Transaction Media Networks | 5258 (TSE Growth)

Company Report

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Strategy Advisors Co., Ltd.
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Returned to Profitability in FY3/26. Stock Price Poised for Further Upside Based on FY3/27 Earnings & Attractive Valuation

Transaction Media Networks reported FY3/26 results, with total revenue of ¥13.276 billion (+7.9% YoY) and operating income of ¥0.6 million (compared to a loss of ¥504 million YoY). The company returned to profitability due to a decrease in data center relocation expenses and the positive impact of increased revenue. Regarding total revenue by revenue model (stand-alone basis), recurring revenue reached ¥9.262 billion (+13.9% YoY), driven by growth in QR/Barcode service fees, which led to the increase in revenue. On the other hand, one-time revenue was sluggish at ¥2.44 billion (-13.1% YoY) due to a decline in terminal sales - impacted by the absence of large-scale projects recorded in the previous fiscal year - and a decrease in other revenue.

The number of operating terminals stood at 1.21 million as of the end of FY3/26 (+110,000 units YoY). Factors contributing to this increase include measures to expand the merchant base through the company's direct sales efforts (+38,000 units), collaborative initiatives with other payment service providers (+69,000 units) and growth in the Vending Machine and Payment machine market (+6,000 units).

For -FY3/27 company forecasts total revenue of ¥16.535 billion (+24.5% YoY) and operating income of ¥831 million (compared to a profit of ¥0.6 million YoY). In addition to growth in QR/Barcode service fees and gateway service fees, a sharp increase in sales from terminal sales is expected due to the recognition of revenue from several large-scale projects. For FY3/27, a significant improvement in the operating margin is expected due to the following factors: 1) increased recurring revenue and one-time revenue, 2) the elimination of ¥345 million in data center relocation expenses, 3) reduced operating costs resulting from the launch of the new data center and 4) lower depreciation expenses due to reduced capital expenditures.

TMN's current valuation - with a forward PER of 21x, PBR of 1.9x and EV/EBITDA ratio of 6x - remains at a low level compared to its peers. Looking ahead, the stock price is likely to test higher levels, driven by expectations of a significant improvement in the operating margin for FY3/27 and the company's currently undervalued valuation. Key factors to watch in this context will include the acquisition of major projects across various services and the pace of growth in QR/Barcode service fees.

Stock Price and Trading Volume (Past 1 Year)

Source: Strategy Advisors.

Key Indicators

Stock Price (7/9/26)	408
52-Week High (8/14/25)	537
52-Week Low (3/23/26)	293
All-Time High (7/4/23)	1,946
All-Time Low (7/4/25)	213
Shares on Issue (mn)	29.7
Market Capitalization (¥bn)	12.1
EV (¥bn)	16.0
Equity ratio (3/265 Actual, %)	22.8
PER (3/27 CoE, x)	21.4
PBR (3/26 Actual, x)	1.9
Dividend Yield (3/27 CoE, %)	0.0

Note: EV = Market Capitalization + Interest-Bearing Debt − (Cash and Deposits − Deposits Held)
Source: Strategy Advisors.

Japanese GAAP - Consolidated

FY	Sales (¥mn)	YoY Change (%)	Operating Income (¥mn)	YoY Change (%)	Ordinary Income (¥mn)	YoY Change (%)	Net Income (¥mn)	YoY Change (%)	EPS (¥)	DPS (¥)
3/23	7,831	9.7	561	-21.1	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	13,276	7.9	0	-	-73	-	-60	-	-1.9	0.0
3/27 CoE	16,535	24.5	831	-	737	-	600	-	19.1	0.0

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

Net income refers to net income attributable to owners of the parent.

Source: Company Materials. Compiled by Strategy Advisors.

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1. FY3/26 Financial Results Overview

Operating Profit Returns to the Black

TMN's financial results for FY3/26 showed total revenue of ¥13.276 billion (+7.9% YoY) and operating income of ¥0.6 million (compared to a loss of ¥504 million YoY). The company returned to profitability due to a decrease in data center relocation expenses and an increase in recurring revenue, such as gateway service fees and QR/Barcode service fees. The DC relocation was completed on September 16, 2025.

Figure 1. Summary of FY3/26 Financial Results

(¥mn)

	FY3/26	FY3/25	YoY	**FY3/26 Q4**	YoY
Total Revenue (Consolidated)	**13,276**	**12,300**	**7.9%**	**3,690**	**8.2%**
Recurring Revenue	**9,262**	**8,129**	**13.9%**	**2,355**	**10.1%**
Gateway Service Fees	**5,040**	4,646	8.5%	**1,260**	5.2%
QR/Barcode Service Fees	**3,790**	2,992	26.7%	**985**	18.9%
Registration Fees	**430**	489	-12.1%	**110**	-2.5%
One-Time Revenue	**2,440**	**2,809**	**-13.1%**	**807**	**-16.4%**
Terminal Sales	**1,375**	1,730	-20.5%	**381**	-31.5%
SI Development Sales	**656**	536	22.3%	**311**	33.4%
Others*	**408**	541	-24.7%	**105**	-40.3%
WebSpace	**1,431**	**1,362**	**5.1%**	**393**	**28.8%**
Four-J	**142**	**-**	**-**	**142**	**-**
Gross Profit	**3,796**	**3,401**	**11.6%**	**1,178**	**30.7%**
Gross Profit Margin	**28.6%**	**27.7%**	**-**	**31.9%**	**-**
SG&A Expenses	**3,795**	**3,905**	**-2.8%**	**922**	**-11.5%**
SG&A Expenses Ratio	**28.6%**	**31.8%**	**-**	**25.0%**	**-**
Operating Profit	**0.6**	**-504**	**-**	**256**	**-**
Ordinary Income	**-73**	**-513**	**-**	**219**	**-**
Net Income Attributable to Owners of the Parent	**-60**	**-682**	**-**	**248**	**-**
EBITDA	**2,591**	**1,497**	**73.0%**	**968**	**155.4%**

*Others: nextore, In-house Prepaid, Cloud POS, Data Distribution Business, etc.
Source: Company Materials. Compiled by Strategy Advisors.

EBITDA Increased by 73% YoY

Meanwhile, EBITDA - a metric the company prioritizes (calculated by adding interest expense, depreciation, goodwill amortization and amortization of customer-related assets to operating income) - stood at ¥2.591 billion (+73% YoY). Of this amount, the combined total of depreciation, goodwill amortization and amortization of customer-related assets was ¥2.573 billion (+29.7% YoY).

Regarding EBITDA, it continued declining YoY from Q1 FY3/25 through Q1 FY3/26. However, due to an improvement in operating income and an increase in depreciation expenses associated with the start of operations at the data center, EBITDA for FY3/26 Q2 was ¥636 million (+79% YoY), ¥645 million in Q3 (+77% YoY) and ¥968 million in Q4 (+155% YoY), showing a significant increase recently.

Both Gross Profit Margin and SG&A Ratio Improved

Despite an increase in depreciation and amortization expenses, the gross profit margin rose to 28.6% (+0.9ppt YoY), driven by a decrease in data center relocation expenses recorded as cost of goods sold and the effect of higher revenue. Data center relocation expenses decreased to ¥345 million (-¥193 million YoY) (of which ¥313 million was recorded as cost of goods sold).

Meanwhile, SG&A expenses totaled ¥3.795 billion (-¥110 million YoY). Outsourcing expenses fell to ¥327 million (-¥234 million YoY) due to a reduction in PMO expenses following the completion of the data center relocation. Conversely, others increased to ¥747 million (+¥68 million YoY) due to the recognition of consulting fees related to the repurchase of treasury stock and various expenses associated with the acquisition of a subsidiary. Additionally, depreciation expenses rose from to ¥211 million (+¥9 million YoY) following the commencement of operations at the new distribution center. In addition, personnel expenses increased to ¥2.13 billion (+¥44 million YoY) and rent expenses increased to ¥378 million (+¥3 million YoY). As a result, driven by the increase in revenue, the SG&A ratio improved to 28.6% (-3.2ppt YoY).

On a stand-alone basis, SG&A expenses were ¥2.895 billion (-¥248 million YoY). The breakdown of the difference between consolidated and stand-alone SG&A expenses was as follows: SG&A expenses for WebSpace amounted to ¥750 million; amortization of goodwill and customer-related assets related to WebSpace totaled ¥81 million; acquisition costs related to Four-J Corporation, which were reflected in the income statement starting in Q4, amounted to ¥32 million; SG&A expenses amounted to ¥30 million; and finally, goodwill amortization amounted to ¥6 million.

Four-J Corporation Made a Wholly-Owned Subsidiary

On September 30, 2025, TMN made Four-J Corporation (Shinjuku-Ku, Tokyo) - whose core businesses are system engineering services and software contract development firm - a wholly owned subsidiary. By bringing some of the temporary staff and contractors currently employed by TMN in-house, the company aims to reduce external expenses and improve profitability. At the same time, by acquiring personnel with diverse skill sets, it seeks to accelerate business expansion, including through the acquisition of large-scale projects. The amount of goodwill arising from the acquisition of Four-J Corporation was ¥269 million.

Although the Equity Ratio Declined Due to an Increase in Borrowings, Financial Soundness Was Maintained

Total assets as of the end of FY3/26 increased to ¥28.547 billion (+¥1.558 billion YoY). In addition to the new recognition of ¥420 million in long-term loans (including those expected to be recovered within one year), software increased by ¥347 million, inventory by ¥291 million, and goodwill by ¥201 million compared to the end of the previous fiscal year.

Total liabilities as of the end of FY3/26 amounted to ¥21.982 billion (+¥5,118 million YoY). Long-term borrowings (including those due within one year) increased by ¥6.212 billion to secure working capital and to repurchase treasury stock. Meanwhile, deposits held decreased by ¥610 million. Total shareholders' equity at the end of FY3/26 decreased to ¥6.515 billion (-¥3.544 billion YoY), due to the repurchase of treasury stock (¥3.485 billion). As a result, the equity ratio fell to 22.8% (-14.5ppt YoY). However, the net D/E ratio (calculated by adding deposits held to interest-bearing debt) at the end of FY3/26 was 0.60x, indicating that financial soundness has been maintained.

Furthermore, WebSpace, a consolidated subsidiary that operates convenience store payment collection services for public utility bills and other payments, tends to see a surge in deposits held by customers on bank holidays. Since TMN's consolidated financial statements reflect figures from WebSpace - which has a December fiscal year-end - from 3-months prior, the balance of deposits held at the end of Q4, which reflects the year-end period (a bank holiday), is typically high. Deposits held as of FY3/26 also increased to ¥10.384 billion (+¥9.156 billion QoQ). Since changes in deposits largely correspond to changes in cash and deposits, Strategy Advisors includes deposits in the calculation of TMN's net interest-bearing debt.

Launch of a High-Performance New Data Center

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

The new data center has achieved improvements in scalability, availability and maintainability. Specifically, it has secured a flexible infrastructure and capacity to accommodate future additions of new services and expansions of processing capacity. It also minimizes the scope of impact in the event of a system failure, thereby preventing a decline in operational uptime. Furthermore, through the automation of monitoring and the introduction of state-of-the-art equipment, maintainability has been enhanced, and the Company has successfully reduced power consumption and operating costs.

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

	3/25				3/26			
FY	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Total Revenue	**2,732**	**3,006**	**3,150**	**3,411**	**3,022**	**3,322**	**3,241**	**3,690**
(YoY)	NM	NM	NM	NM	10.6%	10.5%	2.9%	8.2%
<Recurring Revenue>	**1,930**	**1,983**	**2,075**	**2,139**	**2,218**	**2,319**	**2,368**	**2,355**
(YoY)	18.1%	14.8%	13.5%	14.7%	14.9%	16.9%	14.1%	10.1%
・Gateway Service Fees	**1,129**	**1,146**	**1,173**	**1,197**	**1,245**	**1,264**	**1,271**	**1,260**
(YoY)	9.3%	8.2%	8.1%	8.3%	10.2%	10.3%	8.3%	5.2%
・QR/Barcode Service Fees	**669**	**714**	**779**	**828**	**869**	**946**	**989**	**985**
(YoY)	45.1%	35.5%	27.9%	30.8%	29.8%	32.5%	26.9%	18.9%
・Registration Fees	**130**	**123**	**122**	**113**	**104**	**108**	**107**	**110**
(YoY)	-5.4%	-12.2%	-8.1%	-9.5%	-20.5%	-11.6%	-12.3%	-2.5%
<One-Time Revenue>	**423**	**662**	**756**	**966**	**454**	**634**	**552**	**798**
(YoY)	-36.9%	14.9%	-30.5%	-1.2%	7.2%	-4.2%	-26.9%	-17.4%
・Terminal Sales	**245**	**381**	**546**	**556**	**269**	**386**	**338**	**381**
(YoY)	-39.0%	5.4%	11.6%	16.8%	9.5%	1.4%	-38.1%	-31.5%
・SI Development Sales	**90**	**108**	**104**	**233**	**91**	**143**	**109**	**311**
(YoY)	-51.9%	-18.3%	-22.6%	-42.4%	1.4%	32.7%	4.7%	33.4%
・Others	**87**	**172**	**105**	**176**	**93**	**104**	**104**	**105**
(YoY)	7.9%	109.4%	-77.3%	84.3%	6.7%	-39.5%	-0.3%	-40.3%
WebSpace	**377**	**360**	**318**	**305**	**349**	**368**	**320**	**393**
(YoY)	NM	NM	NM	NM	-7.5%	2.2%	0.6%	28.8%
Four-J	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**142**
(YoY)	-	-	-	-	-	-	-	-
Gross Profit	**841**	**837**	**820**	**902**	**846**	**949**	**820**	**1,178**
(Gross Profit Margin)	30.8%	27.9%	26.0%	26.5%	28.0%	28.6%	25.3%	32.0%
SG&A Expenses	899	963	1,001	1,041	1,043	922	907	922
Operating Profit	**-57**	**-126**	**-180**	**-139**	**-196**	**26**	**-86**	**256**
(YoY)	NM	NM	NM	NM	NM	NM	NM	NM
(OP Margin)	-2.1%	-4.2%	-5.7%	-4.1%	-6.5%	0.8%	-2.7%	6.9%
Non-Operating Profit/Loss	-2	-5	-4	1	-2	-10	-24	-37
Ordinary Income	**-59**	**-130**	**-184**	**-138**	**-198**	**16**	**-110**	**219**
(YoY)	NM	NM	NM	NM	NM	NM	NM	NM
(Ordinary Income Margin)	-2.2%	-4.4%	-5.9%	-4.1%	-6.6%	0.5%	-3.4%	5.9%
Net Income Attributable to Shareholders of the Parent	**-71**	**-131**	**-277**	**-202**	**-198**	**4**	**-115**	**248**
(YoY)	NM	NM	NM	NM	NM	NM	NM	NM
EBITDA	**398**	**354**	**364**	**379**	**340**	**636**	**645**	**968**
No. of Operating Terminals (As of End of Period, mn)	**0.99**	**1.01**	**1.06**	**1.10**	**1.12**	**1.15**	**1.18**	**1.21**
Payment Processing Amount (GMV, ¥trn)	**1.1**	**1.2**	**1.3**	**1.3**	**1.4**	**1.4**	**1.4**	**1.3**
No. of Transactions (bn)	**0.6**	**0.6**	**0.7**	**0.6**	**0.7**	**0.7**	**0.7**	**0.7**

Note: The number of connection transactions is rounded down to the nearest 10,000; the gross merchandise value (GMV) is rounded to the nearest ¥10 billion; and the number of transactions is rounded to the nearest 10 million.
Source: Company Materials. Compiled by Strategy Advisors.

2. Major Business Trends

Recurring Revenue Continues to Grow Strongly

Recurring revenue derived from merchants' use of electronic payment services consists of gateway service fees, QR/Barcode service fees, and registration fees. An increase in the number of operating terminals leads to growth in recurring revenue - primarily through higher gateway service fees (which are fixed monthly charges) and pay-per-use QR/Barcode service fees - making it a particularly important KPI for TMN.

