

Financial Results Briefing Material for the Third Quarter of Fiscal Year Ending January 2024

Appirits Inc. | Securities code: 4174

December 15, 2023

Introductory Remarks



We would like to thank our shareholders for their continued support.

On December 15, the Company announced its financial results for the first Three quarters of the fiscal year ending January 31, 2024.

Please refer to the IR page of our website (in Japanese) for the presentation materials and video of the financial results briefing.

For institutional investors, please contact our IR staff to set up an interview. We will also host several webinars for individual investors and hope you will join us for the webinars, which will include Q&A sessions. We have already announced some of these matters, but please wait as we will disclose them, including detailed schedules, on our website.



1. Corporate Summary

2. Financial Highlights for Q3 FY2024 Ending January 2024

- Corporate (Consolidated)
- Web Solutions business
- Digital Talent Development and Staffing business
- Online Gaming business

3. Future Growth Strategies

4. Appendix

- Overview of Web Solutions Business
- Overview of Digital Talent Development and Staffing Business
- Overview of Online Gaming Business
- Overview of Subsidiaries



— 1 — Corporate Summary

Vision

The Internet Company

Mission

Always make Internet services that delight and enrich the world

At Appirits, our ambition is to become an Internet company that represents the world as we grow hand in hand with our clients and employees.

We are expanding our business to transform our clients' services and people's lives for the better by utilizing the latest digital technology and creative marketing.





Company Profile

Established	July 2000				
No. of employees					
(non-consolidated)	638	638			
(consolidated)	734 (as of October 3	1, 2023 *including temporary employees)			
	Junji Wada	President and Chief Executive Officer			
	Toru Nagayama	Executive Officer and Chief Financial Officer			
	Masahiro Kotosaka	Outside Director			
	Keiko Kawamata	Outside Director			
Top management	Shinichi Kitagami	Outside Director			
	Mayu Shono	Outside Director			
	Jun Mihara	Corporate Auditor			
	Naohiro Ishigami	Outside Auditor			
	Eisuke Ito	Outside Auditor			
Financial Indicators		n yen (FY2023 ended January 2023)			
(consolidated)	Profit: 210 million ye	n (FY2023 ended January 2023)			
Group companies	Moving Crew Co., Ltd.				
(wholly owned subsidiary)	Y's Inc.				



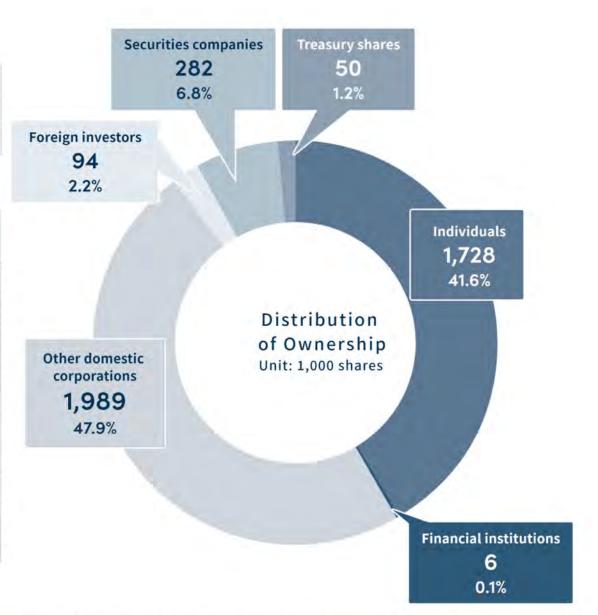
Company Profile

(As of July 3, 2023)

Securities code	4174
Total number of shares issued	4,151,400 shares
No. of shareholders	1,880

Major Shareholders (Top 10)

Name	No. of shares held	Shareholding ratio
ATGC Co., Ltd.	1,555,200	37.92%
CRYPTOMERIA	320,400	7.81%
Koichi Uoya	246,600	6.01%
Junji Wada	178,200	4.34%
Rakuten Securities, Inc.	113,400	2.76%
JPMorgan Securities Japan Co., Ltd.	88,300	2.15%
Shinya Kasatani	84,900	2.07%
Appirits Employee Stock Ownership Association	71,600	1.75%
TAKE AND GIVE. NEEDS Co., Ltd.	60,000	1.46%
Appirits Inc. (owned in the name of the Company)	50,038	_





Implement operations focused on three businesses

Stably operating business
Web Solutions business

Appirits is your best partner for digital business transformation.

We conduct large-scale system development that takes full advantage of the cloud environment and provide EC solutions suitable for agility and cost optimization.

We realize the "transformation of corporate business models and business processes," with over 300 engineers having proven ability to get things done.

Digital Talent Development and Staffing

Appirits is your best partner for developing and staffing digital talents.

Utilizing the know-how cultivated in our Web Solutions and Online Gaming businesses, we develop digital talents and dispatch them to the frontlines of development for our clients.

By understanding and maximizing the strengths of our members, we contribute to our clients' businesses and work to achieve further growth for the members...

Growing business Online Game

Appirits is your best partner for developing game-related services.

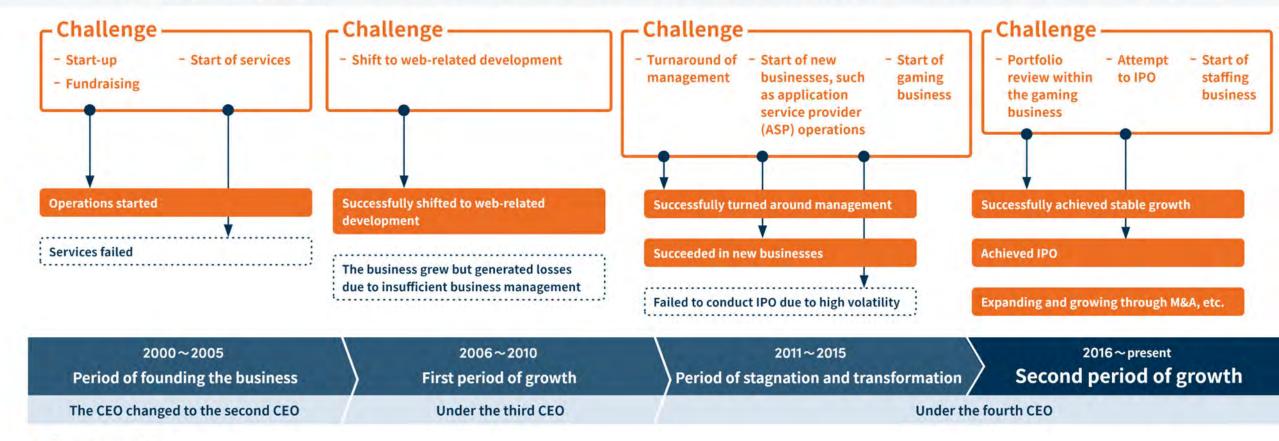
Appirits has more than 10 years of experience in contracted online game development and the planning and operation of games developed as well as copyrighted on its own.

