

Taking on the challenge of entering a high-growth market of JPY10 trillion through Marketing DX Solutions

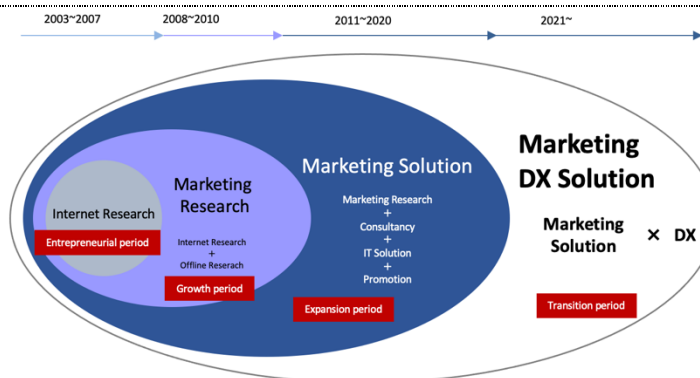
Becoming a Marketing DX Partner by understanding consumers' WHY with Data Insights as the core focus
This report analyzes corporate value based on the GCC Management™ perspective, which emphasizes three elements: **G**rowth (sales growth), **C**onnection (strategic connection of all stakeholders, leading to improved stability), and **C**onfidence (enhanced trust and lowered business risks).

Aiming for a market value of JPY30 billion through Marketing DX Solutions

Founded in 2003 as an Internet research company, Cross Marketing Group Inc. (hereinafter referred to as "the Company") has expanded its business scope to include marketing research and solutions. It has achieved high growth by developing comprehensive marketing and IT solutions with the help of mergers and acquisitions (M&A), centered on a deep understanding of consumers (insights, detailed below).

Moving forward, against the backdrop of progress of digital transformation in marketing, the Company will strengthen DX support by understanding consumers based on research and focusing on decoding the Why, to transform into a "Marketing DX Solutions" company.

With these changes, the Company aims to achieve sales of JPY 30 billion with an operating profit of JPY3 billion and a total market value of JPY 30 billion in the fiscal year ending June 2024.



Target: FY06 / 2024:
Market capitalization **30 billion yen**, sales **30 billion yen**, operating income **3 billion yen**

Comparison with the total of 12 months up to the fiscal year ending June 2021
(annual growth rate)

Sales growth of **16.3%**, operating income growth of **17.9%**

Achieving the target of JPY30 billion in June 2024 is highly possible.

Based on the analysis of the data disclosed by the Company, Jay Phoenix Research (hereinafter referred to as "JPR") concluded that the target of reaching JPY30 billion in market value by June 2024 is achievable. If DX-related growth increases, the analysis indicated that there is a good chance of reaching a market capitalization of JPY 50 billion within a few years, reflecting a growth outlook of approximately 10 years. Compared to the current market capitalization, the upside is 1.9 times with a market capitalization of JPY 30 billion and 3.2 times with a market capitalization of JPY 50 billion.

Basic Report

Written and Edited by
J-Phoenix Research Inc.
Osamu Miyashita, Yosuke Kashiwao
www.j-phoenix.com

Corporate Profile

Headquarters	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo Opera City Tower 24F
President & CEO	Miki Igarashi
Established	As a Group June 3, 2013
Capital	646.71 million yen (as of June 2021)
Listed	As a Group June 3, 2013
URL	https://www.cross-m.co.jp/
Industry	Information and communication industry

Key Indicators (as of September 24, 2021)

Stock price	870 yen
Highest in 52 weeks	983 yen
Lowest in 52 weeks	210 yen
Outstanding Shares	19,970,464 stocks
Trading Units	100 stocks
Market Capitalization	17,374 million yen
Prospective Dividend	8.2 yen
Estimated EPS	56.20 yen
Estimated PER	15.48 times
Actual BPS (Jun 2021)	204.27 times
Actual PBR	4.25 times

Performance Trends	Sales (JPY 1 mil.)	YoY %	Operating profit (JPY 1 mil.)	YoY %	Ordinary profit (JPY 1 mil.)	YoY %	Net profit (JPY 1 mil.)	YoY %	EPS (JPY)	Stock Price High(JPY)	Low(JPY)
Results for the year ended December 31, 2017	16,758	4.9%	727	-45.8%	597	-52.8%	-703	going into debt	-36.00	1,025	340
Results for the year ended December 31, 2018	17,492	4.4%	955	31.4%	840	40.5%	506	returning to profit	25.92	780	225
Results for the year ended December 31, 2019	18,580	6.2%	1,267	32.7%	1,150	36.9%	-477	going into debt	-24.12	452	240
Results for the year ended December 31, 2020	15,985	-14.1%	986	-22.2%	1,078	-6.1%	466	returning to profit	23.67	439	233
Results for the year ended December 31, 2021 (6-month variable calculation)	10,758	-	1,007	-	1,048	-	540	-	27.50	773	349
Company plan for the fiscal year ending June 30, 2022	23,051	-	1,903	-	1,850	-	1,101	-	56.20	-	-

*: Jay Phoenix Research ("JPR") systematizes the concept of corporate value in easy-to-understand terms. See "What is the Analytical Framework for GCC Management™" at the end of this report. *c: c: Fuji Kimera Research Laboratory <https://www.fcr.co.jp/pr/2012.htm>

1. Outline of Shareholder Value Outlook for the medium term

Strategies to date

Founded as a research company

Listed in 5 years since foundation

Business expansion through M&A

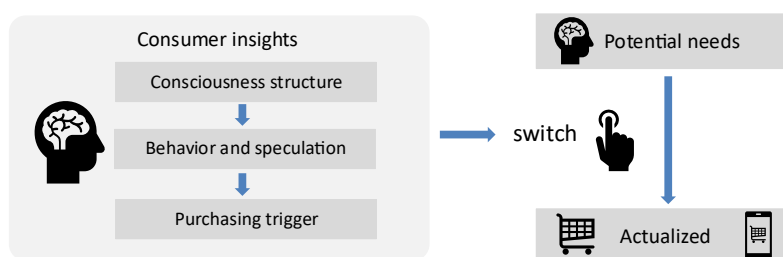
Becoming a comprehensive marketing solutions company

Growth to Date: Comprehensive Marketing Solutions

2003–2010: Growing by undertaking many high-difficulty projects from research companies

The Company, founded in 2003 as an “Internet research” company, conducts marketing research online to support the marketing process of client companies. The Company has grown by undertaking numerous projects with high levels of difficulty such as the time-consuming work of understanding consumers and analyzing consumer insights (see below) that “decodes the Whys” of consumer behavior. Since 2007, the company has also been engaged in offline research and has provided comprehensive services in the marketing research area to support customers' business decision-making. Through this strategy, the company achieved high growth as a comprehensive marketing research company and was listed on the Mothers section of the Tokyo Stock Exchange after five years since its founding.

Consumer insights



Consumer Insight: A marketing term. "Purchase triggers obtained by analyzing the consciousness structure behind consumer behavior. Switches that reveal the latent needs of consumers. Essential factors that lead to purchasing behavior that consumers are not aware of."

Source: Prepared by JPR from the Company's publicly announced information

2010–2020: Expansion of marketing solutions and IT solutions

The Company has also aggressively pursued M&A to expand its business domain that contributes to problem-solving by all possible means. Since 2010, it has considered opportunities for expansion across all marketing activities by developing IT solutions, and advancing its overseas development. It has now grown into a company that provides a one-stop research solution globally. Additionally, with the contracted development of website/apps, the Company has established its business in providing complete support for IT-related services, such as IT human resources services and BPO/BPR services. Growing from research to website promotions and IT solutions, the Company has expanded its business areas and has grown into a comprehensive marketing solutions company.

Expansion of operations from foundation to 2020



Source: Prepared by JPR from the Company's publicly announced materials

Formulation of a new mission and vision in the fiscal year ending December 2019

Becoming a corporate Group that “creates the future”

Mission and Vision: “Discover Something New.” and “Just go for it!”

As the Company approached the fiscal year-end of December 2019, it formulated a new mission and vision with a determination to continue taking on new challenges to pioneer the future and realize the dreams of its customers.

The Company’s mission is: “Discover Something New” From identifying issues, planning solutions, and presenting implementation proposals, it promises to create the future envisioned by its customers and help them realize it.

In addition, the Company’s vision, ““Just go for it!”” reflects the stance of actively promoting the good of its customers and teams. This vision is appreciated as it expresses the attitude of providing a one-stop, comprehensive solution to its customers.

Under this mission and vision, the Company’s management is considered trustworthy by all stakeholders and it continues to achieve sustainable growth, aiming to become a corporate Group that “creates the future” through businesses and services that contribute to the society at large.

Mission Vision

Mission	Vision
<p>Discover Something New</p>  <p>Our wish is for customers’ success. In identifying issues, in planning solutions, and in presenting proposals. Everything is to achieve the customer’s dream. To approach the envisioned future. The process is exciting. The goals make the heart pump. Clear the path, lead the way to tomorrow, and create the future.</p>	<p>Just go for it!</p>  <p>Keep on doing things that will be good for everyone, for the client. Not “it can’t be done,” but “how to do it?” It is the prerogative of challengers to be unafraid of failure. If you do it, you can see the next thing. If you do it, you understand your own growth. We just do it.</p>


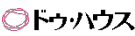


Source: Prepared by JPR from the Company’s publicly announced information

Comprehensive marketing solutions become possible through many subsidiaries

Major subsidiaries providing marketing solutions

As shown in the table below, the Company is developing its business through a diverse range of subsidiaries, including extensive M&A and Group companies established as new businesses in-house. Cross Marketing Group Inc., the holding company, oversees these businesses. In addition to the companies listed below, the Company operates Cross Ventures, which promotes investment projects, and Karada Laboratories Inc., a mail-order business.

Major Subsidiaries Providing Marketing Solutions

	Company Name	Business Overview
	Cross Communication Inc.	Planning, development, and operation of websites and systems for mobile and smartphones.
	Cross Propworks Inc.	Outsourcing services for data processing and processing within the Group companies in Hakodate.
	Fittio Inc.	Human resource matching business in the IT and web industries.
	D&M, Inc.	Leveraging consumer data to provide cutting-edge digital promotions and marketing services.
	DO HOUSE Inc.	Providing promotions and qualitative information research, etc. in the end-user and retail fields.
	Cross Marketing Inc.	Provision of services related to marketing research, including planning and design of marketing research and consulting.
	Kadence International Business Research Pte. Ltd.	A corporate Group that operates in the United Kingdom, the United States, and other Asian countries and conducts marketing research. The holding company headquarters is in Singapore.
	Markelytics Solutions India Pte. Ltd.	Marketing research company with main clients in Europe and North America. Headquartered in Bangalore.
	Medical World Panel Asia Pte.Ltd	Management and operation of specialized monitors for medical workers and patients for each disease.
	withwork Inc.	Director BPO business, which focuses on directing web research.
	Medilead Inc.	Marketing research business in the healthcare and medical field.
	Envirosell Japan Inc.	Customer behavior analysis and business consulting.
	Shopper's Eye	Planning and conducting mystery shopping services (a method of marketing research conducted from the viewpoint of the consumer to improve customer service. It is also called a mask survey in Japan)

Source: Prepared by JPR from the Company's website

Overseas expansion

Through its subsidiaries, the Company has set up a system to provide comprehensive marketing services in more than 20 locations across 11 countries worldwide with internet research as its core offering.

Global Net Research System

Providing comprehensive marketing research services at more than 20 bases in 11 countries around the world with online research as a core service



Source: Company's online company briefing materials for individual investors May 22, 2021

Global expansion
over 20 sites in 11
countries

Future Strategies

DX Growth in the Marketing field

Further accelerated by the Covid-19 pandemic

Promote Marketing DX Solutions

Future Strategies: Growth through Marketing DX Solutions

2021 onward: Focus on "Marketing DX", a high-growth field of the future

The Company is expected to grow further by responding to major changes in the external environment, such as digital shifts and DX, as well as changes in consumer needs and lifestyles, including responses to the spread of the Covid-19. According to Dentsu Digital Corporation, 50% of the surveyed companies reported that DX is accelerating due to the effects of the Covid-19. *

* Dentsu Digital "Digital Transformation Survey of Companies in Japan (FY 2020)"

In response to such changes, the Company, at the financial results briefing for the fiscal year ending in December 2020, announced that it would aim to be a group that uses digital/IT to create a future that will lead customers' businesses to success, and would thoroughly strengthen its digital marketing domain. In particular, to focus on the high-growth field "Marketing DX," the Company will promote "Marketing DX Solutions," which are marketing solutions enhanced by digital transformation (DX) support.

Targets and growth strategies for 2021 and beyond

Future target fields "Marketing DX", a high-growth field

To digitize marketing processes such as market research, product development, advertising, and effectiveness verification, cross various digital data, and create new businesses and organizations.

Value provided by the company Marketing DX Solution

Using the power of digital, centering on "clarification of consumer WHY (why)" by analyzing consumer data, providing necessary data, decision support to marketing measures for issues in promoting customer business Being able to carry out the process and lead to a solution

Source: Prepared by JPR based on the Company's hearings and various company data

Insight as the starting point

Decoding the WHY of consumers as the core

Comprehensive support up to the execution of marketing

Medium- to long-term (5–10 Years) goals

Against this backdrop, the following table shows the Company's medium-to-long-term (5–10 years) goals. Its strategy is to strengthen its Insight Business as its core competence, provide “Marketing DX Solutions” with “insight” as the starting point and aim for high growth in the Digital Marketing Business area. Through this strategy, the Company aims comprehensively support the growth and promotion of customers' businesses through the implementation of marketing measures, centered on “decoding consumers' why (insight).” Such a structure makes direct-to-consumer (D2C) companies (companies that sell products directly to customers through their e-commerce sites without distributing them through intermediate distributors) a particularly important target.

Overview of the Medium-to Long-Term (5–10 Years) Goals

Medium-to long-term (5–10 years) goals	Focusing on “decoding consumers' WHY (insight)” the Company can provide comprehensive support in the “marketing domain” for the growth and promotion of customers' businesses through the execution of marketing programs. Based on this, the Company can further expand its businesses and domains.
Value delivery goals	In addition to the promotion of DX and digitalization of services, the Company can provide a range of services in an integrated manner, including the provision, operation, and maintenance of its services through a variety of systems and tools.
Group companies' goals	Provide comprehensive “digital marketing services” through each group company using marketing research services centered on “insight discovery and understanding” following “data collection and analysis.”
Strategy	Demonstrate a greater presence in “DX/Digital Marketing” as a corporate group that provides “Marketing DX Solutions” originating from “Insight,” particularly by implementing investments and enhancements focused on “DX/Digital Marketing.”
Core competence	In the Insight Business area, guide the customer business to success through one-stop Digital/DX solutions, from supporting business decision-making to implementing marketing programs that are centered on “decoding consumers' WHY (consumer understanding).”