TMN's number of operating terminals stood at 1.21 million as of FY3/26 (+110,000 units YoY). Factors contributing to this increase include measures to expand the merchant base through the company's direct sales efforts (+38,000 units YoY), collaborative initiatives with other payment service providers (+69,000 units YoY) and growth in the Vending machine and Payment machine market (+6,000 units YoY).

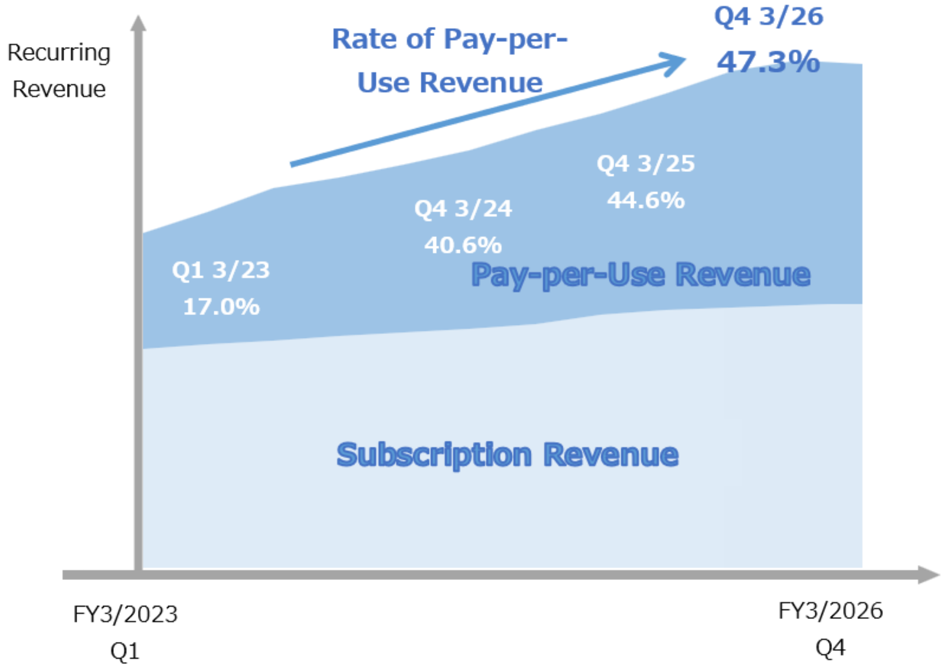
In addition to the increase in the number of operating terminals, the adoption of 13,000 units of the new "UT-X20" payment terminal by Welcia Holdings (3141 TSE Prime) led to a sharp rise in credit card transactions. Combined with the expanding use of QR/Barcode payments, the gross merchandise value (GMV) for FY3/26 reached ¥5.5 trillion (+13.6% YoY). The number of transactions processed in FY3/26 also increased to 2.8 billion (+12% YoY). As a result, recurring revenue (stand-alone) rose 13.9% YoY, continuing the strong growth seen in FY3/25 (+15.2% YoY).

QR/Barcode Service Fees Rose 27%

Regarding the main breakdown of recurring revenue, gateway service fees increased to ¥5.04 billion (+8.5% YoY). This was driven by growth in subscription revenue due to an increase in the number of operating terminals, as well as a rise in transaction-based revenue from E-Cash payments - which reached ¥377 million (+16.7% YoY) - following an increase in the number of contracted merchants. QR/Barcode service fees, which are charged on a pay-per-use revenue basis based on the gross merchandise value (GMV) processed, totaled ¥3.79 billion (+26.7% YoY) due to an increase in new merchant sign-ups and higher transaction volumes from existing merchants, driven by the expansion of the QR/Barcode market.

As a result, the ratio of pay-per-use revenue to total gateway service fees and QR/Barcode service fees in Q4 rose to 47.3% (+2.7% YoY). TMN aims to raise the growth curve of its recurring revenue by increasing the ratio of pay-per-use revenue.

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



Note: Recurring revenue in the above image does not include registration fees。
Source: Company Materials. Compiled by Strategy Advisors.

Q4 Gateway Service Fees & QR/Barcode Service Fees Temporarily Decreased Compared to Q3

Furthermore, Q4 gateway service fees decreased by approximately ¥11 million compared to Q3. This is due to a mechanism in place for certain customers under per-transaction billing contracts, whereby the unit fee is reduced once a certain number of transactions is exceeded during the fiscal year. As this is viewed as a temporary decline, fees are expected to return to previous levels starting in Q1 FY3/27.

Furthermore, QR/Barcode service fees in Q4 also decreased by approximately ¥4 million QoQ. This is due to the seasonal nature of QR/Barcode service fees - which are charged based on GMV - as Q3 GMV tends to be high due to the inclusion of December, the peak holiday shopping season.

Expanding Payment Brands

In September 2025, TMN added “Wesmo!”- a new smartphone payment service from West Japan Railway Company (9021 TSE Prime) - to the list of brands supported by its gateway service. In November, it introduced “SAPIA”, a regional E-Cash service for the Sapporo area, to all Lawson stores in Hokkaido. As of the end of FY3/26, the number of supported payment brands stood at 43.

Policy to Expand Customer Base to Transportation Operators

In June 2025, TMN began providing QR code and Barcode payment services to Akiha Bus Service (Shuchi District, Shizuoka Prefecture) and Tokachi Bus (Obihiro City, Hokkaido). In September, the company added transportation IC Cards as a payment method for the Bun Bus community bus routes in Kokubunji City. In November, it provided contactless credit card and QR code and Barcode payment services for the Cashless Bus Proof of Concept (PoC) conducted by Sotetsu Bus. Going forward, TMN plans to expand horizontally to public transportation operators nationwide, broadening its customer base beyond primarily retailers to include transportation operators.

Launched Business with Large Supermarkets

In October 2025, the company began providing transportation E-Cash services to large supermarkets, contributing to an increase in the number of operating terminals of over 5,000.

Expectations for Accelerated Growth in the Number of Operating Terminals Through Contributions to the Vending Machine and Payment Machine Market

TMN has thus far expanded its number of active connected terminals primarily in the POS and CCT (credit card terminal) market, which comprises approximately 4 million units nationwide. On the other hand, although the company had aimed for a full-scale entry into the Vending machine and Payment machine market - also estimated at approximately 4 million units - it struggled to gain traction. As of the end of FY3/26, TMN's number of operating terminals stood at approximately 1.16 million for the POS and CCT market, compared to only about 20,000 for the Vending machine and Payment machine market (excluding payment machines in specific sectors).

However, following a partnership with NEC (6701 TSE Prime) in March 2026, the company began introducing E-Cash to beverage vending machines. Going forward, the pace of growth in the number of operating terminals is expected to accelerate through expansion into the Vending Machine and Payment Machine market.

Expanding Collaboration with Toyota Finance on Terminal Sales

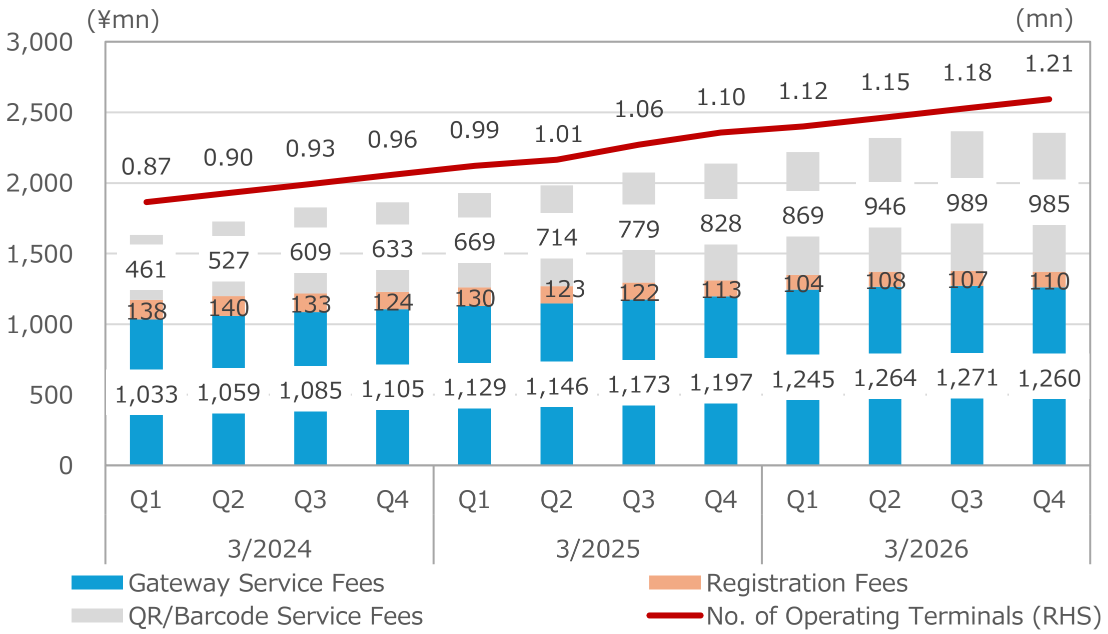
In addition, the company announced 2 major projects expected to contribute to terminal sales and other revenue starting in FY3/27. One is the expansion of collaboration with Toyota Finance in terminal sales. The company has been collaborating with Toyota Finance - a wholly owned subsidiary of Toyota Financial Services, its major shareholder - since its founding.

In addition to the E-Cash and QR/Barcode payment services it has previously provided, the company's all-in-one mobile payment terminal, the UT-P11, will be introduced to Toyota dealerships nationwide through Toyota Finance starting in FY3/27. Sales of this terminal are expected to not only increase terminal sales, but also boost revenue per number of operating terminals due to higher QR/Barcode service fees.

Start of Orders for New Terminals for Large-Scale Chain Stores

Another factor is the start of order acceptance for new terminals for large-scale chain stores (January 2026). While the UT-X10 had been in use at this customer's locations, a decision has been made to upgrade to its successor, the UT-X11. Given the high volume of inquiries already received, this is expected to contribute to terminal sales in FY3/27.

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

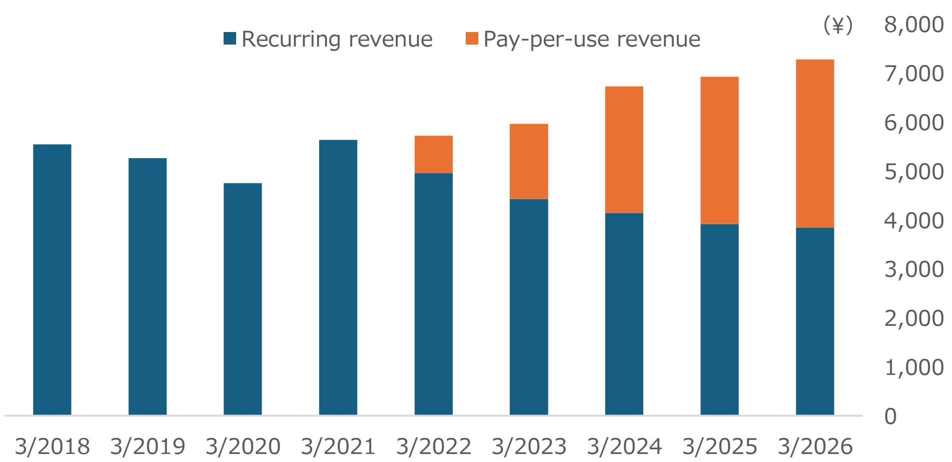


Source: Company Materials. Compiled by Strategy Advisors.

The Number of Operating Terminals is Approximately Two-Thirds Higher Than the Number of Terminals Connected Via Third-Party Payment Service Providers

The company has now disclosed the breakdown of the number of operating terminals by sales channel, as well as the breakdown by industry for terminals acquired through direct sales. As of the end of FY3/26, approximately two-thirds of the number of operating terminals were acquired through third-party payment service providers, while approximately one-third were acquired through direct sales. The breakdown of terminals by industry for direct sales is as follows: Supermarkets 18%, Gas Stations 16%, Drugstores 14%, Vending machines and Payment machines 10%, Banks 9%, Convenience Stores 8%, Department Stores 5%, Automotive Retailers 4%, Mobility (Public Transportation, etc.) 3%, Restaurants 2% and Others 7%.

Figure 5. Trends in Annual Revenue Per Number of Operating Terminals



Source: Company Materials. Compiled by Strategy Advisors.

Revenue Per Terminal is on an Upward Trend

Recurring revenue can be broken down into the number of operating terminals and annual revenue per terminal. Annual revenue per terminal ranged from ¥5,000 to ¥6,000 in FY3/18, but fell below ¥5,000 in FY3/20 due to a sharp increase in the number of operating terminals driven by cashless promotion policies. By FY3/21, as growth in the number of operating terminals slowed, annual revenue per terminal recovered to a level comparable to that of FY3/18.

Subsequently, while the recurring revenue portion - which comprises the majority of the gateway service fees - gradually declined, the usage-based revenue portion - which includes QR/Barcode service fees - expanded rapidly, causing annual revenue per terminal to rise to over ¥7,000 in FY3/26.

Entry into the Business-to-Business (B2B) Payment Services Market

TMN had announced its entry into the business-to-business (B2B) payment services market, which boasts a market size of approximately ¥780 trillion — significantly exceeding the estimated ¥330 trillion market size of the B2C payment sector.

In the B2C payment market, the electronic payment settlement amount in 2025 is approximately ¥163 trillion and the electronic payment settlement rate (a newly introduced domestic indicator) has reached 58%. In contrast, the electronic payment settlement amount for cashless (credit card) payments in the B2B market is approximately ¥5 trillion, and the Electronic payment settlement rate remains below 1%. With the abolition of promissory notes and checks by the end of March 2027 due to legislative changes, the shift toward electronic payments in B2B transactions is expected to accelerate.

Launch of Services for Small and Medium-Sized Enterprises in March

Against this backdrop, rather than targeting large enterprises - a market where competitors already have a head start - TMN launched “Shiharai Kakumei”, a new service that allows invoices to be paid by credit card, on March 3, 2026. In collaboration with its shareholder companies and partners, TMN is targeting startups, small and medium-sized enterprises (SMEs) and sole proprietors, a market with a total size of approximately ¥280 trillion. Currently, the company is conducting sales activities primarily targeting businesses in sectors such as construction, nursing care, food and beverage and healthcare - where payments for purchases are a key component - and TMN expects this service to make a significant contribution to earnings starting in FY3/28.

One-Time Revenue Saw an Increase in Si Development Sales, But a Decrease in Terminal Sales

Stand-alone one-time revenue totaled ¥2.44 billion (-13.1% YoY). The breakdown of one-time revenue shows that terminal sales amounted to ¥1.375 billion (-20.5% YoY). Although the mobile multi-payment terminal “UT-P11” (shipments began in July) contributed to sales, there were no large-scale projects like those recorded in FY3/25. On the other hand, SI development sales - which typically exhibit seasonality with a concentration of revenue recognition in Q4 - increased to ¥656 million (+22.3% YoY) for FY3/26, as large-scale projects contributed to Q4 revenue.

Other Revenue Related to Transaction Platform Services Also Declined

Transaction platform service-related revenue, recorded as "Other Revenue" on the stand-alone non-consolidated financial statements, consists of services such as nextore - a high-performance payment terminal service with business support app functionality - as well as cloud POS, In-House Prepaid/ID integration and Xinfony DataHub. For FY3/26, other revenue decreased to ¥408 million (-24.7% YoY), due to a decline following one-time projects recorded in FY3/25 for nextore and other services, as well as delays in the launch of various services.

Xinfony DataHub Began Full-Scale Operations

In November 2025, TMN began providing "Xinfony DataHub", a data hub service designed to promote the utilization of big data, to Coop Kobe, a consumers' cooperative with 1.71 million members. While the service had previously been limited to building a data platform, it has now transitioned to full-scale operation. Specifically, TMN organizes and processes data entrusted to it by Coop Kobe through Xinfony DataHub and outputs the data in a format tailored to Coop Kobe's needs. This enables Coop Kobe to use the data internally for business operations and external use by Mitsubishi Shokuhin - a partner under a collaboration agreement - has also begun.

