

Company Report

June 3, 2024

Strategy Advisors, Inc.
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Q1 FY12/2024 Results: "Moppy", D2C & Crypto Assets Performed Well. Company Forecast Revised Upwards, But There is Still Room for Upside

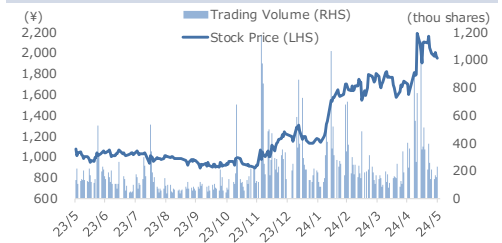
Q1 net sales increased 21.6% YoY to ¥6.72 billion and recurring profit rose 224.0% YoY to ¥1.14 billion. The company revised its full-year recurring profit forecast upwards from ¥1.6 billion to ¥2.0 billion, reflecting the Q1 results of bitbank, an equity-method affiliate that had not been included in the company's previous forecast. However, based on the Q1 results, there is still room to exceed the company's revised full-year forecast.

By division, operating profit from mobile services was strong, rising 63.1% YoY to ¥1.12 billion. The gross profit margin of "Moppy," a loyalty point site, continued to rise as the company's own affiliate service provider (ASP), "AD.TRACK," continued to link up with the site. The number of active users also increased steadily. D2C also continued to expand rapidly, with net sales up 171.5% YoY and operating income up 5.8x YoY. "Pitsole" the high-functioning insole, continued to expand.

Financial Services' Q1 operating loss narrowed to ¥-0.05 bn from ¥-0.14 bn in Q1 FY12/2023. This was largely due to a significant improvement in revenue at Mercury, which is engaged in the sale of crypto assets, as a result of the rise in the price of crypto assets. Factoring and other services provided by subsidiary labol are also doing well.

The share price has been rising since December 2023 on the back of crypto asset price increases. Rising even more significantly after the announcement of Q1 results on May 9. It is presumed that this is largely due to the confirmation of strong earnings performance. In particular, the mainstay mobile services "Moppy" and D2C contributed to the increase in profit, which is also believed to have affected the share price. While the share price will continue to be affected by the price of crypto assets, individual performance factors were also shown to have an impact. The company's PER forecast for FY12/2024 is 18.0x, which is not high compared to its historical range. Finally, earnings trends are expected to become more important than in the past.

Share Price & Volumes (Past 1 Year)



Source: Strategy Advisors

Key Indicators

Stock Price (5/31)	1,882
YTD High (5/10)	2,191
YTD Low (1/26)	1,128
52-Week High (24/5/10)	2,191
52-Week Low (23/11/28)	891
Shares Issue & Outstanding	11.4
Market Capitalization (¥ bn)	21.5
EV (¥ bn)	20.7
Equity Ratio (12/23, %)	35.4
ROE (12/23, %)	5.0
PER (12/24 Forecast, Times)	18.0
PBR (12/23 Actual, Times)	2.3
Yield (12/24 CoE, %)	1.1

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
Q1 FY12/23	5,525	17.3	253	-57.3	352	-46.5	201	-48.4	17.7	-
Q1 FY12/24	6,718	21.6	713	181.2	1,140	224.0	832	313.8	72.9	-
FY12/21	23,402	15.8	2,305	54.0	3,499	92.7	2,775	272.7	251.8	40.0
FY12/22	20,536	NA	1,246	-45.9	679	-80.6	46	-98.3	4.1	20.0
FY12/23	24,070	17.2	1,118	-10.3	1,217	79.1	451	868.0	39.6	20.0
FY12/24CoE (New)	27,000	12.2	1,600	43.1	2,000	64.2	1,200	166.0	104.5	20.0
FY12/24CoE (Previous)	27,000	12.2	1,600	43.1	1,600	31.4	800	77.3	70.1	20.0

Note: Due to the new revenue recognition standard starting in FY12/22, YoY change in net sales is NA.

Source: Strategy Advisors - Based on Company Data

Table of Contents

1. Q1 FY12/2024 Results Exceeded Company Forecasts	3
2. Mobile Services Business	4
1) Steady Growth in Point Earnings Due to Expansion of "Moppy"	4
2) D2C Continues to Grow Substantially, While DX Struggles	6
3. Financial Services Business	7
4. Earnings Forecast	10
5. Trends of Other Companies in the Industry	11
6. Stock Price Outlook	12

1. Q1 FY12/2024 Results Exceeded Company Forecasts

Significant Increase in Sales & Profit

In the first quarter of FY12/2024, the company achieved significant increases in both sales and profit, with net sales rising 21.6% YoY to ¥6.72 billion, operating income rising 181.2% YoY to ¥710 million and recurring income rising 224.0% YoY to ¥1.14 billion. By division, operating income from mobile services rose sharply to ¥1.12 billion, up 63.1% YoY. Operating income for financial services also improved to ¥-0.05 billion from ¥-0.14 YoY. Furthermore, equity in earnings of affiliates rose 239.4% YoY to ¥370 million, thanks to a significant improvement in earnings at affiliate bitbank.

Upwardly Revised Recurring Profit & Net Profit

The company did not change its full-year forecasts for net sales and operating income, on account of the high volatility of crypto assets and D2C's business. On the other hand, the company upwardly revised its recurring profit and net income forecasts by ¥400 million each to reflect the ¥370 million in equity in earnings of bitbank in Q1, which was originally not factored in due to the difficulty of forecasting. The annual dividend forecast remains unchanged at ¥20 per share.

