

Cumulative Q3 FY3/26 Results: Increased Revenue Driven by Growth in the Marketing SaaS & Digital PR Businesses. Normal Profit Continuing to Rise

For the cumulative Q3 FY3/26, revenue reached ¥9.894 billion (+20% YoY), gross profit was ¥7.329 billion (+15% YoY), and operating profit was ¥1.284 billion (-40% YoY), showing revenue growth but a decline in operating profit. Normal profit, which excludes one-off gains/losses from operating profit, increased to ¥1.193 billion (+15% YoY) from ¥1.042 billion in the same period last year. This reflects continued growth in both revenue and profit. Although not included in the Group's revenue, equity-method affiliate JAPAN AI is expected to generate revenue of ¥2.5 billion this period (5x increase from the previous period).

Geniee maintained its full-year forecast for FY3/26, which was revised downward at the time of the interim results announcement. The revised plan projects a 25% increase in revenue and a 13% decrease in operating profit compared to the previous year. However, normal profit is expected to increase by 26%, indicating an outlook for profit growth. Although the cumulative Q3 progress rate against full-year plans for revenue and gross profit is low, even if revenue and gross profit slightly miss full-year targets, normal profit could still meet the plan if the shortfall is not significant. This is because unspent SG&A budget could offset the shortfall.

The Company's stock price traded within a range of ¥1,250 to ¥1,450 for a while after the announcement of Q1 FY3/26 results. However, following the decline in stock prices on the TSE Growth Market since October and the downward revision of the full-year plan announced in November, the stock price shifted to a range of ¥1,000 to ¥1,100. Subsequently, influenced by factors such as the decline in SaaS-related stocks, the share price is currently trading broadly between ¥950 and ¥1,050.

The Company's already low valuation has recently declined further, impacted by the broader downturn in SaaS-related stocks. Meanwhile, user evaluations of JAPAN AI's product portfolio have rapidly improved recently, creating a divergence in valuation between investors and AI product users. Therefore, for investors positive about the future of generative AI, the valuation attractiveness of the Company's stock appears to have increased compared to the past and relative to comparable companies.

Stock Price & Trading Volume (Past 1 Year)



Source: Strategy Advisors

Key Indicators

Stock Price (02/27/26)	1,023
52-Week High (03/05/25)	1,876
52-Week Low (02/16/26)	928
All-Time High (12/18/17)	2,678
All-Time Low (12/25/18)	409
Number of Shares Issued (mn)	12.2
Market Cap. (¥bn)	12.5
EV (¥bn)	21.6
Equity Ratio (FY3/25, %)	33.0
ROE (FY3/25 Actual, %)	25.8
PER (FY3/26 CoE, x)	8.9
PBR (FY3/25 Actual, x)	1.6
Yield (FY3/26 CoE, %)	-

Source: Strategy Advisors

Consolidated (Changed from Japanese GAAP to IFRS in FY3/23)

FY	Revenues (¥mn)	YoY (%)	OP (¥mn)	YoY (%)	PBT (¥mn)	YoY (%)	NP (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
3/25 Q1-Q3	8,282	40.6	2,131	71.8	1,905	75.9	1,533	77.2	101.7	-
3/26 Q1-Q3	9,894	19.5	1,284	-39.7	1,038	-45.5	640	-58.2	52.6	-
FY3/22	14,459	-	738	277.5	499	268.2	335	230.2	18.7	0.0
FY3/23	6,455	-	2,457	-	2,279	-	2,114	-	119.5	0.0
FY3/24	8,012	24.1	1,538	-37.4	1,277	-44.0	1,031	-51.2	58.3	0.0
FY3/25	11,321	41.3	2,520	63.8	2,267	77.5	1,954	89.4	136.3	0.0
FY3/26 CoE	14,150	25.0	2,200	-12.7	1,950	-14.0	1,400	-28.4	115.7	-

Source: Company Data. Compiled by Strategy Advisors.

Table of Contents

1. Q3 FY3/26 Results.....	3
2. Earnings Forecast for FY3/26.....	12
3. Stock Price Trends and Valuations.....	14
1) Stock Price Trends and Comparison with Past Valuations	14
2) Comparison with Competitors (Japanese Companies).....	16
3) Comparison With Competitors (Global)	17
4. Equity Story.....	20

1. Q3 FY3/26 Results

Cumulative Q3 FY3/26 Results: Increased Revenue, Decreased Operating Profit

The Company's Q3 FY3/26 results were as follows: Revenue of ¥9.894 billion (+20% YoY), gross profit of ¥7.329 billion (+15% YoY), operating profit of ¥1.284 billion (-40% YoY), normal profit of ¥1.193 billion (+15% YoY) and profit attributable to owners of parent of ¥640 million (-58% YoY).

The Company Discloses Normal Profit

The Company changed its accounting standards from Japanese GAAP to IFRS in FY3/23. Under Japanese GAAP, one-off gains/losses were primarily recorded as non-operating income/expenses or extraordinary gains/losses. Under IFRS, these are included in operating profit as part of "other income" and "other expenses". Therefore, the company discloses operating profit excluding one-off gains/losses as "normal profit".

Note that segment profit for each segment includes one-off gains/losses related to that segment. Furthermore, operating profit for each segment includes segment profit, "Other Income" and "Other Expenses" (primarily one-off gains/losses) not attributable to any specific segment and corporate expenses not allocated to any segment.

Normal Profit Increased by 15% YoY, Reflecting Actual Growth in Both Revenue and Profit

Operating profit for the cumulative Q3 FY3/26 decreased significantly due to a substantial reduction in non-recurring gains recorded in the same period last year. However, normal profit, which better reflects the underlying business performance, increased by 15% YoY, indicating that the trend of increased revenue and profit continues.

Operating profit for the cumulative Q3 FY3/25 included ¥645 million in gains from a reduction in the earn-out obligation (an obligation to pay additional consideration based on conditions after an M&A transaction) related to Geniee US Inc. (formerly Zelto, Inc.), the U.S. subsidiary of the Advertising Platform Business. It also included ¥320 million in equity in earnings gains from the reclassification of JAPAN AI from a consolidated subsidiary to an equity-method affiliate and a ¥70 million gain on the sale related to the liquidation of the shared office business of consolidated subsidiary Social Wire (3929 TSE Growth), which handles the Digital PR Business. The investment ratio in Social Wire is 49%.

On the other hand, operating profit for the cumulative Q3 FY3/26 includes a gain on change in equity interest of ¥79 million related to JAPAN AI's fundraising, and a gain on sale of shares in an affiliate of ¥11 million related to Social Wire transferring a portion of its shares in MK1 TECHNOLOGY VIETNAM COMPANY LIMITED (MK1) to an employee of Social Wire who is also the founder of MK1, thereby converting MK1 into an equity-method affiliate.

Geniee | 6562 (TSE Growth)

Significant Revenue Growth and Improved SG&A Ratio Drove the Increase in Normal Profit

Factors contributing to the increase in normal profit, which reflects the actual performance of the core business, include a significant increase in revenue and a decrease in the SG&A ratio from 64.9% in the same period of the previous year to 62.6%, due to a reduction in fixed cost burdens accompanying the revenue growth effect.

Gross profit margin decreased from 77.2% in the same period of the previous year to 74.1%. Although the profit margin of the Marketing SaaS Business improved, the impact was significant due to the increased proportion of revenue from the relatively lower-margin Digital PR Business and the decreased proportion from the relatively higher-margin Advertising Platform Business. Furthermore, the gross profit margin in Q3 declined compared to Q2, primarily due to the increased proportion of revenue from the Digital PR Business and higher server costs associated with the weakening yen.

SG&A expenses increased by 15% YoY. By major category, advertising and promotional expenses rose by 22% YoY. Additionally, personnel expenses increased by 19% YoY due to factors such as hiring new graduates, the acquisition of Social Wire in Q2 FY3/25, and the recognition of temporary consulting fees in the Marketing SaaS Business. Other expenses also increased by 16% due to higher commission payments and outsourcing fees. On the other hand, system development-related expenses and office equipment-related expenses decreased by 2% YoY due to strengthened cost reduction efforts.

Equity Method Investment Losses Increased & Financial Income Also Deteriorated

Equity method investment losses related to JAPAN AI expanded from ¥60 million in the same period last year to ¥98 million. However, since JAPAN AI became an equity-method affiliate in Q2 FY3/25, equity method investment losses were not recorded in Q1 FY3/25. Looking at the quarterly trend of equity method investment losses, the loss decreased from ¥47 million in Q1 to ¥14 million in Q2 due to a lower investment ratio following JAPAN AI's fundraising and a reduction in JAPAN AI's own deficit. However, it expanded to ¥36 million in Q3 due to increased personnel expenses associated with hiring.

Furthermore, while financial income decreased from ¥9 million in the same period last year to ¥4 million, financial expenses also decreased from ¥174 million to ¥152 million. Consequently, the deficit in the financial income/expense balance improved from ¥164 million in the same period last year to ¥147 million.

