

Company Report

September 16 , 2025

Strategy Advisors Inc.

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Mobile Services, Centered on "Moppy", Performed Well in 1H FY12/25. While Crypto Assets Are Waiting for a Recovery, Efforts to Strengthen the Vertical Integration Model for Mobile Services Are Evaluated Highly

CERES saw a significant increase in net sales of +20.6% and operating profit of +80.1% in the 1H FY12/25 compared to the same period last year. However, equity method affiliate bitbank posted a loss, resulting in a 0.1% decrease in ordinary profit. While mobile services business performed well, financial services business were affected by the decline in cryptocurrency prices in January-March.

Moppy, the company's flagship mobile service business, saw a significant increase in net sales in 1H, +37.1% YoY with gross profit also growing significantly. This appears to be due to a continued significant increase in financial-related sales, such as digital account openings at major banks.

In the financial services business, both Mercury, which operates a cryptocurrency exchange business, and its equity method affiliate bitbank saw poor earnings. This was largely due to the 18.3% drop in the cryptocurrency market capitalization from the end of December 2024 to the end of March 2025. However, cryptocurrency prices have been recovering since late April and the firm is now in a phase where a recovery in the financial services business performance is awaited.

The company sold all shares in YUMEMI, a subsidiary of the digital transformation business and at roughly the same time, carried out 4 M&A or capital and business alliances related to mobile services business, reshuffling its business portfolio through a "selection and concentration" approach. Strategy Advisors believe that the company's vertically integrated structure, which encompasses all functions of advertisers (D2C), advertising agencies and media (point sites), and the point design know-how that makes this possible make it difficult for other companies to imitate. We view the company's recent moves as strengthening its resistance to imitation.

After hitting its most recent high in December 2024, the stock price has been adjusting in line with the decline in cryptocurrency prices. Even though cryptocurrency prices have started to rise since late April, the firm's stock price has been slow to recover and the current valuation is low compared to its peers. As the company's position in the cryptocurrency industry is strengthening and its mobile services business are becoming more difficult to imitate, if the company is reevaluated, we can expect the stock price to rise along with an increase in value.

Stock Price and Trading Volumes (1 Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (9/12/25)	2,438
52-Week High (12/16/24)	3,700
52-Week Low (9/17/24)	1,246
All-Time High (3/18/21)	5,110
All-Time Low (3/19/20)	558
Shares on Issue (mn)	11.5
Market Capitalization	28.1
EV (¥bn)	25.1
Equity Ratio (12/24 Actual, %)	33.8
ROE (12/24 Actual, %)	14.6
PER (12/25 CoE, x)	8.4
PBR (12/24 Actual, x)	2.5
Dividend Yield (12/25 CoE, %)	2.5

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Sales	YoY Chg.	Operating Profit	YoY Chg.	Ordinary Profit	YoY Chg.	Net Profit	YoY Chg.	EPS	DPS
	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥)	(¥)
12/24 H1	13,151	17.2	811	74.1	1,069	101.2	673	90.1	58.77	-
12/25 H1	15,854	20.6	1,461	80.1	1,068	-0.1	1,552	130.6	134.77	-
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	-	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 for the fiscal year ending December 2022, there is no YoY change in net sales.

Source: Company Data, compiled by Strategy Advisors

1. The Points Business Will Continue to Drive the Company in 1H FY12/25

Interim Revenue and Operating Profit Increased YoY. But Ordinary Profit Decreased Slightly Due to bitbank 's Loss

CERES' 1H FY12/25 interim financial results showed net sales +20.6% YoY to ¥15.85 billion, EBITDA 187.3% to ¥3.56 billion and operating profit +80.1% to ¥1.46 billion. Equity method affiliate bitbank posted a loss, resulting in an equity-method investment loss of ¥350 million and ordinary profit was -0.1% to ¥1.06 billion. However, due to the sale of YUMEMI, a gain on the sale of affiliated company shares of ¥2.26 billion was recorded as extraordinary income and interim net profit attributable to parent company shareholders was +130.6% YoY, up to ¥1.55 billion.

Progress against the company's full-year forecast for FY12/25 was 55.8% for net sales, 58.9% for EBITDA, 51.3% for operating profit, 32.9% for recurring profit and 46.3% for net income attributable to owners of the parent.

Increased Revenue & Profits in Mobile Services Business. But an Operating Loss in the Financial Services Business

By segment, mobile services business' net sales increased 21.7% YoY and segment profits increased significantly by 45.7%. Among sub-segments, D2C was impacted by a backlash following the rapid expansion of its mainstay products in the previous fiscal year, but points and DX saw significant revenue growth. In financial services business, subsidiary Mercury posted a loss, resulting in a segment profit loss of ¥590 million.

New M&A Was Carried Out Using Funds from the Transfer of the DX Business. Selection & Concentration Became Clear. Business Portfolio Was Replaced

The company completed the transfer of its digital transformation business subsidiary, YUMEMI, on May 30th, as announced during the Q1 financial results announcement.

Meanwhile, in the D2C business, DINETTE became a group company (announced on May 29th) and M Corporation became a wholly owned subsidiary (announced on June 30th). And in the points business, the Point Income business transfer agreement was signed (announced on July 18th), resulting in changes in the business portfolio.

The Company Forecast Was Revised in May 2025 Due to the Completion of the Transfer of the DX Business. The Forecast Remains Unchanged at the Time of the Interim Financial Results

The company revised its earnings forecast on May 30th to reflect the impact of the completion of the transfer of YUMEMI. YUMEMI will only contribute to the first half of FY12/25 and will be removed from the consolidated results in the second half. As a result, net sales were revised from ¥30.7 billion to ¥28.4 billion and operating profit was revised from ¥3.0 billion to ¥2.85 billion. Meanwhile, due to the recording of a ¥2.26 billion gain on the sale of shares in affiliated companies as extraordinary income, the forecast for profit attributable to owners of parent was revised from ¥2.1 billion to ¥3.35 billion. These earnings forecasts remain unchanged at the time of the interim financial results.

Figure 1. FY12/2025 Q2 Financial Results Segment Trends (¥mn)

Segment	12/ 25 Q1	12/ 25 Q2	YoY Chg.	QoQ Chg.	12/25 H1 (A)	YoY Chg.	Progress (A) / (B)	12/ 25 CoE (B)	YoY Chg.
Net Sales	7,686	8,168	27.0%	6.3%	15,854	20.6%	55.8%	28,400	2.5%
Mobile Services	7,523	7,740	23.5%	2.9%	15,263	21.7%	52.9%	28,845	10.2%
Point	4,934	4,551	31.8%	-7.8%	9,485	35.4%	54.5%	17,410	20.9%
D2C	1,113	1,522	-12.9%	36.7%	2,636	-24.7%	42.0%	6,270	-10.9%
DX	1,481	1,671	48.4%	12.8%	3,153	49.4%	105.1%	3,000	-38.3%
Financial Services	162	430	155.3%	165.4%	593	-3.7%	31.7%	1,870	22.1%
Operating Profit	860	601	512.2%	-30.1%	1,461	80.1%	51.3%	2,850	27.9%
Mobile Services	1,539	1,240	57.1%	-19.4%	2,780	45.7%	59.0%	4,710	7.2%
Point	1,152	937	33.0%	-18.7%	2,089	40.5%	60.6%	3,450	9.7%
D2C	129	46	-68.7%	-64.3%	176	-64.0%	20.2%	870	-6.7%
DX	290	309	-	6.6%	599	-	157.6%	380	-14.8%
Financial Services	-357	-237	-	-33.6%	-595	-	124.0%	-480	-51.6%
Adjustment	-321	-401	-	24.9%	-723	-	58.8%	-1,230	4.6%
Equity in Earnings of Affiliates	-474	115	-	-	-359	-	-	NA	NA

