



November 14, 2023

Company	AnyMind Group Inc.
Representative	Kosuke Sogo, Representative Director and CEO (Stock code: 5027 TSE-Growth)
Contact	Keizo Okawa, Director and CFO ir@anymindgroup.com

Answers to Possible Questions (FY2023 Q4 and Full-Year Results)

Thank you for your continued interest in our company, and we are pleased to provide the following answers to questions we expect for the financial results of the fourth quarter and full-year of the fiscal year ending December 31, 2023.

Q1. What is your assessment of the achievement rate against the results for the fiscal year ending December 31, 2023 compared to the full-year forecast?

Based on steady performance, improved profitability, and the acquisition of DDI as a wholly-owned subsidiary, we upwardly revised our full-year forecast for the fiscal year ending December 31, 2023, on September 25, 2023. Subsequently, as a result of continued favorable performance in the fourth quarter, the achievement rate of the revised forecast for the full-year results for the fiscal year ending December 31, 2023 was 100.5% for revenue and 104.4% for gross profit, exceeding the revised forecast. Compared to the previous year, revenue grew 35.0% and gross profit grew 36.7%, exceeding the 30% year-on-year growth in gross profit targeted at the beginning of the period.

Furthermore, due to simultaneous efforts in growth investment and productivity improvement, the operating profit for the December 2023 period reached 747 million yen, exceeding the publicly forecasted value of 481 million yen. We maintained a conservative plan for operating profit, taking into account the fluctuation in performance due to the seasonality of the fourth quarter and year-end closing effects, but as a result of smooth progress, there was a profit improvement of 155 million yen for the fourth quarter, compared to the same quarter of the previous fiscal year on an operating profit basis. Considering fourth-quarter operating profit exceeding expectations due to recovery demand from the COVID-19 pandemic in FY2022, the profit improvement for FY2023 from FY2022 exceeded anticipated levels.

In addition, as a result of careful consideration of the recoverability of deferred tax assets in light of future business prospects, a domestic subsidiary decided to record deferred tax assets, and as a result, Income tax adjustment of -87 million yen (- as income) were recorded for the fiscal year ending December 31, 2023. As a result of these factors, net income attributable to owners of the parent company was 559 million yen, much higher than the announced figure of 227 million yen. Since the recording of deferred tax assets is exceptional, we believe that the level without considering the impact of deferred tax assets (after deducting 87 million yen of income taxes) is the level that should be used as a reference.

Q2. Which segment and region had the highest growth rate for the fourth quarter of the fiscal year ending December 2023?

Steady growth continued across business segments and regions in Q4 2023. For business segments, the year-over-year growth rate of gross profit, which we have designated as the most important indicator within our group, is as follows: Marketing business at 29% increase, D2C/EC business at 63% increase, and Partner Growth business at 43% increase. For regions, the year-over-year growth rate of gross profit by region, is as follows: 40% increase in Japan, 46% increase in Southeast Asia, and 23% increase in other regions (India and Greater China), particularly achieving high growth rates in Japan and Southeast Asia.

In the Marketing business, continued growth is attributed to the strong demand for AnyTag, our influencer marketing platform, and the digital marketing platform, especially in Southeast Asia, has also shown solid progress. In D2C/EC business, the performance of the enterprise e-commerce business saw contributions from DDI starting from the fourth quarter, and continued expansion of this business was fueled by the steady acquisition of new customers. In the Partner Growth business, new customer acquisition for the publisher platform AnyManager and the creator platform AnyCreator progressed in various regions, driving robust business growth.

In D2C/EC business, DDI, which joined the group through M&A in 2023, has a business model of holding inventory in e-commerce enablement support, resulting in a low gross profit margin of about 10%. Due to this change in the revenue mix, the year-on-year growth rate of D2C/EC business revenue in Q4 2023 was 100%, which is higher than gross profit. As a result, gross profit margin for D2C/EC business in Q4 2023 declined to 40%. This is not a change in gross profit margin due to changes in the business environment. Excluding DDI, gross profit margin for D2C/EC business was 54% in Q4 2023, the same level as in the past.

*Regional growth rates are calculated based on revenue at subsidiary locations before eliminating internal transactions.

Q3. Which segment and region had the highest growth rate for the fiscal year ending December 2023?

