Financial Results Briefing Material for FY2024 Ended January 2024

Appirits Inc. | Securities code : 4174

March 15, 2024

Introductory Remarks

We would like to thank our shareholders for their continued support.

On March 15, the Company announced its financial results for FY2024 Ended January 31, 2024.

Please refer to the IR page of our website (in Japanese) for the presentation materials and video of the financial results briefing.

For institutional investors, please contact our IR staff to set up an interview. We will also host several webinars for individual investors and hope you will join us for the webinars, which will include Q&A sessions. We have already announced some of these matters, but please wait as we will disclose them, including detailed schedules, on our website.

1. Corporate Summary

2. Financial Highlights for FY2024 Ended January 2024

- Corporate (Consolidated)
- Web Solutions business
- Digital Talent Development and Staffing business
- Online Gaming business

3. Earnings Forecast and Dividend Forecast for the Fiscal Year Ending January 31, 2025

4. Future Growth Strategies

5. Appendix

- Overview of Web Solutions Business
- Overview of Digital Talent Development and Staffing Business
- Overview of Online Gaming Business
- Overview of Subsidiaries

Appirits

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Corporate Summary

Vision

The Internet Company

Mission

Always make Internet services that delight and enrich the world



At Appirits, our ambition is to become an Internet company that represents the world as we grow hand in hand with our clients and employees.
We are expanding our business to transform our clients' services and people's lives for the better by utilizing the latest digital technology and creative marketing.

Established	July 2000	
No. of employees (non-consolidated)	625	
(consolidated)	725 (as of January 31, 2024 *including temporary employees)	
Top management	Junji Wada	President and Chief Executive Officer
	Toru Nagayama	Executive Officer and Chief Financial Officer
	Masahiro Kotosaka	Outside Director
	Keiko Kawamata	Outside Director
	Shinichi Kitagami	Outside Director
	Mayu Shono	Outside Director
	Jun Mihara	Corporate Auditor
	Naohiro Ishigami	Outside Auditor
	Eisuke Ito	Outside Auditor
Financial Indicators (consolidated)	Net sales: 7.32 billion yen (FY2023 ended January 2023) Profit: 210 million yen (FY2023 ended January 2023)	
Group companies (wholly owned subsidiary)	Moving Crew Co., Ltd. Y's Inc.	

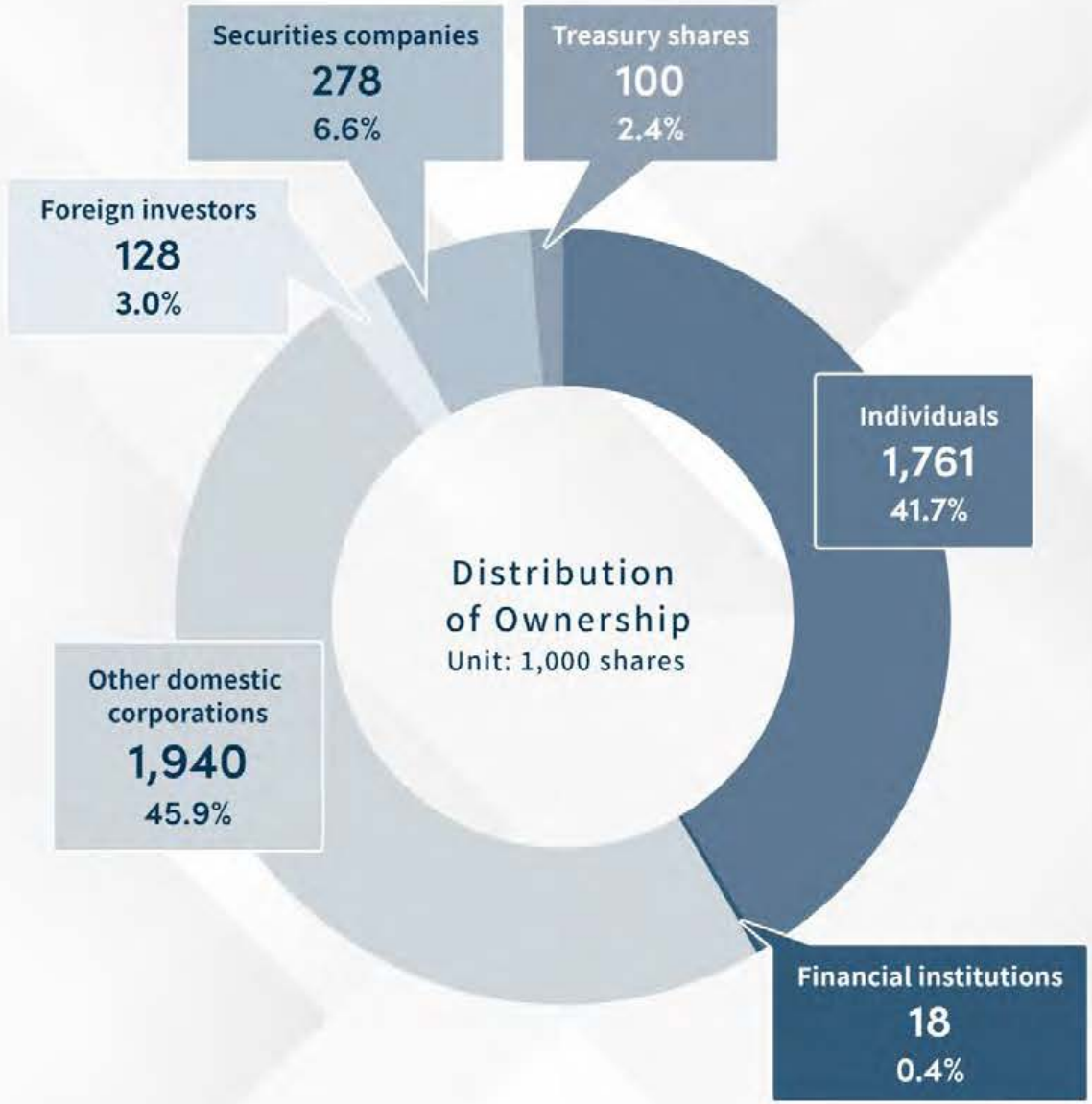
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(As of January 31, 2024)

Securities code	4174
Total number of shares issued	4,226,700 shares
No. of shareholders	2,190

Major Shareholders (Top 10)

Name	No. of shares held	Shareholding ratio
ATGC Co., Ltd.	1,555,200	37.69%
CRYPTOMERIA	320,400	7.76%
Koichi Uoya	240,400	5.83%
Junji Wada	178,200	4.32%
Appirits Inc. (owned in the name of the Company)	100,038	-
Shinya Kasatani	84,900	2.06%
JPMorgan Securities Japan Co., Ltd.	70,900	1.72%
Rakuten Securities, Inc.	68,600	1.66%
Appirits Employee Stock Ownership Association	67,600	1.64%
Hiromichi Yagi	48,000	1.16%



Implement operations focused on three businesses

／Stably operating business

Web Solutions business

Appirits is your best partner for digital business transformation.

We conduct large-scale system development that takes full advantage of the cloud environment and provide EC solutions suitable for agility and cost optimization.
We realize the "transformation of corporate business models and business processes," with over 300 engineers having proven ability to get things done.

Digital Talent Development and Staffing

Appirits is your best partner for developing and staffing digital talents.

Utilizing the know-how cultivated in our Web Solutions and Online Gaming businesses, we develop digital talents and dispatch them to the frontlines of development for our clients.
By understanding and maximizing the strengths of our members, we contribute to our clients' businesses and work to achieve further growth for the members.

／Growing business

Online Game

Appirits is your best partner for developing game-related services.

Appirits has more than 10 years of experience in contracted online game development and the planning and operation of games developed as well as copyrighted on its own.
Using in-house-developed engines allows for efficient development and continuous evolution of the game contents.

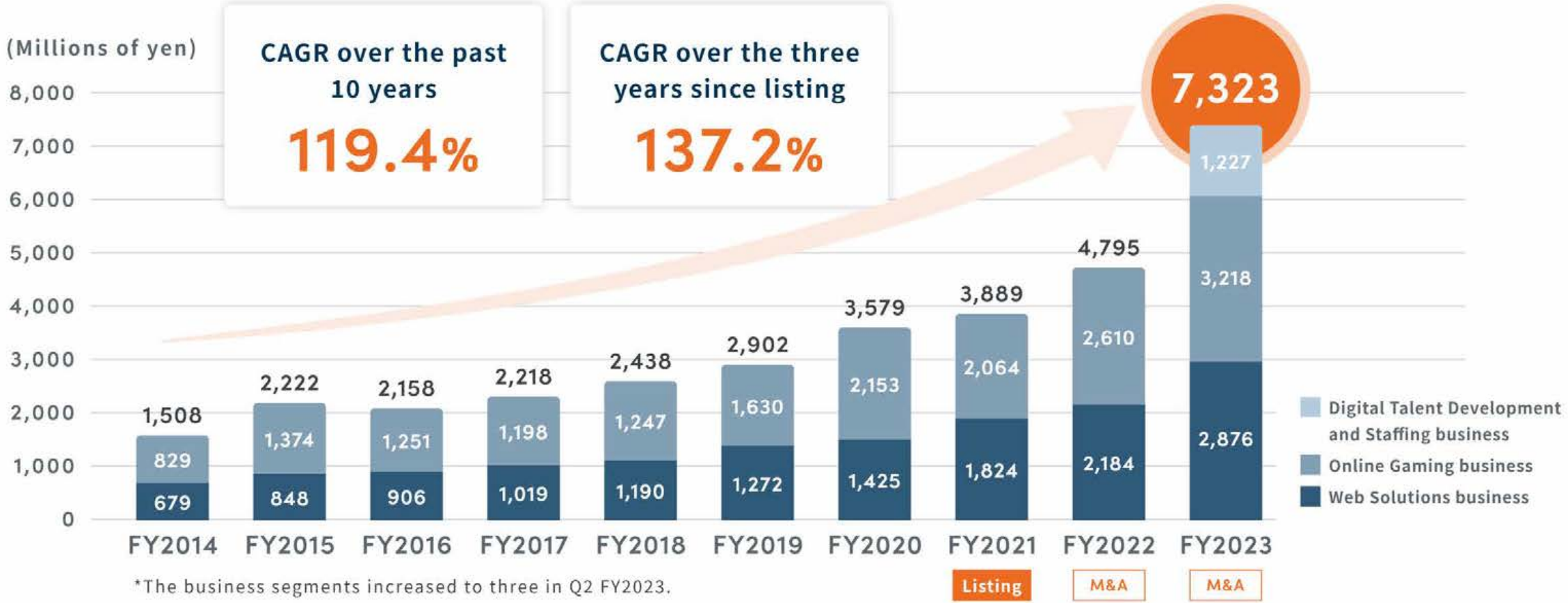
The history of the Company from its founding to the present has been a series of "challenges by young people."

Always learning from our mistakes and taking on challenges has led us to the present.



2000～2005	2006～2010	2011～2015	2016～present
Period of founding the business	First period of growth	Period of stagnation and transformation	Second period of growth
The CEO changed to the second CEO	Under the third CEO	Under the fourth CEO	

The Company has grown stably for the past 10 years.



*The business segments increased to three in Q2 FY2023.

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Financial Highlights for FY2024 (full fiscal year)

(Company-wide, Cumulative)

Review of FY2024 consolidated results (corporate)

Business operations

Net sales secured stable growth while profits achieved significant growth.

Growth strategies

Continued proactive sourcing activities for M&As, but no deal was concluded or closed.

Shareholder returns

Paid dividends as forecasted, and also purchased treasury shares to enhance total shareholder returns.

Review of FY2024 results (by business)

Web Solutions business	Sales decreased in Q3 due to temporary completion of a large-scale project, but firmly achieved a double-digit growth throughout the year.
Digital Talent Development and Staffing business	Sales increased due to full-year contributions from group companies. Firmly achieved double-digit growth throughout the year.
Online Gaming business	While minimizing declines in sales, reinforced the profit-generating structure through streamlining operations.

Both sales and profits achieved record highs. Continued to grow steadily since listing.

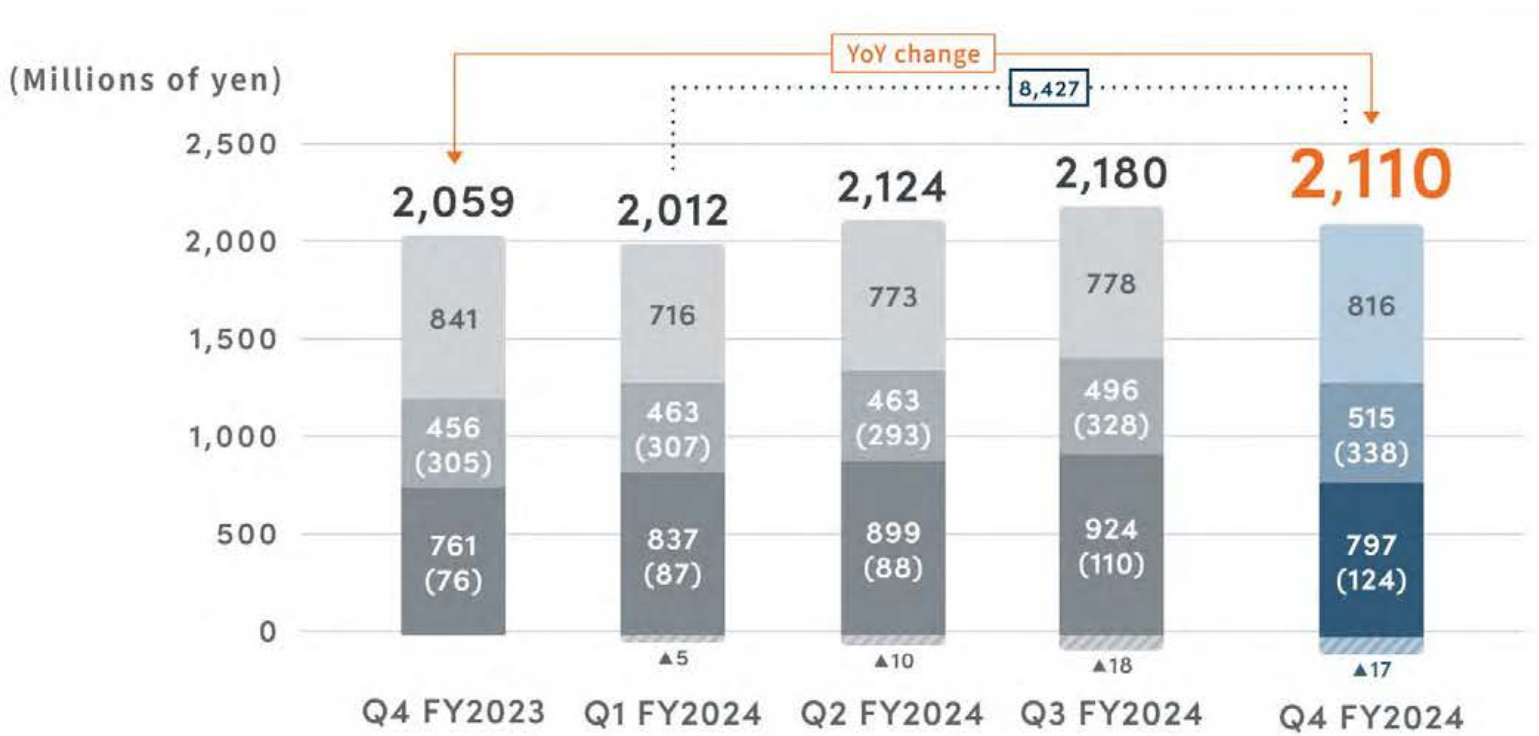
Net sales (cumulative)	8,427 million yen (up 15.1% year on year)
Operating profit (cumulative)	599 million yen (up 29.6% year on year)
Profit (cumulative)	386 million yen (up 83.8% year on year)
EBITDA	787 million yen (up 24.3% year on year)

Compared with the forecasts, sales were mostly as planned, and operating profit and other profits achieved and surpassed the plan.