Source: Company Data, compiled by Strategy Advisors

2. Mobile Services Business

1) Points Are Doing Well

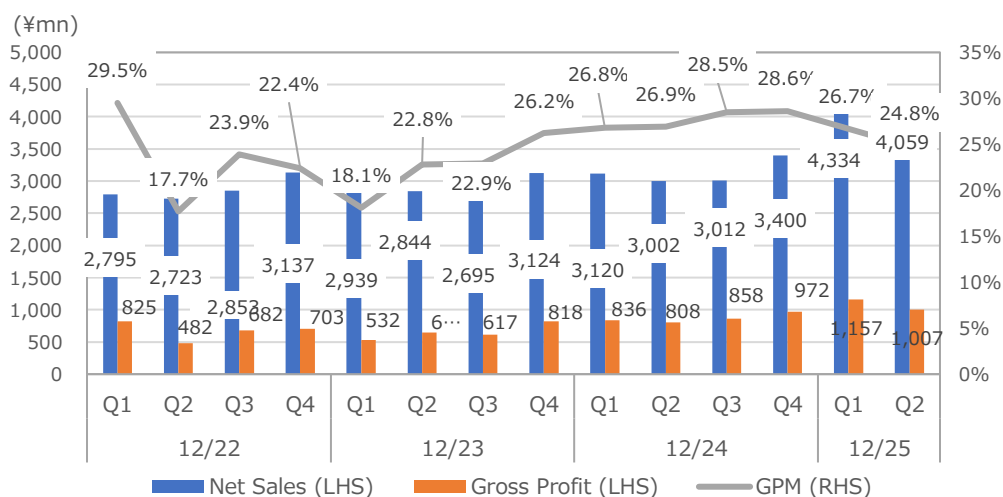
Driven by Increased Revenue From "Moppy"

Moppy's net sales for 1H increased significantly, +37.1% YoY to ¥8.39 billion. The number of active members increased steadily, +12.0% YoY to ¥5.89 million in Q1 and 11.2% YoY to ¥6.04 million in Q2. ARPU (average revenue per active member) also maintained a high level, increasing 25.2% YoY to ¥746 in Q1 and 21.2% YoY to ¥680 in Q2. Following on from Q1, sales to financial institutions such as banks and securities firms appear to have driven overall sales. Purchasing through Moppy appears to be continuing as financial products expand, including digital account openings at major banks and NISA accounts at securities firms.

Financial service advertisements have a high unit price, resulting in a high point redemption rate and a higher cost rate. Gross profit margins remained high at 26.7% in Q1 but fell to 24.8% in Q2. However, the upward trend in net sales via AD. TRACK, an in-house affiliate service provider (ASP), is believed to be supporting the margins. Gross profit was estimated at ¥2.15 billion in 1H

(+ 31.6% YoY), ¥1.15 billion in Q1 (+38.4% YoY) and ¥1.0 billion in Q2 (+ 24.6% YoY), suggesting that the increase in high-price financial service advertisements is driving the increase in gross profit.

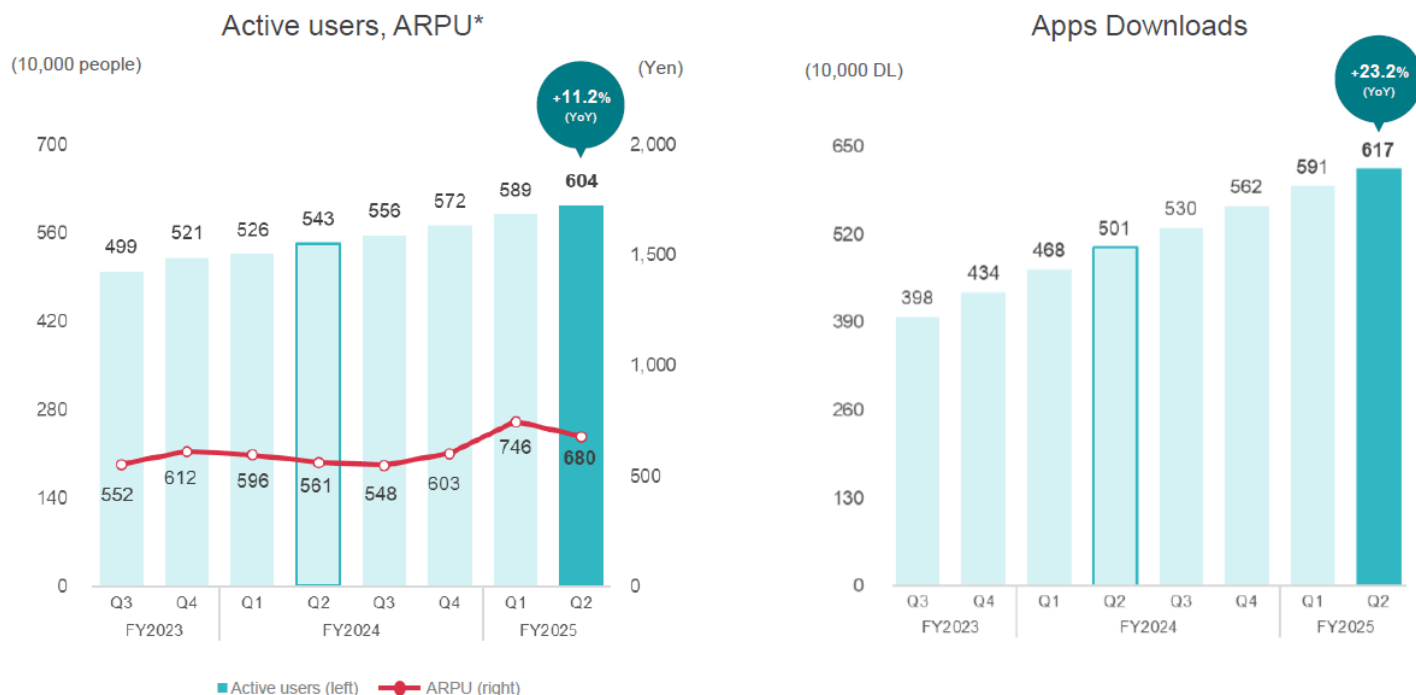
Figure 2. Moppy Net Sales and Gross Profit Margin (Quarterly Basis)



