

Alpha-Win Company Research Report

YRGLM Inc. (3690 TSE Growth)

Issued: 12/09/2024

● Summary

Alpha-Win Capital Inc. Research Dept.
<https://www.awincap.com/>

Business Description

- YRGLM Inc. (hereinafter, the “Company”) plans, develops, and provides software related to Internet marketing. It operates in two business segments: Marketing DX Support and E-Commerce Support. Its CEO, Susumu Iwata, started the business as a college student and founded the Company in 2001. The Company is currently listed on the Growth Market of the Tokyo Stock Exchange.
- The Company has been strategically carrying out M&As and strengthening upfront investments for growth. It is in the process of transforming its business model, positioning the current stage as a second founding phase.
- The main product of the Marketing DX Support Segment is an independently developed, Internet advertising effectiveness measurement system (AD EBiS). This product has an extremely high market share (top share). While small in scale, the Company is a leading company in a niche category. Since the business is subscription-based and provides cloud services to mid-tier and large companies, it offers long-term viability, stability, and profitability.
- The main product of the E-Commerce Support Segment is EC-CUBE, an open platform for building e-commerce sites. In recent years, the Company has been rapidly expanding the e-commerce website building and operation support services and building a vertical integration model for this segment.
- Its strengths are its technological capability enabling highly accurate data measurement, employees with DX expertise, the big data that it has accumulated as a frontrunner in the field, and its network of more than 500 corporate partners.
- Since its founding to the previous fiscal year, the Company has been hitting record-high net sales for 24 consecutive years (including the period during which results were reported on a standalone basis). Since FY2020 (note that its fiscal year is September-ending, i.e., FY2020 ended in September 2020), it has continued to stably post a profit and increase dividends.

Results for Last Fiscal Year and Forecast for This Fiscal Year

- Consolidated results for the previous fiscal year (FY2024: October 2023 to September 2024) were as follows: net sales increased by 0.3% year-on-year (YoY) to 3,636 million yen, operating profit decreased by 48.4% to 164 million yen, and net profit decreased by 65.1% to 68 million yen. Although net sales increased slightly, each profit was halved. During the fiscal year, the Company revised its full-year forecast downward. Actual net sales ended up nearly in line with the revised forecast, while profits slightly exceeded expectations. For both, Alpha-Win Research Department had forecasted the same amounts as the Company’s plan.
- Sales to external customers in the Marketing DX Support Segment were 2,858 million yen (-2.2% YoY) and profit was 151 million yen (-41.0% YoY). Sales in the E-Commerce Support Segment were 778 million yen (+10.7% YoY) and profit was 7 million yen (-88.8% YoY). Both segments saw a decline in profit.
- In the Marketing DX Support Segment, profit declined due to a fall in sales of the core business AD EBiS, which has a high profit margin. On the other hand, the number of customer accounts of the Marketing Process Category is beginning to bottom out.
- In the E-Commerce Support Segment, sales increased due to expansion of the E-Commerce Website Building & Operation Category. However, profit declined due to an increase in upfront investment costs, such as recruitment and personnel expenses and development costs, to strengthen the development structure.
- Financially, the Company has continued to operate with virtually no debt thanks to the accumulation of capital and cash driven by profits. Although the equity ratio and current ratio have declined from a period in the past, they are still at sufficient levels. The Company’s financial position remains sound even after the acquisition of RUBY GROUPE (hereinafter, “RUBY”).

- RUBY will be included in the consolidated profit and loss statement starting this fiscal year. The amount of impact is currently being examined. The Company did not announce a forecast at the beginning of this fiscal year, stating that “full-year financial forecasts and shareholder return projections will be promptly disclosed as soon as they can be reasonably predicted.”
- Since RUBY’s sales for its most recent fiscal year were around 1 billion yen, a significant increase in consolidated net sales is expected this fiscal year. The Company will most certainly post record-high net sales.
- Alpha-Win Research Department reviewed the financial forecasts for the current and next fiscal years (revising down the sales and profit forecasts) and added a new forecast for the fiscal year after next.
- This fiscal year, we expect net sales of 4.75 billion yen and a slight increase in profits YoY (operating profit of 180 million yen, net profit of 110 million yen, dividend per share of 7.9 yen at a 0.1 yen increase, and a DOE of 2.5% which is expected to be maintained in the following years as well).
- We expect to continue to see a trend of increasing sales, profits, and dividends in the medium term, including the next fiscal year. However, we predict that the profit growth rate will be lower than the sales growth rate due to continued upfront investments and amortization of RUBY’s goodwill.

Business Strategy and Medium-Term Financial Forecast

- The medium-term business plan, VISION 2027, aims to draw a clear path toward achieving net sales of 10 billion yen through two growth drivers: marketing process support and e-commerce website building & operation support.
- In the Marketing DX Support Segment, the Company will provide a marketing process support service as SaaS, which is currently under development. Through this service, it will support customers with a continuous cycle for improving the effectiveness of advertisements in their marketing strategies, along with human support. The Company then plans to strengthen cross-selling in the Marketing Process Category, but this would require increasing headcount as well as strengthening the customer base by increasing the number of customer accounts.
- In the E-Commerce Website Building & Operation Category of the E-Commerce Support Segment, the Company will aim to create a vertical integration model in which one-stop services are provided for building and operating websites as well as marketing. It intends to further increase sales and improve profitability by developing and providing the EC-CUBE Enterprise Version for large e-commerce sites, as well as through the acquisition of RUBY.
- Businesses related to e-commerce, as well as Internet marketing on which the Company is concentrating its business resources, offer significant market growth potential in the medium and long term. Furthermore, as part of its growth strategy, the Company plans to invest the stable earnings from its existing businesses in the growth drivers. It also plans to actively engage in M&A activities to acquire DX talent. Therefore, it is expected to maintain a double-digit annual sales growth (on average).
- Since the Company is in the growth phase, profits will be impacted by the level of investment in development and the increase in headcount. The balance between profits and investment costs will be the key point in management. Currently, it is in the stage of strengthening investments to achieve significant growth in the future.
- At present, it is difficult to predict when the Company will achieve record-high profits again, as it will continue to make upfront investments.

Stock Price

- The stock price fell after the Company revised its financial forecast downward during the previous fiscal year. However, since actual profits landed slightly above the revised forecast, the stock price has remained in the mid-500-yen range without falling below the low of the past 12 months.
- The stock has been underperforming the Tokyo Stock Exchange’s Growth Market Index and the TOPIX year-to-date.
- The Company is recognized as an AdTech & subscription stock oriented toward domestic demand. This evaluation already appears to be partly reflected in the stock price. In terms of the key valuation metrics, the stock does not seem undervalued compared to the average of all stocks listed on the TSE Growth Market or the TSE Prime Market, or compared to similar companies, based on the Company’s financial results for the previous fiscal year and Alpha-Win’s forecast of the Company’s financial performance for this fiscal year.

- The Company's future stock price is expected to be impacted by the contents of the announcement of this fiscal year's financial forecast (especially regarding profits and dividends), changes in the number of customer accounts (a KPI), M&A releases, and monthly sales trends (level of YoY change).
- The success or failure of the launch of the Marketing Process Category's new service, which is expected to become a growth driver, and of the expansion of the e-commerce website building & operation business (synergies with RUBY) will be the key factors that may impact medium-term business performance.
- If the Company returns to a continuous profit growth trend exceeding 10% and continues to increase dividends, its stock price has potential for growth over the medium to long term.

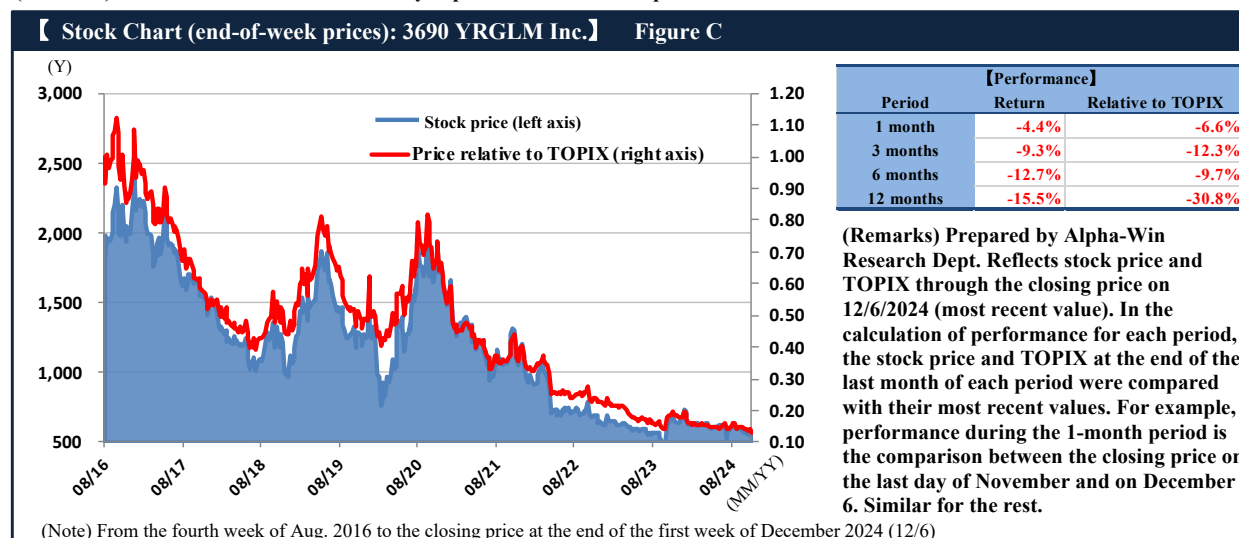
(Remarks) In the text and figures of this Report, numbers for the same item may differ from each other, or from the numbers announced by the Company, or have a margin of error due to rounding, rounding during calculation, method of presentation, etc.

