

NET
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CO. LTD.

Financial Results

for the Second Quarter of the Fiscal Year Ending June 30, 2022

Net Marketing Co. Ltd.

Stock Code 6175

[Forward-looking statements]

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.

[Representation of net sales in this material]

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) applies to the financial statements for the fiscal year ending June 30, 2022 and subsequent fiscal years. Accordingly, net sales of the Advertising Business segment are stated in net amounts, not in total amounts as in the statements for the past fiscal years.

For the purpose of comparison with past years' results, some slides in this material display net sales in total amounts.

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Financial Highlights for the Second Quarter of
the Fiscal Year Ending June 30, 2022

Executive Summary

First half of fiscal year ending June 30, 2022 Company-wide Change YoY	Net Sales 2,592 million yen +4.7%*	Operating Income 308 million yen +24.5%
Earnings forecast for the fiscal year ending June 30, 2022 (Announced in Aug. 2021) (Progress rate)	Net Sales 5,785 million yen (44.8%)	Operating Income 500 million yen (61.6%)
Media Business Change YoY	Net Sales 1,960 million yen -16.7%	Operating Income 351 million yen +24.0%
Advertising Business Change YoY	Net Sales 636 million yen +13.1%*	Operating Income 306 million yen +4.3%

* Comparison figures are calculated using figures before application of the Accounting Standard for Revenue Recognition. Actual results include adjustments (internal sales and corporate expenses).

Other

- We launched the Risk Management Committee to strengthen the company-wide risk management structure.
- Following the Tokyo Stock Market's market restructuring, we will be listed on the Standard market from April 2022.

Company-wide

- Net sales were up 4.7% year on year, supported by the Advertising Business. Operating income and ordinary income both rose significantly. Net income grew 47.0%.

Progress in Earnings Forecast

- Good progress was made against the full-year earnings forecast, with the progress rates of 44.8% in net sales and 61.6% in operating income.
- For the second half, continue to build the foundations that pave the way for active investment in growth.

Media Business

- We systematically reduced ad placements. Operating income rose sharply by 24.0%. Prioritizing service improvement, we fully resumed ad placements and promotion at the end of year. We will continue to step up attraction of customers with a view to a phase of regrowth.

Advertising Business

- In the mainstay affiliate advertising consulting, projects from financial institutions grew. Net sales helped increase company-wide net sales. In programmatic advertising consulting, new orders have been accumulating since the start of the second quarter. With marketing DX based on in-depth analysis of big data, we will aim for new growth.

Financial Highlights

YoY —


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Net sales rose 4.7% year on year. Operating income grew massively by 24.5% and so did ordinary income by 23.3%.

Net income increased 47.0%.

(Million yen)

	2021.6 2Q Actual	2022.6 2Q Actual	(Reference: Under the conventional standard*)	Increase/ Decrease (%) (Under the conventional standard)
Net Sales	6,671	2,592	6,984	+4.7%
Gross Profit	2,217	1,957	1,957	-11.7%
<i>Gross Profit Margin</i>	33.2%	75.5%	28.0%	
Operating Income	247	308	308	+24.5%
<i>Operating Income Margin</i>	3.7%	11.9%	4.4%	
Ordinary Income	255	315	315	+23.3%
Net Income	172	253	253	+47.0%

* Figures show those for the case in which the Accounting Standard for Revenue Recognition (ASBJ Statement No.29) is not applied.

Fiscal Year Ending June 30, 2022

Full-year Earnings Forecast and Progress



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The Company has achieved a strong performance since income figures exceeded 60% of the levels in the full-year earnings forecast. In the second half, we will continue positive investments in growth, including improvement in customer satisfaction on the basis of data science in the Advertising Business and enhancement of system security in the Omiai business.

(Million yen)

	2022.6 Full-year Earnings Forecast	2022.6 2Q Actual	Progress Rate
Net Sales	5,785	2,592	44.8%
Operating Income	500	308	61.6%
Ordinary Income	500	315	63.1%
Net Income	375	253	67.6%

Media Business

2Q Actual (July - December)

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To rebuild confidence in Omiai and ensure its future growth, we will focus our resources on improving security and enhancing services, including measures against dishonest members. We have almost finished revision to the terms of use, closure of services for Web browsers, security improvements and changes for blocking dishonest members. In December, we resumed promotional activities for attracting customers. Operating income rose considerably as a result of the systematic reduction of ad placements amid a sales slide. In the future, we will work to improve user experience, increase sales and build up our structure for greater earnings.

(Million yen)

	2021.6 2Q Actual	2022.6 2Q Actual	Increase/Decrease (%)
Net Sales	2,353	1,960	-16.7%
Operating Income	283	351	+24.0%
Operating Income Margin	12.0%	17.9%	

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

Media Business

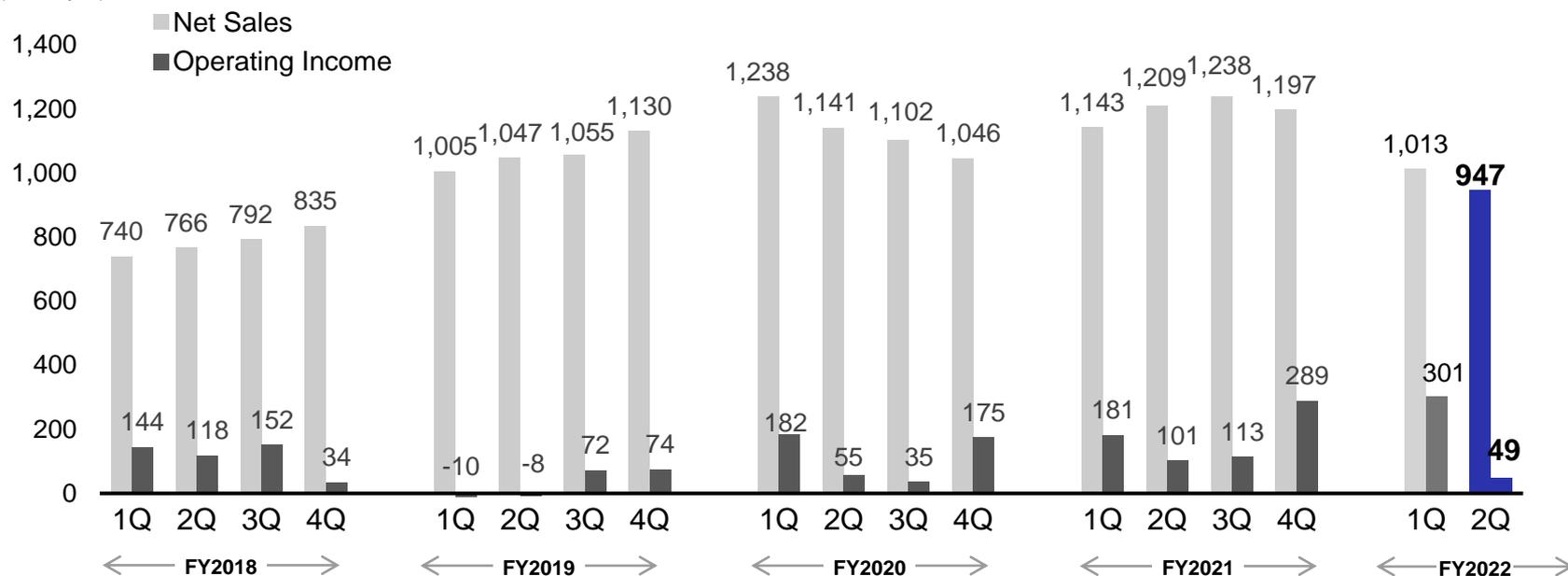
Changes in Financial Results



We steadily made positive investments* in security enhancement and in ensuring sound services. We worked to restore confidence in the Omiai brand and strengthen the operation system.