Consolidated (Millions of yen)	Cumulative FY2024 (full fiscal year)	Cumulative YoY change	Full year earnings forecast	Progress rate over full-year earnings forecast
Net sales	8,427	115.1%	8,734	96.5%
Cost of sales	6,396	114.9%	6,762	94.6%
Gross profit	2,031	115.8%	1,971	103.0%
SG&A expenses	1,432	110.8%	1,421	100.7%
Operating profit	599	129.6%	550	109.0%
Ordinary profit	596	133.9%	545	109.3%
Profit	386	183.8%	327	118.0%
EBITDA	787	124.3%	-	-

Non-consolidated (Millions of yen)	Cumulative FY2024 (full fiscal year)	Cumulative YoY change	Full year earnings forecast	Progress rate over full-year earnings forecast
Net sales	6,870	108.1%	6,907	99.5%
Cost of sales	5,146	106.2%	5,290	97.3%
Gross profit	1,724	114.0%	1,616	106.7%
SG&A expenses	1,150	105.6%	1,115	103.1%
Operating profit	573	135.4%	500	114.5%
Ordinary profit	585	139.5%	512	114.4%
Profit	400	185.8%	322	124.3%
EBITDA	704	136.6%	-	-

Despite quarterly fluctuations in net sales, corporate results were largely in line with the forecast throughout the fiscal year.



Inter-segment transactions*
Online Gaming business
Digital Talent Development and Staffing business
Web Solutions business

The figures in parentheses are for subsidiaries.

YoY change (cumulative)

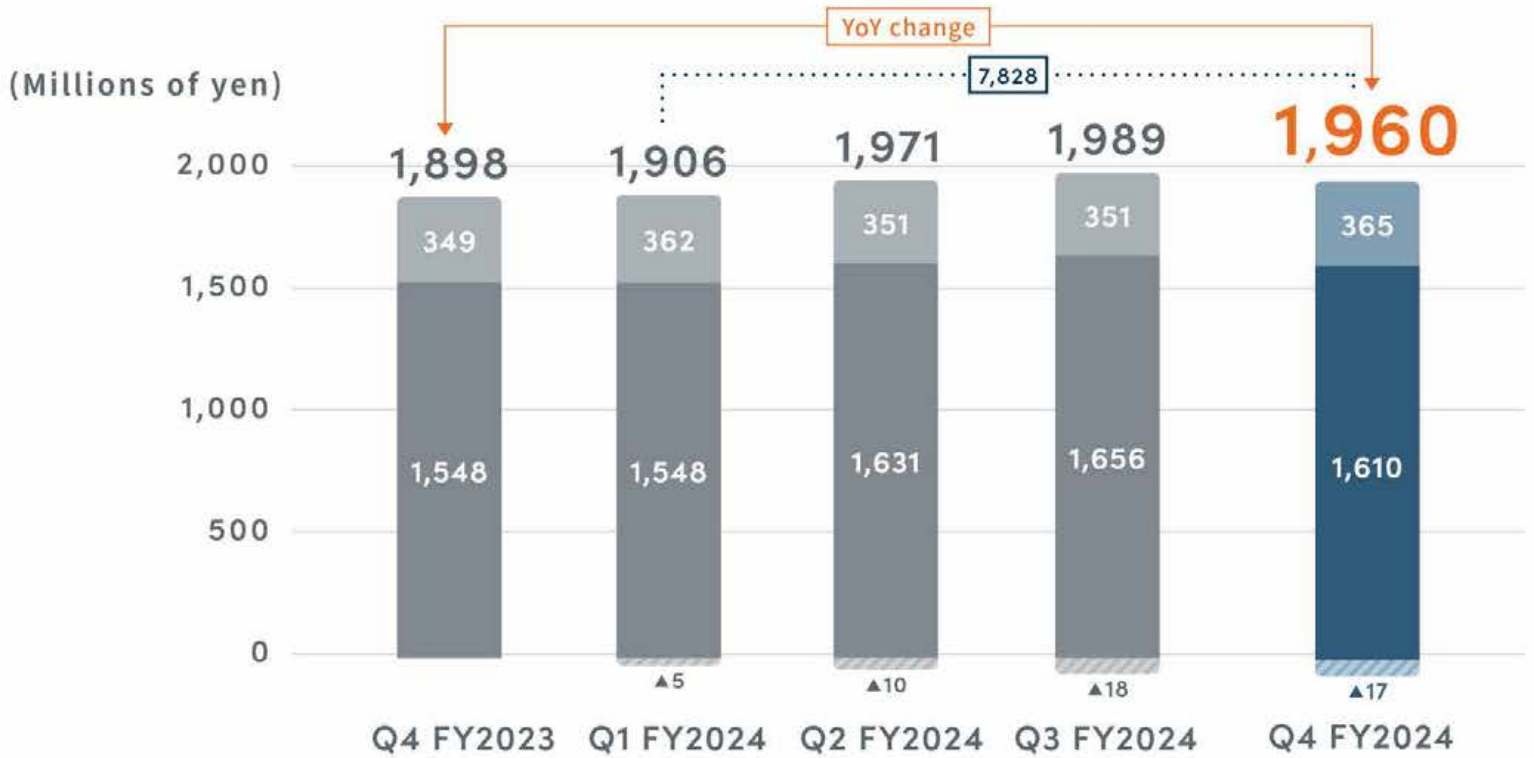
Up 15.1%

Change from year-earlier Q4

Up 2.5%

* The inter-segment transactions between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, figures after offsetting such transactions are indicated retroactively from Q1.

Expenses remained at reasonable values. Particular contributions were made by the improved efficiency in the Online Gaming business.



YoY change (cumulative)

Up 14.0%

Change from year-earlier Q4

Up 3.3%

* The inter-segment transactions between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, figures after offsetting such transactions are indicated retroactively from Q1.

Although the Web Solutions business temporarily declined in Q4, the three businesses complemented each other, resulting in a large increase in operating profit for the full year from the previous fiscal year.



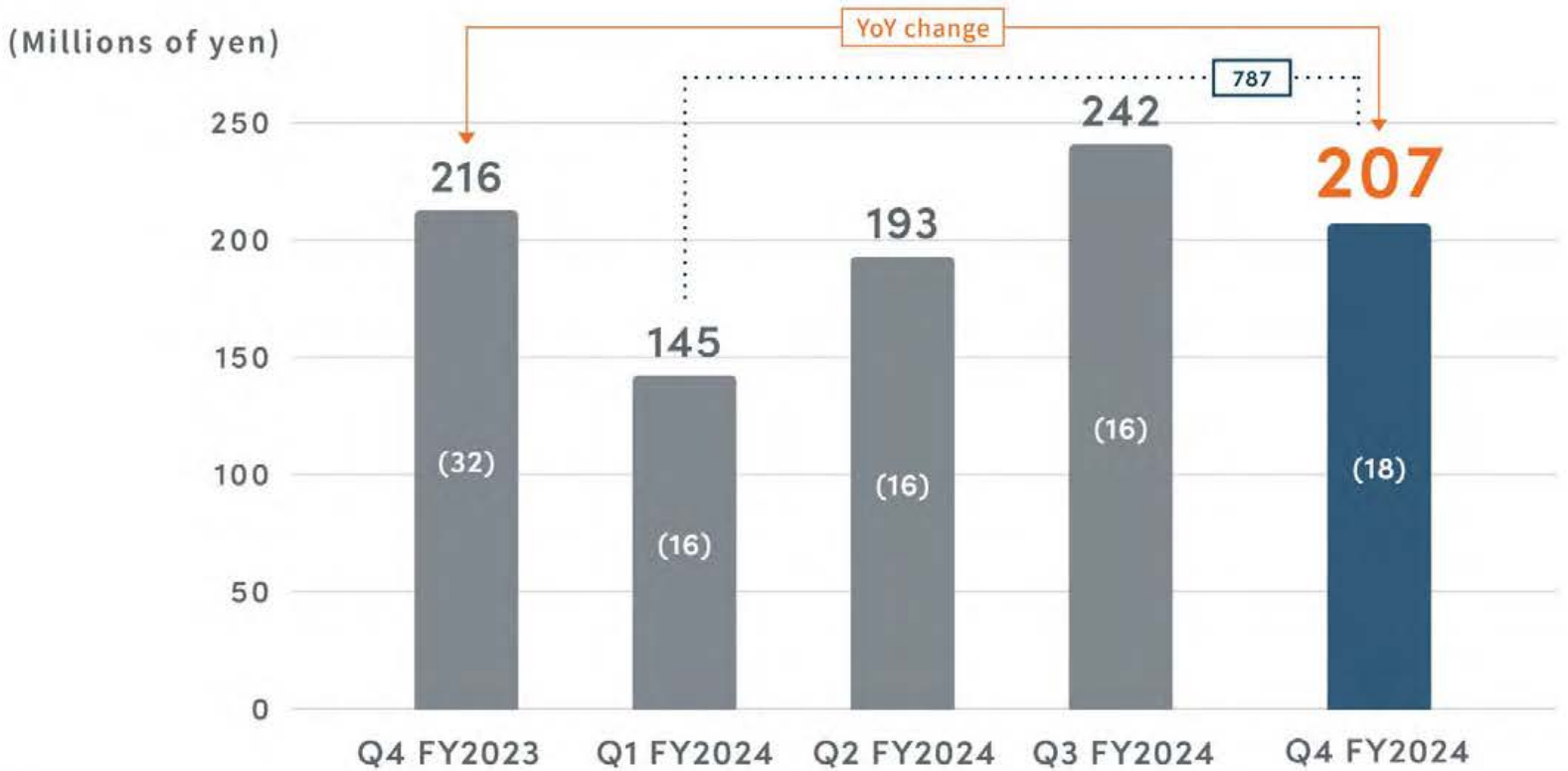
YoY change (cumulative)

Up 29.6%

Change from year-earlier Q4

Down 6.8%

Earnings power rose steadily as EBITDA increased to 780 million yen, absorbing the burden of amortization of goodwill for the previous fiscal year's M&As and copyright-transferred games.



*Figures in parentheses represent amortization of goodwill.

YoY change (cumulative)

Up 24.3%

Change from year-earlier Q4

Down 4.2%

Capital efficiency: improvement was achieved due to progress made as planned in terms of higher profits, dividend payments, and purchase oftreasury shares

