Ticker : 3675 (TSE Prime)

Cross Marketing Group

# Cross Marketing Group Inc.

# Supplementary Explanatory Materials for Financial Results for Q3 of FY 2024/6

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# Executive Summary



Summary 1

- **Q1-3 cumulative Revenue totaled 19.3 billion yen (down 2% YoY) and operating profit totaled 1.7 billion yen(down 22% YoY).**
- **Performance is recovering from Q2 to Q3 and is in line with the full-year forecast.**

Summary 2

- **Digital Marketing: Sales up 13% as unit prices for media/promotions recover.**
- **Research (Data Marketing/Insight): Sales down 9% in total. Revenue was solid in Japan but fell mainly because overseas demand ran its course.**

Summary 3

- **Forecast for fiscal year ending in June 2024: Revenue of 26 billion yen, operating profit 1.9 billion yen (No change)**
- **Q4(Apr.-Jun.) will be strong: growth in Digital Marketing and Research in Japan remains solid, overseas sales turns to increase.**

# 1 FY2024/6 Q3 Financial Results Outline

# Financial Results Outline for Q1-3 in FY2024/6



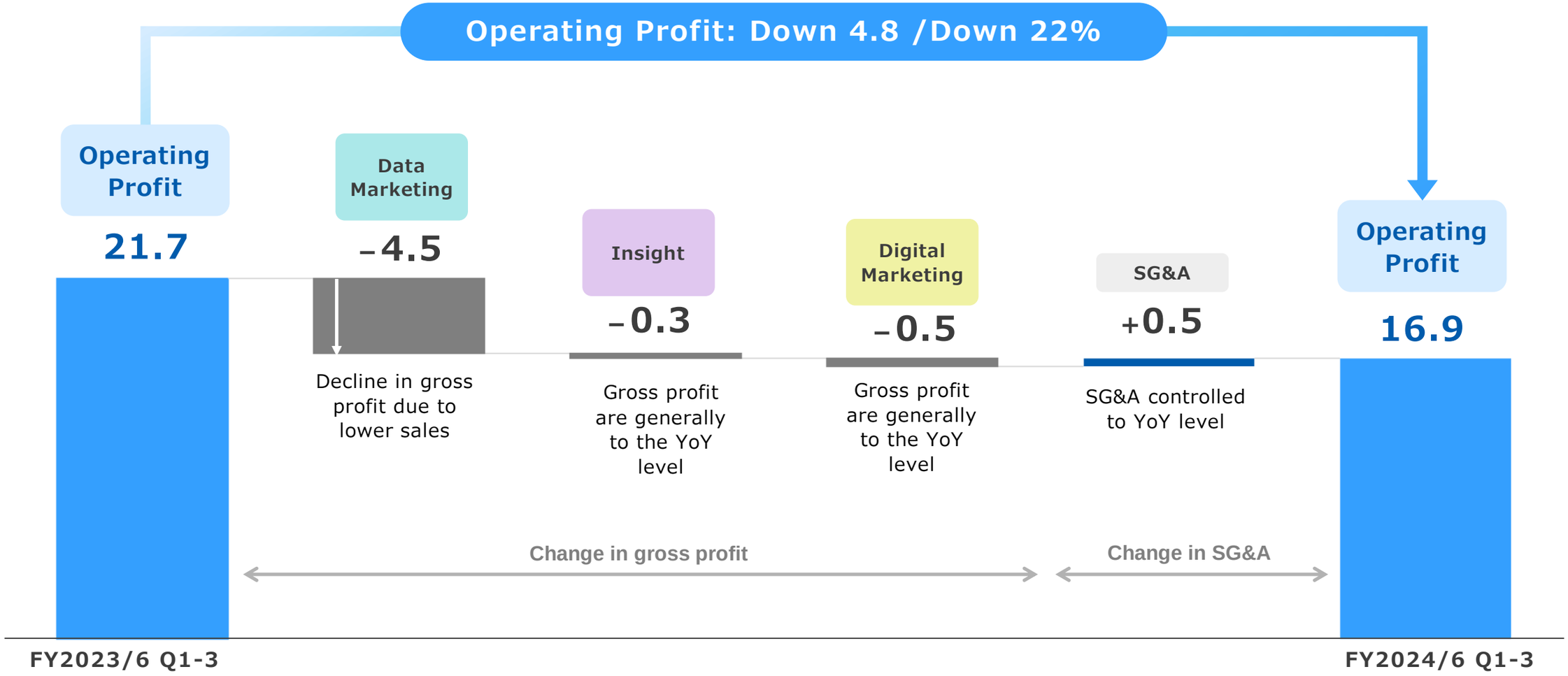
**In Q3(Jan.-Mar.), revenue increased due to growth in Digital Marketing Business.**
**Data Marketing Business bottomed out in Q2 and is on a recovery trend.**

| (JPY 100 Million) | FY2024/6 Q1 (Jul.-Sep.) | YoY Growth rate | Q2 (Oct.-Dec.) | YoY Growth rate | Q3 (Jan.-Mar) | YoY Growth rate | Q1-3 (Jul.-Mar.) | YoY Growth rate |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **56.3** | **−8%** | **68.9** | **−0.2%** | **68.3** | **+3%** | **193.4** | **−2%** |
| Digital Marketing Business | 22.0 | −2% | 29.1 | +23% | 26.1 | +16% | 77.2 | +13% |
| Data Marketing Business | 19.6 | −15% | 20.7 | −25% | 24.9 | −12% | 65.2 | −17% |
| Insight Business | 14.7 | −6% | 19.1 | +7% | 17.2 | +10% | 51.0 | +4% |
| **Gross Profit** (Gross Profit Margin) | **20.2** (35.9%) | **−22%** (−6.5pt) | **29.2** (42.4%) | **+3%** (+1.1pt) | **28.2** (41.3%) | **−1%** (−1.7pt) | **77.6** (40.1%) | **−6%** (−2.1pt) |
| **SG&A** | **20.4** | **−2%** | **19.7** | **−3%** | **20.6** | **+2%** | **60.7** | **−1%** |
| **Operating Profit** (Operating Profit Margin) | **−0.2** (-) | **−** (-) | **9.5** (13.8%) | **+16%** (+1.9pt) | **7.6** (11.1%) | **−10%** (−1.6pt) | **16.9** (8.7%) | **−22%** (−2.3pt) |

