

Materials for Growth Opportunities and Strategies

24 July 2023
Macbee Planet, Inc (7095)



Investment highlights

1

Vast market opportunities for LTV marketing

Shift to a market beneficial for both advertisers and consumers by optimizing marketing based on LTV

2

Very strong growth from a business with high recurring revenues and rising sales per customer

High retention rates, not only rising customer numbers, sales per customer also increasing as data accumulates

3

AI and technology driving high margins

Maximizing advertiser ROI (ad cost effectiveness) by applying DX to advertising and marketing

4






Strong competitive edge through proprietary data acquisition technology

Expect continued high growth due to technology that is less susceptible to cookie regulations

5

Further acceleration of growth through strategic investment

To drive the market as the market leader, we will carry out M&A that produce synergies to achieve disruptive growth

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About the company

About the company



Company overview

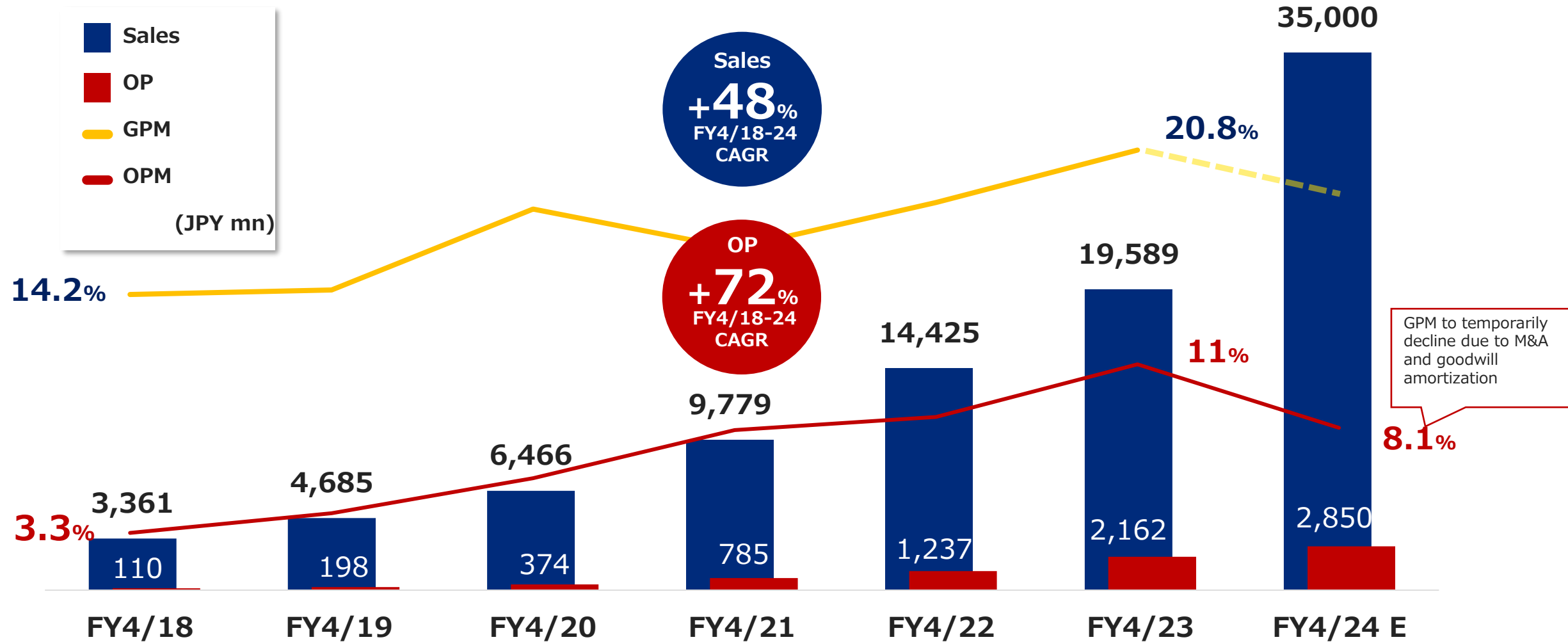
Company name	Macbee Planet, Inc (7095.JP)
Founded	25 Aug 2015
Capital	JPY2.34 bn (as of end Jan 2023)
Business description	Provision of data-driven analytical services
Head office	3-11-11 Shibuya, Shibuya-ku, Tokyo
No. of employees	149 (as of end Apr 2023)

Notable dates

Aug 2015	Macbee Planet founded
Aug 2015	Released Honeycomb (data analytics platform)
Nov 2017	Released Robee (web customer service tool)
Mar 2020	Listed on TSE Mothers Section (Currently Growth section)
Mar 2021	Established Smash Co., Ltd
Aug 2021	Made Alpha, Inc. a wholly owned subsidiary
Mar 2023	Made Net Marketing, Inc. a wholly owned subsidiary

Earnings

- Sales & OP to increase following acquisition of Net Marketing. Due to differences in margins and goodwill amortization, GPM, OPM expected to temporarily decline, but should improve over the longer term.



Predict LTV* and achieve optimal ROI*

* What is Lifetime Value (LTV)

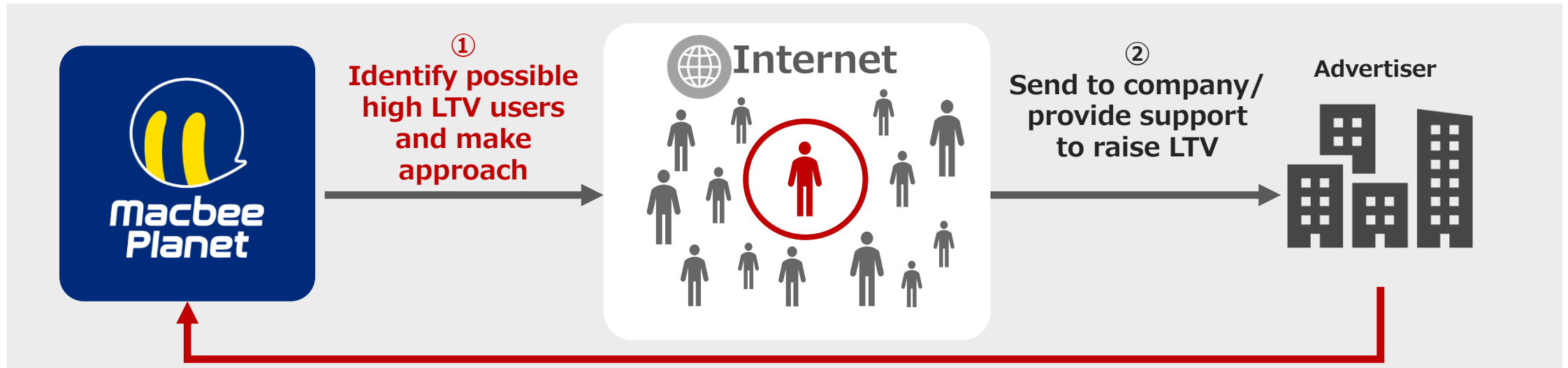
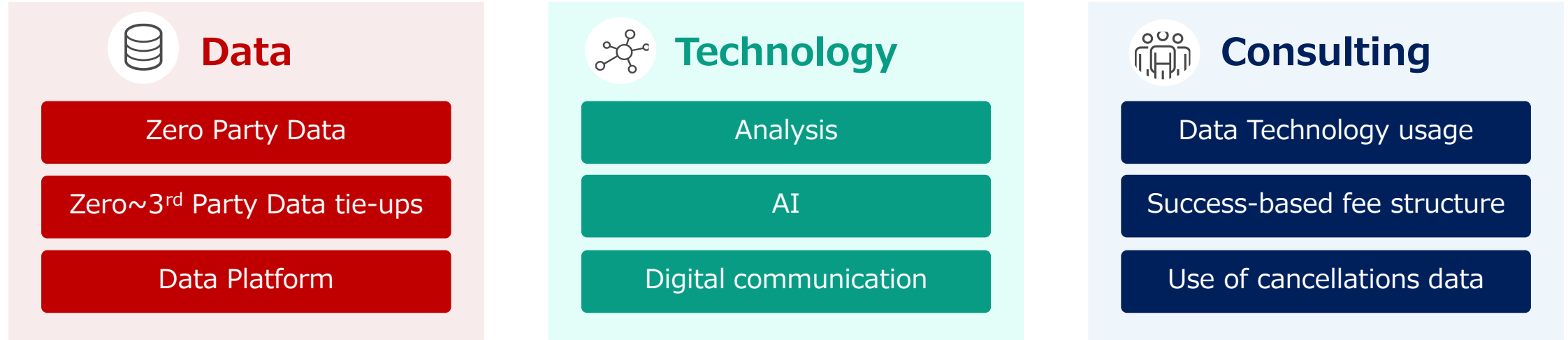
LTV refers to the profit that a user (consumer) brings to a company throughout their lifetime, and is a measure used in calculating the cost that can be spent to acquire one user.

* What is Return On Investment (ROI)

A measure of how much profit can be made on an investment

Business overview: What is LTV marketing

■ Digital marketing that utilizes data to maximize user expenditure and duration.

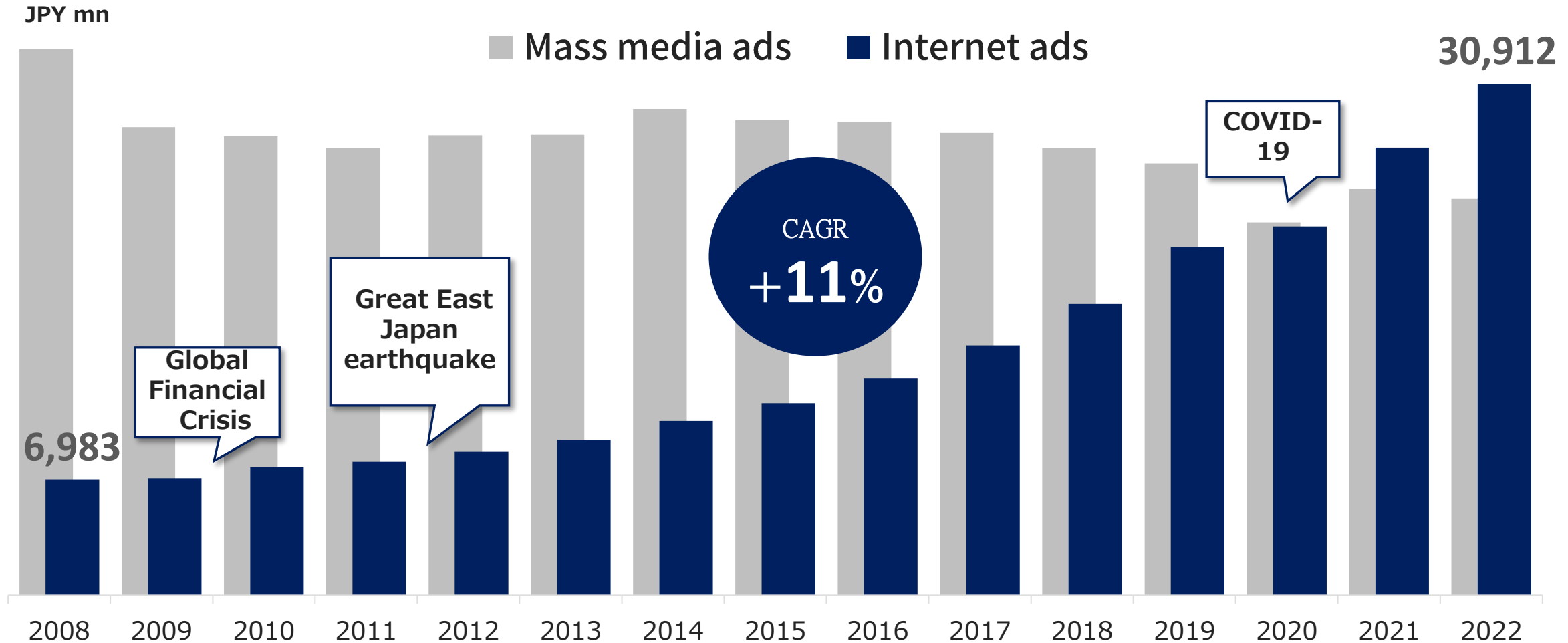


③ Fees received on a success basis

Business environment

Target market: Internet ad market

- Digital advertising is now a JPY3trn market as media ad budgets continue to shift to more efficient internet ads. Double-digit growth in the market continued despite a number of recessions. Outlook is for further high growth.

