

## Company Report

12 March 2025

Strategy Advisors Inc.

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## Achieved Significant Profit Growth in FY12/2024. Strong Performance in Core Business is Expected to Continue in FY12/2025. Trends in Crypto Assets Market Attract Attention.

For FY12/2024, operating income increased 99.2% YoY to ¥2.22 billion and ordinary income increased 2.20 times YoY to ¥2.67 billion, marking a significant increase in profits. Operating income for the Mobile Service Business increased 37.9% YoY to ¥4.39 billion. All major businesses such as Point saw a significant increase in profits. Operating income for Financial Service Business was a loss of ¥990 million, a slight increase from the loss of ¥890 million in the previous fiscal year; but the equity method investment profit of affiliated company bitbank increased significantly to ¥470 million from ¥70 million in the previous fiscal year.

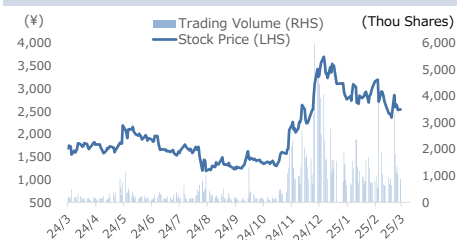
In the Point business, sales of "Moppy", the main product of the Point business, increased 8.0% YoY and the gross profit margin increased significantly from 22.5% in the previous term to 27.7%. In D2C, sales of the main product "Pitsole" increased. In DX, operating income recovered for the first time in three fiscal years due to an increase in the utilization rate of engineers.

Crypto Assets prices rose before the US presidential election in November last year due to rising expectations for policy changes. However, from late February, they generally fell due to the adjustment of the stock market. Bitcoin prices reached their halving in April 2024, but tend to remain strong for about a year and a half after halving. In addition, the US and Japan are expected to see the development of legal environments such as regulations and tax systems. For this reason, the crypto assets market is expected to remain strong throughout 2025.

The company's forecast for the FY12/2025 term is an operating income of ¥3.0 billion, up 34.6% YoY and an ordinary income of ¥3.4 billion, up 27.0% YoY. The Point business is expected to remain strong, whilst the Financial Service Business is also expected to reduce its deficit. It appears that the equity method investment profit of bitbank is also factored in at the same level as in the FY12/2024 term. The regular dividend is expected to be ¥60 (FY12/2024 term was a regular dividend of ¥40 and a special dividend of ¥20).

The stock price rose sharply in November 2024, driven by the price of crypto assets and then adjusted. The short-term stock price will be affected by the price fluctuations of crypto assets. If the price of crypto assets, which has recently fallen, starts to rise again, it will be a tailwind for the company's stock price. As the revenue of the Mobile Service Business is improving, the stock price range is expected to steadily rise.

## Stock Price & Trading Volumes



Source: Strategy Advisors

## Key Indicators

Stock Price (3/10/25)	2,541
52-Week High (12/16/24)	3,700
52-Week Low (8/9/24)	1,187
All-Time High (3/18/21)	5,110
All-Time Low (3/19/20)	558
Shares on Issue (mn)	11.5
Market Capitalization (¥ bn)	29.2
EV (¥ bn)	24.6
Equity Ratio (12/24 Actual, %)	33.8
ROE (12/24 Actual, %)	14.6
PER (12/25 CoE, Times)	13.9
PBR (12/24 Actual, Times)	2.6
Dividend Yield (12/25 CoE, %)	2.4

Source: Strategy Advisors

## Japanese GAAP - Consolidated

FY	Net Sales	YoY	Operating Income	YoY	Ordinary Income	YoY	Net Income	YoY	EPS	DPS
	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥)	(¥)
12/2021	23,402	15.8	2,305	54.0	3,499	92.7	2,775	272.7	251.7	40.0
12/2022	20,536	NA	1,246	-45.9	679	-80.6	46	-98.3	4.1	20.0
12/2023	24,070	17.2	1,118	-10.3	1,217	79.1	451	868.0	39.5	20.0
12/2024	27,706	15.1	2,228	99.2	2,677	119.8	1,480	228.2	128.9	60.0
12/2025 CoE	30,700	10.8	3,000	34.6	3,400	27.0	2,100	41.8	182.4	60.0

Note: Due to the adoption of new revenue recognition standards, sales for FY12/2022 are NA compared to the previous year.

Source: Company Data. Compiled by Strategy Advisors

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## 1. Achieved Significant Increase in Profits in FY12/2024

### Significant Increase in Revenue and Profit

The financial results for FY12/2024 saw a significant increase in sales and profits compared to the previous fiscal year, significantly exceeding the initial forecast. The company announced a revised forecast for earnings and dividends on December 23, 2024 and the stock market appears to have factored this in.

### Main Businesses are Generally Strong

Sales for FY12/2024 increased 15.1% YoY to ¥27.7 billion, operating income increased 99.2% YoY to ¥2.22 billion and ordinary income increased 2.20x YoY to ¥2.67 billion. By business division, operating income for Mobile Service increased 37.9% YoY, thereby driving revenue. On a detailed level, Point centered on "Moppy", D2C and DX all saw significant increases in profits. The operating income for Financial Service increased slightly due to an increase in fixed costs at subsidiary Mercury; but equity method investment profits at equity method affiliate bitbank increased significantly from ¥70 million in the previous fiscal year to ¥470 million. Mercury also turned a profit in Q4 (3-months). Many of the main businesses increased their sales while improving profit margins, so it can be said that this was a good financial result that will lead to future growth.

**Figure 1. Trends by Segment for FY12/2024**

(¥ mn)

Segment	12/2024 Full Year	YoY Change	12/2025 CoE	YoY Change	12/2024 Q4	YoY Change	QoQ Change
<b>Sales</b>	<b>27,706</b>	15.1%	30,700	10.8%	<b>7,488</b>	10.5%	6.0%
Mobile Service	<b>26,185</b>	11.5%	28,845	10.2%	<b>7,022</b>	6.8%	6.1%
Point	<b>14,405</b>	4.3%	17,410	20.9%	<b>3,924</b>	8.8%	13.0%
D2C	<b>7,035</b>	39.2%	6,270	-10.9%	<b>1,597</b>	-11.3%	-17.6%
DX	<b>4,865</b>	1.8%	5,300	8.9%	<b>1,510</b>	24.7%	21.3%
Financial Service	<b>1,532</b>	150.7%	1,870	22.0%	<b>467</b>	127.9%	3.8%
<b>OP</b>	<b>2,228</b>	99.2%	3,000	34.6%	<b>798</b>	108.8%	29.1%
Mobile Service	<b>4,395</b>	37.9%	4,710	7.1%	<b>1,343</b>	45.0%	17.4%
Point	<b>3,145</b>	26.8%	3,450	9.7%	<b>874</b>	16.0%	11.5%
D2C	<b>932</b>	27.7%	870	-6.7%	<b>193</b>	14.6%	-22.2%
DX	<b>446</b>	320.3%	530	18.7%	<b>307</b>	752.4%	114.7%
Financial Service	<b>-991</b>	NM	-480	NM	<b>-256</b>	NM	NM
Adjustments	<b>-1,176</b>	NM	-1,230	NM	<b>-289</b>	NM	NM
<b>Equity in Earnings of Affiliates</b>	<b>472</b>	505.1%	NA	NA	<b>377</b>	262.5%	NM

Source: Based on Company Documents. Compiled by Strategy Advisors.

## 2. Mobile Service Business

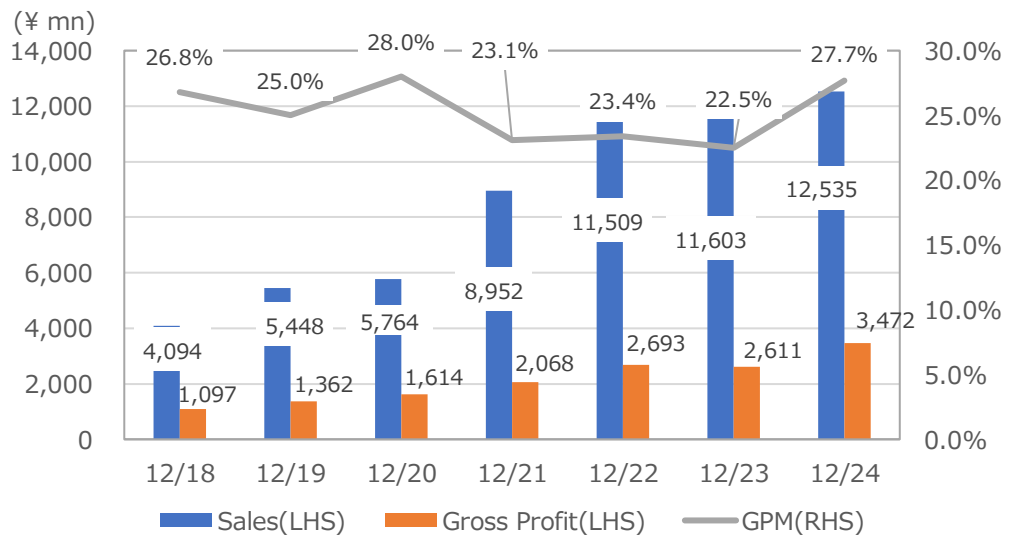
### 1) The Point Business is Doing Well

**“Moppy’s” Gross Profit Increased 33% YoY**

Sales of the Point business for FY12/2024 increased 4.3% YoY to ¥14.4 billion and operating income increased 26.8% YoY to ¥3.14 billion, showing favorable growth. Of this, sales of the mainstay "Moppy" increased 8.0% YoY, and the gross profit margin increased significantly from 22.5% in the previous year to 27.7%. Due to the increase in sales and the increase in gross profit margin, the gross profit amount is calculated to have increased 33% YoY.