# Factors Behind Fluctuations in Operating Profit (YoY)



**The decrease in operating profit was mainly due to a decrease in gross profit due to lower revenues in Data Marketing Business.**
**SG&A controlled to YoY level despite new consolidated companies.**



## Q1-3: Revenue increased 13% and segment profit increased 26%
## A full-scale recovery in media and promotions and profit improvement in IT solutions

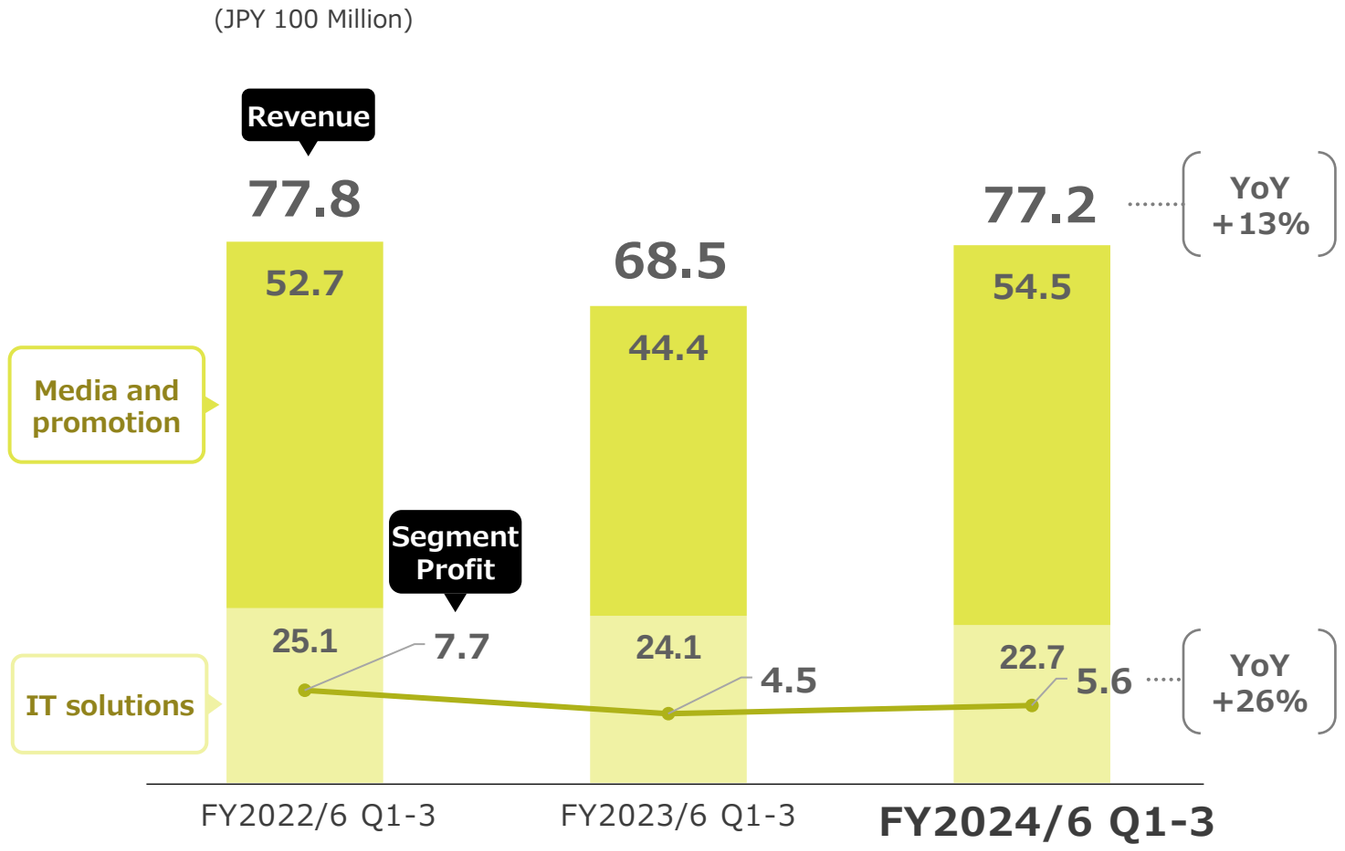
**Highlights**

- Media and promotion revenue increased 23% in 9 months. Unit price recovery and newly consolidated subsidiary Tokyo Gets contributed.

  YoY change in media/promotion unit prices
  FY6/2023 Q1 -9% Q2 -24% Q3 -22% Q4 -2%
  FY6/2024 Q1 +7% Q2 +54% Q3 +33%

- Improved gross profit margin in IT solutions (-2.6pt) contribute to segment profit growth.

- Segment profit increased by 26% in 9 months. Profit margin recovered to 10% in Q2 and Q3.



## Q1-3: Revenue fell 17% and segment profit declined 23%
## Revenue was solid in Japan, but overseas demand ran its course

### Highlights

- In Japan, revenue increased 4%. The demand for online research remained solid.