* We closed down the Web browser version of Omiai, introduced email address authentication and revised the terms of use and the privacy statement. We will be introducing the Liquid eKYC, a stringent user identification system.

(Million yen)



* The figures in the graph include segment adjustments.

* Although we announced the consolidated financial results in the fiscal year ended June 2018, we have been preparing non-consolidated financial statements since the fiscal year ended June 2019. From the aforementioned fiscal year onwards, the figures are on a non-consolidated basis.

Media Business

Number of New Members (Monthly)

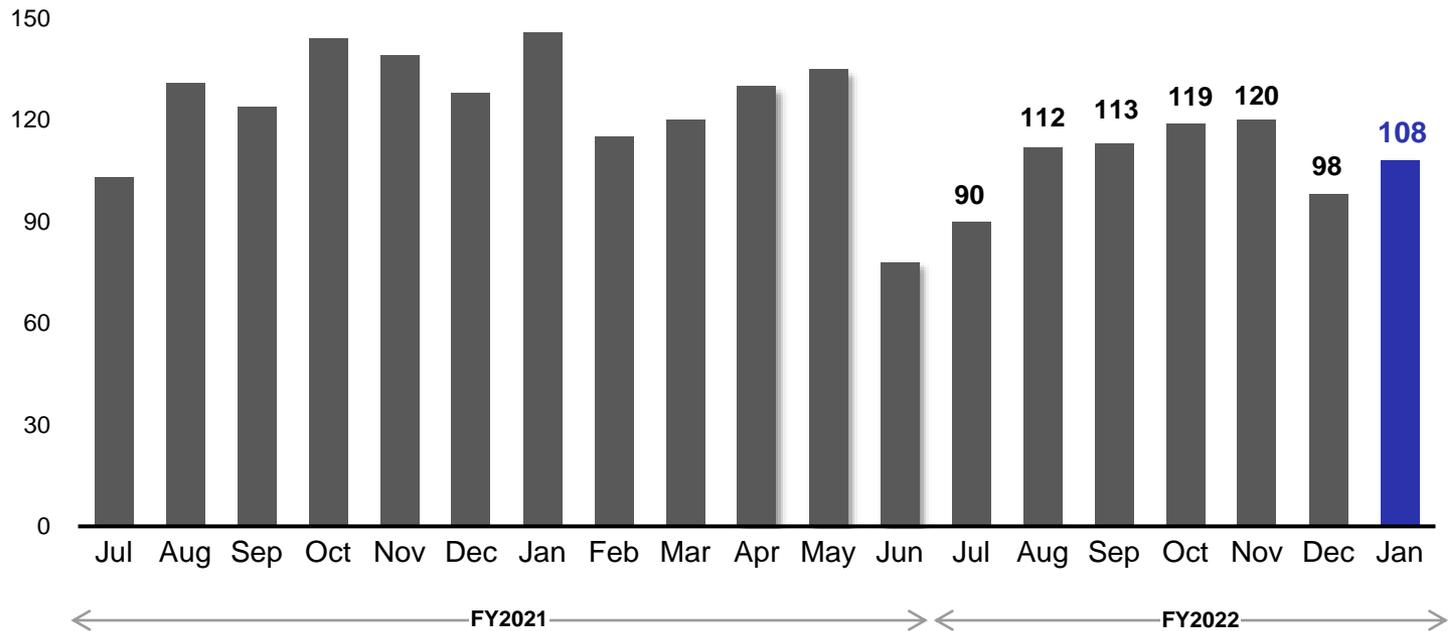


Since December we have been strategically making intensive ad placements aimed at attracting new Omiai members.

At the end of last December, we waged an attraction campaign including collaboration with a Twitter original video program. The number of new members was on an upward trend in January.

The cumulative total membership is expected to reach 8 million this coming March.

(Thousand members)

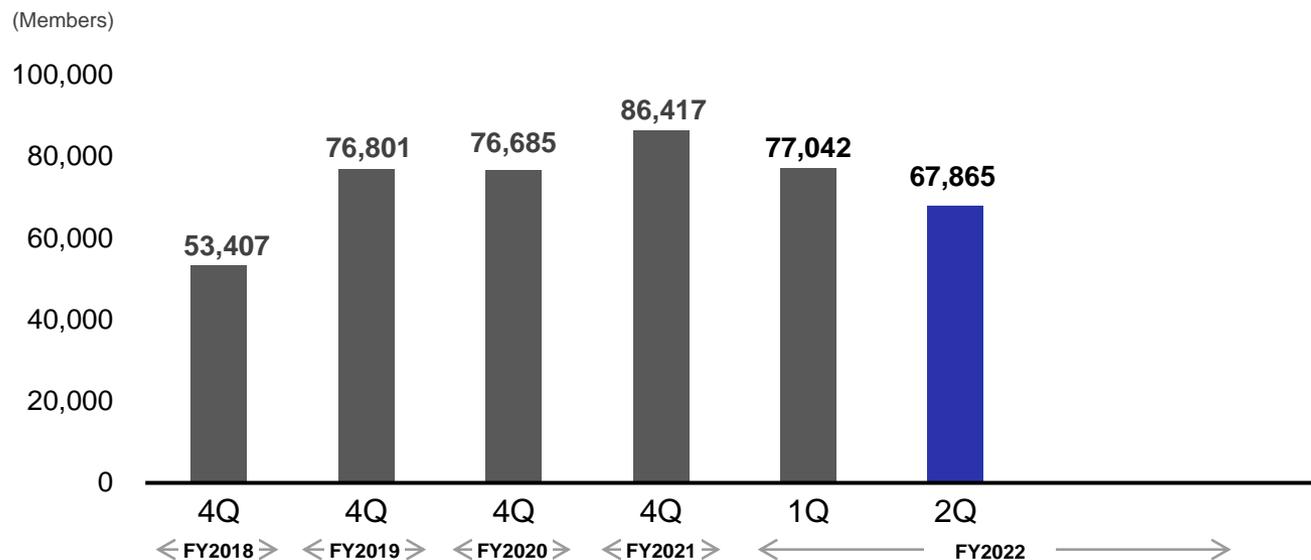


Media Business

Number of Paying Members (Progress)



For the period under review, we concentrated our resources in security and service improvements including measures against dishonest members to rebuild confidence in Omiai and ensure its future growth. The number of paying members was down 11.9% from the first quarter. At the year-end and new-year period, we resumed promotional activities for attracting customers. We also conducted a large discount campaign that proposed a maximum reduction of 6,000 yen from the prices for paying membership plans in a bid to attract users in their twenties. In the future, we will step up data marketing. We consider revising the price structure in the next fiscal year for increasing earnings.



