

# Cross Marketing Group Inc.

**3675**

Tokyo Stock Exchange First Section

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FISCO Ltd.

<https://www.fisco.co.jp>

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## Summary

### Utilizing the Group's assets and infrastructure base, growth is gaining momentum towards net sales of ¥30bn

#### 1. A comprehensive marketing solutions company

Cross Marketing Group Inc. <3675> (hereinafter, "the Company") comprehensively engages in the three businesses of the Digital Marketing Business, the Data Marketing Business, and the Insight Business as a comprehensive marketing solutions company. The Digital Marketing Business provides IT solutions and promotions. The Data Marketing Business engages in online and offline research, and the Insight Business provides other services such as analysis and reporting. From a starting point of marketing research, the Company helps customers solve various issues that arise during the marketing process. Within this business model, in addition to the size and quality of survey panels, the Company excels in high-value-added services directly linked to customers' business promotion and growth, such as understanding consumers and helping customers execute digital marketing.

#### 2. Anticipating DX, the Company has expanded its business scope and bolstered its corporate constitution

Currently, Japanese society is undergoing a major change called digital transformation (hereinafter referred to as "DX" \*), and digitalization is progressing in various fields. The same holds true for the marketing research industry, where the environment is changing and customer needs are diversifying rapidly. In anticipation of these changes, the Company has worked to expand its business scope and strengthen its corporate structure. Meanwhile, earnings temporarily stalled, along with the overall industry, in 2020 due to the impact of COVID-19. However, the results of business scope expansion and the strengthening of the corporate constitution are beginning to appear, including the significant increase in sales and profits in FY6/21 (results for six months). In response to this situation, in 2021, the Company shifted its business focal point from research to digital marketing solutions, and formulated the medium-term management plan "DX Action 2024," as it made a start towards a further leap forward.

\* Refers to dramatic advances by companies and society through utilization of data and digital technology and fundamental changes in various value standards.

#### 3. Medium-term management plan "DX Action 2024" aims for operating profit of ¥3bn

The medium-term management plan "DX Action 2024" calls for the Company to become a "Marketing DX Partner," with the aim of achieving the "Triple Three" of net sales of ¥30bn, operating profit of ¥3bn, and market capitalization of ¥30bn in FY6/24. To achieve these goals, the Company intends to pursue synergies by building a system and framework to organically and efficiently utilize the assets it has accumulated, such as customers, survey panels, and group companies, and the infrastructure base it has built. By business, in the Digital Marketing Business, the Company plans to promote business automation by utilizing the DX and AI of operations and services, and also plans to provide EC support and other services. In the Data Marketing Business and Insight Business, in addition to upgrading the existing business models, the Company plans to provide research tools and consulting-type research services.

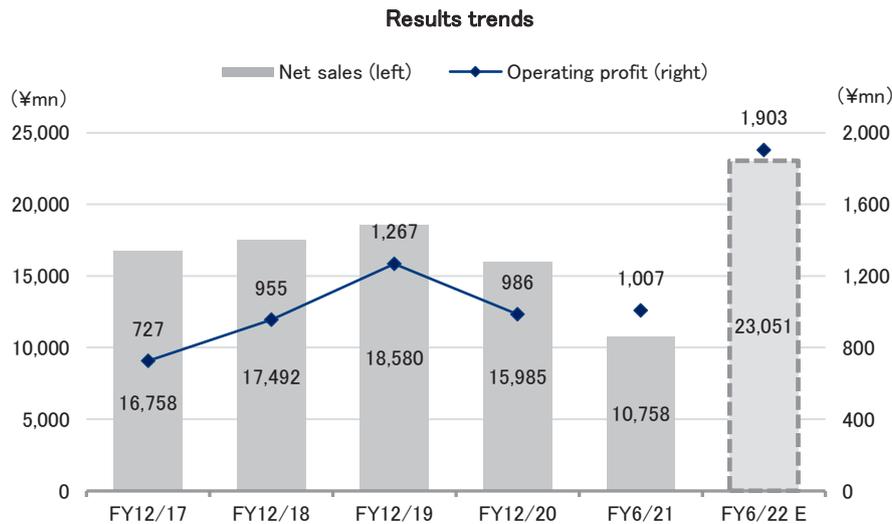
Summary

4. Group assets and infrastructure base are being strengthened

In FY6/21, net sales was ¥10,758mn and operating profit was ¥1,007mn, effectively representing increases of 39.7% for net sales and roughly 6 times for operating profit compared to the first six months of FY6/20 (January – June), which is the comparable period. While the fury of the COVID-19 pandemic has yet to subside, the Company is promoting DX for sustainable growth, and the Group’s assets and infrastructure base amassed through M&A and new business development over the past few years are gradually yielding results, and earnings are improving. Indeed, there is momentum towards achieving the “Triple Three” set forth in “DX Action 2024.” The Company’s forecast for FY6/22 calls for net sales of ¥23,051mn and operating profit of ¥1,903mn, but these seem a bit conservative considering the current momentum.

Key Points

- Provides high-value-added services as a comprehensive marketing solutions company
- Formulated the medium-term management plan “DX Action 2024,” and aims for net sales of ¥30bn and operating profit of ¥3bn
- The Group’s assets and infrastructure base which have been bolstered in anticipation of DX are gradually yielding results



Note: FY6/21 was an irregular six-month fiscal period  
 Source: Prepared by FISCO from the Company’s financial results

## ■ Company profile

### A comprehensive marketing solutions company

#### 1. Business overview

The Company is a holding company that engages in the marketing solution business centered on digital marketing support through its subsidiaries. Starting from online and offline marketing research, the Company is engaged in businesses such as analysis and reporting, as well as IT solutions and promotions, and as a comprehensive marketing solutions company, it helps solve the various issues facing customers that arise in the marketing process. Currently, the global society and economy are in the midst of a transformation called DX, and digitalization is progressing in various fields, and the environment in the marketing industry is changing while customer needs are diversifying rapidly. In anticipation of these changes, the Company has expanded its business scope and strengthened its constitution. As a result of these efforts, significant achievements are appearing, such as large increases in sales and profits in FY6/21 (six-month fiscal period). Taking this situation as a sign of momentum, the Company has formulated a medium-term management plan (covering FY6/22 - FY6/24) and has just made a new start targeting a further leap forward.