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

Source: Company Data, compiled by Strategy Advisors

Figure 3. Number of Active "Moppy" Members

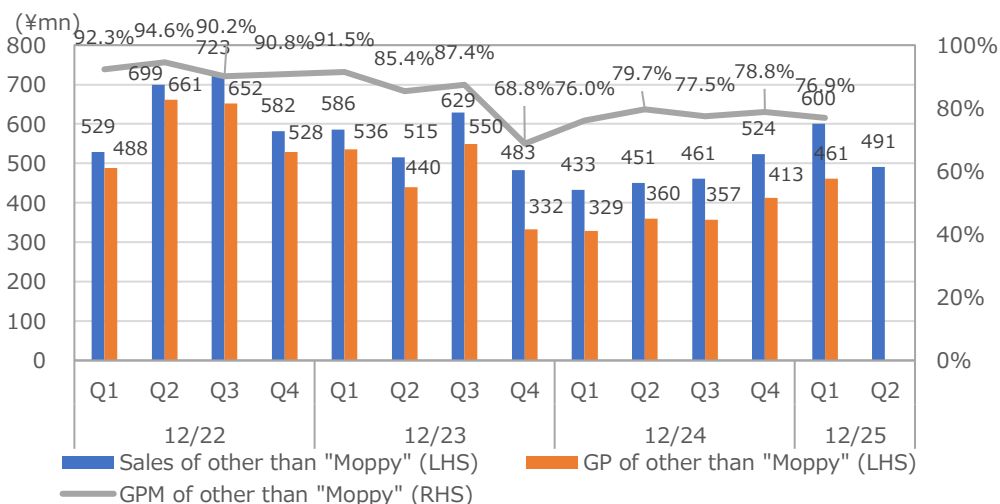


Source: Company Data, compiled by Strategy Advisors

Revenues Increased Beyond "Moppy"

Revenues from points businesses other than "Moppy" also increased. Net sales excluding "Moppy" are estimated to have increased 23.4% YoY to ¥1.09 billion in 1H, and by quarter, increased 38.6% YoY to ¥600 million in Q1 and 8.9% YoY to ¥490 million in Q2.

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 profit margin disclosed by the company. Gross profit was not disclosed for FY12/25Q2.

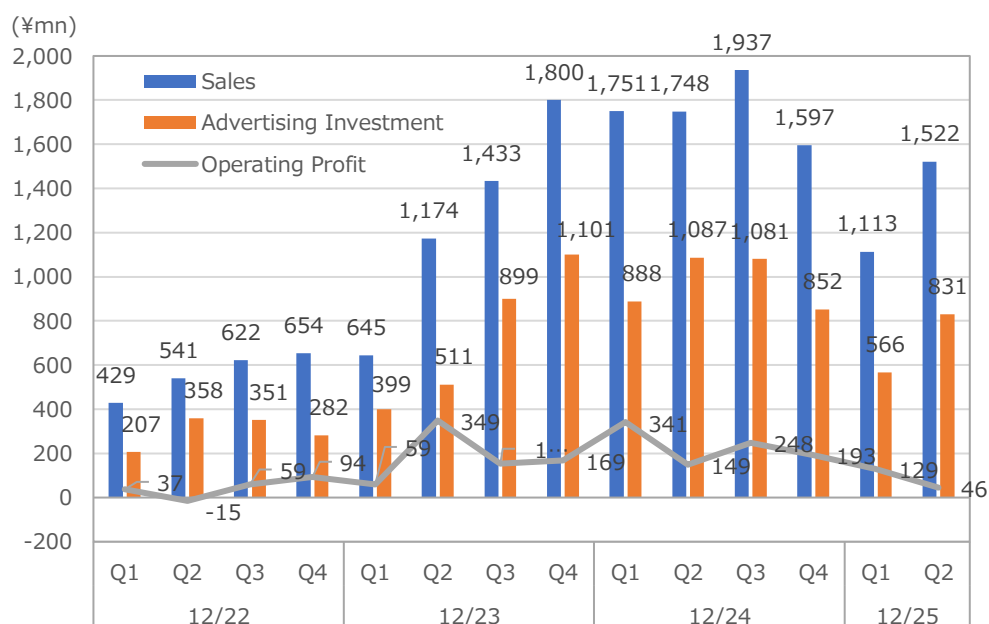
Source: Company Data, compiled by Strategy Advisors

D2C Saw a Significant Decline in Revenue & Profits in 1H. The Worst May Be Over

2) D2C May Be Past the Worst

D2C net sales for H1 FY12/25 were -24.7% YoY to ¥2.63 billion, and operating profit was -64.0% YoY to ¥170 million, a significant decline. Pitsole, a high-performance insole that had grown rapidly in the previous fiscal year, saw customer acquisition costs rise due to the impact of resale and counterfeit products on e-commerce malls, preventing sufficient advertising investment resulting in a significant decline in net sales in Q1. However, thanks to increased promotions, the promotion of measures against sales and counterfeit products and an increase in the number of SKUs (Stock Keeping Units, the smallest unit used for ordering and inventory management), sales began to recover in Q2 and it appears that the worst is over.

Figure 5. D2C Business Trends (Quarterly Basis)



Source: Company Data, compiled by Strategy Advisors

DX Business Revenues Have Recovered Significantly

The DX business run by subsidiary YUMEMI emerged from a slump and is seeing a significant increase in revenue. Net sales for FY12/25 1H increased 49.4% YoY to ¥3.15 billion and operating profit recovered significantly from a loss of ¥4 million in the same period last year to a profit of ¥590 million. This is due to efforts since December 2024 to win orders for relatively small-scale design projects, which has led to a successful increase in the utilization rate of engineers.

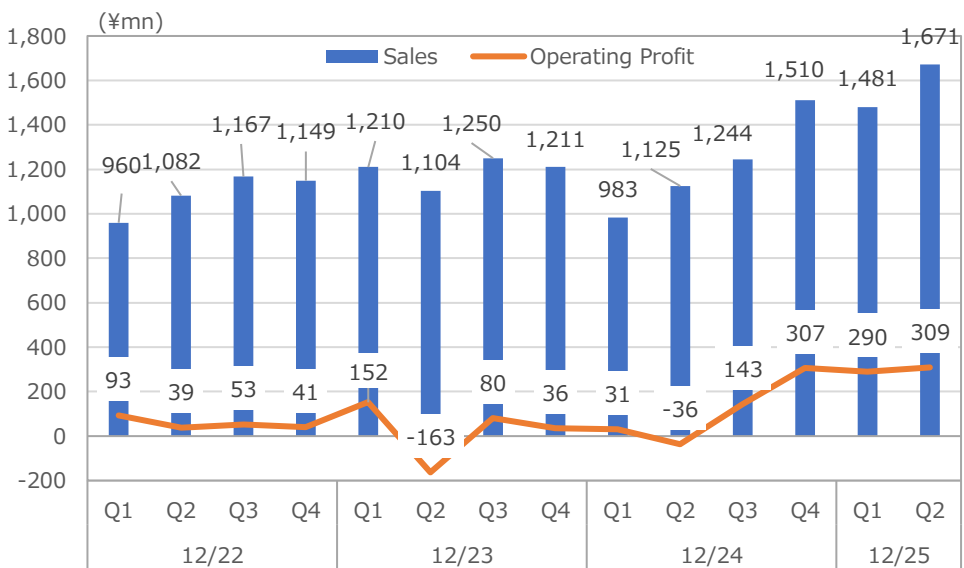
However, it Was Not Possible to Obtain Sufficient Synergy with the Points Business. So, CERES Transferred All of its Shares

As mentioned above, the company transferred all its 49.8% stake in subsidiary YUMEMI to Accenture. Although YUMEMI's performance has recovered, the company judged that it had not been able to achieve the synergies with its point business that it had initially aimed for. It appears that YUMEMI also judged that becoming a subsidiary of Accenture would increase its growth potential.

in YUMEMI & the DX
Business Was Eliminated

With the transfer of all YUMEMI shares, YUMEMI's financial results will be excluded from the consolidated financial statements from the second half of FY12/25 and the DX business will disappear. The transfer amount is ¥3.7 billion and on a consolidated basis, a gain on the sale of shares in affiliated companies of ¥2.3 billion will be generated. The company plans to use the funds obtained from this transfer to promote roll-up M&A to strengthen its vertically integrated point/D2C model, as well as to make strategic investments in crypto assets and has disclosed that it carried out several M&A and capital alliances between May and July.

