

## Company Report

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Strategy Advisors Inc.

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## FY3/2025 Saw A Loss due to Increased Costs Associated with the Data Center Relocation. Earnings are Expected to Fully Recover from 2H FY3/2026

The company posted an operating loss of -¥504 million for FY3/2025 (announced on May 14th). This is a slight reduction from the operating loss forecast of -¥690 million after the company revised its forecast downwards in January 2025. In FY3/2025, in addition to the ¥538 million associated with the relocation of the data center, it appears that expenses related to this, such as responding to malfunctions, were approximately ¥300 million.

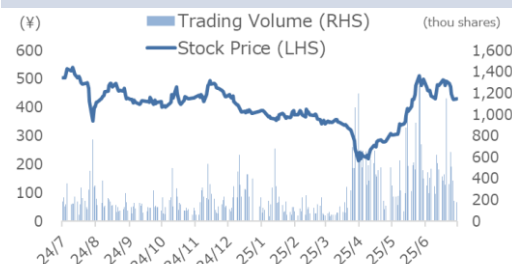
Revenue increased by 5.5% YoY on a base excluding subsidiary WebSpace, which is included from FY2025/3. Stock revenues such as Gateway Service Fees and QR/Barcode Settlement Fees were strong, increasing by 15.2% YoY, but flow revenues such as Terminal Sales and Development Sales were sluggish, decreasing by 15.3% YoY. The data center relocation is scheduled to be completed at the end of September 2025. As costs associated with the relocation are expected to amount to approximately ¥400 million in the first half of FY3/2026, an operating loss is expected to continue in the first half.

The company's forecast for FY3/2026 sales is that stock revenue will increase by 20.5% YoY and flow revenue will increase by 29.1%. Subsidiary WebSpace is also expected to increase by 21.1% YoY. The company expects operating profit to turn positive in the second half of the year, when data center relocation costs are eliminated and to reach ¥512 million for the full year. The key to achieving this forecast will be whether the fluctuating flow revenue will recover as expected.

The view that high growth is expected in the medium-to-long term remains unchanged. Japan's cashless payment ratio reached the 40% range, one year ahead of the government's target. The company expects the number of connected terminals in operation at the end of FY3/2025 to increase by 13.9% YoY to 1.1 million and the payment processing amount in FY3/2025 to increase by 9.7% YoY to ¥4.9 trillion. The company appears to be increasing its share in both the E-Cash field, where it has an established position, and the high-growth QR and barcode field. In Transaction Platform Service, a focus of the company, there are an increasing number of projects that are being realized using cloud POS and other technologies.

The stock price valuation is lower than its competitors in terms of EV/EBITDA, etc. If the equity story of "stable growth in stock revenue in the electronic payment service business due to the effects of the data center relocation and improved profit margins due to rapid expansion of stock revenue in the Transaction Platform Service" becomes a reality, we can expect a full-scale rise in the stock price. In addition, on June 27, the company acquired 7.35 million treasury shares (approximately ¥3.5 billion) through off-exchange purchase transactions.

## Stock Price and Trading Volumes



Source: Strategy Advisors

## Key Indicators

Stock Price (7/7/25)	430
52-Week High (7/17/24)	540
52-Week Low (4/7/25)	213
All-Time High (7/4/23)	1,946
All-Time Low (4/7/25)	213
Shares on Issue (mn)	37.0
Market Capitalization (¥ bn)	15.9
EV (¥ bn)	3.5
Equity Ratio (3/25 Actual, %)	37.3
PER (3/26 CoE, Times)	45.5
PBR (3/25 Actual, Times)	1.6
Dividend Yield (3/26 CoE, %)	0.0

Note: EV = Market capitalization - Cash and deposits + Interest-bearing debt

Source: Strategy Advisors.

# Transaction Media Networks | 5258 (TSE Growth)

## Japanese GAAP - Consolidated

Sales	Sales	YoY	Operating	YoY	Ordinary	YoY	Net	YoY	EPS	DPS
	(¥ mn)	change	Income	change	Income	change	Income	change	( ¥ )	( ¥ )
		(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)		
3/2021	6,451	-21.0	154	-90.6	158	-90.4	98	-91.1	3.13	0.0
3/2022	7,139	10.7	711	358.8	712	348.9	-385	-	-12.23	0.0
3/2023	7,831	9.7	560	-21.2	535	-24.8	672	-	21.19	0.0
3/2024	10,370	-	777	-	765	-	585	-	15.85	0.0
3/2025	12,300	18.6	-504	-	-513	-	-682	-	-18.46	0.0
3/2026 CoE	15,079	22.6	512	-	464	-	349	-	9.45	0.0

Note: FY3/2024 YoY change rate is not shown due to the change to a consolidated basis from FY3/2024.

Source: Company Data. Compiled by Strategy Advisors.

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## 1. FY3/2025 and Current Performance Trends

### (1) FY3/2025 Results

#### Costs Associated with Data Center Relocation are Higher Than Expected

Transaction Media Networks (TMN) announced its FY3/2025 results on May 14th. Sales were ¥12.300 billion. Sales excluding consolidated subsidiary WebSpace were ¥10.938 billion, up 5.5% from the previous year's standalone sales of ¥10.370 billion. Stock revenue from gateway service fees and other sources grew steadily, increasing by 15.2% YoY; however, flow revenue from sales of payment terminals and other sources was sluggish, decreasing by 15.3% YoY. Meanwhile, the operating loss was -¥504 million. It appears that expenses of ¥538 million associated with the relocation of the data center (DC) and associated expenses such as troubleshooting, etc., amounted to approximately ¥300 million, which pushed down profits.

#### The Decline in Flow Revenue & Costs Related to Data Center Relocation are Having an Impact

On January 17<sup>th</sup>, 2025, the company announced a downward revision of its FY3/2025 earnings forecast, but the actual results slightly exceeded that. Compared to the previous fiscal year, even if the costs of relocating the data center and troubleshooting costs totaling approximately ¥800 million were added to operating profit, it only amounted to approximately ¥300 million, which is lower than the operating profit of ¥777 million in FY3/2024. This is thought to be due to an increase in costs other than the data center relocation and a decrease in development sales, which are estimated to have a high profit margin.

#### Stock Revenue is Growing Steadily

Meanwhile, TMN's number of connected devices in operation at the end of FY3/2025 is expected to be 1.1 million (up 13.9% YoY), the payment processing amount for FY3/2025 is expected to be ¥4.9 trillion (up 9.7% YoY) and the number of payment processing transactions is expected to be 2.5 billion (up 8.8% YoY), continuing to expand steadily. In line with this, stock revenues such as gateway service fees are also growing steadily, increasing by 15.2% YoY. The composition ratio of stock revenue has reached 66.1%. In that respect, it can be said that the company's profitability is improving.

# Transaction Media Networks | 5258 (TSE Growth)

**Figure 1. Summary of FY3/2025 and FY3/2026 Financial Results**

(¥ mn)

	FY3/2025	FY3/2024	YoY	FY3/2025 Q4	QoQ	FY3/2026 CoE	YoY
<b>Sales (consolidated)</b>	<b>12,300</b>	10,370	18.6%	<b>3,411</b>	8.2%	<b>15,079</b>	22.6%
<b>Stock Revenue</b>	<b>8,129</b>	7,054	15.2%	<b>2,139</b>	3.1%	<b>9,802</b>	20.6%
Gateway Service Fees	<b>4,646</b>	4,285	8.4%	<b>1,197</b>	2.0%		
QR/Barcode Settlement Fees	<b>2,992</b>	2,231	34.1%	<b>828</b>	6.4%		
Registration Fee	<b>489</b>	537	-8.9%	<b>113</b>	-8.0%		
<b>Flow Revenue</b>	<b>2,809</b>	3,315	-15.3%	<b>966</b>	27.8%	<b>3,627</b>	29.1%
Terminal Sales	<b>1,730</b>	1,730	0.0%	<b>556</b>	1.8%		
Development Sales	<b>536</b>	861	-37.7%	<b>233</b>	123.8%		
Others (nextore, etc.)	<b>541</b>	723	-25.1%	<b>176</b>	67.4%		
<b>WebSpace</b>	<b>1,362</b>	-	-	<b>305</b>	-4.8%	<b>1,650</b>	21.1%
<b>Gross Profit</b>	<b>3,401</b>	3,321	2.4%	<b>2,509</b>	7.5%		
<b>Operating Income</b>	<b>-504</b>	777	NM	<b>-139</b>	NM	<b>512</b>	NM
<b>Ordinary Income</b>	<b>-513</b>	765	NM	<b>-138</b>	NM	<b>464</b>	NM
<b>Net Income</b>	<b>-682</b>	585	NM	<b>-202</b>	NM	<b>349</b>	NM
<b>EBITDA</b>	<b>1,497</b>	2,389	-37.3%	<b>379</b>	4.0%	<b>2,863</b>	91.2%

Source: Company Data. Compiled by Strategy Advisors.

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**Figure 2. Income Statement and Key Indicators (Quarterly)**

(¥ mn)

Accounting Period	3/2024				3/2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Parent	Parent	Parent	Parent	Cons.	Cons.	Cons.	Cons.
<b>Total Sales</b>	2,305	2,304	2,917	2,842	2,732	3,006	3,152	3,411
(YoY)	36.3%	19.3%	52.0%	24.3%	NM	NM	NM	NM
<b>&lt;Stock Revenue&gt;</b>	1,633	1,727	1,828	1,864	1,930	1,983	2,075	2,139
(YoY)	27.6%	29.3%	25.1%	21.2%	18.1%	14.8%	13.5%	14.7%
•Gateway Service Fees	1,033	1,059	1,085	1,105	1,129	1,146	1,173	1,197
(YoY)	10.8%	12.9%	12.2%	12.5%	9.3%	8.2%	8.1%	8.3%
•QR/Barcode Settlement Fees	461	527	609	633	669	714	779	828
(YoY)	175.0%	130.0%	80.2%	53.7%	45.1%	35.5%	27.9%	30.8%
•Registration Fees	138	140	133	124	130	123	122	113
(YoY)	-23.0%	-16.6%	-14.7%	-12.6%	-5.4%	-12.2%	-8.1%	-9.5%
<b>&lt;Flow Revenue&gt;</b>	670	575	1,087	977	423	662	756	966
(YoY)	63.4%	-3.2%	138.4%	30.6%	-36.9%	14.9%	-30.5%	-1.2%
•Terminal Sales	402	361	489	476	245	381	546	556
(YoY)	68.8%	-0.5%	83.9%	-3.2%	-39.0%	5.4%	11.6%	16.8%
•Development Sales	187	132	135	406	90	108	104	233
(YoY)	44.0%	-22.7%	-2.7%	107.6%	-51.9%	-18.3%	-22.6%	-42.4%
•Others	81	82	463	95	87	172	105	176
(YoY)	92.9%	36.7%	790.4%	55.7%	7.9%	109.8%	-77.3%	84.3%
<b>WebSpace</b>	-	-	-	-	377	360	320	305
(YoY)	-	-	-	-	NM	NM	NM	NM
<b>Gross Profit</b>	789	763	790	977	841	836	819	902
(Gross Profit Margin)	34.2%	33.2%	27.1%	34.4%	30.8%	27.8%	26.0%	26.4%
SG&A Expenses	620	595	611	665	899	962	1,002	1,041
<b>Operating Income</b>	169	168	179	311	-57	-126	-183	-139
(YoY)	197.6%	-11.9%	21.3%	90.0%	NM	NM	NM	NM
(Operating Margin)	7.4%	7.3%	6.2%	11.0%	-2.1%	-4.2%	-5.8%	-4.1%
Non-Operating Profit/Loss	-7	1	1	-6	-2	-5	-4	1
<b>Ordinary Income</b>	162	169	180	305	-59	-130	-186	-138
(YoY)	186.1%	-11.6%	20.6%	122.2%	NM	NM	NM	NM
(Ordinary Income Margin)	7.1%	7.3%	6.2%	10.8%	-2.2%	-4.3%	-5.9%	-4.1%
<b>Net Income</b>	161	157	162	156	-71	-132	-280	-202
(YoY)	192.0%	-13.6%	6.6%	-15.3%	NM	NM	NM	NM
<b>EBITDA</b>	552	565	583	739	398	354	364	379
<b>Number of Connected Terminals (As of End of Period, '000)</b>	870	900	930	960	990	1,010	1,060	1,100
<b>Payment Processing Amount (GMV) (¥ bn)</b>	1,065	1,110	1,195	1,230	1,100	1,200	1,300	1,300
<b>Number of Transaction (mn)</b>	560	600	600	640	600	600	700	600

Note: Consolidated financial statements will begin from FY3/2024Q3 due to WebSpace becoming a consolidated subsidiary.

However, FY3/2024Q3 and Q4 will only be reflected in the balance sheet and will not be included in the income statement.

Source: Company Data. Compiled by Strategy Advisors.