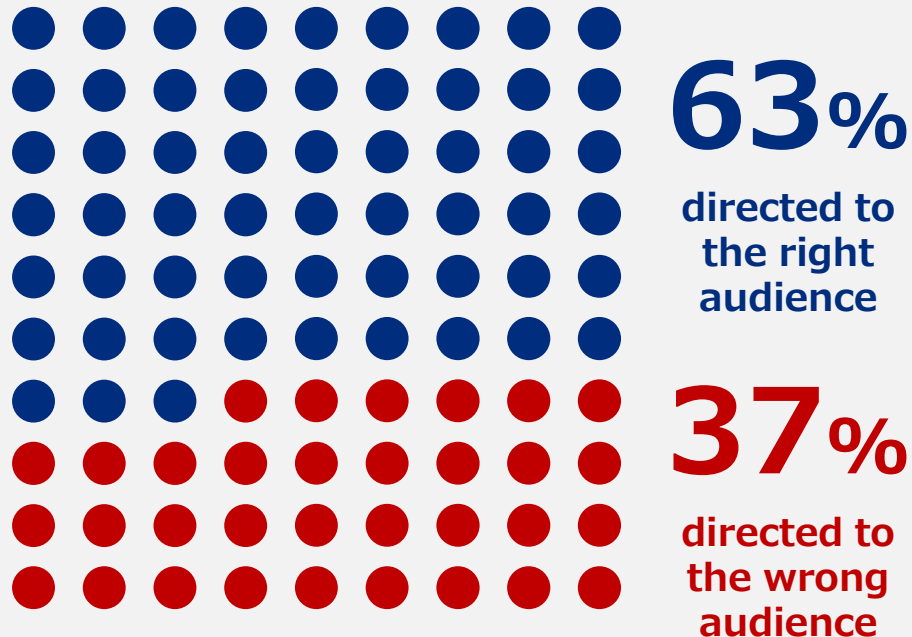


Source: Advertising expenditures in Japan, Dentsu (2008-2022)

Internet ad market issues

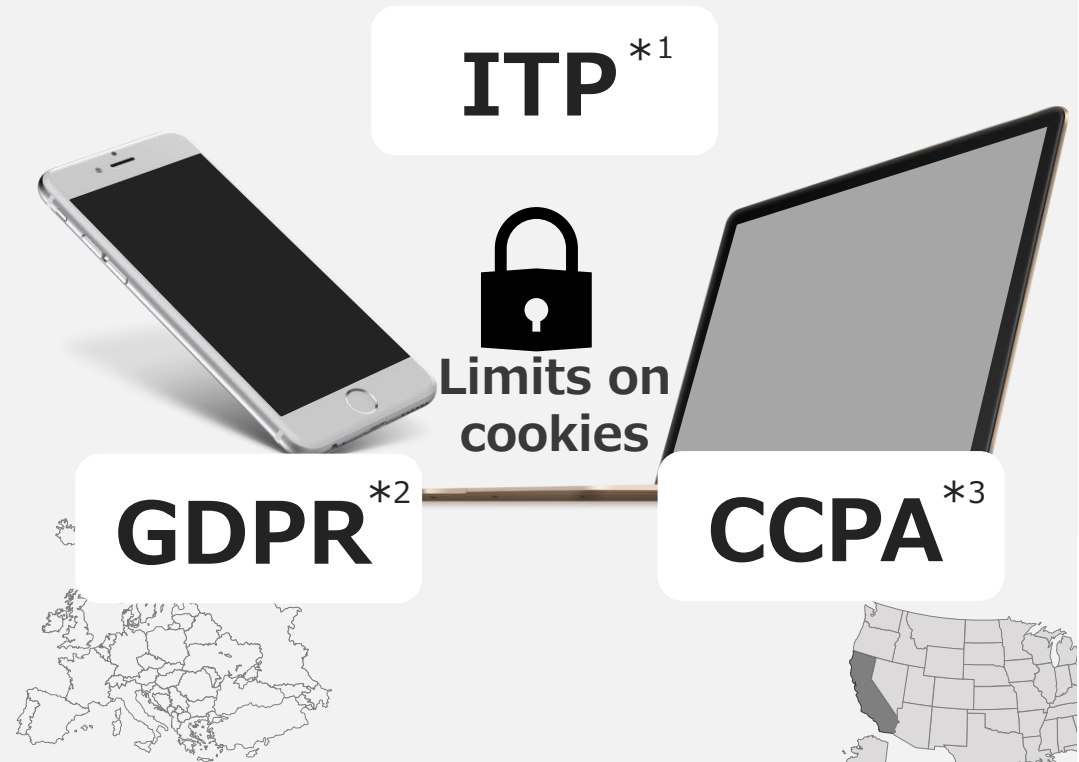
- Internet ad budgets are inefficient as ads often directed to the wrong audiences. Accuracy set to decline further due to restrictions on cookie usage, with ad performance expected to deteriorate.

Around 40% of digital ad spend is directed to the wrong audience, leaving significant room for improving ROI



Source: Nielsen Digital Ad Ratings, U.S. Benchmarks Report – Q2 2019-Q1 2020

Increased regulation on use of personal data such as GDPR and CCPA making it more difficult to target ads using cookies



* 1 ITP: Apple's Safari browser has a privacy protection feature which blocks user tracking using third-party cookies

* 2 GDPR: Data protection regulation adopted by European Parliament for all EU individuals * 3 CCPA: California state regulations regarding the handling of personal data

Aiming to transform internet advertising

- As the market leader in LTV marketing, we aim to provide solutions to challenges for the internet ad industry and lead the transformation of the JPY3tn online advertising market to LTV marketing.

Client needs: Raise LTV & optimize advertising ROI

Current challenges facing the online ad market

JPY3tn market

Results

Ad costs do not always lead to higher sales

Costs: Charging system based on ads/clicks
KPIs: No. of leads, user acquisition costs

Data

Lower data accuracy due to cookie regulations

Higher acquisition cost and lower ROI due to less accurate ad targeting

Skills

Ad management skills depend on user

Results vary depending on the skills of the person in charge



LTV marketing

Results

Performance-based compensation **directly linked to long-term sales**

Costs: Success fees linked to sales/LTV
KPIs: No. of recurring users, LTV & ROI

Data

Proprietary data collection technology

Stable success-based fees that do not use 3rd Party Cookies

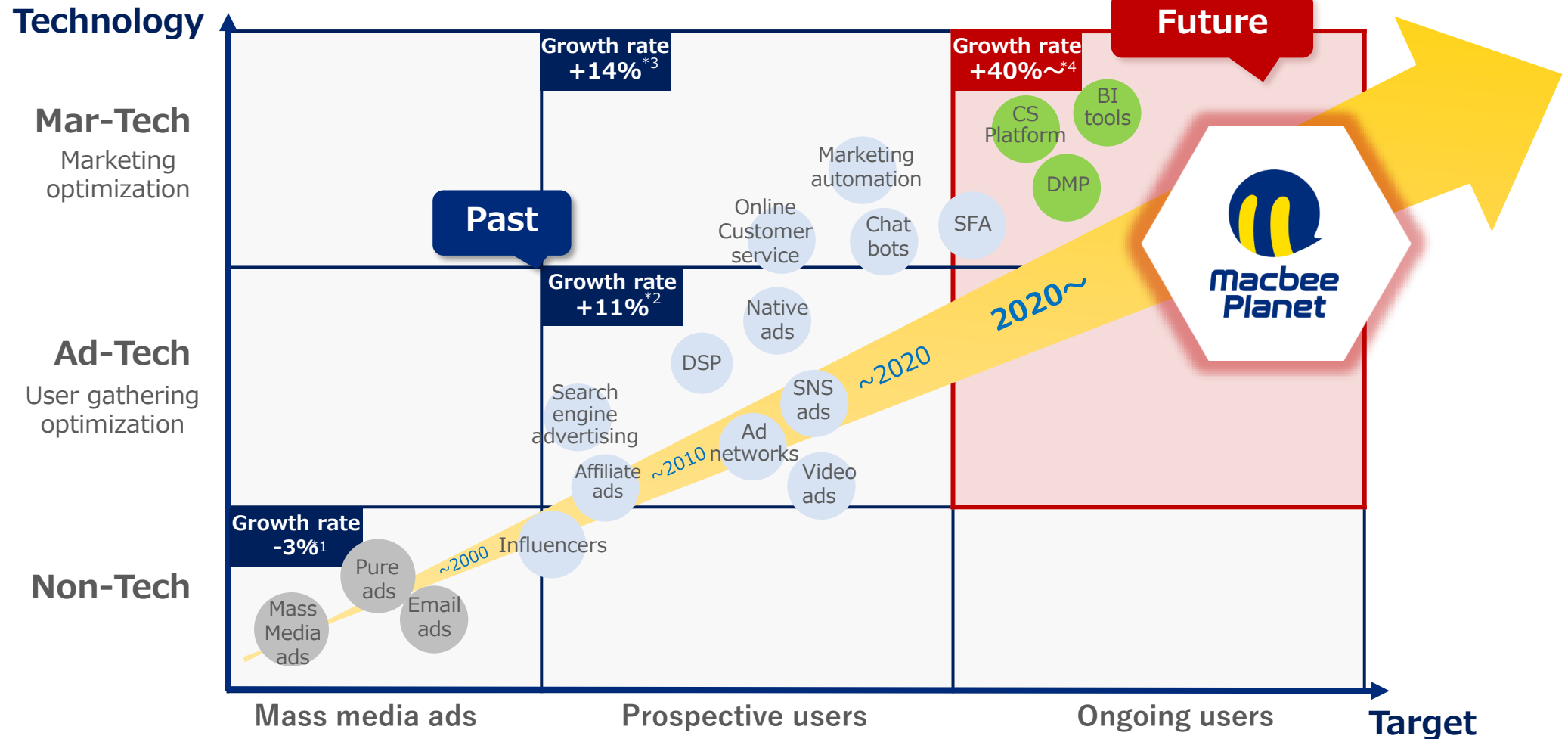
Skills

Optimization through **AI**

Instantly turns employees into team assets and increases productivity
High service quality independent of the experience of the person in charge

Positioning

- Unlike traditional quantity-oriented marketing, we focus on customer quality through use of large data sets and application of our technology.

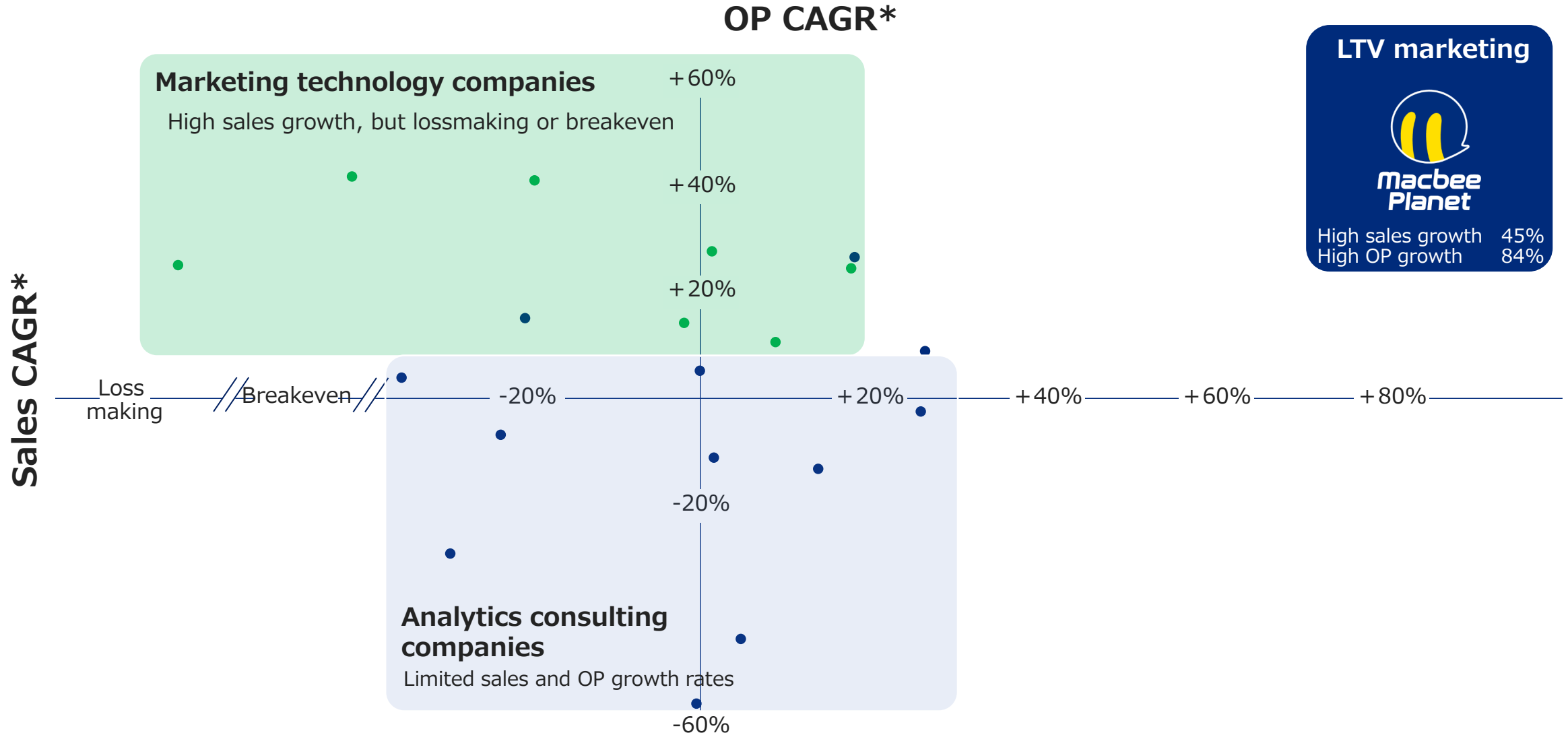


*1 "2022 Advertising Expenditures in Japan" (Dentsu) traditional 4 market advertising expenditures
 *2 "2022 Advertising Expenditures in Japan" (Dentsu) internet advertising expenditures

*3 "Movement in scale of online customer service market and forecasts" (ITR) and "DMP (Data Management Platform) & MA (Marketing Automation) Market 2020" (Yano Research Institute)
 *4 Macbee Planet Sales CAGR (FY04/18 to FY04/23)

Driven by technology, high growth vs rivals

■ We have achieved far higher sales and OP growth compared to ad agencies and marketing technology firms.



* 3-year CAGR of 19 TSE listed companies. As of July 2023

Vast LTV marketing-related market

- First, we will reshape the online advertisement market into an LTV marketing market.