Using in-house-developed engines allows for efficient development and continuous evolution of the game contents.



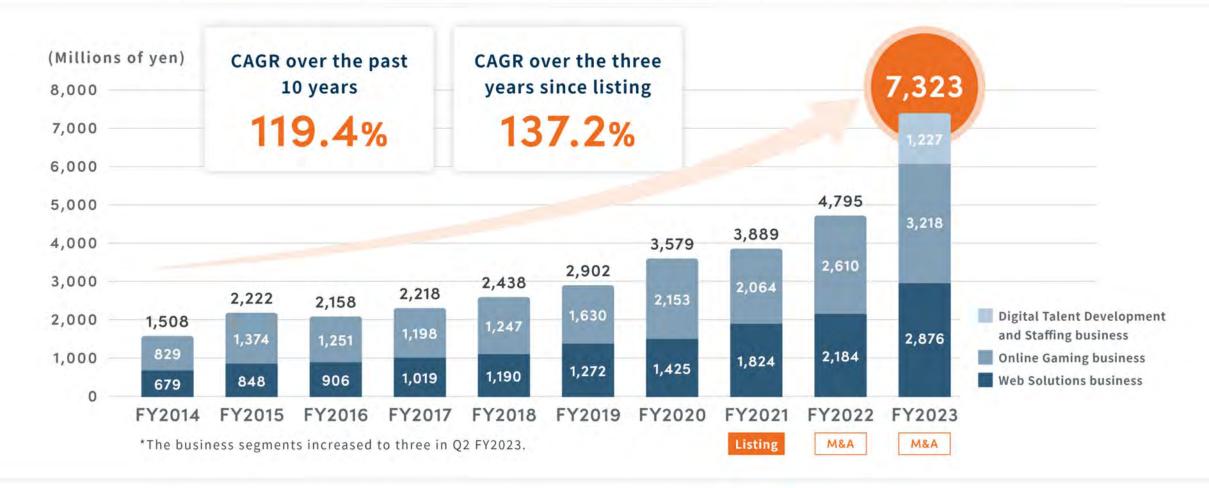
The history of the Company from its founding to the present has been a series of "challenges by young people."

Always learning from our mistakes and taking on challenges has led us to the present.





The Company has grown stably for the past 10 years.





— 2 —

Financial Highlights for Q3 FY2024

(Company-wide, Cumulative)

Company-wide, both sales and profits achieved record highs on a quarterly basis.

Web Solutions business

Net sales reached a record high.

Digital Talent Development and Staffing business

Both sales and profits were in line with the plan.

Online Gaming business

Sales increased only slightly, despite holding anniversary events.

Profits recovered and contributed to companywide results by streamlining operations of copyright-transferred games, etc.



Steady progress was made in the year-on-year comparison, resulting in significant increases in sales and profits.

Net sales (cumulative)

6,317 million yen (up 20.0% year on year)

Operating profit (cumulative)

449 million yen (up 48.9% year on year)

Profit (cumulative)

271 million yen (up 58.9% year on year)

EBITDA

580 million yen (up 39.4% year on year)



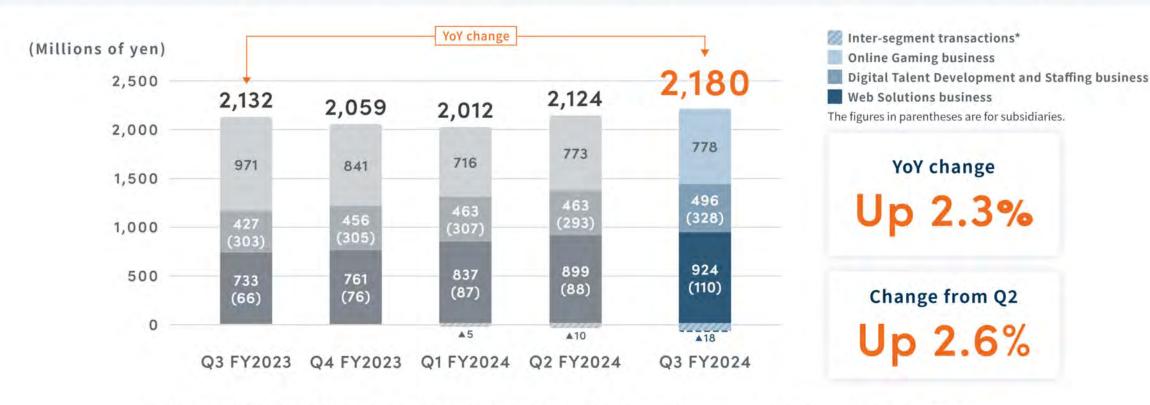
Solid progress was made in both sales and profits against consolidated financial forecasts.

Consolidated (Millions of yen)	Cumul	ative	Earnings forecast for Q1 - Q3	Progress rate over earnings forecast for Q1 - Q3
	Q3 FY2024	YoY change		
Net sales	6,317	120.0%	8,734	72.3%
Cost of sales	4,802	119.4%	6,762	71.0%
Gross profit	1,515	121.8%	1,971	76.8%
SG&A expenses	1,066	113.2%	1,421	75.0%
Operating profit	449	148.9%	550	81.6%
Ordinary profit	447	155.7%	545	82.0%
Profit	271	158.9%	327	83.0%
EBITDA	580	139.4%		_

Non- consolidated (Millions of yen)	Cumulative		Earnings	Progress rate
	Q3 FY2024	YoY change	forecast for Q1 - Q3	over earnings forecast for Q1 - Q3
Net sales	Net sales 5,163		6,907	74.8%
Cost of sales	3,858	108.0%	5,290	72.9%
Gross profit	1,305	117.8%	1,616	80.8%
SG&A expenses	859	106.2%	1,115	77.1%
Operating profit	445	149.3%	500	89.0%
Ordinary profit	455	155.0%	512	88.9%
Profit	291	157.8%	322	90.5%
EBITDA	536	136.6%	-	-



The Web Solutions business and the Digital Talent Development and Staffing business have been growing on an upward trend. The Online Gaming business remained flat despite holding anniversary events.