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

2Q Actual (July - December)

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In affiliate advertising consulting, net sales (*under the conventional standard) increased 13.1% to serve as a major positive factor in company-wide net sales. It reflected a rise in corporate projects dealing with foreign exchange (FX) trading, cryptocurrency and other financial services. We will introduce new marketing measures based on in-depth analysis of big data in an aim for new growth.

(Million yen)

	2021.6 2Q Actual	2022.6 2Q Actual	(Reference: Under the conventional standard*)	Increase/ Decrease (%) (Under the conventional standard)
Net Sales	4,572	636	5,170	+13.1%
Operating Income	294	306	306	+4.3%
Operating Income Margin	6.4%	48.2%	5.9%	

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

* The Accounting Standard for Revenue Recognition (ASBJ Statement No.29) is not reflected in these results.

Advertising Business (presented in total amounts)

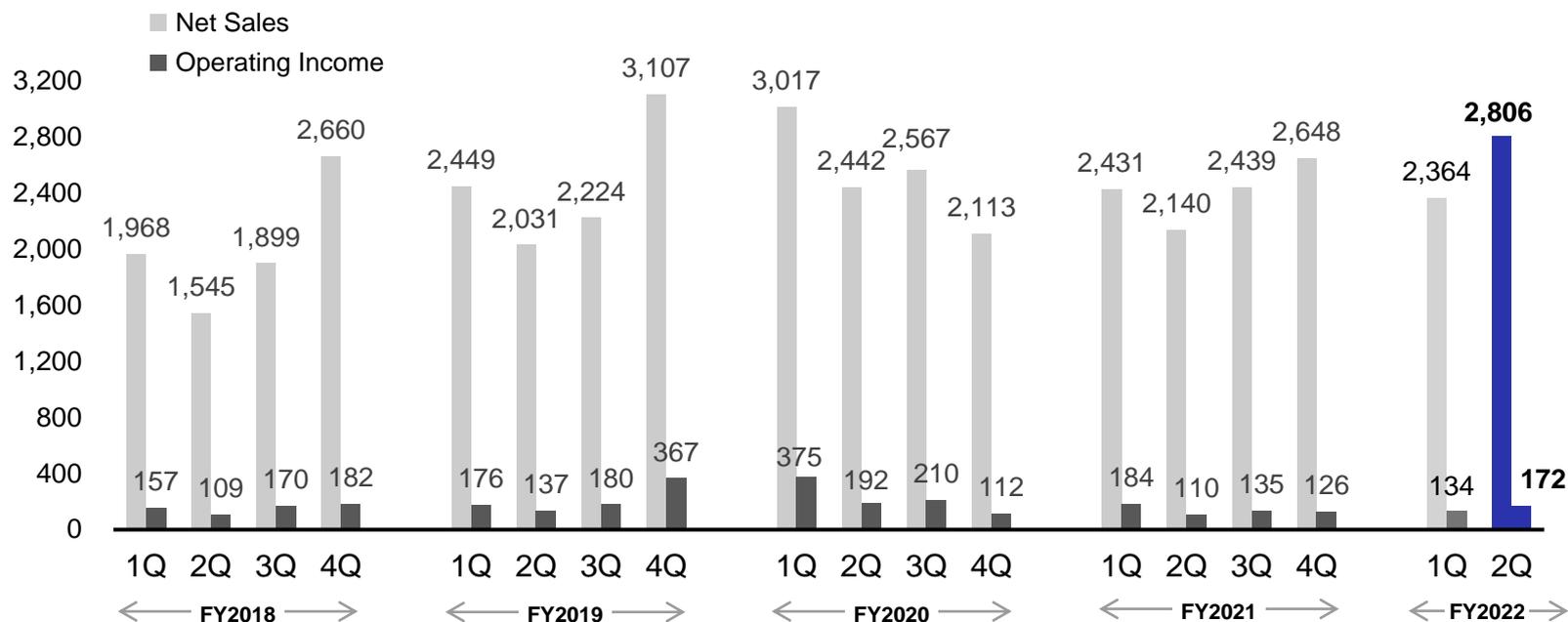
Changes in Financial Results



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In affiliate advertising consulting, corporate projects related to FX trading, cryptocurrency and suchlike grew. In programmatic advertising consulting, the pandemic saw a rise in advertising of home-based services. That led to an increase in net sales and operating income. In the second half, we will make intensive efforts to win more new orders.

(Million yen)



* Starting from the current fiscal year, net sales are presented in net amounts due to the application of the new revenue recognition standard. However, the above graph has been created based on total amounts for easy comparisons with previous results.

* The figures in the graph include segment adjustments.

* Although we announced the consolidated financial results in the fiscal year ended June 2018, we have been preparing non-consolidated financial statements since the fiscal year ended June 2019. From the aforementioned fiscal year onwards, the figures are on a non-consolidated basis.

Actions in Current Fiscal Year

Media Business

- **Service improvements: Increase security and take measures against dishonest members to rebuild confidence in Omiai and ensure its future growth**
 - ⇒ Revision to the terms of use, closure of services for Web browsers, compliance with the revision to the Act on the Protection of Personal Information, and plans to introduce Liquid eKYC and to change the period for the retention of member information
 - ⇒ Take actions against dishonest members and improve user experience as well as safety and security
- **Resume promotions for attracting customers**
 - ⇒ Omiai fee discount campaign at the year-end and new-year period and special collaboration with a Twitter original video program
- **Research for increasing customer satisfaction**
 - ⇒ Consider what service structure will be needed in the future on the basis of user big data
- **Research for increasing sales and income**
 - ⇒ Consider problems with Omiai and its future orientation (regarding the brand, pricing and products) on the basis of large-scale market surveys and big data analysis

