Transaction Media Networks | 5258 (TSE Growth)

Company Report

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Strategy Advisors Inc.
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FY3/26 Q1 Results: Operating Loss Due to Expansion Within Expectations. The Stock Price Will Likely Test the Upside. It is Worth Keeping an Eye on Performance Trends in 2H

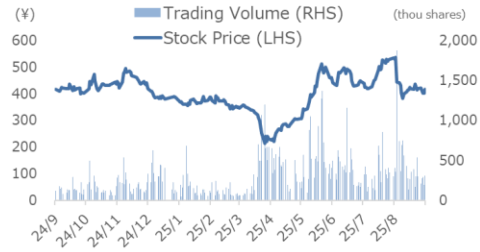
In FY3/26 Q1, sales increased to ¥3.022 billion (+10.6% YoY), whilst the operating loss widened to ¥196 million (compared to a loss of ¥57 million in FY 3/25 Q1), due to increased costs for the data center (DC) relocation. Although the Q1 sales growth rate was lower than the full-year plan (+22.6% YoY), due to the seasonality of one-time revenue, which is concentrated in the second half of the year; the progress rate of Q1 results against the full-year plan is typically low, so Q1 results appear to have been within the range of expectations.

In terms of sales by service and company, recurring revenue (unconsolidated) was ¥2.218 billion (+14.9% YoY) due to an increase in QR/Barcode service fees, etc. one-time revenue (unconsolidated) was ¥454 million (+7.2% YoY) due to sluggish SI development sales during the off-peak period. In addition, consolidated subsidiary WebSpace saw a decrease to ¥349 million (-7.5% YoY) due to delays in equipment sales replacement project.

By repurchasing approximately ¥3.5 billion treasury stock using ¥4 billion in borrowings, TMN has improved its EPS and reduced its WACC. The company plans to use the repurchased treasury stock for new growth, such as M&A and capital and business alliances. TMN explained that it aims for 10% ROE for FY3/27 by reducing shareholders' equity through the repurchase of treasury stock and improving profits.

TMN's stock valuation, particularly its EV/EBITDA, is lower than its peers. For the time being, its stock price will likely test its upper limit. We will continue to monitor performance trends in FY3/26 2H, when the data center relocation expenses will be eliminated and actual profits will become clear. Key points at this time will be the acquisition of large projects in each service, which will have a significant impact on sales, and the pace of increase in QR/Barcode service fees. Looking ahead, if TMN's equity story becomes more realistic, namely, "stable growth in recurring 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 recurring revenue in the Transaction Platform Service business", the stock price may rise as expectations for medium to long-term profit growth grow.

Stock Price and Trading Volumes



Source: Strategy Advisors.

Key Indicators

Stock Price (9/12/25)	416
52-Week High (8/14/25)	537
52-Week Low (4/7/25)	213
All-Time High (7/4/23)	1,946
All-Time Low (7/4/25)	213
Shares on Issue (mn)	37
Market Capitalization (¥ bn)	15.4
EV (¥ bn)	15.0
Equity Ratio (3/25 Actual, %)	37.3
PER (3/26 CoE, Times)	44.0
PBR (3/25 Actual, Times)	1.5
Dividend Yield (3/26 CoE, %)	0.0

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

Japanese GAAP - Consolidated

FY	Sales (¥ bn)	YoY Change (%)	Operating Income (¥ mn)	YoY Change (%)	Ordinary Income (¥ mn)	YoY Change (%)	Net Income (¥ mn)	YoY Change (%)	EPS (¥)	DPS (¥)
3/25 Q1	2.732	-	-57	-	-59	-	-71	-	-1.9	-
3/26 Q1	**3.022**	**10.6**	**-196**	**-**	**-198**	**-**	**-198**	**-**	**-5.4**	**-**
3/23	7.831	9.7	560	-21.2	535	-24.8	672	-	21.2	0.0
3/24	10.37	-	777	-	765	-	585	-	15.9	0.0
3/25	12.3	18.6	-504	-	-513	-	-682	-	-18.5	0.0
3/26 CoE	15.079	22.6	512	-	464	-	349	-	9.5	0.0

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

The company's EPS forecast for FY3/26 does not take into account the repurchase of treasury shares.

Source: Company Data. Compiled by Strategy Advisors.

1. FY3/26 Q1 Financial Results Overview

Q1 Operating Loss Widened. Performance Was Within Company Expectations

Transaction Media Networks (TMN) reported sales of ¥3.022 billion (+10.6% YoY) and an operating loss of ¥196 million (compared to a loss of ¥57 million in FY3/25 Q1) in FY3/26 Q1. Despite increased sales, the operating loss widened due to increased data center (DC) relocation costs, etc. Meanwhile, EBITDA, which the company places importance on, was ¥340 million (-14.8% YoY).

Although the sales growth rate in Q1 was lower than the full-year plan (+22.6% YoY), due to the seasonality of One-Time Revenue, which is concentrated in the second half of the year; the progress rate of Q1 results against the full-year plan is typically low, so it appears that Q1 results were within the expected range.

The Main Reasons for the Deterioration in Profits Were the Data Center Relocation & Other Temporary Expenses

Q1 gross profit margin was down 2.8% due to the impact of DC-related sales. This declined from 30.8% in the same period of the previous year to 28.0% due to an increase in outsourcing costs such as PMO, verification and work costs. Data Center Relocation Expenses (almost entirely included in cost of sales) recorded in Q1 was ¥148 million.

