

NET
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Financial Results

for the Second Quarter of
the Fiscal Year Ending June 30, 2021

Net Marketing Co. Ltd.

Stock Code 6175

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01



Financial Highlights for the Second Quarter of
the Fiscal Year Ending June 30, 2021

Financial Highlights

Year on Year —

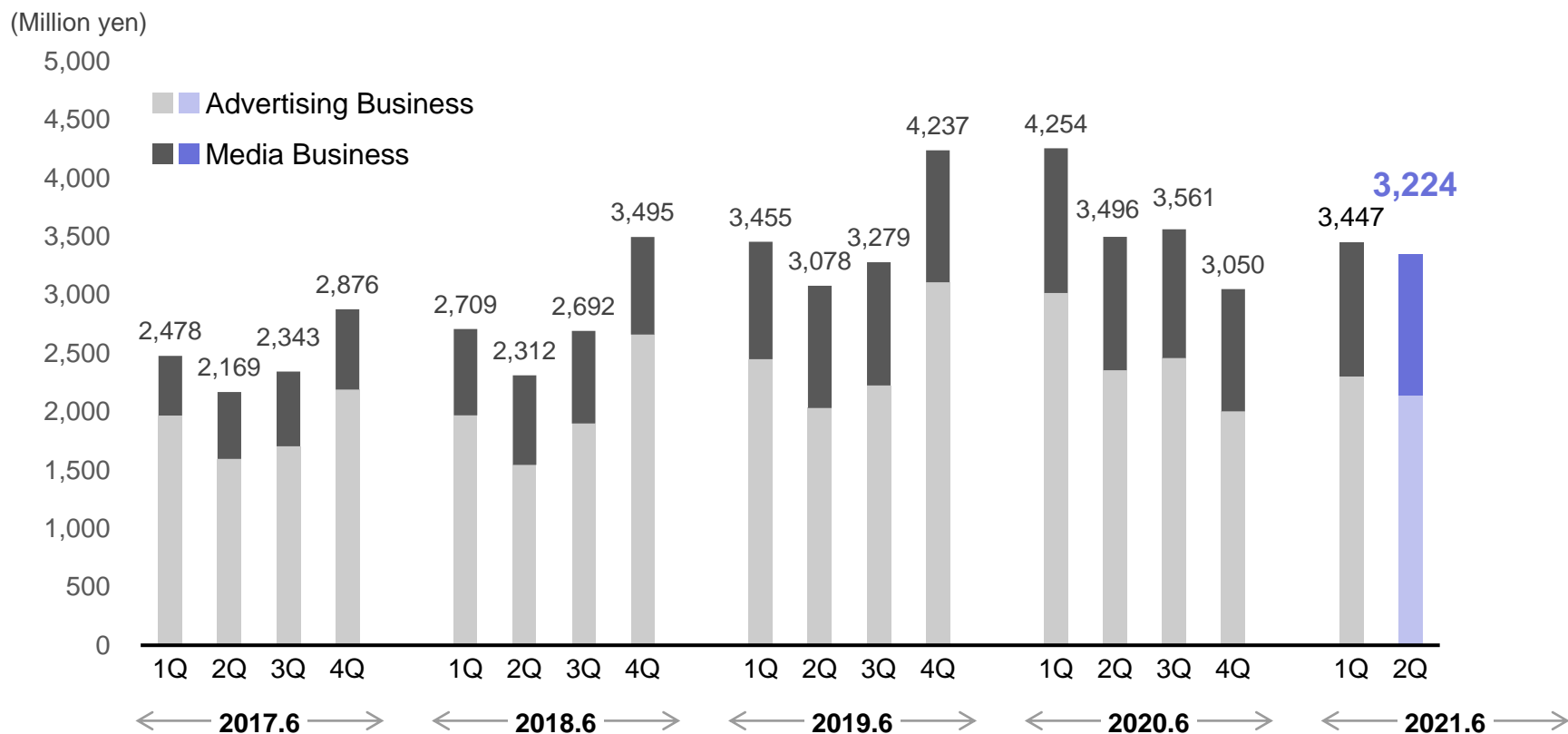
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Company-wide sales and income decreased year on year overall, reflecting the reduced number of pay-for-performance projects and the termination of certain projects due to the COVID-19 pandemic in the Advertising Business.

(Million yen)

	2020.6 2Q Actual	2021.6 2Q Actual	YoY (Increase/Decrease)
Net Sales	7,751	6,671	86.1% (-1,080)
Gross Profit	2,503	2,217	88.6% (-286)
Gross Profit Margin	32.3%	33.2%	
Operating Income	508	247	48.7% (-260)
Operating Income Margin	6.6%	3.7%	
Ordinary Income	513	255	49.9% (-257)
Net Income	351	172	49.0% (-179)

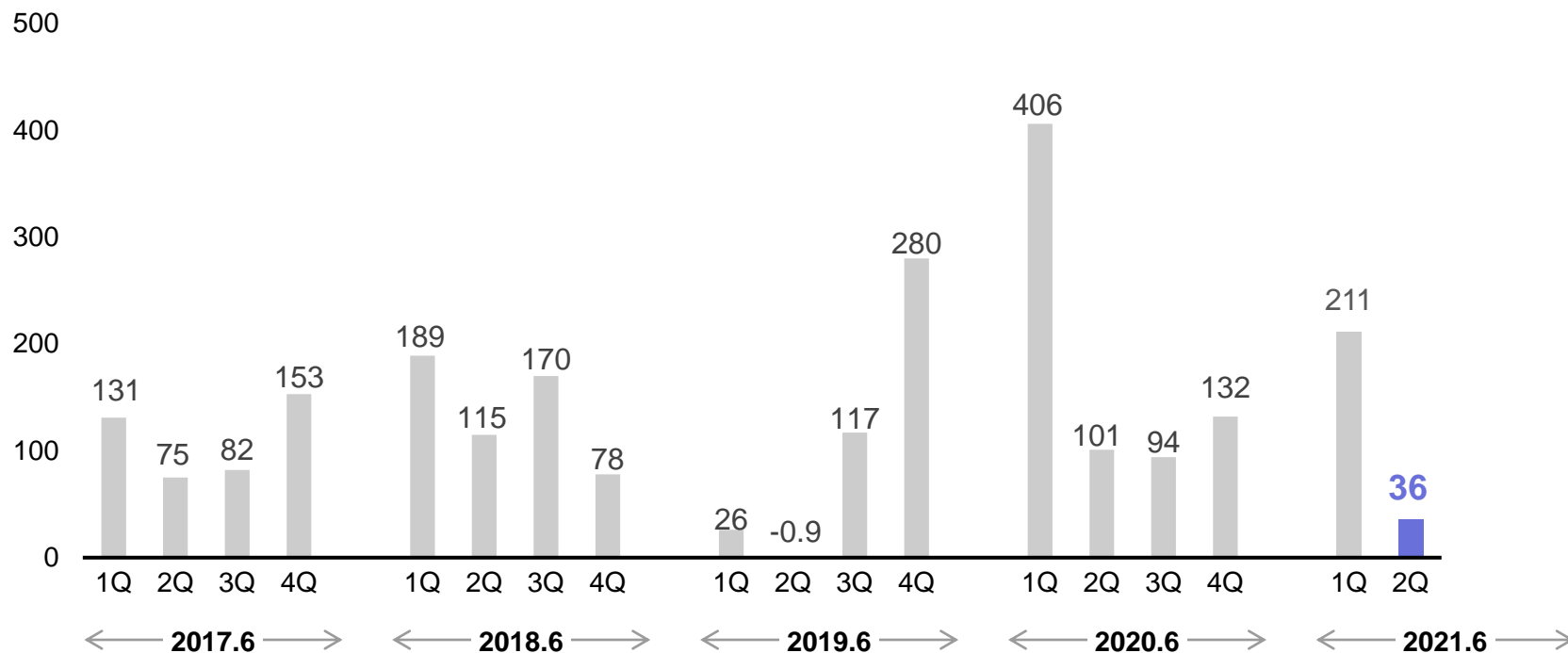
Changes in Quarterly Net Sales



* 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.

