

Company Report

December 22, 2025

FY3/26 H1 Results: Operating Loss Beats Forecast. Improving Profitability Signals Potential Upside for Stock Price

For the FY3/26 H1, total revenue reached ¥6.345 billion (+10.6% YoY), with an operating loss of ¥169 million (compared to ¥183 million loss in FY3/25 H1). Although data center (DC) relocation costs increased, the revenue growth effect led to a slight narrowing of the operating loss. Although H1's revenue growth rate was lower than the full-year plan (+22.6% YoY), FY3/26 is expected to see more one-time revenue concentrated in H2 than usual. H1 total revenue appears to have met company forecasts. The operating loss was also smaller than planned due to data center relocation expenses being lower than planned.

Regarding total revenue by service and company, recurring revenue (parent) grew to ¥4.538 million (+16.0% YoY), driven by increases in QR/barcode settlement fees, etc. Conversely, one-time revenue (parent) remained largely flat at ¥1.089 million (+0.3% YoY) due to sluggish terminal sales during the off-season. Consolidated subsidiary WebSpace also underperformed at ¥717 million (-2.8% YoY), impacted by delays in equipment replacement projects.

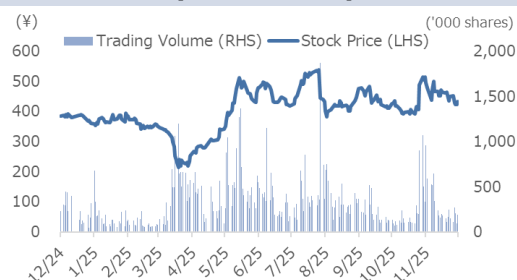
For FY3/27, profit growth accompanied by margin improvement is expected. This is expected to stem from increased revenue driven by the expansion of the current payment services business, the elimination of data center relocation expenses and reduced operating costs from the launch of new centers. Additionally, revenue contributions from the corporate payment services business and growth in recurring revenue due to an increase in the number of operating terminals for the vending machine and payment terminal market are also expected. If this is compounded by the expansion of the transaction platform service business, expectations for medium-to-long-term growth should also increase.

TMN is currently valued based on its PER due to its low profit levels, appearing particularly undervalued compared to peers in terms of EV/EBITDA. Future stock price movements are likely to test upside potential, with focus on the profit level expected for FY3/27. Key factors will include securing large-scale projects across services and the pace of growth in QR/barcode settlement fees. Looking ahead, if TMN's equity story, centered on "stable recurring revenue growth" in the electronic payment services business driven by the realization of data center relocation effects, coupled with a sharp expansion of recurring revenue in the transaction platform services business (currently dominated by one-time revenue), leading to margin improvement"—gains traction, the stock price could rise on heightened expectations for medium to-long-term profit growth.

Strategy Advisors Co., Ltd.
Atsushi Ohmachi



Stock Price and Trading Volumes (Past 1-Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (12/19/25)	432
52-Week High (8/14/25)	537
52-Week Low (4/7/25)	213
All-Time High (7/4/23)	1,946
All-Time Low (7/4/25)	213
Shares on Issue (mn, excl. Treasury Shares)	29.7
Market Capitalization (¥bn)	12.8
EV (¥bn)	16.2
Equity ratio (3/25 Actual, %)	37.3
PER (3/26 CoE, x)	36.7
PBR (Actual as of 3/25, x)	1.6
Dividend Yield (3/26 CoE, %)	0.0

Note: EV = Market Capitalization + Interest Bearing Debt - (Cash and Deposits - Deposits)

Source: Strategy Advisors.

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Japanese GAAP - Consolidated

FY	Sales (¥mn)	YoY Change (%)	Operating Profit (¥mn)	YoY Change (%)	Ordinary Income (¥mn)	YoY Change (%)	Net Income (¥mn)	YoY Change (%)	EPS (¥)	DPS (¥)
3/25 H1	5,738	-	-183	-	-190	-	-202	-	-5.47	-
3/26 H1	6,345	10.6	-169	-	-182	-	-193	-	-5.82	-
3/23	7,831	9.7	560	-21.2	535	-24.8	672	-	21.2	0.0
3/24	10,370	-	777	-	765	-	585	-	15.9	0.0
3/25	12,300	18.6	-504	-	-513	-	-682	-	-18.5	0.0
3/26 CoE	15,079	22.6	512	-	464	-	349	-	9.5	0.0

Note: FY3/24 YoY change rate is not shown due to the change to a consolidated basis from FY3/24.

The company's EPS forecast for FY3/26 does not take into account the repurchase of treasury shares.

Source: Company Materials. Prepared by Strategy Advisors.

1. FY3/26 H1 Financial Results Overview

H1 Operating Loss Narrowed Compared to Both the Same Period Last Year & Company forecasts

Transaction Media Networks (TMN) reported FY3/26 H1 results with total revenue of ¥6.345 billion (+10.6% YoY) and an operating loss of ¥169 million (compared to a loss of ¥183 million in the same period last year). Although data center (DC) relocation costs increased, the revenue growth effect led to a slight narrowing of the operating loss. The DC relocation was completed on September 16, and the recording of relocation expenses has ended.

Although the H1 revenue growth rate was lower than the full-year plan (+22.6% YoY), FY3/26 is expected to see more one-time revenue concentrated in H2 than in previous years. H1 total revenue appears to have met the company's plan. The operating loss was also smaller than planned because data center relocation expenses were lower than expected.

EBITDA Increased 30% YoY

Meanwhile, EBITDA (calculated by adding interest expense, depreciation and amortization, goodwill amortization and customer-related asset amortization to ordinary income), which the company prioritizes, was ¥976 million (+29.5% YoY). While quarterly EBITDA had continued to decline YoY from FY3/25 Q1 to FY3/26 Q1, FY3/26 Q2 saw a significant increase to ¥636 million (+79% YoY). This turnaround was driven by improved operating profit and increased depreciation expenses associated with DC operations.

Improved SG&A Expenses Ratio Offset Gross Profit Margin Decline, Due to Increased Data Center Relocation Expenses

The gross profit margin for H1 decreased to 28.3% from 29.3% in the same period last year, primarily due to increases in depreciation expenses (mainly DC-related) and outsourcing costs (such as labor expenses). Data center relocation expenses (largely recorded in cost of sales) increased to ¥345 million from ¥257 million in the same period last year.

On the other hand, SG&A expenses increased from ¥1.862 billion in the same period of the previous fiscal year to ¥1.965 billion. Other expenses increased from ¥308 million in the same period of the previous fiscal year to ¥423 million due to the recording of consulting fees associated with the acquisition of treasury stock and various expenses related to the acquisition of a subsidiary,

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which will be described later. Additionally, depreciation expenses increased from ¥94 million in the same period of the previous fiscal year to ¥103 million due to the commencement of operations at the new distribution center. Furthermore, personnel expenses increased from ¥1.021 billion in the same period of the previous year to ¥1.050 billion due to upfront investments in human resources.