On the other hand, selling, general and administrative expenses increased from ¥899 million YoY to ¥1.043 billion. Personnel expenses rose to ¥557 million (¥513 million YoY) due to upfront investment in human resources and other expenses rose to ¥235 million (¥143 million YoY) due to a temporary increase in expenses associated with the acquisition of treasury stock.

Borrowed ¥4 billion & Acquired Treasury Stock Worth ¥3.5 billion

TMN acquired 7.35 million shares (worth approximately ¥3.5 billion), equivalent to 19.9% of the total number of issued shares, through off-floor purchase transactions with the settlement date set for June 27. The investment ratio of the counterparty, the largest shareholder Mitsubishi Corporation (8058 TSE Prime), decreased from 24.45% to 16.73%, meaning that Mitsubishi Corporation is no longer considered a controlling shareholder or considered as an affiliated company of TMN.

The balance sheet as of the end of Q1 does not reflect the acquisition of treasury shares, as the delivery date for the shares was July 1. In addition, in connection with this transaction, the company raised a total of ¥4 billion in loans, ¥2 billion on June 27 and ¥2 billion on July 1.

ROE Target for FY3/27 is 10%

By purchasing treasury stock using borrowings, TMN has increased its EPS and reduced its WACC. The company plans to use the acquired treasury stock for new growth, such as through M&A and capital and business alliances. TMN also explained that it aims for 10% ROE by FY3/27. They aim to achieve this through reduction in shareholder equity through the purchase of treasury stock and improving profits.

The Significant Decline in Deposits & Cash and Deposits is Related to Bank Holidays

Deposits at the end of Q1 fell sharply from ¥10.9 billion at the end of FY3/25 to ¥1.1 billion. WebSpace, a consolidated subsidiary that provides convenience store payment services for utility bills, etc., has a tendency for deposits to increase on bank holidays. TMN's consolidated financial statements reflect figures from 3 months prior for WebSpace, a company with a December fiscal year end. As such, deposits were high at the end of FY3/25, which reflected figures from the end of the year (on a bank holiday), but returned to normal levels at the end of March (during a weekday), leading to a significant decrease at the end of Q1. As a result of the decrease in deposits, cash and deposits at the end of Q1 also fell sharply from ¥14 billion at the end of FY3/25 to ¥5 billion.

Figure 1. Summary of FY3/26 Q1 Financial Results

(¥ mn)	FY3/25 Q1	**FY3/26 Q1 (A)**	Progress Rate (A)/(B)	**FY3/26 CoE** (B)
Sales (Consolidated)	2,732	**3,022**	20.0%	15,079
Recurring Revenue	1,930	**2,218**	22.6%	9,802
Gateway Service Fees	1,129	**1,245**	24.1%	5,163
QR/Barcode Service Fees	669	**869**	20.8 %	4,189
Registration Fee	130	**104**	23.1 %	449
One-Time Revenue	423	**454**	12.5%	3,627
Terminal Sales	245	**269**	14.5%	1,860
SI Development Sales	90	**91**	10. 7 %	857
Others (nextore, etc.)	87	**93**	10. 3 %	909
WebSpace	377	**349**	21.2%	1,650
Gross Profit	841	**846**	18.2%	4,642
Gross Profit Margin	30.8%	**28.0%**	-	30.8%
SG&A Expenses	899	**1,043**	25.3%	4,130
Operating Income	-57	**-196**	-	512
Ordinary Income	-59	**-198**	-	464
Net Income	-71	**-198**	-	349
EBITDA	398	**340**	11.9%	2,863

Note: Company forecast for SG&A expenses for FY3/26 is estimated by Strategy Advisors.

Source: Company Data. Compiled by Strategy Advisors.

Figure 2. Income Statement and Key Indicators (Quarterly)