Changes in Quarterly Operating Income

(Million yen)



* 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.

* Values in the graph do not state the breakdown by business. For details, please refer to the “Summary of Non-consolidated Financial Results for the First Half Ended December 31, 2020.”

Media Business

Actual Results for the Second Quarter —

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Operating income increased year on year because COVID-19 had no impact on the progress of business.

(Million yen)

	2020.6 2Q Actual	2021.6 2Q Actual	YoY
Net Sales	2,379	2,353	98.9%
Operating Income	238	283	119.0%
Operating Income Margin	10.0%	12.0%	

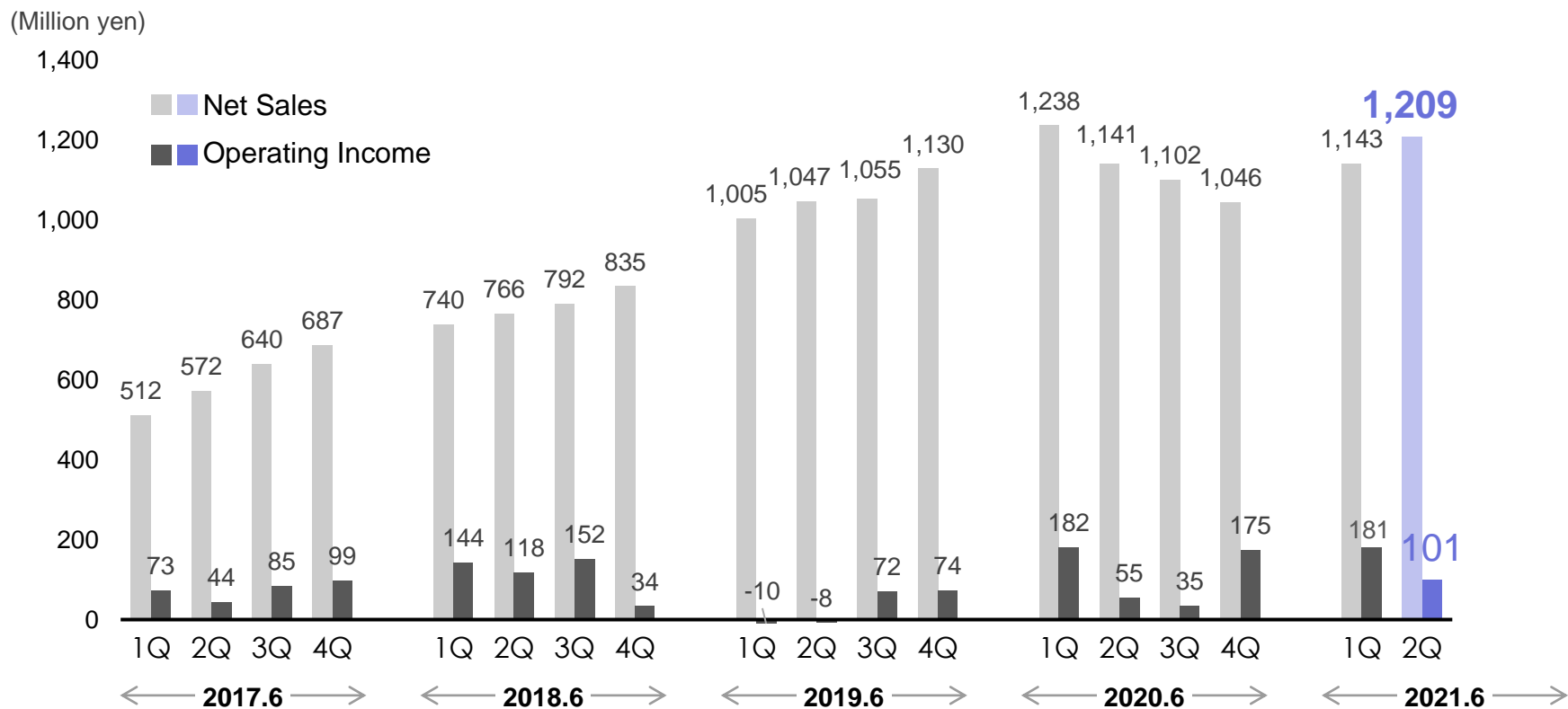
* Actual results include adjustments (internal sales and corporate expenses).

Media Business

Changes in Financial Results



Net sales showed an upward trend thanks to active promotion and an increase in the number of paying members.



* The figures in the graph include segment adjustments.

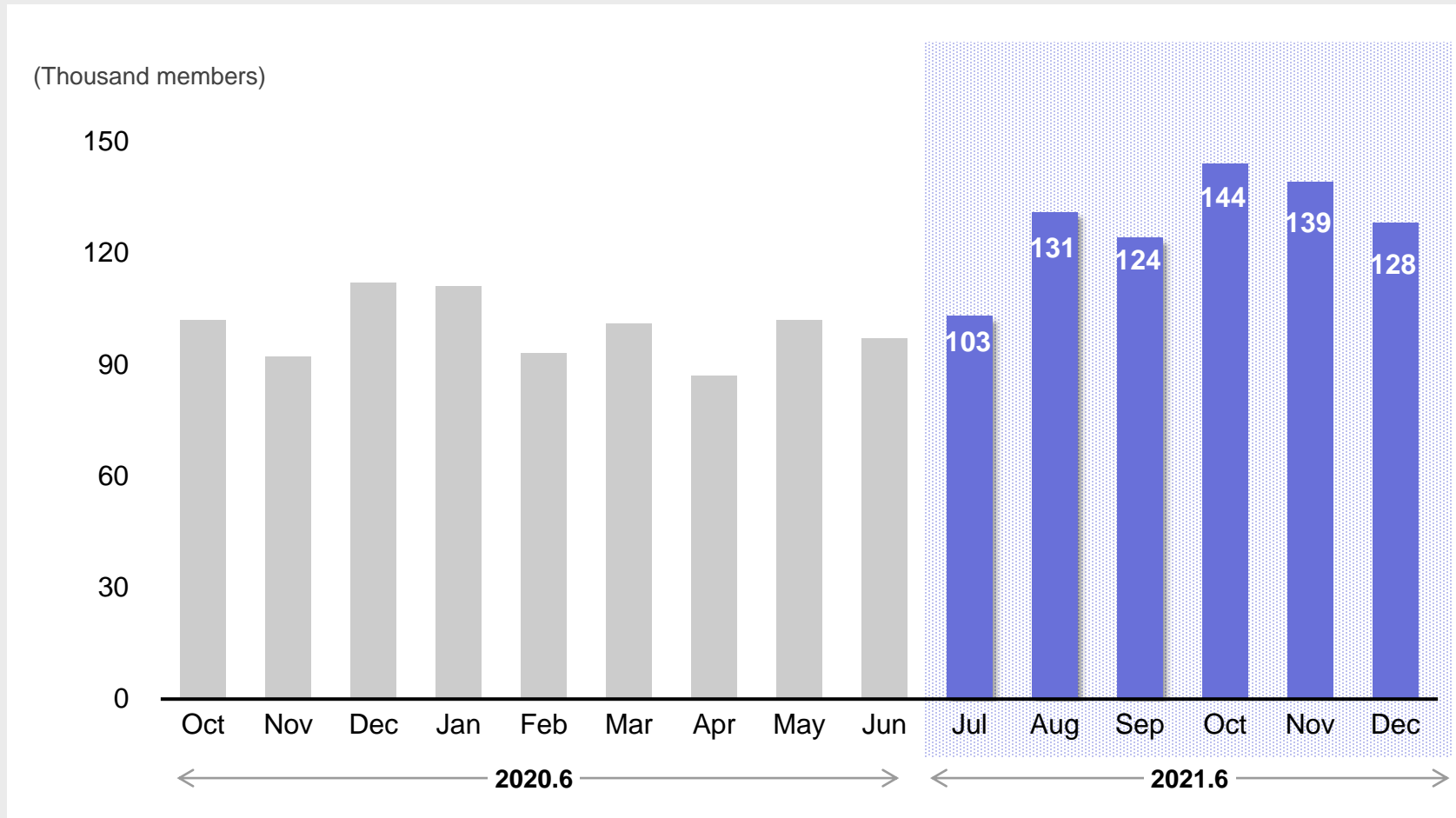
* Although we announced the consolidated financial results in the fiscal year ended June 2017 and 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ended June 2019.

