second
time

Hosted by the Match-Making and Settlement Section,
Comprehensive Policy Department of Izumo City

Held an Izumo × Omiai Match-Making Party in Omotesando



Held on February 9, 2019

Participants (estimated) **60 persons**
Men 30 persons
Women 30 persons



Source: website of Izumo City

Past event

First time **Okayama Prefecture × Okamorikai × Omiai**

Held on August 25, 2018

Participants **58 persons**
(Men: 28 persons/ Women: 30 persons)



Okayama Omiai Marriage Matching Party (held at Shinbashi, Tokyo)

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Appendix

Market Environment



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Number of men and women in their 20s and 30s in Japan

Number of
Unmarried**14.63** million

Men 8.04 million

Women 6.59 million

Total
number**27.98** million

Men 14.19 million

Women 13.79 million

2017
Total number of
Internet users in Japan
Approx.
100 million

Facebook Users

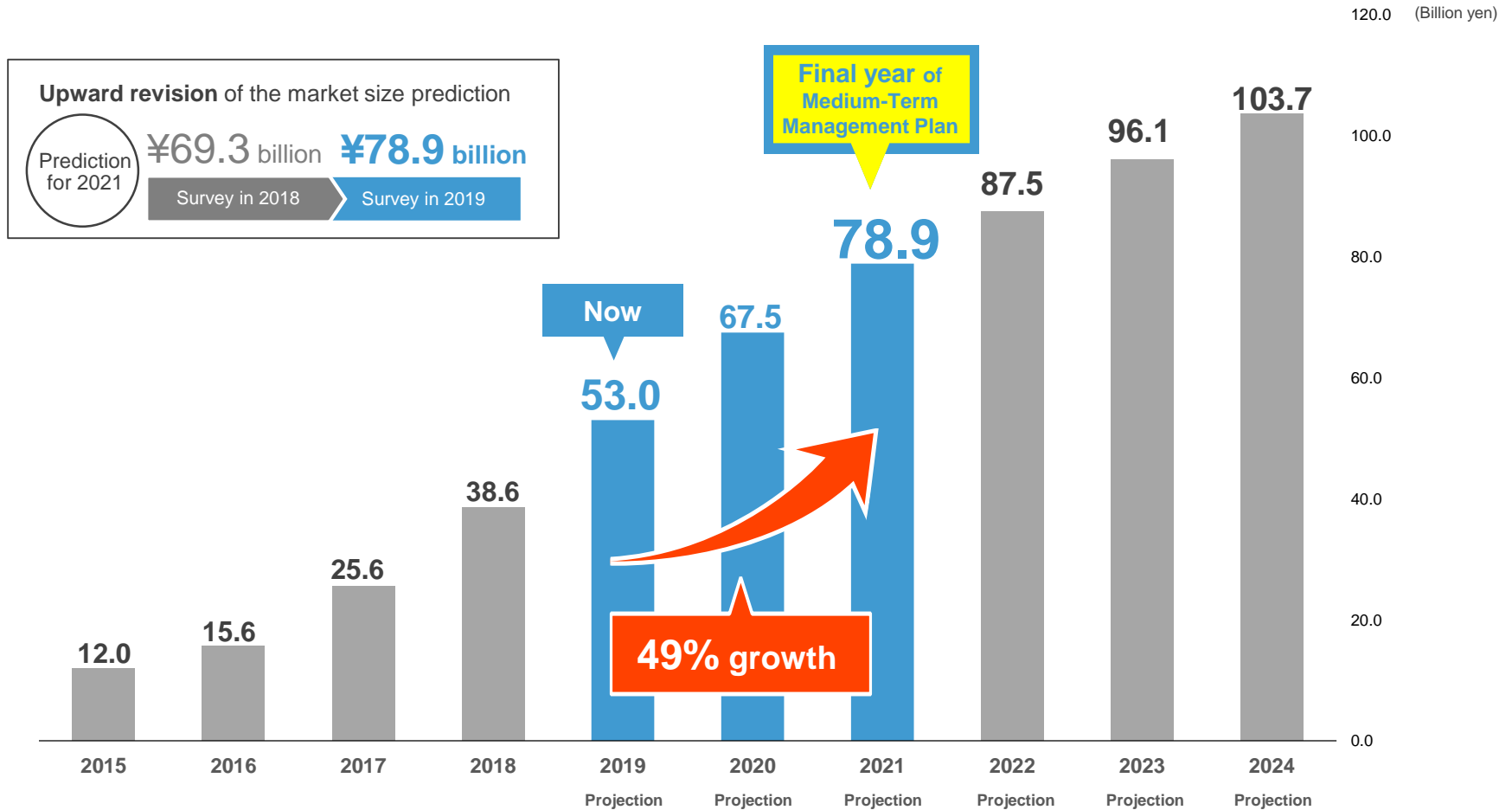
Approx. 28 million

Non-Facebook Users

Approx. 72 million

* Prepared by the Company based on the basic aggregation results of the 2015 Population Census (Ministry of Internal Affairs and Communications)

