

NET
MARKETING
CO. LTD.

Financial Results

for the Fiscal Year Ended June 30, 2021

Net Marketing Co. Ltd.

Stock Code 6175

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Topics for Fiscal Year Ended June 30, 2021

Media Business

- ▶ **Demand for marriage matching services expanded**, reflecting a situation in which people sought to find dependable partners, regardless of their age, due to the social uncertainty caused by the COVID-19 pandemic.
- ▶ **Improvements were made in the acquisition of new members**, reflecting a rise in the level of recognition of the Omiai app due to industry-wide growth in demand, coupled with recognition measures that the Company started in the previous year.
- ▶ **A review was started for approval of IMS certification** (The review is currently underway.)
- ▶ **Member information was partially leaked** due to unauthorized access from external sources in May.
- ▶ **Efforts were made to investigate the cause of the unauthorized access, prevent secondary damage and respond to inquiries from members**, while suspending the placement of digital advertisements. (Establishment of an emergency countermeasure committee.)

Advertising Business

- ▶ **Revenue from projects for the category of businesses with physical stores continued to decline** in affiliate advertising after the fourth quarter of the previous fiscal year, reflecting the impact of the COVID-19 pandemic.
- ▶ **New orders received remained strong** with respect to those from businesses types and categories that tend to be less affected by the COVID-19 pandemic, reflecting new sales activities that the Company resumed and strengthened in the fourth quarter of the previous fiscal year.
- ▶ **Efforts were made to develop projects related to the stay-at-home advisory**, such as financial services in existing affiliate advertising projects.
- ▶ Sales expanded as a result of efforts to **strengthen programmatic advertising**, a business area in which the Company is unable to obtain a reasonable market share.
- ▶ As a result of the above, the project portfolio was optimized little by little and **the impact of COVID-19's spread on the business declined gradually**.

01



Financial Highlights for the Fiscal Year Ended June 30, 2021

Financial Highlights

Year on Year —

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Sales and income decreased year on year due to changes in the business environment such as the spread of COVID-19.

However, net sales recovered steadily after the fourth quarter of the previous fiscal year in which the COVID-19 pandemic, showing a gradual decline in the impact of the spread of COVID-19.

(Million yen)

	2020.6 Actual	2021.6 Actual	Increase/ Decrease (%)
Net Sales	14,363	14,011	-2.5%
Gross Profit	4,570	4,521	-1.1%
<i>Gross Profit Margin</i>	31.8%	32.3%	
Operating Income	735	584	-20.5%
<i>Operating Income Margin</i>	5.1%	4.2%	
Ordinary Income	747	592	-20.7%
Net Income	509	336	-34.0%

Financial Highlights

Comparison with Full-Year Earnings Forecast —

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Net sales fell short of the plan slightly but profits exceed the plan, reflecting the temporary suspension of the placement of digital advertising in the Media Business.

(Million yen)

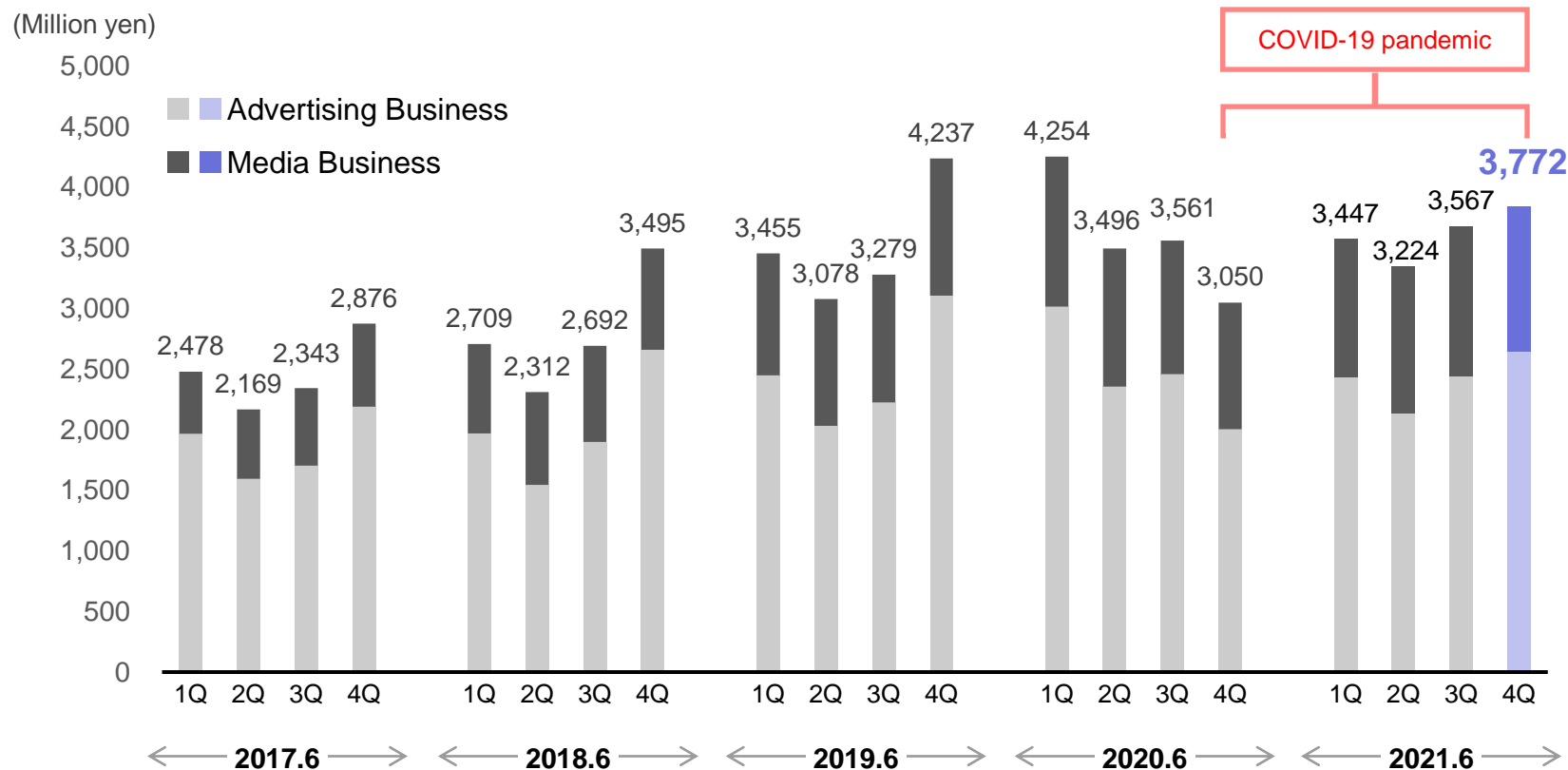
	2021.6 Earnings Forecast*1	2021.6 Actual	Comparison with Forecast
Net Sales	14,400	14,011	97.3%
Operating Income	400	584	146.1%
Ordinary Income	400	592	148.2%
Net Income	270	336	124.7%
Year-end Dividend	6 yen	6 yen *2	-

*1 Figures announced on February 9, 2021 are presented for comparison with initial forecasts, although we announced revisions to the full-year financial results forecast on July 16, 2021.

*2 The year-end dividend plan for the fiscal year ended June 30, 2021 will be proposed at the ordinary general meeting of shareholders to be held in September 2021.

