

NET
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Financial Results

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

Executive Summary

Third Quarter of fiscal year ending June 30, 2022 Company-wide Change YoY	Net Sales 3,891 million yen +7.4%*	Operating Income 379 million yen +11.2%
Earnings forecast for the fiscal year ending June 30, 2022 (Announced in August 2021) (Progress rate)	Net Sales 5,785 million yen (67.3%)	Operating Income 500 million yen (75.9%)
Media Business Change YoY	Net Sales 2,872 million yen -20.0%	Operating Income 402 million yen +1.5%
Advertising Business Change YoY	Net Sales 1,026 million yen +19.6%*	Operating Income 531 million yen +23.7%

Company-wide

- Net sales rose 7.4% year on year, supported by the Advertising Business. Operating income and ordinary income grew 11.2% and 12.6% year on year respectively.

Progress in Earnings Forecast

- Planned progress was nearly achieved with 75.9% progress rate in operating income although the 67.3% progress rate in net sales was somewhat short of the full-year earnings forecast.
- We aim to achieve the earnings forecast for the fiscal year through up-selling and improving the efficiency of attracting new members in the fourth quarter, which is the peak period of both the Advertising Business and Media Business.

Media Business

- Preparation for regrowth was completed by launching an array of measures including the enhancement of security.
- We will again expand the number of member registrations and work to increase the number of paying members to achieve a V-shaped recovery of net sales.

Advertising Business

- Record high net sales (in total amount) was achieved on a quarterly basis.
- Financial projects in affiliate advertising performed strongly, consequently, both net sales and operating income went up significantly by 19.6% and 23.7% year on year, respectively.

Financial Highlights

YoY —



Company-wide net sales rose 7.4% year on year (*under the conventional standard). Operating income grew 11.2% and ordinary income 12.6%.

(Million yen)

	2021.6 3Q Actual	2022.6 3Q Actual	(Reference: Under the conventional standard*)	Increase/ Decrease (%)
				(Under the conventional standard)
Net Sales	10,238	3,891	10,995	+7.4%
Gross Profit	3,362	2,952	2,952	-12.2%
<i>Gross Profit Margin</i>	32.8%	75.9%	26.9%	
Operating Income	341	379	379	+11.2%
<i>Operating Income Margin</i>	3.3%	9.7%	3.5%	
Ordinary Income	349	393	393	+12.6%
Net Income	235	305	305	+29.5%

* 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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In terms of progress against the full-year earnings forecast, although company-wide net sales were somewhat lower than the target, income exceeded the plan.

We will achieve our full-year earnings forecast by promoting up-selling in the fourth quarter, which is the peak period of both businesses (Advertising and Media).

(Million yen)

	2022.6 Full-year Earnings Forecast	2022.6 3Q Actual	Progress Rate
Net Sales	5,785	3,891	67.3%
Operating Income	500	379	75.9%
Ordinary Income	500	393	78.7%
Net Income	375	305	81.5%

Media Business

3Q Actual (July - March) —

We focused our management resources on improving security and enhancing services, including measures against dishonest members, while temporarily reducing ad placement, resulting in a year-on-year decrease in net sales.

On the other hand, various measures including the improvement of security were begun in the third quarter, and our preparation for regrowth has been completed.

In the future, we will again expand the number of member registrations and work to increase the number of paying members to achieve a V-shaped recovery of net sales.

(Million yen)

	2021.6 3Q Actual	2022.6 3Q Actual	Increase/Decrease (%)
Net Sales	3,591	2,872	-20.0%
Operating Income	396	402	+1.5%
Operating Income Margin	11.0%	14.0%	

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

Media Business

Number of New Members (Monthly)

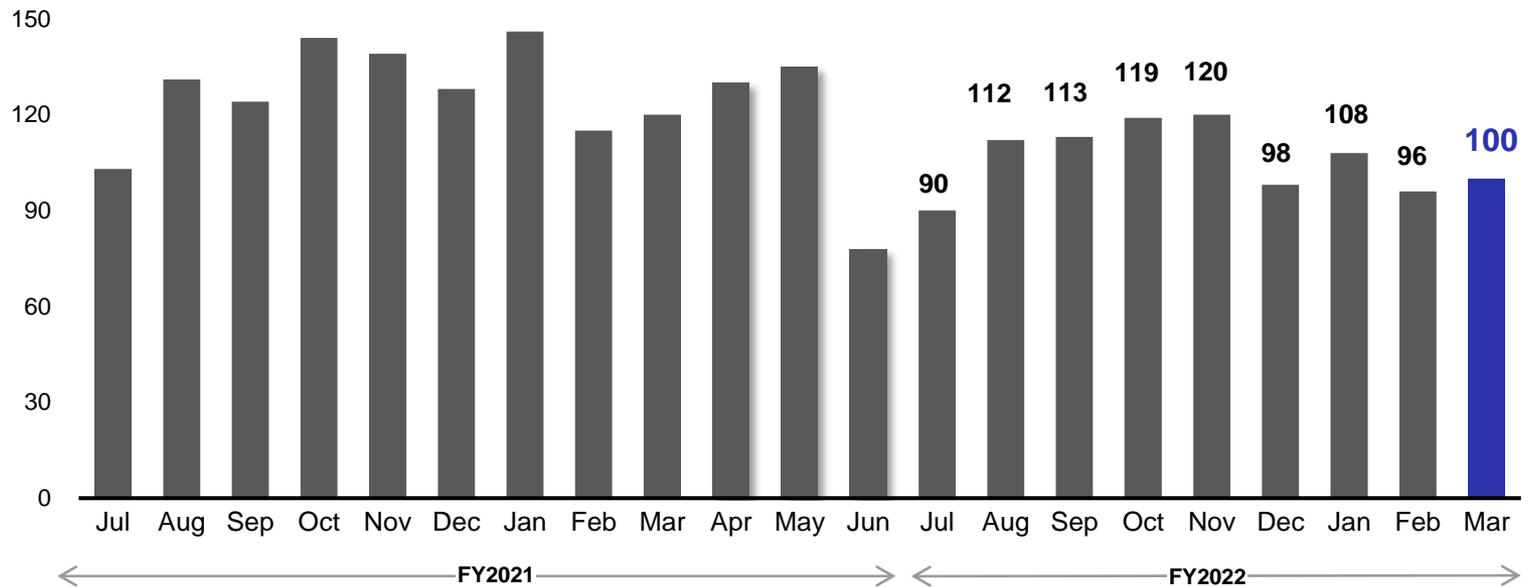


Growth in the number of new members was rather sluggish, but income was secured by continuously emphasizing efficiency while implementing follow-up promotional activities.