The number of "Moppy" members reached 5.72 million at the end of FY12/2024, an increase of 9.7% from the previous fiscal year. At the same time, ARPU (Average revenue per user) also remains at a high level. It is believed that collaboration with "AD.TRACK", the company's own ASP (Affiliate Service Provider), utilization of AI and cashless payment collaboration are working well. The increase in "Moppy's" gross profit margin is believed to be largely due to the fact that the added value that is flowing out to other companies is being captured within the group as the proportion of sales via "AD.TRACK" increases. Thorough point management is also leading to improved profit margins. It can be said that the company's know-how and precision are backed up by its ability to design points that maximize gross profit while awarding attractive points to users, all the while keeping costs as low as possible.

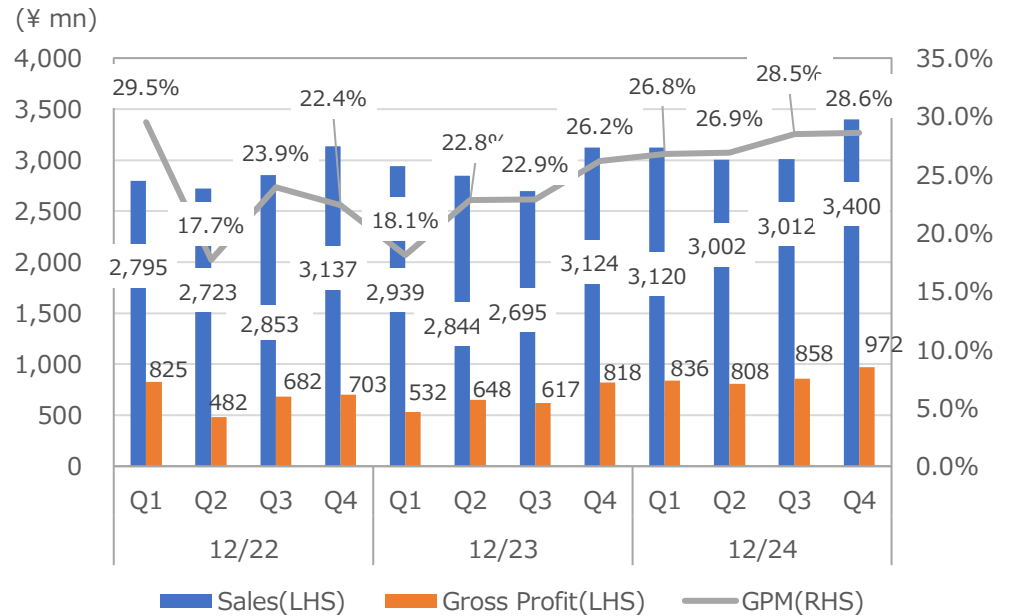
**Figure 2. “Moppy” Sales and Gross Profit Margin (Fiscal Year Basis)**



Note: Gross profit is calculated based on the company's disclosed sales and gross profit margin.

Source: Company Data. Compiled by Strategy Advisors

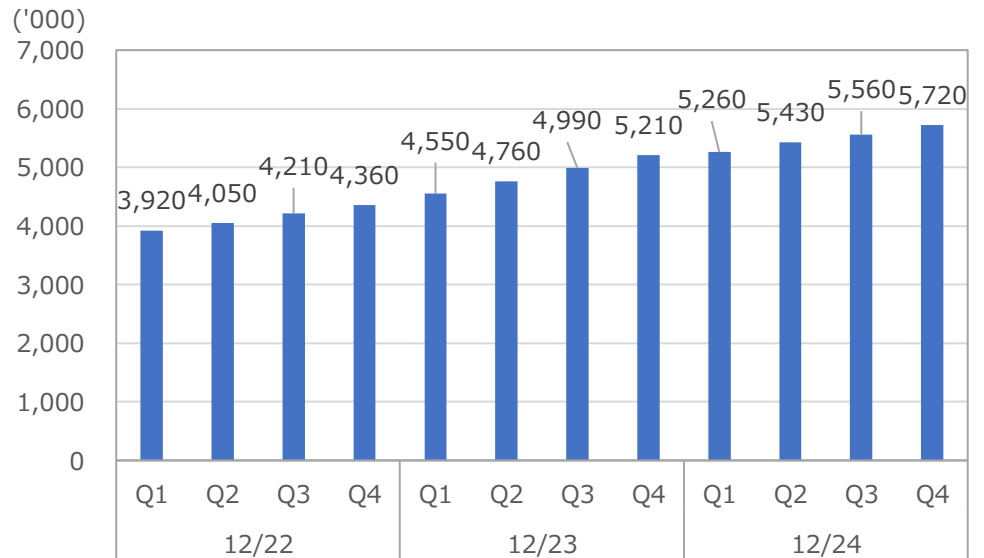
**Figure 3. Moppy Sales and Gross Profit Margin (Quarterly Basis)**



Note: Gross profit is calculated based on the company's disclosed sales & gross profit margin.

Source: Company Data. Compiled by Strategy Advisors

**Figure 4. Changes in the Number of Active Members of "Moppy"**



Source: Company Data. Compiled by Strategy Advisors

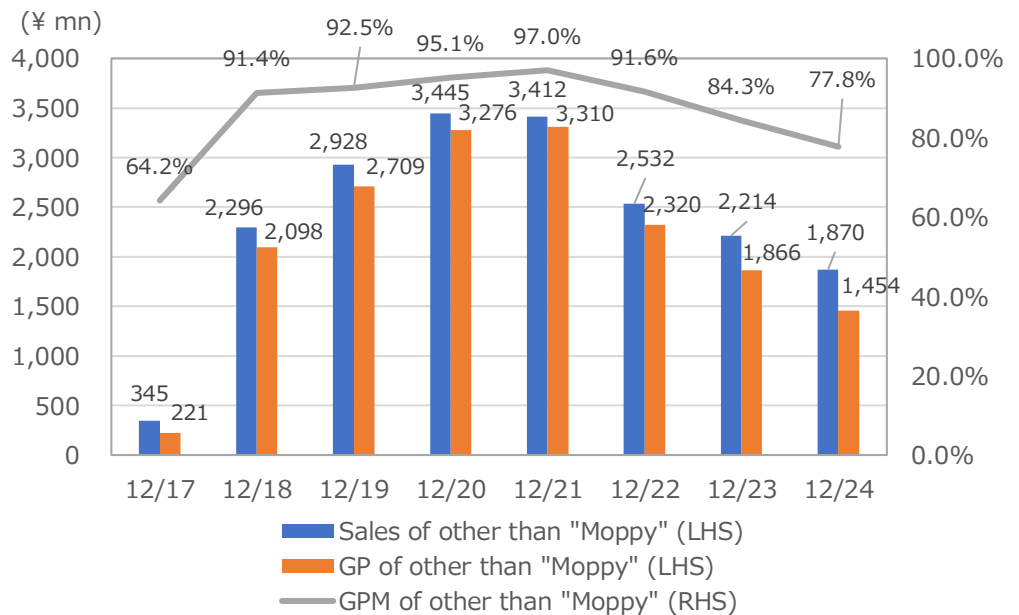
## ASPs & Other Factors Appear to Have Bottomed Out

## Other Businesses also Generally Strong

As for businesses other than the Point Service "Moppy," on an annual basis, sales for FY12/2024 also fell 15.5% YoY and gross profit margins also declined. However, looking at the sales by quarter, sales bottomed out in Q1 of FY12/2024 and have been recovering and gross profit is also on a recovery track. The market for ASPs (Affiliate Service Providers) targeting EC customers, which were previously the company's mainstay and article advertising media remains tough; but the shift in the business model, such as focusing on incentive-based ASPs, appears to be paying off.

Subsidiary "studio15" is also growing. It operates advertising agency and production businesses in the field of short movies, mainly for TikTok. It is an MCN (multi-channel network) certified by TikTok and has expanded to about 300 creators with a total of about 130 million followers and a cumulative total of more than 2,000 projects. As of October 2021, when "studio15" was consolidated, sales were very small, but sales have been growing rapidly since then, increasing 17.0% YoY in Q4 of FY12/2024.

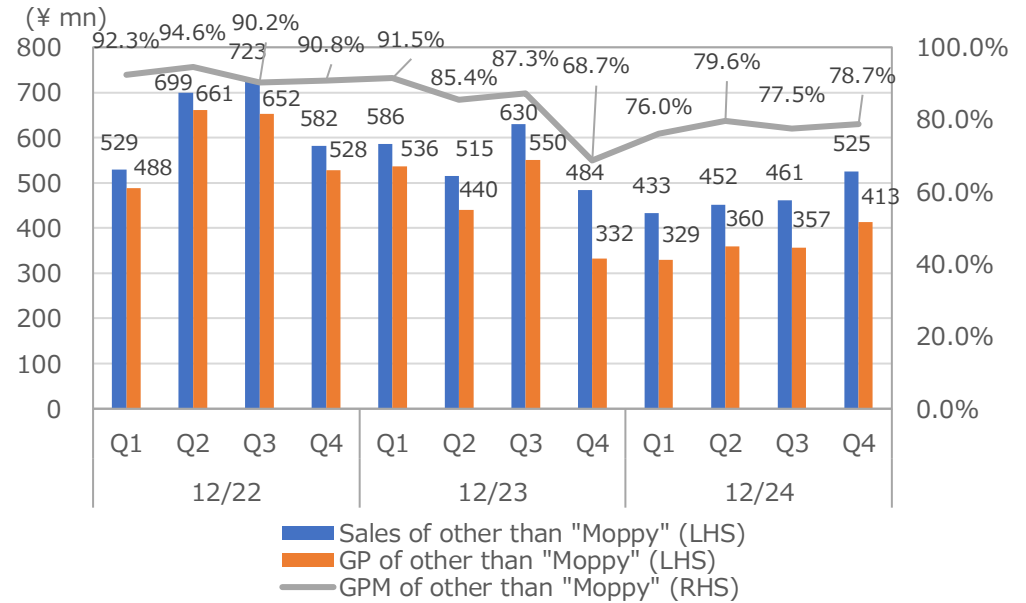
**Figure 5. Sales and Gross Profit Margins of Point Businesses Other Than "Moppy" (Annual Basis)**



Note: Gross profit is calculated based on the company's disclosed sales and gross profit margin.