Media Business

Number of New Members (Monthly)



The number of new members increased from the level in the same period of the previous year thanks to initiatives for recognition enhancement. Members were acquired more efficiently, reflecting an increase in the number of natural inflows.



Media Business

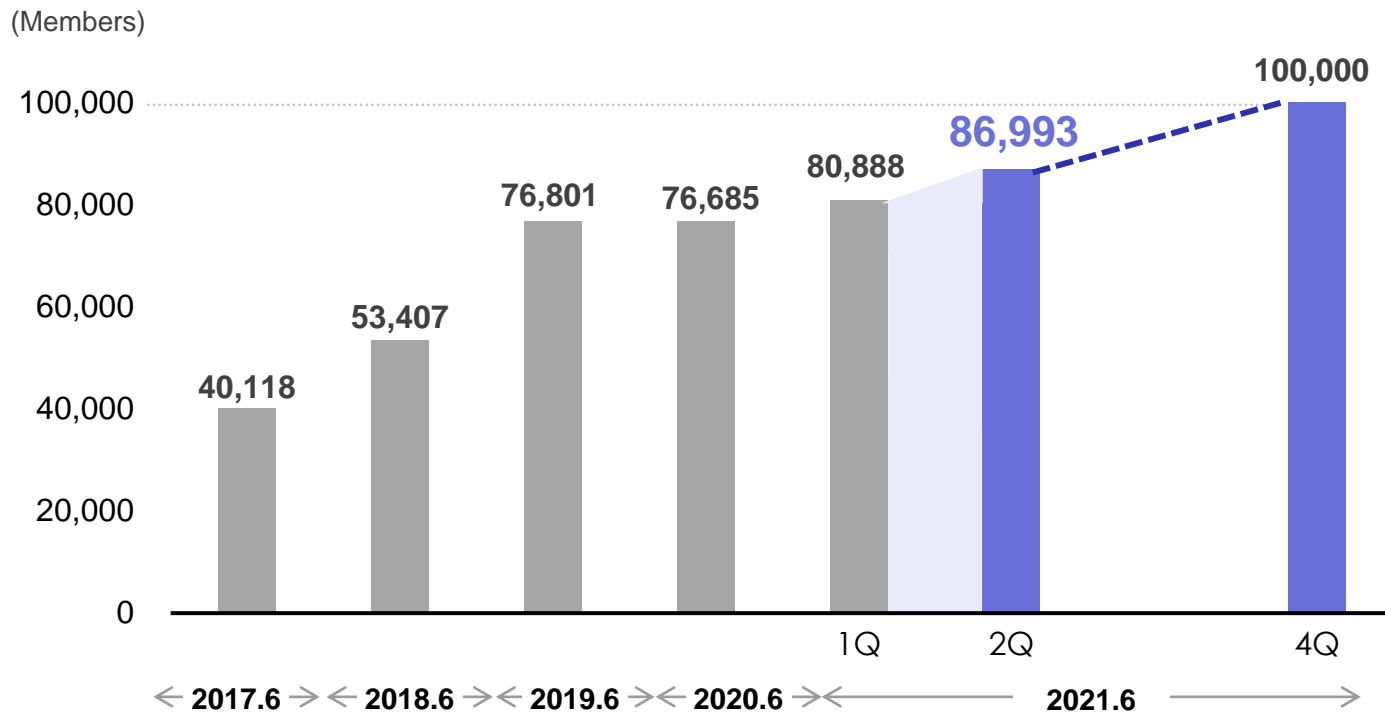
Number of Paying Members (Progress)



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Steady progress was made toward the goal of 100,000 paying members set out in the Medium-Term Management Plan.

The number of paying members was at a record high in the second quarter under review.



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)

Advertising Business

Actual Results for the Second Quarter —

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Both net sales and operating income decreased year on year because some projects were affected by COVID-19.

Stepped up efforts to stabilize the project portfolio.

(Million yen)

	2020.6 2Q Actual	2021.6 2Q Actual	YoY
Net Sales	5,460	4,572	83.7%
Operating Income	568	294	51.8%
Operating Income Margin	10.4%	6.4%	

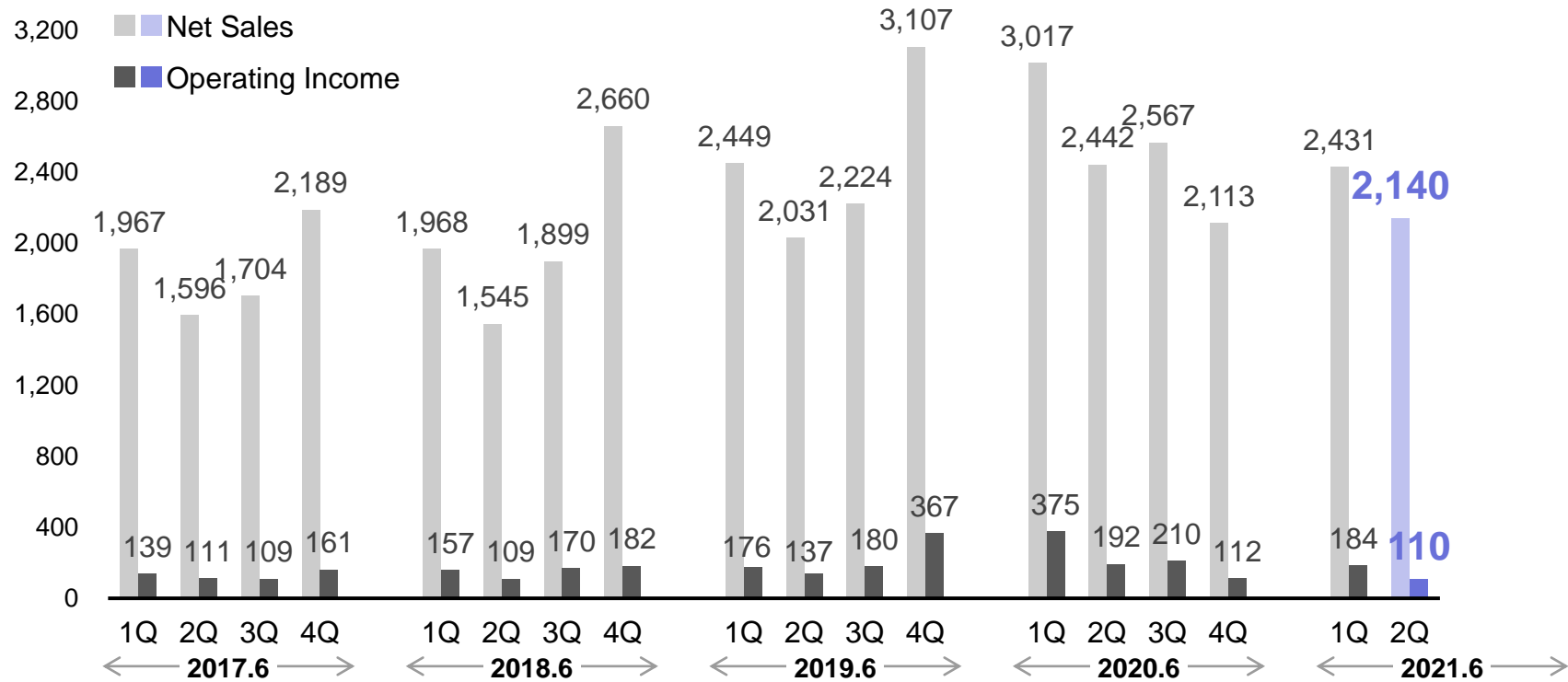
* Actual results include adjustments (internal sales and corporate expenses).

