Ticker : 3675 (TSE Prime)

Cross Marketing Group

Cross Marketing Group Inc.

Supplementary Explanatory Materials for Financial Results for FY 2024/6

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Executive Summary

Summary 1

- **Full-year cumulative Revenue totaled 26.2 billion yen** (up 4% YoY), operating profit totaled 1.8 billion yen (down 5%), **ordinary profit 1.9 billion yen (up 2%) and net income 1.2 billion (up 18%)**.
- Revenue, ordinary profit and net income achieved the forecast.

Summary 2

- **Digital Marketing**: **Sales up 18%** due to recovery in order unit price and newly consolidated subsidiaries for media/promotions.
- **Research (Data Marketing/Insight)**: Sales down 3% in total. Revenue was solid in Japan but fell mainly because overseas demand ran its course.

Summary 3

- Q4(Apr.-Jun.): **Revenue of 6.8 billion yen (up 26% YoY), operating profit 0.2 billion yen (Operating loss 0.2 billion yen in the previous year)**
- Performance improvement trend continues. Improved overseas earnings, combined with the effect of new consolidations.

1 FY2024/6 Financial Results Outline

Financial Results Outline for FY2024/6

Revenue reached record high due to revenue growth in Digital Marketing Business

(JPY 100 Million)	FY2023/6	FY2024/6 forecast*	FY2024/6 Actual	FY2024/6 YoY Growth rate
Revenue	250.9	260.0	261.8	+4%
Digital Marketing Business	90.4	110.0	106.6	+18%
Data Marketing Business	97.5	85.0	88.1	−10%
Insight Business	63.0	65.0	67.1	+6%
Gross Profit (Gross Profit Margin)	103.9 (41.4%)	−	102.3 (39.8%)	−2% (−1.6pt)
SG&A	84.4	−	83.8	−1%
Operating Profit (Operating Profit Margin)	19.5 (7.8%)	19.0 (7.3%)	18.4 (7.0%)	−5% (−0.7pt)
Ordinary Profit	18.8	18.0	19.1	+2%
Net Income	10.1	10.0	11.9	+18%

*Figures announced on February 13, 2024

Quarterly Fluctuations in Sales

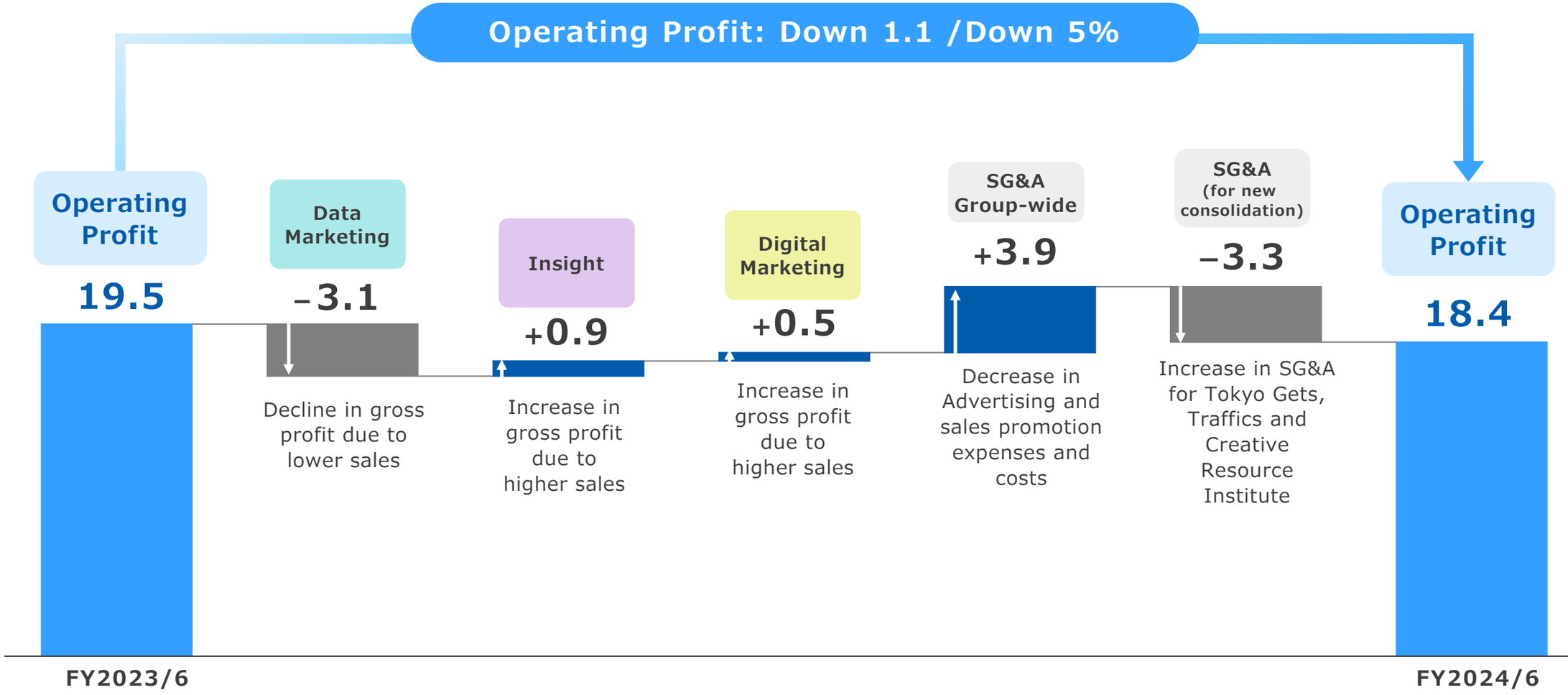
Performance improvement trend continues.