Figure 6. YUMEMI (DX) Earnings Trends (Quarterly Basis)



Source: Company Data, compiled by Strategy Advisors

3. Financial Services Business

The Impact of the Cryptocurrency Price Decline, Especially in Q1

Mercury, which operates a cryptocurrency exchange, reported operating revenue of -¥88 million and an operating loss of -¥500 million in 1H, a deterioration from -¥42 million and -¥470 million in the same period last year. The operating loss was due to the recognition of valuation and sales gains and losses on cryptocurrencies held by the company. Equity method investment losses at affiliated company bitbank also fell sharply to -¥350 million, down from a profit of ¥230 million in the same period last year.

Looking at the figures for the quarter, Mercury's operating revenue and operating profit were -¥114 million and -¥311 million in Q1 and ¥26 million and -¥189 million in Q2, respectively. bitbank 's equity method investment profit was also -¥470 million in Q1 and ¥110 million in Q2, which is presumed to have been largely affected by the drop in cryptocurrency prices in Q1.

The total market capitalization of crypto assets fell by approximately 18% from the end of FY12/24 to the end of Q1 FY12/25. Following the victory of

Mercury & Affiliate bitbank
See Declining Revenues

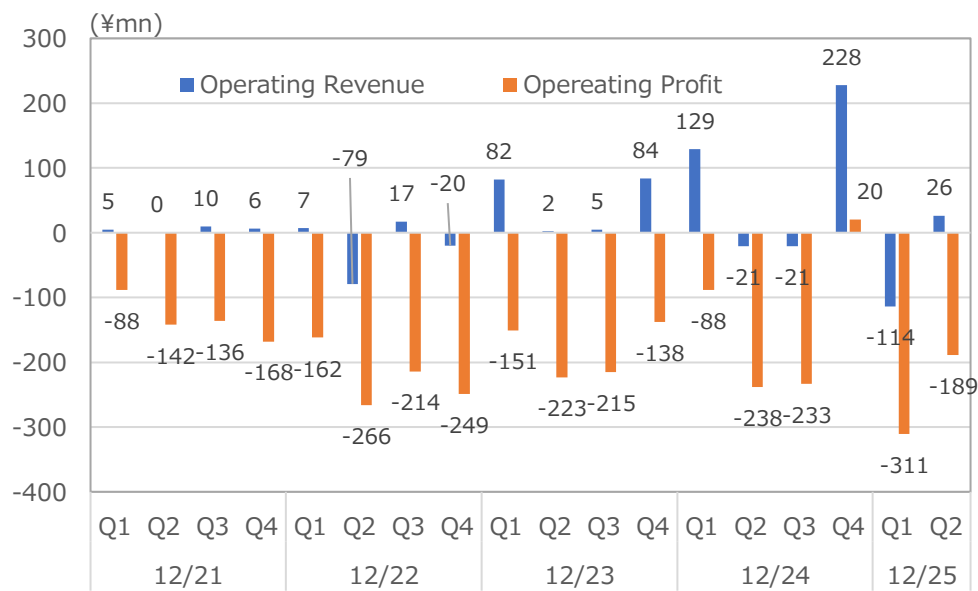
The Market Capitalization of
Crypto Assets, Which Fell

Sharply in Q1, Rebounded in Q2, Led by Bitcoin, Whose Supply & Demand Improved

Donald Trump, who has a positive stance on crypto assets, in the US presidential election in November 2024; the crypto asset market had risen significantly, but this backlash resulted in a somewhat large drop in Q1.

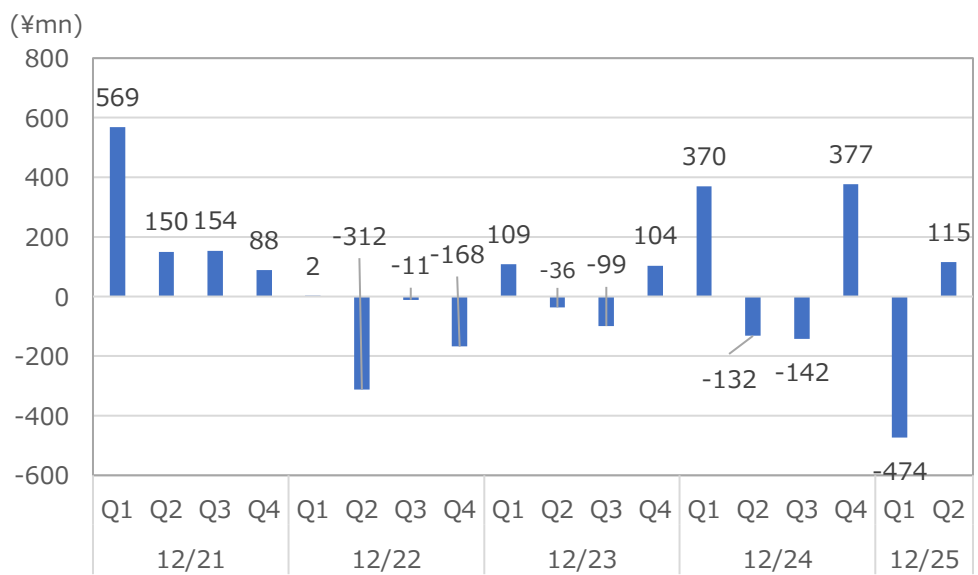
Entering Q2, inflows into Bitcoin spot ETFs accelerated again, improving supply and demand, and symbolic events such as Coinbase 's inclusion in the S&P 500 occurred. Between the end of Q1 and the end of Q2, the market capitalization of crypto assets recovered by approximately 24 % and Bitcoin reached a new all-time high of over \$100,000, marking a Bitcoin-led rebound.

Figure 7. Earnings Trends



Source: Company Data, compiled by Strategy Advisors

Figure 8. Equity in Earnings of Affiliates (bitbank)



Source: Company Data, compiled by Strategy Advisors

The Cryptocurrency Market is Expected to Remain Fundamentally Positive

The cryptocurrency market is expected to remain fundamentally positive. Bitcoin has reached a new all-time high of over \$120,000, driven by a renewed acceleration in ETF inflows and improved regulatory environments, and further growth is expected. Ethereum also appears to be maintaining a rebound due to staking demand and expectations for regulatory developments. With the passage of stablecoin regulation legislation in the United States and the strengthening of market infrastructure, there is a possibility that ties with traditional finance will deepen in the future.

