Feedforce Group

Financial Results for FY2023

(Our Business Plan and Growth Potential)

June 29, 2023

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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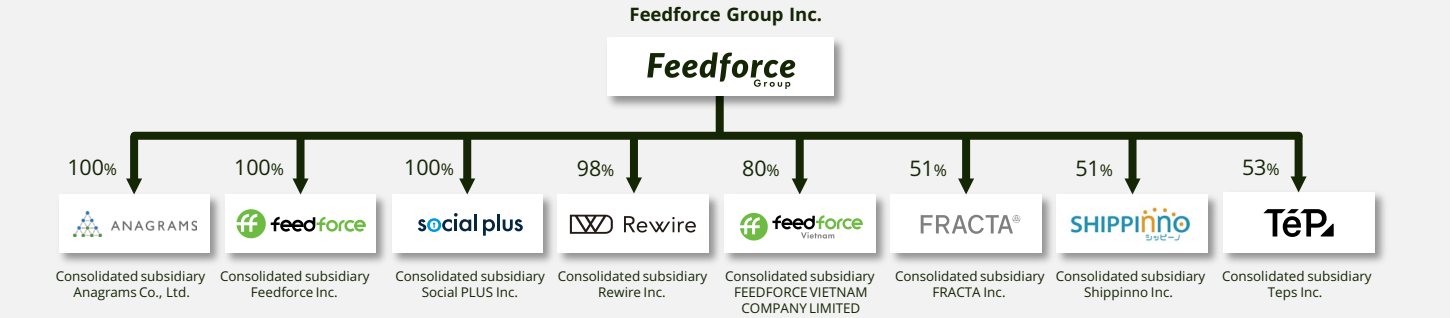
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01

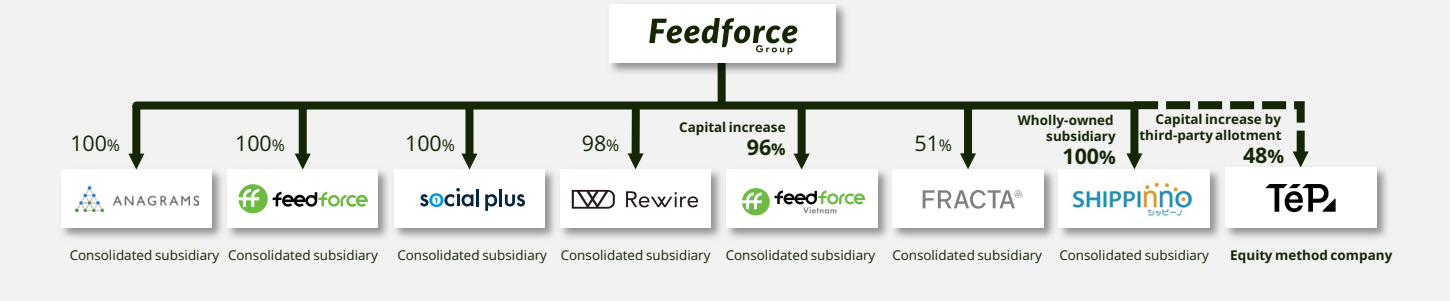
Financial Highlights

Our Group

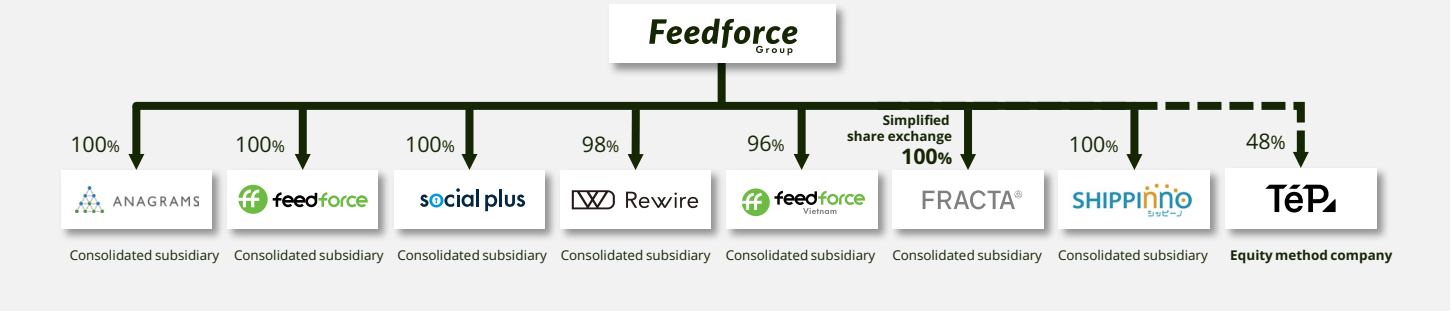
November 30, 2022



May 31, 2023



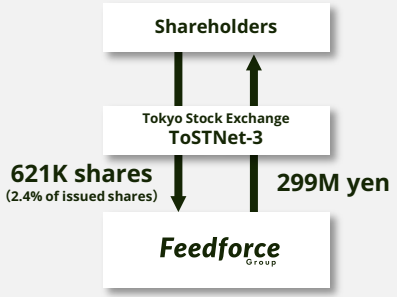
June 30, 2023



FRACTA became a wholly-owned subsidiary by share exchange.

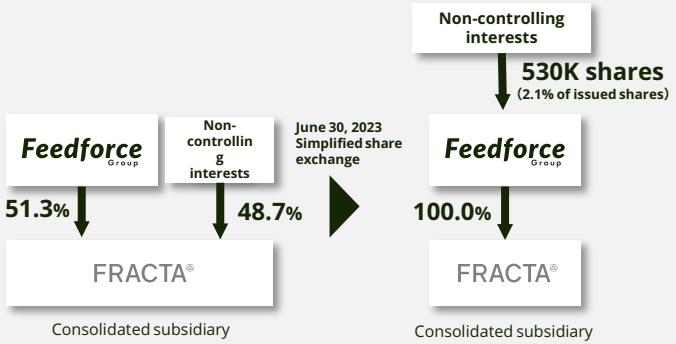
Corporate Action (after January 2023)

Acquisition and cancellation of treasury shares Jan 2023



Acquisition of treasury shares	
Method of acquisition	Off-auction treasury stock trading （ToSTNeT-3）
Acquired amount	299 million yen
Number of shares acquired	621,100 shares （2.4% of issued shares）
Acquisition date	January 24, 2023
Cancellation of treasury shares	
Number of shares cancelled	All treasury shares
Cancelation date	February 28, 2023

Full acquisition of FRACTA June 2023



Simplified share exchange	
Exchange ratio	One FRACTA share to 6,800 shares of our company shares
Number of shares exchanged	530,400 shares （2.1% of issued shares）
Contract date	May 24, 2023
Effective date	June 30, 2023
Accounting treatment	“Transactions under common control”
Change in voting right ratio before and after the exchange	（Before） 51.3% （After） 100.0%

In January 2023, we acquired treasury shares equivalent to 2.4% of all issued shares, and cancelled them in February.

In June 2023, we made FRACTA a wholly-owned subsidiary by exchanging 2.1% of issued shares (share exchange).

Consolidated Financial Results Overview

(Million yen)

	FY2022 Consolidated	**FY2023 Consolidated**	YoY	FY2022 Q4 Consolidated	FY2023 Q1 Consolidated	Q2 Consolidated	Q3 Consolidated	**Q4 Consolidated**	QoQ
Transaction amount	11,946	**13,405**	+12.2%	3,249	3,059	3,239	3,489	**3,617**	+3.7%
Sales	3,005	**3,966**	+32.0%	892	904	976	1,021	**1,064**	+4.3%
EBITDA※	1,137	**1,275**	+12.1%	286	233	296	342	**402**	+17.4%
Operating income	930	**1,029**	+10.7%	217	160	241	285	**341**	+19.7%
Ordinary income	912	**1,020**	+11.8%	212	158	240	280	**341**	+21.7%
Profit before income taxes	918	**458**	△50.1%	227	△191	240	305	**104**	△65.7%
Profit attributable to owners of parent	602	**112**	△81.3%	169	△250	133	200	**29**	△85.2%

Consolidated results:

Sales and operating income increased consecutively since Q2.

※ EBITDA = Operating income +Depreciation +Amortization of goodwill

Consolidated Business Segment Results Overview

(Million yen)

	FY2022 Consolidated	**FY2023 Consolidated**	YoY	FY2022 Q4 Consolidated	FY2023 Q1 Consolidated	Q2 Consolidated	Q3 Consolidated	**Q4 Consolidated**	QoQ
PS business※									
Sales	2,010	**2,177**	+8.3%	491	497	541	550	**588**	+6.8%
Segment profit	878	**1,008**	+14.8%	207	223	255	263	**265**	+0.8%
SaaS business									
Sales	733	**910**	+24.1%	199	209	224	233	**242**	+3.5%
Segment profit	300	**367**	+22.3%	95	87	81	102	**96**	△5.6%
DX business									
Sales	261	**878**	+236.6%	202	197	209	236	**234**	△0.8%
Segment profit	△249	**△347**	–	△85	△150	△95	△80	**△20**	–

PS business:

Sales and profit increased for both YoY and QoQ.

SaaS business:

Sales and profit increased YoY and sales increased and profit decreased QoQ.

DX business:

Sales and net loss increased YoY and sales and net loss decreased QoQ.

※ PS stands for Professional Services

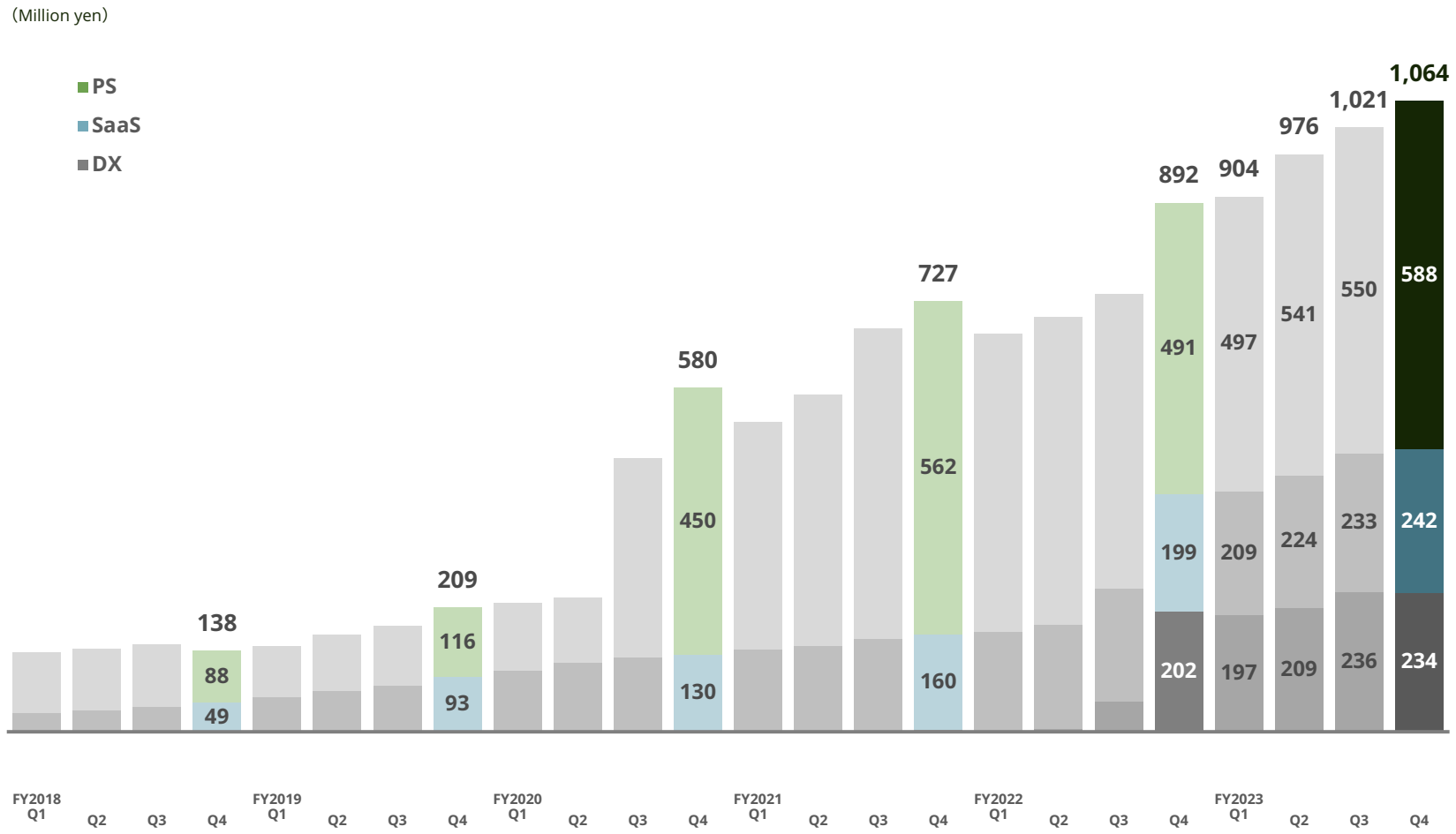
Breakdown of Extraordinary Gains and Losses

(Million yen)

	FY2022 Consolidated	**FY2023 Consolidated**	FY2023 Q1 Consolidated	Q2 Consolidated	Q3 Consolidated	**Q4 Consolidated**	Contents
Extraordinary gains	14	**25**	—	—	24	**1**	
Gain on sale of investments in affiliated company	14	**—**	—	—	—	**—**	
Gain on change in equity	—	**22**	—	—	22	**—**	Q3：Valuation gain on the share of Teps upon de-consolidation
Gain on reversal of share acquisition rights	—	**3**	—	—	2	**1**	Q3・Q4：Reversal gain on free acquisition from retirees and others
Extraordinary losses	8	**587**	350	—	—	**237**	
Valuation loss on investment securities	8	**2**	2	—	—	**—**	Q1：Valuation loss on shares of Anagram
Impairment losses	—	**390**	343	—	—	**47**	Q1：Impairment of goodwill of Shippinno and Teps Q4：Valuation loss of fixed assets and restoration expenses related to office relocation
Amortization of goodwill	—	**190**	—	—	—	**190**	Q4：One-time amortization related to valuation of FRACTA shares
Other	—	**4**	4	—	—	**—**	Q1：Teps restructuring expenses