*1 Online advertising expenses were JPY3.09tn as per "2022 Advertising Expenditures in Japan" (Dentsu)

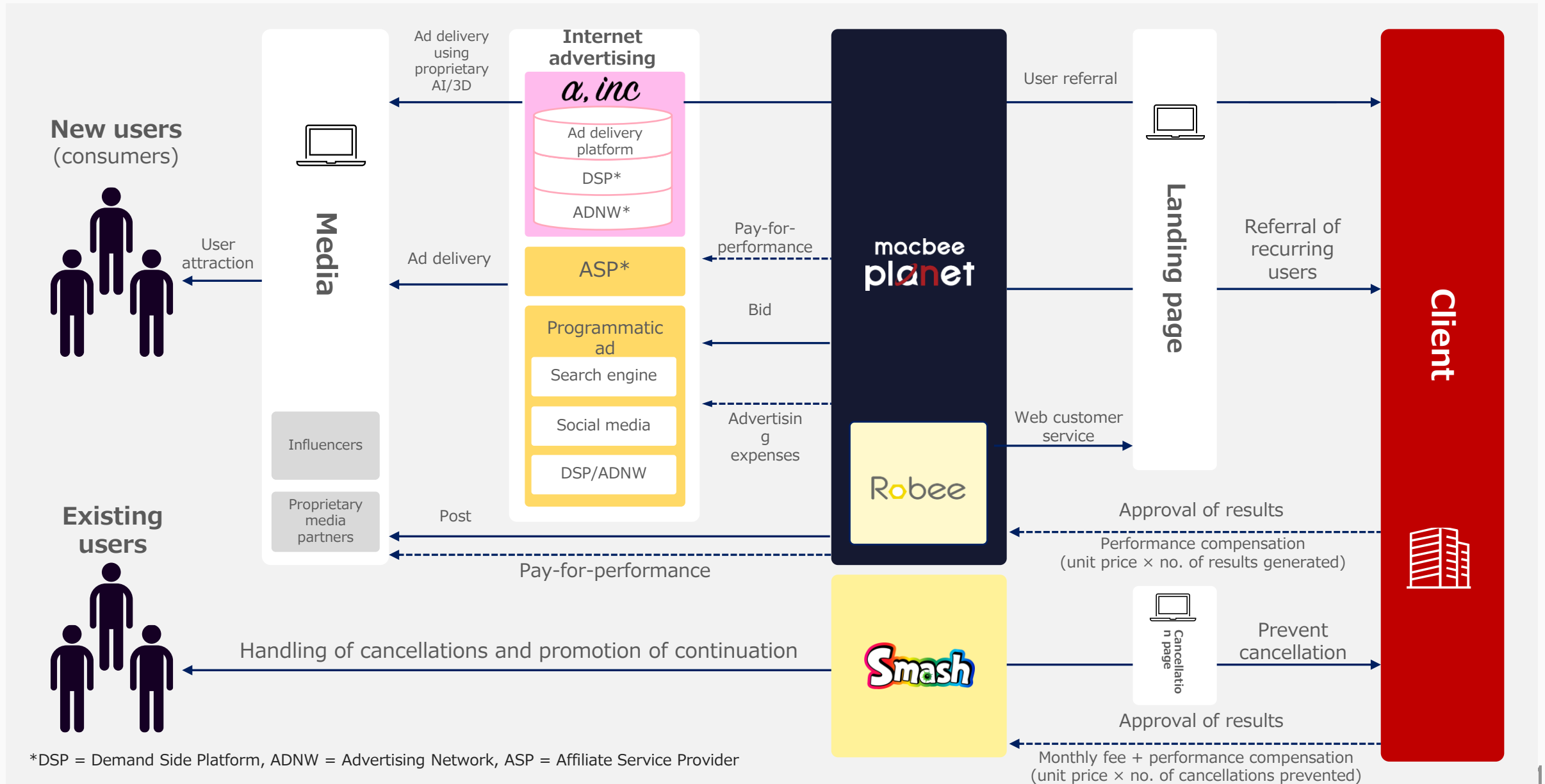
*2 Total advertising expenses in Japan were JPY7.10tn as per "2022 Advertising Expenditures in Japan" (Dentsu)

*3 JPY15tn as per 3Q FY03/19 business results presentation of Yahoo Japan Corporation

*4 Scale of DX-related solutions service market was JPY6.33tn in 2020 as per "Survey on the Scale of Solution Services Market" by Japan Electronics and Information Technology Industries Association (JEITA)

Business model

Business process diagram



*DSP = Demand Side Platform, ADNW = Advertising Network, ASP = Affiliate Service Provider

Source of competitive strength

- LTV marketing is achieved through data, technology, and consulting.

LTV marketing components



Data

Proprietary data acquisition technology

- Data not dependent on 3rd party cookies
- Capturable across browsers and devices
- Loyalty and user feedback as data

0 to 3rd party data links

- Behavioral data
- Psychological data
- Purchase data
- Attribute data

Data platform

- Integrate data for the same ID
- Visualize user touchpoints/psychology



Technology

Analysis

- Machine learning
- Audio analysis
- Emotion analysis
- Cancellation analysis

AI

- Withdrawal prediction
- LTV prediction
- Cancellation prediction
- Delivery algorithm

Digital communications

- Hospitality
- Chatbots
- Popup
- 3D creative



Consulting

Use of data technology

- Data-driven
- Use of own products
- Leverage promptly using templates

Success based fees

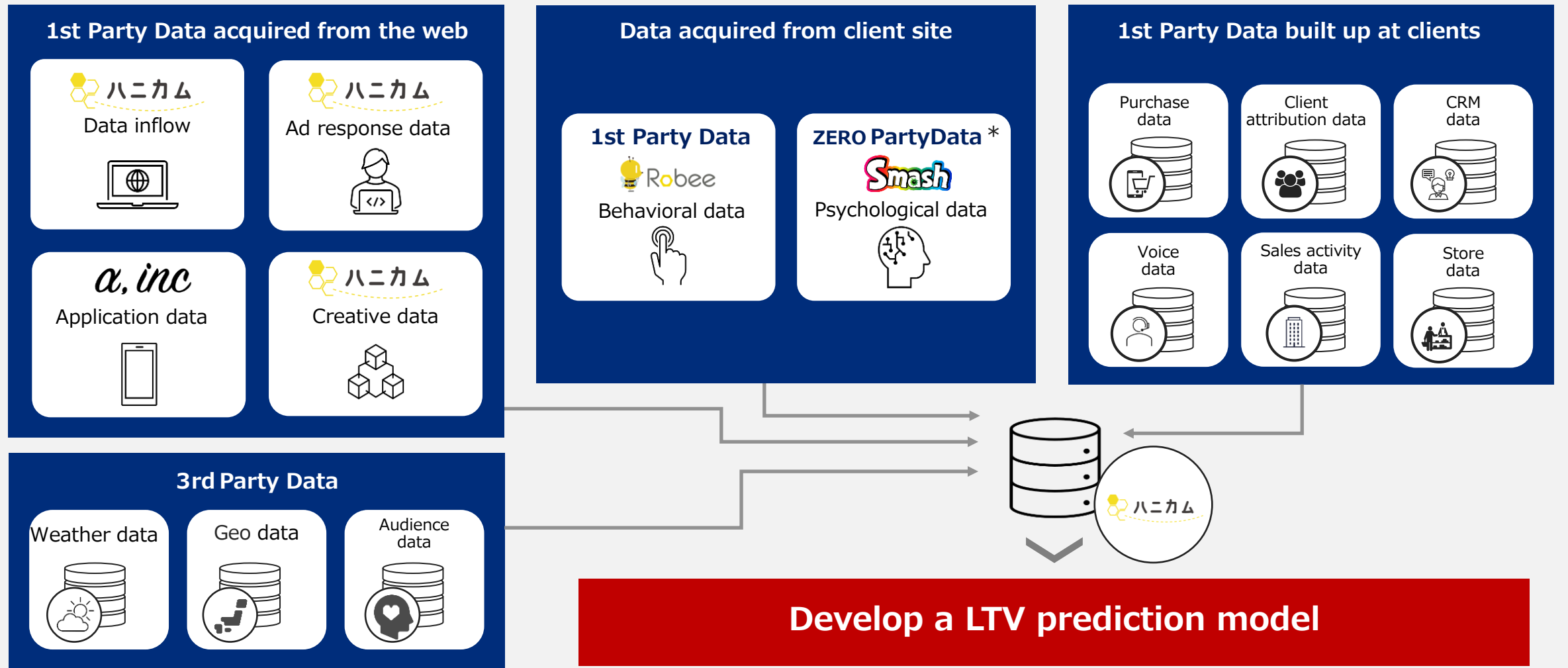
- Attract recurring users
- Expertise in increasing LTV

Use of cancellation data

- Lower churn rate by preventing cancellations
- Identify issues in marketing

LTV marketing through use of data

- Combine zero/1st/3rd party data with the Honeycomb data analytics platform, develop a unique LTV prediction model.



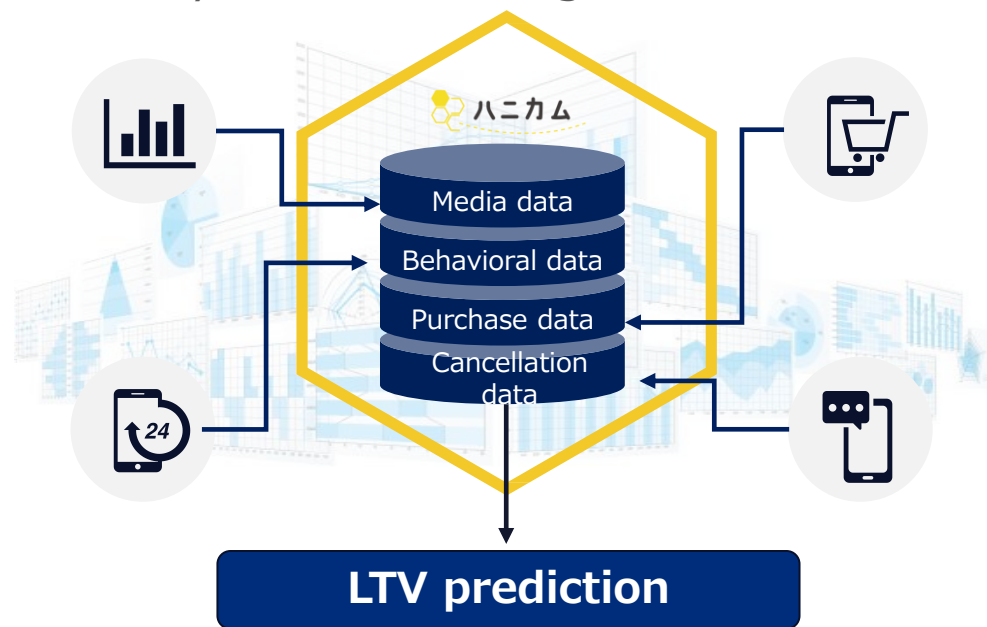
* Insight data such as hobbies and preferences provided by users themselves

Analytics Consulting Business (AC)

■ We attract users on a pay-for-performance basis using LTV predictions built with data analytics.

1 LTV data analytics

Data sets obtained from media and in-house tools are analyzed in order to identify attributes of high-LTV users



2 Use data to attract users on a success basis

Our consultants use the data to plan and implement ways to attract new users on a success basis



Unit price of success fee x
No. of results generated

Costs: Media publishing costs
Gross profit margin: Approx. 15%*

*AC segment gross profit margin for FY4/20-FY4/23

Marketing Technology Business (MT)

- Improve LTV by raising the LTV of new customers, reducing cancellation rate of existing customers. Optimize ad delivery by using AI and 3D technology.

1 Convert users into customers

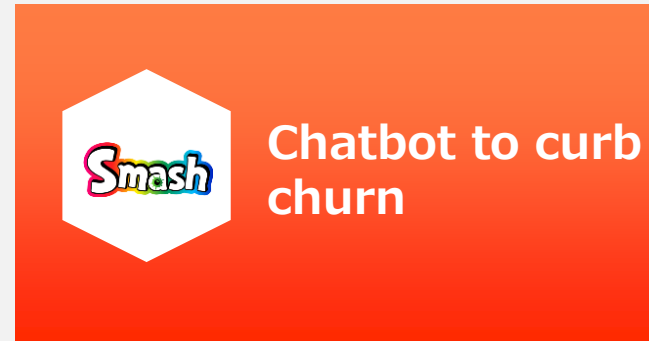
Robee provides customer services to visitors attracted and converts them into high-LTV customers



¥ Fixed monthly rate or success fees

2 Lowering churn among existing customers

A chatbot encourages users looking to cancel to continue. This reduces the churn rate and improves LTV.