^{*} The inter-segment transactions between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, figures after offsetting such transactions are indicated retroactively from Q1.



Kept at an appropriate value, partly due to streamlining in the Online Gaming business.



^{*} The inter-segment transactions between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, figures after offsetting such transactions are indicated retroactively from Q1.

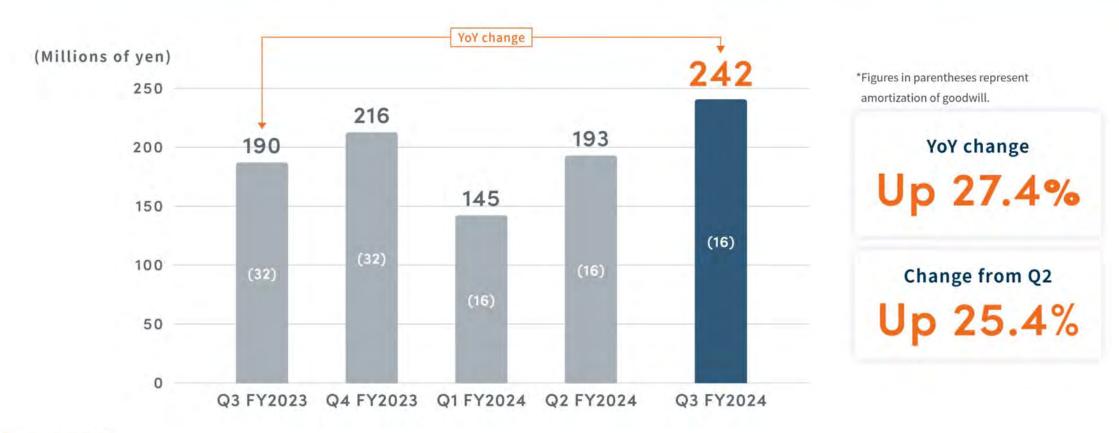


As the Digital Talent Development and Staffing business and the Online Gaming business secured higher profits, the Company achieved a record high in operating profit on a quarterly basis.





EBITDA increased steadily, absorbing the burden of amortization of goodwill for the M&As and copyright-transferred games.



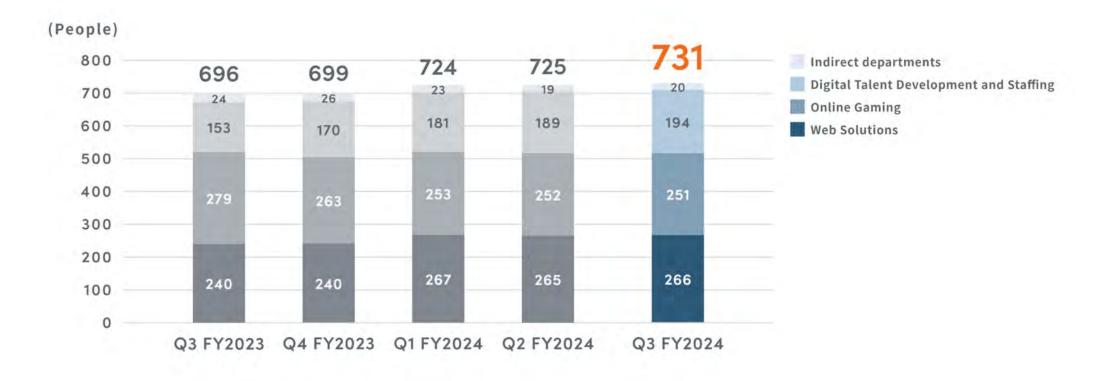


Higher profits were achieved and progress was made as planned in paying dividends and purchasing treasury shares, leading to improved capital efficiency. ROE and ROA grew strongly, while equity ratio remained stable.

(Millions of yen)	As of the end of Q2 FY2024	As of the end of Q3 FY2024	Change	Major factors of changes from Q2 FY2024
Current assets	3,124	3,230	106	Decrease in cash and deposits: -188, increase in accounts receivable - trade: +257, increase in items categorized as other: +50
Of which, balance of cash and deposits	1,634	1,446	-188	Payments of funds to purchase treasury shares: -80, interim payments of income taxes: -116, repayments of borrowings: -27
Non-current assets	1,284	1,253	-31	Amortization of goodwill of subsidiaries:-16
Total assets	4,408	4,483	75	
Current liabilities	1,699	1,721	22	
Non-current liabilities	442	415	-27	Repayments of borrowings: -27
Total liabilities	2,141	2,136	-4	
Net assets	2,266	2,346	80	Profit: +120 , increase in treasury shares: -29
Total liabilities and net assets	4,408	4,483	75	
Equity ratio	51.1%	51.9%	0.8%	
ROE	6.9%	12.2%	5.3%	
ROA	3.5%	6.3%	2.8%	

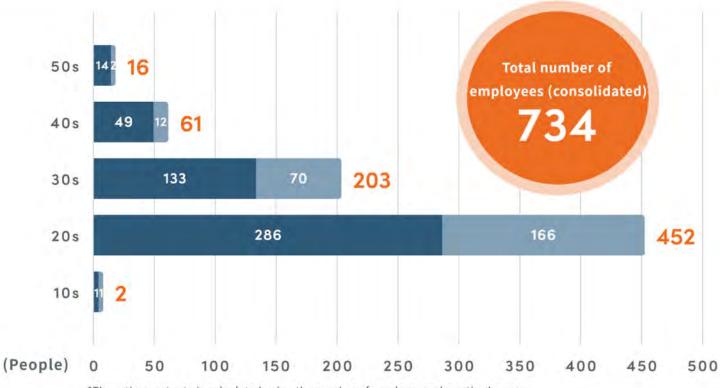


Without conducting any M&A, etc., headcount remained almost flat.





Approximately 60% of the employees are in their 20s, which will be a source of our future competitiveness in an era of declining workforce.



^{*}The retirement rate is calculated using the number of employees who retired a year ago as the parameter and the number of employees who retired during the subsequent year.



^{*}Calculated based on the difference between the 2021 salary (including bonus) and the 2022 salary (including bonus) of an employee who has been with the Company for two years.



^{*}The above figures are as of the end of FY2023.