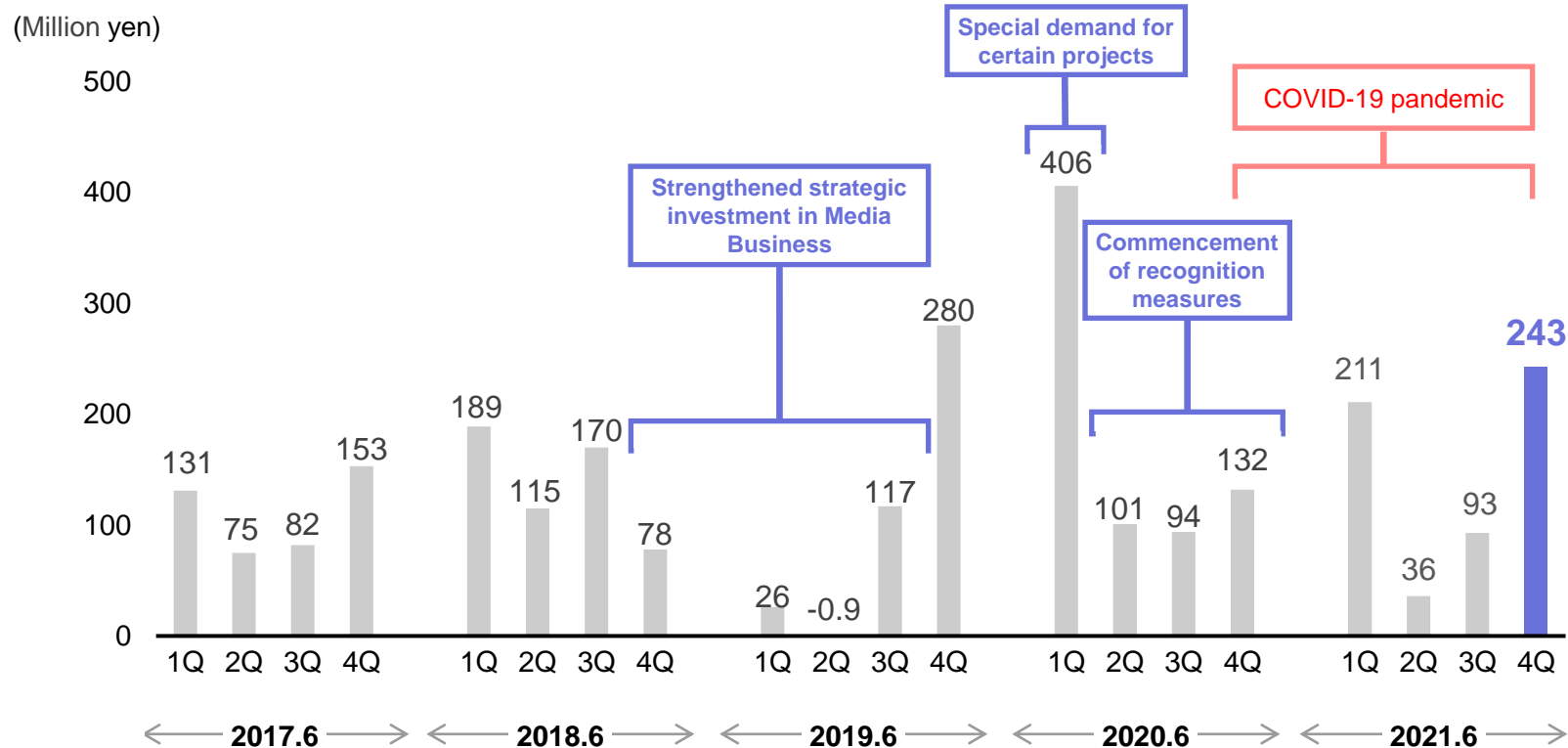


Changes in Quarterly Net Sales



- 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



- 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.
- * Results by business are not reflected in the graph. For details, please refer to the "Summary of Business Results for the Fiscal Year Ended June 30, 2021."

Media Business

YoY (cumulative period) —

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The number of paying members increased due to the improved efficiency of member acquisition and the recommendation of long-term plans.

Net sales increased year on year, reflecting the slowdown of a decrease in ARPPU attributable to the recommendation of long-term plans.

(Million yen)

	2020.6 Actual	2021.6 Actual	Increase/ Decrease (%)
Net Sales	4,529	4,789	+5.7%
Operating Income	448	686	+52.8%
Operating Income Margin	9.9%	14.3%	

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

Media Business

4Q Actual (April - June) —

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Given the leakage of information resulting from unauthorized accesses, we suspended the placement of digital advertisements temporarily, focusing efforts on cause investigation, secondary damage prevention and responding to members.

Profitability rose temporarily with the suspension of the placement of digital advertisements.

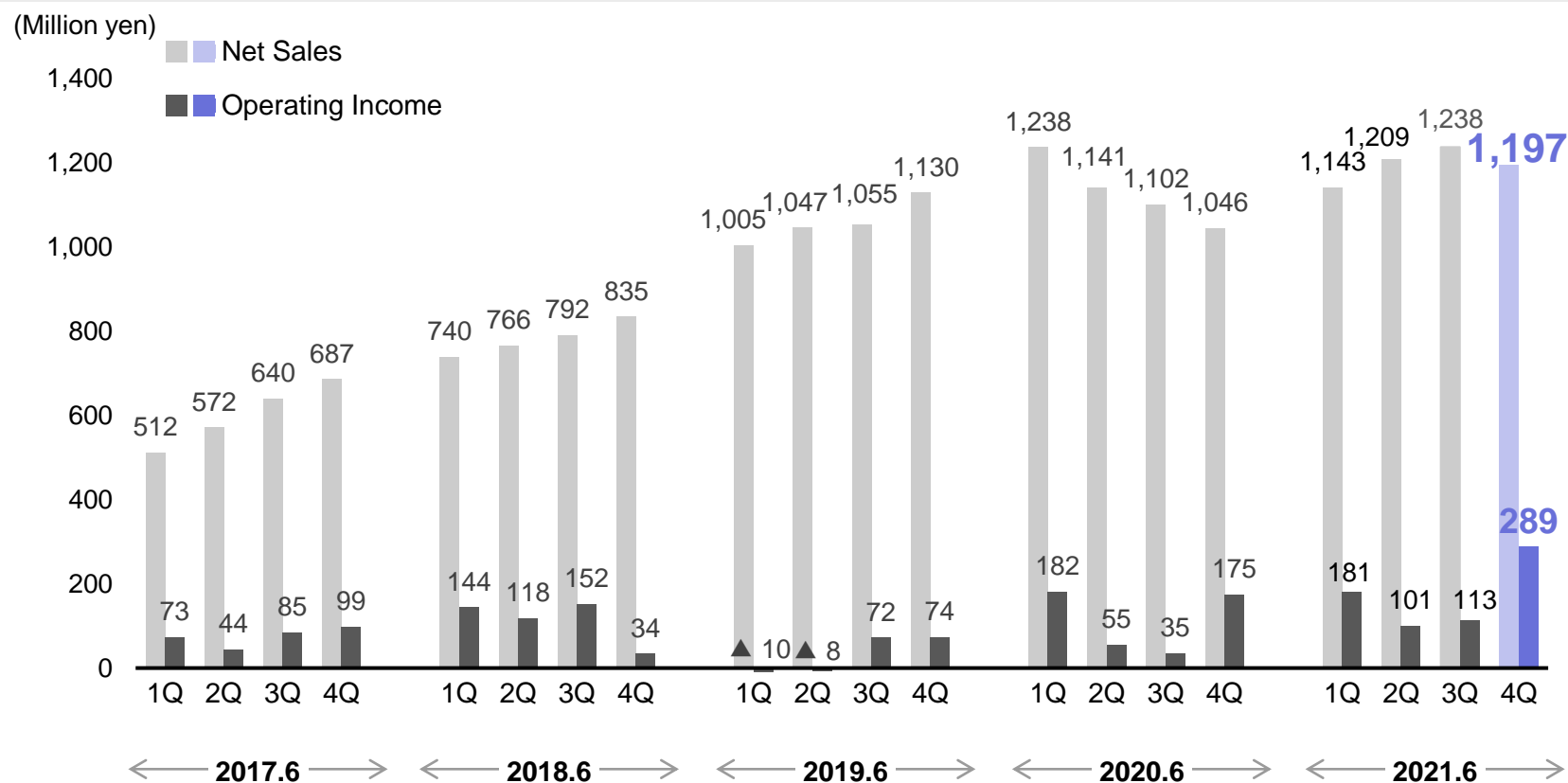
(Million yen)

	2020.6 4Q Actual	2021.6 4Q Actual	Increase/ Decrease (%)
Net Sales	1,046	1,197	+14.4%
Operating Income	175	289	+65.0%
Operating Income Margin	16.8%	24.2%	

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

Media Business

Changes in Financial Results


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* The figures in the graph include segment adjustments.

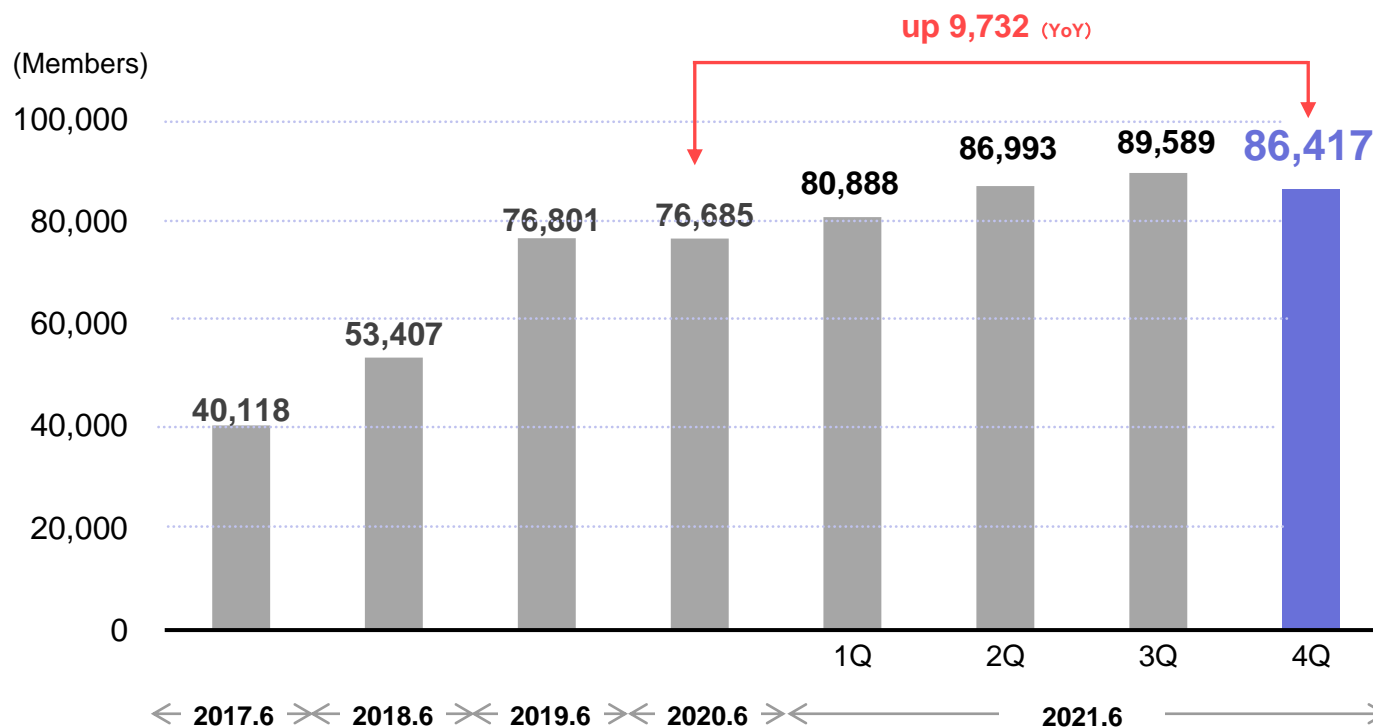
* Although we announced the consolidated financial results in the fiscal year ended June 2017 and 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ended June 2019.