FY		Net Sales	YoY	Operating Profit	YoY	Ordinary Profit	YoY	Net Profit	YoY	EPS	BPS	Dividend
		(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)	(yen)	(yen)
2021	A	2,957	12.9	365	32.0	364	39.5	239	30.7	38.0	257.5	5.2
2022	A	3,334	12.7	392	7.4	399	9.8	236	-1.5	37.7	283.3	7.0
2023	A	3,626	8.8	318	-18.8	329	-17.6	197	-16.5	31.4	309.1	7.4
2024	Revised CE	3,650	0.7	140	-56.1	135	-59.0	55	-72.1	8.9	-	7.6
2024	Initial CE	4,100	13.1	240	-24.7	230	-30.2	140	-28.9	22.7	-	7.9
2024	A	3,636	0.3	164	-48.4	162	-50.8	68	-65.1	11.1	304.6	7.8
2024	Old E	3,650	0.7	140	-56.0	135	-59.0	55	-72.1	8.9	316.8	7.6
2025	CE	Not disclosed										
2025	New E	4,750	30.6	180	9.8	180	11.1	110	61.8	17.9	314.6	7.9
2025	Old E	5,000	37.5	250	52.4	250	54.3	150	120.6	24.3	333.6	8.3
2026	New E	5,000	5.3	200	11.1	200	11.1	120	9.1	19.5	326.2	8.1
2026	Old E	5,500	10.0	280	12.0	280	12.0	170	13.3	27.6	352.9	8.8
2027	New E	5,300	6.0	300	50.0	300	50.0	180	50.0	29.2	347.3	8.6

(Remarks) Old E: previous forecast. New E: current forecast. A: actual result. CE: the Company's estimate (forecast). E: estimate (forecast) by Alpha-Win Research Dept. The Company's forecast (CE) for FY2025 is not disclosed.

Item		12/6/2024	Item	P/E Ratio	P/B Ratio	Dividend Yield	Dividend Payout Ratio
Stock Price (yen)	538	Last Fiscal Year's Results	48.3	1.8	1.4%	70.0%	
Total Issued Shares (thousands)	6,372	Forecast for This Fiscal Year	30.1	1.7	1.5%	44.3%	
Market Capitalization (million yen)	3,428	Forecast for Next Fiscal Year	27.6	1.6	1.5%	41.6%	
Dilutive Shares (thousands)	0.0	Forecast for the Fiscal Year After the Next	18.4	1.5	1.6%	29.4%	
Equity Ratio at the End of Last Fiscal Year	53.3%	Last Fiscal Year's DOE	2.5%	Last Fiscal Year's ROE	3.6%		

(Remarks) Forecasts/estimates were made by Alpha-Win Research Dept.



Disclaimer

This Alpha-Win Company Research Report (hereinafter, "this Report") has been prepared by Alpha-Win-Capital Inc. (hereinafter, "Alpha-Win") on the request of the company presented in this Report.

This Report is not to be construed as a recommendation or solicitation of investment. Alpha-Win shall not be liable for any consequences including direct or indirect loss, lost profit, or damage resulting from the use of or reliance on this Report. Investors who read this report must make their own decisions on all investment matters and take full responsibility regarding their investment.

This Report has been prepared with a focus on objectivity and neutrality based on the analysis of generally accessible public information and supplemental information including interview(s) by the analyst. Alpha-Win, the writer, and/or other persons involved in the publication of this Report may already hold, or buy and sell in the future, the stock of the company presented in this Report.

Contents of this Report are based on information current as of the issue date and are subject to change without notice. For the latest (updated) report, please see our website (<https://www.awincap.com/>).

We also do not warrant or represent that the information in this Report is accurate, reliable, complete, appropriate, or fit for any purpose and do not accept any responsibility or liability.

Copyright of this Report belongs to Alpha-Win and no part of the publication may be copied, photocopied, cited, or translated without our consent.

For inquiries regarding this Report, please send us an e-mail to info@awincap.com. However, Alpha-Win and the writer of this Report do not have any obligation to reply to inquiries.

FV2024-12-13-0002

Contents

1. Company Overview	P6
A Leading Company in a Niche Market	P6
Business Philosophy	P9
2. Business Contents and Business Model	P10
Business Portfolio	P10
Business Details: I. Marketing DX Support Segment (former Marketing PF*)	P12
Business Details: II. E-Commerce Support Segment (former EC PF*)	P15
3. Shareholder Composition	P17
Change in Composition by Shareholder Type	P17
Major Shareholder Composition	P17
4. ESG and SDGs	P18
Environment, Society, and Governance	P18
SDGs (Sustainable Development Goals)	P18
5. History of Growth	P19
Past Transition in Financial Performance	P19
6. Industry Landscape	P20
Trends of Japan's Advertising Market	P20
Trends of Japan's E-Commerce Market	P20
7. Last Fiscal Year's Results and This Fiscal Year's Forecast	P21
Consolidated Financial Results for FY2024 (last fiscal year)	P21
The Company's Consolidated Financial Forecast for FY2025 (this fiscal year)	P27
Alpha-Win Research Dept.'s Financial Forecast for FY2025 (this fiscal year)	P28
8. Growth Strategy	P31
The Company's Medium- and Long-Term Business Plan and Strategy	P31
Alpha-Win Research Dept.'s Outlook of Medium- and Long-Term Financial Performance	P32
9. Analyst's View	P34
SWOT Analysis	P34
Shareholder Returns	P35
Stock Price, Stock Trends, and Factors that May Impact Stock Price	P35

(Remarks) *PF stands for platform.

- On January 1, 2024, EC-CUBE Co., Ltd. (a subsidiary covering two business categories: E-Commerce Website Building & Operation and Platform) absorbed the consolidated subsidiary EC-CUBE Innovations Inc. (former BOKUBLOCK INC.). Also, on September 30, 2024, the Company acquired RUBY GROUPE as a consolidated subsidiary.
- Upon translating to English, when the page numbers differed from the original Japanese version, they were adjusted to those of the English version of this Report. Note that the Company's fiscal year is September-ending (i.e. FY2025 ends in September 2025).

- ◆ A company that provides marketing DX support and e-commerce support services. Top share in the Japanese software market for measuring Internet advertising effectiveness and building e-commerce websites through open-source solutions.

(1) DX (Digital Transformation): Transformation and innovation of businesses and lifestyles using digital technologies

(2) Internet advertising effectiveness measurement tool: A tool for comprehensively measuring and evaluating the effectiveness of various Internet ads and SEO strategies.

- ◆ Ambitiously developing new businesses through M&As. Its main service is its SaaS (cloud service) for Internet advertising effectiveness measurement. Evolving into a Comprehensive Marketing DX Support Business Group through M&As and in-house development.

- ◆ Founded by its CEO Susumu Iwata. Currently listed on the TSE Growth Market.

- ◆ The YRGLM Group is composed of nine companies including the Company.

(3) Open source: Refers to making the source code, which serves as the blueprint of software, freely available, allowing anyone to modify and redistribute it.

(4) SaaS (software as a service): A service model where software is accessed via the Internet (largely synonymous with cloud services). Eliminates the need to purchase packaged products. Users can access and pay for only the necessary functions, contents, and service volume via the Internet.

1. Company Overview

◆ A Leading Company in a Niche Market

Company Overview

YRGLM Inc. (hereinafter, the “Company”) is a company that provides marketing DX¹ support and e-commerce support services. It plans, develops, and sells software related to Internet advertising and e-commerce.

Under its vision to “become a company that supports marketing activities of businesses worldwide through data and technology to create happiness for both sellers and buyers,” the Company has grown rapidly through its independently developed software. It has the top market share with both **AD EBiS**, an Internet advertising effectiveness measurement tool², and **EC-CUBE**, an open-source³ software series for building e-commerce websites. It is a leading company in a niche market.

It used to be focused on providing SaaS⁴ (cloud services) for measuring the effectiveness of Internet advertising. However, it is now evolving into a Comprehensive Marketing DX Support Business Group through M&As in addition to in-house development.

History

Susumu Iwata, the Company’s CEO, started a web design business in Osaka as a college student. Following business expansion, he established the Company in 2001. The Company became listed on the TSE Mothers Market in September 2014 (currently, the TSE Growth Market). It has two main offices, one in Osaka and one in Tokyo.

Consolidated Companies and Trends in Consolidated Results

The YRGLM Group consists of a total of nine companies: the Company, seven consolidated subsidiaries (EC-CUBE Co., Ltd., YRGLM VIETNAM Co., Ltd., and the five acquired companies Spoo! Inc., TOPICA Inc., Far End Technologies Corporation, and RUBY GROUPE and its subsidiary KIMEI GLOBAL Co., Ltd.), and one equity method affiliate (SAI Co., Ltd.) (as of the end of November 2024: Figure 1 on page 7).

Note that EC-CUBE Innovations Inc. (formerly BOKUBLOCK INC.) has been merged into EC-CUBE Co., Ltd.

During FY2019 (note that the Company’s fiscal year is September-ending), the EC-CUBE business was carved out of the parent company (and became a consolidated subsidiary after the carve-out). Since then, the balance between consolidated and standalone performance has shifted. Due to the profitability and solid financial performance of EC-CUBE Co., Ltd., sales growth and profits have been maintained since FY2019 for the sum of the consolidated companies excluding the parent (consolidated minus parent company) (Figure 2 on page 7).