Data Marketing Business: Revenues increased due to upturn in earnings of overseas subsidiaries in Q4

(JPY 100 Million)	FY2024/6 Q1 (Jul.-Sep.)	YoY Growth rate	Q2 (Oct.-Dec.)	YoY Growth rate	Q3 (Jan.-Mar.)	YoY Growth rate	Q4 (Apr.-Jun.)	YoY Growth rate	Full-year	YoY Growth rate
Sales	56.3	−8%	68.9	−0.2%	68.3	+3%	68.5	+26%	261.8	+4%
Digital Marketing Business	22.0	−2%	29.0	+23%	26.1	+16%	29.4	+34%	106.6	+18%
Data Marketing Business	19.6	−15%	20.7	−25%	24.9	−12%	22.9	+23%	88.1	−10%
Insight Business	14.7	−6%	19.1	+7%	17.2	+10%	16.1	+16%	67.1	+6%

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.



Digital Marketing Business

Revenue increased 18% and segment profit increased 38%
Record sales due to growth in media and promotion.

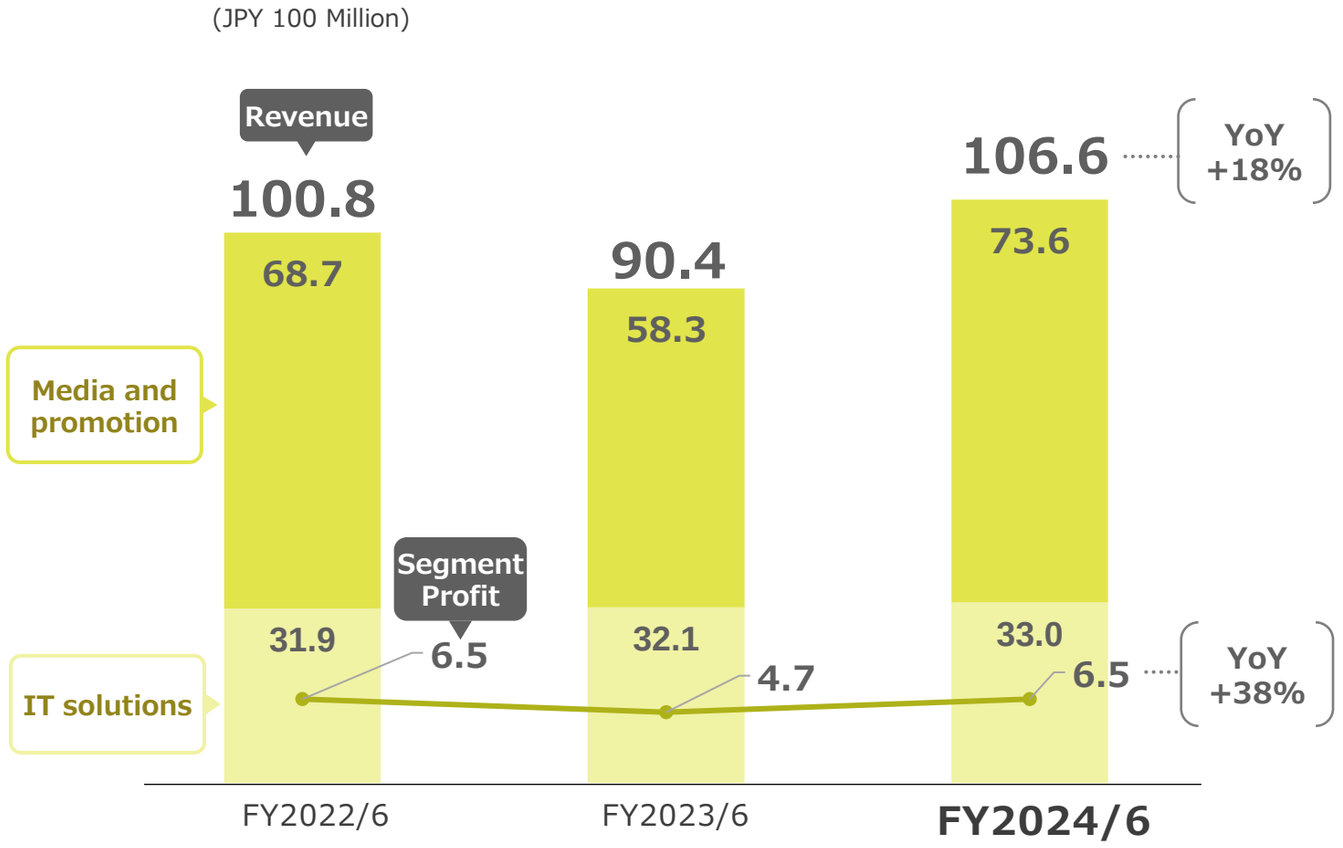
Highlights

- Media and promotion revenue increased 26%. Unit price recovery, newly consolidated subsidiary Tokyo Gets and PathCrie (launched 3PL business*1) 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% Q4 -5%

- IT solutions revenue increased 3%. Newly consolidated Creative Resource Institute contributed to sales growth.

- Segment profit increased by 38%. Increase in gross profit due to higher sales.



*1 Abbreviation for Third Party Logistics. Logistics business that acts as an intermediary between shipper companies and delivery companies for goods and cargo.

Revenue fell 10% and segment profit declined 13%
Revenue was solid in Japan, but overseas demand ran its course

Highlights

- In Japan, revenue increased 6%. The demand for online research remained solid.
- Q4(Apr.-Jun.):Overseas turned to increase in revenue due to recovery in North America.