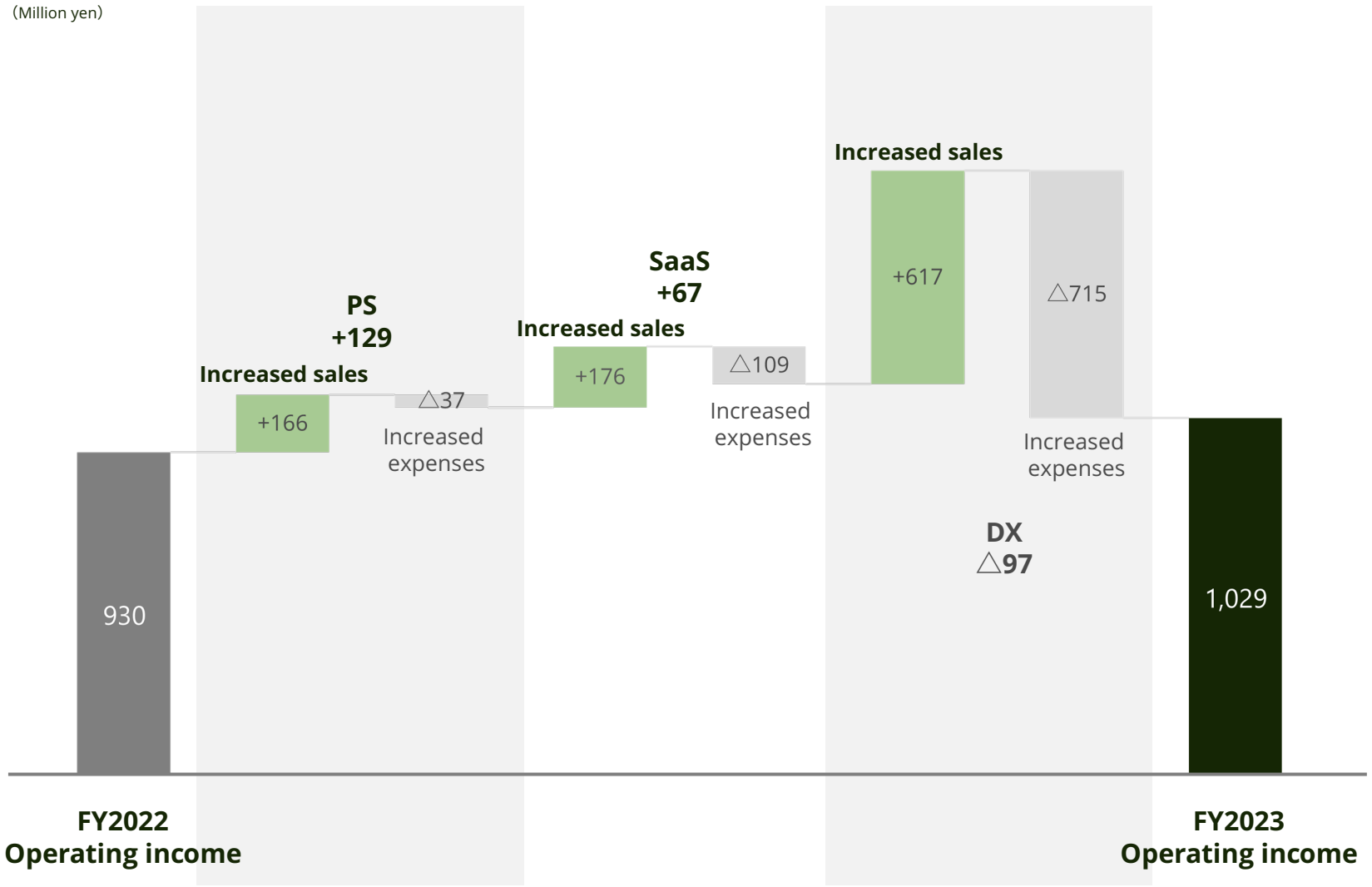
Extraordinary losses of 587 million yen were recorded due to impairment and amortization of goodwill.

Quarterly Sales



Sales increased QoQ consecutively since Q2 of FY2022.

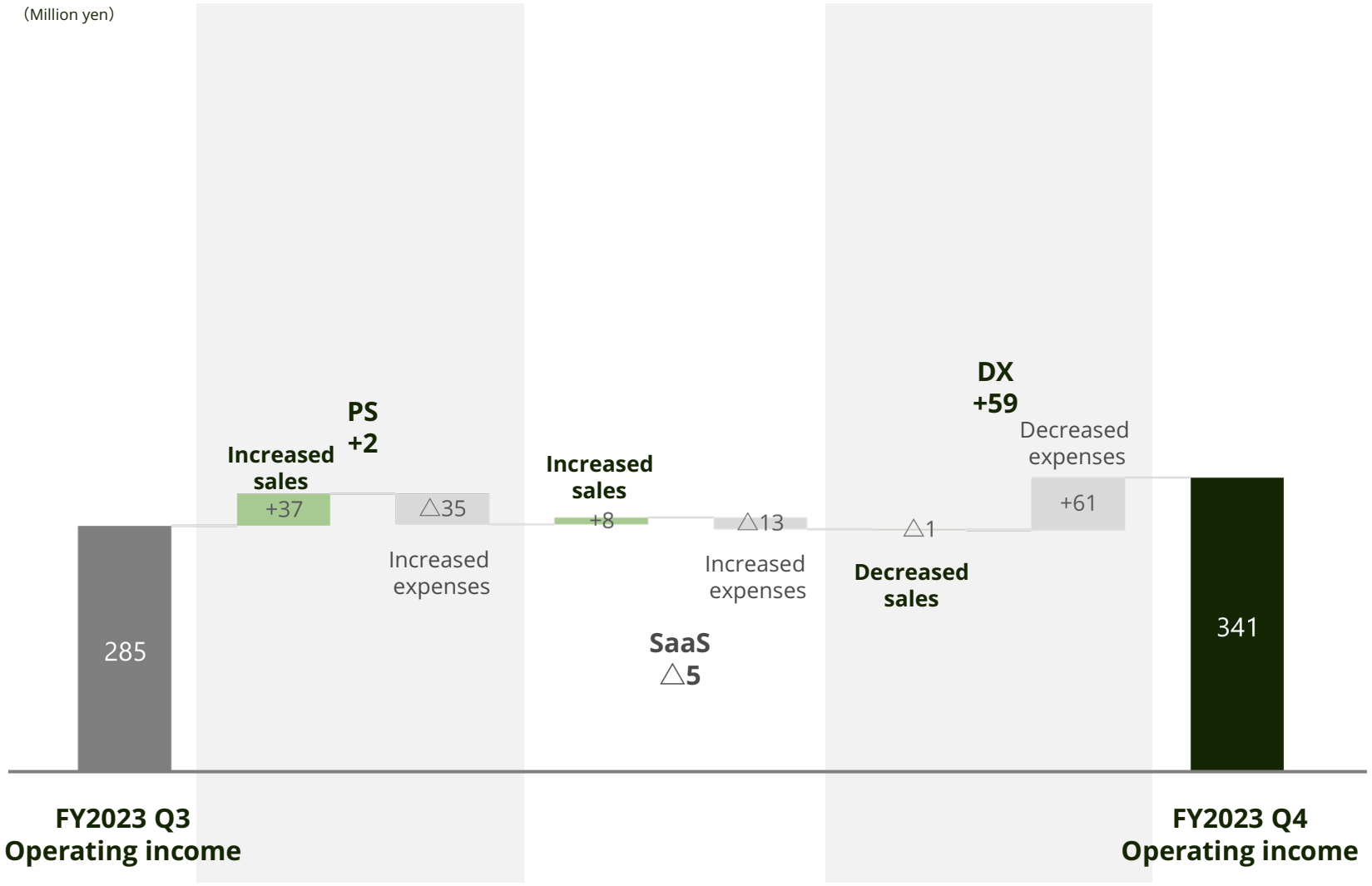
Factors for Changes in Operating Income YoY



Sales in DX business increased due to the acquisition of Shippinno, Teps and FRACTA.

As DX business area expanded, its operating expenses also increased significantly.

Factors for Changes in Operating Income QoQ



Due to de-consolidation of Teps, expenses decreased significantly in DX business.

Sales by Service

(Million yen)

	FY2022 Consolidated	**FY2023 Consolidated**	YoY	FY2022 Q4 Consolidated	FY2023 Q1 Consolidated	Q2 Consolidated	Q3 Consolidated	**Q4 Consolidated**	QoQ
PS	2,010	**2,177**	+8.3%	491	497	541	550	**588**	+6.8%
Anagrams	1,504	**2,072**		361	467	514	523	**567**	
Feedmatic	328	**–**		86	–	–	–	**–**	
Other	176	**105**		42	29	27	27	**20**	
SaaS	733	**910**	+24.1%	199	209	224	233	**242**	+3.5%
EC Booster	55	**51**		14	12	11	14	**13**	
dfplus.io	226	**304**		62	68	73	79	**82**	
Social PLUS	451	**555**		122	128	139	140	**146**	
DX	261	**878**	+236.6%	202	197	209	236	**234**	△0.8%
FRACTA	143	**607**		143	129	137	162	**177**	
Shippinno	85	**124**		47	34	31	30	**29**	
TePs	7	**47**		–	16	15	16	**–**	
Shopify App and others	25	**99**		11	17	26	27	**28**	

PS:

Sales increased for both YoY and QoQ.

SaaS:

Sales increased for both YoY and QoQ.

DX:

Sales decreased QoQ due to de-consolidation of Teps

Operating Expenses

(Million yen)

	FY2022 Consolidated	**FY2023 Consolidated**	YoY	FY2022 Q4 Consolidated	FY2023 Q1 Consolidated	Q2 Consolidated	Q3 Consolidated	**Q4 Consolidated**	QoQ
Operating expenses	2,075	**2,937**	+41.5%	675	743	734	735	**723**	△1.7%
Cost of sales	904	**1,350**	+49.3%	285	323	346	343	**336**	△2.2%
Labor cost	686	**922**		194	213	222	252	**234**	
Expenses	219	**428**		91	110	124	91	**102**	
SG&A	1,170	**1,586**	+35.6%	389	420	387	391	**386**	△1.3%
Personnel expenses	627	**836**		208	214	205	223	**192**	
Expenses	543	**750**		181	205	182	168	**194**	
R&D	12	**–**		3	–	–	–	**–**	
Recruitment/training	35	**64**		12	14	18	9	**21**	
Advertising	32	**62**		13	31	8	12	**10**	
Depreciation	127	**132**		35	31	32	33	**34**	
Amortization of goodwill	80	**112**		35	35	25	25	**25**	
Other	255	**378**		81	92	97	86	**101**	

Operating expenses decreased QoQ due to de-consolidation of Teps

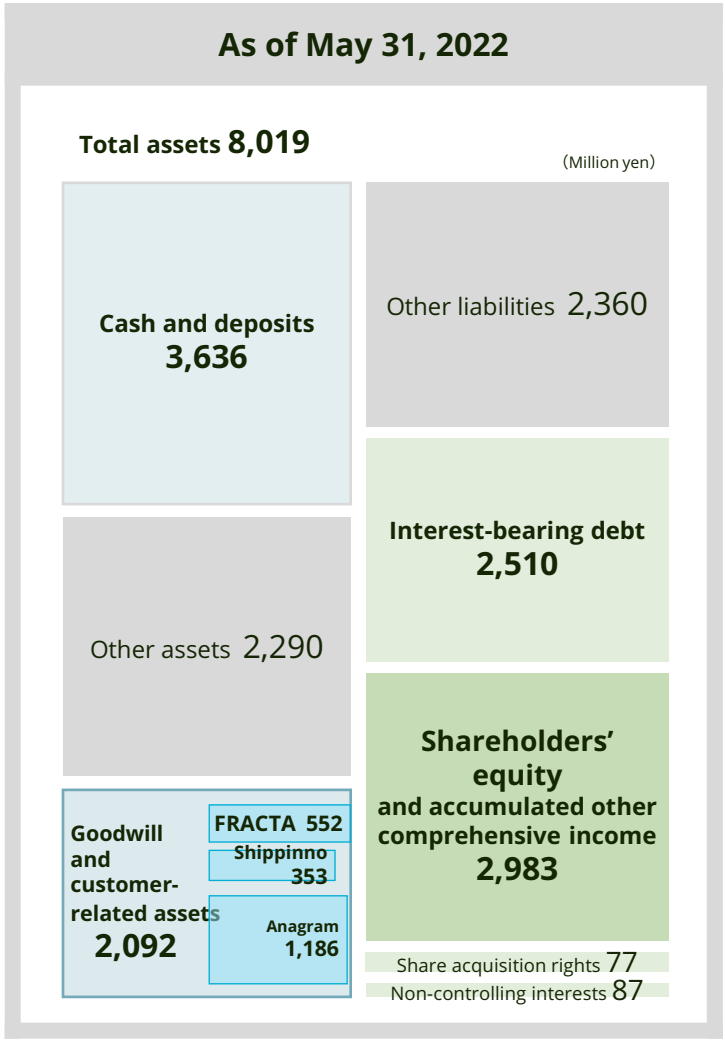
Financial Position

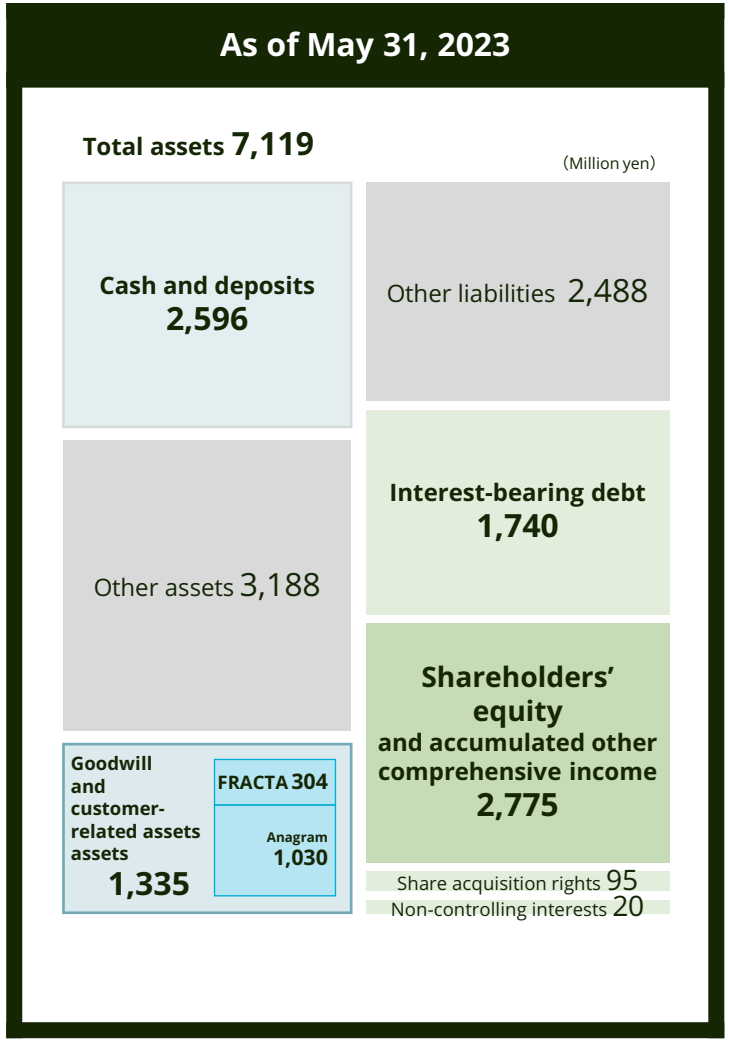
(Million yen)

	FY2019 Unconsolidated	FY2020 Consolidated	FY2021 Consolidated	FY2022 Consolidated	**FY2023 Consolidated**	v.FY22 end
Current assets	426	3,528	4,915	5,503	**5,248**	△255
Non-current assets	44	1,690	1,552	2,515	**1,870**	△645
Total assets	470	5,219	6,467	8,019	**7,119**	△900
Current liabilities	322	1,370	2,255	2,861	**2,541**	△319
Non-current liabilities	50	2,018	1,810	2,009	**1,686**	△322
Total liabilities	373	3,389	4,065	4,870	**4,228**	△642
Shareholders' equity	97	957	2,366	2,983	**2,777**	△205
Accumulated other comprehensive income	—	—	—	△0	**△2**	△2
Share acquisition rights	—	—	32	77	**95**	+17
Non-controlling interests	—	872	2	87	**20**	△66
Total net assets	97	1,829	2,401	3,148	**2,890**	△257

Due to repayment of borrowings and acquisition of treasury shares (cancellation), total liabilities and net assets decreased.