On the other hand, outsourcing expenses decreased from ¥251 million in the same period of the previous year to ¥201 million due to a reduction in PMO expenses associated with the DC relocation. As a result, the SG&A ratio improved from 32.5% in the same period of the previous year to 31% due to the revenue growth effect.

On September 30, TMN made Four-J Corporation (Shinjuku-Ku, Tokyo), whose core businesses are system engineering services and software contract development, a wholly owned subsidiary. By bringing in-house some of the temporary staff and outsourced personnel previously used by TMN, the company aims to reduce external expenditures and improve profitability. Simultaneously, by acquiring personnel with diverse skill sets, it seeks to accelerate business expansion through securing large-scale projects.

The goodwill arising from the acquisition of Four-J Corporation amounted to ¥269 million, with acquisition-related costs totaling ¥32 million. Four-J Corporation's FY12/24 revenue was total revenue of ¥605 million and operating profit of ¥5 million. Four-J Corporation's October-December period results are scheduled to be recorded in the consolidated income statement for TMN's FY3/26 Q4.

Total assets at the end of Q2 decreased to ¥16.669 billion from ¥18.368 billion at the end of Q1. Cash and deposits decreased by ¥2.040 billion compared to the end of Q1 due to share buybacks, among other factors. Additionally, the software suspense account decreased by ¥808 million due to the launch of the DC. On the other hand, software increased by ¥777 million and goodwill increased by ¥254 million due to the acquisition of Four-J Corporation.

On the funding side, total liabilities at the end of Q2 increased to ¥10.217 billion from ¥8.434 billion at the end of Q1. Long-term borrowings (including current portion) increased by ¥1.850 billion compared to the end of Q1 due to the acquisition of treasury stock. Total shareholders' equity at the end of Q2 decreased to ¥6.379 billion from ¥9.862 billion at the end of Q1 due to the acquisition of ¥3.485 billion in treasury stock. As a result, the equity ratio decreased from 53.7% at the end of Q1 to 38.3%. However, the net D/E ratio at the end of Q2 was 0.36x (or 0.54x even when including deposits held in interest-bearing debt), indicating that financial soundness was maintained.

The new data center, which began operations in September, has achieved Tier 4 certification, the highest level under the Data Center Facility Standard established by the Japan Data Center Council (JDCC). It also complies with the international standard for business continuity management systems, ISO 22301.

Acquisition of Four-J Corporation as a Wholly Owned Subsidiary

Total Assets Decreased Due to Treasury Stock Acquisition. But Financial Soundness Maintained

Commissioning of a New High-Performance Data Center

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The new data center achieves enhanced scalability, availability and maintainability. Specifically, it secures a flexible foundation and capacity for future service additions and processing power expansion. It also minimizes the impact scope during system failures, preventing operational downtime. Furthermore, automated monitoring and the introduction of the latest equipment have improved maintainability and successfully reduced power consumption and operational costs.

Figure 1. Summary of FY3/26 H1 Financial Results

(¥mn)

	FY3/25 H1	FY3/26 H1 (A)	Progress Rate (A)/(B)	FY3/26 CoE (B)
Total Revenue (Consolidated)	5,738	6,345	42.1%	15,079
Recurring Revenue	3,913	4,538	46.3%	9,802
Gateway Service Fees	2,275	2,509	48.6%	5,163
QR/Barcode Service Fees	1,384	1,816	43.4%	4,189
Registration Fees	254	212	47.3%	449
One-Time Revenue	1,086	1,089	30.0%	3,627
Terminal Sales	627	655	35.2%	1,860
SI Development Sales	198	235	27.5%	857
Others*	260	198	21.8%	909
WebSpace	738	717	43.5%	1,650
Gross Profit	1,679	1,796	38.7%	4,642
Gross Profit Margin	29.3%	28.3%	-	30.8%
SG&A Expenses	1,862	1,965	47.6%	4,130
Operating Profit	-183	-169	-	512
Ordinary Income	-190	-182	-	464
Net Income	-202	-193	-	349
EBITDA	753	976	34.1%	2,863

*Others: Nextore, In-house Prepaid, Cloud POS, Data Distribution Business, etc.

Note: Company forecast for SG&A expenses for FY3/26 is estimated by Strategy Advisors.

Source: Company Materials. Prepared by Strategy Advisors.

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Figure 2. Income Statement and Key Indicators (¥mn, Quarterly)

FY	3/24				3/25				3/26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Parent	Parent	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Total Revenue	2,305	2,304	2,917	2,842	2,732	3,006	3,150	3,411	3,022	3,322
(YoY)	36.3%	19.2%	52.0%	24.3%	NM	NM	NM	NM	10.6%	10.5%
<Recurring Revenue>	1,633	1,727	1,828	1,864	1,930	1,983	2,075	2,139	2,218	2,319
(YoY)	27.6%	29.2%	25.1%	21.2%	18.1%	14.8%	13.5%	14.7%	14.9%	16.9%
•Gateway Service Fees	1,033	1,059	1,085	1,105	1,129	1,146	1,173	1,197	1,245	1,264
(YoY)	10.8%	12.9%	12.2%	12.5%	9.3%	8.2%	8.1%	8.3%	10.2%	10.3%
•QR/Barcode Service Fees	461	527	609	633	669	714	779	828	869	946
(YoY)	175.0%	130.0%	80.2%	53.7%	45.1%	35.5%	27.9%	30.8%	29.8%	32.5%
•Registration Fees	138	140	133	124	130	123	122	113	104	108
(YoY)	-23.0%	-16.8%	-14.7%	-12.6%	-5.4%	-12.2%	-8.1%	-9.5%	-20.5%	-11.6%
<One-Time Revenue>	670	576	1,088	978	423	662	756	966	454	634
(YoY)	63.4%	-3.3%	137.8%	30.7%	-36.9%	14.9%	-30.5%	-1.2%	7.2%	-4.2%
•Terminal Sales	402	361	489	476	245	381	546	556	269	386
(YoY)	68.8%	-0.6%	83.9%	-3.2%	-39.0%	5.4%	11.6%	16.8%	9.5%	1.4%
•SI Development Sales	187	132	135	406	90	108	104	233	91	143
(YoY)	44.0%	-22.7%	-2.7%	107.6%	-51.9%	-18.3%	-22.6%	-42.4%	1.4%	32.7%
•Others	81	82	463	95	87	172	105	176	93	104
(YoY)	92.0%	35.4%	780.2%	57.4%	7.9%	109.4%	-77.3%	84.3%	6.7%	-39.5%
WebSpace	-	-	-	-	377	360	318	305	349	368
(YoY)	-	-	-	-	NM	NM	NM	NM	-7.5%	2.2%
Gross Profit	789	763	790	977	841	837	820	902	846	949
(Gross Profit Margin)	34.2%	33.2%	27.1%	34.4%	30.8%	27.8%	26.0%	26.4%	28.0%	28.6%
SG&A Expenses	620	595	611	665	899	963	1,001	1,041	1,043	922
Operating Profit	169	168	179	311	-57	-126	-180	-139	-196	26
(YoY)	197.6%	-11.9%	21.3%	90.0%	NM	NM	NM	NM	NM	NM
(OP Margin)	7.4%	7.3%	6.2%	11.0%	-2.1%	-4.2%	-5.7%	-4.1%	-6.5%	0.8%
Non-Operating Profit/Loss	-7	1	1	-6	-2	-5	-4	1	-2	-10
Ordinary Income	162	169	180	305	-59	-130	-184	-138	-198	16
(YoY)	186.1%	-11.6%	20.6%	122.2%	NM	NM	NM	NM	NM	NM
(Ordinary Income Margin)	7.1%	7.3%	6.2%	10.8%	-2.2%	-4.4%	-5.9%	-4.1%	-6.6%	0.5%
Net Income	161	157	194	125	-71	-131	-277	-202	-198	4
(YoY)	192.0%	-13.6%	27.3%	-32.3%	NM	NM	NM	NM	NM	NM
EBITDA	552	565	583	739	398	354	364	379	340	636
Number of Operating Terminals	0.87	0.90	0.93	0.96	0.99	1.01	1.06	1.10	1.12	1.15
(As of End of Period, mn)										
Payment Processing Amount (GMV, ¥trn)	1.1	1.1	1.2	1.1	1.1	1.2	1.3	1.3	1.4	1.4
Number of Transactions (bn)	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7

