

# Cross Marketing Group Inc.

**3675**

Tokyo Stock Exchange Prime Market

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FISCO Ltd. Analyst

**Kimiteru Miyata**



FISCO Ltd.

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

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\* This is an English translation of a report issued on March 29, 2022.

## Summary

### Rapid performance growth, building momentum for meeting targets of the medium-term management plan

#### 1. Marketing DX partner supporting the entire range of marketing processes

Cross Marketing Group Inc. <3675> (hereinafter, “the Company”) supports customers as a DX\* marketing partner and comprehensively engages in the three businesses of the Digital Marketing Business, the Data Marketing Business, and the Insight Business. The Digital Marketing Business provides IT solutions and promotions, etc. The Data Marketing Business engages in online and offline research, etc., and the Insight Business provides other services such as analysis, reporting and consulting, etc. From a starting point of an original business of online research, the Company helps customers solve various issues that arise during all domains of the marketing process.

\* DX (Digital Transformation): Transforming lives for the better by disseminating advanced digital technologies into companies and society.

#### 2. Strengths are its business model and assets/infrastructure in support of that model

The Company’s business model is characterized by combining the research functions of its Data Marketing Business and Insight Business (its understanding of consumers) with support for execution through its Digital Marketing Business in order to provide customers comprehensive marketing solutions with high added value. The Company’s strength is its business model—the combination of its understanding of consumers through market research and its support for marketing execution. Moreover, this business model is supported by the Company’s assets and infrastructure, which include an online survey panel network of over 8 million people and a customer base of 5,000 companies and 72,000 contacts. It is one of only a small number of companies capable of providing comprehensive marketing services across all marketing processes, which is also a strength.

#### 3. FY6/22 1H: major profit increase from M&A and improved productivity

In FY6/22 1H, net sales totaled ¥12,300mn and operating profit was ¥1,710mn. FY6/21 was an irregular six-month fiscal period, so effectively comparing with the same period of the previous year, which was FY12/20 2H (July–December), net sales increased 48.5% and operating profit grew by nearly double, so both sales and profit increased substantially. Factors involved included the effect of consolidating DO HOUSE Inc., which was acquired and became a subsidiary in FY6/21, and the improved profitability of existing businesses both in Japan and overseas. Growth in the digital marketing market associated with the ongoing digital transformation of society is also a background factor. In this environment, the Company continues proactive management, developing new services and executing M&A and alliances. This has included selling off Markelytics Solutions Private Limited and consolidating overseas operations into the Kadence Group and acquiring SKIP Inc., which operates beauty-related media focused on skincare, inner beauty, and other information for beautiful skin. The Company has high expectations for these moves as a way to increase earnings over the medium term.

Summary

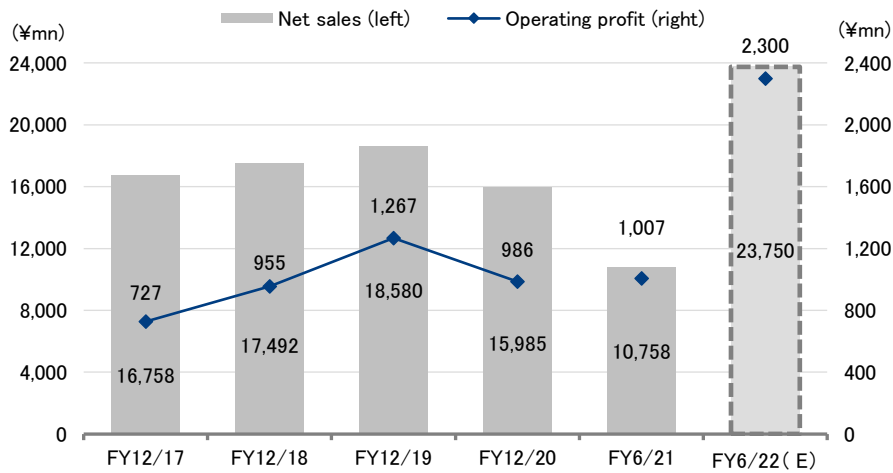
4. FY6/22 results forecasts upwardly revised, building momentum for the medium-term management plan

The Company upwardly revised its FY6/22 results forecasts. Net sales is projected to be ¥23,500–24,000mn (up 23.4–26.0% compared to the 12-month period that combines the previous term (irregular six-month fiscal period) and FY12/20 2H), and operating profit is expected to be ¥2,200–2,400mn (an increase of 20.4–31.3% on the same basis). 1H results were up thanks to the strong performance of DO HOUSE and D&M, Inc., and the Company is expected to continue performing well in the third quarter and beyond, centering on its mainstay Digital Marketing Business, which were the factors behind the upward revisions. However, given that these forecasts are somewhat conservative and the Company is entering a growth stage, the possibility of another upward revision cannot be denied. Against the backdrop of rapid performance growth, there is momentum building for achievement of the Company's medium-term management plan. Achieving the goal for net sales may require M&A, but with profitability improving, the operating profit target is achievable with only the continued evolution of existing businesses and their synergies.

Key Points

- Marketing DX partner supporting the entire range of marketing processes for customers
- FY6/22 results forecasts upwardly revised as a result of consolidating DO HOUSE and the strong performance of existing businesses
- Against a backdrop of rapid performance growth and momentum for achieving the medium-term management plan, targeting net sales of ¥30.0 billion and EPS of ¥90.1

Results trends



Note: FY6/21 was an irregular six-month fiscal period  
 Note: FY6/22 forecasts are the median of the range announced by the Company  
 Source: Prepared by FISCO from the Company's financial results

## ■ Company profile

### Marketing DX partner supporting the entire range of marketing processes

#### 1. Company profile

The Company conducts business across all marketing processes in support of the marketing DX of customers. The Company is a holding company and its businesses are conducted through subsidiaries. It has three businesses: the Digital Marketing Business, which provides digital promotions, e-commerce and marketing support, system development, and other services; the Data Marketing Business, which gathers and analyzes various data pivoting on online research, the Company's original business; and the Insight Business, which supports customer decision-making with analysis, reporting, and consulting. 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 structure. As a result, continuing on from FY6/21 (a six-month fiscal period), the Company has seen rapid growth in its results in FY6/22 as well, so its efforts have borne fruit. This has created major momentum for achieving the quantitative targets of its medium-term management plan (FY6/22–FY6/24).