### Reorganized the business focus targeting additional growth

#### 2. History

The Company can trace its roots back to Cross Marketing Inc., an online research company that was founded in April 2003 by Miki Igarashi, the current Representative Director, President and CEO. In May 2006, Cross Marketing Inc. entered into a capital and business alliance with EC Navi Inc. (currently VOYAGE GROUP, Inc. (CARTA HOLDINGS, INC. <3688>), the operator of ad platform and point media businesses). In March 2007, it entered into capital alliances with major research companies such as Dentsu Research Inc. (currently DENTSU MACROMILL INSIGHT, INC.) and Video Research Ltd. In October 2008, the Company listed on the Mothers Section of the Tokyo Stock Exchange, and in August 2011 it received part of Index Inc.'s mobile solutions business (currently the Digital Marketing Business), and established a subsidiary in China (Shanghai) as it launched its overseas business, and otherwise worked to expand its business scope.

In 2013, it changed its company name to Cross Marketing Group Inc., and became a holding company, and in March 2018, its listing was upgraded to the First Section of the Tokyo Stock Exchange. Subsequently, with M&A of influential companies such as Supotant Co., Ltd. (currently Fittio Inc.), and the founding of new businesses such as Medilead and D&M, the Company accelerated its structural reforms and has continued its growth as one of the leaders in the marketing research industry despite being a late arriver. However, earnings temporarily stalled, along with the overall industry, in 2020 due to the impact of COVID-19. In addition, DX is spreading widely in parallel with the COVID-19 pandemic, and the state of companies and society has changed rapidly. In response to such tumultuous change, in 2021 the Company changed its main business axis from research to digital marketing and strengthened the Digital Marketing Business by acquiring DO HOUSE Inc. On top of this, the Company formulated a medium-term management plan as it aims for additional growth.

Company profile

History

Date	
April 2003	Founded in Shibuya-ku, Tokyo
January 2004	Relocated to Chuo-ku, Tokyo
May 2006	Entered into a capital and business alliance with Voyage Group and its subsidiary Research Panel, Inc.
October 2008	Listed on the Mothers section of the Tokyo Stock Exchange
August 2011	Subsidiary Cross Communication Inc. commenced operations after succeeding to a portion of Index Inc.'s mobile solution business
May 2012	Established subsidiary Cross Marketing China Inc. in Shanghai, China and commenced operations
June 2013	Transitioned to a holding company framework by establishing Cross Marketing Group Inc. through a sole-share transfer
August 2013	Acquired shares in Markelytics Solutions Private Limited and Medical World Panel Online Inc.
May 2014	Relocated the head office to Shinjuku-ku, Tokyo (Tokyo Opera City)
November 2014	Converted Kadence Group, which operates in eight countries in North America, Europe, and Asia, into a wholly owned subsidiary
February 2015	Converted affiliate Research and Development, Inc. into a consolidated subsidiary
April 2015	Cross Communication Inc. established subsidiary Cross Propworks Inc. in Hakodate
July 2015	Established Medilead Inc., and D&M Inc., and they started operations
August 2015	Established Cross Marketing (Thailand) Co., Ltd. (currently, Kadence International (Thailand) Co., Ltd.)
November 2015	Cross Communication Inc. converted JIN SOFTWARE (renamed Cross J Tech Inc.) into a subsidiary
April 2016	Shopper's Eye Inc., started operations
March 2018	Listing was upgraded to the TSE 1st Section
April 2018	Established Cross Ventures Co., Ltd.
October 2018	Cross Communication made a subsidiary of Supotant Co., Ltd.
November 2019	Supotant Co., Ltd., merged with Cross J Tech Inc., and the company name was changed to Fittio Inc.
October 2020	Cross Marketing Inc. conducted an absorption merger of Research & Development Inc. aimed at strengthening online and offline synergies
January 2021	Converted DO HOUSE Inc. into a subsidiary

Source: Prepared by FISCO from the Company's results briefing materials

## The greatly changing marketing research market

### 3. Industry environment

The marketing research market has been growing stably along with the diversification of customer needs and the growth in corporate earnings. Since 2000, online research exhibited rapid market expansion along with broader internet usage. In recent years, meanwhile, digital transition has enabled companies to easily acquire smartphone position data, web access logs, and other large-scale secondary big data. Companies analyze this big data and apply it to internet advertising, D2C\*, and other corporate value enhancement measures, however, many companies are not able to utilize acquired big data in their businesses, and have thus been unable to fully ride the DX trend.

\* D2C (Direct to Consumer): Directly promoting and selling products to consumers via the internet and other channels without going through advertising agents and retailers.

This environment creates a business opportunity to investigate and analyze big data and convert it into information with high usage value. Conventional enhancement of data value often consisted of partial optimization as various industries approached the business from their own specialties, such as research, consulting, IT, advertising, and marketing. With big data, the market is looking for overall optimization that goes beyond industries. Businesses that convert big data into something with added value are likely to enjoy strong growth along with the growing implementation of DX, and are forming a large market of their own which can even be said to be today's digital marketing market. The Company is coming to the market from a marketing and IT perspective, and is looking to use this change as a business opportunity, as evidenced by its move to reorganize the main axis of its business.

#### Company profile

With these changes in the market, ESOMAR (European Society for Opinion and Market Research) has redefined the research market as “An industry that compiles and analyzes a range of data and provides insights\* to clients,” a market that includes some IT and consulting. As a result, the global scale of the marketing research market to which the Company belongs is ¥5.2tn, but the scale of the global insight market increases to ¥9.8tn when data analysis, report production, and other aspects are included. Furthermore, if you include the ¥220bn domestic research market and the ¥2.2tn D2C market, the scale of the markets targeted by the Company are estimated to be over ¥10tn, even considering areas of overlap. This is a massive market, and few companies are capable of covering it entirely on their own. Within the industry, the three major online research firms, including the Company, with core competence in surveys and other ways of acquiring primary information are well positioned in this market. The three major online research firms are all designing growth strategies based on the changes in the market, but given the massive size of the market, each company’s approach is slightly different than the others, and it seems like there are increasing areas in which the companies will not compete with one another. Meanwhile, many companies are approaching the market from other industries, but currently these companies should be seen more as potential partners for overall optimization rather than as rivals. The Company intends to pursue collaboration related to this point.