Note: Consolidated financial statements will begin from FY3/24 Q3 due to WebSpace becoming a consolidated subsidiary. However, FY3/24 Q3 and Q4 will only be reflected in the balance sheet and will not be included in the income statement.
Source: Company Materials. Prepared by Strategy Advisors.

2. Major Business Trends

Recurring Revenue Continues to Show Strong Growth

Recurring revenue derived from merchants' use of electronic payment services consists of gateway service fees, QR/barcode settlement fees and registration fees. The increase in the number of operating terminals is a particularly important KPI for TMN, as it leads to expanded recurring revenue primarily through growth in gateway service fees (which are monthly fixed charges) and QR/barcode settlement fees (which are usage-based charges).

TMN's number of operating terminals reached 1.15 million units at the end of the first half of FY3/26 (an increase of 140,000 units compared to the same period last year and an increase of 50,000 units compared to the end of the previous fiscal year). In addition to the increase in the number of operating terminals, the adoption of 13,000 new UT-X20 payment terminals by Welcia Holdings (3141 TSE Prime) led to a sharp rise in cash register card usage. QR/BARCODE payment usage expanded. Consequently, H1 gross merchandise value (GMV) reached ¥2.8 trillion (+19.5% YoY). The number of transactions in H1 also increased significantly to 1.4 billion (+16.6% YoY). Consequently, recurring revenue (parent) in H1 grew 16.0% YoY, continuing the high growth rate seen in FY3/25 (+15.2% YoY).

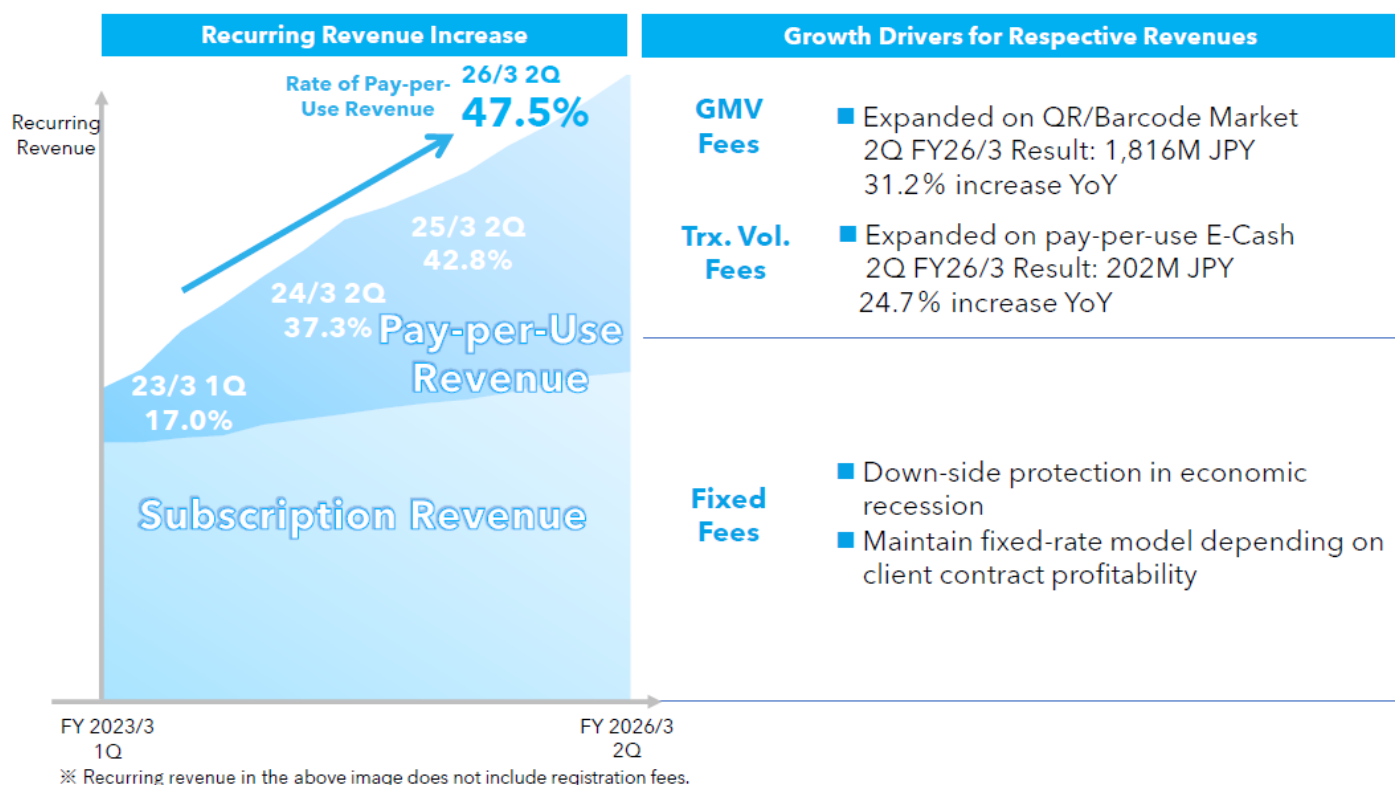
Gateway Service Fees and QR/Barcode Settlement Fees Grew by Over 20%