### Evolution from online research to marketing DX partner

#### 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 CARTA HOLDINGS, INC. <3688>), the operator of an 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, the Company became a holding company and changed its name to the current Cross Marketing Group. In March 2018, it changed its stock market listing to the First Section of the Tokyo Stock Exchange.

In recent years as well, the Company continues to expand its business scope, acquiring the Kadence Group and Supotant Co., Ltd., among others, and creating new businesses like Medilead, Inc. and D&M, while also carrying out structural reforms in Japan and overseas. Though a latecomer, the Company continues growing as one of Japan's major marketing research companies. 2020 was greatly impacted by the COVID-19 pandemic, but, at the same time, DX, which transforms corporate and social practices, showed major growth, and in 2021, the Company reshuffled its businesses and evolved from a marketing solutions firm pivoting on research to a marketing DX partner with a focus on digital marketing. It is currently pursuing further growth on the basis of a new medium-term management plan.

Company profile

History

Date	Item
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 and launched subsidiary Cross Marketing China Inc. (currently, Kadence International Inc. (China)) in Shanghai, China
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
July 2021	Established MetaSite inc.
January 2022	Made SKIP Inc. a subsidiary

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

## The greatly changing marketing research market against the backdrop of DX

### 3. Industry environment

The marketing research market has grown stably together with diversifying consumer needs and expanding corporate results. Since 2000 in particular, the market for online research, the Company's original business, has expanded rapidly along with the spread of the Internet. In recent years, as digitization has progressed, it has become easier to obtain large amounts of data (big data), such as smartphone location data and web access logs. Companies naturally want to analyze this big data and utilize it in online advertising, D2C\* and other marketing activities, but most companies have not progressed very far with DX, and they do not fully utilize the big data they acquire in their business. This is the current state of affairs, so there is still room for further development of the market.

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

Company profile

Marketing research is the business of acquiring, surveying, and analyzing data and providing high added value. Previously, the research, consulting, IT, advertising, and marketing industries had been subdivided vertically, and the companies in these respective categories worked to add value to data but only in their areas of expertise, so in many cases data was only partially optimized. However, it is now possible to use DX to convert data to big data and give it high added value, so all industries related to marketing are pierced horizontally making it possible to pursue overall optimization. Within this movement from partial to overall optimization, the marketing research market, which had been subdivided, has scaled up into a single entity that cuts across industries.

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. In light of the above, for a company that comprehensively develops marketing solutions rooted in research, the market has become an advantageous one with plenty of room for further development.

\* 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 overview

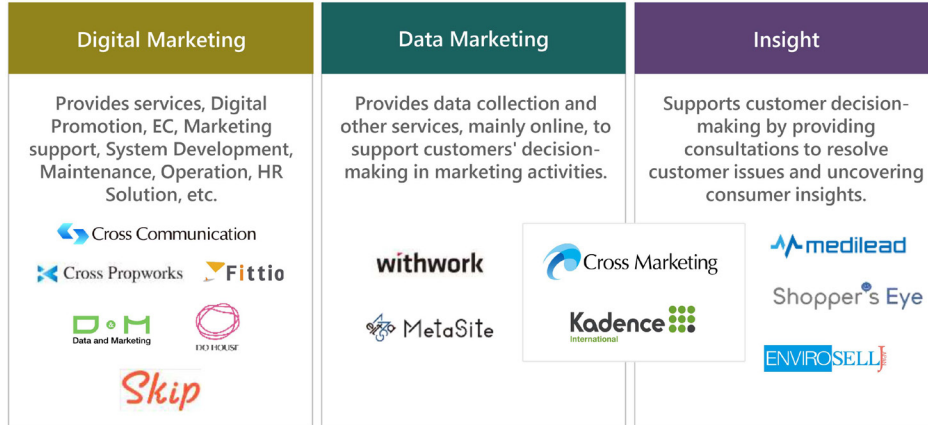
### Restructuring business segments to adapt to a changing environment

#### 1. Business activities

In response to such changes in the industry environment, the Company restructured its business segments in FY6/21. It has always professed itself as a marketing solutions company, so it is capable of handling all marketing processes, which have scaled up with DX, but the restructuring was intended in particular to add greater depth to research operations and enhance marketing tools. Specifically, digital promotions, e-commerce and marketing support, system development, maintenance and operations, HR services, and other marketing tools were consolidated into the Digital Marketing Business. In addition, research operations were split between the Data Marketing Business and Insight Business. Data collection, which is primarily online, and other such operations were concentrated in the Data Marketing Business, and consulting and other services in the Insight Business, creating a system for supporting customer decision-making. Through this, the Company intends to clarify its position as a marketing DX partner to customers, and, at the same time, to incorporate business areas that don't fit easily into the categories of online research or marketing solutions. Regarding research operations, the Company's original mainstay, it is already capable of offering full support both in Japan and overseas, but with respect to digital marketing, there still appears to be room for expansion in areas like online advertising and media placement.

Business overview

Business segments and main Group companies



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

**(1) 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 and app development, maintenance, and operation; and IT HR services. In system development, 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. In digital promotions, the Company utilizes consumer data from its large-scale survey panel network—which it built through partnerships and alliances—and provides accurate, optimal promotions and other cutting-edge marketing services. In marketing support, it manages diverse media in line with customer needs. Among them, DO HOUSE, which became a subsidiary in January 2021 and has a strong reputation for manufacturer relations, product inventory, and handling, operates the promotional media outlets Moratame.net and Tentame! and has its own consumer network through free sampling promotions\*. In making DO HOUSE a subsidiary, the Company's promotion panels draw on a network of some 8 million panelists on a Group-wide basis.

