

Company Report

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Strategy Advisors, Inc.

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FY12/2025 Q1: Strong Performance in the Point Business, Centered on "Moppy". Crypto Assets Affected by Falling Prices

FY12/2025Q1 net sales grew 14.4% YoY, while operating income increased 20.7% YoY. On the other hand, ordinary income declined 69.1% YoY due to a loss at equity-method affiliate bitbank. While Mobile Services performed well, Financial Services were negatively affected by the January-March crypto asset price decline.

Net sales of "Moppy", the mainstay mobile service, expanded significantly in Q1 with a 38.9% YoY increase. Gross profit grew significantly as gross profit margin remained at a high level. studio15, an advertising agency in the TikTok market, is still small in scale but appears to be expanding rapidly.

Financial Services saw tough earnings from both Mercury, which operates a crypto asset exchange business and bitbank, an equity-method affiliate, both posted weak results. bitbank was particularly impacted by an 18.3% drop in crypto asset market capitalization at the end of March 2025 compared to the end of December 2024. However, crypto asset prices have recovered since late April, with the price of Bitcoin rising above \$110,000 on May 22.

Although YUMEMI had contributed to CERES' consolidated earnings, the synergies have not been as expected and YUMEMI's growth potential has expanded with Accenture's acquisition of YUMEMI. CERES intends to use the cash generated by this transaction to strengthen its point and D2C integration model and to invest in crypto assets.

The stock price has adjusted after reaching a recent high in December 2024. Current valuations are low compared to peers. While the share price will be influenced by the price of crypto assets, we expect valuations to rise as the company's growth strategy becomes more apparent.

Stock Price & Trading Volumes



Source: Strategy Advisors

Key Indicators

Stock Price (6/17/25)	2,389
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)	27.5
EV (¥bn)	23.8
Equity Ratio (12/24)	33.8
ROE (12/24 Actual, %)	14.6
PER (12/25 CoE, x)	8.2
PBR (12/24 Actual, x)	2.5
Dividend Yield (12/25)	2.5

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 (¥)
12/24 Q1	6,718	21.6	713	181.2	1,140	224.0	832	313.8	72.9	-
12/25 Q1	7,686	14.4	860	20.7	352	-69.1	-57	NM	-4.9	-
12/21	23,402	15.8	2,305	54.0	3,499	92.7	2,775	272.7	251.7	40.0
12/22	20,536	N/A	1,246	-45.9	679	-80.6	46	-98.3	4.1	20.0
12/23	24,070	17.2	1,118	-10.3	1,217	79.1	451	868.0	39.5	20.0
12/24	27,706	15.1	2,228	99.2	2,677	119.8	1,480	228.2	128.9	60.0
12/25 CoE	28,400	2.5	2,850	27.9	3,250	21.4	3,350	126.4	291.0	60.0

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

Source: Company Data. Compiled by Strategy Advisors

1. FY12/2025 Q1 Driven by Point Business

Spotted Performance – Varying by Business

In the FY12/2025 Q1 results, net sales grew 14.4% YoY to ¥7.68 billion and operating income rose 20.7% YoY to ¥860 million. On the other hand, bitbank, an equity-method affiliate, posted a loss; with ordinary income falling 69.1% YoY to ¥350 million. By division, net sales of Mobile Services grew by 19.9% YoY and operating income expanded sharply by 37.6% YoY. In the sub-segments, D2C experienced a decline after a rapid expansion, but points and DX posted significant revenue growth. In Financial Services, the subsidiary Mercury posted a loss, resulting in a divisional operating loss of -¥350 million.

Revised Forecast Due to Completion of Dx Business Transfer

YUMEMI will contribute only to the first half of FY12/2025 and will no longer be consolidated in the second half. As a result, net sales were revised down from ¥30.7 billion to ¥28.4 billion and operating income was revised down from ¥3.0 billion to ¥2.85 billion. On the other hand, the forecast for net income attributable to shareholders of the parent company was revised from ¥2.1 billion to ¥3.35 billion due to an extraordinary gain of ¥2.3 billion on the sale of shares in affiliated companies.

Figure 1. FY12/2025 Q1 Financial Results Segment Trends

(¥ mn)

Segment	12/25Q1 (A)	YoY Change	QoQ Change	YTD (A)/(B)	12/25CoE (B)	YoY Change
Net Sales	7,686	14.4%	2.6%	25.0%	28,400	2.5%
Mobile Services	7,523	19.9%	7.2%	26.1%	28,845	10.2%
Point	4,934	38.9%	25.7%	28.3%	17,410	20.9%
D2C	1,113	-36.4%	-30.4%	17.8%	6,270	-10.9%
DX	1,481	50.6%	-2.0%	27.9%	3,000	NM
Financial Services	162	-63.8%	-65.3%	8.7%	1,870	22.1%
OP	860	20.7%	7.6%	28.7%	2,850	27.9%
Mobile Services	1,539	37.6%	14.6%	32.7%	4,710	7.2%
Point	1,152	47.1%	31.8%	33.4%	3,450	9.7%
D2C	129	-62.0%	-33.5%	14.8%	870	-6.7%
DX	290	817.4%	-5.5%	54.7%	380	NM
Financial Services	-357	NM	NM	NM	-480	-51.6%
Adjustment	-321	NM	NM	26.1%	-1,230	4.6%
Equity in Earnings of Affiliates	-474	NM	NM	NA	NA	NA

Source: Company Data. Created by Strategy Advisors.