While monetization in the transaction platform services had generally been slow, continuing future growth can be expected following the launch of this service, leveraging the customer base built through its payment-related businesses and initiatives across various services.

WebSpace Reports Operating Profit Growth Before Goodwill Amortization

Regarding the consolidated subsidiary WebSpace, total revenue amounted to ¥1,431 million (+5.1% YoY) as equipment replacement projects contributed to Q4 results. On the other hand, operating income before goodwill and customer-related asset amortization is estimated to have increased to ¥27 million (+¥4 million YoY) due to an improvement in the gross profit margin. Although the company is still posting an operating loss after goodwill and customer-related asset amortization, it is expected to contribute to the Group's profits once total revenue begins to expand in earnest.

Four-J Corporation Secures Operating Income After Goodwill Amortization

Regarding Four-J Corporation, which was reflected in the income statement starting in Q4, total revenue was ¥142 million, gross profit was ¥47 million, SG&A expenses were ¥30 million, operating income before goodwill amortization was ¥17 million and operating income after goodwill amortization was ¥9 million. The cost of acquiring the shares related to Four-J Corporation was ¥32 million.

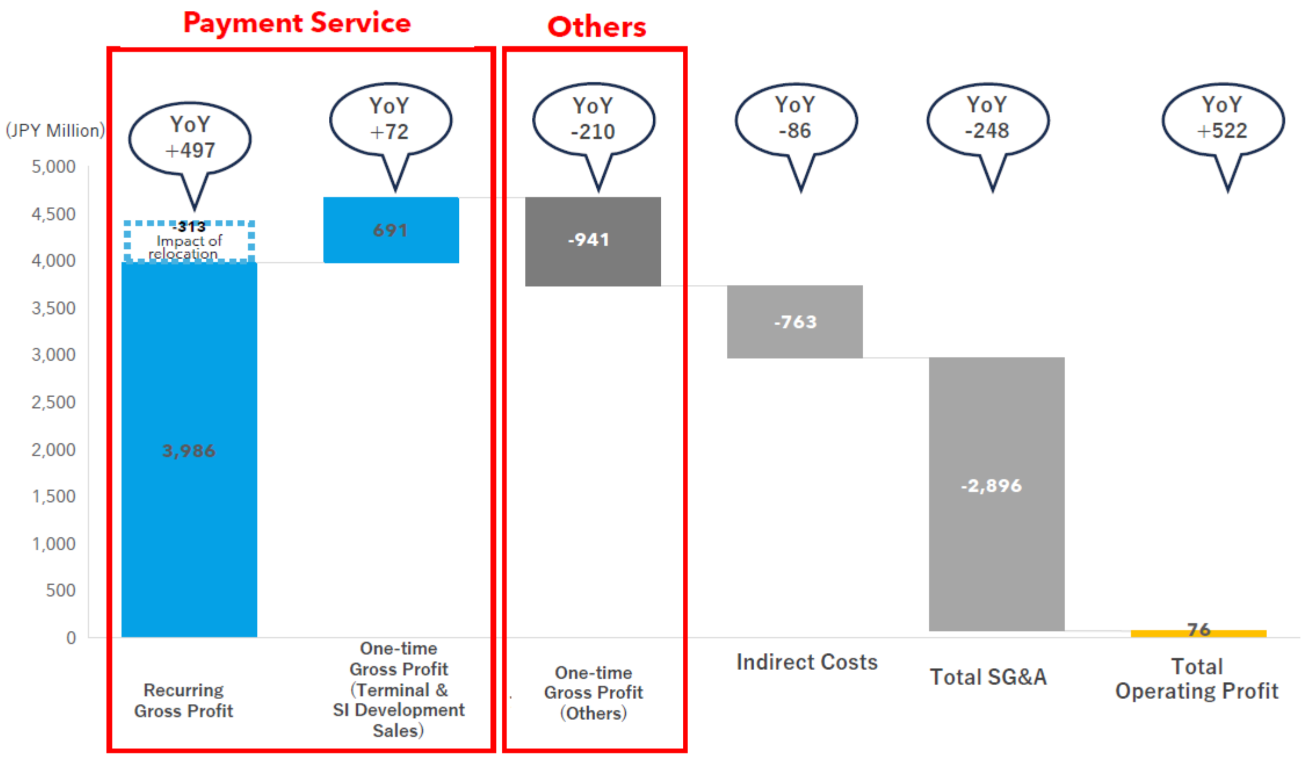
While Recurring Revenue Serves as a Source of Income, Losses from One-Time Revenue (Others) Have Widened

In FY3/26, stand-alone gross profit by revenue model was as follows: recurring revenue was ¥3.986 billion (+¥0.497 billion YoY); one-time revenue (terminal sales and SI development sales) was ¥691 million (+¥72 million YoY); and one-time revenue (other), consisting of transaction platform services, recorded a loss of ¥941 million (-¥210 million YoY). Of this total, gross profit from recurring revenue was reduced by ¥313 million due to data center relocation expenses.

The gross profit margin for recurring revenue was 43%. When the one-time expense of ¥313 million, recorded as cost of sales for the data center relocation expenses, is added, the figure stands at 46.4%, indicating that recurring revenue is a key source of revenue for TMN. Meanwhile, the gross profit margin for one-time revenue (terminal sales and SI development sales) was 34%. On the other hand, for one-time revenue (other), while total revenue remained at ¥408 million (-¥133 million YoY) the cost of goods sold, driven primarily by depreciation expenses, increased to ¥1.349 billion (+¥77 million YoY), resulting in a significant widening of the loss.

Indirect costs not allocated to the 3 services amounted to ¥763 million (+¥86 million YoY). Company-wide SG&A expenses totaled ¥2.896 billion (-¥248 million YoY) due to a reduction in outsourced service fees and other expenses. As a result, stand-alone operating income increased by ¥522 million YoY.

Figure 6. Revenue Structure on a Stand-alone Basis (FY3/26)



*Others: nextore, prepaid services, cloud POS, information distribution business, etc.
Source: Company Materials.

3. Earnings Outlook

Significant Increases in Revenue and Profit Are Expected for FY3/27

The overview of FY3/27 company forecasts is as follows: total revenue of ¥16.535 billion (+24.5% YoY), operating income of ¥831 million (compared to a profit of ¥0.6 million YoY), ordinary income of ¥7 million (compared to a loss of ¥73 million YoY) and net income attributable to owners of the parent of ¥600 million (compared to a loss of ¥60 million YoY). Operating income is expected to exceed the level of FY3/24 (¥777 million) - before the data center relocation - due to factors such as the elimination of data center relocation expenses and the effect of increased revenue.

EBITDA is projected to be ¥3.491 billion (+35% YoY). Compared to the YoY increase in total revenue of ¥3.26 billion, operating income is expected to rise by ¥830 million and EBITDA by ¥900 million.

Figure 7. Overview of FY3/27 Company Forecasts

(¥mn)	FY3/26	**FY3/27 CoE**	**YoY**
Total Revenue	13,276	**16,535**	**24.5%**
o/w WebSpace	1,431	**1,577**	**10.2%**
o/w Four-J	142	**499**	**249.7%**
Gross Profit	3,796	**-**	**-**
Gross Profit Margin	28.6%	**-**	**-**
SG&A Expenses	3,795	**-**	**-**
SG&A Ratio	28.6%	**-**	**-**
Operating Income	0.6	**831**	**-**
Operating Margin	0.0%	**5.0%**	**-**
Ordinary Income	-73	**737**	**-**
Net Income Attributable to Owners of the Parent	-60	**600**	**-**
EBITDA	2,591	**3,491**	**34.7%**

Source: Company Materials. Compiled by Strategy Advisors.

Rapid Growth in Terminal Sales, etc. Are Expected

Regarding stand-alone total revenue by service, in addition to growth in QR/Barcode service fees and gateway service fees, a sharp increase in terminal sales revenue is expected due to the recognition of revenue from several large-scale projects.

Webspace Expects a 10% Increase in Revenue

For the 2 consolidated subsidiaries, growth is expected to come from the expansion of existing businesses and synergy effects. WebSpace is projected to generate ¥1.577 billion (+10% YoY), while Four-J Corp. is projected to generate ¥499 million (compared to ¥142 million YoY; reflects only Q4). Additionally, for Four-J Corp., an expansion of internal-group transactions with the company is anticipated.

Significant Improvement in Operating Margin Expected for FY3/27

For FY3/27, a significant improvement in the operating margin is expected due to the following factors: 1) increased recurring revenue and one-time revenue, 2) the elimination of ¥345 million in data center relocation expenses, 3) reduced operating costs resulting from the launch of a new data center and 4) lower depreciation expenses due to a decrease in capital expenditures.

On a Stand-Alone Basis, the Company Plans to Fund Investments and Repay Borrowings Within the Scope of Operating Cash Flow for FY3/27

TMN has announced its stand-alone cash allocation policy for FY3/27, breaking it down into operating cash flow, investing cash flow and financing cash flow. The company's policy is to fund investments and repay borrowings within the scope of operating cash flow.

First, operating CF is projected to be ¥3.65 billion. Next, investment CF is projected to be -¥1.05 billion for investments to strengthen the infrastructure (maintenance and development aimed at improving the robustness of the payment system) and -¥0.65 billion for business growth investments. Of this amount, -¥0.24 billion relates to improvements, development and new development of various services in the transaction platform services, representing a reduction in investment compared to previous levels. Of this amount, -¥0.4 billion relates to investments in other development projects within the Payment Services Business. Finally, financial cash flow is projected to be -¥1.39 billion for the repayment of long-term borrowings. The company plans to repay ¥120 million per month of the ¥7 billion borrowed for share buybacks and working capital, with full repayment expected in approximately four and a half years.

The stand-alone cash and deposit balance is expected to increase from ¥3.87 billion at the end of FY3/26 to ¥4.53 billion at the end of FY3/27. TMN plans to increase its cash on hand and is considering dividends starting in FY3/26. Although the consolidated cash and deposit balance as of the end of FY3/26 was approximately ¥14 billion, the difference between this figure and the stand-alone cash and deposit balance largely corresponds to deposits held for WebSpace.

Furthermore, on a consolidated basis for FY3/26, cash flow by activity was as follows: cash flow from operating activities was ¥1.16 billion, cash flow from investing activities was -¥3.58 billion and cash flow from financing activities was ¥2.35 billion; free cash flow was negative. However, it is believed that the amount of cash flow from operating activities was lower than the actual figure due to factors such as an increase in inventory of -¥290 million and a decrease in deposits held - primarily related to Webspace - of -¥610 million. Furthermore, regarding cash flow from investing activities, expenditures for the acquisition of tangible fixed assets amounted to -¥670 million and expenditures for the acquisition of intangible fixed assets amounted to -¥2.22 billion; it can be said that items other than capital expenditures - such as expenditures for loans - pushed the figure upwards.

Began Discussions with Minna no Ginko (Minna Bank)

In May 2026, TMN signed a "Memorandum of Understanding on Collaboration" with "Minna no Ginko (Minna Bank)", a subsidiary of Fukuoka Financial Group (8354 TSE Prime). The 2 parties have begun discussions with a view to utilizing Minna Bank's financial functions and services in the retail services offered by TMN.

TMN has unveiled its "PFM Business Vision" (Personal, Financial, Marketing), which aims to generate new revenue by streamlining the supply chains surrounding retailers and providing financial services to them. These discussions are intended to expand the company's business in the "Financial" domain.

Specific areas under consideration include: 1) adding a direct bank account-linked recharge function for in-house prepaid payment systems and 2) the deployment of "embedded financial services" and "data-driven finance" for the retail sector.

4. Stock Price Trends and Valuations

The Stock Price in 2025 is Expected to Rise from Spring Through Summer, Then Decline Towards the End of the Year

Following the downward revision of TMN's FY3/25 forecasts and a stock market adjustments, TMN's stock price continued its downward trend until early April 2025, hitting a low of ¥207 on April 7. However, TMN stock price rebounded by a recovery in the stock market, returned to the ¥300 range by early May.

The company's forecast for FY3/26, announced on May 14, was well received, and the stock price surged to ¥511 on June 2. Although the stock price subsequently entered a corrective phase, it rose again in July as the TSE Growth Index surged, reaching a high of ¥537 on August 14. The Q1 earnings results, released after the close on August 14, were generally in line with the company's expectations. However, the market reacted negatively to factors such as the revenue growth rate being lower than the full-year plan of 22.6%, causing the stock price to fall below ¥500 the following day. By November, the stock price range had shifted to between ¥380 and ¥440.

In the interim earnings report released on November 13, Q2 operating results turned to a profit, contrary to market participants' expectations. As a result, the stock price rose to the daily upper limit of ¥487 on the 14th and broke through the ¥500 mark on the 15th. Although the stock price fell back toward the end of the year, it traded in the ¥430–¥490 range in January 2026.

The Current Stock Price is Trading Above ¥400

On February 13, 2026, after the market closed, the company announced a downward revision to its earnings forecast for FY3/26. As a result, the stock price plummeted starting on the 16th, temporarily falling below ¥300. Subsequently, the stock price rebounded slightly and traded in the ¥300–¥340 range until early May.

Following the release of the FY3/26 results on May 14 - which exceeded the company's targets - and the overview of FY3/27 company forecasts, the stock's trading range rose to ¥350–¥370. In June, the trading range narrowed to ¥320–¥350, but in July, the stock rose again on buying by investors who viewed it as undervalued, and it is currently trading above ¥400.

Valuation Remains Low

Looking at the valuations of electronic payment-related stocks, against the backdrop of high growth expectations for the electronic payment market, peers in the industry have PBRs (based on prior-year results) ranging from 1.5x to 8.9x, EV/EBITDA (based on prior-year results) ranging from 13x to 22x, and forward PERs ranging from 20x to 31x - generally exceeding the TSE Prime averages of 1.8x for PBR and 18x for forward PER. On the other hand, TMN's current valuation stands at a forward PER of 21x, a PBR of 1.9x, and an EV/EBITDA of 6x, which remains at a lower level compared to its peers.

In Particular, the EV/EBITDA Ratio is Significantly Lower Than That of Other Companies

Since TMN owns its own data centers and has relatively high depreciation expenses, it is considered appropriate to evaluate the company with a focus on EV/EBITDA. Among the compared valuation metrics, TMN is particularly undervalued relative to its peers in terms of EV/EBITDA. However, it is worth noting that the company would be even more undervalued if data center relocation expenses had not been incurred in FY3/26. Furthermore, when calculating the EV/EBITDA using TMN's projected EBITDA for FY3/27, the ratio stands at just 5x, indicating an even greater degree of undervaluation.

Regarding TMN's valuation, since the company posted net losses in both FY3/25 and FY3/26, the stock market appears to have viewed a PBR of 1x as the lower bound. However, once the company returns to profitability and the risk of equity impairment decreases, the valuation criteria may shift toward the low levels of its PER and EV/EBITDA.

It should also be noted that in calculating the EV for stocks related to electronic payment shown in Figure 9, we treat the amount obtained by subtracting deposits held by customers from cash and deposits as "cash", taking into account the impact of deposits held by customers on cash and deposits.

Driven by Expectations of the Profit Levels for FY3/27 & Current Undervaluation, an Increase in the Stock Price Can be Expected

Looking ahead, the stock price is likely to test higher levels, driven by expectations of a significant improvement in operating income for FY3/27 and the company's undervaluation. Key factors to watch will include the acquisition of large-scale projects in one-time revenue - which significantly impacts total revenue - and the pace of growth in QR/Barcode service fees.

Aiming to Expand Recurring Revenue in the Transaction Platform Services Business as Well

Strategy Advisors' equity story for TMN centers on "stable growth in recurring revenue from the electronic payment services business as the effects of data center relocation materialize, coupled with improved profit margins driven by the rapid expansion of recurring revenue in the transaction platform services business". This is because we believe that it is the growth of recurring revenue - which is expected to increase steadily through the accumulation of contracts, rather than one-time revenue, which is subject to significant short-term fluctuations - that will lead to long-term growth in corporate value.