The subsidiaries that became consolidated upon acquisition have expanded their businesses since the acquisition and have been contributing significantly to the Group’s sales growth in the business categories of Innovation and E-Commerce Website Building & Operation.

【Figure 1】 Summary of the Consolidated Subsidiaries and Equity-Method Affiliate (Unit: million yen or %)

Name of Consolidated Company (Consolidated subsidiaries (6 companies) * 7 companies)	Business Details	Form of Acquisition (Acquisition price estimated by Alpha-Win)	Date of Acquisition / Spin-off / Merger / Sale	Location	Stake	Capital Million yen	Founding Date	Fiscal Year				Total Assets	Net Assets	
								Sales	Operating Profit	Net Profit	Most recent disclosed data, or results as of the time of acquisition			
TOPICA	Planning and production of video contents and social media management service, provided in one-stop	Company acquisition (220 million yen)	July 2021	Chiyoda-ku, Tokyo	Approx. 66%	37	June 2016	Ended Apr. 2023	230					
Spoa	Web media planning, editing, and production	Company acquisition (several dozen million yen)	December 2020	Chiyoda-ku, Tokyo	100%	10	March 2000	Ended Dec. 2023	78					
Far End Technologies	Internet services and information security support services	Company acquisition (130 million yen)	February 2022	Matsue-shi, Shimane	100%		8 September 2008	Ended May 2023	157					
EC-CUBE	Succeeded the EC-CUBE business from the E-Commerce Support Segment. Capital and business affiliate with Orion. Acquired shares of EC-CUBE Innovations in Sept. 2023 (worth 100.0 million yen) * Merged	Spin-off and business transfer	January 2019 January 2024	Kita-ku, Osaka City, Osaka	89.5%	30	October 2018	Ended Sept. 2021	358	119		249		
RUBY GROUPE	Building and operating e-commerce sites for luxury brands, etc.	Company acquisition (approx. 485 million yen)	September 2024	Shinagawa-ku, Tokyo	100%	174	January 2011	Ended Mar. 2024	1,026	2	0	826	498	
KIMEI GLOBAL CO., LTD.	E-commerce website building	A subsidiary of RUBY GROUPE	September 2024	Ho Chi Minh City, Vietnam	100%	4,454 million VND*								
YRGLM Vietnam Co., Ltd.	Offshore software development site	Founded		Ho Chi Minh City, Vietnam	100%	4,256 million VND*	December 2013							
Equity method affiliate (1 company)														
SAI Co., Ltd.	Transferred the Company's previous e-commerce contract development business	Spin-off and business transfer	September 2015		20%	3	April 2004					20		

(Source) Prepared by Alpha-Win Research Dept. based on the securities report and the Notice of Convocation of Shareholders' Meeting. Net profit of SAI Co., Ltd. was calculated based on the previous fiscal year's investment income under the equity method.

【Figure 2】 Comparison of Consolidated vs. Parent Company's Sales and Ordinary Profit by Fiscal Year (Unit: million yen or %)

Unit: million yen or %		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
A	Consolidated sales	1,360	1,437	1,613	1,719	1,804	2,204	2,618	2,957	3,334	3,626	3,636
B	Parent company's sales	1,360	1,437	1,613	1,719	1,804	2,010	2,317	2,532	2,583	2,476	2,410
A - B = C	Consolidated sales - parent company's sales	0	0	0	0	0	194	301	425	751	1,150	1,226
A/B	Consolidated sales / parent company's sales	1.00	1.00	1.00	1.00	1.00	1.10	1.13	1.17	1.29	1.46	1.51
A	Consolidated ordinary profit	233.6	352.0	250.3	106.3	-115	79	261	364	399	329	162
B	Parent company's ordinary profit	245.2	359.0	252.1	106.8	-110	19	165	278	315	232	193
A - B = C	Consolidated ordinary profit - parent company's ordinary profit	-12	-7	-2	-1	-5	60	96	86	84	97	-31
A/B	Consolidated ordinary profit / parent company's ordinary profit	0.95	0.98	0.99	1.00	-	4.16	1.58	1.31	1.27	1.42	0.84

(Source) Prepared by Alpha-Win Research Dept. based on the securities report.

(Remarks) Consolidated results starting in FY2014 (applies to the rest of this Report).

Acquisition of RUBY GROUPE

- ◆ RUBY GROUPE was acquired and became a consolidated subsidiary.

(5) Fulfillment: In e-commerce, this refers to the entire process from order receipt to delivery, including order processing, packaging, inventory management, shipping, delivery, and payment collection.

- ◆ RUBY's profitability is low, but its financial condition is sound.

- ◆ A relatively large M&A

- ◆ Goodwill is estimated to be 150 million yen, with an annual amortization amount of 20 million yen.

The Company acquired all shares of RUBY GROUPE (hereinafter, "RUBY") on September 30, 2024, for 485 million yen. Through this acquisition, RUBY and its subsidiary became the Company's consolidated subsidiaries starting in this fiscal year's Q1.

RUBY is a company that specializes in building and operating e-commerce sites for luxury brands, as well as in providing fulfillment services⁵. Through the acquisition of RUBY, the Company expects to be able to further enhance its vertically integrated service offerings to the YRGLM Group's customers.

RUBY's disclosed financial results are shown in Figure 3 on page 8. In its most recent fiscal year (ended March 2024), its sales were around 1 billion yen and net profit was nearly zero. Although profitability is low, the equity ratio is 60% and net assets are 498 million yen, indicating a sound financial standing.

Compared to the YRGLM Group's net sales in FY2024 and its total assets and net assets in Q3 FY2024 (the period just prior to the merger of RUBY), RUBY's results are equivalent to 28.2%, 29.0%, and 26.0%, respectively. Its scale is relatively large in comparison to previous M&As.

Although the goodwill associated with the acquisition has not been disclosed, it is estimated to be 150 million yen based on various figures in the financial results summary. Assuming that this will be amortized over a period of five to ten years, the annual amortization amount is estimated to be 20 million yen (calculated for the average amortization period of 7.5 years).

【Figure 3】 RUBY's Consolidated Financial Results and Financial Condition

Fiscal Year	FY2022	FY2023	FY2024
Period	Mar. 2022 - Mar. 2022	Apr. 2022 - Mar. 2023	Apr. 2023 - Mar. 2024
Net Sales	122	975	1,026
Operating Profit	44	25	2
Operating Profit Margin (%)	36.1	2.6	0.2
Ordinary Profit	43	22	2
Net Profit	10	4	0
EPS (yen)	70.3	32.94	-1.89
Dividend (yen)	-	-	-
Net Assets	478	497	498
Total Assets	877	778	826
Equity Ratio (%)	54.5	63.9	60.3
BPS (yen)	3,129.48	3,144.72	3,153.45
Total Asset Turnover Ratio	-	1.18	1.28

(Source) Prepared by Alpha-Win Research Department based on the news release.

(Remarks) The fiscal year ended March 2022 is an irregular one-month accounting period due to a change in the fiscal year-end. Unit: million yen.

- As of the end of September 2024, its cash & deposits exceed the amount of debt; the Company is essentially debtless.

Financial Standing

There was a period of negative free cash flow (FCF) in the past due to M&As and large-scale investments. However, since the second half of FY2020, FCF has been generally improving, with capital and cash & deposits accumulating (Figure 4). As of the end of September 2024, its debt totaled 840 million yen, while its cash & deposits were about 1,410 million yen; the Company is essentially debtless.

Mainly for the acquisition of RUBY, the Company raised 480 million yen in long-term debt in the previous fiscal year (financing cash flow). It acquired shares of Ruby for 480 million yen. As a result, for the full fiscal year, investing cash flow exceeded operating cash flow, resulting in a negative free cash flow of 103 million yen.

【Figure 4】 Semi-Annual Changes in Cash Flow and Balance of Cash & Deposits

Unit: million yen	FY2015		FY2016		FY2017		FY2018		FY2019		FY2020		FY2021		FY2022		FY2023		FY2024	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
Operating CF ①	15	148	48	93	121	23	7	9	99	109	92	429	241	333	141	292	356	209	261	126
Investing CF ②	-5	-27	-80	-69	-88	-106	-94	-118	-368	-158	-409	-101	-35	-313	-262	-181	-100	-57	-69	-421
Financing CF	-0	0	-16	3	-31	-0	169	542	-0	-100	391	-56	-1	-23	-195	-121	-178	-115	-273	327
FCF (①+②)	9	121	-32	24	33	-83	-88	-110	-269	-50	-317	328	206	20	-121	111	256	152	192	-295
Cash and Deposits (on B/S)	656	787	738	762	764	681	760	1,194	924	774	847	1,119	1,342	1,392	1,214	1,321	1,408	1,452	1,370	1,407

(Source) Prepared by Alpha-Win Research Dept. based on the financial results summary. H1: first half. H2: second half.

- The equity ratio is about 50%, indicating financial soundness.

The Company's total assets amount to 3.5 billion yen and its market capitalization is 3.4 billion yen (based on the closing price of 538 yen on December 6, 2024), both relatively small. However, its equity ratio is 53.3% (61.4% in FY2023) and current ratio is 199.5% (206.4% in FY2023), indicating financial soundness (all figures are as of the end of September 2024).

Due to the acquisition of companies including the most recent acquisition of RUBY, goodwill somewhat increased in the previous fiscal year (+28 million yen YoY). Since the balance of goodwill as of the end of September 2024 is

390 million yen, which is about 85% of the EBITDA for the full fiscal year, a lump-sum amortization of goodwill is also possible (Figure 5).