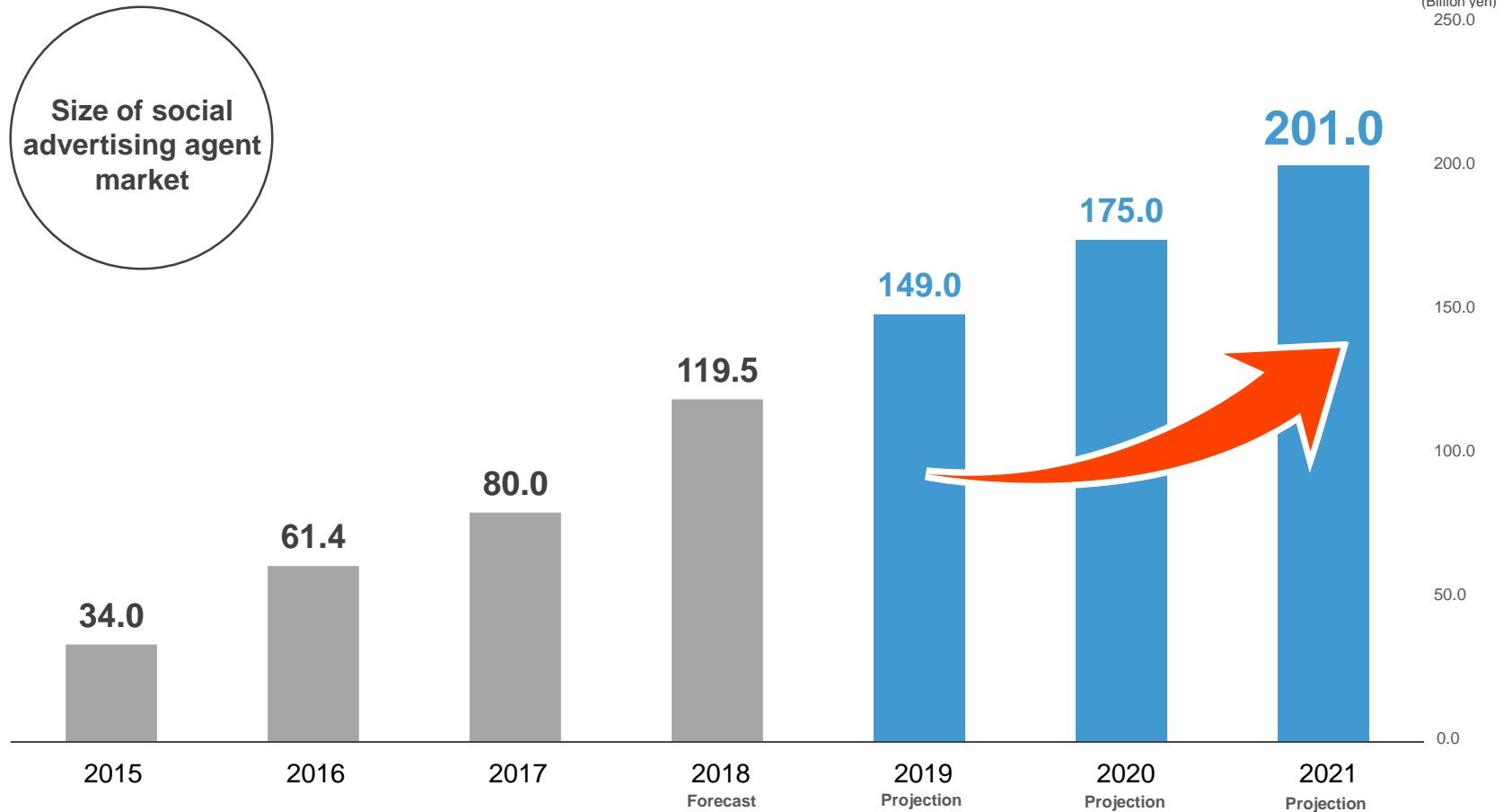
High growth market of approx. 50% toward 2021



