



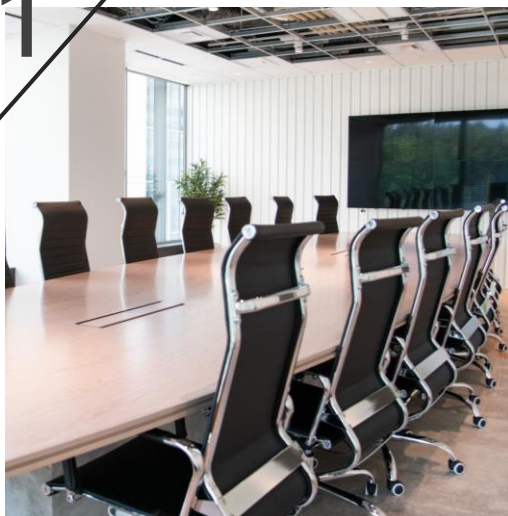
Net Marketing Co. Ltd.

FINANCIAL RESULTS

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

Contents

1



Financial Highlights

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

2



Appendix

- Medium-Term Management Plan
Investment to Growth 2021



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1

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



Corporate

- **Aug. 10** **Announcement of Medium-Term Management Plan to announce a three-year plan including strategic investments**

Details **Appendix**

- **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

Business

Company-wide

Business is progressing smoothly along with the earnings forecast

Media Business



Thanks to the effect of progressive investments in promotion, the number of Omiai paying members achieved record-high growth. Although profit decreased as planned, net sales remained strong.

- Omiai** ▶ Continuing since the fourth quarter of the fiscal year ending June 30, 2018, we made aggressive promotion investments.
Initiatives for social issues in cooperation with local governments (initiatives for ESG)
- Qoon** ▶ We released and launched the iOS version. It is currently in the KPI tuning period through test marketing.

Advertising Business

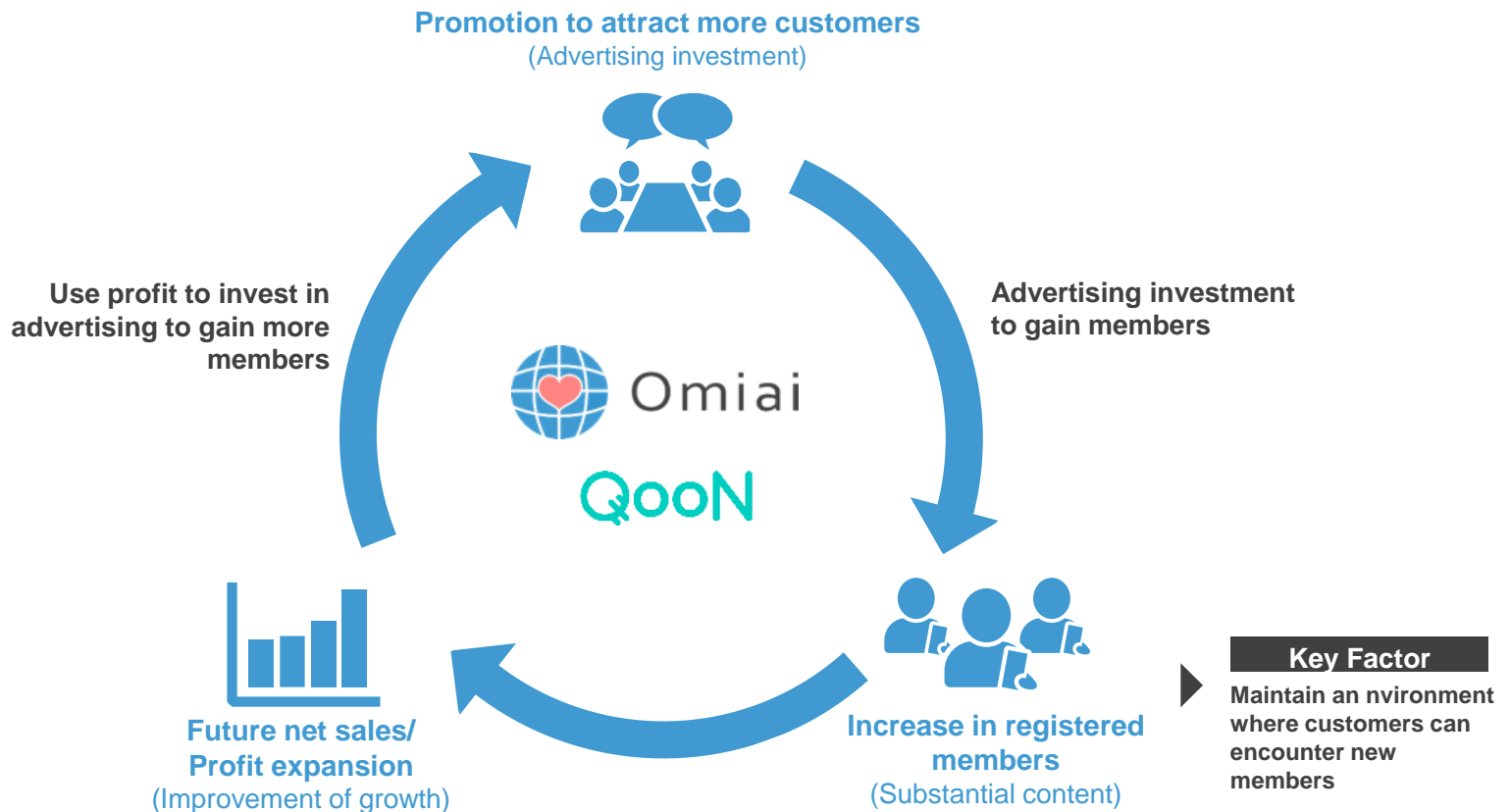


The beauty salon treatment and human resource projects remained strong. Social media advertising was also launched smoothly.

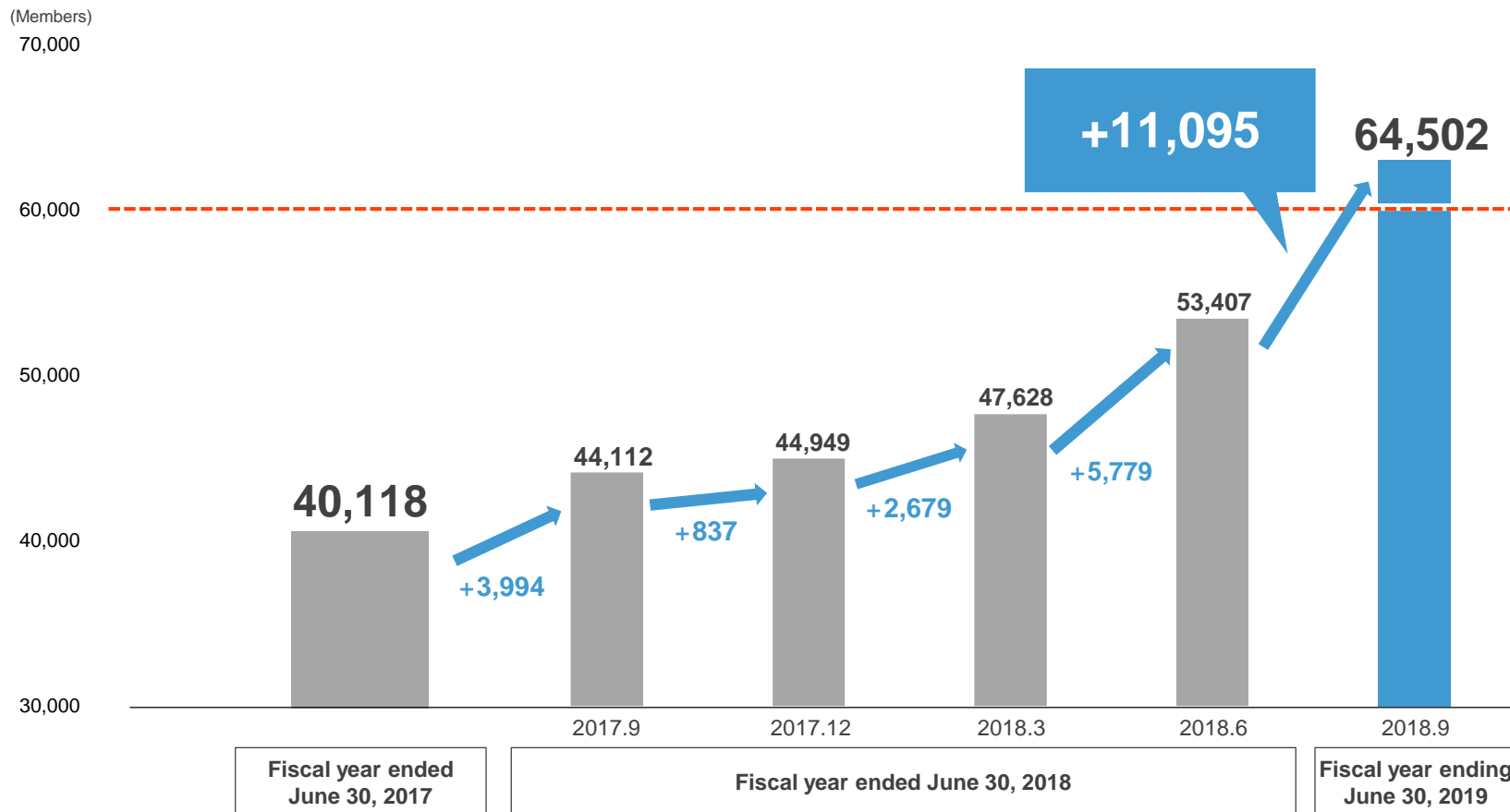
- We continued sales activities by attaching weight to up-selling and profit increases of existing projects.
- We enhanced initiatives for social media advertising, which was launched smoothly.

What we should attach weight to in business expansion is
the continuous influx of new members.

**The key is a virtuous cycle of a promotion to attract more customers
and a growing number of members.**



The number of paying members increased to a record of more than 10,000 by strategically investing in promotions, which is double the figure for the previous quarter!



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)

Earnings increased by 23.9% more than the full-year earnings forecast and 51.9% more than the second quarter earnings forecast.