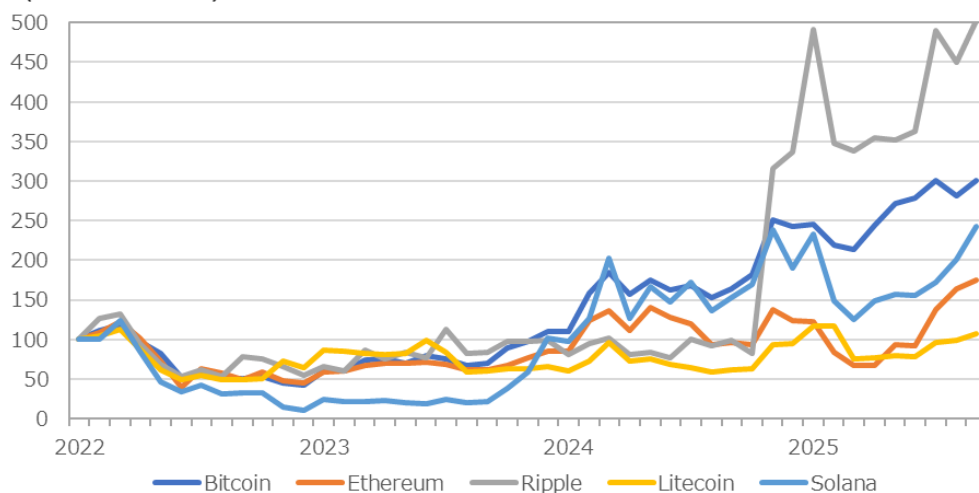
Expected to Be Subject to the Financial Instruments & Exchange Act in Japan

In Japan, there are ongoing considerations to regulate crypto assets solely under the Financial Instruments and Exchange Act (FIEA) rather than the existing Payment Services Act. If crypto assets are designated as investment targets under the FIEA, a transition from the current comprehensive taxation (miscellaneous income, up to 55%) to a separate self-assessment taxation of 20%, like stocks, is on the horizon, and the introduction of a loss carry-forward deduction (up to 3-years) is also being considered.

If these measures are realized, the tax gap between crypto assets and ETFs will be eliminated, making the domestic introduction of crypto asset ETFs a reality, and it is expected that capital inflows into the crypto asset market will increase. On the other hand, the transition to the Financial Instruments and Exchange Act will lead to stricter regulations on information disclosure and asset protection, which may lead to industry restructuring. These developments are likely to be a tailwind for crypto asset exchange operators Mercury and its affiliated company bitbank, as they will provide an opportunity to strengthen their position in the industry.

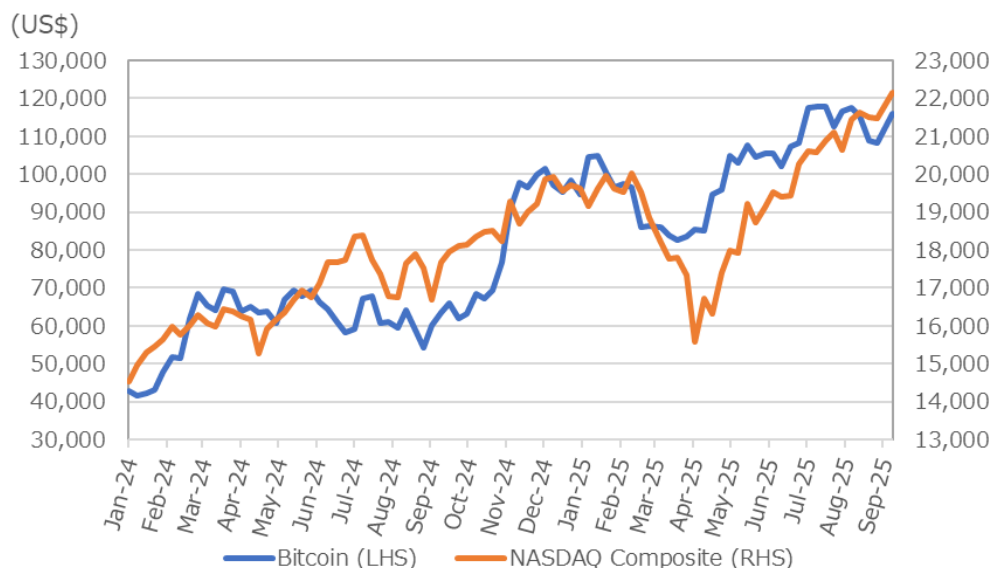
Figure 9. Price Trends of Major Crypto Assets

(End of 2021=100)



Source: Investing.com, Strategy Advisors

Figure 10. Bitcoin Price and Nasdaq Composite Index



Source: Investing.com, Strategy Advisors

2) label is Growing Rapidly

label Significantly Increased Net Sales & Reduced Their Deficit

Online factoring company label saw an increase in its factoring GMV (Gross Merchandise Value: total distribution transaction volume), resulting in a significant increase in net sales of 77.6% in 1H FY12/25 compared to the same period last year. Due to ongoing investment, the company is still in the red, but the deficit appears to have shrunk. The company is also currently preparing for an IPO. In addition, profits from the investment and development business (CVC) increased by ¥6 million YoY.

4. FY12/25 Business Outlook

Forecasts Revised in May Remain Unchanged at the Time of 1H Settlement

For FY12/25, the company forecasts net sales of ¥28.40 billion (+2.5% YoY), EBITDA of ¥6.05 billion (+92.3%), operating profit of ¥2.85 billion (+27.9%), ordinary profit of ¥3.25 billion (+21.4%) and profit attributable to owners of the parent of ¥3.35 billion (+126.2%).

As mentioned above, considering the impact of the transfer of shares in subsidiary YUMEMI, the company revised its full-year earnings forecast as above on May 30. As for the announcement of its 1H financial results, the revised full-year forecast remains unchanged.

Existing Mobile Services Business Appear to Be Progressing Smoothly

The company has not disclosed a breakdown of the full-year forecast for FY12/25 by business segment. However, it appears that mobile services business in 1H made good progress toward the full-year forecast, driven by "Moppy". In addition to the expected continuation of the situation with existing services, as will be discussed later, the impact of M&A in both the D2C and points fields is expected to be felt in the second half of FY12/25.

Financial Services Business, Which Saw Slow Progress in 1H is Expected to See a Recovery in Profits

On the other hand, due to the stagnation of cryptocurrency prices in Q1, the proportion of net sales in the financial services business was low and the operating profit was in the red.

The cryptocurrency-related business, which is the core of financial services business, appears to be steadily strengthening its operations through differentiation through staking on Mercury, an expansion of the number of brands, and continued investment. Nevertheless, from a short-term performance perspective, an increase in the price of cryptocurrencies is considered necessary to achieve the company's FY12/25 forecast. In fact, the prices of cryptocurrencies, including Bitcoin, have risen since the end of March, and if this trend continues, it is expected that revenue from financial services business will recover.

Given the above, the revenue trends of crypto assets within financial services business will likely hold the key to the company's overall performance in FY12/25. On the other hand, although mobile services business depends in part on the recovery trend of the D2C field, the outlook for continued expansion in the existing points field suggests that there is a high probability of overall performance growth.

The Impact of M&A & Alliances That Have Been Implemented is Currently Being Examined

The company has already announced 4 M&A or capital and business alliances to utilize ¥2.75 billion in after-tax cash from the transfer of subsidiary YUMEMI.

D2C business: DINETTE, which handles cosmetics brands, has become a group company (announced June 5th)

D2C business: Acquired full ownership of M Corporation, which handles skincare brands (announced June 27th)

Point business: Capital and business alliance with CyberBuzz (7069 Tokyo Stock Exchange Growth) (announced June 30th)

Point business: Business transfer agreement signed for "Point Income" (announced July 18th)

Specific acquisition amounts for each acquisition have not been disclosed, but for DINETTE and M Corporation, "Point Income" will be included in the company's consolidated financial results from the third quarter onwards, and from September 1, 2025 (the specific impact on financial results is currently under review).