Media Business

Number of Paying Members (Progress)

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The number of paying members increased year on year due to the optimization of a range of KPIs. Even so, the number decreased slightly from the level in the fourth quarter of the previous year due to the impact of the suspension of the placement of digital advertisements halfway through the current fourth quarter.



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

YoY (cumulative period) —

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During the fiscal year under review, we stepped up efforts to increase new orders while also facilitating sales activities with a focus on businesses types and categories that tend to be less affected by the COVID-19 pandemic.

As a result, net sales recovered to the previous year's level, reflecting a gradual decline in the impact of the COVID-19 pandemic, although profitability decreased due to rises in the sales activity cost and procurement cost.

(Million yen)

	2020.6 Actual	2021.6 Actual	Increase/ Decrease (%)
Net Sales	10,142	9,660	-4.8%
Operating Income	891	556	-37.6%
Operating Income Margin	8.8%	5.8%	

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

Advertising Business

4Q Actual (April - June)

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Sales and income increased significantly from the level in the fourth quarter of the previous year, when the COVID-19 pandemic had already started, despite the continued impact of the pandemic on some projects. The increase was attributable to the operation of new projects and upselling of projects that are free of the negative impact of COVID-19.

(Million yen)

	2020.6 4Q Actual	2021.6 4Q Actual	Increase/ Decrease (%)
Net Sales	2,113	2,648	+25.3%
Operating Income	112	126	+12.3%
Operating Income Margin	5.3%	4.8%	

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

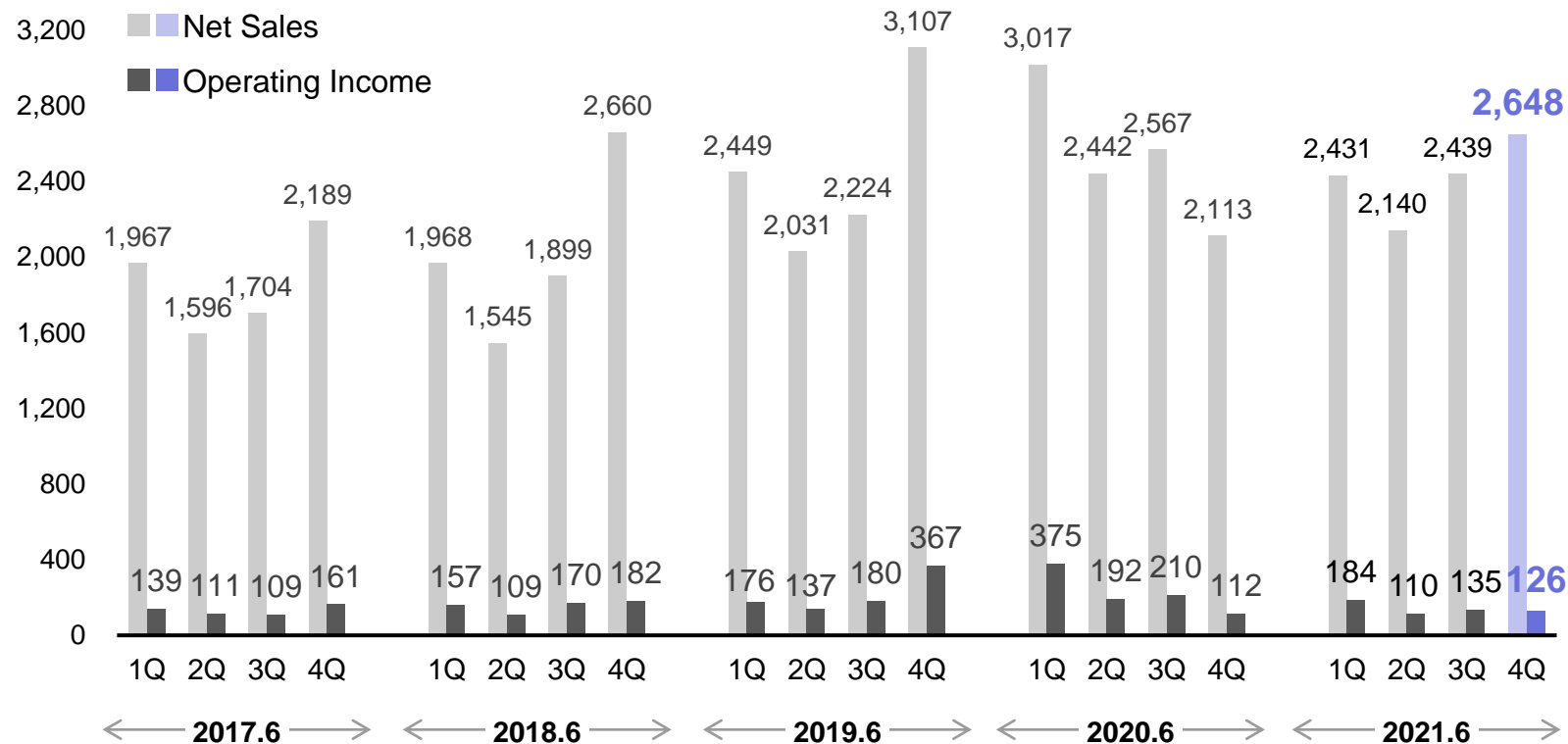
Advertising Business

Changes in Financial Results



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(Million yen)



* The figures in the graph include segment adjustments.

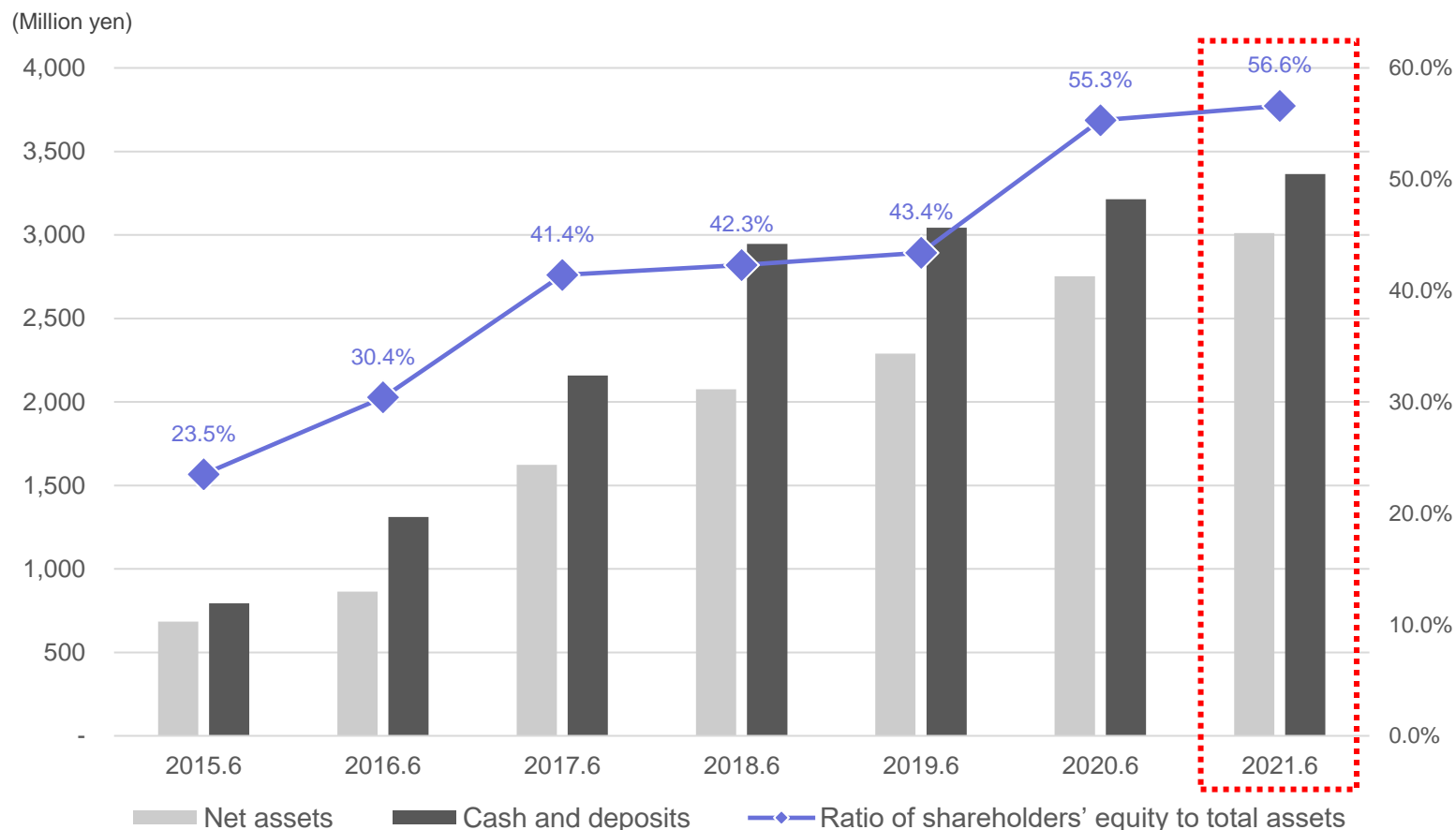
* Although we announced the consolidated financial results in the fiscal years ended June 2017 and 2018, this report contains non-consolidated results because we have changed to non-consolidated financial settlement from the fiscal year ending June 2019.