\* Sampling promotions are a type of sales promotion in which consumers are given questionnaires on cosmetics, beverages, foods and other products, and the results are used in multipurpose marketing, including for manufacturer product development and support.

**(2) 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 and marketing activities. Panel size and quality are the most important factors in online research. In terms of volume, the Company possesses one of Japan's largest survey panels with approximately 5.24 million active survey panelists (including the number of promotion panels), when 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, the quality of the panel refers to basic attributes, such as the structure of family members living together, and member registration information is updated annually to keep basic attributes up to date. 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.



## Business overview

**(3) 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 (During the COVID19 pandemic, these surveys have been canceled or shifted online). 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, subsidiary Medilead, which specializes in the healthcare and medical fields, has built a panel network of physicians, other medical professionals, and patients, and based on research with respect to this specialized network, it provides support for formulating health management programs and onset risk models as well as support for research papers, studies, and medical technology evaluations related to drug discovery and clinical trials, which has earned the company a strong reputation. The Insight Business in specialized areas (along the lines described above) is an extremely high-value-added service that is said to be a service difficult to newly enter as it requires recruitment of specialty personnel on the research company side, 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.

**(4) Overseas business**

The overseas business is not a separate segment, but it is an important starting point for discussing the future of the Company, which is developing its Data Marketing Business and Insight Business at over 20 sites in 10 countries around the world. It expanded to China in 2012 and made Kadence a subsidiary in 2014 as it continued active development, but this became a drag on earnings from around 2018, and structural reforms that included focusing on Kadence were launched in 2020. In the second half of 2021, system development began bearing fruit and earnings improved notably, centered on the U.S. Currently, the Company is strengthening service infrastructure for major companies in Japan, the U.S. and Europe.

## Business model for overall marketing processes of customers

### 2. Business model

The Company's business model is characterized by combining the research functions of its Data Marketing Business and Insight Business (its understanding of consumers) with support for execution through its Digital Marketing Business in order to provide customers comprehensive marketing solutions with high added value. Specifically, the Company efficiently collects consumer data through both online research—its original business—and offline research to analyze and understand the “Why?” of consumer behavior. Utilizing precision marketing tools based on this data and understanding, the Company supports the marketing execution of customers. In addition, the Company is involved in all marketing processes, so it is able to help customers solve the various types of issues that occur. Moreover, sales reps, researchers, directors and all other personnel involved work together and the businesses are integrated, so the Company has a support system for flexibly solving issues, which is also an important characteristic of its business model.

Business overview

Outline of business model



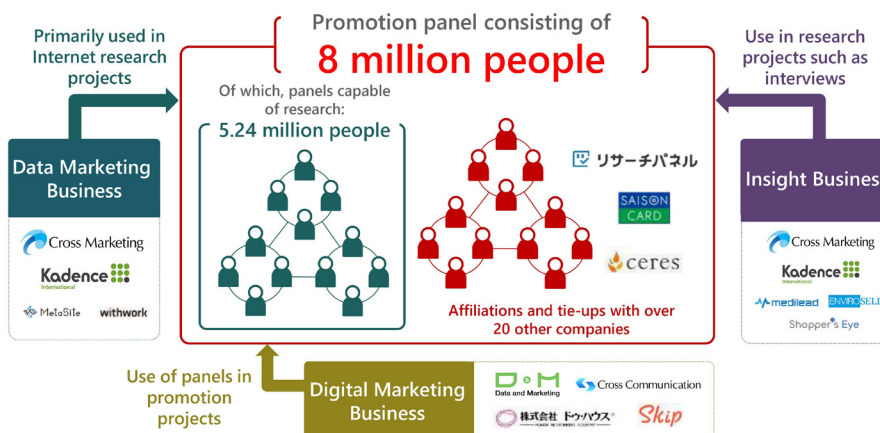
Source: Medium-term management plan briefing materials

## Strengths are its business model and survey panel quality and size

### 3. The Company's strengths

The Company's strengths include its business model, which combines its understanding of consumers derived through research (Data Marketing Business and Insight Business) and its support for marketing execution (Digital Marketing Business) to provide high-value-added services directly linked to customer business promotion and growth. The assets and infrastructure that support this business model are also one of the Company's strengths. This includes an online promotion panel network of over 8 million people, a customer base of 5,000 companies and 72,000 contact points, data analytics technologies and over 300 analysts, and an online research system and over 100 engineers. With that said, the Company possesses a robust research infrastructure, both qualitatively and quantitatively, and adapts to the market environment, which is changing greatly with DX, and this has allowed it to become one of the few companies capable of providing solution services across all marketing processes, another strength.

Company strength (relation of businesses with survey panels)



Source: Prepared by FISCO from company briefing materials for individual investors

Business overview

Incidentally, Macromill Inc. <3978> and INTAGE HOLDINGS Inc. <4326>, long considered the Company's rivals in marketing research, are also crafting growth strategies based on market changes, but because the market is so vast, all three companies are taking slightly different directions, and there is the sense that the areas where the three don't directly compete are increasing. In the various aspects of marketing processes, there are many companies making approaches from outside the research industry, companies like Orchestra Holdings Inc. <6533> in internet advertising and Members CO., Ltd. <2130> in website production and system development, but with regard to major online advertising agencies in particular, at present it would be appropriate to consider them less as competitors than as partners in the industry's development. Regarding such company trends, the Company is constantly benchmarking and seems to be monitoring potential partners closely.