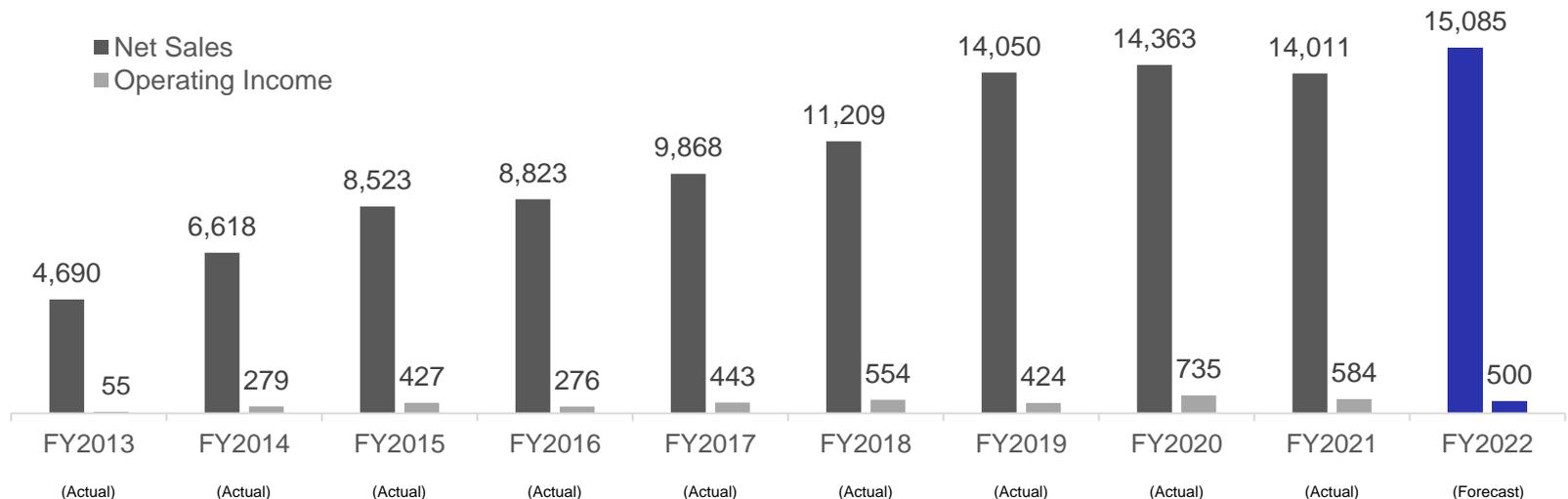
Advertising Business

- **Affiliate advertising consulting: Win new orders centering on corporate projects dealing with foreign exchange trading, cryptocurrency and other financial services**
- **Programmatic advertising consulting: Aim to win more orders by enriching creatives with the use of video in ad production**
- **Build the foundations for expanding business areas, including introduction of new marketing measures based on an in-depth analysis of big data**

Changes in Financial Results and Earnings Forecast for the Fiscal Year Ending June 30, 2022

For the full year of fiscal 2022, net sales are forecast to rise 7.7% year on year (*under the conventional standard) while operating income is set to fall 14.4% year on year. We will work actively to review our business operation system across the company and to carry out structural reforms with a focus on profit. We will define the current fiscal year as a year of building a foothold for business growth in fiscal 2023 and later.

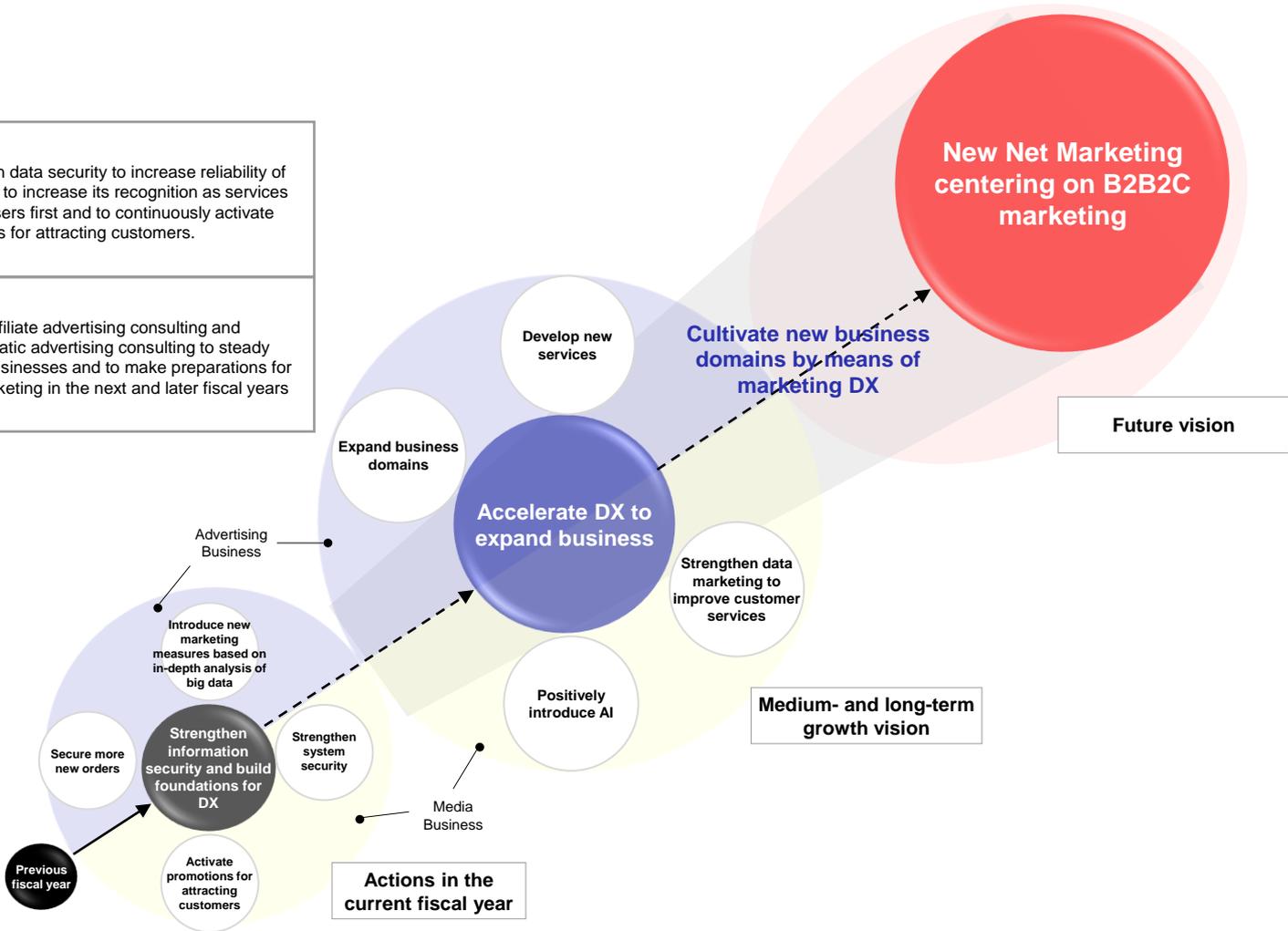
(Million yen)



* Although we announced the consolidated financial results in the fiscal year ended June 2017 and 2018, we have been preparing non-consolidated financial statements since the fiscal year ended June 2019. From the aforementioned fiscal year onwards, the figures are on a non-consolidated basis. In compliance with the provision in Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, this material presents figures for fiscal 2013 to fiscal 2016 that have been certified by audits performed by Ernst & Young ShinNihon LLC.