The service celebrated its 10th anniversary in February 2022, and the cumulative total membership exceeded 8 million in the following March.

In the future, we will improve the efficiency with which we attract members and increase the number of member registrations by increasing awareness of the service.

(Thousand members)

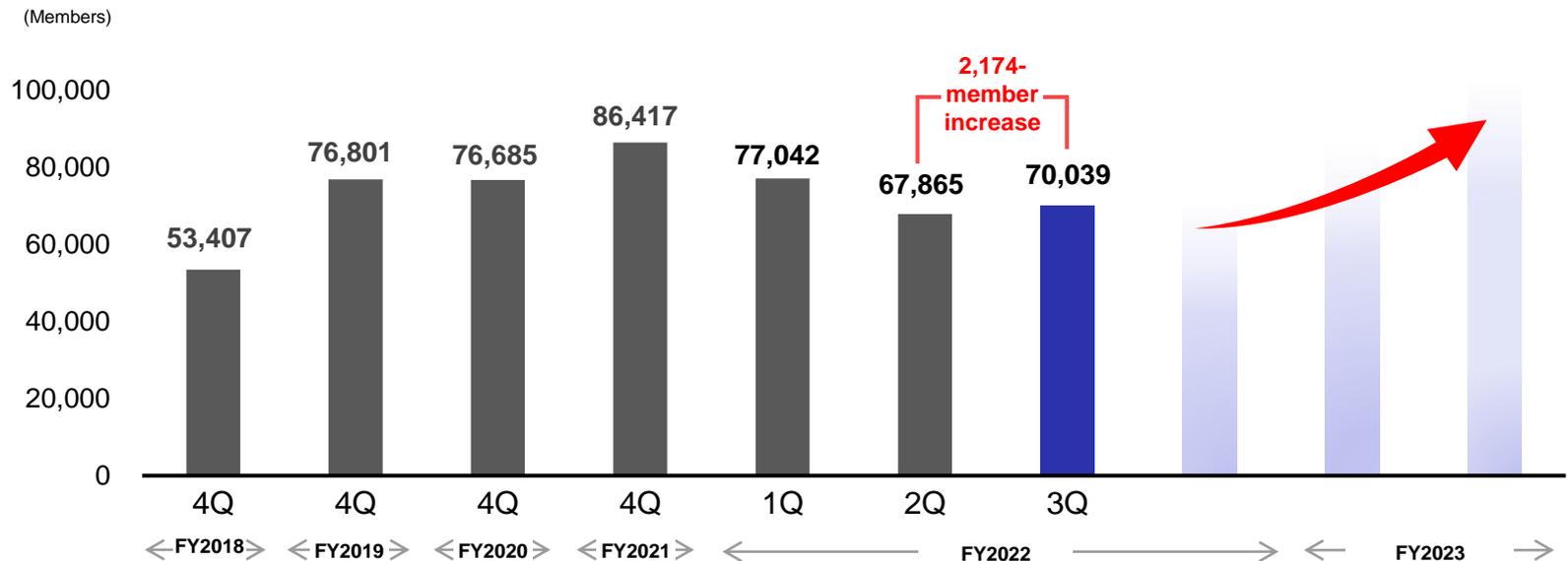


Media Business

Number of Paying Members (Progress)



The effects of emphasizing efficiency and campaigns started an upward trend in the number of paying members compared to the second quarter, although improving the acquisition of new members was not yet sufficient. We aim to increase the number of paying members by getting out of the declining trend that has continued from the end of the previous fiscal year and engaging in initiatives to increase convenience chiefly through continuous product improvement going forward.



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)

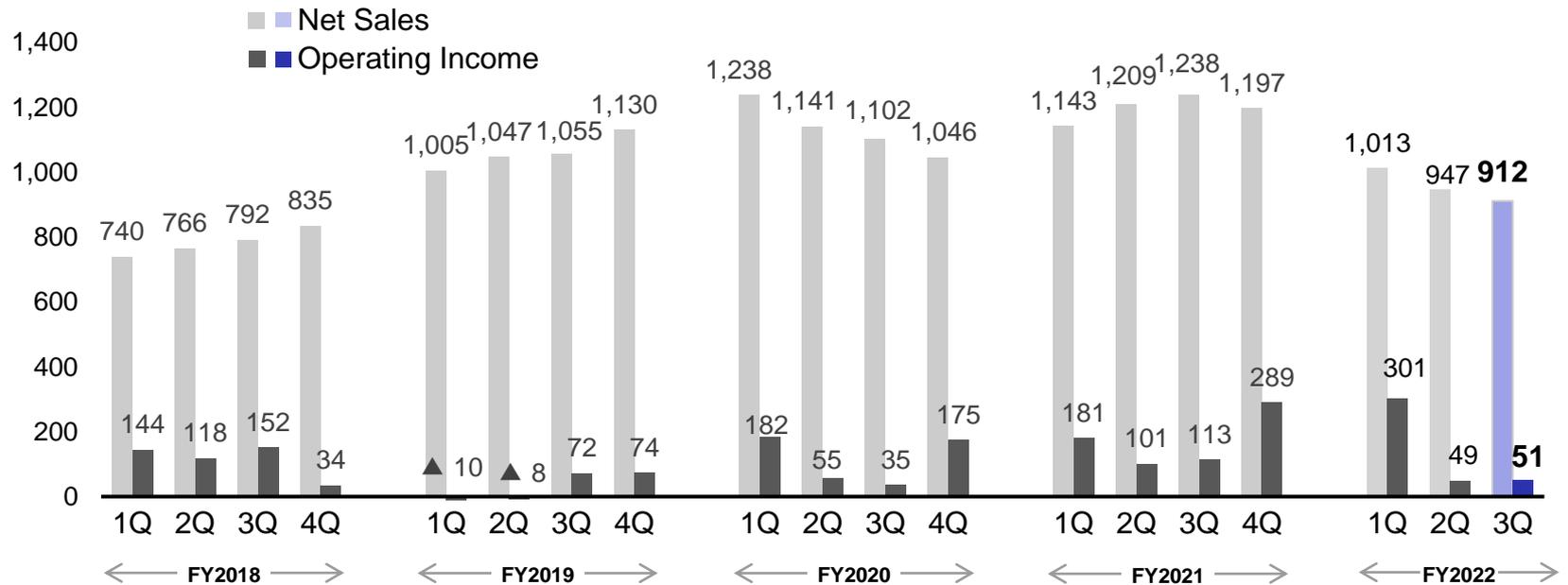
Media Business

Changes in Financial Results



Net sales decreased quarter on quarter, but the number of paying members turned upward as described in the previous section, and we will pursue a greater recovery in the fourth quarter.