Source: Company Data. Compiled by Strategy Advisors

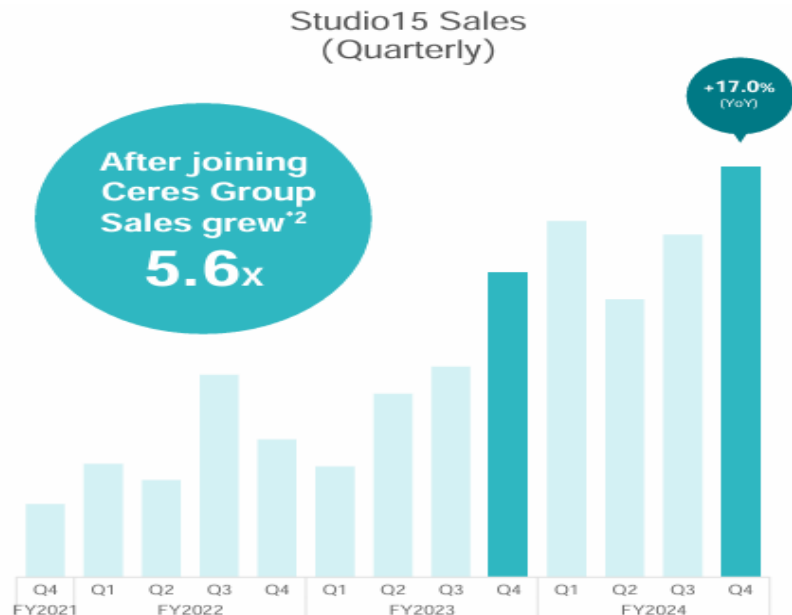
**Figure 6. Sales and Gross Profit Margins of Point Businesses Other Than "Moppy" (Quarterly Basis)**



Note: Gross profit is calculated based on the company's disclosed sales and gross profit margin.

Source: Company Data. Compiled by Strategy Advisors

**Figure 7. "studio15" Sales Trends**



Note: Became a subsidiary in October 2021. The 5.6-fold sales growth is a comparison between 12/21Q4 and 12/24Q4.

Source: Company Data

## 2) D2C Maintains High Levels of Revenue

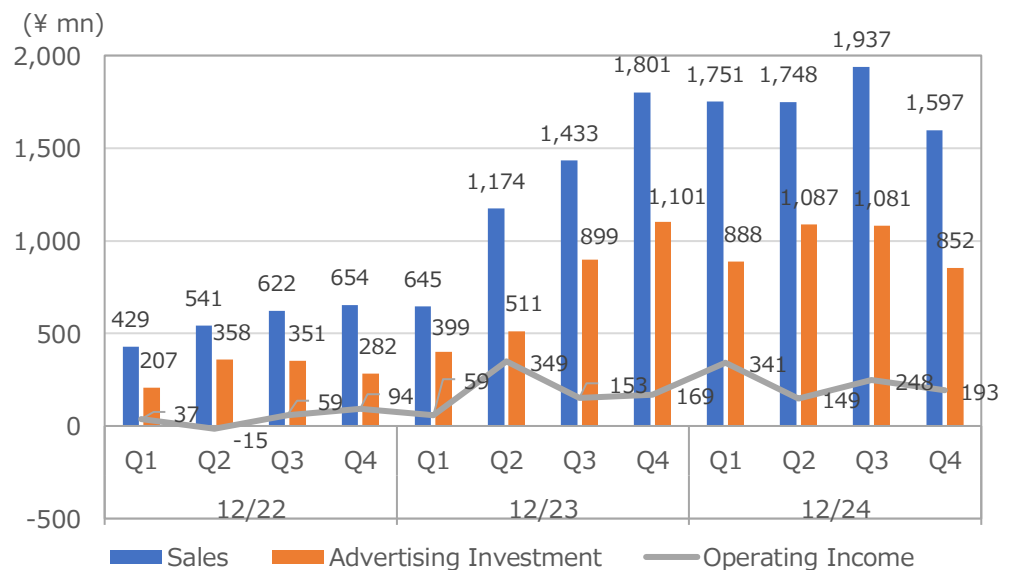
**D2C Saw Significant Increases in Revenue and Profits over the Year**

**Expanding the Product Line while Aiming for Longevity for "Pitsole"**

D2C sales for the full FY12/2024 increased 39.2% YoY and operating income increased 27.7%, showing significant growth. It appears that the mainstay "Pitsole" drove the expansion throughout the year. Although sales of "Pitsole" are showing signs of plateauing, demand is believed will remain strong. However, as the brand is well established in the market, there has been an increase in resale and counterfeit products, which appears to be having an impact. The company is taking measures against these issues and is working to lengthen the product cycle by increasing the number of colors for "Pitsole" and developing personalized types.

Apart from "Pitsole", sales of regular subscription products such as supplements are also expected to grow. In addition, "anypill", an online consultation and sales service for low-dose birth control pills, is actively investing in growth, which will put pressure on short-term profits but will contribute to future earnings growth. Going forward, the company's strategy is to expand the number of products and increase regular users, thereby minimizing the impact of product cycles for individual products and achieving stable earnings growth.

**Figure 8. D2C Business Trends (Quarterly Basis)**



Source: Company Data. Compiled by Strategy Advisors



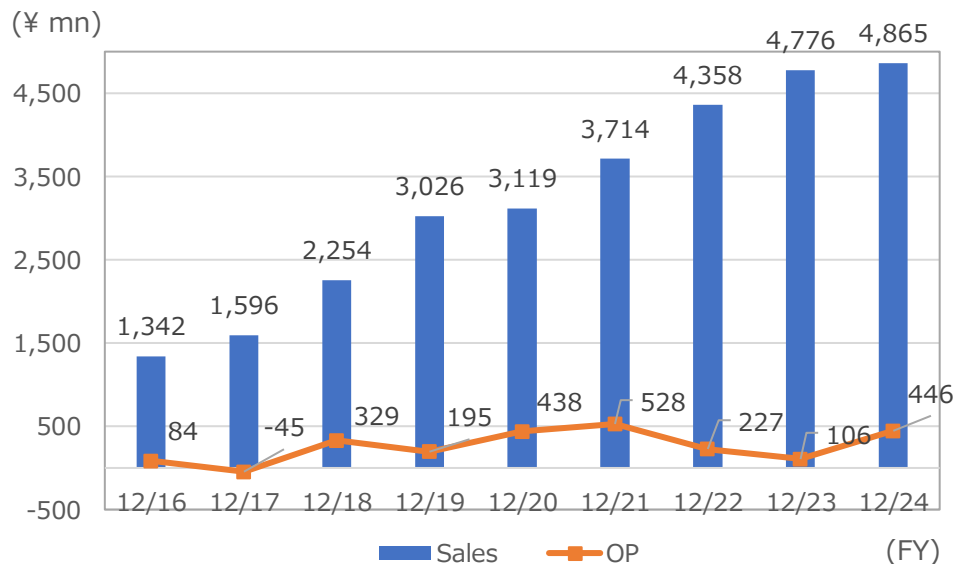
## 3) DX Recovery Becomes Clear

### DX is Also Recovering. It Was at a Standstill During this Transitional Period

The DX business conducted by subsidiary Yumemi mainly engages in contract development of web and mobile apps and is currently showing clear signs of recovery. While sales for the full FY12/2024 increased by only 1.9% compared to the previous fiscal year, operating income recovered to a profit level of 4.21 times the previous fiscal year to ¥440 million, the highest profit level in three years. Although the revision of accounting policies from January 2024 caused sales to be concentrated at the end of FY12/2024; even excluding this factor, it can be said that the business is recovering smoothly. Profits were sluggish in FY12/2023, which was due to a transition period between large-scale projects and an increase in new graduate recruitment, but in FY12/2024, the company made efforts to win orders for relatively small projects such as design and succeeded in increasing the utilization rate of engineers (Figure 11).

