F-CODE

Acquisition of Shares in SmartContact Inc., a Company Operating a Sales Support Business

f-code Inc. | TSE Growth Market : 9211

February 27, 2025

Executive Summary of the Acquisition of SmartContact Inc.

Engages in sales support and call center operations. Supports sales of DX-related products and telecommunications/infrastructure solutions that contribute to customer acquisition for businesses and stores.

Acquisition price: ¥610 million (67% acquisition ratio), projected operating profit for the fiscal year ending December 2025: **¥130 million~. projected investment payback period: 5 years~**

By joining the f-code Group, SmartContact Inc. **aims to expand its business** through sales support for the Group's existing customers and products.

Introduction - Overview of Share Transfer Transactions -

Overview	Name : SmartContact Inc. (hereafter “Smart”) Description of business : Sales Support Business, Call Center Business, and Store Solutions Business Scheduled transfer date : March 10, 2025 Scheme : share acquisition Acquisition costs : Approx. 0.61 billion yen (shareholding ratio 67%)
Forecast	Sales: approx. 900 million yen~ / Operating profit: approx. 130 million yen~ *1 Net assets: approx. 0.6 million yen (at the time of acquisition)

*1 : This is the forecast of net sales and operating income recorded for the current fiscal year.

Business Summary

1

Supports the sales of a wide range of products through the **Sales Support Business and Call Center Business.**

Industry professionals provide optimal solutions for the ever-evolving internet environment and living infrastructure. Proven track record as a strong sales partner for service providers.

2

In the **door-to-door sales business**, we propose infrastructure-related products mainly in Tokyo and its 3 neighboring prefectures.

We conduct door-to-door sales of fiber-optic internet, new electricity services, water dispensers, and insurance products, providing solutions such as cost reduction through service switching and the adoption of new services for an improved lifestyle.

3

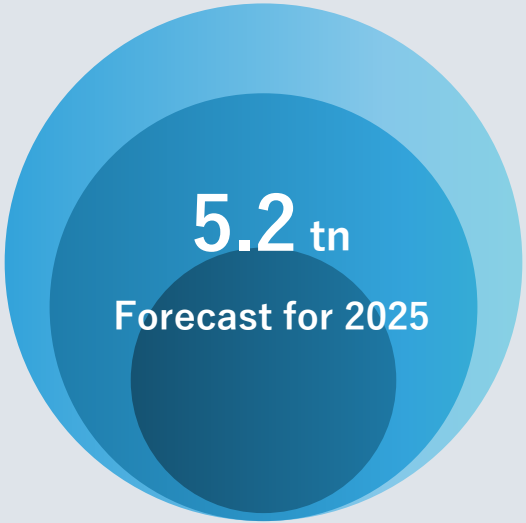
In the **Store Solutions Business**, we offer comprehensive support to businesses and stores facing various challenges.

Our staff will carefully support customers to meet their various needs, such as attracting more customers, increasing sales, and reducing costs. We provide support especially in the DX area, such as original website production, SNS operation, and cashless service.

Target market

Developing in the BPO and call center service markets, which are large in scale.

BPO market size



Call center service market



Source: Yano Research Institute Ltd. “Call Center Service Market Size Trends and Forecasts.” (Japanese Only) https://www.yano.co.jp/press-release/show/press_id/3702

Source: same as above. “Domestic BPO Market Size Trends and Forecasts”(Japanese Only) https://www.yano.co.jp/press-release/show/press_id/3674

Explanation of the financial details of this matter

Financial summary for this matter - Overview of Share Transfer Transactions -

Overview

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Financial summary for this matter

Prior to the transfer consideration

- A recovery period of around five years has been set for the annual operating profit after adjustment(approx. ¥170 million~) on a normal earnings basis*1. The estimated market capitalization has been calculated by taking into account the net asset value at the time of acquisition.
- As with past deals, a clause has been set that allows the transfer consideration to increase or decrease in accordance with the actual performance progress against the operating profit that is the standard for the deal. Also, a provision to acquire up to 100% of the shares in the future is established.
- In this way, we will minimize the risk to our group in this transaction. We have designed this in a way that shares the incentives for further performance improvement with Smart and its management team.

*1: Adjusted operating income is calculated on a normal revenue basis, conservatively reflecting costs that can be reduced (e.g., subcontracting costs) and additional costs that are expected to be incurred (e.g., administrative expenses) in relation to the operating results of Smart's business for the most recent year.

Our M&A Strategy

We will continue to drive M&A initiatives with the following objectives to enhance corporate value.

1 Accelerating Corporate Value Growth

Targeting profitable, high-growth companies that directly contribute to increasing corporate value.

2 Expanding Value for Customers

Broadening and deepening the scope of solutions we offer in the short term to better address customer challenges.