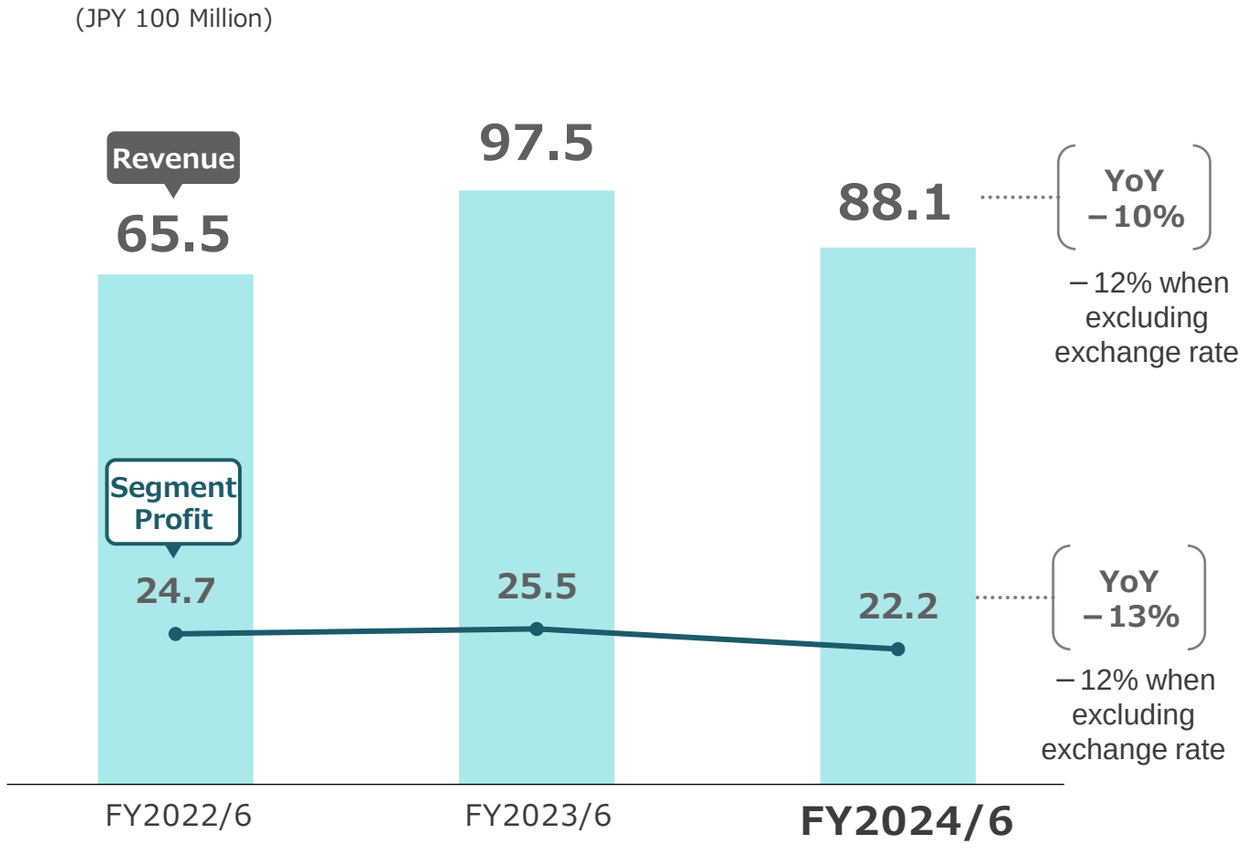
Lowlights

- Overseas, revenue fell 33%. 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 247 million yen but had minimal impact on operating profit.

*1 Compared to the actual exchange rate in FY 2023/6



Revenue was up 6% and segment profit up 6%

Performance both in Japan and overseas remained solid with increased revenues and profits.

Revenue reached record high.