Advertising Business

Changes in Financial Results



(Million yen)



* The figures in the graph include segment adjustments.

* 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.

02

Revisions to Results Forecasts
for the Fiscal Year Ending June 30, 2021
and Status of Business



Revisions to Results Forecasts for the Fiscal Year Ending June 30, 2021

We have revised the results forecasts for the fiscal year ending June 30, 2021, taking into consideration changes in the business environment.

(Million yen)

	Announced in Aug. 2020	Announced in Feb. 2021
Net Sales	15,500	14,400
Operating Income	500~ 800	400
Ordinary Income	500~ 800	400
Net Income	340~ 550	270

Factor (i)

Impact of COVID-19

- Advertising Business

Factor (ii)

Investment for the implementation of promotions to enhance the recognition of Omiai

- Media Business

Revisions to Results Forecasts

- Impact of COVID-19 -

Given the impact of uncertainty over the timing of COVID-19 containment, we have reviewed the results forecasts for the Advertising Business.

Advertising Business

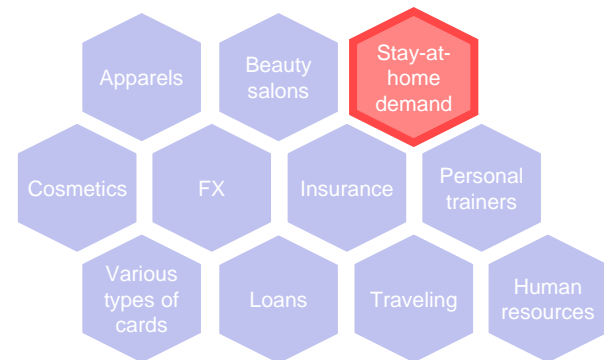
In 3Q, net sales are expected to decline with respect to projects categorized as the store-type business due to COVID-19.



[Countermeasures]

Create a more stable sales composition by taking on portfolio reforms.

- Increase the ratio of projects whose demand is unaffected even under the COVID-19 pandemic. (Projects related to stay-at-home demand, etc.)
- Strengthen sales organizations to develop new customers.