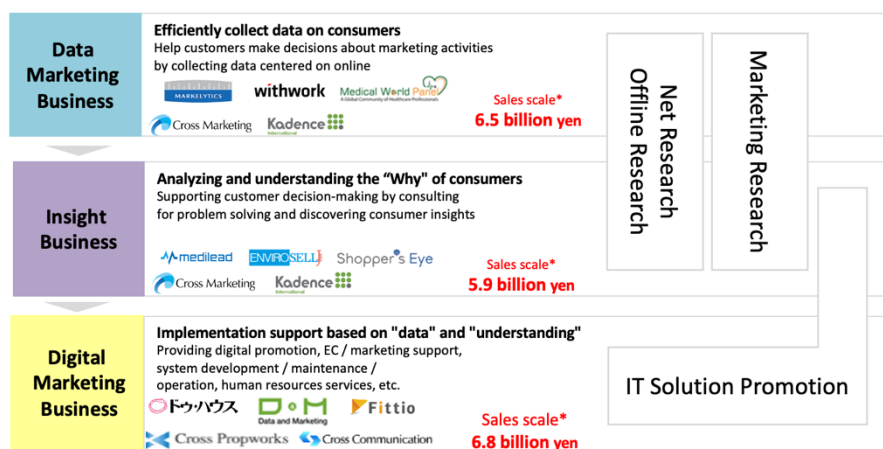
Prepared by JPR based on company interviews and company data

Digital Marketing Business segmentation to ensure compatibility with “Marketing DX”

A new segment in 2021 for Digital/DX compatibility

Regarding the implementation support for the digital transformation of the marketing field, which is expected to show high growth, the “Digital Marketing Business” has been defined as a segment. Hence, in 2021, the Company organized its services into three business areas in line with the customers' marketing process, as shown in the diagram below.

Conceptualizing marketing programs through data marketing and insights; implementing support through the Digital Marketing Business



*Sales scale is actual results for July 2020 to June 2021

Source: Prepared by JPR based on the Company's hearings and various company data

Customer feedback to Marketing DX Partners through accumulation

Grow as a “Marketing DX Partner” with customers

Through this strategy, the Company is expected to strengthen the added value of its solution capabilities by accumulating, analyzing, and utilizing data received from customers, and grow together with them as a “Marketing DX Partner.”

Relationships with client companies

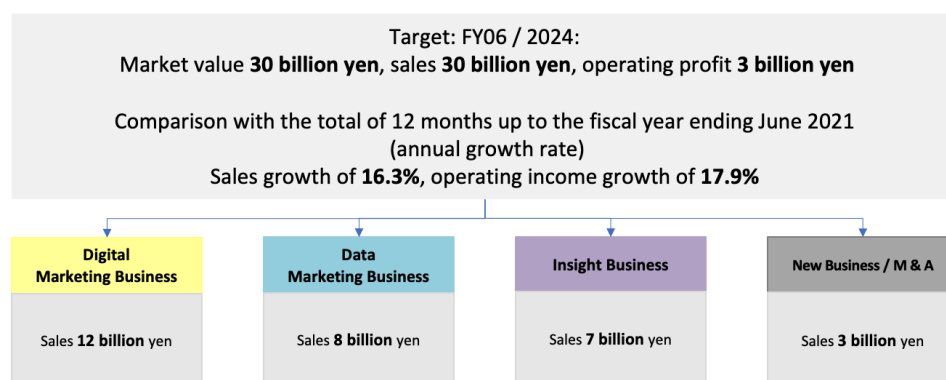


Source: Prepared by JPR based on the Company's interviews

Numerical targets for the fiscal year ending June 2024

Based on these strategies, the Company has set targets of reaching a market value of JPY 30 billion, net sales of JPY 30 billion, and an operating profit of JPY 3 billion in the fiscal year ending June 2024. The sales is expected to grow 16.3% annually. In addition, the profit will increase due to expansion in scale and other factors, resulting in an annual growth of 17.9%. This is an achievable target, considering the market environment and the effect of reducing the overhead ratio through cross-selling in one-stop solutions.

Numerical Targets for the fiscal year ending June 2024



Source: Prepared by JPR from the Company's announced data, etc.

Targets for fiscal year ending June 2024:
Market capitalization of JPY 30 billion;
Net sales of JPY 30 billion;
Operating profit of JPY 3 billion

In related markets, the scale exceeds JPY10 trillion

Related markets' size and growth outlook

The following figure shows the scale and growth prospects of the markets to which the three businesses are related. Currently, the scale exceeds JPY 10 trillion.

Related Markets' Size and Growth Outlook

Digital Marketing Business	Domestic Internet advertising market is approximately 2.1 trillion yen (20% growth year on year) Domestic D2C market size is about 2 trillion yen (forecast to be about 3 trillion yen in 2025) Source: Dentsu, Nikkei Advertising Institute, online advertising that sells
Data Marketing Business	The size of the global research market, which focuses on data collection through research, is approximately 5.1 trillion yen (2019) Source: ESOMAR
Insight Business	Global Insights Industry Market Size, Including Data Analysis and Reporting, is approximately 4.8 Trillion Yen (2019) *Market size as a comprehensive service industry that supports decision-making, including analysis and report writing (ESOMAR definition)

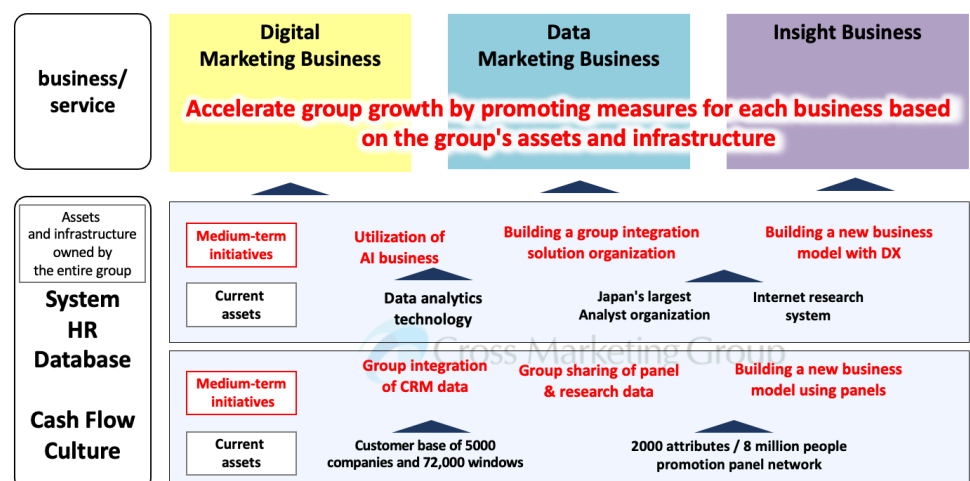
The JPY10 trillion market is the target growth area

Source: Prepared by JPR from the Company's announced materials, etc.

Current state and medium-to-long-term measures of the asset infrastructure supporting the three businesses

The following diagram shows the infrastructure framework that supports the three businesses. Three tiers of business services, organization, and system networks work together to support the customers' marketing process. The current state, and the medium- and long-term initiatives are summarized below.

The Company's Asset Infrastructure Framework and Initiatives



NOTE: Panel Network: A network of panel surveys. A panel survey is a questionnaire survey in which the subjects of the survey are fixed (paneled) and the same questions are repeated over a period of time (a single survey in which the survey design, implementation, tabulation, analysis, etc. are completed at one time is also carried out as necessary for the panel survey).

Source: Company's publicly announced materials

Organically and efficiently utilize the Group's assets and infrastructure

Medium-to long-term Initiatives, Group-wide and common strategies

The following table summarizes the middle and long-term strategic orientation for the whole Group. To promote these initiatives, the company will expand its business and service offerings, including M&A in the DX/Digital Marketing domain, and strengthen the recruitment of specialists in these domains.

Medium-to Long-Term Initiatives, Group-wide and Common Strategies

Framework		<ul style="list-style-type: none"> Aim: To strengthen the various businesses—including systems, panels, human resources, and finance—based on all Group infrastructures; expand business and know-how through investment and M&A.
System /Tech /HR	Use of AI business	<ul style="list-style-type: none"> AI desk search/AI matching program
	Build Group-integrated solutions structures	<ul style="list-style-type: none"> Strengthen group-integrated solutions through analytics structuring and data engineering structuring.
	Build a new business model through DX	<ul style="list-style-type: none"> Reform aggregation using research data DX / Connect BI (business intelligence “business management data visualization tool”) / Collaboration with platform companies / External sales through SaaS of research support system / Customer business support.
Database	Group-integration of CRM data	<ul style="list-style-type: none"> Integrate CRM data obtained from customers throughout the Group and utilize it in AI analysis, etc., to have more sophisticated proposal capabilities.
	Panel & research data sharing throughout the Group	<ul style="list-style-type: none"> Promote the sharing of panel and research data throughout the Group, and utilize it in AI analysis, etc., to have more sophisticated proposal capabilities.
	New modeling for panel business	<ul style="list-style-type: none"> Value-added data sales / Develop the subscription business of attribute data / Monetization of Monitors

Source: Prepared by JPR from the Company's announced materials

Individual strategies of segments and major Group companies

The following table summarizes the strategy for building the assets infrastructure.

Region-specific strategies

Domain		Strategy outline
Segment	Digital Marketing Business	<ul style="list-style-type: none"> Promote DX services and operations. Provide added value through DX of research data. Reduce client response time by increasing efficiency through DX of in-house work systems. Automation of in-house operations (research) using AI.
	Data Marketing Business	<ul style="list-style-type: none"> Improve the existing business model: LTV method (Diagnostics > Analysis > DB operation) Development investment: Cloud BI standardization, user profiling tools Service DX: Offer OneIDCross (a tool to integrate ID across devices) through SaaS, SaaS webinar operations, and SaaS of marketing and research tools to customers.
	Insight Business	<ul style="list-style-type: none"> Improve the existing business model: Provide consulting research services. Expand customer base: Include government offices, school entities, etc.
Group Common	Investment and M&A strategy	<ul style="list-style-type: none"> Promote M&A in the “DX/Digital Marketing Domain.”
	Regional strategy	<ul style="list-style-type: none"> Overseas expansion: Strengthen the Group network global expansion. New market search for the expansion into new regions. Asia: Malaysia and the Mekong region (Laos, Myanmar, and Cambodia). Europe: Germany and France Existing markets: Mainly invest for growth in the U.S.—the world's largest market.
	Human resources	<ul style="list-style-type: none"> Strengthen personnel training, build an alumni (former employees) network, and become recognized as a Certified Health and Productivity Management Organization by the Japanese Ministry of Economy, Trade, and Industry.
	Organization	<ul style="list-style-type: none"> Mobility of personnel within the Group. Build and strengthen in-group human resources database. Expand and improve the management level personnel.
	Governance	<ul style="list-style-type: none"> Clarify the authority and responsibilities of personnel in roles of responsibility and nurture the next generation of managers.
	Culture	<ul style="list-style-type: none"> Constantly maintain a spirit of challenge, create a culture that is geared towards new initiatives, and create a company that continues to undertake challenges.
Major subsidiaries	Cross-marketing	<ul style="list-style-type: none"> Advance the “Insights” business by utilizing “digital data” and “big data.”
	Cross-marketing and new companies to be established in the future	<ul style="list-style-type: none"> Promote system strategies that enable the seamless use of not only the current panel network, which consists of consumers’ structure, profile, and response information into database but also in conjunction with various types of marketing data and big data.
	Cross communication	<ul style="list-style-type: none"> Strengthen the services and organizational structures required as the customers’ business partners in the EC/digital domain.
	D&M	<ul style="list-style-type: none"> Move away from businesses that rely on total volume and maximum limit of panel networks and transition to overall services in the digital marketing domain.

Source: Prepared and organized by JPR from the company's published materials

Risks and challenges in promoting the strategies

Risks and challenges in promoting the strategies

Considering the expansion of the target market and focus on DX and digital marketing as the main battlefield, it is anticipated that competition will intensify and competitors with greater capital will cause major harm to the Company's business. Additionally, it will be difficult for the Company to differentiate itself if competitors in the domestic marketing research market use a similar strategy. Recruiting and training human resources as per expectation is also a concern. To respond to these risks and challenges, it is necessary to quickly implement the strategies, establish competitive advantage, and strengthen recruitment as a lucrative company.