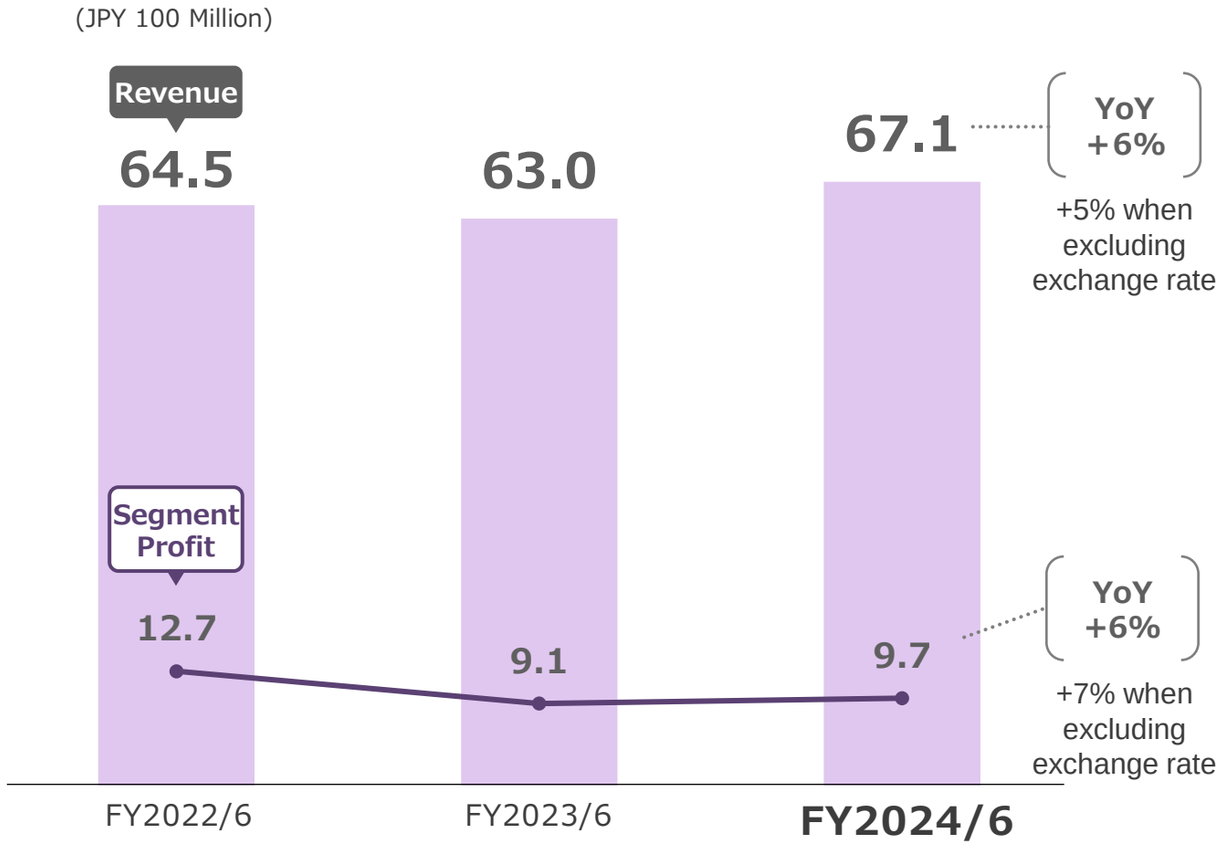
Highlights

- Revenue increased 4% in Japan. Offline surveys (e.g., CLT and group interviews) increased.
- Overseas, revenue increased 13%. Strong performance continued in Indonesia.
- The UK turned to increased revenue in Q4(Apr.-Jun.)

Impact of exchange rate

- The effect of the weak yen*1 boosted revenue by 77 million yen but had minimal impact on operating profit.

*1 Compared to the actual exchange rate in FY 2023/6



(Reference)Overseas subsidiaries

Total revenue fell 19% mainly because demand ran its course
Emerging market continued to grow

Highlights

- Indonesia saw a good balance of orders from multiple industries including government affiliated energy, automotive and FMCG and performed well.
- Q4(Apr.-Jun): performance in North America and the UK recovered and total revenue turned to increase

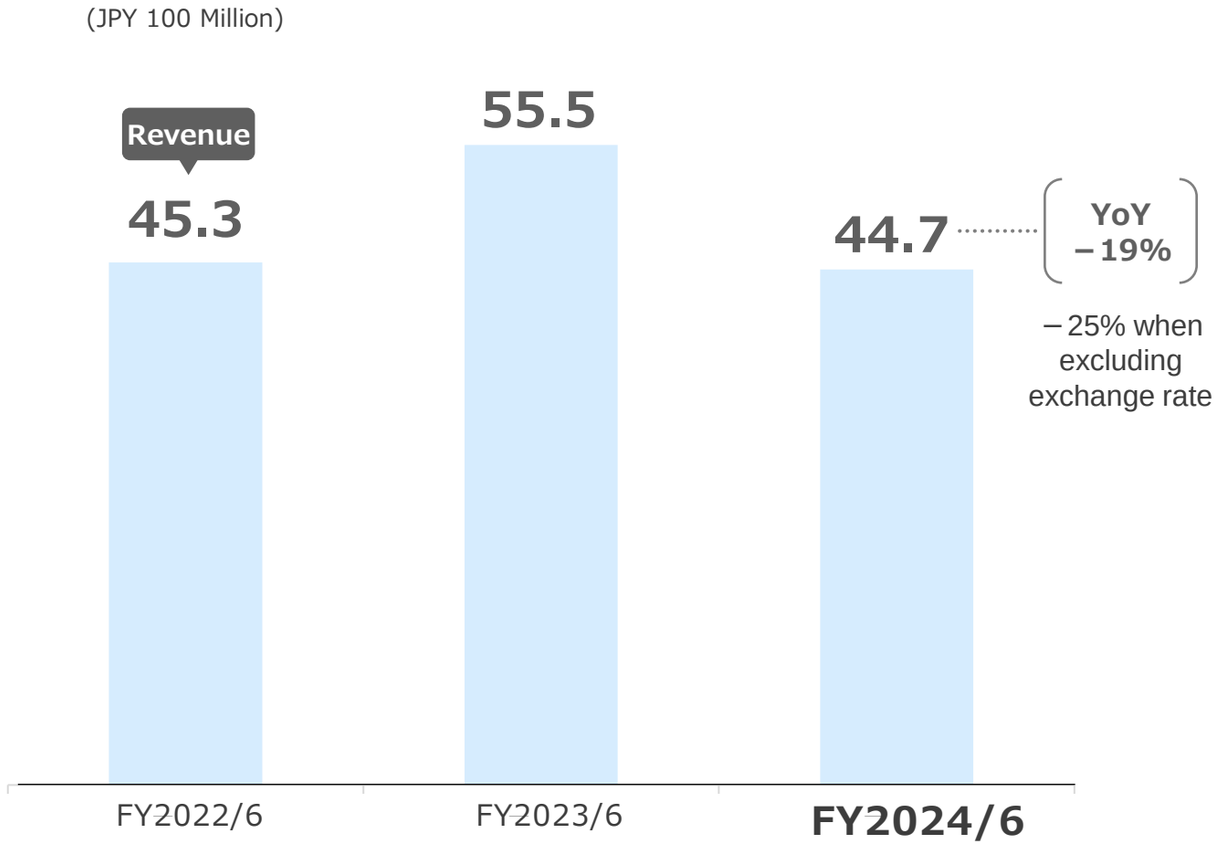
Lowlights

- As demand in developed country ran its course until Q3, revenue declined 19% overall.