5. Trends of Competitors

Moppy's Growth Exceeds That of Other Services

Competitors in the points business include GMO MEDIA (6180 TSE Growth), which operates the points site "Point Town" and CARTA HOLDINGS (3688 TSE Prime), which operates "EC Navi".

According to GMO MEDIA's financial results, net sales for the media business, which include "Point Town" increased 11.6% YoY to ¥3.27 billion in 1H FY12/25 and operating profit increased 39.9% to ¥470 million. Within the media business, point-related gross profit for Q2 (the 3-months from April to June) increased 8.9% YoY, while gross profit for the company's "Moppy" increased 24.6% YoY during the same period.

Furthermore, NTT Docomo has made a tender offer for CARTA HOLDINGS' "EC NAVI", which is scheduled to be taken private. As a result, details such as financial results explanations are no longer being disclosed, but in Q1 (January to March), net sales of the media solutions business, which includes "EC Navi" fell 3.3% YoY to ¥1.25 billion, while net sales of the company's "Moppy" in Q1 increased 38.9% YoY. From these findings, it appears that Moppy 's growth is outpacing other services, and that the gap with other services is widening further in terms of point media.

Fan Communications' "a8.net" Has Been on a Recovery Trend Since FY12/24Q3

FAN Communications (2461 TSE Prime) operates A8.net, one of Japan's largest ASPs. A8.net's transaction volume for 1H FY12/25 increased 11.3% YoY to ¥11.48 billion (Q1 was up 21.6% YoY to ¥5.89 billion and Q2 was up 1.3% YoY to ¥5.58 billion). Business was tough until the first half of FY12/24 but has been improving YoY since Q3 FY12/24.

Monex Group's Coincheck Also Saw a Decline in Revenue

According to segment information from Monex Group (8698 TSE Prime), Coincheck NV (CNCK, NAS), a major Japanese cryptocurrency exchange and consolidated subsidiary of Monex Group that was listed on the NASDAQ in December 2024, saw its operating revenues for the April-June 2025 period decrease 13.4% YoY to ¥2.7 billion, resulting in a segment loss of ¥1.25 billion (compared to a profit of ¥640 million in the same period last year).

The majority of the decrease in operating revenue was due to a drop in revenues related to IEOs (Initial Exchange Offerings: a fundraising method used by companies to promote projects using cryptocurrencies); but trading revenues also fell 15.4% YoY due to a decrease in exchange trading, which is believed to have been affected by the decline in the cryptocurrency market in January-March.

6. Equity Story

1) Difficulty of Imitation in the Mobile Services Business

In the mobile services industry, there are fundamentally conflicting needs: users' desire to earn attractive points, advertisers' desire to have users with a high LTV make purchases and service providers' desire to make a fair profit. By building a vertically integrated system that encompasses all functions of advertisers (D2C), advertising agencies and media (point sites), centered around "Moppy", which has the largest number of active users in the industry, the company has developed a service that meets all these conflicting needs.

Strategy Advisors believe that this vertical integration model and the key design know-how that makes it possible are what makes the company difficult to imitate and cannot be replicated by other companies.

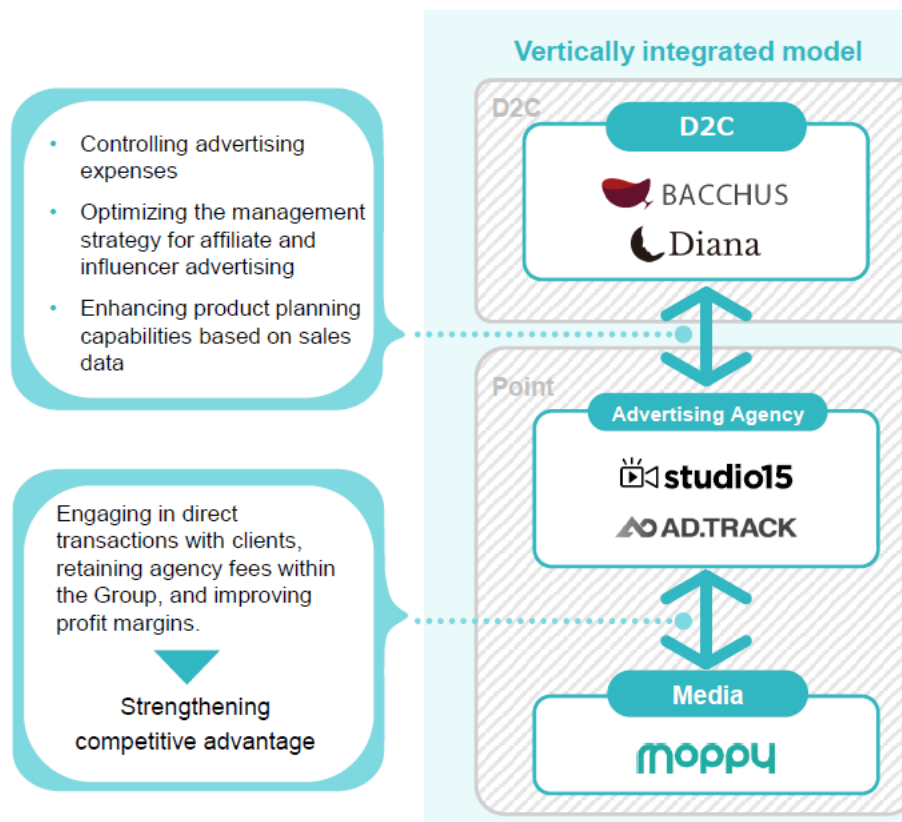
The advantage of the vertical integration model is not only that it allows for the overall optimization of conflicting needs, but also that strengthening any one function also strengthens other functions as a set.

For example, if an advertiser has a product or service that sells, users who want to buy that product or service will flock to the media, strengthening the media's power. If an advertising agency develops other companies' media, the advertiser's products or services will sell more, making the advertiser profitable. If the media's user base increases, the number of buyers of the advertiser's products or services will increase; and if the effectiveness of the advertising is recognized, the advertising agency will also profit in the form of increased advertising.

Due to these characteristics, M&A aimed at strengthening each function can be said to be highly compatible with strengthening the company's overall business model.

The Difficulty in Imitating Mobile Services Business Lies in the Vertical Integration Model & the Key Design Know-How That Makes it Possible

Advantages of a Vertically Integrated Model

Figure 11. Vertically Integrated Model

Source: Company Documents

FY12/25H1 Business Portfolio Restructuring

2) "Selection and Concentration" in Mobile Services Business

1H FY12/25 can be said to be the period when the company's approach to reshuffling its business portfolio became clear.

First, within mobile services business, the company withdrew from DX by selling all its shares in YUMEMI. The company originally brought YUMEMI into the group in 2018 in the hope of promoting services in the one-to-one marketing field using smart devices. Although YUMEMI had contributed to the company's consolidated revenue, synergies did not increase as expected; and it was believed that YUMEMI's growth potential would be greater if it fell under Accenture's umbrella, which led to the sale.

The company quickly utilized the approximately ¥3.7 billion raised from the sale of YUMEMI to carry out 4 M&A and capital alliances (acquiring DINETTE, a D2C company, as a group company and making M Corporation, which handles skincare brands, a wholly owned subsidiary, and forming a capital and business alliance with CyberBuzz, a points company and also acquiring Point Income).