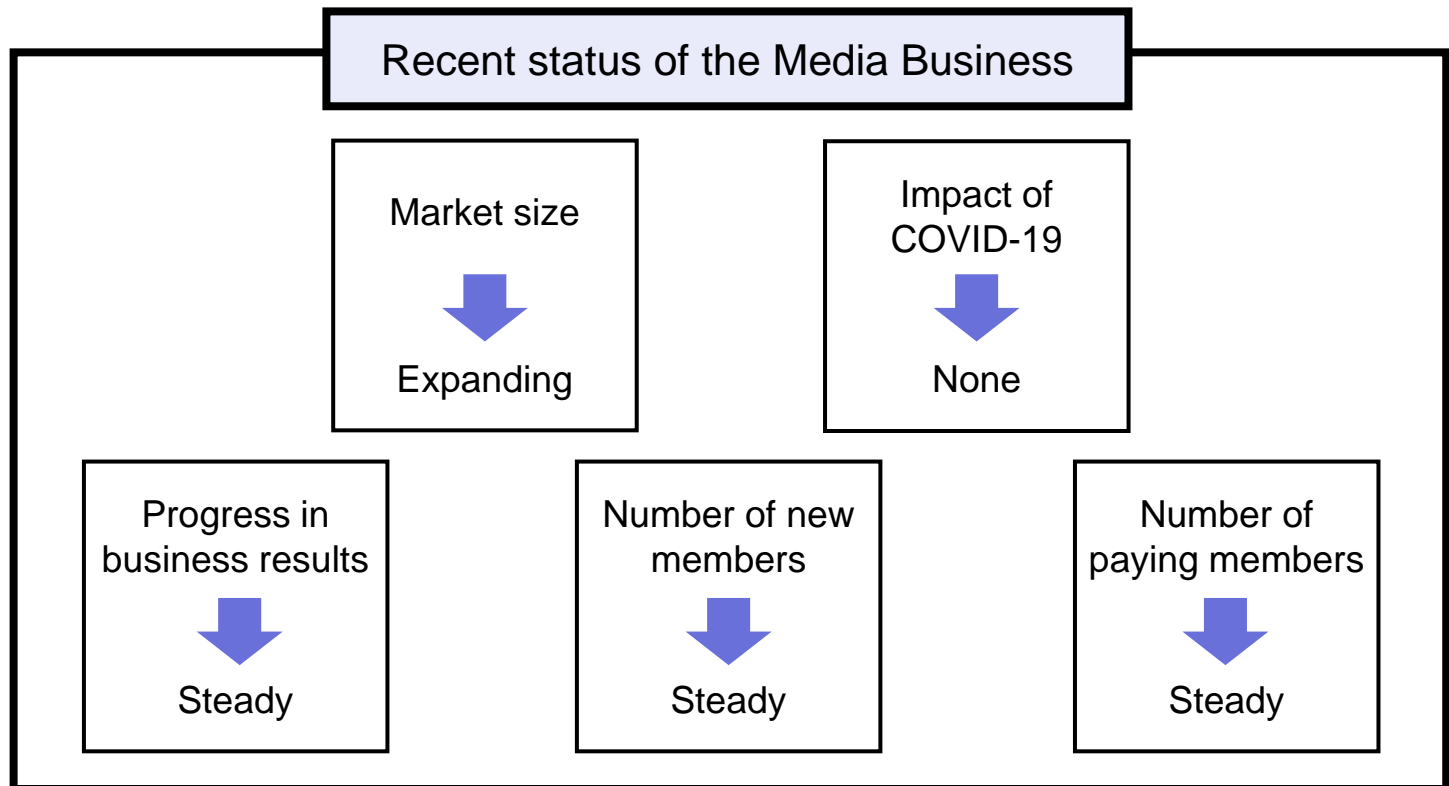
Media Business

No negative impacts on the business

Revisions to Results Forecasts

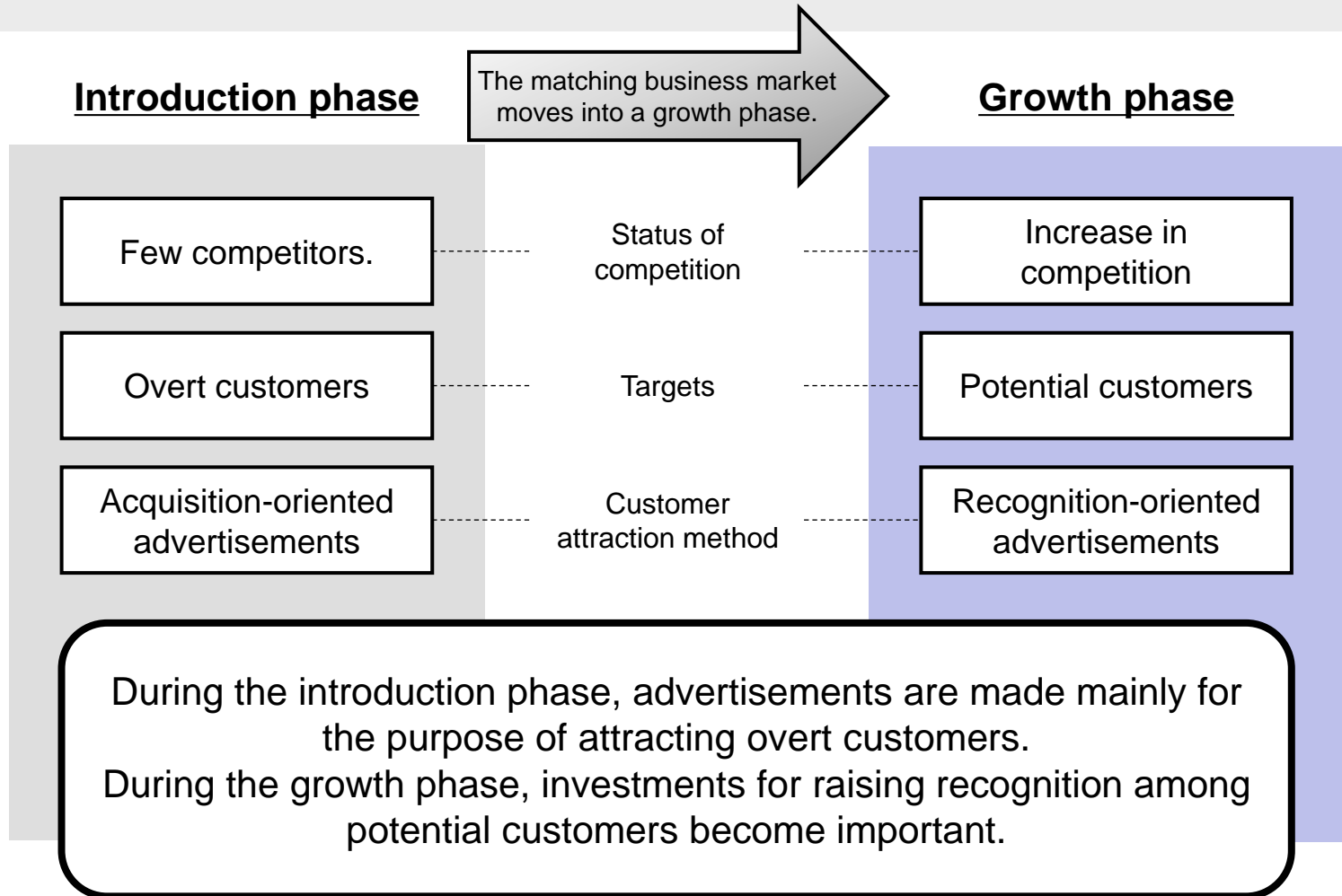
- Investment for the implementation of promotions to enhance the recognition of Omiai (i) -

The business has been steady recently. Even so, we should understand changes taking place in the market and invest in promotions aimed at enhancing recognition to increase our market share over the long term.



Revisions to Results Forecasts

- Investment for the implementation of promotions to enhance the recognition of Omiai (ii) -



Revisions to Results Forecasts

- Investment for the implementation of promotions to enhance the recognition of Omiai (iii) -

Previous forecasts (Announced in Aug. 2020)

We will allocate 300 million yen in the budget to prepare for the possibility of airing TV commercials.



Revised forecasts (Announced in Feb. 2021)

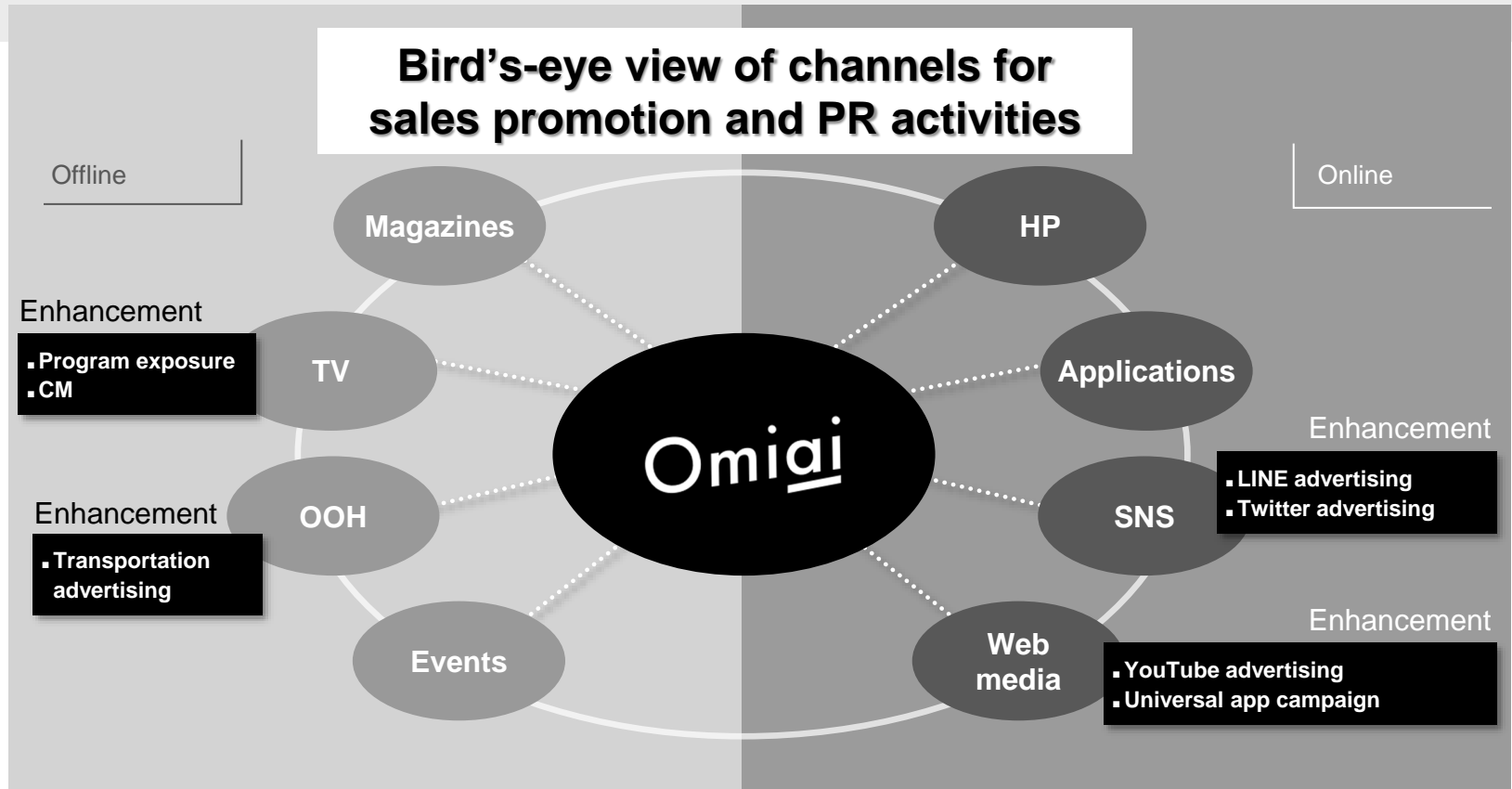
We will allocate funds to not only TV commercials but also a range of initiatives such as investment for the implementation of promotions aimed to raise recognition.

As we are moving into a phase in which the business is expected to grow in earnest, we will strengthen investments to enhance recognition and raise brand value, and by doing so, seek to further increase our market share.

Status of the Media Business

Initiatives to Increase the Market Share

Work to enhance recognition and improve advertising efficiency by increasing channels, etc.