(¥ mn)	3/24				3/25				3/26
Accounting Period	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
	Parent	Parent	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.
Total Sales	2,305	2,304	2,917	2,842	2,732	3,006	3,152	3,411	3,022
(YoY)	36.3%	19.3%	52.0%	24.3%	NM	NM	NM	NM	10.6%
<Recurring Revenue>	1,633	1,727	1,828	1,864	1,930	1,983	2,075	2,139	2,218
(YoY)	27.6%	29.3%	25.1%	21.2%	18.1%	14.8%	13.5%	14.7%	14.9%
·Gateway Service Fees	1,033	1,059	1,085	1,105	1,129	1,146	1,173	1,197	1,245
(YoY)	10.8%	12.9%	12.2%	12.5%	9.3%	8.2%	8.1%	8.3%	10.2%
·QR/Barcode Service Fees	461	527	609	633	669	714	779	828	869
(YoY)	175.0%	130.0%	80.2%	53.7%	45.1%	35.5%	27.9%	30.8%	29.8%
·Registration Fees	138	140	133	124	130	123	122	113	104
(YoY)	-23.0%	-16.8%	-14.7%	-12.6%	-5.4%	-12.2%	-8.1%	-9.5%	-20.5%
<One-Time Revenue>	670	576	1,088	978	423	662	756	966	454
(YoY)	63.4%	-3.3%	137.8%	30.7%	-36.9%	14.9%	-30.5%	-1.2%	7.2%
·Terminal Sales	402	361	489	476	245	381	546	556	269
(YoY)	68.8%	-0.6%	83.9%	-3.2%	-39.0%	5.4%	11.6%	16.8%	9.5%
·SI Development Sales	187	132	135	406	90	108	104	233	91
(YoY)	44.0%	-22.7%	-2.7%	107.6%	-51.9%	-18.3%	-22.6%	-42.4%	1.4%
·Others	81	82	463	95	87	172	105	176	93
(YoY)	92.0%	35.4%	780.2%	57.4%	7.9%	109.8%	-77.3%	84.3%	6.7%
WebSpace	-	-	-	-	377	360	318	305	349
(YoY)	-	-	-	-	NM	NM	NM	NM	-7.5%
Gross Profit	789	763	790	977	841	837	820	902	846
(Gross Profit Margin)	34.2%	33.2%	27.1%	34.4%	30.8%	27.8%	26.0%	26.4%	28.0%
SG&A Expenses	620	595	611	665	899	962	1,002	1,041	1,043
Operating Income	169	168	179	311	-57	-126	-183	-139	-196
(YoY)	197.6%	-11.9%	21.3%	90.0%	NM	NM	NM	NM	NM
(Operating Margin)	7.4%	7.3%	6.2%	11.0%	-2.1%	-4.2%	-5.7%	-4.1%	-6.5%
Non-Operating Profit/Loss	-7	1	1	-6	-2	-5	-4	1	-2
Ordinary Income	162	169	180	305	-59	-130	-184	-138	-198
(YoY)	186.1%	-11.6%	20.6%	122.2%	NM	NM	NM	NM	NM
(Ordinary Income Margin)	7.1%	7.3%	6.2%	10.8%	-2.2%	-4.4%	-5.9%	-4.1%	-6.6%
Net Income	161	157	162	156	-71	-131	-277	-202	-198
(YoY)	192.0%	-13.6%	6.6%	-15.3%	NM	NM	NM	NM	NM
EBITDA	552	565	583	739	398	354	364	379	340
Number of Connected Terminals (As of End of Period, ’000)	870	900	930	968	990	1,010	1,060	1,102	1,120
Payment Processing Amount (GMV) (¥ bn)	1,065	1,110	1,195	1,230	1,100	1,200	1,300	1,300	1,300
Number of Transaction (mn)	560	600	600	640	600	600	700	600	710

Note: Consolidated financial statements will begin from FY3/24 Q3 due to WebSpace becoming a consolidated subsidiary. However, FY3/24 Q3 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

Recurring revenue Continues to Grow at a High Rate

The number of connected terminals in operation at TMN reached 1.12 million at the end of FY3/26 Q1 (+130,000 YoY, +20,000 QoQ). Following the adoption of 12,000 new payment terminals "UT-X20" by Welcia Holdings (3141 TSE Prime), a surge in cash register card transactions led to a payment processing volume of ¥1.3 trillion (+20.8% YoY). The number of settlement transactions processed in Q1 also increased significantly to 710 million (+17.8% YoY). As a result, Q1 recurring revenue (non-consolidated) increased 14.9% YoY, following up on the strong growth recorded in FY3/25, +15.2% QoQ.

Gateway Service Fees & QR/Barcode Service Fees Increased by More Than 20%

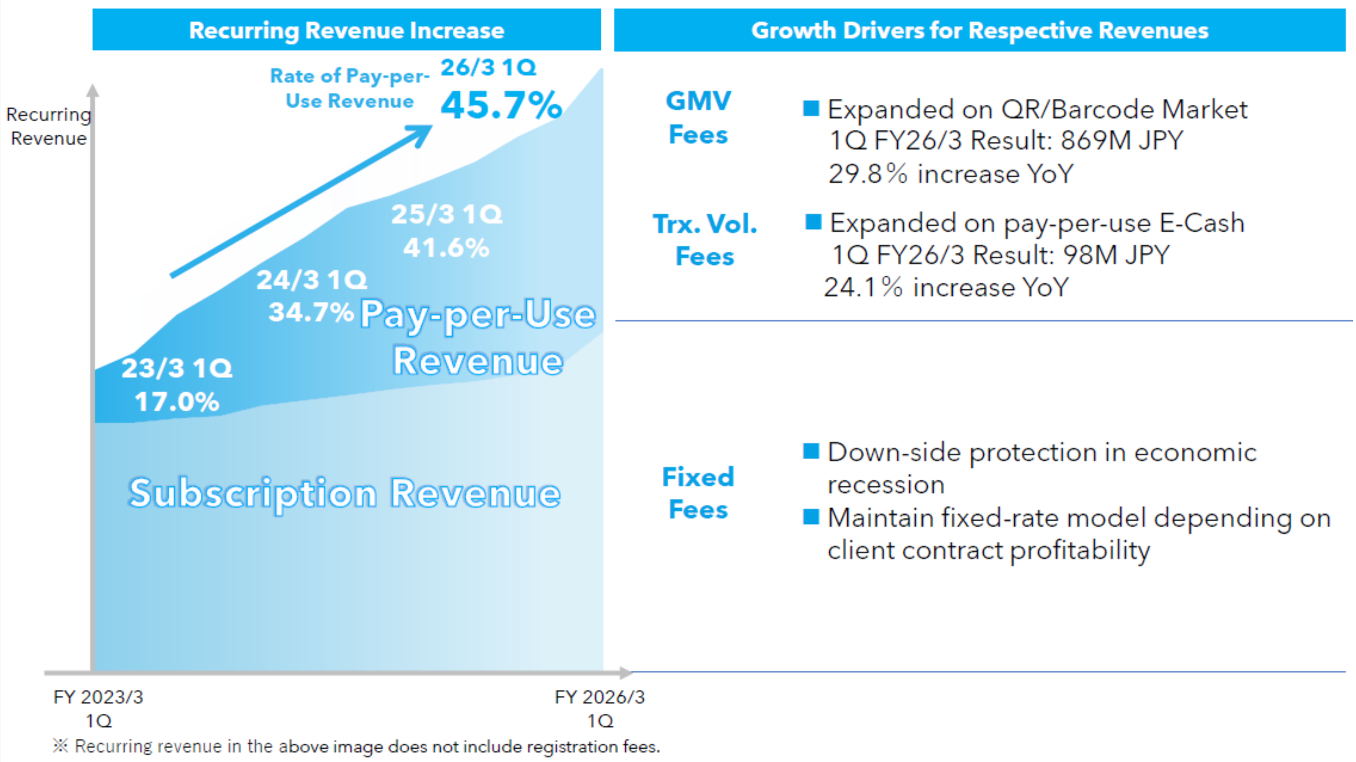
As for the main breakdown of recurring revenue, gateway service fees increased to ¥1.245 billion (+10.2% YoY) due to an increase in flat-rate revenues resulting from an increase in the number of connected terminals in operation, and revenues based on the number of processed E-Cash payments increased to ¥98 million (+24.1% YoY) due to an increase in contracts. QR/Barcode service fees, which are charged on a pay-per-use basis based on the payment processing amount, increased to ¥869 million (+29.8% YoY) due to an increase in the number of new member stores and payment volume at existing member stores following the expansion of the QR and Barcode market.