\* Insight (marketing term): Refers to a purchasing trigger obtained from analysis of the mentality structure underlying consumer behavior and attitudes. Insight is the switch that brings out latent consumer needs.

## Business activities

### Helping to solve customers’ marketing process issues

#### 1. Business model

The Company’s business segments are the Digital Marketing Business, the Data Marketing Business, and the Insight Business. At the outset of FY6/21 the Company reorganized its business segments in response to the market changes discussed above. The Digital Marketing Business covers the previous IT solutions business and other businesses (promotions). The Data Marketing Business handles online and offline research from the former research business, and the Insight Business handles businesses peripheral to research, such as analysis and reporting. Additionally, in order to continuously expand corporate value as a comprehensive marketing solutions company, the Company is emphasizing the Digital Marketing Business as the primary growth driver and has adjusted business direction and management sentiment. Meanwhile, because the original research business (Data Marketing Business and Insight Business) is still a strength and constitutes an earnings foundation that supports the Company, the Company plans to sustain stable growth in the research business through management that capitalizes on its strengths. The distinctive feature of the Company’s business mix is its business model that allows it to help customers solve various issues related to the marketing process, from analysis and reporting originating from market research, to IT solutions and promotions, as well as provide comprehensive marketing solutions. The Company’s strength lies not only in the quality and quantity of survey panels, but also in its high-value-added services that directly link to customers’ business promotion and growth by combining consumer understanding through research and marketing execution support.

Business activities

**Outline of business model**



Source: Medium-term management plan briefing materials

## Provides comprehensive solution services in digital and IT business

### 2. Digital Marketing Business

In the Digital Marketing Business, the Company provides comprehensive solution services for IT business such as digital promotions and EC/marketing support, system development, maintenance, and operation, and HR services. In IT solutions, in particular, its strengths are systems that require robustness, such as financial institution apps and EC payment and point management, as well as constructing and operating large-scale systems at the scale of 1 million people. The promotions business, meanwhile, offered cutting-edge marketing services, such as digital marketing using consumer data and digital promotions. Each of these has sustained high levels of growth up until now. The Company already has an alliance with a major DMP\* firm and is capable of addressing increasingly complex advertiser needs and changes in the market environment by linking large-scale attribute data and corporate data. In January 2021, the Company made DO HOUSE, which provides marketing services primarily in metro Tokyo, a subsidiary. DO HOUSE operates Moratame. net and Tentame! promotion media, and has formed its own consumer network with 5.5mn people using free sampling promotions. Sampling promotions send cosmetics, beverages, foods, and other products to consumers and have them fill out surveys. This is a sales promotion method used in multipurpose marketing, including manufacturer product development and product cultivation assistance. DO HOUSE's main characteristics are ties with major manufacturers and product inventory and handling. Meanwhile, the research business is a very small percentage of overall income. These aspects give it a complementary relationship with the Company.

\* DMP (Data Management Platform): This refers to a platform that handles centralized management of big data stored on various servers on the internet, a company's site log data, and other data. Analysis of these data supports optimization of advertising distribution and other action plans.

## Panel size and quality strengths in online research

### 3. Data Marketing Business

In the Data Marketing Business, the Company provides data collection and other services via online and offline research and assists customers in making decisions about business activities and marketing activities. Panel size and quality are the most important qualities in online research. In terms of volume, the Company possesses one of Japan's largest survey panels with approximately 4.70 million active panelists when also counting alliance partners, and the Group overall conducts roughly 20,000 studies a year. In addition to basic information, such as gender, age group, and residence location, quality refers to basic attributes, such as the structure of family members living together, and member registration information is updated annually to keep basic attributes current. It also requires rigorous panel quality management, such as removing registrations of respondents giving intentionally disingenuous answers. To realize smooth surveys, the Company has many specialized panels with a predefined theme such as car ownership. The Company has strengths in online research panel size and quality as explained above. Another big advantage is the support framework under which, in contrast to other large firms with splintered functionality, the businesses other than research are together, and salespeople, researchers, directors, and other related parties work together to dynamically solve problems.

## Provides solutions services such as insight discovery

### 4. Insight Business

The Insight Business supports customers in making decisions through provision of solutions, such as analysis, reporting, consulting, and discovery of consumer insights. To this end, over 1,300 Group interviews are conducted each year with the aim of discovering insights, while roughly 360 tastings and other venue surveys are held, with one held almost every day. The business also conducts analysis of data submitted via SNS and other services and data-driven consulting that integrates survey data and secondary data. For example, utilizing research with a panel of doctors, medical professionals, and patients, it assists formulation of health management programs and illness occurrence risk models and supports document, research, and medical technology evaluation related to drug creation and clinical trials. The service is very highly rated. The Insight Business in specialized areas (along the lines described above) is an extremely high-value-added service as it requires recruitment of specialty personnel, response to new technologies, and other capabilities, rendering it a strength of the Company. Total marketing solution proposals that dynamically apply Digital Marketing Business functions are an advantage as well. The Insight Business forms the core of the Company's overseas business, and the Company provides research services in 11 countries from more than 20 offices. The Company is currently in the process of strengthening the provided infrastructure to large Japanese, American, and European companies.

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Business activities

Business segment/business description

Digital Marketing	Data Marketing	Insight
<p>Provides services, Digital Promotion, EC, Marketing support, System Development, Maintenance, Operation, HR Solution, etc.</p> <p> Cross Communication</p> <p> Cross Propworks  Fittio</p> <p> D.M Data and Marketing  DO HOUSE</p>	<p>Provides data collection and other services, mainly online, to support customers' decision-making in marketing activities.</p> <p> MARKETLYTICS</p> <p> Medical World Partners</p> <p> withwork</p> <p> Cross Marketing</p> <p> Kadence International</p>	<p>Supports customer decision-making by providing consultations to resolve customer issues and uncovering consumer insights.</p> <p> medilead</p> <p> Shopper's Eye</p> <p> ENVIROSELL</p>