Breakdown of Consolidated Balance Sheet





Due to repayment of borrowings and acquisition of treasury shares (cancellation), cash and deposits decreased.

Goodwill and customer-related assets decreased significantly due to impairment and amortization.

Office Relocation

Current locations

Yushima, Bunkyo-ku, Tokyo	Feedforce Group, feedforce, social plus, Rewire
Sendagaya, Shibuya-ku, Tokyo	ANAGRAMS
Sakuragaoka-cho, Shibuya-ku, Tokyo	FRACTA
Nakakaigan, Chigasaki-shi, Kanagawa	SHIPPINNO
Ho Chi Minh City, Vietnam	feedforce Vietnam



New locations （After Sept 2023）

Minami-Aoyama, Minato-ku, Tokyo	Feedforce Group, feedforce, social plus, Rewire, FRACTA, SHIPPINNO
Sendagaya, Shibuya-ku, Tokyo	ANAGRAMS
Ho Chi Minh City, Vietnam	feedforce Vietnam

For the purpose of consolidating our offices to one location, we decided to move our head office (Sept 2023).

The moving-out expenses of the current offices is 47 million yen and recorded as an impairment loss in the current fiscal year.

Outlook for the Ratio of Floating Shares



Aim to achieve over 35% around May 2024.

※ Ratio of floating shares: the ratio of floating shares to the outstanding shares where the floating shares are the number of shares outstanding, excluding the following: “the number of shares held by the shareholders who own 10% or more of the outstanding shares", “the number of shares held by officers", “the number of treasury shares", “the number of shares owned by special related parties other than officers", “the number of shares held by domestic commercial banks, insurance companies and other corporations”, and “the number of shares deemed to be fixed."

02

Our Business Plan and Growth Potential

Business Model

(1) Business Overview Business segments and business areas of subsidiaries

		PS	SaaS	DX
Outline		• Internet-oriented advertising agency • Data feed creation agency service	• LINE CRM and social login service that connects users with ID • Data feed management tools • Shopping ads automatic seconding tool	• Shopify branding and EC building support services • Shopify App and EC business automation support tool
Business areas of each company	feedforce	✓	✓	✓
	ANAGRAMS	✓		
	social plus		✓	
	FRACTA®			✓
	SHIPPINNO シッピーノ			✓
	Rewire			✓
	feedforce Vietnam			✓

The core companies are Anagrams in PS business, Social PLUS in SaaS business, and FRACTA in DX business.

ANAGRAMS



What we want to achieve is **to unearth the hidden charms of company clients that even they themselves are not aware of and make their business successful**.
We want to be a partner that supports our clients in every way possible to help them succeed in their business, not just in the operation of managed advertising.

—Anagrams Features and Strengths —

Marketers are overwhelmingly strong in operational advertising.



Able to ask about the entire business and the entire market.



An integrated system that does not separate sales and operations.





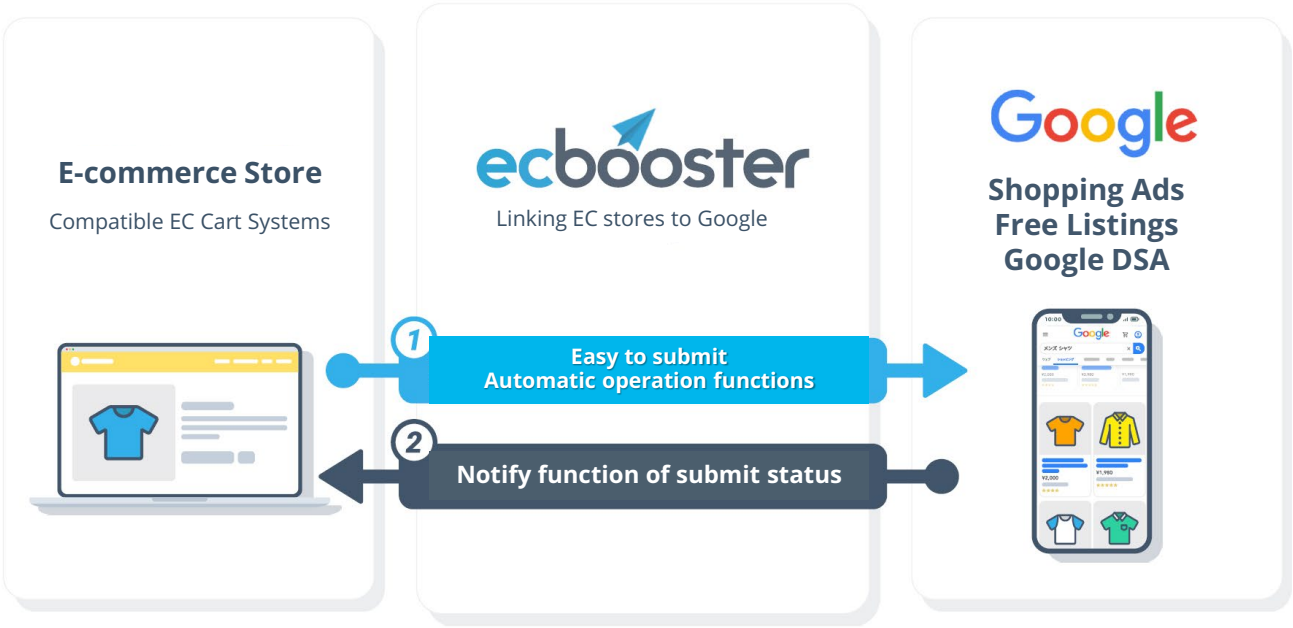
ecbooster

Quickest in 5 minutes, Get your products listed on Google



What is EC Booster?

"EC Booster" is a service that automates the process of attracting customers, targeting small and medium-sized E-Commerce businesses.
Currently, the posting and operation of "Google Shopping Ads" and "Google DSA" are automated and
EC businesses can easily post their special products in the prime Google search locations.

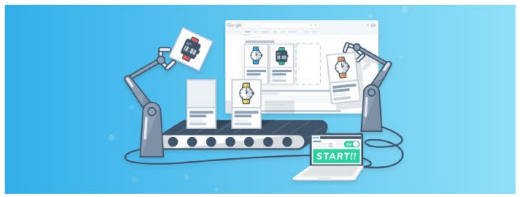


Easy submission and automatic operation functions



With as little as 5 minutes of initial setup, you can automatically submit advertisements from your E-commerce site. There is no need for operational effort.
Fully automated handling of difficult screening and other tasks.
Daily operations are also fully automated, so you can rest assured.

Submission status notification



It will automatically notify you if there are any products that are not listed on Google.
If your ad is disapproved by Google, we'll show you how to deal with it, so you can make improvements in the system right away and minimize lost opportunities!



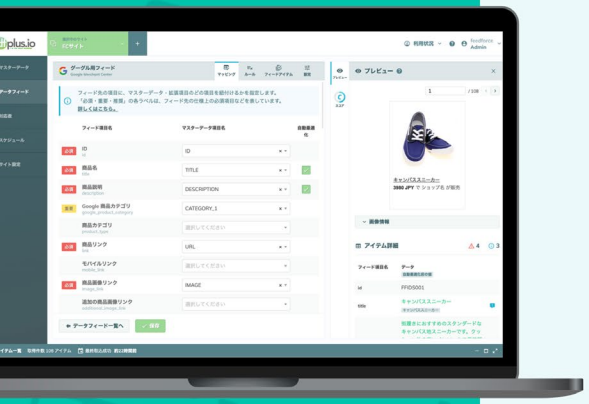
dfplus.io

Make product data top-selling with Data Feed.

”dfplus.io”, a Data Feed Management Tool



"dfplus.io" is a Data Feed Management Tool for utilizing EC product data, human resource job posting data, real estate property data, etc. for marketing.
In addition to data feed ads such as Google Shopping Ads, Criteo, Facebook, Indeed, etc., we also provide recommendations, data linkage with partner sites, and social commerce, realizing an operational environment where even a small number of people can easily achieve results.





You can complete the process at hand.

The creation and management of Data Feeds can be completed at hand, greatly reducing communication costs. Rapid implementation of measures is possible.



Powerful features

We have improved its functions more than 100 times in a year, including automatic optimization, automatic creation of feeds, and avoidance of human errors.
Standard support for all major media.

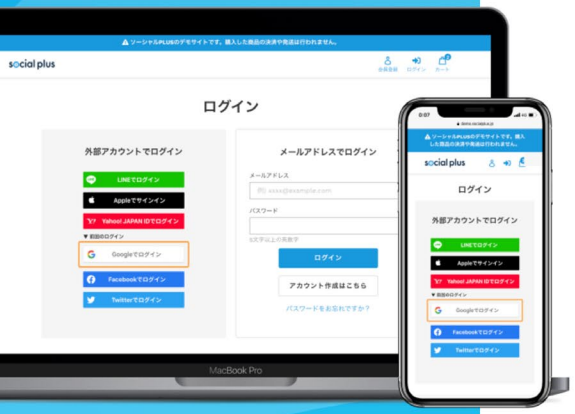


Beginners are welcome

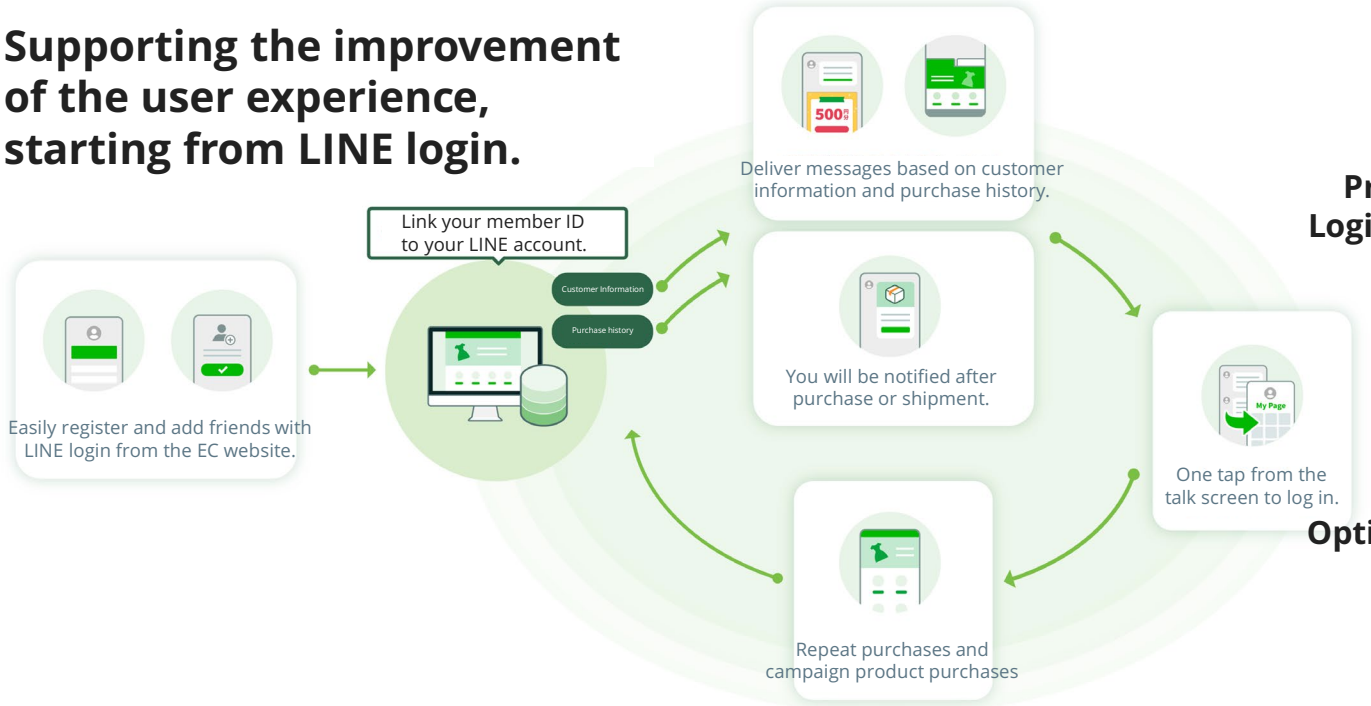
With a user interface that is easy to understand, even for beginners in data feeds, it realizes an operation system that does not depend on a single person.
Support is also available.

social plus

Make it easier to implement Social Login.



Supporting the improvement of the user experience, starting from LINE login.

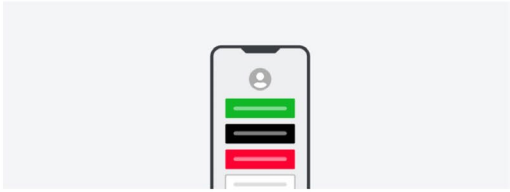


Promote the use of LINE Login to add friends and link IDs

×

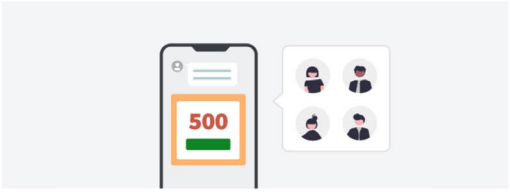
Optimizing message delivery with a focus on user experience

Optimization of member registration and purchase flow



It makes membership registration very easy because it automatically fills in the membership registration form with personal information obtained through Social Login.
By linking the member ID to the SNS account, users can easily log in with their familiar SNS account.

CRM using the official LINE account



It is possible to promote the linkage of friend additions and IDs through LINE login, as well as optimize message delivery.
We will support you in improving user experience and sales based on our technical capabilities and know-how as a certified LINE Corporation Technology Partner and SMB Sales Partner.

Linking Shopify and LINE



Easily implement social login and CRM policies that integrate Shopify and LINE. We also support segmented delivery based on Shopify customer information and purchase history, as well as automatic delivery of LINE notification messages after purchase completion and shipping completion.

FRACTA®

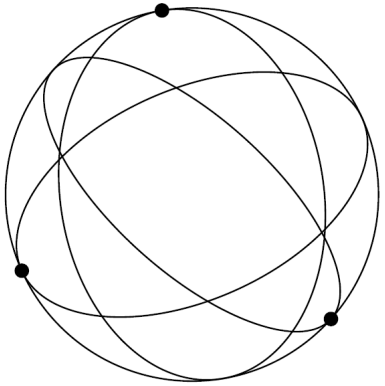
TOTAL BRANDING PARTNER

FRACTA is a total branding partner that implements brand brilliance in society.