Figure 1. Trends in FY12/24 Q1 Results by Segment

(¥ mn)

Segment	Full Year FY12/23	Q1 FY12/24 (A)	YoY chg	QoQ chg	Rate of Progress (A)/(B)	Forecast for FY12/24 (B)
Net Sales	24,070	6,718	21.6%	-0.9%	24.9%	27,000
Mobile Service Business	23,458	6,270	18.2%	-4.6%	24.4%	25,720
Point	13,817	3,553	0.8%	-1.5%	25.4%	14,000
D2C	5,053	1,751	171.5%	-2.8%	27.4%	6,400
DX	4,776	983	-18.8%	-18.8%	17.9%	5,500
Financial Services Business	611	447	105.0%	118.0%	34.4%	1,300
Operating Income	1,118	713	181.8%	86.6%	44.6%	1,600
Mobile Service Business	3,187	1,119	63.1%	20.8%	29.8	3,760
Point	2,480	782	54.5%	3.9%	27.6%	2,830
D2C	730	341	478.0%	101.8%	43.4%	785
DX	106	31	-79.6%	-13.9%	11.3%	275
Financial Services Business	-897	-54	NM	NM	NM	-780
Adjustment	-1,172	-351	-	-	-	-1,380
Equity in Earnings of Affiliates	78	370	239.4%	255.8%	93%	400

Note: Company forecasts are after the revision.

Source: Strategy Advisors - Based on Company Data

2. Mobile Services Business

1) Steady Growth in Point Earnings Due to Expansion of "Moppy"

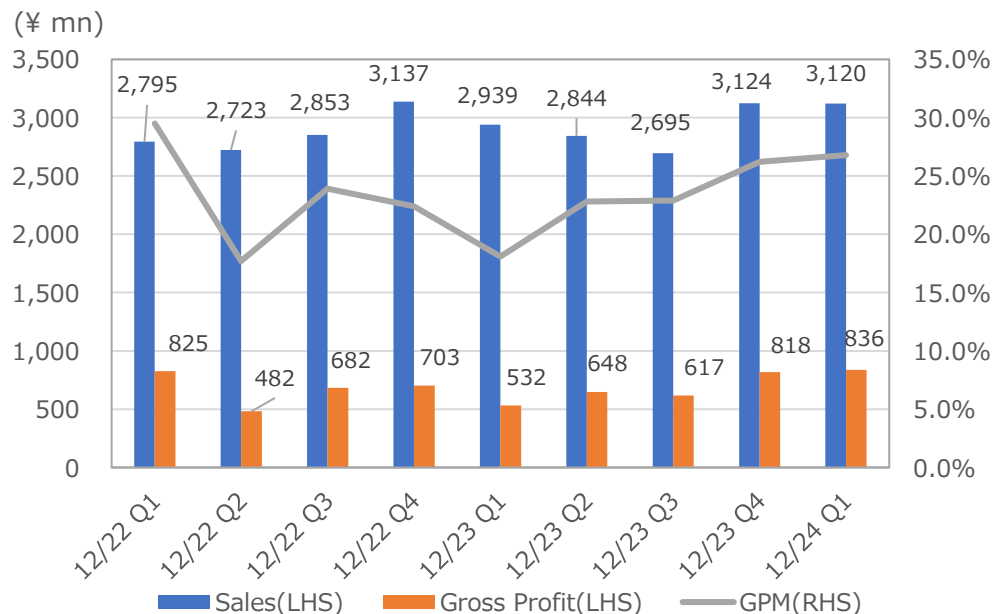
Gross Profit Margin of "Moppy" Increased

In the mobile services sub-segment, operating income from point services was strong, rising 54.5% YoY to ¥780 million. This was driven by the "Moppy" loyalty site. Sales of "Moppy" grew steadily, up 6.2% YoY and its gross profit margin rose to 26.8% from 18.1% in the same period of the previous year. As a result, gross profit for "Moppy" rose sharply to ¥840 million from ¥530 million in Q1 FY12/2024 (based on sales and gross profit margin). Since Q1 FY12/2023 profits were pushed down due to the postponement of expenses from the previous quarter, the rate of increase may appear large when compared to the same period last year. However, gross profit margins have been rising every quarter.

Ratio of Using Their Own ASP, "AD.TRACK" Increased

Point sites post products and services requested by advertisers through ASP's (affiliate service providers), however using an external ASP results in a loss of margin. CERES has an in-house ASP called "AD.TRACK" and by posting products and services on "Moppy" through this ASP, the company is able to bring these margins back to the company. The percentage of "Moppy" advertisers that use "AD.TRACK" has been increasing and is estimated to be around 50% at present. This is believed to be the main reason for the increase in the gross profit margin of "Moppy".

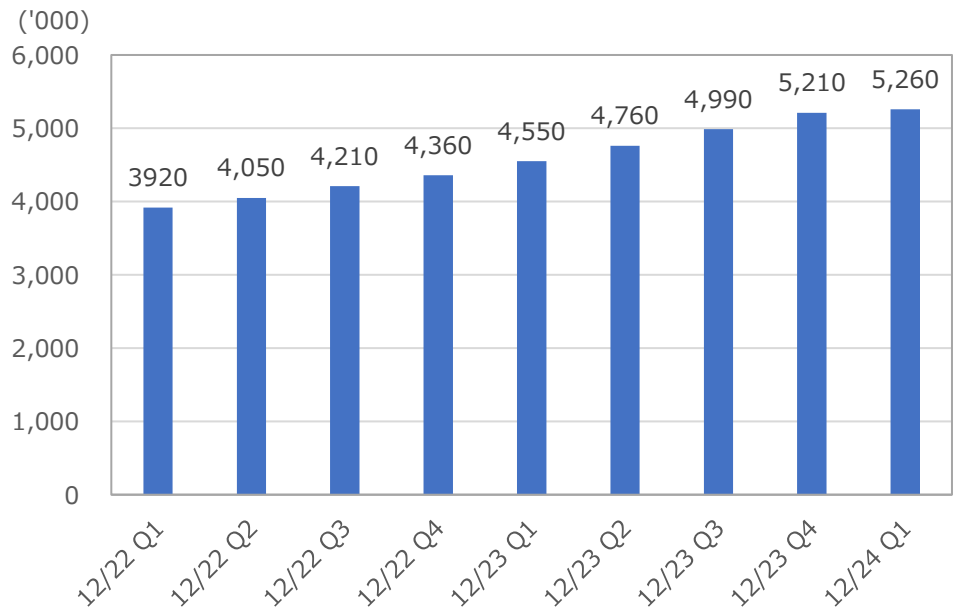
Figure 2: Sales and Gross Profit Margin of "Moppy"