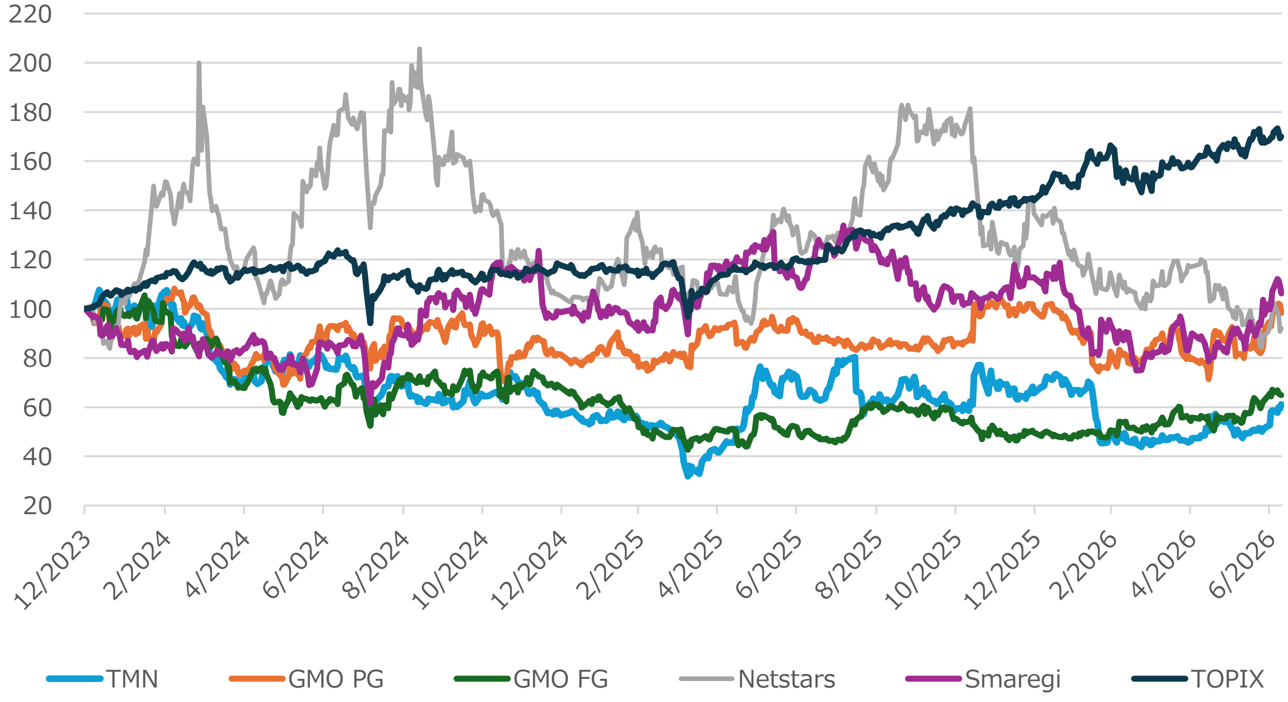
During the "Data Aggregation" phase - which corresponded to the business launch period over the past few years - one-time revenue, such as equipment sales, was recorded first. However, as services are now gradually transitioning to the "Data Utilization" phase, TMN aims to expand recurring revenue in its transaction platform services starting in FY3/27.

We believe that the expansion of recurring revenue in the transaction platform services business has the potential to significantly impact TMN's valuation through improved profit margins. We are closely monitoring this situation.

Continued Focus on Mid-Term Growth Potential

TMN's announced entry into the B2B payment services business and the potential increase in the number of operating terminals in the Vending machine and Payment machine markets are expected to boost the growth rate of recurring revenue in the electronic payment services business. If TMN's Equity Story gains credibility in the future, the stock price is likely to rise as expectations for medium to long-term earnings growth increase.

Figure 8. Stock Price Trends of TMN & Competitors (End of 2023 =100)



Source: Strategy Advisors.

Figure 9. Valuation Comparison with Peer Companies

	Code	Curr.	FY	Price (Jul. 9)	Market Cap. bn	EV bn	PER CoE x	PBR Actual x	EV/ EBITDA x	Yield CoE %	ROE CoE %
TMN	**5258**	JPY	3/26	**408**	**12.1**	**16.0**	**21.4**	**1.9**	**6.2**	**0.0**	**9.2**
GMO PG	3769	JPY	9/25	9,625	731.0	771.2	31.2	6.5	21.9	1.8	20.0
GMO FG	4051	JPY	9/25	6,780	56.0	53.9	29.9	8.9	18.8	1.8	28.8
Sumaregi	4431	JPY	4/26	2,879	55.5	48.5	19.9	5.8	12.9	0.7	28.9
NETSTARS CO.	5590	JPY	12/25	667	11.3	7.2	22.8	1.5	13.4	0.0	6.3
Block	XYZ	USD	12/25	77.4	46.1	43.1	19.9	2.1	20.9	0.0	10.8
Adyen	ADYEN	Euro	12/25	834.5	26.3	16.1	21.6	5.0	12.8	0.0	23.4

Note:
1) The EBITDA used for the EV/EBITDA ratio is calculated as operating income for the previous fiscal year plus depreciation, amortization of goodwill, and amortization of customer-related assets. EV is calculated by adding the market cap. as of July 9 to net interest-bearing debt (net debt), which is calculated as interest-bearing debt as of the end of the most recent quarter minus (cash and deposits held minus deposits received).
2) CoE: Japanese companies use company forecasts, while overseas companies use FactSet consensus forecasts

Source: Speeda Data. Created by Strategy Advisors.

Figure 10. Profitability Comparison with Peer Companies (Based on the Most Recent FY Results)

	Code	FY	Operating Margin %	ROE %	ROIC %	EBITDA Margin %	Equity Ratio %
TMN	**5258**	**3/26**	**0.0**	**-0.7**	**-0.1**	**19.5**	**22.8**
GMO PG	3769	9/25	38.0	20.2	22.8	42.7	27.8
GMO FG	4051	9/25	12.4	27.5	25.0	16.0	45.2
Sumaregi	4431	4/26	24.1	25.8	61.7	28.1	68.3
NETSTARS CO.	5590	12/25	6.1	6.6	38.0	11.2	19.9
Block	XYZ	12/25	12.6	6.0	7.5	8.5	56.1
Adyen	ADYEN	12/25	41.4	22.3	117.2	47.5	43.1

Note: Based on the most recent full-year results.
Source: Speeda Data. Created by Strategy Advisors.

5. Company Profile

1) Pioneer of Cloud-Based Cashless Electronic Payment Services

First in Japan to Launch a Cloud-Based E-Cash Payment Service

TMN was listed on the Tokyo Stock Exchange Growth Market on April 4, 2023. In 2011, the company became the first in Japan to launch a cloud-based (thin client method) E-Cash payment service. "Thin client method" is a term derived from "Thin" (meaning minimal) and "Client", referring to a system design in which most data processing is performed on the server side, while the client device (in TMN's case, the payment terminal) handles only the minimum necessary data processing.

Previously, Expensive and Inflexible Terminals Using the Rich Client Method Were the Mainstream

Before the development of thin client method payment services, the rich client method - which performed most of the processing on the client device - was the mainstream. Because the rich client method lacks the scalability of the thin client method, each service provider installed its own proprietary electronic payment terminals at merchant locations, resulting in situations where several electronic payment terminals were placed next to the cash register.

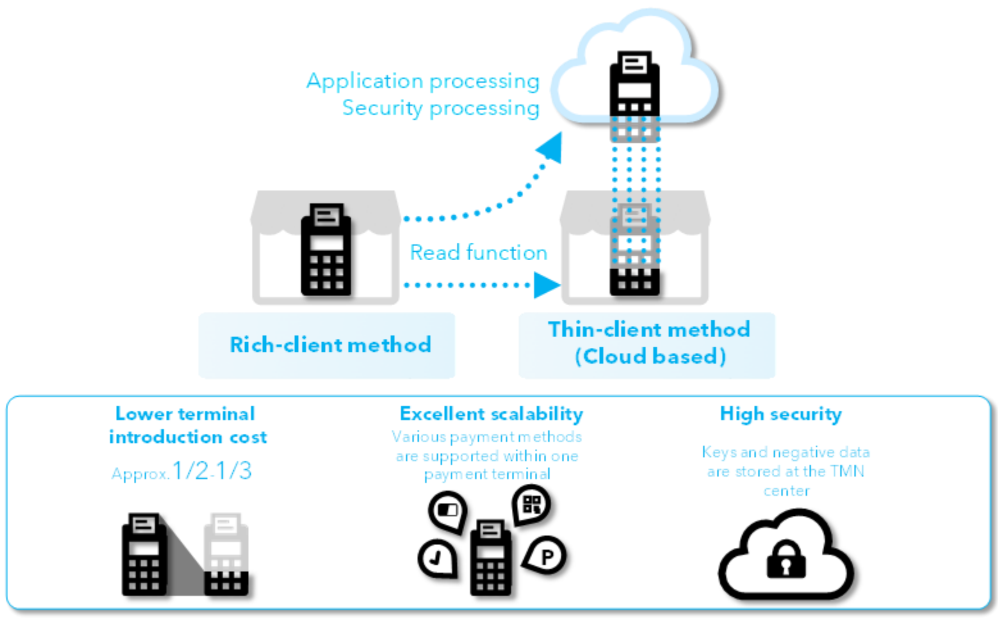
Furthermore, because the rich client method required the payment terminal itself to handle payment processing, high hardware specifications were necessary and terminals compatible with general-purpose E-Cash were expensive, costing between ¥250,000 and ¥300,000 per unit.

The Development of the Thin Client Method for Payment Services Led to the Widespread Adoption of Low-Cost Terminals in Japan

In cloud-based (thin client method) payment services, only the functions necessary for reading and writing information from E-Cash are retained on the payment terminal, while all other functions are processed in the cloud (at TMN's data center). As a result, this drove down terminal costs and served as a major catalyst for the widespread adoption of E-Cash payment terminals in Japan.

Furthermore, the shift to a thin-client model simultaneously enabled excellent scalability - allowing terminals to support various payment services without modification - and high security, achieved by storing all security information in a robust data center. The technical hurdles associated with developing this system architecture in a cloud environment remain considerable, and the resulting know-how continues to serve as a key competitive advantage for TMN.

Figure 11. Diagram of Thin and Rich Clients



Source: Company Materials.

A Gateway Supporting 43 Payment Brands, the Most in the Industry

TMN has continued to develop its services to support not only E-Cash but also credit cards, debit cards, prepaid cards and QR/Barcode payments. Currently, the company offers a gateway service that supports 43 payment services (17 E-Cash services, 14 QR/Barcode services, 7 credit card services, 3 universal point services, and 2 regional money) on a single terminal. The ability to support this many services makes TMN one of the largest providers in Japan. While some competitors offer a wide range of services through alliances with other companies, TMN stands out as a rare example in Japan of a company capable of providing this level of support entirely on its own.

Connected to 1.21 million Payment Terminals at Over 1,000 Merchant Locations

TMN processes payments daily by connecting to 1.21 million payment terminals (as of the end of FY3/26) installed at more than 1,000 merchants, primarily in the retail sector. These merchants span a wide range of industries, including supermarkets, convenience stores, drugstores, department stores, restaurants, commercial facilities, gas stations, leisure facilities and financial institutions.

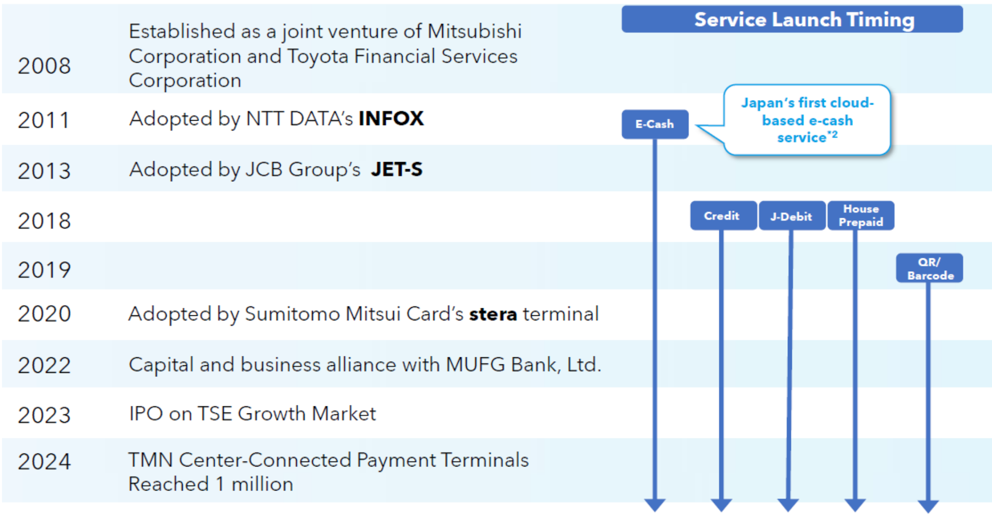
2) Aiming for Further Growth in Transaction Platform Services Using Payment and Purchasing Data

Advancing Transaction Platform Services with the Goal of Becoming a Gateway for All Digital Data

The founding vision of Atsushi Otaka, the current president and founder, is to collect data generated by purchasing behavior and provide it to facilitate the development of new products and services. Through initiatives such as the adoption of cloud-based POS systems, TMN aggregates all data related to purchases - including not only cashless, but also cash payments - and provides it to manufacturers and retailers. As a result, TMN aims to enrich the purchasing experience for consumers and users. Going forward, the company will build a system to collect and utilize not only payment data, but also various data related to purchasing activities (such as POS data) and mobility.

For an overview of the Transaction Platform Service and details on its specific initiatives, please refer to “10. Overview of Transaction Platform Service ”.

Figure 12. History of TMN



Source: Company Materials.

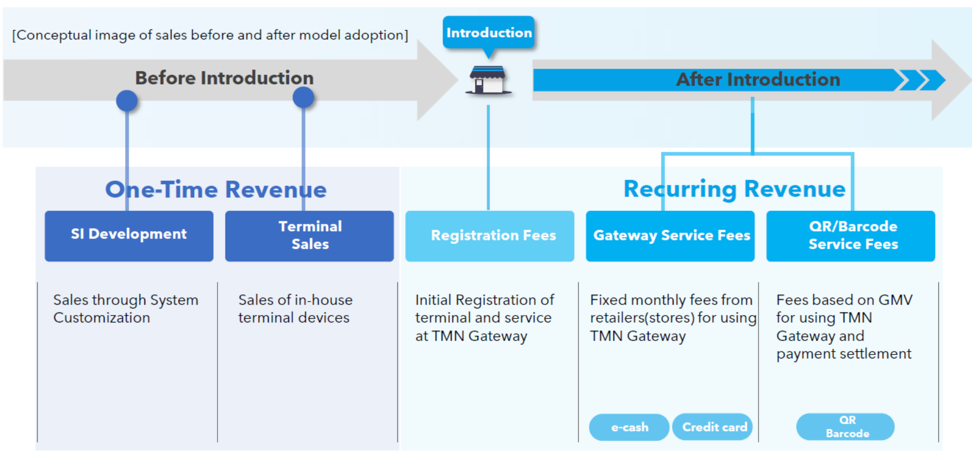
6. Payment Service Business Model

1) Continuous Income, Accounts for 70% of Sales

Broadly Categorized into One-Time and Recurring Revenue

The Payment Service Business Model (total revenue) for TMN on a stand-alone basis can be broadly divided into 2 categories: one-time revenue and recurring revenue. The disclosed revenue breakdown consists of 5 categories: 1) SI development sales, 2) terminal sales, 3) registration fees, 4) gateway service fees and 5) QR/Barcode service fees. Figure 13 illustrates the timing of revenue recognition for each category, following the process by which TMN implements its services for merchant partners.

Figure 13. Breakdown of TMN Sales & Timeline, Before and After the Introduction of Payment Services



Source: Company Materials.