¥ Fixed monthly rate or monthly fee + success fee

3 AI-powered ad delivery

Ad delivery using proprietary AI-powered algorithms and 3D creatives



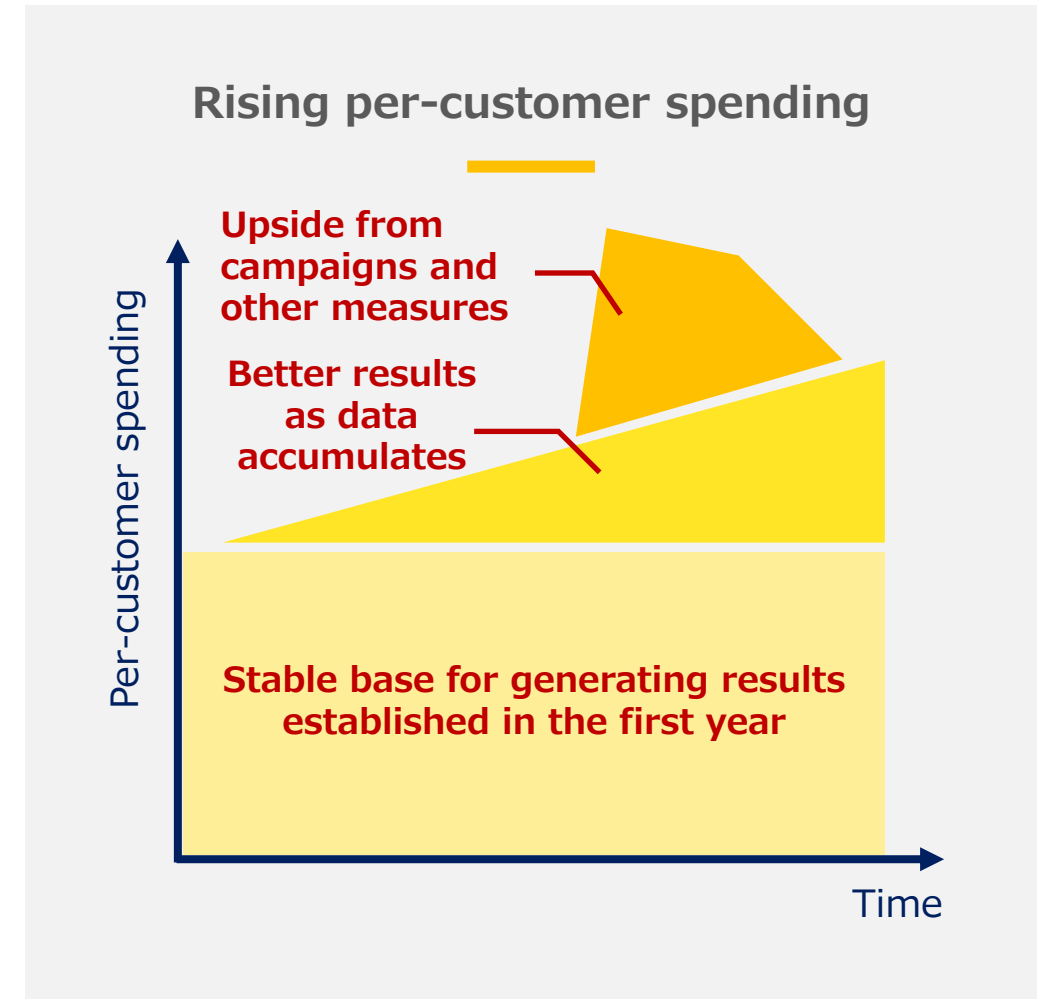
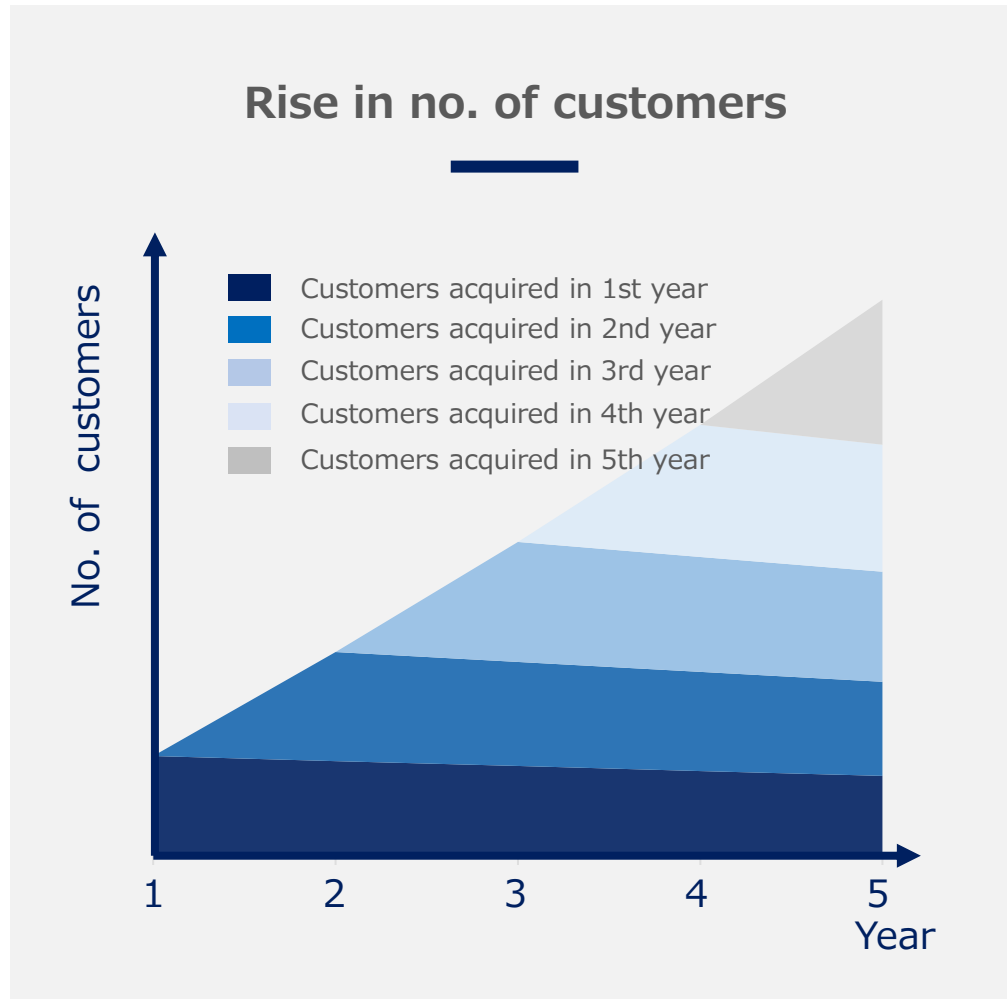
¥ Dependent on ad delivery volume

Gross profit margin: Over 95%*

* MT segment gross profit margin was at least 95% in FY4/20 - 3Q FY4/24

Business characteristics

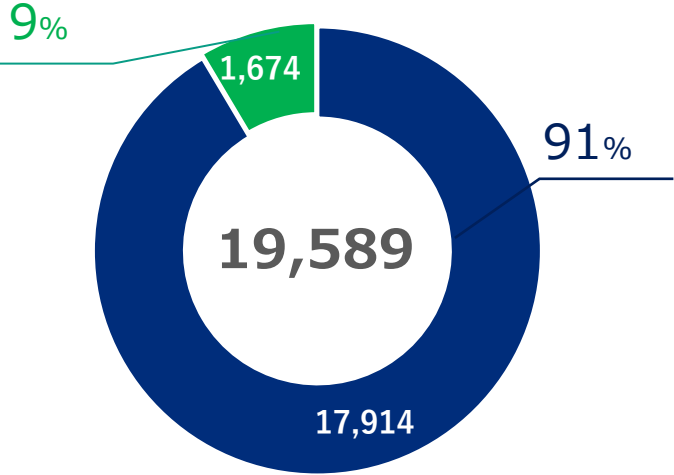
- Our continuous business model enables us to accelerate growth through an increase in new customers and improving per-customer spending. Unit prices can fluctuate temporarily due to sales campaigns and other factors.



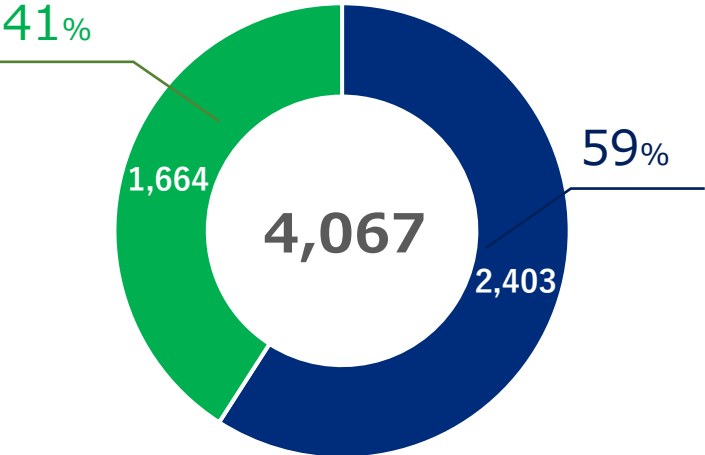
Earnings by segment

FY4/23

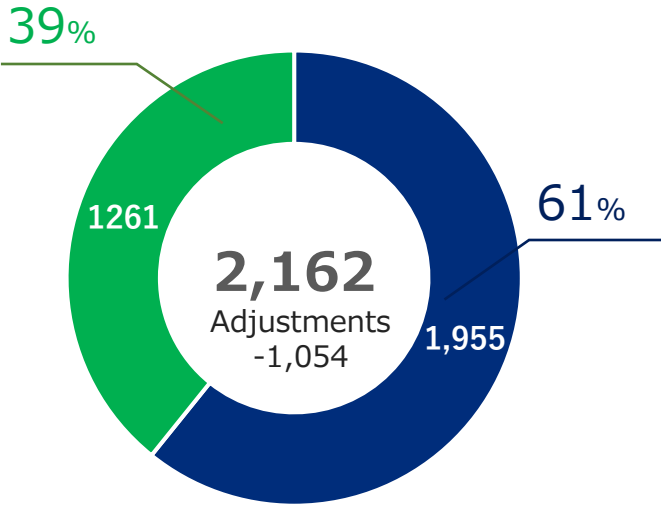
Sales (JPY mn)



Gross Profit (JPY mn)



Segment Profit (JPY mn)

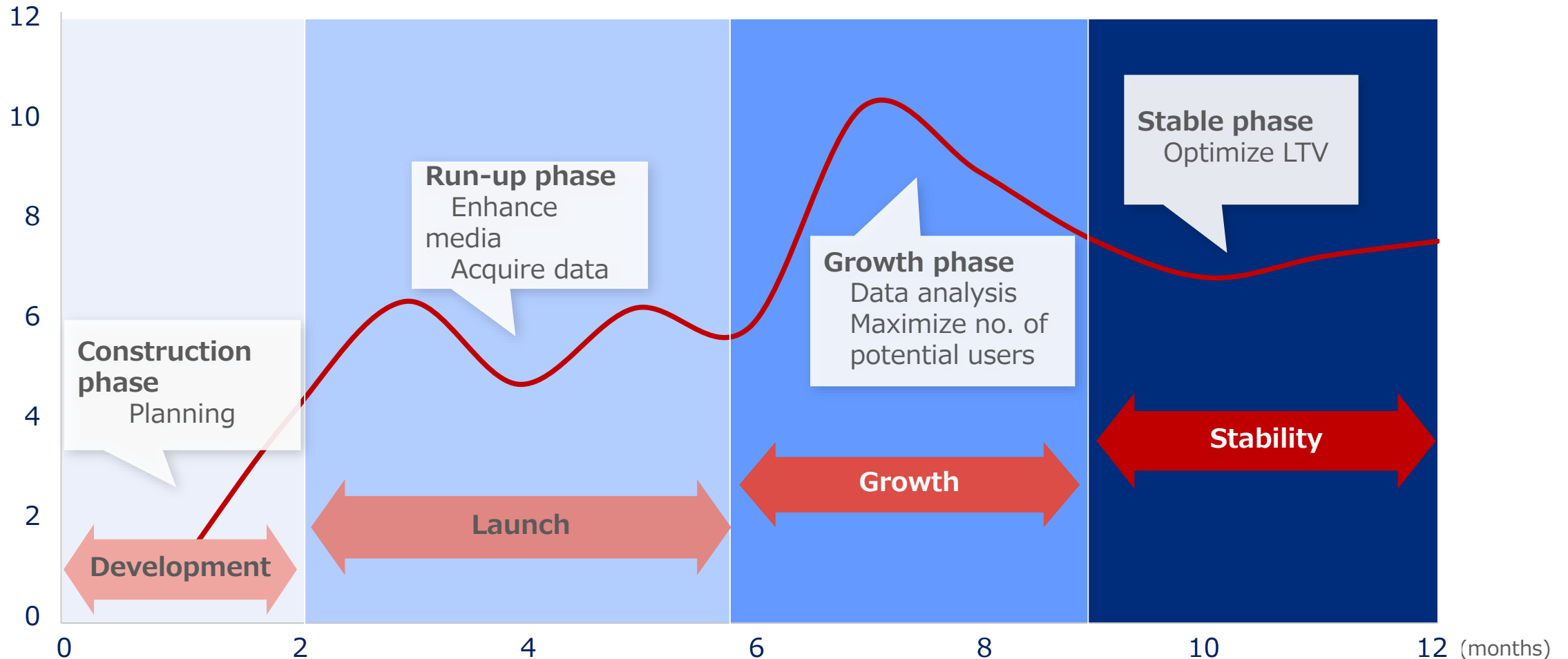


- Analytics Consulting Business
- Marketing Technology Business

How we provide results to clients

- Results are minimal at the start of a contract as we need to accumulate data, but results improve after half a year as data builds up.

(No. of results)



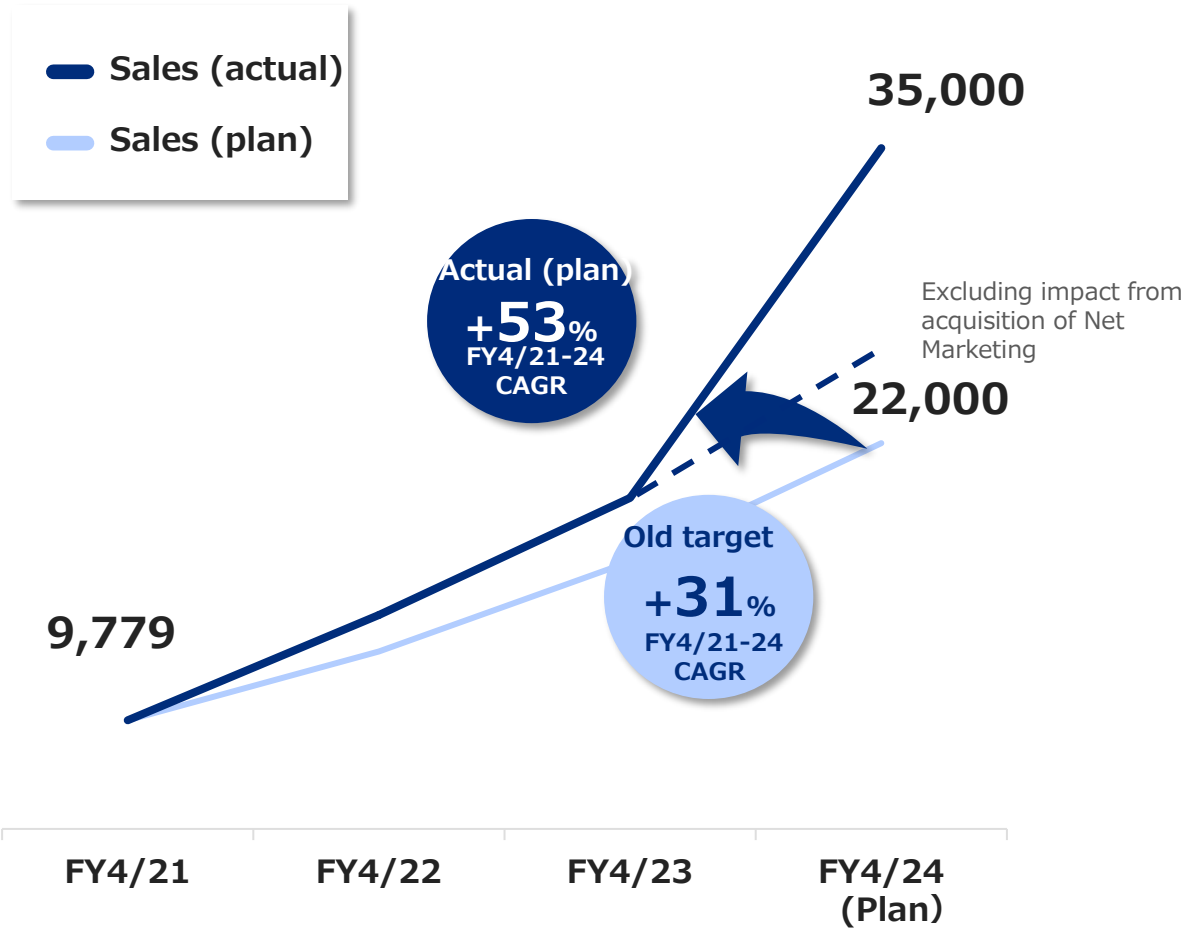
*Average trend in sales during the first year, assuming sales in the first month of support is 1. Estimated based on actual figures for clients whose transactions began during 2017 to 2021.