With the power of branding and marketing as well as technology and design, we will rediscover the core of existing brands in addition to new business development and implement them in society.

Three services provided by FRACTA

01

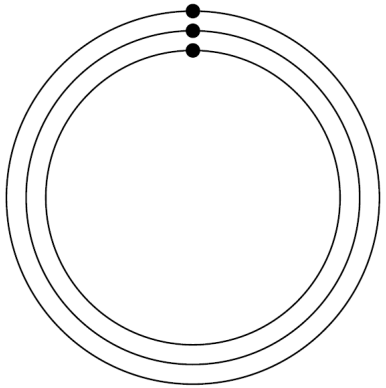


One by One

Brand Consulting Services

Build a dedicated brand team and accompany the brand to progress the project

02

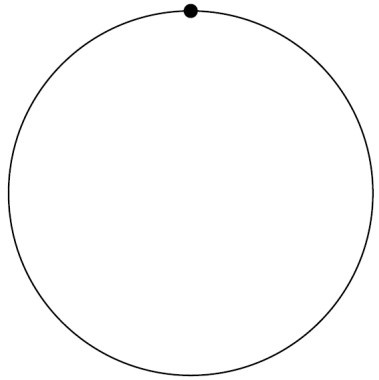


Star Tracker

Branding Online Service

Promote brand self-propelled driving by providing centralized tools and know-how related to brand management

03



Branding Camp

Branding and Commerce Education Services

Promote revitalization through knowledge education on branding and e-commerce

SHIPPINNO
シッピーノ

SHIPPINNO processes orders automatically 24 hours a day, from order receipt to shipping requests, inventory synchronization, and sending emails to buyers.
It is a service that automates data linkage related to shipping and dispatch between any mall and logistics warehouse.



Non-stop, fully automated processing from order to shipment

- Reflecting incoming data
- Confirmation of order information
- Sending Thank You Email
- Check inventory
- Request shipment to warehouse
- Packing and shipping at warehouse
- Send shipment completion email
- Register shipping information
- Synchronize inventory

https://www.shippinno.net/



Omni Hub

shopify × スマレジ

Omni-Channel Member Linkage App

Member information linkage



You can add your Shopify membership information as your *SUMAREJI* membership information.

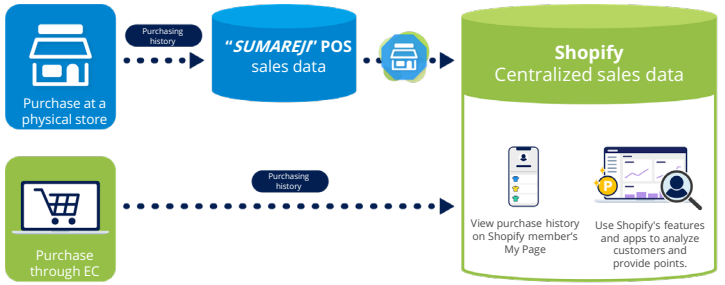
Display member barcodes on the EC site!



Sales information linkage



Unify online and offline purchase status. Realize cross-channel analysis and CRM!



Dokopoi introduces points system

Grant/use points

Set granting and using points to match Japanese business practice

Manage points per user

Show irregular points change and points past records

Manage points per user

Show irregular points change and points past records

Analytical tool

Show data for LTV improvement, such as the current status of points granted and used

Export

Export CSV file of customer information registered on Dokopoi and points past records

Limited campaign

Change grant rates by combining multiple conditions at the time of purchase (limited period, accumulated amount, etc.)

Compatible with Shopify Flow

Able to grant and use points automatically by certain actions

Link points with off-line stores

Integrate member and points information by SUMAREJI (Omni Hub) and Shopify POS

Reward program

Exchange saved points for merchandise

Export

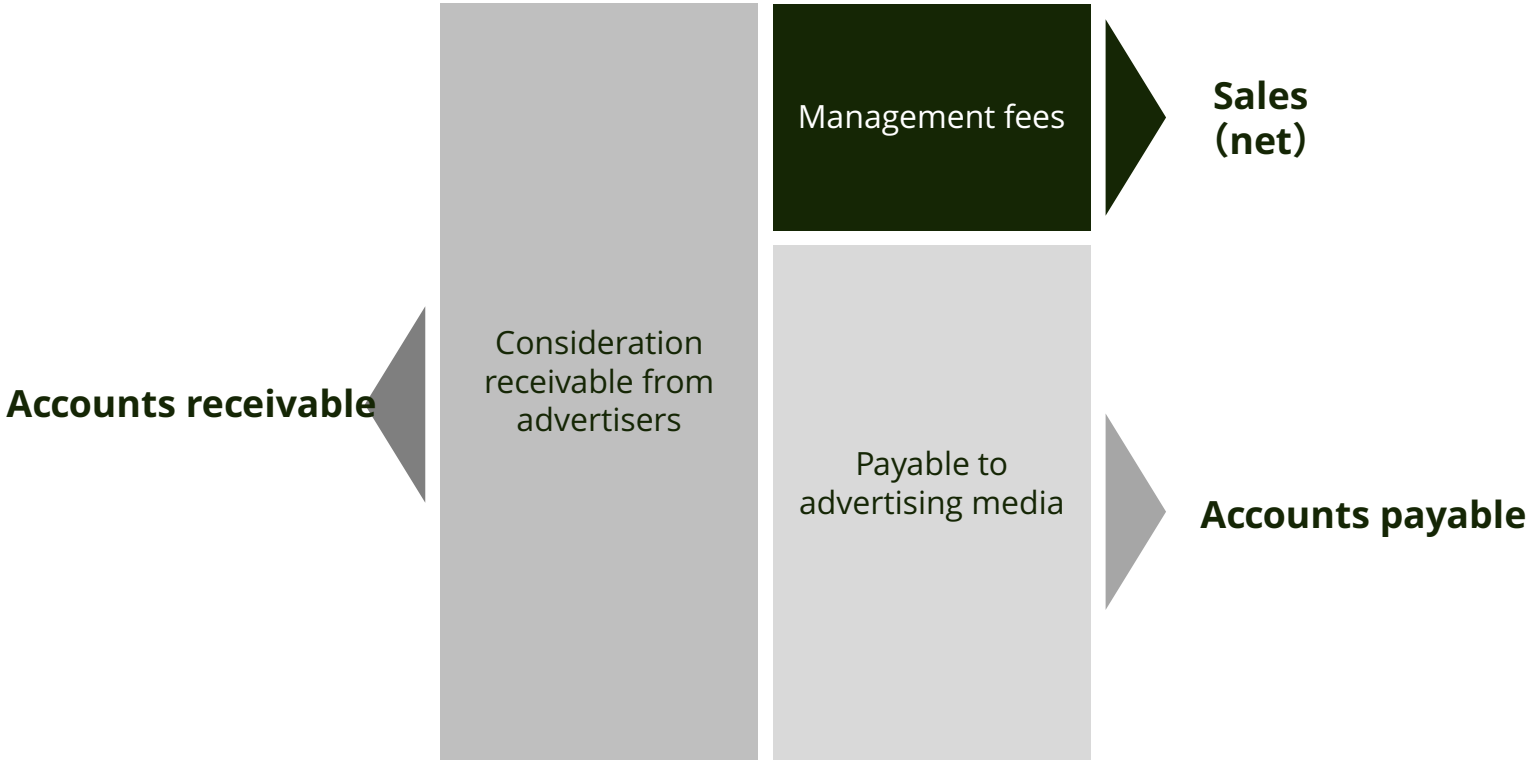
Export CSV file of customer information registered on Dokopoi and points past records

(2) Revenue Structure List of key services and fee structures

Fee structure	PS	SaaS	DX
Variable rate per billing	Rate of customer promotion (advertising) expenses Internet-oriented advertising agency ANAGRAMS	Google shopping ads automatic operation tool ecbooster	
Fixed by month	Data feed advertising operations DF PLUS	Data feed management tool dfplus.io Social login & message delivery social plus LINE-based CRM infrastructure Shopify App CRM PLUS on LINE	Automation of e-commerce shipments and orders SHIPPINNO シッピーノ Subscription feather Shopify App Omni Hub Shopify App related to point features どこポイ Branding online service Star Tracker
Per person per month			Brand strategy, EC setup supports FRACTA

Based on revenue models of rate per billing, fixed monthly fee and per person per month

(2) Revenue Structure Revenue structure and sales recognition for advertising management services



Advertising agency business records sales as net.

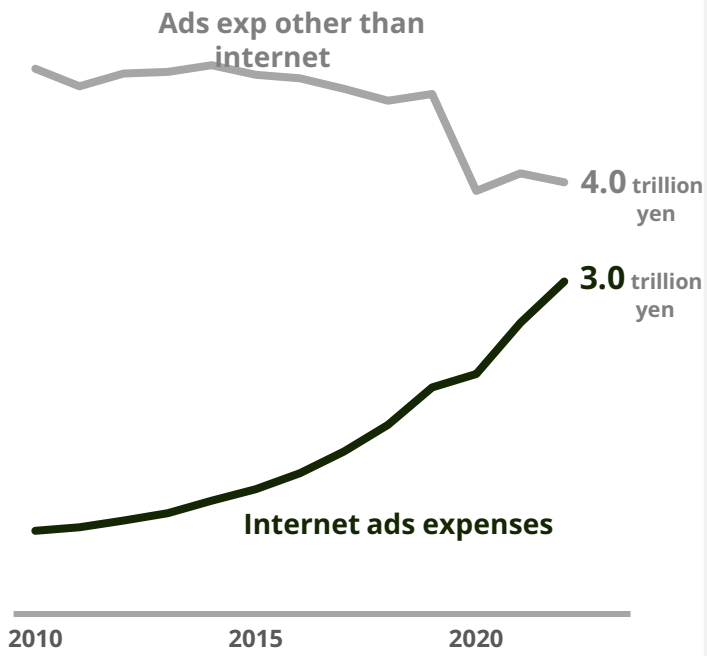
Companies under this structure

ANAGRAMS ecbooster

Market Environment

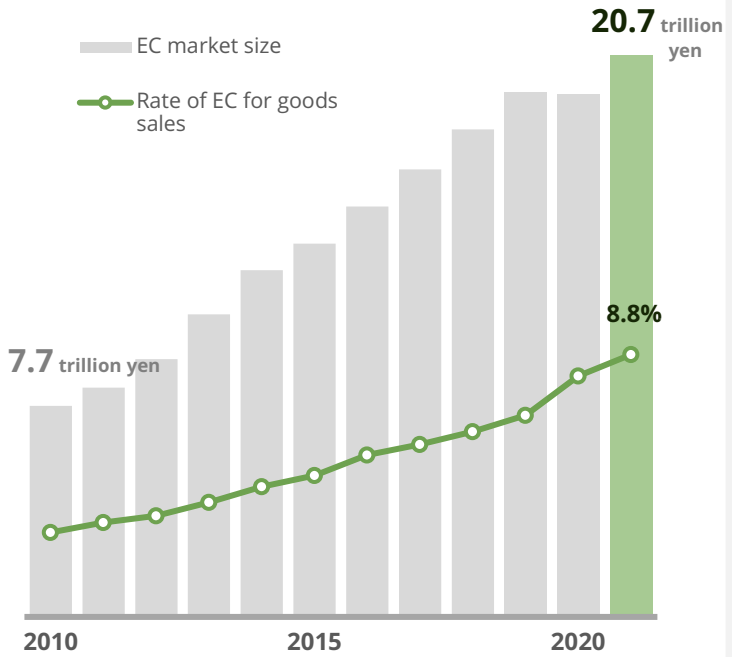
(1) Market Size Internet advertising and EC markets

Domestic internet advertising market



Source: Dentsu Inc. “Advertising costs in Japan 2022” (Feb 2023)

Domestic e-commerce market



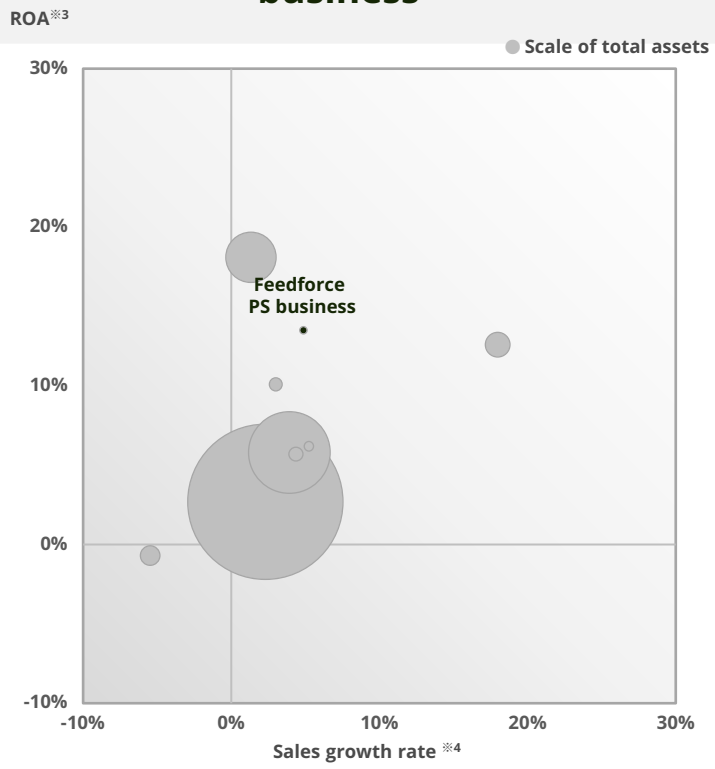
Source: METI “Market Research on e-commerce 2021” (Aug 2022)

Internet advertising expenses grew 14.3% in 2022.

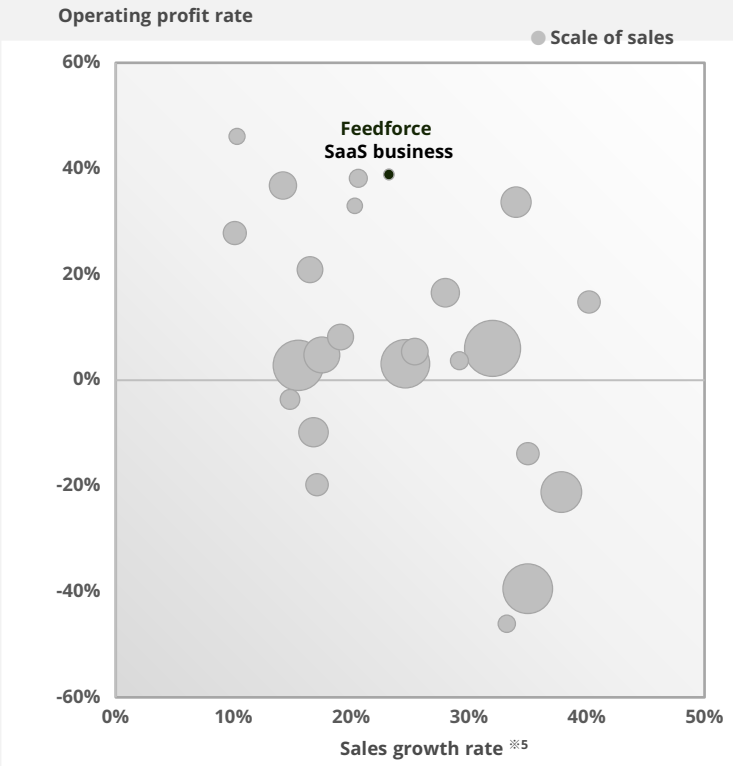
E-commerce in 2021 grew 8.6% in goods sales.