2. Mobile Service Business

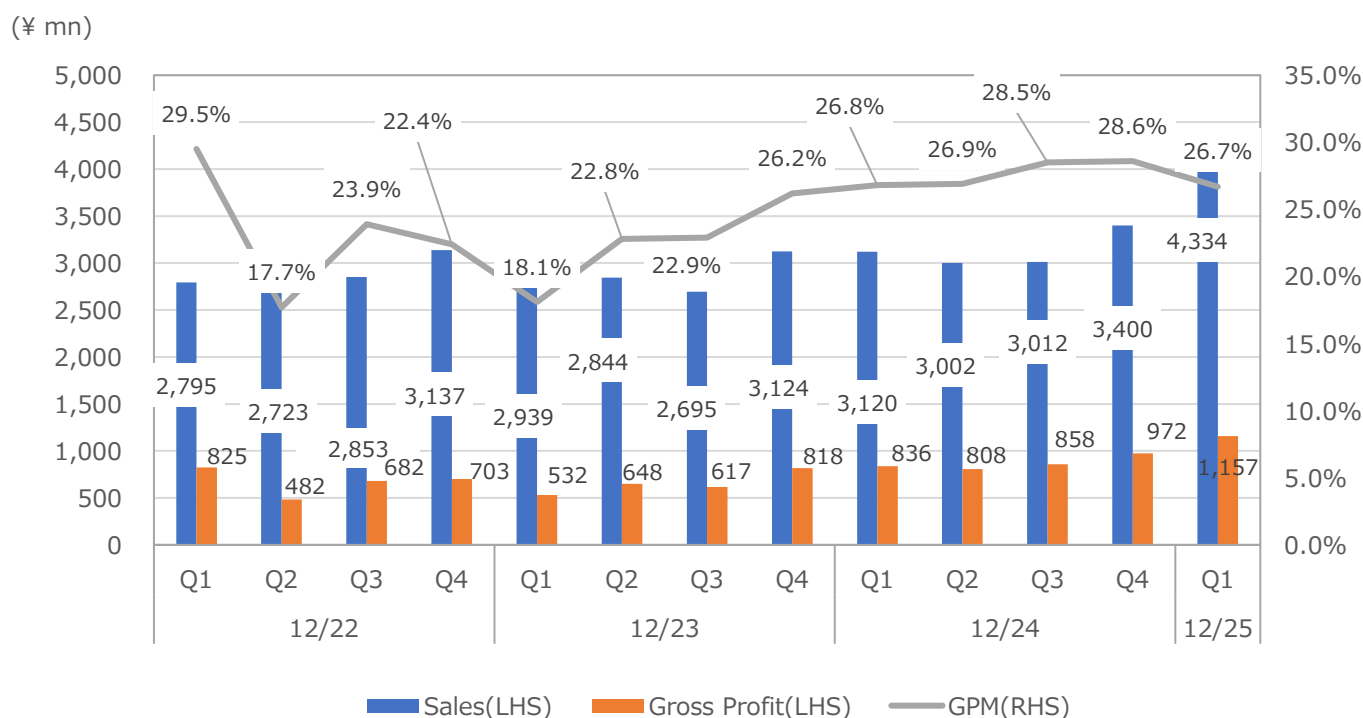
1) Points Are Strong

"Moppy" Revenues Grew Substantially

Net sales of "Moppy" in Q1 increased significantly by 38.9% YoY to ¥4.33 billion. The number of active members reached 5.89 million in Q1, showing a solid increase of 12.0% YoY. ARPU (average revenue per active member) in Q1 also expanded significantly to ¥746, up 25.2% YoY. By industry, sales to financial institutions such as banks and securities firms appeared to have grown significantly. Purchases through "Moppy" are expected to increase in line with the expansion of financial products, such as opening digital accounts at major banks and NISA accounts at securities firms.

The gross profit margin for Q1 remained high at 26.7%, despite the high unit price of financial projects and the corresponding high point return ratio. The company estimates that the continued upward trend in sales via AD.TRACK, its in-house ASP (Affiliate Service Provider), has positively contributed to the profit margin. Gross profit for Q1 was ¥1.15 billion, a 38.4% increase versus ¥830 million in Q1 FY12/2024.

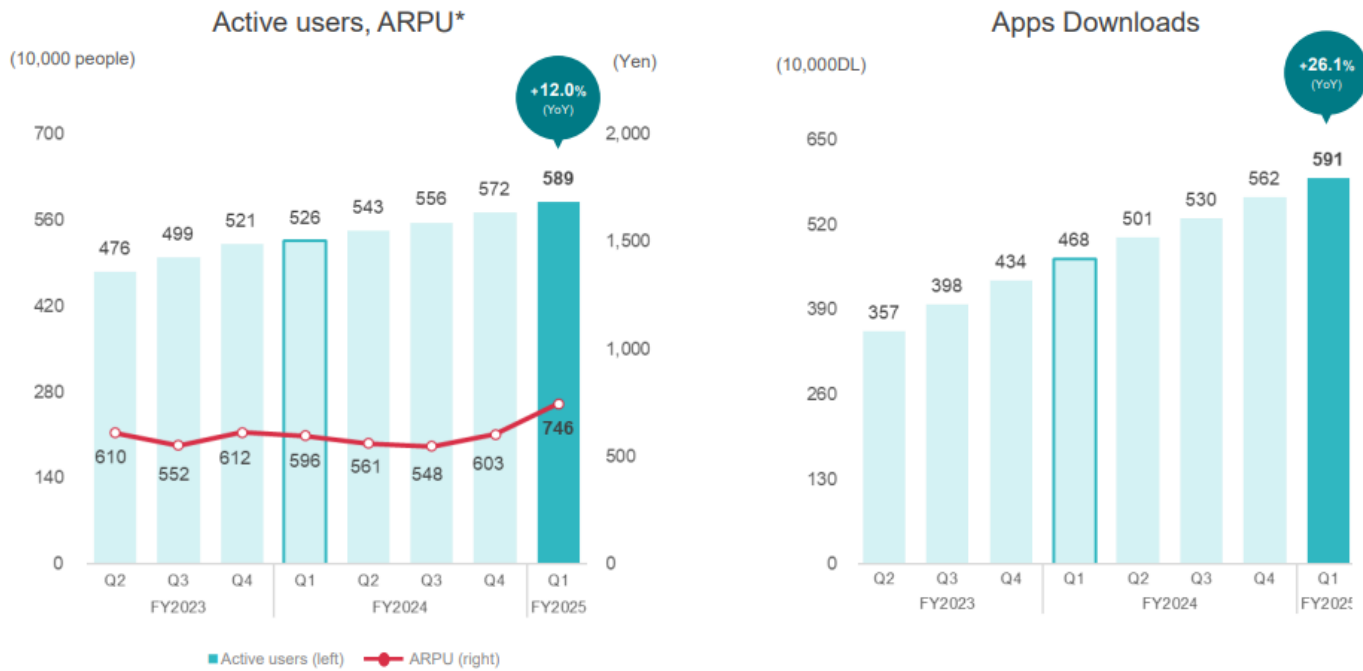
Figure 2: Moppy Net Sales and Gross Profit Margin (Quarterly Basis)



Note: Gross profit is calculated from net sales and gross margin as disclosed by the company.

Source: Company Data. Created by Strategy Advisors.

Figure 3: Number of Active "Moppy" Members



Source: Company Data. Created by Strategy Advisors.

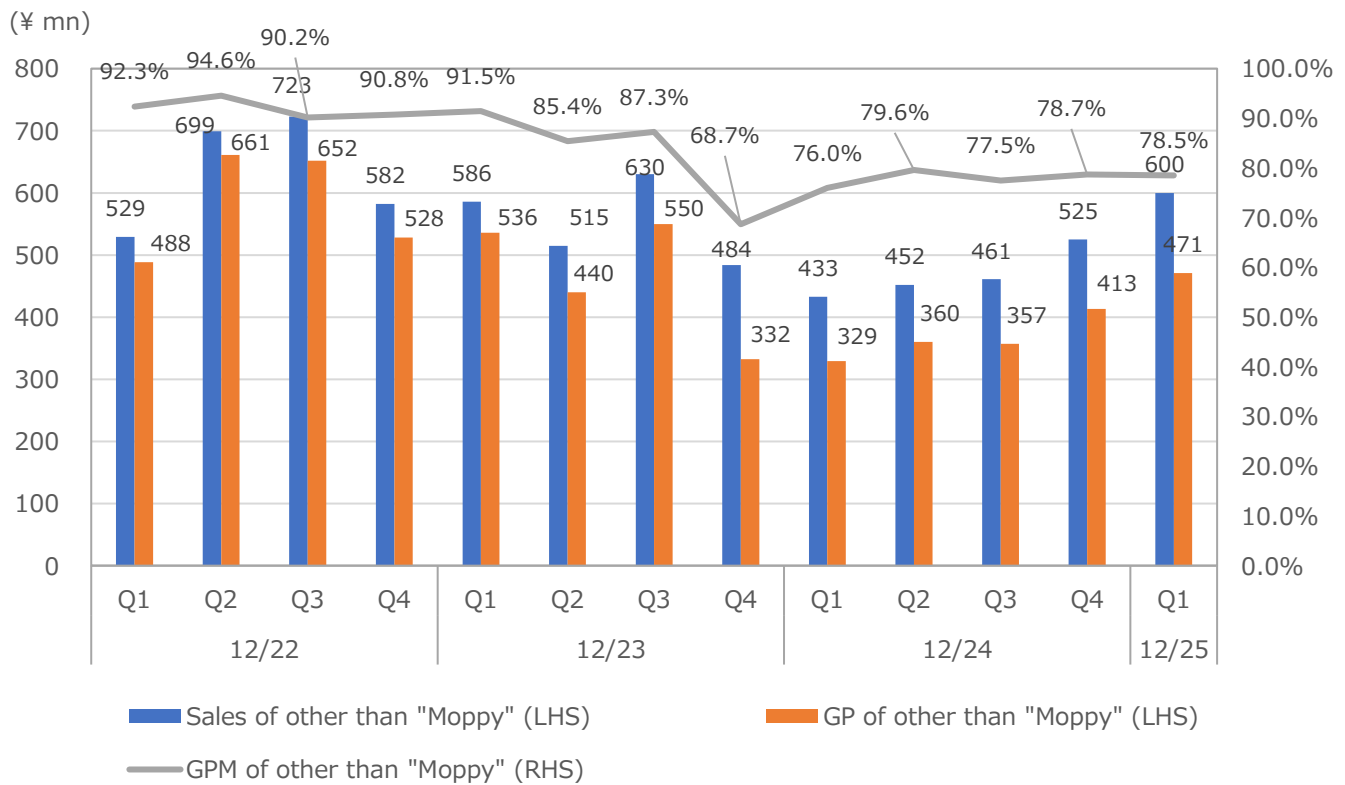
Revenue Increased Outside of "Moppy" as Well