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

Source: Strategy Advisors - Based on Company Data

Figure 3: Number of Active Members of "Moppy"



Source: Strategy Advisors - Based on Company Data

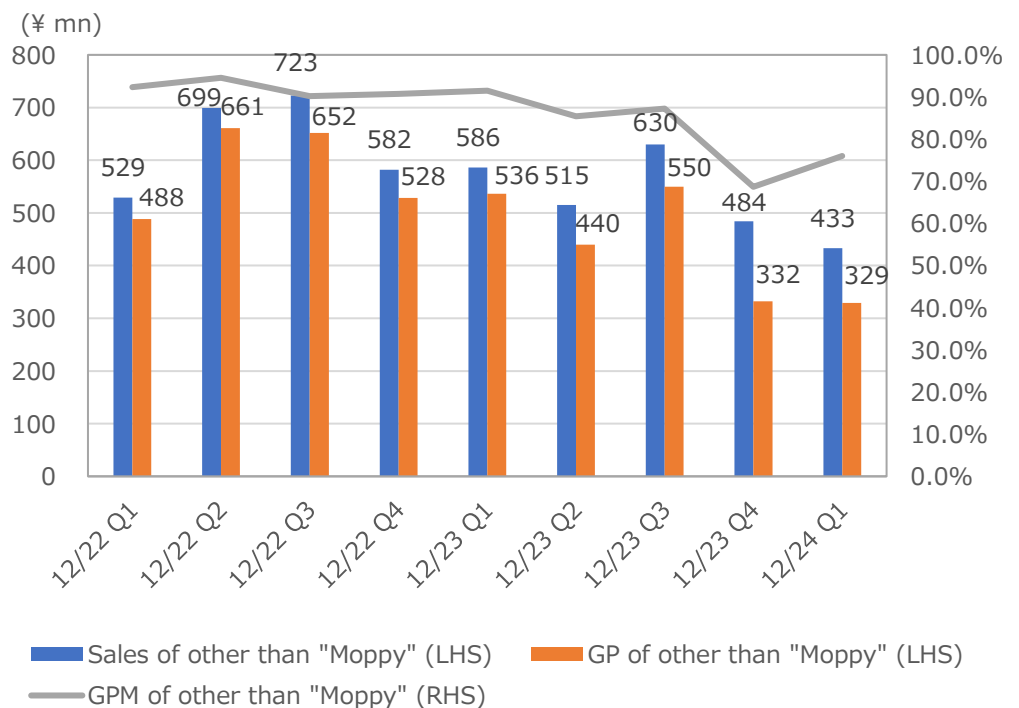
"Moppy" is in a Virtuous Cycle

Although utilizing its own ASP is not in the interest of external ASP's, it is fair to say that "Moppy" has the largest number of active users and therefore, they are forced to use "Moppy". As a result, CERES can continue to list a wide variety of products and services while increasing the utilization of its own ASP. The increase in commissions earned by "Moppy" has allowed the company to increase the amount of points it can give back to users, creating a virtuous cycle that makes the site more attractive as a loyalty site. The company's superior point design capabilities are an advantage that other companies cannot easily imitate.

Conditions for "AD.TRACK" for External Use and Article Advertisement-Type Media are Difficult

On the other hand, revenues from Point's other businesses, "AD.TRACK" (excluding "Moppy") and article ad-based media have stagnated. As shown in Figure 4, sales and gross profit for the entire Point business minus "Moppy" have been on a downward trend recently. This is partly due to advertisers and media taking a cautious stance since the Pharmaceutical and Medical Devices Act and the Act Against Unjustifiable Premiums and Misleading Representations Act have tightened restrictions on excessive advertising. At this point, the downward trend has not yet bottomed out.

Figure 4: Sales and Gross Profit Margin of Point Businesses Other than "Moppy"



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

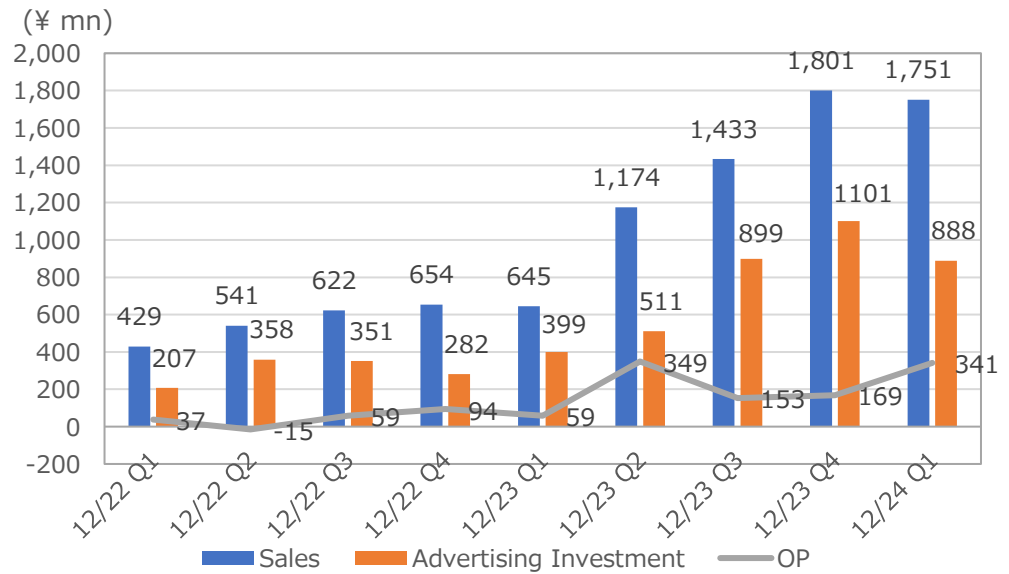
Source: Strategy Advisors - Based on Company Data

2) D2C Continues to Grow Substantially, While DX Struggles

In Q1, D2C sales increased 171.5% YoY to ¥1.75 billion, and operating income increased 5.7 times to ¥340 million. Sales were at the same level as in Q4 of the previous year, the year-end demand season. Sales of "Pitsole" a high-function insole, are expected to continue to grow strongly. However, due to strong demand for "Pitsole" it normally takes about half a month from order to shipment, but in March of this year, campaigns for immediate shipment were held at major malls, etc., so Q1 sales may have been partially inflated in anticipation of Q2 sales. This is likely to be a factor that reduces Q2 sales. In addition to "Pitsole", sales of "Oi gurt" which is a regular product, are also expected to grow.