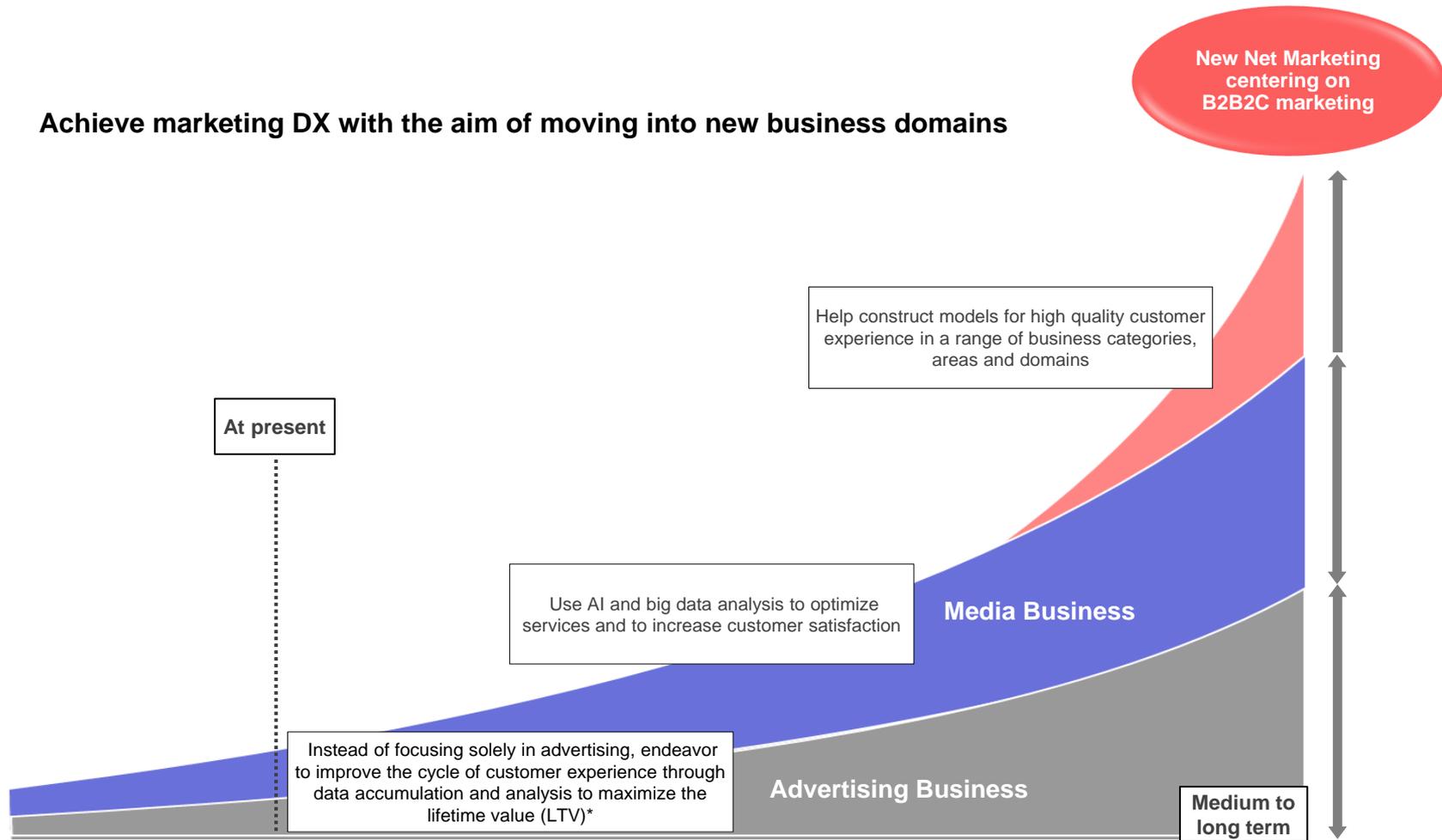
Blueprint for Future Growth

Position of the current fiscal year	
Media Business	Strengthen data security to increase reliability of the brand, to increase its recognition as services that put users first and to continuously activate promotions for attracting customers.
Advertising Business	Expand affiliate advertising consulting and programmatic advertising consulting to steady expand businesses and to make preparations for DX in marketing in the next and later fiscal years



Viewpoint of Future Growth of DX

Achieve marketing DX with the aim of moving into new business domains

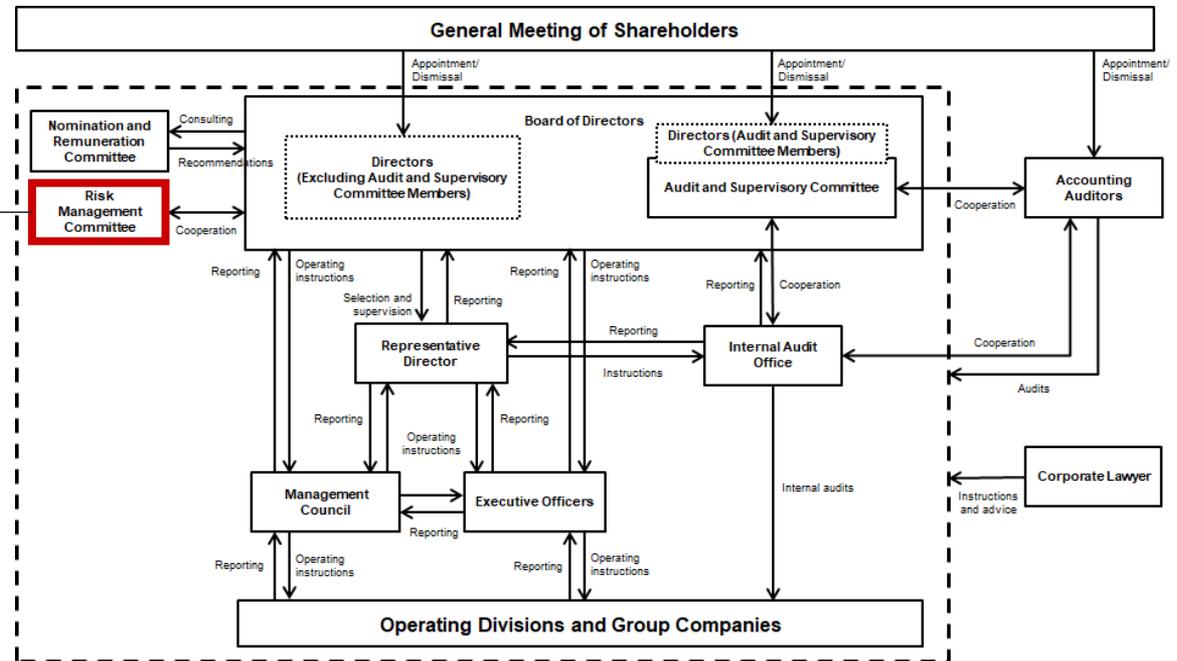


* Lifetime value (LTV) refers to the earning from a specific customer throughout his or her life time.

Launch of Risk Management Committee

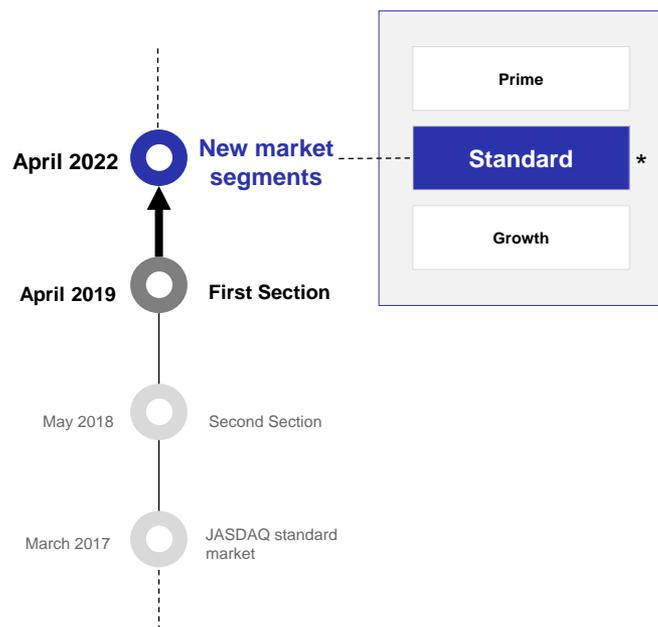
We launched the Risk Management Committee chaired by the Representative Director, President and CEO to strengthen the company-wide risk management structure for information security, compliance and others.