As a result, the proportion of pay-per-use charges in gateway service fees and QR/Barcode service fees rose to 45.7% in Q1 from 41.6% YoY. The company aims to raise the growth rate of recurring revenue by increasing the pay-per-use charge ratio.

Plan to Expand Customer Base to Transportation Operators

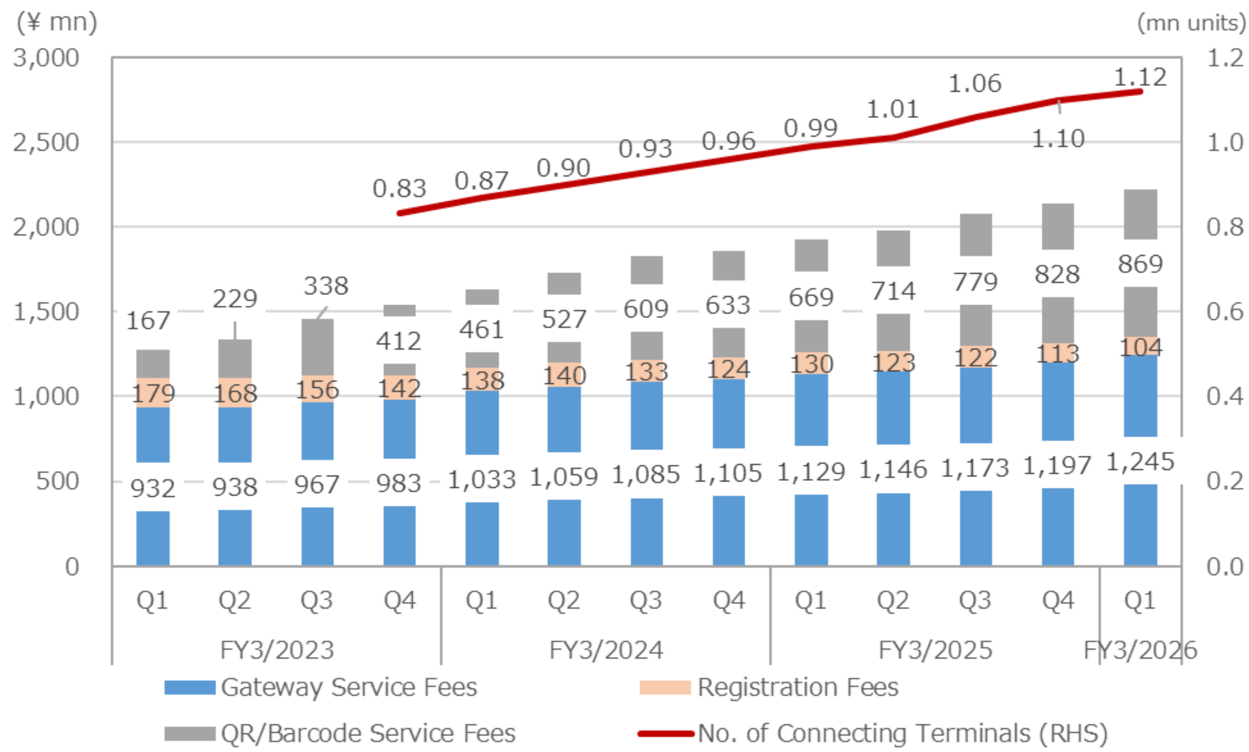
TMN began providing QR code and barcode payment services to Akiba Bus Service (Shuchi District, Shizuoka) and Tokachi Bus (Obihiro City, Hokkaido) in June 2025. Going forward, the company plans to roll out the service to public transportation operators nationwide, expanding its customer base, which is currently primarily comprised of distribution companies, to include transportation operators.