## (2) Major Business Trends

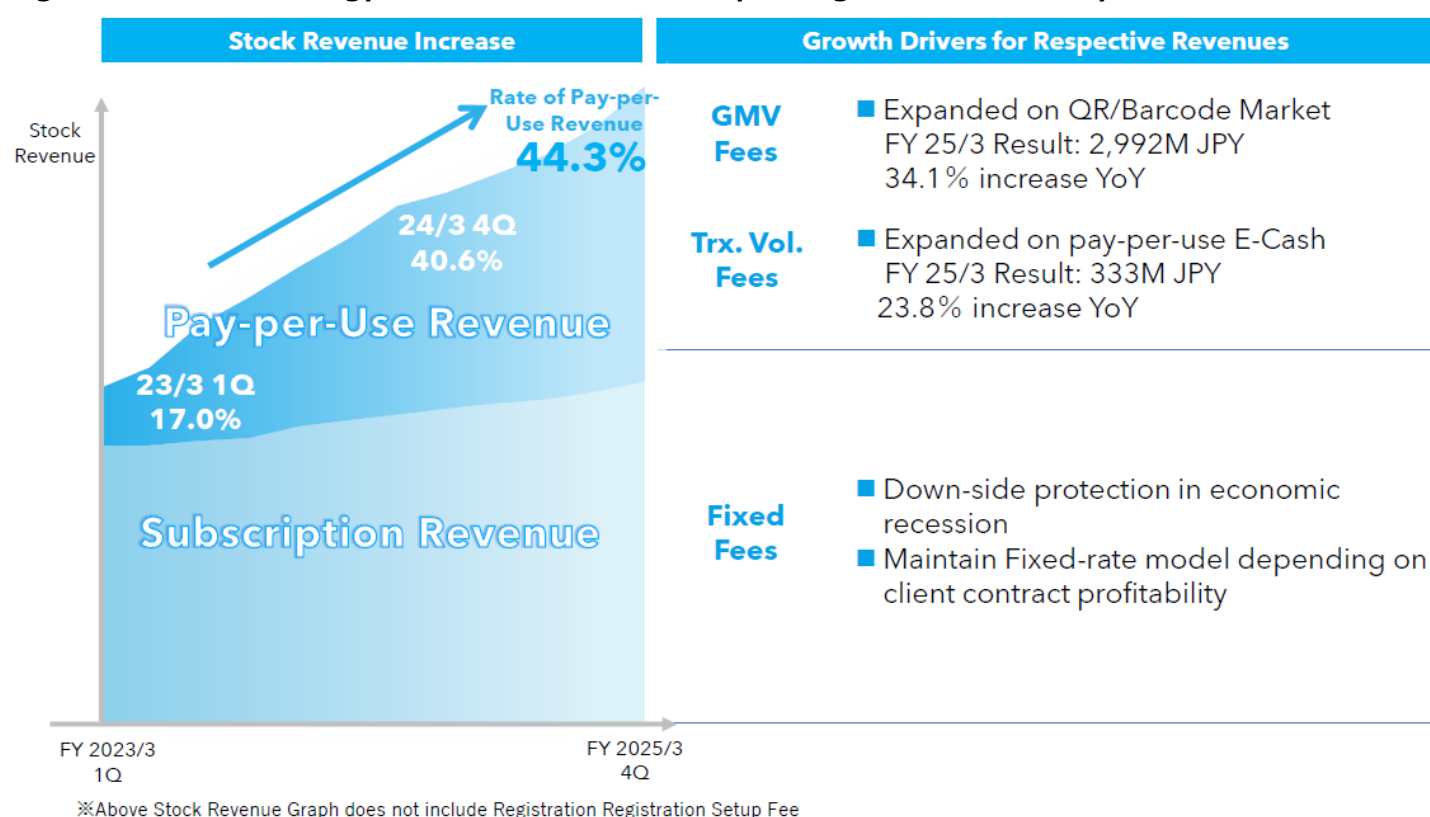
### Gateway Service Fees (Stock Revenue)

Gateway Service Fees for FY3/2025 grew steadily, +8.4% YoY to ¥4.646 billion. As the number of connected terminals in operation is growing as mentioned above, Gateway Service Fees are also increasing accordingly. Although E-Cash payments are not growing in the market as a whole, the company continues to gain new members from retailers, railways, etc., and as a result, it appears that its market share is increasing. Looking at the figures by quarter, as shown in Figure 2, Gateway Service Fees have been on an upward trend in every quarter, along with the number of connected terminals.

### QR/Barcode Settlement Fees (Stock Revenue)

Sales of QR/Barcode Settlement Fees continued to grow at a high rate, increasing by 34.1% YoY to ¥2.992 billion. This was due to the addition of new affiliated stores and an increase in payment volume at existing affiliated stores. According to the Ministry of Economy, Trade and Industry, the amount of code payments in Japan increased by 23.8% YoY to ¥13.5 trillion in 2024. TMN sales are growing at a faster pace than this. This is mainly due to the growth of Sumitomo Mitsui Card's "stera". QR/Barcode Settlement Fees is a pay-per-use service and has maintained high growth due to the expansion of the amount of payment processing. Its share of stock revenue also increased from 31.6% in FY3/2024 to 36.8% in FY3/2025.

**Figure 3. Growth Strategy and Current Situation Expanding the Electronic Payment Service**



Source: Company Data.



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## Terminal Sales (Flow Revenue)

Terminal sales were flat YoY at ¥1.730 billion. Although the cumulative Q3 figures were down YoY, they remained flat in Q4 since a large number of sales to a major drugstore was recorded. The production of the current mainstay "UT-P10" will end in June 2025 and sales of the successor model "UT-P11", for which the firm began accepting orders in January 2025, are expected to pick up.

## Development Sales (Flow Revenue)

Development sales for FY3/2025 were down by 37.7% YoY to ¥536 million. It appears that some projects were delayed into FY3/2026, resulting in lower-than-average levels. Development sales tend to fluctuate greatly as they depend on whether the orders are received for individual projects, but FY3/2025 was at a low level.

## Transaction Platform Service

Sales of "others", which mainly consists of Transaction Platform Service, were down by 25.2% YoY to ¥541 million. This was mainly due to sluggish sales of terminals at nextore, which develops services for small and medium-sized businesses. Although it has been decided that Kusuri no Aoki Holdings (3549 TSE Prime) will introduce cloud POS, it does not appear to have contributed to sales in FY3/2025.

### (3) Current Business Outlook

## Revenues are Expected to Recover Significantly Compared to the Previous Quarter

The company's forecast for FY3/2026 is sales of ¥15.079 billion, +22.6% YoY, operating profit of ¥512 million (-¥504 million in FY3/2025) and EBITDA of ¥2.863 billion, +91.2% YoY. In May 2024, the company announced FY3/2026 performance targets, but the forecasts of ¥16.109 billion in sales and ¥2.075 billion in operating profit are significantly lower than forecasts, due to delays in the relocation of data centers and a decline in flow revenues. On the other hand, the company expects a significant recovery from the FY3/2025 results, in which the company posted an operating loss.

## Stock Revenue is Expected to Remain Strong as the Number of Connected Devices Increases

Of the sales, stock revenue is expected to increase by 20.6% YoY to ¥9.802 billion. The number of connected terminals in operation is expected to continue to grow steadily, and gateway service fees are expected to increase steadily accordingly. In addition, QR/Barcode Settlement Fees are expected to maintain high growth.

## Flow Revenue is Also Expected to Recover

The company expects flow revenue to increase by 29.1% YoY to ¥3.627 billion, a significant increase from the sluggish performance in FY3/2025. Production of the flagship mobile device product, the UT-P10, will end in June 2025; and sales of the new UT-P11, for which orders have already begun, are expected to contribute to device sales. There are likely to be some deals, but full-scale expansion is not expected to occur until FY3/2027 and device sales in FY3/2026 are expected to increase slightly YoY. Development sales, which decreased in FY3/2025, are expected to recover significantly as some projects were delayed into FY3/2026.

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## Transaction Platform Services is also Expected to Expand

Transaction Platform Service, which has been slow to expand, is also expected to grow due to businesses such as House Prepaid/ID integration. This is a service that integrates member IDs across various businesses to provide a common points/prepaid service in cases where a client who manages a group issues a unique ID for each business and is unable to grasp the overall picture. The company has a track record of integrating the member IDs of 1.7 million consumers' cooperatives. For clients, the benefits are that one-to-one marketing and purchasing analysis become possible and TMN has the capability of aggregating information.

## Significant Recovery Expected from the Second Half

In FY3/2026, the company also expects one-time expenses associated with the data center relocation to be around ¥400 million, which, when added back to the company's forecast operating profit of ¥512 million, results in an operating profit of approximately ¥900 million. In FY3/2025, approximately ¥800 million was incurred for data center relocation expenses and troubleshooting and excluding these expenses, operating profit was calculated to be approximately ¥300 million, so it can be said that an actual increase in operating profit can be expected of ¥600 million. As mentioned above, the sales forecast for FY3/2026 is expected to increase by approximately ¥2.8 billion compared to the previous fiscal year, and if sales are achieved, it will be fully possible to achieve the operating profit forecast. Since there are certain uncertainties regarding flow revenue, the key point will be achieving the company's sales forecast.

## Revenues Expected to Grow Significantly in FY3/2027

For the first half of FY3/2026, the company expects an operating loss due to costs associated with the data center relocation in Q1. Operating profit is expected to turn positive from the second half of the year, but the company plans to be in the black for the full year. In FY3/2027, the costs of the data center relocation will be eliminated, and the positive effects of the relocation (such as elimination of bottlenecks) are expected to gradually emerge. Sales are expected to continue to grow steadily, so earnings are expected to expand significantly. If this is combined with the expansion of Transaction Platform Service, expectations for medium to long-term growth will also increase.

## 2. Company Profile

### (1) Pioneer of Cloud-Based Cashless Payment Services

## The First Cloud-Based E-Cash Payment Service in Japan

TMN was listed on the Tokyo Stock Exchange Growth Market on April 4, 2023. In 2011, it began offering the first cloud-based (thin client) E-Cash payment service in Japan. The term "thin client" is a combination of "thin" and "client," and is a system design method in which most data processing is performed on the server side and only the minimum necessary data processing is performed on the client terminal (the payment terminal in TMN's case).



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## Previously, Expensive and Limited-Purpose Rich Client-Based Terminals were the Norm

Before the development of thin-client payment services, rich-client services and terminals, in which most processing was done on the client terminal, were the norm. Rich-client services are less scalable than thin-client services, so each service had its own payment terminal installed at participating stores and several cashless payment terminals were placed next to the cash register.

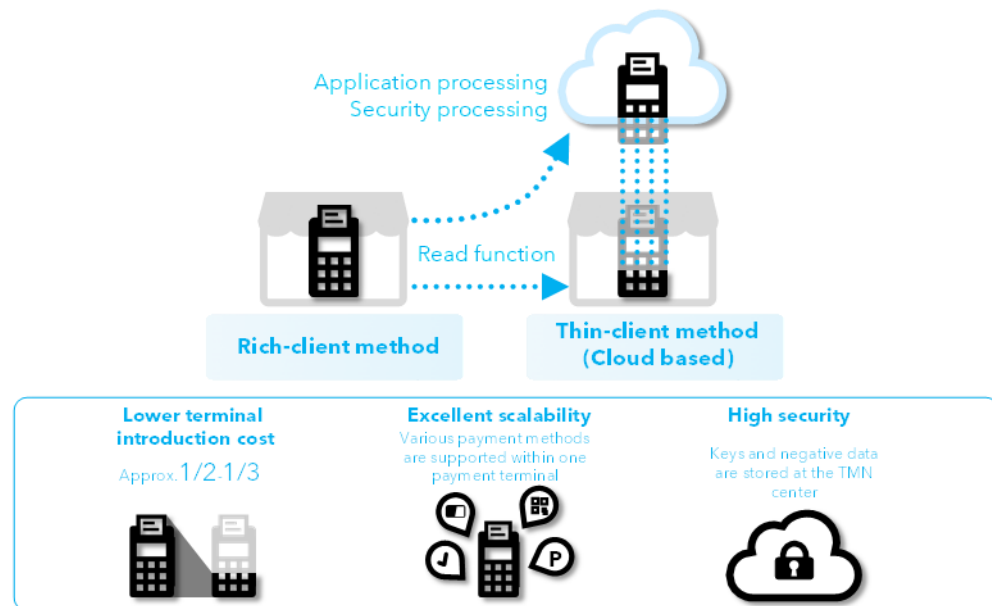
## Development of Thin-Client Payment Services Leads to Widespread Use of Inexpensive Terminals in Japan

Furthermore, the rich client approach requires high machine specifications for the payment terminal itself to process the payment and terminals compatible with general-purpose E-Cash are expensive, costing between ¥250,000 and ¥300,000 each.

The cloud-based (thin client) payment services, only the function of reading and writing the necessary information from E-Cash is left on the payment terminal and other functions are processed on the cloud (TMN's data center). This has resulted in lowering the cost of terminals, which has been a major catalyst for the spread of E-Cash payment terminals in Japan.

Furthermore, by adopting a thin client system, it was possible to simultaneously achieve excellent scalability, allowing it to support a variety of payment services without changing the terminal and high security by storing all security information in a robust data center. The technical difficulty of building a system in a cloud computing environment is high, and this remains a source of TMN's competitive advantage to this day.

**Figure 4. Diagram of Thin and Rich Clients**



Source: Company Data.

## A Gateway that Supports 46 Payment Brands, the Most in the Industry

TMN has continued to develop so that it can handle not only E-Cash but also other payment services such as credit, debit, prepaid, and QR/barcode payments; and currently offers a gateway service that supports 46 payment services with one terminal (17 E-Cash, 15 QR/barcode, 7 credit card, 3 common points, 2 regional money, 1 house prepaid and 1 unique point). It is one of the

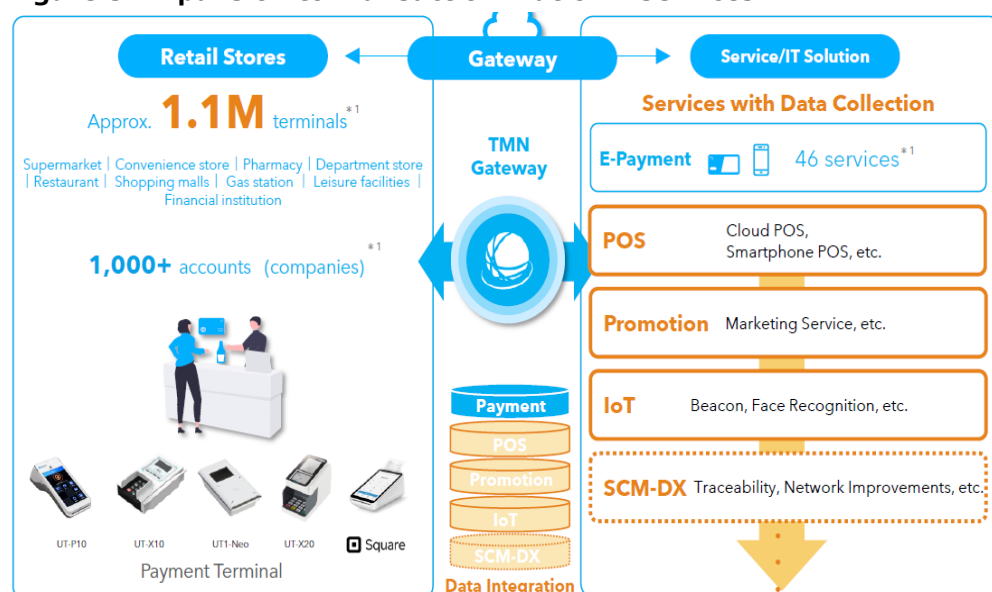
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**Connected to 1.1 million  
Payment Terminals at Over  
1,000 Affiliated Stores**

largest companies in Japan that can handle this many services and while there are other companies in the industry that provide many services by forming alliances with other companies, it can be said that a TMN that can provide such a number of services on its own is extremely rare in Japan.