Revenue from the Point Business, excluding "Moppy," also increased. Excluding "Moppy," net sales were up 38.6% YoY to ¥600 million and gross profit was estimated to have increased 43.1% YoY to ¥470 million. AD.TRACK's external sales, which had been difficult, appear to be recovering, particularly in the area of incentive advertising. In addition, real estate-related media such as "Oh!Ya" and "mochiie" are performing well, and "studio15," TikTok's official MCN (multi-channel network), is expanding steadily with record quarterly net sales.

The Potential of "studio15" is Great

TikTok Shop, which is currently being developed mainly in Southeast Asia, is expected to be launched in Japan as well. Until now, live-streaming advertisements have been used; but when consumers actually purchase a product, they are redirected to an e-commerce site. With TikTok Shop, the purchase and payment process is complete. This could have a significant impact on the advertising market. studio15 sees great business potential for affiliate advertising in the rapidly expanding live video commerce market. The company has tie-ups with many video creators and also engages in influencer marketing, so the commercial opportunities in the TikTok Shop are expected to be very large.

Figure 4: Net Sales and Gross Profit Margin of Point Businesses Other Than "Moppy"
(Quarterly Basis)



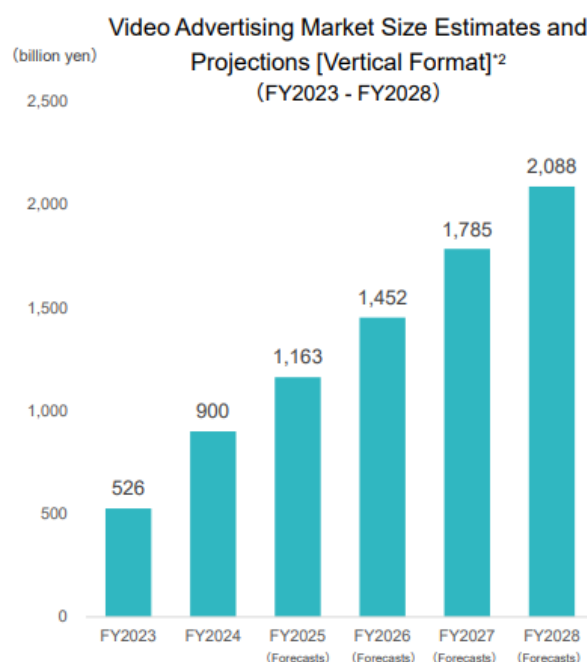
Note: Gross profit is calculated from net sales and gross margin as disclosed by the company.

Source: Company Data. Created by Strategy Advisors.

Figure 5: "studio15" Topics

Established a strong track record in advertising agency services as an MCN^{*1} in the rapidly expanding TikTok market.

Entering the high-growth live and video commerce market, combined with affiliate marketing, to drive the creation of a new revenue stream.



The Three Main Services of Studio15^{*3}

01 Account management



02 Creator collaboration



03 Creation of short-form dramas



TikTok Shop to be launched in Japan

Full-scale growth is expected in the live and video commerce market.

- The live and video commerce market is rapidly expanding, particularly in China.
- A similar trend is expected in Japan, with strong market growth anticipated.
- Studio15 is actively strengthening its presence by participating in TikTok-related events and promoting the initiative.

With Live/Video Commerce x Affiliate Model

Expanding into a new market

^{*1} MCN (Multi-Channel Network): An organization that supports content creators on platforms such as TikTok and YouTube through marketing, production, and monetization services.
^{*2} Source: <https://www.cyberagent.co.jp/news/detail/id=31459>
^{*3} Source: <https://studio15.co.jp>

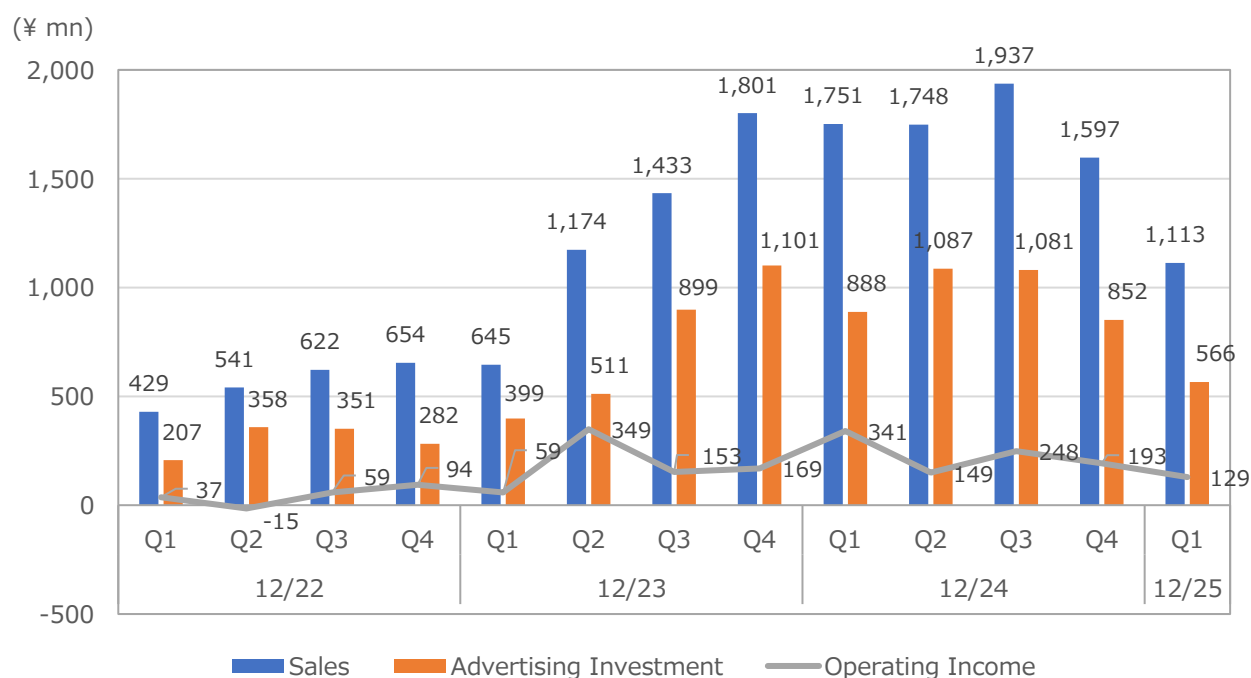
Source: Company Data. Created by Strategy Advisors.