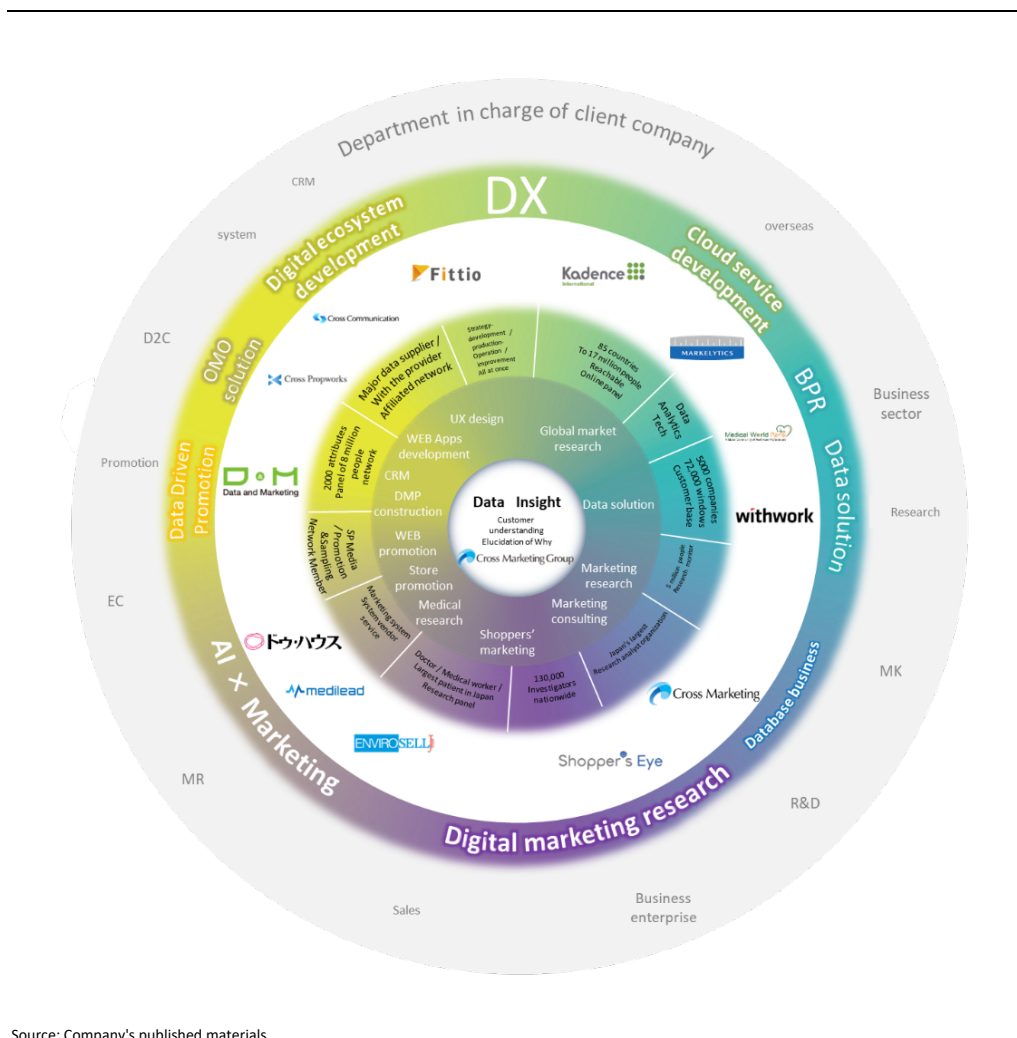
Business map for DX solutions

Business map for DX solutions

The following diagram shows the Company's proposed business map. By integrating solutions to span both extensive marketing and IT, it will be possible to provide a one-stop solution in the form of Marketing DX Solutions to all the marketing departments at customer companies.

One-stop solution for all departments in charge

Marketing DX Solutions Business Map



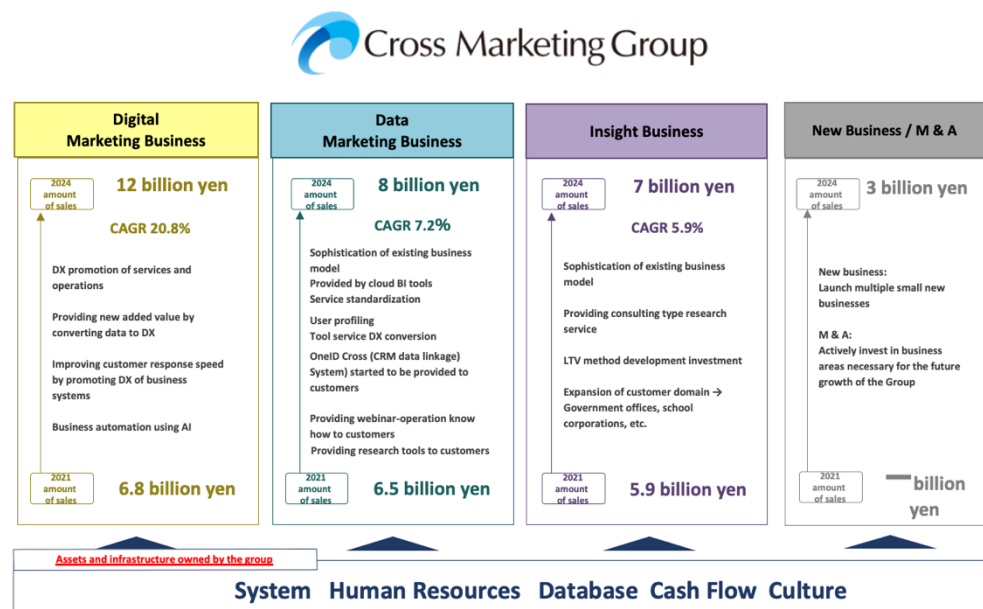
Source: Company's published materials

Sales image for fiscal year ending June 2024

Sales for the fiscal year ending June 2024

The following chart shows the scale of sales and business development of the three businesses, described in the business map above, as of June 2021, and the scale of sales and business development in the fiscal year ending June 2024.

Image of Sales in the fiscal year ending June 2024



Source: Company's published materials

Visualization of strategies

The table below summarizes the strategies outlined above, showing consistency across strategies.

Visualization of strategies through “Value Design” *

A. Envisioned goals

■Management Philosophy

- Aim to become a company that realizes the dreams of customers based on the philosophy of “Discover Something New: Let's create the future” by being thrilled about the future that customers envision and excited about the entire process for realizing it, from proposing solutions to presenting implementation plans.

■Characteristics of Strategies

- Place the Digital Marketing Business at the core to clarify the Group's position in a rapidly changing market environment. Promote digital shifts both within and outside the Group.

■Management Policy

- Aim to become a Marketing DX Partner with a constant presence in the DX domain, centered on “DX Action” within a growing market exceeding JPY 10 trillion.

B. Until now (Until FYE 6/2021)

Comprehensive Marketing Solutions through consistent data gathering, analysis, utilization, and promoting IT solutions

■Resources

- Japan's largest panel network secured through cooperation with other companies' media/ data analysis, analysis know-how/ consumer insights/ discovery know-how/ IT solutions (system development, IT human resources, outsourcing) domain/ group companies that are compatible with promotional domains/ overseas sites in Asian countries, the United States, and the United Kingdom/ M&A know-how.

Intellectual property

- Data marketing/research and analysis/research method/M&A know-how.

■Business Model

- Provision of data collection services through online + offline research according to the customers' research plan content/management of registered monitors.
- Consulting that contributes to problem-solving through all possible means, considering all marketing activities/data-driven analysis, reporting, consulting, and consumer insight discovery/provision of solutions in domains of expertise.
- Website promotions using large-scale panel networks and providing customer acquisition services.
- Provision of total support in IT business by linking system application development, operation, maintenance, IT human resources business, and BPO/BPR services.

The role played by intellectual property

- Provide new services based on data marketing know-how and collaboration with other companies/ speedy research using an abundant base of registered monitors/ business domains expansion through M&A.

■Value

Customer segments

- General business companies, research firms, consulting firms, and advertising agencies.

The value provided by the Company

- Provide accurate data from market content to customers and satisfaction levels/provide utilization support methods for original data that combines data marketing and consulting/provide a wide-ranging research network to meet the needs of overseas expansion/ developing, maintaining, and operating websites and apps that are suitable for large volumes of user access/efficient promotions and customer acquisition based on profile and response data from questionnaires.

What the Company has gained from customers

- Trust, a large base of registered monitors and research networks that have been cultivated since the Company's foundation.

■External Environment at present

- + The online research market size is steadily expanding.
- + Continued high growth in the IT solutions and web promotion services market.
- Pressure under the Act on the Protection of Personal Information.
- Services becoming obsolete due to advances in IT technologies.

■Current challenges

- Ability to respond to changing and diversifying needs.
- Collaboration across businesses.
- Ability to recruit specialists in areas such as big data.

C. From now on (Vision for FYE June 2024)

Marketing DX Solutions by focusing on “decoding the WHY” and the digitalization and DX of various services.

■Resources

- Gaining a comprehensive advantage by expanding the Digital Marketing domain in addition to existing resources.
- Value added in the DX and digital domain through the advancement of panel networks.

Intellectual property

- Problem-solving know-how in the digital marketing domain.
- Consumers who collaborate with big data and others around the decoding of consumers' WHY.
- Know-how of panel data utilization.

■Business Model

- One-stop solution for concept development, product marketing design, market changes diagnosis, and business opportunity discovery.
- Consulting to provide solutions for customers' problems/decision-making support through consumer insight discovery/promotional services centered on digital and IT promotion/EC and marketing support/IT business support through human resources supply/provision of SaaS products/AI desk research/AI matching program.
- Comprehensive IT business support for EC/D2C companies.
- Comprehensive digital marketing support in addition to digital promotion using panel networks.

The role played by intellectual property

- Enhance the value of the “Insight Business” by utilizing consumer panels and data, in addition to existing roles, and expand the service domains of the “Digital Marketing Business.”

■Value

Customer segments

- Increase in the number of customers with digital challenges among existing customers/ Expand the customer base to include government organizations and school institutions/ Expand in Southeast Asia and Europe.

Value to be provided by the Company

- Expand services specializing in digital issues to customers in addition to currently provided values/ Improve the accuracy and efficiency of support for marketing execution centered on “decoding consumers' WHY”

What the Company will gain from customers

- Demonstrated presence in the Digital Marketing domain in addition to existing gains.

■The external environment in the future

- + Increased need for DX compatibility.
- + Increased need for digital marketing.
- Intense competition due to low barriers for entry.
- The disparity in capital strength of competitors in the digital marketing market.

■Challenges to transition

- Recruitment and development of human resources necessary for strengthening the Digital/DX domain.
- Responding to the advancement of consumer panel/DB and system.
- Becoming a one-stop service.

D. Transition strategy

■Management resources needed to transition to C.

- Know-how in utilizing big data.
- Human resources compatible with the DX and Digital Marketing domains.
- A structure that can provide solutions that integrate marketing and DX.

■Solution for acquiring the necessary resources to move to C.

- Promote the provision of real action data analysis services.
- Expansion of digital marketing services through collaboration with external companies.
- Strengthen the recruitment of specialists in the “DX/digital marketing domain”/expansion of business and service domains, including M&A.

* “A tool for management design based on an accurate assessment of the role intellectual property plays in corporate value creation mechanisms.” The sheet is useful for visualizing the story of shareholder value creation. See the following URL for details. Source of https://www.kantei.go.jp/jp/singi/titeki2/keiei_design/index.html: Prepared by JPR from interview with the Company.

High return on invested capital compared to competitors

High level of know-how in M&A

Potential for higher profitability if digital marketing market expands

Current Situation and Outlook for Shareholder Value

Return on invested capital is higher than that of competitors in research and lower than that of competitors in digital marketing

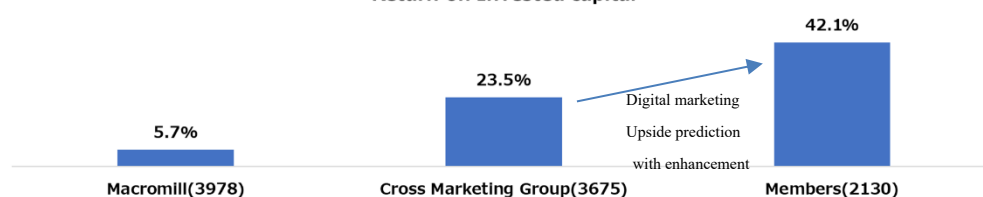
The following is a summary of the Company's financial data. Financial data for companies listed in the marketing research field, Macromill, Inc. (first section of the Tokyo Stock Exchange, 3978, hereinafter "Macromill") and Members Co., Ltd. (first section of the Tokyo Stock Exchange, 2130, hereinafter "Members") whose future direction is very similar to that of the Company, is also summarized for comparison. Members is involved in digital strategy and the development of necessary systems for the implementation of such strategies in the digital marketing field, thus, channeling effort into the field that the Company will expand into in the immediate future. The Company's return on invested capital (ROIC) is 23.5%, based on its plan for this fiscal year, and based on invested capital for the fiscal year ending June 2021. This is 17.8 points higher than Macromill's 5.7% that was estimated using the same measures. In contrast, this is lower than Members' estimated return of 42.1%. The Company expects upside profitability by focusing its efforts in the digital marketing field and increasing businesses that are similar to those of Members.

It is important to note that even though the Company executes a large number of M&A, the ratio of invested capital to sales is low. This indicates that the Company has a high level of know-how in M&A.

Overview of the Company's financial data and that of leading publicly traded companies in market research and digital marketing

[Unit : Million yen]		FY Ended 12, 2015	FY 2016	FY 2017	FY 2018	FY 2019	Latest in 12 months* Corporate Plan		
							FY 2020	FY 2021	FY 2022
Cross Marketing Group(3675)									
Sales		14,859	15,969	16,758	17,491	18,579	15,984	19,043	23,051
Operating income		1,232	1,341	726	954	1,267	986	1,828	1,903
Capital under the first pitch of the period		5,149	6,344	6,998	6,656	6,601	6,133	5,820	5,609
NOPAT margin		5.7%	5.8%	3.0%	3.8%	4.7%	4.3%	6.6%	5.7%
Sales on invested Capital		34.7%	39.7%	41.8%	38.1%	35.5%	38.4%	30.6%	24.3%
Return on Invested Capital		16.6%	14.6%	7.2%	9.9%	13.3%	11.1%	20.8%	23.5%
		* June 2021 period + December 2020 period 3Q+4Q							
Members(2130)									
Sales		45,481	6,469	6,479	7,403	8,857	10,607	12,087	15,200
Operating income		3,883	448	658	667	968	1,249	1,261	1,800
Capital under the first pitch of the period		21,536	1,361	1,496	1,663	2,179	2,214	2,912	2,956
NOPAT margin		5.9%	4.8%	7.0%	6.2%	7.6%	8.1%	7.2%	8.2%
Sales on invested Capital		47.4%	21.0%	23.1%	22.5%	24.6%	20.9%	24.1%	19.4%
Return on Invested Capital		12.5%	22.8%	30.4%	27.8%	30.7%	39.0%	30.0%	42.1%
Macromill(3978)									
Sales		28,761	32,504	35,514	40,024	44,279	41,270	43,175	47,400
Operating income		-586	5,730	6,825	7,607	7,751	396	5,362	5,100
Capital under the first pitch of the period		2,979	62,552	58,803	60,661	62,255	67,010	63,533	61,613
NOPAT margin		-1.4%	12.2%	13.3%	13.2%	12.1%	0.7%	8.6%	7.4%
Sales on invested Capital		10.4%	192.4%	165.6%	151.6%	140.6%	162.4%	149.5%	130.0%
Return on Invested Capital		-13.6%	6.3%	8.0%	8.7%	8.6%	0.4%	5.7%	5.7%

Return on Invested capital



Macromill (3978), based on the company's plan for FY6/2022 and invested capital at the end of June 2021. Members (2130) is based on the company's FY03/2022 plan and invested capital as of the end of March 2021. Invested capital = Total assets - Surplus cash - Investment in securities - Foreign currency translation - Current liabilities other than interest-bearing debt. Surplus cash and cash equivalents are more than 1.5 months of net sales. Translated with www.DeepL.com/Translator (free version)

After-tax operating profit ratio / Ratio of invested capital to sales = Return on Invested Capital (ROIC)
Source: Prepared by JPR based on FactSet data

Analyze Shareholder Value with GCC™ Framework

Shareholder value is improved by each GCC growth loop

Outlook for Shareholder Value Creation capabilities

To examine future trends in shareholder value, JPR uses a framework called GCC™ Management System (taking the first letter of the following three English words in parentheses) to visualize and quantify qualitative strategic information as shareholder value by linking sales growth (Growth), strategic connection (Connection), and trust (Confidence). The following chart outlines the Company's strategy from the GCC's perspective.