- ♦ **Intangible fixed assets including goodwill amount to less than 50% of the net assets.**

Intangible fixed assets, which include goodwill and 460 million yen in software and software in progress, total 870 million yen. Adding deferred tax assets of 80 million yen to this, the total amounts to 950 million yen, which is smaller than the net assets of 1,930 million yen (about 49%) and therefore does not pose an issue.

【Figure 5】 Changes in the Balance of Goodwill and Amount of Amortization

Yearly Goodwill	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Goodwill (balance on B/S: million yen) ①	0	0	0	0	0	109	316	450	484	362	389
Annual amortization of goodwill (on CF statement: million yen) ②	0	0	0	0	0	16	55	84	108	122	122
Average period of amortization (years) ③=①/②	0	0	0	0	0	7.0	5.8	5.4	4.5	3.0	3.2
EBITDA ④	274	373	286	175	6	247	514	638	686	629	461
Goodwill / EBITDA ⑤=①/④	0	0	0	0	0	0.4	0.6	0.7	0.7	0.6	0.8

(Source) Prepared by Alpha-Win Research Dept. based on information including the financial results summary and briefing materials.

- ♦ **Unrealized gains on a subsidiary's shares were estimated to exceed 1.3 billion yen, even at the time when some of the shares were sold to a third party.**

Also, the Company owns 89.5% of the shares of its subsidiary EC-CUBE Co., Ltd. Based on the amount for which a portion of the subsidiary's shares was sold to Orient Corporation (as of November 2020), it is estimated that the Company holds at least 1.4 billion yen worth of shares at market value, along with 1.37 billion yen in unrealized gains.

Furthermore, a comparison of the closing price of TOPIX on the last day of November 2020 (1,754.92 yen), which was when the subsidiary's shares were sold, with the most recent closing price (closing price on the last day of November 2024: 2,680.71 yen) shows a growth of more than 50%. This suggests that the actual market value of the shares, as well as the unrealized gains, most likely significantly exceed the above estimated amounts.

Assuming that both the market value and unrealized gains have increased similarly to TOPIX (by more than 1.5x), the current market value of EC-CUBE's shares is estimated to be around 2.1 billion yen, with the unrealized gains estimated at around 2.0 billion yen.

◆ Business Philosophy

Under its mission, "Impact on the World," the Company aspires to create a society where companies offering unique value and the society can thrive together.

This philosophy encompasses the Company's following concept: "We shall continue to impact each and every thing that we are involved in, because the accumulation of small impacts that move people's heart will eventually create a large momentum that will move the entire world."

Also, the Company's vision is to "become a company that supports marketing activities of businesses worldwide through data and technology to create happiness for both sellers and buyers."

◆ Restructuring its business portfolio. Withdrew from non-core businesses and concentrated business resources on AD EBiS. In recent years, the Company has been expanding through the acquisition of peripheral businesses and companies, including those of the E-Commerce Support Segment.

2. Business Contents and Business Model

◆ Business Portfolio

Restructuring and Strengthening the Business Portfolio

Since FY2016, the Company has been actively restructuring and strengthening its business portfolio (Figure 6). It increased its focus on the core businesses (shifting to AD EBiS), separated and withdrew from its non-core businesses, and carried out M&As. As this business restructuring has reached the end of a phase, the Company is now in the stage of rapidly expanding its business for the next stage of growth.

【Figure 6】 Business Restructuring and Segments (Services that ended are highlighted in gray)

Segment	Category / Business	Main Service (or company name)	Changes	Notes	
I. Marketing DX Support (formerly, Marketing Platform)	(1) Marketing Process	① AD EBiS (including GSP) and CAPICO: Advertising effectiveness measurement tool	The ADPLAN business (acquired in Jan 2020; later merged) was ended in March 2021	Parent Company	
	A. Advertising Effectiveness Measurement	② AdRepo: Automatic report generation tool for advertising analysis	Business acquisition (August 2018)		
	B. Advertising Agency DX	③ New service: Tool to create a continuous improvement cycle for marketing strategies through SaaS and human support	Currently focused on updating the product and expanding beta version access to more corporate users. The official (paid) version will be released to customers of AD EBiS in the second half of FY2025, and to general customers in FY2026.		
	(2) Incubation	C. New Service (name not announced yet)	④ AD HOOP: Marketing-specialized matching	Started service in May 2020; changed name to ADHOOP in Jan 2021	Consolidated
			⑤ TargetPush: Retention marketing tool	Started service in July 2024	
			⑥ Spoo: Web media & design & management services	Acquired as a wholly owned subsidiary (Dec 2020)	
			⑦ TOPICA: Social media and video marketing support	Acquired as a subsidiary with about a 60% stake (July 2021)	
⑧ Far End Technologies: Project management tool			Acquired as a wholly owned subsidiary (Jan 2022)		
		* eZCX: E-commerce-specialized CX improvement PF	Official version released in July 2021; service ended in May 2024.	Parent Company	
II. E-Commerce Support (formerly, EC Platform)	(1) Platform (formerly, EC-CUBE)	① EC-CUBE and ec-cube.co: Open-source e-commerce website building	Transferred to EC-CUBE Co., Ltd., in Jan 2019; about 10% of shares sold to Orico; absorbed EC CUBE Innovations in Jan. 2024 for vertically integrated operation	Consolidated	
	(2) E-Commerce Website Building & Operation (formerly, E-Commerce Website Building & Operation Support)	① EC-CUBE Innovations (former BOKUBLOCK) → (absorbed by) EC-CUBE Co., Ltd.: e-commerce website building & operation and solutions ② RUBY GROUPE: e-commerce site operation and fulfillment services	Acquired as a wholly owned subsidiary (May 2022) → Changed name to EC-CUBE Innovations (June 2023) → Shares transferred to EC-CUBE Co., Ltd by YRGLM → company closed Acquired as a wholly owned subsidiary (September 2024)	Consolidated	

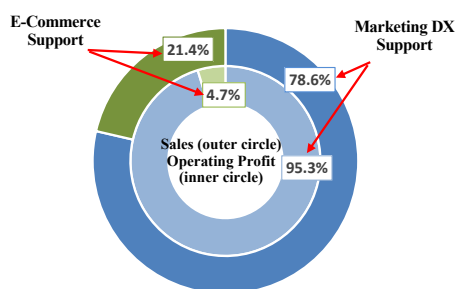
(Source) Figures 6-9 were prepared by Alpha-Win Research Dept. based on information including the financial results summary and briefing materials. Words in red in Figure 6 indicate recent changes and schedules.

Business Composition and Performance Trends of Each Segment

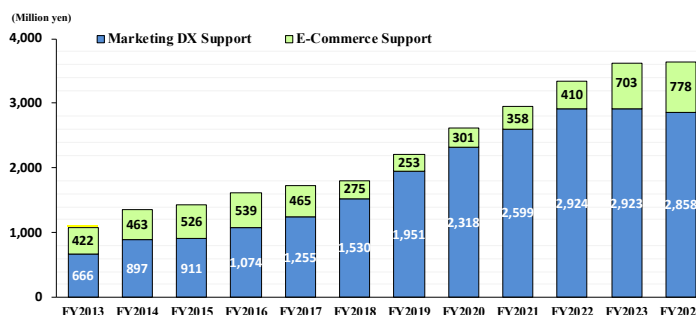
As of the end of FY2024 (last fiscal year), the Company operates in two business segments: I. Marketing DX Support and II. E-Commerce Support.

In the previous fiscal year, the Marketing DX Support Segment accounted for about 79% of net sales (to external customers) and about 95% of operating profit (before consolidation adjustments) (Figure 7). This segment has been the driving force behind the Company’s overall sales growth for many years to date. Changes in sales by business segment are as shown in Figure 8.

【Figure 7】 Sales and Profit Breakdown by Segment (FY2024: full fiscal year)

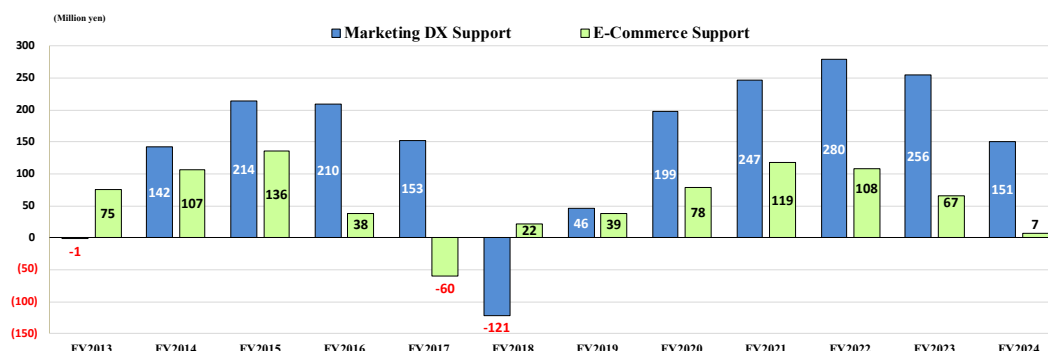


【Figure 8】 Changes in Sales by Segment (Unit: million yen)



(Remarks) The segments’ sales are those to external customers (the same applies hereinafter).

【Figure 9】 Changes in Operating Profit by Segment



(Remarks) The segments' profits are those before consolidation adjustments (the same applies hereinafter).