## Business trends

### Results trending up in response to strong performance of the Digital Marketing Business and others

#### 1. FY6/22 1H results

The FY6/22 1H results were net sales of ¥12,300mn, operating profit of ¥1,710mn, ordinary profit of ¥1,661mn, and profit attributable to owners of parent of ¥1,111mn. FY6/21 was an irregular six-month fiscal period, so comparing FY6/22 1H with FY12/20 2H (July–December), the same period of the previous year, net sales increased 48.5%, operating profit grew by nearly double, ordinary profit increased 86.0%, and profit attributable to owners of parent increased by around 2.5 times, so there were major increases in both sales and profits. These results were affected significantly by the results of DO HOUSE, made a subsidiary in January 2021, being added to the mix, but increased earnings from existing businesses in Japan and overseas also had a large impact. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020 (hereinafter, "Revenue Recognition Standard") and other revisions were applied, and this lowered net sales by ¥54mn, cost of sales by ¥42mn, and each of operating profit, ordinary profit and profit attributable to owners of parent by ¥12mn.

#### FY6/22 1H results

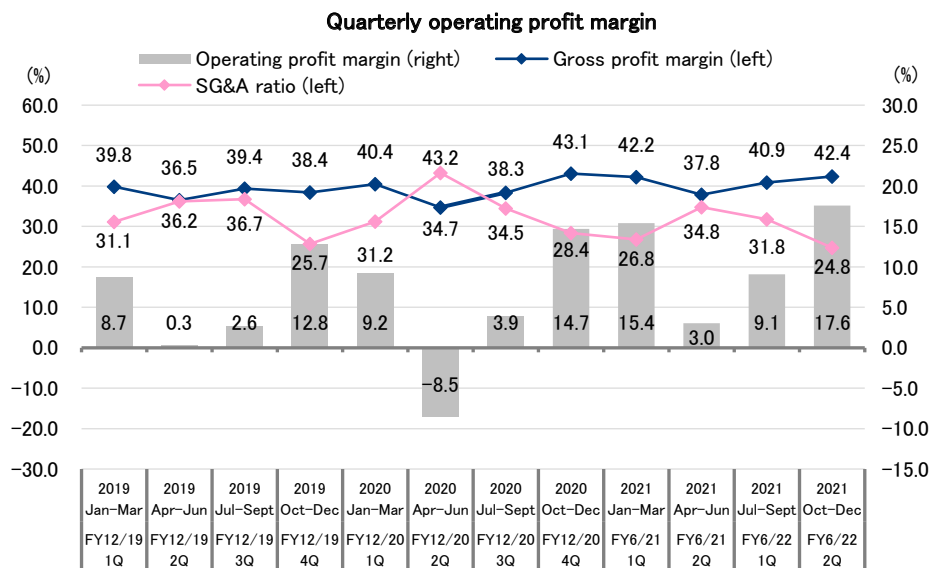
	(¥mn)				
	FY12/20 2H (Jul–Dec)		FY6/22 1H		Change (%)
	Results	Versus sales	Results	Versus sales	
Net sales	8,285	-	12,300	-	48.5%
Gross profit	3,394	41.0%	5,132	41.7%	51.2%
SG&A expenses	2,574	31.1%	3,422	27.8%	33.0%
Operating profit	820	9.9%	1,710	13.9%	108.4%
Ordinary profit	893	10.8%	1,661	13.5%	86.0%
Profit attributable to owners of parent	435	5.2%	1,111	9.0%	155.5%

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

Business trends

The Japanese economy continued to face difficult conditions from the impact of the COVID-19 pandemic, but there were indications of a recovery in consumer spending resulting from vaccinations making progress. At the same time, the impact on the global economy of further waves of infections calls for continued monitoring, and unstable management conditions remain. The digital marketing market and marketing services market (Data Marketing and Insight) have been firm against a backdrop of fully ramped up corporate DX investment. In such a business environment, the Company has worked to evolve its business model and expand its business domain in line with the “DX Action 2024” medium-term management plan it established to achieve sustained growth.

As a result, the Company’s results grew rapidly (looking quarter by quarter, profit levels have steadily increased). With regard to profits in particular, the profitability of DO HOUSE, consolidated in January 2021, was not that high due to anticipated investments, but the sales share of online research increased with the pandemic and outsourcing fees and personnel costs were reined in, which led to an increase in the gross profit margin. The SG&A ratio improved as well against the backdrop of the pandemic, in connection with rents and transportation expenses, etc., which helped the operating profit margin increase by 2.9 percentage points from the same period of the previous year (October–December 2020). The improvement in the operating profit margin was in part due to a decrease, caused by the COVID-19 pandemic, in costly quantitative offline surveys for food product companies and others, but conducting qualitative research online is already the mainstream, so the gross profit margin is expected to remain relatively high even after the pandemic subsides. Centering on the Digital Marketing Business, results trended even better than expected, both in Japan and overseas. FY6/22 1H results therefore exceeded the Company’s forecasts, which led it to upwardly revise its full-term forecasts.



Note: Earnings seasonality is a factor because of the Company’s business format. Profits are earned largely in the October–December and January–March quarters  
 Source: Prepared by FISCO from the Company’s financial results

## Digital Marketing Business with nearly 3x profit growth

### 2. FY6/22 1H results by business segment

FY6/22 1H results by segment were as follows. In the Digital Marketing Business, net sales was ¥5,067mn and operating profit was ¥526mn. In the Data Marketing Business, net sales was ¥4,173mn and operating profit was ¥1,413mn. In the Insight Business, net sales came to ¥3,060mn and operating profit was ¥605mn. The previous fiscal year was a six-month term, so figures for year-on-year change were not released, but comparing with the same period from the previous year (July–December 2020), there were major increases in sales and profits, not only in the Digital Marketing Business, which saw nearly 3x growth in operating profit, but in the Data Marketing Business and Insight Business as well.