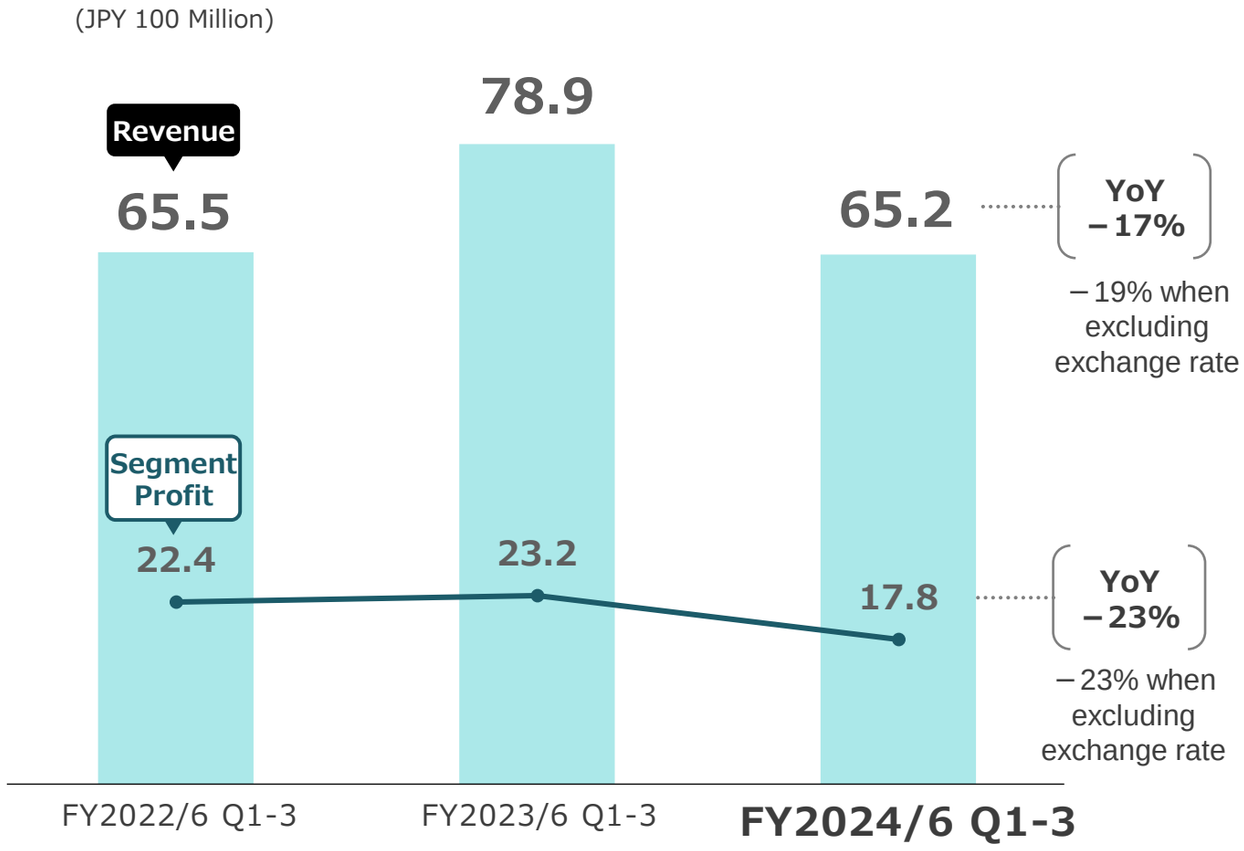
### Lowlights

- Overseas, revenue fell 50%. In the mainstay North American market, demand ran its course backed by the rapid recovery from the COVID-19 pandemic.

### Impact of exchange rate

- The effect of the weak yen*1 boosted revenue by 112 million yen but had minimal impact on operating profit.

*1 Compared to the actual exchange rate in Q3 of the fiscal year ended in June 2023



## Q1-3: Revenue was up 4% and segment profit down 15%
## Secured an increase in revenue both in Japan and overseas, while operating profit fell due to decline in gross profit margin.

### Highlights

- Revenue increased 2% in Japan and 8% overseas. High growth in Indonesia sustained.