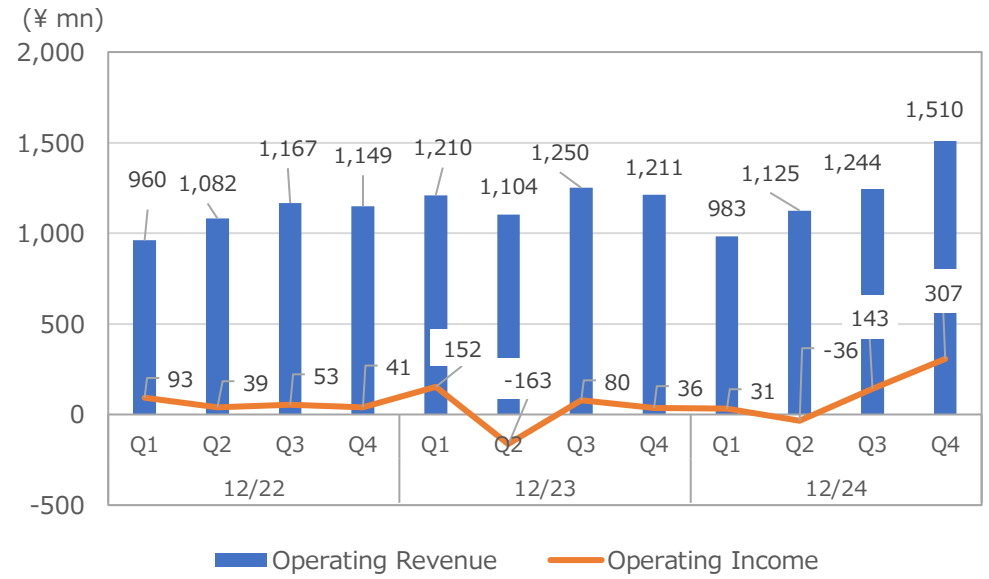
The number of new graduates hired increased to 67 in April 2023, but was reduced to 30 in April 2024. It is expected to be even fewer in April 2025. During this period, the company has succeeded in reducing the outsourcing ratio and has increased the utilization rate of its own engineers, which has led to improved profitability. On the other hand, Yumemi's branding in engineer recruitment has been established and in the SIer industry, where engineers are tight, it is believed that there is more room for discretion in both new graduate and experienced recruitment.

**Figure 9. Yumemi (DX) Revenue Trends (Fiscal Year Basis)**



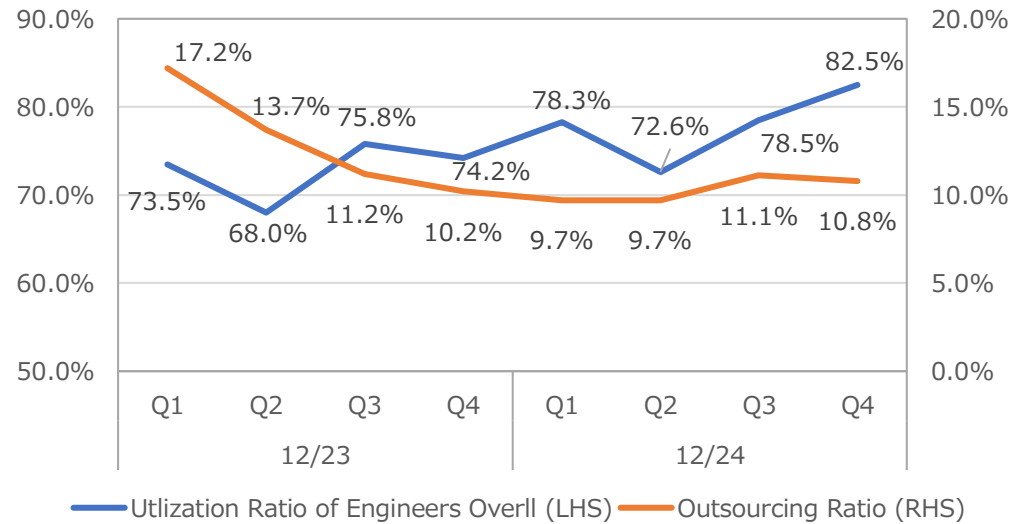
Source: Company Data. Compiled by Strategy Advisors

**Figure 10. Yumemi (DX) Revenue Trends (Quarterly)**



Source: Company Data. Compiled by Strategy Advisors

**Figure 11. Yumemi (DX) Engineer Utilization Ratio and Outsourcing Ratio**



Source: Company Data. Compiled by Strategy Advisors

## 3. Financial Service Business

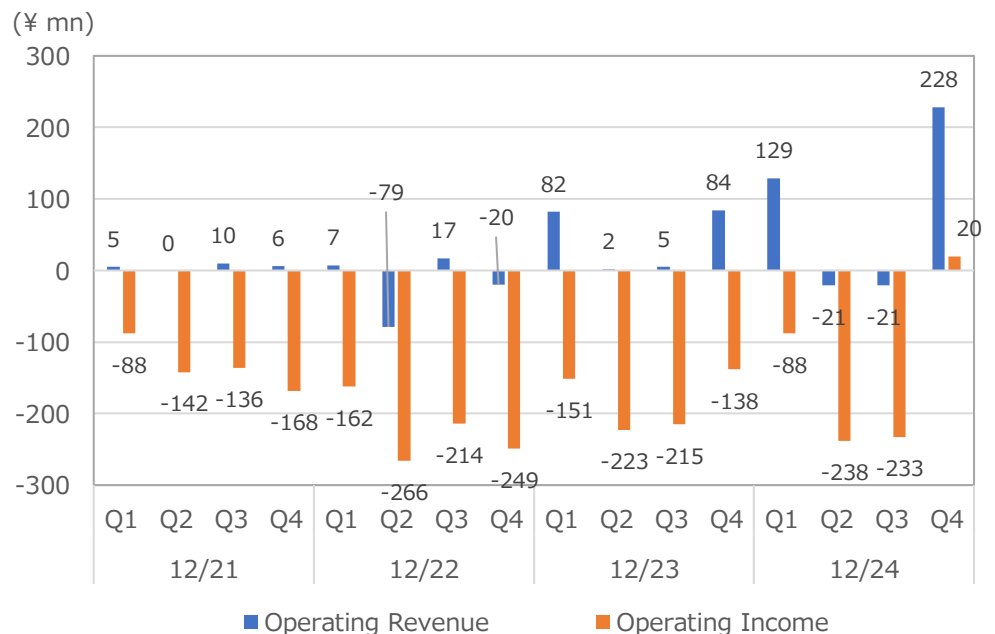
### 1) A Tailwind for the Crypto Assets Market

#### Mercury and Affiliate bitbank See Profit Growth

Financial Service sales for the full FY12/2024 were ¥1.53 billion, 2.51 times higher than the previous fiscal year and operating income was -¥990 million, a slight increase in the deficit from -¥890 million in the previous fiscal year. Of these, crypto assets exchange Mercury's sales increased 82.7% YoY to ¥310 million and operating income was -¥540 million (-¥720 million in the previous fiscal year), both in sales and profits. Mercury posted its first quarterly profit in Q4.

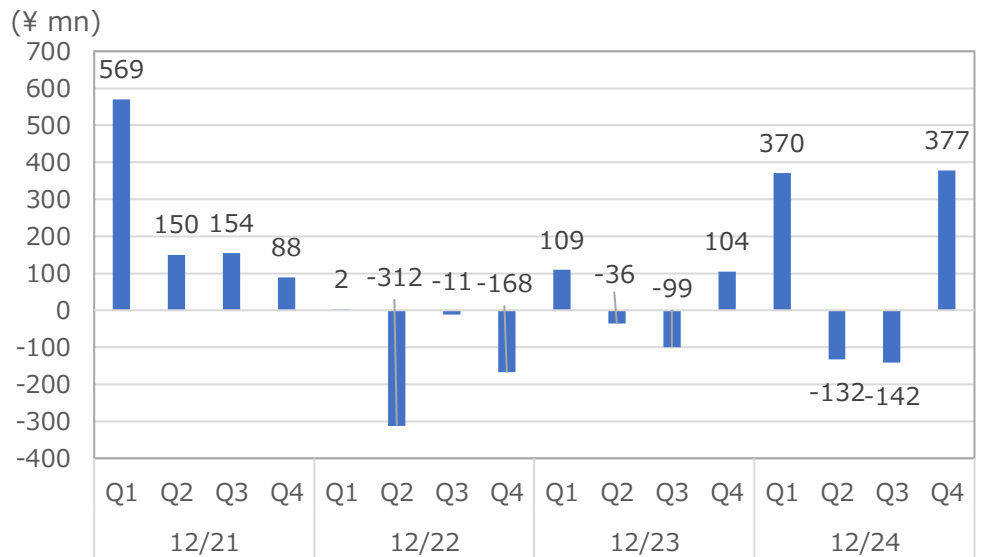
Online factoring company labol is believed to be in the red, with the deficit expanding by ¥110 million YoY. CVC's valuation losses increased by ¥160 million YoY, which was a factor in the decline in operating income. CVC's valuation losses amounted to a loss of ¥260 million for the full FY12/2024, of which a loss of ¥160 million was recorded in Q4. In terms of non-operating income and loss, the equity method investment gains of affiliated company bitbank (23.6% stake) increased significantly to ¥470 million in FY12/2024 or 6.02 times higher than the previous fiscal year. Looking at profits by quarter, Q1 and Q4 had the largest profits.

**Figure 12. Mercury's Earnings Trends**



Source: Company Data. Compiled by Strategy Advisors

**Figure 13. Equity in Earnings of Affiliates (bitbank)**



Source: Company Data. Compiled by Strategy Advisors

### Crypto Assets Prices are Now Adjusting after Soaring

In the crypto assets market, expectations were that supportive policies for crypto assets would be adopted if Trump was elected at the US presidential election in November 2024 and so prices of crypto assets such as Bitcoin had rose prior to the election. The price of Bitcoin reached a peak of \$106,000 on December 17th, compared with \$73,000 at the end of October. Since then, it has moved within a range; but since the latter half of February, the stock market has been in a state of correction, due to the uncertainty of the US economic trend due to the Trump administration's tariff policies and crypto assets prices have fallen in response.

### Bitcoin Price Remains Stable for about a 1.5 Years After Halving

Looking ahead, the crypto assets market is expected to remain in a fundamentally positive environment. Bitcoin will have its halving in April 2024, and based on past patterns, the market is likely to rise for about a year and a half after that. As the supply volume has actually been halved, there is likely to be upward pressure from both the supply and demand sides.