Million yen	1Q Actual	2Q Earnings Forecast	Full-year Earnings Forecast
Net Sales	3,455	6,652	14,465
Operating Income	26	-169	373
Ordinary Income	27	-169	372
Net Income	16	-170	258
Year-end Dividend (Payout Ratio)	—	0 yen	5 yen (28.2%)

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

– Total Net Sales and Operating Income –

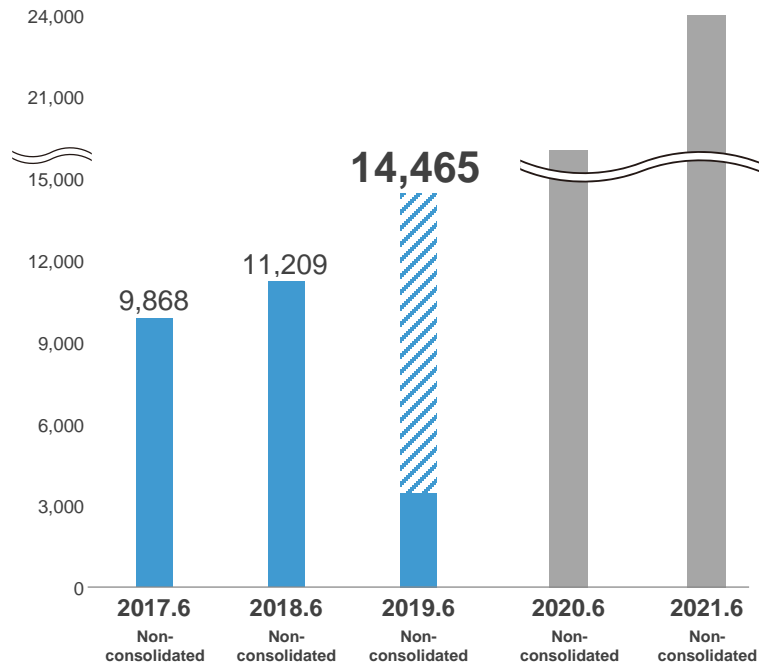


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Strategically invested in promotion to attract more customers
based on the Medium-Term Management Plan.

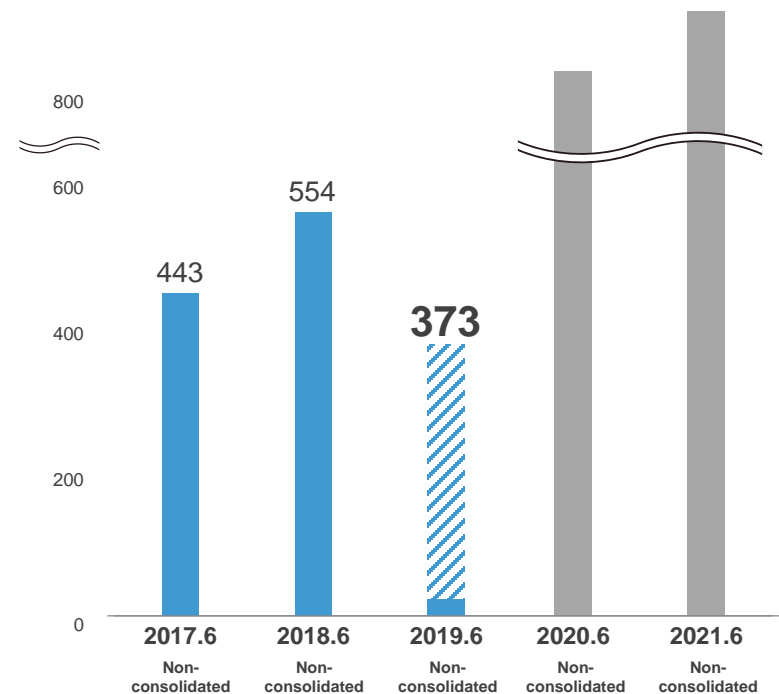
Net Sales

(Million yen)



Operating Income

(Million yen)



* 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 ended June 2019.

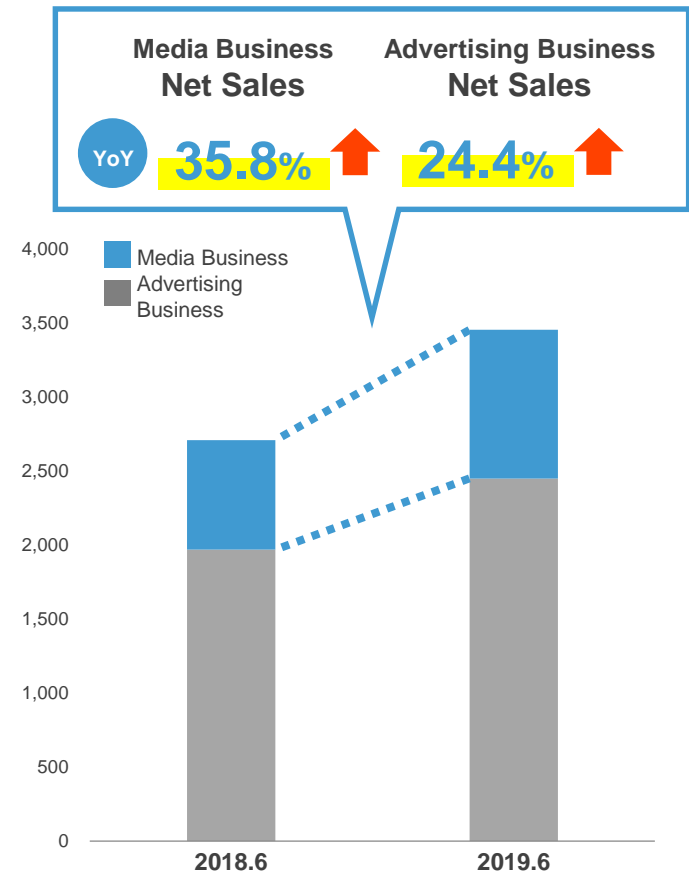
Net sales grew by 27.5% year on year through strategic investments.

Million yen	2019.6 1Q	2018.6 1Q	YoY Increase/Decrease
Net Sales	3,455	2,709	+745
Gross Profit	981	771	+210
Gross Profit Margin (Gross Profit/Net Sales)	28.4%	28.5%	
Operating Income	26	189	-163
Operating Income Margin (Operating Income/Net Sales)	0.8%	7.0%	
Ordinary Income	27	202	-175
Net Income	16	144	-127

* 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 and the Advertising Business grew substantially. In particular, Omiai was the driving force.

Million yen	2019.6 1Q	2018.6 1Q
Media Business		
Net sales	1,005	740
Operating Income	-10	144
Profit Margin (Operating income/Net Sales)	—	19.6%
Advertising Business		
Net sales	2,449	1,968
Operating Income	176	157
Profit Margin (Operating income/Net Sales)	7.2%	8.0%
Adjustments		
Net Sales	—	0
Corporate Expenses	-138	-111

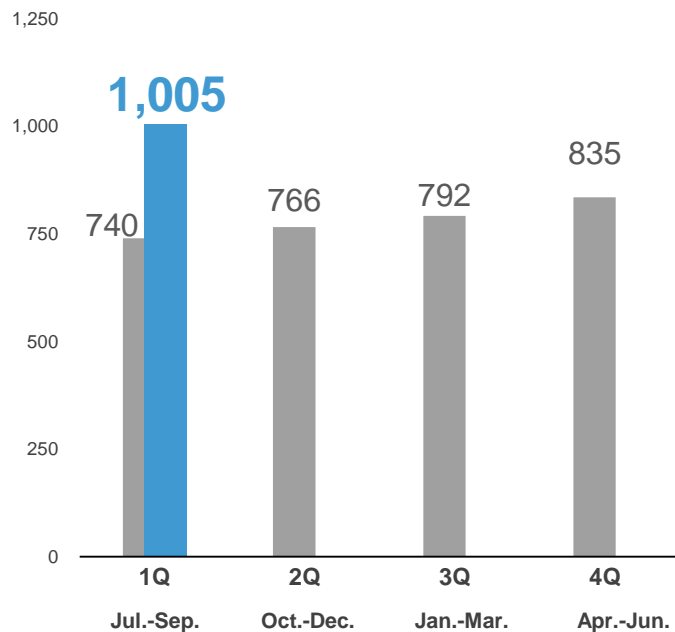


* Although we announced the consolidated financial results in the fiscal year ended June 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ending June 2019.

Net sales grew at a record-high rate in the quarter.

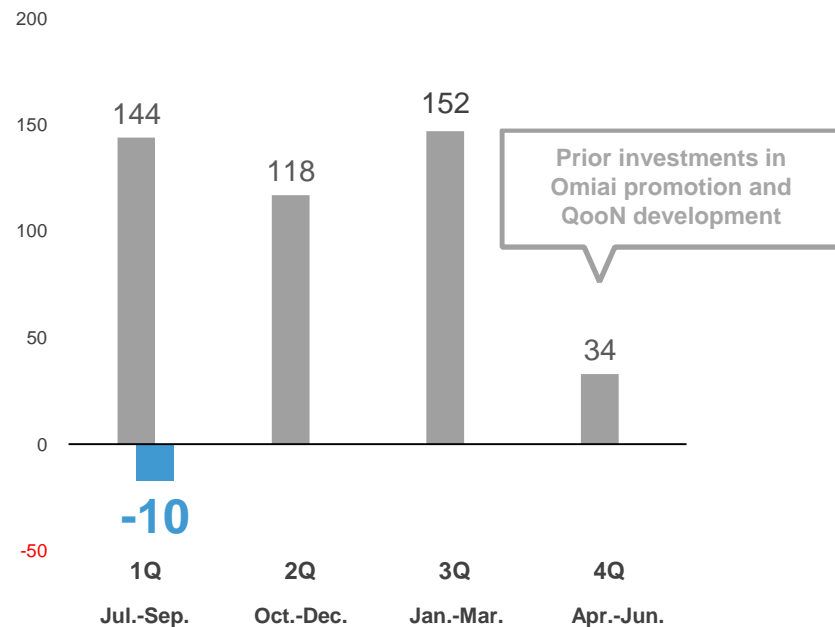
Net Sales (Million yen)