From the Growth point of view, higher growth can be expected. From the Connection point of view, a higher ROIC can be expected. And from the Confidence point of view, a decrease in capital costs can be expected.

Outline of the Company's Strategies Through the GCC™ Framework



Visualizing and structuring shareholder value based on the story

Based on the contents of the previous page and the contents of the value design, the following diagram describes the story and structure of shareholder value increase.

Story of shareholder value increase organized through GCC™

Our goal	For GCC Management™ Framework	The logic for corporate value enhancement: Business strategies and earnings structures for profitable products and services			Shareholder value prospect	
Mission	Growth	Sales growth	Customer segments	Customer Relationships	Earnings Flow	Sustainable Growth
<p>Based on “Discover Something New,” propose solutions and implement proposals to create the future envisioned by the customer.</p> <p>Develop and provide new service menu and create new business models.</p> <p>Continue to practice management that is constantly trusted by the society and other stakeholders, and create businesses and services that contribute to the society at large.</p>	<p>Growth by providing “Marketing DX Solutions.” Positioning Digital Marketing as the core business.</p> <p>Promote growth with the JPY 10 trillion insight-related market in view.</p>		<p>Research and consulting on all marketing processes of general business companies. Provide support in IT, websites, apps, etc., particularly focused on marketing DX. D2C companies are an important target.</p>	<p>All departments involved in the company’s marketing.</p> <p>Sales channel</p> <p>Customer acquisition through website and direct sales.</p>	<p>Revenue from survey and consulting project. Revenue from contracted development projects of website/apps and other systems. Continuous revenue from provision/maintenance/administration of IT services/marketing services. Stock income from subscriptions, SaaS, etc.</p>	<p>Considering the market environment, the mid-term target of JPY30 billion for the FYE June 2024 management plan is comfortably achievable.</p> <p>Subsequent high growth in digital marketing-related and DX-related products is expected.</p>
Vision	Connection	Profitability and asset efficiency improvement	Key resources	Key activities	Cost and capital structure	Excess return expansion
<p>Under the vision “Just Go for it,” be proactive, and always act to ensure the good of the client</p> <p>Mold the future that leads customers’ businesses to success, positioning the “Digital Marketing Business” to be at the core of growth.</p> <p>Aim for continuous expansion of company value as “Marketing DX Partner.”</p>	<p>Strengthening collaboration between each business by providing a one-stop solution.</p> <p>Strengthening customer relationships by supporting all processes of customer marketing DX.</p> <p>Advance the solution improvement cycle through data feedback.</p>		<p>Japan’s largest panel network. Data analysis know-how. Data marketing know-how. Research know-how. Promotional know-how. Web and DX support know-how. UI/UX know-how. M&A know-how.</p> <p>Key partners</p> <p>Collaboration partners’ media and panel platforms.</p>	<p>Consolidate the activities ranging from the audit of analytical services to its operations into one process. Revamp the aggregation operation/seamless BI connection/platform linkage/build a research-related system for internal use and clients. Commercialization of research package SaaS/promote independent operations/strengthen the fieldwork department.</p>	<p>Improving profitability with higher value added. Improved operating profit margin to 11% by FYE June 2027.</p> <p>ROIC to be less than 31% by FYE June 2027.</p> <p>Though capital efficiency may improve in the long-term as flexible investment becomes profitable, a conservative estimate is that it will maintain the current level of 24%.</p>	<p>ROIC to improve to 31.4% in FYE June 2027.</p> <p>Operating profit to reach JPY 3 billion in the FYE June 2024.</p>
Capability	Confidence	Decrease business risk	Decrease in business risk	ESG	Cost of capital	Decrease in investment risk
<p>Comprehensive capability in marketing research and digital solutions, through Group companies and overseas sites acquired through strategic M&A.</p> <p>Knowledge and know-how on data analysis and insight discovery accumulated since the foundation of the Company. Consulting capabilities and DX support capabilities to implement marketing projects based on the accumulated knowledge and know-how.</p>	<p>Company activities that are flexible and agile by supporting not only research and analysis but also decision-making for future business implementations. Organization/human resources that are flexible and constantly capable of responding to changes in the environment.</p> <p>Stabilization of business results by expanding operations.</p>		<p>Improve stability of business results by expanding operations.</p> <p>Building trust with customers.</p>	<p>Secure the activities and patterns of sustainable consumption and production of operating companies that contribute directly or indirectly to SDGs through research and digital marketing.</p> <p>Financial risk</p> <p>Improve profitability by expanding scale, decrease financial risk by improving stability. Avoid high-price grasp through a high level of M&A know-how.</p>	<p>Currently, the weighted average cost of capital (WACC) is estimated to be around 7.4%.</p>	<p>Assume that WACC will decline by about 10% and be around 6.7% due to size expansion and strengthening of customer relationships in the future.</p>

Source: Prepared by JPR

Quantification of GCC™ content

Possibility of achieving a market capitalization of JPY30 billion in the fiscal year ending June 2024

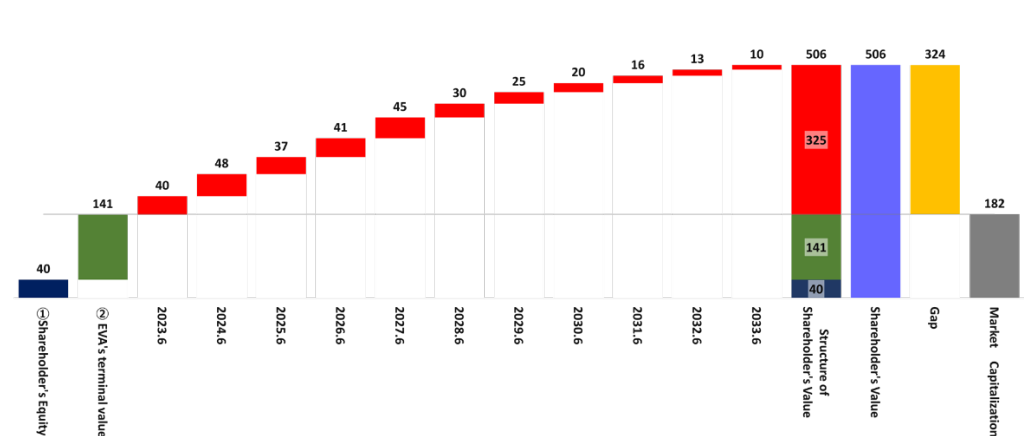
Potential for a market capitalization of JPY50 billion when growth from strengthening digital marketing is factored in

Estimated shareholder value from the perspective of GCC™

The value design and GCC™ content were quantified, and the shareholder value of the Company was calculated using “the excess profit method” (detailed below). The excess profit method is a method of estimating shareholder value based on the assumed future of sales, invested capital, and cost of capital shown on the previous page. The results are consistent with the discounted cash flow method. We calculated the shareholder value until the fiscal year ending June 2032 based on what we have seen so far and the contents of GCC™. The Company is expected to achieve a value of JPY 30 billion in the fiscal year ending June 2025. Since stock prices reflect future expectations, if we reflect on the assumed shareholder value in the market capitalization of the year prior, the total market value of JPY 30 billion will be achievable at the end of the fiscal year ending June 2024. Furthermore, if the growth in about 10 years is factored in, the market capitalization could potentially reach JPY 50 billion. Members, which specializes in digital marketing, has factored in a 10-year growth in its market capitalization.

Assumptions and Results of Estimation of Shareholder Value Based on the Excess Profit Method

[Unit: million yen]



Market capitalization is based on the closing price of September 15, 2021.

[Unit: billion yen]

	Current Year 2022.06	1 year later 2023.06	2 years later 2024.06	3 years later 2025.06	4 years later 2026.06	5 years later 2027.06	6 years later 2028.06	7 years later 2029.06	8 years later 2030.06	9 years later 2031.06	10 years later 2032.06	11 years later 2033.06	Terminal Value
Sales	231	263	300	342	390	444	493	537	576	609	636	660	
Operating income	19.0	23.9	30.0	35.2	41.7	48.8	54.2	59.1	63.4	67.0	70.0	72.6	
Operating margin	8.3%	9.1%	10.0%	10.3%	10.7%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	
Sales growth rate	64.2%	14.1%	14.1%	14.0%	14.0%	13.8%	11.0%	8.9%	7.3%	5.7%	4.4%	3.8%	
NOPAT margin	5.7%	6.3%	6.9%	7.1%	7.4%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	
Invested capital turnover ratio	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%	
WACC	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
ROIC = NOPAT margin × invested capital net sales ratio	23.5%	25.8%	28.4%	29.3%	30.4%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	
ROIC / WACC (value created with the original hand of 1 yen)	Y3.5	Y3.9	Y4.2	Y4.4	Y4.5	Y4.7	Y4.7	Y4.7	Y4.7	Y4.7	Y4.7	Y4.7	
NOPAT	13	17	21	24	29	34	37	41	44	46	48	50	
Invested capital × WACC	4	4	5	6	6	7	8	9	9	10	10	11	
EVA	9	12	16	19	22	27	29	32	34	36	38	39	
EVA - NOPAT - invested capital × WACC	9	12	16	19	22	27	29	32	34	36	38	39	
Value created in each year	140	42	54	44	55	60	44	39	35	29	24	21	
Discount Rate	100%	94%	88%	82%	77%	72%	68%	64%	60%	56%	52%	49%	
Present value of EVA	141	40	48	37	41	45	30	25	20	16	13	10	
Invested capital (1) Origin	56												
Over profit value (Permanent value of EVA of this term) (2)	141												
Growth value (Present value of increase in EVA) (3)	325												
Non-business asset value (4)	23												
Corporate value = (1) + (2) + (3) + (4)	545												
Interest-bearing debt, etc.	-39												
Shareholder value	506												

Source: JPR

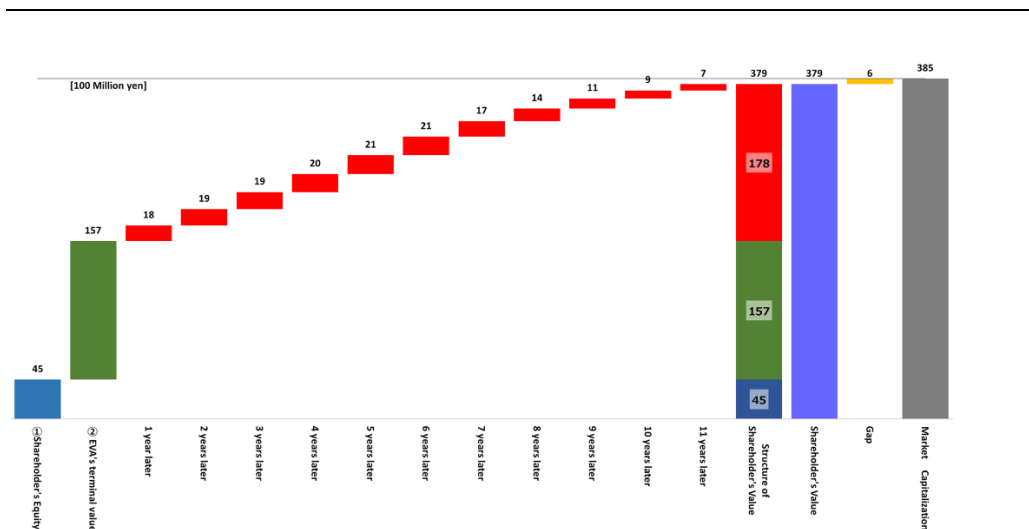
Members, which specializes in digital marketing, has a 10-year growth factored into its stock price

The Company is also expected to have this kind of market capitalization formation

Possibility of factoring in a 10-year growth in market capitalization due to specialization in digital marketing

Members, which specializes in digital marketing, is presumed to have factored in a 10-year growth in its market capitalization based on the analysis below.

Members' Shareholder Value Estimates and Market Capitalization



Members, which specializes in digital marketing, has a 10-year growth factored into its stock price

Source: JPR. Market capitalization is based on the closing price of August 13, 2021.