Regarding the main components of recurring revenue: Gateway service fees increased to ¥2.509 billion (+10.3% YoY). This was driven by growth in fixed-fee revenue due to the increase in the number of operating terminals, and by transaction-based fee revenue from E-Cash settlements, which reached ¥202 million (+24.7% YoY) due to an increase in contracted merchants. QR/BARCODE settlement fees, which are volume-based fees charged against gross merchandise value (GMV), reached ¥1.816 billion (+31.2% YoY). This growth was driven by the expansion of the QR/BARCODE market, which led to an increase in new merchant sign-ups and higher transaction volumes from existing merchants.

As a result, the proportion of usage-based fees within gateway service fees and QR/barcode settlement fees increased from 42.8% in the same period last year to 47.5% in Q2. TMN aims to elevate the growth curve of recurring revenue by increasing the usage-based fee ratio.

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Figure 3. Changes in the Ratio of Subscription Revenue and Pay-Per-Use Revenue



Source: Company Materials.

Expanding Payment Brands

TMN added West Japan Railway Company's (9021 TSE Prime) new smartphone payment service "Wesmo!" to its payment gateway service brands in September 2025. In November, it introduced the Sapporo-area regional E-Cash "SAPIA" to all Lawson stores in Hokkaido.

Expanding Customer Base to Transportation Operators

In June 2025, TMN began providing QR code and barcode payment services to Akiha Bus Service (Shizuoka Prefecture, Shuchi District) and Tokachi Bus (Hokkaido, Obihiro City). In September, it added transportation IC cards as a payment method for the Bun Bus community bus routes in Kokubunji City. In November, it provided credit and QR/barcode payment services for Sotetsu Bus's fully cashless trial operation. Going forward, TMN plans to expand horizontally to public transportation operators nationwide, broadening its customer base beyond primarily retailers to include transportation operators.

Commencing Transactions with Large Supermarkets

Regarding the number of operating terminals, the launch of transportation IC card services at large supermarkets in October 2025 has already secured over 5,000 units as expected future growth.

Contributions to the Vending Machine & Payment Terminal Market May Accelerate the Growth Pace of the Number of Operating Terminals

TMN has primarily expanded its operational terminal connections within the POS/CCT (cash register card terminal) market, which currently has approximately 4 million terminals nationwide. However, despite aiming for full-scale entry into the vending machine and payment terminal market, also estimated at around 4 million units, penetration has been slow. Consequently, TMN's number of operating terminals in this market remained at approximately

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20,000 units, compared to around 1.13 million units in the POS/CCT market.

However, business negotiations for the vending machine and payment terminal market are currently active, suggesting the potential for accelerated growth in the number of operating terminals beyond the current annual pace of 130,000 to 140,000 units.

TMN has announced its entry into the B2B payment services market, which boasts a market size of approximately ¥780 trillion, significantly exceeding the B2C payment market estimated at around ¥330 trillion.

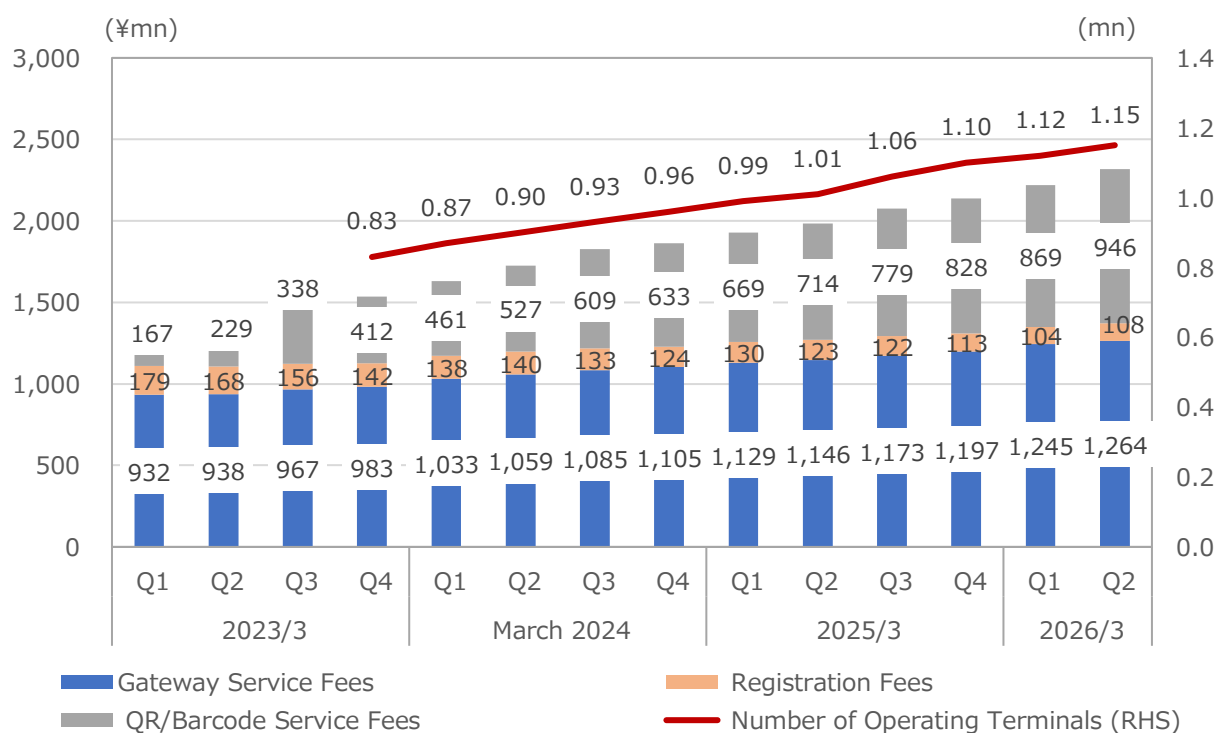
In the B2C payment market, the electronic payment settlement amount for 2024 is approximately ¥141 trillion, with the electronic payment settlement rate reaching 42.8%. In contrast, the electronic (credit card) payment volume in the B2B settlement market is approximately ¥5 trillion, with the electronic payment settlement rate remaining below 1%. With the abolition of bills and checks by the end of March 2027 due to legal revisions, expected for further B2B electronic payment growth.