"Pitsole" Continues to Perform Well

Figure 5: D2C Business Trends



Source: Strategy Advisors - Based on Company Data

DX is Struggling, Partly Due to Increased Competition

Earnings at Yumemi, a subsidiary that handles DX, have been struggling recently, with Q1 sales falling 18.8% YoY to ¥980 million and operating profit down 79.6% YoY to ¥30 million. The main reasons for the decline were that some existing projects were in the transition phase, sales were delayed due to a change in accounting standards and competition for new projects was intensifying. In addition, the company hired 67 new graduate engineers last year, which may have contributed to a temporary decline in the utilization ratio, but the number would be limited to about 30 in 2024 and the utilization ratio is expected to improve, depending on project wins.

3. Financial Services Business

Profitability in Q1 Improved Significantly

Earnings in the Financial Services Business improved significantly in Q1, largely due to the fact that both Mercury, a wholly owned subsidiary and crypto asset sales outlet, and bitbank, an equity-method affiliate and crypto asset exchange and sales outlet, benefited from the rise in crypto asset prices.

Crypto Asset Prices Rose Sharply, Especially Bitcoin

After hitting an all-time high of \$73,000 on March 13, the price of Bitcoin has been hovering in the high \$60,000-\$70,000 range to date. The rise since around October last year is believed to have been driven by expectations of lower U.S. interest rates, increased confidence in crypto assets following the U.S. SEC's approval of 11 physical Bitcoin ETFs in January and the arrival of the half-life that was expected to come in April (which actually arrived on April 20th). In the past, cryptocurrencies have reached highs about 18 months after their half-life, and if a similar pattern is followed, they should rise through the second half of 2025, but short-term forecasts are difficult to make because

they are affected by the liquidity of financial markets and the policies of financial authorities and other parties.

Mercury Features in Staking

Mercury, a crypto asset exchange, is a latecomer to the market but has focused on staking and is one of the largest in Japan in this field. Staking is a type of crypto asset such as Ethereum (but not Bitcoin) that provides an income gain, similar to the yield of a bond, by holding the asset for a certain period of time. Mercury handles a total of 18 currencies, of which 11 are available for staking. This strategy of differentiation is expected to lead to growth over the medium to long term.

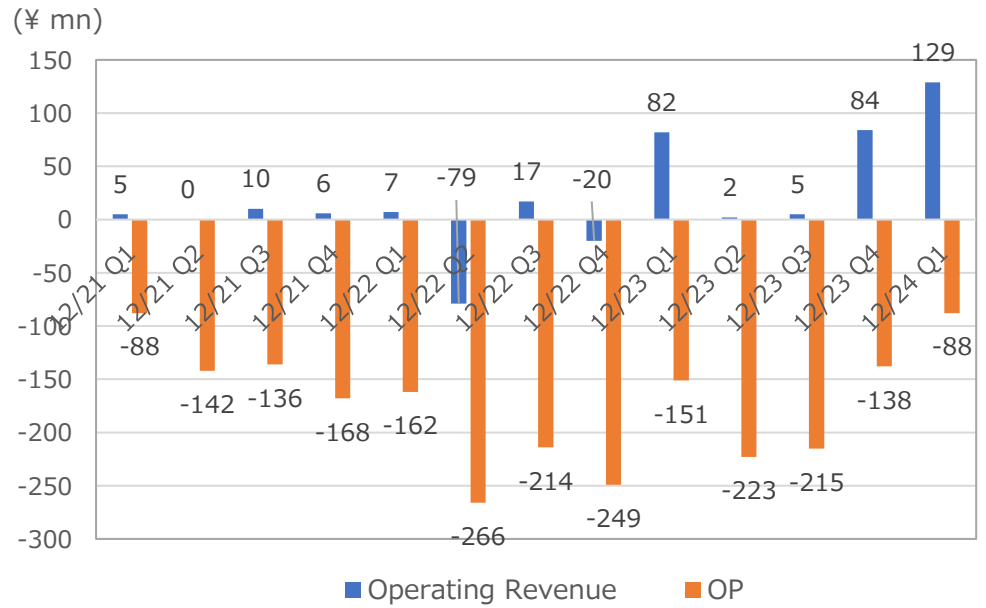
Immediate Earnings are Heavily Influenced by Crypto Asset Prices

However, for the time being, Mercury's revenue will be affected by sales commissions (the spread between transaction prices), valuation gains and losses on crypto assets held by the company and lastly, listing fees for newly registered currencies. Of these, a rise in the market price of crypto assets will lead to an increase in commissions because of the increased volume of transactions in the market and market trends will directly affect sales and profits because valuation and sales gains and losses are recorded as operating revenue at the end of each quarter. The price of Bitcoin rose from approximately \$42,200 at the end of December 2023 to \$71,300 at the end of March 2024. This is estimated to have had a significant impact on the improvement in Mercury and bitbank's profit and loss.