2) D2C is at Transitional Point

D2C in Q1 Saw a Significant Decrease in Sales & Profit

In FY12/2025Q1, D2C net sales declined 36.4% YoY to ¥1.11 billion and operating income fell 62.0% YoY to ¥120 million, a significant decrease. Sales of Pitsole, a rapidly expanding line of high-function insoles, declined sharply in Q1 due to higher customer acquisition costs and inadequate investment in advertising as a result of resale and counterfeit products at e-commerce malls. The company intends to maintain stable sales at a certain scale by expanding SKU's and strengthening influencer marketing. In addition, the company plans to strengthen new products in the Beauty and Lifestyle category and the "Anypill" online medical pill service, etc. Although D2C sales declined significantly in Q1, the company expects to see the effects of the above measures in the future.

Figure 6: D2C Business Trends (Quarterly Basis)



Source: Company Data. Created by Strategy Advisors.

3) DX Business

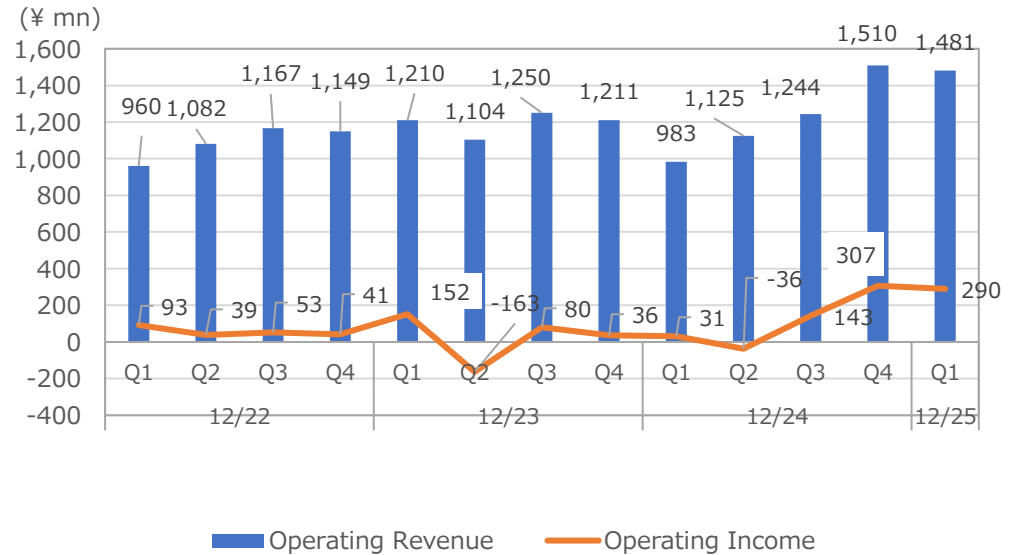
Revenues Recovered Significantly

The DX business conducted by subsidiary YUMEMI has emerged from a period of stagnation and earnings have increased significantly, with net sales in FY 12/2025 Q1 increasing by 50.6% YoY to ¥1.48 billion and operating income recovered significantly to ¥290 million, up 9.17x YoY. In FY 12/2023, when the company faced an off-season for large projects and increased hiring of new graduates, profits were sluggish, but in FY 12/2024, the company worked to win orders for relatively small design and other projects and succeeded in increasing the utilization ratio of engineers. As a result, the company entered into a recovery trend in the second half of FY12/2012, a trend that continued in this Q1.

As mentioned earlier, on May 8, CERES announced the transfer of all shares in its 49.8% owned subsidiary YUMEMI to Accenture, Inc. The transfer was completed on May 30. As a result, YUMEMI's results will be removed from the consolidated financial statements from the second half of FY12/2025. The amount of the transfer is ¥3.7 billion and will result in a gain of ¥2.3 billion on the sale of shares in affiliates on a consolidated basis. CERES initially converted YUMEMI from an equity-method affiliate to a subsidiary in 2018 through an additional investment, with a total investment of ¥550 million. In contrast, the sale contributed ¥2.75 billion in after-tax cash flow. CERES believes that the funds obtained from the sale will be used to expand the point business and to increase its growth potential. CERES intends to use the

proceeds from the sale to promote roll-up M&A to strengthen the point and D2C vertical integration model and to strategically invest in crypto assets.

Figure 7: YUMEMI (DX) Earnings Trends (Quarterly Basis)



Source: Company Data. Created by Strategy Advisors.

3. Financial Services Business

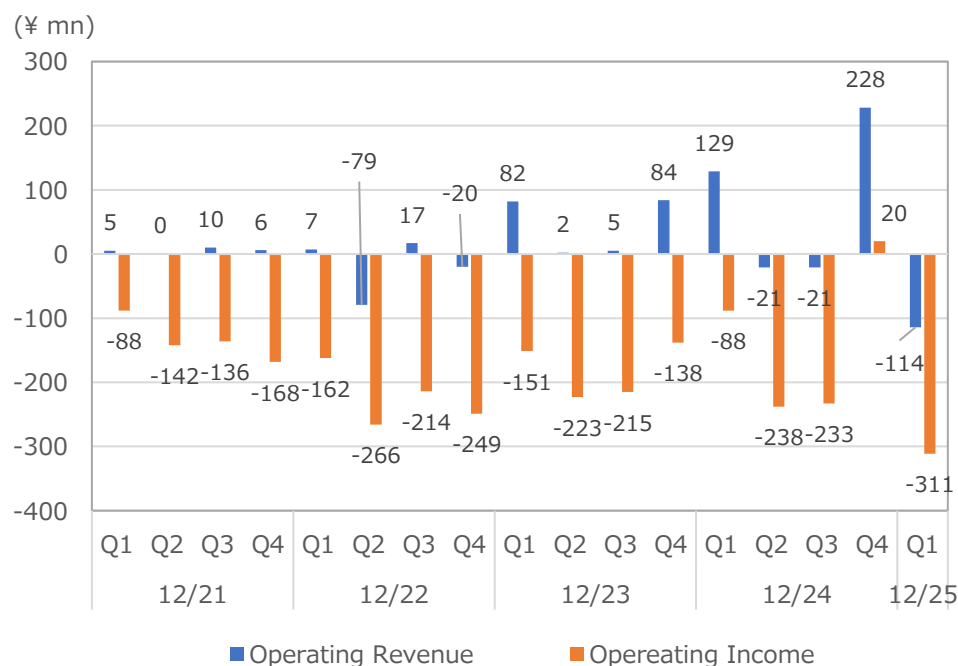
1) Crypto Assets Affected by Falling Crypto Prices

Mercury and Affiliate bitbank's Revenues Decline

Mercury, which operates a crypto asset sales office, reported Q1 operating revenue of -¥110 million and operating income of -¥310 million, down from ¥120 million and -¥80 million, respectively, in the same period last year. The loss in operating revenue was due to the valuation and sale of crypto assets held by the company and it is estimated that the loss was large in Q1 due to the decline in the price of crypto assets. Equity in earnings of affiliate bitbank also fell sharply to -¥470 million from a profit of ¥370 million in the same period last year.