Impact of exchange rate

- The effect of the weak yen[*1] boosted revenue by 324 million yen (overseas total).

*1 Compared to the actual exchange rate in FY 2023/6



2 Topics

Toward further growth, we executed M&A
Synergies emerged and the business expanded in the Digital Marketing Business

Start of consolidation	Company	Overvirw
July 2023	Tokyo Gets Co., Ltd. TOKYO GETS	Company promotions, events and merchandising utilizing entertainment content
January 2024	TRAFFICS Co., Ltd. TRAFFICS	Outsourcing of event management, secretariat representation, etc. Creative production for web and print media System solutions
April 2024	Creative Resource Institute Co., Ltd. Creative Resource Institute	Director and engineer temporary staffing business, branding planning, sales promotion, and advertising production business
May 2024	PathCrie, Inc. PathCrie	Third Party logistics (Details on next page.)

Start 3PL business in PathCrie from May 2024
Strengthen the Group's overall growth potential by developing business in new areas

PathCrie, Inc.

Logistics and distribution business (3PL business)

E-commerce and wholesale business

×

Cooperation with group companies such as Excrie,Inc もらえる・ためせる® モニメ.net .

Accelerate further business growth of the Group

3PL (Third Party Logistics)

Logistics business that acts as an intermediary between shipper companies and delivery companies for goods and cargo.



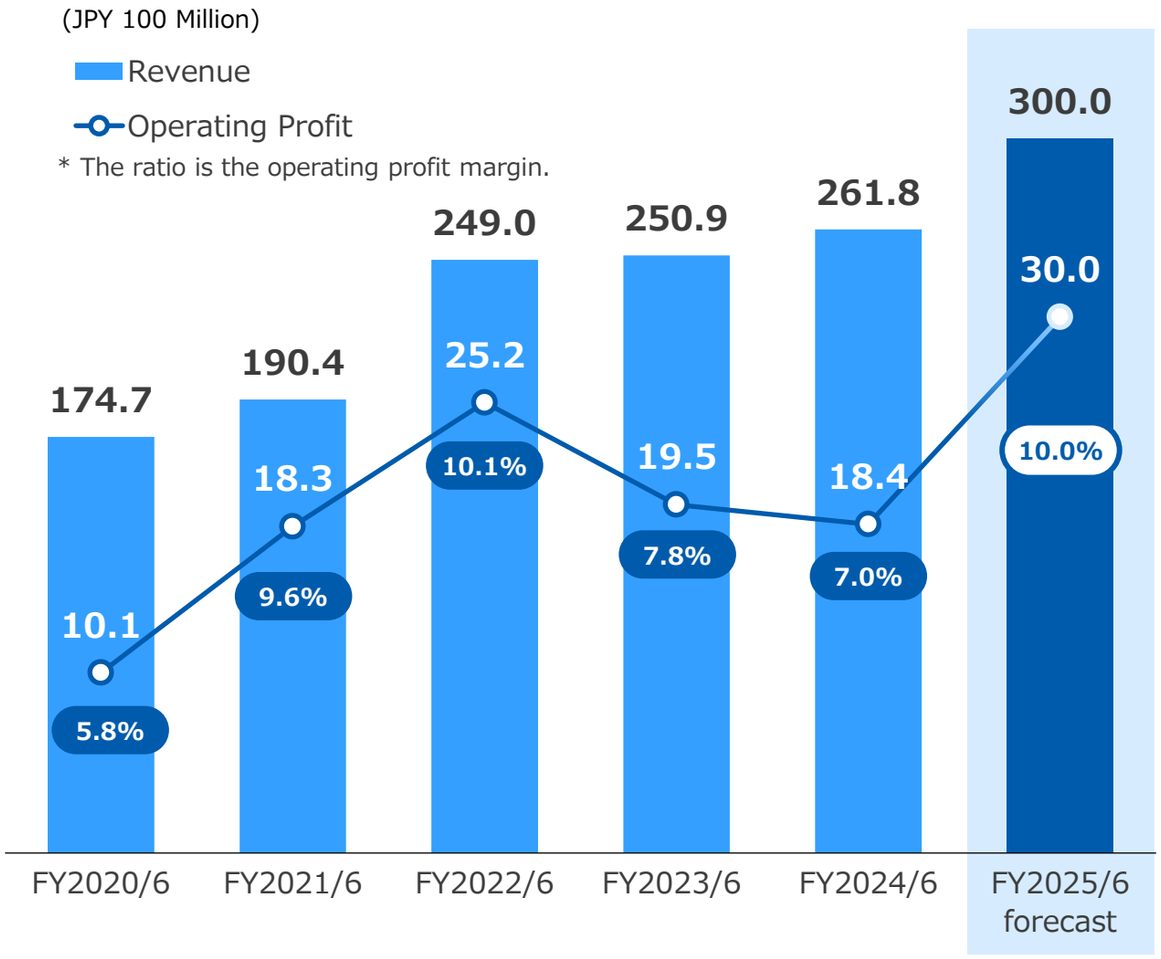
Decision to carry out treasury stock acquisition