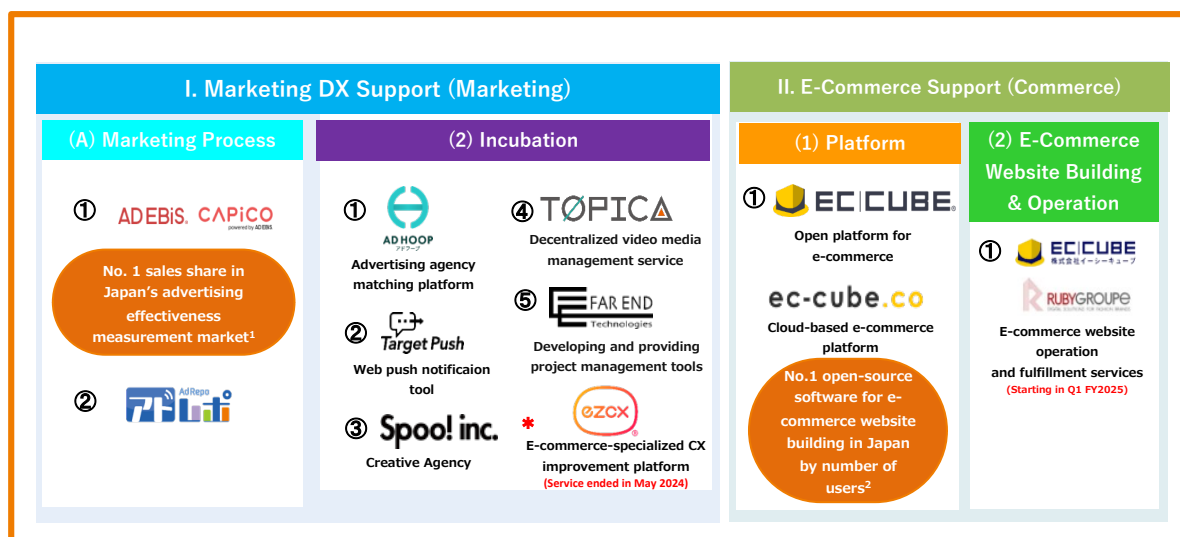
- ◆ Excluding the period of business restructuring, both segments have been posting operating profits.

Each segment's changes in operating profit over the years are as shown in Figure 9. Excluding FY2017 and FY2018, during which business restructuring was carried out, both segments have been posting operating profits (segment profit) for the full fiscal year.

Over the past 12 fiscal years, the Marketing DX Support Segment has been contributing relatively largely to profits.

The Company's business portfolio as of the end of last fiscal year is as shown in Figure 10 (the numbers assigned to each business in Figure 10 match the numbers in Figure 6 on page 10 and in this section's description of business contents).

【Figure 10】 Business Composition (as of the end of September 2024)



1. According to the Japan Marketing Research Organization's summary of its August 2024 market survey on competition in designated areas
 2. According to Information-technology Promotion Agency, Japan's "3rd Open-Source Software Utilization Business Survey"
 (Source) Prepared and updated by Alpha-Win Research Dept. based on the financial results briefing materials with some additions.

◆ Business Details I. Marketing DX Support Segment (former Marketing PF)

The Marketing DX Support Segment’s breakdown of sales and changes in profit over the years are as shown in Figure 11.

【Figure 11】 Changes in Sales and Operating Profit of the Marketing DX Support Segment

Sales (million yen)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2024: YoY Change	
	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated: A	Consolidated: B	B - A	(B - A)/A
I. Marketing DX Support Segment	897	911	1,074	1,255	1,530	1,951	2,318	2,599	2,924	2,923	2,858	-65	-2.2
(1) Marketing Process	883	911	1,074	1,254	1,529	1,951	2,306	2,504	2,525	2,402	2,340	-62	-2.6
A. Advertising Effectiveness Measurement	883	911	1,074	1,254	1,445	1,747	2,127	2,311	2,353	2,222	2,155	-67	-3.0
① AD EBS (including GSP)	722	822	1,012	1,200	1,402	1,719	2,119	2,311	2,353	2,222	2,150	-72	-3.2
AD EBS's sales growth rate (YoY: %)	27.3%	13.9%	23.1%	18.6%	16.8%	22.6%	23.3%	9.1%	1.8%	-5.6%	-3.2%		
CAPICO (since Aug. 2023)										0	5		
THREe (withdrew at the end of Mar. 2020)	161	89	62	54	43	28	8	0	0	0	0		
B. Advertising Agency DX						124	152	181	172	180	185	5	2.8
① AdRenn				(Business acquired in Oct. 2018)		124	149	169	167	180	185	5	2.8
Ad-Knowledge (withdrew at the end of Jan. 2023)						3	12	5	5	Withdraw			
C. New service										0	-		
(2) Incubation							3	89	390	530	525	-5	-0.9
① AD HOOP (May 2020)								20	41	56	42	-14	-25.0
② TargetPush (Jul. 2024)											4		
③ Spoo (Dec. 2020)								38	59	79	43	-36	-45.6
④ TOPICA (Jul. 2021)								28	189	230	239	9	3.9
⑤ Far End (Feb. 2022)								0	97	158	195	37	23.4
eZCX (service ended in May 2024)								1	6	4	3		
*Other: Professional Services (DMP)				(Professional Services, transferred from E.C. PF →)	84	80	27						
Segment's Operating Profit	142	214	210	153	-121	46	199	247	280	256	151	-105	-41.0
Segment's Operating Profit Margin (%)	16.1%	23.5%	19.5%	12.2%	-	2.4%	8.6%	9.5%	9.6%	8.7%	5.3%	-	

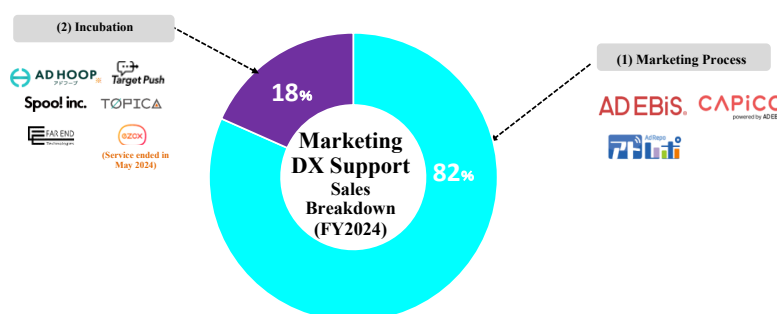
(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials and interview.
 (Remarks) Includes Alpha-Win’s estimates (italicized figures for this fiscal year).

◆ The Marketing DX Support Segment is composed of two business categories. The main business is AD EBiS (advertising effectiveness measurement) of the Marketing Process Category.

I. The Marketing DX Support Segment consists of the following two business categories: (1) Marketing Process and (2) Incubation.

Last fiscal year, the sales breakdown of this segment was as shown in Figures 11 and 12. Sales of (1) Marketing Process Category’s AD EBiS is estimated to have accounted for 76% of the Marketing DX Support Segment’s sales (60% of net sales), although its sales proportion has decreased compared to a certain period in the past.

【Figure 12】 Sales Breakdown of Marketing DX Support



(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

Below are the Marketing DX Support's business categories, their businesses, and their main products (service or product name is underlined).

Business Performance by Segment: I. Marketing DX Support

(1) Marketing Process Category

- ◆ Its core business is AD EBiS, an independently developed Internet advertising effectiveness measurement system. It has the top share in the Japanese market. Accounts for about 60% of net sales. A highly stable, subscription-based business.

(6) Subscription model: Users pay periodically for the right to access the service for a specified period.

(7) Programmatic advertising: An advertising method that supports automatic or real-time ad optimization. After an ad is submitted, it is optimized to achieve better performance.

- ◆ The business targeting advertising agencies consists of only AdRepo, a tool for fully automating the generation of reports in programmatic advertising. The Company withdrew from Ad-Knowledge, a cloud-based project management system specialized for advertising agencies.

- ◆ The Incubation Category consists of the Company's independently developed products AD HOOP and TargetPush and the businesses of the 3 consolidated subsidiaries acquired through M&As. Overall sales of the Incubation Category were flat YoY.

① AD EBiS and CAPiCO (independently developed services)

- Internet advertising effectiveness measurement system
- The Company's independently developed, core product (an extremely strong position in the Japanese market, holding the top share of 87.4%, according to the Japan Marketing Research Organization's summary of its market survey on competition in designated areas for the period ended August 2024).
- Enables the comprehensive management, measurement, analysis, and visualization of web ad performance, helping users evaluate and understand the cost effectiveness of ads.

• Subscription-based business model⁶

- A business based on flat-rate, periodic payments by users. Its sales are determined by average sales per account times the number of active customer accounts. Both figures are important metrics that impact not only the performance of the AD EBiS business but also of the entire company.
- Although the sales figures of AD EBiS (including CAPiCO) are no longer disclosed, sales in the previous fiscal year (FY2024) are estimated to have been 2.15 billion yen, a decrease of approximately 3% from the 2.22 billion yen in the year before (FY2023).

② AdRepo

- Fully automated report-generation tool for programmatic advertising⁷
- A cloud service that has been developed to reduce the workload of advertising agencies
- The business was acquired from another company in August 2018.
- Currently, the business targeting advertising agencies consists of only AdRepo (AD HOOP has been moved to the Incubation Category, and the Company has withdrawn from Ad-Knowledge). Sales in the previous fiscal year are estimated to have been around 185 million yen, accounting for 6% of the Marketing DX Support Segment's sales (the same percentage as the fiscal year before the previous, with sales remaining flat).