(2) Competitive Environment
Comparison with domestic major advertising agencies and SaaS business

Growth and profit rates of major domestic advertising agency business※1



Growth and profit rates of major domestic SaaS business※2



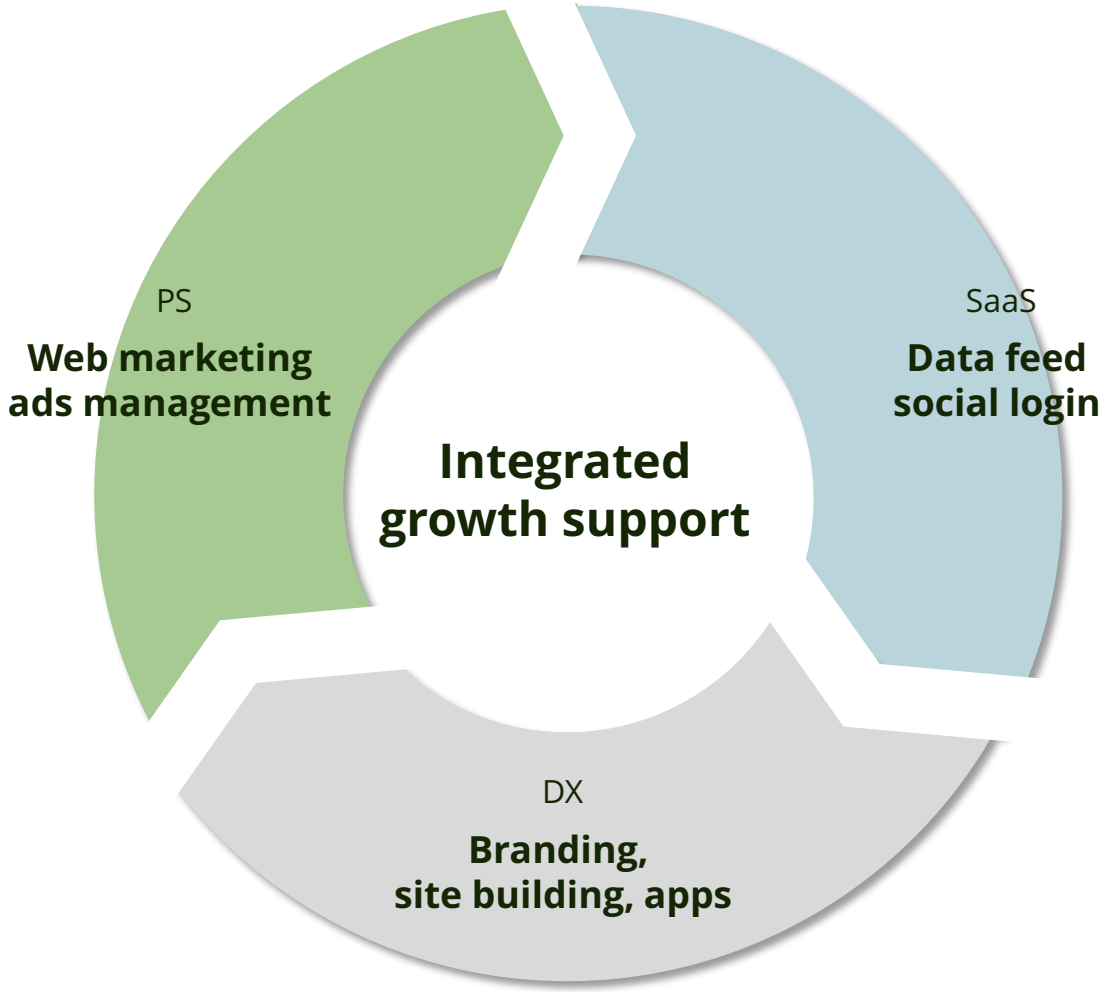
In comparison with major domestic advertising agency and SaaS businesses, we keep the high profit rate even though our scale of total assets and sales are small.

※1 Calculated based on the latest financial results of major companies listed in Japanese stock markets whose main business is advertising
※2 Calculated based on the latest financial results of major companies listed in Japanese stock markets whose main business is SaaS
※3 Calculated using the profit rate before tax for IFRS financial results
※4 Calculated based on actual sales
※5 Calculated based on forecast sales

Source of Competitiveness

(1) Management Resources and Competitive Advantage

Business segment synergies



- **Sales promotion (PS)**
- **Providing tools (SaaS)**
- **Branding, site building and providing EC apps (DX)**

Through these businesses, we will support the growth of e-commerce and Web service providers.

(1) Management Resources and Competitive Advantage

Characteristics of business segment

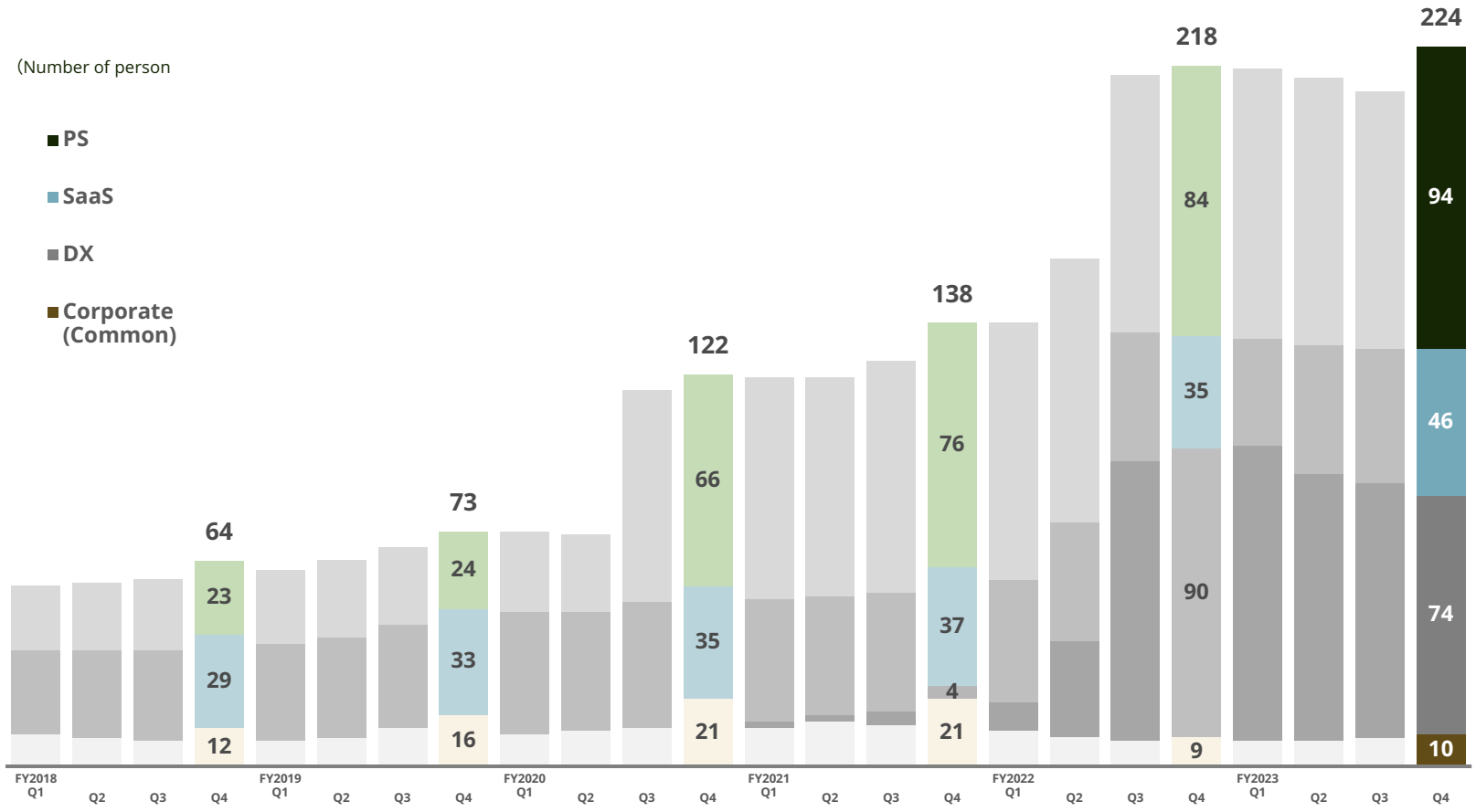
	Source of Competitiveness	Scale	Profitability	Stability	Growth potential
PS	▫ Maintains high profitability with a consulting-style advertising agency model	Sales 2,177M yen Full-time employees 94	Operating profit rate (FY2023) 45.5%		
SaaS	▫ Maintain steady increase in sales and high profitability ▫ Few competitors in Japan in social login and data feed tools	Sales 910M yen Full-time employees 46	Operating profit rate (FY2023) 38.1%	Since segment disclosure in FY2017 Consecutive increase in sales and profit	
DX	▫ Establish EC support structure from branding using Shopify, website building, providing apps to backyard jobs	Sales 878M yen Full-time employees 74			Expected sales growth rate (FY2024) +29.4%

Since each segment has different characteristics, it is possible to continue growth investments while expanding profits.

(1) Management Resources and Competitive Advantage

Expanding human resources

Changes in the number of employees (Full-time only)



The number of Group employees (full-time only) increased to 224 due to expanding organization in PS and SaaS businesses.

(1) Management Resources and Competitive Advantage Management

Koji Tsukada
President & CEO
Feedforce Inc.



Graduated from Kyoto University, the Faculty of Engineering in 1992. After working at Yasuda Trust and Banking, he established Root Communications Inc. in 1996. In March 2006, he founded Feedforce Inc.

Keji Abe
Director
Anagrams
President & CEO



Graduated from Bunka Fashion College in 2001.
After graduation, he worked as a freelancer for the apparel and e-commerce businesses. Established Anagrams in April 2010 and became President (current position).

Norikazu Shimada
Independent Director
(Supervisory Committee, full-time)

Graduated from Yokohama National University, Department of Economics in 2007. He worked for Deloitte Touche Tohmatsu LLC and became Director (Supervisory Committee) in August 2022. CPA.

Katsunori Ura
Independent Director
(Supervisory Committee)

Graduated from Hitotsubashi University, the Faculty of Law in 2002. He joined Blakemore Law Office and then joined the Tokyo Marunouchi Law Office.
In August 2017 he was appointed as an auditor, and in August 2018 became Director (Supervisory committee). Attorney at law.

Yasuo Sato
Independent Director
(Supervisory Committee)

After graduating from university, he worked for Asatsu Inc. (currently ADK Holdings), Digital Garage, Inc., Infoseek, Google, ATARA, LLC Chairman (current position). In August 2020 he became Director (Supervisory committee).

Kazuhaya Okada
Group Executive Officer
President & CEO
Social PLUS Inc.

After graduating from Tokai University, the Faculty of Engineering in 2000, he was a sole proprietor, worked for TMJ Inc., Coocom Inc. and other companies before joining Feedforce Inc. in October 2015. He served as Head Manager for SaaS business and was an executive officer and in June 2021 became President and CEO of Social PLUS Inc.

Takanobu Kono
Group Executive Officer
President & CEO
FRACTA Inc.

Worked as a freelance CG creator, composer and designer since 2000. Before joining Feedforce Group Inc. in December 2021, he was a digital strategy director at Tuchiya Kadan, Inc. (until March 2020) Japan's first Shopify evangelist.

Shingo Nishiyama
Group Executive Officer
In charge of Group

Graduated from Kyoto University, the Faculty of Engineering in 2002. He worked for the Ministry of Construction (currently MLIT) and Nikko Citigroup Securities Co. (currently SMBC Nikko Securities Inc.) before joining Feedforce Inc. in January 2017.

Our Business Plan

Business Plan Summary

FY2023

- Invest in expanding organization (mainly staff) for future growth while maintaining the profit level

Achieved

PS	Increase Anagrams staff to more than 100
SaaS	Keep increasing sales and profit while expanding functions
DX	Increase FRACTA staff, increase sales of AppUnity

FY2024 Plan

- Shift from profit maintaining phase due to up-front investment to sales and profit expansion phase
- Continue constant organizational expansion towards mid-term goal

PS	Build stable operating structure and revenue base
SaaS	Keep 20% growth rate and increase profit
DX	Achieve net profit and start providing new solution

FY2025 Goal

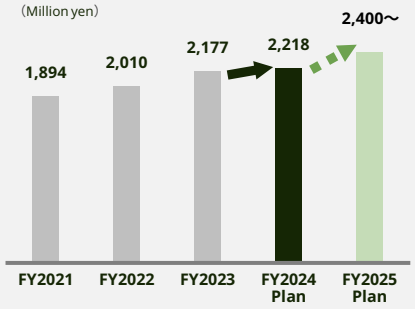
- Mid-term goal: Achieve “5 billion yen for sales, 2 billion yen for operating profit, maintain over 20% for ROE”

In FY2024, we will aim profit expansion by continuing growth in SaaS and DX businesses.

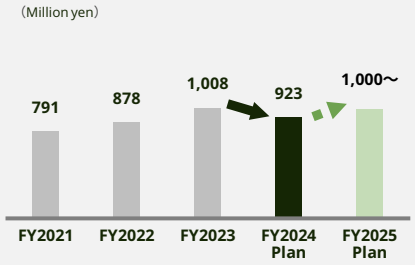
(1) Growth Strategy Growth strategy for PS business

PS results

Sales



Segment profit

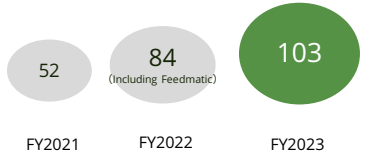


ANAGRAMS

Initiatives for FY2024

- Plan for FY2024
  Sales 2.2 billion yen
  Segment profit 0.9 billion yen

- In the last fiscal year, the organization expanded to 100+ staff (including temp). In FY2024, build a stable operation while increasing staff by certain level.



- Build a stable revenue base, which does not depend on economic trends and particular projects

Growth strategy after FY2025

- Target for FY2025
  Sales 2.4 billion yen
  Segment profit 1.0 billion yen

- Secure a position as a major domestic independent internet advertising

By building a stable operational structure and revenue base, we will maintain a high revenue structure.