Online Factoring Also Appears to be Doing Well

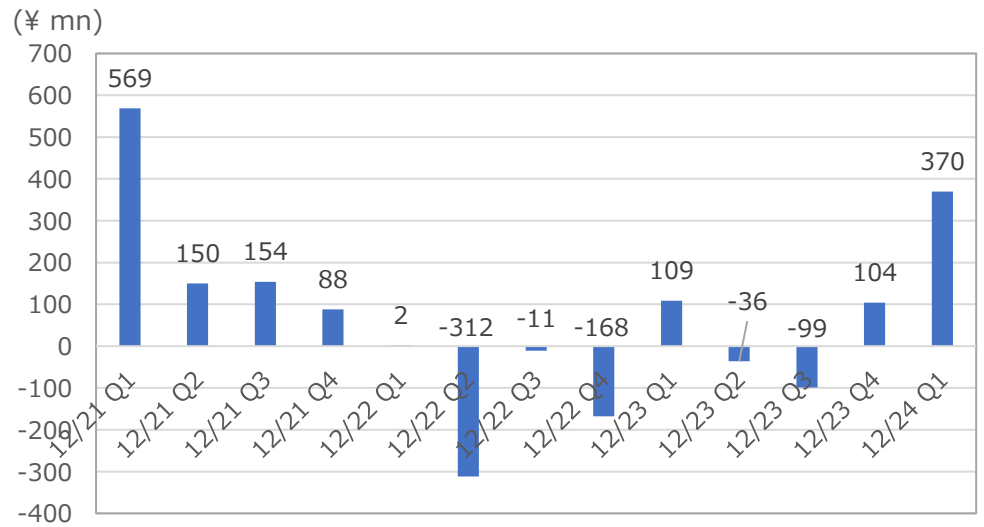
Other than crypto assets, the two businesses of subsidiary label, online factoring and credit card payment, both appeared to be performing well. In the investment development business (CVC), the company sold shares in one company in its first fund and posted sales of ¥160 million and gross profit of ¥70 million.

Figure 6: Mercury's Earnings Trends



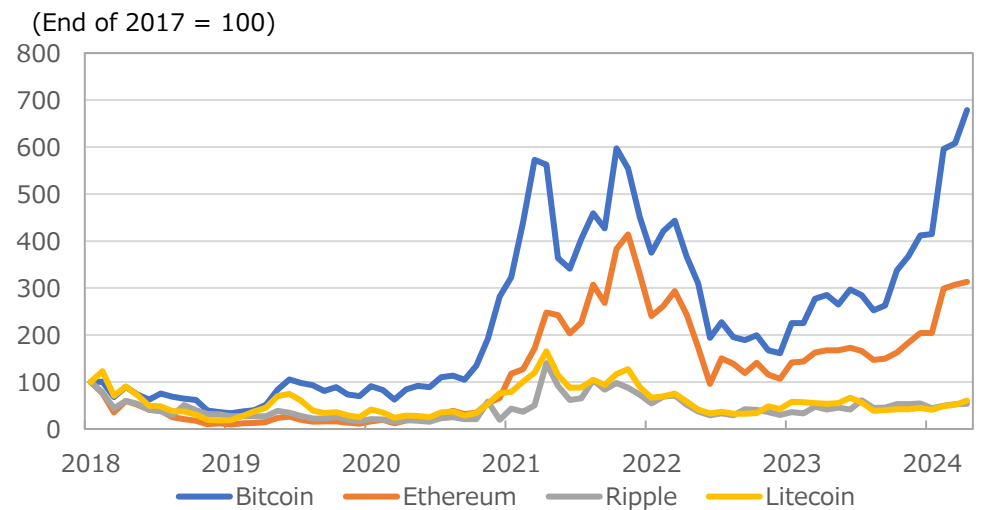
Source: Strategy Advisors - Based on Company Data

Figure 7: Equity in Earnings of Affiliates (bitbank)



Source: Strategy Advisors - Based on Company Data

Figure 8: Price Trends of Major Crypto Assets



Source: Investing.com, Strategy Advisors

4. Earnings Forecast

The company's full-year forecasts for FY12/2024 were revised upward by ¥400 million each for recurring profit and net income, reflecting equity in earnings of affiliates in Q1, as shown above. Operating profit is now 45% of the company's forecast. "Moppy" is expected to post steady revenue growth for the full year, although January-March is a seasonally demanding quarter with credit card campaigns for newcomers to the workforce in anticipation of the new fiscal year. Even if it takes some time for "AD.TRACK" and article ad-type media to recover, there is a good chance that overall points will meet and even exceed the company's forecast.

D2C, while there were factors that anticipated demand in Q1, has been making efforts to lengthen the cycle of "Pitsole" by adding new colors and other measures and the actual situation appears to be solid. Constantly sold products such as "Oi gurt" also appear to be growing. With the success of "Pitsole", the company appears to be gaining a foothold in the D2C business, and Yumemi, which handles DX, may need some time to recover its earnings.

Financial services are highly dependent on crypto asset prices. Long-term U.S. Treasury rates have been reluctant to fall compared to market expectations, but liquidity in the financial markets remains high, as seen by the new highs in the Nasdaq Composite Index. Market conditions are likely to be favorable for crypto assets as well. As Bitcoin's half-life has passed, there are expectations that it will rise over the next 18 months or so, as has been the pattern in the past. If market conditions do not continue to rise, sales and valuation gains and losses will not be a factor for increased revenue gains, but if market transactions remain high, fees are expected to remain favorable.

Points are on an Upward Trend

D2C is Strong in Reality, Although There is a Factor of Demand Anticipation in Q1

Financial Services' Immediate Revenues Depend on Crypto Asset Prices

There is a Possibility of an Upward Revision to the Company's Forecast

Based on the above, we expect an upward swing in the operating income forecast for FY12/2024, given the progress of mobile service points, D2C, and financial service crypto assets in Q1, while there is a risk of a downward swing in DX. bitbank, an equity-method affiliate, has been factored in with zero profit or loss from Q2 onward, but there is a good chance of an upward swing, depending on market conditions.

5. Trends of Other Companies in the Industry

GMO Media's Media Business and CARTA HOLDINGS' Internet-Related Services Business Increased Profit

Competitors in the points business include GMO Media (6180 TSE Prime), which operates the points site "Point Town," and CARTA HOLDINGS (3688 TSE Prime), which operates "EC Navi". In Q1 FY12/2024, sales of media business of GMO Media, in which "Point Town" is included, increased 16.8% YoY to ¥1.49 billion and operating profit rose 58.8% YoY to ¥180 million. According to the company materials, the education business and advertising games performed well, and we do not know the trend of "Point Town." CARTA HOLDINGS' Internet-related services business, which includes "EC Navi," posted sales of ¥1.83 billion in Q1 FY12/2024, up 4.4% YoY and operating profit of 64.7% YoY to ¥210 million. Sales in the media solutions business, which includes "EC Navi", rose 2.9% YoY to ¥1.37 billion. However, the company did not specifically mention "EC Navi" in its financial results presentation.