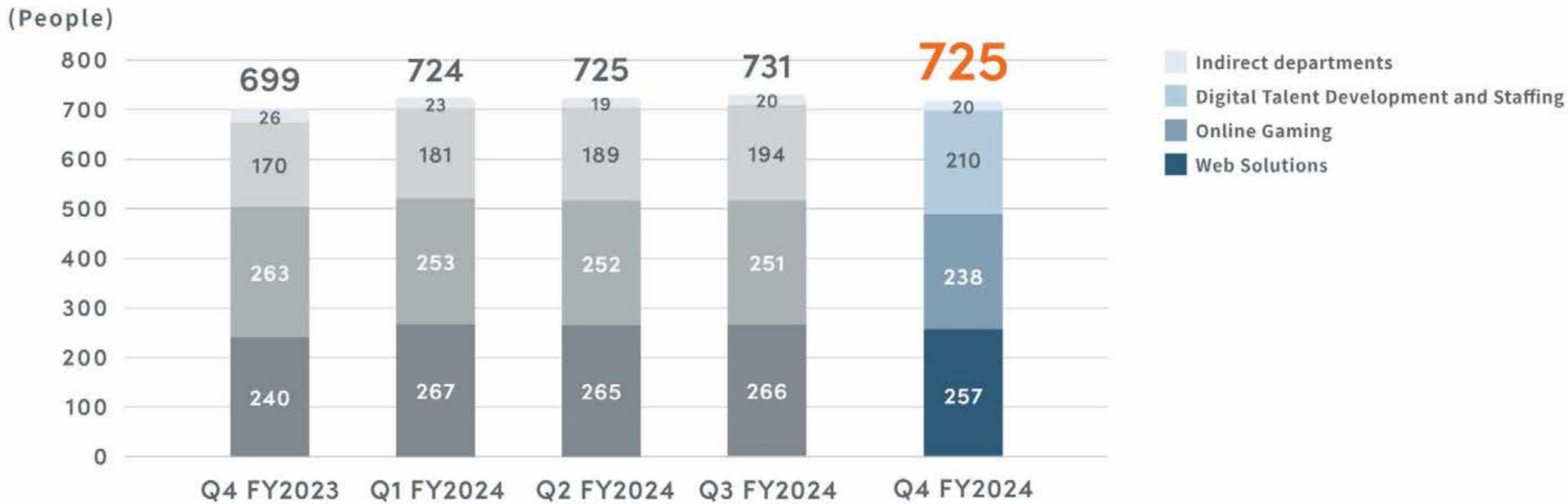
ROE•ROA: steady improvements were made

Equity ratio: remained stable

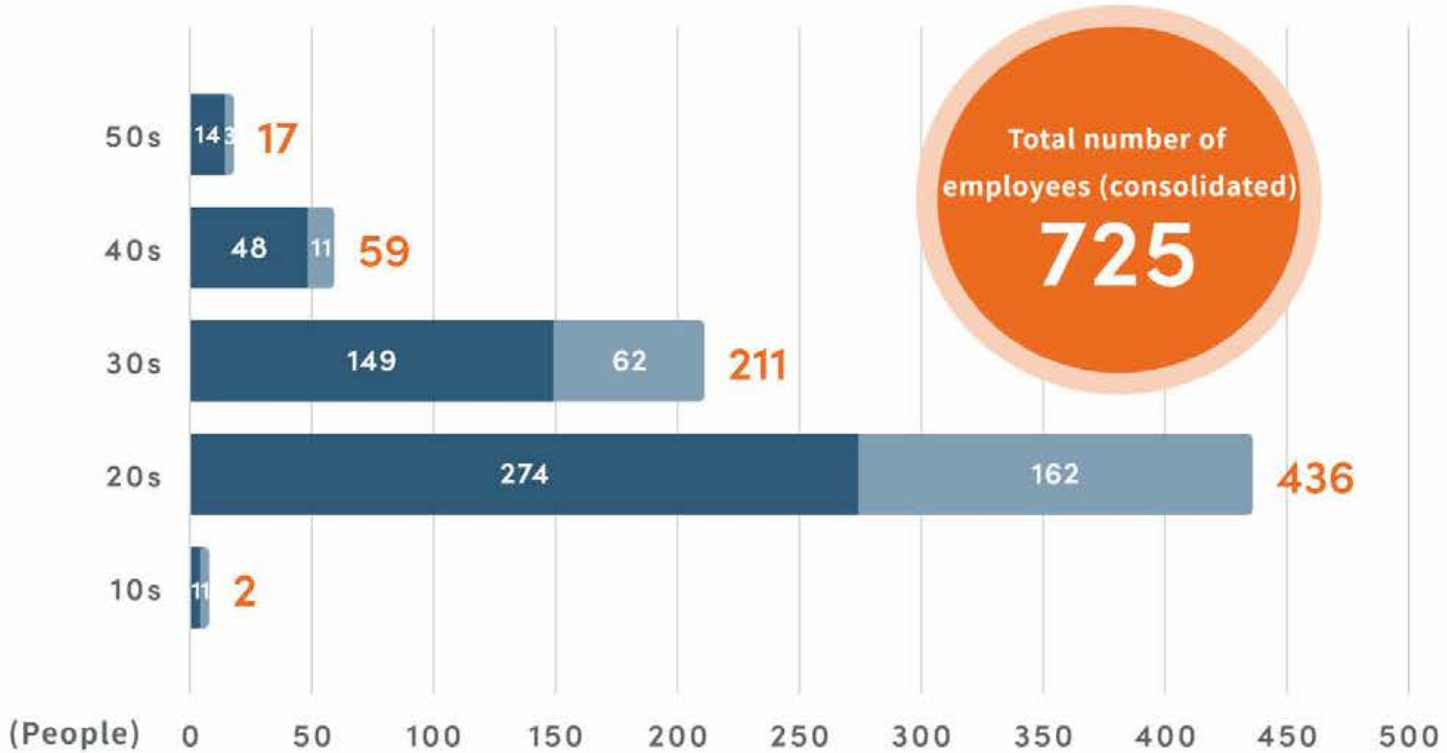
(Millions of yen)	As of the end of Q3 FY2024	As of the end of Q4 FY2024	Change	Major factors of changes from Q3 FY2024
Current assets	3,230	3,381	151	Increase in cash and deposits: +295, decrease in accounts receivable - trade: -34, decrease in accounts receivable - other: -19, decrease in prepaid expenses: -29, decrease in funds (other) for purchasing treasury shares: -50
Of which, balance of cash and deposits	1,446	1,742	295	Increase from collection of accounts receivable - trade and accounts receivable - other: +1,968, decrease from payment of accounts payable - trade and accounts payable - other: -871, decrease from payment of salaries and social insurance premiums: -666, decrease from payment of wages: -79, decrease from payment of taxes: -125
Non-current assets	1,253	1,204	-49	Amortization of goodwill of subsidiaries: -18
Total assets	**4,483**	**4,585**	**102**	
Current liabilities	1,721	1,729	8	
Non-current liabilities	415	387	-27	Repayments of borrowings: -27
Total liabilities	**2,136**	**2,117**	**-19**	
Net assets	**2,346**	**2,468**	**121**	Profit: +114, Increase in treasury shares: -23
Total liabilities and net assets	**4,483**	**4,585**	**102**	
Equity ratio	51.9%	53.2%	1.3%	
ROE	12.2%	17.0%	4.8%	
ROA	6.3%	8.8%	2.5%	

Lack of M&A deals kept the number of employees mostly flat companywide.

Online Gaming business: decreased temporary employees for streamlining and transferred some employees to the Digital Talent Development and Staffing business.
Web Solutions business: the number of retiring employees increased slightly.
Digital Talent Development and Staffing business: steadily increased employees



Approximately 60% of the employees are in their 20s, which will be a source of our future competitiveness in an era of declining workforce.



*The retirement rate is calculated using the number of employees who retired a year ago as the parameter and the number of employees who retired during the subsequent year.

Female
Male

Average annual salary increase from 2023 to 2024
Approx. 300,000 yen

Retirement rate
Approx. 14%

Average years of service
4.4 years

Percentage of females
Approx. 30%

Average age
Approx. 31.1years old

*Indicates the difference in salaries paid for the periods from February 2022 to January 2023 and from February 2023 to January 2024 for employees who were fully employed in these periods.
*The above figures are as of the end of FY2024.
*The above figures are for Appirits Inc. on a non-consolidated basis.

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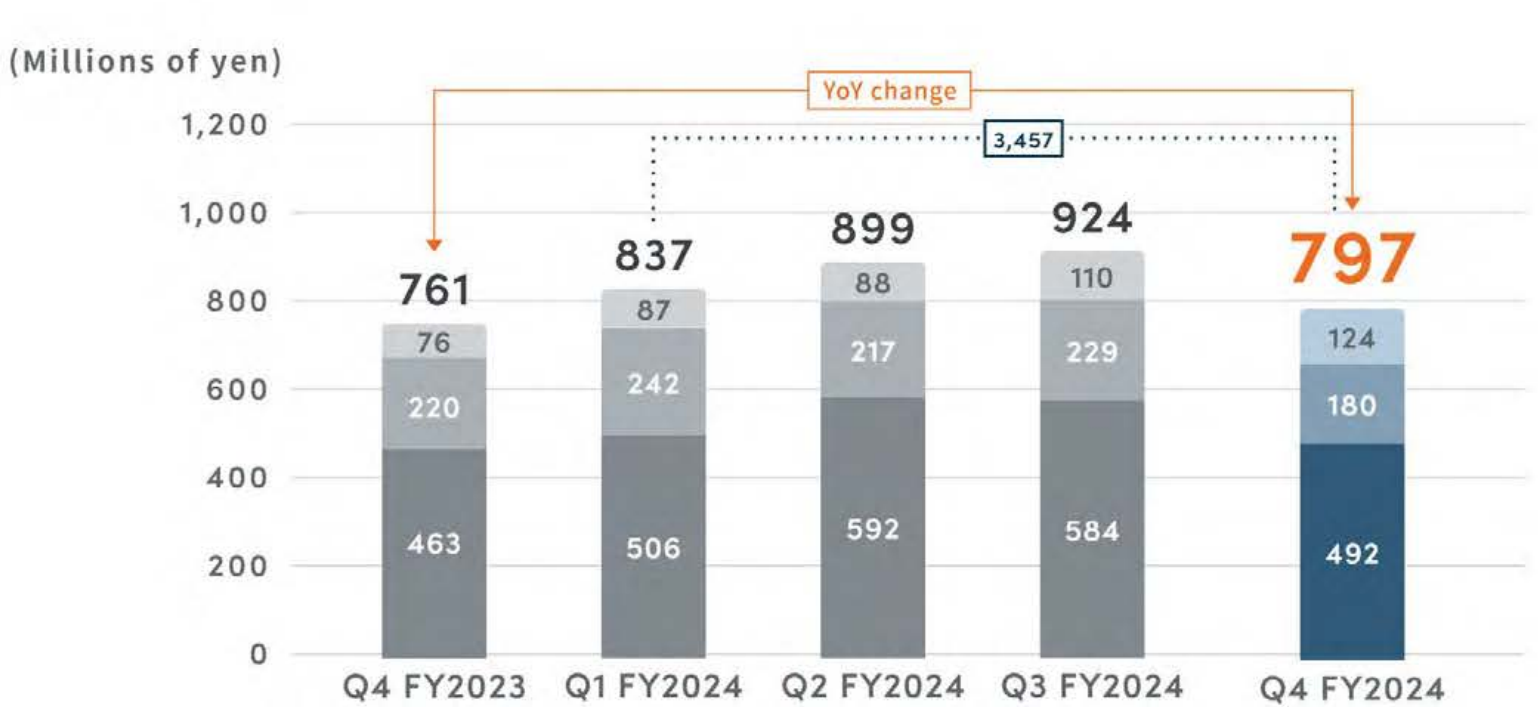
Financial Highlights for FY2024 (full fiscal year)

Web Solutions Business

Achieved solid growth for the full year on a year-on-year basis.

Delivery of a large-scale project was completed in Q3.

Sales temporarily dropped in Q4 as the utilization rate of the manufacturing workforce decreased due to the requirements definition period for the next fiscal year's large-scale projects.



YoY change (cumulative)

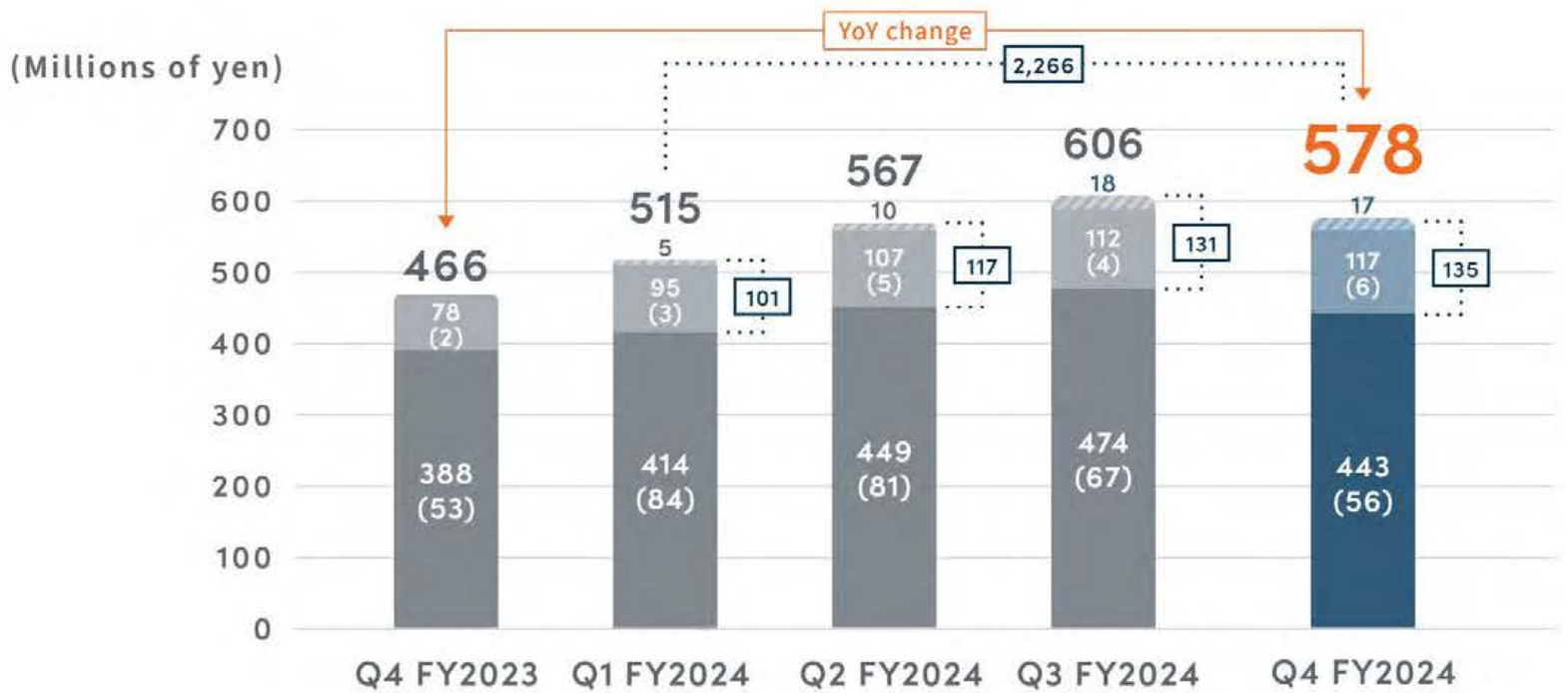
Up 20.3%

Change from year-earlier Q4

Up 4.7%

*Includes consulting, design, marketing, security, and Saas.

Outsourcing costs trended upward due to an increase in large-scale projects, but remained at an appropriate level throughout the year.



Inter-segment transactions*

Outsourcing expenses

Personnel expenses and other manufacturing costs

Figures in parentheses are for Moving Crew Co., Ltd.