Source: From medium-term management plan briefing materials

## ■ Medium-term management plan

### Implement “DX Action” in Stage 3 of the growth period

#### 1. Positioning of long-term vision and medium-term management plan

Under the company philosophy of “Discover Something New.,” the Company has established a long-term vision of “We aspire to be a Group that supports every step in marketing from strategy formulation to the implementation of marketing measures by ‘identifying consumers’ Why’ and guiding customers’ business to success as their partner.” In order to realize this long-term vision, the Company has been formulating and executing medium-term management plans in each stage of business since its transition to a holding company system. Stage 1 (FY12/15 – FY12/18) was set as the second founding period and global business development was advanced with the aim of being the “No. 1 research company in Asia.” Stage 2 (FY12/19 – FY6/21) was set as a reform period with the aims “Strengthening Governance & Profitability.” During this period, the Company listed its shares on the First Section of the Tokyo Stock Exchange and responded to the COVID-19 pandemic. Stage 3 (FY6/21 – FY6/24) is positioned as the growth period, and the Company’s plan is to aim to be a “Marketing DX Partner” and implement business DX (“DX Action”) to achieve the “Triple Three” (discussed below). Using this stage as a foothold, the Company wants to take a further leap from 2025 onward.

Medium-term management plan

Positioning of medium-term management plan



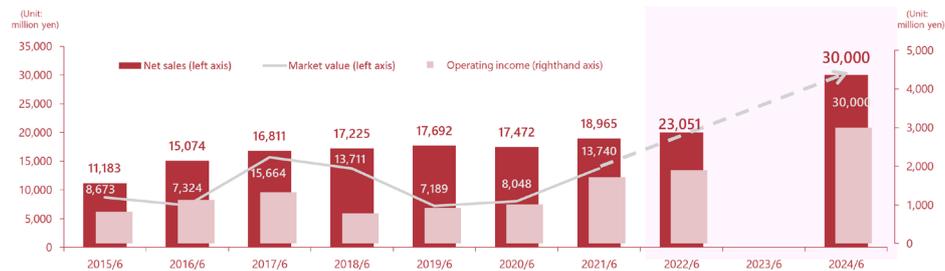
Source: From medium-term management plan briefing materials

## Targeting net sales of ¥30bn and operating profit of ¥3bn in FY6/24

### 2. Medium-term management plan “DX Action 2024”

Based on the long-term vision, the Company formulated the medium-term management plan “DX Action 2024” for Stage 3 (FY6/22 – FY6/24). Under the medium-term management plan “DX Action 2024,” the Company plans to grow as a “Marketing DX Partner” capable of adapting to big changes in the times, and aims to achieve the “Triple Three” ¥30bn in net sales, ¥3bn in operating profit, and ¥30bn in market capitalization. It is necessary to have current drivers for growth, and in the previous Stage the Company amassed Group assets and built up an infrastructure foundation through M&A and new businesses. The growth driver will come from organically and efficiently utilizing these assets and the infrastructure foundation, and the Company plans to maximize synergies to lead to growth.

#### Illustration of growth targeting the “Triple Three”



Source: Medium-term management plan briefing materials

## Business results in recent years show signs of entering a growth period

### 3. Accumulated assets and infrastructure base

In Stage 1, the Company acquired Kadence Group to bolster its overseas strategy and expanded its business reach to Thailand, while in Japan the Company established both D&M Inc. and Medilead Inc. targeting new business domains, and otherwise expanded the breadth of its business. In Stage 2, in addition to expanding the breadth of business, the Company changed its listing to the First Section of the Tokyo Stock Exchange and reorganized its subsidiaries in Japan, while also using M&A to secure IT human resources, and otherwise advanced measures to strengthen the Company internally. Based on the Group's assets and infrastructure foundation, in FY12/20, a year significantly impacted by the COVID-19 pandemic, the Company secured a high level of operating profit despite a YoY decline, while in FY6/21 (an irregular six-month fiscal period) operating profit exceeded that of the 12-month period of FY12/20, and the operating profit margin was 9.4%, which was higher than the most recent peak of 6.8% recorded in FY12/19. In this way, the Company has already shown signs of entering a period of growth, and under the medium-term management plan "DX Action 2024," the Company will not only maximize the synergies of the Group's assets and infrastructure base, but it is also considering new business strategies, investments and M&A eyeing additional growth.

## Executing key strategies aimed at achieving the "Triple Three"

### 4. Key strategies in "DX Action 2024"

The key strategies in the medium-term management plan "DX Action 2024" are to organically and efficiently utilize the Group's assets and infrastructure base to maximize synergies, expand and further evolve the Digital Marketing Business and other businesses, and to advance the overall strategies such as new business development, M&A, the global strategy, and the HR strategy.

#### (1) Organically and efficiently utilize assets and the infrastructure base

The organic and efficient use of the Group's assets and infrastructure foundation can be divided into those related to panels and those related to DX. Regarding panels, the Company's strategy is to further enhance synergies and strengthen and accelerate customer service and DX by integrating CRM data with a customer base of 5,000 companies/72,000 contacts and sharing its promotion network consisting of 2,000 attributes/8 million people. Regarding DX, the strategy is to utilize AI in business. The service has already been partly started, and it is being automated by utilizing AI for open data research. AI can also be used to create survey bases from keywords and automatically exclude unjustified responses from survey data. Furthermore, the Company intends to pursue the construction of a new business model through the organic and efficient utilization of the Group's assets and infrastructure foundation. The Company has 300 researchers in Japan and overseas who are proficient in consumer analysis using data, and the Company plans to reorganize these human assets according to customers' solution needs, such as system construction or digital marketing, and plans to build an integrated solution organization for the Group. As a result, the Company will become able to propose and sell the Group's various services horizontally to new markets.