■ 2018.6 ■ 2019.6



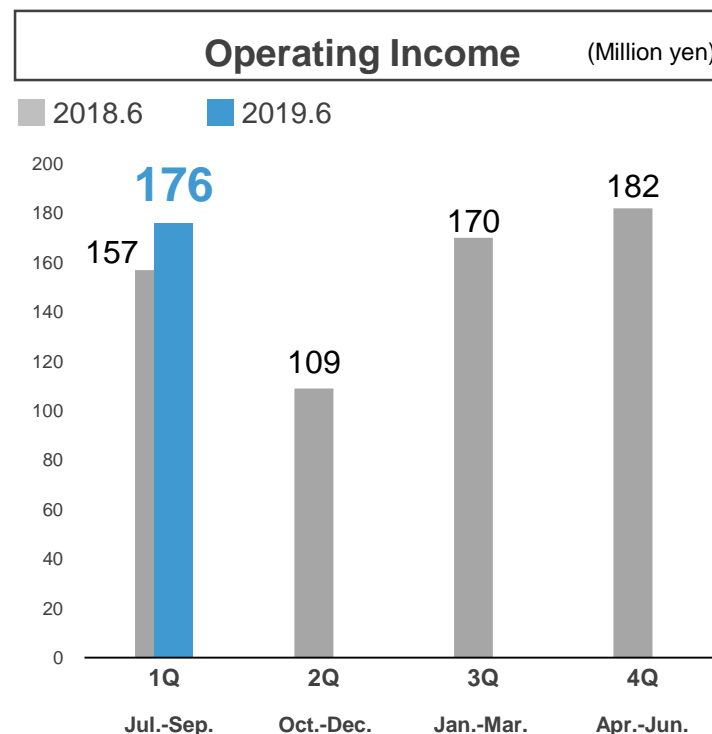
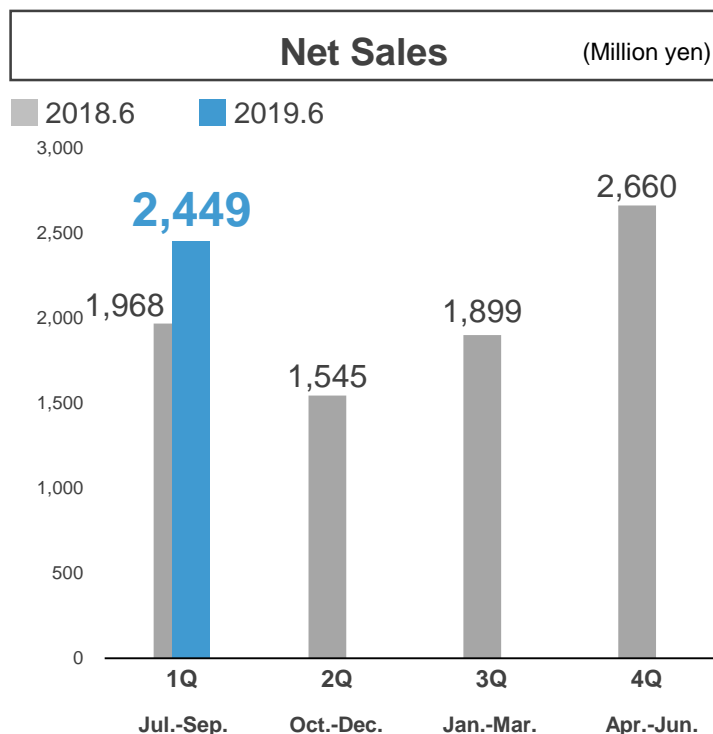
Operating Income (Million yen)

■ 2018.6 ■ 2019.6

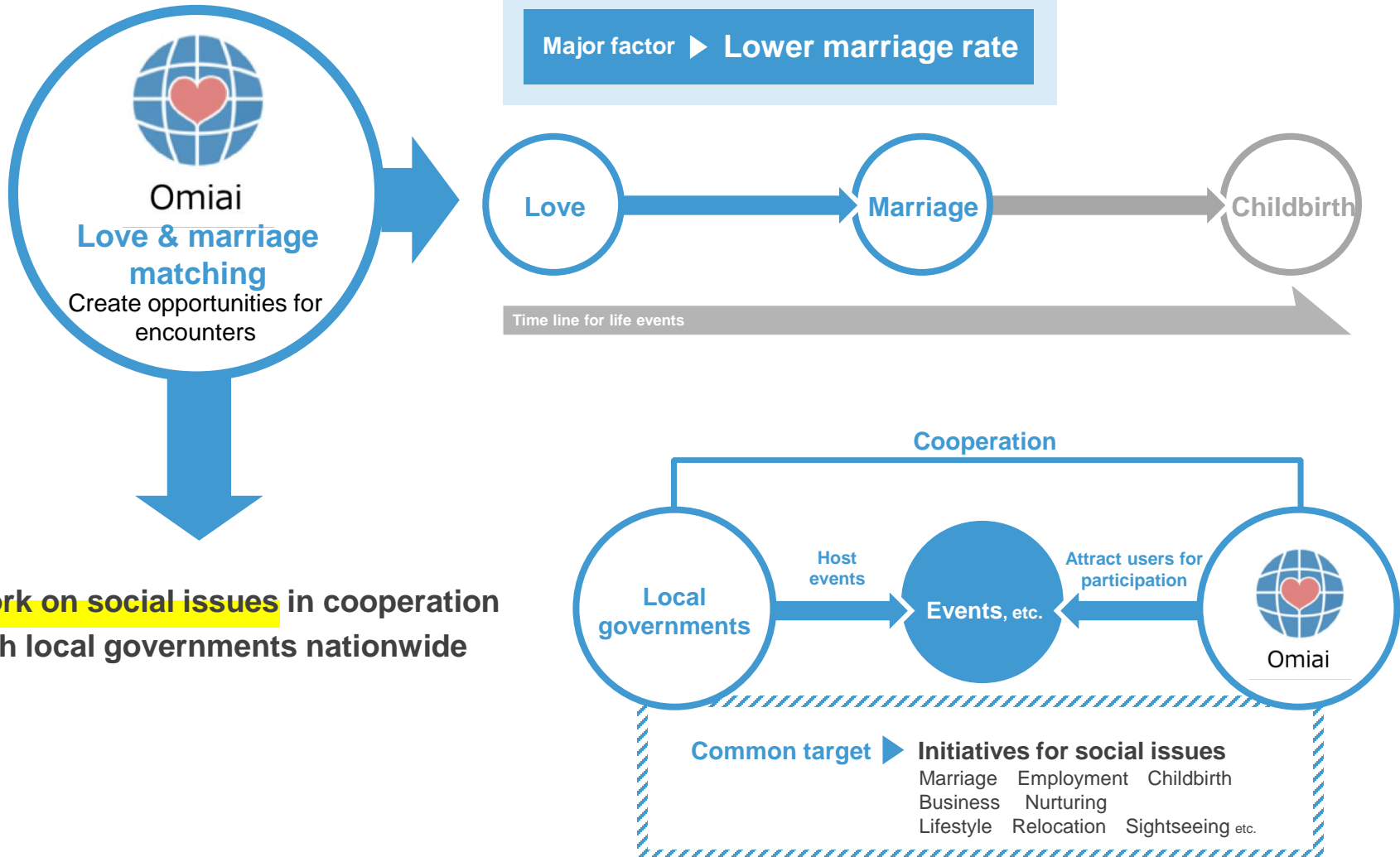


- The figures in the graph include segment adjustments.
- Although we announced the consolidated financial results in the fiscal year ended June 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ending June 2019.

Both the beauty salon treatment and human resources projects remained strong; both net sales and income progressed smoothly.



- 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.



1 Initiatives for Social Issues: Case Study



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Support encounters of people in Japan in cooperation with local governments

Okayama pref. × Okamori kai × Omiai



Okayama pref.



Okamori kai



Omiai

Held on August 25, 2018

Participants 58 persons

Men	28 persons
Women	30 persons



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

2

Appendix

Medium-Term Management Plan “Investment to Growth 2021”



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This material describes the contents of the Medium-Term Management Plan in **FINANCIAL RESULTS AND MEDIUM-TERM MANAGEMENT PLAN** released on August 10, 2018.

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.

Background to the development of the Medium-Term Management Plan

The Company has a major goal of becoming Japan's leading Internet group company based on its management vision of the New Value Provider ∞ Internet.

This is our vision, which the Company's officers and employees have cherished from the foundation of the Company to the present. Right now, we have to say that this is just our long-term goal.

The Company considers that it would like to make management decisions on day-to-day business activities and corporate activities, giving the top priority to enhancing medium- to long-term competitiveness or the company's fundamental value, not short-term increase in profit or maximization of the PL index.

The Company takes the view that there is a phase when it is necessary to undertake bold business steering such as making aggressive prior investments or new business trials, etc. to achieve its long-term vision.

To this end, the Company believes that it is important to indicate the Company's ideas or business strategy to the market in advance, and the Company has formulated a Medium-Term Management Plan that includes a medium-term vision 3 years from now and strategic investments associated with it.



Investment to Growth 2021

Company-Wide Strategy

Market environment

More companies are entering the domestic matching service market. Improvements in the industry service are driven by MSPJ, and improvements in the environment for using matching services will progress.

The number of users is expected to rise, and growth in the overall matching service market is anticipated.

Media Business

- The online Love & Marriage Matching Service Market is expected to mark growth of more than 120% YoY.*¹
- The government has set a medium- to long-term national goal of maintaining a population of 100 million 50 years from now. The population in 2065 is projected to be some 88.08 million at the current pace.
- A reduction in the Company's Omiai market share is a concern due to the emergence and growth of competitors.

*¹ 2018: ¥37.4 billion 2019: ¥49.9 billion
2020: ¥60.5 billion 2021: ¥69.3 billion
(Source: MatchingAgent, Inc./digitalinfact)

Advertising Business

- The affiliate adverting market, our main business area, is expected to post growth of more than 115% YoY.*²
- Advertising sponsors who use affiliate adverting, especially in the financial or EC sector, are expected to increase.
- In overall Internet advertising, the expansion of the smartphone advertising market is outstanding and social media advertising, in particular, is growing substantially.

*² FY2018: ¥263.5 billion FY2019: ¥308.0 billion
FY2020: ¥354.2 billion FY2021: ¥405.8 billion
(Source: Yano Research institute, Ltd.)