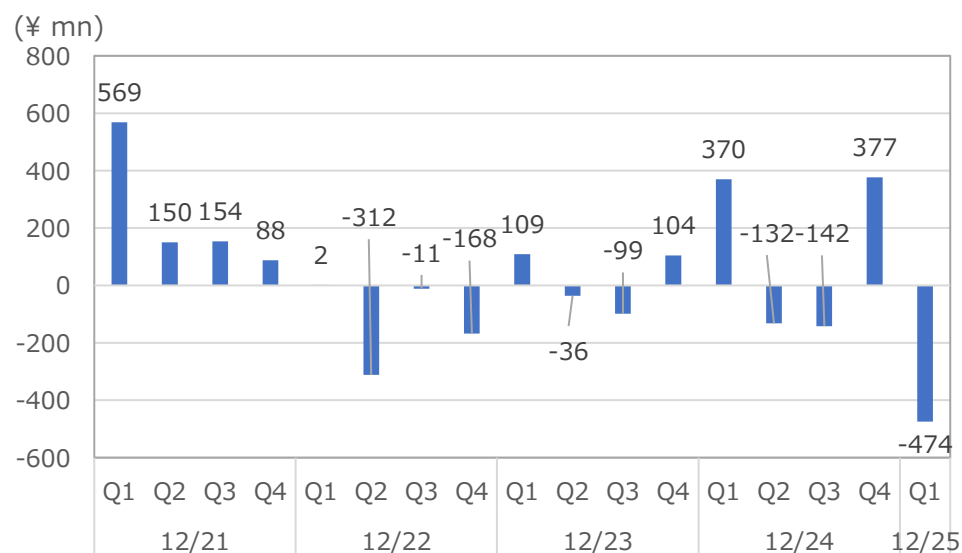
Crypto asset market capitalization fell 18.3% from the end of FY12/2024 to the end of FY12/2025 Q1, a slightly larger decline in Q1, as the crypto asset market had rallied significantly following Trump's victory in the November 2024 US Presidential Election, which took a positive stance on crypto assets.

Figure 8: Mercury's Earnings Trends



Source: Company Data. Created by Strategy Advisors.

Figure 9: Equity in Earnings of Affiliates (bitbank)



Source: Company Data. Created by Strategy Advisors.

Short-term Fluctuations, But at High Levels

The price of Bitcoin, a leading crypto asset, rose from November 2024 and reached \$106,000 on December 17, 2025; it remained high in January 2025 but began to decline in late February. It is believed that there was a rebound after the sharp rise, and that the financial market risk-off due to economic uncertainty caused by the Trump administration's tariff policy was also a major factor. The price then began to rise in late April, reaching a high of \$111,000 on May 22. Prices of other crypto assets, such as Ethereum, have seen larger declines than Bitcoin since February and the subsequent return has been somewhat slower.

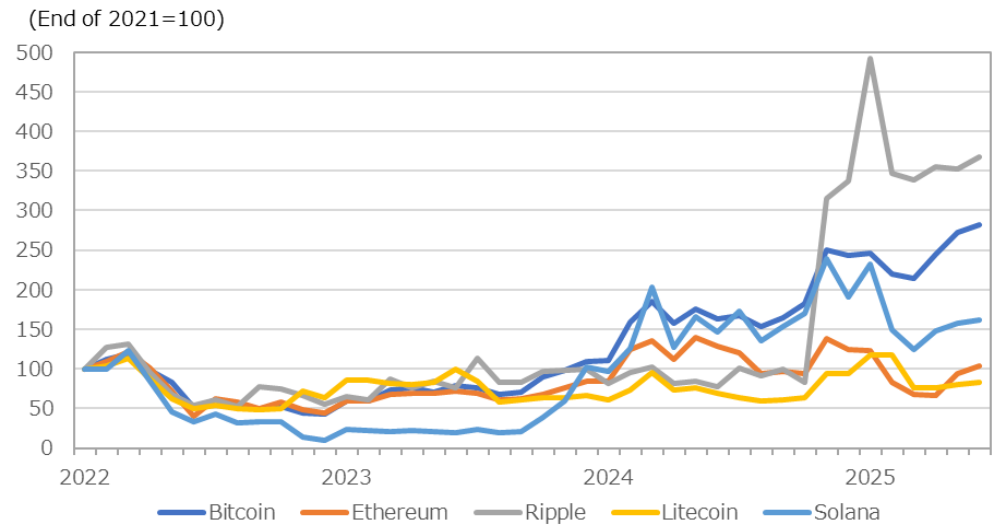
Fundamental Follow- Through Winds for Crypto Asset Markets

As for the crypto asset market, the environment is expected to remain fundamentally positive. Bitcoin underwent its halving event in April 2024, and the past pattern has shown that the market will tend to rise for about a year and a half thereafter. Since the supply has actually halved, there is likely to be upward pressure from a supply and demand perspective. In addition, President Trump intends to organize the regulatory framework pertaining to crypto assets to create a legal environment for companies and investors, which is expected to stimulate IT investment. In addition, the demand for crypto assets is expected to increase due to the inflow of private capital.

Expected to Be Subject to the FIEA in Japan

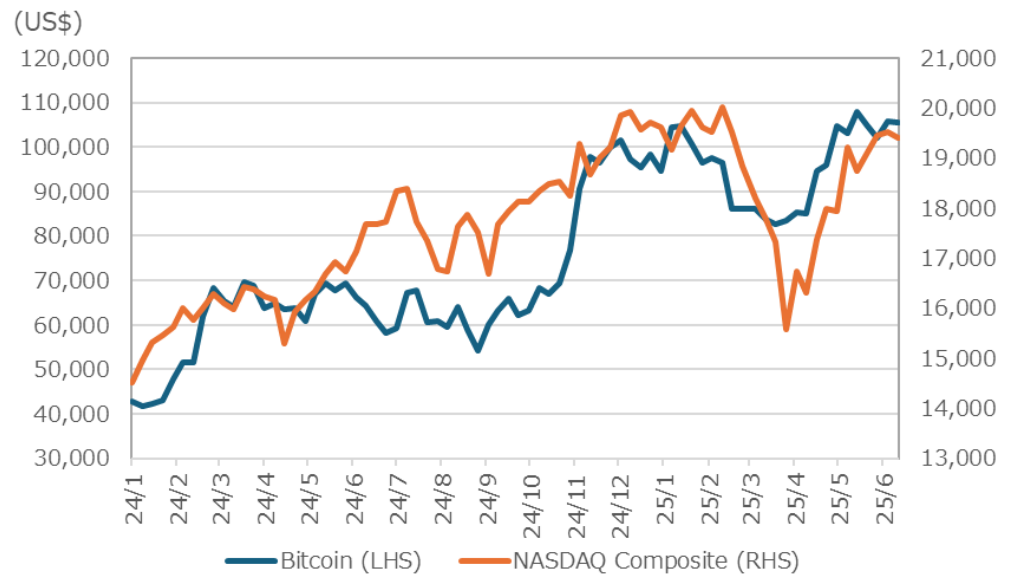
Institutional changes are also being considered in Japan. Crypto assets, which until now have been considered a means of payment, are to be governed by the Financial Instruments and Exchange Law. By making them investment targets, disclosure of information to exchange operators is expected to become stricter. On the other hand, capital gains are currently subject to general taxation, but studies are underway to allow for a 20% separate taxation under the FIEA, similar to the taxation of stocks and other securities. If realized, the difference in tax rates between crypto assets and ETFs is expected to be eliminated, allowing for the issuance of bitcoin ETF's. Such a change is expected to lead to an increase in the inflow of funds into the crypto asset market. In addition, for Mercury and its affiliate bitbank, which are engaged in the crypto asset exchange business, the above regulatory tightening is expected to encourage a shakeout in the industry, thereby enhancing their position.