Changes in Net Assets and Ratio of Shareholders' Equity to Total Assets



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With the ratio of shareholders' equity to total assets, cash and deposits and net assets standing at 56.6%, 3,360 million yen and 3,010 million yen, respectively, we succeeded in maintaining a stable financial base.



02



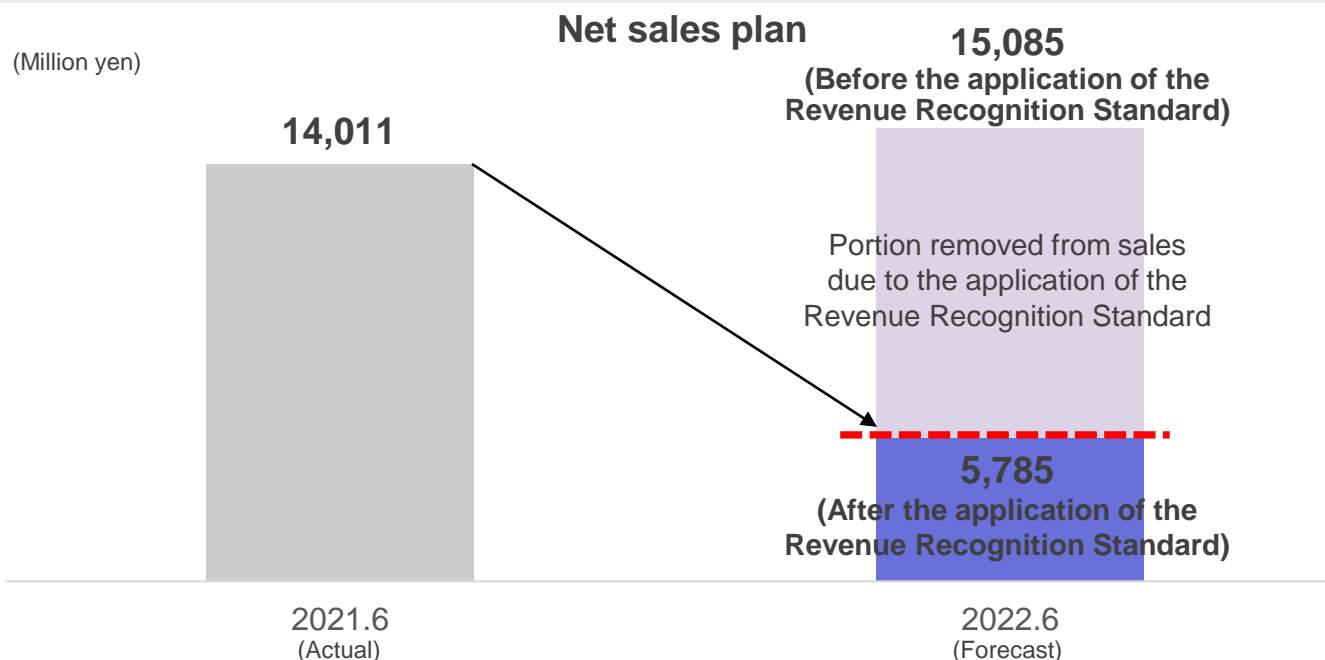
Earnings Forecast for the Fiscal Year
Ending June 30, 2022

Application of the New Revenue Recognition Standard



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The Accounting Standard for Revenue Recognition (ASBJ Statement No.29) is applied, starting from the fiscal year ending June 2022.



Impact on the Company

- **There is an impact on net sales recorded by the Advertising Business segment (no impact on income).**
 - Net sales are posted as an amount calculated by subtracting posting expenses to be paid to the media from conventionally calculated net sales.

* No impact on the Media Business segment

Fiscal Year Ending June 30, 2022

Full-year Earnings Forecast —

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Net sales were forecast to rise before the application of the new revenue recognition standard. Having said that, for the fiscal year ending June, 2022, we will strive to grow into a more trusted company, actively making investments to strengthen the security and management systems.

(Million yen)	2022.6 Financial Results Forecasts		2021.6 Actual	Increase/Decrease (%) (Increase/decrease before the application of the new revenue recognition standard)
		(Previous standard*: Reference)		
Net Sales	5,785	15,085	14,011	+7.7%
Operating Income	500	500	584	-14.4%
Ordinary Income	500	500	592	-15.6%
Net Income	375	375	336	+11.4%

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

Dividend Policy for Fiscal Year Ending June 30, 2022

Dividend Forecast —

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Our policy is to maintain annual dividends, taking into consideration a balance with internal reserves.

Dividend forecast: Dividend per share

	2020.6	2021.6*	2022.6 (Forecast)
Interim Dividend	0 yen	0 yen	0 yen
Year-end Dividend (Payout Ratio)	6 yen (17.4%)	6 yen (26.4%)	6 yen (23.9%)

* The year-end dividend plan for the fiscal year ended June 30, 2021 will be proposed at the ordinary general meeting of shareholders to be held in September 2021.

Basic dividend policy

The Company will return profits to shareholders based on the results, considering the balance between medium-to long-term initiatives to maximize the corporate value and retained earnings, which are necessary to expand business.



03

Business Status and Future Initiatives

Media Business

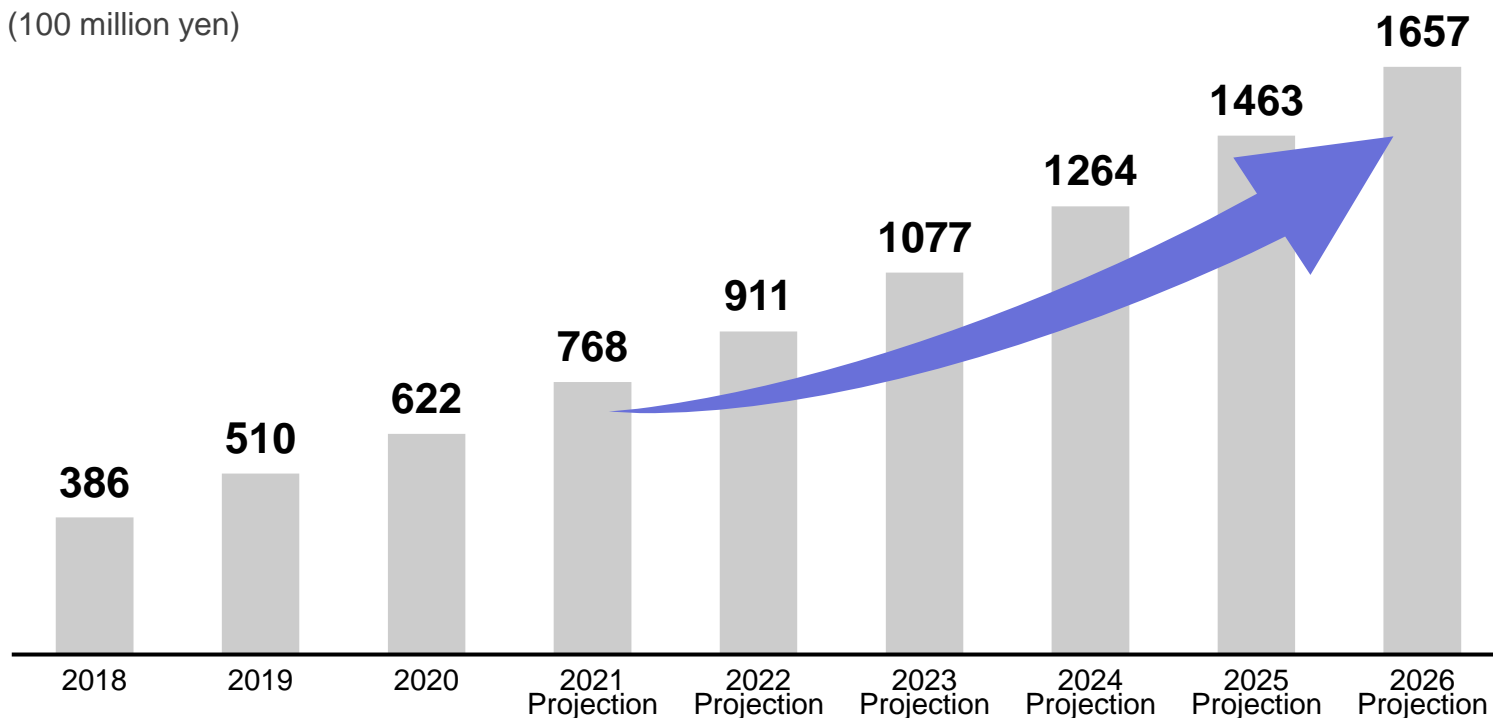
Forecast for the Love and Marriage Matching Market Projection