(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.

Advertising Business

3Q Actual (July - March)

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Mainly, financial projects performed strongly, resulting in both net sales (*under the conventional standard) and operating income went up significantly by 19.6% and 23.7% year on year, respectively.

(Million yen)

	2021.6 3Q Actual	2022.6 3Q Actual	(Reference: Under the conventional standard*)	Increase/ Decrease (%) (Under the conventional standard)
Net Sales	7,012	1,026	8,383	+19.6%
Operating Income	429	531	531	+23.7%
<i>Operating Income Margin</i>	6.1%	51.8%	6.3%	

* 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

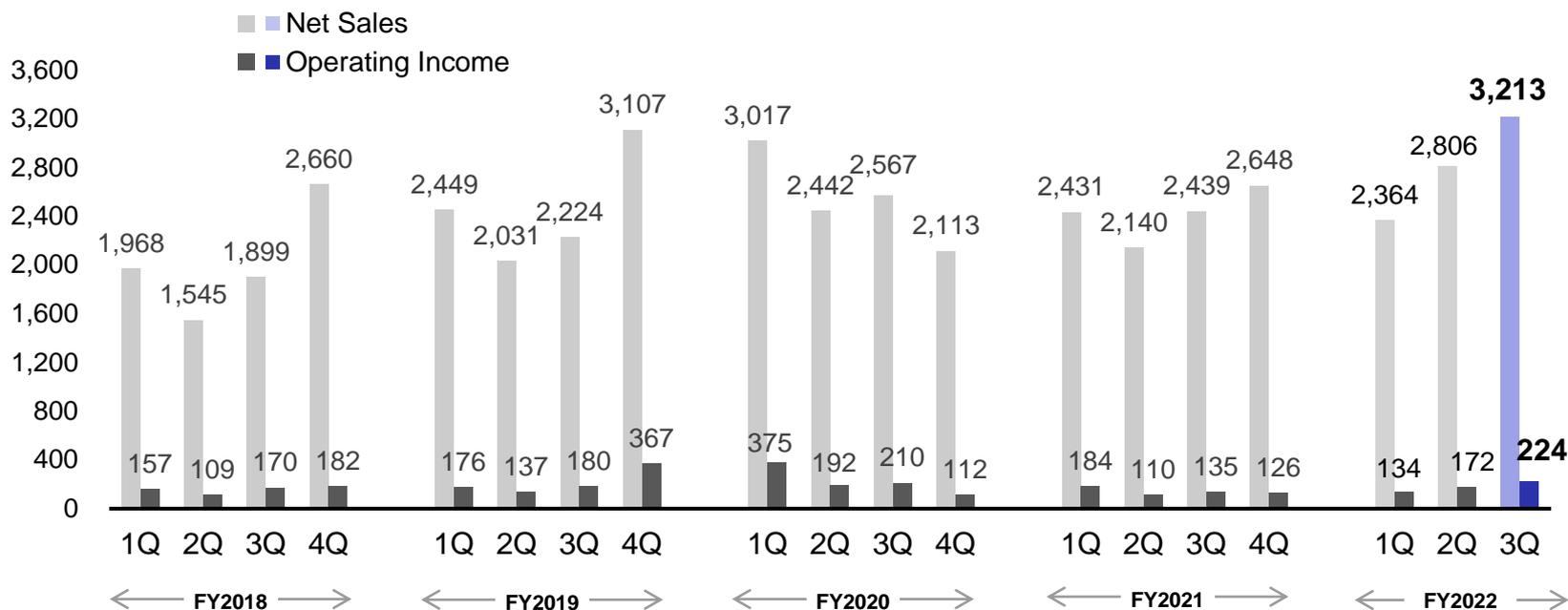


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As the sales strategy worked well, the business recovered from the impact of the COVID-19 pandemic and the trend of higher net sales in the second half.

Record-high net sales were achieved on a quarterly basis.

(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, introduction of Liquid eKYC, and change of the period for the retention of member information
 - ⇒ Take actions against dishonest members and improve user experience as well as safety and security
- **Improving promotion methods in Omiai**
 - ⇒ Fee discount campaign at the year-end and new-year period and special collaboration with a Twitter original video program
 - ⇒ Planning collaboration with companies in other business categories, and conducting a variety of campaigns
- **Continuous product improvement**
 - ⇒ Promoting the development of products to respond to users' needs
- **Research for increasing customer satisfaction**
 - ⇒ Consider more value-added service structure for the future on the basis of user big data
- **Research for increasing sales and income**
 - ⇒ Deliberation regarding the improvement and future direction of the Omiai service based on large-scale market research and big data analysis (brands, prices, and products)

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**
- **Content marketing: Aim to maximize synergy with affiliate advertising and programmatic advertising by collecting/analyzing market information through operations as the Company's own media**
- **Build the foundations for expanding business areas, including introduction of new marketing measures based on an in-depth analysis of big data**