One-Time Revenue is the Gateway to Recurring Revenue

One-time revenue consists of 1) SI development sales and 2) terminal sales. While one-time revenue is, in and of itself, one-time in nature, it can be viewed as the gateway to recurring revenue, which is recognized on an ongoing basis thereafter.

3 Types of Recurring Revenue

On the other hand, recurring revenue - which is recognized on an ongoing basis - consists of 3) registration fees, 4) gateway service fees and 5) QR/Barcode service fees. Recurring revenue accounted for 69.8% of total revenue for FY3/26.

Figure 14. TMN's Basic Business Model

	Data Item	Revenue Model
One-Time Revenue	**Development Sales** Development of sales and new services through system customization. Responds to the individual needs of merchants, such as connecting merchants at the time-of-service introduction and adding payment services.	**Recognized According to Development** Amounts vary depending on the size of each project. The recording method also varies depending on the project.
	Terminal Sales Sales from settlement terminal.	**Recorded at the Time of Sale** Terminal price x number of units sold
Recurring Revenue	**Registration Fees** Commission sales to be registered and set up at the TMN data center at the start of payment terminal usage.	**Collected at the Start of Use** Proportionately prorated, monthly charge that is allocated to the accounting period and recorded monthly (number of terminals x number of services)
	Gateway Service Fees Settlement transaction usage fees, obtained mainly from merchants, etc.	**Subscription Fee** Number of terminals x number of services
	QR/Barcode Settlement Fees Commission sales from TMN to merchants through payment settlements	**Pay-Per-Use** (GMV (of each service) x commission rate

Source: Company Materials. Compiled by Strategy Advisors.

2) Breakdown of One-Time Revenue

1. SI Development Sales

A Proven Track Record & Capabilities That Competitors Cannot Replicate. The Profit Margin on SI Development Sales is High

These revenues come from SI development work (implementation support) required when integrating TMN's payment services into merchants' systems (such as POS systems or core systems). SI development support provided to payment service providers is also included in SI development sales. Order values range from several million to several hundred million yen, but the timing, development duration, and scale vary by project. Profit margins are high because other companies cannot provide this service and TMN has already accumulated a wealth of development experience.

SI Development Sales Are Highly Volatile

From FY3/22 to FY3/26, SI development sales have fluctuated between approximately ¥500 million and ¥900 million. Due to differences in project scale, this business segment exhibits high volatility, similar to terminal sales.

2. Terminal Sales Revenue

Sales Have Consisted Almost Entirely of In-House Terminals Since FY3/24

These revenues are generated when merchants purchase terminals through TMN, with prices ranging from ¥30,000 to over ¥100,000 per unit. The terminals sold include both TMN's proprietary models and those from other manufacturers, and the gross profit margin varies depending on the terminal. Since FY3/24, TMN's proprietary terminals have accounted for the majority of sales.

The Increase in Terminal Sales Revenue for FY3/20 Was Driven by Government Subsidies

Revenue from terminal sales increased from ¥1.5 billion in FY3/19 to ¥3.2 billion in FY3/20, driven by the "Cashless Consumer Rebate Project" implemented from October 2019 to June 2020. In FY3/21, as the effects of the program subsided, revenue decreased to ¥1.4 billion. Since the government subsidized two-thirds of the cost of electronic payment terminals and electronic payment providers covered the remaining one-third, the burden on merchants was eliminated. Additionally, the government subsidized transaction fees during this period (with a fee rate capped at 3.25%, of which one-third was covered by the government), helping to drive the widespread adoption of electronic payments.

Caution is Needed Regarding Fluctuations in Terminal Sales Revenue

From the FY3/22 to FY3/26, sales revenue from terminal sales generally ranged from approximately ¥1.3 billion to ¥1.7 billion. Due to an increase in recurring revenue, the proportion of total revenue accounted for by terminal sales has been trending downward, so its impact on overall performance has diminished compared to the past. However, as seen in FY3/26, delays in large-scale projects factored into the plan could have a certain impact on performance; therefore, attention must be paid to fluctuations in terminal sales revenue.

3) Breakdown of Recurring Revenue

1. Registration fees

High Profit Margin: Commission Charged at the Time of Contract Signing

The total revenue generated when a merchant registers with the TMN system to begin using the payment gateway. Although this is a one-time revenue received at the time of connection, for accounting purposes, it is recognized on a pro-rata basis over the contract period. Therefore, during that period, approximately several hundred yen per terminal is recorded monthly as registration fee revenue. The gross profit margin is high.

2. Gateway Service Fees

Fixed Monthly Subscription Fees Related to E-Cash and Credit Card Payments

Of the 3 major payment services handled by TMN - E-Cash, credit cards, and QR/Barcode - TMN recognizes revenue monthly as gateway service fees for E-Cash and credit cards based on a fixed rate corresponding to the number of brands implemented (though some are subject to pay-per-use revenue). The fee per terminal is approximately ¥5,000 per year. For credit card payment services contracts, the company plans to transition to pay-per-use revenue - which is standard in the industry - in the future.

E-Cash Accounts for Roughly Half of Both the Gross Merchandise Value (GMV) and the Number of Transactions

Of the ¥5.5 trillion in gross merchandise value (GMV) processed in FY3/26, E-Cash accounted for 48%, credit cards accounted for 33% and QR/Barcode accounted for 19%. Of the 2.8 billion number of transactions processed in FY3/26, E-Cash accounted for 56%, credit cards accounted for 26% and QR/Barcode accounted for 18%.

3. QR/Barcode service fees

QR/Barcode Service Fees Are Charged on a Pay-Per-Use Revenue Basis

When a merchant adopts QR/Barcode technologies, TMN's revenue is calculated by applying a fixed fee rate to the gross merchandise value (GMV) processed via QR/Barcode technologies. The fee rate is around several dozen basis points (bp), and the company employs a pay-per-use revenue model where revenue grows in proportion to the GMV. Since the gross merchandise value (GMV) for QR/Barcode payments is showing steady growth across Japan as a whole, this fee structure allows TMN to benefit from this upward trend.

It should be noted that the business model for QR/Barcode payments is similar to that for standard credit cards. Assuming that QR/Barcode payment service providers such as PayPay charge TMN a fee rate of 3% of GMV, TMN's revenue is calculated by adding the spread (equivalent to gross profit) - the fee rate TMN receives from merchants - to this amount.

7. Competitive Advantage Rooted in Inimitability

3 Factors Contributing to Inimitability

Management scholar Jay B. Barney cites "inimitability" as a resource that gives a company a competitive advantage. Inimitability means that it is difficult for other companies to imitate something and doing so takes a great deal of time and money.

TMN's inimitability stems from: 1) high barriers to entry in the frequently used E-Cash payment business, 2) its strategic positioning in the payment industry through an open strategy and 3) its merchant acquisition channels, which leverage partnerships with major credit card companies and global payment giants such as Square. We believe these factors are the sources of the firm's competitive advantage.

1) High Barriers to Entry in the Frequently Used E-Cash Payment Business

The Background of E-Cash in Japan

E-Cash in Japan began with the issuance of the "Suica" transportation E-Cash in November 2001. Around the same time, Sony-affiliated BitWallet launched "Edy", which spread as a payment method at stores and other locations. Starting in March 2004, Suica became usable not only for transportation but also as E-Cash for shopping. Around 2007, major retail chains such as 7-Eleven began issuing "nanaco" and AEON began issuing "WAON", marking the beginning of the widespread adoption of E-Cash.

According to the Bank of Japan, the number of E-Cash cards in circulation reached 602.84 million as of the end of March 2026. This figure is based on data compiled from 8 major providers: Rakuten Edy, Suica (JR East), ICOCA (JR West), SUGOCA (JR Kyushu), Kitaca (JR Hokkaido), PASMO (private railway companies), nanaco (Seven & i) and WAON (AEON).

Japan: 4.6 E-Cash Cards P/Person

Figure 15 compares the ownership of electronic payment methods in major countries around the world. E-Cash is widely used in Japan, South Korea, Australia, Italy and other countries. As of 2022, the average number of E-Cash cards per person in Japan was 4.6, exceeding the 3.7 debit cards and 2.5 credit cards per person. Compared to credit cards, E-Cash is primarily used for small transactions, and while it accounts for only about 1% of the total transaction value for debit cards, it is an electronic payment method characterized by very high transaction frequency.

Technical Challenges & Strict Operational Requirements Create High Barriers to Entry

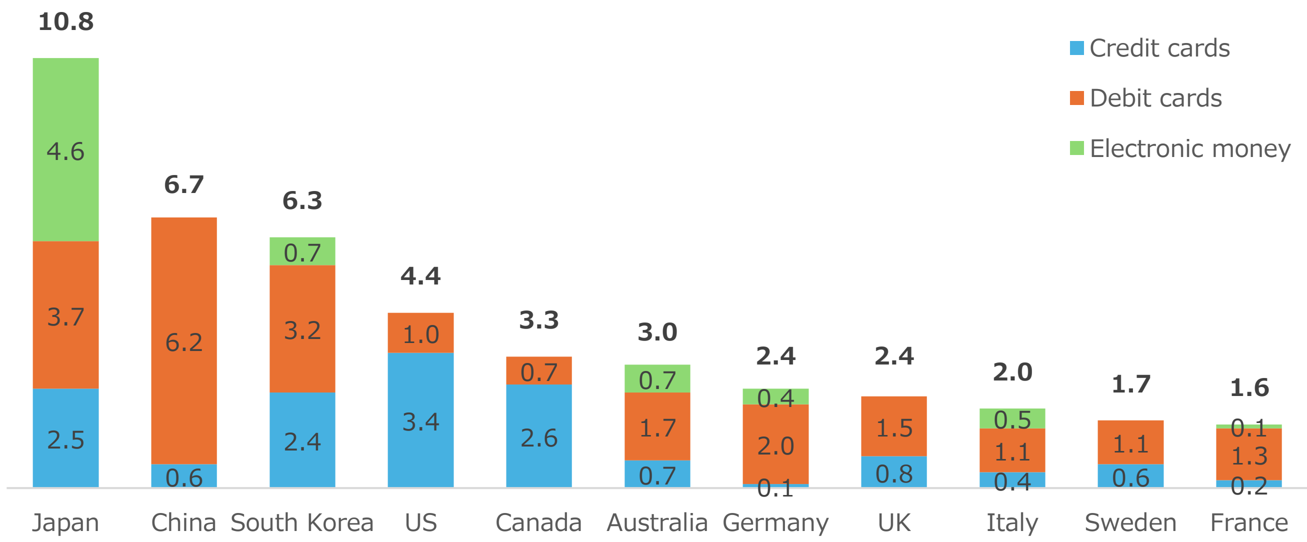
Although E-Cash has become widely adopted in Japan as described above, as mentioned earlier, building systems in a cloud environment presents significant technical challenges. Additionally, the need for large-scale investment to meet strict security standards creates high barriers to entry. At TMN, nearly half of the employees are engaged in development work; the company complies with international security standards and operates its own servers at contracted data centers.

Only a Few Companies Operate E-Cash Gateway Businesses

There are only a few E-Cash gateway providers, even including TMN. TMN prides itself on holding a high market share in the retail sector (excluding transportation-related services and station ticket gates).

Using general-purpose E-Cash - which is in high demand among consumers - as a hook, TMN is expanding its network of merchant partners. In addition to supporting one of the industry's widest ranges of payment services, TMN's strength lies in its ability to bundle and offer not only E-Cash, but also QR/Barcode payments, credit cards and loyalty points as a package. Since the service is customized and integrated into each merchant's system, switching providers is not easy, allowing the company to maintain a low cancellation rate. Furthermore, leveraging its track record of providing low-cost, stable service operations primarily at retail merchants, TMN plans to expand its services to customers in regional public transportation, as well as Vending Machines and Payment Machines.

Figure 15. Ownership of Cashless Payment Methods in Major Countries (2022) (Unit: # of Cards)



Source: Strategy Advisors. Based on Data "Cashless Roadmap 2024" from PAYMENTS JAPAN.

2) Unique Positioning with Extensive Collaborative Relationships with Various Players in the Payment Industry

The 5 Layers Composing the Payment Industry

As shown in Figure 16, the payment industry consists of 5 types of players categorized by the value chain: 1) payment brands, 2) issuers (card-issuing companies) and acquirers (companies that acquire and manage merchant contracts), 3) payment networks, 4) gateways and payment processors and 5) payment terminals.

TMN is directly involved in sectors 4) and 5), and in addition to direct transactions with companies in sectors 1), 2) and 3), it collaborates with them in various ways. While sectors 4) and 5) often involve competition with other companies in the same industry, depending on the services provided, collaborative relationships may also form and in some cases, TMN supports competitors behind the scenes.

As mentioned earlier, TMN serves as a gateway connecting merchants with 43 payment brands - the largest number in the industry - including credit cards, E-Cash and QR/Barcode.

Close Collaboration with Shareholder Credit Card Companies

4 credit card companies - JCB, Sumitomo Mitsui Card, UC Card and Toyota Financial Services (the parent company of Toyota Finance) - which handle both issuer and acquirer operations, are shareholders of TMN. As will be discussed later, TMN conducts its business in close collaboration with these shareholder credit card companies.

Partnerships with the 2 Major Payment Networks

TMN is connected to the 2 major payment networks: “INFOX”, operated by NTT Data and “JET-S”, operated by Japan Card Network, a subsidiary of JCB. In September 2020, TMN’s cloud-based E-Cash and QR/Barcode payment gateway was also adopted by “stera”, a new payment platform launched by Sumitomo Mitsui Card in partnership with Visa.

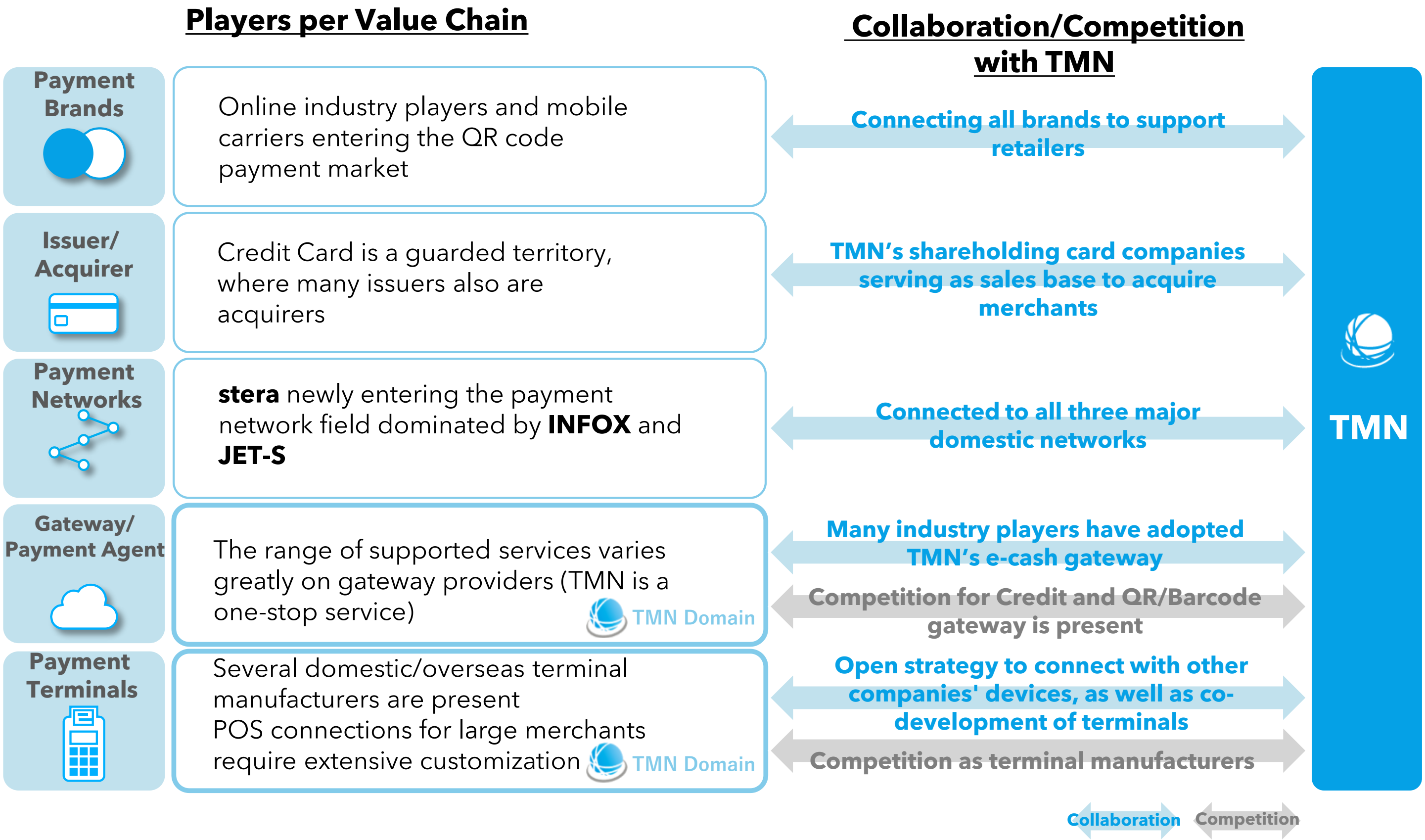
Gateway & Payment Processing Sectors: Company's Both Competes and Collaborates with Its Peers

While TMN competes with other companies in the industry that provide gateway and payment processing services in the areas of credit cards and QR/Barcode payments; in the E-Cash sector, many players adopt TMN's payment system on a white label basis, and the company has established collaborative relationships with them.