This move clearly shows the company's intention to pursue "selection and concentration" in mobile services business, and is intended to strengthen its vertically integrated model, which is the key to the company's difficulty in

imitation. Strategy Advisors evaluate this move highly and we will be keeping an eye on whether we see more of this kind of behavior in the future.

6. Stock Price Outlook

Cryptocurrency Prices Have Been Recovering Since Late April, but the Stock Price Has Not Recovered as Quickly

Since early November, when it became increasingly likely that Trump would win the US presidential election on November 5, 2024, cryptocurrency prices have risen; and the company's stock price has risen accordingly, reaching a recent high of ¥3,700 (closing price basis) on December 16th. Subsequently, financial markets shifted to a "risk-off" mood due to concerns about the impact of the US administration's tariff policies, causing the overall stock market to stagnate, which also affected the company's stock price. As mentioned above, cryptocurrency prices, particularly Bitcoin, have been rising since late April, and Coinbase (COIN, NAS) stock prices have risen along with them, but the recovery in the stock prices of the company, which also has other businesses and Monex Group, has been slow.

Valuations Are Low

CERES' PER for FY12/25 is low at 8.4x, based on company forecasts, due in part to the recording of a gain on the sale of shares in subsidiary YUMEMI. Even excluding the impact of extraordinary gains and based on an EPS of ¥174.4, PER is 14.0x, which is low compared to peers. Looking at the company's historical PER range, the current level is at the bottom.

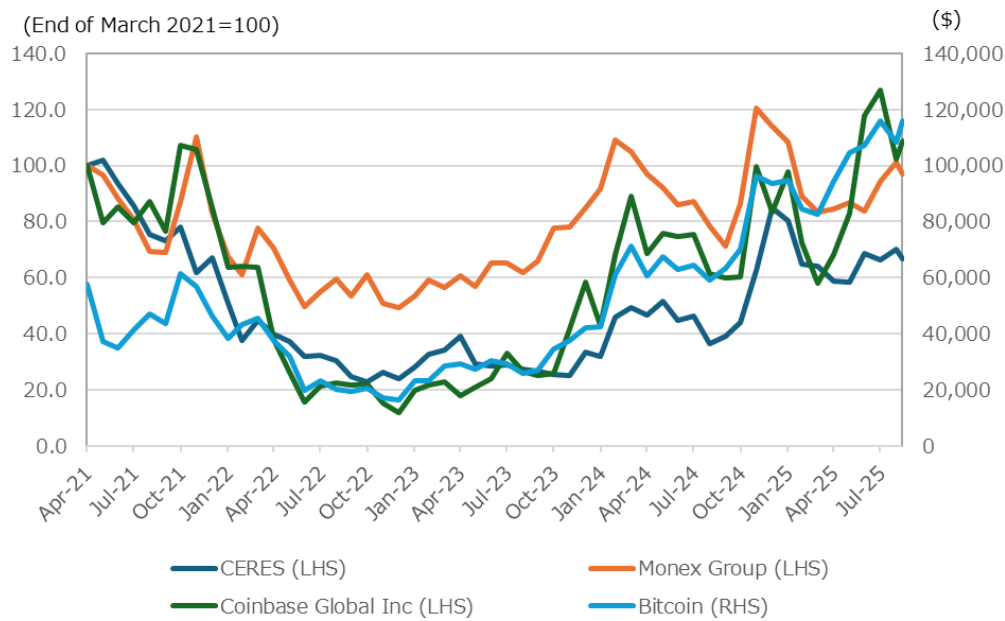
Stock Prices Are Lagging

CERES' cryptocurrency subsidiary Mercury and its affiliate bank posted losses in the January-March period, but earnings are on a recovery trend following the rise in cryptocurrency prices since April. While it is difficult to predict short-term trends in cryptocurrency prices, the cryptocurrency environment is generally considered favorable, with legal reforms in the U.S. and the possibility of separate taxation under Japan's Financial Instruments and Exchange Act. Furthermore, the company's mobile services business is performing well, particularly in its core business areas, and solid growth is expected. Considering these factors, it could be said that the current stock price is lagging.

Attention Also Focused on the Medium Term

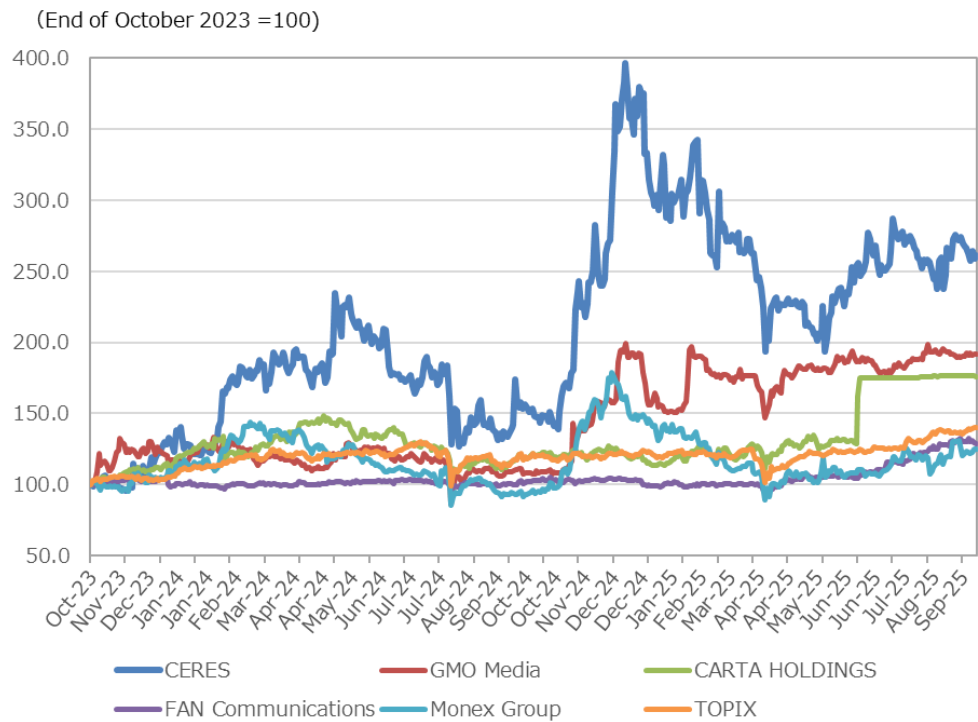
In the medium term, the company has announced a policy to use the funds obtained from the transfer of YUMEMI shares to strengthen its vertically integrated mobile services model and has used them for 4 M&A deals or capital and business alliances. While these may not be large deals individually, they are measures that will strengthen the difficulty of imitation and are expected to draw renewed attention to the company's business model and growth potential. Furthermore, the company is also strengthening investments in innovation for its cryptocurrency business, which is expected to enhance its competitive position as a cryptocurrency exchange. If these measures are reevaluated, it will likely lead to an improvement in its stock valuation.