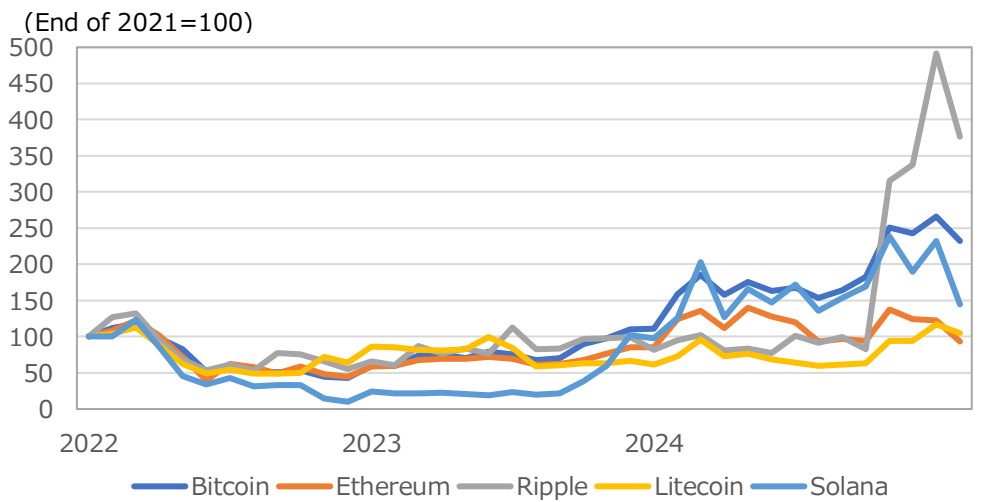
### Attention also on Trump Administration Policies

The policies of the Trump administration are also attracting attention. Soon after taking office, President Trump signed an executive order titled "Strengthening U.S. Leadership in Digital Financial Technology". President Trump also nominated Paul Atkins, who is friendly to crypto assets, to replace former SEC Chairman Gary Gensler, who was strict on crypto assets. President Trump also intends to streamline the regulatory framework for crypto assets and create a legal environment for companies and investors. He also signed an executive order on the national strategic stockpile of Bitcoin. Although there is uncertainty about whether this will come to fruition, it is attracting attention as something that will no doubt affect the supply and demand of crypto assets.

## Japan also Advances the Development of Tax Systems and Regulations

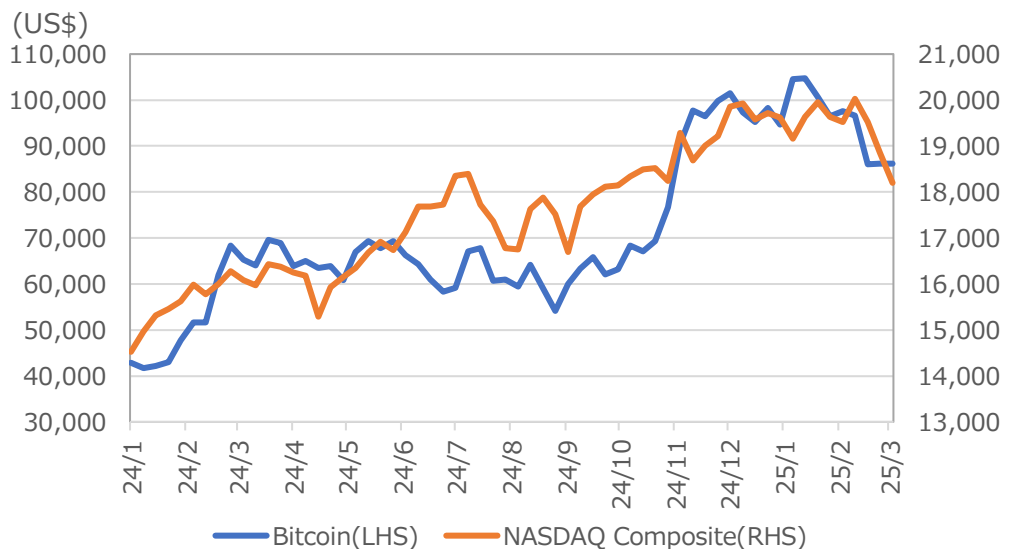
There are also developments in Japan. In the revised Payment Services Act of June 2023, electronic payment methods were newly established and stable coins were clearly defined. This will allow stable coins to be issued in Japan. Intermediaries must register as electronic payment method traders and early adopters will have an advantage. Subsidiary Mercury is also aiming to register. In terms of taxation, industry groups have requested that income related to crypto assets be changed from the current comprehensive taxation to a separate self-reporting taxation of 20%, the same as securities. If this is realized, it will be unified with the taxation system for domestic ETF's, increasing the possibility that crypto asset ETF's will be allowed.

**Figure 14. Price Trends of Major Crypto Assets**



Source: Investing.com, Strategy Advisors

**Figure 15. Bitcoin Price and the NASDAQ Composite Index**



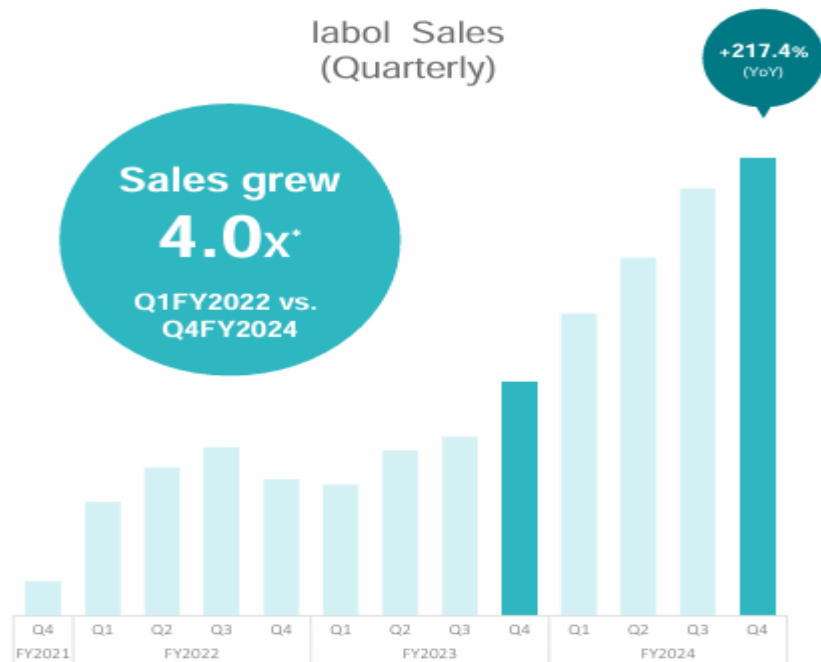
Source: Investing.com, Strategy Advisors

## Sales of "label" Increased Significantly

### 2) label is Growing Significantly

label, an online factoring company, is seeing favorable sales growth. Sales in Q4 of FY12/2024 were 3.27 times higher than the same period last year. Due to aggressive investments, the company is still expected to be in the red; but with sales growth, profits are expected to improve in the future. The company expects to be in the black for the full FY12/2025. It plans to aim for high growth by utilizing external procurement funds to meet expanding demand.

**Figure 16. label's Performance Trends**



Note: label was established in December 2021, and the 4.0x figure is a comparison of sales revenue between FY12/2021 Q4 and FY12/2024 Q4.

Source: Company Data

## The Company Expects Significant Increases in Revenue and Profits

### 4. Business Outlook for FY12/2025

The company's forecast for FY12/2025 is sales of ¥30.7 billion (up 10.8% YoY), operating income of ¥3.0 billion (up 34.6% YoY) and ordinary income of ¥3.4 billion (up 27.0% YoY). Sales from the Mobile Service Business are expected to increase 10.2% YoY and operating income is expected to increase 7.2% YoY. Sales from the Financial Service Business are expected to increase 22.1% YoY to ¥1.87 billion and operating income is expected to be -¥480 million, a significant reduction in the deficit from -¥990 million in the previous fiscal year. Equity method investment profit appears to be expected to be about ¥400 million, the same as the previous fiscal year.

## Overall Profits to Improve, Including for "Moppy"

In terms of Mobile Service, sales of the mainstay Point are expected to increase 20.9% YoY to ¥17.41 billion and operating income is expected to rise 9.7% YoY to ¥3.45 billion. Sales of "Moppy" are expected to grow steadily, while the continued recovery of "AD.TRACK" and growth of "studio15" will drive the earnings growth. D2C is expected to see a decline in both sales and profits as sales of "Pitsole" have peaked. DX is expected to continue its recovery trend for the FY12/2024.

## Mercury and labol Profits to Improve

In Financial Service, Mercury and labol are expected to show earnings increase. The crypto assets market is expected to remain strong. Mercury is expected to see an increase in commission income and an increase in stock income due to the expansion of services such as staking and lending. It does not appear that the forecast takes into account the valuation gains and losses on crypto assets at Mercury and its affiliate bitbank. labol has seen a significant increase in sales as mentioned above and is expected to see an improvement in profits but also losses while continuing to invest.

## Steady Revenue Growth is Likely to Continue

In FY12/2025, the company's core businesses are expected to increase earnings overall and it is highly likely that steady earnings growth will continue. If there are certain risk factors to be pointed out, they would be D2C and crypto assets, which are highly volatile. As "Pitsole" has been affected by counterfeit products, the key will be to what extent the company can maintain sales and how it can make up for this with other products such as "Oigurt".

Financial Service will be greatly affected by fluctuations in the price of crypto assets. The positive policy toward crypto assets in the United States and the establishment of laws in Japan and the United States are likely to continue to favor this trend. Due to factors such as the liquidity of financial markets, the crypto assets market will continue to be at risk of fluctuation; but considering the changes in the market environment as described above, there is every hope that profits will expand.