[Unit: billion yen]

	Current Year	1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	10 years later	11 years later	12 years later
	2021.09	2022.09	2023.09	2024.09	2025.09	2026.09	2027.09	2028.09	2029.09	2030.09	2031.09	2032.09	2033.09
Sales	152	173	196	225	257	293	325	355	380	402	420	436	436
Operating income	18.0	20.2	22.7	25.5	28.7	32.2	35.8	39.0	41.8	44.2	46.2	47.9	47.9
Operating margin	11.8%	11.7%	11.5%	11.3%	11.2%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Sales growth rate	25.8%	14.0%	14.0%	14.0%	14.0%	14.0%	11.2%	9.0%	7.2%	5.7%	4.6%	3.7%	0.0%
NOFAT margin	8.2%	8.1%	8.0%	7.9%	7.7%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Invested capital turnover ratio	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%
WACC	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
ROIC = NOPAT margin × invested capital net sales ratio	40.2%	41.6%	41.0%	40.4%	39.8%	39.2%	39.2%	39.2%	39.2%	39.2%	39.2%	39.2%	39.2%
ROIC / WACC (value created with the original hand of 1 yen)	26.3	26.2	26.1	26.0	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9
NOPAT	12	14	16	18	20	22	25	27	29	31	32	33	33
Invested capital × WACC	2	2	3	3	3	4	4	5	5	5	5	6	6
EVA	11	12	13	15	17	19	21	22	24	25	27	28	28
EVA = NOPAT - Invested capital × WACC	11	12	13	15	17	19	21	22	24	25	27	28	28
Value created in each year	157	19	21	24	26	30	31	28	24	21	17	15	10
Discount Rate	100%	94%	88%	82%	77%	72%	68%	64%	60%	56%	52%	49%	46%
Present value of EVA	157	18	19	19	20	21	21	17	14	11	9	7	6
Invested capital (1) Origin	30												
Over profit value (Permanent value of EVA of this term) (2)	157												
Growth value (Present value of increase in EVA) (3)	176												
Non-business asset value (4)	19												
Corporate value = (1) + (2) + (3) + (4)	385												
Interest-bearing debt, etc.	-4												
Shareholder value	379												

Source: JPR

2. Corporate Profile

Corporate Profile

Corporate Profile

Company name	Cross Marketing Group Inc.		
Established	June 3, 2013 ※The Group was founded on April 1, 2003, when Cross Marketing Inc. was established.		
Representative Director	Miki Igarashi		
Headquarters	Tokyo Opera City Tower 24F 3-20-2 Nishishinjuku, Shinjuku-ku, Tokyo		
Capital	JPY 646,710,000 (as of Fiscal Year Ended June 2021)		
Employees	1,354 (including 238 temporary employees) (as of Fiscal Year Ended June 2021)		
Fiscal year-end	June		
Main business	Management of subsidiary companies that carry out Digital Marketing, Data Marketing, and Insight Businesses, as well as related businesses		
Date of listing	Jun. 2013		
Stock exchange listing	Listed in the Tokyo Stock Exchange, First Section (Ticker No. 3675)		
Main Subsidiaries	<ul style="list-style-type: none"> • Cross Marketing Inc. • Cross Communication Inc. • Medilead Corporation • D&M Co., Ltd. • Kadence International Business Research Pte. Ltd. • DO HOUSE CO., LTD. 	Capital JPY 100 million Capital JPY 90 million Capital JPY 10 million Capital JPY 55 million Capital JPY 835 million Capital JPY 494 million	Investment ratio 100% Investment ratio 100% Investment ratio 100% Investment ratio 100% Investment ratio 100% Investment ratio 61.9%
URL	https://www.cm-group.co.jp/		

(As of Fiscal Year Ended June 2021)

Business Description

The Company's businesses in FYE June 2022 (new segments *changed from FYE June 2021)

Business Segment	Net sales (in million yen)	Business Description	
Digital Marketing Business	10,006	Business Description	Provide implementation supports on marketing measures with utilizing digital and IT technology such as digital promotion, system development/maintenance/operation, HR solution, etc
		Clients	General businesses companies, advertising agencies, etc.
Data Marketing Business	7,000	Business Description	In addition to mainly providing services such as online data collection, it provides support to clients' decision-making in business and marketing activities through data analysis, data solutions, etc.
		Clients	General business companies, research firms, consulting firms, and advertising agencies.
Insight Business	6,045	Business Description	Support client decision-making through consultation, understanding of consumers, and clarification of WHY to solve client issues.
		Clients	General business companies, research firms, consulting firms, and advertising agencies.
Combined	Total sales: JPY 23.051 billion, operating profit: JPY 1.903 billion		

Source: Prepared by JPR from the Company's Financial Results materials

History

Apr. 2003	Company established in Shibuya-ku, Tokyo (capital: JPY10 million) as an Internet-based research business.
Sep. 2004	Certified as a Privacy Mark Enterprise [certification #] A820271 (01) by JIPDEC's PrivacyMark® System.
Mar. 2006	Released REAL CROSS—an application to simplify tabulation.
Apr. 2006	Released online research services with brand name [research.jp]
May 2006	Dissolved the business partnership formed in October 2003 with AXIV.com (currently CARTA HOLDINGS, INC.) and established a new business partnership with EC Navi Co., Ltd. (currently CARTA HOLDINGS, INC.) and its subsidiary Research Panel Co., Ltd. (currently affiliated with the company's stake in the company).
Mar. 2007	Capital alliance with Dentsu Research Co., Ltd. (currently Dentsu Macromill Insight Inc.) and Video Research Ltd.
Oct. 2008	Listed on the Mothers section of the Tokyo Stock Exchange.
Feb. 2011	A business partnership with Rakuten Research Inc. for joint development of monitor database.
Aug. 2011	Part of the mobile solution business was transferred from Index Inc. Cross Communication Co., Ltd. (currently a consolidated subsidiary) began sales operations.
Feb. 2012	Established Cross Marketing China Inc. (currently Kadence International Inc. (China), a consolidated subsidiary).
Jun. 2013	Established holding company Cross-Marketing Group Inc. through stock transfer. Cross Marketing Inc. delisted from the Mothers section of the Tokyo Stock Exchange. Listed common stock of Cross Marketing Group Inc. on the Mothers section of the Tokyo Stock Exchange.
Jul. 2013	Established Cross Marketing Asia Pte. Ltd. (currently a consolidated subsidiary).
Aug. 2013	Acquired shares of Markelytics Solutions India Private Limited (currently a consolidated subsidiary) and MedePanel Online Inc. (currently a consolidated subsidiary).
May. 2014	Headquarters relocated to Nishi Shinjuku, Shinjuku Ward, and Tokyo.
Apr. 2015	Established Medilead Inc. (currently a consolidated subsidiary) and D&M Inc. (currently a consolidated subsidiary).
Sep. 2015	Acquired shares of JIN SOFTWARE Co., Ltd., (name changed to Cross J Tech Inc.)
Oct. 2015	Established Cross Marketing (Thailand) Co., Ltd., (currently Kadence International Limited (Thailand), a consolidated subsidiary).
Nov. 2015	Acquired shares of Jupiter MR Solutions Co., Ltd.
Mar. 2018	Listed on the first section of the Tokyo Stock Exchange.
Apr. 2018	Research and Development Inc. (currently a consolidated subsidiary) merged with UTIL Inc. Established Kadence International Inc. (Philippines) (currently a consolidated subsidiary).
Nov. 2018	Acquired shares of Supotant Co., Ltd.
Nov. 2019	Cross J Tech Inc. (currently Fittio Inc., a consolidation subsidiary) merged with Supotant Co., Ltd.
Oct. 2020	Cross Marketing Inc. (currently a consolidated subsidiary) merged with Research & Development Inc.
Jan. 2021	Acquired shares of DO HOUSE Inc. (currently a consolidated subsidiary)

Source: Prepared by JPR from the Company's Financial Results materials

M&A

The Company has executed many M&A deals. Its M&A know-how will continue to accelerate growth.

M&A Chronology

Date	Contents	Digital Marketing	Insight	Data Marketing
May 2006	Entered into a capital and business alliance with EC Navi Co., Ltd. (currently CARTA HOLDINGS Co., Ltd.) and Research Panel, Inc.			●
Jul. 2009	Business alliance with SPIER CORPORATION and NET MILE CORPORATION.			●
Jul. 2009	Acquired EC RESEARCH Co., Ltd. as a subsidiary.			●
Aug. 2010	Capital and business alliance with Net Azia Co., Ltd.			●
Apr. 2013	Cross Marketing Group Inc. established UNCOVER TRUTH Inc.	●		
Nov. 2013	Cross Marketing Group Inc. made UTIL Co., Ltd. a consolidated subsidiary.		●	
Feb. 2015	Made Research & Development Co., Ltd. a consolidated subsidiary		●	
Apr. 2015	Cross Communication Inc. established Cross Propworks Inc.	●		
Jul. 2015	Cross Marketing Group Inc. established Medilead Inc. and D&M Co., Ltd.	●	●	
Sep. 2015	Acquired JIN SOFTWARE Co., Ltd. (now Cross J Tech Inc.)	●		
Apr. 2016	Made Mixi Research Inc. (now Shopper's Eye Inc.) a consolidated subsidiary.		●	
Apr. 2018	Completed merge with Research & Development Co., Ltd. and UTIL Co., Ltd.		●	
Oct. 2018	Cross Communication Inc. made Supotant Co., Ltd. a subsidiary.	●		
Nov. 2019	Supotant Co., Ltd. merged with Cross J Tech Inc. and changed the name to Fittio Inc.	●		
Oct. 2020	Cross Marketing Inc. merged Research & Development Co., Ltd.		●	
Jan. 2021	Cross Marketing Group Inc. made DO HOUSE Inc. a subsidiary.	●		
Feb. 2021	Cross Marketing Group Inc. capital alliance with XICA Co., Ltd.	●		

Source: Prepared by JPR from the Company's Financial Results materials

2012: Entry into China**2013: Asia base established in Singapore****2015: Subsidiary established in Thailand****2016: Acquisition of business in the U.S.****Overseas expansion**

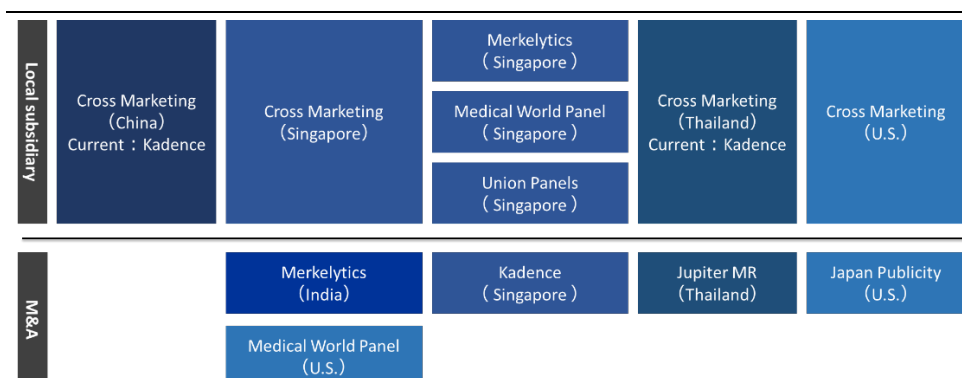
The company was working to acquire and expand its business base, particularly in Asia. Taking advantage of the establishment of a local company in China, Cross Marketing China Inc. (currently Kadence International Inc. (China)) in 2012, it conducted M&A in Asian countries, where the marketing market still continues to grow rapidly.

In 2013, Cross Marketing Asia Pte. Ltd. was established as the hub for Asia. Subsequently, it acquired Markelytics, which provides marketing research services mainly in India and has customers globally, as a subsidiary. At the same time, it acquired shares of Medical World Panel, a U.S. market-research firm specialized in healthcare-related marketing.

In the following year of 2014, it established Markelytics and Medical World Panel as local companies in Singapore. It also established a market-research firm and acquired shares of Kadence International Business Research Pte. Ltd.

In October 2015, it established a local company in Thailand, where rapid growth took place through the business of Kadence. One month later, it acquired shares of Jupiter MR Solutions. Co., Ltd. in Thailand.

The Company accelerated its expansion into China, India, Singapore, Thailand, and other Asian countries. In 2016, it acquired a business from Japan Publicity, Inc., which conducts marketing mainly in the U.S.

The Company's Overseas Expansion

Date	Contents	Target Area		
		United States	Europe	Asia
May. 2012	Established a local company 酷络商务咨询 "Coolus Business Consulting" (Shanghai) (currently Kadence China Inc).			●
Aug. 2013	Acquired shares in Markelytics and Medical World Panel. Established Cross Marketing Asia Pte. Ltd. a consolidated subsidiary in Singapore.	●	●	
Jan. 2014	Established the current consolidated subsidiaries: Markelytics Solutions Asia Pte. Ltd., MedePanel Online Asia Pte. Ltd., (currently Medical World Panel Asia Pte. Ltd.), and Union Panels Pte. Ltd.			●
Nov. 2014	Cross Marketing Group Inc. made Kadence International Business Research Pte. Ltd. a wholly-owned subsidiary.	●	●	●
Aug. 2015	Established a local company in Thailand, Cross Marketing Thailand Co, Ltd. Business alliance with Shyu.			●
Nov. 2015	Made Jupiter MR Solutions Co., LTD (Thailand) a subsidiary			●
Jan. 2016	Acquired marketing business from Japan Publicity, Inc. Established Cross Marketing Group USA, Inc. in the U.S.	●		
Feb. 2018	Kadence International Business Research Inc. opens an office in China.			●
Apr. 2018	Kadence International Business Research Inc. opens offices in New York and the Philippines.	●		●

Kadence International Business Research is a research firm founded in the U.K.

Source: Prepared by JPR from the Company's Financial Results materials

Promoting “DX ACTION”

Making DO HOUSE Inc. a subsidiary

Initiatives toward Marketing DX Partners

Review of fiscal year ended June 2021

To achieve sustainable growth, the Company has promoted digital shifts throughout the Group's companies and has actively taken various measures under the theme “DX Action” to evolve its business model and expand its business domains. In Q1, the company made DO HOUSE and one other company consolidated subsidiaries to promote business collaboration in the digital marketing domain. As a result, in the fiscal year under review, net sales were JPY10.758 billion, the operating profit was JPY1.007 billion, ordinary profit was JPY1.048 billion, and current shareholder company net profit part was JPY540 million.

Outlook for the fiscal year ending June 2022

In the fiscal year ending June 2022, the Company will proceed with a variety of activities toward “Marketing DX Partner,” the guiding principle for the mid-term business plan. As the first step, the Company will promote the evolution of the Group's business model and the expansion of its business domains by integrating the Group's CRM data, sharing panel networks, and creating new services through DX and business models, based on the customer data and 8 million-person panel networks, data analytics technologies, and marketing research systems that the Group has accumulated until now.

Hence, the Company forecasts sales of JPY23.051 billion, operating profit of JPY1.903 billion, ordinary profit of JPY1.85 billion, and shareholder company net profit of JPY1.101 billion for the fiscal year ending June 2022.

Review of the fiscal year ended June 2021 and plan for the fiscal year ending June 2022

[100 Million yen]

		6-month basis				12-month basis (consolidated only)			
		Jan-Jun, 2019	Jan-Jun, 2020	Jan-Jun, 2021		Jul, 2019-Jun, 2020	Jul, 2020-Jun, 2021	Jul, 2021-Jun, 2022	
				FY 2021				FY 2022	
		Actual	Actual	Actual	YoY	Actual	Actual	Consolidated Corporate Plan	YoY
Sales (External sales)	Consolidated	88.08	77.00	107.58	139.7%				
	Digital marketing business	20.40	21.20	43.50	206.0%	174.71	190.43	230.51	214.3%
	Insight business	38.60	31.80	37.00	116.0%				
	Data marketing business	29.10	24.00	27.00	112.0%				
Operating income Segment income	Consolidated	4.23	1.66	10.07	606.6%				
	Digital marketing business	2.60	2.10	3.60	177.0%				
	Insight business	5.90	4.90	10.60	218.0%	10.09	18.28	19.03	189.0%
	Data marketing business	2.30	1.90	4.20	222.0%				
	Head office expenses, etc.	6.57	7.24	8.33	115.1%				
Ordinary income	Consolidated	3.41	1.86	10.48	222.0%	9.94	19.40	18.50	176.5%
Net income attributable to the parent company	Consolidated	-9.55	0.32	5.40	1687.5%	5.09	9.75	11.01	203.9%

Source: Prepared by JPR based on the company's financial brief and FactSet data.