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



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

Figure 13. Comparison of Share Price Trends with Peers



Source: Strategy Advisors

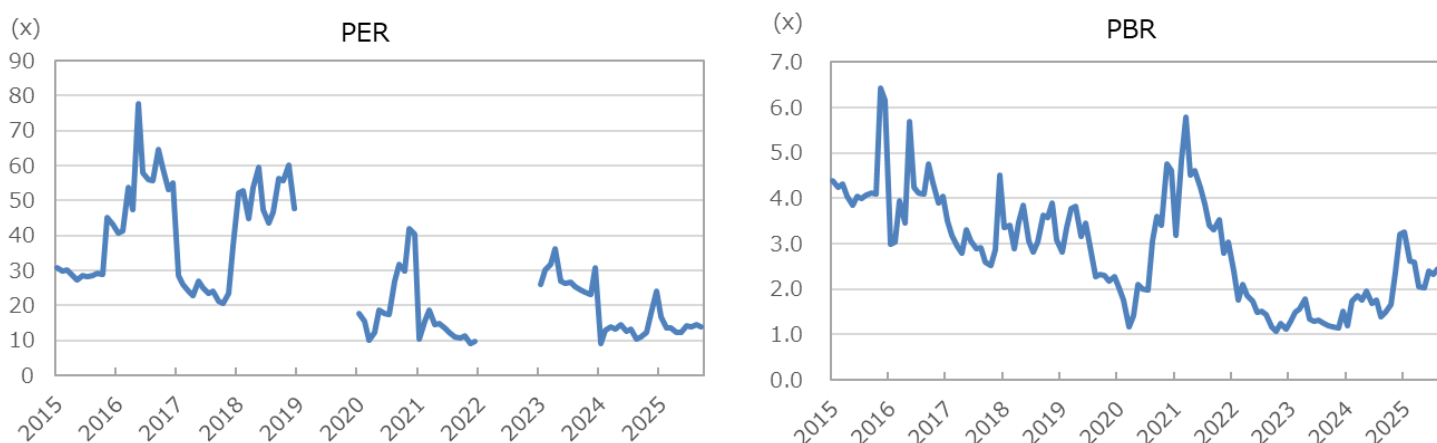
Figure 14. Comparison of Valuations with Peers

Company	Code	FY	Stock Price (Sep. 12) (¥)	Market Cap. (¥mn)	PER CoE (x)	PBR Actual (x)	EV/EBITDA CoE (x)	Yield CoE (%)	ROE Actual (%)	ROE CoE (%)
CERES	3696	12/24	2,438	28,135	14.0	2.5	7.6	2.5	14.6	17.3
GMO Media	6180	12/24	5,020	9,003	13.6	3.2	7.3	4.8	21.9	23.1
CARTA HOLDINGS	3688	12/24	2,091	52,903	29.4	2.2	11.4	0.0	7.1	7.4
FAN Communications	2461	12/24	518	34,317	26.8	1.9	8.0	5.2	7.9	7.2
Monex Group	8698	03/25	820	205,945	NA	1.7	NA	3.7	-4.0	NA
Coinbase Global	COIN	12/24	323.04	81,936	41.7	8.0	25.5	NA	31.1	19.5

Note: CERES's PER (company forecast) and ROE (company forecast) are calculated excluding the ¥2.3 billion gain on the sale of shares in subsidiary YUMEMI. The company's forecast ROE is calculated by dividing the company's forecast net income by the average of the equity capital at the end of the previous full fiscal year and the equity capital at the end of the most recent quarter. The forecast EBITDA is calculated by adding the company's forecast operating profit and the actual depreciation expenses for the most recent fiscal year. Coinbase Global's share price and market capitalization are in dollars. PER and EV/EBITDA are based on consensus forecasts from FactSet.

Source: Company Data, compiled by Strategy Advisors

Figure 15. Trends in PER & PBR



Note: PER (company forecast) is calculated excluding the ¥2.3 billion gain on the sale of shares in subsidiary YUMEMI.

Source: Company Data, compiled by Strategy Advisors

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

(¥mn)	12/ 23				12/ 24				12/ 25	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Mobile Service										
Net Sales	5,314	5,613	5,974	6,574	6,275	6,267	6,619	7,022	7,523	7,740
YoY	13.7%	13.1%	11.5%	20.5%	18.1%	11.7%	10.8%	6.8%	19.9%	23.5%
Point	3,525	3,359	3,324	3,607	3,553	3,453	3,473	3,924	4,934	4,551
YoY	6.0%	-1.8%	-7.0%	-3.0%	0.8%	2.8%	4.5%	8.8%	38.9%	31.8%
D2C	645	1,174	1,433	1,800	1,751	1,748	1,937	1,597	1,113	1,522
YoY	50.3%	117.0%	130.4%	175.2%	171.5%	48.9%	35.2%	-11.3%	-36.4%	-12.9%
DX	1,210	1,104	1,250	1,211	983	1,125	1,244	1,510	1,481	1,671
YoY	26.0%	2.0%	7.1%	5.4%	-18.8%	1.9%	-0.4%	24.7%	50.6%	48.4%
Transaction Value within Segment	-66	-24	-33	-44	-13	-59	-35	-9	-7	-4
Operating Profit	686	762	812	926	1,119	789	1,143	1,343	1,539	1,240
YoY	-31.9%	29.6%	-7.5%	13.2%	63.1%	3.5%	40.7%	45.0%	37.6%	57.1%
OP Margin	12.9%	13.6%	13.6%	14.1%	17.8%	12.6%	17.3%	19.1%	20.5%	16.0%
Point	506	609	612	753	782	705	784	874	1,152	937
OP Margin	14.4%	18.1%	18.4%	20.9%	22.0%	20.4%	22.6%	22.3%	23.3%	20.6%
D2C	59	349	153	169	341	149	248	193	129	46
OP Margin	9.1%	29.7%	10.7%	9.4%	19.5%	8.5%	12.8%	12.1%	11.6%	3.0%
DX	152	-162	80	36	31	-35	143	307	290	309
OP Margin	12.6%	-14.7%	6.4%	3.0%	3.2%	-3.1%	11.5%	20.3%	19.6%	18.5%
Transaction Value within Segment	-32	-33	-32	-32	-36	-28	-32	-33	-32	-53
Financial Services										
Net Sales	218	89	99	205	447	168	449	467	162	430
YoY	230.3%	NM	-6.6%	75.2%	105.0%	88.8%	353.8%	127.8%	-63.6%	155.3%
Operating Profit	-137	-256	-263	-239	-54	-412	-267	-256	-357	-237
OP Margin	-62.8%	-287.6%	-265.7%	-116.6%	-12.1%	-245.2%	-59.5%	-54.8%	-220.4%	-55.1%
Equity in Earnings (Losses) of Affiliates	109	-36	-99	104	370	-132	-142	377	-474	0
Adjustment										
Sales	-7	-7	-1	-2	-4	-2	-2	-1	0	-2
Operating Profit	-294	-293	-279	-304	-351	-278	-257	-289	-321	-401
Whole Company										
Sales	5,525	5,695	6,072	6,777	6,718	6,433	7,066	7,488	7,686	8,168
Operating Income	253	212	270	382	713	98	618	798	860	601
Ordinary Income	352	179	203	483	1,140	-71	455	1,153	352	715
Net Income	201	153	-243	340	832	-159	172	635	-57	1,609

Source: Company Data, compiled 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 Profit	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 Profit	792	1,816	3,499	679	1,217	2,677	3,250
(Ordinary Profit 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	-
Profit before Income Taxes	452	1,496	4,005	721	830	2,384	-
Income Taxes - Current	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%	-
Profit Attributable to Owners of Parent	74	744	2,775	46	451	1,480	3,350
(Net Profit 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, compiled by Strategy Advisors

Figure 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, compiled by Strategy Advisors

Figure 19. Cash Flow Statement (¥mn)

FY	19/12	20/12	21/12	22/12	23/12	24/12
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, compiled by Strategy Advisors

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