Pursuing an Open Strategy to Collaborate with Various Players in the Payment Industry

TMN also competes with many domestic and international terminal manufacturers in the payment terminal market. While TMN sells its own terminals, its payment services are designed to be compatible with nearly all third-party terminals sold in Japan. Although TMN competes with some players in the payment industry, it pursues an open strategy of broad collaboration with many players - leveraging its strength in the relatively less competitive E-Cash service sector - to expand its reach. The company plans to respond flexibly to future market restructuring and the entry of new players.

Figure 16. Relationships between Players and TMN by Value Chain



Source: Company Materials.

3) Ability to Develop New Customers by Utilizing Shareholders and Other Partners

TMN's Target Customers

TMN classifies domestic major retailers - its target customers for the electronic payment business - into 3 categories: large-scale (annual revenue of over ¥2 trillion), medium-scale (¥50 billion or more but less than 2 trillion) and long-tail (under ¥50 billion). The large-scale category consists of a few companies, such as convenience stores and gas stations, while the medium-scale and long-tail categories include a variety of business formats, such as food supermarkets, drugstores, specialty store chains and restaurants.

2 Types of Sales Strategies Based on Business Size

TMN employs 2 sales strategies: direct sales conducted by TMN itself for many of the large and medium-sized businesses, and white label service provision (customer acquisition) through partners- such as its shareholder credit card companies- for the remaining medium-sized and long-tail retailers.

The Ability to Customize and Develop Solutions for Each Customer's Business System is a Key Strength

For merchants targeted through direct sales, TMN's network is integrated with the merchants' cash registers. Generally, POS refers to a broad category of services used to track sales trends - such as the date, time, quantity, and price of items sold - but in the credit card industry, the term "merchant POS" is conventionally used to refer to any terminal capable of processing payments other than those made via CCT (Credit Card Terminal) devices.

Since E-Cash gateway providers capable of custom development to integrate with customers' systems are rare, TMN holds a competitive advantage. Major chains typically update their POS systems periodically - such as every 5 years - so TMN often targets these timing windows for sales efforts.

Reaching Long-Tail Retailers Through White Label Solutions

On the other hand, for some medium-sized businesses and long-tail retailers, sales are conducted via white label partnerships.

The core partners are the company's shareholder credit card companies, which serve as a key channel for expanding the number of terminals connected to TMN. Furthermore, as mentioned earlier, even competing gateway and payment processing providers often adopt TMN's payment system for E-Cash transactions, creating a collaborative relationship in this regard. For example, the U.S. tech company Block, Inc., which operates the global electronic payment service "Square", offers its E-Cash service in Japan via a white label arrangement with TMN.

Figure 17. Sales and Support Structure Based on Retailers by Size

Source: Company Materials.

8. Japan's Cashless Market

Japan's Electronic payment Settlement Ratio Rises Year by Year

According to the Ministry of Economy, Trade and Industry (METI) - where TMN provides its services - the electronic payment settlement rate (an international comparative indicator) rose to 46.3% in 2025. This represents a YoY increase of 3.5ppt and the rate has been rising continuously since 2010.

Government Target Achieved Ahead of Schedule

In 2017, the Japanese government established the electronic payment settlement rate (international comparison indicator) as a KPI in its Growth Strategy. The government's goal, set forth in the "Growth Strategy Follow-Up" approved by the Cabinet in June 2019 - which stated, "We aim to double the electronic payment settlement rate to approximately 40% by June 2025" - was achieved ahead of schedule in 2024.

Forecast: Domestic Electronic payment Settlement Rate to Have Reached 58% by 2025

METI has now released the domestic electronic payment settlement rate - a figure calculated by excluding imputed rent for owner-occupied housing from household final consumption expenditure, which forms the denominator of the electronic payment settlement rate. The background to the release of this new indicator is that imputed rent for owner-occupied housing - which is not included in electronic payments - accounted for approximately 17% (about ¥57 trillion) of household final consumption expenditure. The electronic payment settlement rate (domestic indicator) for 2025 was 58%. From 2020 to 2024, the domestic indicator remained at a level approximately 8–9% higher than the national indicator.

New Government Target for the Electronic Payment Settlement Rate (Domestic Indicator) Set at 80%

In light of the early achievement of its targets under the international comparison index, the Ministry of Economy, Trade and Industry decided in December 2025 to set an 80% electronic payment settlement rate under the domestic index as a new target, aiming to achieve it as soon as possible. It also set an interim target of 65% by 2030.

Remarkable Growth in QR/Barcode Payments

Looking at the breakdown of electronic payments, code-based payments surpassed debit cards in 2020 and E-Cash in 2022, becoming the second-most-used payment method in Japan. Their annual growth rates since 2021 - 66%, 50%, 38%, 24% and 23% - demonstrate their rapid adoption. To capitalize on the growth of QR/Barcode payments, TMN has adopted a pay-per-use revenue business model based on gross merchandise value (GMV), and is expected to continue reaping the benefits of this approach.

Credit Card Payments Show Steady Growth

The transaction volume for credit card payments has been growing steadily since 2010. As mentioned earlier, TMN primarily earns processing fees for credit cards through fixed monthly fees; however, the company plans to increase the number of pay-per-use revenue contracts, which are common in the industry. With the rise in pay-per-use revenue contracts, revenue growth is expected as the credit card payment market expands.

E-Cash Transaction Volume Remains Largely Flat

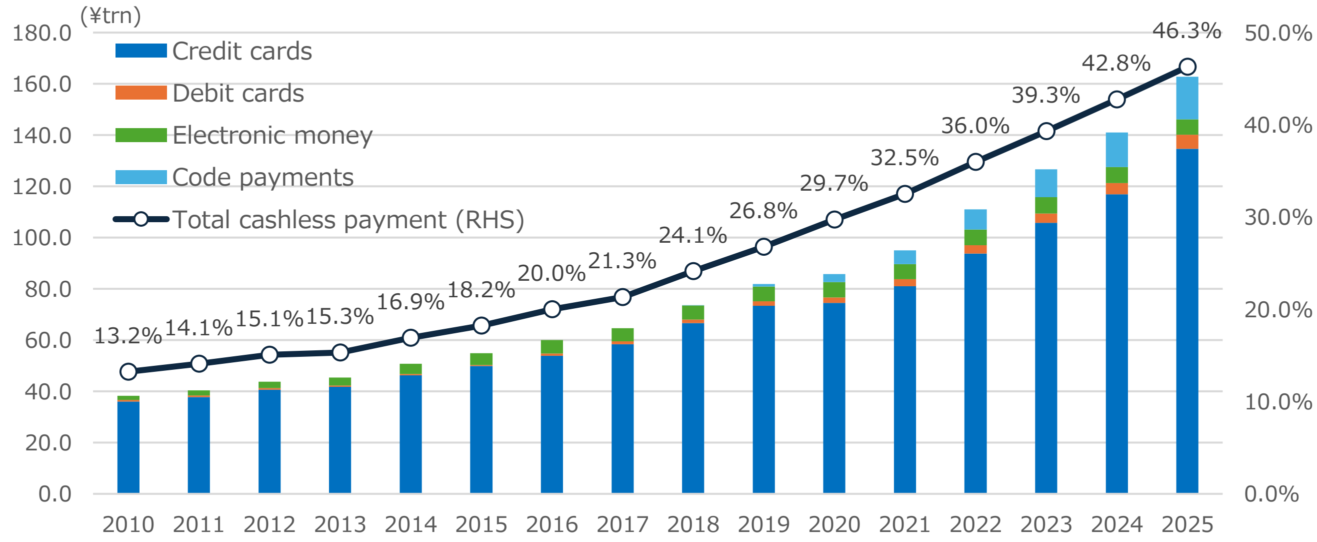
On the other hand, the transaction volume for E-Cash payments has remained largely flat since 2020, ranging between ¥6 and ¥6.4 trillion. As adoption and usage have progressed, it can be said that the E-Cash market is becoming more mature compared to credit cards and QR/Barcode payments. TMN recognizes this trend and plans to continue its current flat-rate monthly business model for E-Cash for the time being (although contracts under the “stera” service use a pay-per-use revenue model even for E-Cash).

Compared to Other Countries, Japan Still Has Significant Room for Growth in Cashless Payments

Figure 20 compares the 2023 electronic payment settlement rates in various countries based on payment-related statistical data from major nations published in the “Red Book” by the Bank for International Settlements (BIS). As of 2023, Japan’s electronic payment settlement rate stood at 39.3%. This figure remained relatively low not only compared to South Korea (99.1%) and China (83.3%), which are leading the shift toward cashless payments, but also compared to the United Kingdom (64%), Canada (71.5%), the United States (58.4%) and France (52.7%).

The Japanese government has stated that it will continue to develop the necessary infrastructure to achieve its future goal of an 80% electronic payment settlement rate - one of the highest in the world - which is expected to provide a strong tailwind for TMN.

Figure 18. Changes in the Electronic Payment Settlement Amount and Electronic Payment Settlement Rates in Japan



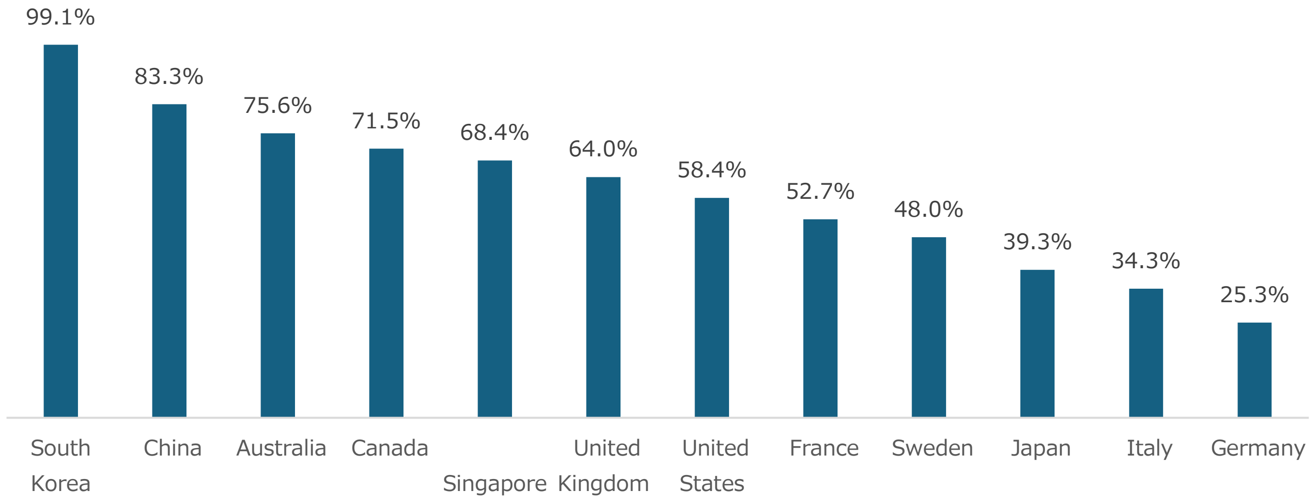
Source: Strategy Advisors based on Data "Changes in the cashless payment amount and cashless payment ratios in Japan" from the Ministry of Economy, Trade and Industry.

Figure 19. Changes in Electronic Payments in Japan by Service (¥trn)

	CY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Credit Card	Payment Amount	46.3	49.8	53.9	58.4	66.7	73.4	74.5	81.0	93.8	105.7	116.9	134.6
	(YoY)	10.7%	7.7%	8.2%	8.2%	14.2%	10.1%	1.4%	8.8%	15.8%	12.7%	10.6%	15.1%
	Ratio	15.4%	16.5%	18.0%	90.2%	90.5%	89.7%	86.8%	85.3%	84.5%	83.5%	82.9%	82.7%
Debit Card	Payment Amount	0.5	0.4	0.9	1.1	1.3	1.7	2.2	2.7	3.2	3.7	4.4	5.5
	(YoY)	-4.4%	-7.7%	108.2%	26.9%	18.3%	28.1%	25.8%	25.1%	19.3%	13.7%	20.4%	26.0%
	Ratio	0.2%	0.1%	0.3%	1.7%	1.8%	2.1%	2.5%	2.8%	2.9%	2.9%	3.1%	3.4%
E-Cash	Payment Amount	4.0	4.6	5.1	5.2	5.5	5.8	6.0	6.0	6.1	6.4	6.2	6.0
	(YoY)	28.0%	15.7%	10.8%	1.1%	5.4%	5.0%	4.9%	-1.1%	1.9%	5.3%	-3.4%	-3.0%
	Ratio	1.3%	1.5%	1.7%	8.0%	7.4%	7.0%	7.0%	6.3%	5.5%	5.1%	4.4%	3.7%
Code Payments	Payment Amount	-	-	-	-	0.2	1.0	3.2	5.3	7.9	10.9	13.5	16.6
	(YoY)	-	-	-	-	-	512.5%	230.0%	66.3%	50.3%	37.5%	24.1%	22.6%
	Ratio	-	-	-	-	0.2%	1.2%	3.7%	5.6%	7.1%	8.6%	9.6%	10.2%
Total Cashless Payments	Payment Amount	50.7	54.9	60.0	64.7	73.5	81.9	85.8	95.0	111.0	126.7	141.0	162.7
	(YoY)	16.9%	18.2%	20.0%	21.3%	24.1%	26.8%	29.7%	32.5%	36.0%	39.3%	11.3%	15.4%
Private Final Consumption Expenditure	Amount	300.1	301.2	299.9	303.3	305.2	305.8	288.6	292.0	308.5	322.4	329.8	351.6

Note: The figures for private final consumption expenditure included imputed rentals for housing.
Source: Strategy Advisors based on Data "Changes in the cashless payment amount and cashless payment ratios in Japan" from the Ministry of Economy, Trade and Industry.

Figure 20. Electronic Payment Ratios in Major Countries (2023)



Note: The figures for Japan are International comparative indicators.
Source: Strategy Advisors based on Data from PAYMENTS JAPAN.

9. Growth Strategy

1) Aiming to Further Expand Payment Services and Fully Launch the Transaction Platform Service

Transaction Platform Service Has Been on the Company's Radar Since its Founding

Transaction platform services (the accumulation and analysis of purchase data, etc.) are the data asset business that TMN has been aiming for since its founding in 2008. Payment services are positioned as the first step toward this goal - a means to expand the business, build relationships with customers and merchants, and establish TMN's positioning as an infrastructure provider. Figure 21 outlines the image of TMN's Growth Strategy from the perspectives of customer industry sectors, data flow and the timeline.