Internal environment

Media Business

- The total number of Omiai members reached 3.30 million people (at the end of July 2018) and continued to establish our standing as a leading matching service provider in Japan
- Opened up the use of Omiai to all Internet users on April 25
- Aware of the necessity to beef up the servers resulting from an increase in the number of Omiai users
- Enter the dating market by releasing a new dating service QooN
(Android version: Released on June 28, 2018, iOS version: Released on July 26, 2018)

Advertising Business

- Establish a strong partnership with a number of ASPs, including large ones or direct media
- Tend to rely on specific products/clients
Start handling social media advertising
- Reinforce sales members with the aim of increasing orders of new projects
Struggling to retain personnel, and there is a constant discrepancy between the personnel plan and the reality



Appropriate timing for investments in terms of
the market environment and the internal environment

Vision for growth 3 years from now

Media Business

Aiming to be the No. 1 matching service provider in Japan

- Make strategic and prior investments to make the Company's market share overwhelming
- Achieve the early establishment of QooN and maximize the network effect
- Expand the Company's market share in the matching market with the two brands, Omiai and QooN

Advertising Business

Aiming to establish a position as a comprehensive Internet agency

- Promote orders, mainly large projects and operation strategy
- Establish an operation structure to make social media advertising grow to be the 2nd business pillar
- Reinforce personnel and strengthen the organization

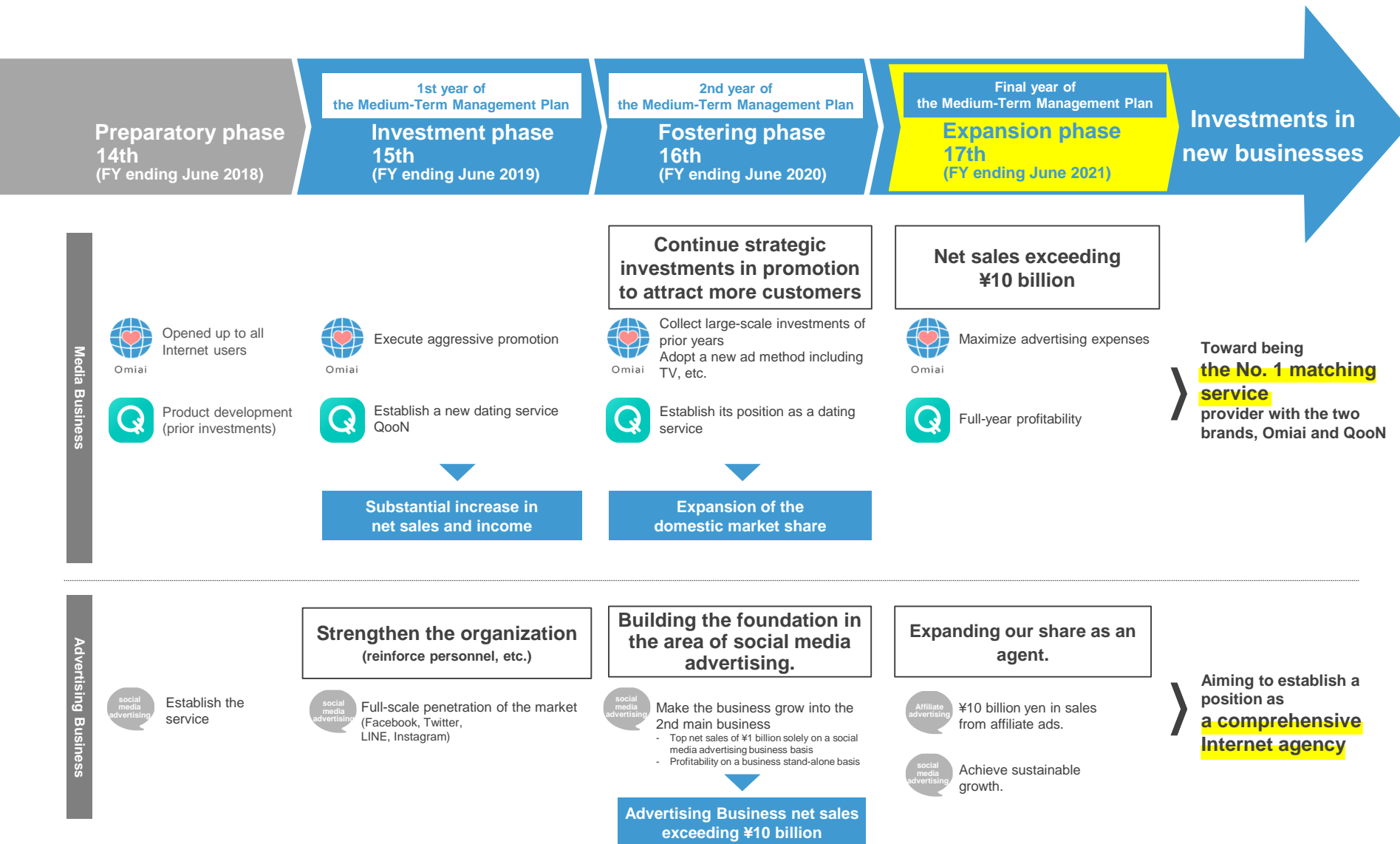
Further create new businesses based on the profit from the Media Business and the Advertising Business

Creation of new businesses

3 years later

2 years later

1 year later



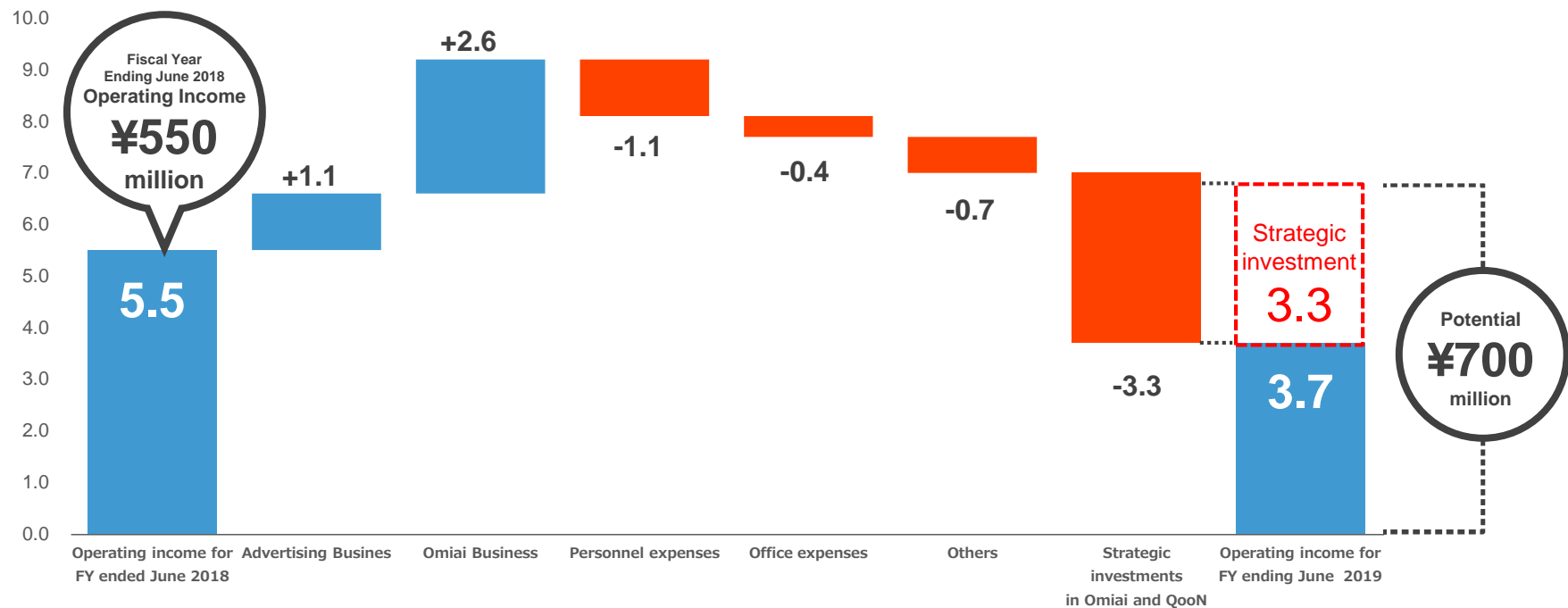
		1st year of Medium-Term Management Plan	2nd year of Medium-Term Management Plan	Final year of Medium-Term Management Plan
Billion yen	Ended June 2018 (Non-consolidated)	Ended June 2019 (Non-consolidated)	Ended June 2020 (Non-consolidated)	Ended June 2021 (Non-consolidated)
Net Sales	11.2	14.4	19.1	24.0
Advertising Business	8.0	9.4	10.9	12.7
Media Business	3.1	5.0	8.2	11.3
Segment profit	1.0	0.9	1.4	2.3
Advertising Business	0.6	0.6	0.7	0.8
Media Business	0.4	0.3	0.7	1.5
Investment in new businesses	-	-	-	-0.5
Company-wide costs	-0.5	-0.5	-0.6	-0.6
Operating income	0.5	0.3	0.8	1.2

* 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.