YoY change (cumulative)

Up 23.3%

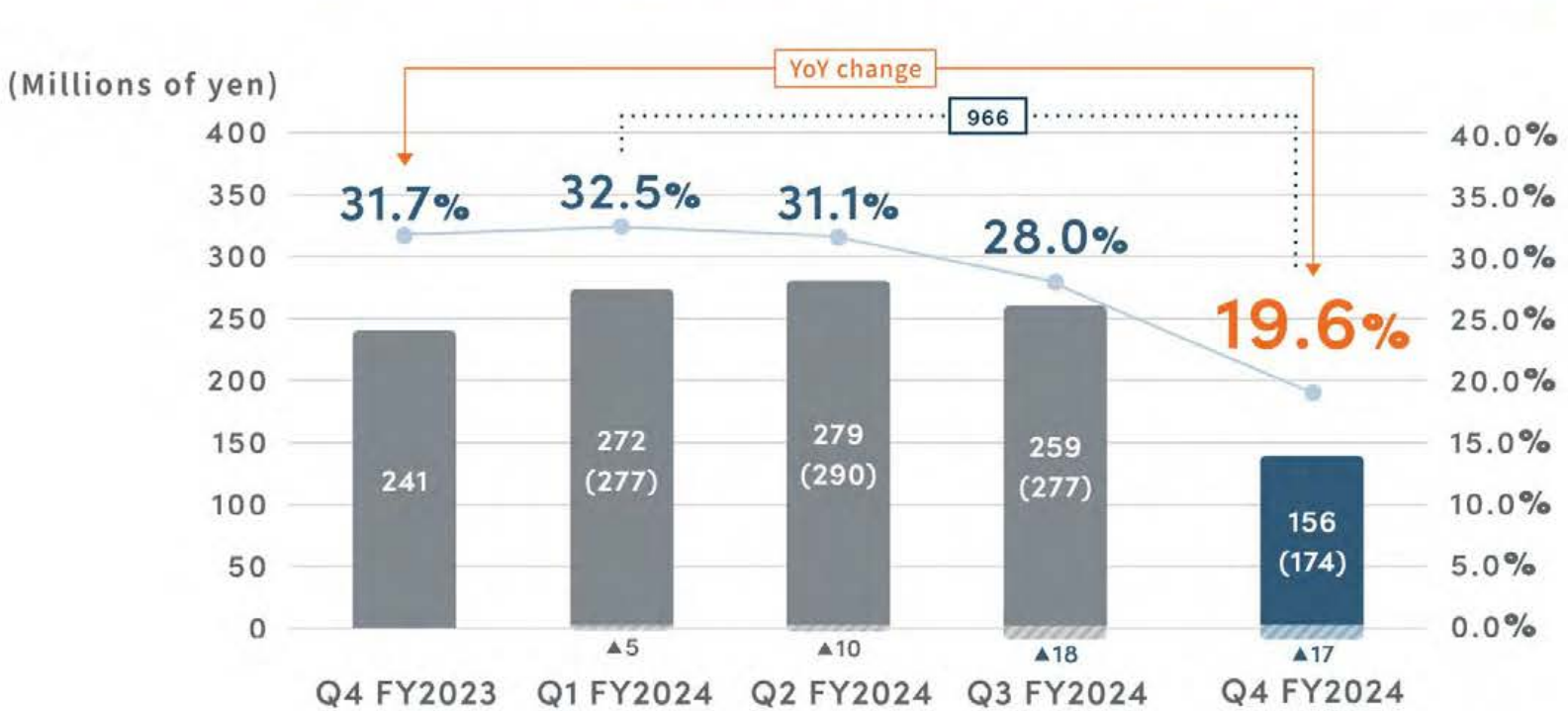
Change from year-earlier Q4

Up 24.0%

* The inter-segment transactions (placing orders to the subsidiary) between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, the offset amount of the internal transactions between the segments is included retroactively from Q1 to indicate the gross cost of sales. Because of this arrangement, the amount of outsourcing expenses has increased.

Delivery of a large-scale project was completed in Q3,
causing the manufacturing workforce to be underutilized. Because of this, the segment profit in Q4 temporarily dropped significantly.
Will raise the segment profit margin level by the end of Q2 FY2025 as a target.

Achieved solid growth for the full year on a year-on-year basis.



Segment profit margin
Inter-segment transactions*
Segment profit amount

Figures in parentheses are based on the same calculations used in the Q3 material.

YoY change (cumulative)

Up 29.6%

Change from year-earlier Q4

Down 6.8%

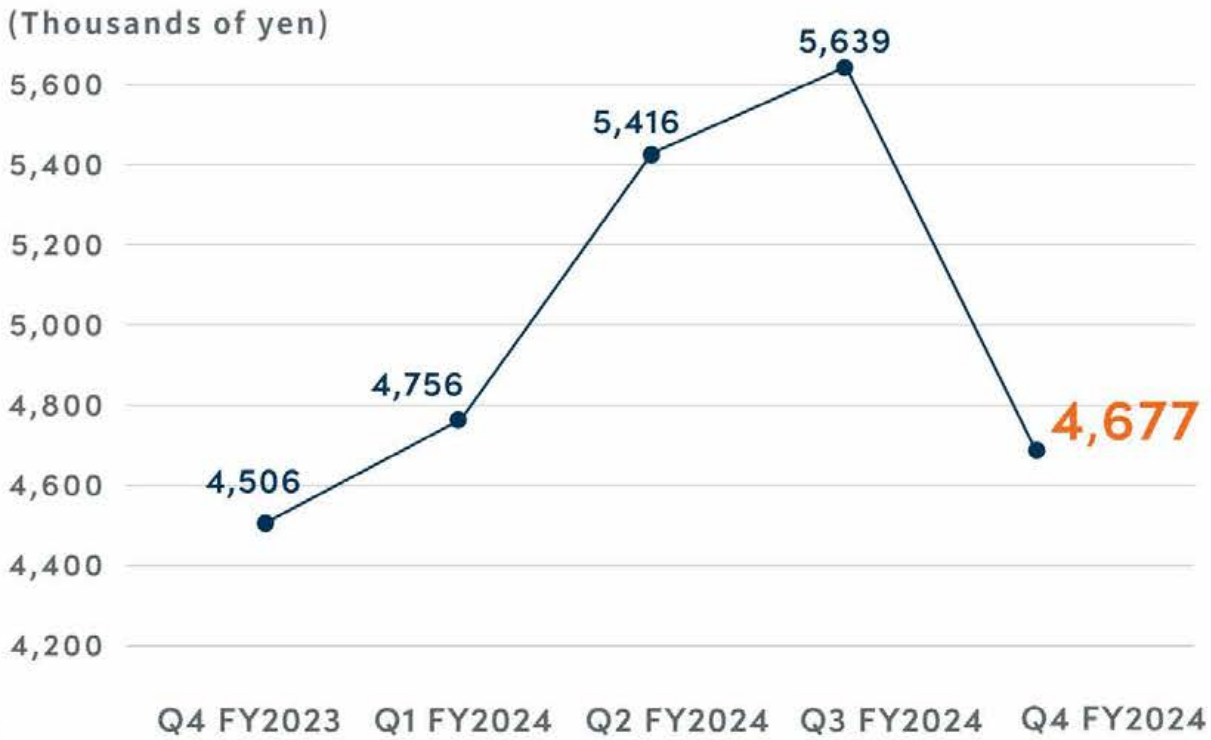
* The inter-segment transactions (placing orders to the subsidiary) between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, the offset amount of the internal transactions between the segments is included retroactively from Q1 to indicate the gross cost of sales. Because of this arrangement, the amount of segment profit has decreased.

As the delivery of a large-scale project was completed in Q3, the unit price temporarily declined in Q4.



Transform into an organization that provides DX services

Acquire large-scale projects = Higher average unit price



One of the growth strategies for the current fiscal year: increase the number of projects

Continued to function as a touch point for new contracted development.

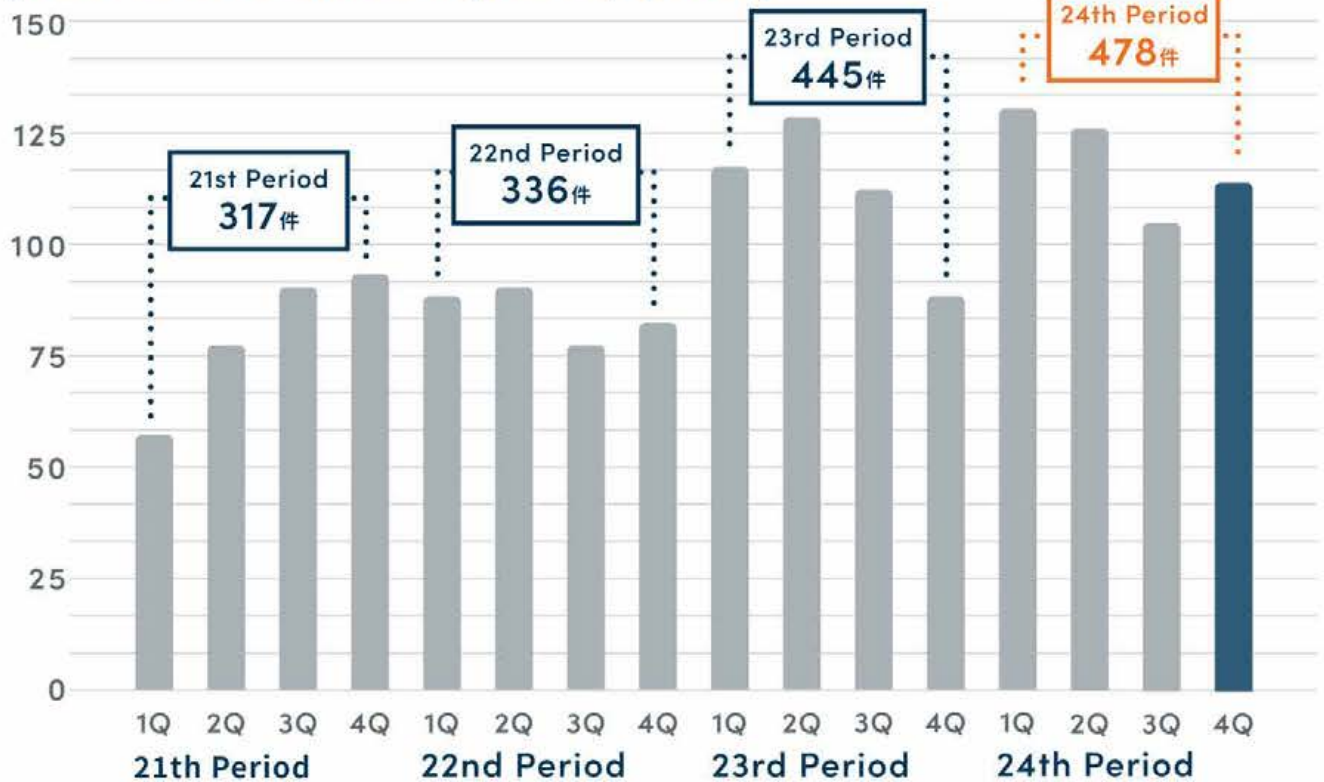
The number of inquiries regarding contracted development, which drives earnings, remained for the entire fiscal year.



Strengthen service lineups around DX.

Increase touch points = Larger number of projects

[Trends in the number of inquiries by quarter]



CAPCOM CO., LTD.

Utilize the knowledge of both companies for web production and development, and game development

Conducted planning, production, development, and operation in an integrated manner for Capcom Town, CAPCOM's 40th anniversary commemorative website.

DX case study | Upgrading of existing businesses and operations

The site commemorates CAPCOM's 40th anniversary with the concept of a digital destination for tourists.
The contents include a "Retro Games" corner where visitors can play CAPCOM's popular games on a Web browser, a "Museum" where visitors can view proposals and images/videos, and a participatory "CAPCOM Grand Election".
Appirits was engaged in idea generation, planning, design/asset production, requirement definition, development and implementation, and service operation in an integrated manner.
Supported the promotion of the project by utilizing the know-how of the online game business and proactively making proposals from Appirits members.



Satofull Co., Ltd.

Facilitate creation of the digital business platform

Provided comprehensive development of smartphone apps that bolster business growth

DX case study **Upgrading of existing businesses and operations**

The "Satofuru App" is a smartphone app that promotes regional revitalization by making Japan's Hometown Tax Program (a system for donations to municipalities) more familiar and user-friendly for donors through mobile phones and encouraging more people to utilize the program.
Appirits conducted the design, development, and operation of the native app, web view app, and API integration.
The app also supports the "Satofuru App de One-Stop Application," which allows users to complete applications for the one-stop special treatment system to each municipality online by using their national ID numbers.



AI case study

Promotion of AI use at existing businesses

Create business value through the use of generative AI

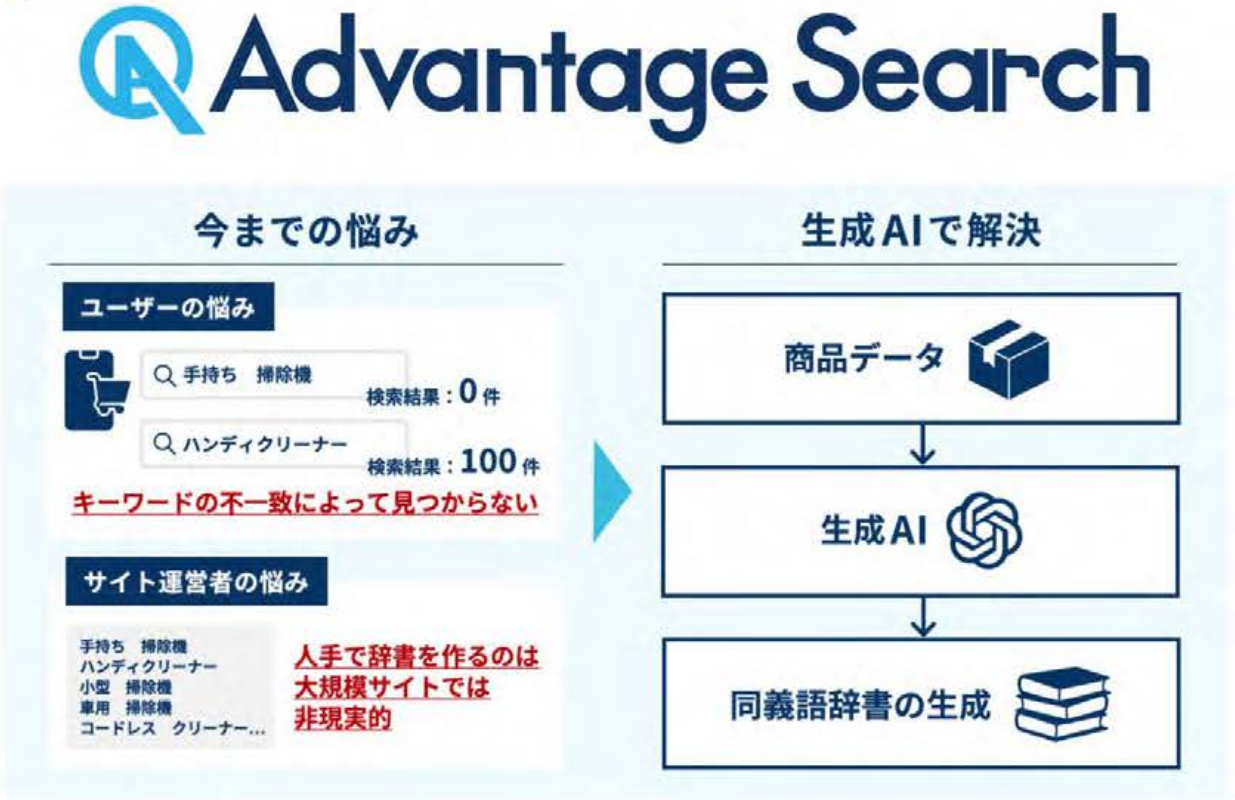
Incorporated “AI automatic creation of synonym dictionary,” a new function.