#### FY6/22 1H results by business segment

(¥mn)

External sales	FY12/20 2H (Jul–Dec)		FY6/22 1H		Change (%)
	Results	Versus sales	Results	Versus sales	
Digital Marketing Business	2,135	25.8%	5,067	41.2%	137.3%
Data Marketing Business	3,502	42.3%	4,173	33.9%	19.2%
Insight Business	2,646	31.9%	3,060	24.9%	15.7%

Segment profit before adjustment	FY12/20 2H (Jul–Dec)		FY6/22 1H		Change (%)
	Results	Profit margin (%)	Results	Profit margin (%)	
Digital Marketing Business	187	8.8%	526	10.4%	181.1%
Data Marketing Business	909	26.0%	1,413	33.9%	55.4%
Insight Business	356	13.5%	605	19.8%	69.8%

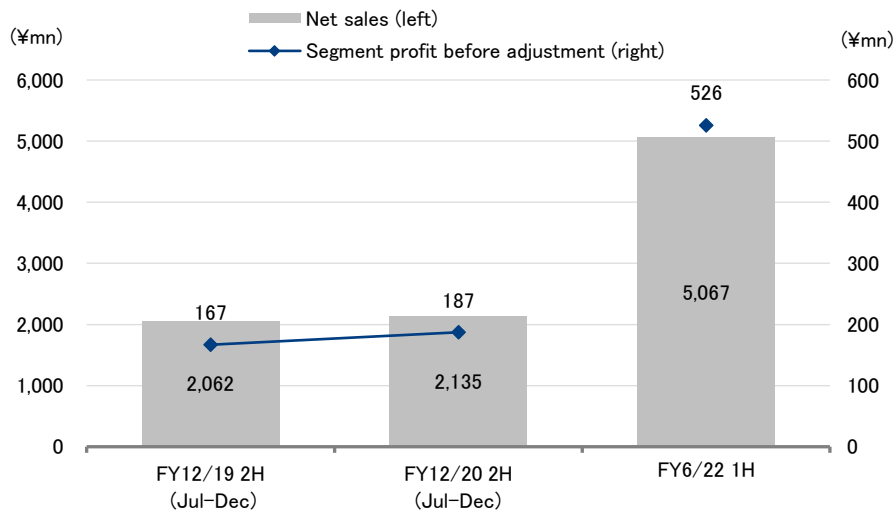
Source: Prepared by FISCO from the Company's financial results and briefing materials

#### (1) Digital Marketing Business

Contract system development and IT human resources services, which centers on Cross Communication Inc., enjoyed steady orders and sales, and D&M, which develops digital promotions, also saw strong orders and sales as it broadened the scope of its services against a backdrop of expanded survey panels and accelerating DX in society in general. In addition, DO HOUSE, made a subsidiary in January 2021, experienced steady sales and profit growth by adapting its online sampling promotions to fit lifestyle patterns during the COVID-19 pandemic. As a result, the results of the business's three main companies—Cross Marketing, D&M and DO HOUSE— trended higher than planned and drove the growth of the overall business, so the segment's sales and operating profit both grew substantially, even compared to the July–December 2019 period before the pandemic.

Business trends

Digital Marketing Business results by half

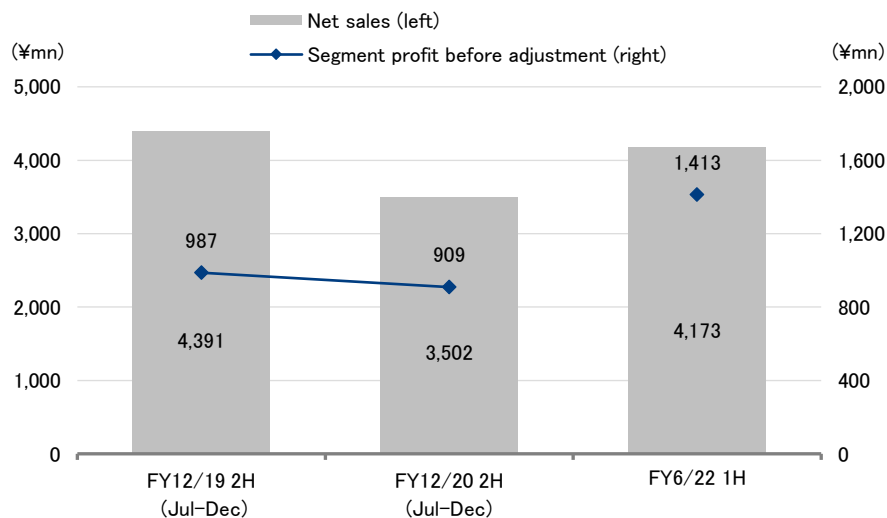


Source: Prepared by FISCO from the Company's results briefing materials

(2) Data Marketing Business

There continues to be steady demand for online services during the COVID19 pandemic, and, overall, sales were firm. In addition, profitability increased thanks to a higher online ratio, utilization of outsourcing sites, and other factors, so the segment's operating profit increased above the rate of sales growth. In the production division, however, staffing was insufficient during peak periods, and the Company is considering strengthening hiring in the second half. At overseas offices, fundamentals are being strengthened, so sales and profits recovered as economic activity resumed. In the U.S. in particular, which has been driving overseas earnings, major orders continued to be recorded. Compared to the July–December 2019 period before the COVID19 pandemic, the segment's operating profit grew substantially owing to increased productivity and other factors, but sales having not returned to the level of July–December 2019 remains an issue.