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The dating and matchmaking market recorded a high level of growth, with almost no impact from the COVID-19 pandemic.

The market is expected to continue growing sharply through the recognition of its appeal and social necessity.

(100 million yen)

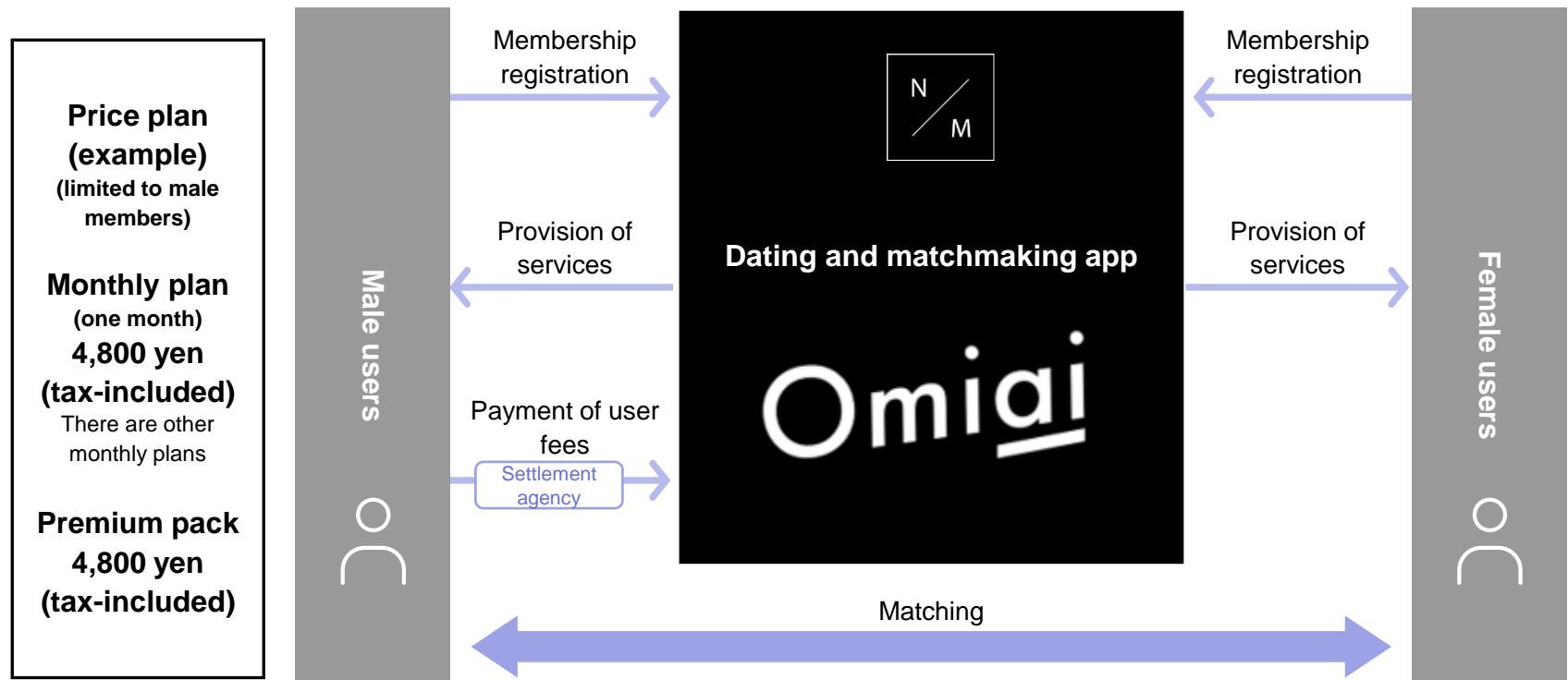


Love and marriage matching market

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.

Dating and matchmaking app “Omiai”

Online-based dating and matchmaking services in which members are referred to prospective partners for dating and marriage online.



Media Business

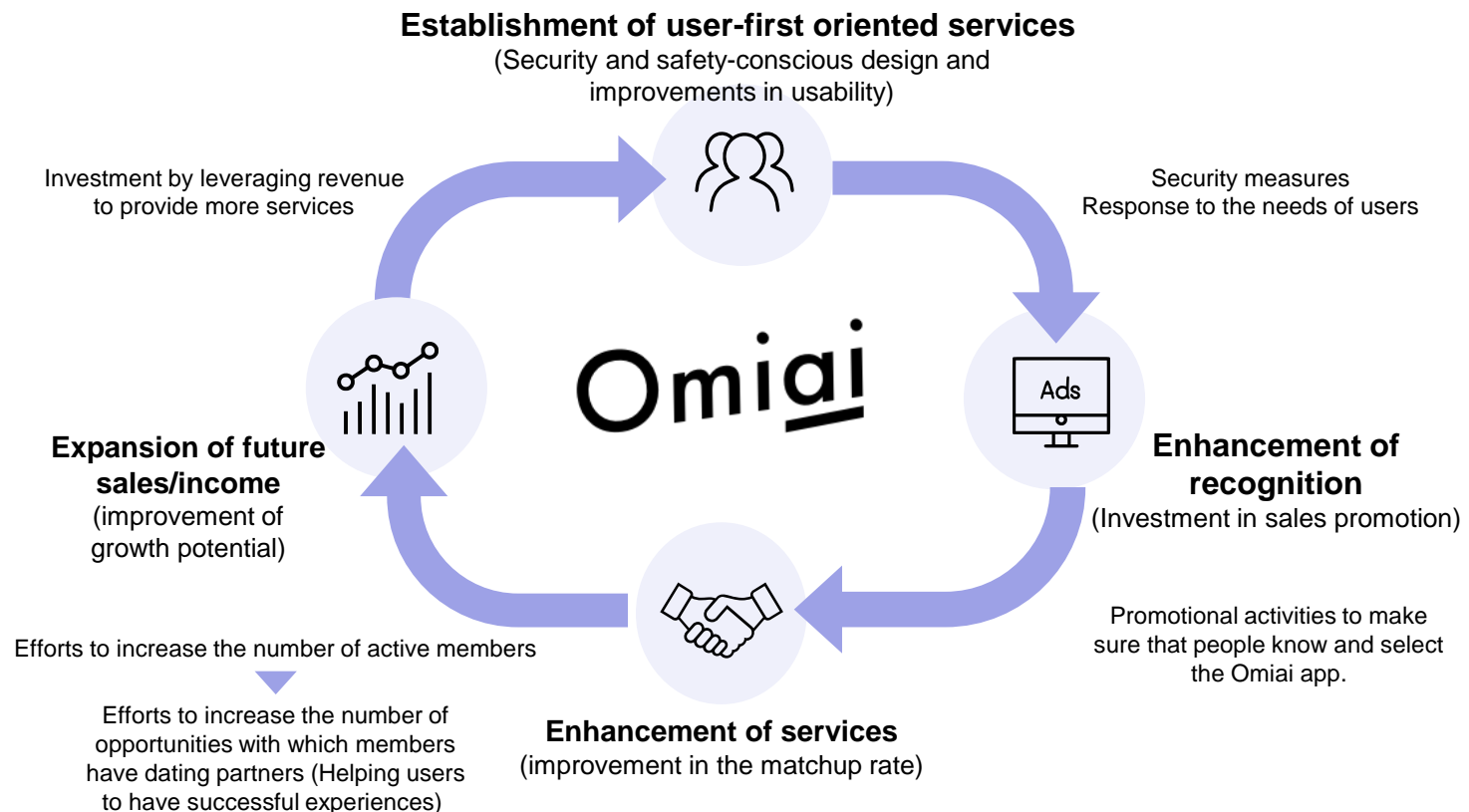
Key Factor —



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Following the occurrence of a number of incidents, we have renewed our recognition that the Omiai app is a social infrastructure and a service that should be socially responsible.