Figure 10: Price Trends of Major Crypto Assets



Source: Investing.com & Strategy Advisors

Figure 11. Bitcoin Price and NASDAQ Composite Index



Source: Investing.com & Strategy Advisors

2) label Also Growing Rapidly

label Sales Continue to Grow

Online factoring net sales for label expanded significantly, with net sales for FY12/2025Q1 up 76.3% YoY. The company is still considered loss-making due to ongoing investments, but the deficit appears to have narrowed slightly. CVC reported a YoY decline of ¥80 million.

FY12/2025 Forecast

Steady Progress of Mobile Services Against Company Forecasts

As mentioned earlier, the company revised its earnings forecast on May 30 to take into account the impact of the stock transfer of its subsidiary YUMEMI. Excluding this factor, the initial forecast remains unchanged. Looking at the Q1 progress rate against the FY12/2025 full-year forecast, net sales and operating income of mobile services are 26.1% and 32.7%, respectively, which is a high progress rate. D2C sales were sluggish, but are expected to recover to a certain degree from Q2 onward.

Financial Services to Recover in Q2 vs. Q1

In Financial Services, net sales progress was low in Q1 due to stagnant crypto asset prices, resulting in an operating loss. In crypto assets, the business is seen to be steadily strengthening through differentiation in staking and other activities at Mercury, expansion of the number of issues and continued investment. On the other hand, in terms of near-term performance, crypto asset prices will need to rise in order to achieve the FY12/2025 company forecast. In fact, the prices of crypto assets, including Bitcoin, have risen to the current level comparable to the end of March; and if they continue to do so, Q2 financial services earnings are expected to recover versus Q1.

The key to the company's overall performance in FY12/2025 will be the revenue trend of crypto assets in financial services. In mobile services, although there is a certain degree of uncertainty regarding the recovery trend of D2C, the point business is expected to continue to perform well and the prospects for earnings growth are highly probable.

M&A and Investment Trends Are Noteworthy

The use of ¥2.75 billion in after-tax cash from the sale of subsidiary YUMEMI is noteworthy. The company intends to proceed with roll-up mergers and acquisitions necessary to promote vertical integration in its core Point and D2C businesses. In addition, the crypto asset business intends to expand investment for innovation to strengthen the business of its subsidiary Mercury. Both of these initiatives are likely to have limited impact on short-term earnings, but are notable as drivers for medium and long-term growth.

5. Trends of Other Companies in the Industry

"Moppy" Outperforms Competitors

GMO Media (6180 TSE Growth), which operates "Point Town" loyalty site, and CARTA HOLDINGS (3688 TSE Prime), which operates "EC Navi" are among the point business peers. (3688 TSE Prime), which operates "EC Navi," and CARTA HOLDINGS (3688 TSE Prime), which operates "EC Navi. Operating income was up 57.1% YoY to ¥270 million. Of this amount, gross profit from point-of-sale related services was strong, up 18.2% YoY.

CARTA HOLDINGS' Internet-related services business, which includes "EC Navi," posted net sales of ¥2.29 billion in Q1 FY12/2025, up 25.4% YOY, and operating income of ¥320 million, up 49.8% YOY. However, net sales of the Media Solutions business, which includes EC Navi, fell 3.3% YoY to ¥1.25 billion, while net sales of CERES's Moppy in Q1 were up 38.9% YoY, suggesting that the company has further widened its gap with its competitors in the point media segment.

Fun Communications' "a8.net" on Track for Recovery

(2461 TSE Prime) operates "A8.net," one of the largest ASP's in Japan. A8.net's transaction volume grew 21.6% YoY to ¥5.89 billion in Q1 FY12/2025; and although the first half of FY12/12 was difficult, it began to show positive YoY growth in Q3 and is on a strong recovery track.

Monex Group's Coincheck Also Lost Revenue

Coincheck Group N.V. (CNCK, NAS), a consolidated subsidiary of Monex Group (8698 TSE Prime) and a leading Japanese crypto asset exchange, was listed on NASDAQ in December 2024. Based on Monex Group's segment information, operating revenue for the January-March 2025 period declined 20.1% YoY to ¥3.54 billion. It was also down 26.1% QoQ. Segment profit declined 72.9% YoY to ¥760 million. Profits recovered from Q3, when the company posted a loss due to one-time expenses associated with the listing of Coincheck Group N.V.

6. Stock Price Outlook

Current Stock Price Recovery is Slow

From the beginning of November, when the possibility of Trump's victory in the November 5, 2024 U.S. presidential election increased, crypto asset prices rose, and CERES' share price rose accordingly, reaching a recent high of ¥3,700 (based on closing price) on December 16, 2012. Subsequently, the overall stock market stagnated as financial markets turned risk-off due to concerns about the impact of the U.S. administration's tariff policies and other factors and CERES' share price was also affected. As mentioned earlier, the price of crypto assets has been rising since late April, especially bitcoin, and the share price of Coinbase (COIN, NAS) has been rising with it, but the return of the share prices of CERES and Monex Group (8698 TSE Prime), which also have other businesses, has been slow.

Valuations Are Low

CERES' PER based on company estimates for FY12/2025 is very low at 8.2x, partly due to a gain from the transfer of shares in subsidiary YUMEMI. Even based on EPS of ¥174.4 excluding extraordinary gains, the company's PER is 13.7x, the lowest among its peers. Looking at the company's historical PER range, the current level is in the bottom range.