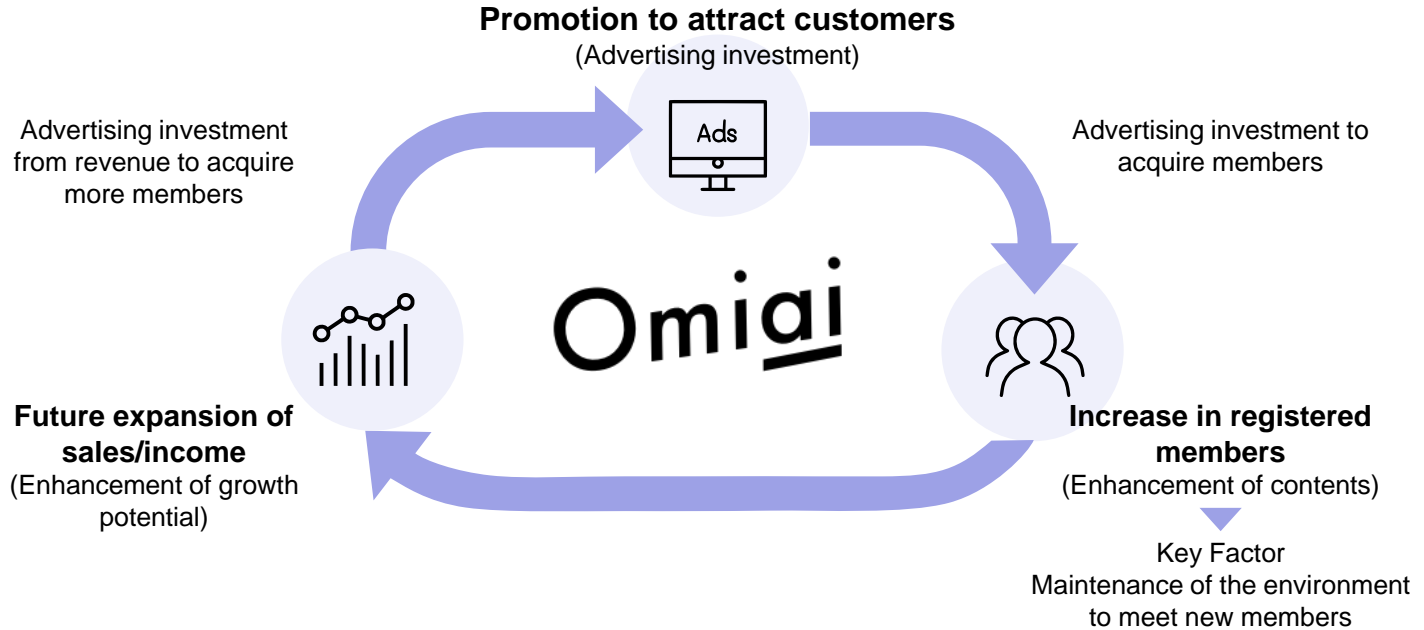
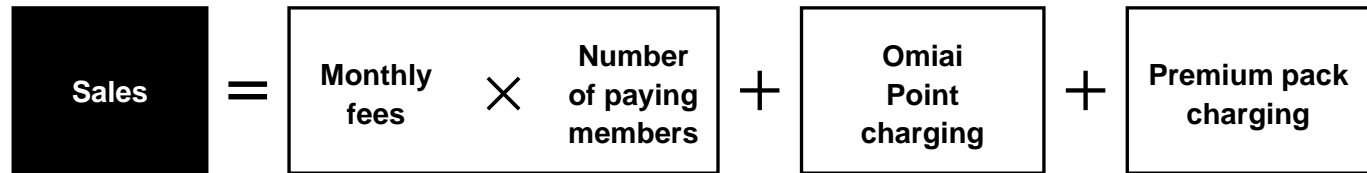
* Universal app campaign

Campaign able to deliver advertisement on most platforms for Google advertising such as Google search, Google display network, Google Play and YouTube by registering advertising copies and assets (images, videos, texts, etc. necessary for advertising).

Status of the Media Business

Key Factor —

Creating a virtuous circle to attract customers is an important key to business expansion.



Work to accomplish an increase in the number of members acquired by enhancing recognition and brand power.

Key Issue

- **Enhancing recognition and the brand power**



- **Enhancing the charge rate and LTV**



Initiatives

- Strengthening sales promotion activities including the expansion of advertising methods
- Strengthening PR activities including the expansion of channels
- Preparing for the acquisition of IMS certification to improve the service quality
- Developing our own algorithm for meeting of men and women
- Improving UI/UX, etc.
- Improving the service quality by strengthening the CS system

Status of the Advertising Business

Recover profitability by advancing initiatives for key issues

Key Issue

- Upsell existing projects



- Increase new orders



- Expand the advertising menus



Initiatives

- Increase the service level, strengthening consultation and building new ad technologies
- Optimize the project portfolio
- Strengthen sales organizations to develop new customers.
- Strengthen social advertising

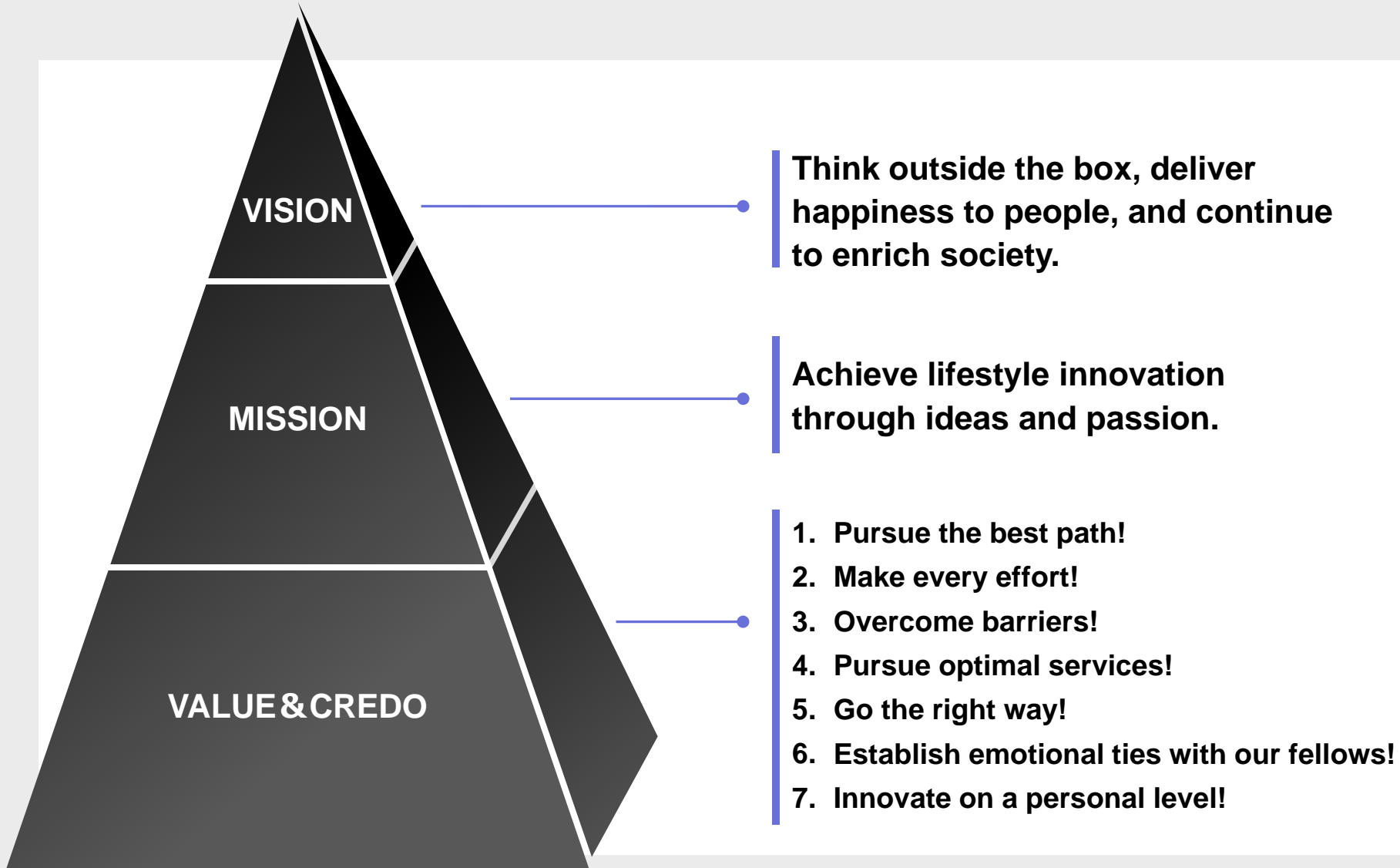
03



Appendix

- Management Philosophy
- Initiatives for Regional Revitalization
- Business Model
- Forecast for the Market Size