Significant Increase in Corporate Tax Burden Rate

Due to factors such as a decrease in one-off gains not recognized as income under tax law and an increase in equity method investment losses, the effective tax rate rose from 15.5% in the same period last year to 29.3%. Furthermore, the non-controlling interest related to Social Wire increased from ¥76 million in the same period last year to ¥93 million.

Figure 1. Geniee's Q3 FY3/26 Results

(¥mn)	Q3 3/25 Cumulative	Q3 3/26 Cumulative (A)	YoY	Progress rate (A)/(B)	3/26 CoE (B)
Revenue	8,282	9,894	19.5%	69.9%	14,150
Advertising Platform Business	4,159	4,122	-0.9%	70.5%	5,850
Marketing SaaS Business	2,686	3,303	22.9%	67.3%	4,905
Digital PR Business	1,469	2,512	71.0%	72.8%	3,450
Adjustment Amount	-33	-43	—	76.9%	-57
Cost of Goods Sold	1,886	2,564	35.9%	74.3%	3,450
Gross Profit	6,395	7,329	14.6%	68.5%	10,700
Gross Profit Margin	77.2%	74.1%	—	—	75.6%
SG&A Expenses	5,378	6,197	15.2%	—	—
SG&A Ratio	64.9%	62.6%	—	—	—
Operating Profit	2,131	1,284	-39.7%	58.4%	2,200
(Normal Profit※)	1,042	1,193	14.5%	59.7%	2,000
Advertising Platform Business	1,956	1,871	-4.4%	66.9%	2,796
Marketing SaaS Business	411	691	67.9%	52.2%	1,325
Digital PR Business	353	429	21.7%	77.5%	554
Company-wide/Eliminations, etc.	-590	-1,707	—	—	-2,474
Equity Method Investment	-60	-98	—	—	—
Gains/Losses					
Pre-tax profit	1,905	1,038	-45.5%	53.2%	1,950
Income tax expense	295	304	2.9%	67.6%	450
Quarterly Profit	1,609	734	-54.4%	49.0%	1,500
Noncontrolling interests	76	93	21.9%	93.7%	100
Profit Attributable to Owners of Parent	1,533	640	-58.2%	45.8%	1,400

Note: Normal profit refers to the operating profit minus one-off gains/losses. Business unit profits are based on segment profits. The figures for the cumulative Q3 FY3/25, the Advertising Platform Business and adjustment amount have been restated.

Source: Company Data. Compiled by Strategy Advisors.

The Increase in Revenue Was Driven by the Consolidation of the Digital PR Business and Higher Revenue in the Marketing SaaS Business

Revenue increased by ¥1.612 billion YoY. The breakdown by segment was as follows: Advertising Platform Business decreased by ¥37 million, Marketing SaaS Business increased by ¥616 million and the Digital PR Business, consolidated starting from Q2 FY3/25, increased by ¥1.043 billion. Inter-segment revenue, which is subject to consolidation elimination adjustments, expanded from -¥33 million in the same period last year to -¥43 million.

Figure 2. Quarterly Performance Trends by Segment

(¥mn)		3/25				3/26		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue		2,265	2,856	3,160	3,039	3,061	3,239	3,593
	Advertising Platform Business	1,418	1,293	1,447	1,302	1,258	1,371	1,491
	Marketing SaaS Business	859	864	963	1,083	1,116	1,074	1,112
	Digital PR Business	—	707	761	680	703	807	1,001
	(Adjustment)	-11	-10	-11	-27	-16	-14	-12
Gross Profit		1,740	2,139	2,515	2,411	2,362	2,383	2,584
Segment Profit		815	752	563	389	333	411	539
	Advertising Platform Business	605	610	730	680	538	611	721
	Marketing SaaS Business	25	126	260	256	287	186	216
	Digital PR Business	—	202	150	78	103	114	211
	(Corporate/Eliminations)	184	-187	-577	-626	-596	-501	-609
Operating Profit		815	752	563	389	333	411	539
	Advertising Platform Business	361	374	472	417	283	380	496
	Marketing SaaS Business	-193	-91	21	8	-1	-99	-86
	Digital PR Business	—	108	65	4	24	49	116
	(Adjustment)	647	361	3	-40	26	81	13

Source: Company Data. Compiled by Strategy Advisors.

Cumulative Q3 Advertising Platform Business Revenue Down 1%, Segment Profit Down 4%

For the Advertising Platform Business, the domestic division and overseas division (Geniee US Inc. and other overseas subsidiaries) were integrated starting in FY3/26. Therefore, YoY percentage changes are compared to retroactively adjusted figures.

The cumulative Q3 performance for this business was revenue of ¥4.122 billion (-1% YoY) and segment profit of ¥1.871 billion (-4% YoY), showing both revenue and profit declines. Although performance recovered from Q2 onward, the significant impact of Q1's 11% YoY revenue decline and 11% YoY profit decline, caused by a drop in average revenue per customer due to specific issues with a major client, was substantial. Furthermore, the operating profit for the Advertising Platform Business segment, calculated by deducting company-wide expenses allocated to each segment from the segment profit, decreased to ¥1.161 billion from ¥1.208 billion in the same period last year.

Geniee | 6562 (TSE Growth)

Q3 Advertising Platform Business: 3% Revenue Increase, 1% Decrease in Segment Profit

The number of companies at the end of the quarter with revenue exceeding a certain threshold decreased by 3% YoY to 259 in Q2, but increased by 3% to 295 in Q3. Meanwhile, the average revenue per client (Revenue per Client, average customer value at the end of the quarter), calculated by dividing total revenue by the number of clients, rose 12% to ¥1.826 m in Q2, but fell 13% to ¥1.842 m in Q3. However, the decline in Revenue per Client occurred only in December within Q3; the average Revenue per Client from October to December increased 6% YoY.

As a result, the segment's Q3 revenue increased from ¥1.371 billion in Q2 (+6% YoY) to ¥1.491 billion (+3% YoY). Segment profit for Q3 also increased from ¥611 million (0% YoY) in Q2 to ¥721 million (-1% YoY). The YoY decline in the Q3 segment profit margin is believed to be due to increased server acquisition costs associated with the weaker yen.

Advertising Platform Business Q3 Operating Profit Up 5%

Although the Advertising Platform Business segment profit for Q3 decreased by 1% YoY, operating profit for the business increased by 5% to ¥496 million due to a decrease in company-wide expenses allocated to this business.

Q3 Advertising Platform Business Revenue & Operating Profit Slightly Missed Plan

The progress rate for the H2 plan of the Advertising Platform Business in Q3 was slightly below plan, with revenue at 46% and operating profit at 45%. The shortfall in revenue was due to larger-than-expected reductions in advertising budgets from major clients and some customers delaying or canceling ad placements. Meanwhile, structural reforms, including cost reductions, are being advanced, and Q3 SG&A expenses were controlled to a level approximately 10% below the revised plan.

For Q4, the YoY revenue growth rate is expected to be higher than in Q3. Furthermore, the results of structural reforms, such as standardizing overseas and domestic operations and personnel adjustments at Geniee US Inc., are expected to become apparent. Therefore, the OP margin for this business in Q4 is projected to improve relative to Q3.

Cumulative Q3 Marketing SaaS Business: 23% Revenue Growth, 68% Segment Profit Increase

The cumulative Q3 performance for the Marketing SaaS Business was revenue of ¥3.303 billion (+23% YoY) and segment profit of ¥691 million (+68% YoY). The primary drivers of revenue growth were: a 21% YoY increase in paid accounts at the end of Q3 FY3/26, driven by strong performance in SFA/CRM and CHAT; an increase in average revenue per account (ARPA) from Q1 to Q2 compared to the same period last year; and a significant increase in initial implementation revenue related to development. Furthermore, annual recurring revenue (ARR) at the end of Q3 reached ¥3.761 billion, a 16% YoY increase compared to the same period last year.

The recurring revenue ratio for the past 12 months at the end of Q3 decreased to 80.1% from 82.1% in the same period last year, due to the expansion of initial implementation revenue. Meanwhile, the churn rate rose from 0.30% in Q4 FY3/25 to 2.15% in Q1 FY3/26 due to a cancellation by a major customer in April. However, it declined to 1.17% in Q2 and 0.38% in Q3, returning to historically low levels.

Geniee | 6562 (TSE Growth)

Cumulative Q3 Operating Profit for the Marketing SaaS Business Narrowed

Regarding the gross profit margin for the Marketing SaaS Business, FY3/25 Q1 was 71.3%, Q2 was 72.4%, and Q3 was 73.3%. In contrast, FY3/26 Q1 was 78.6%, Q2 was 77.6%, and Q3 was 76.7%, showing an upward YoY trend compared to the same period last year. Factors contributing to this include JAPAN AI, which had recorded operating losses due to upfront investment burdens, being excluded from this segment in Q2 FY3/25, reduced fixed cost burdens accompanying increased revenue, decreased depreciation expenses following software write-offs implemented at the end of the previous fiscal year and reductions in server-related expenses.