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



Source: Company Data.

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



Source: Company Data. Compiled by Strategy Advisors.

One-Time Revenue Growth is Relatively Slow

One-time revenue (non-consolidated) was ¥454 million (+7.2% YoY), a slower growth rate than recurring revenue. Breaking down one-time revenue, terminal sales got off to a good start at ¥269 million (+9.5% YoY), despite a backlog of purchases ahead of the release of the mobile multi-payment terminal "UT-P11" (shipments began in July). SI development sales progressed only 10.7% of the full-year plan due to Q1 falling in a low-demand period, but growth was sluggish at ¥91 million (+1.4% YoY).

The Progress Rate Against the Full-Year Plan for Other Sales Related to Transaction Platform Service is 10%

Revenue from Transaction Platform Services such as Nextore, recorded as standalone other revenue, includes recurring revenue. However, as the proportion of recurring revenue is currently low, all other revenue is recorded as non-recurring revenue. Other sales were ¥93 million (+6.7% YoY), but the company continues to face challenges in terms of monetization and progress toward the full-year plan, which is expected to see high growth, but was only 10.3%. We look forward to future developments that leverage the customer base built in the payment-related business and initiatives in various services.

Webspace Revenue Declines

Consolidated subsidiary Webspace’s revenue was ¥349 million (-7.5% YoY) due to robust performance YoY and delays in equipment replacement sales.

3. Earnings Forecast

Revenues are Expected to Recover Significantly Versus the Previous Fiscal Year

The company's forecast for FY3/26 is sales of ¥15.079 billion (+22.6% YoY), operating profit of ¥512 million (compared to a loss of ¥504 million YoY), and EBITDA of ¥2.863 billion (+91.2% YoY). Sales are expected to increase by ¥2.779 billion, while operating profit is expected to increase by ¥1.016 billion and EBITDA by ¥1.366 billion.

Recurring Revenue is Expected to Continue Growing at a High Rate

Of the total sales, recurring revenue is expected to continue its high growth, reaching ¥9.802 billion (+20.6% YoY). Assuming a steady expansion in the number of connected terminals in operation, gateway service fees are expected to reach ¥5.163 billion (+11.1% YoY). Additionally, QR/Barcode service fees are expected to grow strongly, reaching ¥4.189 billion (+40.0% YoY), anticipating an increase in payment volume at existing affiliated stores and the contribution of large-scale projects. As a result, the pay-per-use sales ratio is expected to increase in FY3/26. Meanwhile, registration fees, which have been declining since FY3/23, are expected to reach ¥449 million (-8.2% YoY).

One-Time Revenue is Expected to Recover

One-time revenue is expected to reach ¥3.627 billion (+29.1% YoY), a rapid recovery from the decline in FY3/25. Terminal sales, which remained flat YoY in FY3/25, are expected to reach ¥1.860 billion (+7.5% YoY). Production of the flagship mobile type product, the “UT-P10”, ended in June 2025. Sales of the new product, the “UT-P11”, are expected to begin contributing, but full-scale expansion is not expected until FY3/27. SI development sales, which fell sharply in FY3/25, are expected to recover significantly to ¥857 million (+59.6% YoY) due to some projects being delayed until FY3/26.

Transaction Platform Service is Expected to Expand

The Transaction Platform Service, which has been slow to expand, is expected to reach ¥909 million (+67.9% YoY) with the anticipated expansion of House Prepaid/ID integration. This service is for clients who manage groups and issue unique IDs for each business, making it difficult to grasp the overall picture. In such cases, the company will integrate member IDs across each business and provide a common points/prepaid service. The company has a track record of integrating the member IDs of 1.7 million consumers cooperative organizations. For clients, the benefits include one-to-one marketing and purchasing analysis and TMN sees the benefit of being able to aggregate information.

Webspace Expects 21% Revenue Growth

WebSpace is expected to achieve sales of ¥1.65 billion (+21.1% YoY) as it anticipates growth in existing businesses and expansion through group synergies.

Rapid Recovery from the 2H

TMN expects to incur an operating loss in 1H of the year due to one-time expenses of approximately ¥400 million associated with the data center relocation; but anticipates a significant recovery in the second half, when it is expected to turn a profit thanks to a significant increase in one-time revenue and the elimination of data center relocation expenses. Regarding the data center relocation, the connection work with affiliated stores was largely completed at the end of June; with additional verification and restoration work completed in September.

Adding the ¥400 million in data center relocation expenses to the company's full-year forecast for operating profit of ¥512 million for FY3/26 will result in an operating profit of approximately ¥900 million. In FY3/25, data center relocation expenses and trouble response incurred approximately ¥800 million; by excluding these expenses, operating profit was calculated to be approximately ¥300 million, effectively projecting an increase of ¥600 million in operating profit. As mentioned above, revenue is expected to increase approximately ¥2.8 billion YoY in FY3/26, and if the sales plan is achieved, it is entirely possible to achieve the operating profit forecast. As there are certain uncertainties regarding one-time revenue, achieving the company's sales forecast will be the key.