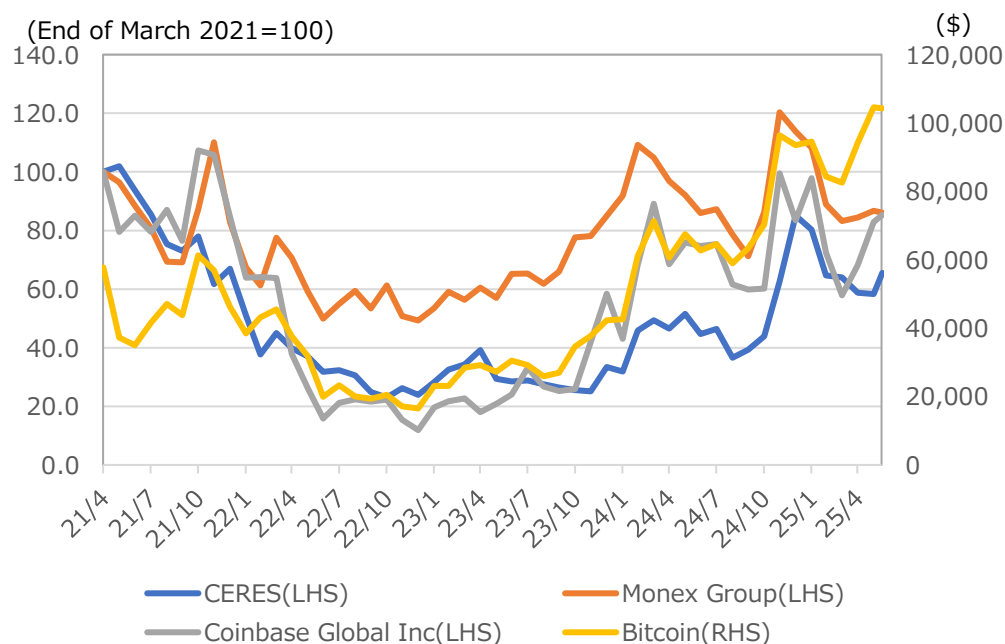
Lagging Stock Price

CERES' crypto asset subsidiary Mercury and its affiliate bitbank posted losses in the January-March period, but their earnings are estimated to be recovering due to the recent rise in crypto asset prices. Although it is difficult to predict short-term trends in crypto asset prices, the environment surrounding crypto assets is considered fundamentally favorable due to legal developments in the U.S. and the possible introduction of separate taxation under the FIEA in Japan. In addition, CERES' Mobile Services business is performing well, especially its mainstay points, and is expected to grow steadily. Considering these factors, the current share price is considered to be late to the game.

Of Interest in the Medium Term

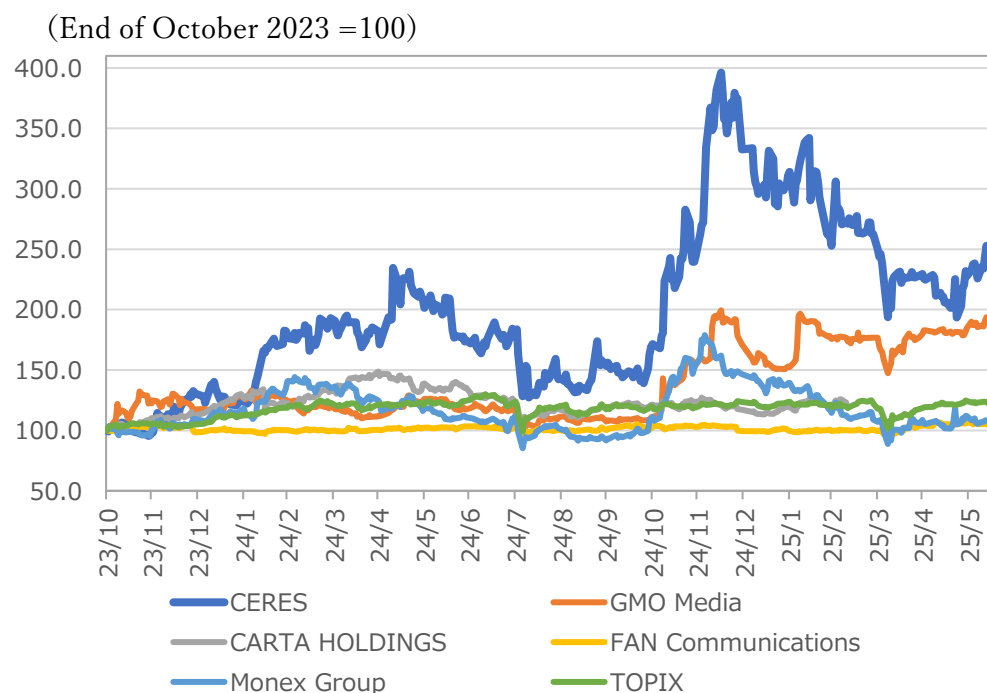
In the medium term as well, if the funds from the YUMEMI share transfer can be effectively used for M&A to strengthen the point and D2C vertical integration model, expectations for growth potential are expected to increase. In addition, investments for innovation in the crypto asset business, etc., are also expected to be strengthened to enhance the company's dominance as a crypto asset exchange provider. If these measures materialize, they should lead to higher share price valuations.

Figure 12: Bitcoin Price and Share Prices of Crypto Asset-Related Stocks (Index)



Note: Coinbase Global (COIN, NAS) is a dollar-based index of stock prices
Source: Strategy Advisors.

Figure 13: Comparison of Share Price Trends with Peers



Source: Strategy Advisors.

Figure 14: Comparison of Valuations with Peers

Company	Code	FY	Stock Price (Jun. 10) (¥)	Market Cap. (¥mn)	PER CoE (x)	PBR Actual (x)	EV/ EBITDA CoE (x)	Yield CoE (%)	ROE Actual (%)	ROE CoE (%)
CERES	3696	12/24	2,389	27,498	13.7	2.5	7.2	2.5	14.6	19.4
GMO Media	6180	12/24	4,900	8,788	13.3	3.1	7.2	4.9	21.9	24.5
CARTA HOLDINGS	3688	12/24	1,931	48,855	27.1	2.0	9.7	3.0	7.1	7.5
FAN Communications	2461	12/24	421	27,891	23.6	1.5	6.5	6.4	7.9	6.9
Monex Group	8698	3/25	728	183,961	NA	1.5	NA	4.2	-4.0	NA
Coinbase Global	COIN	12/24	253.85	64,387	48.7	6.3	17.5	NA	31.1	11.8

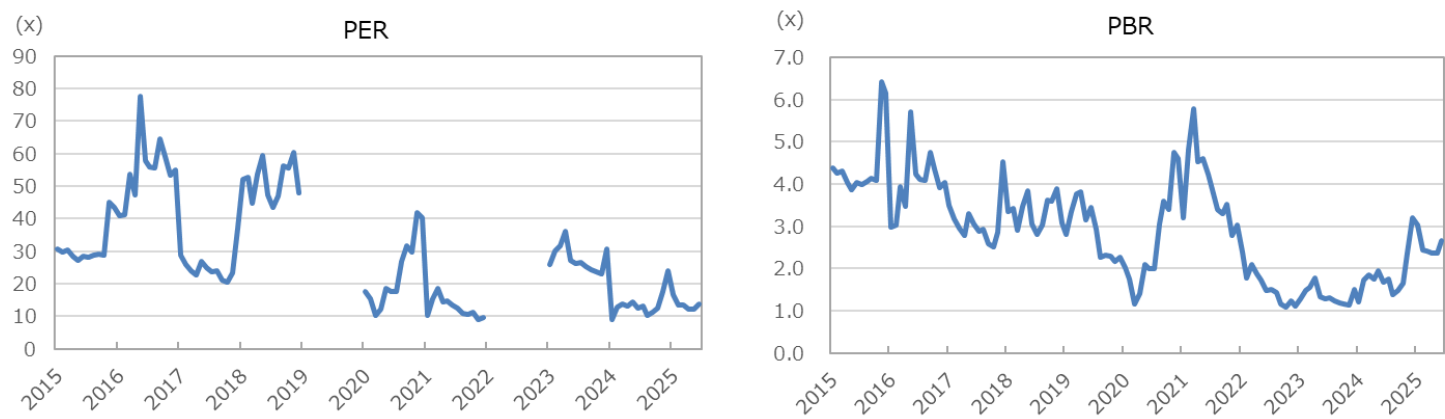
Note: CERES PER (company estimate) and ROE (company estimate) are calculated excluding the 2.3 billion yen gain from the transfer of shares in subsidiary YUMEMI. The company's forecasted ROE is calculated by dividing the company's forecasted net income by the average of the equity capital at the end of the previous full year and the equity capital at the end of the most recent quarter during the period.