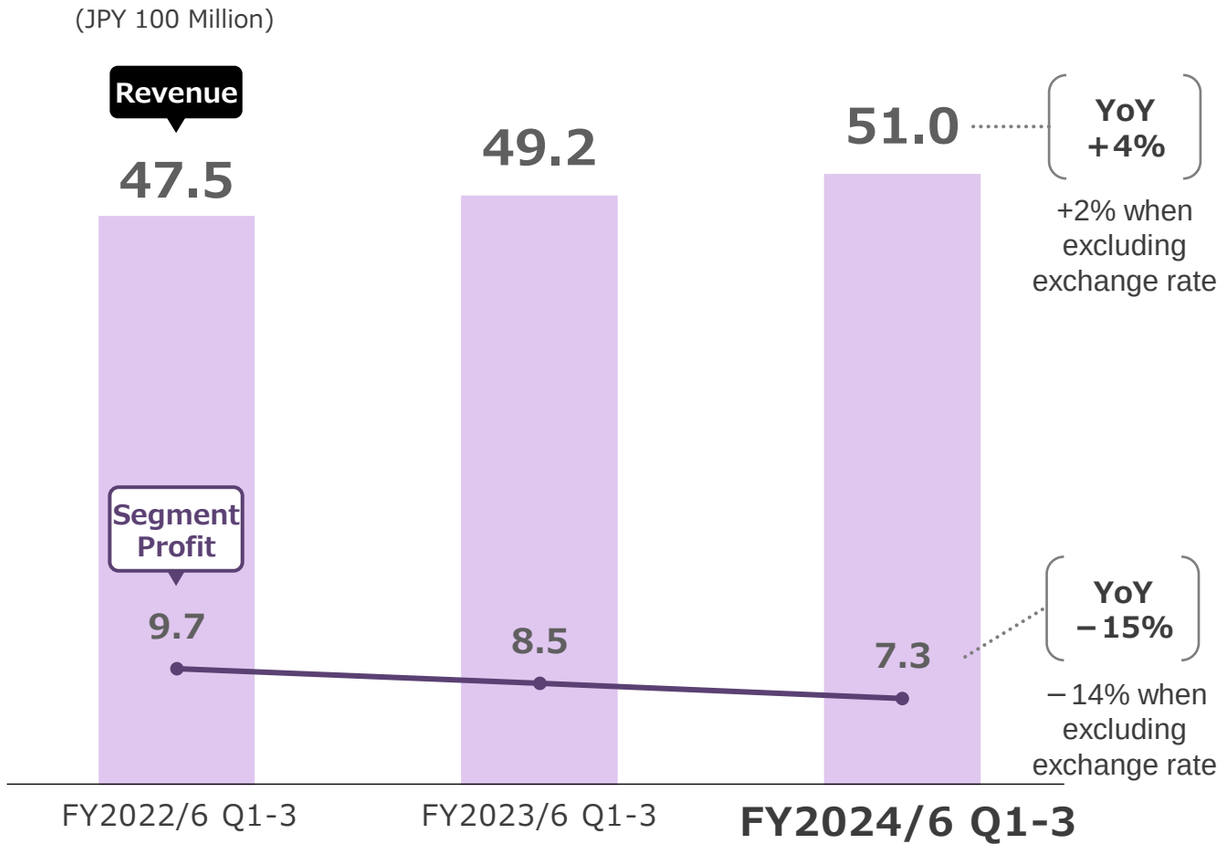
### Lowlights

- Segment gross profit margin declined due to increase in cost of sales ratio in some areas (medical/health-care in Japan / Singapore)

### Impact of exchange rate

- The effect of the weak yen*1 boosted revenue by 97 million yen but had minimal impact on operating profit.

*1 Compared to the actual exchange rate in Q3 of the fiscal year ended in June 2023



# (Reference)Overseas subsidiaries



## Total revenue fell 34% mainly because demand ran its course
## Emerging market continued to glow

### Highlights

- Indonesia saw a good balance of orders from multiple industries including government affiliated energy, automotive and FMCG and performed well.
- In India, we absorbed robust demand for surveys from consulting and research firms and remained solid.

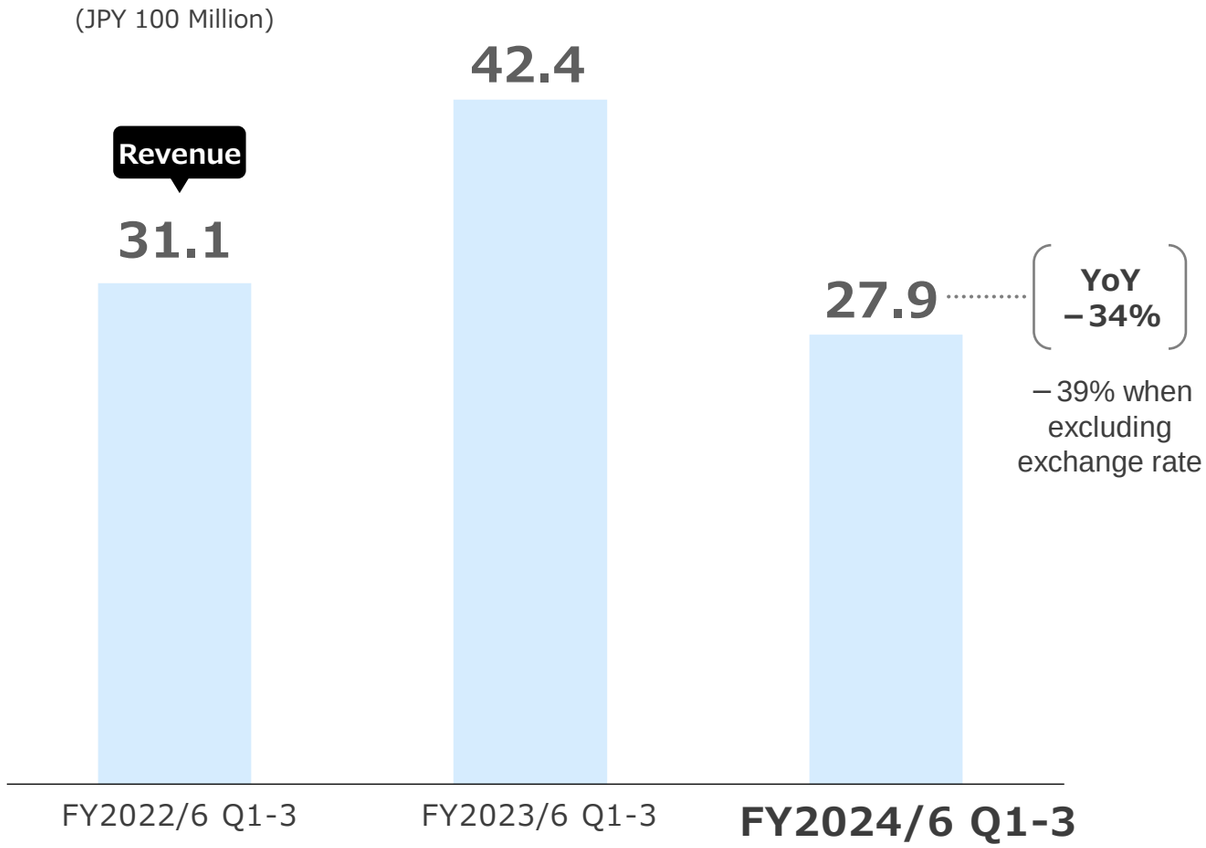
### Lowlights

- Demand concentration in North America ran its course, and the U.K. remained severe.