FAN Communications' "A8.net" Remains Firm Despite Negative Environmental Impacts

FAN Communications (2461 TSE Prime), which operates "A8.net," one of the largest ASP's in Japan. In Q1 FY12/2024, sales of the CPA Solutions business, which includes "A8.net," declined 7.5% YoY to ¥1.42 billion and operating profit fell 16.2% YoY to ¥0.77 billion. According to the company's financial results presentation, Q1 "A8.net" transaction volume declined 12.6% YoY to ¥4.88 billion. The business environment appears to be difficult due to the impact of stricter regulations under the Pharmaceutical Affairs Act and the Act against Unjustifiable Premiums and Misleading Representations, but the company's large and competitive business is expected to remain relatively solid.

Monex Group's Cryptoasset Profit Increases Significantly

Crypto asset competitors include Monex Group (8698 TSE Prime), which owns the major exchange, "Coincheck". The company's crypto asset business posted segment profit of ¥2.81 billion in Q4 FY3/2024, a significant increase from ¥590 million in Q3. This was due to a significant increase in sales volume on the exchanges as a result of the rise in crypto asset prices.

Figure 9: Profitability Comparison with Peers

Company	Code	FY	Sales (¥ mn)	OP (¥ mn)	RP (Pretax Profit) (¥ mn)	OPM (%)	ROE (%)	ROIC (%)	Equity Ratio (%)
CERES	3696	12/23	24,070	1,118	1,217	4.6	5.0	8.1	35.4
GMO Media	6180	12/23	6,266	533	540	8.5	16.2	64.6	43.5
CARTA HOLDINGS	3688	12/23	24,111	1,301	1,798	5.4	-9.3	20.0	47.2
FAN Communications	2461	12/23	7,396	2,068	2,103	28.0	6.9	NM	76.2
Monex Group	8698	3/24	66,796	31,976	25,237	47.9	27.1	28.4	17.3

Note: ROIC for FAN Communications is NM due to negative invested capital.

Source: Prepared by Strategy Advisors - Based on Company Data

6. Stock Price Outlook

Rising in Three Stages from December 2023

The stock price of CERES has risen in three stages since December 2023. The first stage was from early December 2023 to early January 2024, when the share price rose from around ¥900 to the ¥1,300 level. The second stage was from early February to early April 2024, when the share price rose to the ¥1,800 level. The third stage was after the announcement of Q1 FY12/2024 results on May 9, 2024, when the share price reached the ¥2,000 level. The share price rises in the first and second stages were in tandem with the price of crypto assets such as Bitcoin, and the Monex Group's share price showed a similar trend. The price of Bitcoin has remained at a high range since peaking at \$73,000 on March 14. Monex Group's share price has seen a certain amount of adjustment since March, while CERES' share price rose sharply after the Q1 earnings announcement.

Share Price Rise Since May is Due to Company Specific Factors

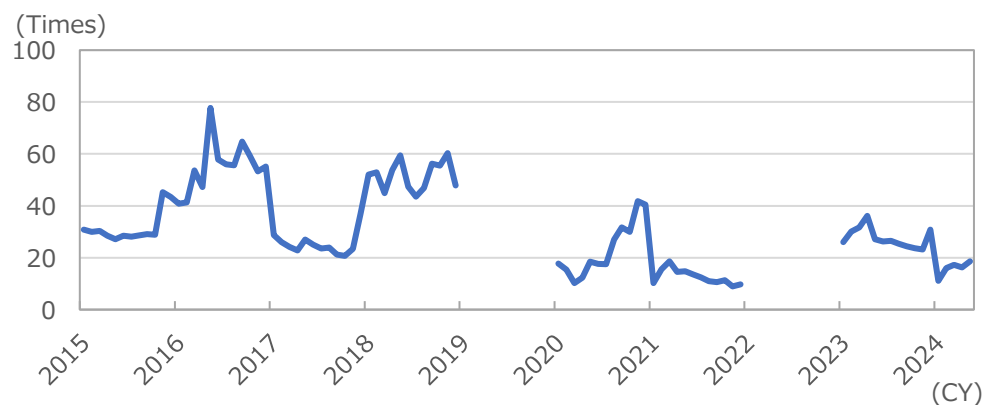
While the first and second stages of share price appreciation appear to have been heavily influenced by crypto asset prices, the third stage of appreciation appears to have been largely driven by the unique factor of CERES' strong Q1 earnings. While the market had probably factored in some degree of earnings improvement from the rise in crypto asset prices for Financial Services, Mobile Services is estimated to have exceeded market expectations, showing high progress against the company's initial forecast due to higher gross margins for "Moppy" and continued expansion of D2C.

Crypto Asset Prices Continue to Have a Significant Impact, but also Focus on Overall Earnings Trends

Although the share price has risen significantly, the PER based on the FY12/2024 company forecast is 18.0x, which is not high in terms of valuations from the past range. Therefore, the risk of a significant pullback in the share price is considered small. For the time being, the share price is likely to be largely dependent on the price trend of crypto assets and the D2C business. In D2C, the key will be the lifecycle of "Pitsole" and the growth of regular sales products such as "Oi gurt" to broaden the market. From a medium-term perspective, the share price will be affected by whether the steady expansion of "Moppy" continues, whether DX's struggling business

recovers and how labor, a subsidiary engaged in online factoring and credit card payment that appear to be expanding steadily, will contribute to CERES's earnings.

Figure 10: Trends in PER



Note: Excludes 2019 and 2022, when profit levels were very low.