The EBITDA forecast is calculated by adding the company's forecast for operating income and actual depreciation for the most recent fiscal year.

Coinbase's share price and market capitalization are in U.S. dollars; PER and EV/EBITDA are based on FactSet consensus estimates.

Source: Company Data. Created by Strategy Advisors.

Figure 15: PER and PBR



Source: Company Data. Created by Strategy Advisors.

Figure 16: Segment Trends and Business Performance (Quarterly Basis)

FY (¥mn)	12/23				12/24				12/25
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Mobile Service									
Net Sales	5,314	5,613	5,975	6,570	6,275	6,260	6,619	7,022	7,523
YoY	13.7%	13.1%	11.5%	20.5%	18.1%	11.5%	10.8%	6.9%	19.9%
Point	3,525	3,359	3,325	3,608	3,553	3,454	3,473	3,924	4,934
YoY	6.0%	-1.8%	-7.0%	-3.0%	0.8%	2.8%	4.5%	8.8%	38.9%
D2C	645	1,174	1,433	1,801	1,751	1,749	1,937	1,597	1,113
YoY	50.3%	117.0%	130.4%	175.4%	171.5%	49.0%	35.2%	-11.3%	-36.4%
DX	1,210	1,105	1,250	1,211	983	1,126	1,244	1,510	1,481
YoY	26.0%	2.1%	7.1%	5.4%	-18.8%	1.9%	-0.4%	24.7%	50.6%
Transaction Value within Segment	-66	-25	-33	-50	-13	-69	-35	-9	-7
Operating income	686	762	813	926	1,119	789	1,143	1,343	1,539
YoY	-31.9%	29.6%	-7.4%	13.2%	63.1%	3.5%	40.7%	45.0%	37.6%
OP Margin	12.9%	13.6%	13.6%	14.1%	17.8%	12.6%	17.3%	19.1%	20.5%
Point	506	609	612	753	782	705	784	874	1,152
OP Margin	14.4%	18.1%	18.4%	20.9%	22.0%	20.4%	22.6%	22.3%	23.3%
D2C	59	349	153	169	341	149	248	193	129
OP Margin	9.1%	29.7%	10.7%	9.4%	19.5%	8.5%	12.8%	12.1%	11.6%
DX	152	-162	80	36	31	-35	143	307	290
OP Margin	12.6%	-14.7%	6.4%	3.0%	3.2%	-3.1%	11.5%	20.3%	19.6%
Transaction Value within Segment	-32	-33	-32	-32	-36	-28	-32	-32	-32
Financial Service									
Net Sales	218	89	99	205	447	168	449	467	162
YoY	230.3%	NM	-6.6%	75.2%	105.0%	88.8%	353.8%	127.8%	-63.6%
Operating income	-137	-257	-263	-240	-54	-413	-267	-256	-357
OP Margin	-62.8%	-288.8%	-265.7%	-117.1%	-12.1%	-245.8%	-59.5%	-54.8%	-220.4%
Equity in Earnings (Losses) of Affiliates	109	-36	-99	104	370	-132	-142	377	-474
Adjustment									
Sales	-7	-7	-1	2	-4	5	-1	-1	0
Operating Income	-294	-292	-280	-304	-352	-278	-258	-289	-321
Whole Company									
Sales	5,525	5,695	6,073	6,777	6,718	6,433	7,067	7,488	7,686
Operating Income	253	213	270	382	713	98	618	798	860
Ordinary Income	352	179	203	483	1,140	-71	455	1,153	352
Net Income	201	153	-243	340	832	-159	172	635	-57

Source: Company Data. Created by Strategy Advisors.

Figure 17: Income Statement (¥ mn)

FY	12/19	12/20	12/21	12/22	12/23	12/24	12/25 CoE
Net Sales	16,510	20,213	23,402	20,536	24,070	27,706	28,400
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	2,850
OP Margin	5.3%	7.4%	9.8%	6.1%	4.6%	8.0%	10.0%
Non-Operating Income	11	357	1,220	13	147	507	
Interest and 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 and 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	3,250
Ordinary income Margin	4.8%	9.0%	15.0%	3.3%	5.1%	9.7%	11.4%
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 and 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	3,350
Net Income Margin	0.4%	3.7%	11.9%	0.2%	1.9%	5.3%	11.8%
EPS (¥)	6.8	67.3	251.8	4.1	39.6	129.0	291.0
Investment in Tangible & Intangible Assets	320	243	352	70	343	223	
Depreciation and 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 # of Shares (mn shares)	11.0	11.0	11.0	11.3	11.4	11.5	
# of Shares at FY End (mn shares)	11.1	11.1	11.2	11.4	11.4	11.5	

Source: Company Data. Created by Strategy Advisors.

Chart 18. Balance Sheet (¥ mn)

FY	12/19	12/20	12/21	12/22	12/23	12/24
Current Assets	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-Trade	2,457	2,778	2,866	3,545	3,643	3,901
Operating Investment Securities	1,279	1,804	2,300	2,744	2,976	2,527
Inventory Count	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
Fixed Assets	4,560	4,709	7,071	8,183	8,328	9,125
Property, Plant and Equipment	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
Other	147	0	19	386	192	155
Investments and Other	2,799	3,017	5,632	5,790	6,236	6,858
Investments in Securities	380	562	835	1,095	1,139	1,143
Shares of Subsidiaries and Affiliates	722	872	3,604	3,116	3,194	3,600
Deferred Tax Asset	657	667	835	1,111	1,435	1,638
Others	1,044	925	365	471	471	492
Total Assets	12,902	16,227	20,234	22,597	25,915	32,976
Current Liabilities	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
Income Taxes Payable	338	1,657	1,639	1,343	1,434	1,886
Allowance for Point Card Certificates	1,322	1,693	2,283	3,182	3,921	4,339
Allowance for Bonuses	0	30	50	30	30	65
Others	783	791	1,172	1,458	2,235	1,603
Fixed Liabilities	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
Net Assets	6,581	7,091	9,819	9,696	10,045	12,721
Capital Stock	5,933	6,250	9,001	8,761	9,025	11,055
Capital & 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
Subscription Warrant	7	4	3	1	1	0
Noncontrolling Interest	473	576	744	813	860	1,572
Total Assets	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	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. Created by Strategy Advisors.

Figure 19: Cash Flow Statement (¥ mn)

FY	12/19	12/20	12/21	12/22	12/23	12/24
Cash Flows from Operating Activities						
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
Total Amount	770	2,258	1,162	101	1,061	722
Cash Flows from Investing Activities						
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
Total Amount	-1,117	-482	-787	-1,685	-738	-518
Cash Flows from Financing Activities						
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
Total Amount	-83	363	408	1,191	1,233	3,266
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
Cash Ending Balance	3,946	6,097	6,883	6,491	8,051	11,520

Source: Company Data. Created by Strategy Advisors.

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