### Impact of exchange rate

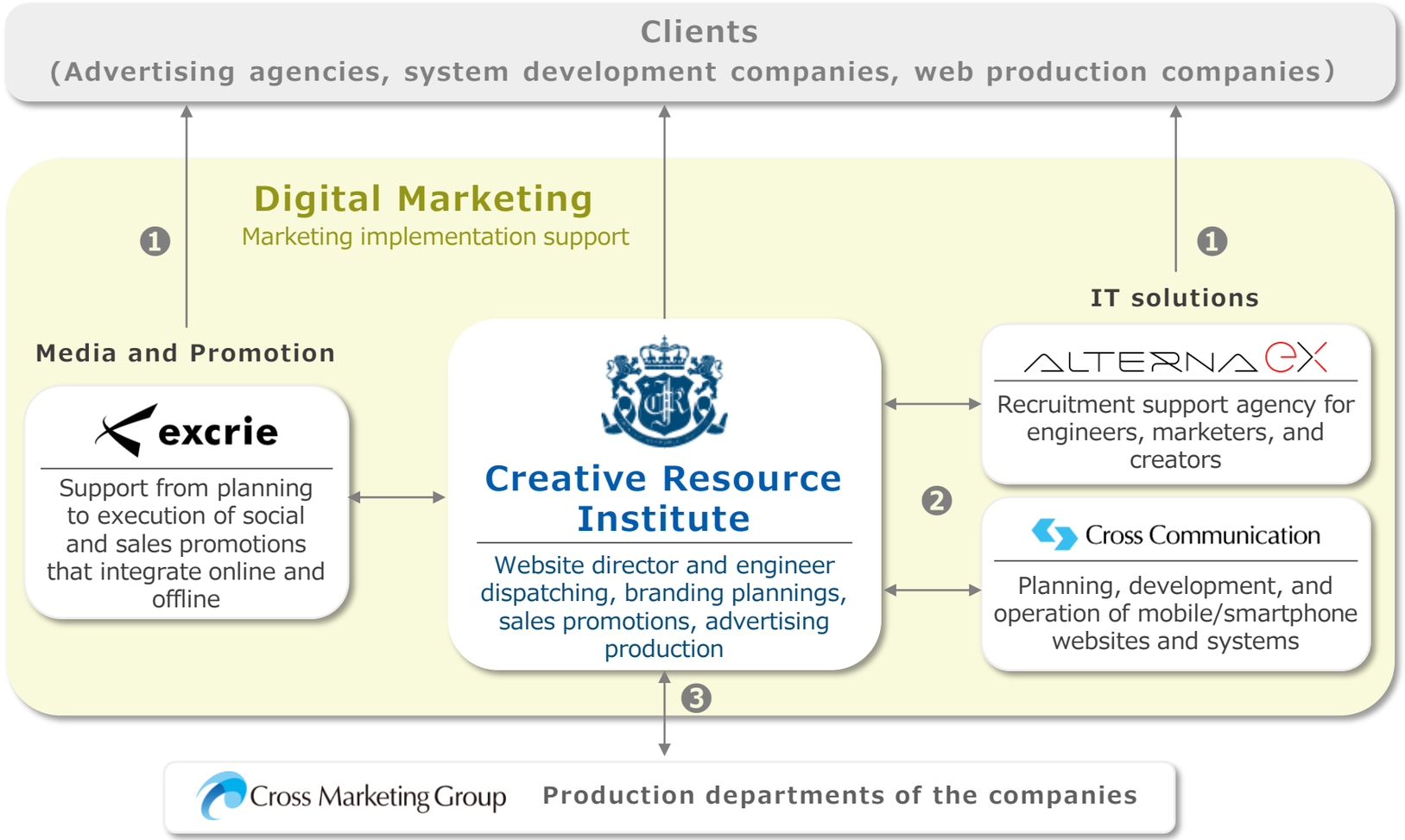
- The effect of the weak yen*1boosted revenue by 209 million yen (overseas total).

*1 Compared to the actual exchange rate in Q3 of the fiscal year ended in June 2023



# 2 Topics

# For further growth in Digital Marketing Business
## Acquisition of the Shares of Creative Resource Institute Co, Ltd.(CRI) (Apr. 2024)




## Synergies

1 **Maximize support for customers and enhance efficiency**

i. Increased sales to customers, mainly advertising agencies, through service collaboration with excrie in the area of marketing and promotion.
ii. Collaboration of director and engineer personnel with Alternex and increased dispatch of digital personnel to customers.

2 **Further strengthening of the engineering workforce in Group companies**

i. Engineer training in collaboration with Alternex and Cross Communication.
ii. Expansion of CRI's unique system for training engineers

3 **improve Group wide productivity and design capabilities through coordination between the production divisions at each Group company.**

i. CRI's know-how in design production, advertising production and web promotion is deployed in Group companies.

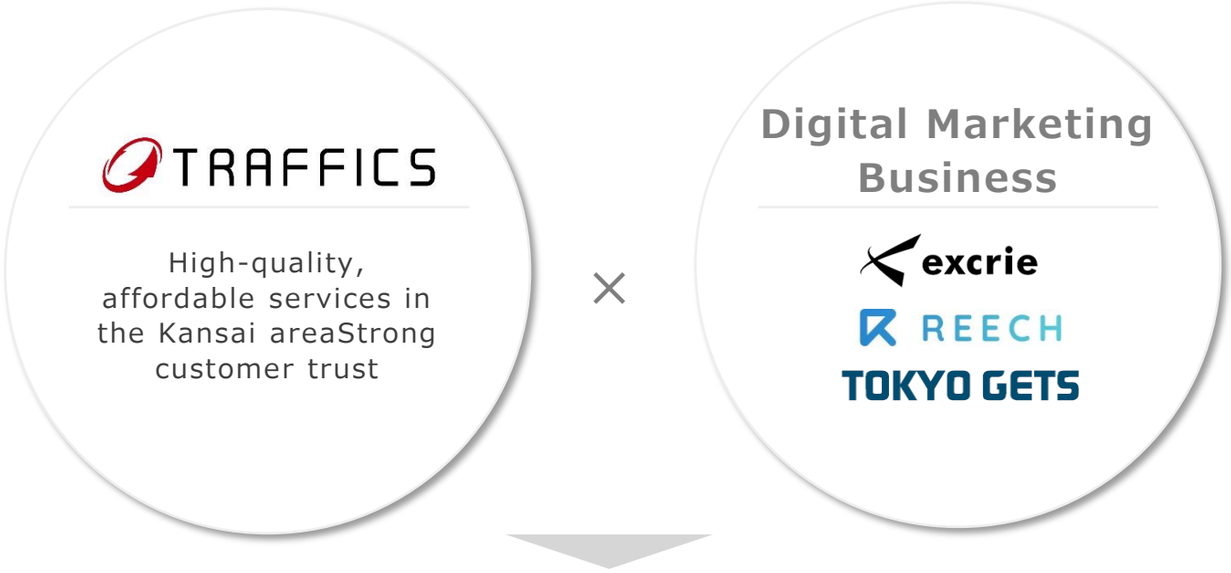
# Acquisition of the Shares of Traffics, Inc. (Feb. 2024)
## Strengthening promotional support business in the Kansai area