Strategic investments in promotion to attract more Omiai customers or the establishment of QooN

Decrease in operating income is anticipated in the first year of the **Medium-Term Management Plan** due to strategic investments

(100 million yen)



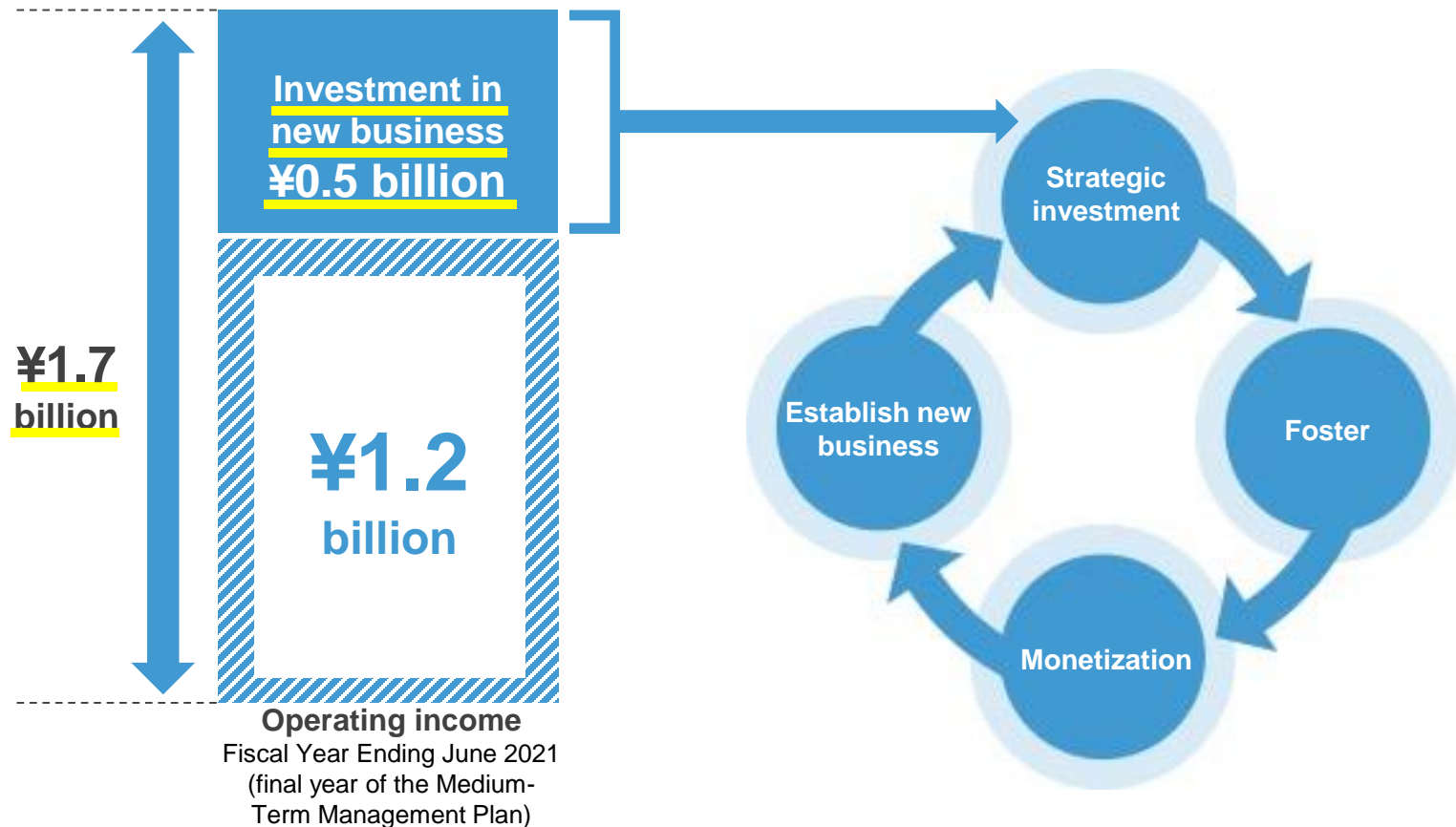
* Although we announced the consolidated financial results in the fiscal year ended June 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ending June 2019.

**Aiming for substantial growth in members and net sales three years from now,
the final year of the Medium-Term Management Plan, through strategic
investment in the Media Business**

Million yen	2019.6
Net Sales	14,465
Operating Income	373
Ordinary Income	372
Net Income	258
EPS (Yen) (net income / average outstanding common shares during the period)	17.73
Year-end Dividend (payout ratio)*	5 yen (28.2%)

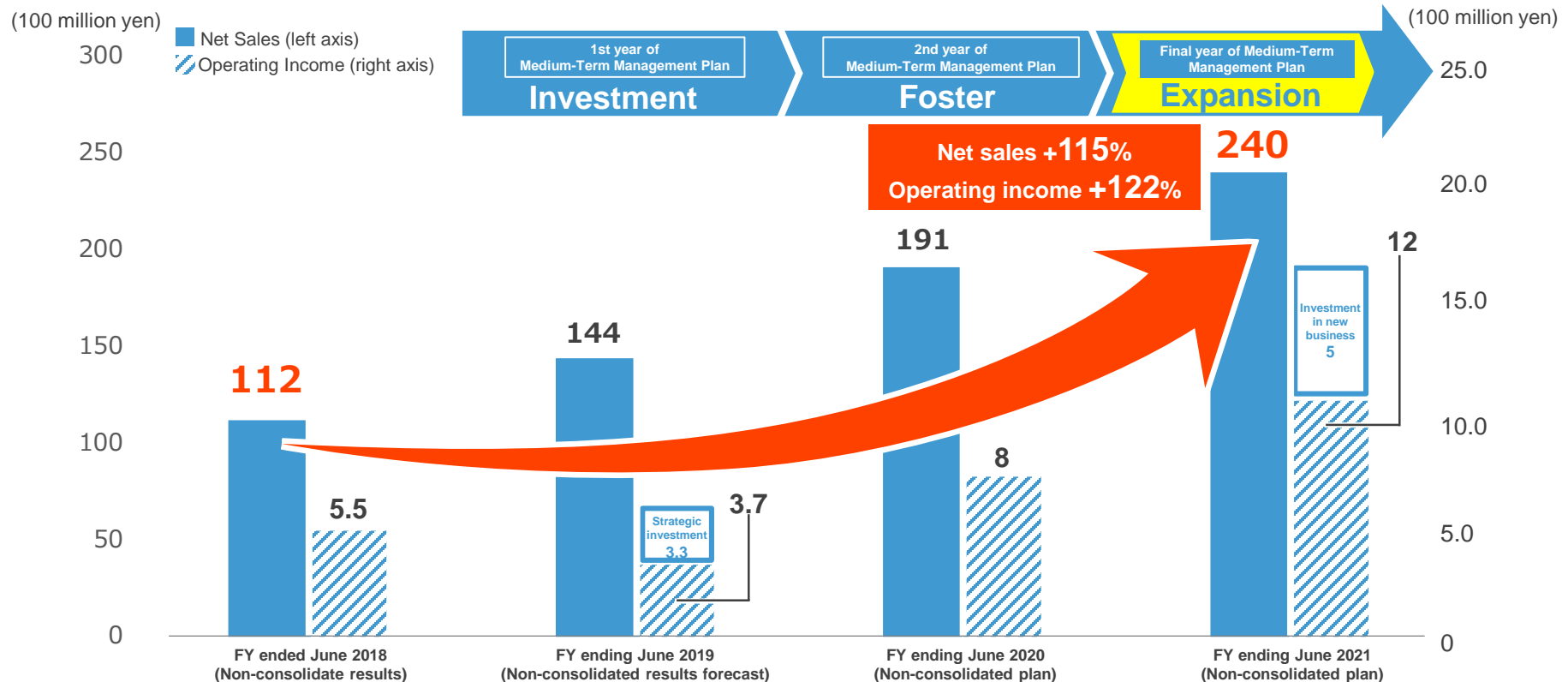
* It is our policy to execute shareholder returns in accordance with earnings, considering the balance between shareholder returns and the internal reserve that is needed for medium- to long-term initiatives or business expansion to maximize corporate value. In the fiscal year ending June 2019, we plan to pay dividends of the same level as in the fiscal year ended June 2018.

Thanks to strategic investment in the first year of the Medium-Term Management Plan, **the final year's operating income of existing businesses grows substantially to ¥1.7 billion**



Envision high growth through large-scale investments from a long-term perspective

Aiming for net sales exceeding ¥24 billion and operating income exceeding ¥1.2 billion for the fiscal year ending June 2021



- ▶ Thanks to strategic investments for the fiscal year ending June 2019, business growth will be more accelerated compared to the past three years.
- ▶ For the fiscal year ending June 2021, the final year of the Medium-Term Management Plan, net sales for the Advertising Business and the Media Business will each exceed ¥10 billion.

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Investment to Growth 2021

Individual Strategies

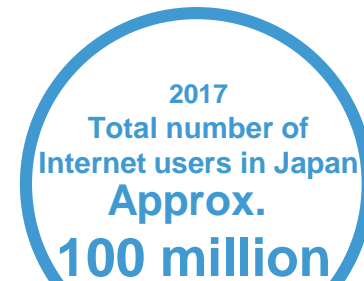
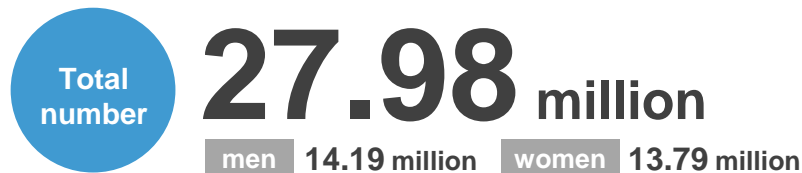
2 Individual Strategies Domestic Market Data