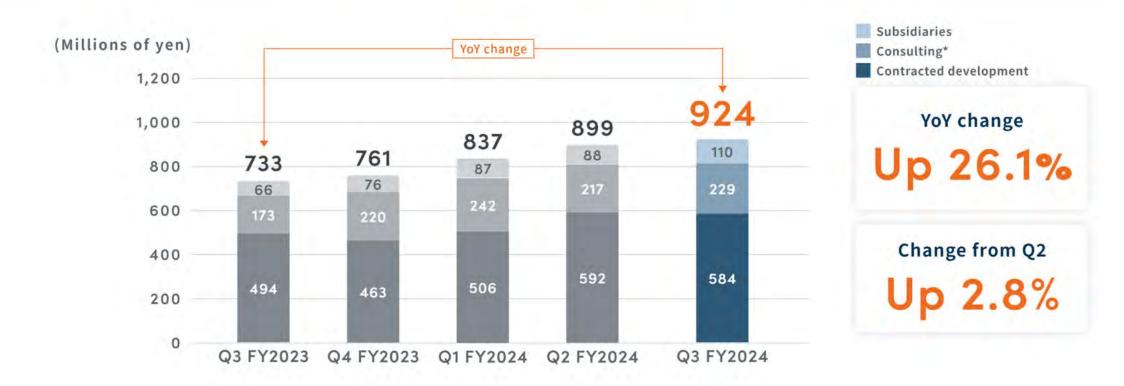
^{*}The above figures are for Appirits Inc. on a non-consolidated basis.

— 2-2 —

Financial Highlights for Q3 FY2024

Web Solutions Business

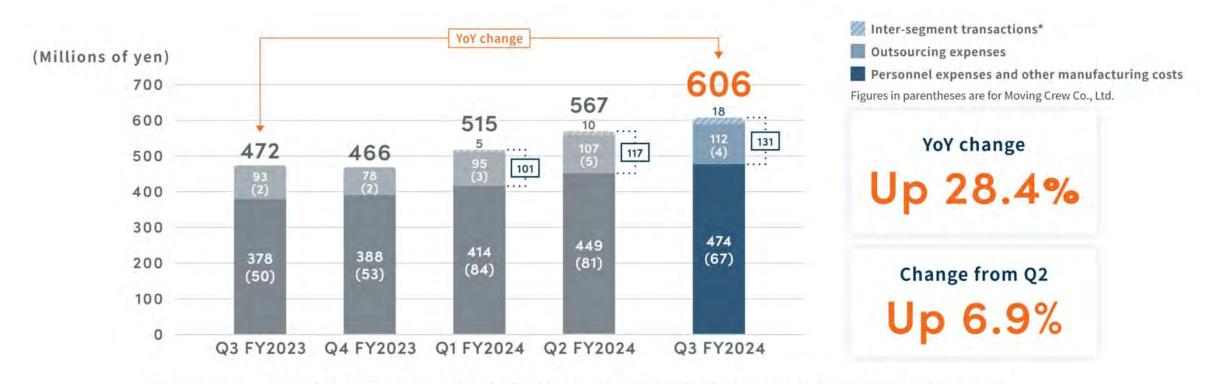
The market environment remains brisk. A concentration of deliveries for large projects enabled record-high quarterly sales.



^{*}Includes consulting, design, marketing, security, and SaaS.



Outsourcing expenses increased in line with the larger size of projects.



^{*} The inter-segment transactions (placing orders to the subsidiary) between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, the offset amount of the internal transactions between the segments is included retroactively from Q1 to indicate the gross cost of sales. Because of this arrangement, the amount of outsourcing expenses has increased.



Despite an increase in outsourcing expenses, the profit margin has been maintained at around 30%.



^{*} The inter-segment transactions (placing orders to the subsidiary) between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, the offset amount of the internal transactions between the segments is included retroactively from Q1 to indicate the gross segment profit. Because of this arrangement, the amount of segment profit has decreased.



The market environment remains brisk. Unit prices have increased in line with the larger size of projects.



(Thousands of yen) 5,639 5,600 5,416 5,400 5,200 5,000 4,756 4,800 4,506 4,600 4,367 4,400 4,200 Q3 FY2023 Q4 FY2023 Q1 FY2024 Q2 FY2024 Q3 FY2024

Transform into an organization that provides DX services

Acquire large-scale projects = Higher average unit price



——— One of the growth strategies for the current fiscal year: increase the number of projects ——

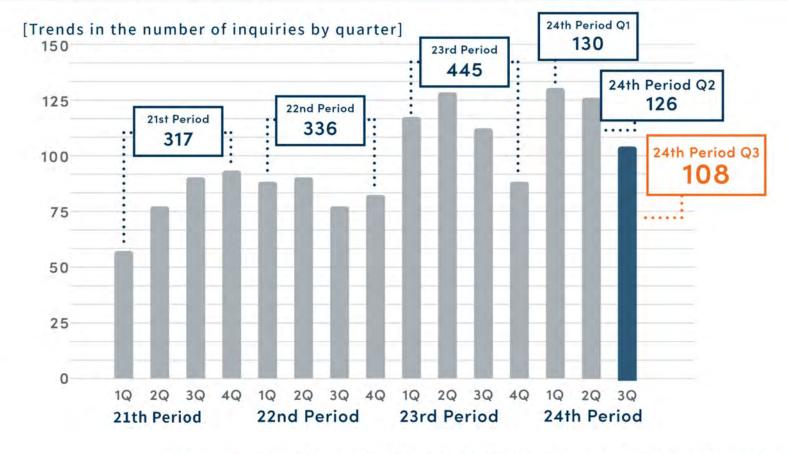
Continue to function as a touch point for new contracted development.

Although the number of inquiries decreased as the special demand related to marketing came to a stop, the number of inquiries regarding contracted development, which drives earnings, will remain at the year-earlier level for the entire fiscal year (24th Period).



Strengthen service lineups around DX.

Increase touch points = Larger number of projects





CAPCOM CO., LTD.

Utilize the knowledge of both companies for web production and development, and game development

Conducted planning, production, development, and operation in an integrated manner for Capcom Town, CAPCOM's 40th anniversary commemorative website.

DX case study

Upgrading of existing businesses and operations

The site commemorates CAPCOM's 40th anniversary with the concept of a digital destination for tourists.

The contents include a "Retro Games" corner where visitors can play CAPCOM's popular games on a Web browser, a "Museum" where visitors can view proposals and images/videos, and a participatory "CAPCOM Grand Election".

Appirits was engaged in idea generation, planning, design/asset production, requirement definition, development and implementation, and service operation in an integrated manner.