The SG&A ratio for this segment in the cumulative Q3 period also improved YoY. This was due to the revenue growth effect, where the increase rate of R&D-related expenses and personnel costs/expenses in the Sales & Marketing department remained below the growth rate of revenue. However, the ratio of sales and marketing personnel expenses and overhead costs to segment revenue increased in Q3 compared to Q1, due to measures such as strengthening the organizational structure to resolve delays in large enterprise projects.

Furthermore, the operating loss for the Marketing SaaS Business segment, calculated by deducting company-wide expenses allocated to each segment from the segment profit, decreased from ¥264 million in the same period of the previous fiscal year to ¥187 million.

Revenue and Operating Profit for the Marketing SaaS Business in Q3 Fell Short of Plan

The Q3 progress rate against the second-half plan for the Marketing SaaS Business was 41% for revenue. The operating loss for this business in Q3 was ¥86 million, compared to the H2 plan profit of ¥141 million. Factors contributing to the revenue shortfall include timing shifts for new large-scale SFA/CRM projects and delays in securing new MA/CDP projects.

For Q4, if the delayed large-scale SFA/CRM projects can be recognized as revenue, the initial implementation revenue associated with development is expected to contribute significantly. Additionally, new customer acquisition through collaboration with JAPAN AI and increased cross-selling/upselling to existing customers are anticipated. On the expense side, as the delivery issues for the relevant project were resolved during Q3, the temporarily increased consulting expenses are expected to decrease in Q4 and beyond. Therefore, the OP margin for Q4 is projected to improve compared to Q3.

Digital PR Business Achieved Both Revenue and Profit Growth

The Digital PR Business, managed by Social Wire which joined the group in FY3/25, operates in press release distribution service (newswire), influencer PR, clipping and risk assessment.

The cumulative Q3 performance for this segment was: revenue of ¥2.512 billion (Q1 was absent in the prior-year period; Q2 and Q3 combined were ¥1.469 billion), segment profit of ¥429 million (¥353 million in the prior-year period), and operating profit of ¥190 million (¥173 million in the prior-year period). Furthermore, for the combined Q2 and Q3 of FY3/26, revenue was ¥1.809 billion and segment profit was ¥326 million. Even when excluding Q1

for a more accurate comparison, both revenue and profit increased.

For Q3 alone, revenue was ¥1.001 billion (+32% YoY), segment profit was ¥211 million (+41% YoY) and operating profit was ¥116 million (+78% YoY). The significant increase compared to Q2 (revenue: ¥807 million, segment profit: ¥114 million, operating profit: ¥49 million) was largely driven by strong performance of the influencer PR service “Find Model” and the expanded revenue contribution from iHack (Chiyoda-Ku, Tokyo), acquired by Social Wire in September, which grew from 1-month in Q2 to 3-months in Q3.

By service, Q3 revenue breakdown was influencer PR (Find Model and iHack) ¥472 million (¥247 million in the prior-year period), Press Release Distribution ¥238 million (¥250 million in the prior-year period), clipping service ¥152 million (¥158 million in the prior-year period) and risk assessment ¥138 million (¥103 million in the prior-year period).

Q3 progress against the H2 plan for the Digital PR Business was 52% for revenue and 89% for operating profit, exceeding the plan. Influencer PR “Find Model” and iHack’s Brand Growth Business (social media marketing support for cosmetics) exceeded their plans. For Q4, the strong performance of influencer PR “Find Model” and iHack is expected to continue.

In September 2025, Social Wire made iHack a wholly-owned subsidiary. iHack operates an SNS Marketing Support Business specializing in the beauty and cosmetics sector, as well as a Beauty Creator Academy business aiming to train individuals with no prior experience to become beauty creators within 6-months. iHack possesses particular strength in the Korean beauty market.

As of August 29, 2025, when the share acquisition was announced, iHack’s projected FY8/2025 results were revenue of ¥647 million (+122% YoY) and operating profit of ¥124 million (compared to a ¥26 million loss in the previous year). Additionally, the revenue growth rate for the July-September quarter (including the pre-consolidation period) was 68% YoY. The share acquisition cost was ¥20 million, and the goodwill amount was ¥672 million. Social Wire adopts Japanese GAAP and amortizes goodwill on a straight-line basis, while Geniee adopts IFRS and does not amortize goodwill on a straight-line basis.

Social Wire entered the influencer PR field by acquiring Find Model in 2018. By FY3/25, influencer PR has grown into one of its core services. Social Wire’s mid-term management plan targets FY3/28 performance of ¥5 billion in revenue (excluding discontinued operations, FY3/25 revenue was ¥2.7 billion) and ¥800 million in operating profit.

In Q2 FY3/26, Find Model achieved a 57% YoY revenue increase. Combined with the acquisition of iHack, which saw a 68% YoY revenue increase, this significantly strengthened the business foundation. This indicates that the management strategy of “systematizing influencer PR” is progressing smoothly.

As mentioned earlier, regarding the progress rate against the full-year FY3/26 plan for the cumulative Q3 period, the Digital PR Business is performing well relative to plan, while the Advertising Platform Business and Marketing SaaS

Q3 Revenue and Operating Profit for This Business Exceeded Company Plans

Social Wire Completes Full Acquisition of iHack in September

Significantly Strengthened Influencer PR Business Foundation

Even if Revenue Falls Short of Plan, Normal Profit May Still Meet Targets

Business are lagging behind. Overall progress stands at 69.9% for revenue, 68.5% for gross profit and 59.7% for normal profit. A recovery in revenue during Q4 is required. The Company is currently making a final push to achieve its full-year budget targets.

Meanwhile, although not explicitly disclosed, the full-year plan for SG&A expenses, inferred from the full-year plans for gross profit, operating profit and normal profit, is ¥8.7 billion. Furthermore, the cumulative progress rate of SG&A expenses against the full-year plan for Q3 FY3/26 was only 71.2%. As cost reduction efforts intensified in H2, full-year SG&A expenses are likely to fall below plan. Therefore, even if revenue and gross profit slightly miss full-year targets, provided the shortfall is not significant, normal profit could still meet the plan due to underutilization of the SG&A budget.

Figure 3. Quarterly KPI Trends by Segment

		3/25				3/26		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
Marketing SaaS Business								
	# of Paid Accounts (accts.)	18,714	19,416	20,337	21,676	22,651	24,157	24,623
	ARPA (¥)	13,501	15,284	19,874	18,777	20,620	17,167	17,667
	Churn Rate (%)	0.20	1.83	0.72	0.30	2.15	1.17	0.38
	ARR (mn)	2,658	2,984	3,244	3,471	3,539	3,683	3,761
	Gross Profit Margin (%)	71.3	72.4	73.3	74.7	78.6	77.6	76.7
	Recurring Revenue Ratio (%)	80.5	81.2	82.1	80.3	80.2	79.8	80.1
Advertising Platform Business								
	Number of Clients (companies)	247	267	287	293	251	259	295
	Revenue per Client (¥mn)	2,012	1,636	2,120	1,439	1,859	1,826	1,842
	OP Margin (%)	25.5	28.9	32.7	32.1	22.5	27.7	33.3
	Operating Profit (¥mn)	361	374	472	417	283	380	496
Digital PR Business								
	# of New Clients Acquired (cos.)	–	808	1,090	1,067	831	748	854
	OP Margin (%)	–	15.3	8.6	0.6	3.6	6.1	11.6
	Operating Profit (¥mn)	–	108	65	4	24	49	116

Note: Digital PR Business was consolidated from Q2 FY3/25. The non-consolidated figures for the Advertising Platform Business prior to Q1 FY3/26 have been restated.

Source: Company Data. Compiled by Strategy Advisors.

Geniee | 6562 (TSE Growth)

JAPAN AI is Having a Positive Impact on Geniee's Business, Organization, etc.

JAPAN AI, an equity-method affiliate, is currently recording equity-method investment losses. However, its sales continue to grow rapidly and it is positively impacting Geniee in terms of business, organization and IR/investment.

For example, on the business side, cross-selling between the two companies' products (GENIEE SFA/CRM and JAPAN AI SALES, GENIEE CDP/ANALYTICS and JAPAN AI MARKETING, GENIEE CHAT and JAPAN AI CHAT, etc.) has increased. Furthermore, coordinated marketing activities have kept both companies' marketing budgets below plan.

On the organizational front, coordinated recruitment efforts across both companies have significantly increased the number of applications and hires for senior positions such as department heads and specialists. Regarding IR and investment, positive impacts include the potential for Geniee's corporate value to surge significantly if JAPAN AI is consolidated in the future, along with expanded opportunities for capital and business alliances within the Geniee Group through collaboration with JAPAN AI.