Data Marketing Business results by half

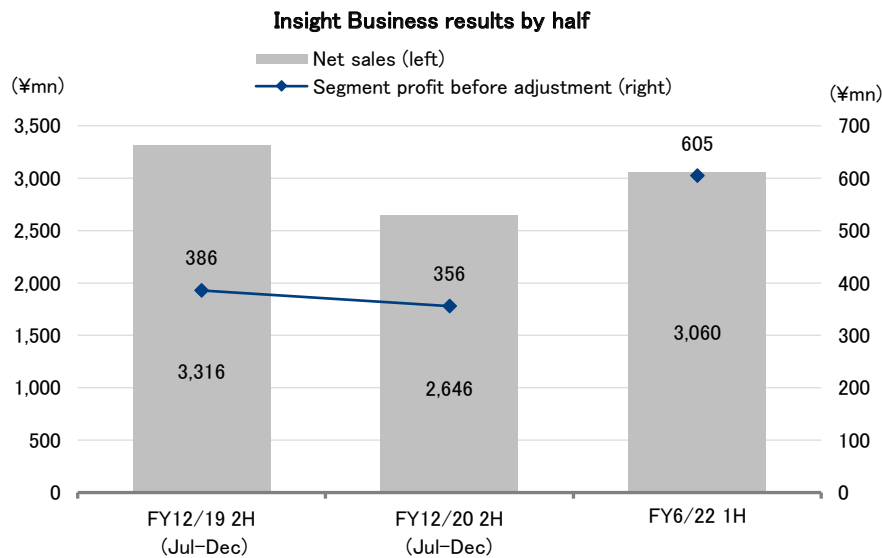


Source: Prepared by FISCO from the Company's results briefing materials

Business trends

**(3) Insight Business**

The Company adapted to face-to-face interviews moving online and other changes in methods to steadily secure orders, which led to firm sales and profits. Overseas, while certain areas were very challenging due to the pandemic, business conditions recovered in line with economies, led by the U.S., and reductions to fixed costs, which began the previous term, so the overseas business continued to contribute to earnings. Earnings trends are similar to the Data Marketing Business because both are related to research, and compared to July–December 2019, segment profit grew substantially thanks to higher productivity and other factors, but sales having not fully returned to past levels is an issue. The overseas business overall (mainly the Data Marketing Business and Insight Business) was in the red in July–December 2020 during the pandemic, but returned to the black in July–December 2021. This can be attributed to an increase in profitable sites and significant improvement in the earnings structure of overseas business overall, due to countries like the U.S., where sales have been strong, and the Company has increased investment and targeted large projects. Meanwhile, in countries where sales recovery has been severe, the Company has prioritized profit improvement through fixed cost reductions.



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

**Selling some overseas business companies and acquiring beauty-related media for medium-term earnings contribution**

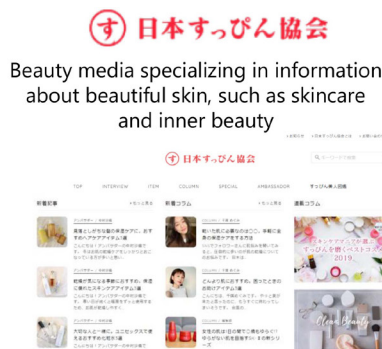
**3. FY6/21 1H topics**

In FY6/22 1H as well, the Company actively engaged in initiatives that included new services, M&A and alliances. Cross Marketing began providing Cross Data, a customer service BI (business intelligence) tool for customer-oriented CRM activities, and built a system that allows each employee to utilize cloud-based customer data at their workplace. D&M launched the DRAW content management service and built an environment that allows for precision target identification and fine-grained improvements on a continuing basis in strategic site projects that leverage research and analysis expertise. In addition, Cross Marketing integrated businesses with Shopper's Eye and plans to provide effective and efficient services through more effective utilization of the mystery shopping services of Shopper's Eye.

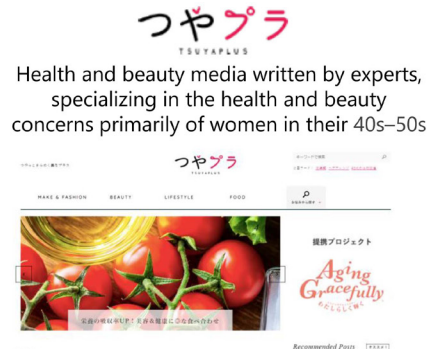
Business trends

Among these initiatives, the Company sold overseas operating companies and acquired beauty-related media, initiatives expected to generate results over the medium term. In November 2021, the Company sold shares in four companies, including Markelytics. Through this, the overseas business was consolidated into the Kadence Group, and redundancies in India and Singapore were eliminated. Consolidating management resources into the Kadence Group allows the Company to strengthen its earnings base for future growth. The Company, in January 2022, also acquired stock in SKIP, Inc. SKIP runs Nihon Suppin Kyokai, a beauty-related media site focused on skincare, inner beauty and other information on beautiful skin, and Tsuyaplus, a health and beauty media site where specialists respond to the health and beauty concerns of women in the 40-59 age group primarily. This is expected not only to increase the number of panelists but also produce synergies with the online sampling promotions of DO HOUSE.

Top pages of beauty-related media sites (left: Nihon Suppin Kyokai, right: Tsuyaplus)



Beauty media specializing in information about beautiful skin, such as skincare and inner beauty



Health and beauty media written by experts, specializing in the health and beauty concerns primarily of women in their 40s–50s

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

## Results forecasts

### Possibility of another upward revision of the FY6/22 results forecasts

#### 1. FY6/22 outlook

The Company's forecast for FY6/22 calls for net sales of ¥23,500–¥24,000mn, operating profit of ¥2,200–¥2,400mn, ordinary profit of ¥2,100–¥2,300mn, and profit attributable to owners of parent of ¥1,350–¥1,450mn. 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 23.4%–26.0% increase in net sales, 20.4%–31.3% increase in operating profit, 8.2%–18.5% increase in ordinary profit, and 38.5%–48.7% increase in profit attributable to owners of parent.