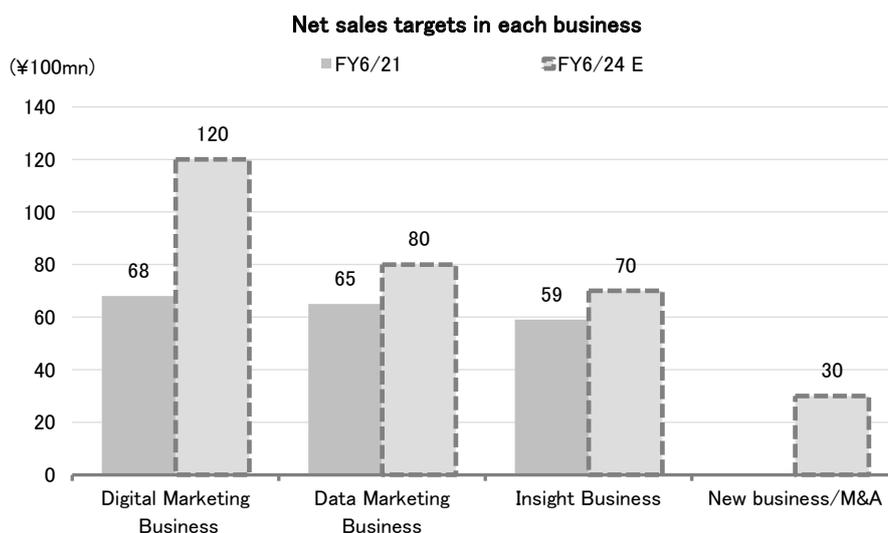
Medium-term management plan

**(2) Key strategies in each business**

In the Digital Marketing Business, the Company will provide new added value through a DX shift for data, and raise the speed of customer response by promoting DX for operation systems. The Company will also automate operations using AI. In this business, the Company has been promoting DX in EC support and other areas, but there have been some fields such as online advertising that it was not able to reach. The Company's idea is to promote DX by leveraging newly consolidated DO HOUSE and D&M, which have proven track records in building listing sites. Based on these initiatives, the Company is forecasting that net sales in this business will nearly double from ¥6.8bn in FY6/21 (for convenience, cumulative net sales from July 2020 to June 2021 have been used, the same applies hereinafter) to ¥12.0bn in FY6/24.

In the Data Marketing Business, the Company will advance the existing business model, along with standardizing the service offering Cloud BI tools, promote a DX shift of services for user profiling tools, as well as begin to offer OneIDCross (CRM data linking system), webinar operations, and research tools to customers. Additionally, the Company will advance the business of collecting customer data and tying them to data, and updating with questionnaire surveys. With this, work involving the handling of digital data is expected to increase, and the Company plans to rigorously advance service design. With the above efforts, the Company is planning to increase net sales in this business from ¥6.5bn in FY6/21 to ¥8.0bn in FY6/24, a 23% increase.

In the Insight Business, the Company plans to make the existing business model more advanced, begin providing consulting-type research services, implement Life Time Value (LTV) method development investment, and expand the customer domain such as government agencies and schools. The strength of the Insight Business is in "understanding consumers," including people who do not purchase things, through survey collection and analysis, so by establishing services that can directly utilize this in solutions the Company intends to enter the consulting domain in a full-fledged manner. With the above efforts, the Company is planning to increase net sales in this business from ¥5.9bn in FY6/21 to ¥7.0bn in FY6/24, a 19% increase.



Note: FY6/21 figures are the cumulative values from July 2020 to June 2021.  
 Source: Prepared by FISCO from medium-term management plan briefing materials

## Medium-term management plan

**(3) New business/M&A, global, human resources, and other aspects of overall strategy**

Regarding new business, the Company intends to launch multiple small-scale businesses. The Company will conduct feasibility studies targeting investments of approximately ¥30mn per investment, and make additional investments when growth to a certain scale can be expected, while pulling out of businesses in which growth cannot be expected, as the Company intends to pursue new businesses while keeping an eye on both risk and efficiency. The Company has a track record with new businesses, including D&M (WEB promotion business) and NETSHOP FACTORY (support for launch of e-commerce sites), so it is expected that this will contribute a decent amount to the Group's continuous growth going forward. Regarding the M&A strategy, the Company intends to invest in amounts of several hundred million yen with the objective of strengthening existing businesses. The Company has already acquired DO HOUSE and other companies, and going forward the Company plans to invest aggressively in business areas needed for the Group's future growth. In terms of its global strategy, the Company has been working to improve efficiency by consolidating and eliminating existing offices, but partially due to the fact that Kadence turned profitable in FY6/21, the Company has established a framework for bolstering its global presence once again. The Company will make growth investments in North America, and search for business development opportunities in untapped areas such as Malaysia, Germany, and France.

With respect to its HR strategy, the Company is increasing its hiring of new graduates and mid-career hires along with the expansion of the business scope, and will raise its ability to develop human resources as a company by creating a framework that produces achievements and by building a human resource development model. Also, under its "Discover Something New: Create the Future" mission, the Company supports the Sustainable Development Goals (SDGs), and it is possible that at some point going forward the Company will establish an SDG Declaration. As discussed above, the Company will aim to expand its earnings and achieve the "Triple Three" by organically and efficiently utilizing the Group's assets and infrastructure base, through key strategies in each business, new businesses, and M&A, and plans to stably increase its dividends based on earnings growth. If the Company achieves the "Triple Three" of ¥30bn in market capitalization, ¥30bn in net sales and ¥3.0bn in operating profit, the possibility of this coming into view will naturally increase. If this happens, it will become more likely that the Company will come into compliance with the floating-stock market capitalization amount, which is the only standard for remaining on the Tokyo Stock Exchange's Prime Market that the Company is currently not in compliance with. It will of course also be necessary to actively carry out IR and further enhance corporate governance.

## Business trends

### Higher net sales base leading to significant growth in profit

#### 1. FY6/20 results

The FY6/21 results were net sales of ¥10,758mn, operating profit of ¥1,007mn, ordinary profit of ¥1,048mn, and profit attributable to owners of parent of ¥540mn. As FY6/21 was an irregular six-month fiscal period, when compared to the first half of FY12/20 (January – June), which is the comparable period, net sales increased by 39.7%, while operating profit and ordinary profit were around 6 times higher, and profit attributable to owners of parent was 17 times higher. Also, net sales exceeded the Company's forecast by ¥258mn, while operating profit, ordinary profit and profit attributable to owners of parent exceeded the forecast by ¥160mn, ¥136mn, and ¥46mn, respectively. The factors for this were the strong performance of existing key subsidiaries, contribution to earnings by newly-consolidated DO HOUSE, and a faster than expected improvement in profitability by Kadence (turned profitable) as a result of steady implementation of organization reforms.