FY3/27 Profits Expected to Increase Significantly

In FY3/27, data center relocation expenses will be eliminated and the positive effects of the relocation (such as the elimination of failure points) are expected to gradually emerge. As sales are expected to continue to grow steadily, profits are expected to increase significantly. If this is combined with the expansion of the Transaction Platform Service, expectations for medium-to-long-term growth will also increase.

4. Stock Price Trends and Valuations

The Current Stock Price Ranges from ¥400 to ¥450

After September 2024, TMN's share price continued to decline until early April 2025 due to the downward revision of the FY3/25 forecast and the general stock market adjustment, but TMN's share price rebounded along with the recovery of the stock market, returning to the ¥300 range in early May.

The company's FY3/26 forecasts, announced on May 14, were well received, and the stock price rose sharply to ¥511 on June 2. The stock price then entered a correction phase, but when the Tokyo Stock Exchange Growth Market Index rose sharply in July, TMN's stock price also rose and by early August it was trading above ¥500. The Q1 financial results, announced on August 14, were in line with the company's expectations, but the fact that the sales growth rate was lower than the full-year plan of 22.6% was disappointing, and so the stock price fell below ¥500. Currently, the stock price is trading in the range of ¥400 to ¥450.

Low Valuation

Looking at the valuations of cashless payment-related stocks against the backdrop of high growth expectations for the cashless payment market, peers have PBRs of 2.1x-10.0x, EV/EBITDA of 22x-96x and expected PER of 29x-98x, exceeding the average PBR of 1.5x and expected PER of 18x for companies listed on the Tokyo Stock Exchange Prime. Meanwhile, TMN's valuation levels have risen since April due to the rise in its stock price, but its PBR is 1.5x (1.9x when taking into account the share buyback and borrowing carried out on July 1st), EV/EBITDA is 10.2x (8.4x when taking into account the same) and expected PER is 44x (35x when taking into account the same), making it a lower valuation than peers, except for the expected PER, which is heavily influenced by the data center relocation expenses.

EV/EBITDA is Significantly Lower than Other Companies

Because TMN owns its data centers and has relatively large depreciation expenses, it is appropriate to evaluate the company based on EV/EBITDA. Of the 3-valuation metrics compared, TMN is particularly cheap compared to its peers in terms of EV/EBITDA, but it is noteworthy that the stock value would be even lower if the data center relocation expenses and outage response expenses had not occurred in FY3/25. Furthermore, when calculating EV/EBITDA (considering share buybacks and borrowings) using TMN's FY3/26 forecast EBITDA, the stock is only 4.4x, making it even more undervalued.

In calculating the EV of cashless payment-related stocks in Figure 7, Strategy Advisors consider the impact of deposit amounts on cash and deposits and treat the amount obtained by subtracting deposits from cash and deposits as cash.

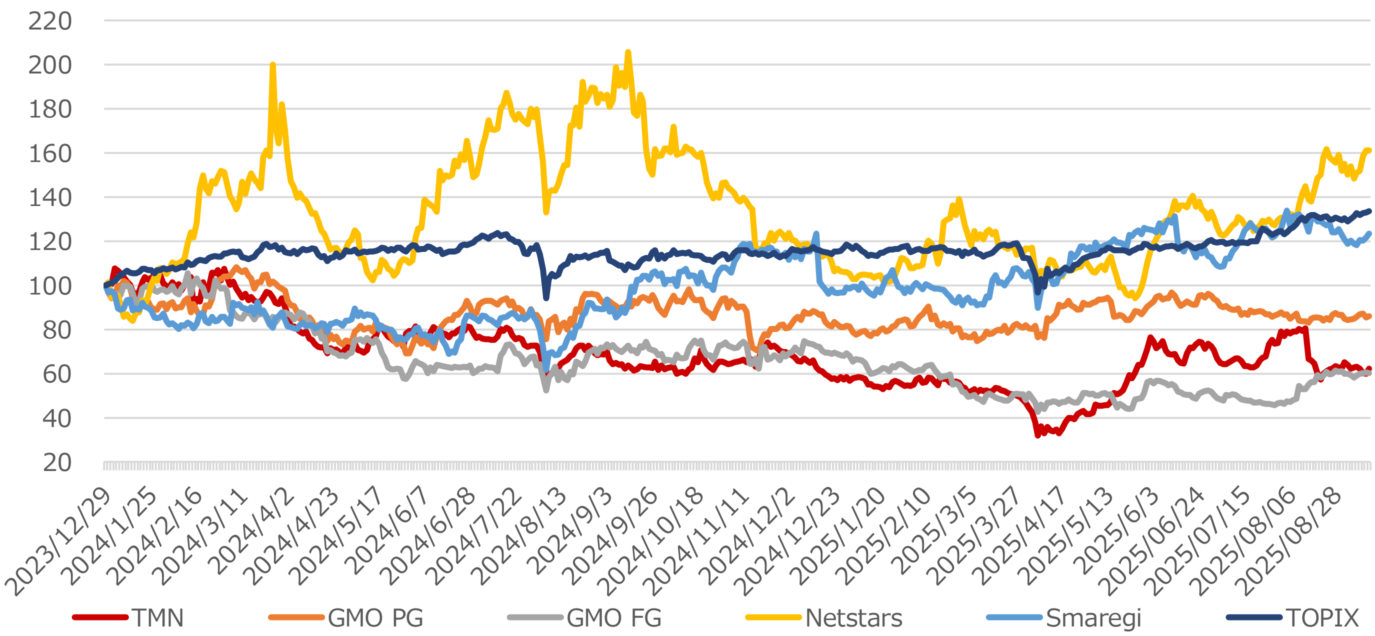
For the Time Being, Performance Trends in the Second Half of FY3/26 Will Be the Key