Amidst this environment, TMN plans to launch its “business bill card payment service” during FY3/26, targeting the small and medium-sized enterprise (SME) market—valued at approximately ¥280 trillion—rather than the large enterprise market where competitors already hold a lead. This initiative will be carried out in collaboration with shareholder companies and partners.

Entry into B2B Payment Services

Aiming to Provide Services for Small and Medium-Sized Enterprises During FY3/26

Figure 4. Trends in Recurring Revenue and Number of Connected Devices in Operation



Source: Company Materials. Prepared by Strategy Advisors.

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One-time Revenue Remains Largely Flat

One-time revenue (parent) was largely flat at ¥1.089 billion (+0.3% YoY), reflecting its lower significance for the full-year plan during the off-season H1 period. Regarding the breakdown of one-time revenue, terminal sales reached ¥655 million (+4.6% YoY), partly due to contributions from the mobile multi-payment terminal "UT-P11" (shipping commenced in July). SI development sales showed a low progress rate of 27.5% against the full-year plan but significantly increased YoY to ¥235 million (+18.5% YoY).

The Progress Rate Against the Full-Year Plan for Transaction Platform Service-Related Other Revenue Was 22%

Revenue from transaction platform services like Nextore, recorded as "parent other revenue", includes recurring revenues. However, as the recurring portion is currently low, all other revenue is recorded as one-time revenue. Other revenue decreased to ¥198 million (-24% YoY), reflecting a reaction to spot projects in the same period last year. Progress toward the full-year plan, which is expected to show high growth, remained at 21.8%.

Xinfony DataHub Has Transitioned to Actual Operation

TMN began providing the data hub service "Xinfony DataHub" to Co-op Kobe in November 2025 to promote the utilization of big data. This service, previously limited to building the data platform, has now transitioned into actual operation. Specifically, TMN organizes and processes data entrusted by Co-op Kobe through Xinfony DataHub, outputting it in formats tailored to needs. This enables Co-op Kobe to utilize the data internally for business operations. Furthermore, external use by Mitsubishi Foods, a partner under a collaboration agreement, has also commenced.

While the transaction platform service business has generally seen delayed monetization, this service launch provides an opportunity. We look forward to continued future developments leveraging the customer base built through payment-related businesses and initiatives across various services.

WebSpace Saw Slightly Lower Revenue, but Increased Operating Profit, with a Sharp Improvement in Q2 Profit Margin

Regarding the consolidated subsidiary WebSpace, total revenue was sluggish at ¥717 million (-2.8% YoY) due to strong performance in the same period last year and delays in replacement projects for equipment sales. On the other hand, operating profit before goodwill amortization and customer-related asset amortization is estimated to have increased from ¥19 million in the same period last year to ¥28 million. Notably, in Q2, operating profit before goodwill amortization and customer-related asset impairment is seen shifting from ¥0 million in Q1 to a profit of ¥28 million (total revenue profit margin approx. 8%), driven by reductions in SG&A expenses, indicating a rapid improvement in profit margins. As cost reduction effects are expected to continue, profitability is expected to be maintained in H2 and beyond.

3. Earnings Outlook

Revenue is Expected to Recover Significantly Compared to the Previous Period

Although the operating loss for H1 was smaller than planned, TMN maintained its FY3/26 company forecast, considering the plan's second-half bias. The FY3/26 plan targets total revenue of ¥15.079 billion (+22.6% YoY), operating profit of ¥512 million (compared to a ¥504 million loss in the previous year), and EBITDA of ¥2.863 billion (+91.2% YoY). Of the ¥2.779 billion increase in total revenue, operating profit is expected to increase by ¥1.016 billion and EBITDA by ¥1.366 billion.

Recurring Revenue is Expected to Continue Growing at a High Rate

Business by service and company forecasts remain unchanged. Recurring revenue is expected to continue strong growth at ¥9.802 billion (+20.6% YoY). Assuming steady expansion in the number of operating terminals, gateway service fees are expected at ¥5.163 billion (+11.1% YoY). Furthermore, anticipating increased transaction volumes from existing merchants and contributions from large-scale projects, QR/BARCODE settlement fees are expected to grow significantly to ¥4.189 billion (+40.0% YoY). As a result, the proportion of usage-based fees are expected to rise again in FY3/26. On the other hand, registration fees, which have been declining since FY3/23, are expected to be ¥449 million (down 8.2% YoY).

One-Time Revenue is Expected to Recover

One-time revenue is expected to rebound sharply to ¥3.627 billion (+29.1% YoY) from the decline seen in FY3/25. Terminal sales, which were flat YoY in FY3/25, are expected to reach ¥1.860 billion (+7.5% YoY). Production of the flagship mobile product "UT-P10" ended in June 2025, and sales of the new product "UT-P11" are expected to begin contributing. However, full-scale expansion is expected to occur in FY3/27. SI development sales, which declined sharply in FY3/25, are expected to recover significantly to ¥857 million (+59.6% YoY), partly due to some projects being delayed to FY3/26.

Transaction Platform Services Are Also Expected to Shift to Expansion

Transaction platform services (other revenue), whose expansion has been delayed, are also expected to grow to ¥909 million (+67.9% YoY), driven by the expansion of services like House Prepaid/ID integration. This service integrates member IDs spanning multiple businesses for customers operating group management, enabling common point and prepaid services when the customer issues unique IDs per business and lacks an overall view. TMN has a proven track record of integrating the member IDs of 1.7 million members of a consumer cooperative. For customers, this enables benefits such as 1-to-1 marketing and purchase analysis, while TMN gains the effect of centralized information aggregation.

WebSpace Forecasts 21% Revenue Growth

WebSpace is expected growth in existing businesses and expansion through group synergies, expecting revenue of ¥1.650 billion (+21.1% YoY).

Rapid Recovery Expected in H2

TMN had originally planned an operating loss in H1 due to the recognition of data center relocation expenses. However, it expects a significant recovery in H2, driven by a substantial increase in one-time revenue and the absence of data center relocation expenses, leading to profitability.

Adding the ¥345 million in data center relocation expenses to the company's full-year FY3/26 operating profit forecast of ¥512 million results in an operating profit of approximately ¥900 million. For FY3/25, approximately ¥800 million in expenses arose from data center relocation expenses and troubleshooting. Excluding these, operating profit was calculated to be approximately ¥300 million. Therefore, a net increase of approximately ¥600 million in operating profit is expected.

As described above, FY3/26 is expected to see approximately ¥2.8 billion in increased revenue compared to the previous fiscal year. If the total revenue plan is achieved, meeting the operating profit forecast should be entirely feasible. Given that one-time revenue may involve some uncertainty, achieving the company's total revenue forecasts will be key.