Business Performance by Segment: I. Marketing DX Support

(2) Incubation Category (Figure 13 on page 15)

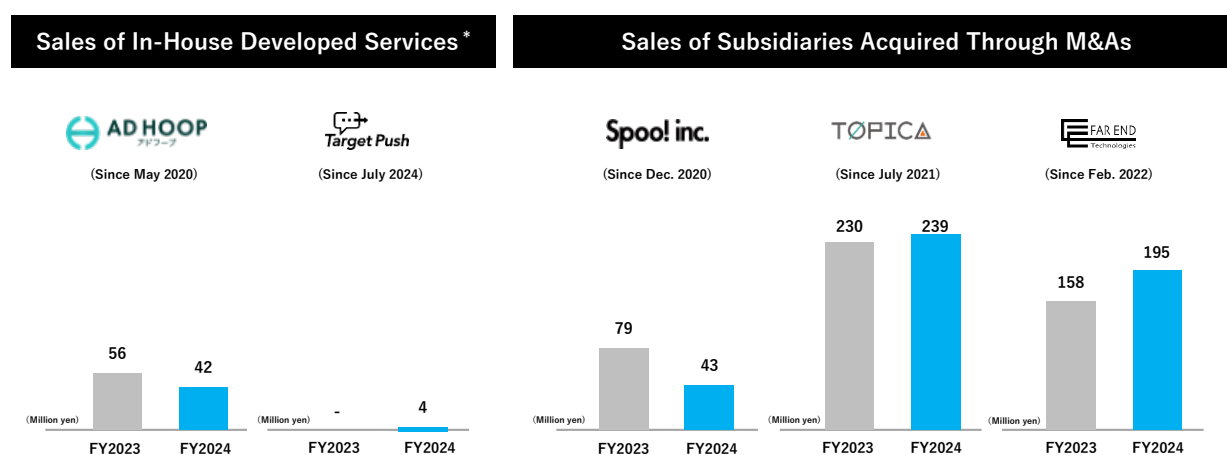
① AD HOOP (independently developed service)

- A marketing-specialized matching platform that connects corporate advertisers with the most suitable solution partners for solving their problems and meeting their needs. Released in May 2020, and then transferred from the Advertising Agency DX business. Since March 2023, the scope of service has been expanded significantly. The Company aims to expand this business through the acquisition of new contracts and cross-selling.

- Sales decreased from 56 million yen in FY2023 to 42 million yen in FY2024 (-25.0% YoY; approximately 1.5% of the total sales of the Marketing DX Support Segment). The challenge is to return to profitability.
- ② **TargetPush** (independently developed service)
- A web push notification tool enabling direct communication with users' PCs and smartphones.
 - It enables continuous communication with users once they grant permission for notifications on their web browsers. This can serve as an alternative to retargeting ads and email newsletters, promoting repeat visits to the website and driving conversions.
- ◆ **Has been acquiring companies in businesses related to Internet marketing as consolidated subsidiaries at a pace of about 1-2 companies per year.**
- ◆ **Total sales of the three acquired companies increased slightly by 2%, from 467 million yen to 477 million yen.**
- As described below, the Company has been acquiring companies of businesses related to Internet marketing as consolidated subsidiaries at a pace of one or two companies per year. All three most recently acquired companies have steadily expanded their businesses by leveraging their strengths and synergies, but recent sales have been mostly flat.
- ③ **Spoo (Spoo! inc.): Consolidated subsidiary (wholly owned)**
- Web media and design company. Founded in March 2000 and was acquired by the Company in December 2020. Contract-development service provided by a small team. Recruitment has been a challenge.
 - The Company has been leveraging Spoo's creativity and talent to integrate its data and technologies. It plans to thereby create new value, expand into new areas of business, and strengthen its competitive edge.
 - Sales decreased by 36 million yen (-45.6% YoY) from 79 million yen in FY2023 to 43 million yen in FY2024.
- ④ **TOPICA: Consolidated subsidiary (60% stake)**
- Founded in May 2016. Acquired in July 2021.
 - Marketing support business for social media and videos (ranging from the planning and production of video contents to social media account management services)
 - Through the acquisition, the Company will expand its business into the rapidly growing social media marketing market and cross-sell TOPICA's services to its current client companies (around 1,300 companies). In addition, it plans to integrate its data and technologies with TOPICA's social media marketing business to create and provide new services.
 - Sales increased slightly by 9 million yen (+3.9% YoY) from 230 million yen in FY2023 to 239 million yen in FY2024.
- ⑤ **Far End Technologies Corporation (hereinafter, "Far End"): Consolidated subsidiary (wholly owned)**
- Founded in September 2008. Provides Internet services (SaaS) and IT security support services.
 - Acquired in January 2022 as a wholly owned subsidiary

- Its main business involves the development of the globally well-known, open-source project management software **Redmine** and the paid, cloud version of the software, **My Redmine**.
- In recent years, the spread of remote work due to the COVID-19 crisis has driven increased demand for project progress management. With the number of customer accounts increasing steadily, significant growth is expected.
- By leveraging and integrating this business with the YRGLM Group's technologies and expertise, the Company plans to expand into new areas of business, strengthen its competitive edge, and provide new value to customers.
- Sales increased by 37 million yen, or 23.4% YoY, from 158 million yen in FY2023 to 195 million yen in FY2024.

【Figure 13】 Comparison of Sales of the Incubation Category's Businesses



(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.
 (Remarks) The eCX service was ended in May 2024.

◆ Business Details II. E-Commerce Support Segment (former EC PF)

- ◆ The E-Commerce Support Segment consisted of two business categories: Platform and E-Commerce Website Building & Operation. Starting this fiscal year, they will be integrated into a single category.

(8) Professional services: A general term for services other than cloud-based tools, including consulting, account management, and contract development.

Previously, the E-Commerce Support Segment had only consisted of EC-CUBE. However, with the acquisition of the former BOKUBLOCK INC. (EC-CUBE Innovations; consolidated in June 2022 and later merged), the Company reentered the e-commerce website building and operation support market (professional services⁸). Thanks to large synergies with EC-CUBE, this business has been contributing to the segment's performance (Figure 14 on page 16).

The E-Commerce Support Segment was previously divided into two business categories: Platform and E-Commerce Website Building & Operation. However, starting this fiscal year, they will be integrated into one (a single category).

【Figure 14】 Changes in Sales and Operating Profit of the E-Commerce Support Segment

Sales (million yen)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2024: YoY Change	
	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated: A	Consolidated: B	B - A	(B - A)/A
II. E-Commerce Support Segment	463	526	539	465	274	253	301	358	410	703	778	76	10.7
(1) Platform (formerly, EC-CUBE)	245	230	219	208	254	253	301	358	330	354	326	-28	-7.9
Sales growth rate (YoY: %)	18.3%	-6.1%	-4.8%	-5.2%	22.2%	-0.4%	19.0%	19.1%	-7.9%	7.3%	-7.9%		
① Payment processing fee								290	250	260	245	-15	-5.8
② Subscriptions								14	29	35	37	2	5.3
③ Others								54	49	56	57	1	1.4
New: (2) E-Commerce Website Building & Operation (formerly, BOKUBLOCK)								0	81	351	450	99	28
Previous: (3) SOLUTION (transferred/withdrew)	232	296	319	257	20	0	0	0	0	0	0	0	0
Previous: ④ E-commerce contract development, e-commerce website consulting, etc.	232	296	319	257	20	0	0	0	0	0	0	0	0
Of which, DMP (transferred)				104									
Segment's Operating Profit	107	136	38	-60	22	39	78	119	108	67	7	-59	-88.8
Segment's Operating Profit Margin	22.5%	25.8%	7.1%	-12.9%	8.2%	15.4%	26.1%	33.1%	26.4%	9.5%	1.0%	-8.5%	

(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials and interview.

(Remarks) Includes estimates by Alpha-Win (*italicized*)

Business Performance by Segment: II. E-Commerce Support

(1) Platform Category

- ◆ In the EC-CUBE business, the Company provides software for companies to build and manage e-commerce websites on their own.

- ◆ In addition to the download version, the cloud version has been released.

- ◆ Top share in the Japanese market.

(9) Freemium model:
“Freemium” is a coined word that combines “free” and “premium.” Refers to a business model that generates revenue by offering basic services free of charge while charging fees for more advanced or specially added related services.

- ◆ Providing a one-stop service and building a vertical integration model.
- ◆ The e-commerce website building and operation support business is expanding rapidly, taking advantage of synergies within the Group.

Overview of the EC-CUBE Service

- EC-CUBE is a software platform that enables companies to build and manage e-commerce (EC) websites on their own.
- The Company provides EC-CUBE as web design software for companies to begin selling and providing products or services online. It is provided either as the open-source, packaged download version **EC-CUBE** or as the cloud version **ec-cube.co**.
- Characterized by low cost, high customizability, and high usability, it has the top share in the Japanese market and has become the standard platform.

Business Model and Sales Breakdown

- **EC-CUBE** is based on a freemium model⁹ in which software is offered for free, but in return, revenue is earned from peripheral services.
- Revenue comes from payment processing fees paid by official partners using the software for their online businesses, **ec-cube.co**'s monthly subscription revenue, and other revenue (plugins, etc.).
- In recent years, sales have remained flat at just over 300 million yen.

Business Performance by Segment: II. E-Commerce Support

(2) E-Commerce Website Building & Operation Category

Through an M&A, the e-commerce website building and operation support business of EC-CUBE Innovations (formerly, BOKUBLOCK) became included in this segment starting in Q3 FY2022. Fully entering the professional services market, the Company has been providing a one-stop service linked with EC-CUBE and building a vertical integration model.