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## Business trends

**FY6/21 results**

(¥mn, %)

	FY12/20 1H		FY6/21		Change (%)
	Results	Versus sales	Results	Versus sales	
Net sales	7,700	100.0	10,758	100.0	39.7
Gross profit	2,936	38.1	4,310	40.1	46.8
SG&A expenses	2,771	36.0	3,303	30.7	19.2
Operating profit	166	2.2	1,007	9.4	507.5
Ordinary profit	186	2.4	1,048	9.7	464.8
Profit attributable to owners of parent	32	0.4	540	5.0	1,586.6

\* As FY6/21 was an irregular six-month fiscal period, comparisons are with FY12/20 1H (January – June)  
 Source: Prepared by FISCO from the Company's financial results

In the domestic economy, even after starting FY6/21 the COVID-19 pandemic has yet to come under control, and economic activities have been restricted due to intermittent state of emergency declarations and the application of priority measures such as prevention of the spread of infection. Due to these factors, the economic situation has remained unstable. Like the Japanese economy, the global economy has also remained unstable, as for example there have been on-and-off lockdowns in major Asian cities, and there have been new waves of infection in advanced countries where large percentages of the population have received COVID-19 vaccinations. Even amid this kind of business environment, the Company is advancing DX towards the realization of sustained growth, and the earnings base has steadily strengthened. In addition, net sales have rapidly recovered due to the fact that it made DO HOUSE a consolidated subsidiary along with the rebound increase following the big drop in sales during the period of the first state of emergency declaration (April – May 2020). Meanwhile, although SG&A expenses increased, profits rose significantly due to numerous factors, including the positive impact of higher sales, the reduction of fixed costs, the curbing of the outsourcing ratio, consolidation of DO HOUSE, and the improvement in the service mix due to the rise in the ratio of online services resulting from the COVID-19 pandemic.

## Profit increased significantly in each business due to the effects of initiatives and the rebound in sales

### 2. FY6/21 results by business segment

Looking at FY6/21 results by business segment, in the Digital Marketing Business, net sales was ¥4,353mn and operating profit was ¥363mn. In the Data Marketing Business, net sales was ¥3,704mn and operating profit was ¥1,056mn, while in the Insight Business, net sales was ¥2,700mn and operating profit was ¥422mn. Compared to the same period of the previous fiscal year (FY12/20 1H), each business posted large increases in both net sales and profit.

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Business trends

FY6/21 results by business segment

(¥mn, %)

External sales	FY12/20 1H		FY6/21		Change (%)
	Results	Versus sales	Results	Versus sales	
Digital Marketing Business	2,120	27.5	4,353	40.5	105.3
Data Marketing Business	3,180	41.3	3,704	34.4	16.5
Insight Business	2,400	31.2	2,700	25.1	12.5

Segment profit before adjustment	FY12/20 1H		FY6/21		Change (%)
	Results	Profit margin (%)	Results	Profit margin (%)	
Digital Marketing Business	210	9.9	363	8.4	73.2
Data Marketing Business	490	15.4	1,056	28.5	115.5
Insight Business	190	7.9	422	15.7	122.5

\* As FY6/21 was an irregular six-month fiscal period, comparisons are with FY12/20 1H (January – June)

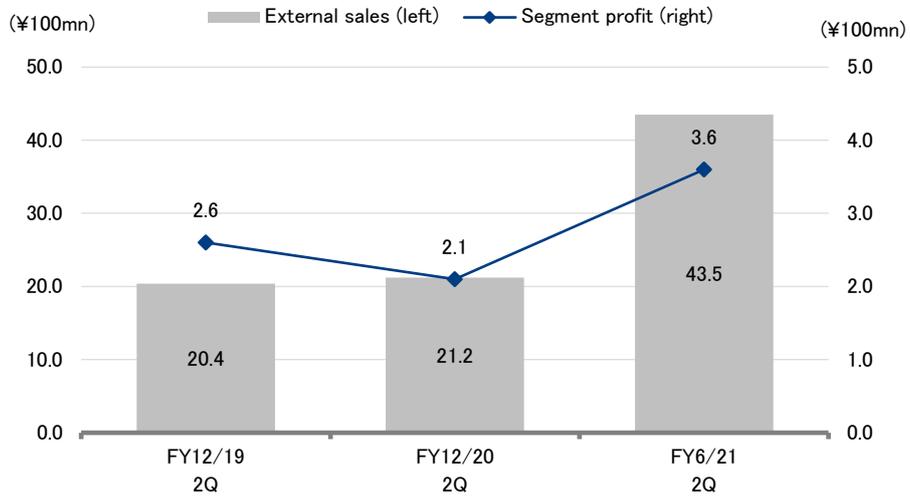
\* Results for FY12/20 1H are the announced, unaudited figures.

Source: Prepared by FISCO from the Company's financial results, etc.

In the Digital Marketing Business, there were firm orders from new customers in addition to existing customers at Cross Communication Inc. for system contract development, at Fittio Co., Ltd. for IT human resources services, and Cross Propworks Inc. for data processing and processing. As a result, both sales and profits were firm. In addition, D&M, a digital promotion/marketing company, also posted strong orders and sales against the backdrop of the acceleration in the digital shift. DO HOUSE, which was consolidated in FY6/21 1Q, continued to perform well and contributed significantly to the growth of segment results. In the Data Marketing Business, services such as the mainstay cross-marketing and data collection in the United States and India have remained firm, centered on online services, partly due to the impact of the COVID-19 pandemic, and Kadence (US) has posted large-scale projects. As a result, sales was strong. In terms of profits, productivity improved in terms of sales and work by utilizing outsourcing bases, leading to a big improvement in profitability. In the Insight Business, in addition to gaining customers in Japan and overseas, the Company worked to switch to Internet-based services and made progress on increasing productivity. As a result, profitability improved greatly. Regarding overseas offices, although sales were sluggish at each office due to the impact of the COVID-19 pandemic, orders received and segment profit have been recovering due to factors such as the bolstering of online services and reducing fixed costs through efforts including office relocations and contractions.