Management Philosophy



Media Business

Initiatives for Regional Revitalization



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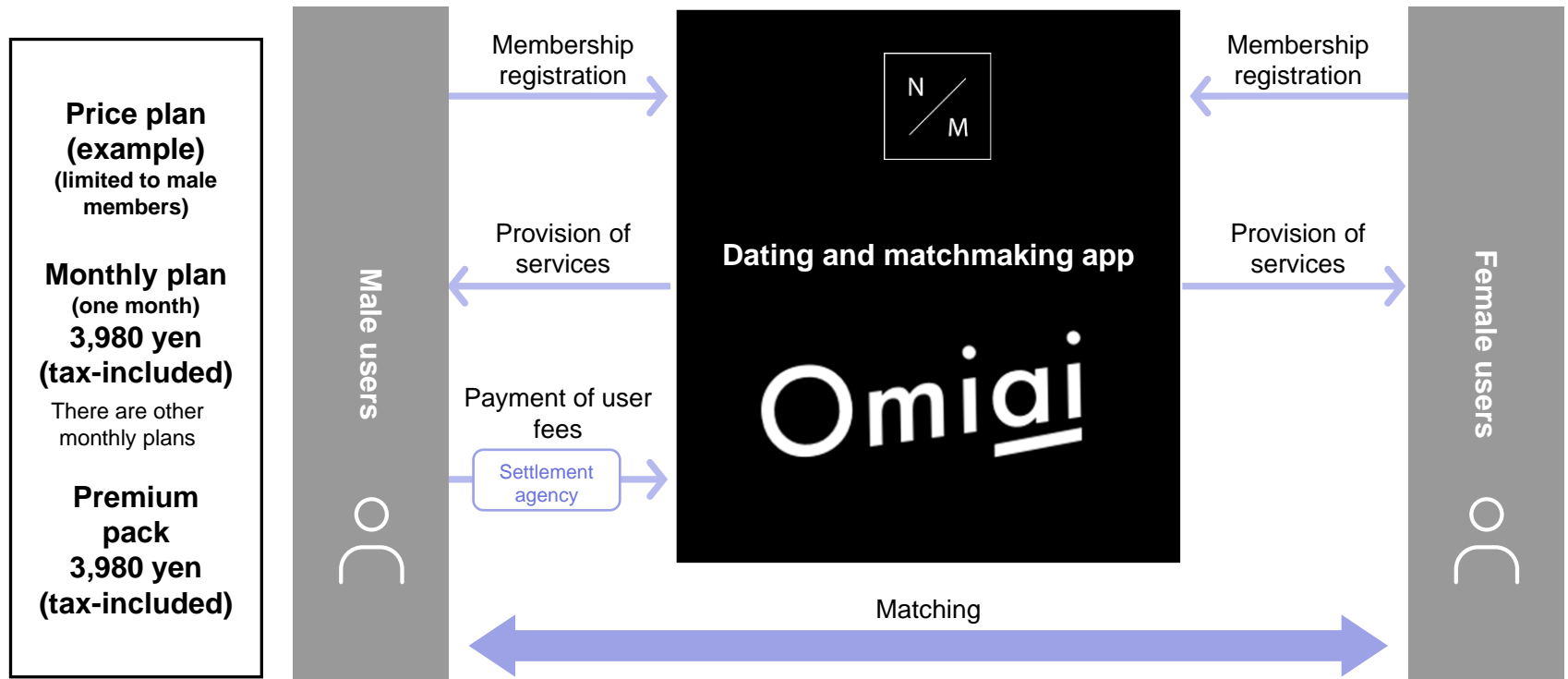
	First time	Second time	Third time	Fourth time
Local governments	Okayama Prefecture	Izumo City, Shimane Prefecture	Aomori Prefecture	Kurashiki City, Okayama Prefecture
	Okayama Omiai Marriage Matching Party	Izumo × Omiai Match-Making Party	Aomori Omiai Matchmaking Party	Kurashiki Omiai Marriage Matching 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	
Local governments	Wakayama Prefecture	Tsuyama City, Okayama Prefecture	Tottori Prefecture	
	Wakayama Love Draft	Okayama × Omiai Marriage Matching Party	Tottori × Omiai Online Match-Making Party	
Held on	July 26, 2019	November 3, 2019	November 7 and 14, 2020	
Location	Honmachi, Osaka	Shimbashi, Tokyo	Online	

Business Model

Media Business —

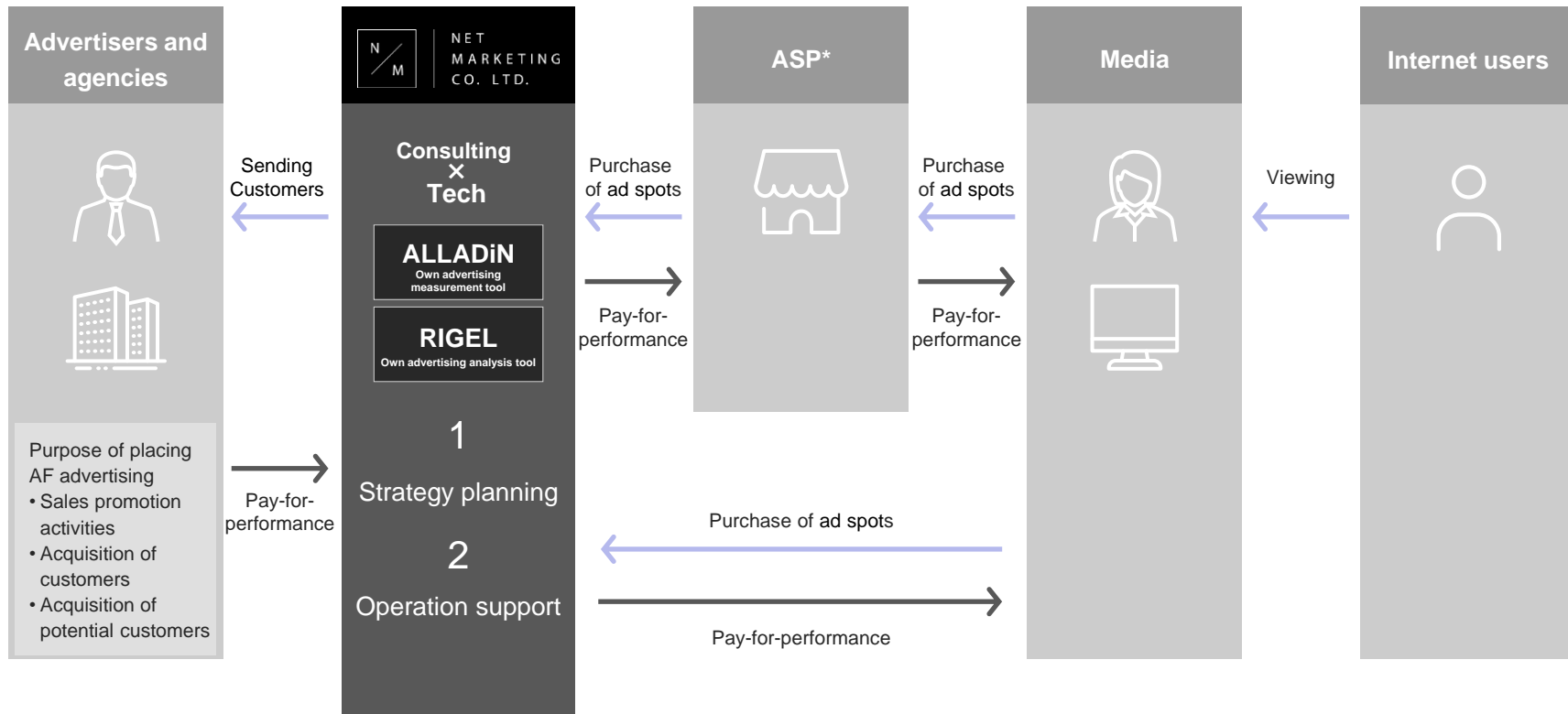
Dating and matchmaking app “Omiai”

- Providing a serious meeting place with persons of the opposite sex based on service design giving consideration to safety and security.