TRAFFICS

■ Business
- Outsourcing of event management, secretariat representation, etc.
- Creative production of web/paper media
- System solutions
- In-house Saas solution development

■ Synergies
- Offline event management and campaigns
- Strengthening customer support and expanding the Group's business in the Kansai area

One-stop service delivery through inter-group cooperation.



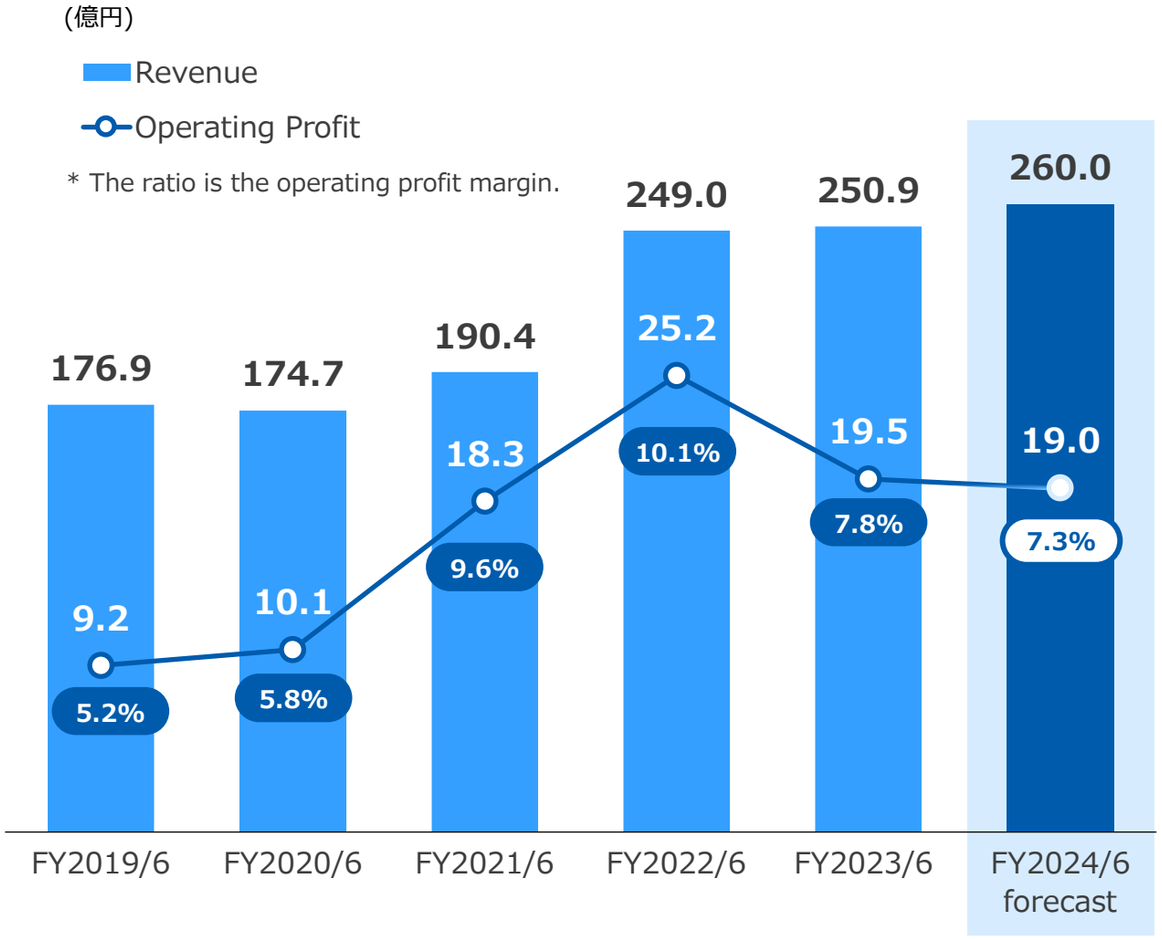

**Enabling customer support offline as well as online**

# 3 Forecast & Shareholder Returns

# Full-year Earnings Forecasts for FY2024/6



## Revenue 26 billion yen and operating profit 1.9 billion yen
## No change from the forecasts published in February 2024