Supported the promotion of the project by utilizing the know-how of the online game business and proactively making proposals from Appirits members.





Satofull Co., Ltd.

web view app, and API integration.

Facilitate creation of the digital business platform

Provided comprehensive development of smartphone apps that bolster business growth

DX case study

Upgrading of existing businesses and operations

The "Satofuru App" is a smartphone app that promotes regional revitalization by making Japan's Hometown Tax Program (a system for donations to municipalities) more familiar and user-friendly for donors through mobile phones and encouraging more people to utilize the program.

Appirits conducted the design, development, and operation of the native app,

The app also supports the "Satofuru App de One-Stop Application," which allows users to complete applications for the one-stop special treatment system to each municipality online by using their national ID numbers.











— 2-3 **—**

Financial Highlights for Q3 FY2024

Digital Talent Development and Staffing Business

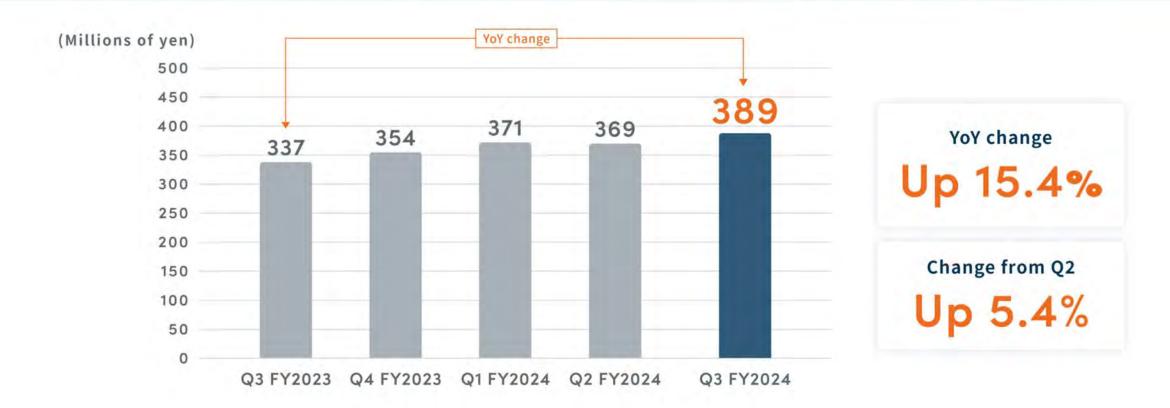
Net sales grew as planned due to the strong performance achieved by the subsidiary.



^{*} The inter-segment transactions (receiving orders from the parent company) between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, the offset amount of the internal transactions between the segments is included retroactively from Q1 to indicate the gross net sales. Because of this arrangement, the amount of net sales has increased.

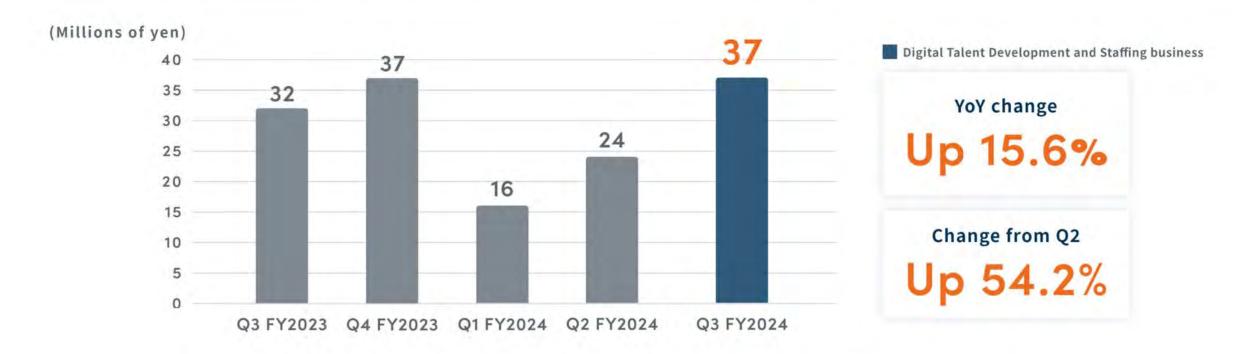


The number of dispatched staff increased, leading to net sales growth. The cost of sales also rose in accordance with the increase.





Shifting from the phase of conducting upfront investment in Q1 and Q2 to the phase of securing profit in Q3 and Q4



^{*} The inter-segment transactions (receiving orders from the parent company) between the Web Solutions business and the Digital Talent Development and Staffing business (a Group company) have been on a rising trend since entering Q3. Accordingly, the internal transactions are not offset retroactively from Q1 in the segments to indicate the gross cost of sales. Because of this arrangement, the amount of segment profit has increased in line with the increase in net sales.



Launched WEBMASTERS, a tutoring engineer school for those with no experience in the industry, at a group company (Y's).

Y's Inc. will collaborate with Apprits Inc. and utilize the networks and resources of the two companies to increase opportunities for the students of the school to work actively in the industry after graduation.

Through WEBMATER, the company will also promote the employment of the students at the Group and work to make the service itself profitable going forward.





Financial Highlights for Q3 FY2024

Online Gaming Business

Contracted development and operation have continuously performed in a stable manner.

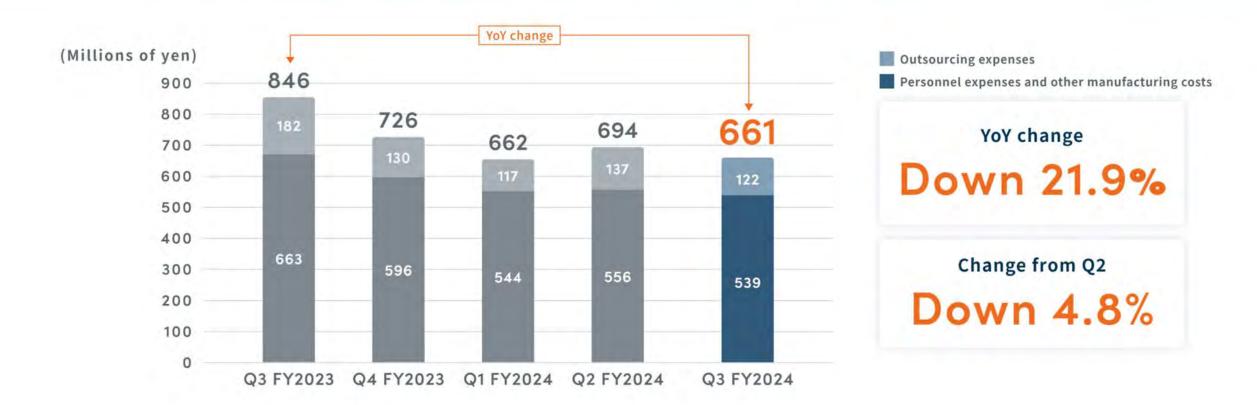
Copyright-transferred games and in-house developed games

contributed to net sales only limitedly despite conducting anniversary events.