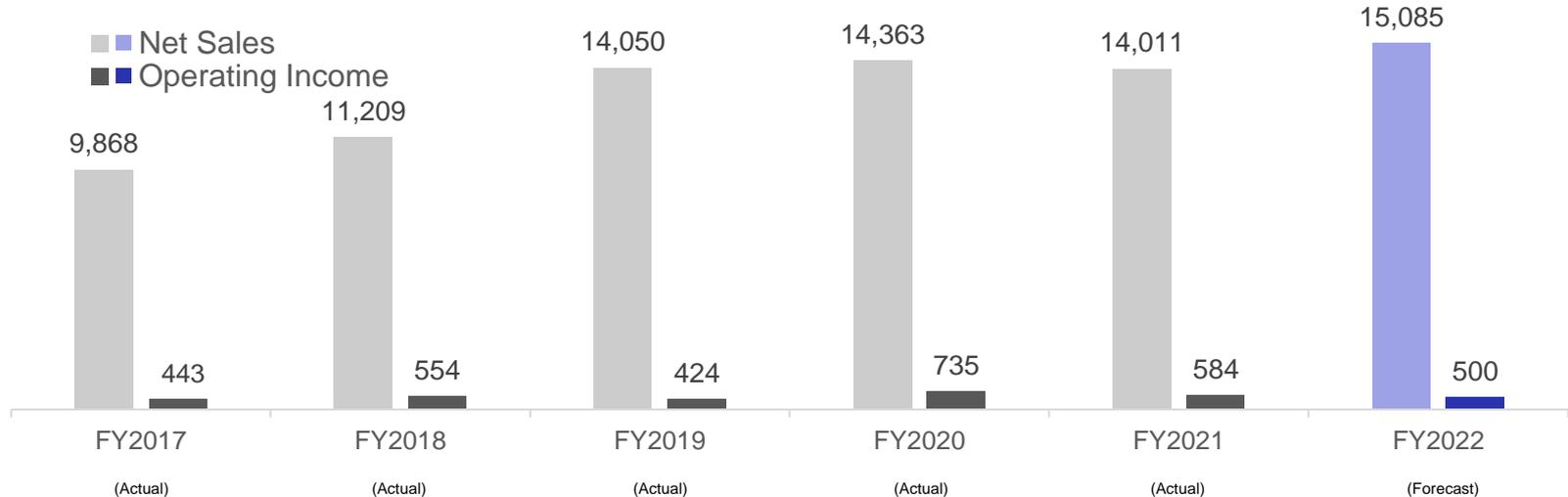
Changes in Financial Results and Earnings Forecast for the Fiscal Year Ending June 30, 2022

Full-year operating results for the current fiscal year (FY2022) are expected to be net sales (*under the conventional standard) of 15,085 million yen and operating income of 500 million yen.

While engaging in proactive structural reform measures such as the review of business management systems and security measures, the Company expects record-high net sales.

The current fiscal year is positioned as the starting year of the regrowth strategy aiming for the sustainable increase of income from FY2023 onward.

(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.

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

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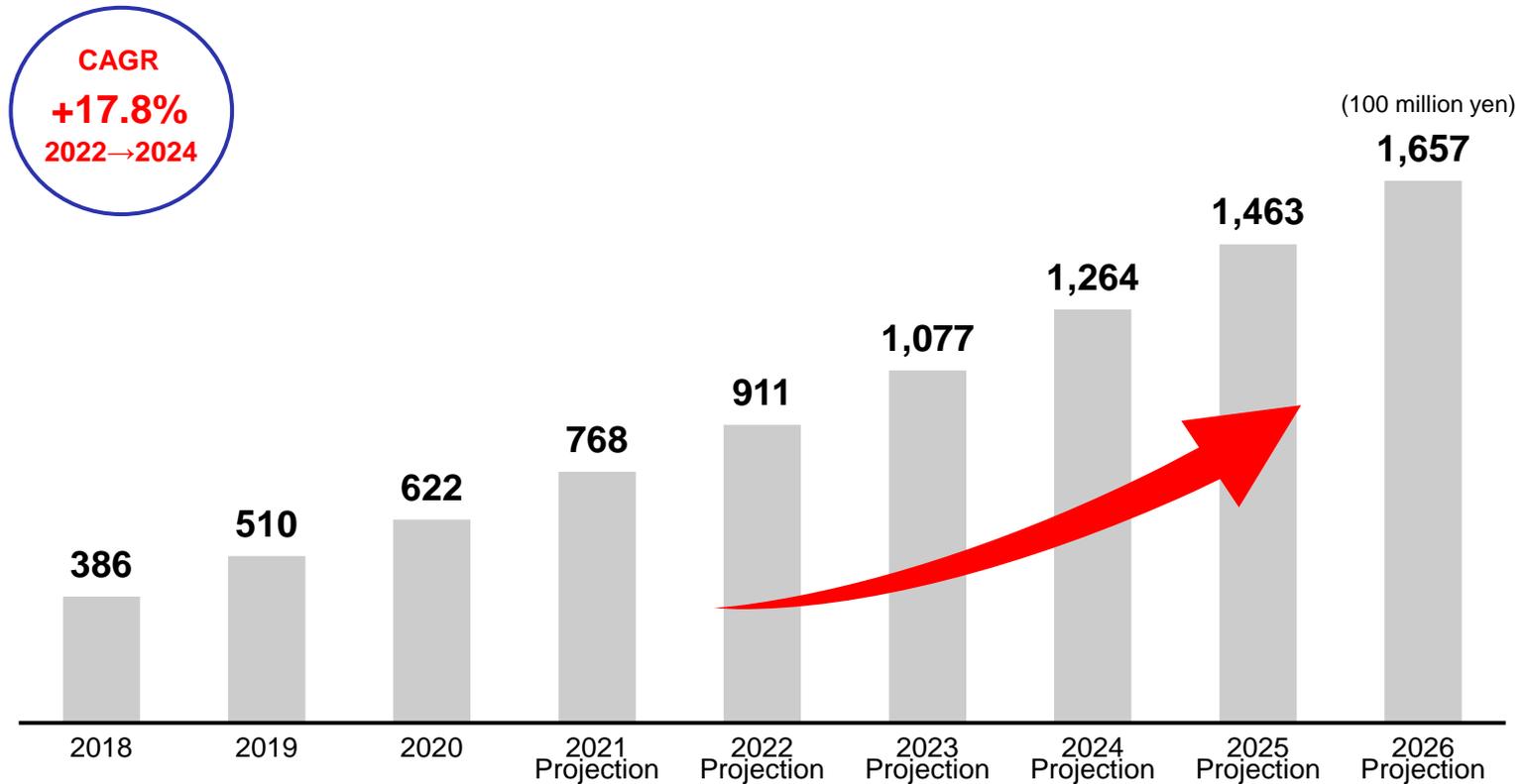