– Total Number of Internet Users in Japan –



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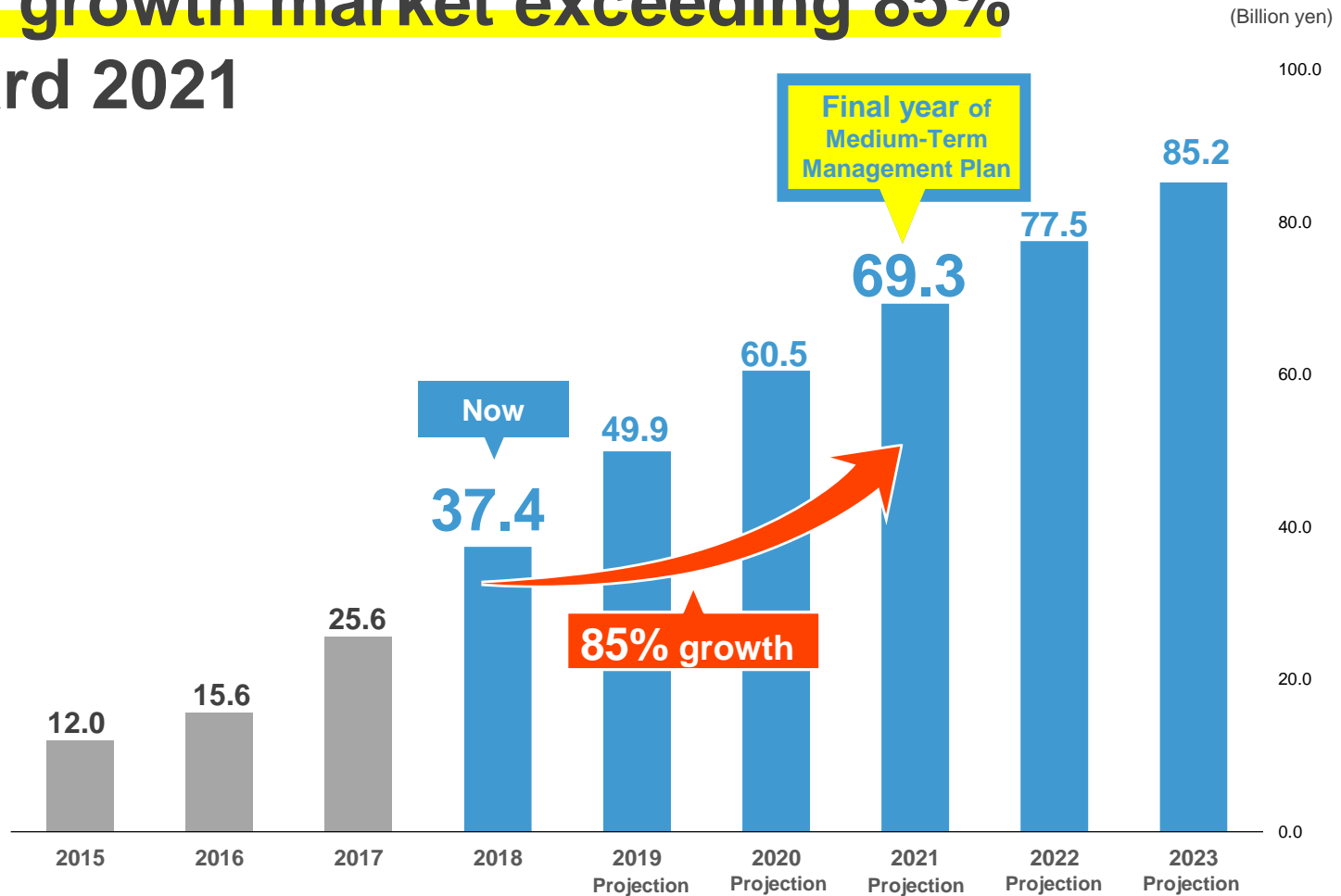
Number of men and women in their 20s and 30s in Japan



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)

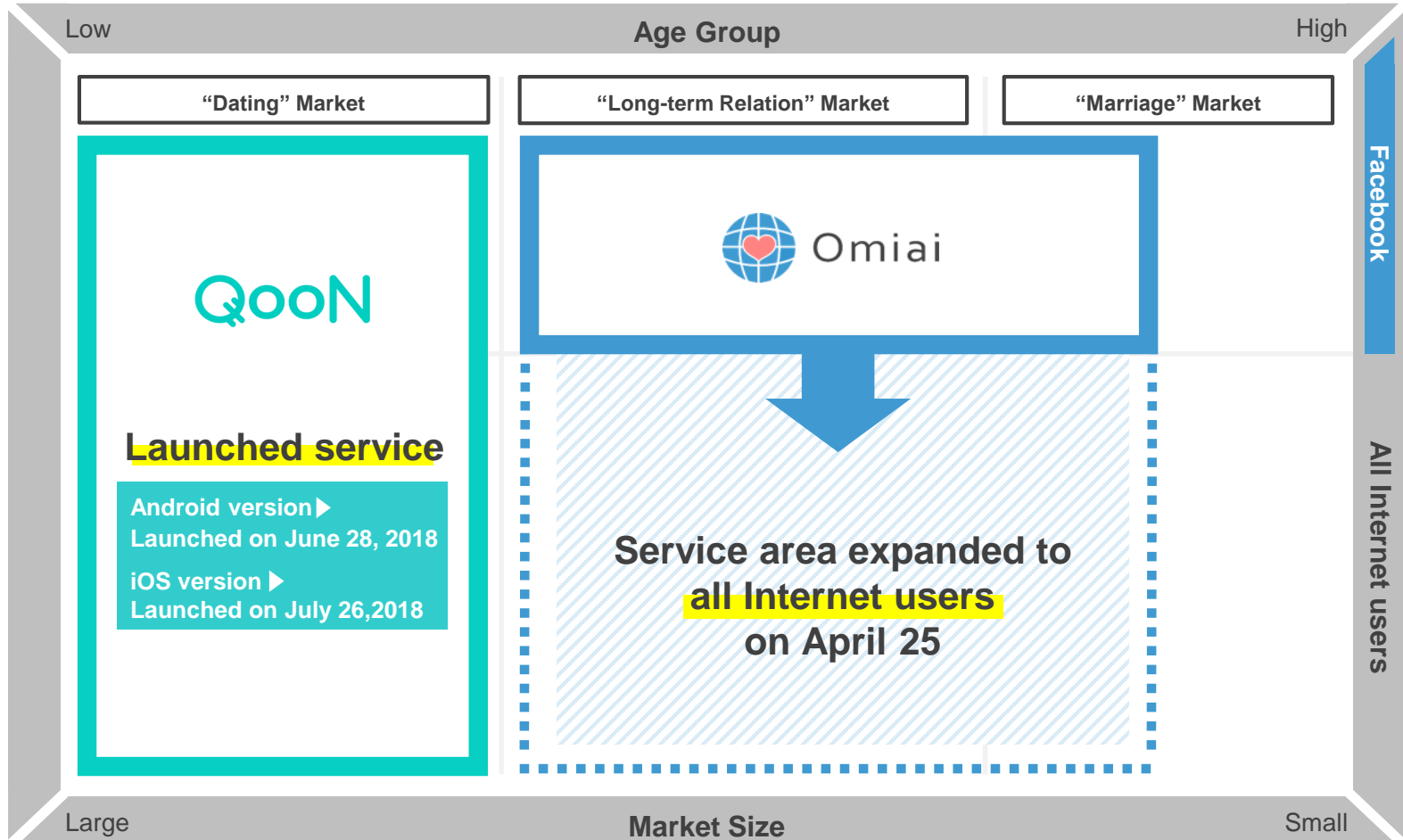
High growth market exceeding 85% toward 2021



Source: MatchingAgent, Inc./digitalinfact

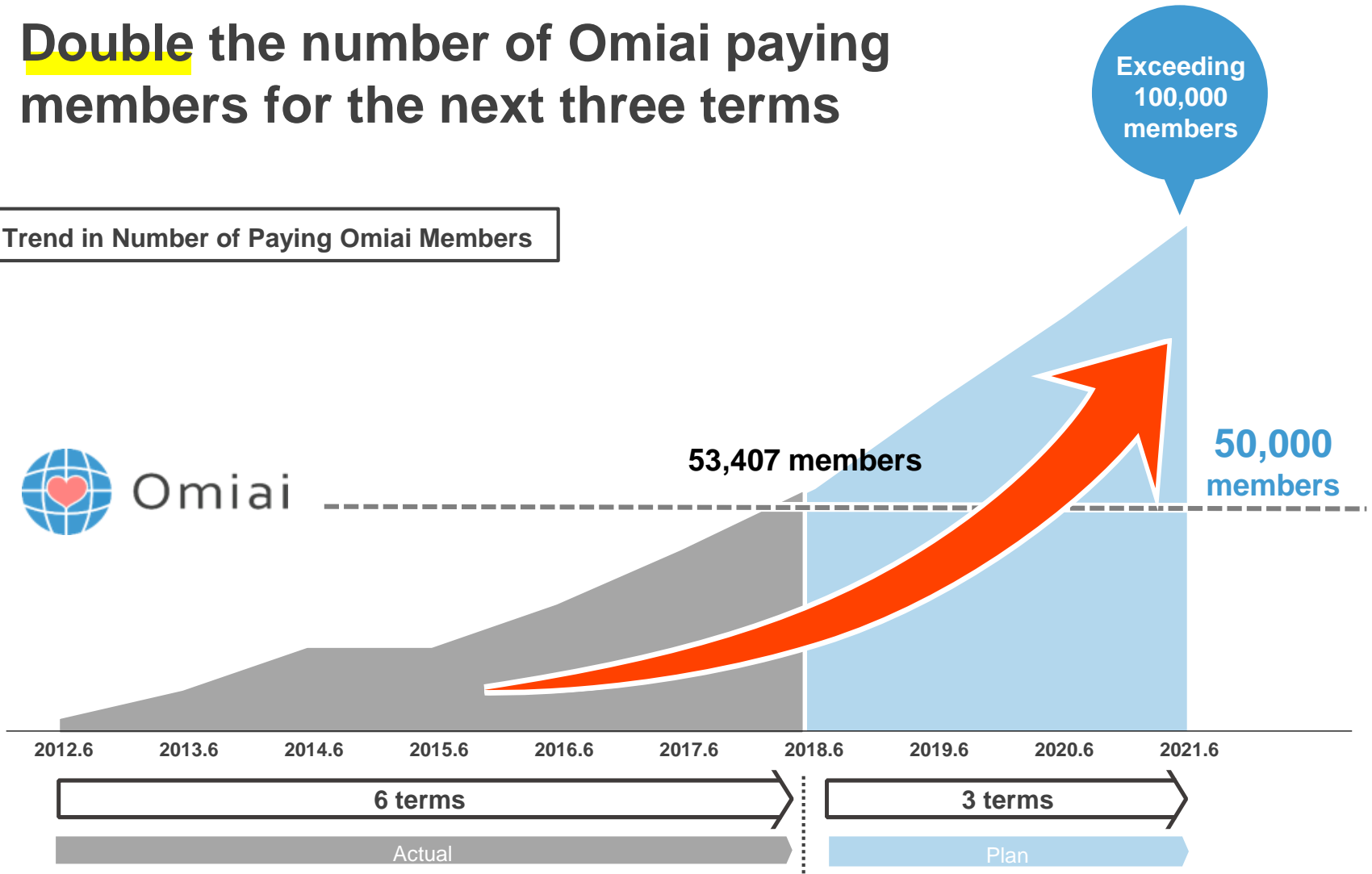
Prepared by the Company based on the Domestic Online Love & Marriage Matching Service Market Projection for 2015-2023