The Evaluation of Japan AI Products, Such as "JAPAN AI AGENT," is Rising

In January 2026, JAPAN AI's "JAPAN AI AGENT" won the top Leader Award in the newly established AI Agent Tool category at the "GRID AWARD 2026 Winter" announced by Itreview, operated by iTcloud Corp. Meanwhile, "JAPAN AI CHAT" won the High Performer Award, the second-highest position after the Leader Award, in the Text Generation AI category for the first time.

Additionally, in the "AI PRODUCTS AWARD 2026" announced by the AI portal media "Aismiley", "JAPAN AI AGENT" won the Grand Prix in the AI Agent category. This marks the second consecutive award for "JAPAN AI AGENT" since the "AI PRODUCTS AWARD 2025 Spring".

Both awards recognize firms and are based on user evaluations and other factors. This signifies that the recognition for JAPAN AI products, including JAPAN AI AGENT, has been rapidly increasing recently within the highly competitive AI agent industry.

JAPAN AI's FY3/26 Plan: 500% Revenue Growth

JAPAN AI's sales target for FY3/26 is ¥2.5 billion (a 500% increase from the previous fiscal year). Significant future growth is anticipated through expanded sales of enterprise products like the corporate AI development and operation platform "JAPAN AI STUDIO" launched in October 2025, as well as strengthened collaboration with the Marketing SaaS Business.

Figure 4. JAPAN AI Sales Trends



Source: Company Materials.

2. Earnings Forecast for FY3/26

The Company Maintained FY3/26 Forecasts

The Company maintained its full-year FY3/26 earnings forecast, which was revised downward at the interim results announcement due to reduced revenue from the Advertising Platform Business and Marketing SaaS Business. The Company's FY3/26 earnings forecast is: Revenue: ¥14.150 billion (+25% YoY), Gross Profit: ¥10.700 billion (+22% YoY), operating profit of ¥2.200 billion (-13% YoY), pre-tax profit of ¥1.950 billion (-14% YoY), net profit of ¥1.500 billion (-27% YoY) and profit attributable to owners of parent of ¥1.400 billion (-28% YoY).

Company Plans for Revenue and Profit Growth Across All Businesses

The Company Plans for segment revenue is Advertising Platform Business ¥5.850 billion (+7% YoY), Marketing SaaS Business ¥4.905 billion (+30% YoY), Digital PR Business ¥3.450 billion (+60% YoY; H1 covers the nine months starting from Q2 of the previous fiscal year).

The Company Plans for segment profit is ¥2.796 billion for the Advertising Platform Business (+6% YoY), ¥1.325 billion for the Marketing SaaS Business (+98% YoY) and ¥554 million for the Digital PR Business (+29% YoY).

The Company plans for operating profit by segment is Advertising Platform Business ¥1.758 billion (+8% YoY), Marketing SaaS Business ¥40 million (compared to a loss of ¥256 million in the previous fiscal year) and Digital PR Business ¥205 million (+15% YoY).

Advertising Platform Business Is Undertaking Structural Reforms

The Advertising Platform Business plans to integrate its Supply-Side and Demand-Side divisions in October 2025. This structural reform aims to enhance operational efficiency and facilitate customer information sharing, targeting a recovery in revenue growth rates from the next fiscal year onwards. While the interim period saw a 3% YoY revenue decrease, the second-half plan projects a 17% YoY increase.

Geniee | 6562 (TSE Growth)

Marketing SaaS Business to Shift to Function-Based Organization

The Marketing SaaS Business will transition from a product-based to a function-based organization starting October 2025, aiming to enhance capabilities and efficiency across each function. While the interim period saw a 27% YoY revenue increase, the second-half plan projects a 33% YoY increase.

Digital PR Business Expects iHack's Contribution to Performance and Expansion of Influencer PR

The Digital PR Business's revenue is expected to benefit from iHack's performance contribution (7 months) and the expansion of influencer PR at Social Wire.

Figure 5. Geniee's FY3/26 Earnings Forecast

(¥mn)	FY3/25	FY3/26		YoY (%)
	Actual	Initial Plan	Revised Plan	
Revenue	11,321	15,300	14,150	25.0
Advertising Platform Business	5,462	6,970	5,850	7.1
Marketing SaaS Business	3,770	5,280	4,905	30.1
Digital PR Business	2,150	3,100	3,450	60.5
Adjustment	-60	-50	-57	-
Gross Profit	8,807	11,800	10,700	21.5
Operating Profit	2,520	2,750	2,200	-12.7
(Normal Profit*)	1,593	2,490	2,000	25.5
Advertising Platform Business	2,627	3,370	2,796	6.4
Marketing SaaS Business	668	1,370	1,325	98.4
Digital PR Business	431	460	554	28.5
Corporate/Eliminations, etc.	-1,206	-2,450	-2,474	-
Profit Before Tax	2,267	2,600	1,950	-14.0
Income Tax Expense	218	590	450	106.4
Profit	2,048	2,010	1,500	-26.8
Non-Controlling Interests	94	50	100	6.4
Profit Attributable to Parent Company of Subsidiaries	1,954	1,960	1,400	-28.4

Note: Normal profit refers to operating profit excluding one-off gains/losses. Additionally, the initial plan has been partially restated. Business unit profits are based on segment profits.

Source: Company Data. Compiled by Strategy Advisors.

The Plan for Normal Profit, Excluding One-Off Gains/Losses, is a 26% Increase

The Company plans for one-off gains, which is the difference between operating profit and normal profit and is ¥200 million. Consequently, the normal profit plan is ¥2.000 billion (+26% YoY).

3. Stock Price Trends and Valuations

1) Stock Price Trends and Comparison with Past Valuations

The Stock Price Range from Mid-April to Early June 2025 Was Generally Between ¥1,400 and ¥1,600

The Company's stock price stood at ¥1,391 at the end of September 2024. Following the upward revision of the full-year earnings forecast upon the announcement of Q2 FY3/25, the stock price entered an upward trend, rising to ¥1,876 on March 5, 2025.

However, the stock subsequently declined amid a broader market correction, settling into a range centered around ¥1,400 to ¥1,600 from mid-April onward. On May 13, the Company announced its FY3/26 plan. While normal profit was projected to increase by 54% YoY, operating profit was expected to grow by only 9%, a slowdown from the previous year's 64% increase. Consequently, the stock price temporarily fell to around ¥1,300. In early June, the market began to appreciate the outlook for increased normal profit and the stock price range returned to ¥1,400 to ¥1,600.

Following the Q1 Earnings Release, the September Share Price Range Shifted to ¥1,250–¥1,450

On June 16, the announcement of the "JAPAN AI SALES" release fueled expectations for JAPAN AI's contribution to earnings, pushing the stock price up to ¥1,874 on June 19. However, as investor buying interest waned in July, the stock price range reverted to ¥1,400 – ¥1,600. The Q1 FY3/26 earnings announcement on August 12, which included a 59% YoY decline in operating profit, was met with negative sentiment, shifting the stock price range to ¥1,250–¥1,450.

Following a Downward Revision to the Company's FY3/26 Plan, the Stock Price Range Shifted to ¥1,000–¥1,100

Entering October, the stock market saw a growing preference for large-cap stocks, while shares of companies listed on the TSE Growth Market were broadly sold off. The Company's stock price also trended downward, falling to a range of ¥1,100 to ¥1,200 in early November. After the downward revision of the FY3/26 Company plan was announced on November 14, the stock price temporarily fell below ¥1,000. However, it subsequently rebounded, shifting the stock price range to ¥1,000–¥1,100 from late November onward.

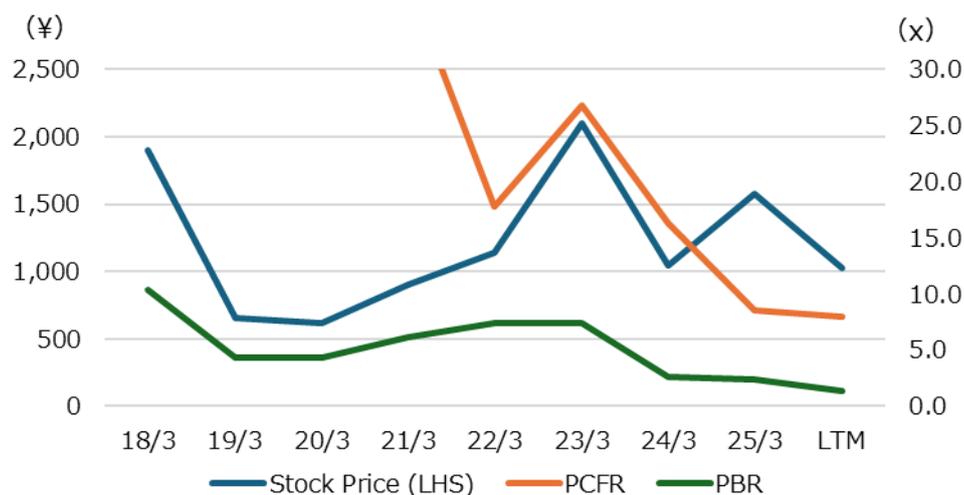
Due to the Slump in SaaS-Related Stocks, the Current Share Price Generally Fluctuates Between ¥950 and ¥1,050

Entering February 2026, concerns about replacement by generative AI led to broad selling of SaaS-related stocks, causing the company's stock to fall below ¥1,000. When Q3 earnings were announced on February 13th, while operating profit was largely in line with plans, the low progress rate relative to plans for the Advertising Platform Business and Marketing SaaS Business was met with negative sentiment. On the 16th, the stock price fell to ¥928, a one-year low. Subsequently, the stock price rebounded slightly and is currently trading within a range of roughly ¥950 to ¥1,050.