TMN processes payments daily by connecting to 1.1 million payment terminals (as of the end of March 2025) installed in over 1,000 companies, mainly in the retail industry, across a wide range of locations, including supermarkets, convenience stores, drugstores, department stores, restaurants, commercial facilities, gas stations, leisure facilities and financial institutions.

**Figure 5. Expansion to Transaction Platform Services**



Source: Company Data.

## (2) Aiming for Further Growth in Transaction Platform Service Using Payment and Purchasing Data

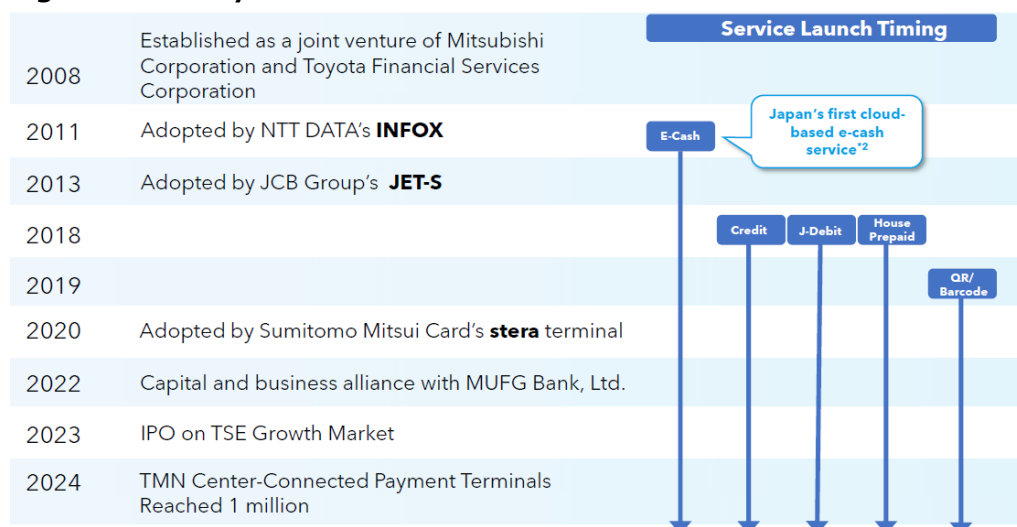
**Promoting Transaction  
Platform Service with the  
Aim of Becoming a Gateway  
for All Digital Data**

The founding vision of current President & Founder Atsushi Otaka was to collect data generated by purchasing behavior and provide it for the development of new products and services. By introducing cloud POS, TMN aggregates all purchasing-related data, including not only cashless but also cash payments, and provides it to manufacturers and distributors. As a result, TMN aims to enrich the purchasing experience of consumers and users.

In the future, TMN will build a system to collect and utilize not only payment data, but also various data related to purchasing activities such as POS and mobility (movement).

Sales from the Transaction Platform Service were ¥70 million in FY3/2022 and ¥120 million in FY3/2023. In FY3/2024, sales were approximately ¥720 million, accounting for about 7% of total company sales. For details of the Transaction Platform Service and its specific development, please refer to part 7 of our report, "Overview of Transaction Platform Service".

**Figure 6. History of TMN**



Source: Company Data.

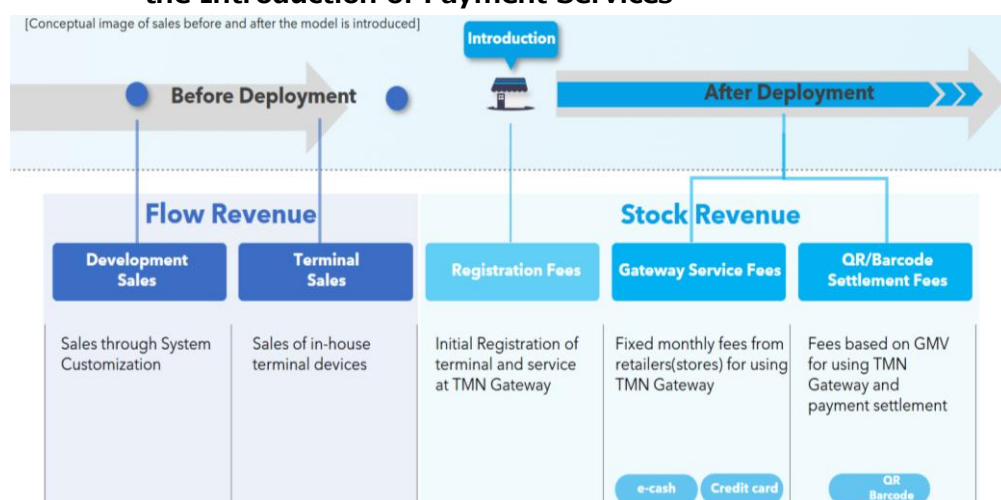
## 3. Payment Service Business Model

### (1) Continuous Income, Accounts for 70% of Sales

**Broadly Divided into Flow and Stock**

The business model (sales) of TMN's payment service is broadly divided into two categories: Flow Revenue and Stock Revenue. The disclosed breakdown of sales is divided into five categories: ① Development Sales, ② Terminal Sales, ③ Registration Fees, ④ Gateway Service Fees and ⑤ QR/Barcode Settlement Fees. Figure 7 illustrates the timing of recording each type of sales, following the process when TMN introduces its services to affiliated stores.

**Figure 7. Breakdown of TMN Sales & Timeline, Before and After the Introduction of Payment Services**



Source: Company Data.

## Flow Revenue is the Gateway to Stock Revenue

### 3 Types of Stock Revenue

Flow revenue is composed of ①Development Sales and ②Terminal Sales. Flow revenue is a one-time event in itself, but it is the sales that occur at the beginning of stock revenue, which is recorded continuously afterwards.

On the other hand, stock revenue, which is recorded as continuous revenue, is composed of ③Registration Fees, ④Gateway Service Fees and ⑤QR/Barcode Settlement Fees. Stock revenue accounted for 74.3% of non-consolidated sales and 66.1% of consolidated sales in the fiscal year ending March 2025.

**Figure 8. TMN's Basic Business Model**

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

Source: Company Data. Compiled by Strategy Advisors.

## (2) Breakdown of Flow Revenue

### 1. Development Sales

**Development Sales has a High Profit Margin Due to Their Extensive Track Record and Fact That Other Companies Cannot Imitate TMN Products**

This is sales for development activities (implementation support) when customization is required to connect to the affiliated store's system (POS system or core system) when introducing TMN's payment service. Development support for payment service providers is also included in Development Sales. The order amount is in the range of several million to several hundred million yen; but the timing, development period and scale of each project vary. Other companies cannot handle this and TMN has already built up a wealth of development experience, so the profit margins are high.

### 2. Terminal Sales

**FY3/2024, Most Sales Will be for Company-Owned Devices**

This revenue is generated when affiliated stores purchase devices via TMN, and the price of a single device ranges from about ¥30,000 to tens of thousands of yen. The devices sold are both TMN's own devices and those made by other companies, and while gross profit margins vary, they are around 25-30% and 10-15%, respectively. In FY3/2024, most devices are TMN's own devices.

**The Increase in Device Sales Revenue in FY3/2020 is Due to Government Subsidies**

Terminal sales increased from ¥1.5 billion in FY3/2019 to ¥3.2 billion in FY3/2020 but decreased to ¥1.4 billion in FY3/2021. This was largely because of the "Cashless Consumer Rebate Project" implemented for nine months from October 2019 to June 2020. The Ministry of Economy, Trade and Industry provided subsidies for the payment terminal fees of small and medium-sized businesses. The government subsidized 2/3 of the cost of cashless payment terminals and the remaining 1/3 was borne by the cashless payment provider, so the burden on affiliated stores was zero. In addition, during the same period, the government provided subsidies for fees (a fee rate of 3.25% or less, 1/3 of which was borne by the government), which helped promote the spread of cashless payments in society.

## (3) Breakdown of Stock Revenue

### 3. Registration Fees

**High Commission & Profit Margins at the Time of Contract**

This is sales revenue generated when affiliated stores register and set up their payment gateway in the TMN system when they begin using the payment gateway. Although this is a one-time revenue received at the time of connection, for accounting purposes, it is recorded pro rata according to the contract period, so during that period, a few hundred yen per unit is recorded as registration fee sales. The gross profit margin is high.

## 4. Gateway Service Fees

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

TMN handles three main payment services: E-Cash, credit card and QR/barcode. For E-Cash and credit card services, fixed fees according to the number of services introduced are recorded as monthly sales as Gateway Service Fees (some are charged on a pay-as-you-go basis based on the number of payments). The annual fee per unit is about ¥5,000. As for credit card contracts, the company plans to roll them out on a pay-as-you-go basis, which is common in the industry.

### 50-60% of the Transaction Amount & Number of Transactions are E-Cash

The total payment transaction value of ¥4.9 trillion in FY3/2025, credit cards will account for 31%, E-Cash for 52% and QR/barcodes for 17%. Of the total number of payment transactions of 2.5 billion in FY3/2025, credit cards will account for 23 %, E-Cash for 61 % and QR/barcodes for 17%.

## 5. QR/Barcode Settlement Fees

### QR/Barcode Settlement Fees are a Pay-Per-Use Charge

When participating stores introduce QR/barcodes, they receive a commission based on the QR/barcode payment transaction amount (GMV) multiplied by a certain commission rate, which becomes TMN's sales. The commission rate is about several tens of basis points, and a pay-as-you-go system is used in which sales grow in proportion to the payment transaction amount. As the payment transaction amount for QR/barcodes has been showing steady growth even when viewed across Japan, the commission has been set in a way that allows for the upside potential.

QR/barcode payment and general credit are the same. If the commission rate that QR/barcode payment services such as PayPay impose on TMN is 3 % of GMV, then TMN's sales will be calculated by adding the spread (equivalent to gross profit), which is the commission rate that TMV receives from affiliated stores.

## 4. Competitive Advantage Born from Difficulty in Imitation

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

Strategy Advisors believes that TMN's difficulty to imitate lies in (1) the high barriers to entry in the frequently used E-Cash payment industry, (2) its excellent positioning in the payment industry through its open strategy and finally, (3) its channels for acquiring affiliated merchants through partnerships with shareholders such as major credit card companies and Square, a major global payment company. These are the sources of its competitive advantage.



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

### The Background to the Birth of E-Cash in Japan

Japan's E-Cash began in November 2001 with the issuance of "Suica", an IC transportation card. Around the same time, Sony's bitWallet launched "Edy", which spread as a payment method in stores and other places. In March 2004, Suica became available as E-Cash not only for transportation but also for shopping. Around 2007, major retailers Seven-Eleven began issuing "nanaco" and Aeon began issuing "WAON", ushering in a period of widespread use of E-Cash.

According to the Bank of Japan, the number of E-Cash cards issued as of the end of March 2025 will reach 571.59 million. This includes Rakuten Edy, Suica (JR East), ICOCA (JR West), SUGOCA (JR Kyushu), Kitaca (JR Hokkaido), PASMO (private railway companies), nanaco (Seven & i) and WAON. The data was compiled from eight major companies, including AEON.

### Japan Owns 4.6 E-Cash Cards Per Person

Figure compares the ownership of cashless payment methods in major countries around the world. E-Cash is widespread in Japan, South Korea, Australia, Germany and other countries. As of 2022, the average number of E-Cash cards owned per person in Japan was 4.6, exceeding 3.7 debit cards and 2.5 credit cards. Compared to credit cards, E-Cash cards are mainly used for small amounts and debit cards are used for about 1% of the total payment transaction amount, but they can be said to be a cashless payment method used very frequently.

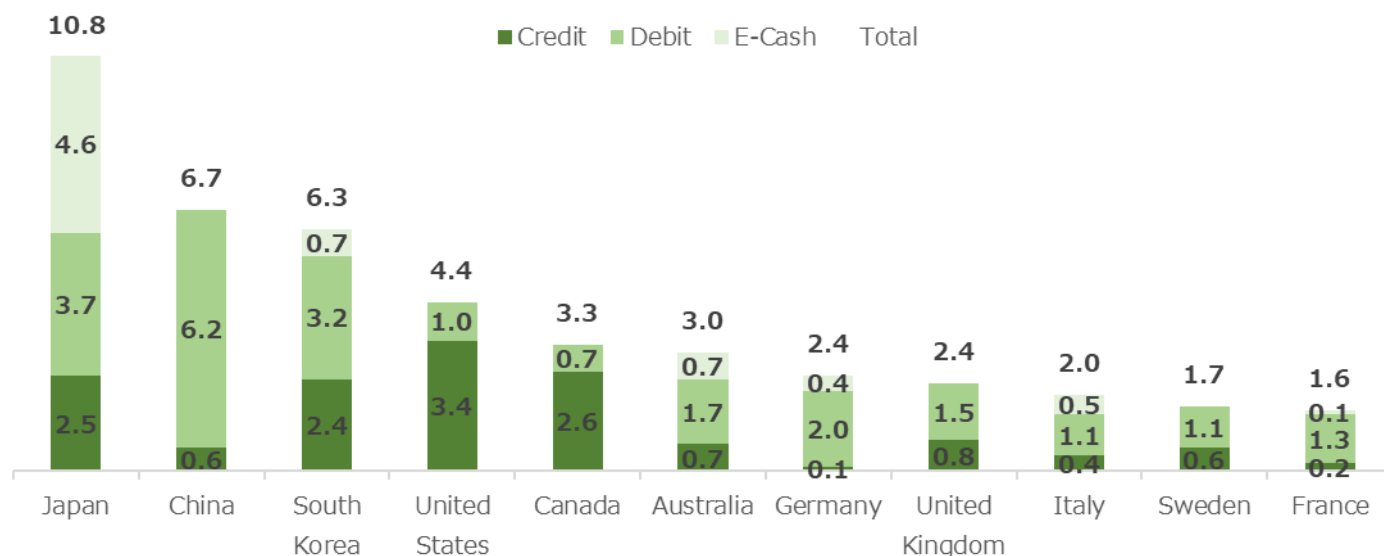
### Technical Hurdles & Strict Operational Systems Create High Barriers to Entry

Although E-Cash has become widespread in Japan, as mentioned above, there are high technical difficulties in building a system in a cloud environment. In addition, large-scale investment is required to meet strict security standards, creating a high barrier to entry. 50% of TMN's employees are engaged in development work and the company complies with international security standards; and has its own servers installed in contracted data centers.