Market share expansion of the matching service market in Japan with two brands



Double the number of Omiai paying members for the next three terms

Trend in Number of Paying Omiai Members



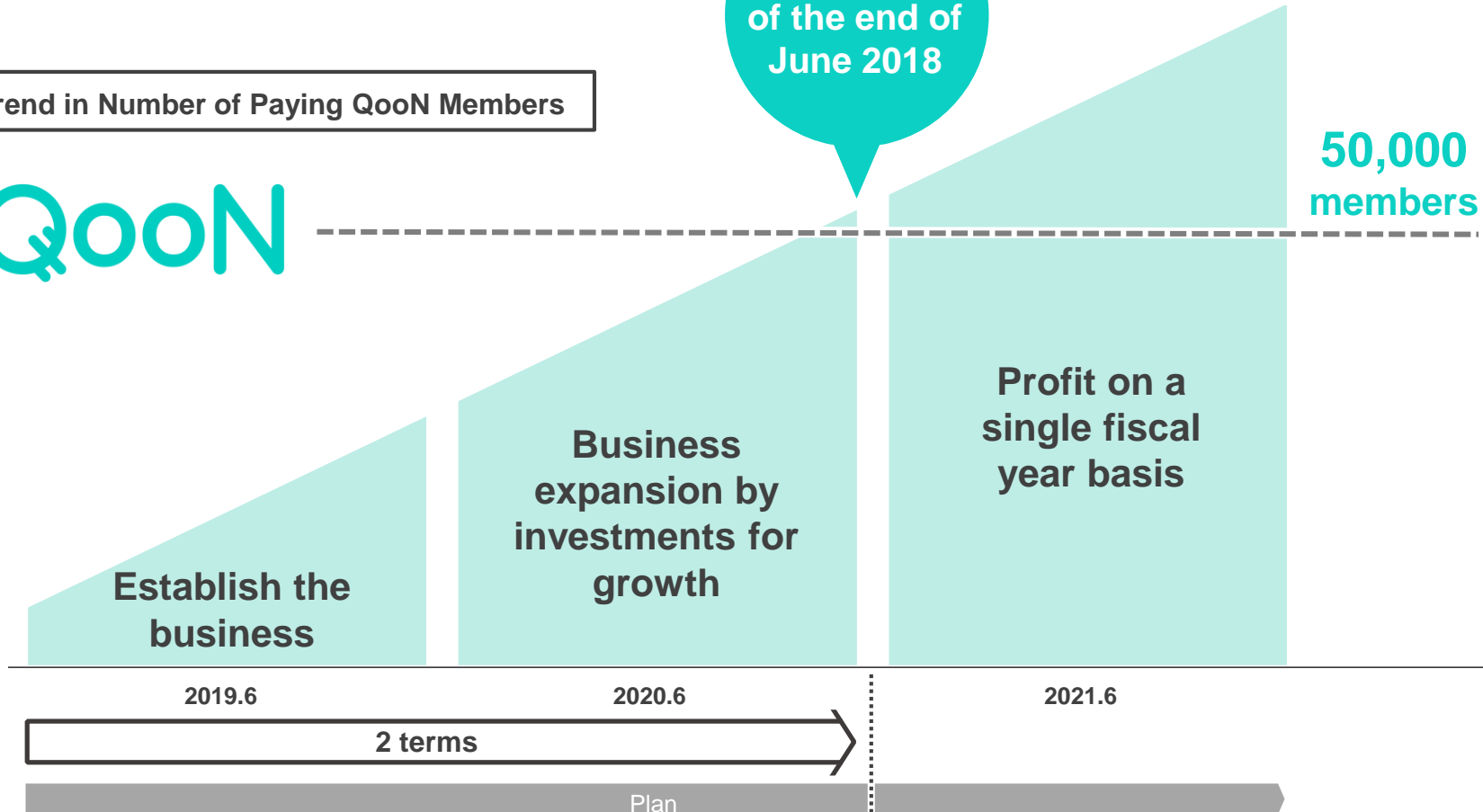
Achieved the current size of Omiai within two years after the service commenced

Trend in Number of Paying QooN Members

QooN

Omiai size as
of the end of
June 2018

50,000
members



Online matching certification system begins (anticipated)

Users are expected to increase due to the enhancement of the service environment

General Incorporated association
Marriage Support Project (MSPJ)



一般社団法人 結婚・婚活応援プロジェクト
インターネット婚活サービス分科会
MSPJ MARRIAGE | SUPPORT | PROJECT



Aim of Activities

Enhance the industry and create opportunities for safe, secure encounters

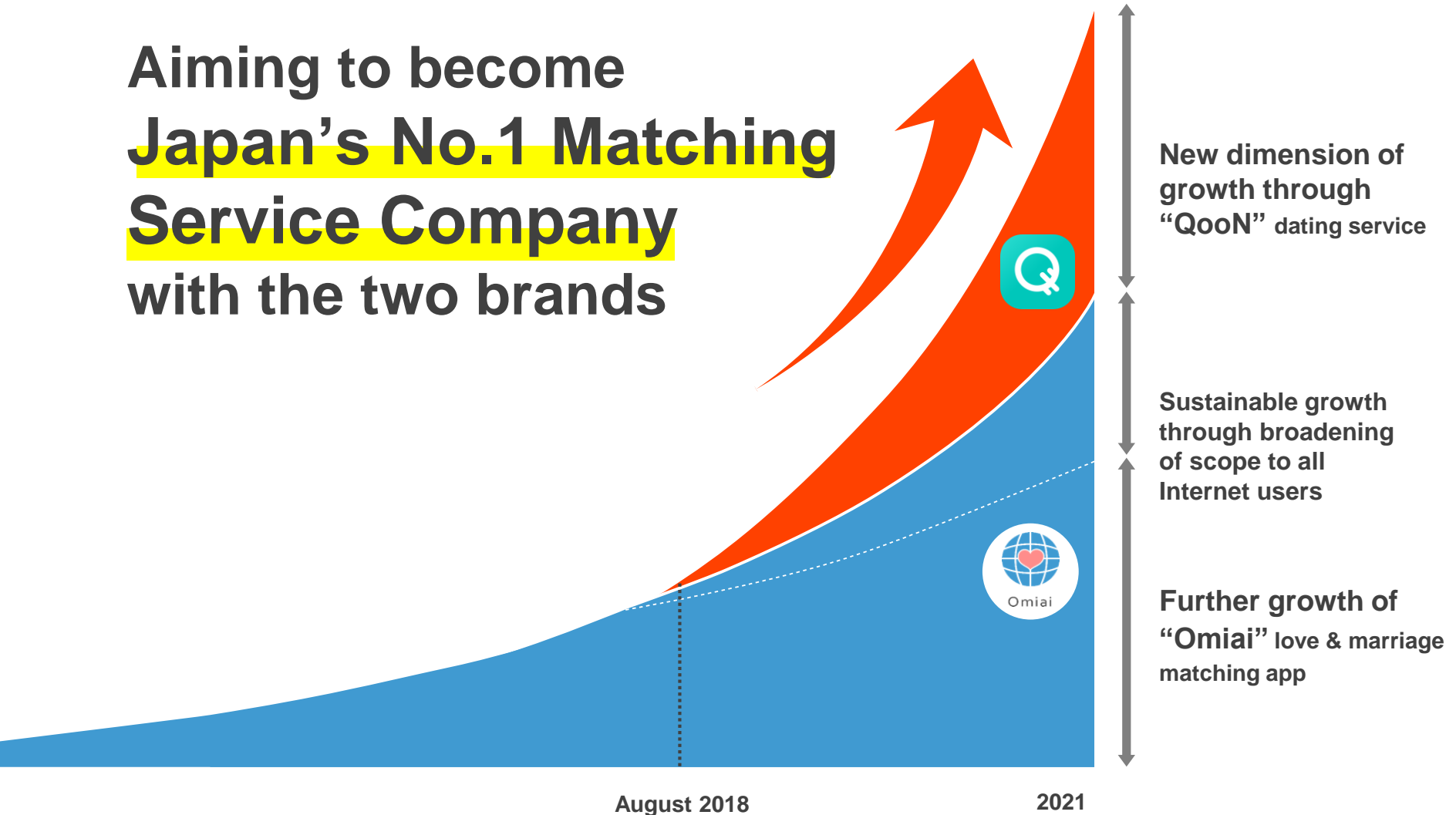
List of Participating Companies (alphabetical order)

Cyber Agent, Inc.	Matchalarm Inc.
Diverse, Inc.	Net Marketing Co. Ltd.
eureka, inc.	Recruit Marketing Partners Co., Ltd.
IGNIS LTD.	