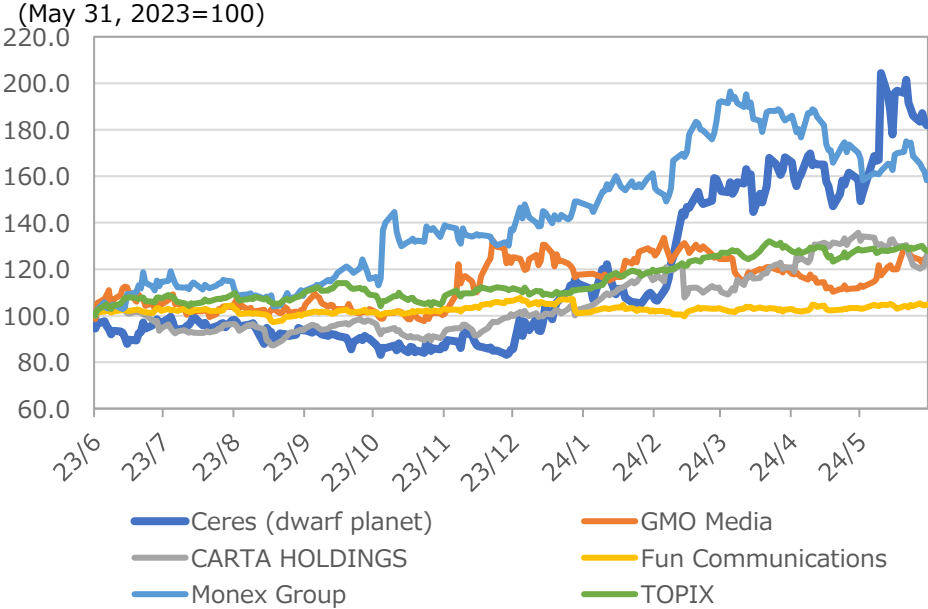
Source: Strategy Advisors

Figure 11: Comparison of Valuations with Peers

Company	Code	Latest Result	Share Price (31 May) (¥)	Market Cap. (¥ mn)	PER CoE (Times)	PBR Actual (Times)	Yield CoE (%)	ROE Actual (%)
CERES	3696	12/23	1,882	21,479	18.0	2.3	1.1	5.0
GMO Media	6180	12/23	3,300	5,762	13.7	2.4	3.7	16.2
CARTA HOLDINGS	3688	12/23	1,651	41,770	52.0	1.8	3.3	-9.3
FAN Communications	2461	12/23	412	27,295	17.5	1.5	4.6	6.9
Monex Group	8698	3/24	779	200,642	NA	1.5	NA	27.1

Source: Prepared by Strategy Advisors - Based on Company Data

Figure 12: Comparison of Share Price Trends with Peers



Source: Strategy Advisors

Figure 13: Segment Trends and Business Performance (Quarterly Basis)

	12/22				12/23				12/24
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Mobile Service									
Sales	4,674	4,961	5,358	5,454	5,314	5,613	5,975	6,574	6,275
YoY	-22.8%	-17.9%	13.6%	6.8%	13.7%	13.1%	11.5%	20.5%	18.1%
Point	3,324	3,422	3,576	3,719	3,525	3,359	3,325	3,608	3,553
YoY	-7.8%	4.3%	34.3%	32.1%	6.0%	-1.8%	-7.0%	-3.0%	0.8%
D2C	429	541	622	654	645	1,174	1,433	1,801	1,751
YoY	110.3%	150.5%	113.0%	76.3%	50.3%	117.0%	130.4%	175.4%	171.5%
DX	960	1,082	1,167	1,149	1,210	1,105	1,250	1,211	983
YoY	15.2%	4.4%	20.8%	30.7%	26.0%	2.1%	7.1%	5.4%	-18.8%
Transaction Value Within segment	-39	-84	-7	-68	-66	-25	-33	-46	-13
Operating Profit									
YoY	-18.2%	-15.9%	57.6%	53.5%	-31.9%	29.6%	-7.4%	13.2%	63.1%
OPM	21.5%	11.9%	16.4%	15.0%	12.9%	13.6%	13.6%	14.1%	17.8%
Point	885	597	798	715	506	609	612	753	782
OPM	26.6%	17.4%	22.3%	19.2%	14.4%	18.1%	18.4%	20.9%	22.0%
D2C	37	-15	59	94	59	349	153	169	341
OPM	8.6%	-2.8%	9.5%	14.4%	9.1%	29.7%	10.7%	9.4%	19.5%
DX	93	39	53	42	152	-162	80	36	31
OPM	9.7%	3.6%	4.5%	3.7%	12.6%	-14.7%	6.4%	3.0%	3.2%
Transaction Value Within segment	-10	-32	-32	-32	-32	-33	-32	-32	-36
Financial Service									
Sales	66	-2	106	117	218	89	99	205	447
YoY	-84.1%	NM	-83.4%	56.0%	230.3%	NM	-6.6%	75.2%	105.0%
Operating Profit									
OPM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Equity in Earnings (losses) of Affiliates	2	-312	-11	-168	109	-36	-99	104	370
Inter-Segment									
Transaction									
Sales	-31	-70	-50	-47	-7	-7	-1	-2	-4
Operating Profit	-237	-301	-277	-290	-294	-292	-280	-304	-351
Whole Company									
Sales	4,709	4,889	5,414	5,524	5,525	5,695	6,073	6,777	6,718
OP	594	3	370	279	253	213	270	382	713
RP	266	-22	502	-67	352	179	203	483	1,140
NP	192	-332	553	-367	201	153	-243	340	832