3. Strategies by Business Segment

Strategies by Business Segment

Integrated operation of the three businesses

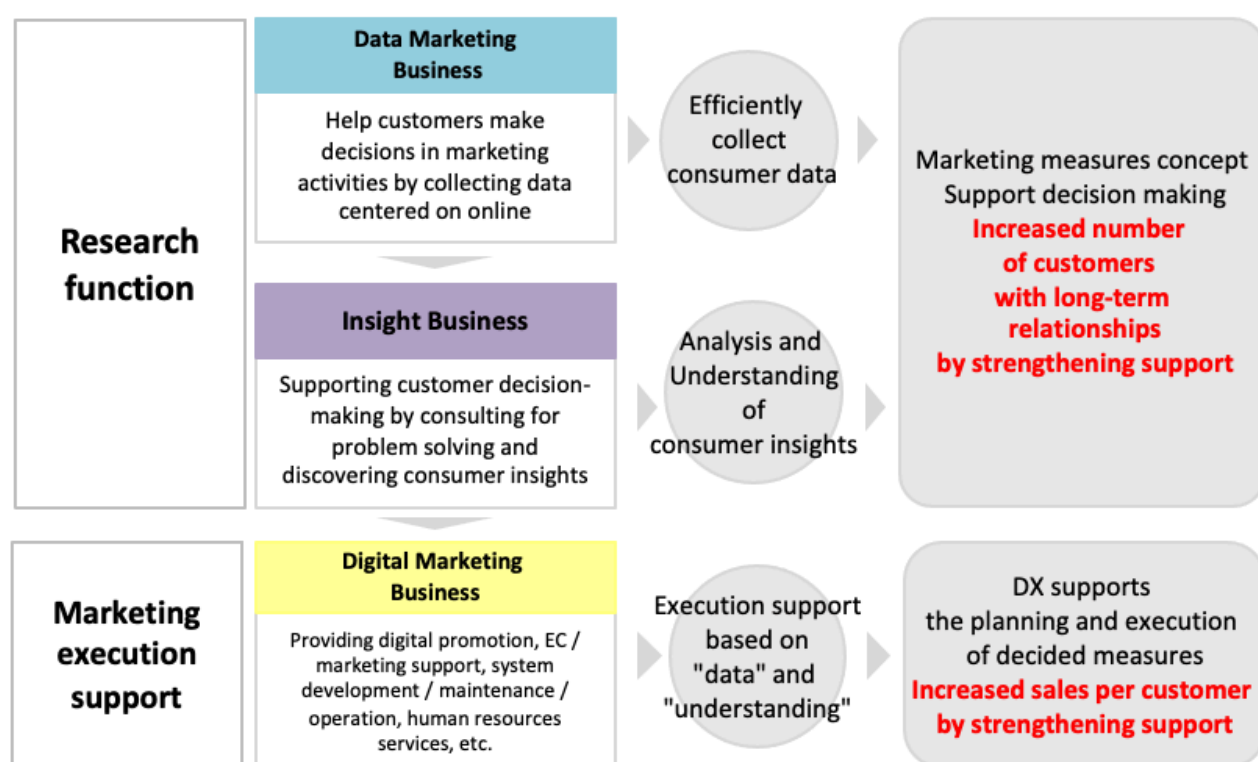
Three Businesses that Support Marketing DX Solutions

The Company supports the conceptualization of marketing activities and decision-making through Data Marketing and Insights. It provides planning and execution support from the digital/DX perspective for measures decided in the Digital Marketing Business.

It aims at increasing the number of clients associated through long-term relationships by improving the support capabilities of the Data Marketing Business and the Insight Business. By improving the support capabilities, the company also aims to increase per client sales by increasing DX-related sales to clients with a large budget.

By operating the three businesses in an integrated manner, the Company aims to organically link the increase in the number of clients and the increase in the unit price per client and realize high long-term growth in the JPY10 trillion valued market.

Framework of the Three Businesses and Growth Models Supporting Marketing DX Solutions



Providing comprehensive marketing solutions based on data and understanding by linking businesses
 Increase the number of customers and increase the unit price per customer
Achieve high growth in the related 10 trillion-yen market

Source: Prepared by JPR from the Company's published materials

Supporting client's
decision-making
in data collection

Nation's largest
panel

Utilization of panels
from other
partnership
companies

Classification and
management of over
20 special monitors

Data Marketing Business—efficiently gathering consumer data

Positioning the business—The starting point of the marketing process

The Data Marketing Business supports clients' decision-making in marketing activities by mainly collecting data online. It provides various marketing research services to support the clients' marketing process. The following six companies are the main subsidiaries.

Major Subsidiaries in the Data Marketing Business

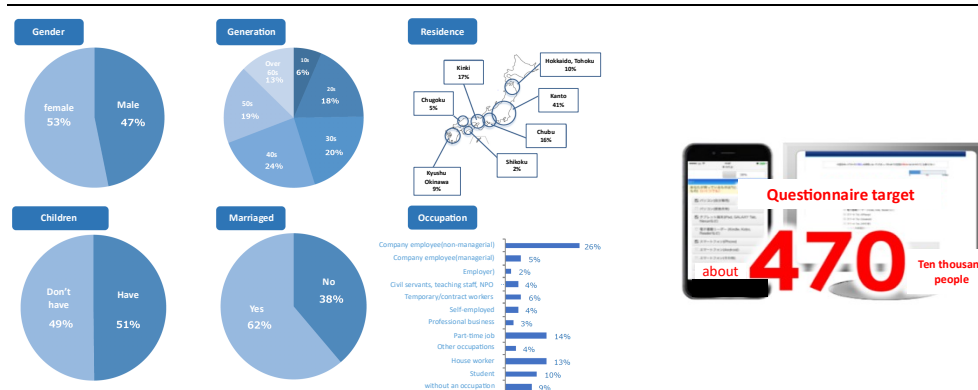
Company Name	Business Overview
 Cross Marketing Inc.	A company that provides services related to marketing research planning, marketing research design, and consulting.
 Kadence International Business Research Pte. Ltd.	A corporate group that operates in the U.K., the U.S., and other Asian countries and conducts marketing research. Holding company headquartered in Singapore.
 Markelytics Solutions India Pte. Ltd.	Marketing research company with main clients in Europe and North America. Headquartered in Bangalore.
 Medical World Panel Asia Pte. Ltd.	Management and operation of specialized monitors for medical workers and patients for each disease.
 Withwork Co., Ltd.	Direction BPO business centered on web research direction work.
 MetaSite Co., Ltd.	Management of survey monitor management systems and survey sites.

Source: Prepared by JPR from the company's website

Japan's largest panel

Panel survey is an important method in marketing research. The panel survey consists of repeatedly asking the same question to the same participant for a certain period of time. Through panel surveys using questionnaires and data analysis, it is possible to quantitatively grasp the long-term accumulated effects of change factors and measures that occur due to sales promotions and marketing activities. The participants of panel surveys are called panels. There are about 2.2 million in-house and 4.7 million panels in total (as of October 2020), including partner panels with other companies.

Japan's largest panel with diverse attributes—about 4.7 million panels



Source: Prepared by JPR from the Company's published materials, etc.

Large-scale survey panel and its utilization

The Company extracts registered monitors in advance that meet specific conditions concerning consumer goods and assets possessed, and categorizes and manages over 20 "special monitors," such as "automobile owner monitors" and "mobile phone owner monitors" according to these conditions. It preliminarily investigates the items that are

Medical personnel panel in more than 19 countries in four continents

often required as a condition by clients for their survey target and then groups the target audiences. It is not necessary to set the target audience selection requirements for similar surveys each time, and it is possible to conduct a speedy survey. In addition, e-mails requesting participation in surveys can be distributed efficiently to specific groups, contributing to both improvements in quality and efficiency.

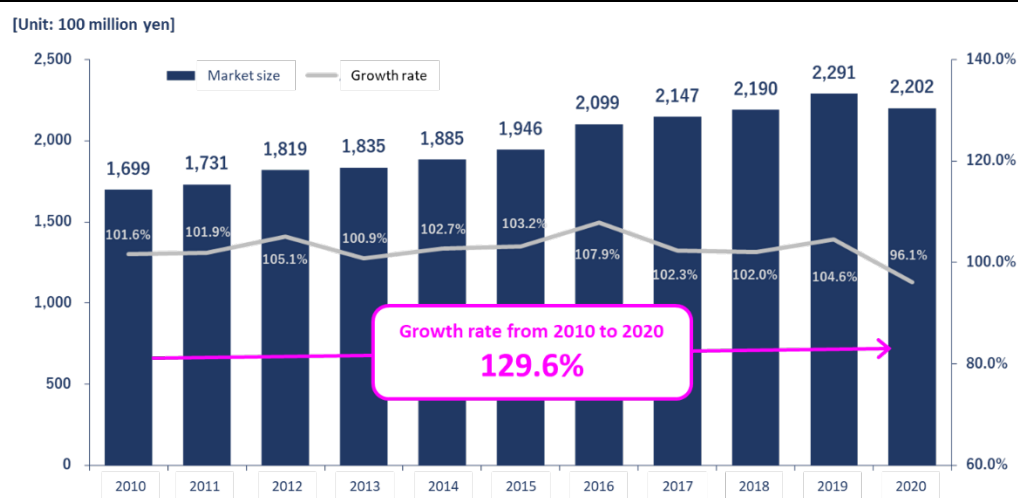
Medical World Panel, which is a part of this business, has panels of more than 540,000 medical professionals, who cover more than 19 countries on four continents. These panels cover specialized fields such as general physicians, HIV specialists, nervous medicine, dialysis, oncology, circulatory medicine, and urinary medicine.

Strategy going forward

Before the domestic research market decreased in size in 2020 due to the Covid-19, stable growth was the trend.

Moving forward, the company plans to leverage its expertise to sell research tools, particularly SaaS, to external customers. By providing clients with tools that enable them to realize diverse and broad research themselves, the Company aims to support them in strengthening their businesses. From the viewpoint of upgrading the existing business model, the Company expects to improve profitability by strengthening areas ranging from diagnosis to analysis and database operations. New development investments require standardization of cloud-based business intelligence and development of user profiling tools.

Trends in Market Size in the Japanese Domestic Research Market



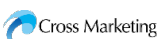




Source: Survey of Management Operations of the Japan Marketing Research Association

Insight Business—Analyzing and understanding consumer insights

Positioning the business—A key to decision-making in marketing activities

The Insight Business is a key to decision-making in marketing activities and supports clients' marketing decisions by providing consultation for problem-solving and consumer insights discovery. It is mainly operated by the following five companies.

Main Subsidiaries of the Insight Business

Company Name		Business Overview
	Cross Marketing Inc.	A company that provides services related to marketing research planning, marketing research design, and consulting.
	Kadence International Business Research Pte. Ltd.	A corporate group that operates in the U.K., the U.S., and other Asian countries and conducts marketing research. Holding company headquartered in Singapore.
	Medilead Inc.	Marketing research business in the healthcare and medical field.
	Envirocell Japan K.K.	Customer behavior analysis and business consulting.
	Shopper's Eye	Planning and operation of mystery shopping services (a method of marketing research conducted to improve customer service from the viewpoint of consumers. It is also called a mask survey in Japan.)

Source: Prepared by JPR from the Company's website

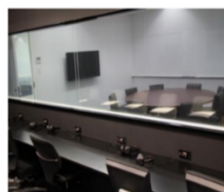
Offering Online Research and Offline Research as a Set

The present business offers online and offline research as a set. The Company develops a survey program according to the survey plan and provides quantitative research services. These services range from online research—in which surveys are collected from research collaborators on the Internet, Central Location Test (CLT) research—in which survey collaborators are gathered at the venue to conduct questionnaires and interviews, to qualitative research services such as focus group interviews—in which survey collaborators are interviewed in a group discussion format. It has facilities available for interviews and surveys in Japan and overseas and has ample experience in project implementation.

Facilities available for interviews and surveys in Japan and overseas



Domestic equipment
(at Shinjuku, Ningyocho)



Overseas fieldwork(In India)



CLT room that can be cooked
(at Ningyocho)

Group Interview annual
results

About **1,300** Group

CLT annual results

About **360** th

Source: Company's online company briefing materials for individual investors May 22, 2021

Offline research
offered as part of a
set

Interview and
survey facilities
available in Japan
and overseas

Insights discovery through shop research

Accumulation of long-term trends in consumer value—The key to insight

Analysis of insights through shop research

Shopper's Eye Co., Ltd. (Shopper's Eye) discovers consumer insights by analyzing the relationship between buyer behavior/awareness and store environment using methods such as video recording, behavior observations at stores, and in-store interviews.