### There are Several Companies Operating E-Cash Gateway Businesses

There are only a few E-Cash gateway operators, including TMN, which prides itself on having a large share of the retail industry (excluding transportation-related and station ticket gates). TMN is expanding its member stores by using general-purpose E-Cash, which is in high demand among consumers, as a hook. In addition to supporting the widest range of payment services in the industry, its strengths include the ability to sell and contract not only E-Cash, but also QR/barcode payment, credit cards and points as a set. Since the service is customized and introduced into each member store's system, switching is not easy and a low cancellation rate is maintained. Furthermore, by leveraging the track record of low-cost and stable service operations at member stores, TMN aims to provide services mainly to local transportation facilities.

Figure 9. Electronic Payment Methods Held in Major Countries (Number of Methods)



Source: Cashless Roadmap 2024 (Cashless Promotion Council).

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

### The Five Layers that Make Up the Payment Industry

As shown in the Figure 10, there are five players in the payment industry, divided into value chains: ①payment brands, ②issuers (card issuing companies)/acquirers (companies that acquire and manage contracts with affiliated stores), ③payment networks, ④gateways/payment agents and ⑤ payment terminals. TMN is directly involved in fields ④ and ⑤; and in addition to direct transactions with companies in ①, ②, and ③, it also collaborates in various ways. In many cases, ④ and ⑤ compete with other companies in the same industry, but depending on the services they provide, they may also collaborate, and in some cases, they support other companies behind the scenes.

As mentioned above, TMN acts as a gateway connecting the services of 46 payment brands, including credit cards, E-Cash, QR codes and barcodes - the most in the industry - with affiliated merchants.

### Deep Collaboration with Shareholder Credit Card Companies

The four credit card companies that handle issuer and acquirer operations - JCB, Sumitomo Mitsui Card, UC Card and Toyota Finance - are shareholders of TMN. As will be described later, TMN develops its business in close cooperation with these credit card companies that are its shareholders.

### Partnering with 2 Major Payment Networks

TMN is connected to the two major payment networks, "INFOX" operated by NTT Data and "JET-S" operated by Japan Card Network, a subsidiary of JCB. TMN's cloud-based E-Cash and QR/barcode payment gateway are also used in the new payment platform "stera", which Sumitomo Mitsui Card entered in September 2020 in partnership with VISA.

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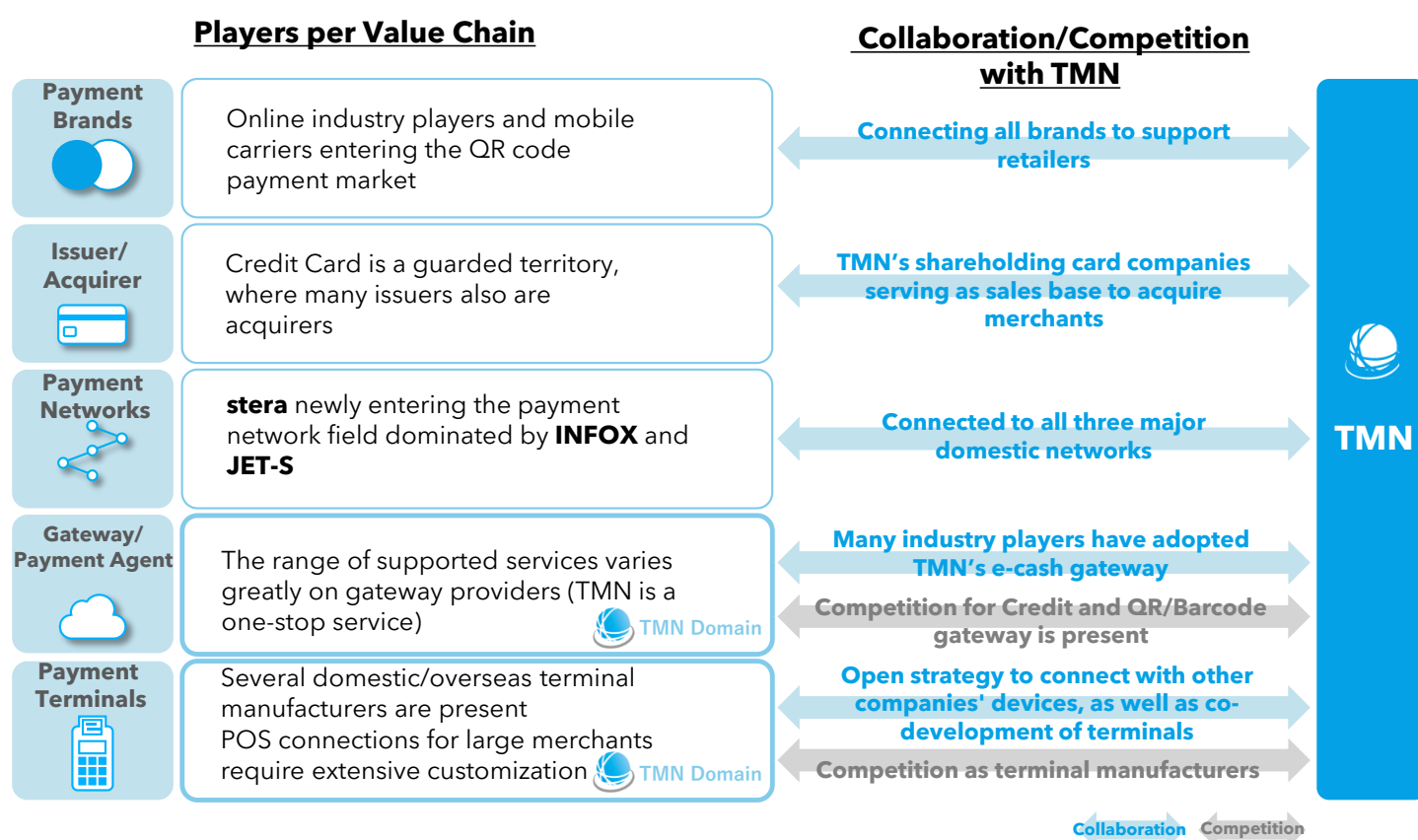
## In the Gateway/Payment Agency Field, TMN Competes & Also Collaborates

Although the company competes with other companies that provide gateway/payment agency services in the areas of credit cards and QR/barcode payments; when it comes to E-Cash, many players have adopted TMN's payment system as a white label and are building collaborative relationships with them.

## Developing an Open Strategy to Collaborate with Various Players in the Payments Industry

TMN also competes with many terminal manufacturers, both domestic and overseas, in the area of payment terminals. Although TMN sells its own terminals, its payment service can be connected to almost all terminals from other companies sold in Japan. Although TMN competes with some players in the payment industry, it has adopted an open strategy to expand its scope by collaborating widely with many players, taking advantage of its E-Cash service, which has little competition. The company plans to flexibly respond to future market restructuring and the entry of new players.

Figure 10. Relationships between Players and TMN by Value Chain



Source: Company Data.

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

### TMN's Target Customers

TMN classifies major domestic retailers that are customers of its electronic payment business into 3 categories: large (sales of ¥2 trillion or more), medium (sales of ¥50 billion to less than ¥2 trillion) and long tail (sales of less than ¥50 billion).

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billion). The large category includes several companies such as Seven & i, Aeon, and Fast Retailing, while the medium 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 Depending on the Size of the Business**

TMN has adopted two sales strategies: direct sales to many large and medium-sized businesses by itself, and white label service provision (customer acquisition) to other medium-sized and long-tail businesses through partners such as credit card companies, who are shareholders.

## **TMN's Strength is Their Ability to Customize & Develop for Each Customer's Business System**

For affiliated stores that are the target of direct sales, the TMN line is connected to the affiliated store's POS register. Generally, POS (Point of Sales) is a general term for services that allow users to know sales trends such as the date and time when an item was sold, the quantity and the price. But in the credit industry, the term affiliated store POS is conventionally used to refer to terminals that are capable of processing payments and are not CCT (Credit Card Terminal) terminals.

Since there are few E-Cash gateway operators that can customize and develop systems to link with customers' systems, TMN has a competitive advantage. Major chains update their POS systems periodically, such as once every five years, so sales are often conducted with an eye on this timing.

## **Reaching Long-Tail Businesses with White Label**

On the other hand, some mid-sized businesses and long-tail businesses operate through white label arrangements through partners. The core of TMN's partners are shareholder credit card companies, who are important channels for expanding the number of connected terminals for TMN. As mentioned above, even competing gateway/payment service providers often use the company's payment system for E-Cash payments, and in that respect, there is a collaborative relationship. For example, the American tech company Block has expanded its electronic payment service "Square" globally, but the E-Cash service it provides in Japan is provided by TMN on a white label basis.

Figure 11. Sales and Support Structure Based on Customer & Business Size



Source: Company Data.

## 5. Japan's Cashless Market

### Japan's Cashless Ratio is Increasing Year by Year

In Japan, where TMN provides services, the cashless payment ratio rose to 42.8 % in 2024. This is a 3.5% increase from the previous year and has continued to rise since 2010.

### Government Target Achieved Ahead of Schedule

2017, the Japanese government set the cashless payment ratio as a KPI in its growth strategy. The "Growth Strategy Follow-up" approved by the Cabinet in June 2019 stated that the government's goal was to "double the cashless payment ratio to around 40% by June 2025." This goal was achieved ahead of schedule.

### Remarkable Growth of QR/Barcode Payment

Looking at the breakdown of cashless payments, code payments will overtake debit cards in 2020 and E-Cash in 2022 to become the second most used payment method in Japan. The growth rate has also been rapidly increasing since 2021, 24% to 38% and then 50% now to 66%. TMN has adopted a pay-as-you-go business model based on the amount of payment transactions to capture the growth of QR/barcode payment and will likely continue to benefit from this.

### Credit Card Payments are Growing Steadily

The amount of credit card payment transactions has been steadily increasing since 2010. As mentioned above, TMN mainly receives a fixed monthly payment

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processing fee from credit cards; but going forward, it plans to increase pay-as-you-go contracts, which are more common in the industry. As pay-as-you-go contracts increase, sales are expected to grow as the credit card payment market expands.

Meanwhile, the amount of payments made using E-Cash has remained roughly flat at ¥6.0 to ¥6.4 trillion since 2020. As its popularity and usage has increased, it can be said that E-Cash is becoming more mature than credit cards and QR/barcodes. TMN is aware of this, and for the time being, it plans to continue with the current monthly flat-rate business model for E-Cash. (The stera contract also requires a pay-as-you-go contract for E-Cash.)

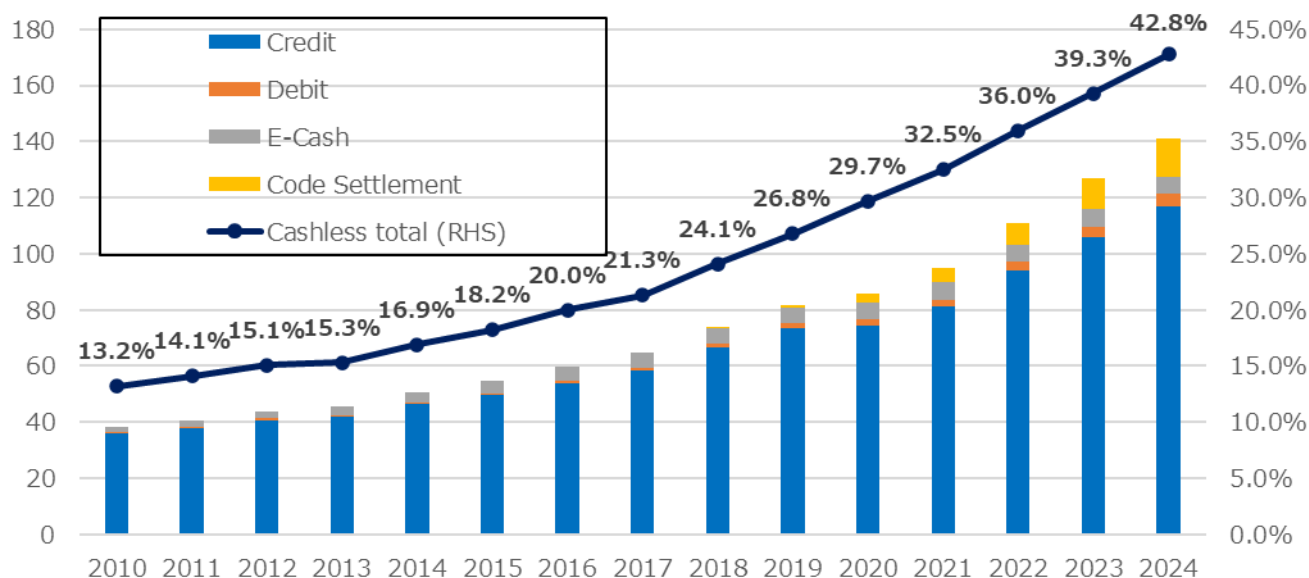
Figure 14 compares the cashless payment ratios of each country in 2022 based on payment-related statistical data for major countries in the "Red Book" published by the Bank for International Settlements (BIS). Japan's cashless payment ratio as of 2022 will be 36.0%. This is still a low level compared to countries that are ahead of the rest in terms of cashless payments, such as South Korea (99.0 %), China (83.5%), as well as the UK (64.2%), Canada (61.9%), the US (56.4%) and France (51.2%).