Medium-term plan (FY4/22-FY4/24)

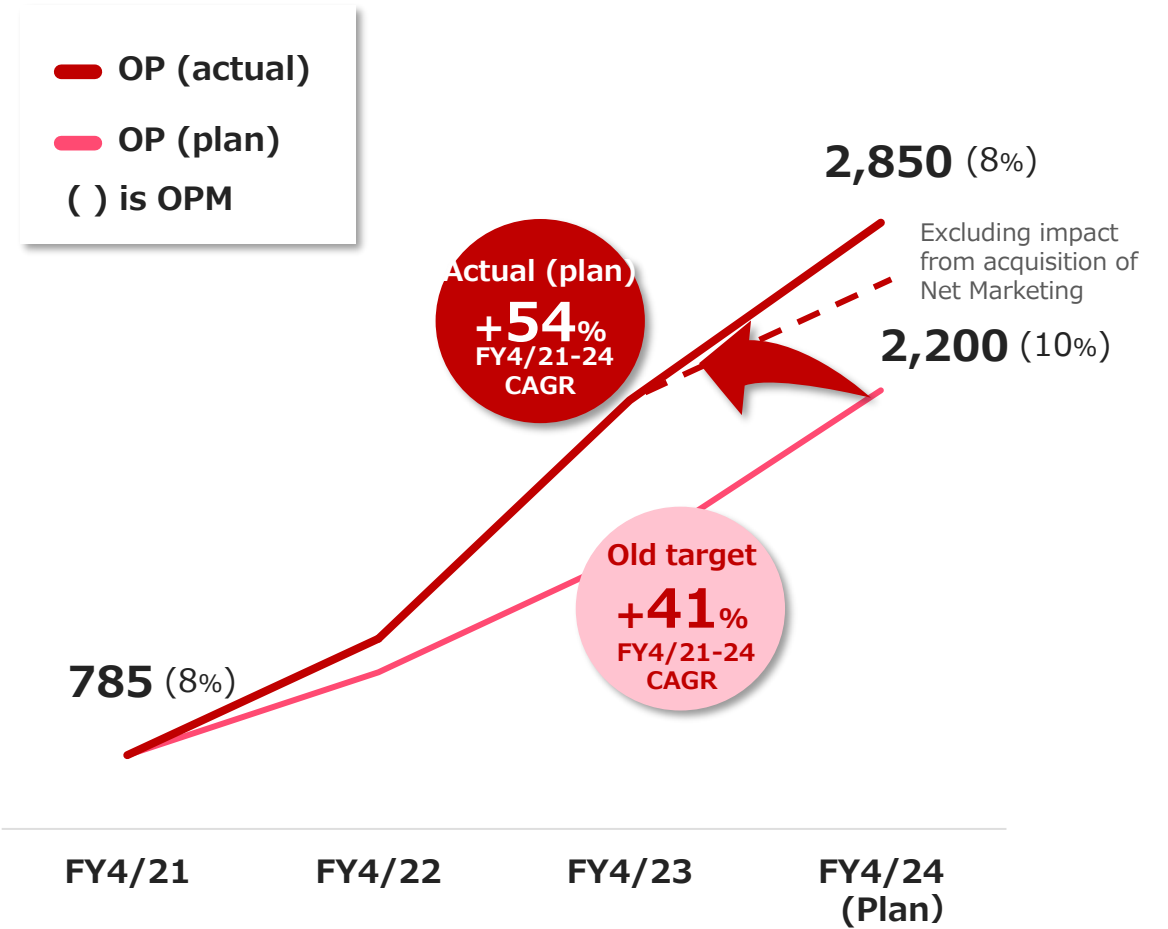
Medium-term management targets

- Reached FY4/24 targets for sales of JPY22bn, OP of JPY2.2bn, **ahead of plan**. Raised targets to adjust for growth from M&A.

Sales (JPY mn)



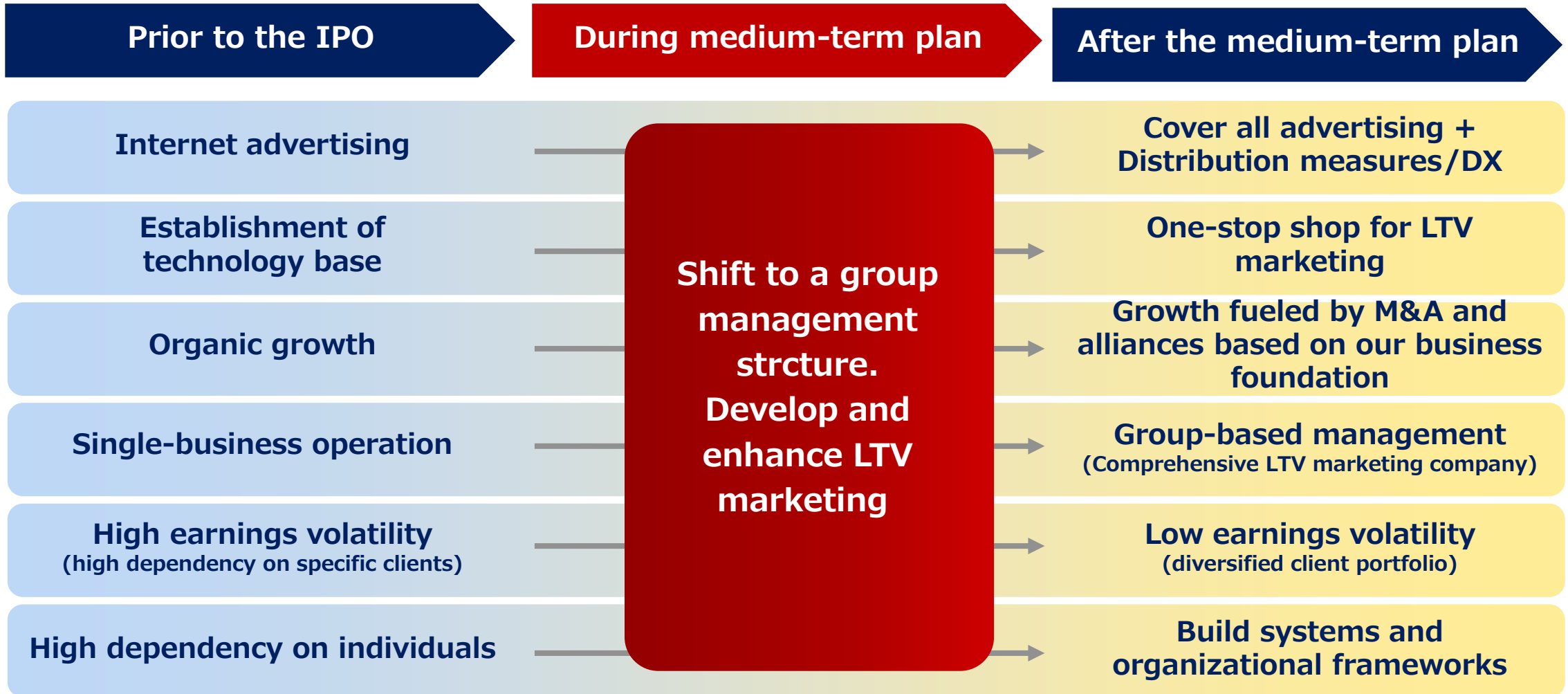
OP (JPY mn)



*CAGR calculated from FY4/24 targets

Medium-term plan positioning (review)

- Build a business foundation to achieve long-term growth as a leading company in LTV marketing.



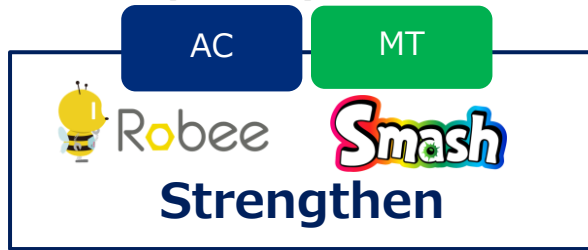
Medium-term policy (review)

- We will leverage our products and AI technology and evolve/deepen LTV marketing to develop the LTV marketing market and achieve high growth.

Product strategy

Combine Macbee Planet's knowledge with Alpha and Smash AI technology

Raise LTV improvement capability further



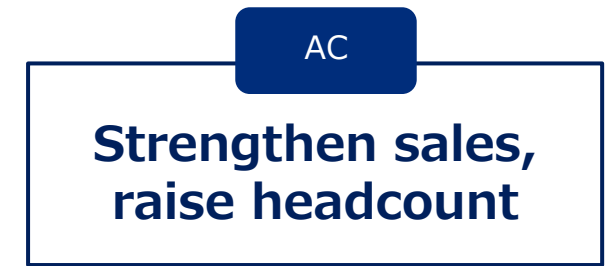
Implement AI for data analytics and consulting



Sales strategy

Broaden customer base

Shift into other end markets



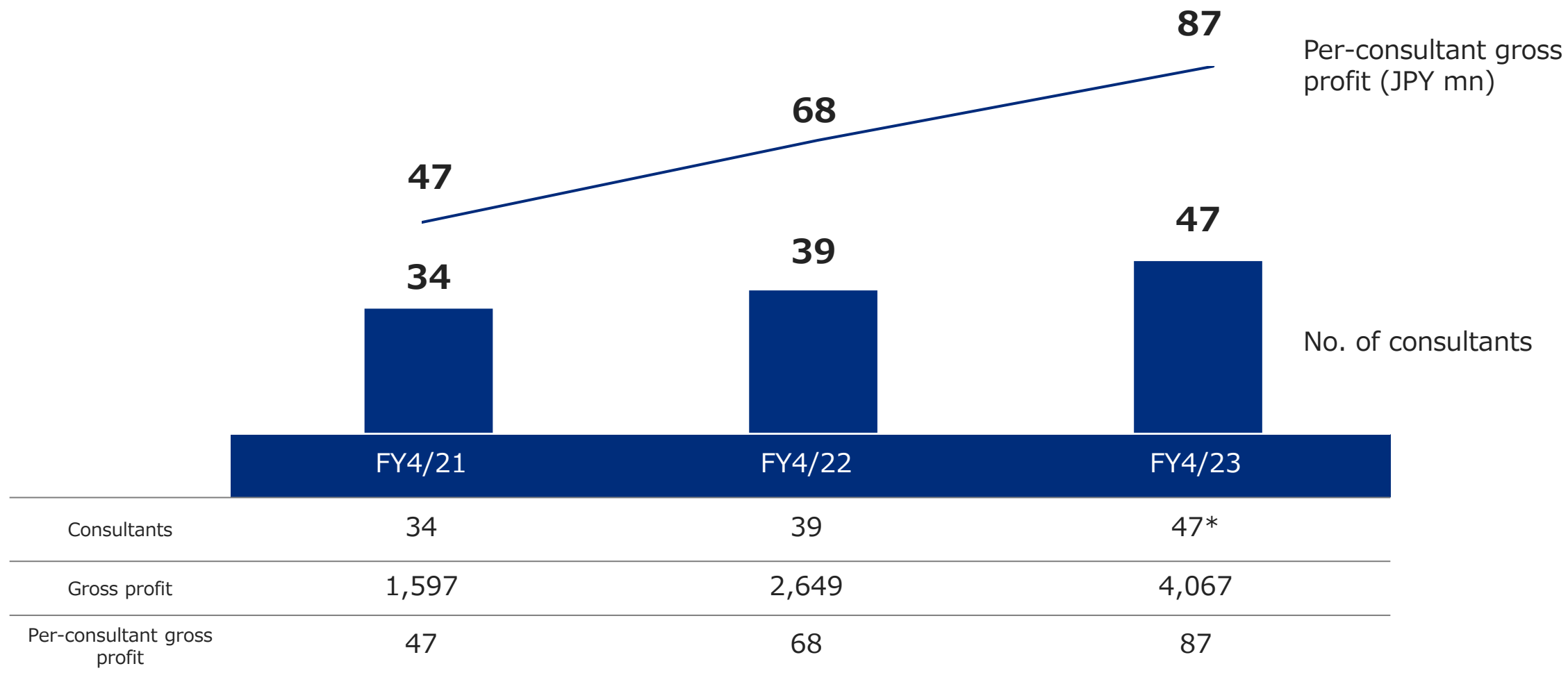
- ① Improve on efficiency of onboarding and labor productivity further
- ② Build a technology framework applicable to new industries

- ③ Create a customer portfolio that is less dependent on certain clients
- ④ Pursue an M&A strategy