TMN Aims to Continue Expanding its Electronic Payment Services Business

Since its founding, TMN has focused on expanding its customer and merchant base - primarily in the retail sector - and broadening its business scope to include payment services such as credit cards and QR/Barcode payments. TMN's policy is to continue expanding its electronic payment services business by increasing the number of terminals and payment volume.

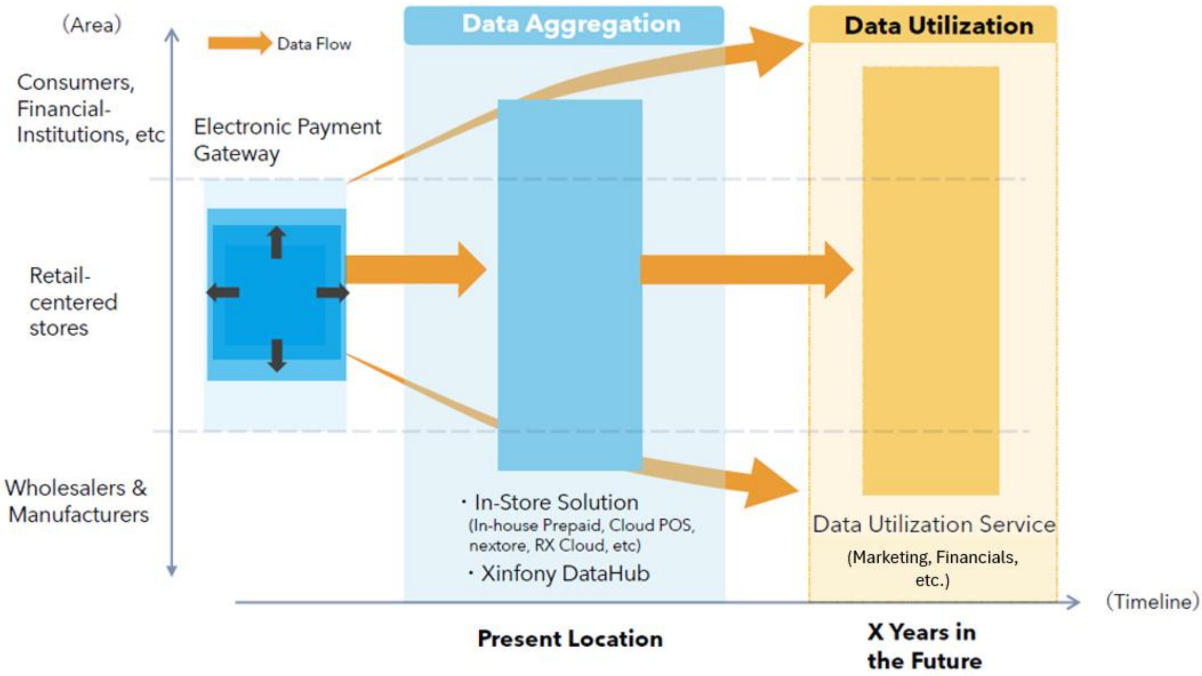
Transaction Platform Services Transitions from Data Aggregation to Data Utilization

Regarding the transaction platform services, while the company has expanded its services in recent years, in FY3/25, it launched commercial services for Xinfony Data Hub, Cloud POS and RX Cloud (as described below), thereby reaching a stage where it can aggregate data such as purchase data. At the same time, the range of customer industries is expanding from retail stores to wholesalers, manufacturers, consumers and financial institutions. In a few years, the company aims to provide services that fully utilize the accumulated data in fields such as marketing and finance.

Has Honed its Development & Service Delivery Capabilities to Expand Their Transaction Platform Services

TMN developed a cloud-based E-Cash payment service - which was considered impossible at the time - within approximately 3 years of its founding. Furthermore, the company has honed its development and service proposal capabilities while executing challenging projects, such as the centralization of member information for Coop Kobe. At the same time, by establishing its position as an infrastructure provider and building relationships with customers and merchant partners, the company believes it has built the financial strength necessary to venture into the new field of transaction platform services.

Figure 21. Image of Growth Strategy



Source: Company Materials.

2) Increasing The Number of Operating Terminals and Payment Volume are the Drivers of Mid to Long-Term Growth in Payment Services

Against the backdrop of Japan's rising electronic payment settlement rate, TMN's payment services business is expected to grow over the medium to long term. Regarding recurring revenue - the cornerstone of this business - the expansion of the number of operating terminals and the increase in number of transactions will serve as the two key growth drivers.

Nearly 3 million CCT & POS Terminals at Merchant Locations Alone Represent Untapped Potential

To increase the number of terminals, TMN is implementing "merchant expansion initiatives" to broaden the scope of stores connected to the TMN Gateway, as well as "market expansion initiatives" to connect devices other than CCT and POS terminals.

For large and medium-sized retailers with annual sales of ¥50 billion or more, the merchant expansion strategy includes direct sales through proprietary channels and the planning and proposal of new services. On the other hand, for small retailers with annual sales of less than ¥50 billion, TMN is pursuing broad-based expansion through white label partnerships with credit card companies (which are its shareholders) and payment service providers such as Block, Inc. It is estimated that there are 4 million POS and CCT terminals installed throughout Japan. Of the 1.21 million payment terminals connected by TMN, approximately 1.19 million are POS and CCT terminals, indicating that there is still room to tap into nearly 3 million terminals in this market.

When Vending Machines and Payment Kiosks Are Factored in, the Market Size Exceeds 8 million Units

Regarding measures to expand the business scope, in addition to targeting non-retail businesses such as medical institutions, the company is strengthening its efforts in untapped markets such as vending machines and automatic payment terminals for public buses and parking lots.

It is said that there are approximately 4 million vending machines and payment terminals installed nationwide and when combined with POS and CCT terminals, the total domestic market is estimated to be around 8 million units. In recent years, it has become increasingly common at supermarkets for cashiers to scan items, after which customers complete their own payments at one of several self-checkout terminals lined up in a row. As a result, where there used to be a single payment terminal next to the cash register, multiple terminals are now being installed, suggesting the market size could grow even further. Furthermore, electronic payments are spreading even in sectors where cash payments have traditionally been the norm - such as outdoor payments at coin-operated parking lots and event venues - indicating significant potential for an increase in the number of terminals.

Expanding Gross Merchandise Value (GMV) Through the Addition of QR/Barcode Payments

Another growth driver is the expansion of transaction volume. By adding payment services to terminals already connected to the TMN Gateway, it is possible to increase the gross merchandise value (GMV) processed per connected terminal. For example, if TMN can secure QR/Barcode payment contracts from merchants that previously had only E-Cash contracts, this will lead to new revenue from QR/Barcode service fees.

Launched Alipay+ in November 2024

In November 2024, the company began accepting “Alipay+”, a QR/Barcode payment service. Alipay+ supports 16 QR/Barcode brands across 11 countries and regions, including various Asian nations and Italy. By supporting Alipay+, the company expects to expand payment volume by capturing inbound demand.

3) Accelerating Growth through Aggressive M&A & Capital Alliances

TMN is also pursuing a Growth Strategy for inorganic growth through M&A and capital alliances, utilizing funds raised from its initial public offering.

1. **Acquisition of WebSpace as a Subsidiary (December 2023, Acquisition Cost: ¥890 million)**

WebSpace, Which Operates a Retail Solutions Business, Became a Consolidated Subsidiary

Since its founding in 1998, WebSpace has focused its business on retail systems ("Parallel Net"), primarily consisting of POS and EOS (replenishment ordering systems), as well as the "MMK Collection Counter Service" used for utility bill payments and other purposes.

WebSpace has installed POS systems in approximately 3,000 stores. The "MMK Collection Counter Service" - a payment collection agency service provided by Shinkin Information Service and WebSpace that uses barcoded payment slips for utility bills such as telephone and electricity charges - has been implemented in over 10,000 locations, including Supermarkets and Drugstores, establishing a broad customer base ranging from major chains to small and medium-sized stores.

The targeted synergy involves integrating TMN's payment services with WebSpace's "MMK Collection Counter Service" to enhance the service offerings for both companies' respective clients. Additionally, the company plans to accelerate the development of features for TMN's cloud-based POS system by leveraging WebSpace's POS system.

2. **GC Planning (4037 TSE Growth) to Become an Equity-Method Affiliate (March 2025)**

GC Planning, Which Operates a Credit Card Payment Gateway Business, Will Become an Equity-Method Affiliate

TMN acquired an additional 136,000 shares of GC Planning - a company with which it had entered into a capital and business alliance agreement in FY3/24 and from which it had acquired a 14.9% stake - in March 2025, thereby making it an equity-method affiliate (the ownership ratio after the additional acquisition is 20.3%). The total acquisition cost was ¥270 million. Including subsequent additional acquisitions, the current ownership stake has risen to 24.7%.

GC Planning operates a credit card payment gateway in the payment services sector and has been involved as a development partner of TMN since the early 2010s. As TMN plans to focus on the credit card payment business, it intends to leverage GC Planning's expertise and streamline development through collaboration between the 2 companies.

10. Overview of Transaction Platform Service

TMN, which has set the goal of analyzing purchase data since its founding, launched its business with a focus on electronic payments and is now advancing development as a transaction platform service to gradually gain access to purchase data beyond payment data.

Aiming to Utilize Collected Data

The transaction platform service refers to the establishment of a system designed to securely store all data aggregated at the TMN Gateway - including payment information (whether electronic or cash), marketing information, and product information - and to process that data so it can be utilized for advanced data analysis and integrated with various services. Specifically, the goal is to integrate, correlate and analyze all data related to purchases and consumer behavior, and to leverage these insights for new product development, marketing and supply chain efficiency improvements. By providing services such as in-house prepaid cards and cloud POS systems, TMN is able to generate revenue while simultaneously collecting data. Going forward, the company plans to offer services that utilize the collected data in fields such as marketing and finance.

A System for Real-Time Collection of Purchase Data by TMN

TMN believes that the most critical aspect of transaction platform services - or, in other words, data management - is the ability to collect data in real time. As the adoption of cloud POS and in-house prepaid systems progresses, all payment data (including cash transactions) and purchase data will be processed in real time at TMN's data center, enabling customers to make faster and more accurate decisions.

Transaction Platform Service Targets Retail IT Investment & Distribution Expenses

TMN aims to monetize the purchase, mobility and supply chain data it has acquired by providing it to consumer goods manufacturers, wholesalers and retailers in the future. TMN estimates the market size for IT investment in the domestic retail sector at ¥2.4 trillion and has already begun offering cloud POS and in-store prepaid card services in this sector. Additionally, the company estimates distribution-related expenses in the sales promotion and marketing sectors of domestic wholesalers and consumer goods manufacturers at ¥13 trillion and is considering launching services in this area as well in the future.

Specifically, by leveraging real-time purchase data, payment data and customer data, the company believes manufacturers will be able to further streamline production and inventory management through innovative product development and marketing strategies, while retailers will be able to conduct efficient and effective promotional campaigns.

The following is a description of the services that are currently available commercially.

1) POS Business Essential for Acquiring Purchasing Data

Developing Cloud POS by Leveraging Strengths as a Provider of Electronic Payment Infrastructure

TMN has applied its expertise in cloud-based electronic payments to successfully migrate POS systems to the cloud.

The strength of TMN's transaction platform services lies in its network connectivity with the POS systems of major chain stores through its payment gateway business, as well as its ability to leverage its track record of connecting 1.21 million payment terminals deployed across a wide area to its gateways to roll out new services such as cloud POS and in-house prepaid systems.

Cloud POS Enables Collection of Data on "Who" Purchased "What"

While payment terminals can capture data on "where", "when" and "how much" POS systems can capture not only this information but also data on "what" was purchased - that is, the specific products and services.

TMN's cloud POS is hardware-agnostic and can be implemented on existing cash registers and tablets currently in use at stores, significantly reducing development and implementation time and costs. Furthermore, because it operates in a cloud environment, merchants benefit from the ability to flexibly add features after implementation and utilize data in real time. Additionally, by integrating with "who" data obtained from ID-POS and in-house prepaid systems, one-to-one marketing becomes possible.

Kusuri no Aoki is a Major Customer

A major user of the cloud POS system is Kusuri no Aoki Holdings (3549 TSE Standard), which began using the service in September 2024.

2) nextore, A Payment-Based Digital Platform Service

nextore Now Enables the Distribution of Apps to Support Store Operations Beyond Payments

While many transaction platform services, such as cloud-based POS systems, are aimed at major chain stores, the nextore business is a payment-based digital platform service provided to small chains and independent retailers. Its business model consists of revenue from terminal sales, as well as subscription fees based on the use of applications on the platform.

nextore not only consolidates various electronic payment methods onto a single terminal, but also enables the expansion of non-payment functions by integrating "tance mall" - an app platform for store operations developed by Tance Co., Ltd. - onto TMN's mobile terminals. Tance Co., Ltd. is a joint venture between Japan Card Network (part of the JCB Group) and major systems integrator TIS, and provides store-oriented platforms and digital transformation (DX) support. On April 19, 2024, as the first phase of this initiative, two business apps - the call notification service "yoboca" and the self-order service "QR Order" - were developed by 3rd parties and made available on "tance mall".

nextore's Revenue for FY3/24 Was Primarily Driven by Terminal Sales

When nextore first launched its services, regional banks were its primary channel partners. However, following the start of collaboration with the JCB Group, nextore's terminal sales expanded to 7,000 units in FY3/24, with total revenue reaching approximately ¥600 million, making terminal sales the core of the transaction platform services.

3) In-House Prepaid/Xinfony Data Hub

TMN Undertakes the System Development and Operation for Companies to Issue Their Own Prepaid Cards

The House Prepaid service is one in which TMN handles all back-end system operations when merchant partners issue their own prepaid cards. Since the process of issuing prepaid cards involves consumers entering their membership information to create the card, TMN is able to capture data in which membership information is linked to payment data.

Notable implementations include “ToMaCa” by U-Coop, a consumers' cooperative operating in Kanagawa, Shizuoka and Yamanashi Prefectures, “Co-op Card” by Coop Kobe., and “Aoca” by Kusuri no Aoki. For TMN, the benefits include revenue generated from system implementation and the number of users, as well as the ability to obtain payment data linked to member information necessary for a transaction platform service. On the other hand, for merchants, the benefit is the ability to introduce electronic payments at lower transaction fees than those associated with credit cards.

Regarding the in-house prepaid card business, the business model involves SI development sales, followed by a fixed monthly fee based on the number of cards issued.

Integrating POS Data with Xinfony Data Hub

Meanwhile, the “Xinfony Data Hub”, which launched in June 2024, is a service for collecting, storing and utilizing data, and is one of the cornerstones of the transaction platform services. The company provides the Xinfony Data Hub service in conjunction with its cloud POS system, storing large volumes of data from POS terminals.

Furthermore, since Coop Kobe provides its own prepaid card service and centrally manages point services and membership information through TMN, the company is collaborating with Mitsubishi Shokuhin to build a Customer Data Platform (CDP) - based on the Xinfony Data Hub service - to serve as the data infrastructure for collecting and integrating the cooperative’s customer data.

Aiming to Utilize Data Integrated and Managed by Xinfony Data Hub

Through the Xinfony Data Hub service, TMN aims to contribute to improving the profitability of retailers by visualizing and utilizing data - by storing (data preservation), connecting (data integration) and discovering (data analysis) various types of large-volume data, including POS data. Furthermore, although industry associations in the distribution sector - including manufacturers and wholesalers - are discussing the standardization and unification of product master data, the reality is that product master data varies among major retailers. Therefore, TMN is considering efforts to integrate this master data to facilitate the utilization of data.

4) RX Cloud

RX Cloud is a cloud-based DX service for dispensing pharmacies, jointly developed with mediLab (Headquarters: Shinjuku-Ku, Tokyo), a healthcare AI venture. Commercial operations began in Q1 FY3/25 at dispensing pharmacies co-located with drugstores, for which proposals had been under consideration. The service features functions such as scanning prescriptions to digitize them in the cloud and using AI to check prescription contents and detect risks.