3 Acquiring Top Talent and Strong Teams

Ensuring the participation of management teams and key personnel to rapidly strengthen human resources and organizational capabilities.

4 Enhancing Efficiency and Functions Through Group Management

Strengthening collaboration in development, sales, AI utilization, and corporate management functions to achieve greater efficiency and synergy across the group.

Our M&A Philosophy, Targets and Strengths

Promote M&A directly linked to corporate value enhancement in line with the following approach.

M&A Assumptions and Approach

- Focus on Transactions that Contribute to Mid- to Long-Term Corporate Value and EPS Growth
- We evaluate potential transactions based on the following three key criteria. Upon thorough assessment, we execute deals at a reasonable EV/EBITDA multiple (historically around 5x).
  - ✓ Continuity (duration of sales)
  - ✓ Growth potential (sales growth rate)
  - ✓ Diversification (client dispersion)
- We primarily utilize debt financing to minimize capital costs while ensuring financial stability.

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Target

- Focus on Profitable Companies and Businesses
- We target profitable companies and businesses that align with our mission and operate in the same, similar, or adjacent domains as our existing businesses (examples listed below).)

Marketing Domain

Marketing Support / School / Talent Matching / SNS / Sales Support / CRM/LTV / SaaS / Data Science

AI・Technology Domain

Generative AI related / IT/Systems/SES / Creative

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Our M&A Strengths and Features

- We will continue to drive M&A by leveraging our strengths based on the following key perspectives.

Sourcing

- Contacts with over 150 M&A advisors
- Direct introduction by the participating management team
- Active participation and organization of events

Closing

- DD, Conditional Consultation, Speed of Closing
- Management Commitment

Finance

- Contacts with more than 30 city and regional banks
- Internal departments and personnel skilled in finance

Our Approach and Initiatives for PMI* and Value Enhancement

It has been approximately three years since we began our M&A initiatives, and we continue to develop and execute PMI and value enhancement strategies on an ongoing basis.

Premises and Approach to PMI and Value Enhancement

"Federal Management" Approach

We respect the operational policies, cultures, and independence of each company that has demonstrated strong performance. At the same time, we ensure governance at the standards of a publicly listed company through measures such as executive appointments.

Driving "Integration"

To enhance both revenue growth and operational efficiency, we integrate key functions and assets where necessary, leveraging group synergies.

Examples of Our PMI and Value Enhancement Initiatives

Sales Increase Aspect	Cross-selling	Propose services within the group (Gr) to new and existing customers
	Integrated sales	Analyze customers of each company and make joint proposals to potential customers
	Shared sales channels	Distribute Gr products through existing channels such as sales partners
	Joint product development	New product development in progress by combining services between specific groups
Cost reduction aspect	Group Purchasing	For things like servers, etc., where volume discounts apply, purchase in bulk.
	Back-office integration	For small-scale Gr companies, standardize management functions
	Substitution within the group (cost reduction)	What was ordered outside the group was done within the group.
Cultural match aspect	Group representative meeting	Representatives gather every quarter to share and discuss short-term and medium- to long-term plans
	IR within the group	IR for all group members at the end of each quarter to ensure everyone is on the same page
	Social gathering	Held as needed within the group, by company or job type, etc.

*PMI: Abbreviation for Post-Merger Integration, referring to the integration process following an M&A transaction.

Examples of PMI and Value-Up

The efforts have been successful, and the results are being seen at each company in the group.

Main activities of each company	CRAFT Marketing Sales +25%, Operating Profit +29% driven primarily by cross-selling and integrated sales strategies.	JiTT AI・Technology Sales +54% achieved mainly through shared sales channels and intra-group substitution.	BINKS Marketing Sales +28%, Operating Profit +10% driven primarily by cross-selling and integrated sales strategies.
Sales Increase Aspect	Cross-selling	Cross-selling	Cross-selling
	Integrated sales	Integrated sales	Integrated sales
	Shared sales channels	Shared sales channels	Shared sales channels
	Joint product development	Joint product development	Joint product development
Cost Reduction Aspect	Group Purchasing	Group Purchasing	Group Purchasing
	Back-office integration	Back-office integration	Back-office integration
	Substitution within the group (cost reduction)	Substitution within the group (cost reduction)	Substitution within the group (cost reduction)

＊ These figures compare the monthly average sales or operating profit during the initial three months after joining the group with those in Q4 2024.

Handling of this document

This document contains forward-looking statements. These statements are based on information available as of the date of this document. The statements do not constitute guarantees of future results or performance. Such forward-looking statements necessarily involve known and unknown risks and uncertainties. As a result, actual future results and financial condition may differ materially from any future results or performance expressed or implied herein.

Factors that may cause results to differ materially from those described in these statements include, but are not limited to, changes in national and international economic conditions and trends in the industries in which the Company operates.

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