Appendix

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

Media Business

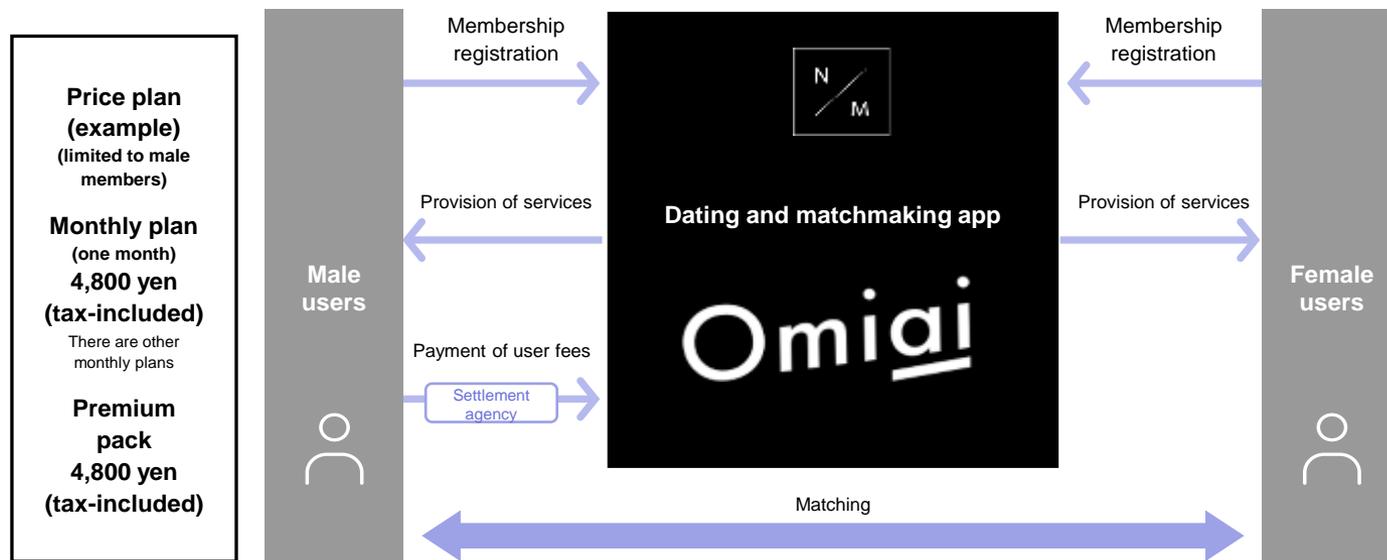
Forecast for the Love and Marriage Matching Market Size



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

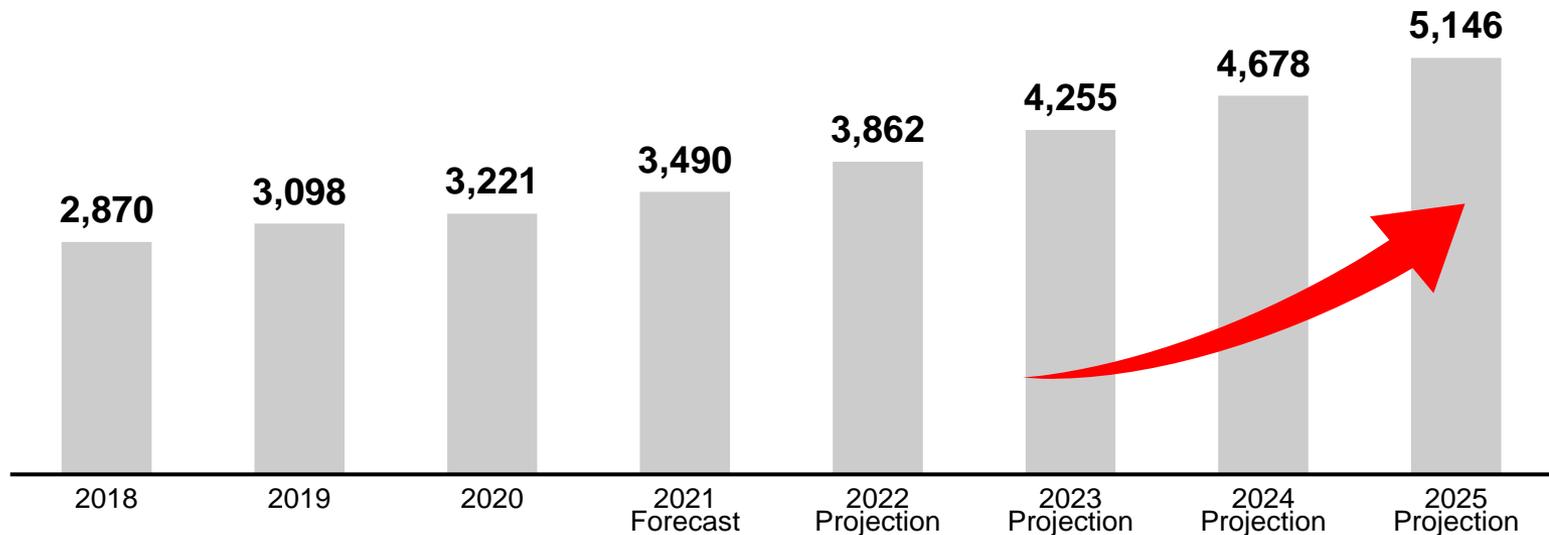
Forecast for the Affiliate Advertising Market Size



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CAGR
+10.0%
2023→2025

(100 million yen)