① Progress: Improve on efficiency of onboarding and labor productivity further



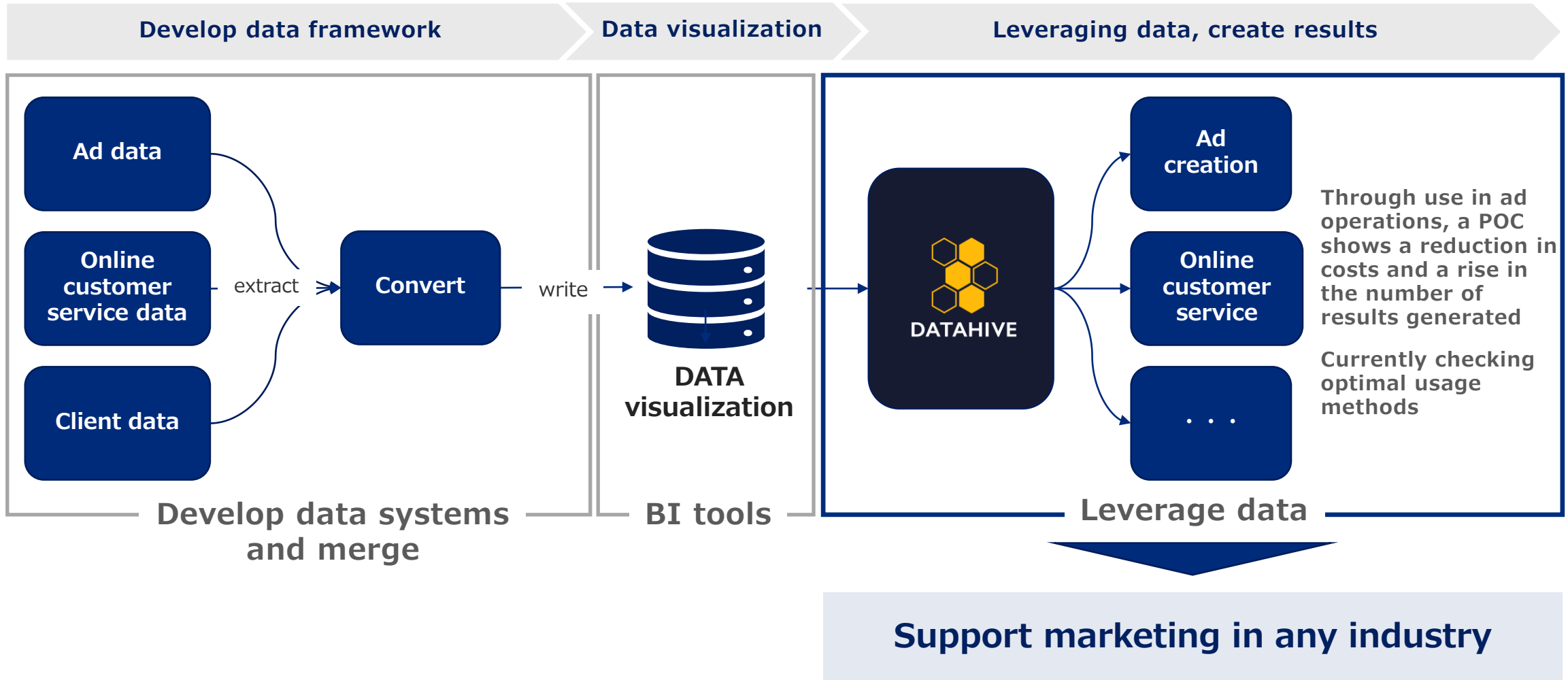
■ Per-consultant gross profit has improved every year from higher labor productivity as a result of enhancements to our technology.



*Macbee Planet only

2 Progress: Build a technology framework applicable to any industry

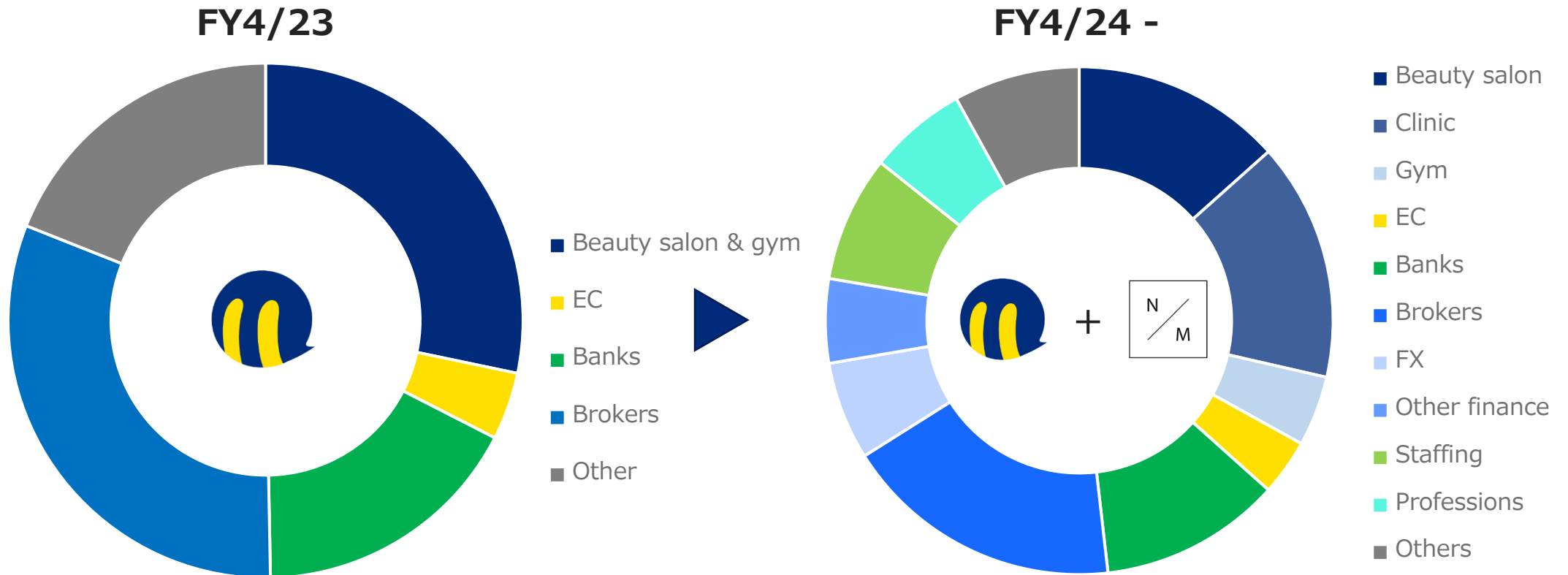
- By using DATAHIVE (still under development), we have built a system that can support marketing in various industries through data infrastructure construction, visualization and utilization.



③ Progress: Create a customer portfolio less dependent on specific clients

■ Earnings volatility is expected to decrease as customer industry portfolio expands through M&A and alliances.

Sales weighting by industry

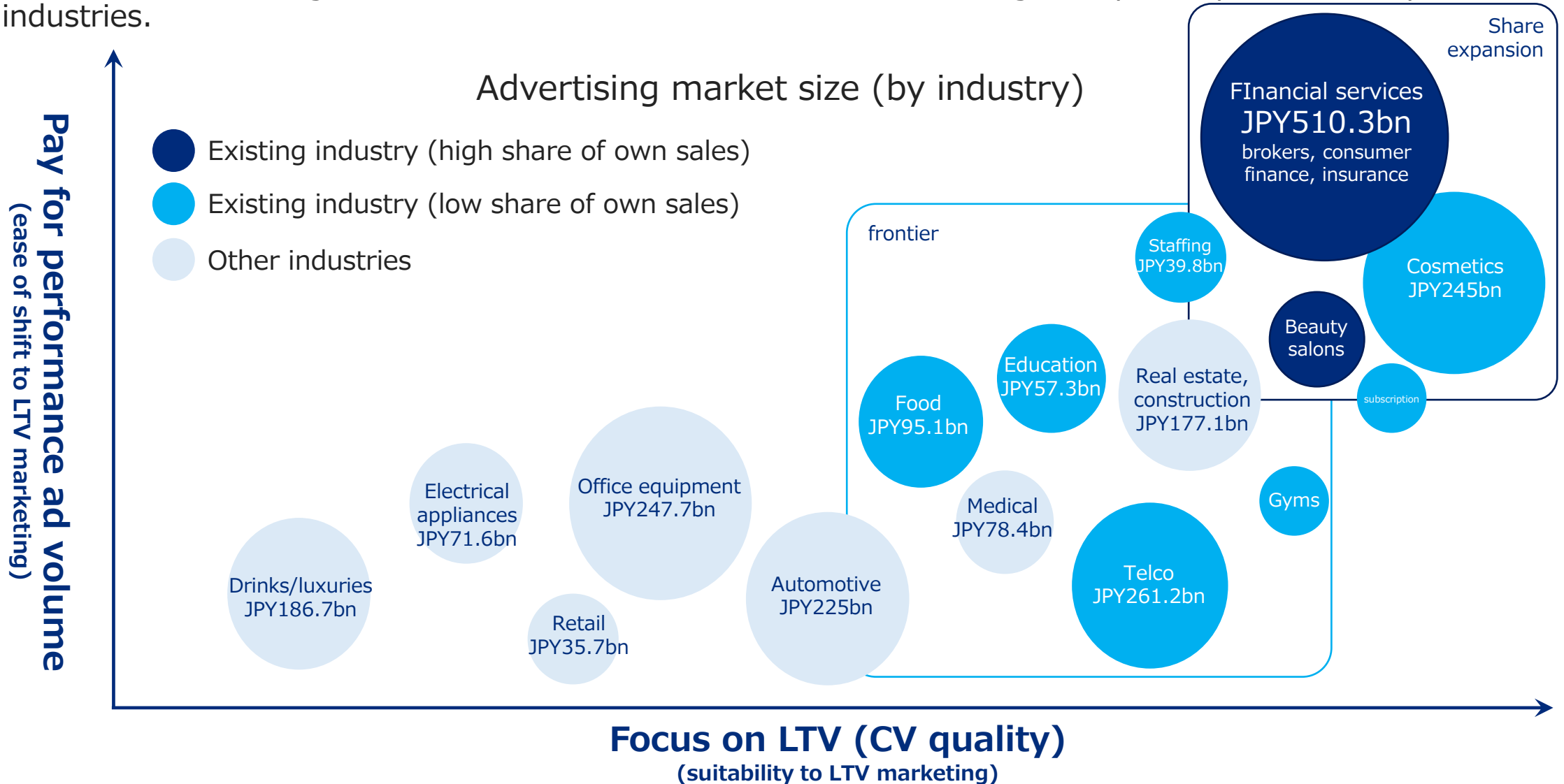


Due to a high weighting of certain industries and dependency on large clients, increased risks from individual factors

Broadening of end markets and lower share of certain customers, less susceptible to individual company factor risks

③ Progress: Create a customer portfolio less dependent on specific clients

■ Market size of existing wellness and financial services industries is large, ample scope for development in other industries.



* Market sizes and classifications are from Dentsu's 'Advertising expenditures in Japan' (2022)

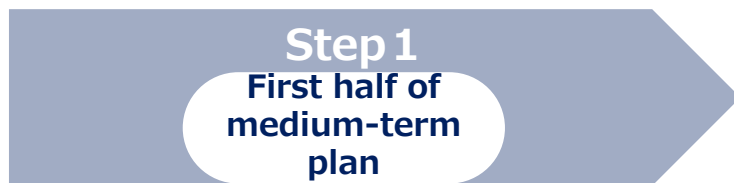
③ Progress: Create a customer portfolio less dependent on specific clients

- We expect the consolidation of Net Marketing, which is strong in the staffing field, will add a third pillar of growth from the staffing industry.

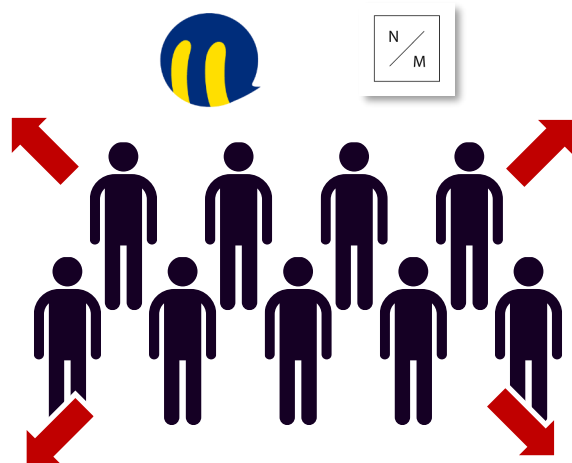


④ Progress: M&A strategy

■ We increased headcount and expanded the customer portfolio from the acquisition of Net Marketing. We aim to provide comprehensive LTV solutions and further expand market share from M&A.