For FY3/27, in addition to revenue growth from expanding the current payment services business, the expiration of data center relocation expenses and reduced operating costs from the new center's operation, new factors are expected. These include revenue contributions from the corporate payment services business and expansion of recurring revenue driven by an increase in the number of operating terminals for the vending machine and payment terminal market. Consequently, profit growth accompanied by margin improvement is expected. If this is compounded by the expansion of the transaction platform service business, expectations for medium to long-term growth will likely increase.

4. Stock Price Trends and Valuations

Following the downward revision of the FY3/25 forecast and stock market adjustments, TMN's stock price declined through early April 2025. However, it rebounded with the stock market recovery, returning to the ¥300 range by early May.

The company's FY3/26 forecast, announced on May 14, was well-received, causing the stock price to surge to ¥511 on June 2. After a brief adjustment phase, TMN shares rose again when the TSE Growth Market Index surged in July, trading above ¥500 by early August. The Q1 earnings announced on August 14 were largely in line with company expectations. However, factors such as the revenue growth rate being lower than the full-year plan of 22.6% weighed on sentiment, causing the stock price to dip below ¥500. Entering November, the stock price range shifted to range between ¥380–¥440.

Following the announcement of H1 results on November 13th, the stock price surged to a limit-up high of ¥487 on the 14th and broke through ¥500 on the 15th, driven by factors including Q2 operating profit turning positive, contrary to market participants' expectations. The stock price subsequently retreated but is currently trading within a range of roughly ¥420 to ¥480.

Looking at the valuations of electronic payment-related stocks, against the backdrop of high growth expectations for the electronic payment market, peer

**FY3/27: Profit Growth
Accompanied by Margin
Improvement**

**Current Stock Price
Fluctuates Within
¥420–¥480 Range**

Valuation Remains Low

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companies show PBRs of 2x to 10x, EV/EBITDA multiples of 14x to 65x and forward PER ratios of 22x to 54x. These metrics exceed the TSE Prime Market average PBR of 1.6x and forward PER of 18x. Meanwhile, although TMN's valuation multiples have risen since April due to its stock price increase, its PBR stands at 1.6x, EV/EBITDA at 11x. Excluding the forward PER, which is heavily impacted by data center relocation expenses, its valuation remains lower than its peers.

EV/EBITDA Ratio is Significantly Lower Than its Peers

Since TMN owns its own data centers, resulting in relatively large depreciation expenses, it is reasonable to focus on EV/EBITDA for valuation. Among the 3 valuation metrics compared, TMN is particularly undervalued relative to peers based on EV/EBITDA. It is worth noting that this undervaluation would be even greater if not for the data center relocation expenses and outage response costs incurred in FY3/25. Furthermore, calculating EV/EBITDA using TMN's FY3/26 forecast EBITDA yields a multiple of only 6x, indicating an increased degree of undervaluation.

Regarding TMN's valuation in the stock market, it currently appears to be assessed based on a PER that cannot be considered cheap, given the low profit levels. However, starting in FY3/27, when profit levels rise and the ratio of depreciation and amortization to EBITDA declines, the valuation benchmark may shift to focus on the low EV/EBITDA.

Note that Strategy Advisors, in calculating the EV for electronic payment-related stocks in Figure 7, treats the amount obtained by subtracting deposits held from cash and cash equivalents as cash, considering the impact of deposits held on cash and cash equivalents.

Looking Ahead, Stock Prices Are Expected to Test Higher Levels, While Anticipating the Profit Levels Expected for FY3/27, When Earnings Growth is Expected

Future stock prices are likely to test higher levels, with investors focusing on the profit levels expected for FY3/27, which is expected to show earnings growth. Key factors will include the acquisition of large-scale projects across each service, which significantly impacts total revenue and the pace of growth in QR/barcode settlement fees.

The Transaction Platform Service Business Also Aims to Expand Recurring Revenue

Strategy Advisors' equity story for TMN centers on "stable recurring revenue growth in the electronic payment services business driven by the realization of data center relocation benefits, coupled with profit margin improvement through rapid expansion of recurring revenue in the transaction platform service business". This perspective prioritizes recurring revenue growth—expected through accumulated contracts—over volatile one-time revenue, as it is seen as the key driver for long-term corporate value expansion.

As mentioned earlier, while transaction platform service-related sales include recurring revenue, its proportion is currently low. Consequently, all parent other revenue is currently recorded as one-time revenue. During the "data aggregation" phase, which corresponded to the business launch period over the past few years, one-time revenue from equipment sales, etc., was recorded first. However, as services are gradually transitioning to the "data utilization" phase, TMN aims to expand recurring revenue in its transaction platform service

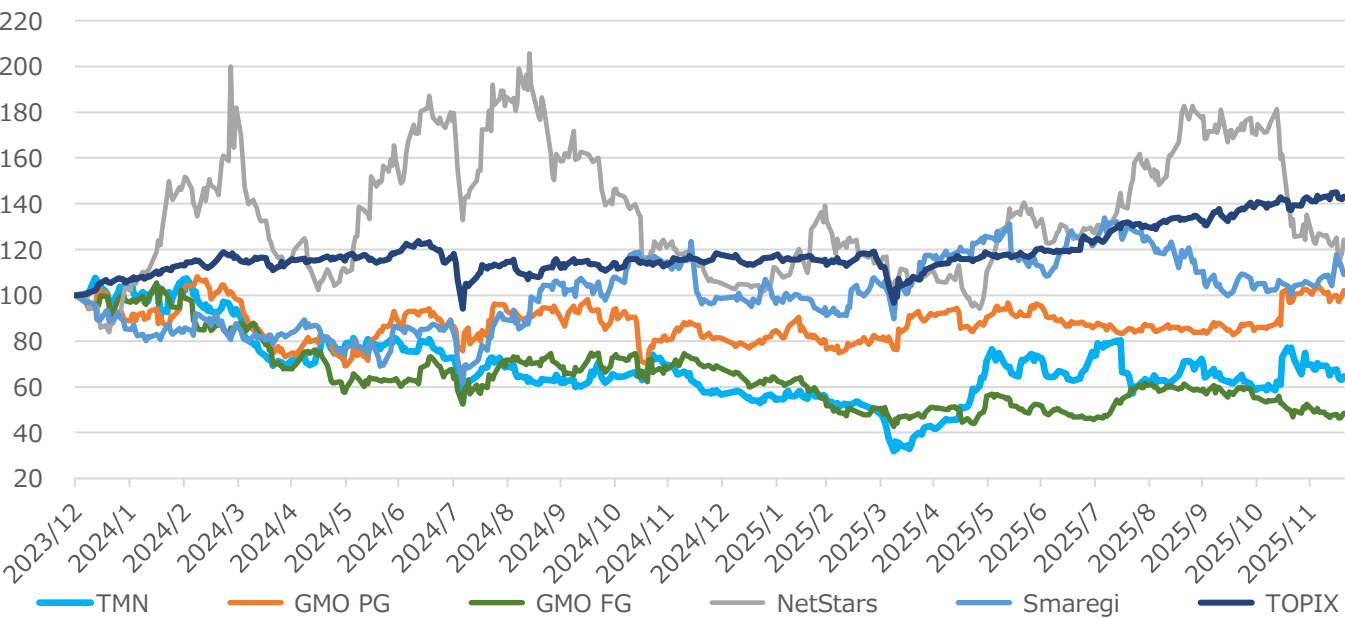
business starting from FY3/27.