Source: Strategy Advisors - Based on Company Data

Figure 14. Income Statement

(¥ mn)	12/18	12/19	12/20	12/21	12/22	12/23	12/24 CoE
Net Sales	10,706	16,510	20,213	23,402	20,536	24,070	27,000
Cost of Sales	6,398	11,416	13,967	15,629	12,472	13,483	
Gross Profit	4,308	5,094	6,246	7,773	8,063	10,587	
Gross Profit Margin	40.2%	30.9%	30.9%	33.2%	39.3%	44.0%	
SG&A Expenses	3,086	4,213	4,749	5,467	6,816	9,468	
Operating Profit	1,229	880	1,496	2,305	1,246	1,118	1,600
Operating Profit Margin	11.5%	5.3%	7.4%	9.8%	6.1%	4.6%	5.9%
Non-Operating Income	1	11	357	1,220	13	147	
Interest and Dividend Income	0	5	9	7	0	0	
Equity in Earnings of Affiliates	0	0	238	963	0	78	
Gain on Sale of Crypto Assets	0	4	0	156	0	0	
Gain on Valuation of Crypto Asset	0	0	73	19	0	0	
Others	1	2	37	75	13	69	
Non-Operating Expenses	1,225	100	37	26	580	48	
Interest Expense and Discount	5	10	12	14	20	25	
Equity in Losses of Affiliates	690	49	0	0	489	0	
Loss on Valuation of Crypto Asset	520	4	0	0	0	0	
Others	10	37	25	12	71	23	
Recurring Profit	-2	792	1,816	3,499	679	1,217	2,000
Recurring Profit Margin	0.0%	4.8%	9.0%	15.0%	3.3%	5.1%	7.4%
Extraordinary Income	244	1	8	896	43	0	
Extraordinary Loss	178	340	327	389	1	387	
Pretax Profit	64	452	1,496	4,005	721	830	
Corporate, Inhabitant and Enterprise Taxes	399	302	704	1,142	910	660	
Income Taxes-Deferred	-102	6	-55	-80	-304	-328	
Total Income Taxes	221	309	649	1,062	606	332	
(Corporate Tax Rate)	345.3%	68.4%	43.4%	26.5%	84.0%	40.0%	
Net Profit	-232	74	744	2,775	46	451	1,200
Net Profit Margin	-2.2%	0.4%	3.7%	11.9%	0.2%	1.9%	4.4%
EPS (¥)	-28.7	6.8	67.3	251.8	4.1	39.6	104.5
Investment in Tangible & Intangible Assets	55	320	243	352	70	343	
Depreciation and Amortization of Goodwill	106	302	403	196	426	525	
Cash Flow	-126	376	1,147	2,971	472	976	
CFPS (¥)	-11	34.0	104.3	269.5	41.8	85.6	
ROE	-6.4%	1.2%	11.8%	35.6%	0.5%	5.0%	
ROIC	NM	3.1%	8.9%	14.5%	1.4%	4.3%	
Dividend (¥)	5.0	14.0	18.0	40.0	20.0	20.0	20.0
Average Number of Shares (mn shares)	11.0	11.0	11.0	11.0	11.3	11.4	
Number of Shares at FY End (mn shares)	10.9	11.1	11.1	11.2	11.4	11.4	

Source: Strategy Advisors - Based on Company Data

Figure 15. Balance Sheet

	12/18	12/19	12/20	12/21	12/22	12/23
Current Assets	7,668	8,342	11,517	13,163	14,413	17,586
Cash and Deposits	4,367	3,941	6,087	6,842	6,547	8,112
Notes and Accounts Receivable-Trade	1,769	2,457	2,778	2,866	3,545	3,643
Operating Investment Securities	868	1,279	1,804	2,300	2,744	2,976
Inventory Count	448	249	259	247	460	554
Others	216	416	589	908	1,133	2,339
Allowance for Doubtful Accounts	0	0	0	0	-16	-38
Fixed Assets	4,248	4,560	4,709	7,071	8,183	8,328
Property, Plant and Equipment	229	413	296	261	263	361
Intangible Fixed Assets	1,791	1,347	1,395	1,178	2,129	1,729
Goodwill	1,623	1,200	938	1,034	1,743	1,537
Other	168	147	0	19	386	192
Investments and Other	2,227	2,799	3,017	5,632	5,790	6,236
Investments in Securities	274	380	562	835	1,095	1,139
Shares of Subsidiaries and Affiliates	801	722	872	3,604	3,116	3,194
Deferred Tax Asset	726	657	667	835	1,111	1,435
Others	461	1,044	925	365	471	471
Total Assets	11,917	12,902	16,227	20,234	22,597	25,915
Current Liabilities	4,161	4,710	7,471	8,924	10,558	13,451
Accounts Payable	479	756	1,024	934	832	783
Interest-Bearing Debt	1,736	1,511	2,276	2,846	3,713	5,048
Income Taxes Payable	256	338	1,657	1,639	1,343	1,434
Allowance for Point Card Certificates	1,021	1,322	1,693	2,283	3,182	3,921
Allowance for Bonuses	31	0	30	50	30	30
Others	638	783	791	1,172	1,458	2,235
Fixed Liabilities	1,317	1,610	1,663	1,490	2,342	2,417
Interest-Bearing Debt	1,251	1,493	1,546	1,369	2,172	2,314
Asset Retirement Obligations	58	70	70	70	16	0
Others	8	47	47	51	154	103
Net Assets	6,437	6,581	7,091	9,819	9,696	10,045
Capital Stock	5,979	5,933	6,250	9,001	8,761	9,025
Capital & Surplus	4,134	4,173	4,236	4,410	4,572	4,613
Retained Earnings	1,852	1,768	2,321	4,899	4,496	4,719
Treasury Stock	-7	-7	-307	-307	-307	-307
Accumulated Other Comprehensive Income	29	166	260	70	120	158
Subscription Warrant	8	7	4	3	1	1
Noncontrolling Interest	420	473	576	744	813	860
Total Assets	11,917	12,902	16,227	20,234	22,597	25,915
Interest-Bearing Debt	2,987	3,004	3,822	4,215	5,885	7,362
Equity	6,008	6,099	6,510	9,071	8,881	9,183
BPS(¥)	551.2	551.1	588.6	807.2	779.8	804.6
Capital Adequacy Ratio	50.4%	47.3%	40.1%	44.8%	39.3%	35.4%
D/E Ratio	0.50	0.49	0.59	0.46	0.66	0.80

Source: Strategy Advisors - Based on Company Data

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