In-house product

“Advantage Search,” a tool for searching within individual websites

The workload of manually registering dictionaries was solved by using generative AI to improve search experiences within individual websites.
We developed a function to automatically create a synonym dictionary by utilizing generative AI.

Appirits is promoting research and in-house use of technologies related to generative AI. As part of this effort, we launched such initiatives as “raising the value of in-house products,” “improving the workflows on clients’ web systems,” and “creating a work environment that enables the use of generative AI” for the growth of clients' businesses.

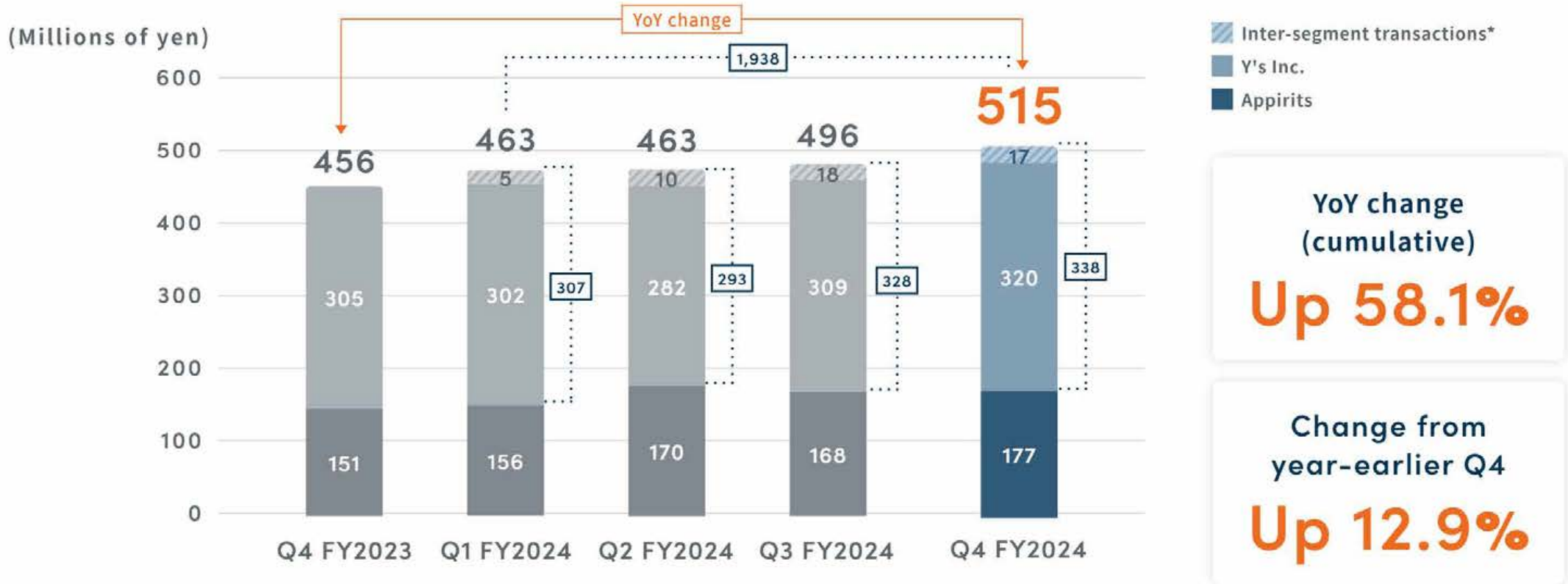


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Financial Highlights for FY2024 (full fiscal year)

Digital Talent Development and Staffing Business

Sales also grew in Q4 both at Appirits and at the group companies. Achieved significant growth for the entire fiscal year as well, due to contributions by the group companies.



YoY change (cumulative)

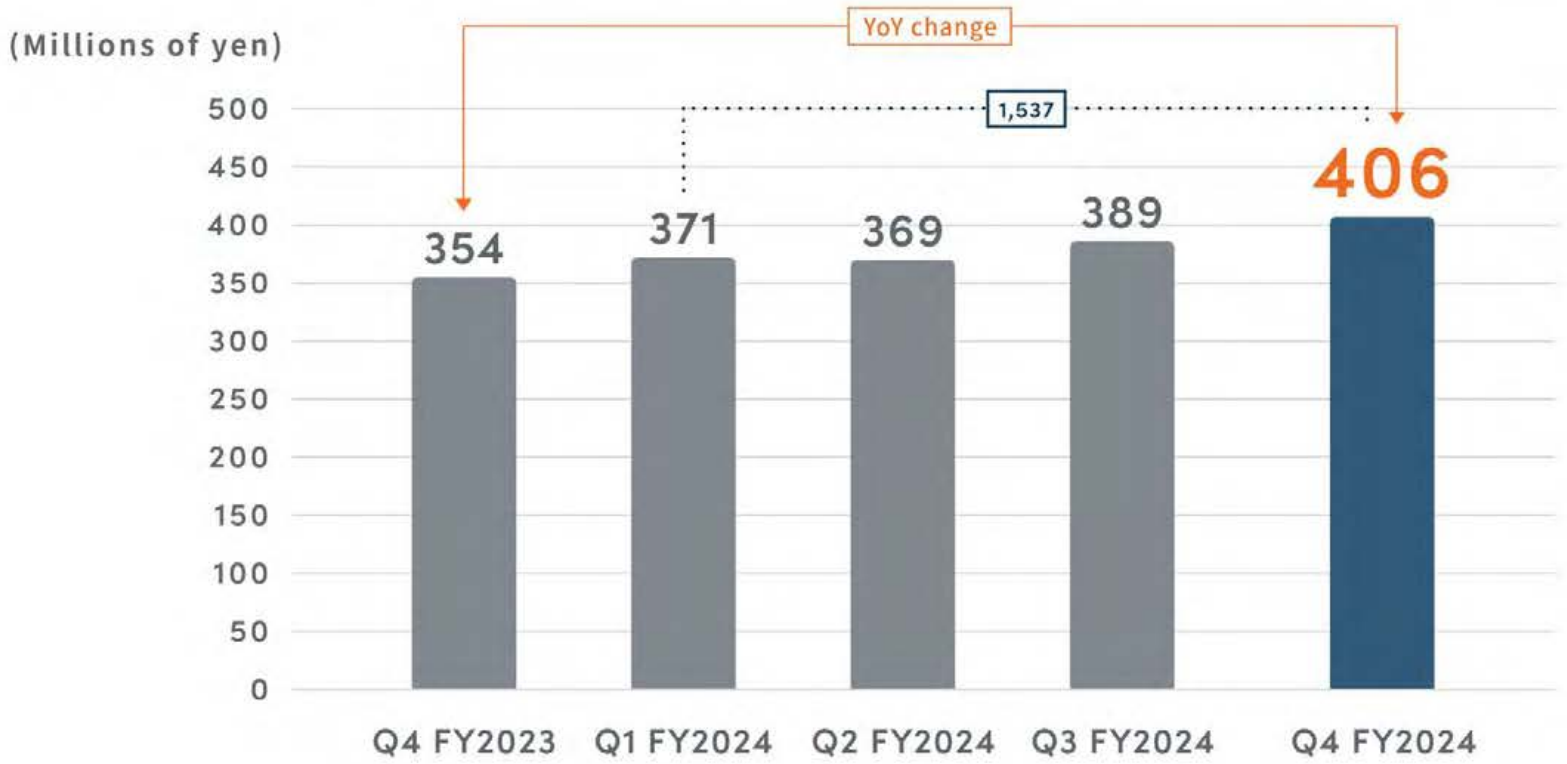
Up 58.1%

Change from year-earlier Q4

Up 12.9%

* The inter-segment transactions (placing orders to the subsidiary) between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, the offset amount of the internal transactions between the segments is included retroactively from Q1 to indicate the gross cost of sales. Because of this arrangement, the amount of outsourcing expenses has increased.

Cost of sales increased due to higher personnel expenses resulting from the staff transfer from the Online Gaming business.



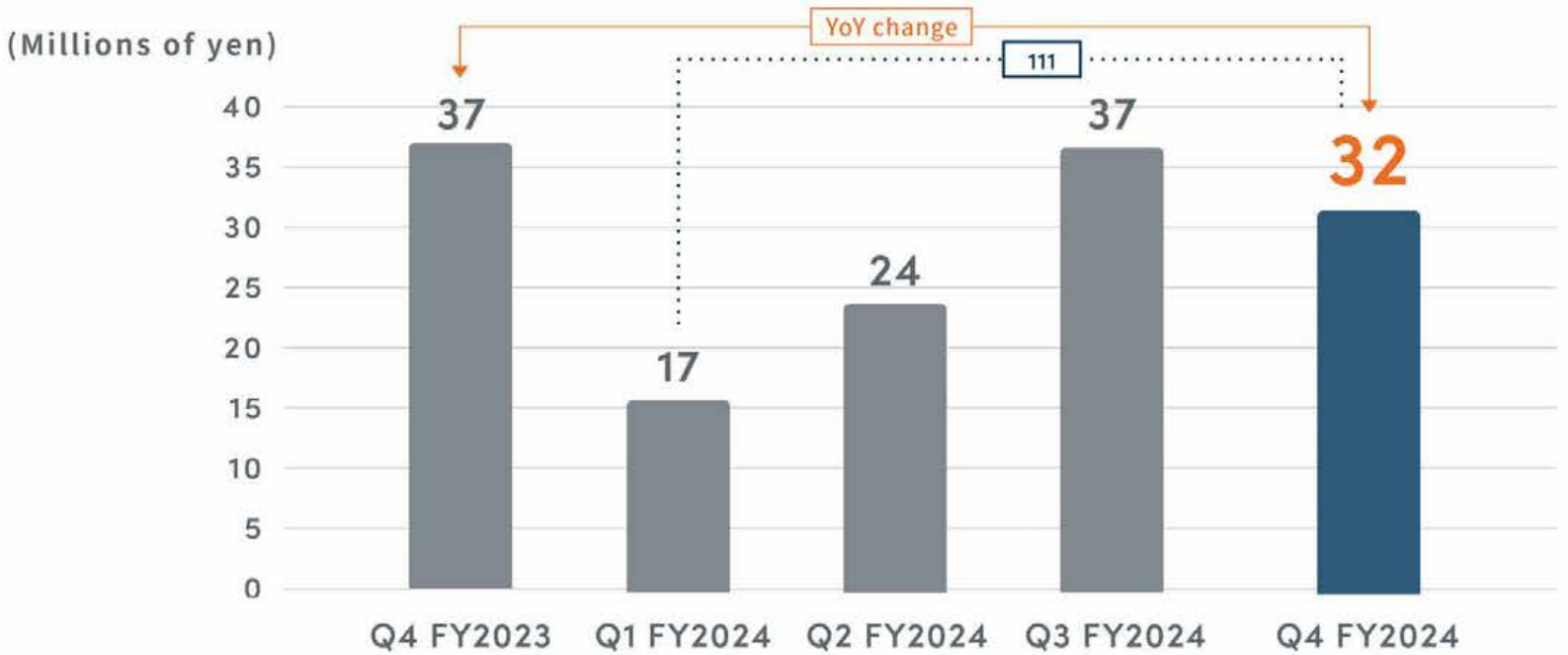
YoY change (cumulative)

Up 61.6%

Change from year-earlier Q4

Up 14.7%

Despite a slight decrease in Q4, segment profit was in line with the plan throughout the fiscal year.



YoY change (cumulative)

Up 29.6%

Change from year-earlier Q4

Down 6.8%

• The inter-segment transactions (receiving orders from the parent company) between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, the internal transactions are not offset retroactively from Q1 in the segments to indicate the gross cost of sales. Because of this arrangement, the amount of segment profit has increased in line with the increase in net sales.

Launched WEBMASTERS, a tutoring engineer school for those with no experience in the industry, at a group company (Y's).

Y's Inc. will collaborate with Apprits Inc. and utilize the networks and resources of the two companies to increase opportunities for the students of the school to work actively in the industry after graduation.

Through WEBMATER, the company will also promote the employment of the students at the Group and work to make the service itself profitable going forward.

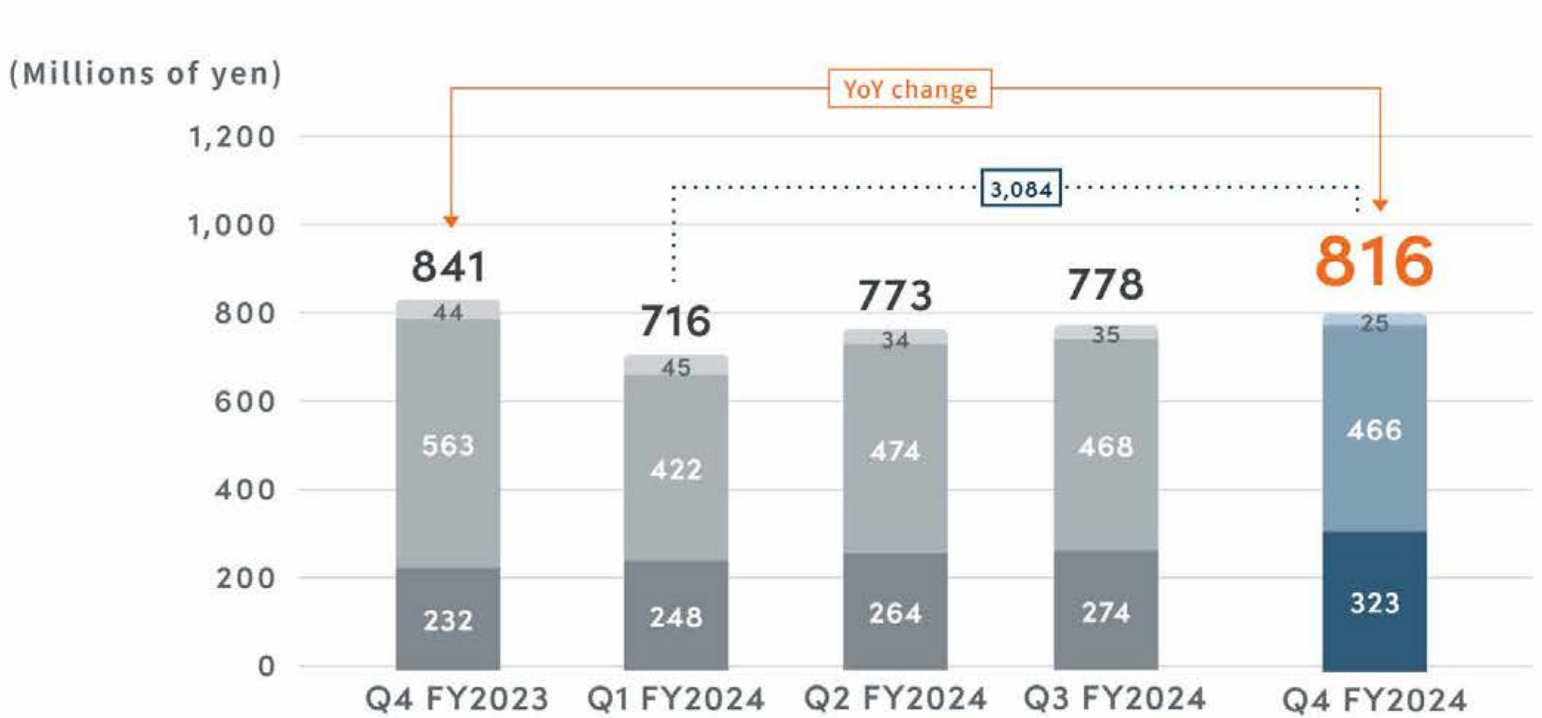


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Financial Highlights for FY2024 (full fiscal year)

Online Gaming Business

Contracted development and operation contributed to sales for Q4. Despite fluctuations throughout the year, copyright-transferred games successfully suppressed the rate of decrease in sales from the previous fiscal year.