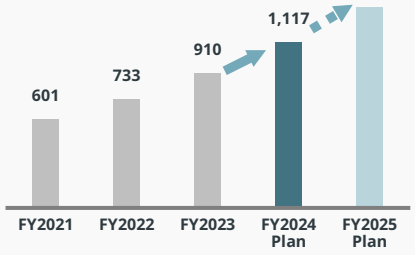
(1) Growth Strategy

Growth strategy for SaaS business

SaaS results

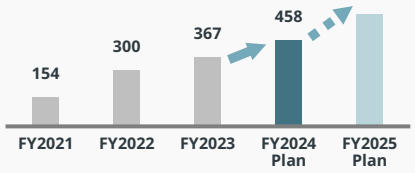
Sales

(Million yen)



Segment profit

(Million yen)



	Initiatives for FY2024	Growth strategy after FY2025
	◻ Plan for FY2024 Sales 1.1 billion yen Segment profit 0.4 billion yen	◻ Maintain around 20% sales growth and increased profit
social plus	◻ Through the release of new message function, increase shares and reinforce EC platform link	◻ Aim for top market shares in Japan for both login and message functions
CRM PLUS on LINE	◻ Expand mainly for enterprise and also extend to medium and small businesses	◻ Expand from Shopify to other platforms
dfplus.io	◻ Develop enterprise customers and facilitate implementation ◻ Active use of AI in services	◻ Develop services of data feed x AI

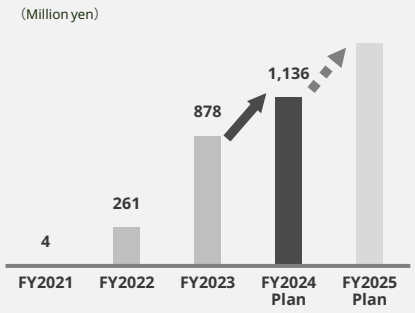
While extending functions in each service, we will continue around 20% increase in sales going forward.

(1) Growth Strategy

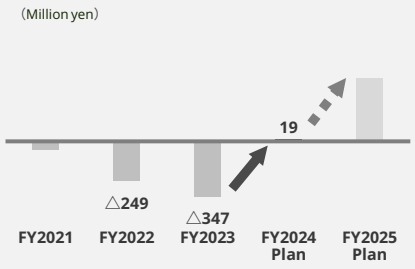
Growth strategy for DX business

DX results

Sales



Segment profit



	Initiatives for FY2024	Growth strategy after FY2025
	◻ Aim for big sales growth and segment profit	◻ Big profit growth in FY2025 ◻ Expect significant growth by building AppUnity economic zone and group synergy
FRACTA®	◻ Organizational reinforcement was completed last fiscal year. In FY2024, accelerate business growth ◻ Start EC operation support using AI, co-develop a solution using “the first party data” with AppUnity and release, which leads to business growth	
appunity	◻ Increase collaboration with group companies, obtain enterprise customers ◻ Focus on specialized solution, such as ID integration, OMO, B2B, P2C and AI	

We plan to provide new solutions while aiming to make a net profit in FY2024.

More enterprise support by enhanced group-company-collaboration

appunity

feedforce FRACTA Rewire

- Launched shared proposal for enterprises headed by AppUnity
- Various specific area solutions to be released soon, a periodic seminar is held monthly





(2) Management Indicators Sales-related data: Number of use projects by service

(Number of use)

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	**FY2023**	v.FY2022 end
PS								
Anagrams	–	–	–	96	115	116	**156**	+40
Feedmatic	24	23	45	48	45	49	–※1	△49
SaaS								
EC Booster※2	–	57	313	344	303	283	**460** Of which entry plan is 198	+177
dfplus.io	7	48	98	139	175	235	**302**	+67
Social PLUS	133	188	237	272	309	361	**391**	+30
DX								
FRACTA	–	–	–	–	–	53	**43**	△10
Shippinno	–	–	–	–	–	495	**435**	△60
Shopify App※3	–	–	–	–	–	532	**144**	△388

The number of use constantly increased for dfplus.io and Social PLUS.

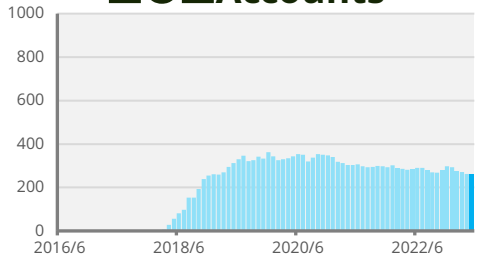
The number of Shopify App active account decreased as the subscription shared service ended.

※1 After a merger in June 2022, the number of use has been integrated into Anagrams'.
※2 EC Booster free plan accounts are not included.
※3 The number of paid active accounts of Shopify-providing apps

(2) Management Indicators Sales-related data: SaaS performance indicators

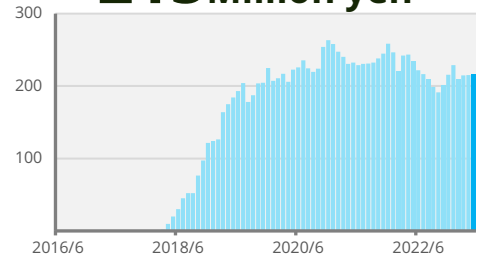
Number of active advertising plan accounts

(Accounts) **262Accounts**



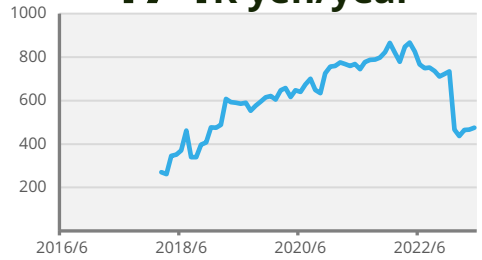
Annualized transaction volume※1

(Million yen) **215Million yen**



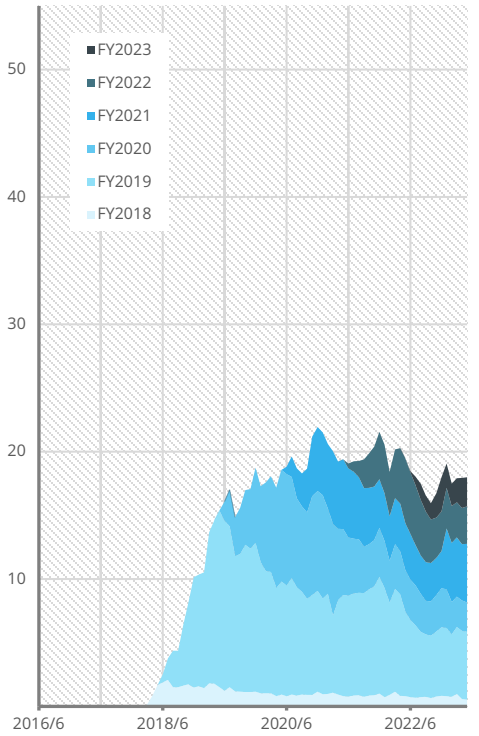
Average transaction volume per account

(Thousand yen) **474K yen/year**



Monthly transaction cohort graph

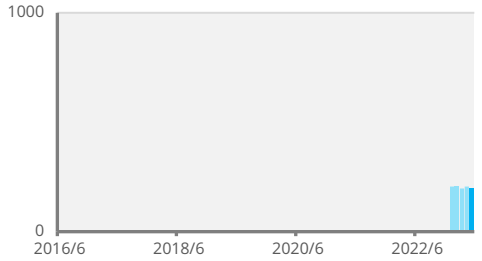
(Million yen)



Number of entry plan accounts

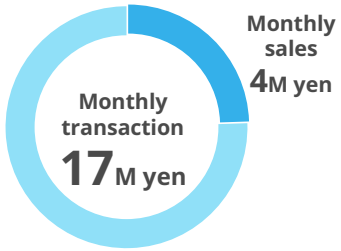
198件

(Accounts)



Take rate※2

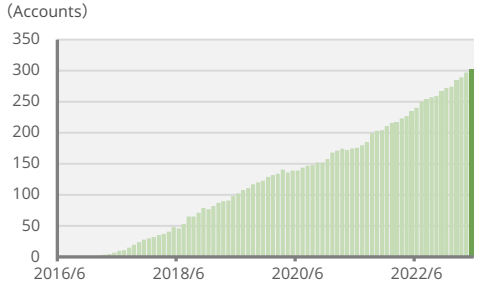
24.4%



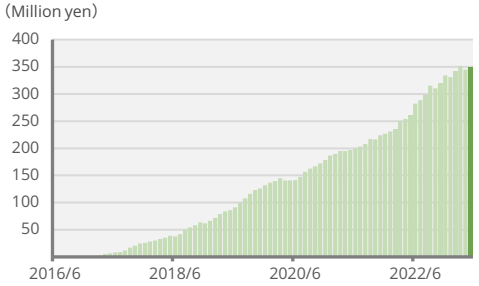
※1 Calculated by multiplying 12 to each monthly transaction amount.
※2 Ratio of sales to transaction amount. Sales are calculated by deducting media advertising cost and partner commissions from the transaction volume.

(2) Management Indicators Sales-related data: SaaS performance indicator

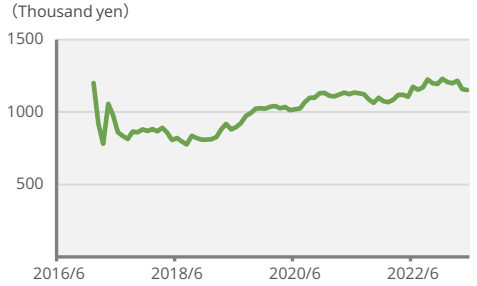
Number of accounts
302Accounts



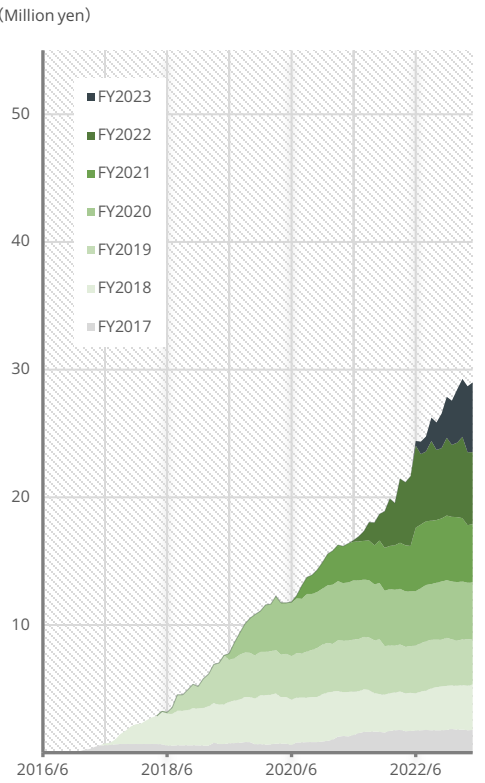
ARR※2
347Million yen



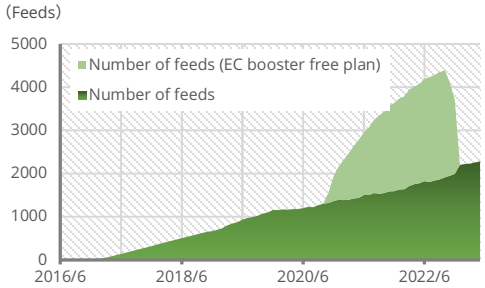
ARPA※3
1,151K yen/year



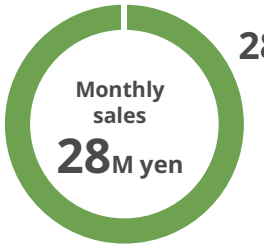
Monthly sales cohort graph



Number of datafeeds※1
2,281Feeds

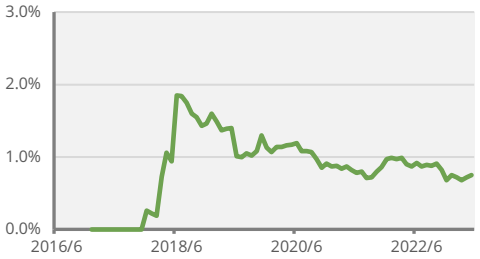


Recurring revenue ratio
100.0%



MRR
28M yen

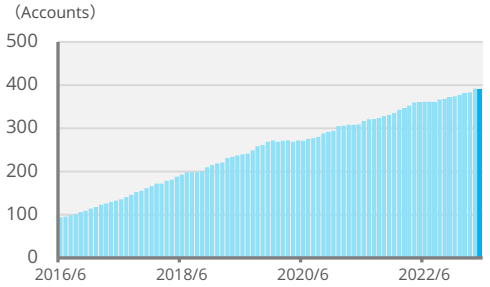
Churn rate※4
0.75%



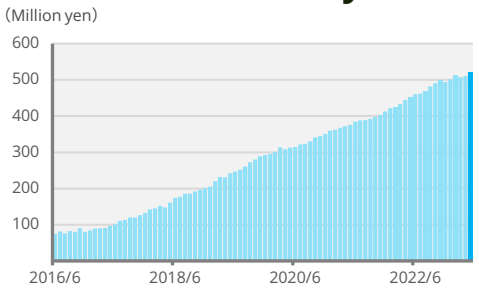
※1 Sum of the number of media to which data is sent to each account.
EC Booster free plan was terminated in Dec 2022. After Jan 2023, the number of datafeeds of entry plan are included.
※2 Calculated by multiplying each monthly recurring revenue (continuous fixed revenue) by 12
※3 Average ARR per account
※4 The weighted average of monthly cancellation amounts for the monthly recurring revenue for the last 12 months