## 5. Mid-Term Management Plan

### Ordinary Income Target for FY12/2026 is ¥10 bn

Three years have passed since the current mid-term management plan 2026 started (a five-year period from FY12/2022 to FY12/2026), with two years remaining. The targets for FY12/2026 are sales of ¥40 billion and ordinary income of ¥10 billion. The breakdown of ordinary income of ¥10 billion is ¥5 billion for Mobile Service and ¥5 billion for Financial Service.

### Mobile Puts Your Goal in Sight

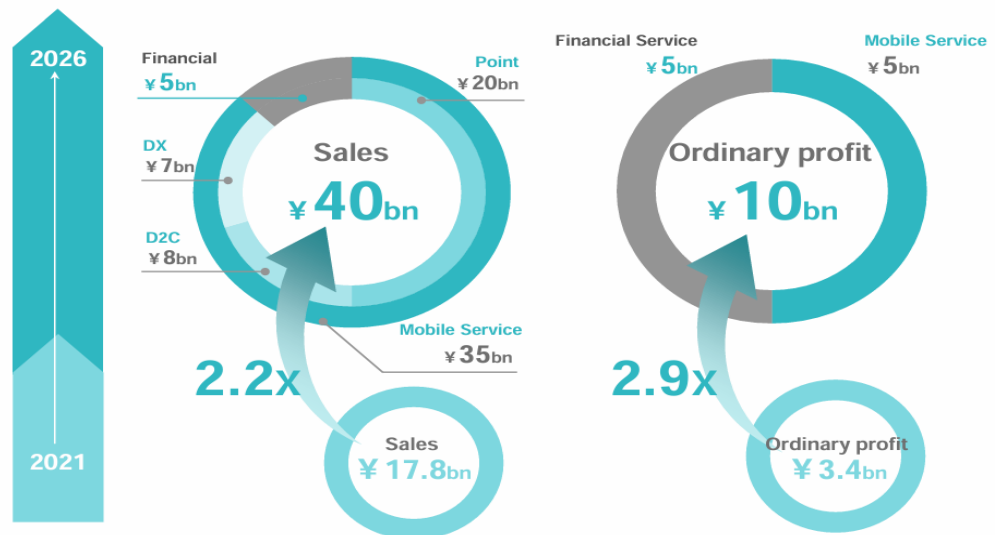
Among Mobile Service, the key point is that "Moppy" has been showing its competitiveness and has been performing steadily almost consistently. The fact that ASP, which had fallen into a slump, are bottoming out and new businesses such as "studio15" are growing are positive for the future. It can be said that the D2C business foundation has been established thanks to the success of "Pitsole". As other new products such as "anypill" are also expanding, it is expected to grow after a temporary plateau.

DX is also in a recovery phase and is expected to continue to grow. The operating income of Mobile Service in FY12/2025 was ¥4.71 billion and although it depends on the allocation of the ¥1.23 billion in inter-segment eliminations, the target ordinary income of ¥5 billion for the same business in FY12/2026 is within sight.

### Financials Depend on the Trend of the Crypto Assets Market, but Revenues are on an Expansion Trajectory

Financial Service will be greatly influenced by the trend of the crypto asset markets. Mercury is expected to be in the red for FY12/2025, but it turned a profit in Q4 (3 months) of FY12/2024, and depending on the price of crypto assets, it may be possible to surpass the forecast. In that case, bitbank's equity method investment profit is expected to exceed the forecast. The company expects labor to turn a profit in FY12/2025 and earnings will likely continue to expand toward FY12/2026. It is difficult to predict the performance of CVC, but it is expected to contribute to earnings toward FY12/2026. At this point, we believe it will be difficult for Financial Service to achieve an ordinary income of ¥5 billion, but there is a possibility of a major change depending on the trend of the crypto assets market.

**Figure 17. Overview of the Medium-Term Management Plan 2026**



Source: Company Data

## 6. Trends of Other Companies in the Industry

### Other Companies' Point Businesses are Expanding Slowly

Competitors in the Point Business include GMO Media (6180 TSE Growth), which operates the Point site "Point Town" and CARTA HOLDINGS (3688 TSE Prime), which operates "EC Navi." In GMO Media's financial results, sales for the media business, which includes "Point Town" increased in FY12/2024 by 7.4% YoY to ¥5.85 billion and operating income increased 71.8% YoY to ¥660 million. Industry-specific businesses are driving the company's performance, but the Point business also achieved solid profits, with gross profit increasing 5.2% YoY.



Sales of the internet-related services business of CARTA HOLSINGS, which includes "EC Navi" increased 11.8% YoY to ¥8.03 billion in FY12/2024 and operating income increased 18.3% YoY to ¥660 million. Of this, sales of the media solutions business, which includes "EC Navi," increased 4.9% YoY to ¥5.36 billion. Compared to the point media of these two companies, "Moppy" has a larger business scale with sales of ¥12.53 billion and its growth rate compared to the previous term was also 8.0%, which is considered to be outperformance.

## FAN Communications' "A8.net" is Currently Recovering Slightly

FAN Communications (2461 TSE Prime) operates "A8.net," one of the largest ASPs in Japan. "A8.net" struggled in the first half of FY12/2024, but recovered in the second half, limiting the annual decrease in revenue to a small 1.2% decrease compared to the previous fiscal year. In Q4 (3 months) alone, revenue increased 6.6% compared to the same period last year.

## Monex Group's CoinCheck Listed on NASDAQ

CoinCheck NV (CNCK, NAS), a consolidated subsidiary of Monex Group (8698 TSE Prime) and a major Japanese crypto assets exchange, was listed on the US NASDAQ in December 2024. Based on Monex Group's segment information, sales revenue for the October-December 2024 period is ¥4.79 billion, 2.37x higher than the previous quarter. Monex Group's crypto asset business segment profit was -¥14.82 billion due to the recording of one-time expenses of -¥13.71 billion associated with the listing. CoinCheck NV's stock price hit a high of \$13.6 on December 12, the day after the listing date, and has since adjusted to a current level of \$6.25 (closing price on March 12). The company's market capitalization is U\$800 million.

## 7. Stock Price Outlook

### Adjustment after a Sharp Rise

CERES' stock price has been adjusting since hitting a recent high of ¥3,700 (closing price basis) on December 16th. As shown in Figure 13, during this time, CERES' stock price has risen in tandem with the price of crypto assets such as Bitcoin, similar to Monex Group and US Coinbase Global (COIN, NAS). In addition, CERES' Mobile Service Business has been performing well, exceeding initial forecasts in FY12/2024, which is also thought to have been a factor in pushing up the stock price. In fact, since November 2024, when crypto assets prices began to rise, CERES' stock price has outperformed both Monex Group and Coinbase.

### PER is Low Compared to Historical Range

Looking at CERES' historical valuation, despite the stock price rise, the P/E ratio remains low at 13.9 times, near the lower end of the 10-25 times range since 2023. The P/B ratio is 2.6 times, up from the recent range of 1.0-2.0 times, but still low compared to historical levels.

### PER is Low Compared to Other Companies

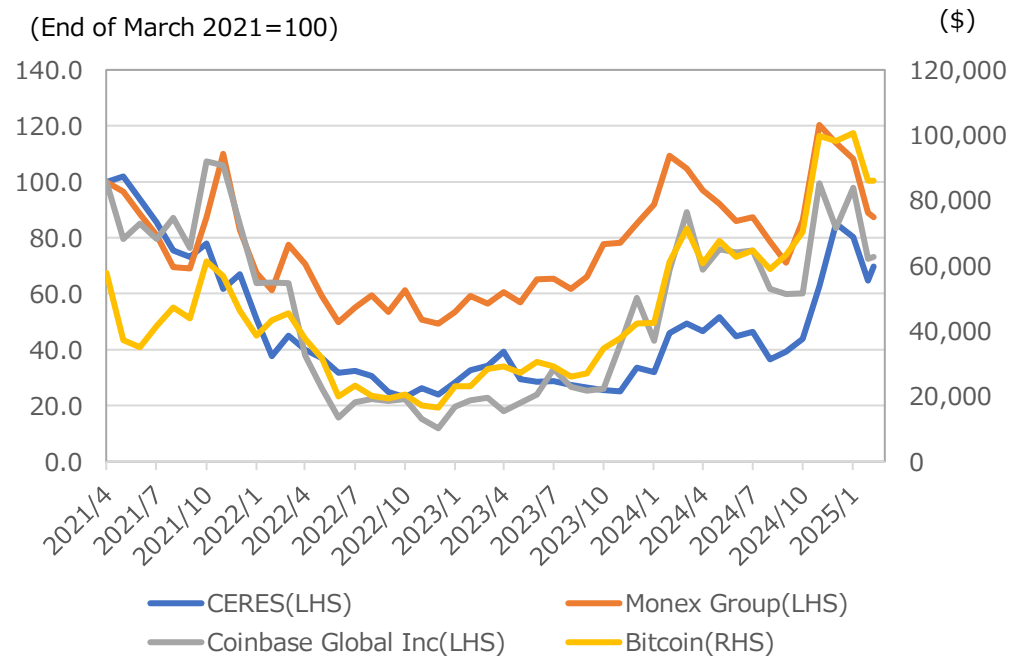
Compared to its mobile-related peers, CERES' PER is the second lowest after GMO Media. Both companies' earnings performed well in fiscal 2024, exceeding company forecasts and their stock prices outperformed other point media and ASP-related companies. However, the stock prices have not yet risen with an increase in PER.

In other words, it is inferred that future earnings growth has not been factored in very much. Incidentally, the PER of Coinbase, a major US crypto assets company, is 23.9 times, significantly higher than CERES' PER.