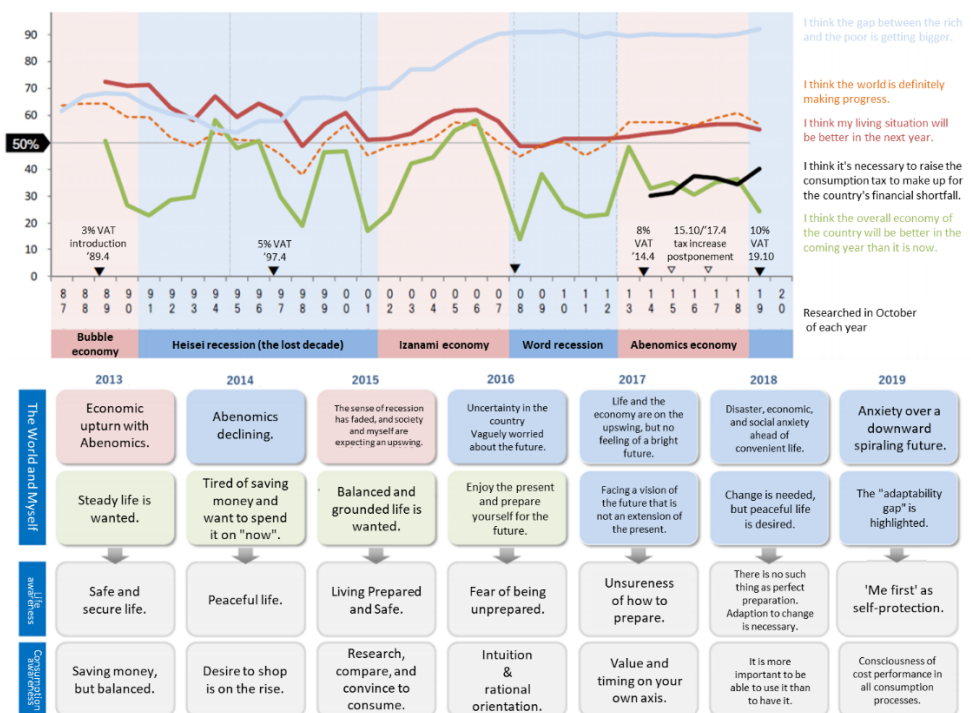
Promoting services through Group companies and sites in 11 countries around the world

As mentioned earlier, the Company is developing services through Group companies and sites in 11 countries around the world. In the future, the need for development with a global perspective is expected to increase in the marketing industry. In response to such a need, the business insight utilization of the global network will be meaningful to clients.

Accumulation of long-term trends in consumer value—The key to insights

Accumulating data of long-term trends in consumers' values will deepen our understanding of “current changes,” and will be the strength of the Insight Business. The following diagram summarizes the analysis process of capturing the trend.

Accumulation of consumer values long-term trends data



Source: Company's online company briefing materials for individual investors May 22, 2021

Future strategy

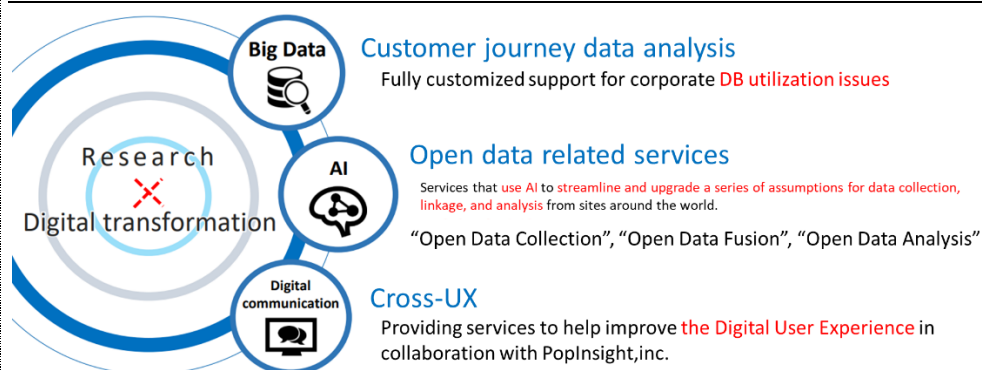
The Insight Business is expected to contribute to solving clients' problems by providing more sophisticated consulting-type marketing. It contributes to the realization of solid and effective businesses for clients by solving their challenges that have been identified by combining marketing thinking.

In addition, the company will provide new services in response to the advancement of digital technology and the digital shift of customers. This will include full-customization services of customer journey model data analysis, which visualizes customer journeys

Insight Business initiatives

such as customer behavior, thoughts, and emotions, through big data. It will also include open data-related services that make site data collection and analysis more efficient and sophisticated through AI and services that support the improvement of digital UX.

Insight Business initiatives



Source: FY12/20 results briefing materials

Until recent times, the major clients have been general companies. The Company is now actively bidding on projects for government and government agencies, and expects to increase its profits by expanding its business into those customer segments that can increase its market share.

The Company is expected to not only utilize the research expertise and research panels it has acquired, but also enhance its talented human resources by actively investing in them. As the business expands, it is expected that the company will create well-educated leaders amid demands for talented people with numerous abilities.

In addition, it is anticipated that work efficiency will be improved through the promotion of DX.

Digital Marketing Business

Positioning of project-implementation support based on "data" and "understanding"

The Digital Marketing segment provides comprehensive services in the IT business, including digital promotion, e-commerce, marketing support, system development, maintenance, operation, and human resource services. The following five companies are the main subsidiaries.

Main Subsidiaries in the Digital Marketing Business

Company Name	Business Overview
Cross Communication Inc.	Planning, development, and operation of websites and systems for mobile and smartphones.
Cross Propworks Inc.	Offering outsourcing services for data processing and processing within the Group based out of Hakodate.
Fittio Inc.	Human resource matching business in the IT and Web industries.
D&M Inc.	Leveraging consumer data to provide cutting-edge digital promotions and marketing services.
DO HOUSE Inc.	Providing promotions and qualitative information research, etc. to end-user and retail fields.

Source: Prepared by JPR from the Company's website

Proactive investment in human resources

Company-wide efforts to promote DX

Acquisition of the SI business that develops and operates apps

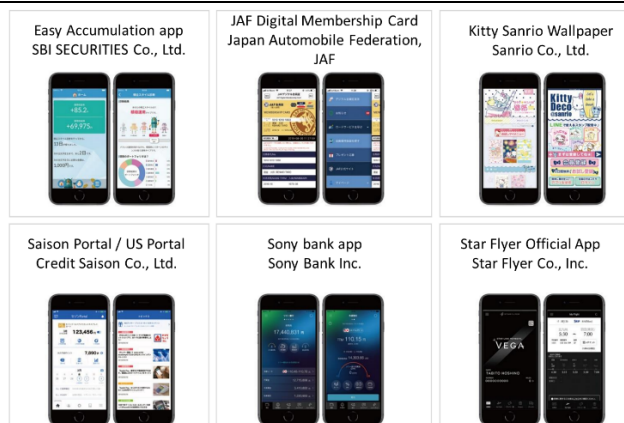
Accumulating trust in the financial and travel industries

Provision of IT personnel

IT solutions capabilities

The Company, which maintains Japan's largest research panel database, is paying attention to its SI business, which develops and operates applications (apps) that are in growing demand with the spread of smartphones, to make effective use of this database. In August 2011, when it received a portion of its mobile solution business from Index Co., Ltd., it established Cross Communication Inc. (hereafter CC Inc.) and started providing IT solutions. It has now accumulated further know-how and trust by developing its business with strength in areas where transaction errors are not permissible, such as the financial industry and the travel industry.

Provides system and app development, operation and maintenance, IT human resources support, and outsourcing



Source: Company's online company briefing materials for individual investors May 22, 2021

The current focus of the Company is on app and website development for mobile, PC, and smartphones. Its strength is that it can provide complete solutions ranging from marketing and planning, to development, operation, and promotions. Until now, the Company has interacted directly with various clients, regardless of industry or enterprise size. It specializes in large-scale system construction and operation projects that are used by more than a few million members, and is a leading domestic company in app development in the financial and securities industries.

In addition, the Company also provides IT personnel to client companies through Fittio, which specializes in Web-and EC-focused recruitment and temporary staffing, to engage in continuous operations and maintenance operations. This makes it possible to provide all the services needed by IT-human resources and solutions, regardless of industry or scale.

Developing total IT solution regardless of industry or scale



Source: The Company's website

Use of the company's survey users

Original database

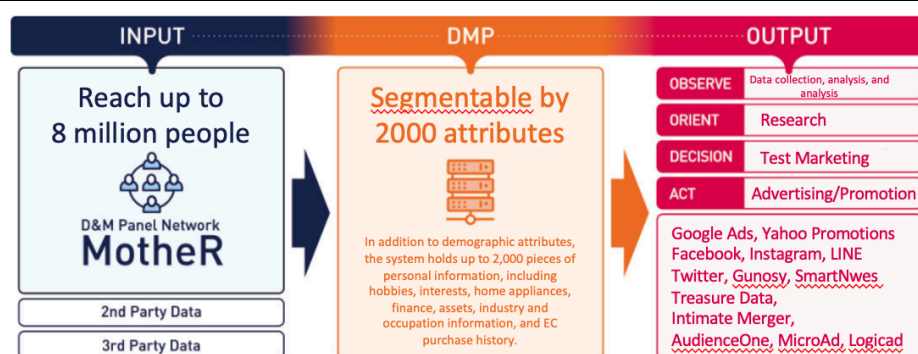
Optimal approach with a combination of know-how and data

Promotion support

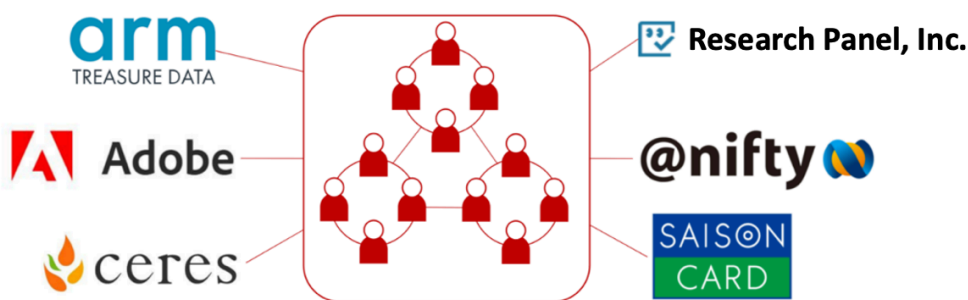
D&M supports customers' marketing and promotion activities by combining research and analysis know-how with digital data to help them deliver products and services to users optimally. With more than 8 million people, the Company possesses user information from its surveys (not limited to attribute information and demographic information, but also user interests, etc.), and database. By enabling linkages through advertising platforms, it is now possible to utilize this information for analysis and measures that can optimally solve customers' issues.

D&M's promotion business is key for the Company in providing a one-stop marketing solution by linking its research capabilities and ability to provide IT solutions.

D&M's promotion support



Reach up to **8 million people**



Building a large-scale panel network through alliances and collaborations

Source: D&M official website, company briefing materials for individual investors May 22, 2021

Total support through the Company as a whole

Collaboration with other companies, the Data Marketing Business, and the Insight Business

The present business possesses data marketing expertise cultivated through the Data Marketing Business and the Insight Business, and its strength is the provision of new services based on this collaboration with other companies' services, and the acquisition of projects in a wide range of industries. In addition, since the Company supports the business growth of its customers, it is also familiar with the background and organizational conditions related to IT recruitment, as well as future directions and opportunities. This makes it possible to provide more accurate career change support that assesses the appropriateness of job seekers.

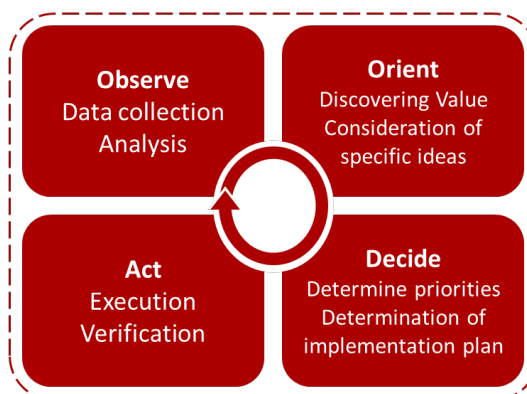
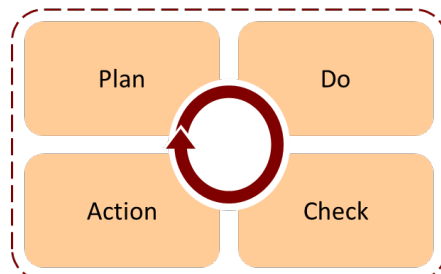
By combining the analyzed results from location information big data provided by Cross Locations Inc. (hereinafter "Cross Locations")—a cloud-based platform for anonymous

location data utilization developed and provided by D&M—and the Company's research services, it is possible to analyze the areas where store users live and how they behave. This is made possible by utilizing the location data from “groups of residents in specific areas” and “groups of contacts at specific points.” Location information big data can also be used for analyzing competing stores, and capturing the current status of the target store. This makes it possible to derive measures to resolve marketing issues, such as development of new customers, promotion of repeat sales by existing customers, and improvement of customer acquisition efficiency through advertising.

In addition, by linking these with major DMPs (Data Management Platform) such as Treasure Data and Adobe, it is possible to provide various outputs required for DMP A (Observe, Orient, Decide, Act) loops, which are crucial for marketing.

Flexible and Rapid OODA Loop from the field level

Adapting to the fast-changing marketing industry by thinking differently from the PDCA cycle.



Source: Prepared by JPR

Acquisition of web media business

Entry into the Web media business

With the Company's entry into the web media business through the acquisition of DO HOUSE in January 2021, the Group not only acquired registered panels specializing in survey responses (which has expanded since its foundation), but also realized membership acquisitions that can be reached for promotions. DO HOUSE has formed its own consumer network panel of 5.5 million people through word-of-mouth survey media, including “Moratame.net” and “Tentame!”. Until now, the Company has expanded its panels and customer base, but by making DO HOUSE a subsidiary, it has been able to both expand consumer panels and connect with manufacturers. In addition, since DO HOUSE will aid the Company with the growth of its web media operations, this will accelerate the growth of the business.

DO HOUSE's operating media

Moratame.net



Tentame!



Source: The company; FY12/20 results briefing materials

Investment activities to build the future: Complete support services for the D2C brand in growth markets

Cross Ventures Inc. (hereinafter “CV”) conducts investment activities targeting seed-stage and early-stage startup companies with unique technologies and know-how in the Internet and mobile fields. This business not only provides funds, but also supports companies that are changing the world from Japan by providing hands-on support, such as support for overseas expansion, financing arrangements, infrastructure, and surveys of customer trends, as well as support for business collaboration and matching, which has synergistic effects with the Company.