The Japanese government has stated its commitment to advancing the necessary infrastructure development to achieve a future target of an 80% cashless payment ratio, which is among the highest in the world. This is expected to provide a strong tailwind for TMN.

**The Amount of E-Cash Transactions Remains Almost Flat**

**Compared to Other Countries, there is a Lot of Room for Cashless Transactions in Japan**

**Figure 12. Trends in Japan's Electronic Payment Amounts & Ratios (¥ Trillion)**



Source: Compiled by Strategy Advisors. Based on Data from the Ministry of Economy, Trade and Industry.



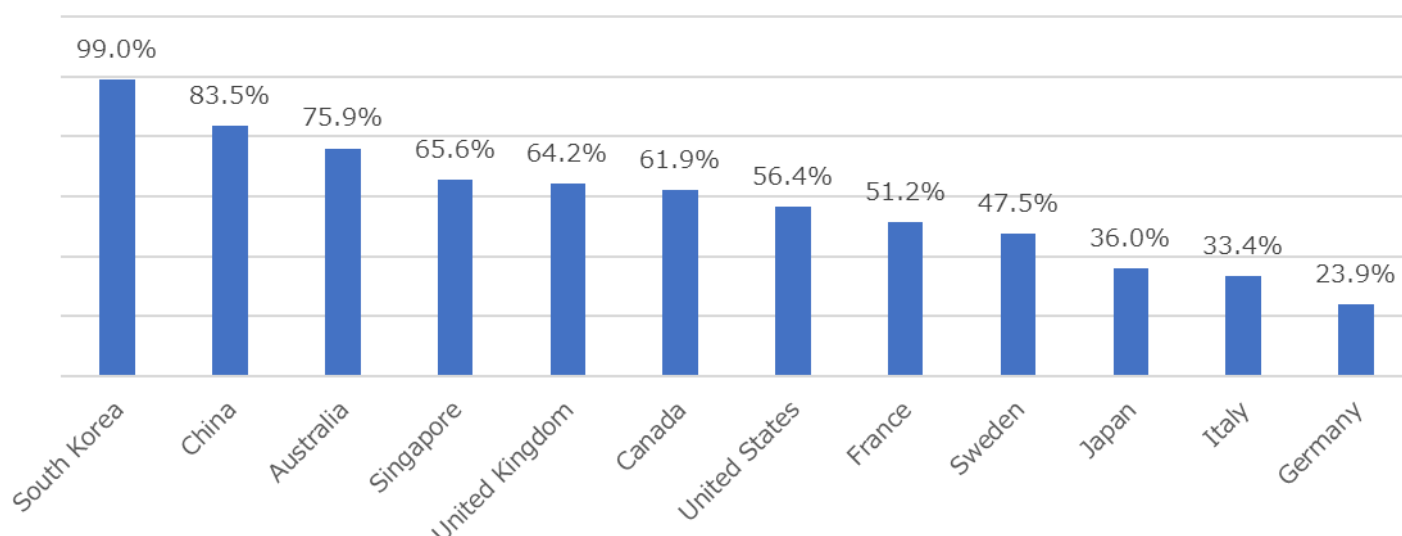
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**Figure 13. Electronic Payments in Japan by Service (¥ Trillions)**

	calendar year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Credit</b>	Processing Volume	41.8	46.3	49.8	53.9	58.4	66.7	73.4	74.5	81.0	93.8	105.7	116.9
	(YoY)	2.7%	10.7%	7.7%	8.2%	8.2%	14.2%	10.1%	1.4%	8.8%	15.8%	12.7%	10.6%
	Percentage in CL	14.1%	15.4%	16.5%	18.0%	90.2%	90.7%	89.7%	86.8%	85.3%	84.5%	83.5%	82.9%
<b>Debit</b>	Processing Volume	0.5	0.5	0.4	0.9	1.1	1.3	1.7	2.2	2.7	3.2	3.7	4.4
	(YoY)	-12.7%	-4.4%	-7.7%	108.2%	26.9%	18.3%	28.1%	25.8%	25.1%	19.3%	13.7%	18.9%
	Percentage in CL	0.2%	0.2%	0.1%	0.3%	1.7%	1.8%	2.1%	2.5%	2.8%	2.9%	2.9%	3.1%
<b>E-Cash</b>	Processing Volume	3.1	4.0	4.6	5.1	5.2	5.5	5.8	6.0	6.0	6.1	6.4	6.2
	(YoY)	27.1%	28.0%	15.7%	10.8%	1.1%	5.4%	5.0%	4.9%	-1.1%	1.9%	5.3%	-3.1%
	Percentage in CL	1.1%	1.3%	1.5%	1.7%	8.0%	7.5%	7.0%	7.0%	6.3%	5.5%	5.1%	4.4%
<b>Code Settlement</b>	Processing Volume	-	-	-	-	-	0.2	1.0	3.2	5.3	7.9	10.9	13.5
	(YoY)	NA	NA	NA	NA	NA	NA	512.5%	230.0%	66.3%	50.3%	37.5%	23.9%
	Percentage in CL	-	-	-	-	-	0.2%	1.2%	3.7%	5.6%	7.1%	8.6%	9.6%
<b>Electronic Payment</b>	Processing Volume	45.4	50.7	54.9	60.0	64.7	73.5	81.9	85.8	95.0	111.0	126.7	141.0
<b>Total</b>	(YoY)	15.3%	16.9%	18.2%	20.0%	21.3%	24.1%	26.8%	29.7%	32.5%	36.0%	39.3%	11.3%
<b>Private Final Consumption Expenditure</b>	Volume	296.7	300.1	301.2	299.9	303.3	305.2	305.8	288.6	292.0	308.5	332.4	329.8

Source: Compiled by Strategy Advisors. Based on Data from the Ministry of Economy, Trade and Industry.

**Figure 14. Electronic Payment Ratios in Major Countries (2022)**



Source: Cashless Roadmap, Cashless Promotion Council.

## 6. Growth Strategy

### (1) Long-Term Vision for Further Expansion of Payment Services and Full-Scale Development of Transaction Platform Service

#### Transaction Platform Service has Been in the Spotlight Since the Company was Founded

Transaction Platform Service (accumulation and analysis of purchasing data, etc.) is the data asset business that TMN has been aiming for since its founding in 2008. As the first step, payment services are positioned to build relationships with customers and affiliated stores and establish a position as an infrastructure operator, while also expanding the business. Figure 15 summarizes TMN's growth strategy from the perspectives of customer industry sectors, data flow and time.

#### Continue to Aim to Expand Electronic Payment Services Business

Since its founding, TMN has aimed to expand its E-Cash payment service business in stores, mainly retail stores and has worked to increase the number of customers and affiliated stores, as well as expand its business area to include payment services such as credit and QR/barcode payment. TMN plans to continue expanding its payment service business by increasing the number of terminals and payment volume.

#### The Transaction Platform Service is Moving from Data Aggregation to Data Utilization

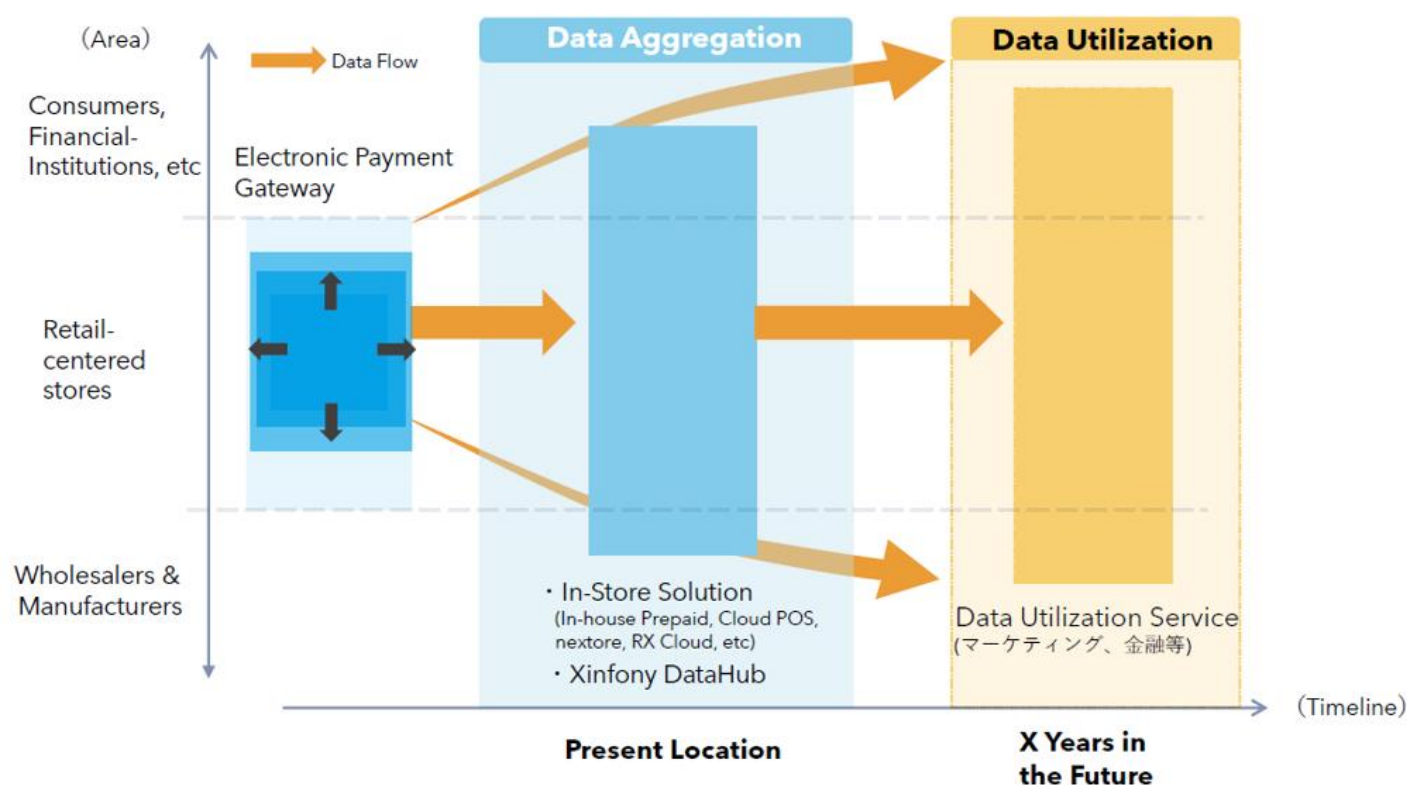
In the Transaction Platform Service, the company has expanded its services in recent years and in FY3/2025, it has reached the stage where it can aggregate purchasing data and other data by launching commercial services for Xinfony Data Hub, Cloud POS and RX Cloud, which will be described later. At the same time, the range of customer industries is expanding from retail stores to wholesalers, manufacturers, consumers, financial institutions, etc. In a few years' time, the company aims to provide services that fully utilize accumulated data in fields such as marketing and finance.

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## TMN Has Been Honing Their Development & Service Provision Capabilities to Expand Their Transaction Platform Service

Within 3-years since its foundation, TMN developed a cloud-based E-Cash payment service, which was said to be impossible at the time; and has honed its development and service proposal capabilities while carrying out difficult projects such as the centralization of Kobe Coop's member information. At the same time, it has established its position as an infrastructure business and built relationships with customers and affiliated stores, which has strengthened the company. Strategy Advisors believe that it is precisely because of this that it is now in a position to tackle the new field of Transaction Platform Service.

Figure 15. Image of Growth Strategy



Source: Company Data.

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

As the ratio of cashless payments in Japan increases, TMN's payment service business is expected to grow in the medium to long term. In stock revenue, which is the pillar of this business, the growth of drivers will be an increase in the number of terminals and an increase in payment volume.

## There is Room for Expansion with Nearly 3 million CCT Terminals and POS Terminals at Affiliated Stores Alone

In order to increase the number of terminals, TMN is working on an "affiliate expansion initiative" to expand the number of stores connected to TMN GATEWAY, as well as an "area expansion initiative" to connect to terminals other than CCT terminals and POS terminals.

Measures to expand the number of affiliated stores for medium and large-scale retailers with annual sales of ¥50 billion or more include direct sales through unique routes and new service proposals. On the other hand, for small-scale retailers with annual sales of less than ¥50 billion, the company is promoting area expansion through white labeling through credit card companies, which are shareholders and payment service providers such as Block, with which it is affiliated. It is said that there are 4 million POS and CCT terminals installed throughout Japan. Of the 1.1 million payment terminals connected to TMN, approximately 1.08 million are POS/CCT terminals. There is still room for development in this terminal market, with nearly 3 million more terminals.

## **If Vending Machines & Payment Machines are Taken into Account, The Market Size is Over 8 million Units**

In terms of expanding into new markets, in addition to targeting non-distribution businesses such as medical institutions, the company is strengthening its efforts in untapped markets such as vending machines and automatic payment machines on route buses and in parking lots.

It is estimated that there are approximately 4 million vending machines and payment machines installed nationwide, and when including POS and CCT terminals, the total market in Japan is estimated to be approximately 8 million units. Recently, in supermarkets, there has been an increase in cases where customers pay at one of the multiple self-service payment terminals lined up after the cashier scans the product. In this way, multiple payment terminals have been installed instead of the single one next to the cash register and this market size may become even larger. Furthermore, cashless payments are spreading in areas where cash payments were mainstream until now, such as outdoor payments at coin parking lots and event venues and the potential for the numbers of terminals is great.