(2) Management Indicators Sales-related data: SaaS performance indicator

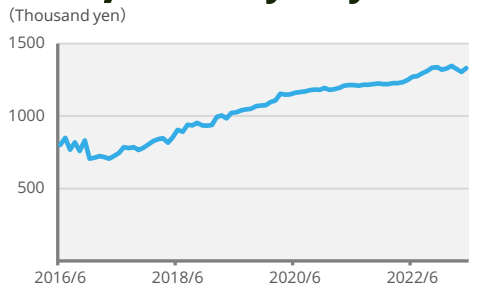
Number of accounts
391Accounts



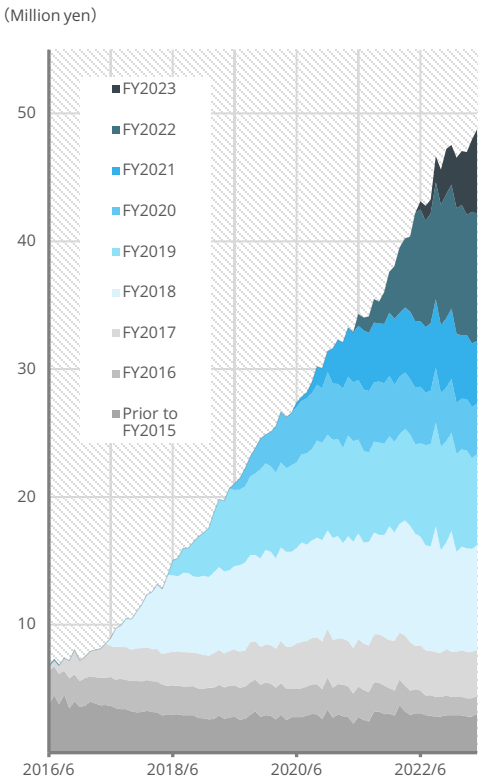
ARR※2
520Million yen



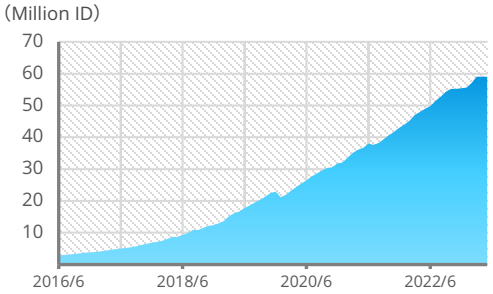
ARPA※3
1,331K yen/year



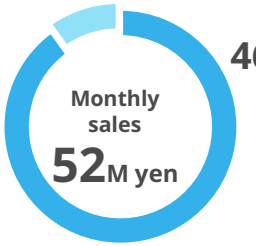
Monthly sales cohort graph



Number of user ID※1
57Million ID

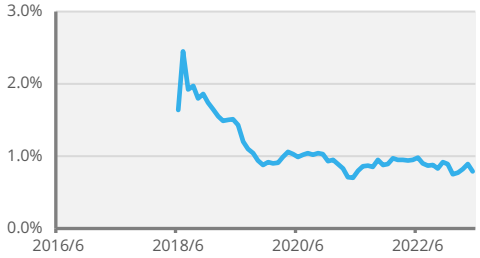


Recurring revenue ratio
90.0%



MRR
46M yen

Churn rate※4
0.79%

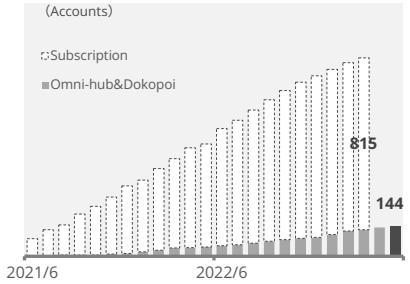


※1 Total number of user IDs registered through the Social PLUS service
※2 Calculated by multiplying each monthly recurring revenue (continuous fixed revenue) by 12
※3 Average ARR per account
※4 The weighted average of monthly cancellation amounts for the monthly recurring revenue for the last 12 months

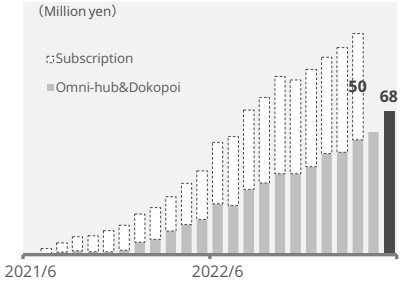
(2) Management Indicators Sales-related data: DX performance indicators

appunity ※1

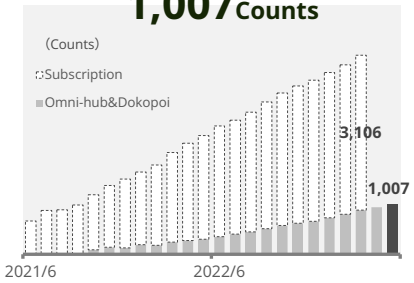
Active accounts ※2
144Accounts



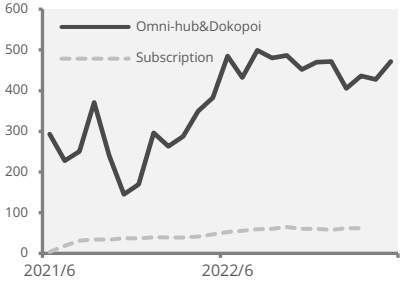
ARR※3
68Million yen



Number of app installs ※4
1,007Counts



ARPA※5
471K yen/year

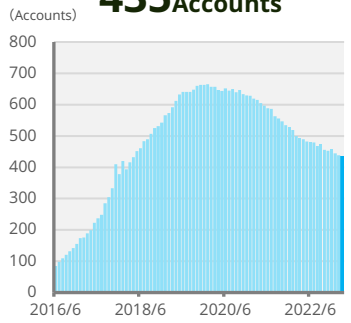


※1 Total of Shopify apps "Subscription," "Omni-hub" and "Dokopoi" belonging to DX business. Subscription app as a shared business ended in March.
※2 Only the number of paid plan actives is included
※3 Calculated by multiplying each monthly recurring revenue (continuous fixed revenue) by 12. For subscription app, only our revenue is recorded.
※4 Accrual after deducting uninstalls from the total number of installs
※5 Average ARR per account

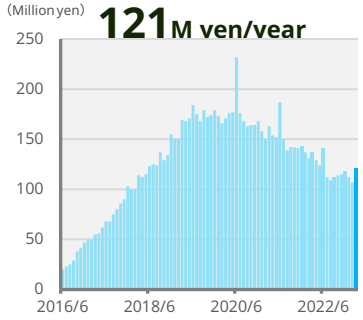
SHIPPINNO シッピーノ

(The latest month is March 2023)

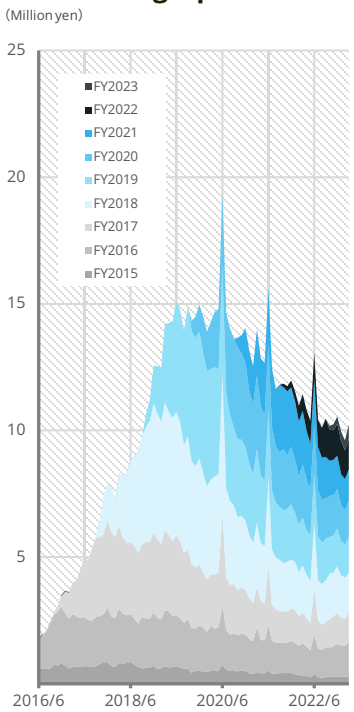
Number of accounts
435Accounts



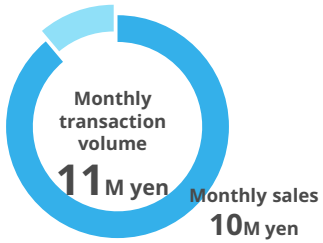
Annualized transaction volume※1
121M yen/year



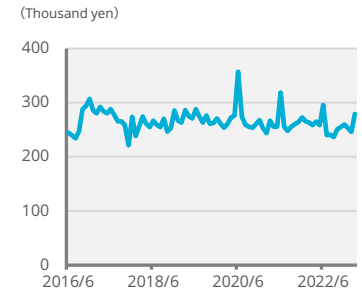
Monthly sales cohort graph



Take rate※2
90.2%



Ave. transaction/account
279K yen/year



※1 Calculated by multiplying 12 to each monthly transaction amount
※2 Ratio of sales to transaction volume. Sales are calculated by deducting the payment fees to the partners from the transaction volume.

※ Teps is not disclosed because it is no longer a consolidated subsidiary and does not affect the consolidated figures from Q4.

(2) Management Indicators Financial indicators

	FY2019 Unconsolidated	FY2020 Consolidated	FY2021 Consolidated	FY2022 Consolidated	FY2023 Consolidated
Sales growth rate	+24.5%	+118.0%	+69.5%	+20.7%	**+32.0%**
PS	△0.3%	+162.6%	+88.7%	+6.1%	**+8.3%**
SaaS	+86.3%	+58.6%	+26.4%	+21.9%	**+24.1%**
DX	–	–	–	–	**+236.6%**
Operating profit margin	6.6%	27.2%	34.4%	31.0%	**26.0%**
PS	28.0%	35.5%	40.0%	43.2%	**45.5%**
SaaS	△19.5%	8.6%	24.4%	38.9%	**38.1%**
DX	–	–	–	△94.6%	**△39.3%**
ROA※1,※2	11.2%	14.6%	15.2%	12.8%	**13.6%**
ROE※2,※3	57.2%	31.0%	28.5%	22.5%	**3.9%**
Shareholders' equity ratio※4	20.7%	18.3%	36.6%	37.2%	**39.0%**
D/E ratio※5	1.6x	1.1x	0.7x	0.8x	**0.6x**

In SaaS business, sales growth rate is about 24%, operating profit margin is about 38%.

※1 ROA：Operating income / {(total assets at beginning + total assets at end)/2}
※2 Presented as "-" for quarterly or negative figures
※3 ROE：Profit attributable to owners of parent ÷ {(total shareholders' equity at beginning + total shareholders' equity at end)/2}
※4 Shareholders' equity ratio：(Shareholders' equity + accumulated other comprehensive income) ÷ total assets
※5 D/E ratio：Interest-earing debt÷ net assets

(3) Profit Plan and Assumptions FY2024 forecast

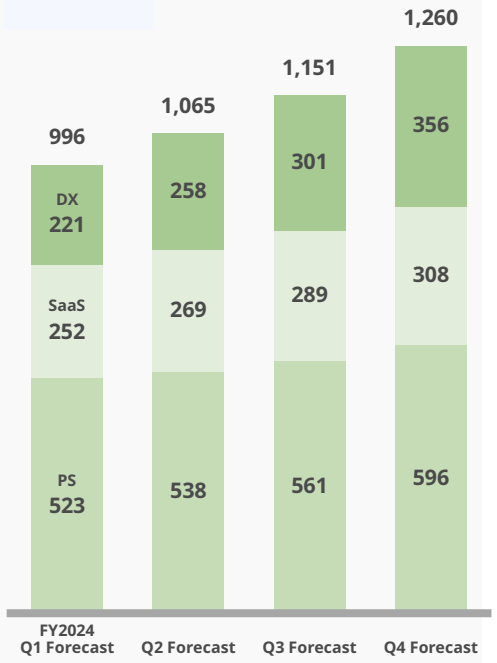
（Million yen）

	FY2022 Actual	FY2023 Actual (A)	FY2024 Forecast(B)	Variance (B) / (A) –100%
Sales	3,005	3,966	**4,472**	+12.8%
EBITDA	1,137	1,275	**1,619**	+27.0%
Operating income	930	1,029	**1,400**	+36.0%
Ordinary income	912	1,020	**1,354**	+32.7%
Profit attributable to owners of parent	602	112	**881**	+680.6%
EPS	23.20円	4.34円	**34.28円**	+687.4%

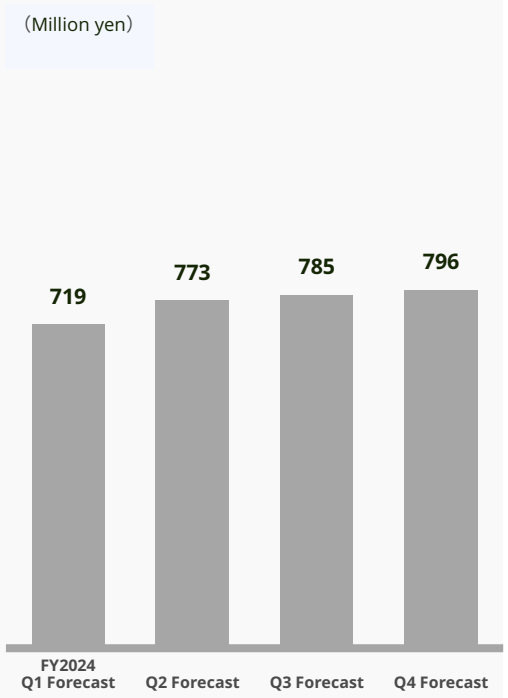
In FY2024, we expect increase in sales and all down to the final profit.

(3) Profit Plan and Assumptions FY2024 forecast quarterly plan

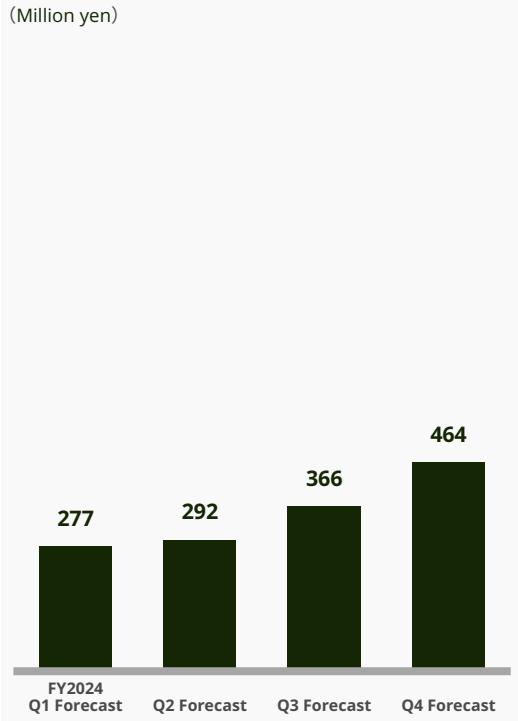
Sales



Operating expenses



Operating income

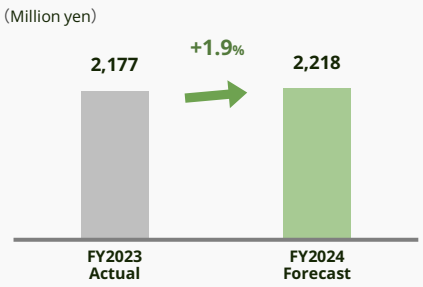


In FY2024, we expect sales and profit to constantly increase by quarter.