Affiliate advertising consulting

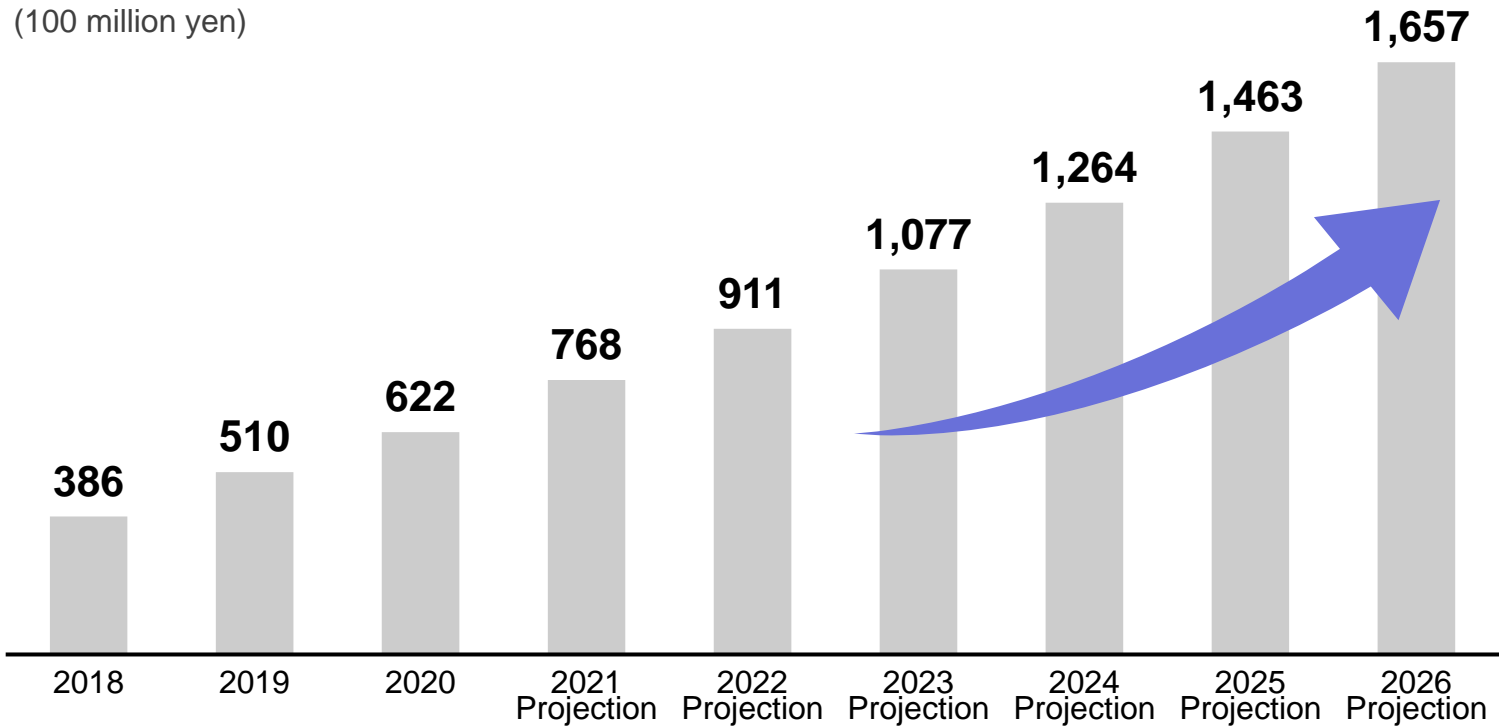
- Provide services to maximize advertising effectiveness by “Consulting x Tech.”



* ASP: This stands for an Affiliate Service Provider which is an affiliate advertising delivery company.

[Reference]

Forecast for the Love and Marriage Matching Market Size



Love and marriage matching market

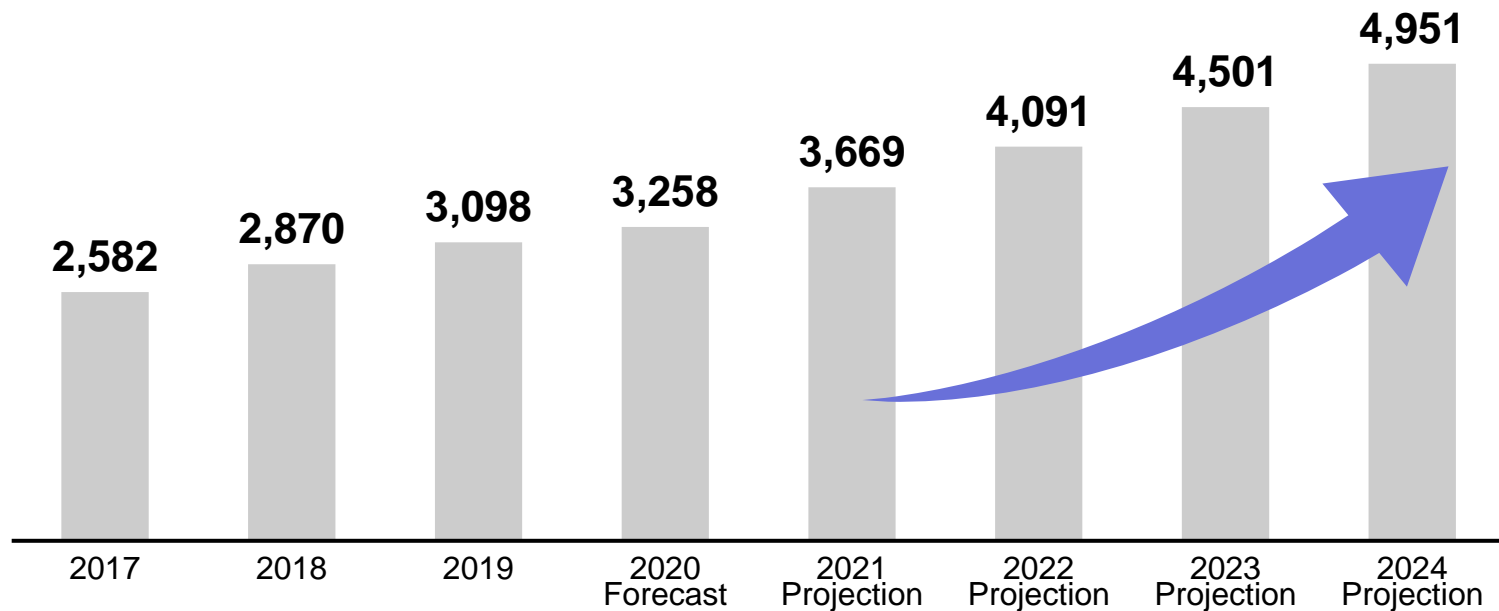
Source: MatchingAgent, Inc./digitalinfact

Graph prepared by the Company based on figures in the Domestic Online Love and Marriage Matching Service Market Projection for 2018-2026

[Reference]

Forecast for the Affiliate Advertising Market Size

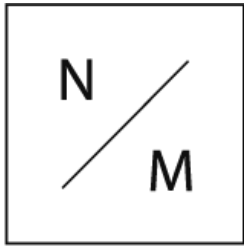
(100 million yen)



Affiliate advertising market

Source: "Trends in and Outlook for the Affiliate Marketing Market 2021". Graph created by the Company based on figures announced on January 29, 2021

Note: Estimate for FY2020 and predictions for FY2021 and beyond as of December 31, 2020. The market size was calculated by adding the rewards for results from affiliate advertising, fees and various expenses.



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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.