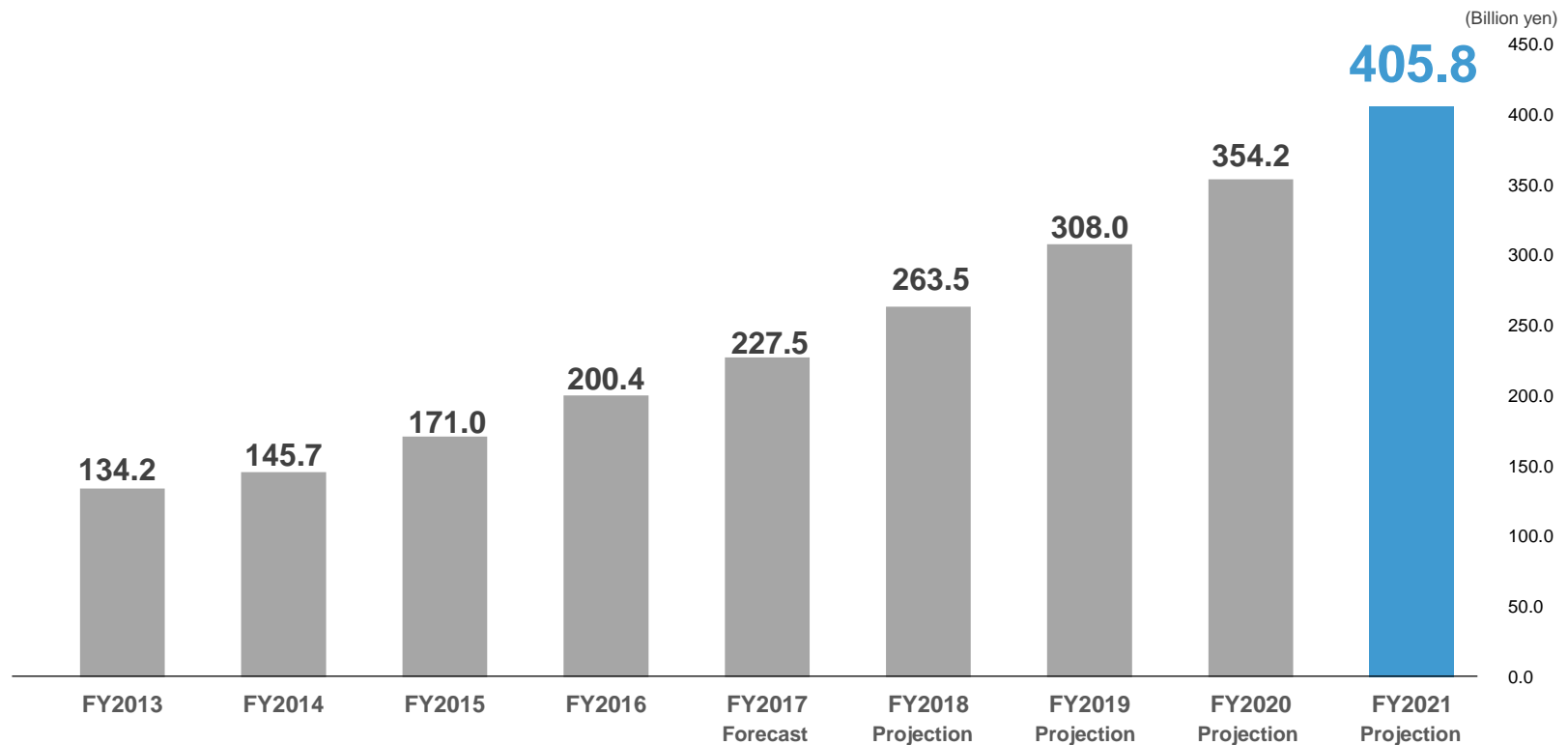
A ban on TV commercials is to be lifted

Aiming to become Japan's No.1 Matching Service Company with the two brands



A market where **stable growth** is expected toward fiscal year 2021

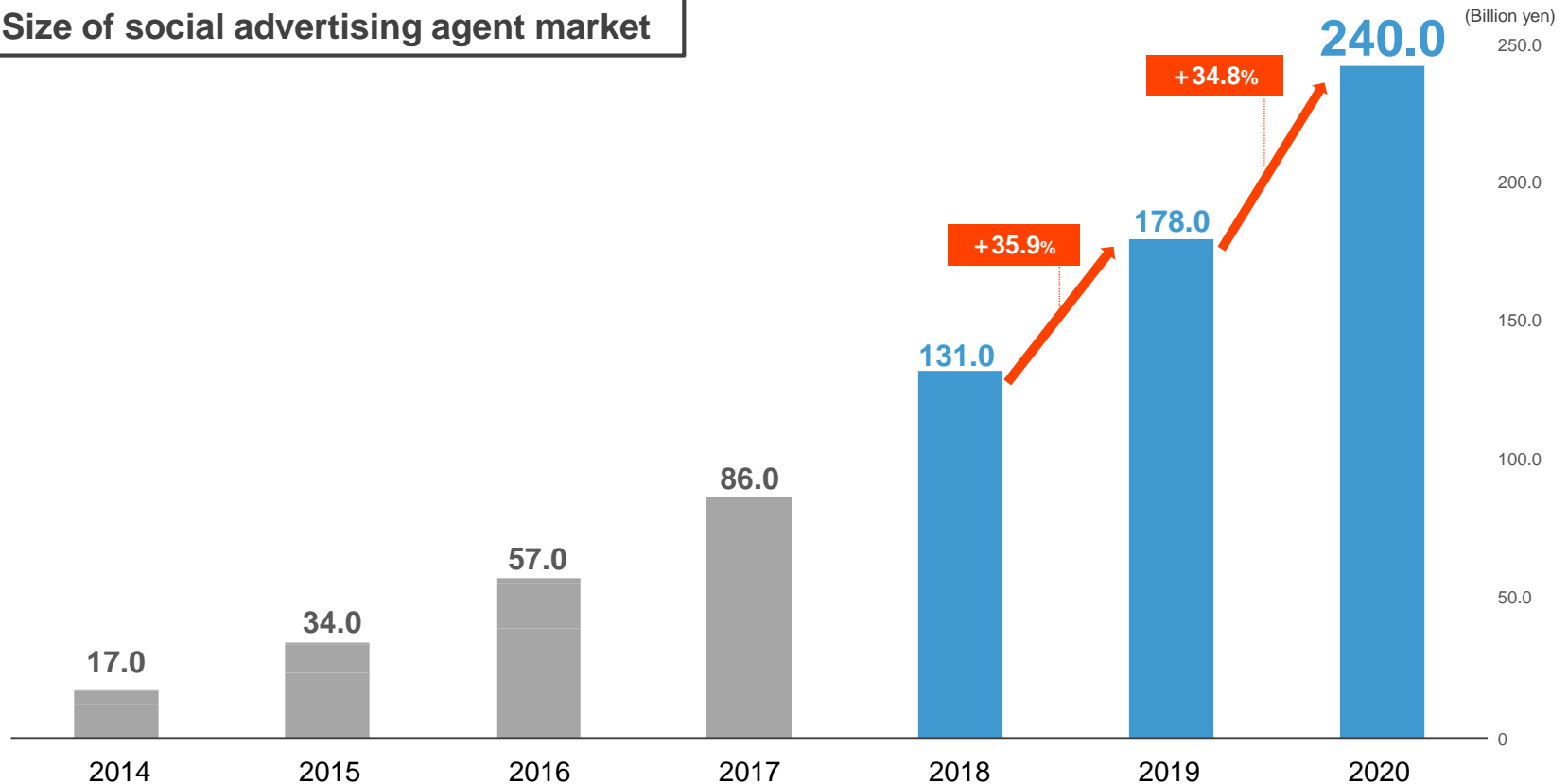
Projected Size of Affiliate Marketing Market (FY2013-FY2021)



Source: Prepared by the Company based on “Trends in and Outlook for the Affiliate Marketing Market 2018” by Yano Research Institute

A high growth market with an annual growth rate of 35% toward 2020

Size of social advertising agent market



Source: Prepared by the Company based on MIC Research Institute 2016

Striving to expand the operations of the advertising business by increasing our market share of affiliate marketing and establishing social media advertising

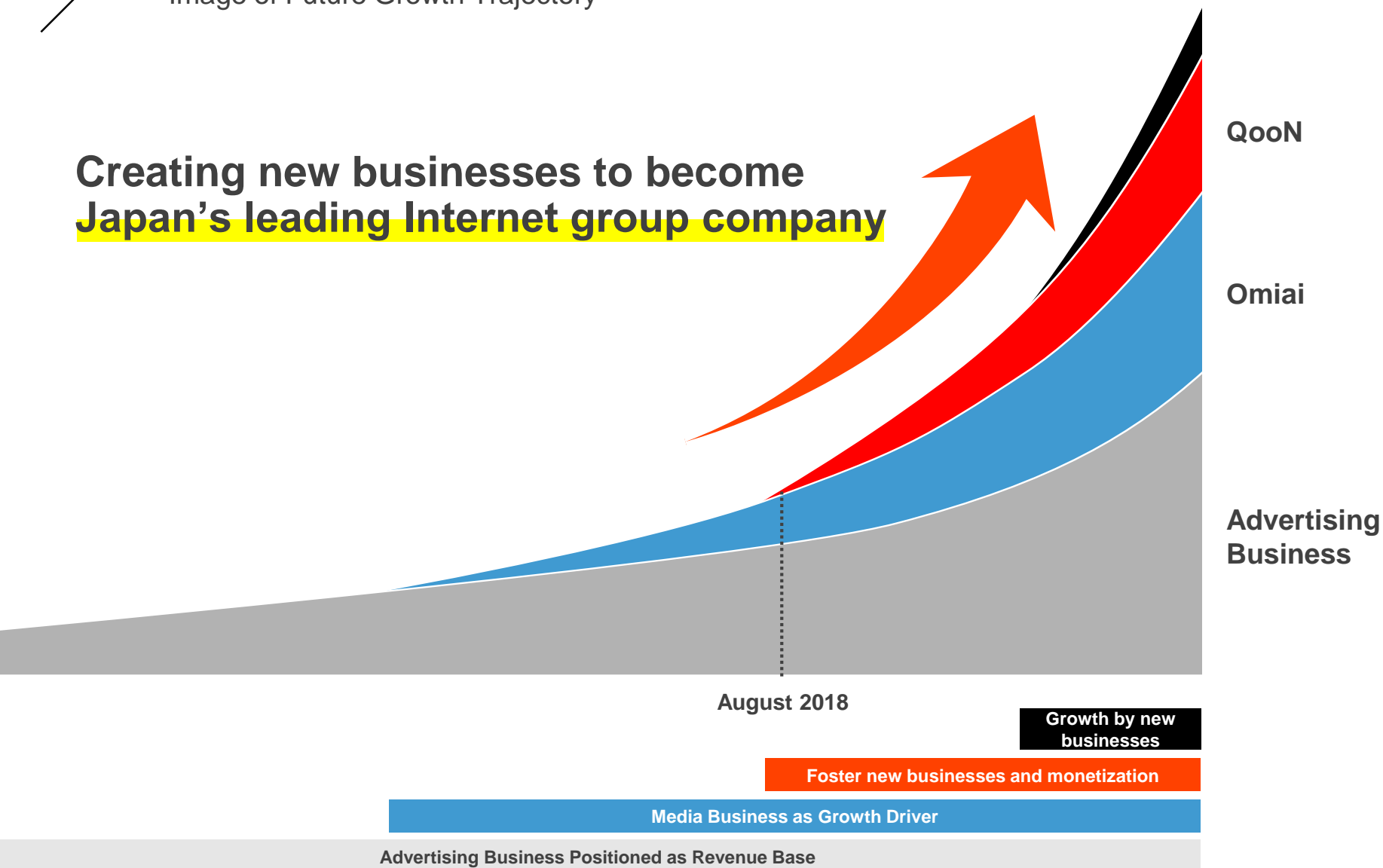


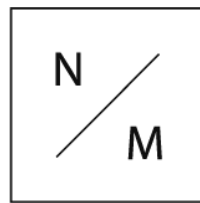
Establish our position as a major agency of social media advertising



Business growth toward being a comprehensive Internet agency

Creating new businesses to become
Japan's leading Internet group company





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