In-house developed games
Secondary (copyright-transferred)
Contracted development and operation

YoY change (cumulative)

Down 4.2%

Change from year-earlier Q4

Down 3.0%

Costs related to outsourcing expenses and personnel expenses decreased throughout the year compared to the previous fiscal year. Continued to streamline the operation system, etc. as planned.



Outsourcing expenses

Personnel expenses and other manufacturing costs

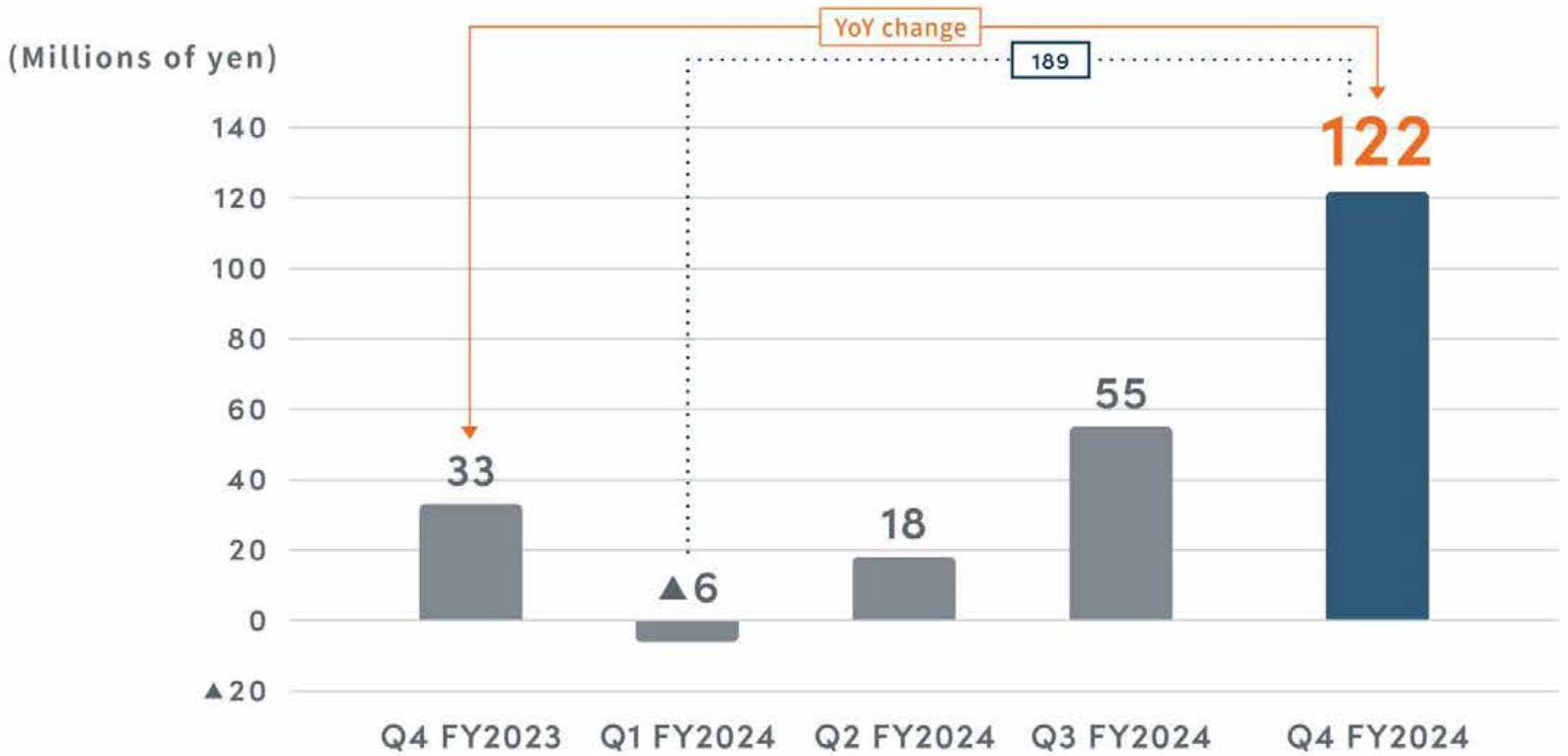
YoY change (cumulative)

Down 4.7%

Change from year-earlier Q4

Down 13.8%

Segment profit continued to recover due to increased sales and increased efficiency in the operation system. Compared with the previous year, the profit-generating structure was strengthened throughout the year.



YoY change (cumulative)

Up 32.2%

Change from year-earlier Q4

Up 269.7%

Operation pipelines were kept at 8 lines, with a new joint operation project starting at 1 line, despite a line of joint operation projects scheduled to be completed.

Development pipelines

3 lines

- In-house game development
- Contracted game development for collaborators A
  Scheduled for release in April 2024
- Contracted game development for collaborators B

Operation pipelines 8 lines

- **In-house game development**
  GOETIAX
- **Operation and development cooperation**
  Dx2 Shin Megami Tensei Revelation
  SEGA CORPORATION
- **Joint operation ❶** (Scheduled to complete)
  Senjyushi: Rhodoknight
  Marvelous Inc.
- **Joint operation ❷**
  Ikkitousen Extra Burst
  Marvelous Inc.
- **Joint operation ❸** (Copyright transfer started)
  Starting in April 2024
  *Not disclosed as the game is published by another company.
- **Copyright-transferred project ❶**
  Engi (historical fiction) series
- **Copyright-transferred project ❷**
  Kemono Friends 3
- **Copyright-transferred project ❸**
  Arca Last
- **Copyright-transferred project ❹**
  UNI'S ON AIR

A new game title for “Shikihime Project” is proceeding diligently

The scheduled release date is around the second and third quarters of FY2025





Game system in the new game title for "Shikihime Project"

- Real-time 3D virtual space
- Simultaneous connections between many people are possible
- Real-time communication (emotion, chat)

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Earnings Forecast and Dividend Forecast for the Fiscal Year Ending January 31, 2025

Thoughts about Consolidated Earnings Forecast for FY2025

事業	Thoughts	Assumed positive and negative factors
Web Solutions	・Market conditions are assumed to remain buoyant as in the previous fiscal year. ・Gaming companies will increasingly shift from outsourcing production entirely to bringing development in-house, requiring collaborative support in the process.	・Focus on rebuilding a structure capable of handling large-scale projects with the expectation of medium-term growth rather than short-term sales growth. ・Continue to acquire leads for large-scale projects. ・Continue double-digit growth going forward.
Digital Talent Development and Staffing	・Expected to remain the same as it is at present without any particular change. ・The need for staffing for online gaming companies is on a downward trend.	・Catch the need for staffing in growth areas. ・Work to increase the unit price by supporting education for clients. ・Continue double-digit growth going forward.
Online Gaming	・Expected to remain the same as it is at present without any particular change.	・Maintain the profit-generating structure by streamlining operations of copyright-transferred games. ・Make it a growth driver to release new games developed and copyrighted by the Company. ・Place priority on securing profits while maintaining sales at the previous year's level.
Growth strategies	・The need for potential deals in the M&A market is strong. ・There is a rising trend in the acquisition price. ・The conditions around hiring, which is the source of our growth, continue to be tough.	・Aim to continue sourcing potential M&A deals. ・Continue hiring despite the tough environment, and keep investing to secure retention. ・Conduct investment in human capital in line with the medium-term plan.

Sales are forecasted conservatively, with a focus to be placed on restructuring the Web Solutions business. Will secure increased sales and profits while factoring in relocation costs.

(Millions of yen)

Consolidated				
	FY2024	FY2025	Change	YoY change
Net sales	8,427	9,000	572	106.8%
Cost of sales	6,396	6,570	173	102.7%
Gross profit	2,031	2,430	398	119.6%
SG&A expenses	1,432	1,752	319	122.3%
Operating profit	599	678	78	113.1%
Ordinary profit	596	672	75	112.7%
Profit	386	430	43	111.3%

(Millions of yen)

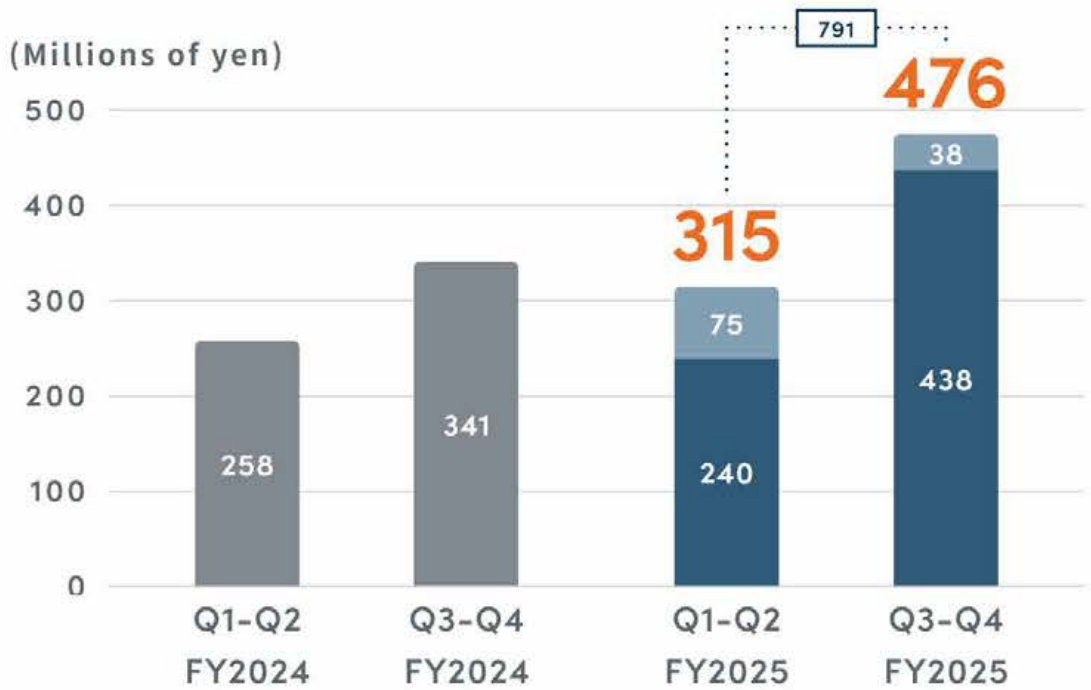
Non-consolidated				
	FY2024	FY2025	Change	YoY change
Net sales	6,870	7,388	518	107.4%
Cost of sales	5,146	5,329	183	103.6%
Gross profit	1,724	2,059	335	119.4%
SG&A expenses	1,150	1,443	292	125.4%
Operating profit	573	616	42	107.4%
Ordinary profit	585	627	41	107.1%
Profit	400	425	24	106.2%

Prioritize investments, such as hiring new graduates, in Q1 and Q2. For both sales and profits, anticipate a larger volume in Q3 and Q4 than in Q1 and Q2, as usual.

(Millions of yen)	Q1-Q2 FY2024	Q1-Q2 FY2025	YoY change volume	YoY change rate	Q3-Q4 FY2024	Q3-Q4 FY2025	YoY change volume	YoY change rate
Net sales	4,137	4,161	23	100.6%	4,290	4,839	548	112.8%
Cost of sales	3,164	3,152	▲12	99.6%	3,232	3,418	185	105.8%
Gross profit	972	1,009	36	103.7%	1,058	1,421	362	134.2%
SG&A expenses	714	769	54	107.6%	717	983	265	137.0%
Operating profit	258	240	▲18	92.8%	341	438	96	128.4%
Ordinary profit	257	237	▲20	91.9%	338	435	96	128.5%
Profit	151	143	▲8	94.6%	235	287	51	122.1%

Secure increased sales and profits even after taking into account the costs specific to FY2025, such as office relocation.

Operating profit when excluding one-time investments (forecast)



Details of new investments to be made in FY2025

(Millions of yen)		Q1 and Q2	Q3 and Q4	Full year
Temporary costs	Various relocation-related expenses	25	38	63
	Advertising expenses for new games	50	0	50
Permanent costs	Investment in people, etc.	0	50	50
	Increase in rents	0	126	126
Total temporary costs		**75**	**38**	**113**
Total costs		75	214	289

As a dividend forecast, higher dividends are projected at 16 yen for the entire fiscal year, with 8 yen for interim and 8 yen for year-end

The Company regards the return of profits to shareholders as one of its most important management measures.

In conducting the distribution of profits, the Company makes it a policy to take measures by giving due consideration to enhancing internal reserves for establishing the management foundation, reflecting its performance in each fiscal year, and comprehensively taking into account the conditions of shareholders' equity and the earnings environment.

While the Company aims to continue paying larger dividends in a stable manner by reflecting its business performance, it will also consider the option of flexibly purchasing treasury shares by using surplus funds generated as a result of its efforts to enhance capital profitability, taking into account various environments surrounding business management, etc.

We are targeting a total return ratio of 30%, including paying dividends and purchasing treasury shares.