For the time being, the stock price will likely test its upper limit while keeping an eye on the performance trends in the second half of FY3/26, when data center relocation expenses will be eliminated and actual profits will become clear. At that time, key points will be the acquisition of large projects for each service, which will have a significant impact on sales and the increase in fees for QR/Barcode service.

Continued Focus on Medium-Term Growth Potential

In the future, if TMN's equity story, as envisioned by Strategy Advisors, becomes a reality - "stable growth in recurring revenue in the electronic payment service business as a result of the effects of the data center relocation, and improved profit margins due to rapid expansion of recurring revenue in the Transaction Platform Service business" - the stock price may rise as expectations for medium to long-term profit growth grow.

Figure 6. Stock Price Trends of TMN & Competitors (end of 2023 =100)



Source: Company Data. Compiled by Strategy Advisors.

Figure 7. Valuation Comparison with Peer Companies

	Code	Currency	FY	Price	Market Cap.	EV	PER	PBR	EV/ EBITDA	Yield	ROE
				(Sep 12)			CoE	Actual		CoE	CoE
				¥	¥ bn	¥ bn	Times	Times	Times	%	%
TMN	**5258**	**¥**	**3/25**	**416**	**15.4**	**15.0**	**44.0**	**1.5**	**10.2**	**0.0**	**3.5**
GMO PG	3769	¥	9/24	8,423	638.9	655.2	34.5	6.2	23.0	1.5	16.9
GMO FG	4051	¥	9/24	6,280	51.8	49.8	35.1	9.2	24.2	1.4	24.7
Smaregi	4431	¥	4/25	3,340	64.3	59.1	34.5	8.4	21.6	0.6	24.3
Netstars	5590	¥	12/24	1,169	19.5	13.7	98.2	2.7	96.3	0.0	2.8
Block	XYZ	USD	12/24	72.9	44.5	39.3	28.7	2.1	22.7	0.0	7.2
Adyen	ADYEN	Euro	12/24	1,345.2	42.4	30.2	39.8	10.0	30.8	0.0	22.9

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. EV is calculated by adding the market capitalization as of September 12 to the net interest-bearing debt (net debt), which is determined as interest-bearing debt at the end of the most recent quarter minus (cash and deposits - deposits held).
2) CoE: Japanese companies use company forecasts, while overseas companies use FactSet consensus forecasts.
3) ROE is calculated by dividing the net income from company forecasts or consensus forecasts by shareholders' equity at the end of the most recent quarter.
Source: Company Data. Compiled by Strategy Advisors.

Figure 8. Comparison of Profitability with Competitors (Based on the Most Recent FY Results)

	Code	FY	Operating Margin	ROE	ROIC	EBITDA Margin	Equity Ratio
			%	%	%	%	%
TMN	**5258**	**3/25**	**-4.1**	**-6.5**	**-6.7**	**12.0**	**37.3**
GMO PG	3769	9/24	34.1	19.2	19.2	38.7	29.9
GMO FG	4051	9/24	8.1	18.9	22.7	11.0	39.7
Smaregi	4431	4/25	21.5	21.4	122.1	24.8	71.8
Netstars	5590	12/24	-2.2	-0.5	-9.0	3.6	19.9
Block	XYZ	12/24	7.0	14.5	15.5	7.2	57.8
Adyen	ADYEN	12/24	39.2	25.1	94.9	44.1	37.0

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

Figure 9. Income Statement (¥mn)