Affiliate advertising market

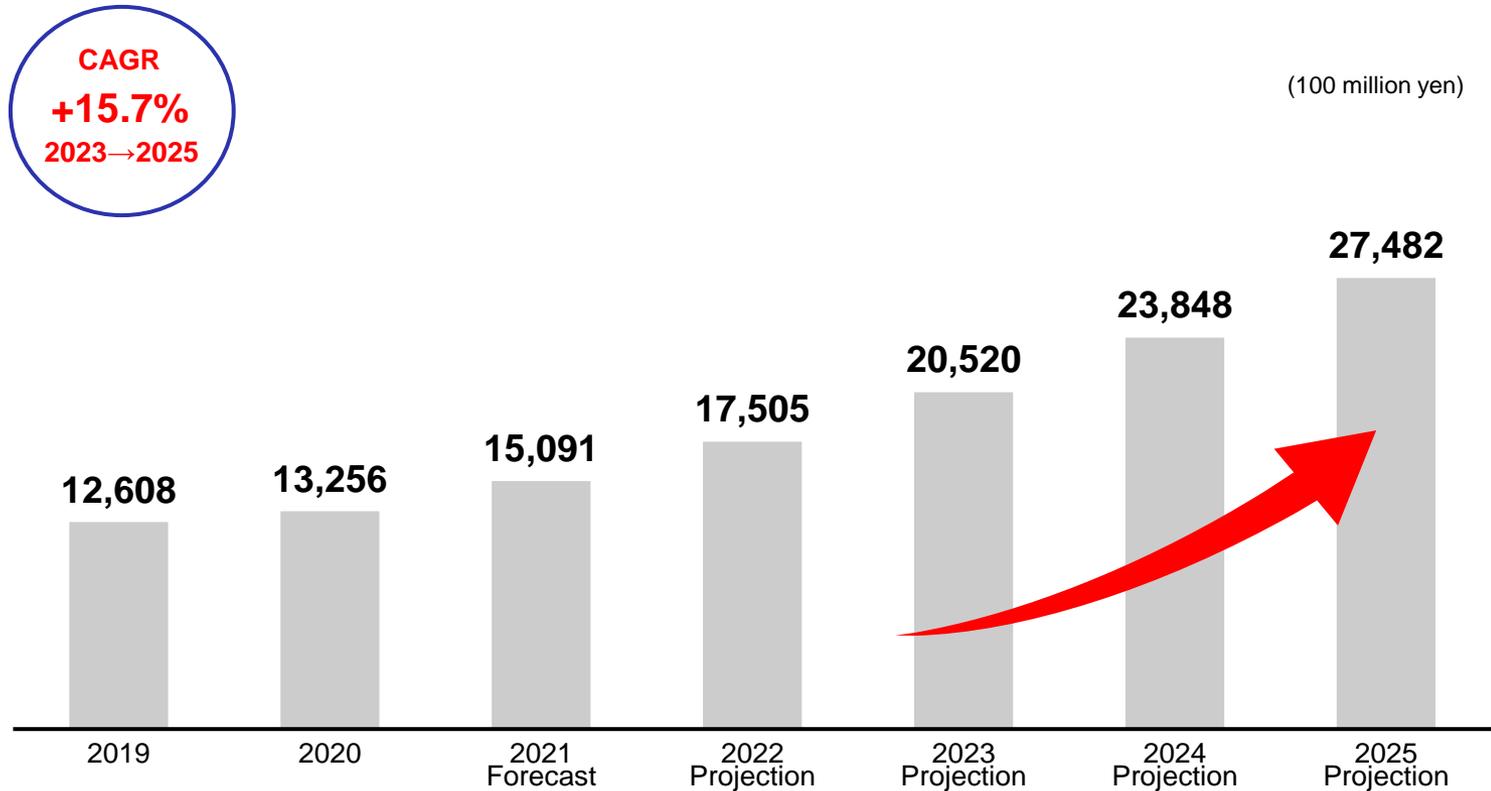
Source: Graph created by the Company based on figures from the Trends in and Outlook for the Affiliate Marketing Market 2022 announced by Yano Research Institute Ltd. on January 31, 2022
Note: Estimate for FY2021 and predictions for FY2022 and beyond. The market size was calculated by adding the rewards for results from affiliate advertising, fees and various expenses.

Advertising Business

Forecasts for the Market Size of Programmatic Advertising



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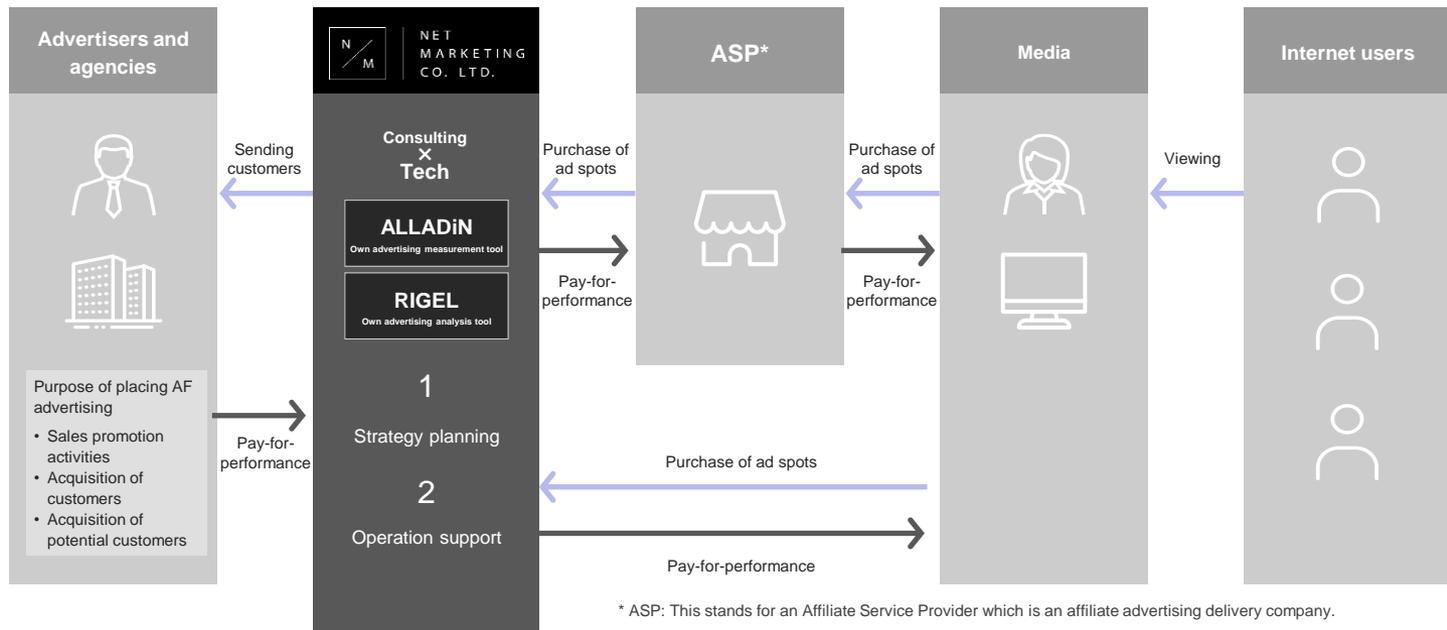
Programmatic advertising market