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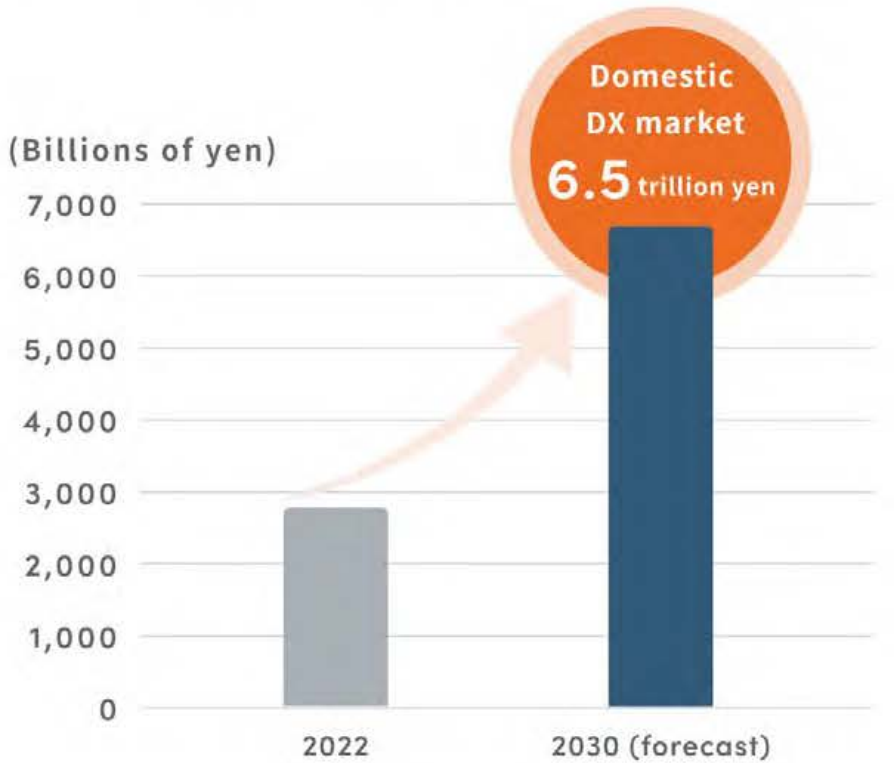
Future Growth Strategies

The DX area, of which the Company is a part, will continue to grow steadily.

The environment is expected to continue to support the growth of the Digital Talent Development and Staffing business and the Web Solutions business, the mainstay businesses of the Company.

(Billions of yen)	2022	2030 (forecast)
Overall	2,727	6,519
Manufacturing	299	813
Distribution/retail	66	185
Financing	302	888
Transportation/logistics	384	1,179
Real estate/construction	50	151
Back office (common to all industries)	278	651

"2023 Future Outlook for Digital Transformation Market <Market Edition>" by Fuji Chimera Research Institute, Inc.



Appirits aims to "transform itself into an academy" that fosters an environment for a continuous cycle of growth and mutual support between "people and businesses.

PURPOSE

Contribute to the digital society. Develop an abundance of digital talents.

MISSION

Always make Internet services that delight and enrich the world

VALUE

Develop an abundance of leaders through extensive learning in the flat organization resulting from the transformation into an academy.



VISION The Internet Company

A company with a purpose other than "income" where people can learn and continue to grow while helping each other.

VISION 2030 Transform into an academy

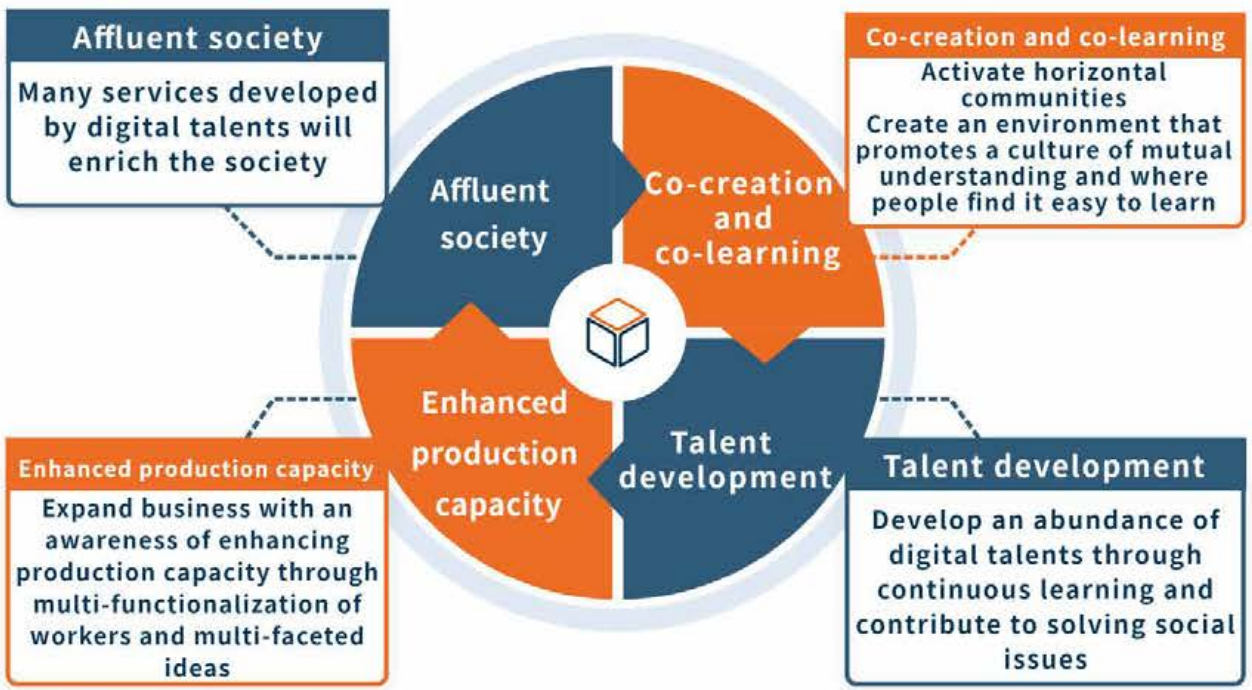
Income + Learning + Continuous growth

- Fulfillment
- Enjoyment
- Psychological safety

Increasing the number of people who lead "fulfilling working lives" and helping them grow continuously will lead to business growth and contribution to society.

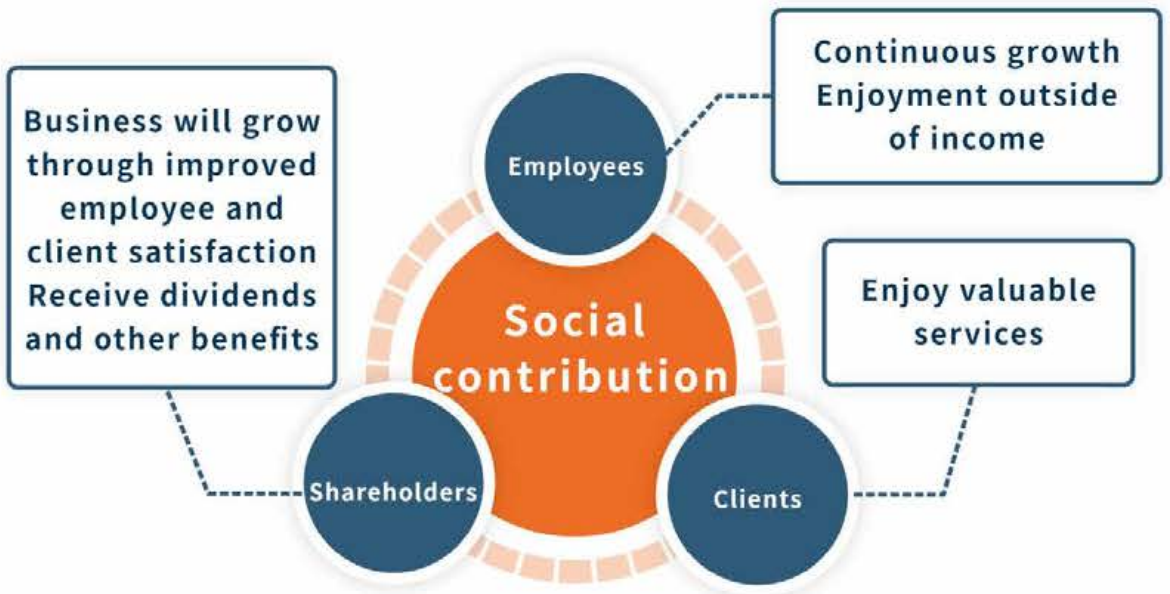
Valuable services will be created and an affluent society will be realized by talents who have been developed at the community of people "growing together, creating together, and living together," resulting from the "transformation into an academy."

Sustainability (business continuity) policy



Relationships with stakeholders

A virtuous cycle will extend as employees continue to grow.



Talents are the source of growth.

Through the transformation into an academy, build an environment in which employees can learn in "optimal learning zones." Employee growth will lead to business growth and social contribution.

Growth model	Sales per employee × number of employees = growth in sales and profits

KPIs

Basic KPIs

- Increase in the number of new graduate hires
- Increase in the number of mid-career hires
- Decrease in attrition rate

KPI for growth strategies

Increase in the number of employees through M&A
(hiring at regional bases)

Talent strategy

Continuing measures

- Improve work environment
- Raise the salary level
- Expand employee dormitories

New measures: Transforming the Company into an academy

Activate horizontal communities within the Company and promote a culture of mutual understanding and help.

- **Various measures for employee retention**
  Promote circle activities and conduct cultural festivals, etc.
- **New educational measures**

Aim for net sales of 20 billion yen and operating profit of 2 billion yen in FY2030.



Performance targets for FY2030

Operating profit	Net sales
2 billion yen	20 billion yen
Operating profit margin of 10%	

Employee-related targets for FY2030

Number of employees	Retirement rate
Around 1,700	To approx. 8% level

Continuous growth strategies

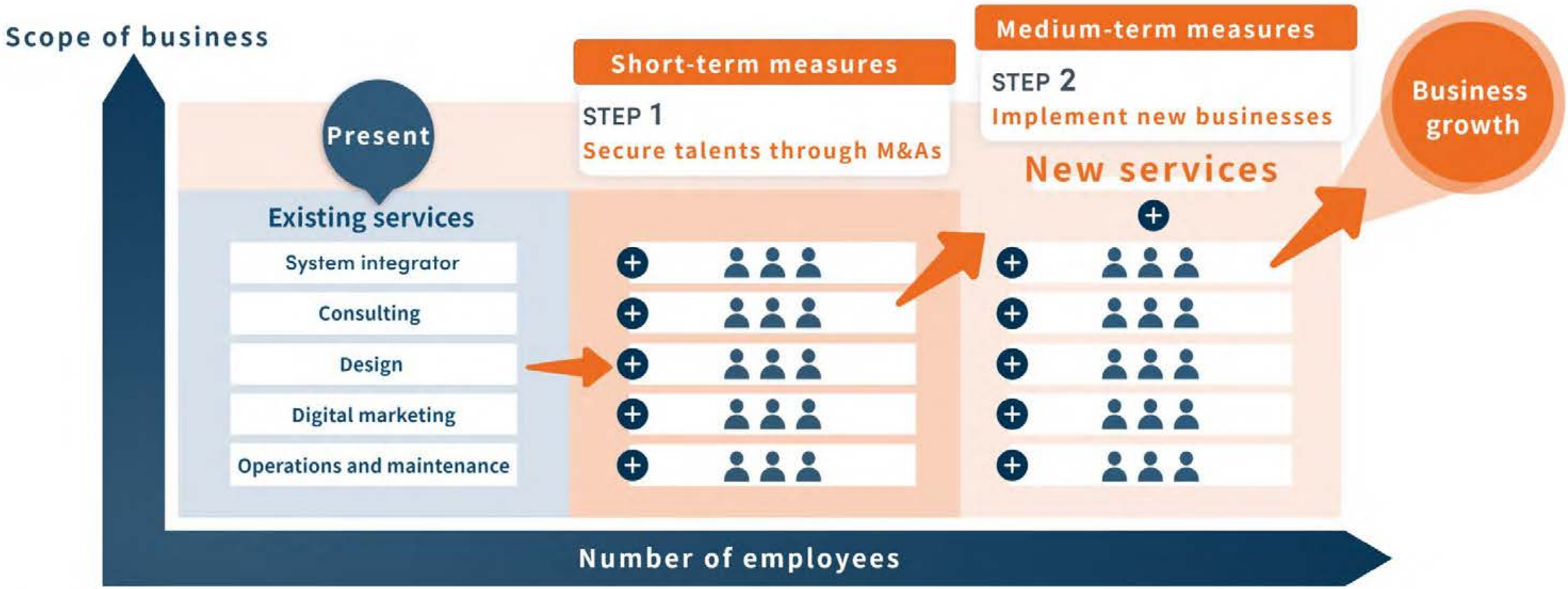
M&As

Conduct M&As constantly

(Billions of yen)

	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Investment amount in transformation into an academy and in people	0.05	0.086	0.112	0.142	0.177	0.202

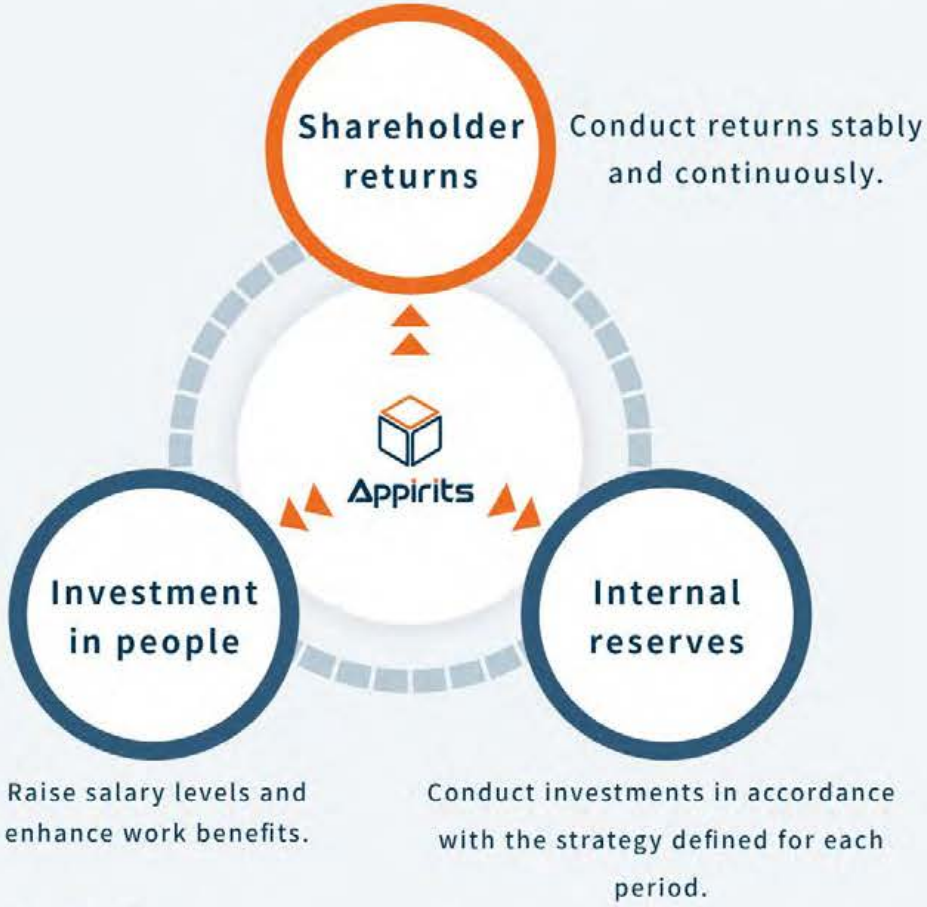
First, implement business growth by securing digital talents to expand existing businesses.
Over the medium term, conduct M&As with the goal of developing new businesses and services.