Sales of the e-commerce website building and operation support business tend to fluctuate depending on the orders received and the progress of website-building projects. Sales have grown since the acquisition, driven by synergies within the Group that have enabled the successful acquisition of large contracts (this business category's sales proportion within the segment has soared from 20% in FY2022 to 50% in FY2023 and 58% in FY2024; its sales also rose sharply from 81 million yen to 351 million yen to 450 million during the same period). In the previous fiscal year, this business category's sales proportion to the overall sales of the E-Commerce Support Segment (a KPI) was 58%.

3. Shareholder Composition

◆ Change in Composition by Shareholder Type

- ◆ Individuals hold an extremely high proportion of shares at about 95%.

Regarding the shareholder composition by shareholder type as of the end of September 2023 (Figure 15), the proportion of individuals and others is by far the largest at 95% (data as of the end of September 2024 have not been disclosed). The proportions of financial institutions and overseas corporate entities are declining.

[Figure 15] Changes in Shareholder Composition by Shareholder Type (unit: %)

	End of Sept. 2014	End of Sept. 2015	End of Sept. 2016	End of Sept. 2017	End of Sept. 2018	End of Sept. 2019	End of Sept. 2020	End of Sept. 2021	End of Sept. 2022	End of Sept. 2023
Individuals and others	87.90	94.69	89.48	94.69	93.62	81.51	83.29	91.42	91.93	95.29
Financial institutions	3.12	0.47	1.49	0.47	1.40	8.95	7.84	3.91	2.06	0.00
Overseas corporate entities	0.35	0.54	1.07	0.54	0.56	5.88	2.64	1.32	1.34	0.82
Other corporate entities	4.49	3.2	2.96	3.20	1.99	1.85	1.78	1.80	2.08	1.76
Financial instruments business operators	4.13	1.10	5.00	1.10	2.43	1.81	4.46	1.55	2.59	2.12

(Source) Prepared by Alpha-Win Research Dept. based on information including the securities report.

◆ Major Shareholder Composition

- ◆ No significant change to the major shareholders. Parties affiliated with the Company (the CEO, former directors and executive officers, and the employee stock ownership plan) possess about 60% of the total issued shares.

The major shareholders as of the end of September 2024 are shown in Figure 16. Compared to one year ago, the major shareholders have not changed except for the Custody Bank of Japan and some of the individual shareholders.

- The top three shareholders are Susumu Iwata, the Company's CEO, followed by the Company's executive officers (including former executive officers). Together, they possess more than half of the total issued shares.
- Regarding domestic mutual funds, the Company's shares seem to be incorporated in the Rakuten Japan New Economy Index Fund (JANE Index).
- The Company owns approximately 210,000 shares of its own stock as of the end of September 2024 (3.3% of the total number of shares issued; effectively the fourth largest shareholder).
- The Company may utilize the treasury shares in the future for stock cancellations, M&A and alliance strategies, or stock-based compensation for its executives and employees.

[Figure 16] Current Major Shareholders (unit: thousand shares or %)

(Remarks) Treasury shares are excluded from the list of major shareholders. Shareholding ratio has been calculated excluding treasury shares.

	End of Sept. 2015	End of Sept. 2016	End of Sept. 2017	End of Sept. 2018	End of Sept. 2019	End of Sept. 2020	End of Sept. 2021	End of Sept. 2022	End of Sept. 2023	End of Sept. 2024	Shareholding Ratio	Ranking	Change in Number of Shares (Sept. 2023 minus Sept. 2024)
Susumu Iwata (president and CEO)	2,851	2,817	2,817	2,819	2,822	2,825	2,827	2,809	2,753	2,615	42.44	1	-137
Hiroshi Fukuda (former executive vice president)	1,071	1,021	1,021	961	801	781	779	805	805	805	13.06	2	0
Kanako Matsuzaki (former director and senior executive officer)	415	415	352	354	353	352	329	329	329	329	5.34	3	0
Yoshinori Yamashita (individual)	—	—	—	—	—	—	54	54	68	68	1.09	4	0
YRGLM Employee Stock Ownership Plan	76	39	48	68	68	71	66	69	79	64	1.03	5	-16
Hakuhodo DY Media Partners Inc.	60	60	60	60	60	60	60	60	60	60	0.97	6	0
Tomomori Yamada (individual)	—	—	28	—	—	—	33	36	53	53	0.86	7	0
Satoshi Hasegawa (individual)	—	—	—	—	—	—	—	37	37	37	0.59	8	0
Hitoshi Nakagawa (individual)	—	—	—	—	—	—	—	—	27	27	0.43	9	—
Kavako Nagano (individual)	—	—	24	—	—	—	—	—	24	24	0.38	10	—
Mitsugu Shirai (individual)	—	—	—	—	—	—	—	35	34	36	—	—	—
L.P. MORGAN SECURITIES PLC	—	—	—	—	—	—	221	128	103	—	—	—	—
Custody Bank of Japan (trust account)	—	—	—	—	—	—	—	—	—	—	—	—	—
Custody Bank of Japan (securities investment trust account)	—	—	—	—	—	—	169	82	—	—	—	—	—
Rakuten Securities, Inc.	—	—	—	72	64	—	—	—	—	—	—	—	—
Yukio Tanaka (individual investor)	—	—	—	—	—	—	—	—	—	—	—	—	—
SBI SECURITIES Co., Ltd.	—	—	—	—	—	—	86	—	—	—	—	—	—
UEDA YAGI TANSUI Co., Ltd.	—	—	—	—	—	—	62	—	—	—	—	—	—
au Kabucom Securities	—	—	—	—	—	—	58	—	—	—	—	—	—
Mitsubishi UFJ Morgan Stanley Securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Japan Trustee Services Bank (former name)	—	59	—	60	333	—	—	—	—	—	—	—	—
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	—	—	60	—	—	—	—	—	—	—	—	—	—
Trust & Custody Services Bank (former name)	—	—	—	29	123	—	—	—	—	—	—	—	—
GOLDMAN SACHS INTERNATIONAL	—	—	—	—	284	—	—	—	—	—	—	—	—
UEDA YAGI TANSUI Co., Ltd.	—	—	—	—	113	—	—	—	—	—	—	—	—
Katsuyuki Ito (individual)	—	—	—	52	—	—	—	—	—	—	—	—	—
Akiko Takashima (individual)	—	—	—	29	—	—	—	—	—	—	—	—	—
Kenichiro Wade (former outside director)	39	29	29	—	—	—	—	—	—	—	—	—	—
Yoshino Takayama (individual)	—	—	38	—	—	—	—	—	—	—	—	—	—
SEPTENI CO., LTD.	62	62	—	—	—	—	—	—	—	—	—	—	—
Matsui Securities Co., Ltd.	—	36	—	—	—	—	—	—	—	—	—	—	—
Japan Securities Finance Co., LTD.	30	35	—	—	—	—	—	—	—	—	—	—	—
Yoichi Nishikawa (individual)	34	—	—	—	—	—	—	—	—	—	—	—	—
Akio Shijiri (former director; audit committee member)	26	—	—	—	—	—	—	—	—	—	—	—	—
(Number of treasury shares: thousands)	0	0	0	1	81	64	58	112	84	210	—	Essentially 4th	—
(Treasury shares as a percentage of total issued shares: %)	—	—	0.00%	0.02%	1.28%	1.01%	0.91%	1.75%	1.32%	3.30%	—	—	—

(Source) Prepared by Alpha-Win Research Dept. based on materials including the Notice of Convocation of Shareholders' Meeting. Words in red indicate groups and individuals affiliated with the Company, including its current and former directors/officers and the employee stock ownership plan.

4. ESG and SDGs

The Company has been continuing to work on ESG. There has been no notable change its ESG activities in the most recent year.

- ◆ Continuing to work on the ESG.

◆ Environment

The Company’s business is not the kind that harms the environment. It works on conserving energy, for instance, by saving electricity.

◆ Society

Through Internet marketing tools, the Company’s business contributes to its users’ improvement of operational efficiency and business expansion.

◆ Governance

The Company has adopted a company system with an audit and supervisory committee. It delegates board decisions on executions of important business matters to directors to enable quick decision-making. Also, by incorporating an executive officer system and separating business execution from supervision, the Company aims to improve management efficiency and speed.

- ◆ Half of the directors are external directors.

(10) SDGs (Sustainable Development Goals) are international development goals adopted at the UN Summit, aiming to achieve a sustainable and better world by 2030.

There are a total of six directors including the CEO Susumu Iwata. Of these directors, three are external directors who are also audit and supervisory committee members (directors from Kobe Steel, Ltd. and MUFJ Bank, Ltd. and a certified public accountant). There is currently no woman or person from outside of Japan among the directors or the four executive officers who do not concurrently hold position as director (including the CTO and CAO).

- ◆ Working on SDGs through employment and services

◆ SDGs (Sustainable Development Goals)

Regarding the SDGs¹⁰ (Sustainable Development Goals), the Company is working toward creating a prosperous society by “providing marketing DX support to enhance job satisfaction and drive business growth for our customers and our company,” which is the common goal for its achievement of the SDGs through employment and services (Figure 17).

【Figure 17】 SDGs and Their Initiatives



(Source) Financial results briefing materials

5. History of Growth

◆ Past Transition in Financial Performance

Sales

For 24 fiscal years since its founding, net sales have continued to increase and hit record highs every fiscal year. During the period from FY2009 to FY2024, for which financial performance figures are disclosed, net sales have increased by about 6.4x from 570 million yen to 3,640 million yen (annual compound rate of +13.2%). The Company has grown rapidly by anticipating the needs of society and developing and releasing unique products that differentiate from competitors, while also carrying out M&As and increasing headcount (Figures 18 and 19). Its growth has been supported by the release and expansion of cloud services, especially its independently developed service AD EBiS of the Marketing DX Support Segment which has grown rapidly. In addition, the stable growth of EC-CUBE in the E-Commerce Support Segment, fueled by the growth of the e-commerce market, and the businesses of the acquired companies (such as those of e-commerce website building and operation support) have also contributed to the growth.