We will put an emphasis on a user-first approach and seek to offer secure and safe services.



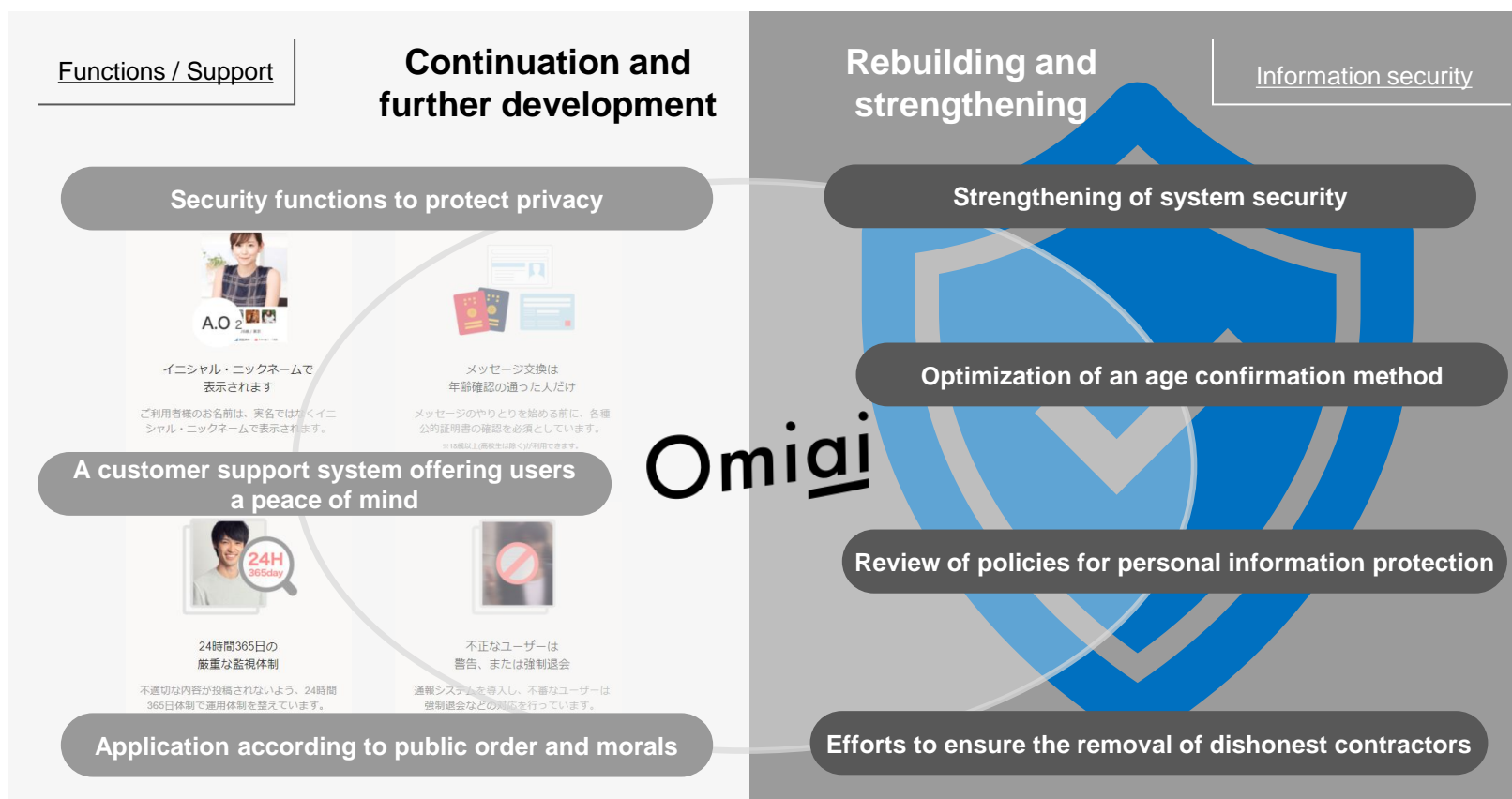
Media Business

Initiatives for user-first oriented services



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We will design and establish user-first oriented services, redoubling efforts to ensure security and safety, and respond to the needs of customers. By doing so, we will seek to improve the level of customer satisfaction.



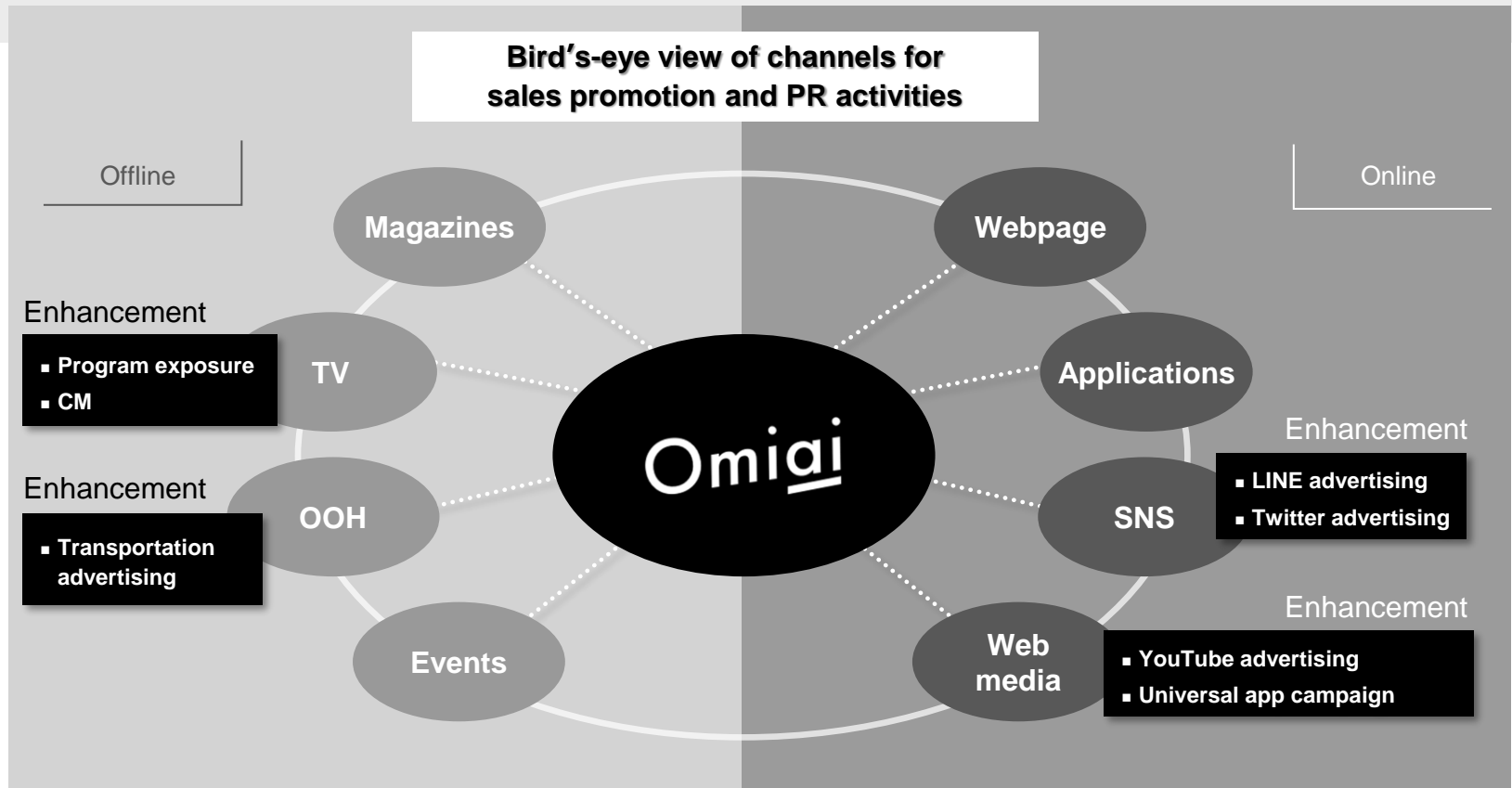
Media Business

Initiatives for the enhancement of recognition



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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).