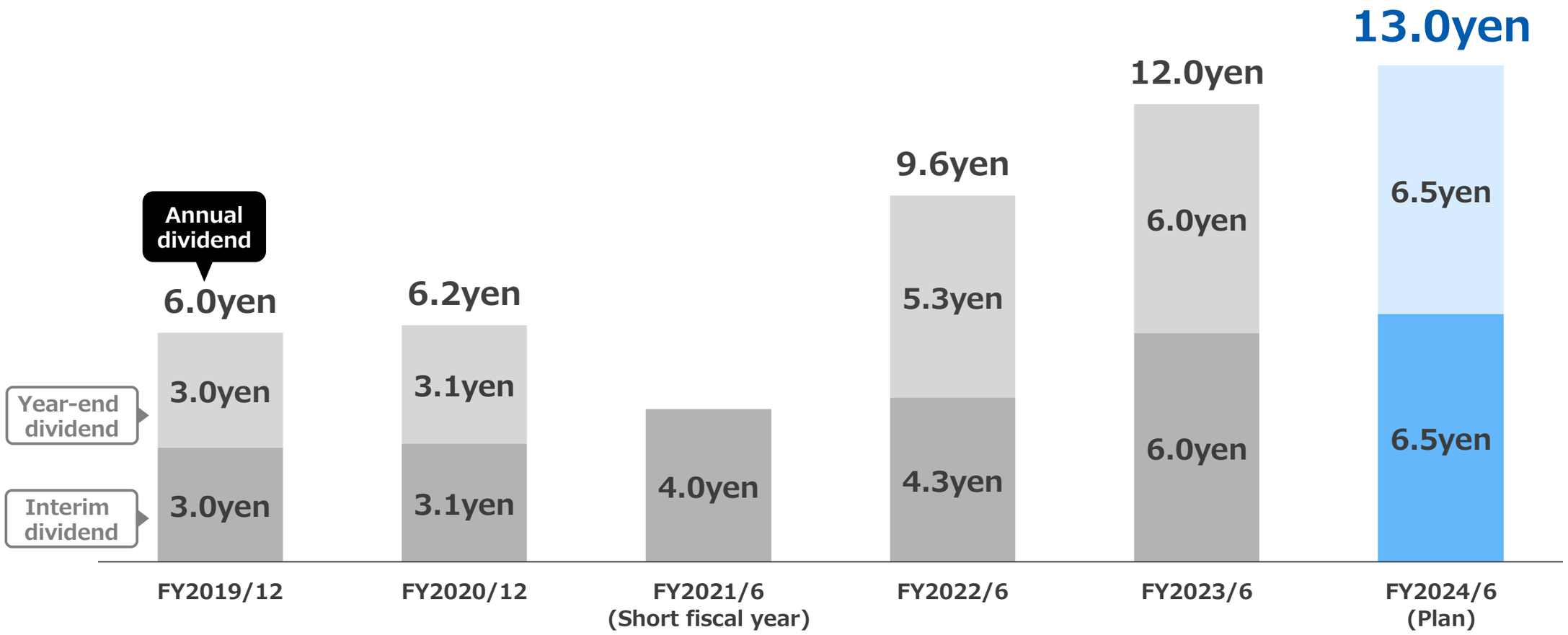



| (JPY 100 Million) | FY2023/6 results | FY2024/6 forecast | YoY |
|---|---|---|---|
| **Revenue** | **250.9** | **260.0** | **+4%** |
| Digital Marketing | 90.4 | 110.0 | +22% |
| Data Marketing | 97.5 | 85.0 | −13% |
| Insight | 63.0 | 65.0 | +3% |
| **Operating Profit** | **19.5** | **19.0** | **−3%** |
| **Ordinary Profit** | **18.8** | **18.0** | **−4%** |
| **Net Income** | **10.0** | **10.0** | **−1%** |
| **EPS** | **51.0** | **52.0** | **+2%** |
| **Dividends Per Share (yen)** | **12.0** | **13.0** | **+1.0** |

# Dividend Forecast



**Dividend policy:**
**Continue to increase dividends with a target dividend payout ratio of approximately 15%**
**We expect to pay 13.0 yen in the fiscal year ending in June 2024 (6.5 yen in H1 and 6.5 yen in H2).**



# 4 Appendix

Fact Sheet( www.cm-group.co.jp/ir )

# Consolidated Profit and Loss



| Units: JPY 100 Million | FY2023/6 Q1-3 | FY2024/6 Q1-3 | YoY Growth Rate |
|---|---|---|---|
| **Revenue** | **196.5** | **193.4** | **－2%** |
| **Gross Profit** | **82.9** | **77.6** | **－6%** |
| (Gross Profit Margin) | (42.2%) | (40.1%) | (－2.1pt) |
| **SG&A** | **61.2** | **60.7** | **－1%** |
| (SG&A Ratio) | (31.1%) | (31.4%) | (＋0.2pt) |
| **Operating Profit** | **21.7** | **16.9** | **－22%** |
| (Operating Profit Margin) | (11.1%) | (8.7%) | (－2.3pt) |
| **Ordinary Profit** | **20.9** | **16.8** | **－20%** |
| **Extraordinary Gains** | **0.8** | **0.0** | **－** |
| **Income Taxes** | **8.3** | **7.0** | **－16%** |
| **Net Income** | **12.5** | **9.9** | **－21%** |

1 **Revenue decreased**

Growth was sluggish mainly in the Data Marketing Business.

2 **Gross profit margin declined**

Mainly because of decrease in revenue in the Data Marketing Business.

3 **SG&A controlled to the previous year's level**

# Consolidated Balance Sheet



| Units: JPY 100 Million | End of Jun. 2023 | End of Mar. 2024 | Changes |
|---|---|---|---|
| **Current Assets** | **112.9** | **118.9** | **+6.0** |
| Cash & Deposit | 64.8 | 62.3 | −2.5 |
| Notes & Accounts Receivable | 31.3 | 42.7 | +11.4 |
| Other | 16.8 | 13.9 | −2.9 |
| **Non-current Assets** | **30.2** | **32.0** | **+1.8** |
| Goodwill | 6.2 | 5.5 | −0.7 |
| Other | 24.0 | 26.5 | +2.5 |
| **Total Assets** | **143.1** | **150.9** | **+7.8** |
| **Current Liabilities** | **51.5** | **55.6** | **+4.1** |
| Accounts Payable | 9.8 | 16.1 | +6.3 |
| Short-term Debt* | 13.4 | 13.5 | +0.1 |
| Other | 28.2 | 26.1 | −2.1 |
| **Non-current Liabilities** | **30.7** | **26.6** | **−4.2** |
| Long-term Debt | 27.6 | 23.1 | −4.5 |
| Other | 3.1 | 3.5 | +0.4 |
| **Net Assets** | **60.9** | **68.7** | **+7.9** |
| **Equity Ratio** | **42.0%** | **45.5%** | **+3.5pt** |

*Short-term Debt including Long-term Debt, returned within a year

1

## Cash and deposit totaled slightly more than 6 billion yen

Continued to be sufficient for investment in business growth and repayment of debts

2

## Increase in accounts receivable and accounts payable

In addition to the increase due to the end of the commercial season, the number of large long-term projects has increased.