## **Cross-Selling of Payment Services and Adding QR/Barcode Payment to Increase Payment Volume**

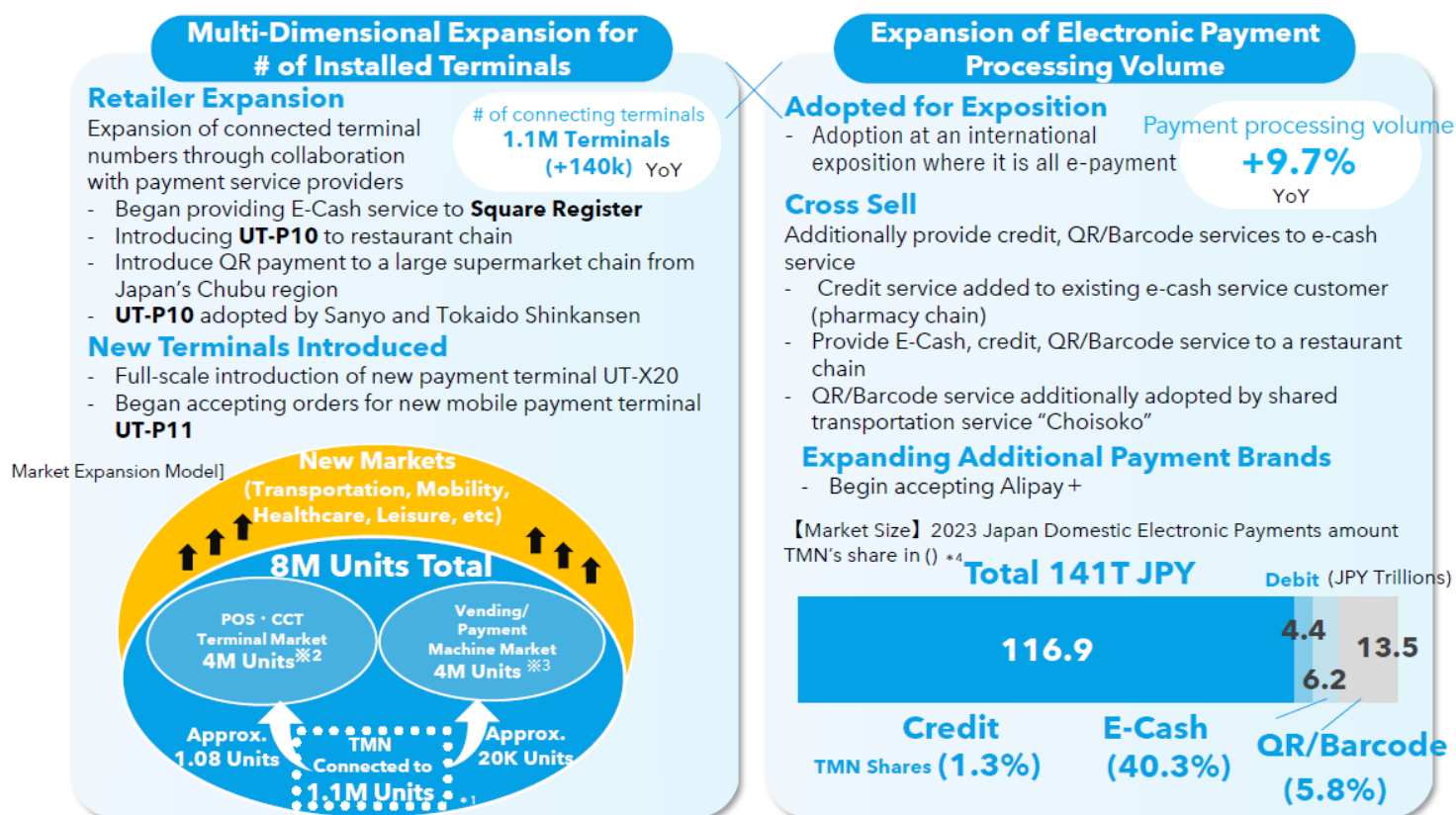
Another growth drive is the expansion of payment volume. By adding a payment service to terminals already connected to the TMN gateway, it is possible to increase the payment transaction amount per connected terminal. For example, if TMN can acquire a QR/barcode payment contract from an affiliated store that previously only had an E-Cash contract, it will lead to new sales of QR/Barcode Settlement Fees.

## **Alipay+ will be Available from November 2024**

From November 2024, the company will begin accepting QR/barcode payment "Alipay+". "Alipay+" supports 16 QR and barcode brands in 11 countries and regions, including Asian countries and Italy. Support for Alipay+ is expected to increase payment volume by capturing inbound demand.

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Figure 16. Expanding Electronic Payment Services



Source: Company Data.

## (3) Accelerating Growth through Aggressive M&A and Capital Alliances

TMN is also using the funds raised through the IPO to pursue an inorganic growth strategy through M&A and capital alliances.

### ① WebSpace as a Subsidiary (December 2023, Acquisition Price: ¥890 Million)

#### WebSpace, a Distribution Solutions Company, Became a Consolidated Subsidiary

Since its founding in 1998, WebSpace has expanded its business through retail systems ("Parallel Net") based on POS and EOS (replenishment ordering system), as well as MMK collection window services used for paying utility bills, etc.

The number of stores that have installed POS systems is approximately 3,000, and the "MMK Collection Counter Service," a collection agency service for barcoded payment slips (for paying public utility bills such as telephone bills and electricity bills) provided by Shinkin Information Service and WebSpace, has been introduced in over 10,000 stores, including supermarkets and drugstores. The company has built a wide customer base, from large chain stores to small and medium-sized stores.



The synergy's they aim to achieve is to strengthen the service menu for mutual business partners by incorporating TMN's payment service and WebSpace 's "MMK Collection Service". In addition, they are considering accelerating the development of functions for TMN's cloud POS system by utilizing WebSpace 's POS system.

- ② Convert GC Planning (TSE Group 4037) into an Equity Method Affiliate (March 2025)

## GC Planning, A Credit Card Payment Gateway Company, Become an Equity Method Affiliate

TMN signed a capital and business alliance agreement in FY3/2024 and acquired 14.9% of GC Planning's shares. In March 2025, TMN acquired an additional 136,000 shares of GC Planning, making it an equity method affiliate (after the additional acquisition, its investment ratio will be 20.3%). The total acquisition amount is ¥270 million. GC Planning is a company that operates a credit card payment gateway in the payment business field and has been involved with TMN as a development partner since the early 2010's. As TMN also plans to focus on the credit card payment business, it plans to utilize GC Planning's know-how and improve development efficiency through collaboration between the 2 companies.

## 7. Overview of Transaction Platform Service

Since its founding, TMN has set the goal of understanding purchasing data. It started its business from the perspective of cashless payments and is gradually developing it into a Transaction Platform Service in order to access purchasing data other than payment data as well.

### Aiming to Utilize Collected Data

Transaction Platform Service involves safely storing all data collected in TMN gateway, such as payment information (both electronic and cash), marketing information, and product information and building a mechanism for processing the information so that it can be used for advanced data analysis, with the intention of linking it to a variety of services. Specifically, the aim is to integrate, link and analyze all data related to purchasing and behavior in order to utilize it for new product development, marketing and supply chain efficiency. By providing services such as in-house prepaid and cloud POS, TMN can collect data while earning revenue. In the future, the company plans to provide services that utilize the collected data in fields such as marketing and finance.

### How Purchasing Data is Collected at Zero Cost in TMN

TMN believes that the most important thing in the Transaction Platform Service, or in other words data management, is to keep data acquisition costs down. As data distribution and trading becomes more widespread, the price of data is likely to rise and so will the cost of purchasing data. As the introduction of cloud POS and in-house prepaid systems progresses, all payment data, including cash payments and purchase data will be processed at TMN's data center, automatically leading to the accumulation of data. This will also progress in the form of revenue from affiliated stores, making it a potentially extremely effective business model.



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## Transaction Platform Service Targets ¥20 Trillion in Domestic Advertising & Distribution Measures

TMN aims to generate revenue by providing the purchasing data and customer information it has acquired with consumer goods manufacturers and their future clients in the distribution industry. The domestic consumer goods advertising-related market is said to be ¥20 trillion, consisting of consumer goods manufacturers' annual advertising expenditures of about ¥4 trillion and "distribution measures expenses" such as rebates and sales promotions of about ¥16 trillion. TMN believes it can generate revenue from this advertising-related market by implementing One to One marketing using various data.

Specifically, by utilizing real-time purchasing data, payment data and customer data, manufacturers will be able to achieve greater efficiency in production and inventory adjustments through innovative product development and marketing strategies and retailers will be able to carry out efficient and effective promotions.

Below is a description of the services currently available commercially.

### (1) POS Business Essential for Acquiring Purchasing Data

#### Leveraging its Strengths as an Infrastructure for Cashless Payments. The Company Developed a Cloud POS System

TMN has applied its know-how in cloud-based electronic payments to realize cloud-based POS systems.

TMN's strengths in the Transaction Platform Service lie in its network connection to the POS systems of major chain stores through its payment gateway business, and in its ability to leverage its track record of 1.1 million payment terminals connected to its gateway across a wide area to develop new services such as cloud POS and in-house prepaid.

#### Cloud POS Makes it Possible to Obtain Data on "Where, Who, What & How Much" for Purchased Products

While payment terminals can obtain data on "where", "when" and "how much", POS devices can also obtain data on "what" regarding the product or service purchased in addition to the above data. TMN's cloud POS is hardware-independent and can be implemented on POS registers and tablets currently in use at stores, significantly reducing development and implementation time and costs. Additionally, because it is a cloud environment, franchisees can flexibly add functions after implementation and utilize data in real time. Furthermore, by linking with "who" data obtained from ID-POS and house prepaid cards, one-to-one marketing becomes possible.

### (2) Nextore, A Payment-Based Digital Platform Service

#### Nextore Enables Distribution of Apps to Support Store Operations Other than Payments

While many Transaction Platform Service initiatives such as cloud POS are aimed at large chain stores, the nextore business is a digital platform service based on payment that is provided to small chains and individual stores. The business model is based on sales revenue from terminals with functions other than cashless payment and revenue from fees for the use of applications on the platform.

Nextore not only consolidates various cashless payments into one terminal, but also enables the expansion of functions other than payment by implementing "tance mall", an app platform for store business support developed by Tance Co., Ltd., on TMN's mobile terminal (UT-P10). tance is a joint venture between Japan Card Network, a JCB Group company and TIS, a major system integrator, and provides platforms for stores and digital transformation support. On April 19, 2024, as the first step, 2 business apps, the call notification service "yoboca" and the self-order service "QR Order," were developed by a third party and made available on "tance mall".

## **Nextore Sales in FY3/2024 will be Dominated by Device Sales**

When the nextore service was first launched, regional banks were the main channel partners, but with the start of collaboration with the JCB Group, nextore terminal sales expanded to 7,000 units and sales revenue to approximately ¥600 million in FY3/2024, with terminal sales becoming the core of the Transaction Platform Service.

## **TMN Will Take on the Development & Operation of the System for Creating Prepaid Cards for Each Company**

### **(3) House Prepaid / Xinfony Data Hub**

House Prepaid is a service in which TMN takes over all of the back-end system operations when member stores issue their own prepaid cards. When issuing a prepaid card, the consumer enters their membership information to create the card, so data is obtained that links membership information and payment data.

Examples of systems that have been introduced include "ToMaCa" by Youcoop, a consumer cooperative operating in Kanagawa, Shizuoka & Yamanashi Prefectures, "Co-Pie Card" by Coop Kobe and "Aoca" by Kusuri no Aoki. In addition to sales based on the introduction of the system and the number of users, TMN benefits from being able to obtain payment data linked to member information necessary for Transaction Platform Service. Meanwhile, the member stores benefit from being able to introduce cashless payment with lower payment fees than credit cards. For the house prepaid business, there are initial development sales and the business model involves receiving a fixed monthly fee based on the number of cards issued in stock.

## **POS Data to Xinfony Data Hub**

On the other hand, Xinfony Data, which started its "Xinfony Data Hub" service in June 2024, collects, stores and utilizes data and is one of the key elements of the Transaction Platform Service. It provides the Hub service and stores large amounts of data from POS.

In addition, in addition to providing House Prepaid, Coop Kobe is managing its point service and member information centrally through TMN. Therefore, Coop Kobe and Mitsubishi Foods are working with Xinfony Data to develop a CDP (Customer Data Platform), which will serve as the data infrastructure for collecting and integrating customer data for Co-op Kobe.

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## **Aiming to Utilize Data Managed in an Integrated Manner Using Xinfony Data Hub**

At TMN, they use the Xinfony Data the Hub to contribute to improving the profitability of retailers by collecting (data preservation), connecting (data integration) and discovering (data analysis) various large amounts of data such as POS data, thereby realizing data visualization and utilization. In addition, although distribution industry groups, including manufacturers and wholesalers, are considering standardizing and standardizing product master data. The current situation is that the product master data differs for each major retailer, and they are considering integrating such master data to utilize the data.

## **(4) RX Cloud**

RX Cloud is a cloud-based digital transformation service for dispensing pharmacies that was jointly developed with mediLab (Headquarters: Shinjuku-Ku, Tokyo), a medical AI venture. It was proposed to be used at dispensing pharmacies attached to drug stores and was launched commercially in FY3/2025 Q1. It can scan prescriptions and digitize them on the cloud, as well as the ability for AI to check the contents of prescriptions and detect risks

## **In Addition to Steady Growth in Existing Businesses, TMN aims to Achieve Sales of ¥100 billion through New Businesses and M&A**

## **8. What TMN Wants to be by 2030**

TMN announced its long-term vision in its FY3/2024 financial results presentation. The company has set a target of ¥100 billion in consolidated sales in FY2030, broken down into ¥40 billion in the payment domain (FY3/2024 actual: ¥9.64 billion) and ¥60 billion in the Transaction Platform Service domain (FY3/2024 actual: ¥720 million). In both areas, the company's goals include not only expanding existing businesses, but also contributions from new businesses and M&A.

## **Aiming for Rapid Expansion in the Transaction Platform Service Field from FY2027**

TMN positions its Transaction Platform Service as something that contributes to the digital transformation of each company. Therefore, it expects that companies will strengthen their response to the "2025 digital transformation cliff" outlined in the METI digital transformation report to be around 2027. As shown in Figure 21, the Transaction Platform Service is expected to see rapid sales growth from FY2027, including M&A.