Lower PBR Suggests Undervaluation

Regarding valuation, the PBR has declined from 2.4x at the end of March 2025 to around 1.3x currently. This decline stems from the stock price drop following the downward revision of the Company's plan announced in November 2025, the increase in other components of equity due to yen depreciation and the rise in retained earnings. Considering that the PBR fluctuated between 4x and 10x through FY3/23, the current PBR level appears undervalued.

Figure 6. Geniee: Stock Price, PCFR & PBR Trends



Source: Company Data. Compiled by Strategy Advisors.

Figure 7. Geniee: Stock Price and Major Index Trends

	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25	LTM (Feb. 27)
Stock Price (¥)	1,903	658	618	903	1,142	2,102	1,046	1,576	1,023
Operating CF (¥mn)	292	203	73	431	1,140	1,389	1,140	2,231	1,562
PCFR (x)	114.1	57.9	152.0	37.8	17.7	26.8	16.2	8.6	8.0
Net Profit (¥mn)	63	-544	-178	101	335	2,114	1,031	1,954	1,400
PER (x)	528.9	0.0	0.0	159.8	60.2	17.6	17.9	9.8	8.9
PBR (x)	10.4	4.3	4.4	6.1	7.4	7.4	2.6	2.4	1.3
ROE	2.6	-18.4	-6.8	3.9	12.5	-	16.9	25.8	12.0

Note: LTM's net profit and PER are based on the Company's forecast Earnings Per Share (EPS). LTM PBR is based on BPS at the end of the most recent quarter.

Source: Company Data. Compiled by Strategy Advisors.

2) Comparison with Competitors (Japanese Companies)

Considering ROE Levels, Geniee Appears Undervalued Within the Industry Based on PBR

Among 12 representative Japanese companies engaged in the Advertising Platforms, Marketing SaaS and PR businesses, Geniee ranks third lowest in PBR. However, when comparing recent 12-month ROE, although Geniee's ROE has declined to 12% due to recent profit declines, some companies performed worse, allowing Geniee to rank up to 7th place. As a result, when considering PBR adjusted for ROE levels, Geniee once again appears undervalued within the industry.

When Considering PCFR Adjusted for Operating Cash Flow Growth Rate, Geniee Appears Undervalued

On the other hand, when comparing the 3-year CAGR of operating cash flow, the Company ranks fifth alongside LINE Yahoo!. However, in terms of the PCFR (Price-to-Cash-Flow Ratio), a stock valuation metric using operating CF, it ranks third from the bottom. While there is no absolute financial metric indicating an appropriate PCFR level, growth is one factor that tends to increase PCFR. Therefore, comparing the 3-year CAGR of operating CF with the PCFR is considered appropriate. From this perspective, the Company's PCFR appears relatively undervalued. Note that the 3-year CAGR of operating CF is calculated using the most recent fiscal year-end figures and the figures from the prior 3 fiscal years. It should be noted that Brain Pad's PCFR is at an extremely high level due to the tender offer conducted by Fujitsu (6702 TSE Prime).

Figure 8. Key Indicators of Major Japanese Companies Involved in Advertising Platforms, Marketing SaaS & Corporate PR Businesses (ROE in Descending Order)

Company Name	Ticker	FY	ROE	PBR (x)	PER (x)	Operating CF (¥mn)	3yr CAGR	PCFR
Cybozu	4776	12/25	48.1%	5.8	13.9	10,676	100%	9.7
Feedforce Group	7068	5/25	40.0%	4.3	10.7	1,471	31%	10.6
Wills	4482	12/25	35.4%	6.0	16.3	1,383	20%	11.2
Kyodo PR	2436	12/25	21.9%	2.1	9.9	855	16%	10.5
F Code	9211	12/25	20.4%	2.6	10.2	1,347	185%	14.3
User Local	3984	6/25	19.0%	2.8	17.3	2,090	26%	12.6
Geniee	6562	3/25	12.0%	1.3	8.9	1,562	25%	8.0
Bridge International Group	7039	12/25	11.8%	1.5	10.7	492	-12%	14.1
LINE Yahoo!	4689	3/25	7.0%	0.9	14.7	592,123	25%	4.5
Digital Holdings	2389	12/25	6.0%	1.3	-	3,496	-177%	10.7
Value Commerce	2491	12/25	3.9%	0.8	-	1,923	-34%	5.0
Brain Pad	3655	6/25	1.8%	10.6	112.6	630	6%	89.3

Note: ROE and operating cash flow are based on the most recent 12-month period. The 3-year CAGR of operating cash flow is calculated using the figures for the most recent financial statement and the financial statement 3-years prior.

- PBR is calculated using BPS from the most recent quarterly financial results.
- PCFR is calculated by dividing market capitalization by operating cash flow.
- PER is calculated using company forecast EPS. However, for Bridge International Group, it is based on the median of the company forecast EPS range, and for LINE Yahoo!, it is based on the median of the company forecast adjusted EPS range.

Source: Company Data. Compiled by Strategy Advisors.

Figure 9. Major Business Portfolios of Representative Japanese Companies Involved in Advertising Platforms, Marketing SaaS & Corporate PR Businesses

Company Name	Ticker	Sales (¥mn)	Advertising Platform			Marketing SaaS				PR
			SSP	DSP	DMP	MA	SFA/CRM	Chat	AI	
LINE Yahoo!	4689	1,984,076	Y	Y	Y	Y	-	Y	Y	-
Cybozu	4776	37,430	-	-	-	-	Y	-	Y	-
Value Commerce	2491	24,169	-	-	-	-	Y	-	-	-
Digital Holdings	2389	13,102	-	-	-	-	Y	-	-	-
Geniee	6562	12,934	Y	Y	Y	Y	Y	Y	Y	Y
F Code	9211	11,938	-	-	-	Y	-	Y	Y	-
Brain Pad	3655	11,788	-	-	Y	Y	-	-	Y	-
Bridge International Group	7039	8,565	-	-	-	Y	Y	-	Y	-
Kyodo PR	2436	8,555	-	-	-	-	-	-	-	Y
Wills	4482	6,052	-	-	-	-	-	-	-	Y
User Local	3984	4,970	-	-	-	-	-	Y	Y	-
Feedforce Group	7068	4,660	-	-	-	Y	-	-	Y	-

Note: Sales figures are for the most recent year. Y=Yes

Source: Company Data. Compiled by Strategy Advisors.

3) Comparison With Competitors (Global)

PCFR Used as a Metric for Comparison with Overseas Companies

Despite overseas firms reporting losses from stock-based compensation, the Company remains undervalued. While it ranks 16th in 3-year OCF CAGR among 30 global peers, it ranks 8th lowest in PCFR, suggesting a valuation gap relative to its cash flow generation.

Even Including Overseas Companies, Geniee's PCFR Is Undervalued

Recent market volatility saw stock prices and valuations drop for many marketing SaaS companies. Geniee experienced a milder decline than pure-play SaaS peers due to its diversified revenue streams in Advertising Platforms, PR, and its strategic equity affiliate, JAPAN AI.

Geniee Was Also Impacted by the Decline in SaaS-Related Company Stock Prices

The Company's resilience stems from its integrated ecosystem. By offering JAPAN AI products alongside its traditional Marketing SaaS suite, Geniee has created a defensive moat that protects its overall growth trajectory even during broader sector downturns.

JAPAN AI Holds the Key to Stock Market Valuation

Looking ahead, the established customer base provides a direct channel for AI adoption. Even if core SaaS momentum slows, the proliferation of generative AI serves as a catalyst for expansion through the cross-selling of JAPAN AI's specialized tools.