FY	Parent **3/21**	Parent **3/22**	Parent **3/23**	Parent **3/24**	Consolidated **3/24**	Consolidated **3/25**	Consolidated **3/26 CoE**
Total Sales	**6,451**	**7,139**	**7,831**	**10,370**	**10,370**	**12,300**	**15,079**
(YoY)	-21.0%	10.7%	9.7%	32.4%	-	18.6%	22.6%
<Recurring Revenue>	3,953	4,711	5,617	7,054	7,054	8,129	9,802
(YoY)	9.9%	19.2%	19.2%	25.6%	25.6%	15.2%	20.6%
・Gateway Service Fees	3,133	3,496	3,822	4,285	4,285	4,646	5,163
(YoY)	32.4%	11.6%	9.3%	12.1%	12.1%	8.4%	11.1%
・QR/Barcode Service Fees	188	486	1,147	2,231	2,231	2,992	4,189
(YoY)	743.2%	157.7%	135.8%	94.5%	94.5%	34.1%	40.0%
・Registration Fees	631	728	647	537	537	489	449
(YoY)	-47.8%	15.3%	-11.1%	-17.1%	-17.1%	-8.8%	-8.2%
<One-Time Revenue>	2,495	2,426	2,213	3,315	3,315	2,809	3,627
(YoY)	-45.4%	-2.8%	-8.8%	49.8%	49.8%	-15.3%	29.1%
・Device Sales Revenue	1,459	1,364	1,360	1,730	1,730	1,730	1,860
(YoY)	-55.3%	-6.5%	-0.3%	27.2%	27.2%	0.0%	7.5%
・SI Development Sales	820	897	636	861	861	536	857
(YoY)	-26.5%	9.3%	-29.1%	35.4%	35.4%	-37.7%	59.6%
・Others	215	165	216	723	723	541	909
(YoY)	14.7%	-23.2%	30.6%	233.8%	233.8%	-25.1%	67.9%
WebSpace						1,362	1,650
(YoY)							21.1%
Gross Profit	**1,915**	**2,279**	**2,562**	**3,321**	**3,321**	**3,401**	**4,642**
(Gross Profit Margin)	29.7%	31.9%	32.7%	32.0%	32.0%	27.7%	30.8%
SG&A Expenses	1,760	1,568	2,002	2,544	2,544	3,905	4,130
Operating Income	**154**	**711**	**560**	**829**	**777**	**-504**	**512**
(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
Ordinary Income	**158**	**712**	**535**	**818**	**765**	**-513**	**464**
(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%
Net Income	**98**	**-385**	**672**	**637**	**585**	**-682**	**349**
(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
EBITDA	1,367	2,180	2,137	2,441	2,389	1,497	2,863
(YoY)		59.5%	-2.0%	14.2%	11.8%	-37.3%	91.2%

Note: Starts from FY3/24, 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. Compiled by Strategy Advisors.

Figure 10. Balance Sheet (¥mn)

	Parent	Parent	Consolidated	Consolidated
FY	**3/22**	**3/23**	**3/24**	**3/25**
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
Current Assets	**5,223**	**4,614**	**16,182**	**17,246**
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
Total Fixed Assets	**5,148**	**5,194**	**9,376**	**9,743**
Total Assets	**10,372**	**9,808**	**25,558**	**26,989**
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
Current Liabilities	**4,496**	**4,733**	**12,561**	**15,028**
Long-Term Debt	8	3	1,560	1,268
Retirement Benefits/Salary Reserves	100	115	178	200
Other Fixed Liabilities	0	0	429	365
Fixed Liabilities	**108**	**118**	**2,167**	**1,835**
Total Liabilities	**4,605**	**4,852**	**14,729**	**16,863**
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
Shareholders' Equity	**5,761**	**4,933**	**10,714**	**10,060**
Stock Acquisition Rights	0	0	75	0
Unrealized Gains on Other Securities	5	22	39	65
Total Net Assets	**5,766**	**4,956**	**10,829**	**10,126**
Liabilities and Net Assets	**10,372**	**9,808**	**25,558**	**26,989**
Equity Capital	5,761	4,933	10,790	10,060
BPS (¥)	179.2	159.7	292.1	272.0

Source: Company Data. Compiled by Strategy Advisors.

Figure 11. Cash Flow Statement (¥mn)

FY	Parent **3/21**	Parent **3/22**	Parent **3/23**	Consolidated **3/24**	Consolidated **3/25**
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
Cash Flows from Operating Activities	**1,039**	**2,109**	**2,803**	**533**	**3,624**
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
Cash Flows from Investing Activities	**-2,310**	**-1,344**	**-1,377**	**4,588**	**-2,644**
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
Cash Flows from Financing Activities	**905**	**485**	**-1,984**	**5,190**	**-83**
Free Cash Flow	-1,270	765	1,426	5,121	979

Source: Company Data. Compiled by Strategy Advisors.

Figure 12. Stock Price Indicators, ROE and KPI's

FY	Parent 3/21	Parent 3/22	Parent 3/23	Consolidated 3/24	Consolidated 3/25	Consolidated 3/26 CoE
EPS (¥)	**3.1**	**-12.2**	**21.2**	**15.9**	**-18.5**	**9.5**
BPS (¥)	**232.0**	**179.2**	**160.0**	**292.1**	**272.0**	**-**
Dividend per Share (¥)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Closing Price (¥)	**NA**	**NA**	**NA**	**628**	**320**	**-**
PER (Times)	**NA**	**NA**	**NA**	**39.6**	**NM**	**-**
PBR (Times)	**NA**	**NA**	**NA**	**2.1**	**1.2**	**-**
Number of Shares Issued at End of Period (Shares mn)	NA	NA	NA	36.9	37.0	-
Number of Treasury Shares (Shares mn)	NA	NA	NA	0.0	0.0	-
Treasury Stock Deduction (Shares mn)	NA	NA	NA	36.9	37.0	-
Market Capitalization (¥ mn)	**NA**	**NA**	**NA**	**23,196**	**11,837**	**-**
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	-
ROE	**1.4%**	**-6.7%**	**12.6%**	**5.4%**	**-6.5%**	
ROIC (Business Assets)	1.5%	-9.9%	15.9%	7.0%	-6.7%	
Number of Employees	**275**	**249**	**254**	**362**	**372**	
Number of Connected Terminals (000)	589	696	833	968	1,102	
Annual Settlement Processing Transaction Value (GMV) (¥ tn)	2.6	3.1	3.7	4.6	4.9	
Annual Number of Settlements Processed (Bn of Times)	1.5	1.7	2.0	2.4	2.5	

Source: Company Data. Compiled by Strategy Advisors.

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