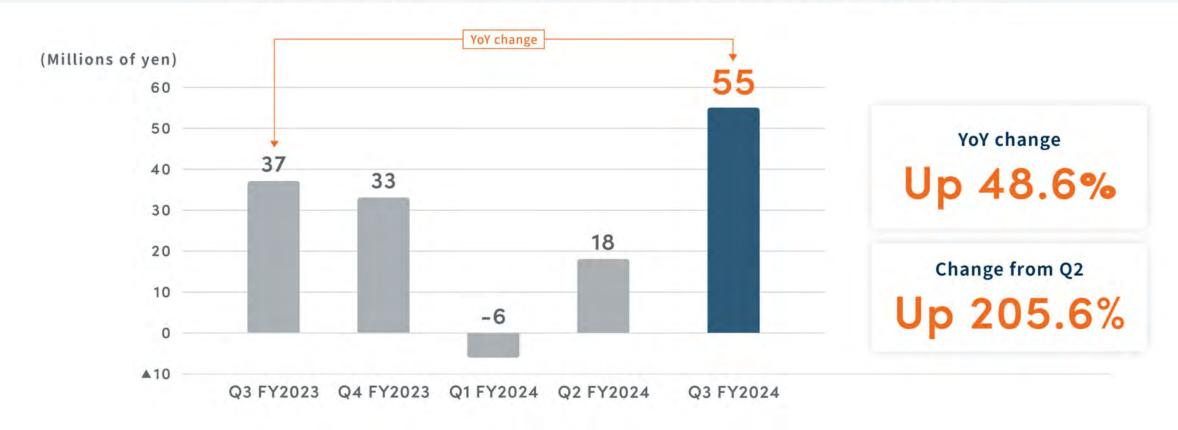


Cost of sales decreased as a result of promoting the streamlining of the operation of copyright-transferred games, etc.





Although sales struggled, segment profit was on track to recovery due to cost reductions through streamlining the operation of copyright-transferred games.





Contracted game development with collaborators has increased.

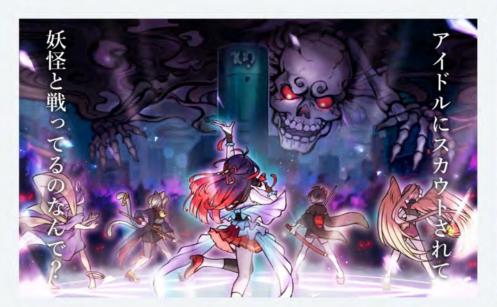
Promoting the acquisition of new projects with an eye on the next fiscal year







A new game title for "Shikihime Project" is proceeding diligently. The scheduled release date is around the second and third quarters of 2024.





Game system in the new game title for "Shikihime Project"

Real-time
3D virtual space

Simultaneous connections between many people are possible

Real-time communication (emotion, chat)



— 3 —

Future Growth Strategies

2 Drivers for further growth

The Web Solutions business intends to expand its scale through M&A and other measures.

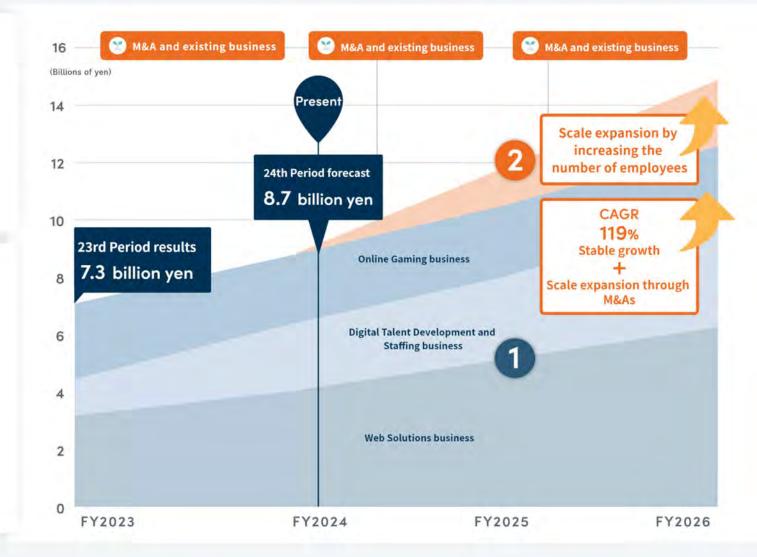
The Online Gaming business aims to increase its scale by actively pursuing in-house games and acquiring new copyright-transferred projects, etc.

Continued growth of stablyoperating businesses

The Web Solutions business will continue to grow stably at a CAGR of about 19%,

higher than in the past years through a loyalty loop by acquiring excellent projects in the brisk market.

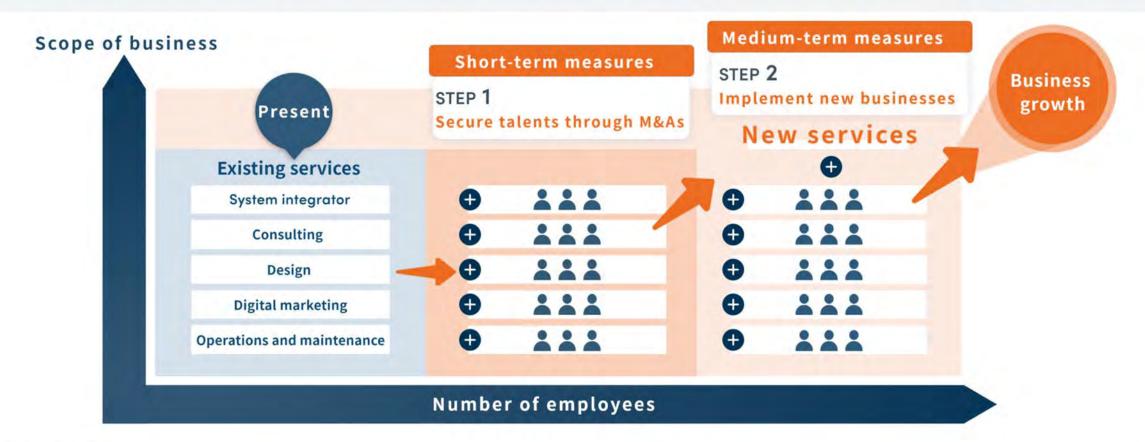
The Digital Talent Development and Staffing business will secure continuous growth on the basis of an expanded workforce.