Source: Graph created by the Company based on figures from the Status and Outlook of Net Advertising and Web Solutions Market 2022 announced by MIC Research Institute on February 16, 2022

Note: Estimate for FY2021 and predictions for FY2022 and beyond

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

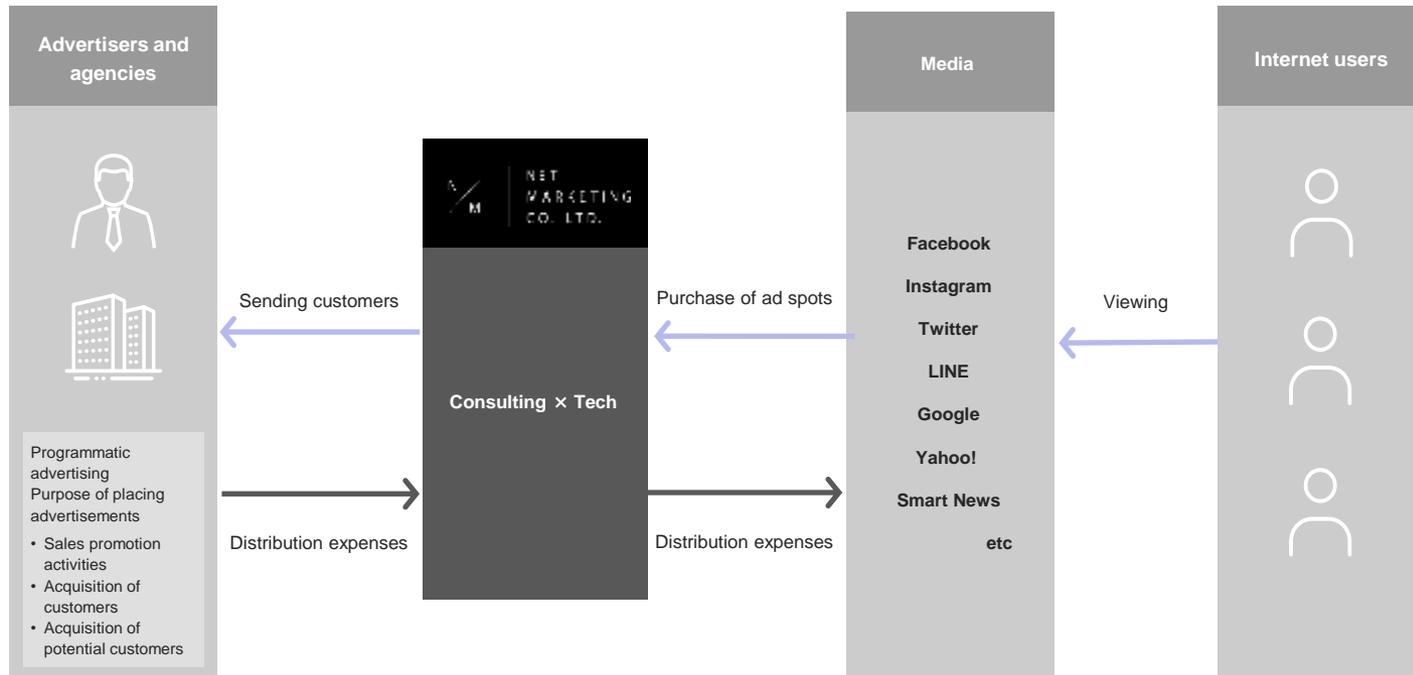
Affiliate advertising consulting



Advertising Business

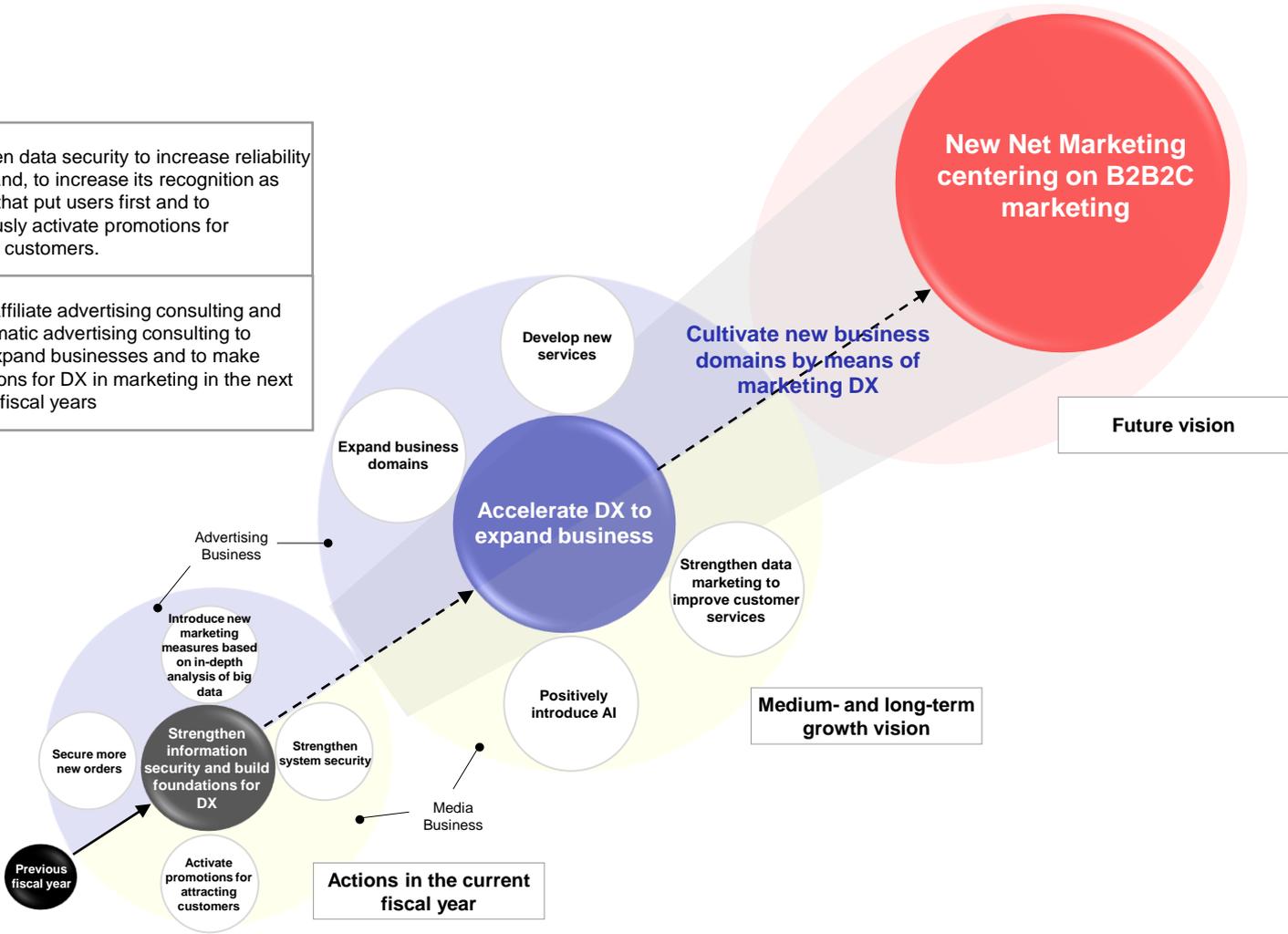
Business Model