- Launched in: December 2021
- Consisting of: Full-time directors (excluding Audit & Supervisory Committee members) and outside experts



Move to New *Standard* Market at Tokyo Stock Exchange

Following the Tokyo Stock Market's market restructuring, we will be listed on the Standard market from April 2022.



We are currently listed on the First Section of the Tokyo Stock Exchange. Following the TSE's market restructuring, we will be listed on the Standard market

We will work on the medium- and long-term improvement in corporate value in a bid to meet the listing criteria for the Prime market with greater liquidity and higher governance standards.

* Standard market
A market segment for companies with a predetermined level of total market value and with the fundamental level of governance expected of public-listed companies. It is hoped that companies listed on this segment will achieve continued growth and medium- and long-term improvement in corporate value.

Glossary

Affiliate advertising

A method of online advertising, according to which advertisers pay rewards for any action taken by a user, such as a purchase or member registration on their website, after clicking on the ad. It is synonymous with performance-based advertising.

Programmatic advertising

A method of advertising according to which ads are placed on Facebook, Twitter, Instagram and other social media. It attracts attention as an effective online marketing approach that takes advantage of high scalability unique to social media.

eKYC

Stands for *electronic Know Your Customer* and means a system for online electronic personal identification.

DX

Stands for *digital transformation* and means to change lifestyles and businesses for the better using digital technologies.

LTV

Stands for *life time value* and denotes the value gained from a specific customer throughout his or her life time.

02

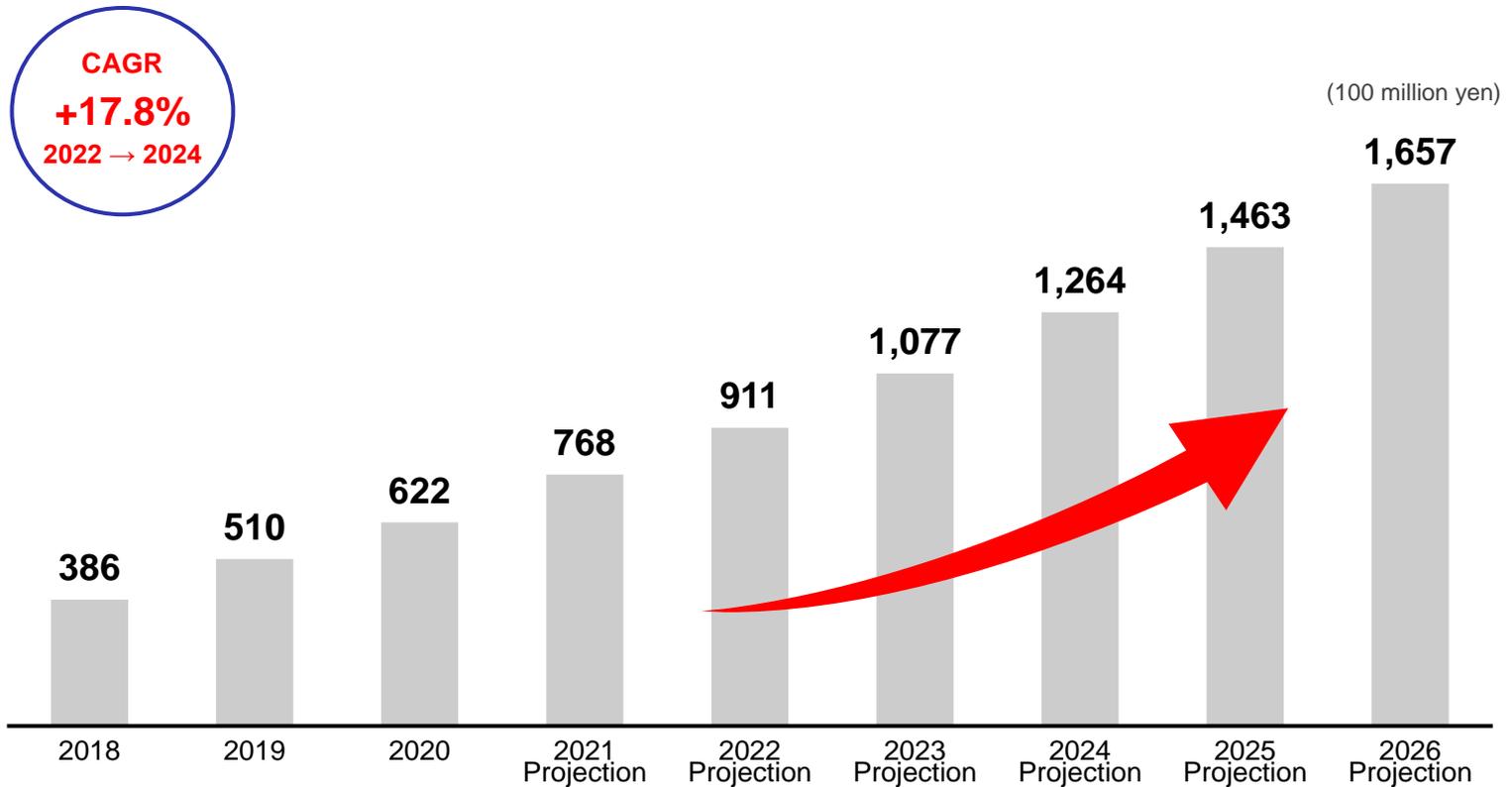


Appendix

- Market Size Forecasts for Individual Businesses
- Business Models of Individual Businesses