CERES' stock price is expected to continue to be strongly influenced by crypto assets price trends. It is difficult to predict the short-term crypto assets market, but as mentioned above, the environment surrounding them in the United States and Japan is considered to be favorable. In addition to supply and demand factors after Bitcoin's halving, the background to this is the positive policies of the Trump administration and the entry of a wide range of investors due to the establishment of laws. For CERES as a whole, there are also expectations for solid revenue growth in the Mobile Service Business and labor. As mentioned above, considering that valuations are still low, there is ample room for the stock price to rise.

**Despite the Impact of Crypto Assets Prices, Earnings will Continue to Support the Stock Price**

**Figure 18. Bitcoin Price and Crypto Assets-Related Stock Prices (Index)**

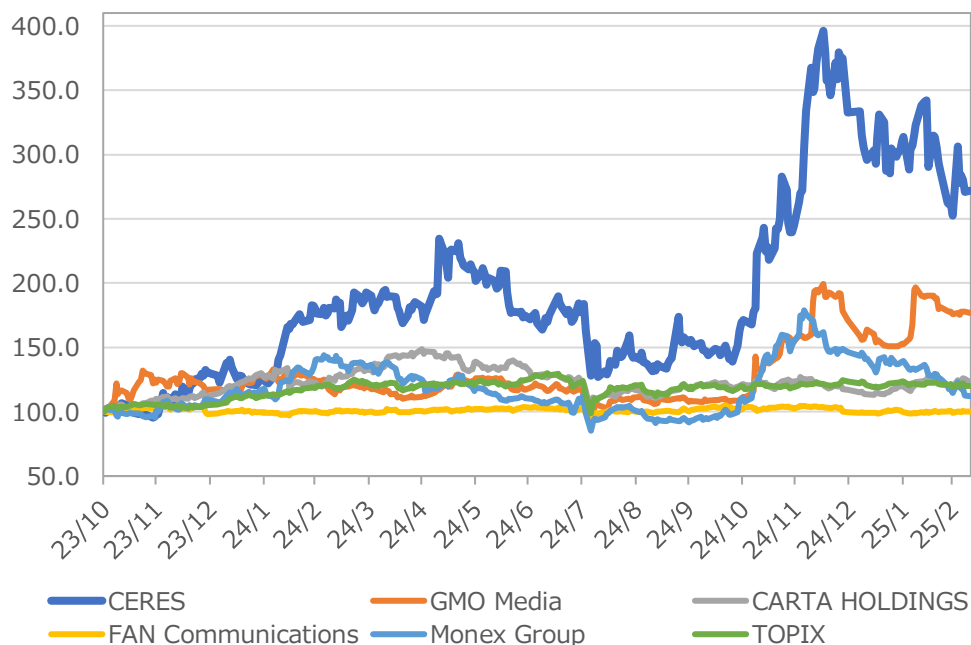


Note: Coinbase Global (COIN, NAS) is a dollar-based stock index.

Source: Strategy Advisors

**Figure 19. Comparison of Stock Price Trends with Other Companies in the Same Industry**

(End of July 2023=100)



Source: Strategy Advisors

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**Figure 20. Valuation Comparison with Peer Companies**

Company	Code	Latest Result	Share Price (10 Mar) (¥)	Market Cap. (¥ mn)	PER CoE (Times)	PBR Actual (Times)	EV/EBITDA CoE (Times)	Yield CoE (%)	ROE Actual (%)	ROE CoE (%)
<b>CERES</b>	<b>3696</b>	<b>12/24</b>	<b>2,541</b>	<b>29,247</b>	<b>13.9</b>	<b>2.6</b>	<b>7.1</b>	<b>2.4</b>	<b>14.6</b>	<b>18.8</b>
GMO Media	6180	12/24	4,660	8,323	12.6	3.0	6.8	5.2	21.9	23.7
CARTA HOLDINGS	3688	12/24	1,451	36,710	20.4	1.5	6.2	4.0	7.1	7.5
FAN Communications	2461	12/24	401	26,565	22.5	1.5	4.6	4.7	7.9	6.6
Monex Group	8698	3/24	717	182,680	NA	1.4	NA	NA	27.1	NA
Coinbase Global	COIN	12/24	179.23	45,503	23.9	4.4	10.4	NA	31.1	NA

Note:

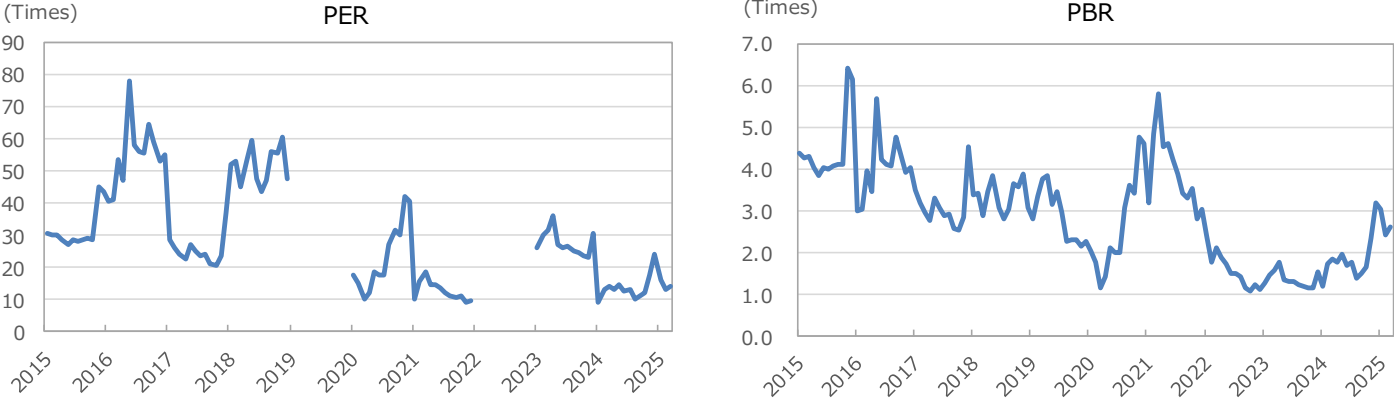
The company's forecast ROE is calculated by dividing the company's forecast net income by the average of the equity capital at the end of the previous fiscal year and the equity capital at the end of the latest quarter.

EBITDA forecast is calculated by adding the company's forecast operating income and actual depreciation expenses for the latest fiscal year.

Coinbase's PER and EV/EBITDA are based on FactSet consensus estimates.

Source: Compiled by Strategy Advisors. Based on Company Data

Figure 21. Trends in PER and PBR



Source: Compiled by Strategy Advisors. Based on Company Data

**Figure 22. Segment Trends and Performance Trends (Quarterly Basis)**

(\$ mn)	12/23				12/24			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Mobile Service</b>								
<b>Sales</b>	5,314	5,613	5,975	6,570	6,275	6,260	6,619	7,022
YoY	13.7%	13.1%	11.5%	20.5%	18.1%	11.5%	10.8%	6.8%
Point	3,525	3,359	3,325	3,608	3,553	3,454	3,473	3,924
YoY	6.0%	-1.8%	-7.0%	-3.0%	0.8%	2.8%	4.5%	8.8%
D2C	645	1,174	1,433	1,801	1,751	1,749	1,937	1,597
YoY	50.3%	117.0%	130.4%	175.4%	171.5%	49.0%	35.2%	-11.3%
DX	1,210	1,105	1,250	1,211	983	1,126	1,244	1,510
YoY	26.0%	2.1%	7.1%	5.4%	-18.8%	1.9%	-0.4%	24.7%
Transaction Value	-66	-25	-33	-50	-12	-69	-35	-10
Within segment								
<b>Operating Income</b>	686	762	813	926	1,119	789	1,143	1,343
YoY	-31.9%	29.6%	-7.4%	13.2%	63.1%	3.5%	40.7%	45.0%
Operating Income	12.9%	13.6%	13.6%	14.1%	17.8%	12.6%	17.3%	19.1%
Margin								
Point	506	609	612	753	782	705	784	874
Operating Income	14.4%	18.1%	18.4%	20.9%	22.0%	20.4%	22.6%	22.3%
Margin								
D2C	59	349	153	169	341	149	248	193
Operating Income	9.1%	29.7%	10.7%	9.4%	19.5%	8.5%	12.8%	12.1%
Margin								
DX	152	-162	80	36	31	-35	143	307
Operating Income	12.6%	-14.7%	6.4%	3.0%	3.2%	-3.1%	11.5%	20.3%
Margin								
Transaction Value	-32	-33	-32	-32	-36	-28	-32	-32
Within segment								
<b>Financial Service</b>								
<b>Sales</b>	218	89	99	205	447	168	449	467
YoY	230.3%	NM	-6.6%	75.2%	105.0%	88.8%	353.8%	127.9%
<b>Operating Income</b>	-137	-257	-263	-240	-54	-413	-267	-256
Operating Income	-62.8%	-288.8%	-265.7%	-117.1%	-12.1%	-245.8%	-59.5%	-54.8%
Margin								
<b>Equity in Earnings</b>	<b>109</b>	<b>-36</b>	<b>-99</b>	<b>104</b>	<b>370</b>	<b>-132</b>	<b>-142</b>	<b>377</b>
<b>(Losses) of Affiliates</b>								
<b>Whole Company</b>								
Sales	5,525	5,695	6,073	6,777	6,718	6,433	7,067	7,488
Operating Income	253	213	270	382	713	98	618	798
Ordinary Income	352	179	203	483	1,140	-71	455	1,153
Net Income	201	153	-243	340	832	-159	172	635