11. Redefining the Long-Term Vision

Aiming for ¥100 billion in Total Revenue by FY2030

TMN announced its long-term vision, “Vision for 2030”, which was formulated prior to its IPO, in its financial results presentation materials for FY3/24. It had set a target of ¥100 billion in consolidated total revenue for FY3/30. The breakdown included steady growth in existing businesses, as well as contributions from new businesses and M&A. Specifically, the company aimed for ¥40 billion in the payments sector (actual result for FY3/26: ¥11.3 billion) and ¥60 billion in the transaction platform services sector (the sum of stand-alone “other” revenue and subsidiary revenue; actual result for FY3/26: ¥2 billion).

Company Plans to Temporarily Bench its Long-Term Vision & Announce a New Business Strategy at the Q2 FY3/27 Earnings Announcement

In light of delays in launching its transaction platform services and setbacks in the data center relocation schedule, TMN has announced a policy to restructure its business strategy to focus on organic growth and has temporarily withdrawn its long-term vision. The company plans to announce its new business strategy around the time of its earnings release for Q2 FY3/27.

12. Equity Story

A Strategy is a “Story” And Can’t Wait to Share with Others

From the perspective of long-term stock price growth, an Equity Story is primarily composed of 1) a "feasible and precise business strategy" and 2) an "exciting dream”.

Mr. Ken Kusunoki, a professor at the Hitotsubashi University Graduate School of Business and Commerce and one of Japan's leading business scholars, writes in his book "Competitive Strategy as a Story - Conditions for an Excellent Strategy" that "Companies that have achieved great success and have maintained that success have in common that their strategies are constructed as a 'story' with flow and movement. A strategy is not something that is forced upon you out of necessity and you have no choice but to make a difficult face. But rather it is about creating an interesting 'story' that you can't help but want to tell someone". The equity story is a similar concept.

Recurring Revenue from the Electronic Payment Service Business Continues to Grow

As mentioned earlier, since launching Japan’s first cloud-based E-Cash payment service in 2011, TMN has expanded its payment offerings to include credit cards, QR/Barcode and other payment methods. It has grown into one of Japan’s largest electronic payment gateway companies, currently supporting 43 payment brands and boasting 1.21 million active connected devices. Recurring revenue - a key performance indicator for analyzing the company’s business - has continued to grow, rising from ¥3.952 billion in the FY3/19 to ¥9.262 billion in FY3/26.

Growth in Recurring Revenue from Transaction Platform Services is Also Expected

It should be noted that the recurring revenue currently disclosed covers only the electronic payment services business. The transaction platform services are still in their start-up phase, so their sales volume is small and the breakdown of recurring revenue and one-time revenue has not been disclosed at this time. However, since TMN has built a strong customer base and partner network, if it succeeds in acquiring customers for the transaction platform services through cross-selling, recurring revenue is expected to grow significantly in the future.

Stable Growth in Recurring Revenue from Electronic Payment Services is Also Expected as the Benefits of the Data Center Relocation Take Effect

In FY3/25, TMN was forced to report an operating loss due to increased data center relocation expenses, as well as expenses for incident response and maintenance, and at the same time its stock price remained sluggish. The data center relocation was completed in September 2025 and the company returned to profitability in 2H FY3/26; so, it can be said that the worst is behind it.

However, a full-fledged rise in the stock price cannot be expected merely from the elimination of negative factors. Positive factors resulting from this data center relocation include the ability to focus on business expansion thanks to the renewal of core infrastructure, the strengthening of sales efforts toward large-scale customers, the reduction of operating costs and the securing of capacity in anticipation of long-term growth in the number of transactions. As the benefits of this data center relocation gradually materialize, they are expected to lead to stable growth in recurring revenue within the electronic payment services business.

If recurring revenue grows significantly in both the electronic payment services business and the transaction platform services business, we can expect not only an increase in total revenue driven by higher average revenue per customer but also an improvement in profit margins due to reduced customer management costs.

"Stable Growth in Recurring Revenue in the Electronic Payment Services Business. Improved Profit Margins Due to the Rapid Expansion of Recurring Revenue in the Transaction Platform Services Business"

For these reasons, we are optimistic about the company's Equity Story: "Stable growth in recurring revenue in the electronic payment service business as a result of the effects of the data center relocation and improved profit margins due to rapid expansion of recurring revenue in the transaction platform service business".

In the past, TMN has experienced profit declines due to decreases in one-time revenue and increases in costs, and the high volatility of its profits has contributed to a lower valuation. If the stable growth in recurring revenue from the electronic payment services business - driven by the effects of the data center relocation - is complemented by contributions from recurring revenue in the transaction platform services business; we can expect not only an increase in profits due to improved profit margins, but also a rise in valuation resulting from reduced profit volatility. Therefore, we intend to closely monitor the realization of the data center relocation's effects and the trends in recurring revenue within the transaction platform services business going forward.

Figure 22. Income Statement (¥mn)

FY	Stand-Alone 3/22	Stand-Alone 3/23	Stand-Alone 3/24	Consolidated 3/24	Consolidated 3/25	Consolidated 3/26	Consolidated 3/27 CoE
Total Revenue	**7,139**	**7,831**	**10,370**	**10,370**	**12,300**	**13,276**	**16,535**
(YoY)	10.7%	9.7%	32.4%	-	18.6%	7.9%	24.5%
<Recurring Revenue>	**4,711**	**5,617**	**7,054**	**7,054**	**8,129**	**9,262**	**-**
(YoY)	19.2%	19.2%	25.6%	25.6%	15.2%	13.9%	-
・Gateway Service Fees	**3,496**	**3,822**	**4,285**	**4,285**	**4,646**	**5,040**	**-**
(YoY)	11.6%	9.3%	12.1%	12.1%	8.4%	8.5%	-
・QR/Barcode Service Fees	**486**	**1,147**	**2,231**	**2,231**	**2,992**	**3,790**	**-**
(YoY)	157.7%	135.8%	94.5%	94.5%	34.1%	26.7%	-
・Registration Fees	**728**	**647**	**537**	**537**	**489**	**430**	**-**
(YoY)	15.3%	-11.1%	-17.1%	-17.1%	-8.8%	-12.1%	-
<One-Time Revenue>	**2,427**	**2,213**	**3,315**	**3,315**	**2,809**	**2,440**	**-**
(YoY)	-2.8%	-8.8%	49.8%	49.8%	-15.3%	-13.1%	-
・Device Sales Revenue	**1,364**	**1,360**	**1,730**	**1,730**	**1,730**	**1,375**	**-**
(YoY)	-6.5%	-0.3%	27.2%	27.2%	0.0%	-20.5%	-
・SI Development Sales	**897**	**636**	**861**	**861**	**536**	**656**	**-**
(YoY)	9.3%	-29.1%	35.4%	35.4%	-37.7%	22.3%	-
·Others	**165**	**216**	**723**	**723**	**541**	**408**	**-**
(YoY)	-23.2%	30.6%	233.8%	233.8%	-25.1%	-24.7%	-
WebSpace	**-**	**-**	**-**	**-**	**1,362**	**1,431**	**1,577**
(YoY)	-	-	-	-	-	5.1%	10.2%
Four-J	**-**	**-**	**-**	**-**	**-**	**142**	**499**
(YoY)	-	-	-	-	-	-	249.7%
Gross Profit	**2,279**	**2,562**	**3,321**	**3,321**	**3,401**	**3,796**	**-**
(Gross Profit Margin)	31.9%	32.7%	32.0%	32.0%	27.7%	28.6%	-
SG&A Expenses	1,568	2,001	2,492	2,544	3,905	3,795	-
Operating Income	**711**	**561**	**829**	**777**	**-504**	**0**	**831**
(YoY)	358.8	-21.1%	47.8%	-	-	-	-
(Operating Margin)	10.0%	7.2%	8.0%	7.5%	-4.1%	0.0%	5.0%
Non-Operating Profit/Loss	1	-24	-11	-11	-8	-73	-94
Ordinary Income	**712**	**535**	**818**	**765**	**-513**	**-73**	**737**
(YoY)	348.9%	-24.8%	52.8%	-	-	-	-
(Ordinary Income Margin)	10.0%	6.8%	7.9%	7.4%	-4.2%	-0.6%	4.5%
Net Income Attributable to Owners of the Parent	**-385**	**672**	**637**	**585**	**-682**	**-60**	**600**
(YoY)	NM	NM	-5.2%	-	-	-	-
EPS (¥)	-12.2	21.2	17.3	15.9	-18.5	-1.9	19.1
Depreciation	1,463	1,601	1,615	1,615	1,983	2,573	-
EBITDA	**2,180**	**2,137**	**2,441**	**2,389**	**1,497**	**2,591**	**3,491**
(YoY)	59.5%	-2.0%	14.2%	11.8%	-37.3%	73.0%	34.7%

Note: From FY3/24, consolidated basis, therefore YoY comparison is NA. 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. Compiled by Strategy Advisors.

Figure 23. Balance Sheet (¥mn)

FY	Stand-Alone 3/22	Stand-Alone 3/23	Consolidated 3/24	Consolidated 3/25	Consolidated 3/26
Cash and Deposits	3,419	2,861	13,173	14,069	14,007
Accounts Receivable	1,034	1,044	1,344	1,566	1,702
Inventory	549	504	621	449	742
Others	219	204	1,042	1,160	1,413
Current Assets	**5,223**	**4,614**	**16,182**	**17,246**	**17,866**
Tangible Fixed Assets	791	642	1,864	2,113	2,097
Intangible Fixed Assets	4,001	4,070	6,755	6,930	7,444
Goodwill	0	0	430	368	569
Investments and Other Assets	355	481	756	699	1,139
Total Fixed Assets	**5,148**	**5,194**	**9,376**	**9,743**	**10,681**
Total Assets	**10,372**	**9,808**	**25,558**	**26,989**	**28,547**
Trade Payables	149	67	205	83	231
Short-Term Borrowings	507	4	167	369	1,807
Contractual Obligations	2,527	2,008	1,763	1,767	1,838
Deposit Received	661	1,684	8,777	10,994	10,384
Other Current Liabilities	651	968	1,647	1,813	1,504
Current Liabilities	**4,496**	**4,733**	**12,561**	**15,028**	**15,765**
Long-Term Debt	8	3	1,560	1,268	5,752
Retirement Benefits/Salary Reserves	100	115	178	200	182
Other Fixed Liabilities	0	0	428	365	282
Fixed Liabilities	**108**	**118**	**2,167**	**1,835**	**6,217**
Total Liabilities	**4,605**	**4,852**	**14,728**	**16,863**	**21,982**
Capital	3,553	3,553	6,150	6,165	6,166
Capital Surplus	3,553	708	3,305	3,319	3,319
Retained Earnings	-1,345	672	1,257	575	514
Treasury stocks	-	-	-	-	-3,485
Shareholders' Equity	**5,761**	**4,933**	**10,714**	**10,060**	**6,515**
Stock Acquisition Rights	-	-	75	-	-
Unrealized Gains on Other Securities	5	22	39	65	50
Total Net Assets	**5,766**	**4,956**	**10,829**	**10,126**	**6,565**
Liabilities and Net Assets	**10,372**	**9,808**	**25,558**	**26,989**	**28,547**
Equity Capital	5,761	4,933	10,790	10,060	6,515
BPS (¥)	179.2	159.7	292.1	272.0	219.6

Source: Company Materials. Compiled by Strategy Advisors.

Figure 24. Cash Flow Statement (¥mn)

FY	Stand-Alone 3/22	Stand-Alone 3/23	Consolidated 3/24	Consolidated 3/25	Consolidated 3/26
Net Income Before Taxes and Other Adjustments	711	540	765	-581	-52
Depreciation	1,463	1,601	1,615	1,901	2,484
Amortization of Goodwill	-	-	-	61	68
Amortization of Customer-Related Assets	-	-	-	21	20
Changes in Contract Liabilities	-602	-519	-244	4	70
Increase or Decrease in Deposit	298	1,022	-1,177	2,216	-613
Other Operating Cash Flows	239	158	-425	0	-810
Cash Flows from Operating Activities	**2,109**	**2,803**	**533**	**3,624**	**1,167**
Purchase of Tangible Fixed Assets	-166	-100	-475	-599	-676
Purchase of Intangible Fixed Assets	-1,177	-1,276	-2,455	-1,918	-2,222
Purchase of Investment Securities	-	-	-200	-	0
Purchase of Shares in a Subsidiary Resulting in a Change in the Scope of Consolidation	-	-	7,710	-	0
Cash flows from Other Investing Activities	-	-	9	-127	-685
Cash Flows from Investing Activities	**-1,344**	**-1,377**	**4,588**	**-2,644**	**-3,584**
Proceeds from Short-Term Borrowings	-500	-500	-	-8	-
Proceeds from Long-Term Borrowings	-	-	-	80	7,080
Repayment of Long-Term Borrowings	-	-	-	-76	-936
Issuance of Shares	999	-	5,164	6	2
Redemption and Cancellation of Shares	-	-1,500	-	-	-3,499
Other Financial Cash Flows	-13	15	25	-85	-291
Cash Flows from Financing Activities	**485**	**-1,984**	**5,190**	**-83**	**2,354**
Free Cash Flow	765	1,426	5,121	979	-2,416

Source: Company Materials. Compiled by Strategy Advisors.

Figure 25. Stock Price Indicators, ROE and KPIs

	Stand-Alone	Stand-Alone	Consolidated	Consolidated	Consolidated	Consolidated
FY	**3/22**	**3/23**	**3/24**	**3/25**	**3/26**	**3/27 CoE**
EPS (¥)	**-12.2**	**21.2**	**15.9**	**-18.5**	**-1.9**	**19.1**
EPS (¥)	**179.2**	**159.7**	**292.1**	**272.0**	**219.6**	**-**
DPS (¥)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Dividend Payout Ratio	0.0%	0.0%	0.0%	-	-	-
Closing Price (¥)	**NA**	**NA**	**628**	**320**	**299**	**-**
PER (x)	**NA**	**NA**	**39.6**	**NM**	**NM**	**-**
PBR (x)	**NA**	**NA**	**2.1**	**1.2**	**1.4**	**-**
No. of Shares Issued at End of Period (Shares mn)	NA	NA	36.9	37.0	37.0	-
No. of Treasury Shares (Shares mn)	NA	NA	-	-	7.3	-
Treasury Stock Deduction (Shares mn)	NA	NA	36.9	37.0	29.7	-
Market Capitalization (¥mn)	**NA**	**NA**	**23,196**	**11,837**	**8,873**	**-**
Equity Ratio	55.5%	50.3%	42.2%	37.3%	22.8%	-
Interest-Bearing Debt	515	8	1,727	1,638	7,559	-
D/E Ratio	0.09	0.00	0.16	0.16	1.16	-
EV (Enterprise Value)	NA	NA	20,528	10,400	12,809	-
EBITDA (¥mn)	2,180	2,137	2,389	1,497	2,591	3,491
EV/EBITDA Multiple	NA	NA	8.6	6.9	4.9	-
ROE	**-6.7%**	**12.6%**	**5.4%**	**-6.5%**	**-0.7%**	**-**
ROIC (Business Assets)	-9.9%	15.9%	7.0%	-6.7%	-6.7%	-
No. of Employees	**249**	**254**	**362**	**372**	**491**	**-**
No. of Operating Terminals ('000)	695	833	968	1,102	1,213	-
Annual Settlement Processing Transaction Value (GMV) (¥trn)	3.0	3.7	4.4	4.9	5.5	-
Annual No. of Settlements Processed (Bn of Times)	1.7	1.9	2.3	2.5	2.8	-

Note: EBITDA is calculated based on the company's definition as the sum of ordinary income, depreciation, amortization of goodwill, amortization of customer-related assets, and interest expense. EV is calculated by adding net interest-bearing debt and deposits held by customers to market capitalization
Source: Company Materials. Compiled by Strategy Advisors.

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