Figure 10. Key Indicators of Major Companies Involved in Advertising Platforms, Marketing SaaS & Corporate PR Businesses (PCFR Descending Order)

Company Name	Ticker	Country	FY	Operating CF (¥mn)	3-Yr CAGR	PCFR
Brain Pad	3655	Japan	6/25	630	6%	89.3
AppLovin	APP	US	12/25	594,123	122%	39.6
Alphabet	GOOGL	US	12/25	24,643,031	27%	23.6
Oracle	ORCL	US	5/25	3,330,955	42%	20.3
HubSpot	HUBS	US	12/25	113,812	47%	19.4
Microsoft	MSFT	US	6/25	24,013,613	25%	19.4
Pegasystems	PEGA	US	12/25	75,588	195%	15.8
Meta Platforms	META	US	12/25	17,325,062	38%	15.0
Salesforce	CRM	US	1/25	2,016,299	44%	14.5
F Code	9211	Japan	12/25	1,347	185%	14.3
Bridge International Group	7039	Japan	12/25	492	-12%	14.1
Trade Desk	TTD	US	12/24	131,365	39%	13.8
User Local	3984	Japan	6/25	2,090	26%	12.6
Wills	4482	Japan	12/25	1,383	20%	11.2
Adobe	ADBE	US	11/25	1,498,601	14%	11.1
Digital Holdings	2389	Japan	12/25	3,496	-	10.7
Kyodo PR	2436	Japan	12/25	855	16%	10.5
Feedforce Group	7068	Japan	5/25	1,471	31%	10.3
Cybozu	4776	Japan	12/25	10,676	100%	9.7
Freshworks	FRSH	US	12/25	36,261	-	9.7
Magnite	MGNI	US	12/24	33,181	37%	9.1
Geniee	6562	Japan	3/25	1,562	25%	8.0
Value Commerce	2491	Japan	12/25	1,923	-34%	5.0
Verve Group	VER	Sweden	12/24	10,831	39%	4.7
LINE Yahoo!	4689	Japan	3/25	592,123	25%	4.5
Taboola.com	TBLA	US	12/24	31,426	59%	4.4
PubMatic	PUBM	US	12/24	12,076	5%	4.2
Criteo	CRTO	France	12/24	47,740	17%	3.0
Thryv Holdings	THRY	US	12/24	10,065	-10%	1.4
Baidu	9888	China	12/24	-67,576	9%	-

Note: Operating cash flow is the figure for the most recent year. The 3-year CAGR of operating cash flow is calculated using the figures for the most recent financial statement and the financial statement 3-years prior.

Source: Company Data. Compiled by Strategy Advisors.

Figure 11. Major Business Portfolios of Representative Companies Involved in Advertising Platforms, Marketing SaaS Business & Corporate PR Businesses

Company Name	Ticker	Country	Operating CF (¥mn)	Advertising Platform			Marketing SaaS				PR
				SSP	DSP	DMP	MA	SFA/CRM	Chat	AI	
Alphabet	GOOGL	US	24,643,031	Y	Y	Y	-	-	Y	Y	-
Microsoft	MSFT	US	24,013,613	Y	Y	Y	Y	Y	Y	Y	-
Meta Platforms	META	US	17,325,062	Y	Y	-	-	-	-	-	-
Oracle	ORCL	US	3,330,955	-	-	Y	Y	Y	Y	Y	-
Salesforce	CRM	US	2,016,299	-	-	Y	Y	Y	Y	Y	-
Adobe	ADBE	US	1,498,601	-	Y	Y	Y	-	-	Y	-
AppLovin	APP	US	594,123	Y	Y	-	Y	-	-	Y	-
LINE Yahoo!	4689	Japan	592,123	Y	Y	Y	Y	-	Y	Y	-
Trade Desk	TTD	US	131,365	-	Y	Y	-	-	-	-	-
HubSpot	HUBS	US	113,812	-	-	-	Y	Y	-	Y	-
Pegasystems	PEGA	US	75,588	-	-	-	-	Y	Y	Y	-
Criteo	CRTO	France	47,740	Y	Y	-	-	-	-	-	-
Freshworks	FRSH	US	36,261	-	-	-	Y	Y	Y	Y	-
Magnite	MGNI	US	33,181	Y	-	-	-	-	-	-	-
Taboola.com	TBLA	US	31,426	Y	-	-	-	-	-	-	-
PubMatic	PUBM	US	12,076	Y	-	-	-	-	-	-	-
Verve Group	VER	Sweden	10,831	Y	Y	Y	-	-	-	-	-
Cybozu	4776	Japan	10,676	-	-	-	-	Y	-	Y	-
Thryv Holdings	THRY	US	10,065	-	-	-	Y	Y	Y	Y	-
Digital Holdings	2389	Japan	3,496	-	-	-	-	Y	-	-	-
User Local	3984	Japan	2,090	-	-	-	-	-	Y	Y	-
Value Commerce	2491	Japan	1,923	-	-	-	-	Y	-	-	-
Geniee	6562	Japan	1,562	Y	Y	Y	Y	Y	Y	Y	Y
Feedforce Group	7068	Japan	1,471	-	-	-	Y	-	-	Y	-
Wills	9211	Japan	1,347	-	-	-	Y	-	Y	Y	-
F Code	3655	Japan	1,351	-	-	Y	Y	-	-	Y	-
Kyodo PR	4482	Japan	1,383	-	-	-	-	-	-	-	Y
Brain Pad	2436	Japan	855	-	-	-	-	-	-	-	Y
Bridge International Group	7039	Japan	492	-	-	Y	Y	-	Y	-	-
Baidu	9888	China	-67,576	Y	Y	Y	-	-	Y	Y	-

Note: Operating cash flow is for the most recent year. Y=Yes

Source: Company Data. Compiled by Strategy Advisors.

4. Equity Story

A Strategy is a Story That You Can't Help But Want to Tell Someone

An equity story is a long-term scenario that will grow a Company's stock price and profits. From the perspective of long-term stock price growth, an equity story is thought to consist mainly of 1) a "realizable and detailed management strategy" and 2) an "exciting dream".

Mr. Ken Kusunoki, Distinguished Professor at Hitotsubashi University Graduate School of Business Administration and a leading Japanese management scholar, states in "Competitive Strategy as Story: The Conditions for Excellent Strategy" that: 'Companies that achieve great success and sustain it share a common trait: their strategy is constructed as a "story" with flow and movement. A Strategy is not something you are forced to do reluctantly with a grim face when necessity demands it; it is about creating an interesting 'story' that you can't help, but want to tell someone.' An Equity Story is a concept close to this.

Aiming to Become a One-Stop Platform for the Information Society

The Company launched its Advertising Platform Business from the SSP (Supply-Side Platform) segment, where it judged significant room for new entrants, capturing market share from leading competitors. It then rapidly expanded its business scope by strengthening its service offerings in the Marketing SaaS Business, which leverages data accumulated in its DMP (Data Management Platform). Gross profit, a key management indicator for analyzing the Company's business, surged from ¥1.947 billion in FY3/19 to ¥8.807 billion in FY3/25, achieving a CAGR of 28.6%.

Geniee's steady realization of this "achievable and meticulous management strategy" stems from its vision of becoming a "one-stop platform" for the information society. This platform addresses the challenge of consumers struggling to access information about goods and services they truly need, amid the diversification and complexity of communication channels like the internet, SNS, and mobile apps. Geniee pursues the "exciting dream" of "realizing a society where anyone can succeed in marketing".

2 Equity Stories

The Company aims to expand operating profit at a rate exceeding revenue growth from FY3/27 to FY3/31. As the one-stop platform initiative has largely reached its final stages, profit margins are expected to improve across segments due to enhanced operational efficiency, except in certain business areas still burdened by heavy upfront investment costs. The Company's normal profit margin relative to revenue was 10.9% in FY3/24 due to the impact of upfront investment burdens. However, this margin improved to 14.1% in FY3/25, driven by revenue growth effects and other factors.

Based on this track record, Strategy Advisors presents 2 equity stories.

Achieving Steady Expansion of Operating Profit

The first is "the realization of steady expansion of operating profit (normal profit) from FY3/27 onwards, when the effects of hiring and nurturing valuable product managers and excellent engineers and building a one-stop platform will become fully apparent and the business will enter a phase of improving efficiency".

Although the Earnings Forecast for FY3/26 had to be revised downward, cost reduction efforts have been intensified recently. Therefore, for FY3/27, if revenue growth can be secured, the revenue-to-operating profit (normal profit) ratio is now more likely to increase. However, given the current stock price level, the market appears to be overlooking this point. Consequently, the announcement of next fiscal year's plan could potentially trigger a significant reversal in the stock price.

Japan AI's Dramatic Growth Will Lead to Rapid Expansion of Group Revenues & Increased Valuation

Furthermore, Strategy Advisors added a second Equity Story in the report before last: "JAPAN AI's Dramatic Growth Will Lead to Rapid Expansion of Group Revenues & Increased Valuation". Note that the contribution from JAPAN AI's consolidation is not included in the other Equity Story: "Achieving Steady Expansion of Operating Profit (Normal Profit) from FY3/27 Onwards".

JAPAN AI is currently recording a net loss due to active investments in human resources and marketing. However, the Company explains that JAPAN AI's revenue is growing rapidly and that profitability can be achieved immediately once these temporary investments cease.