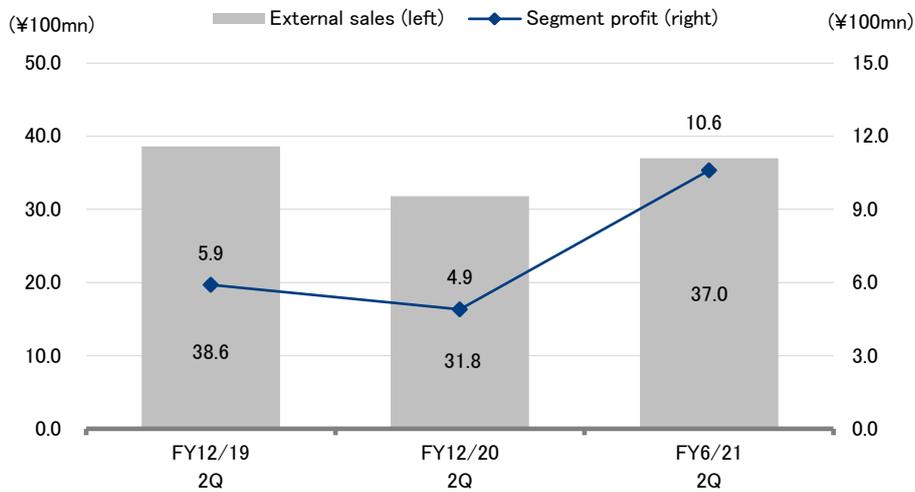
Business trends

Digital Marketing Business – External sales/segment profit



Note: The figures for FY6/19 1H and FY6/20 1H are announced, unaudited figures.  
 Source: Prepared by FISCO from the Company's results briefing materials

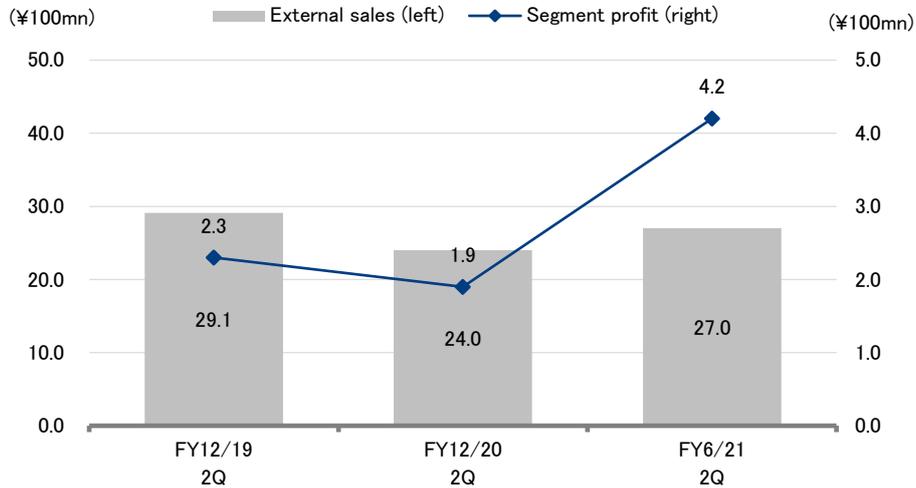
Data Marketing Business – External sales/segment profit



Note: The figures for FY6/19 1H and FY6/20 1H are announced, unaudited figures.  
 Source: Prepared by FISCO from the Company's results briefing materials

Business trends

Insight Business – External sales/segment profit



Note: The figures for FY6/19 1H and FY6/20 1H are announced, unaudited figures.  
 Source: Prepared by FISCO from the Company's results briefing materials

## Rolled out initiatives such as the D2C support business in advance of the medium-term management plan

### 3. FY6/21 topics

Although FY6/21 was a short period of six months, the Company rolled out initiatives ahead of the medium-term management plan “DX Action 2024.” In the Digital Marketing Business, Cross Communication Inc. began rolling out EC-related businesses. The core of this is the D2C support business “SPACESHIPS ~ D2C BREAKTHROUGH PARTNER ~,” and with this the Company plans to directly utilize its expertise in marketing solutions such as conventional IT support, research, and CRM to support customers’ EC businesses. Specifically, using its own panel surveys and SNS image analysis AI, the Company will extract core target groups, set personas, and capture a clear image of fans to increase the certainty of business plans, MD plans, and sales promotions. In addition, experienced designers will establish a consistent brand by working on product photography, website design, advertising design, packaging, and other aspects. At the launch of D2C, the Company will use ASP to curb fixed costs, and when expanding the business, the Company will raise operational efficiency by expanding external collaboration such as for logistics and systems. The Company will also implement pinpoint CRM such as increasing the number of fans through interactive, multiple communication such as SNS operations.

Business trends

In order to guide the D2C support business to success, the Company has entered the D2C business itself by assuming several businesses. One of these brands is “ROOM,” which proposes new accessory styles. The aim is to turn this brand into an accessory brand that contributes to fashion coordination. “Showgirl,” a colorful leggings brand with a focus on the power of color, will promote leggings in a variety of situations, including sports, training, and shopping. “PLAY LIST” is a men’s apparel service that offers styles for the new normal, offering the three different forms of “Flat,” “Play,” and “Slack.” In this way, by managing these three brands, the Company intends to build up expertise in the D2C support business. Furthermore, the Company plans to enter the EC mall business and help the companies it supports attract customers. The Company’s EC mall “Chalemall” is a new type of EC mall established based on the expertise of D&M and DO HOUSE. With this EC mall, consumer information can be provided to advertisers if permission is obtained, and the use of a performance-based payment system means that tenants can open stores without having to pay a fixed rent, which makes it less risky to use than conventional EC malls.

Also, in the Digital Marketing Business, D&M began offering XICA Co., Ltd.’s “XICA ADVA.” This service, which has been adopted by more than 160 companies, primarily major Japanese companies, provides total support for advertising PDCA, such as for TV commercials. With this, D&M began selling TV commercial slots, and it will use data science to maximize the impact of advertising. In the Data Marketing Business, Cross Marketing was recognized as an official partner of LINE Research. Backed by LINE, which is said to have the most users among social media in Japan, this has the advantage of enabling the Company to organize fresh, highly-representative monitors, centered on young people who often do not return answers. In the Insight Business, the Company will provide over 30 years of fixed-point consumer data to Tableau, a visual analysis platform, which will make it easier to discover insights from analyzing consumer awareness data and public statistics.