Media Business

Forecast for the Love and Marriage Matching Market Size

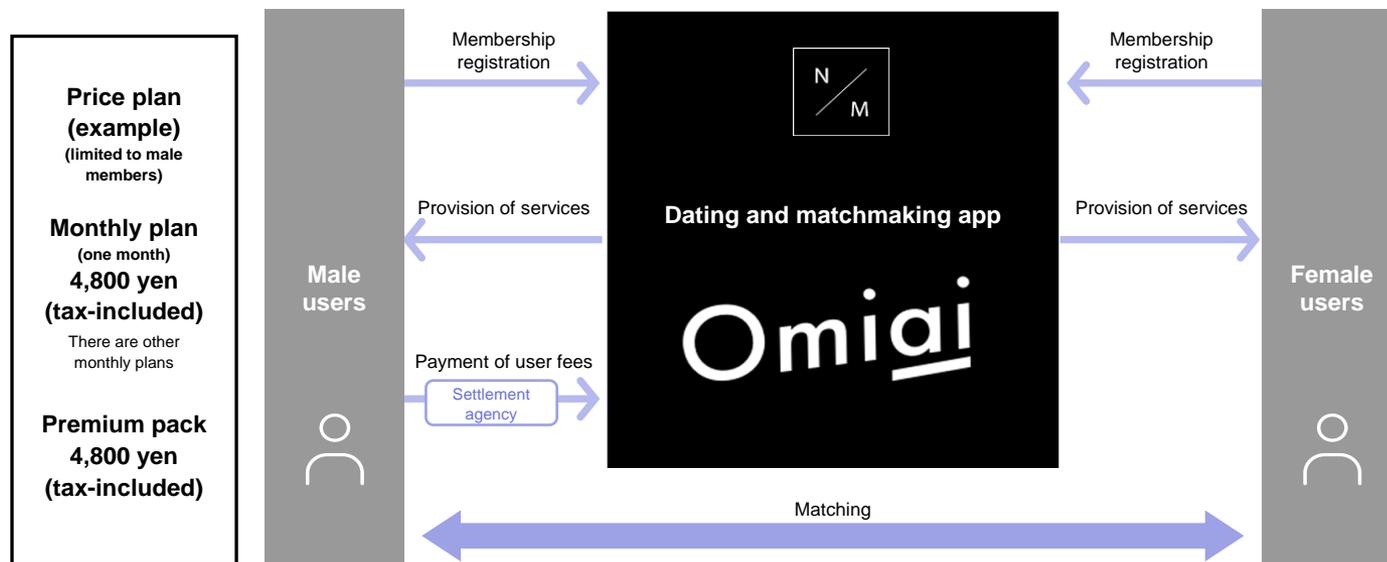


Love and marriage matching market

Source: Tapple, Inc./digitalinfact Graph prepared by the Company based on figures in the Domestic Online Love and Marriage Matching Service Market Projection for 2018-2026.



Dating and matchmaking app "Omiai"

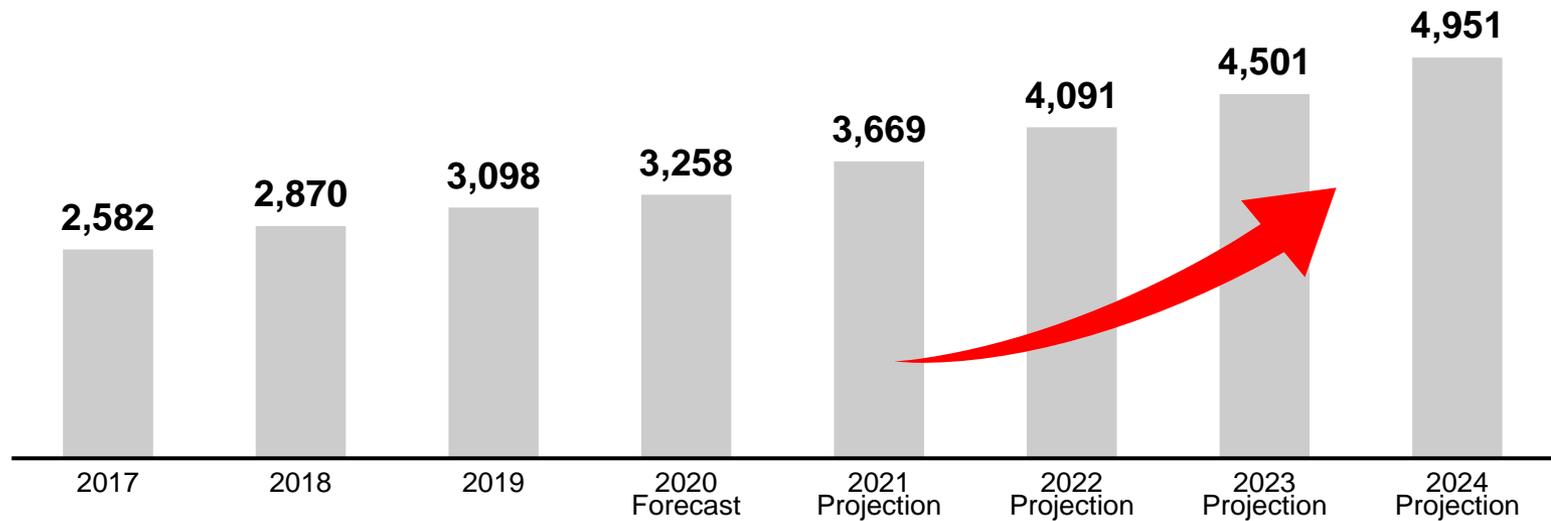


Advertising Business

Forecast for the Affiliate Advertising Market Size

CAGR
+10.0%
2022 → 2024

(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.

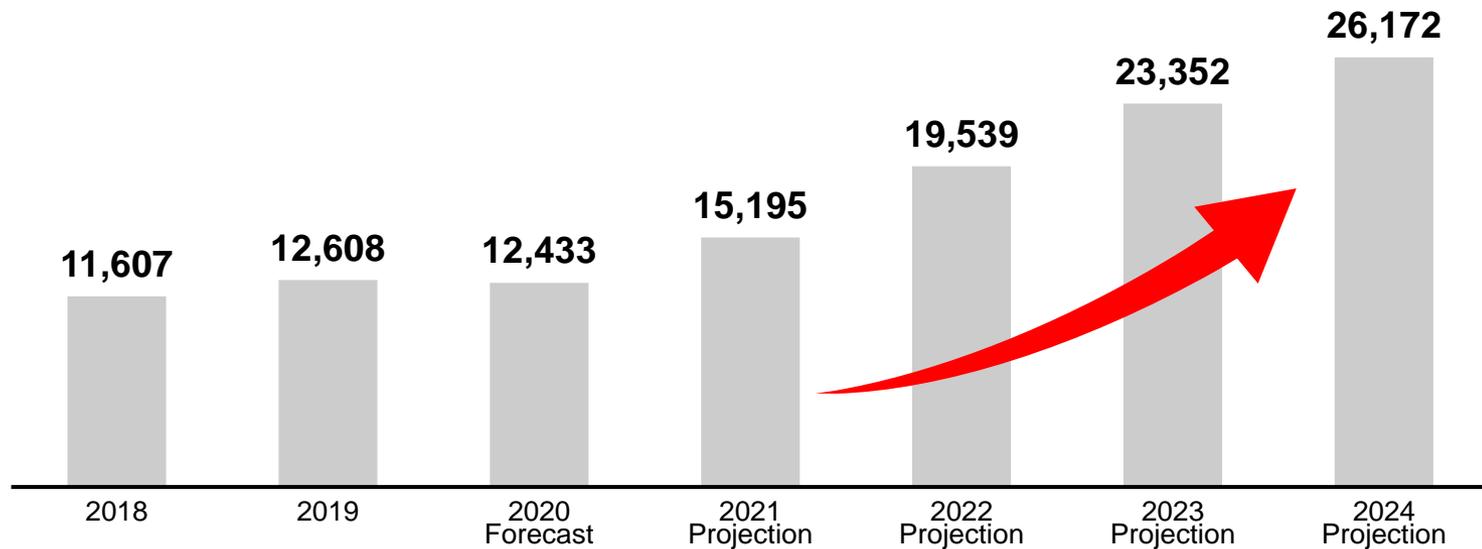
Note: Estimate for FY2020 and predictions for FY2021 and beyond. The market size was calculated by adding the rewards for results from affiliate advertising, fees and various expenses.