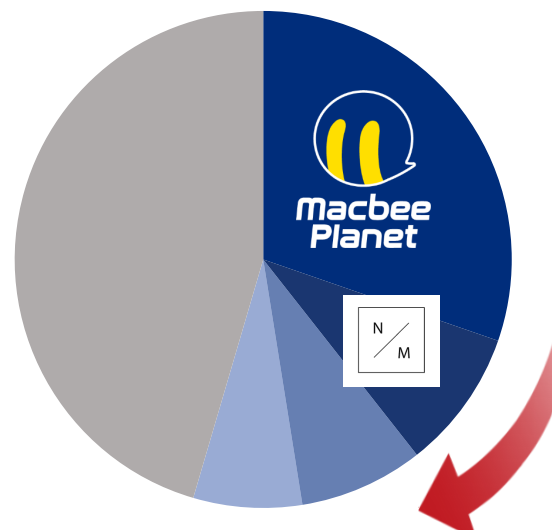
Accelerate expansion into other industries while increasing the number of consulting team members



Raised headcount from 48 at end FY4/21 to 146 at beginning of FY4/24



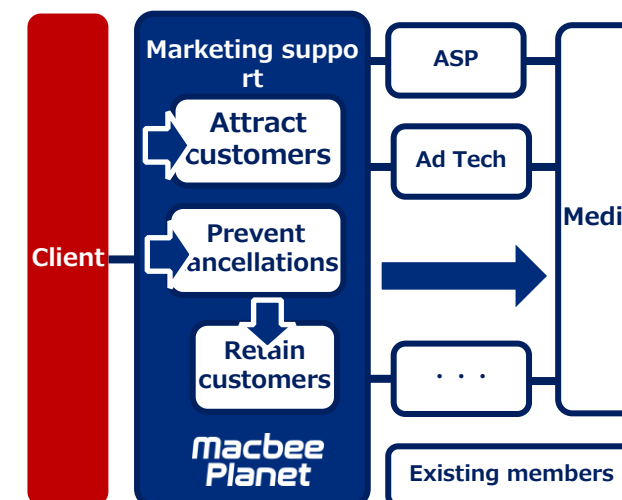
Leverage data technology and increase market share



Sales to rise from JPY9.8bn in FY4/21 to JPY35.0bn in FY4/24 (plan)



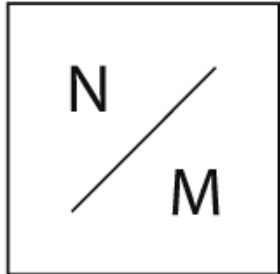
Improve profitability through provision of one-stop LTV marketing



Continue to look for improvements in FY4/24

④03/2023:Acquired ad business from Net Marketing

- Acquired the advertising business of Net Marketing, a similar business to the analytical consulting business. This is to broaden the customer portfolio and expand the size of the organization.



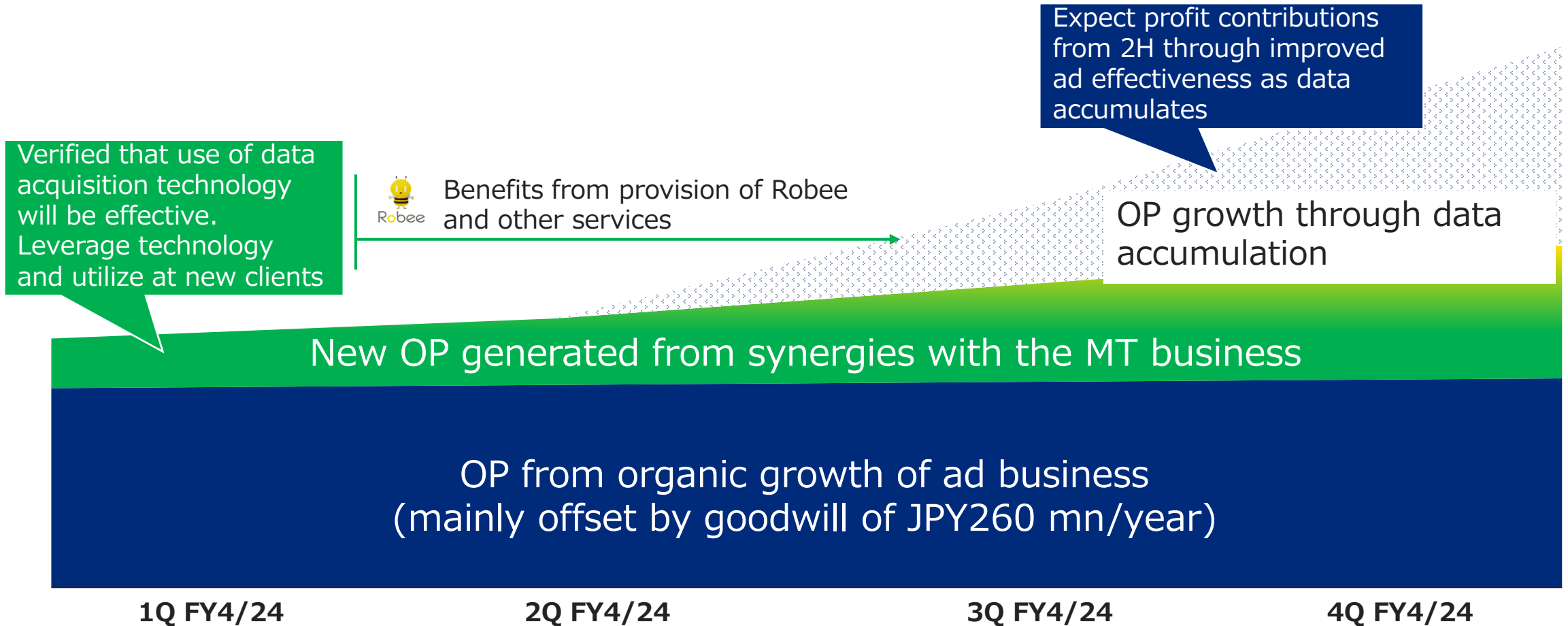
Acquired from	Net Marketing Co, Ltd		
Stake	100%		
Business overview	<p>Advertising business Provides comprehensive consulting services from promotional strategy support planning through operational support for affiliate advertising and social media advertising.</p> <p>*Net Marketing also operated Omiai, a media business, but had already spun this off and did not form part of the transaction.</p>		
Business size	Sales: Approx JPY11.7bn (disclosed as of FY6/22)		
Funding	Wholly funded by loans from financial institutions		
Goodwill*	JPY2.32bn	Amortization period*	9 years
Date of consolidation	Reflected on the balance sheet at end April 2023, in the income statement from May 2023		

*Based on strict accounting standards

④ Profit contribution from Net Marketing

■ We expect to boost earnings at Net Marketing by leveraging our data acquisition technology.

OP contribution



④ Progress: M&A acquisitions to date

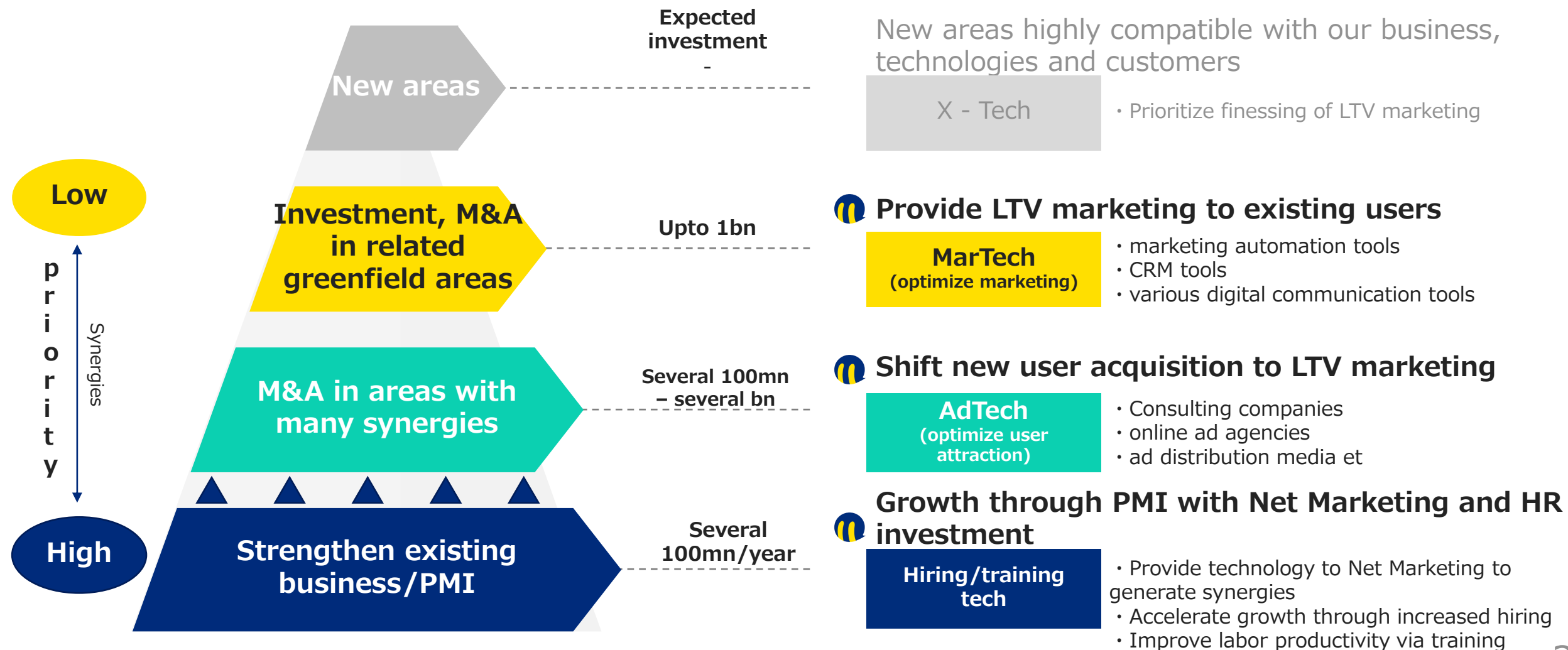
- We achieved growth by leveraging technology of Alpha, which became a subsidiary in 2021. In future, Net Marketing and other future acquisitions are expected to add value to the group.

Company name	Date acquired	Purchase price (JPY mn)	Goodwill (Amortization period)	Business overview	Purpose of acquisition	Results
Alpha	Aug 2021	1,199	833 (5Y)	Operation of AI marketing platform '3 DAD'	Acquire core technology	<ul style="list-style-type: none"> • Higher GPM through development of data acquisition technology • Generated new revenue through development of DATAHIVE
Net Marketing	Mar 2023	5,370	2,320 (9Y)*	Advertising	Secure new customer base Secure new organizational structure	<ul style="list-style-type: none"> • Expected to reduce earnings volatility • Doubles staff with marketing experience

*Based on strict accounting standards

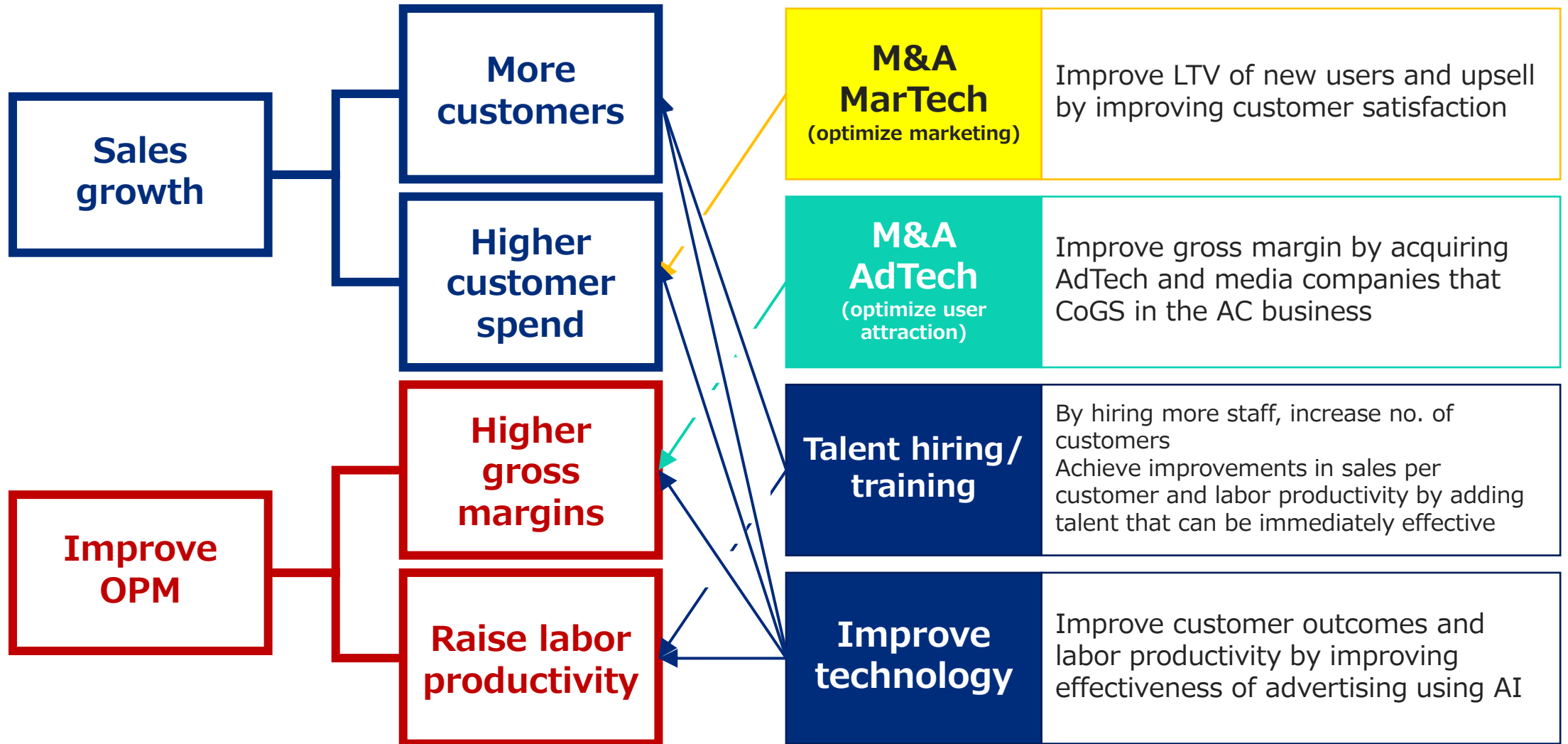
4 Future investment, M&A strategy

■ Top priority on investment in talent and PMI. At the same time, continue to prioritize expansion of areas where we can leverage our existing edge, we will consider investment in nearby areas and new businesses.



④ Future investment and M&A strategy, KPIs

- Aim to raise OPM and achieve sales growth through investment in talent and technology.