Illustration of the D2C support business



Source: Prepared by FISCO from the Company’s results briefing materials

## Somewhat conservative FY6/22 results forecast

### 4. FY6/22 outlook

The Company's forecast for FY6/22 calls for net sales of ¥23,051mn, operating profit of ¥1,903mn, ordinary profit of ¥1,850mn, and profit attributable to owners of parent of ¥1,101mn. Due to the fact that FY6/21 was an irregular six-month fiscal period, the Company has not released forecasts for YoY changes. However, on an actual basis comparing 12-month results by adding FY12/20 2H results to FY6/21 results, the Company is expecting a 21.0% increase in net sales, a 4.1% increase in operating profit, a 4.7% increase in ordinary profit, and a 12.9% increase in profit attributable to owners of parent. Starting from the beginning of FY6/22, the Company will apply the "Accounting Standard for Net sales Recognition" (ASBJ Statement No. 29).

#### FY6/22 outlook

	FY6/21		FY6/22		Change (%)
	Results	Versus sales	Forecasts	Versus sales	
Net sales	19,043	100.0	23,051	100.0	21.0
Digital Marketing Business	6,744	35.4	10,010	43.4	42.3
Data Marketing Business	5,841	30.7	7,000	30.4	14.9
Insight Business	6,458	33.9	6,040	26.2	2.1
Operating profit	1,827	9.6	1,903	8.3	4.1
Ordinary profit	1,940	10.2	1,850	8.0	-4.7
Profit attributable to owners of parent	974	5.1	1,101	4.8	12.9

Note 1: FY6/21 figures are the totals of FY6/21 (six-month fiscal period) and FY12/20 2H.

Note 2: Net sales breakdown for FY6/22 forecast is an estimate.

Source: Prepared by FISCO from the Company's financial results.

FY6/22 will be the first fiscal year of the medium-term management plan "DX Action 2024," and the Company has positioned it as the first step in advancing various initiatives aimed at being a "Marketing DX Partner," which is the guideline for the medium-term management plan. The Company plans to evolve its business model and expand the scope of each business by pursuing efforts such as integrating and utilizing the Group's CRM data, sharing the panel network, and building new services and business models with DX, based on a foundation of the Group's overall assets cultivated up until now, which are its customer data, panel network of 8 million people, data analytics technology, and marketing research systems. In addition to these measures, the Company will benefit from the consolidation of DO HOUSE, so the Company is expecting a significant increase in net sales. On the profit front, the Company is expecting the operating profit margin to be about the same level as in FY6/21 (six months), but due to the ongoing risk from the COVID-19 pandemic, the Company's assumptions about overseas net sales and overall consolidated SG&A expenses are seen as being somewhat conservative. The COVID-19 pandemic certainly is a risk, but considering the current momentum, it seems highly likely that the Company's profit will end up exceeding its forecast.

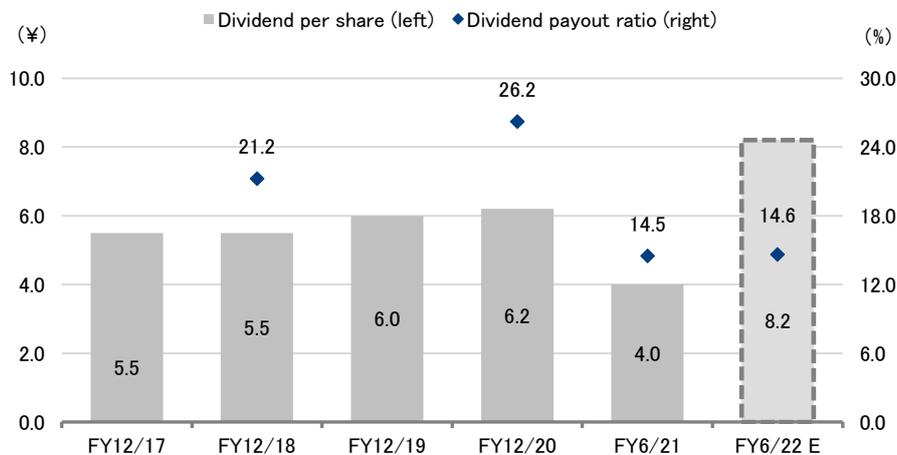
## Shareholder return policy

### Expect continuous dividend increases along with earnings growth

The Company acknowledges return of profits to shareholders as an important theme in overall management. It presents a basic policy of striving to return profits to shareholders through dividends while comprehensively considering business investments, the cash flow situation and other aspects. Based on a dividend policy that aims for stable continuation of returning profits to shareholders via dividends, it “determines dividend amount based on a consolidated payout ratio of approximately 15%” in light of current robust funding and the future business investment plan. The Company pays dividends from surplus funds twice a year in interim and year-end dividends. While decisions by the Board of Directors can determine the interim and year-end dividends, the Company normally utilizes a resolution at the General Shareholders’ Meeting to pass the year-end dividend. The Articles of Incorporation state that “The Company may make decisions regarding dividends for surplus funds and other items listed in Article 459, Paragraph 1 of the Companies Act through resolutions by the Board of Directors unless stipulated separately by other laws.”

In Stage 3, the Company will enter a growth period based on its implementation of the medium-term management plan “DX Action 2024,” so earnings are expected to grow year by year. Because of this, the basic policy for shareholder returns is the same as before, but there is a possibility that the content of shareholder returns will effectively change. Specifically, while profits did not grow significantly during the upfront investment periods of Stage 1 and Stage 2, resulting in stable dividends, dividends are expected to increase continually in Stage 3 along with the growth in earnings. As a result, the Company plans to pay an annual dividend of ¥8.2 (¥4.1 interim dividend and ¥4.1 year-end dividend) in FY6/22. In addition, regarding share buybacks which the Company has carried out as needed up until now (four times since its stock listing in 2008), during Stage 3 the Company intends to flexibly buy back treasury shares based on the share price level and the Company’s financial situation. In this way, the impression is that shareholder returns will increase in Stage 3.

Dividend per share and dividend payout ratio



Note: Dividend payout ratios for FY12/17 and FY12/19 are not shown as loss attributable to owners of parent were recorded.  
\* FY6/21 was an irregular six-month fiscal period.  
Source: Prepared by FISCO from the Company’s financial results

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