Leverage our know-how in copyright-transferred games, accumulated on the basis of contracted development that is a stable revenue source, and achieve growth through joint operation, largescale copyright-transferred games, and contracted operation.



Shareholder Returns and Investment Allocation Policy



Shareholder returns

Our policy is to provide stable and continuous returns to shareholders, in terms of dividends and purchase of treasury shares. We aim for a total payout ratio of 30%.

Investment in people

We invest in people by raising salary levels and enhancing various benefits for employees. By continuing these efforts, we will work to expand businesses and achieve returns to our stakeholders.

Internal reserves

We will make strategic investments in accordance with the strategy defined for that period.

As part of our investments in people, we decided to relocate the head office to a new venue (scheduled for September 2024).

We recognize that improving employee satisfaction and ease of work, as well as building high-quality teams, is critical for continued business expansion.

To achieve this objective, we have determined that an office environment that encourages creativity and motivation is a prerequisite. We decided to relocate our headquarters to “Shibuya Sakura Stage,” a new landmark in Shibuya that is the center of information.



Started the disclosure of information in English for overseas institutional investors.

At first, a summary of financial results and financial results briefing material will be disclosed in English for each quarter. Disclosure will be further expanded going forward.





"IR English" website https://appirits.com/ir/index_en.html

Enhance the IR information content and the ability to disseminate it widely.
Continue to strengthen IR for individual investors.

Enhance the content of information in the Company's IR Library.

- Questions and answers
- Fact books
- Reports
- Information disclosure in English

https://appirits.com/ir/library.html

Participating in the "IR note magazine" of the "note" service to provide information and supplements on our business.

note

https://note.com/notemagazine/m/m530d4bde968b

Information and supplemental information about our business is posted on X (formerly Twitter) as IR information.

@CFO39259298
#Appirits

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Appendix
Web Solutions Business

Business Overview

Appirits is a specialized web development company for B2C and creates a virtuous circle of projects by providing a full range of customer services, from “strategy and planning consultancy” to “system development and maintenance”.

01. Strategy and analysis

Understand the client’s business strategies and plan business models and business processes that meet user scenarios and needs.

02. Planning and design

Organize marketing requirements, content requirements, and system requirements in line with the business model and translate the business into development.



03. Development and production

Provide schemes that meet business requirements, and support strategy and planning on the technical side. Emphasize a development concept that accounts for a sustainable operational system.

04. Operation and maintenane

Accelerate business growth with an operational structure that ensures stable system operation after release and enhances productivity and agility.

Form a situation in which the retention rate of existing customers is approximately 70%, while acquiring new customers.

A virtuous cycle of projects completed in-house accelerates the next-phase acquisition loop.

Customer retention rate in sales



Generation of a loyalty loop



In-house completion of consulting and system development and maintenance creates a loyalty loop that

shortens the customer decision-making process

*Reinterpretation of McKinsey's customer decision Journey

The year-on-year rate of change in sales is maintained at a high level. Maintain our growth potential through M&A and other measures to raise our position in market capitalization.

(Millions of yen)

Securities code	Company name	Market capitalization	YoY change rate in sales	PER	Net sales	Operating profit	Operating profit margin	Profit margin	ROE
4053	Sun Asterisk	38,723	116.5%	21.75 times	12,516	1,775	14.2%	12.5%	18.2%
4434	Serverworks	32,363	158.4%	71.75 times	17,295	552	3.2%	2.6%	4.9%
2130	Members	11,959	118.2%	89.91 times	17,662	1,441	8.2%	5.7%	15.8%
4174	Appirits	5,896	115.1%	17.47 times	8,427	599	7.1%	4.6%	17.0%
4198	TENDA	5,194	120.7%	15.72 times	4,235	455	10.7%	6.3%	12.2%

※Picked up and indicated companies that develop B2C services in an integrated manner.
※Market capitalization and PER are as of February 29, 2024.

5-2

Appendix
Digital Talent Development and Staffing Business

Business Overview

Hiring and training strategies that support the foundation of our business
A scheme to enable talents to play an active role

	Hiring	Talent development	Staffing	Growth and active role
Appirits	・Hire inexperienced people Web engineers Web designers Game creators	・On-the-job training through in-house projects ・Unique curriculum	・Staffed as Web engineers ・Staffed as game planners	・Promote growth based on in-house development and operational know-how ・Thorough follow-up and coaching after hiring
General staffing companies	・Focus on mid-career hires who are ready-forwork people Hiring digital talents is challenging, and the number of people is not increasing easily.	・Centering on general training Talent development is slow as specialized skills are left to the individual's initiative for learning.	・Start with simple tasks Careers may not advance as desired, as people will start with debugging work.	・Depends on the frontlines The staffing companies lack know-how on talent development, which depends on the individual's efforts and the frontline environment.

Expand the mobility of talents with the Web Solutions segment and the Online Gaming segment, and accumulate know-how.



5-3

Appendix
Online Gaming Business

Business Overview

Pursue R&D and target high growth potential in earnings through in-house game development, while leveraging the know-how to conduct contracted game development for collaborators, secondary development, staffing, and other businesses.

In-house game development

Provide online games for free through our own and other company' online game platforms, and maintain revenue through in-game item charges and other means.

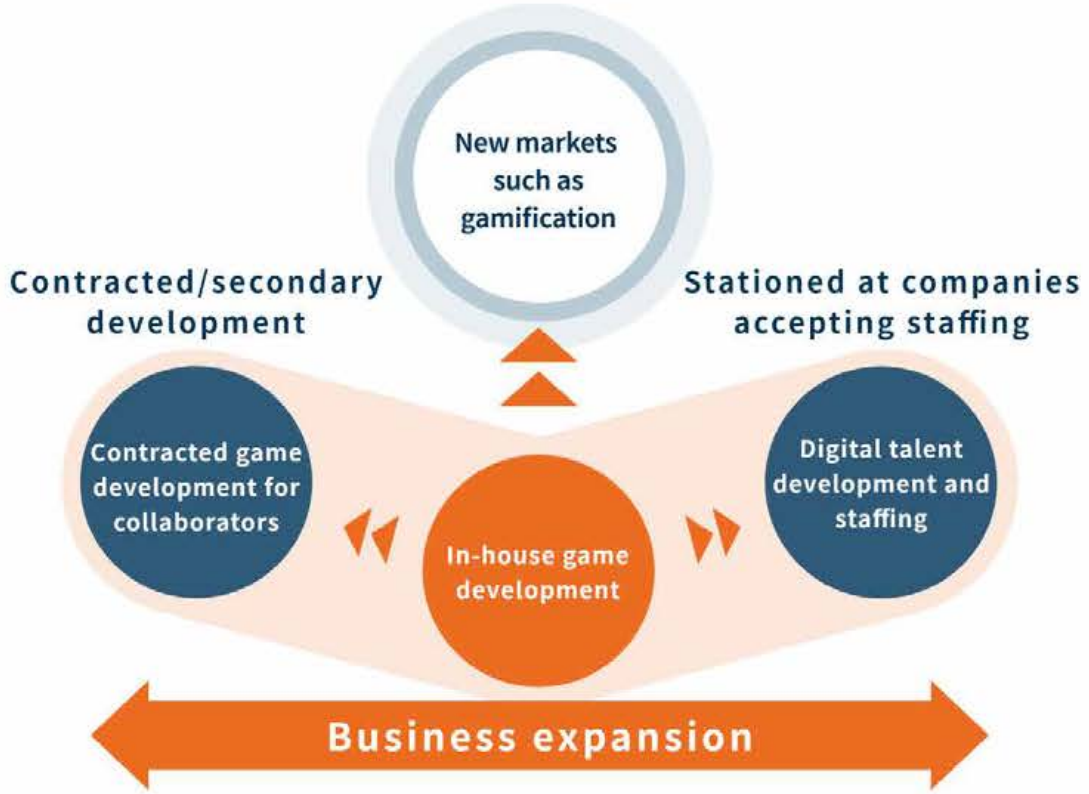
Contracted game development for collaborators (contracted development and operation of copyright-transferred games)

Based on the know-how cultivated through the development and operation of our in-house games, conduct the contracted development and operation of our collaborators' games.

Creator staffing

Staff our talents with know-how on online game development to other game developmentcompanies, who are stationed at such companies to support their game development.

Note that the creator staffing business has been segmented into the Digital Talent Development and Staffing business, starting in Q2 FY2023.

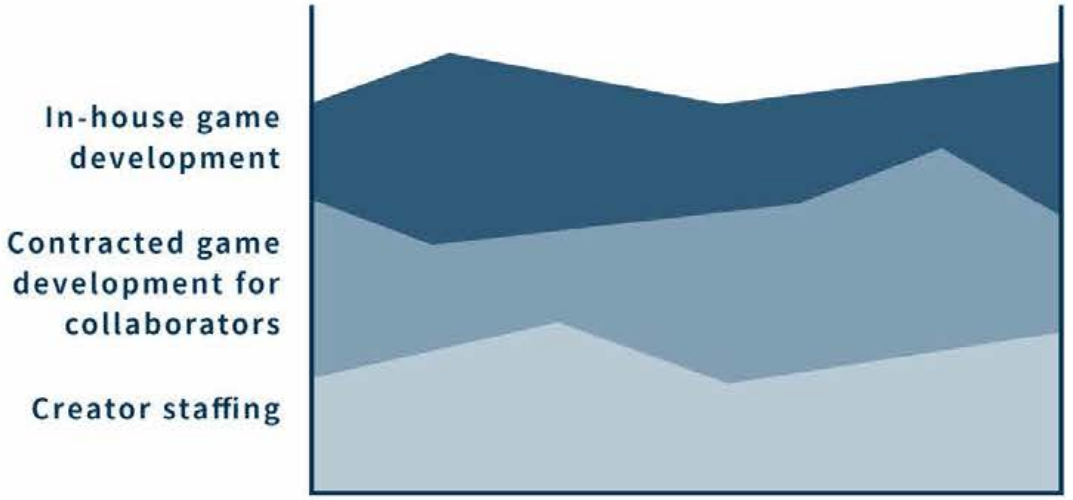


Realize an optimal cost structure

through effective use of human resources and leveling of skills.



Continue to
secure stable revenue
and
horizontal expansion of business
in the gaming industry, which is considered to be highly volatile.



5-4

Appendix

Overview of Subsidiaries (Moving Crew Co., Ltd.)

Mission

Comprehensive entertainment with dreams and excitement

It has been more than 20 years since the Internet permeated society. In the world of the Internet, which has developed rapidly in a short period of time, we, a group of system design professionals, have the knowledge and experience we have cultivated over the years.

When we utilize and evolve them without sparing any effort, new IT solutions that are people-friendly, loved by people, and contribute to people will be born.

We are thoroughly and confidently committed to not only the color and shape but also the materials and lining of each piece.
“Dreams” and “fun” that no one has ever seen or experienced before are now a reality.



Like Appirits, Moving Crew provides a full range of customer services, from "strategy and planning consultancy" to "system development and maintenance".

Its strengths are in the entertainment area.

Virtuous circle business



- Strategy and analysis
- Planning and design
- Development and production
- Operation and maintenance

Entertainment area



Fan clubs
- Establishment, transfer and operation of fan clubs
- Membership Management
- Content creation

System development/ collaboration
- Contracted system development
- Integration with-external systems
- Development of smartphone apps

Creative
- Planning
- Website creation
- Various graphic design

Fan support
- Call center
- Support for various types of inquiries

Support for "live" venues
- Venue operation support
- Adoption of on-site systems

Use of social media
- Operation of official social media sites
- Social media marketing

5-5

Appendix

Overview of Subsidiaries (Y's Inc.)

Mission

To accelerate your business with the power of design

We believe that we can make better use of our strengths in design for our clients' great businesses and digital content.

Realizing the need for more digital capabilities, we have expanded the scope of our production to include marketing, web, and video creation. We have also expanded our genre to include design branding for small and medium-sized companies and outsourcing of creators to major corporations.

Furthermore, we are aiming to create new forms of "events" that allow us to spend time with our clients and grow with them, and we have included this thought in the word "accelerate".

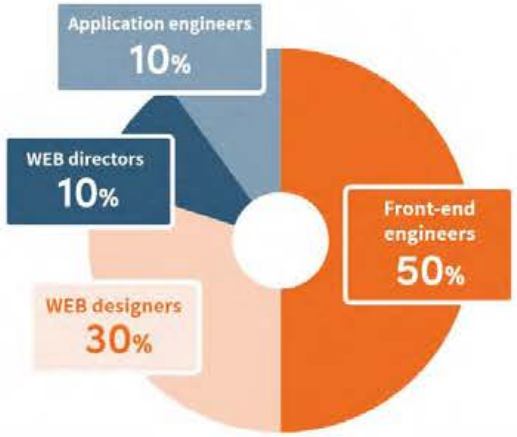
Y's Inc.

Conduct businesses with a strong affinity for Appirits, including web design and consulting, IP design, and talent staffing.

Staffing business

- Conduct digital talent staffing business focused on front-end engineers and web designers.
- About 80% of the staffed members had no experience but have become digital talents through in-house training.





Web production and consulting business



Design production business



The content contained herein are prepared based on economic, social, and other conditions generally recognized at this point in time and certain assumptions that we have judged to be reasonable but may be subject to change without notice due to changes in the business environment or other reasons.

The Company makes no representation or warranty as to the accuracy or completeness of the information contained herein.

Such risks and uncertainties include general industry and market conditions, and general national and international economic conditions such as interest rate and currency exchange fluctuations.

We are under no obligation to update or revise the forward-looking statements contained in this material, even if new information or future events arise.



Appirits