Purpose	As part of its measures to return profits to shareholders, with the aim of carrying out flexible capital policies and diversifying its incentive plans, the Company decided to acquire treasury stock.
Number of shares	700,000 shares (maximum) *Percentage of total number of outstanding shares (excluding own shares) 3.6%
Acquisition amount	400,000,000 yen (maximum)
Acquisition period	From August 13, 2024 to February 12, 2025

3 Forecast & Shareholder Returns

Full-year Earnings Forecasts for FY2025/6

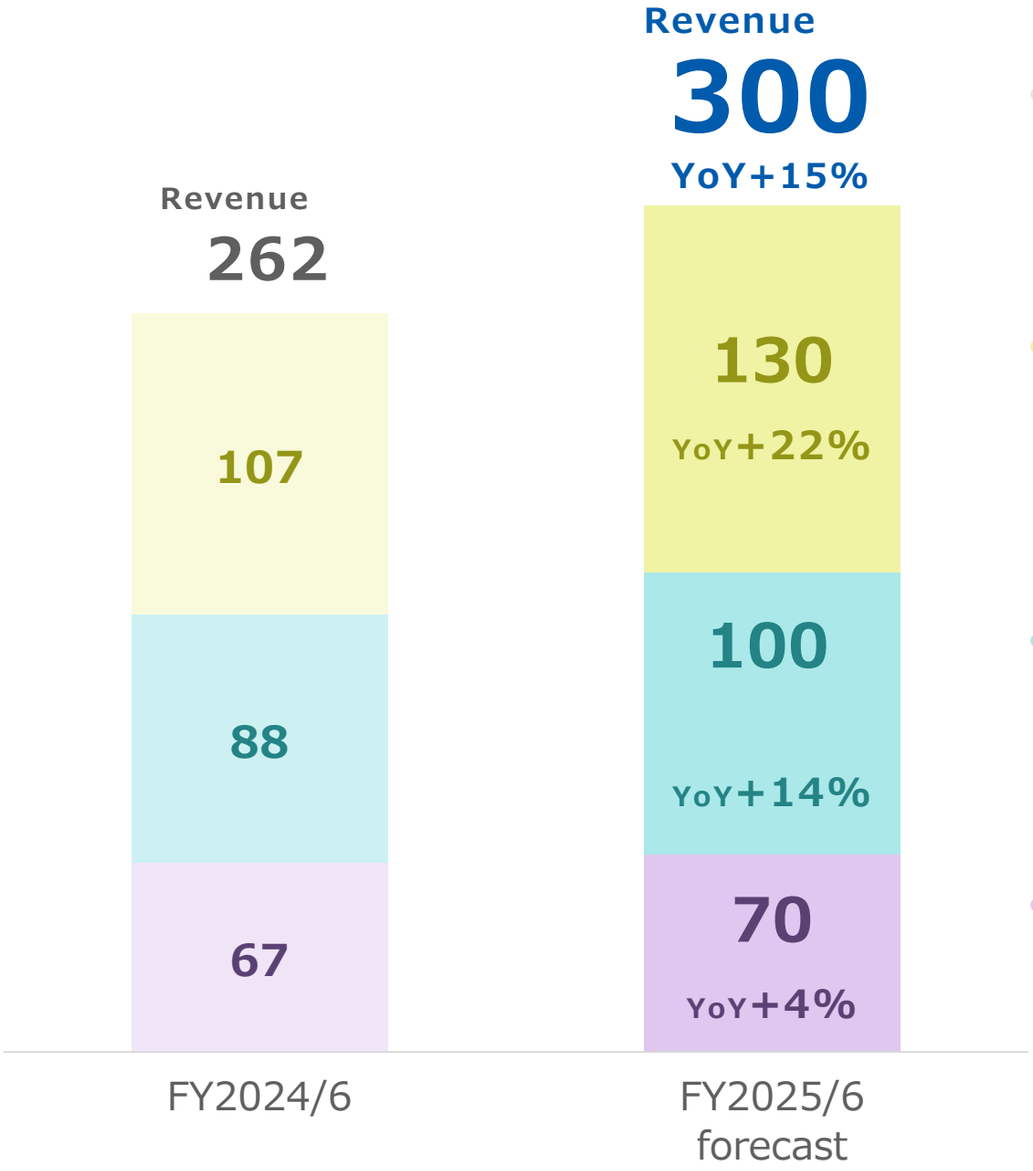
No change to Medium-term Management Plan and final year earnings targets
Targeting revenue of 30 billion yen (+15%) and operating profit of 3 billion yen (+63%)



(JPY 100 Million)	FY2024/6 results	FY2025/6 forecast	YoY
Revenue	**261.8**	**300.0**	**+15%**
Digital Marketing	106.6	130.0	+22%
Data Marketing	88.1	100.0	+14%
Insight	67.1	70.0	+4%
Operating Profit	**18.4**	**30.0**	**+63%**
Ordinary Profit	**19.1**	**29.0**	**+52%**
Net Income	**11.9**	**18.0**	**+51%**
EPS	**62.1**	**93.3**	**+50%**
Dividends Per Share (yen)	**13.0**	**14.0**	**+1.0**

Key Points in the Full-year Earnings Forecast for FY2025/6

(JPY 100 Million)



Entire Group

- Thoroughly improve profitability by maximizing group synergies, reviewing low-profit businesses, improving operational efficiency, etc.

Digital Marketing Business

- Assumption of double-digit growth in existing businesses.
- Assumed new consolidation in the previous fiscal year effect of approximately 1 billion yen.