Advertising Business

Forecasts for the Market Size of
Programmatic Advertising

CAGR
+15.7%
2022 → 2024

(100 million yen)



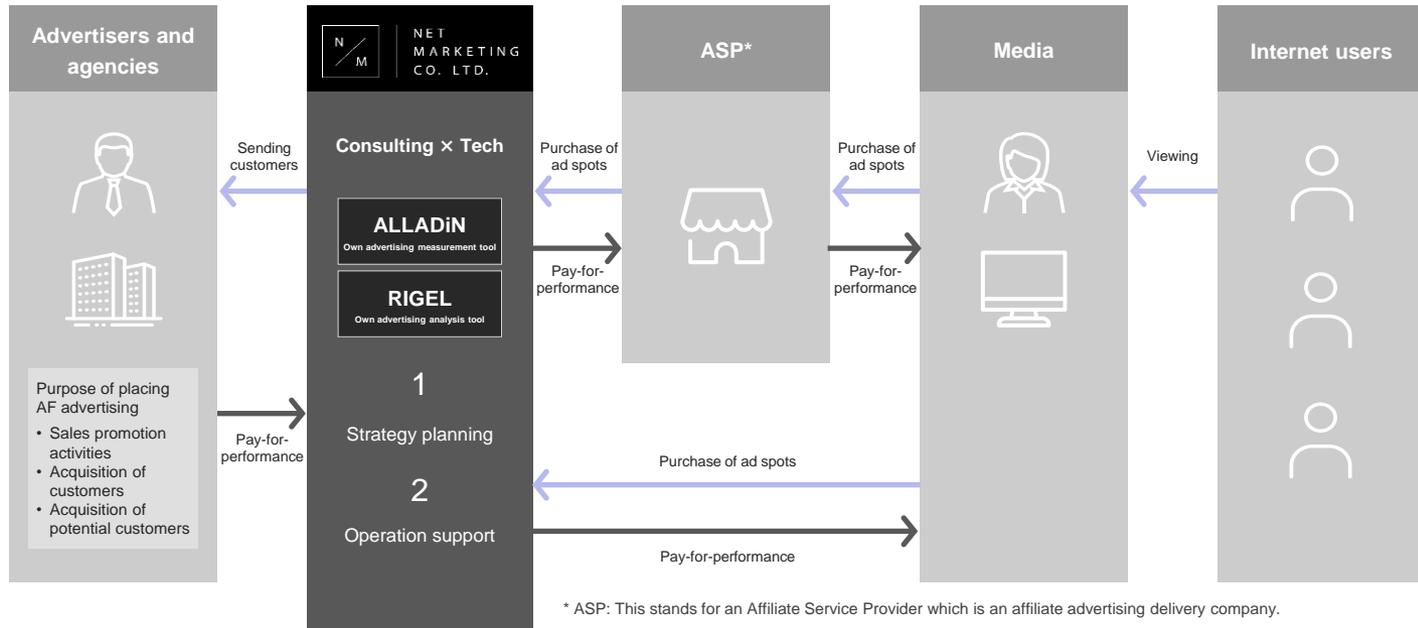
Programmatic advertising market

Graph created by the Company based on figures from the Status and Outlook of Net Advertising and Web Solutions Market 2020 announced by MIC Research Institute on September 18, 2020

Note: Estimate for FY2020 and predictions for FY2021 and beyond

Note: The above figures show the market size of programmatic advertising in the advertising agency market.

Affiliate advertising consulting



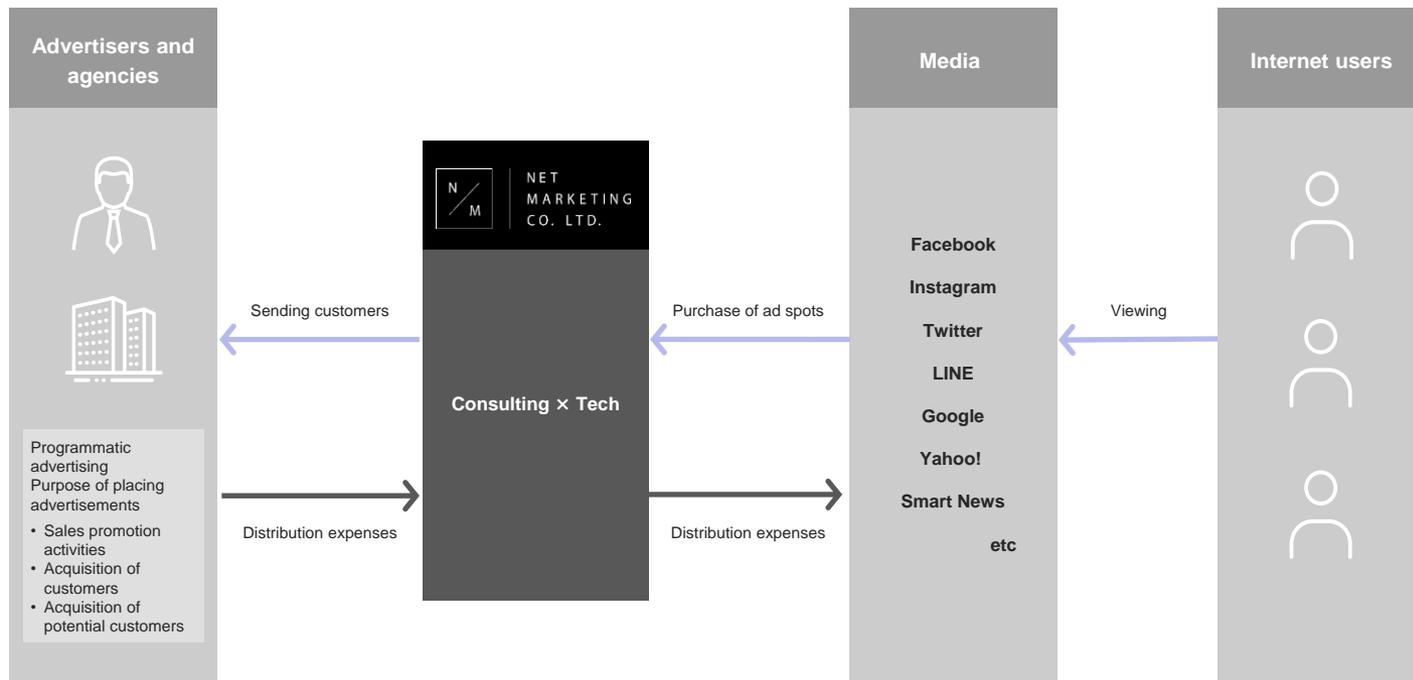
Advertising Business

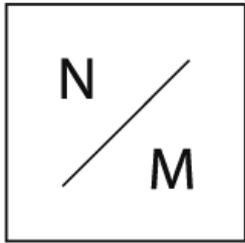
Business Model



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Consulting of programmatic advertisements





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