Advertising Business

Forecast for the Affiliate Advertising Market Projection —

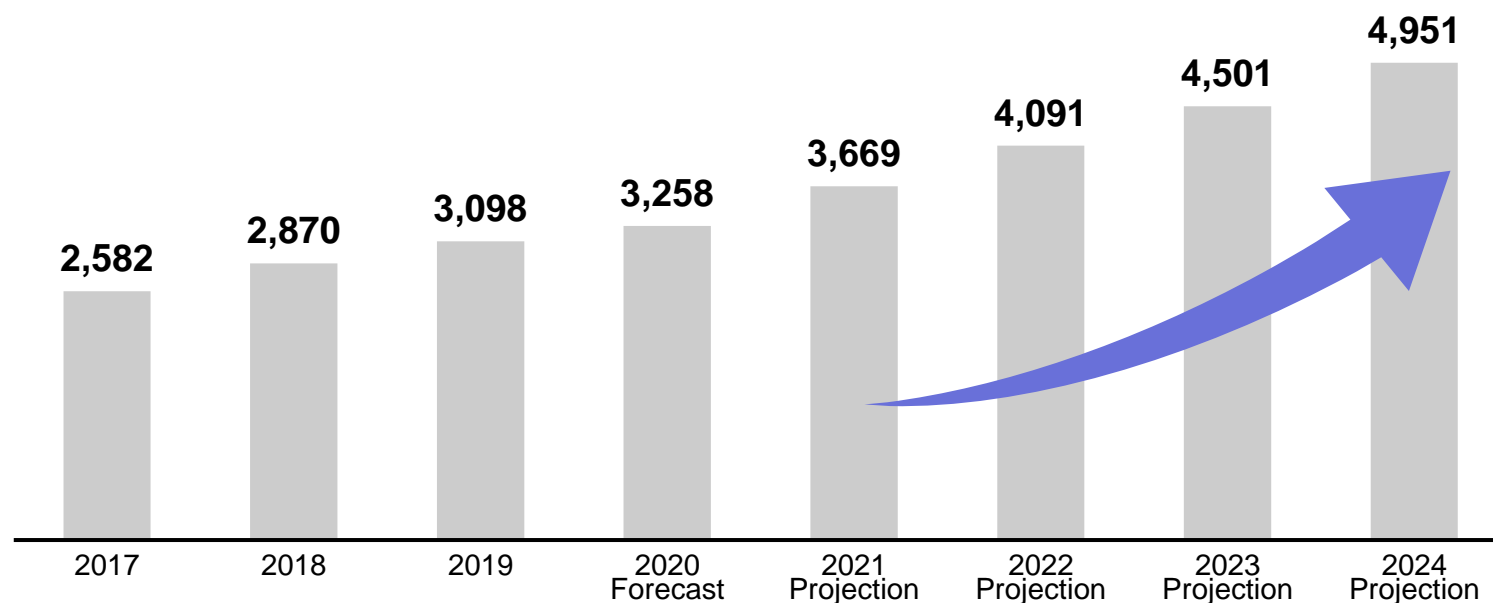


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The affiliate advertising market has been growing mainly in the e-commerce and financial service areas, even amid the COVID-19 pandemic.

This trend will remain unchanged going forward and sustainable growth is expected.

(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 forecasts 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

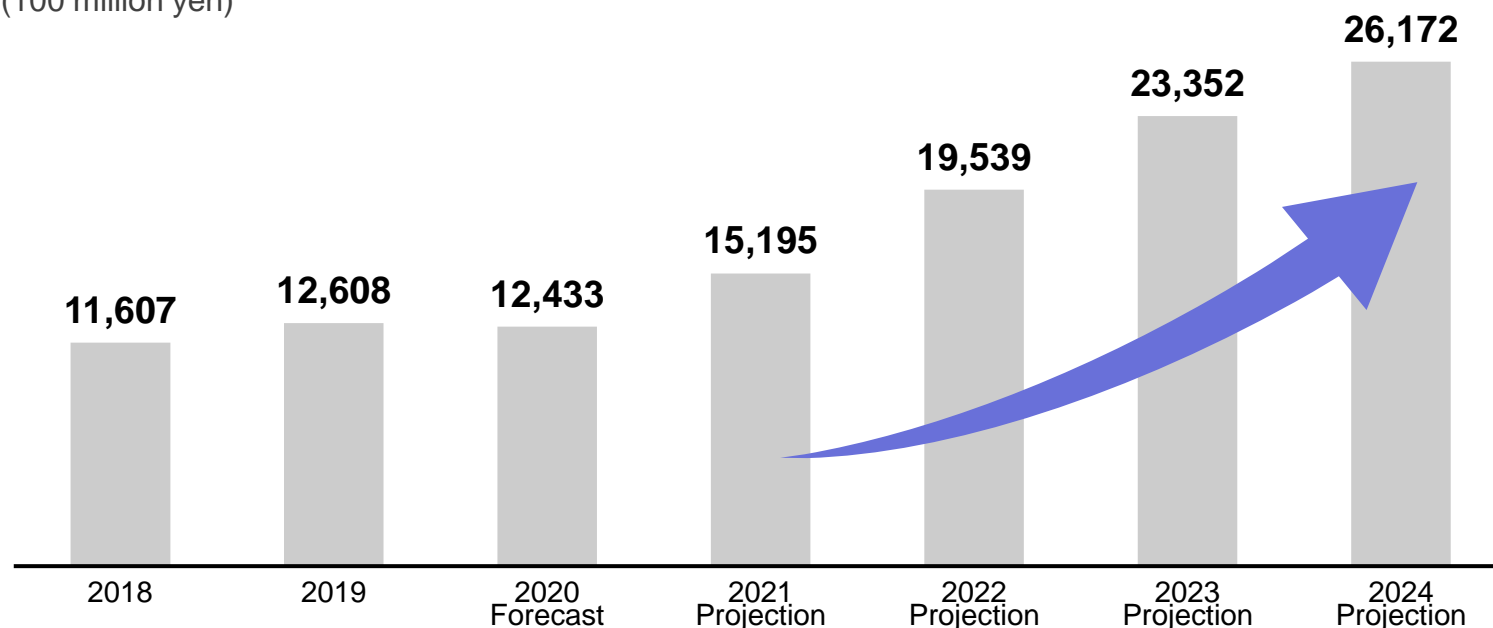


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The market size of programmatic advertising decreased year on year in FY2020 due to the impact of the COVID-19 pandemic.

However, if the COVID-19 pandemic ends, the market is expected to rebound with high growth rates in FY2021 and beyond.

(100 million yen)



Source: 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.

Advertising Business

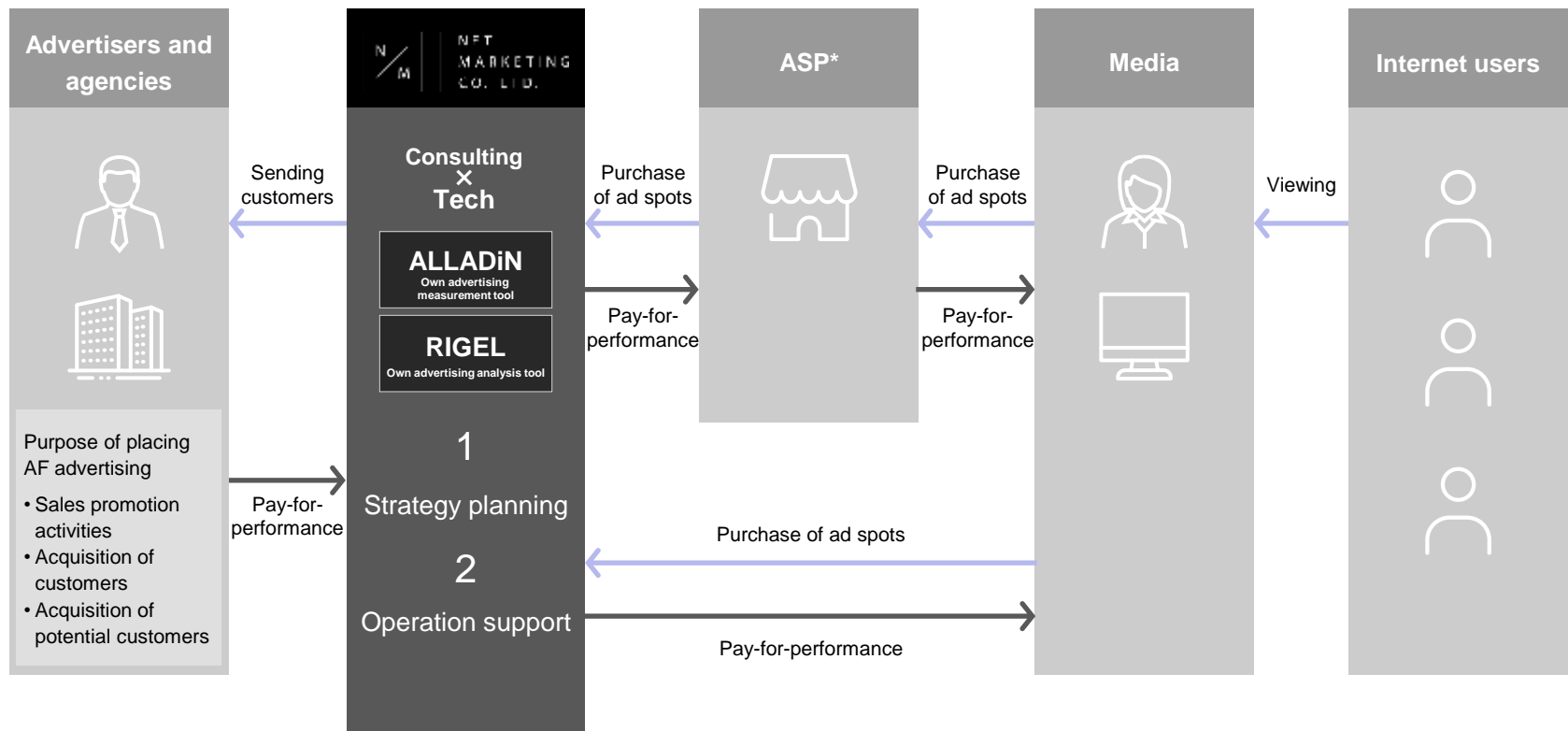
Business Model —



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Affiliate advertising consulting

Since we launched services as an agency dedicated to affiliate advertising, we have been improving our performance by making multi-faceted proposals that we have nurtured as the leading company in the affiliate business area.