First, implement business growth by securing digital talents to expand existing businesses.

Over the medium term, conduct M&As with the goal of developing new businesses and services.





Leverage our know-how in copyright-transferred games, accumulated on the basis of contracted development that is a stable revenue source, and achieve

growth through joint operation, largescale copyright-transferred games, and contracted operation.





Shareholder Returns and Investment Allocation Policy



| Shareholder returns

Our policy is to provide stable and continuous returns to shareholders, in terms of dividends and purchase of treasury shares. We aim for a total payout ratio of 30%.

Investment in people

We invest in people by raising salary levels and enhancing various benefits for employees. By continuing these efforts, we will work to expand businesses and achieve returns to our stakeholders.

Internal reserves

We will make strategic investments in accordance with the strategy defined for that period.

As part of our investments in people, we decided to relocate the head office to a new venue

(scheduled for September 2024).

We recognize that improving employee satisfaction and ease of work, as well as building high-quality teams, is critical for continued business expansion.

To achieve this objective, we have determined that an office environment that encourages creativity and motivation is a prerequisite. We decided to relocate our headquarters to "Shibuya Sakura Stage," a new landmark in Shibuya that is the center of information.





Started the disclosure of information in English for overseas institutional investors.

At first, a summary of financial results and financial results briefing material will be disclosed in English for each quarter. Disclosure will be further expanded going forward.





Enhance the IR information content and the ability to disseminate it widely. Continue to strengthen IR for individual investors.

Enhance the content of information in the Company's IR Library.

- Questions and answers
- Fact books
- Reports
- Information disclosure in English

https://appirits.com/ir/library.html

Participating in the

"IR note magazine" of the "note"

service to provide information
and supplements on our business.

no+e

https://note.com/notemagazine/m/m530d4bde968b

Information and supplemental information about our business is posted on X (formerly Twitter) as IR information.







4

Appendix Web Solutions Business

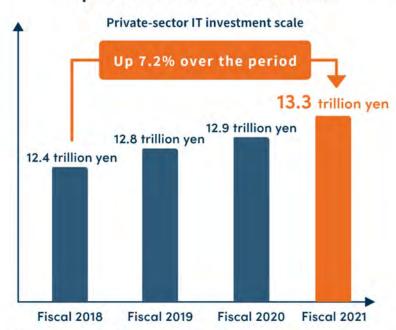
Business Overview

The size of the domestic private-sector IT market will continue to increase going forward.

By capturing the positive needs for digitalization initiatives, our Web Solutions business has grown faster than the market environment.

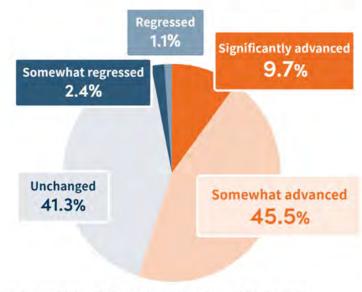
As a DX-enabling partner, we aim for growth centered on the Web Solutions business by continuing to acquire large-scale, long-term, continuous transactions

Trends and forecasts of the domestic privatesector IT market size



*Implementation of Survey on IT Investments by Domestic Companies (2021) by Yano Research Institute Ltd.

Changes in the status of digitalization efforts due to COVID-19 pandemic



*Implementation of Survey on IT Investments by Domestic Companies (2021) by Yano Research Institute Ltd.

Sales trends of the Web Solutions business





Appirits is a specialized web development company for B2C and creates a virtuous circle of projects by providing a full range of

customer services, from "strategy and planning consultancy" to "system development and maintenance".

01. Strategy and analysis

Understand the client's business strategies and plan business models and business processes that meet user scenarios and needs.

02. Planning and design

Organize marketing requirements, content requirements, and system requirements in line with the business model and translate the business into development.

Virtuous circle business

Translate business

into development

Convert technology/

achievements into business

03. Development and production

Provide schemes that meet business requirements, and support strategy and planning on the technical side. Emphasize a development concept that accounts for a sustainable operational system.

04. Operation and maintenane

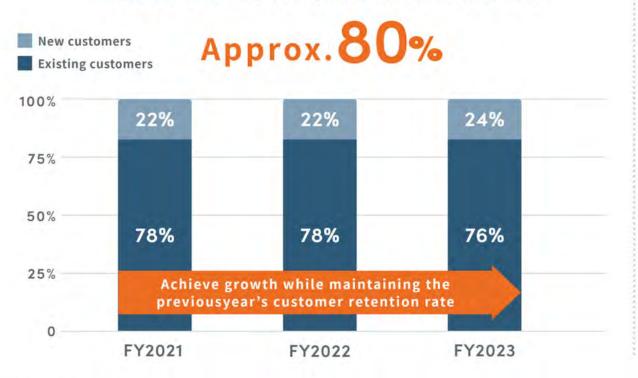
Accelerate business growth with an operational structure that ensures stable system operation after release and enhances productivity and agility.



Form a situation in which the retention rate of existing customers is approximately 80%, while acquiring new customers.

A virtuous cycle of projects completed in-house accelerates the next-phase acquisition loop.

Customer retention rate in sales



Generation of a loyalty loop



In-house completion of consulting and system development and maintenance creates a loyalty loop that

shortens the customer decision-making process

*Reinterpretation of McKinsey's customer decision Journey



The year-on-year rate of change in sales is maintained at a high level. Maintain our growth potential through M&A and other measures to raise our position in market capitalization.

(Millions of yen)

Securities code	Company name	Market capitalization	YoY change rate in sales	PER	Net sales	Operating profit	Operating profit margin	Profit margin	ROE
4053	Sun Asterisk	51,756	133.8%	35.41 times	10,745	902	8.4%	7.7%	11.5%
4434	Serverworks	26,401	158.4%	96.65 times	17,296	552	3.2%	2.6%	4.9%
2130	Members	17,193	118.2%	15.98 times	17,662	1,441	8.2%	5.7%	15.8%
4174	Appirits	4,438	152.7%	13.35 times	7,323	462	6.3%	2.9%	10.4%
4198	TENDA	3,846	120.7%	11.58 times	4,235	455	10.7%	6.3%	12.2%

*Picked up and indicated companies that develop B2C services in an integrated manner.