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## Results forecasts

**FY6/22 outlook**

	FY6/21*1		FY6/22 (revised forecasts) *2		Change (%)	FY6/22 (initial) forecasts	Revised rate
	Results	Versus sales	Forecasts	Versus sales			
Net sales	19,043	-	23,750	-	24.7%	23,051	3.0%
Digital Marketing Business	6,488	34.1%	10,300	43.4%	58.7%	10,010	2.9%
Data Marketing Business	7,206	37.8%	7,300	30.7%	1.3%	7,000	4.3%
Insight Business	5,347	28.1%	6,150	25.9%	15.0%	6,040	1.8%
Gross profit	7,705	40.5%	-	-	-	-	-
SG&A expenses	5,877	30.9%	-	-	-	-	-
Operating profit	1,828	9.6%	2,300	9.7%	25.8%	1,903	20.9%
Ordinary profit	1,941	10.2%	2,200	9.3%	13.4%	1,850	18.9%
Profit attributable to owners of parent	975	5.1%	1,400	5.9%	43.6%	1,010	27.2%

\*1 FY6/21 is the sum of FY6/21 (six-month fiscal year) and FY12/20 2H (Jul-Dec)

\*2 FY6/22 revised forecasts are the median of a range

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

In light of the strong results in 1H, the Company upwardly revised its full-year forecasts with the announcement of its 1H results. Owing primarily to strong performances from DO HOUSE and D&M, sales in the Digital Marketing Business were up, and in the Data Marketing Business, for which assumptions were conservative because of the impact of the COVID-19 pandemic, sales from overseas subsidiaries recovered beyond expectations, exceeding initial forecasts in all segments. Operating profit was also above the Company's initial forecast as a result of this increased revenue, as well as due to expanding profitable online services, reining in fixed costs and other factors. In addition, the Company expects strong results to continue in the current FY6/22 3Q period and beyond, led by its mainstay Digital Marketing Business. For these reasons, the Company upwardly revised its full-year results forecasts.

However, the full-year results growth rate is lower than the 1H rate because the Company intends to increase investment in FY6/22 2H for growth in the next and coming terms. A range is given for results forecasts because of seasonality—4Q is a quiet period when generating earnings is more difficult—and in light of risks related to the remaining uncertainty of the COVID19 pandemic. The period sales and profits began growing substantially was FY6/21 (results from January–June, the period one year prior to FY6/22 1H), one year ago. In addition, considering that the Company is entering a growth stage, it would be unusual for profits to decline dramatically in FY6/22 2H, and it is conceivable that company forecasts were created conservatively, so there is no denying the possibility of another upward revision. On a sidenote, the Revenue Recognition Standard and other accounting changes have been applied since the start of the term.

**FY6/22 2H results outlook**

	FY6/21*1		FY6/22 2H		Change (%)
	Results	Versus sales	Forecasts*2	Versus sales	
Net sales	10,758	-	11,450	-	6.4%
Gross profit	4,311	40.1%	-	-	-
SG&A expenses	3,303	30.7%	-	-	-
Operating profit	1,007	9.4%	590	5.2%	-41.4%
Ordinary profit	1,048	9.7%	539	4.7%	-48.6%
Profit attributable to owners of parent	540	5.0%	289	2.5%	-46.5%

\*1 FY6/21 was an irregular six-month fiscal period

\*2 FY6/22 revised forecasts are the median of a range

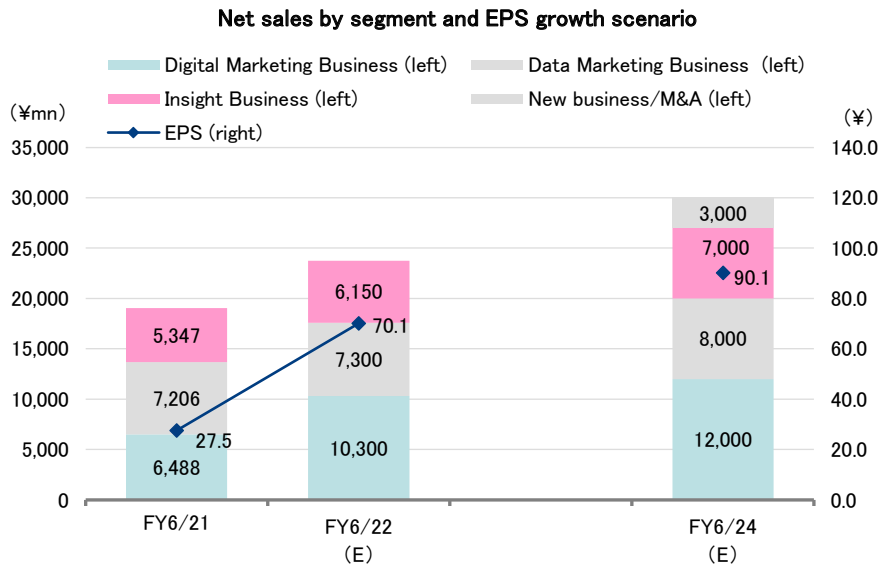
Source: Prepared by FISCO from the Company's financial results

Results forecasts

## Goal of being a marketing DX partner

### 2. Medium-term management plan

Under its 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.” It formulated its “DX Action 2024” medium-term management plan to achieve this long-term vision, positioning the time from FY6/22 to FY6/24 as its growth period. Specifically, by growing as a “marketing DX partner” capable of adapting to the changing times, in the final year of the plan the Company is targeting net sales of ¥30.0bn, operating profit of ¥3.0bn, net profit of ¥1.8bn, and EPS (net profit per share) of ¥90.1. To this end as well, the Company intends to organically and efficiently utilize the assets and infrastructure it has built up through M&A and new businesses and thereby maximize synergies with growth drivers. With its “DX Action 2024” medium-term management plan as a springboard, the Company is aiming for further major progress.



Note 1: FY6/21 sales include figures from FY12/20 2H (Jul–Dec)

Note 2: FY6/22 revised forecasts are the median of a range

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

## Focus on evolving existing businesses, maximizing synergies, and new business and M&A

### 3. Key strategies

The key strategies in the “DX Action 2024” medium-term management plan are a strategy for maximizing synergies using Group assets and infrastructure, individual business strategies including for the Digital Marketing Business, and corporate strategies for new business, M&A, global operations, and human resources. First, organic and efficient utilization of Group assets and infrastructure is divided into survey panels and DX. In survey panels, through the sharing of promotion networks, etc., synergies will be bolstered to strengthen customer service and accelerate DX. In DX, the Company plans to utilize AI in open data research to automate and build new business models. In addition, the Company intends to make possible proposals and sales that cut across the Group’s services, by assembling research teams for example, in line with the solution needs of customers.