## **In the Transaction Platform Service Field, TMN Aims to Increase Sales Through Existing Services, New Businesses and M&A**

In the Transaction Platform Service, existing services that are expected to grow organically include cloud POS and in-house prepaid; as well as Xinfony Data Hub and nextore, which are expected to become more popular in conjunction with these services. In addition, new businesses and M&As related to Transaction Platform Service are also expected as inorganic growth and the company plans to achieve sales of ¥60 billion in total.

## **In the Payment Area, TMN Aims to Capture Credit**

Meanwhile, in the payment domain, the company is aiming to achieve sales of ¥40 billion through organic growth through steady stock revenue accumulation, as well as inorganic growth through M&A and new businesses that are not an extension of existing businesses. In aiming for organic growth, the company plans to increase sales by acquiring a credit card payment gateway, which has

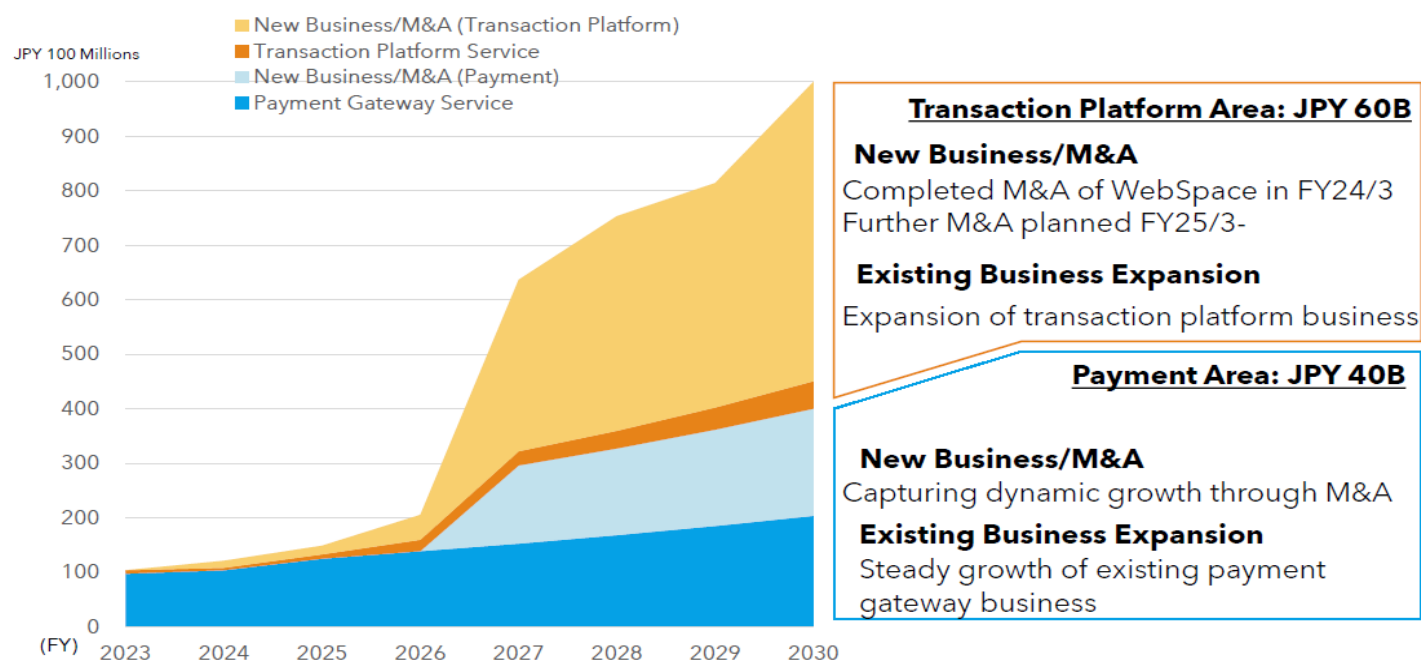
large payment transaction volumes.

**Figure 17. Vision For 2030**

**Target: FY2030 / Consolidated net sales of JPY 100 billion**

Actively promote M&A in addition to steadily grow the existing businesses

## Sales Trends (Expectation)



Source: Company Data.

## 9. Equity Story

### A Strategy is a Story that You Can't Wait to Tell Someone

An Equity Story is a long-term scenario that will grow a company's stock price and profits. From the perspective of long-term stock price growth, an equity story is 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.

### Electronic Payment Services Business Stock Revenue Continues to Grow

As mentioned above, since launching Japan's first cloud-based E-Cash payment service in 2011, TMN has expanded its payment area to include credit cards, QR codes and barcodes and has grown into one of Japan's largest electronic

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## **Expectations for Increased Stock Revenue in the Transaction Platform Service**

payment gateway companies, currently supporting 46 payment brands and with 1.1 million active connections. Stock revenue, an important management indicator for analyzing the company's business, has continued to grow from ¥3.952 billion in FY3/2019 to ¥8.129 billion in FY3/2025.

It should be noted that the currently disclosed stock revenue only covers the electronic payment service business. As the Transaction Platform Service is still in the launch stage, sales are small and the breakdown of stock revenue and flow revenue has not been disclosed at this time. However, TMN has built a strong customer base and partner network, so if it is successful in developing customers for the Transaction Platform Service through cross-selling, it is expected that stock revenue will grow significantly in the future.

## **Expectations are High for Stable Growth in Stock Revenue from Electronic Payment Services as the Data Center Relocation Brings Benefits**

TMN was forced to incur an operating loss in FY3/2025 due to increased costs for data center relocation and troubleshooting/maintenance support and so its stock price also slumped. The data center relocation is expected to be completed at the end of September this year and the company expects to return to profitability from the second half of FY3/2026.

However, a full-scale rise in stock prices cannot be expected simply by eliminating negative factors. Positive factors of this data center relocation include the ability to focus on business development by updating the basic infrastructure, strengthening sales to large customers, reducing operational costs and securing capacity with an eye on sales targets for FY2030. As the effects of these data center relocations gradually emerge, they are likely to lead to stable growth in stock revenue in the electronic payment services business.

If stock revenue grows significantly in both the electronic payment service business and the Transaction Platform Service, we can expect not only an increase in sales revenue due to an increase in the average customer price, but also an improvement in profit margins due to reduced customer management costs.

## **"Improved Profit Margins Due to Stable Growth in Stock Revenue in the Electronic Payment Services Business & Rapid Expansion in Stock Revenue in the Transaction Platform Service"**

For these reasons, Strategy Advisors is hopeful about the equity story of "stable growth in stock revenue in the electronic payment services business as a result of the benefits of the data center relocation and improved profit margins due to rapid expansion of stock revenue in the Transaction Platform Service."

In the past, TMN's profits have declined due to declining flow revenue and rising costs, and high profit volatility has also led to a decline in valuation. If the stable growth in stock revenue in the electronic payment services business resulting from the effects of the data center relocation is joined by the contribution of stock revenue in the Transaction Platform Service; we can expect not only an increase in profits due to improved profit margins, but also an increase in valuation due to lower profit volatility. Therefore, Strategy Advisors will closely monitor the effects of the data center relocation and the trends in stock revenue in the Transaction Platform Service.



## 10. Stock Price Trends and Valuations

### Stock Prices have Recently Recovered Rapidly

In the stock market, there were concerns about a decline in business performance due to increased costs associated with the data center relocation and sluggish flow revenue throughout FY3/2025 and as such, the company's stock price continued to decline gradually. In the latter half of March 2025, the company's stock price also fell sharply as the stock market fell following the announcement of mutual tariffs by the Trump administration. From April, the company's stock price rebounded in line with the recovery of the stock market and further recovered significantly following the announcement of FY3/2025 on May 14. This is presumably since actual results exceeded the downward revision announced in January 2025, and the company's forecast for FY3/2026 expects a clear recovery in both sales and profits compared to the previous fiscal year.

Looking at the stock prices of cashless payment-related stocks since the beginning of 2024, there was a period when Netstars (5590 TSE Growth) significantly outperformed the TOPIX due to news such as its adoption for Sumitomo Mitsui Card's "stera" terminals but has since fallen back. Other stocks have generally tended to underperform TOPIX. Since mid-2024, the degree of recovery has varied depending on the stock. As mentioned above, TMN's stock price has been on a downward trend due to deteriorating performance, but its recovery since April has been the strongest among its peers.

### Valuations Remain Low

Although the company's stock price has recently recovered sharply, when comparing valuations with cashless payment-related stocks, TMN's valuation is at the lowest level among domestic companies, at PBR 1.6x and EV/EBITDA of 9.8x. The cashless payment market is expected to grow rapidly and the valuations of companies in this field are significantly higher than the average expected PER of 15.5x and PBR of 1.4x for companies listed on the Tokyo Stock Exchange's Prime Board. TMN's valuation is inferior to its peers.

### FY3/2026 Sales Progress Will be Key to Predicting the Stock Price in the Near Future

In FY3/2026, the company expects to post an operating loss in the first half of the year, but this appears to have been largely factored into the stock price. Sales trends, which are key to anticipating a profit recovery in the second half, are more important and will have an impact on the stock price. As the timing of revenue recognition varies with flow revenue, the key will be top-line trends, including progress in negotiations and prospects for contracts.

The relocation of the data center is currently about 90% complete, so further risk factors are likely to be limited.

If, as the company expects, operating profit turns profitable from the second half of FY3/2026 and the outlook for achieving the company's forecast strengthens, this will lead to expectations for increased earnings in FY3/2027.

### Continued Focus on Medium-Term Growth Potential

As mentioned above, if the equity story becomes more realistic in the future - stable growth in stock revenue in the electronic payment services business as a result of the effects of the data center relocation and improved profit margins due to rapid expansion of stock revenue in the Transaction Platform Service -



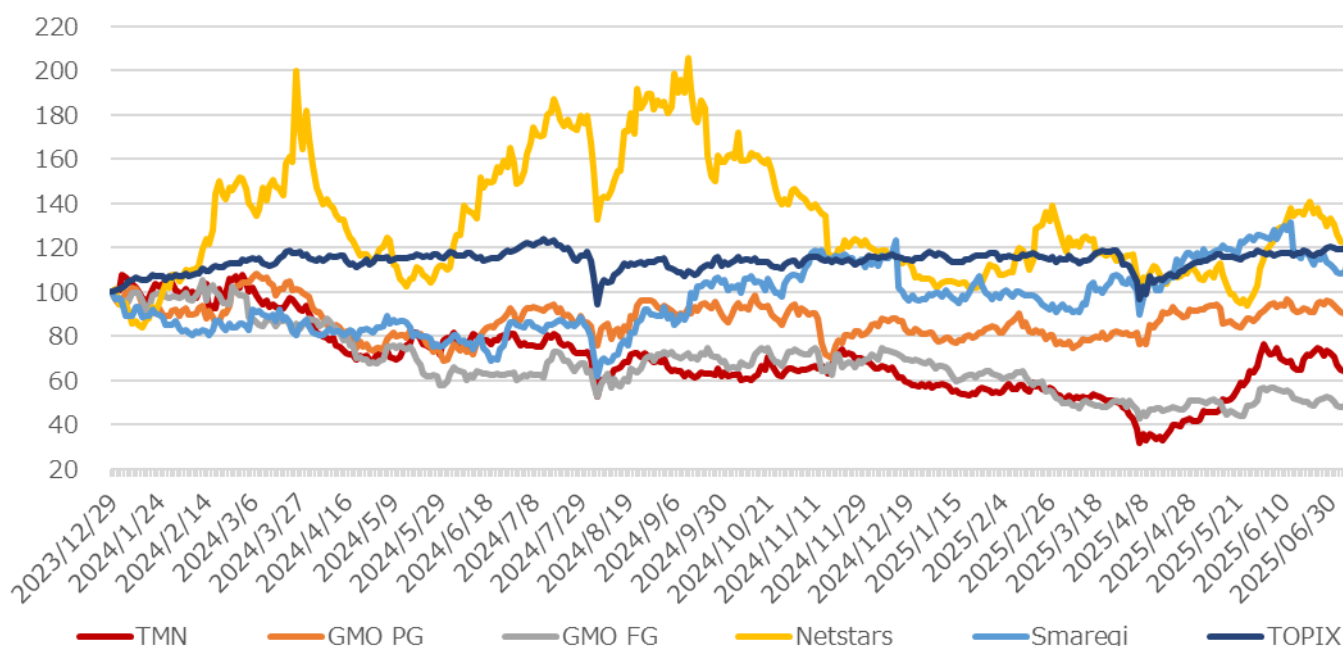
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the stock price is likely to rise in response to growing expectations for mid to long-term profit growth.

## Acquired 7.35 million Treasury Shares

The company also acquired 7.35 million shares (approximately ¥3.5 billion) of its own stock through off-floor purchase transactions on June 27. As the investment ratio of the other party, the largest shareholder Mitsubishi Corporation, decreased from 25.45% to 16.73%, Mitsubishi Corporation is no longer considered a controlling shareholder or other related company of the company.

**Figure 18. Stock Price Trends of TMN & Competitors (end of 2023 =100)**



Source: Strategy Advisors.

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**Figure 19. Valuation Comparison with Peer Companies**

	Code	Currency	FY	Price (July 7)	Market Cap. ¥ bn	EV ¥ bn	PER CoE Times	PBR Actual Times	EV/ EBITDA Times	Yield CoE %	ROE CoE %
<b>TMN</b>	<b>5258</b>	¥	<b>3/25</b>	<b>430</b>	<b>15.9</b>	<b>14.5</b>	<b>45.5</b>	<b>1.6</b>	<b>9.8</b>	<b>0.0</b>	<b>3.5</b>
GMO PG	3769	¥	9/24	8,892	674.5	689.0	36.4	6.6	24.1	1.4	17.8
GMO FG	4051	¥	9/24	5,250	43.3	40.4	33.0	15.5	19.6	1.5	23.3
Smaregi	4431	¥	4/25	3,035	58.5	53.2	31.3	7.6	19.4	0.7	24.3
Netstars	5590	¥	12/24	895.0	14.9	8.7	75.1	2.1	61.2	0.0	2.8
Block	XYZ	USD	12/24	69.23	42.6	37.7	24.5	2.0	21.8	0.0	8.0
Adyen	ADYEN	Euro	12/24	1,543.2	48.6	39.0	43.3	11.5	39.7	0.0	26.6

Notes:

1) EBITDA used in EV/EBITDA is calculated as the previous fiscal year's operating profit + depreciation + amortization of goodwill + amortization of customer-related assets. For the current fiscal year, TMN, GMO PG, and GMO FG used company forecasts, while Block and Adyen used Fact Set consensus forecasts. ROE is calculated by dividing the company's forecast net income by the equity capital at the end of the most recent quarter.