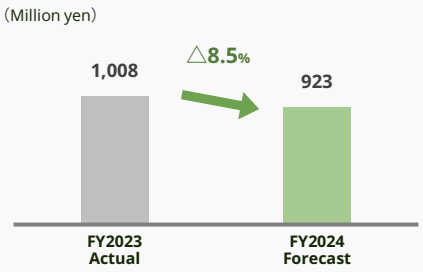
(3) Profit Plan and Assumptions FY2024 forecast by segment

PS

Sales

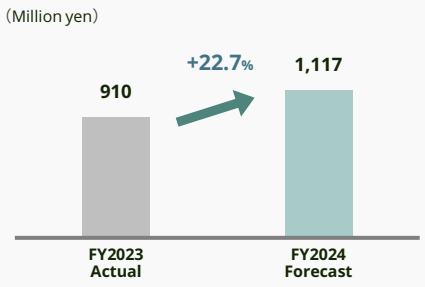


Segment profit

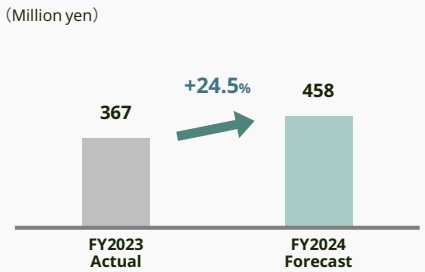


SaaS

Sales

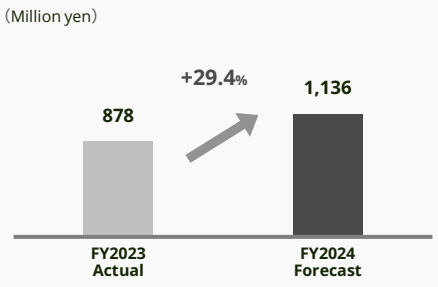


Segment profit

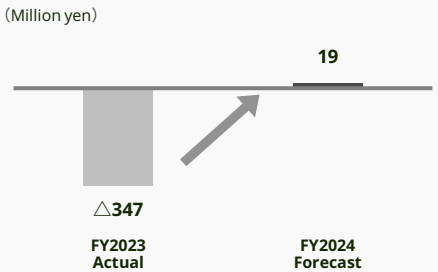


DX

Sales



Segment profit



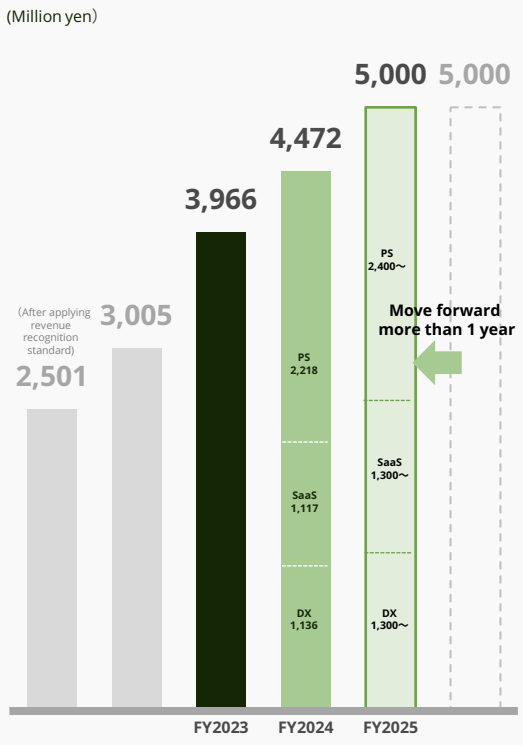
PS segment expects an increase in sales and decrease in profit.

SaaS segment expects an increase in sales and profit.

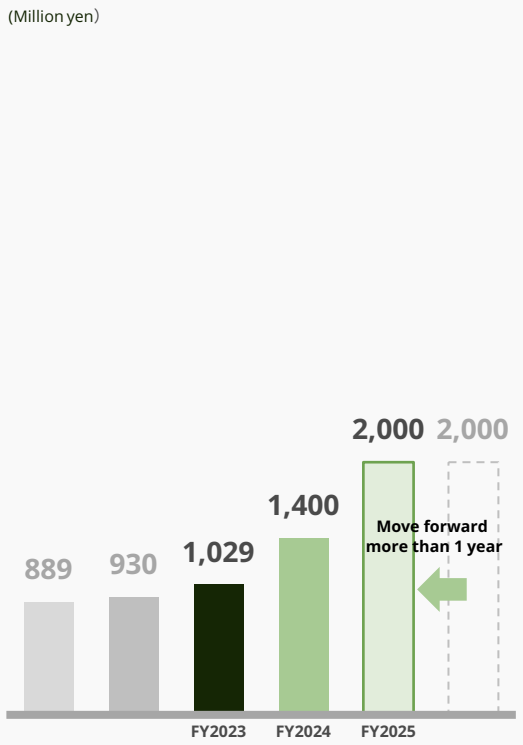
DX segment expects an increase in sales and a net profit

(3) Profit Plan and Assumptions Mid-term goals

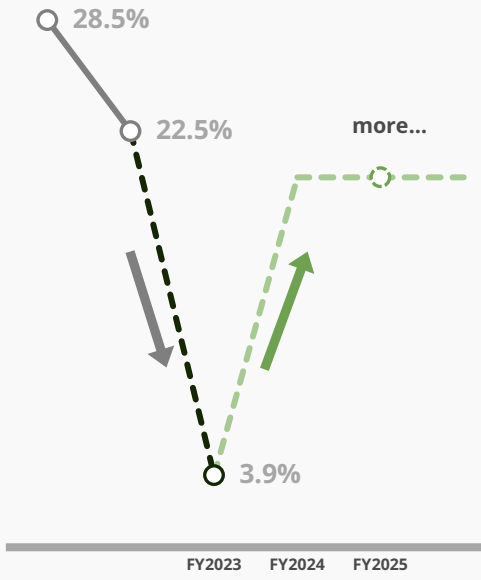
Sales



Operating income



ROE



Our mid-term goal is to achieve by FY2026:

- **Sales 5.0 billion yen**
- **Operating income 2.0 billion yen**

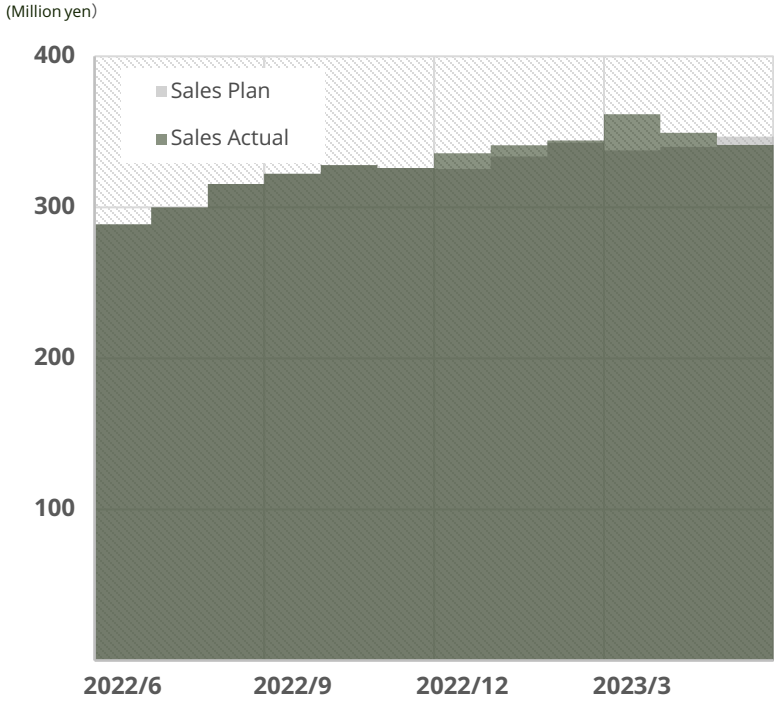
As the Group size expands, sales and operating income targets are expected to be reached more than 1 year earlier than planned.

Maintain ROE at 20% or more, while focusing on profit expansion and capital efficiency.

(4) Progress Progress in the FY2023 forecast (Revised Dec 28, 2022)

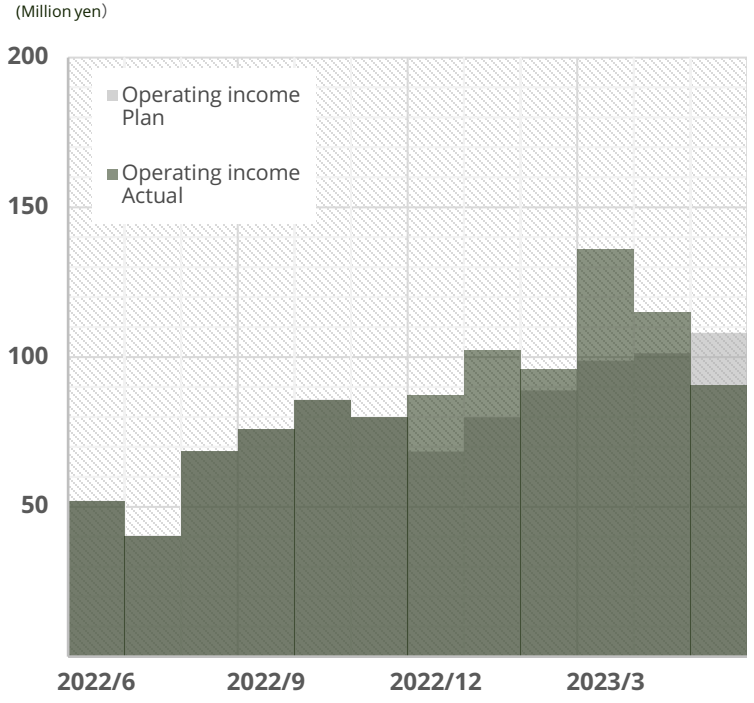
Progress rate to plan

Sales 101.5%



Progress rate to plan
Operating income

108.7%

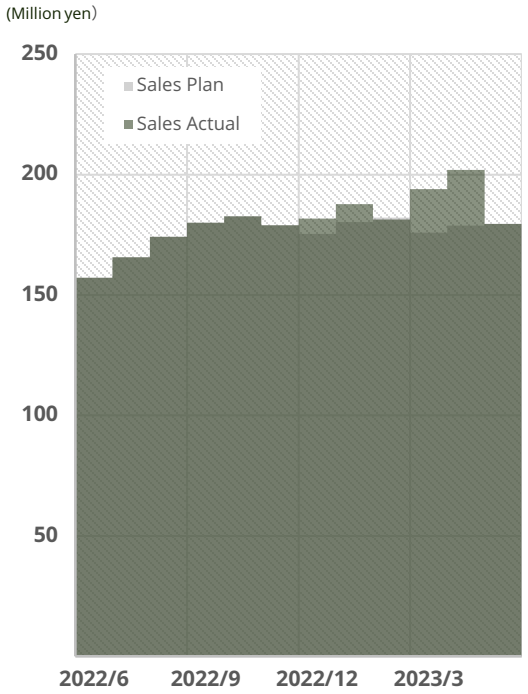


Both sales and operating income exceeded the plan.

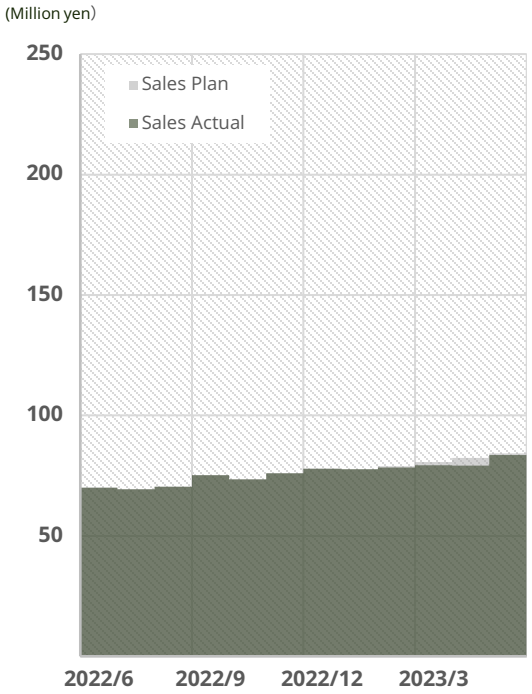
We will update *Our Business Plan and Growth Potential* every quarter and disclose. (Next update will be September 2023.)

(4) Progress by segment in FY2023 forecast (Revised Dec 28, 2022)

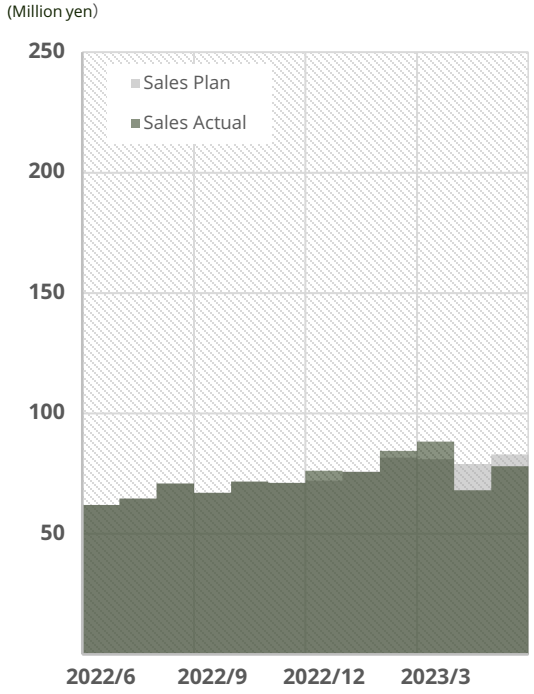
PS
Progress rate to plan
Sales 103.1%



SaaS
Progress rate to plan
Sales 99.3%



DX
Progress rate to plan
Sales 99.8%



For all segments, sales are roughly on track as planned.

Risk Information

(1) Perceived Risks

Business risks and external environment

Risks Timing and probability	Contents
Internet Ads Market Timing: Short-term Probability: High	The impact of economic fluctuations and changes in corporate advertising strategies will have a significant impact. If it becomes apparent, the performance of the PS could be sluggish.
Technological Innovation Timing : Long-term Probability: Medium	Delays in responding to new technologies will cause the services and technologies provided to become obsolete. If this becomes apparent, there will be an increase in cancellations and existing services, mainly in the SaaS business, may not be able to continue.
Regulations Timing : Long-term Probability: High	Possibility of regulation of sales promotion methods using personal purchasing and browsing history on the Internet. If this becomes apparent, the performance of the PS could be sluggish.

Business risks and internal environment

Risks Timing and probability	Contents
Concentration on a specific medium Timing : Long-term Probability: Medium	Dependence on the services of a particular digital platformer. If this becomes apparent, policy changes may prevent the service from being provided as planned.
Concentration on specific customers Timing: Short-term Probability: High	Large percentage of sales to specific customers for advertising management service If this becomes apparent, the performance of the PS could be sluggish.
Information Security Timing : Long-term Probability: Medium	Possibility of information leakage due to unauthorized access from outside. If it becomes apparent, the business could suffer from a downturn in performance due to the suspension of operations and customer churn.

Financial risks

Risks Timing and probability	Contents
Recovery of investment in new businesses Timing : Long-term Probability: High	Inability to generate earnings as initially expected. If this becomes apparent, we may not be able to invest flexibly.
Impairment of goodwill, etc. Timing : Long-term Probability: Medium	Large amount of goodwill and customer-related assets recorded due to M&A. If it becomes apparent, the company may not be able to invest flexibly due to deteriorating financial conditions.

The “major risks” that will have a significant impact on the realization of growth and execution of the business plan are shown on the left.

If any of these risks were to materialize, it would have a significant impact on the growth and the execution of the business plan.

※ “COVID-19” was removed from the list as the pandemic was classified into class-5 category and its impact was limited to our services.

Please refer to “Major risks” in annual securities report for other risks not listed here.

(2) Risk Management

Business Risks and external environment

Risks	Countermeasures
Internet Ads Market	Diversification of risk through increase in number of projects and diversification of client industries
Technological Innovation	Continuous service improvement and engineer recruitment
Regulations	Approaches to ID marketing

Business Risks and internal environment

Risks	Countermeasures
Concentration on a specific medium	Strengthen ties with Shopify, LINE, and other non-GAFA partners
Concentration on specific customers	Diversification of the number of projects and industries Strengthen ability to attract new customers
Information Security	Limited access rights, periodic vulnerability checks, etc.

Financial risks

Risks	Countermeasures
Recovery of investment in new businesses	Initial cost reduction by lean start-up method
Impairment of goodwill, etc.	Straight-line depreciation in 10 years or less

Start countermeasures before the risks become apparent.

Group Mission

「働く」を豊かにする。

Feed a force for good and change