For our company, the fourth quarter is our peak season, accounting for 31% of the total gross profit in 2023, and we achieved business growth across all segments and regions during this period. Looking at the various segments for the full fiscal year 2023, the year-over-year growth rate of gross profit, which we regard as the most important indicator within our group, was as follows: Marketing business at 31% increase, D2C/EC business at 53% increase, and Partner Growth business at 41% increase. Similarly, the year-over-year growth rate of gross profit by region showed growth across all segments, for the full fiscal year 2023: 40% increase in Japan, 35% increase in Southeast Asia, and 36% increase in other regions (India and Greater China), achieving over 30% growth for every segment and region.

In the Marketing business, our influencer marketing platform, AnyTag, which constitutes the majority of the business, led global growth. In the D2C/EC business, we provided comprehensive solutions ranging from e-commerce sales operation to centralized data management, inventory logistics management, and marketing support. As a result, the number of brands we supported reached 191 by the end of December 2023 (including 38 brands for creators and 153 enterprise brands), and the composition ratio of gross profit in 2023 expanded to 17%.

In the Partner Growth business, our platform AnyManager for publishers saw an increase in new contracts in all regions, particularly with mobile app operators, serving as a significant growth driver. The number of publishers we supported reached 1,645 by the end of December 2023, an increase of 262 compared to the same period last year. Similarly, with the expansion of support areas such as YouTube Shorts, the number of creators we supported reached 1,783 by the end of December 2023, an increase of 407 compared to the same period last year.

*Regional growth rates are calculated based on revenue at subsidiary locations before eliminating internal transactions.

Q4. How much influence did exchange rates have on the growth rates for the fourth quarter and full year of the fiscal year ending December 2023

We receive revenue primarily in local currencies in the countries where we operate, so our financial figures in Japanese yen are linked to exchange rates of various local currencies. Additionally, about half of our sales come from domestic operations, so the impact of exchange rates is approximately 50% in terms of overseas earnings. For the fiscal year 2023, after Japanese yen, significant currencies include the Singapore dollar, Thai baht, and Hong Kong dollar, followed by others such as the Taiwanese dollar, Vietnamese dong, Indonesian rupiah, Indian rupee, and Philippine peso. Weighted averaging based on gross profit at subsidiary locations suggests that the upward impact of exchange rate fluctuations in Japanese yen terms is estimated to be around 2.7% compared to the same period last year for the fourth quarter of 2023, and around 3.1% compared to the previous period for the full fiscal year 2023.

Furthermore, since expenses such as selling and administrative expenses are also incurred in local currencies in each country, the impact is somewhat offset in indicators below operating profit. This means that if gross profit increases due to a weaker yen, similar increases are expected in selling and administrative expenses, thus limiting the impact of exchange rate fluctuations on operating profit.

Q5. Please explain the consolidate earnings forecast for the fiscal year ending December 2024 and its underlying assumptions.

For the fiscal year ending December 2024, we plan to strengthen our corporate-focused D2C/EC services at global locations against the backdrop of growth in the e-commerce markets across Asia. We anticipate focusing particularly on acquiring new customers based on cross-border e-commerce demand and progressing large-scale projects. Additionally, we expect steady growth globally in influencer marketing, including in newly entered regions, due to strong customer demand. Furthermore, for our Partner Growth business, we anticipate stable growth globally in 2024, especially in Publisher Growth.

As a result, we anticipate that for the fiscal year ending December 2024, our revenue will reach 45,490 million yen (an increase of 36% compared to the previous period), gross profit will be 16,520 million yen (an increase of 30% compared to the previous period), and operating profit will be 1,250 million yen (an increase of 67% compared to the previous period). Looking at the segments, we anticipate the year-over-year growth rate of gross profit, which we regard as the most important indicator within our group, to be as follows: Marketing business at 25% increase, D2C/EC business at 61% increase, and Partner Growth business at 25% increase. Regionally, we expect high growth in Southeast Asia, with stable growth also anticipated in Japan and other regions.

Although we will continue to invest in personnel as our business scale expands, we expect the ratio of personnel expenses to revenue, which accounts for more than 50% of SG&A expenses, to decline because of productivity improvements. We anticipate an operating profit of 1,250 million yen (compared to 747 million yen in the previous period) for the fiscal year ending December 2024. The operating profit margin is expected to improve from 2.2% in fiscal year 2023 to 2.7%. The operating profit margin would be approximately 2.9% if the aforementioned decline in gross profit margin of D2C/EC business did not occur (i.e., if the growth rate of revenue is 30%, the same as that of gross profit).