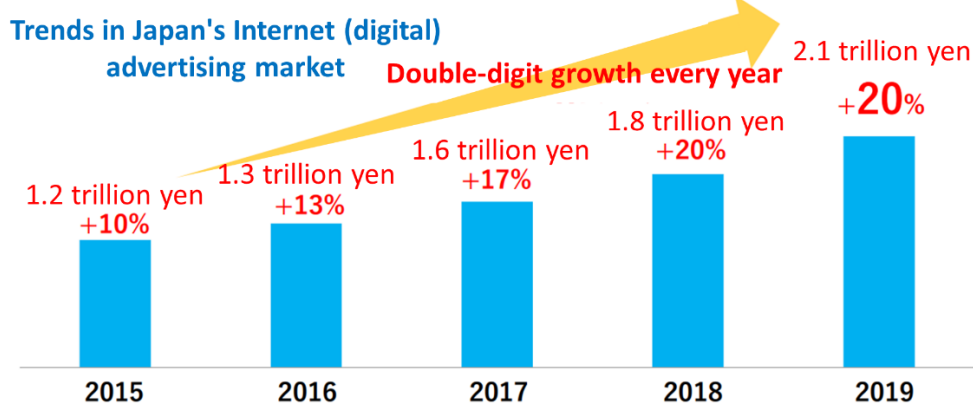
Until now, CV has invested in New Rope Inc. (hereafter, New Rope), and has been engaged in demand forecasting using fashion AI using the Company's SNS fashion snap analysis AI as a database, sales of image analysis API, and technical resource support. In addition, the D2C model total support service “D2C Growth Partner,” being developed by the Company, was jointly developed with CV.

In this business, the Company has provided the four elements required for growth—marketing, creation, e-commerce website development, and attracting customers to the growing D2C domain. As part of the D2C Growth Partner total support service, the company will invest in building relationships with acquired customers and further promote it, in order to increase the pace of growth for the D2C brand, which requires expertise ranging from product development to customer attraction and sales.

Future strategy

The Internet advertising market in Japan recorded double-digit growth for five consecutive years from 2015, reaching approximately JPY2.1 trillion in 2019. In 2019, it was observed that Internet advertising expenditure exceeded television advertising expenditure, and people are shifting to the Internet from mass media.

Continued Growth in Japan's Internet Advertising Market



Source: FY12/20 results briefing materials

In recent years, with advancement in digitalization, interactive communication, such as SNS, is expanding, and the touchpoints between enterprises and consumers are not limited to in-store and advertising anymore. In particular, the increase in time spent at home due to the Covid-19 pandemic has also increased the time spent on smartphones and SNS, leading to an increase in the number of users and diversification of their motives for use. It is now possible to know not only the basic information provided by the companies, but also the clarification of unclear points and product periphery

Supporting the D2C Brand

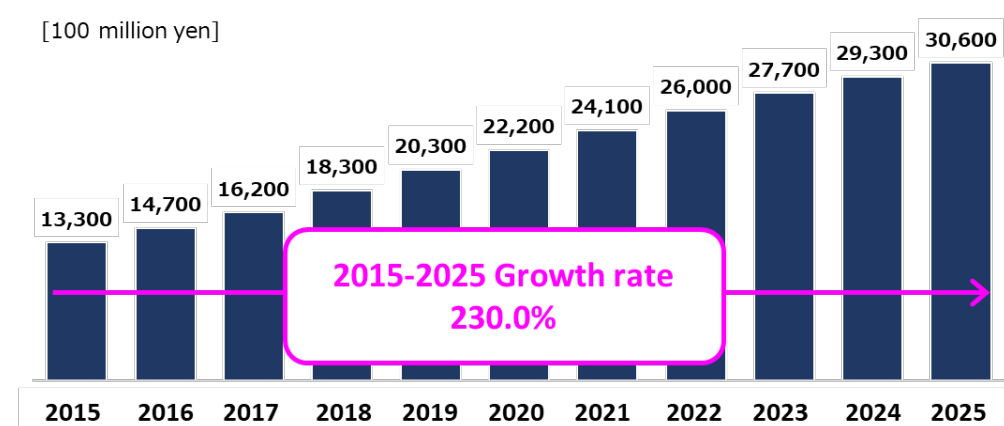
Growth of the Internet advertising market

Digital shift

information, which makes it easy to generate sympathy. This makes social media marketing using SNS (SMM) one of the key touchpoints.

In addition, according to a survey conducted by Uru Net Advertising Co. Ltd., information contact points are shifting to SNS due to the spread of smartphones, which improves information literacy among consumers, and requires that the brand's vision and ideas to be disseminated to optimal targets. Against this backdrop, the digital D2C market continues to grow over the medium-to-long term, and further growth is expected in combination with the changes in purchasing behavior due to the Covid-19 pandemic.

The D2C market, which is expected to grow continuously



Source: Prepared by JPR based on a survey by "Selling Internet Advertising Company"

The domestic DX market is also expected to grow alongside the D2C market. Against the backdrop of the market environment described earlier, the Company plans to provide added value through the DX of services and operations and the DX of research data. In addition, it will also improve the efficiency by using the DX and AI services for in-house operations, thereby reducing the client response time.

Challenges

The challenges that the business might confront include rapid changes in technology and industry standards. The users' needs are also expected to change accordingly. With no major barriers to entry and fierce competition, the business must adapt to this change promptly. This will strengthen its competitiveness and reduce costs. In addition, given the situation due to Covid-19, the existing sales methods do not work.

Therefore, the Digital Marketing Business, a business that integrates IT solutions and other businesses, has been chosen by the Company to be at the core of its growth, to support its effort aimed at expanding its corporate value to be a comprehensive marketing solutions company.

Utilization of SNS

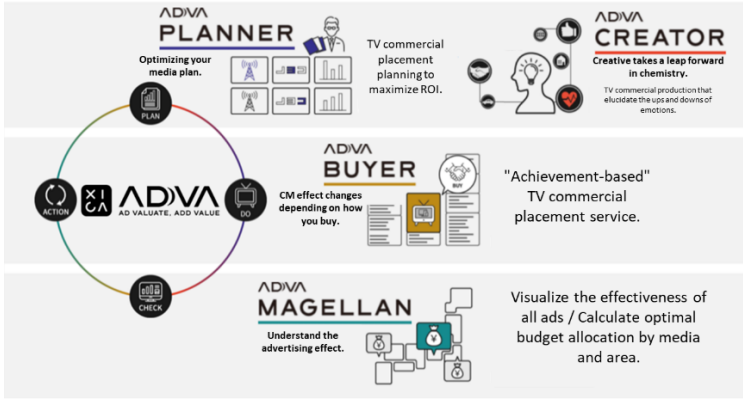
In the D2C market: Growth prediction

Many of the topics are attracting attention in the digital marketing field

Topics for the fiscal year ended June 2021

The following are examples of topics in FYE June 2021. Many of them are receiving attention in the Digital Marketing Business.

Topics in the fiscal year ended June 2021

Segment	Topics
Digital Marketing	<p>Launched XICA ADVA by D&M Inc. and XICA Co., Ltd.</p>  <p>Released Cross Communication's "SPACESHIPS~D2C BREAKTHROUGH PARTNER ~." Professionals in each field fully support the D2C brand.</p> <p>Cross Communication Inc. acquired the D2C brand and started operation. In conjunction with the launch of the D2C support service "SPACESHIPS~D2C BREAKTHROUGH PARTNER," the company also launched three brand operations through the acquisition of businesses, aiming to improve support services as well as expand sales.</p> <p>D&M Inc. and DO HOUSE Inc. jointly released the e-commerce mall "Challe Mall" ~a completely new performance-based EC mall</p>
Data Marketing	Certified as an official partner of Cross Marketing and LINE Research Broader surveys focused on young people.
Insight	Released "CORE BI" on Tableau, providing fixed-point consumer data covering more than 30 years. ~More Free Analysis of Consumer Awareness Data and Public Statistical Data for Insight Discovery

Source: Material of the company's Fiscal Year Ended June 31, 2021

4. ESG initiatives

ESG Efforts

Contributing to well-being of people of all ages

Contributing to ensuring sustainable consumption and production patterns

The Audit and Supervisory Committee Members, Executive Directors, and Outside Directors of the Company

Sustainable strategy with a social theme

Contributions through research

The Company provides research support to various operating companies through its Data Marketing and Insight Businesses, thereby facilitating those activities of operating companies that contribute directly or indirectly to SDGs. This enables the Company to contribute indirectly to SDGs. Moreover, the Company is a part of World Medical Panel and Medilead, both specialized in the medical field, which are expected to play a central role in contributing to “ensuring healthy lives and promoting well-being for all people of all ages.”

Contribution through the Digital Marketing Business

In the Digital Marketing Business, the Company offers optimal marketing methods to customers by analyzing consumer behavior. By providing such adequate information to consumers, the Company promotes consumer education and contributes to “ensuring sustainable consumption and production patterns.”

In addition, the Company's strengths in app development and operation in the financial industry can allow consumer access to financial services. By engaging in the development of these financial infrastructures, Japan is expected to contribute to “promoting inclusive and sustainable economic growth, employment and decent work for all.”

Corporate Governance

Board of Directors

The Company has seven directors. Miki Igarashi (Representative Director, President, and CEO), Koji Onozuka (Managing Director, CFO Group Management Strategy Department), Masahiro Sugimura, and Seiji Tominaga are the Executive Directors. The outside directors include Jun Narimatsu, Teruki Uchida, and Yasuaki Tahara, who are the Audit Committee Members.

Mr. Narimatsu possesses specialized knowledge as a certified public accountant and deep insight from his many years of business experience. He comes from an auditing firm background, and is currently the CEO and representative director of Museo Co., Ltd. He concurrently serves as an officer of five companies, including the Company. Mr. Uchida is a former officer in the Ministry of Finance and currently serves as an attorney, after serving as a director of an operating company. Mr. Tahara is from an operating company in manufacturing and finance and has extensive experience and broad insight with numerous years of operational experience in the accounting and financial field.

The president and CEO, and two of the three outside directors serving on the Audit and Supervisory Committee, concurrently serve as outside directors of other listed companies. However, this does not affect the execution of their duties as directors. Remaining directors do not concurrently serve as officers other than in the Company, and the Company has a system that ensures sufficient time for them to properly execute their expected roles and responsibilities.

Introduction of stock compensation system with transfer restrictions

Director's stock compensation system

The Company has introduced a restricted stock compensation system (with performance conditions) for directors (excluding directors serving on the Audit and Supervisory Committee and outside directors) and executive officers of the Company with the intention of enhancing their motivation to achieve the Company's performance targets and continuously increase corporate value. As both short-term performance goals and medium-to-long-term performance goals are evaluated, this transfer-restricted stock compensation system (performance conditional) uses one or more of the four performance goals, such as sales and profit, in each business under the jurisdiction for a single year and three years as indicators at the expiration date of the transfer-restricted period. This is used as a reward system to remove the transfer restriction in the range of 0% to 100% according to the degree of achievement of the performance target indicators in the four period categories.

Performance indicators related to share-based compensation are set based on sales and contribution margin (calculated by excluding fixed costs such as rent and utilities and allocated expenses from the Company as operating profit) among the single-year results and the three-year results within the scope of the respective directors' jurisdiction.

5. Shareholder Return Policy

Shareholder Return Policy

FYE June 2021:
Plan to increase the year-end dividend from JPY0.3 to JPY4.0 per share

Shareholder Return Policy

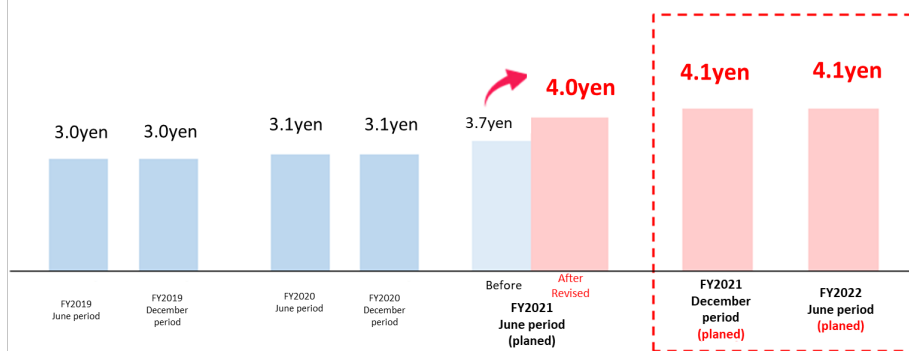
In June 2020, the company secured cash through long-term borrowings of JPY2billion. The Company's shareholder return policy determines the amount of the dividends based on a consolidated dividend payout ratio of 15%. Based on the forecast for the fiscal year ending June 2021, the Company plans to increase its distribution. Based on the most recent strong results, the Company plans to pay JPY 4.0 per share.

Trends in dividends

The year-end dividend for the fiscal year ending June 2021 will be increased by **0.3 yen to a dividend of 4.0 yen.**

Annual dividend for the fiscal year ending June 2022 **8.2 yen per share.**
(Intermediate: 4.1 yen The end of the term : 4.1 yen)

Changes in dividend amount per share semi-annual after 2019



Source: Material for the full-year Fiscal Year Ending June 2021

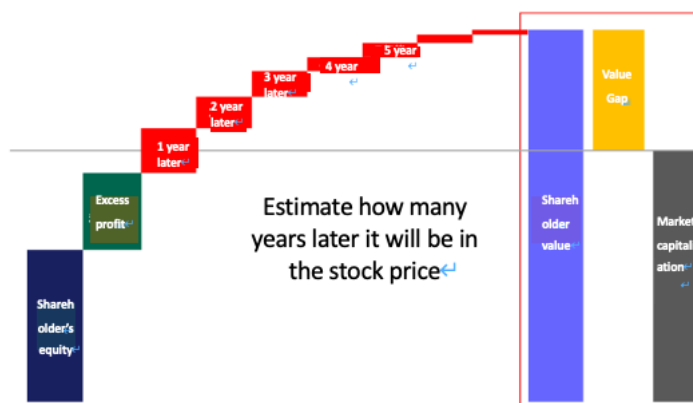
Appendix

Corporate value
estimated by use
of ROIC and
excess return

I. Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each year's corporate value can be visualized in the following figure, wherein shareholders' equity is simply represented as a sum of invested capital and non-business asset, subtracting interest-bearing debts. The figure below allows us to estimate how many years of growth might be incorporated into the stock price.

Breakdown of corporate value using excess return



Source: JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF) model. This report calculates excess return by using the following figures in a simplified manner.

- Excess return = NOPAT – Invested capital X WACC
 - Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)
 - Invested capital = Total assets – Non-business assets – Current liabilities excluding interest-bearing debt
 - Non-business assets = Cash and deposits exceeding 10% of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments
 - Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X (D / (E+D)) + Cost of shareholders' equity X (E / (E+D))
 - Cost of shareholders' equity = 0.5% + 5% X β
 - β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company
 - E = Market cap at the time of calculation
- D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest financial statements at the time of calculation

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