Source: MatchingAgent, Inc./digitalinfact

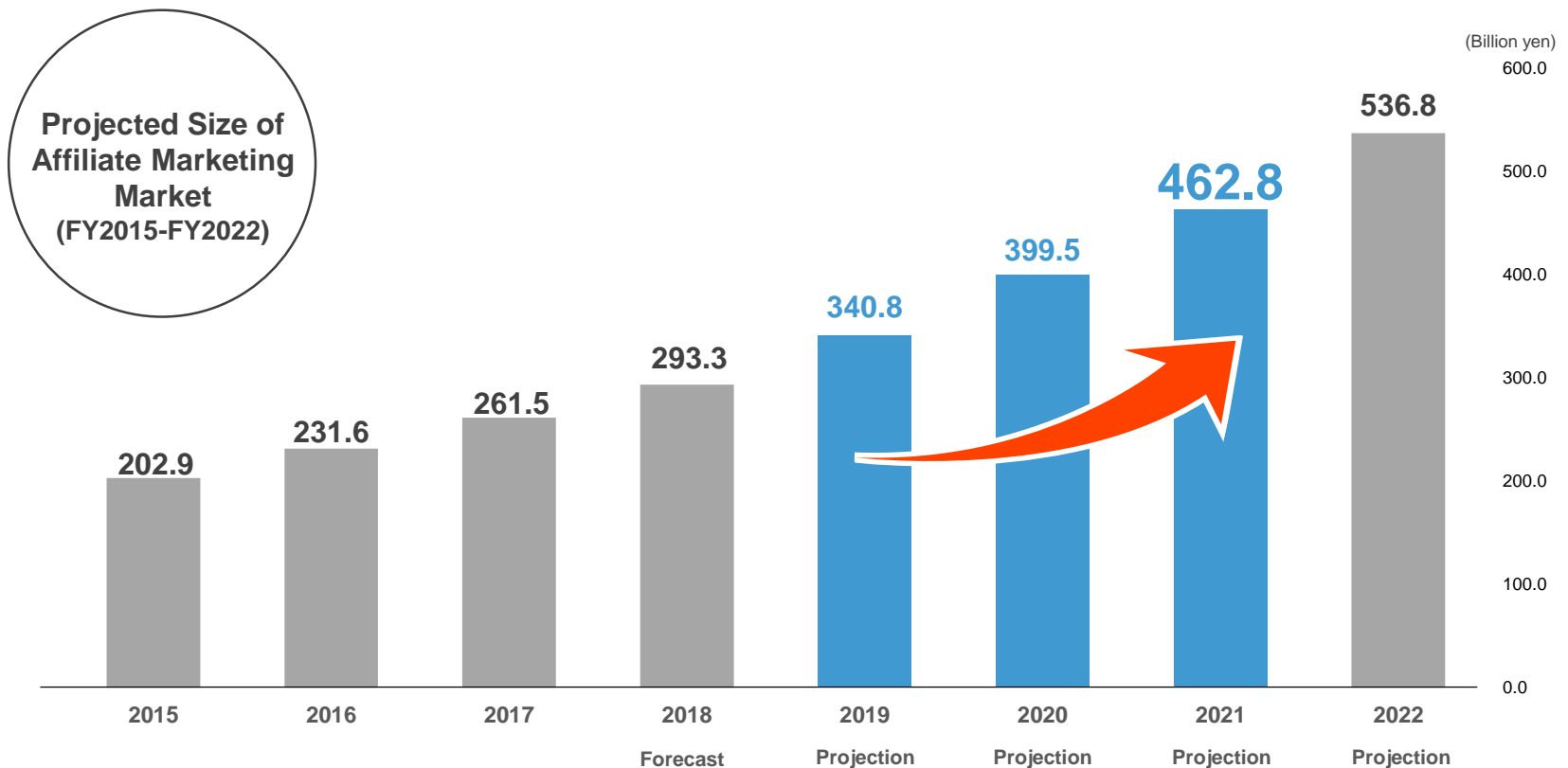
Prepared by the Company based on the Domestic Online Love & Marriage Matching Service Market Projection for 2016-2024

High growth market of approx. 35% toward 2021



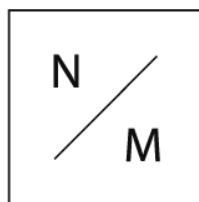
Source: Prepared by the Company based on MIC Research Institute 2018

A market where stable growth is expected toward fiscal year 2021



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

Note: Estimate for FY2018 and predictions for FY2019 and beyond as of December 2018. The market size was calculated by adding the rewards for results from affiliate advertising, fees and various expenses.



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