Data Marketing Business

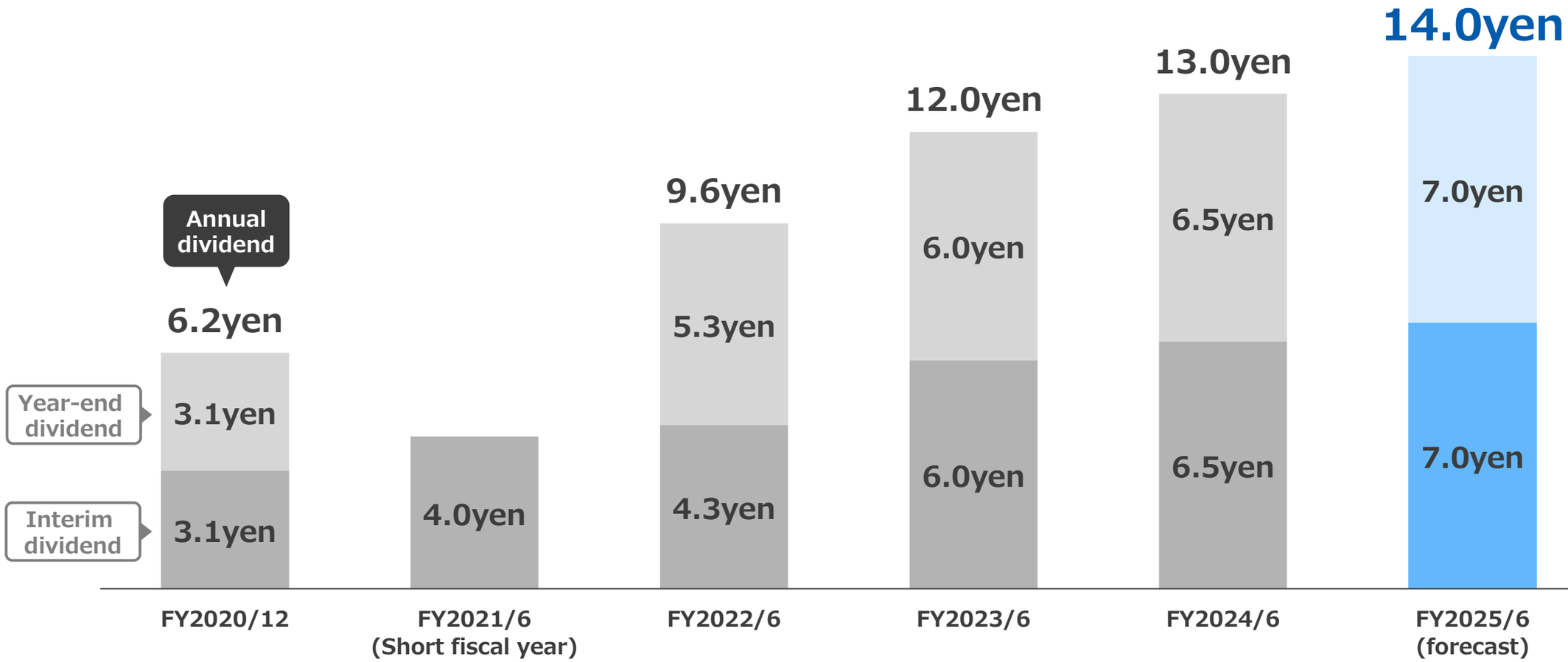
- Japan: Online surveys will be solid
- Overseas: recover from the previous year

Insight Business

- Japan: Offline surveys will be solid
- Assumed continuous growth in Indonesia

Dividend Forecast

Dividend policy:
Continue to increase dividends with a target dividend payout ratio of approximately 15%
We expect to pay 14.0 yen in the fiscal year ending in June 2025
(Interim dividend: 7.0 yen, year-end dividend: 7.0 yen).



4 Appendix

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

Consolidated Profit and Loss

Units: JPY 100 Million	FY2023/6	FY2024/6	YoY Growth Rate
Revenue	**250.9**	**261.8**	**+4%**
Gross Profit	**103.9**	**102.3**	**−2%**
(Gross Profit Margin)	(41.4%)	(39.8%)	(−1.6pt)
SG&A	**84.4**	**83.8**	**−1%**
(SG&A Ratio)	(33.6%)	(32.0%)	(−1.6pt)
Operating Profit	**19.5**	**18.4**	**−5%**
(Operating Profit Margin)	(7.8%)	(7.0%)	(−0.8pt)
Ordinary Profit	**18.8**	**19.1**	**+2%**
Extraordinary Gains	**−0.3**	**0.2**	**−**
Income Taxes	**8.2**	**7.4**	**−10%**
Net Income	**10.1**	**11.9**	**+18%**

1 **Full-year revenue reached arecord high**

Digital Marketing Business drove performance

2 **Ordinary profit slightly increased.**

In non-operating income and expenses, subsidies related to the opening of a new office were a positive factor.

3 **Net income increased 19%**

Decrease in income taxes due to tax effects from integration of group companies, etc. were a positive factor.