Concentrate Management Resources on Japan AI

Based on the outlook that maximizing the growth of JAPAN AI will contribute most to increasing the future corporate value of the entire group, the Company is concentrating and allocating management resources to the AI business as its top priority.

Japan AI's Corporate Value Are Not Factored into the Company's Stock Price

Following rapid growth in revenue, JAPAN AI's profile as a domestic AI company surged, enabling it to successfully raise funds in July 2025. Its corporate value was highly evaluated by domestic venture capital firms. However, given the Company's low valuation (currently projected PER of 9x, PCFR of 8x), it appears that the potential for JAPAN AI to achieve an even higher valuation in the future, should it conduct further fundraising or list its shares, has not been factored into its stock price.

The Company is considering exercising its stock acquisition rights in the future and bringing JAPAN AI back into its consolidated subsidiary, which would not only contribute significantly to group profits, but also potentially lead to a significant increase in the Company's stock valuation, which is currently at a low level.

The Decline in Valuation & the Improvement in User Perception of Japan AI Have Increased the Appeal of the Company's Stock

As mentioned earlier, the Company's already low valuation has recently declined further due to the impact of falling stock prices in SaaS-related stocks. Conversely, user appreciation for JAPAN AI's product suite has rapidly increased recently, creating a divergence in valuation between investors and AI product users within the group. Therefore, for investors positive about the future of generative AI, the valuation appeal of the Company's stock appears to have increased compared to the past and relative to comparable companies.

Figure 12. Quarterly Performance Trends (¥mn)

FY	3/24		3/25			3/26			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	2,133	2,120	2,265	2,856	3,160	3,039	3,061	3,239	3,593
(YoY)	27.1%	22.1%	26.2%	45.5%	48.1%	43.3%	35.1%	13.4%	13.7%
Advertising Platform Business (Former)	1,155	1,171	1,179	1,098	1,252	1,246	-	-	-
Overseas Business	338	299	334	374	401	278	-	-	-
Advertising Platform Business (New)	-	-	1,418	1,293	1,447	1,302	1,258	1,371	1,491
(YoY)	-	-	-	-	-	-	-11.2%	6.0%	3.0%
Marketing SaaS Business	697	730	859	864	963	1,083	1,116	1,074	1,112
(YoY)	36.4%	22.0%	42.4%	28.4%	38.2%	48.3%	29.9%	24.3%	15.5%
Digital PR Business	-	-	-	707	761	680	703	807	1,001
(YoY)	-	-	-	-	-	-	-	-	-
Adjustment	-57	-81	-11	-10	-11	-27	-16	-14	-12
Cost of Sales	487	501	525	716	645	627	699	856	1,009
Gross Profit	1,646	1,618	1,740	2,139	2,515	2,411	2,362	2,383	2,584
(Gross Profit Margin)	77.2%	76.3%	76.8%	74.9%	79.6%	79.3%	77.2%	73.6%	71.9%
SG&A Expenses	1,289	1,415	1,576	1,845	1,956	1,865	2,066	2,066	2,064
Other Revenues	1	116	651	468	12	6	38	100	20
Other Expenses	2	17	0	10	7	162	1	5	0
Operating Profit	356	302	815	752	563	389	333	411	539
(OP Margin)	16.7%	14.2%	36.0%	26.3%	17.8%	12.8%	10.9%	12.7%	15.0%
Advertising Platform Business (Former)	638	636	581	496	578	567	-	-	-
(Segment Profit Margin)	55.2%	54.3%	49.3%	45.2%	46.2%	45.5%	-	-	-
Overseas Business	64	16	24	113	151	113	-	-	-
(Segment Profit Margin)	18.9%	5.4%	7.2%	30.2%	37.7%	40.6%	-	-	-
Advertising Platform Business (New)	-	-	605	610	730	680	538	611	721
(Segment Profit Margin)	-	-	42.7%	47.2%	50.4%	52.2%	42.8%	44.6%	48.4%
Marketing SaaS Business	67	38	25	126	260	256	287	186	216
(Segment Profit Margin)	9.6%	5.2%	2.9%	14.6%	27.0%	23.6%	25.7%	17.3%	19.4%
Digital PR Business	-	-	0	202	150	78	103	114	211
(Segment Profit Margin)	-	-	-	28.6%	19.7%	11.5%	14.7%	14.1%	21.1%
Adjustment	-414	-393	184	-187	-577	-626	-596	-501	-609
(Normal Profit*)	357	185	170	308	564	551	333	321	539
Equity in Earnings of Affiliates	-	-	0	-29	-32	-35	-47	-14	-36
Finance Income	4	6	3	37	-30	0	1	2	0
Finance Costs	-28	110	70	10	95	-8	56	48	47
Profit Before Tax	388	198	748	750	406	361	231	350	456
Profit	231	167	670	620	318	438	162	243	328
Profit Attributable to Parent Company Shareholders	228	170	672	568	292	421	150	196	293
Net Profit Margin	10.7%	8.0%	29.7%	19.9%	9.2%	13.9%	4.9%	6.1%	8.2%

Note: From FY3/26, the Overseas Business was integrated with the Domestic Advertising Platform Business. The former Advertising Platform Business is now referred to as the Old Advertising Platform Business, and the Advertising Platform Business integrated with the Overseas Business is now referred to as the New Advertising Platform Business. Figures for the New Advertising Platform Business and adjustment amounts for FY3/25 have been restated. Normal profit refers to operating profit excluding one-off gains/losses. Segment profits are based on segment income. Source: Company Data. Compiled by Strategy Advisors.

Figure 13. Consolidated Income Statement (¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26CoE Initial	3/26CoE Revised
Revenue	14,954	14,348	14,061	14,459	6,455	8,012	11,322	15,300	14,150
Advertising Platform Business	-	-	-	11,246	3,918	4,306	5,462	6,970	5,850
Marketing SaaS Business	-	-	-	1,176	1,976	2,704	3,770	5,280	4,905
ARR (SaaS Business)	-	-	-	980	1,940	2,414	3,471	-	-
ARR (SFA/CRM)	-	75	159	215	325	474	833	-	-
ARR (CHAT)	-	39	53	223	690	881	1,252	-	-
ARR (ANALYTICS)	-	-	-	-	307	421	616	-	-
Overseas Business	-	-	-	2,131	783	1,249	-	-	-
Digital PR Business	-	-	-	-	-	-	2,150	3,100	3,450
Adjustment	-	-	-	-95	-223	-248	-60	-50	-57
Cost of Sales	13,008	12,127	11,453	10,676	1,312	1,873	2,514	3,500	3,450
Gross Profit	1,946	2,220	2,608	3,783	5,142	6,138	8,807	11,800	10,700
Gross Profit Margin	13.0%	15.5%	18.5%	26.2%	79.7%	76.6%	77.8%	77.1%	75.6%
SG&A Expenses	2,257	2,312	2,412	3,044	4,006	5,252	7,244	-	-
Operating Profit	-310	-91	196	738	2,457	1,538	2,520	2,750	2,200
Advertising Platform Business	-	-	-	1,727	2,164	2,244	2,627	3,370	2,796
Digital PR Business	-	-	-	-	-	-	431	460	554
Marketing SaaS Business	-	-	-	125	85	215	668	1,370	1,325
Overseas Business	-	-	-	163	338	201	-	-	-
Adjustment	-	-	-	-1,278	-131	-1,122	-1,206	-2,450	-2,474
OP Margin	-2.1%	-0.6%	1.4%	5.1%	38.1%	19.2%	22.3%	18.0%	15.5%
Normal Profit	-	-	-	-	1,110	876	1,593	2,490	2,000
Equity in Earnings of Affiliates (Loss)	-	-	-	-	0	0	-96	-	-
Finance Income	2	9	15	46	19	31	9	-	-
Finance Costs	21	59	62	38	198	292	166	-	-
Ordinary Profit	-330	-141	149	746	-	-	-	-	-
Extraordinary Profit/Losses	-148	-30	-13	-246	-	-	-	-	-
Profit Before Tax	-478	-172	135	499	2,279	1,277	2,267	2,600	1,950
Income Tax Expense	62	4	34	161	168	242	218	590	450
Profit	-541	-177	101	338	2,110	1,035	2,048	2,010	1,500
Non-Controlling Interests	3	1	0	2	-4	3	94	50	100
Profit Attributable to Owners of Parent	-544	-178	101	335	2,114	1,031	1,954	1,960	1,400
Net Profit Margin	-3.6%	-1.2%	0.7%	2.3%	32.8%	12.9%	17.3%	12.8%	9.9%

Note: IFRS from FY3/23 onwards.

Normal profit refers to operating profit excluding one-off gains/losses.

Segment profits are based on segmented results.

The Advertising Platform Business through FY3/24 included only the Domestic segment.

The Advertising Platform Business from FY3/25 onwards incorporates the Overseas segment.