3

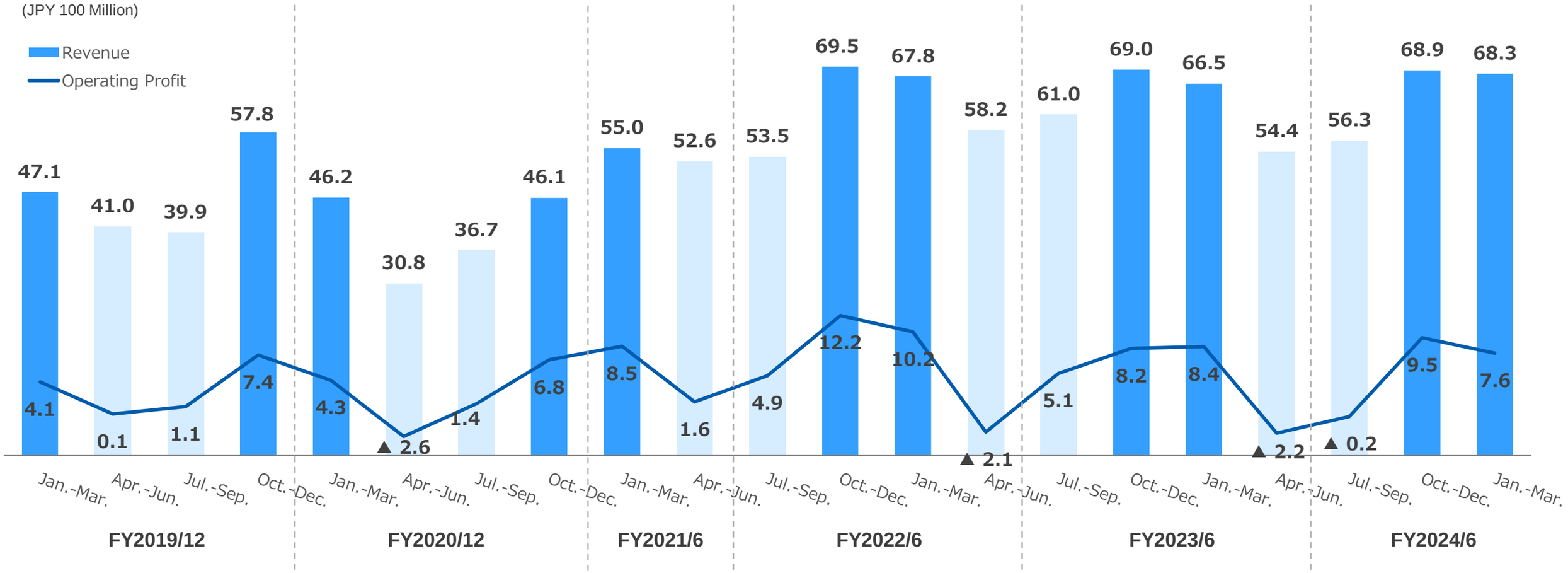
## The equity ratio is 45.5%

Slightly increased from the end of the previous fiscal year, and secured healthy levels

# Quarterly Fluctuations in Revenue and Operating Profit



**Quarterly revenue follows seasonal patterns.**
**Oct.-Dec. and Jan.-Mar. are marked by strong sales, and Apr.-Jun. and Jul.-Sep. are quiet periods.**



# Sustainability



| Category | Materiality | Specific initiatives<br>※All figures are for FY2023/6. |
|---|---|---|
| Environment<br> | Broader protection of the global environment, including addressing climate change | ・Express support for TCFD and join the TCFD consortium.<br>・CO2 emissions（t-Co2）<br>Scope1　0<br>Scope2　305　(Emissions associated with office electricity consumption)<br>Scope3　47　(Emissions from the use of cloud services) |
| Social<br> | Enhancing human capital | ・Renewal of the personnel evaluation system<br>・A total of 20 training courses for managers have been organised. |
| | Increasing diversity, equity and inclusion (DE&I) | ・Percentage of women in management positions: 22.3<br>・Percentage of male employees taking maternity leave: 61.5<br>・Wage differentials between men and women in the total workforce: 63.7 |
| | Advancing joint social contribution activities in collaboration with a wide range of partners in industry, academia and government | ・Support organizations that help achieve the SDGs through the Moratame SDGs Project. |
| Governance<br> | Enhancing corporate governance functions and internal management systems | ・Ratio of outside directors: 60%<br>・Internal reporting system |
| | Further strengthening risk management, information security and privacy protection | ・Compliance training |
| | Motivating appropriate information disclosure to and dialogue with stakeholders | ・Number of investor briefings held: 8 |
| Business<br> | Balancing economic growth and sustainability activities | ・Sustainability-related research sales<br>-Domestic: 69.79 million yen<br>-Overseas: 66.45million yen<br>・Do-House and REECH commissioned for community revitalization event |

## Cautionary Statement regarding the Material

The Purpose of this document is to provide information on business performance and not to solicit investment in securities issued by the company. The opinions and forecasts contained in this document are based on the judgment of the Company at the time this document was prepared, and it is subject to change in the future.

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