Strategy Advisors believe that expanding recurring revenue in the transaction platform service business could significantly impact TMN's valuation through improved profit margins and is monitoring this situation closely.

**Continued Focus on
Mid-Term Growth Potential**

TMN's announced entry into the corporate payment service business and the potential increase in the number of operating terminals for the vending machine and payment terminal market are expected to boost the recurring revenue growth rate of its electronic payment services business. Should TMN's equity story gain traction in the future, its stock price could rise, reflecting heightened expectations for medium to-long-term profit growth.

Figure 6. Stock Price Trends of TMN & Competitors (End of 2023 =100)



Source: Strategy Advisors.

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Figure 7. Valuation Comparison with Peer Companies

	Code	Currency	FY	Price (12/19)	Market Cap. bn	EV bn	PER CoE x	PBR Actual x	EV/ EBITDA x	Yield CoE %	ROE CoE %
TMN	5258	JPY	3/25	432	12.8	16.2	36.7	1.6	11.0	0.0	5.5
GMO PG	3769	JPY	9/25	9,991	757.9	770.7	32.4	6.7	21.9	1.7	20.7
GMO FG	4051	JPY	9/25	5,070	41.9	39.7	22.4	6.7	13.9	2.5	29.9
Smaregi	4431	JPY	4/25	2,952	56.9	50.2	28.2	7.4	18.3	0.7	24.4
Netstars	5590	JPY	12/24	900	15.1	9.2	54.4	2.1	65.0	0.0	3.8
Block	XYZ	USD	12/24	64.4	39.9	34.4	26.9	1.9	19.9	0.0	6.7
Adyen	ADYEN	Euro	12/24	1,370.2	43.1	30.9	40.9	10.2	31.5	0.0	22.7

Note:

1) EBITDA used in EV/EBITDA is calculated as the previous fiscal year's operating profit + depreciation + amortization of goodwill + amortization of customer-related assets. EV is calculated by adding the market capitalization as of Dec. 19 (for overseas companies, Dec. 18) to net interest-bearing debt (net debt), which is determined as interest-bearing debt at the end of the most recent quarter minus (cash and deposits - deposits held).

2) CoE: Japanese companies use company forecasts, while overseas companies use FactSet consensus forecasts

3) ROE is calculated by dividing the net income from company forecasts or consensus forecasts by shareholders' equity at the end of the most recent quarter.

Source: Strategy Advisors.

Figure 8. Comparison of Profitability with Competitors (Based on the Most Recent FY Results)

	Code	FY	OP Margin %	ROE %	ROIC %	EBITDA Margin %	Equity Ratio %
TMN	5258	3/25	-4.1	-6.5	-6.7	12.0	37.3
GMO PG	3769	9/25	34.1	19.2	19.2	38.7	29.9
GMO FG	4051	9/25	8.1	18.9	22.7	11.0	39.7
Smaregi	4431	4/25	21.5	21.4	122.1	24.8	71.8
Netstars	5590	12/24	-2.2	-0.5	-9.0	3.6	19.9
Block	XYZ	12/24	7.0	14.5	15.5	7.2	57.8
Adyen	ADYEN	12/24	39.2	25.1	94.9	44.1	37.0

Note: Based on the most recent full-year results.

Source: Company Materials. Prepared by Strategy Advisors.

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Figure 9. Income Statement (¥mn)

FY	Parent 3/21	Parent 3/22	Parent 3/23	Parent 3/24	Consolidated 3/24	Consolidated 3/25	Consolidated 3/26 CoE
Total Revenue	6,451	7,139	7,831	10,370	10,370	12,300	15,079
(YoY)	-21.0%	10.7%	9.7%	32.4%	-	18.6%	22.6%
<Recurring Revenue>	3,953	4,711	5,617	7,054	7,054	8,129	9,802
(YoY)	9.9%	19.2%	19.2%	25.6%	25.6%	15.2%	20.6%
• Gateway Service Fees	3,133	3,496	3,822	4,285	4,285	4,646	5,163
(YoY)	32.4%	11.6%	9.3%	12.1%	12.1%	8.4%	11.1%
• QR/Barcode Service Fees	188	486	1,147	2,231	2,231	2,992	4,189
(YoY)	743.2%	157.7%	135.8%	94.5%	94.5%	34.1%	40.0%
• Registration Fees	631	728	647	537	537	489	449
(YoY)	-47.8%	15.3%	-11.1%	-17.1%	-17.1%	-8.8%	-8.2%
<One-Time Revenue>	2,496	2,427	2,213	3,315	3,315	2,809	3,627
(YoY)	-45.4%	-2.8%	-8.8%	49.8%	49.8%	-15.3%	29.1%
• Device Sales Revenue	1,459	1,364	1,360	1,730	1,730	1,730	1,860
(YoY)	-55.3%	-6.5%	-0.3%	27.2%	27.2%	0.0%	7.5%
• SI Development Sales	820	897	636	861	861	536	857
(YoY)	-26.5%	9.3%	-29.1%	35.4%	35.4%	-37.7%	59.6%
• Others	215	165	216	723	723	541	909
(YoY)	14.7%	-23.2%	30.6%	233.8%	233.8%	-25.1%	67.9%
WebSpace	-	-	-	-	-	1,362	1,650
(YoY)	-	-	-	-	-	-	21.1%
Gross Profit	1,915	2,279	2,562	3,321	3,321	3,401	4,642
(Gross Profit Margin)	29.7%	31.9%	32.7%	32.0%	32.0%	27.7%	30.8%
SG&A Expenses	1,760	1,568	2,001	2,492	2,544	3,905	4,130
Operating Profit	154	711	561	829	777	-504	512
(YoY)	-90.6%	358.8	-21.1%	47.8%	-	NM	NM
(Operating Margin)	2.4%	10.0%	7.2%	8.0%	7.5%	-4.1%	3.4%
Non-Operating Profit/Loss	4	1	-24	-11	-11	-8	-48
Ordinary Income	158	712	535	818	765	-513	464
(YoY)	-90.4%	348.9%	-24.8%	52.8%	-	NM	NM
(Ordinary Income Margin)	2.5%	10.0%	6.8%	7.9%	7.4%	-4.2%	3.1%
Net Income	98	-385	672	637	585	-682	349
(YoY)	-91.1%	NM	NM	-5.2%	-	NM	NM
EPS (¥)	3.1	-12.2	21.2	17.3	15.9	-18.5	9.5
Depreciation	1,206	1,463	1,601	1,615	1,615	1,921	-
EBITDA	1,367	2,180	2,137	2,441	2,389	1,497	2,863
(YoY)		59.5%	-2.0%	14.2%	11.8%	-37.3%	91.2%

Note:

1) Starts from FY3/24, consolidated basis, therefore YoY comparison is not available.