2) EV/EBITDA: EV is calculated as market capitalization + interest-bearing liabilities - (cash and cash equivalents - deposits).

3) Block and Adyen based on closing prices as of July 4.

Source: Strategy Advisors.

**Figure 20. Comparison of Profitability with Other Companies in the Industry (Based on Latest FY Results)**

	Code	FY	Operating Margin %	ROE %	ROIC %	EBITDA Margin %	Equity Ratio %
<b>TMN</b>	<b>5258</b>	<b>3/25</b>	<b>-4.1</b>	<b>-6.7</b>	<b>-6.7</b>	<b>12.0</b>	<b>37.3</b>
GMO PG	3769	9/24	34.1	20.4	19.2	38.7	29.9
GMO FG	4051	9/24	8.2	18.9	22.7	11.0	39.6
Smaregi	4431	4/25	-30.8	-8.7	-119.0	-17.9	33.3
Netstars	5590	12/24	21.5	24.0	140.0	24.8	71.9
Block	XYZ	12/24	-2.2	-0.5	-9.0	3.6	19.9
Adyen	ADYEN	12/24	7.0	14.5	15.5	7.2	57.8

Note: Based on most recent full-year results.

Source: Strategy Advisors.

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**Figure 21. Income Statement (¥ million)**

FY	Parent 3/2021	Parent 3/2022	Parent 3/2023	Parent 3/2024	Consolidated 3/2024	Consolidated 3/2025	Consolidated 3/2026 CoE
<b>Total Sales</b>	<b>6,451</b>	<b>7,139</b>	<b>7,831</b>	<b>10,370</b>	<b>10,370</b>	<b>12,300</b>	<b>15,079</b>
(YoY)	-21.0%	10.7%	9.7%	32.4%	-	18.6%	22.6%
<b>&lt;Stock Revenue&gt;</b>	<b>3,953</b>	<b>4,711</b>	<b>5,617</b>	<b>7,054</b>	<b>7,054</b>	<b>8,129</b>	<b>9,802</b>
(YoY)	9.9%	19.2%	19.2%	25.6%	25.6%	15.2%	20.6%
• <b>Gateway Service Fees</b>	<b>3,133</b>	<b>3,496</b>	<b>3,822</b>	<b>4,285</b>	<b>4,285</b>	<b>4,646</b>	
(YoY)	32.4%	11.6%	9.3%	12.1%	12.1%	8.4%	
• <b>QR/Barcode Settlement Fees</b>	<b>188</b>	<b>486</b>	<b>1,147</b>	<b>2,231</b>	<b>2,231</b>	<b>2,992</b>	
(YoY)	743.2%	157.7%	135.8%	94.5%	94.5%	34.1%	
• <b>Registration Fees</b>	<b>631</b>	<b>728</b>	<b>647</b>	<b>537</b>	<b>537</b>	<b>489</b>	
(YoY)	-47.8%	15.3%	-11.1%	-17.1%	-17.1%	-8.8%	
<b>&lt;Flow Revenue&gt;</b>	<b>2,495</b>	<b>2,426</b>	<b>2,213</b>	<b>3,315</b>	<b>3,315</b>	<b>2,809</b>	<b>3,627</b>
(YoY)	-45.4%	-2.8%	-8.8%	49.8%	49.8%	-15.3%	29.1%
• <b>Device Sales Revenue</b>	<b>1,459</b>	<b>1,364</b>	<b>1,360</b>	<b>1,730</b>	<b>1,730</b>	<b>1,730</b>	
(YoY)	-55.3%	-6.5%	-0.3%	27.2%	27.2%	0.0%	
• <b>Development Sales</b>	<b>820</b>	<b>897</b>	<b>636</b>	<b>861</b>	<b>861</b>	<b>536</b>	
(YoY)	-26.5%	9.3%	-29.1%	35.4%	35.4%	-37.7%	
• <b>Others</b>	<b>215</b>	<b>165</b>	<b>216</b>	<b>723</b>	<b>723</b>	<b>541</b>	
(YoY)	14.7%	-23.2%	30.6%	233.8%	233.8%	-25.1%	
<b>WebSpace</b>						<b>1,362</b>	<b>1,650</b>
(YoY)							21.1%
<b>Gross Profit</b>	<b>1,915</b>	<b>2,279</b>	<b>2,562</b>	<b>3,321</b>	<b>3,321</b>	<b>3,401</b>	
(Gross Profit Margin)	29.7%	31.9%	32.7%	32.0%	32.0%	27.7%	
Selling, General and Administrative Expenses	1,760	1,568	2,002	2,544	2,544	3,905	
<b>Operating Income</b>	<b>154</b>	<b>711</b>	<b>560</b>	<b>829</b>	<b>777</b>	<b>-504</b>	<b>512</b>
(YoY)	-90.6%	358.8	-21.2%	48.1%	-	NM	NM
(Operating Margin)	2.4%	10.0%	7.2%	8.0%	7.5%	-4.1%	3.4%
Non-Operating Profit/Loss	4	1	-25	-11	-12	-9	-48
<b>Ordinary Income</b>	<b>158</b>	<b>712</b>	<b>535</b>	<b>818</b>	<b>765</b>	<b>-513</b>	<b>464</b>
(YoY)	-90.4%	348.9%	-24.8%	52.8%	-	NM	NM
(Ordinary Income Margin)	2.5%	10.0%	6.8%	7.9%	7.4%	-4.2%	3.1%
<b>Net Income</b>	<b>98</b>	<b>-385</b>	<b>672</b>	<b>637</b>	<b>585</b>	<b>-682</b>	<b>349</b>
(YoY)	-91.1%	NM	NM	-5.2%	-	NM	NM
EPS (¥)	3.1	-12.2	21.2	17.3	15.9	-18.5	9.5
Depreciation	1,206	1,463	1,601	1,615	1,615	1,921	2,351
<b>EBITDA</b>	<b>1,367</b>	<b>2,180</b>	<b>2,137</b>	<b>2,441</b>	<b>2,389</b>	<b>1,497</b>	<b>2,863</b>
(YoY)		59.5%	-2.0%	14.2%	11.8%	-37.3%	91.2%

Note: From FY3/2024, consolidated basis, therefore YoY comparison is not available. 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 Data.

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**Figure 22. Balance Sheet (¥ million)**

	Parent	Parent	Consolidated	Consolidated
<b>FY</b>	<b>3/2022</b>	<b>3/2023</b>	<b>3/2024</b>	<b>3/2025</b>
Cash and Deposits	3,419	2,861	13,173	14,069
Accounts Receivables	1,034	1,044	1,344	1,566
Inventory	549	504	621	449
Others	219	204	1,042	1,160
<b>Current Assets</b>	<b>5,223</b>	<b>4,614</b>	<b>16,182</b>	<b>17,246</b>
Tangible Fixed Assets	791	642	1,864	2,113
Intangible Fixed Assets	4,001	4,070	6,755	6,930
Goodwill	0	0	430	368
Investments and Other Assets	355	481	756	699
<b>Total Fixed Assets</b>	<b>5,148</b>	<b>5,194</b>	<b>9,376</b>	<b>9,743</b>
<b>Total Assets</b>	<b>10,372</b>	<b>9,808</b>	<b>25,558</b>	<b>26,989</b>
Trade Payables	149	67	205	83
Accounts Payable and Accrued Expenses	389	778	1,239	1,344
Short-Term Borrowings	507	4	167	369
Contractual Obligations	2,527	2,008	1,763	1,767
Deposit Received	661	1,684	8,777	10,994
Other Current Liabilities	261	189	407	468
<b>Current Liabilities</b>	<b>4,496</b>	<b>4,733</b>	<b>12,561</b>	<b>15,028</b>
Long-Term Debt	8	3	1,560	1,268
Retirement Benefits / Salary Reserves	100	115	178	200
Other Fixed Liabilities	0	0	429	365
<b>Fixed Liabilities</b>	<b>108</b>	<b>118</b>	<b>2,167</b>	<b>1,835</b>
<b>Total Liabilities</b>	<b>4,605</b>	<b>4,852</b>	<b>14,729</b>	<b>16,863</b>
Capital	3,553	3,553	6,150	6,165
Capital Surplus	3,553	708	3,305	3,319
Retained Earnings	-1,345	672	1,257	575
<b>Shareholders' Equity</b>	<b>5,761</b>	<b>4,933</b>	<b>10,714</b>	<b>10,060</b>
Stock Acquisition Rights	0	0	75	0
Unrealized Gains on Other Securities	5	22	39	65
<b>Total Net Assets</b>	<b>5,766</b>	<b>4,956</b>	<b>10,829</b>	<b>10,126</b>
<b>Liabilities and Net Assets</b>	<b>10,372</b>	<b>9,808</b>	<b>25,558</b>	<b>26,989</b>
Equity Capital	5,761	4,933	10,790	10,060
BPS (¥)	179.2	159.7	292.1	272.0

Source: Company Data.

# Transaction Media Networks | 5258 (TSE Growth)

**Figure 23. Cash Flow Statement (¥ million)**

<b>FY</b>	<b>Parent 3/2021</b>	<b>Parent 3/2022</b>	<b>Parent 3/2023</b>	<b>Consolidated 3/2024</b>	<b>Consolidated 3/2025</b>
Net Income Before Taxes and Other Adjustments	158	711	540	765	-581
Depreciation	1,206	1,463	1,601	1,615	1,901
Amortization of Goodwill					61
Amortization of Customer-Related Assets					21
Changes in Contract Liabilities	-	-603	-519	-245	4
Increase or Decrease in Deposit	227	298	1,022	-1,177	2,216
Other Operating Cash Flows	-552	239	158	-425	0
<b>Cash Flows from Operating Activities</b>	<b>1,039</b>	<b>2,109</b>	<b>2,803</b>	<b>533</b>	<b>3,624</b>
Purchase of Tangible Fixed Assets	-450	-166	-100	-475	-599
Purchase of Intangible Fixed Assets	-1,859	-1,177	-1,276	-2,455	-1,918
Purchase of Investment Securities	0	0	0	-200	0
Purchase of Shares in a Subsidiary Resulting in a Change in the Scope of Consolidation				7,710	
Cash flows from Other Investing Activities				9	-127
<b>Cash Flows from Investing Activities</b>	<b>-2,310</b>	<b>-1,344</b>	<b>-1,377</b>	<b>4,588</b>	<b>-2,644</b>
Proceeds from Short-Term Borrowings	970	-500	-500	0	-8
Proceeds from Long-Term borrowings					80
Repayment of Long-Term borrowings					-76
Issuance of Shares	0	999	0	5,164	0
Redemption and Cancellation of Shares	0	0	-1,500	0	0
Other Financial Cash Flows	-64	-13	15	25	-79
<b>Cash Flows from Financing Activities</b>	<b>905</b>	<b>485</b>	<b>-1,984</b>	<b>5,190</b>	<b>-83</b>
Free Cash Flow	-1,270	765	1,426	5,121	979

Source: Company Data.

# Transaction Media Networks | 5258 (TSE Growth)

**Figure 24. Stock Price Indexes, ROE and KPI's**

FY	Parent 3/2021	Parent 3/2022	Parent 3/2023	Consolidated 3/2024	Consolidated 3/2025	Consolidated 3/2026 CoE
<b>EPS (¥)</b>	<b>3.1</b>	<b>-12.2</b>	<b>21.2</b>	<b>15.9</b>	<b>-18.5</b>	<b>9.5</b>
<b>BPS (¥)</b>	<b>232.0</b>	<b>179.2</b>	<b>160.0</b>	<b>292.1</b>	<b>272.0</b>	<b>-</b>
<b>Dividend per Share (¥)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Closing Price (¥)</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>628</b>	<b>320</b>	<b>-</b>
<b>PER (Times)</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>39.6</b>	<b>NM</b>	<b>-</b>
<b>PBR (Times)</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>2.1</b>	<b>1.2</b>	<b>-</b>
Number of Shares Issued at End of Period (mn Shares)	NA	NA	NA	36.9	37.0	-
Number of Treasury Shares (mn Shares)	NA	NA	NA	0.0	0.0	-
Treasury Stock Deduction (mn Shares)	NA	NA	NA	36.9	37.0	-
<b>Market Capitalization (¥ mn)</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>23,196</b>	<b>11,837</b>	<b>-</b>
Capital Adequacy Ratio	75.7%	55.5%	50.3%	42.2%	37.3%	-
Interest-Bearing Debt	1,029	515	8	1,727	1,638	-
D/E Ratio	0.14	0.09	0.00	0.16	0.16	-
EV (Enterprise Value)	NA	NA	NA	20,528	10,400	-
EBITDA (¥ mn)	1,367	2,180	2,137	2,389	1,497	2,863
EV/EBITDA Multiple	NA	NA	NA	8.6	6.9	-
<b>ROE</b>	<b>1.4%</b>	<b>-6.7%</b>	<b>12.6%</b>	<b>5.4%</b>	<b>-6.5%</b>	
ROIC (Business Assets)	1.5%	-9.9%	15.9%	7.0%	-6.7%	
<b>Number of Employees</b>	<b>275</b>	<b>249</b>	<b>254</b>	<b>362</b>	<b>372</b>	
Number of Connected Terminals (000)	580	690	830	960	1,100	
Annual Settlement Processing Transaction Value (GMV) (¥ tn)	2.6	3.1	3.7	4.6	4.9	
Annual Number of Settlements Processed (Billions of Times)	1.5	1.7	2.0	2.4	2.5	

Source: Company Documents and SPEEDA.



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