Consulting of programmatic advertisements



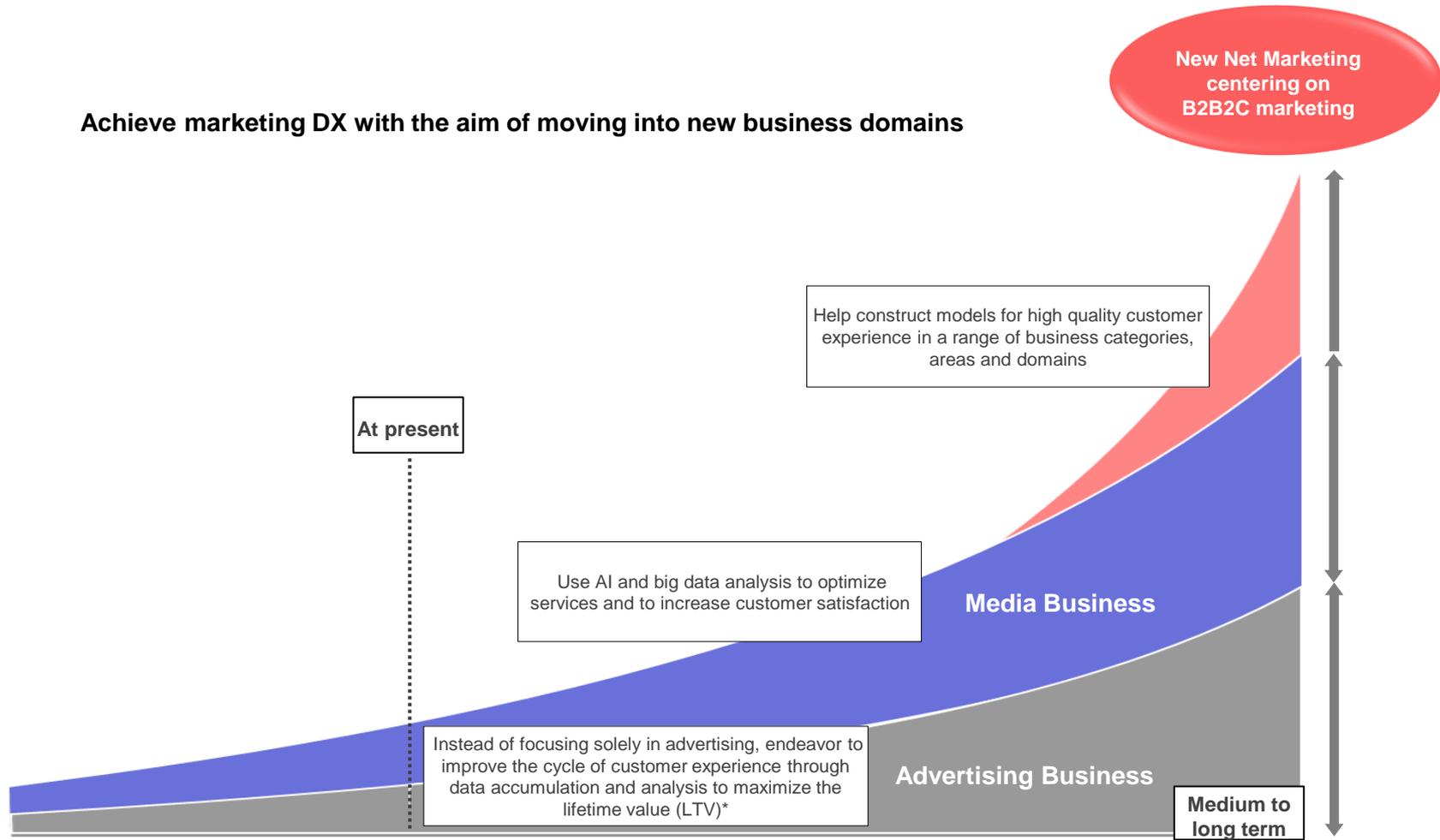
Blueprint for Future Growth

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.

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

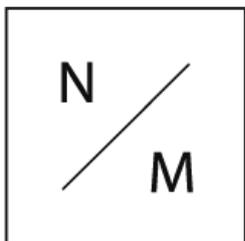
Stands for electronic Know Your Customer and means a system for online electronic personal identification.

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.



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