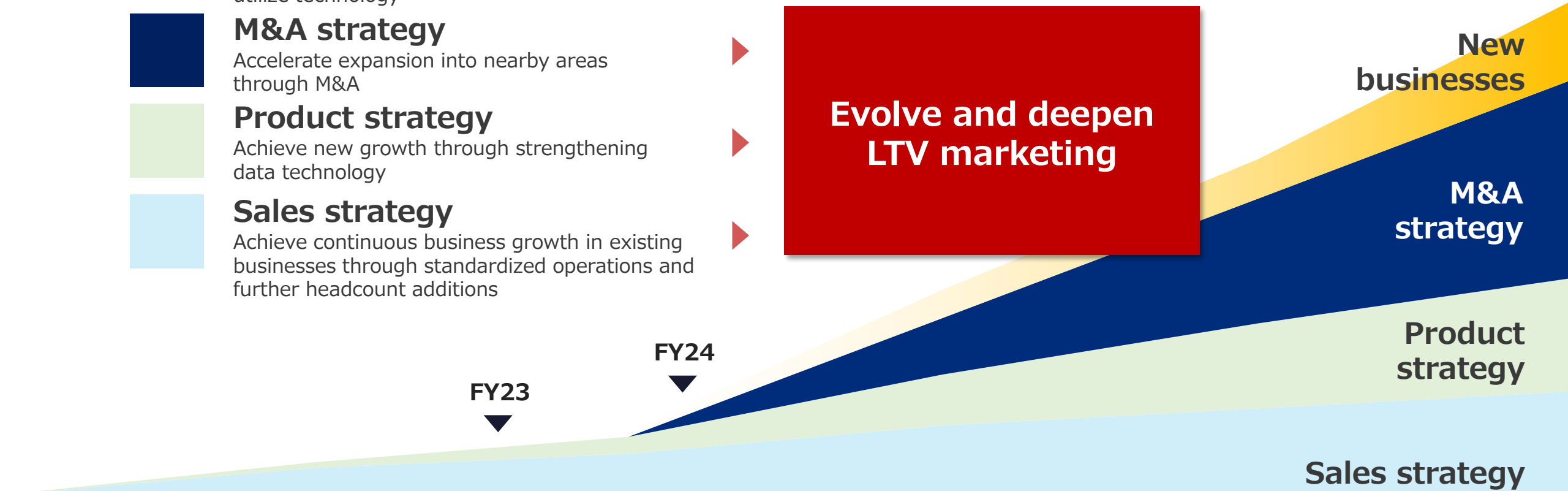
Medium-to long-term growth trajectory



■ We will transform the JPY3tn online ad market and establish a dominant position as the market leader.

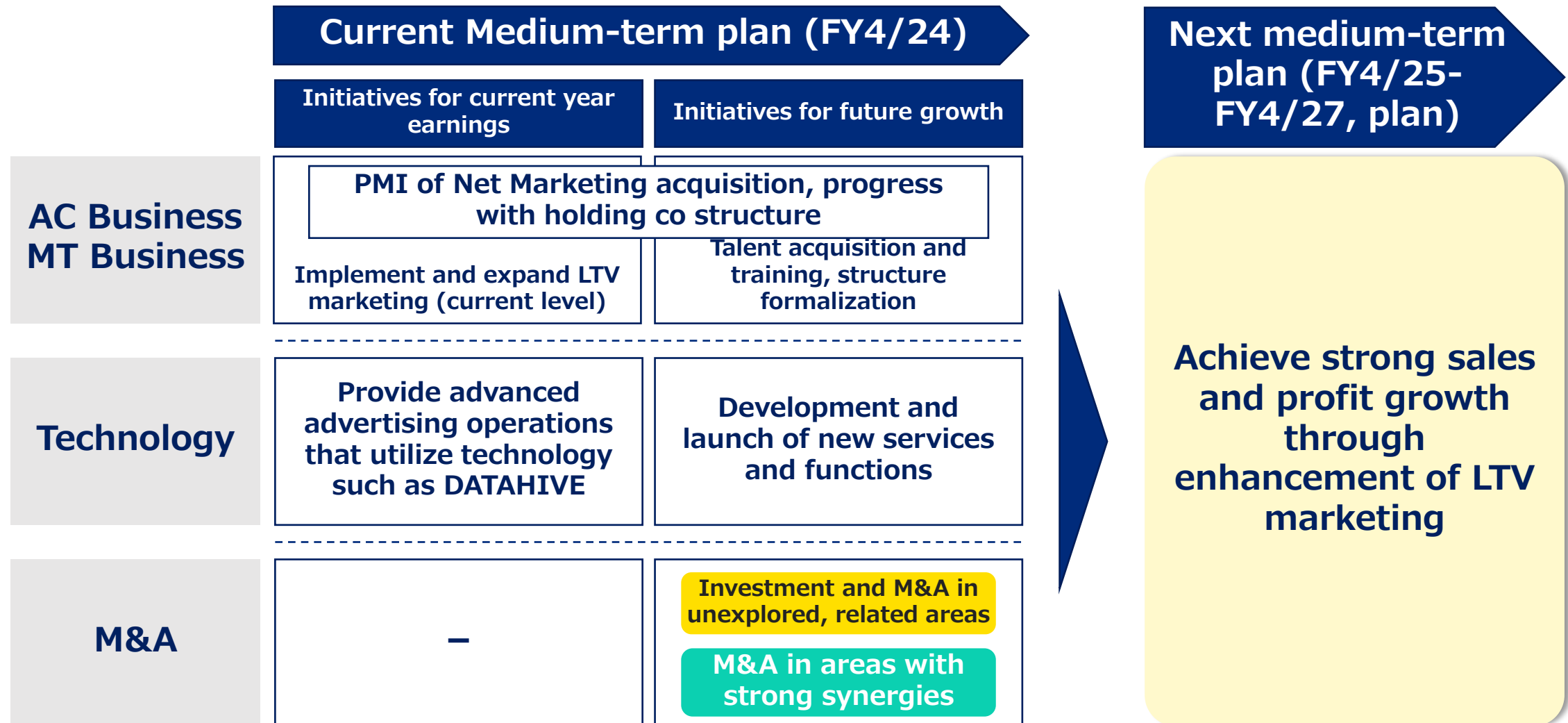
- New businesses**
Look for new business opportunities that utilize technology
- M&A strategy**
Accelerate expansion into nearby areas through M&A
- Product strategy**
Achieve new growth through strengthening data technology
- Sales strategy**
Achieve continuous business growth in existing businesses through standardized operations and further headcount additions

Evolve and deepen LTV marketing



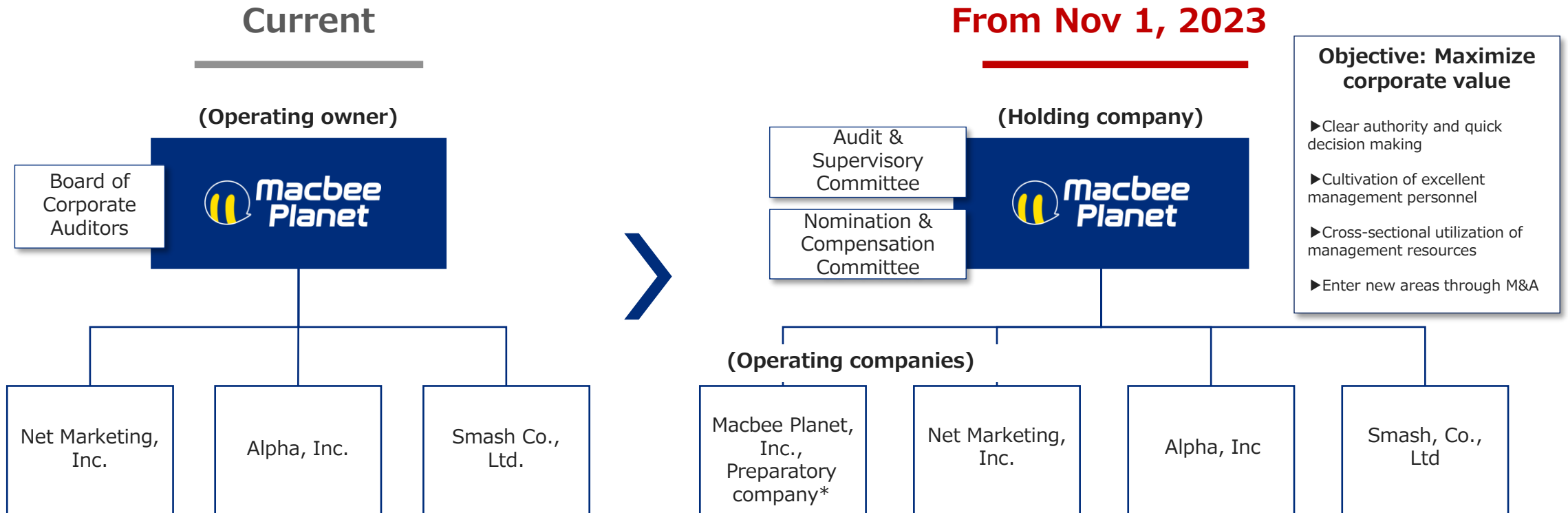
Initiatives in the current financial year

- We prepare for continuous high growth during the next medium-term plan by working on initiatives for future growth in parallel with initiatives that will contribute to business performance in the current fiscal year.



Transition to a holding company

- Maximize corporate value by leveraging group synergies and transition to a company with an audit and supervisory committee system to strengthen governance.



*Succeeding company in absorption-type demerger: Trade name to change in September

Breakdown of use of proceeds from public offering

- We plan to use the funds raised mainly for repayment of borrowings, recruiting activities for business expansion, personnel expenses, and advertising expenses. The industry environment in which we operate may change rapidly, and in that case, the funds may be used for other purposes than those currently planned.

Use of funds	Amount (JPY mn)	Expected timing
① Repayment of debt associated with M&A of Alpha, Inc. and Net Marketing, Inc.	2,620	May 2023 to April 2027
② Talent acquisition and office expansion	1,578	May 2023 to April 2027
③ Marketing expenses	187	May 2023 to April 2027
Total	4,385	-

*The industry environment in which we operate may change rapidly, and in that case, the funds may be used for other purposes than those currently planned

Risks

Risk information-1

- Following is an outline of the main risks and response policies that could potentially have a serious impact on the execution of the business plan or the realization of growth for the Macbee Planet Group, as of the date on which this report was submitted. For information on other risks, please refer to “Business risks” in the Securities Report.

Item	Main risks	Probability	Impact	Our policy for response
Market scale and competitors	Market scale may not grow as much as expected, or companies with abundant capital may enter the market, which intensifies competition.	Medium	Large	In addition to abundant expertise, we leverage technologies to differentiate our company from others.
Changes in market trends and client needs	Unable to capture market trends and client needs; delayed response results in poor profitability.	Small	Large	Improve profitability through efficient management, and continued development of new products and improvements to existing products.
Dependence on specific clients	Some of our clients contribute a large portion of sales; performance of and transaction conditions for specific clients can have a significant impact on business performance.	Medium	Large	Continue to expand sales by acquiring new clients and differentiating services we provide from those of competitors.
Continued partnerships with media	Transactions with specified influential media account for a large segment of sales; changes in those relationships or in the policies of those media clients can have a significant impact on business results.	Medium	Medium	Continue to build good relationships with influential media companies, while seeking out new media.

Risk information-2

Item	Main risks	Probability	Impact	Our policy for response
Emergence of new advertising methods	New advertising models are developed with greater impact than LTV marketing; delayed response could have an impact on performance.	Small	Medium	Maintain a high growth rate by evolving LTV marketing into a more cost-effective model.
Protection of personal information	When providing Internet-related services, new laws/regulations or demands for self-regulation could limit service provision, which could have an impact on performance.	Large	Small	Continue to gather information on the trend of personal information protection worldwide, and ensure strict compliance in business operations.
Legal restrictions	Our business is subject to Act Against Unjustifiable Premiums and Misleading Representations, Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, medical advertising guideline, and other laws and regulations. Future amendments to these and new rules on self-restriction could have an impact on the rollout of business.	Large	Small	Reduce potential violations of laws and regulations as well as company rules by establishing a system to review advertisements and providing employees with training in compliance.
Medium-term plans	We created a medium-term management plan in December 2021, but if the assumptions in this plan differ from actual conditions, or if the intended growth strategies cannot be realized (e.g., because the initially scheduled investments are not executed), then the targets laid out in the plan cannot be achieved, and this could have a significant impact on the Group's business rollout and performance.	Small	Medium	If prior conditions differ from actual conditions, or if growth strategies cannot be realized, we will disclose information at the appropriate time.

Risk information-3

Item	Main risks	Probability	Impact	Our policy in response
System Problems	Our group's services use servers of cloud services such as AWS. However, if services are interrupted due to communication line problems, human error, computer viruses, power outages, or natural disasters, and appropriate measures are not taken, our business performance may be affected due to loss of credibility or claims for damages.	Small	Medium	Taking BCP measures such as taken by duplicating the locations where the servers are located.
Intellectual property rights	If intellectual property rights are infringed by a third party, it may affect our business performance due to the time and cost required to resolve the issue.	Small	Small	We respond to the extent possible by conducting investigations in cooperation with attorneys or patent attorneys, etc.
Credit management	Unforeseeable deterioration in the financial condition of a client that makes it impossible to collect receivables may result in economic losses and affect our business performance.	Medium	Small	The Company conducts credit checks prior to selecting business partners and sets and manages credit limits for business partners.
Corporate acquisitions	If integration does not progress as planned, the expected synergies and benefits may not be realized, which may affect our business performance.	Medium	Medium	In implementing M&A, we conduct various types of due diligence in-depth and thoroughly review them at the Management Committee and Board of Directors meetings.

Disclaimer



This material contains forward-looking statements about the Group, including its future plans and management objectives. These statements are based on our current assumptions about future events and trends, and their accuracy is not guaranteed. Please be aware that a number of factors could cause actual results to differ materially from those discussed herein.

Unless otherwise stated, the financial data in this material has been prepared in accordance with accounting principles generally accepted in Japan.

Information on companies other than the Group has been obtained from publicly available sources.

This material does not constitute a solicitation to buy, sell, or subscribe to any securities, nor does it form the basis for any contract or obligation. We plan to issue an updated version of this material and an online presentation and aim to release these by July 2024. We intend to provide progress updates at quarterly and full-year financial results presentations, etc.