Source: Company Data. Compiled by Strategy Advisors

**Figure 23. Income Statement**

(¥ mn)	12/19	12/20	12/21	12/22	12/23	12/24	12/25CoE
Net Sales	16,510	20,213	23,402	20,536	24,070	27,706	30,700
Cost of Sales	11,416	13,967	15,629	12,472	13,483	14,370	
Gross Profit	5,094	6,246	7,773	8,063	10,587	13,335	
Gross Profit Margin	30.9%	30.9%	33.2%	39.3%	44.0%	48.1%	
SG&A Expenses	4,213	4,749	5,467	6,816	9,468	11,107	
Operating Income	880	1,496	2,305	1,246	1,118	2,228	3,000
Operating Income Margin	5.3%	7.4%	9.8%	6.1%	4.6%	8.0%	9.8%
Non-Operating Income	11	357	1,220	13	147	507	
Interest & Dividend Income	5	9	7	0	0	1	
Equity in Earnings of Affiliates	0	238	963	0	78	472	
Gain on Sale of Crypto Assets	4	0	156	0	0	0	
Gain on Valuation of Crypto Assets	0	73	19	0	0	0	
Others	2	37	75	13	69	34	
Non-Operating Expenses	100	37	26	580	48	58	
Interest Expense & Discount	10	12	14	20	25	40	
Equity in Losses of Affiliates	49	0	0	489	0	0	
Loss on Valuation of Crypto Assets	4	0	0	0	0	0	
Others	37	25	12	71	23	17	
Ordinary Income	792	1,816	3,499	679	1,217	2,677	3,400
Ordinary Income Margin	4.8%	9.0%	15.0%	3.3%	5.1%	9.7%	11.1%
Extraordinary Income	1	8	896	43	0	17	
Extraordinary Loss	340	327	389	1	387	310	
Pretax Profit	452	1,496	4,005	721	830	2,384	
Corporate, Inhabitant & Enterprise Taxes	302	704	1,142	910	660	1,026	
Income Taxes-Deferred	6	-55	-80	-304	-328	-171	
Total Income Taxes	309	649	1,062	606	332	855	
(Corporate Tax Rate)	68.4%	43.4%	26.5%	84.0%	40.0%	35.9%	
Net Income	74	744	2,775	46	451	1,480	2,100
Net Income Margin	0.4%	3.7%	11.9%	0.2%	1.9%	5.3%	6.8%
EPS (¥)	6.8	67.3	251.8	4.1	39.6	129.0	182.4
Investment in Tangible & Intangible Assets	320	243	352	70	343	223	
Depreciation & Amortization of Goodwill	302	403	196	426	525	584	
Cash Flow	376	1,147	2,971	472	976	2,064	
CFPS (¥)	34.0	104.3	269.5	41.8	85.6	179.7	
ROE	1.2%	11.8%	35.6%	0.5%	5.0%	14.6%	
ROIC	3.1%	8.9%	14.5%	1.4%	4.3%	7.7%	
Dividend (¥)	14.0	18.0	40.0	20.0	20.0	60.0	60.0
Average Number of Shares (mn Shares)	11.0	11.0	11.0	11.3	11.4	11.5	
Number of Shares at FY End (mn Shares)	11.1	11.1	11.2	11.4	11.4	11.5	

Source: Company Data. Compiled by Strategy Advisors

**Figure 24. Balance Sheet**

(¥ mn)	12/19	12/20	12/21	12/22	12/23	12/24
<b>Current Assets</b>	8,342	11,517	13,163	14,413	17,586	23,850
Cash and Deposits	3,941	6,087	6,842	6,547	8,112	11,574
Notes and Accounts Receivable	2,457	2,778	2,866	3,545	3,643	3,901
Operational Investment Securities	1,279	1,804	2,300	2,744	2,976	2,527
Inventory	249	259	247	460	554	2,050
Others	416	589	908	1,133	2,339	1,904
Allowance for Doubtful Accounts	0	0	0	-16	-38	-181
<b>Fixed Assets</b>	4,560	4,709	7,071	8,183	8,328	9,125
Tangible Fixed Assets	413	296	261	263	361	779
Intangible Fixed Assets	1,347	1,395	1,178	2,129	1,729	1,487
Goodwill	1,200	938	1,034	1,743	1,537	1,331
Others	147	0	19	386	192	155
Investments and Other	2,799	3,017	5,632	5,790	6,236	6,858
Investment Securities	380	562	835	1,095	1,139	1,143
Affiliated Company Shares	722	872	3,604	3,116	3,194	3,600
Deferred Tax Assets	657	667	835	1,111	1,435	1,638
Others	1,044	925	365	471	471	492
<b>Total Assets</b>	12,902	16,227	20,234	22,597	25,915	32,976
<b>Current Liabilities</b>	4,710	7,471	8,924	10,558	13,451	16,852
Accounts Payable	756	1,024	934	832	783	865
Interest-Bearing Debt	1,511	2,276	2,846	3,713	5,048	6,424
Unpaid Corporate Taxes	338	1,657	1,639	1,343	1,434	1,886
Point Allowance	1,322	1,693	2,283	3,182	3,921	4,339
Bonus Reserve	0	30	50	30	30	65
Others	783	791	1,172	1,458	2,235	1,603
<b>Fixed Liabilities</b>	1,610	1,663	1,490	2,342	2,417	3,402
Interest-Bearing Debt	1,493	1,546	1,369	2,172	2,314	3,090
Asset Retirement Obligations	70	70	70	16	0	278
Others	47	47	51	154	103	33
<b>Net Worth</b>	6,581	7,091	9,819	9,696	10,045	12,721
Shareholders' Equity	5,933	6,250	9,001	8,761	9,025	11,055
Capital and Surplus	4,173	4,236	4,410	4,572	4,613	5,392
Retained Earnings	1,768	2,321	4,899	4,496	4,719	5,972
Treasury Stock	-7	-307	-307	-307	-307	-307
Accumulated Other Comprehensive Income	166	260	70	120	158	92
Stock Acquisition Rights	7	4	3	1	1	0
Non-Controlling Interests	473	576	744	813	860	1,572
<b>Total Assets</b>	12,902	16,227	20,234	22,597	25,915	32,976
Interest-Bearing Debt	3,004	3,822	4,215	5,885	7,362	9,514
Equity Capital	6,099	6,510	9,071	8,881	9,183	11,147
BPS(¥)	551.1	588.6	807.2	779.8	804.6	968.5
Capital Adequacy Ratio	47.3%	40.1%	44.8%	39.3%	35.4%	33.8%
D/E Ratio	0.49	0.59	0.46	0.66	0.80	0.85

Source: Company Data. Compiled by Strategy Advisors

**Figure 25. Cash Flow Statement**

(¥ mn)	12/19	12/20	12/21	12/22	12/23	12/24
<b>Cash Flows from Operating Activities</b>						
Income before Income Taxes	452	1,496	4,006	721	830	2,384
Depreciation and Amortization	119	122	184	190	272	250
Amortization of Goodwill	153	131	111	183	205	205
Increase/decrease in Allowance for Points	301	371	589	899	738	417
Equity in Earnings (Losses) of Affiliated Companies	49	-238	-963	489	-78	-472
Impairment Loss	320	0	0	0	343	223
Net Valuation Gains/Losses on Crypto Assets	4	-73	-19	32	0	0
Gain (Loss) on Sale of Crypto Assets	0	0	-156	0	0	0
Increase/Decrease in Trade Receivables	-661	-297	-72	-666	-148	-322
Increase or decrease in products	0	0	0	-175	-176	-1,471
Increase (Decrease) in Operating Investment Securities	-228	-514	-660	-385	-170	342
Increase (Decrease) in Notes and Accounts Payable-Trade	277	266	-96	-101	-48	82
Income Taxes Paid	-485	-174	-931	-1,357	-811	-516
Others	469	1,168	-831	271	104	-400
<b>Total Amount</b>	<b>770</b>	<b>2,258</b>	<b>1,162</b>	<b>101</b>	<b>1,061</b>	<b>722</b>
<b>Cash Flows from Investing Activities</b>						
Purchases of Property, Plant and Equipment	-258	-40	-73	-123	-269	-324
Payments for Acquisition of Intangible Assets	-70	-361	-105	-292	-234	-292
Payments for Purchase of Investment Securities	-119	-64	-487	-290	-106	-128
Others	-670	-17	-122	-1,270	-235	226
<b>Total Amount</b>	<b>-1,117</b>	<b>-482</b>	<b>-787</b>	<b>-1,685</b>	<b>-738</b>	<b>-518</b>
<b>Cash Flows from Financing Activities</b>						
Net Increase (Decrease) in Short-Term Loans Payable	-350	500	550	600	963	1,015
Net Increase (Decrease) in Long-Term Debt	165	425	37	1,129	569	1,137
Increase/Decrease in Corporate Bonds	265	-130	-110	-190	-70	-55
Payments for Purchase of Treasury Stock	0	-299	0	0	0	0
Dividends Paid	-154	-154	-197	-448	-227	-228
Others	-9	21	128	100	-2	1,397
<b>Total Amount</b>	<b>-83</b>	<b>363</b>	<b>408</b>	<b>1,191</b>	<b>1,233</b>	<b>3,266</b>
Cash Increase/Decrease	-430	2,139	783	-391	1,555	3,469
Cash Beginning Balance	4,327	3,946	6,097	6,883	6,491	8,051
Increase/Decrease in Cash due to New Consolidations, etc.	49	11	2	0	4	0
<b>Cash Ending Balance</b>	<b>3,946</b>	<b>6,097</b>	<b>6,883</b>	<b>6,491</b>	<b>8,051</b>	<b>11,520</b>

Source: Company Data. Compiled by Strategy Advisors



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