2) EBITDA is calculated based on the company's definition, which includes operating income, depreciation and amortization, goodwill amortization, customer-related asset amortization, and interest expenses.

Source: Company Materials. Prepared by Strategy Advisors.

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Figure 10. Balance Sheet (¥mn)

FY	Parent 3/22	Parent 3/23	Consolidated 3/24	Consolidated 3/25
Cash and Deposits	3,419	2,861	13,173	14,069
Accounts Receivable	1,034	1,044	1,344	1,566
Inventory	549	504	621	449
Others	219	204	1,042	1,160
Current Assets	5,223	4,614	16,182	17,246
Tangible Fixed Assets	791	642	1,864	2,113
Intangible Fixed Assets	4,001	4,070	6,755	6,930
Goodwill	0	0	430	368
Investments and Other Assets	355	481	756	699
Total Fixed Assets	5,148	5,194	9,376	9,743
Total Assets	10,372	9,808	25,558	26,989
Trade Payables	149	67	205	83
Accounts Payable and Accrued Expenses	389	778	1,239	1,344
Short-Term Borrowings	507	4	167	369
Contractual Obligations	2,527	2,008	1,763	1,767
Deposit Received	661	1,684	8,777	10,994
Other Current Liabilities	261	189	407	468
Current Liabilities	4,496	4,733	12,561	15,028
Long-Term Debt	8	3	1,560	1,268
Retirement Benefits/Salary Reserves	100	115	178	200
Other Fixed Liabilities	0	0	429	365
Fixed Liabilities	108	118	2,167	1,835
Total Liabilities	4,605	4,852	14,729	16,863
Capital	3,553	3,553	6,150	6,165
Capital Surplus	3,553	708	3,305	3,319
Retained Earnings	-1,345	672	1,257	575
Shareholders' Equity	5,761	4,933	10,714	10,060
Stock Acquisition Rights	0	0	75	0
Unrealized Gains on Other Securities	5	22	39	65
Total Net Assets	5,766	4,956	10,829	10,126
Liabilities and Net Assets	10,372	9,808	25,558	26,989
Equity Capital	5,761	4,933	10,790	10,060
BPS (¥)	179.2	159.7	292.1	272.0

Source: Company Materials. Prepared by Strategy Advisors.

Figure 11. Cash Flow Statement (¥mn)

FY	Parent 3/21	Parent 3/22	Parent 3/23	Consolidated 3/24	Consolidated 3/25
Net Income Before Taxes and Other Adjustments	158	711	540	765	-581
Depreciation	1,206	1,463	1,601	1,615	1,901
Amortization of Goodwill					61
Amortization of Customer-Related Assets					21
Changes in Contract Liabilities	-	-602	-519	-244	4
Increase or Decrease in Deposit	226	298	1,022	-1,177	2,216
Other Operating Cash Flows	-552	239	158	-425	0
Cash Flows from Operating Activities	1,039	2,109	2,803	533	3,624
Purchase of Tangible Fixed Assets	-450	-166	-100	-475	-599
Purchase of Intangible Fixed Assets	-1,859	-1,177	-1,276	-2,455	-1,918
Purchase of Investment Securities				-200	
Purchase of Shares in a Subsidiary Resulting in a Change in the Scope of Consolidation				7,710	
Cash flows from Other Investing Activities				9	-127
Cash Flows from Investing Activities	-2,310	-1,344	-1,377	4,588	-2,644
Proceeds from Short-Term Borrowings	970	-500	-500		-8
Proceeds from Long-Term Borrowings					80
Repayment of Long-Term Borrowings					-76
Issuance of Shares		999		5,164	
Redemption and Cancellation of Shares			-1,500		
Other Financial Cash Flows	-64	-13	15	25	-79
Cash Flows from Financing Activities	905	485	-1,984	5,190	-83
Free Cash Flow	-1,270	765	1,426	5,121	979

Source: Company Materials. Prepared by Strategy Advisors.

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Figure 12. Stock Price Indicators, ROE and KPIs

FY	Parent 3/21	Parent 3/22	Parent 3/23	Consolidated 3/24	Consolidated 3/25	Consolidated 3/26 CoE
EPS (¥)	3.1	-12.2	21.2	15.9	-18.5	9.5
BPS (¥)	231.9	179.2	159.7	292.1	272.0	-
Dividend per Share (¥)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Closing Price (¥)	NA	NA	NA	628	320	-
PER (x)	NA	NA	NA	39.6	NM	-
PBR (x)	NA	NA	NA	2.1	1.2	-
No. of Shares Issued at End of Period (Shares mn)	NA	NA	NA	36.9	37.0	-
No. of Treasury Shares (Shares mn)	NA	NA	NA	0.0	0.0	-
Treasury Stock Deduction (Shares mn)	NA	NA	NA	36.9	37.0	-
Market Capitalization (¥mn)	NA	NA	NA	23,196	11,837	-
Equity Ratio	75.7%	55.5%	50.3%	42.2%	37.3%	-
Interest-Bearing Debt	1,029	515	8	1,727	1,638	-
D/E Ratio	0.14	0.09	0.00	0.16	0.16	-
EV (Enterprise Value)	NA	NA	NA	20,528	10,400	-
EBITDA (¥mn)	1,367	2,180	2,137	2,389	1,497	2,863
EV/EBITDA Multiple	NA	NA	NA	8.6	6.9	-
ROE	1.4%	-6.7%	12.6%	5.4%	-6.5%	
ROIC (Business Assets)	1.5%	-9.9%	15.9%	7.0%	-6.7%	
No. of Employees	275	249	254	362	372	
No. of Operating Terminals ('000)	588	695	833	968	1,102	
Annual Settlement Processing Transaction Value (GMV) (¥trn)	2.6	3.0	3.7	4.4	4.9	
Annual No. of Settlements Processed (Bn of Times)	1.4	1.7	1.9	2.3	2.5	

Source: Company Materials. Prepared by Strategy Advisors.

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