 $[\]divideontimes$ Market capitalization and PER are as of August 31, 2023.



— 4-2 **—**

Appendix Digital Talent Development and Staffing Business

Business Overview

Digital talents are still in short supply in our society.





Source: Survey by the Ministry of Economy, Trade and Industry (March 2019)

Hiring and training strategies that support the foundation of our business A scheme to enable talents to play an active role

\(\text{\tinc{\text{\tin}\text{\tetx{\text{\text{\text{\texi}\text{\text{\text{\texi}\text{\text{\texi{\text{\text{\texi}\text{\text{\texi{\text{\texi}\text{\text{\texi}\text{\texi{\texi{\texi{\texi{\texi{\texi{\texi{\texi{\tet

Hiring

Talent development

Staffing

Growth and active role

- Hire inexperienced people
 - Web engineers Web designers Game creators

- On-the-job training through in-house projects
- Unique curriculum

- Staffed as Web engineers
- Staffed as game planners

- Promote growth based on in-house development and operational know-how
- Thorough follow-up and coaching after hiring

General staffing companies Focus on mid-career hires who are readyforwork people

Hiring digital talents is challenging, and the number of people is not increasing easily. Centering on general training

Talent development is slow as specialized skills are left to the individual's initiative for learning. · Start with simple tasks

Careers may not advance as desired, as people will start with debugging work.

Depends on the frontlines

The staffing companies lack knowhow on talent development, which depends on the individual's efforts and the frontline environment.



Expand the mobility of talents with the Web Solutions segment and the Online Gaming segment, and accumulate know-how.





— 4-3 — Appendix Online Gaming Business

Business Overview

Pursue R&D and target high growth potential in earnings through in-house game development, while leveraging the know-how to

conduct contracted game development for collaborators, secondary development, staffing, and other businesses.

In-house game development

Provide online games for free through our own and other company' online game platforms, and maintain revenue through in-game item charges and other means.

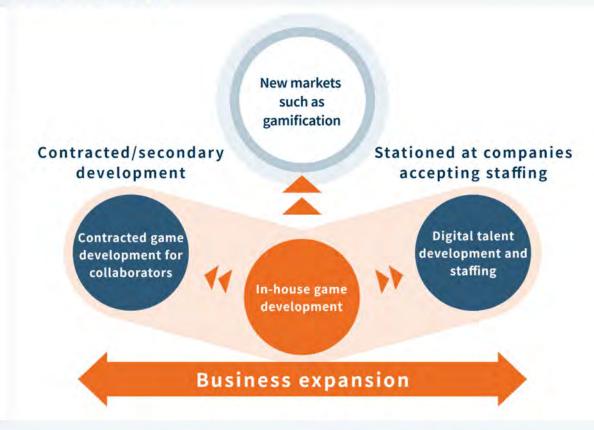
Contracted game development for collaborators (contracted development and operation of copyrighttransferred games)

Based on the know-how cultivated through the development and operation of our in-house games, conduct the contracted development and operation of our collaborators' games.

Creator staffing

Staff our talents with know-how on online game development to other game developmentcompanies, who are stationed at such companies to support their game development.

Note that the creator staffing business has been segmented into the Digital Talent Development and Staffing business, starting in Q2 FY2023.





Realize an optimal cost structure

through effective use of human resources and leveling of skills.







— 4-4

Appendix
Overview of Subsidiaries
(Moving Crew Co., Ltd.)

Mission

Comprehensive entertainment with dreams and excitement

It has been more than 20 years since the Internet permeated society. In the world of the Internet, which has developed rapidly in a short period of time, we, a group of system design professionals, have the knowledge and experience we have cultivated over the years.

When we utilize and evolve them without sparing any effort, new IT solutions that are people-friendly, loved by people, and contribute to people will be born.

We are thoroughly and confidently committed to not only the color and shape but also the materials and lining of each piece.

"Dreams" and "fun" that no one has ever seen or experienced before are now a reality.





Like Appirits, Moving Crew provides a full range of customer services, from "strategy and planning consultancy" to "system development and maintenance".

Its strengths are in the entertainment area.

Virtuous circle business



- Strategy and analysis
- Planning and design
- Market Development and production
- Operation and maintenance

Fan clubs

- Establishment, transfer and operation of fan clubs
- · Membership Management
- · Content creation

System development/ collaboration

- · Contracted system development
- Integration with-external systems
- · Development of smartphone apps

Creative

- Planning
- Website creation
- · Various graphic design

Entertainment area

1

Core

technology

nment area Fan support Call center

Support for various types of inquiries

Support for "live" venues

- · Venue operation support
- Adoption of on-site systems

Use of social media

- Operation of official social media sites
- · Social media marketing



— 4-5 **—**

Appendix
Overview of Subsidiaries
(Y's Inc.)

Mission

To accelerate your business with the power of design

We believe that we can make better use of our strengths in design for our clients' great businesses and digital content.

Realizing the need for more digital capabilities, we have expanded the scope of our production to include marketing, web, and video creation. We have also expanded our genre to include design branding for small and medium-sized companies and outsourcing of creators to major corporations.

Furthermore, we are aiming to create new forms of "events" that allow us to spend time with our clients and grow with them, and we have included this thought in the word "accelerate".



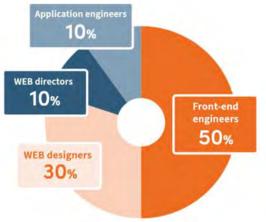


Conduct businesses with a strong affinity for Appirits, including web design and consulting, IP design, and talent staffing.

Staffing business

- Conduct digital talent staffing business focused on front-end engineers and web designers.
- About 80% of the staffed members had no experience but have become digital talents through in-house training.











The content contained herein are prepared based on economic, social, and other conditions generally recognized at this point in time and certain assumptions that we have judged to be reasonable but may be subject to change without notice due to changes in the business environment or other reasons.

The Company makes no representation or warranty as to the accuracy or completeness of the information contained herein.

Such risks and uncertainties include general industry and market conditions, and general national and international economic conditions such as interest rate and currency exchange fluctuations.

We are under no obligation to update or revise the forward-looking statements contained in this material, even if new information or future events arise.