Regarding key strategies in individual businesses, the Company will provide new added value and accelerate customer response by promoting DX in the Digital Marketing Business. It also intends to strengthen its automation of operations using AI and its EC support utilizing the functions of DO HOUSE and D&M. In the Data Marketing Business, along with advancing existing functions, the Company plans to standardize cloud BI tools and promote DX for user profiling tools in order to provide customers CRM data-linked systems, webinar functionality, research tools, and other services. In the Insight Business as well, along with working to advance existing functions, the Company plans to provide consulting-based research services, develop lifetime value (LTV) methods, and expand its customer scope to government agencies, schools, and other institutions as it enters the consulting arena on a full-fledged basis. In light of the above, the Company is planning to increase sales from ¥6.8bn in FY6/21 to ¥12.0bn in FY6/24 in the Digital Marketing Business (using the cumulative total for July 2020–June 2021 for FY6/21 for convenience; same applies below), ¥6.5bn to ¥8.0bn in the Data Marketing Business, and ¥5.9bn to ¥7.0bn in the Insight Business.

Regarding corporate strategy, the Company plans to launch multiple new, small-scale businesses of around ¥30.0mn each while monitoring both risk and efficiency. For M&A, the Company will actively make investments on the scale of several hundreds of millions of yen particularly in business domains necessary for the Group’s growth. It already has a track record of new businesses and M&A with D&M and DO HOUSE, etc., so going forward as well M&A is expected to contribute to the Group’s continued growth. Regarding global strategy, the Company is making steady progress in reestablishing its business structure centered on the Kadence Group, through selling shares in Markelytics in November 2021 and other moves. It is currently ramping up growth investment in North America and considering advancing into new areas like Malaysia, Germany and France, so it appears the Company has entered a re-expansion phase. For its human resources strategy, the Company plans to bolster its ability as a company to develop personnel by building systems and HR development models that produce results. Given its mission to “Discover Something New,” the Company supports the UN’s Sustainable Development Goals and plans to establish an SDGs declaration in the near future.

## Increased possibility of meeting Prime Market's listing maintenance criteria

### 4. Capital policy

With a view to achieving its medium-term management plan targets for net sales and operating profit through its key strategies, the Company plans to stably increase dividends based on a target payout ratio of 15% and on the assumption of earnings growth. To achieve its sales target, M&A is thought to be needed, but with regard to operating profit, profitability has been improving as research and other operations move online, so the target is within an achievable range through only the evolution of existing businesses and synergies. Incidentally, while the Company is expecting high growth, the matter of meeting the listing maintenance criteria of the Prime Market presents an issue. The Company currently meets the criteria for number of tradeable shares, tradeable share ratio, and trading value, but it needs to stabilize its tradeable share market cap (listing requirement of ¥10.0bn), a requirement it has not met, and maintain it above the designated level. The tradeable share ratio has increased through the sale of shares by major shareholders using an impact neutralization trust. Given potential efficiency increases and M&A going forward, if the Company exceeds the EPS target of its medium-term management plan and high profit growth under the plan (operating profit growth projected at 18%) is assessed favorably, it is conceivable that a valuation around the level of Macromill or INTAGE HOLDINGS will be allowed. Accordingly, with steady execution of the medium-term management plan, there is an increased possibility of meeting the listing maintenance requirements of the Prime Market at an early date.

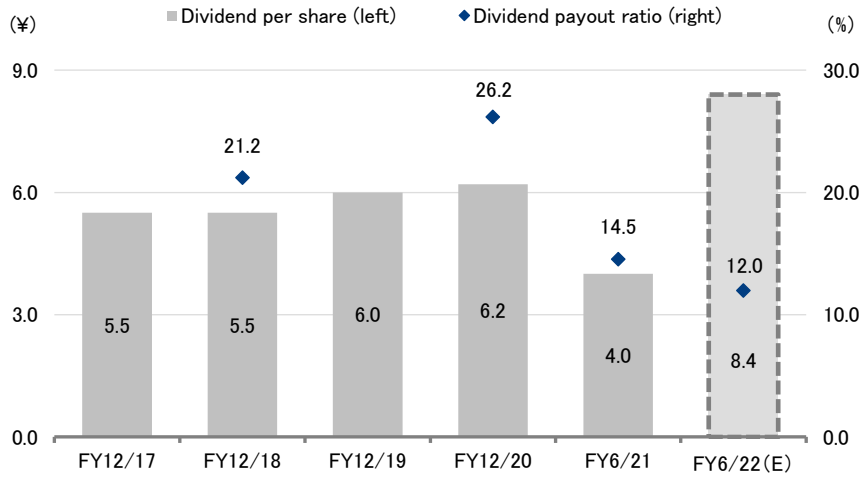
## Shareholder return policy

### Aiming to continue to increase dividends based on a target payout ratio of 15%

The Company recognizes shareholder returns as an important task of management. Its dividend policy is to continue the stable return of profits via dividends while determining their scale in consideration of current zealous fund demand, future business expansion, and an increasing dividend based on a target consolidated payout ratio of 15% in principle. Regarding the dividend forecast for FY6/22, in light of the fact that FY6/22 1H results greatly exceeded the same period of the previous year and that operating profit, ordinary profit and net profit have all made significant progress against full-year results forecasts, the Company increased its dividend at the end of December 2021 (end of 1H) by ¥0.2 per share and plans to pay a total dividend for the full year of ¥8.4 (¥4.3 for 1H and ¥4.1 at year-end).

Shareholder return policy

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 was recorded  
 Note: FY6/21 was an irregular six-month fiscal period  
 Note: Projected dividend payout ratio for FY6/22 is calculated using the median of the EPS forecast range  
 Source: Prepared by FISCO from the Company's financial results

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■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: [support@fisco.co.jp](mailto:support@fisco.co.jp)