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

Advertising Business

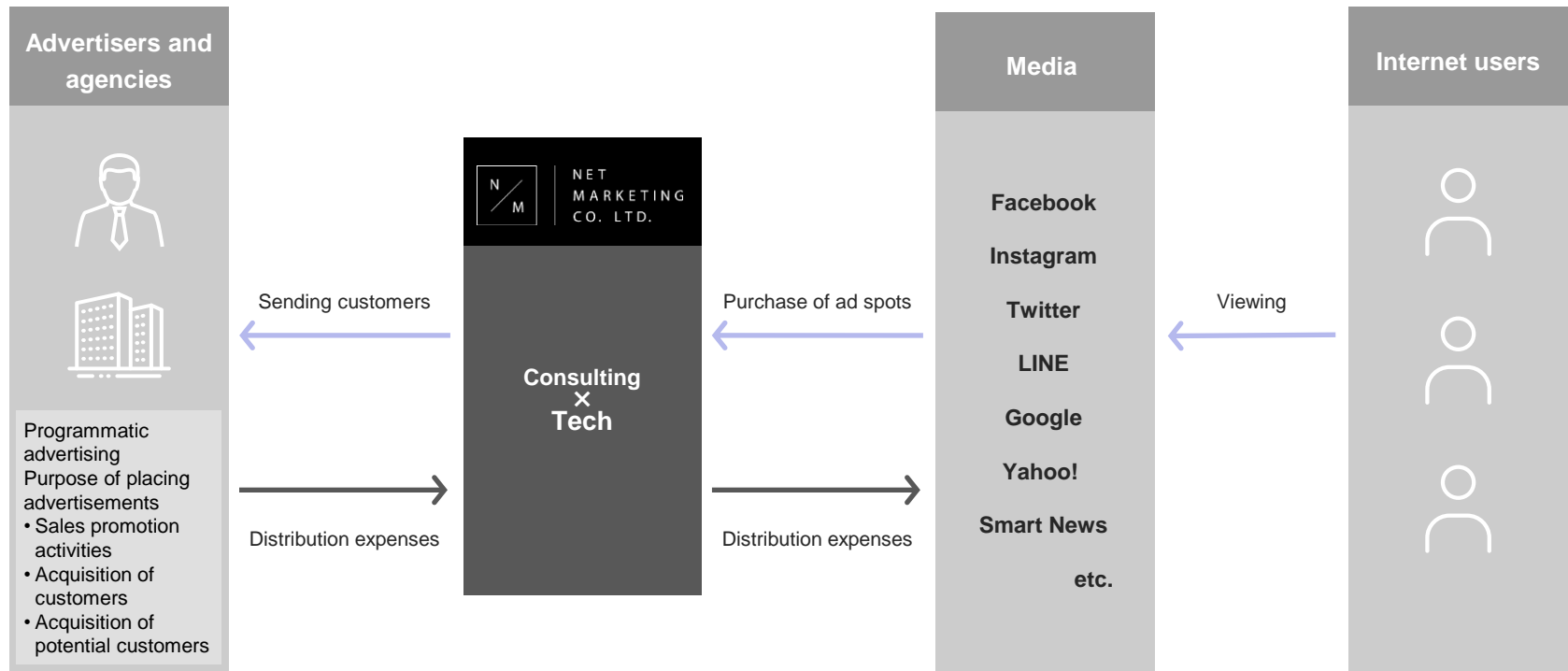
Business Model —



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Consulting of programmatic advertisements

We maximize achievements with a focus on social advertising by leveraging the operational expertise that we have developed through the Omiai app.



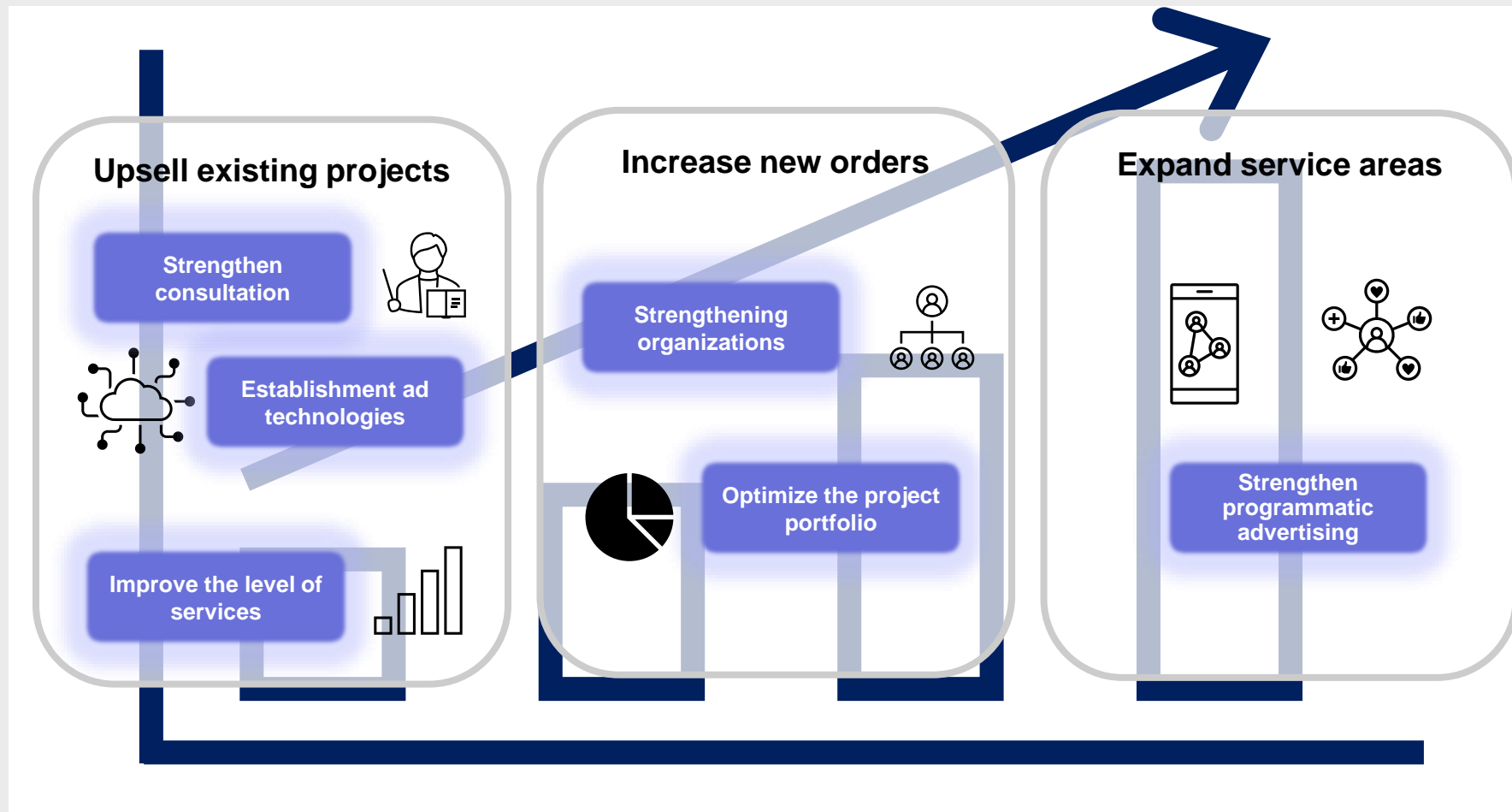
Advertising Business

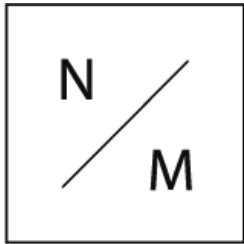
Key Issues and Initiatives



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We will step up efforts for further value creation in the programmatic advertising area, the market size for which is large, while simultaneously making sure that the affiliate advertising area grows sustainably.





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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.