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. Consolidated Balance Sheet (¥mn)

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Cash and Deposits	2,542	1,619	1,198	1,092	1,477	2,875	2,494	2,861
Trade Receivables	1,855	1,085	1,131	1,479	2,032	2,409	3,095	4,416
Inventory	0	0	0	0	0	1	0	3
Other Current Assets	76	180	145	156	306	338	355	604
Current Assets	4,473	2,884	2,474	2,727	3,815	5,635	5,944	7,887
Tangible Fixed Assets	319	638	532	447	471	471	446	689
Right-of-Use Assets	0	0	0	0	0	502	197	1,232
Goodwill	27	401	305	1,025	1,416	9,384	10,444	11,010
Other Intangible Fixed Assets	419	296	544	1,049	1,186	1,183	1,628	2,107
Intangible Fixed Assets	446	697	849	2,074	2,602	10,568	12,072	13,117
Investments and Other Assets	303	417	414	404	448	604	539	958
Total Fixed Assets	1,068	1,752	1,795	2,925	3,521	12,145	13,253	15,936
Total Assets	5,541	4,636	4,269	5,652	7,336	17,780	19,197	23,884
Trade Payables	1,299	869	781	1,012	1,513	1,799	1,909	2,768
Interest-Bearing Debt	178	178	276	656	1,271	7,612	1,848	2,855
Other Current Liabilities	408	438	387	486	705	842	1,119	1,745
Current Liabilities	1,885	1,485	1,444	2,154	3,489	10,253	4,876	7,368
Interest-Bearing Debt	451	311	150	713	966	1,280	6,221	7,364
Asset Retirement Obligations	0	125	126	127	144	0	0	0
Other Fixed Liabilities	0	0	0	0	5	1,214	810	449
Fixed Liabilities	451	436	276	840	1,115	2,494	7,031	7,813
Total Liabilities	2,336	1,921	1,720	2,994	4,604	12,747	11,907	15,181
Capital and Surplus	3,044	3,083	3,095	3,107	2,672	2,695	2,820	6,800
Retained Earnings	160	-385	-564	-462	307	2,545	3,577	5,425
Treasury Stock	0	0	0	0	-300	-330	-402	-5,328
Shareholders' Equity	3,203	2,698	2,531	2,644	2,679	4,995	7,248	6,897
Other Components of Equity	0	10	9	11	42	85	1,254	990
Non-Controlling Interests	2	7	7	0	8	38	42	815
Total Equity	3,205	2,715	2,549	2,657	2,733	5,034	7,290	8,703
Total Liabilities and Equity	5,541	4,636	4,269	5,652	7,336	17,780	19,197	23,884

Note: IFRS from FY3/23 onwards.

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Consolidated Cash Flow Statement (¥mn)

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Profit Before Tax	191	-479	-173	136	500	2,279	1,277	2,267
Depreciation	256	330	306	392	587	642	746	1,211
Other Income	-	-	-	-	-	-	-663	-1,108
Equity in Earnings of Affiliates (Loss)	-	-	-	-	-	-	-	97
Impairment Loss	-	172	25	-	217	-	-	-
Loss on Disposal of Fixed Assets	-	-	-	-	-	285	-	-
Unrealized Gains and Losses on Securities and Investment Securities	278	1	1	-	-	-	-	-
Gain or Loss on Step Acquisition	-	-	-	-	-	-1,623	-	-
Allowance for Doubtful Accounts	6	14	11	6	2	-	-	-
Corporate Tax Paid	-145	-183	79	-12	-40	-251	-65	-342
Other Operating Cash Flows	-293	348	-176	-90	-125	57	-155	106
Cash Flows from Operating Activities	292	203	73	431	1,140	1,389	1,140	2,231
Acquisition of Securities and Investment Securities	-111	-55	-1	-	-	-33	-45	-73
Sales of Securities and Investment Securities	-	-	-	-	-	-	145	25
Acquisition and Sale of Tangible and Intangible Fixed Assets	-142	-487	-345	-596	-722	-759	-844	-1,329
Acquisition of Subsidiary Shares	-	-173	-71	-863	-545	-5,129	-	272
Others	-77	-281	2	2	-7	-46	-87	-42
Cash Flows from Investing Activities	-330	-996	-415	-1,456	-1,274	-5,967	-831	-1,147
Issuance of Shares	1,505	39	12	9	-	-	7	3,919
Redemption and Cancellation of Shares	-	0	0	-	-299	-31	-	-4,946
Dividend Payment	-	-	-	-	-	-	-	-51
Borrowings	-97	-100	-2	988	869	6,250	-487	769
Other Financial Cash Flows	-17	-77	-87	-84	-86	-293	-357	-468
Cash Flows from Financing Activities	1,392	-138	-76	912	484	5,926	-837	-777
Free Cash Flow	-38	-793	-342	-1,025	-134	-4,578	309	1,085

Note: IFRS from FY3/23 onwards.

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Stock Price Indicators, ROE and KPIs

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
EPS (¥)	3.8	-30.8	-10.0	5.7	18.7	119.5	58.3	136.3	115.7
BPS (¥)	183.0	151.5	141.5	147.1	153.6	282.5	409.3	651.6	-
DPS (¥)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Dividend Payout Ratio	-	-	-	-	-	-	-	-	-
Closing Price (¥)	1,903	658	618	903	1,142	2,102	1,046	1,576	-
PER (x)	528.9	0.0	0.0	159.8	60.2	17.6	17.9	9.8	-
PBR (x)	10.4	4.3	4.4	6.1	7.4	7.4	2.6	2.4	-
# of Shares Issued at End of Period (mn)	17,508	17,868	17,958	18,048	18,048	18,048	18,056	18,056	-
# of Treasury Stocks (Shares)	0	0	0	0	330	365	347	5,950	-
# of Shares excl. Treasury Stocks (mn Shares)	17,508	17,868	17,958	18,048	17,718	17,683	17,710	12,106	-
Market Cap. (¥mn)	33,318	11,757	11,098	16,297	20,234	37,170	18,524	19,079	-
Shareholders' Equity Ratio	57.8	58.4	59.5	47.0	37.1	28.0	37.8	33.0	-
Interest-Bearing Debt Balance	629.0	489.0	426.0	1,369.0	2,237.0	8,892.0	8,068.0	10,219.0	-
Net D/E Ratio	-0.6	-0.4	-0.3	0.1	0.3	1.2	0.8	0.9	-
EV (Enterprise Value)	31,407	10,634	10,333	16,574	21,002	43,186	24,098	27,252	-
EBITDA (¥mn)	784	20	215	588	1,326	3,384	2,285	3,732	-
EV/EBITDA (Multiple)	40.1	531.7	48.1	28.2	15.8	12.8	10.5	7.3	-
ROE (%)	2.6	-18.4	-6.8	3.9	12.5	-	16.9	25.8	-
ROIC (Invested Capital, %)	13.2	-10.6	-3.1	4.6	12.9	-	8.9	13.4	-
ROIC (Business Assets, %)	36.1	-26.0	-5.9	6.9	17.6	-	10.0	14.9	-
Number of Employees	242	258	264	307	346	566	617	877	-

Source: Company Data. Compiled by Strategy Advisors.

Disclaimer

This report is published by Strategy Advisors Inc. (hereinafter referred to as the "Publisher") and was prepared primarily by external partner companies and analysts.

The purpose of this report is to introduce and explain the target companies using a different approach than usual. In principle, the issuer does not review or approve the contents of the report (however, the issuer will point out to the author only if there are obvious errors or inappropriate expressions).

The Issuer may have received compensation, directly or indirectly, from the Target Company for planning, proposing and providing the infrastructure for issuing this report.

The external partners and analysts who write this report may receive compensation directly or indirectly from the subject company for activities other than preparing this report. In addition, the external partners and analysts who write this report may have or may in the future have transactions in the securities of the subject company.

This report has been prepared solely for the purpose of providing information to serve as a reference for investment decisions and is not intended as a solicitation for securities or other transactions. Investors should make final decisions regarding securities and other transactions at their own discretion and responsibility.

In preparing this report, the authors received information through interviews with the target companies, etc. However, the hypotheses and opinions expressed in this report are not those of the target companies but are the result of the authors' analysis and evaluation.

This report is based on information that the author believes to be reliable, but does not guarantee its accuracy, completeness or timeliness. The views and forecasts contained in this report are the judgment of the author at the time of publication of this report and are subject to change without notice.

Neither the issuer nor the authors shall be liable for any direct, indirect, incidental or special damages which an investor may suffer as a result of placing reliance on the information or analysis contained in this report.

In principle, the copyright of this report belongs to the publisher. It is prohibited by law to copy, sell, display, distribute, publish, modify, distribute or use for commercial purposes any information provided in this report without the publisher's consent.



Strategy Advisors

Central Building 703, 1-27-8 Ginza, Chuo-Ku, Tokyo 104-0061