Consolidated Balance Sheet

Units: JPY 100 Million	End of Jun. 2023	End of Jun. 2024	Changes
Current Assets	**112.9**	**127.6**	**+14.7**
Cash & Deposit	64.8	73.8	+9.0
Notes & Accounts Receivable	31.4	38.5	+7.1
Other	16.8	15.3	−1.4
Non-current Assets	**30.2**	**38.7**	**+8.6**
Goodwill	6.2	12.3	+6.1
Other	23.9	26.4	+2.5
Total Assets	**143.1**	**166.3**	**+23.2**
Current Liabilities	**51.5**	**58.7**	**+7.2**
Accounts Payable	9.8	12.3	+2.5
Short-term Debt*	13.4	16.3	+2.9
Other	28.2	30.1	+1.8
Non-current Liabilities	**30.7**	**36.8**	**+6.1**
Long-term Debt	27.6	33.5	+5.9
Other	3.1	3.3	+0.1
Net Assets	**60.9**	**70.8**	**+9.9**
Equity Ratio	**42.0%**	**42.6%**	**+0.6pt**

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

1 **Maintained level of cash and deposit**

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

2 **Balance of goodwill increased**

Goodwill of newly consolidated subsidiaries caused anincrease

3 **The equity ratio is 42.6%**

Maintained the levels at the end of the previous fiscal year

Consolidated Statements of Cash Flows

Unit: JPY 100 Million	FY2023/6	FY2024/6	Changes
Operating Cash Flow	**18.0**	**18.0**	**15.7**
Income Before Tax	18.5	18.5	19.3
D&A	4.0	4.0	5.9
Decrease (increase) in Trade Receivables	5.6	5.6	−7.1
Income Taxes Paid	−6.5	−6.5	−9.0
Other	−3.6	−3.6	6.6
Investment Cash Flow	**−9.0**	**−9.0**	**−12.4**
Financial Cash Flow	**0.3**	**0.3**	**4.5**
Net Proceeds and Payments of Short-term Debt	−0.6	−0.6	0.5
Net Proceeds and Payments of Long-term Debt	12.6	12.6	6.9
Other	−11.7	−11.7	−2.9
Cash Equivalents at the End of Period	**64.8**	**64.8**	**73.8**

1 **Income before tax increased**

2 **Achieved positive financing cash flows**

Mainly due to last year's treasury stock purchase

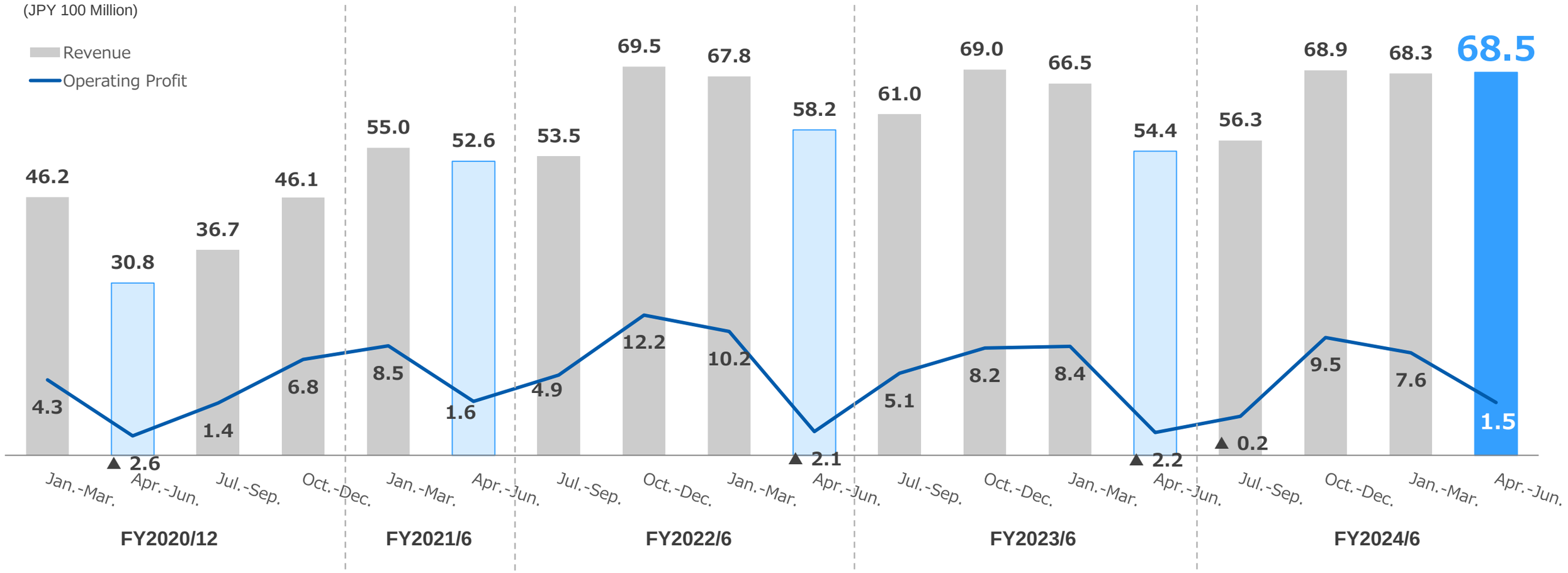
3 **Cash equivalents increased**

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

Quarterly Fluctuations in Revenue and Operating Profit

Record sales for Q4

Despite the seasonality of off-peak and peak seasons, quarterly revenue level gradually expanded



Sustainability

Category	Materiality	Specific initiatives ※All figures are for FY2023/6.
Environment	Broader protection of the global environment, including addressing climate change	・Express support for TCFD and join the TCFD consortium. ・CO2 emissions（t-Co2） Scope1 0 Scope2 305 (Emissions associated with office electricity consumption) Scope3 47 (Emissions from the use of cloud services)
Social	Enhancing human capital	・Renewal of the personnel evaluation system ・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 ・Percentage of male employees taking maternity leave: 61.5 ・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	Enhancing corporate governance functions and internal management systems	・Ratio of outside directors: 60% ・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	Balancing economic growth and sustainability activities	・Sustainability-related research sales -Domestic: 69.79 million yen -Overseas: 66.45million yen ・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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