We anticipate corporate income tax expenses of 339 million yen (compared to 66 million yen in the previous period) for the fiscal year ending December 2024, and the net profit attributable to owners of the parent company for the fiscal year ending December 2024 is expected to be 738 million yen (compared to 559 million yen in the previous period). Additionally, the exchange rate assumed for the performance forecast for the fiscal year ending December 2024 is 1 US dollar to 138 yen. Foreign exchange gains and losses arising from non-operating activities and other items that are currently difficult to estimate are not included.

Q6. What specific strategies are in place to achieve future growth?

Our company operates in 15 countries and regions, and in the fourth quarter of 2023, we expanded into Korea and Saudi Arabia. These newly expanded regions represent attractive markets, and while we anticipate growth in these expanded regions, we also believe that there are significant business opportunities for regional project acquisition due to our ability to provide e-commerce and marketing solutions in 15 countries and regions. Additionally, the global cross-border e-commerce market is expected to expand at an average annual growth rate of approximately 30% until 2026, and we are experiencing greater demand for cross-border projects.

While we provide solutions to brands, creators, and publishers, the Asian market offers growth opportunities in various segments. Therefore, as we strengthen our local teams, we also expect to expand our local networks in each country. We anticipate that the expansion of our local networks will increase cross-selling and upselling opportunities in other businesses, and improve the appeal of our solutions globally.

Furthermore, our strategy is to continue strengthening our products and infrastructure to support e-commerce, as we did in 2023. We believe that in the Asian market, where it is difficult for the SaaS model (a software-centric business model), to penetrate due to market conditions and client needs, it is optimal to leverage both software and data utilization solutions while providing support for the entire business process, including operations. We refer to this model as the BPaaS (Business Process as a Service) model, and we believe it provides us with a competitive advantage in the Asian market due to our strong local teams, local networks, and technology.

As we establish our business structure across Asia, we believe that our M&A capabilities are effective. We have completed 8 M&A transactions domestically and internationally in the past, and we aim to proactively utilize M&A opportunities as part of our accelerated expansion strategy for our focus businesses, leveraging our experience to appropriately identify opportunities for future business expansion.

Q7. Are you considering short-term fundraising while continuing with M&A activities?

At the end of December 2023, our equity ratio stood at 58.1%, and we have not utilized interest-bearing debt, thus maintaining a healthy tax base. Although we currently hold 6.2 billion yen in cash as of December 2023, we anticipate the need for fundraising at certain points in the future, especially considering potential growth investments such as M&A.

As we foresee a phase of steady profit generation from our operations leading to expanded cash flows, taking into account our current cost of capital, we aim to prioritize interest-bearing debt (including other forms of debt financing) when raising funds and actively utilize it. In executing M&A activities, we prioritize maintaining discipline and ensuring financial stability while considering leveraging debt at levels that are adequately prudent. We intend to thoroughly evaluate investment opportunities that contribute to enhancing corporate value.

Disclaimers

This document has been prepared for the provision of corporate information by AnyMind Group Inc. (hereinafter referred to as "the Company"), and does not constitute a solicitation of the Company's stocks or other securities issued, whether domestically or internationally. The document includes descriptions about the Company's plans, strategies, and future performance outlook. Statements regarding future outlook are based on information available to the Company as of the date of this document, as well as the Company's assumptions, plans, and prospects, unless otherwise stated. However, there is no guarantee that these statements will be achieved. Changes in economic conditions, shifts in user preferences and needs for the Company's services, competition with other companies, changes in regulatory environments, and various other factors can significantly impact future forecasts and outlooks, leading to substantial differences from actual performance. Therefore, please be cautious and do not solely rely on these future-oriented statements. Additionally, please note that some financial information in this document is not based on audits or reviews by independent certified public accountants or audit firms, and it may include managerial data not derived from past financial statements or calculations. The Company does not have the obligation to update or revise any information included in this document, except as required by applicable laws or regulations or the rules of stock exchanges. The document contains information about the markets in which the Company operates, derived from external sources. These descriptions are based on statistics and other information obtained from external sources cited in this document, which the Company has not independently verified, and thus, the Company cannot guarantee their accuracy or completeness.