Profit

Regarding profit, the Company had stayed profitable both on a standalone and consolidated basis up through FY2017. In FY2015, a record-high operating profit of 350 million yen and a record-high net profit of 231 million yen were achieved. However, since FY2016, its active business restructuring and upfront investments increased the costs, leading to a consecutive decline in profits despite growing sales. In FY2018, the Company recorded losses (an operating loss of 98 million yen and a net loss of 88 million yen) for the first time since becoming listed on the market due to upfront investments mainly to hire more employees for development and sales (Figures 18 and 19). In the following FY2019, sales grew by 20% thanks to the Marketing DX Support Segment's AD EBiS, resulting in both operating and ordinary profits in a turnaround. However, due to extraordinary losses, it posted a net loss for the second consecutive fiscal year.

In the following FY2020, consecutive sales growth and cost improvements resulted in a 3x growth in operating and ordinary profits compared to the previous fiscal year. It posted a net profit for the first time in three fiscal years in a clear, V-shaped recovery. In FY2021, it posted record profits for the first time in six years, and in FY2022, operating and ordinary profits both hit record highs for a consecutive year. However, since FY2023, profits have been declining despite growing sales due to upfront investment costs.

◆ Posting record-high net sales for 24 fiscal years in a row

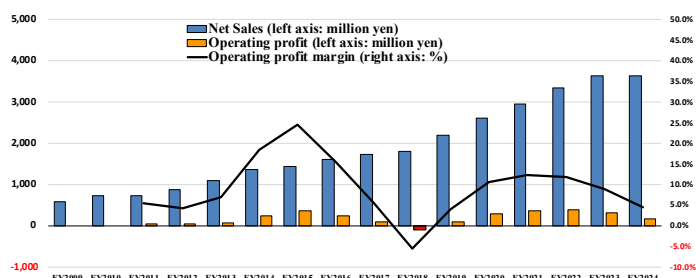
◆ Developed and released unique products and services that differentiate from competitors. Has grown rapidly by actively engaging in M&A activities to expand services and by anticipating the needs of society. Headcount is also increasing steadily.

◆ In FY2015, record-high profits of the time were posted.

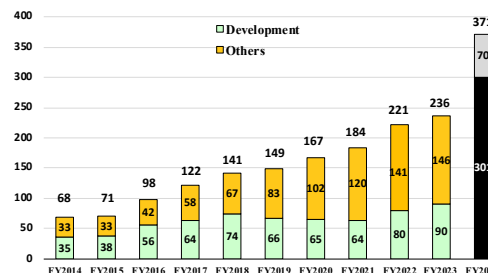
◆ Since FY2016, the Company had conducted business restructuring and upfront investments, prioritizing acceleration of future business growth over profit. Net losses were recorded consecutively in FY2018 and FY2019.

◆ Then, sales increased and costs improved, resulting in a V-shaped performance recovery. In FY2021, sales and profits both hit record highs. In FY2022, operating and ordinary profits again hit record highs. Since then, profits have been decreasing despite sales growth.

[Figure 18] Transition in Past Financial Performance and the Company's Forecast for This Fiscal Year



[Figure 19] Changes in the Number of Employees (Unit: persons)



(Source) Figures 18 and 19 were prepared by Alpha-Win based on the securities reports, financial results summary, and financial results briefing materials. Consolidated results starting in FY2014; nonconsolidated prior to this.

(Remarks) CE: the Company's estimate/forecast. In Figure 19, of the 371 employees in FY2024, 70 are employees of RUBY.

6. Industry Landscape

◆ Trends of Japan’s Advertising Market

- ◆ Total advertising expenditure in Japan in 2023 showed a steady increase of 3% compared to the previous year.

- ◆ Internet advertising expenditure continues to grow at a high rate. The Internet has become the largest advertising medium. The current trend is also solid.

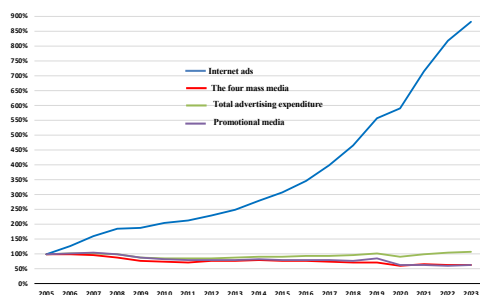
Total Advertising Expenditure

Total advertising expenditure in Japan in 2023 (calendar year; the same applies to this entire section) hit a record high at about 7.3 trillion yen, an increase of 3.0% from the previous year. This recovery was driven by the increase in on-site events and the revitalization of tourism and travel, both domestically and internationally, as the COVID-19 situation became more under control. With this growth in Internet advertising expenditure supporting the overall market, driven by the digitalization of society, the business environment remains favorable for the Company’s Internet-advertising-related business.

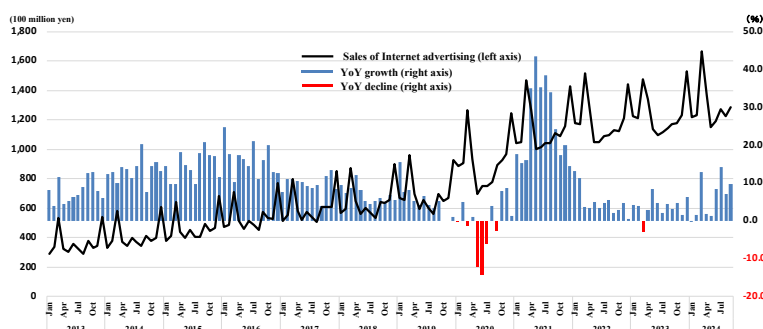
Internet Advertising Market (Annual)

With the digitalization of society, the e-commerce market boom, and greater demand for video advertisements, Internet advertising expenditure (sum of media costs and production costs) has grown to about 3.3 trillion yen, albeit at a slower growth rate of 7.8% YoY. From 2005 (point of comparison, set to 100) to 2023, it has expanded rapidly by 8.8x (annual growth rate of about +13.1%, on a simple average) (Figure 20). The current trend is also strong (Figure 21). Internet advertising expenditure now accounts for 43.5% of total advertising expenditure as the largest advertising medium (source: Dentsu Inc.’s “2023 Advertising Expenditures in Japan”).

【Figure 20】 Changes in Advertising Expenditure by Medium (Indexation: the year 2005 is set to 100)



【Figure 21】 Changes in Monthly Sales of Internet Ads



(Source) Figure 21: Prepared by Alpha-Win Research Dept. based on Dentsu Inc.’s “2023 Advertising Expenditures in Japan.”

Figure 22: Prepared by Alpha-Win Research Dept. based on the “Survey of Selected Service Industries” by the Ministry of Economy, Trade and Industry (reflects monthly data through September 2024).

◆ Trends of Japan’s E-Commerce Market

Market Size and (Annual) Penetration Rate of B2C E-Commerce

Japan’s B2C e-commerce market (e-commerce for consumers), closely tied to the products and services offered in the Company’s E-Commerce Support Segment, reached 24.8 trillion yen in 2023, marking a steady expansion (+9.23% YoY; 20.7 trillion yen in 2021 and 22.7 trillion yen in 2022).

- ◆ The B2C e-commerce market is expanding steadily. The retail market’s e-commerce penetration rate is in the 9% range – there is a large growth potential.

The size of the B2C e-commerce retail market has also grown by 4.83% YoY and the retail market’s e-commerce penetration rate is 9.38% (+0.25 percentage point YoY), indicating further digitization of commerce (source: “FY2023 E-Commerce Market Survey” by the Ministry of Economy, Trade and Industry).

7. Last Fiscal Year's Results and This Fiscal Year's Forecast

◆ Consolidated Financial Results for FY2024 (last fiscal year)

- ◆ In the previous fiscal year, sales increased slightly but profit was halved. Net sales reached a record high for the 24th fiscal year in a row.

Summary

Consolidated financial results for FY2024 (full fiscal year: October 2023 to September 2024) were as follows: net sales increased by 0.3% YoY (+10 million yen) to 3,636 million yen, while operating profit declined by 48.4% YoY (-154 million yen) to 164 million yen. Sales grew slightly but profit was halved (Figure 22).

There were no significant nonoperating or extraordinary gains or losses. Net profit resulted in a decline of 65.1% YoY (-129 million yen) to 68 million yen. For the full fiscal year, the Company posted record-high net sales for the 24th consecutive year since its founding.

【Figure 22】 Changes in Full-Year Results and Their Comparison

(Unit: million yen or %)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024			FY2024			
	Amount (result)	Amount (result)	Amount (result)	Amount (result)	Amount (result)	Amount (result)	Amount (result)	Amount (result)	Amount (result)	Amount (result)	Amount (result)	Change in		Company Forecast = Alpha-Win's Forecast	Diff. in Amount or %	% Difference	
												YoY	YoY				Amount (forecast)
Net Sales	1,360	1,437	1,613	1,719	1,805	2,204	2,619	2,958	3,334	3,626	3,636	3,636	10	0.3%	3,650	-14	-0.4%
I. Marketing DX Support	897	911	1,074	1,255	1,530	1,951	2,318	2,599	2,924	2,923	2,858	-66	-2.2%				
II. E-Commerce Support	463	526	539	465	274	253	301	358	410	703	778	76	10.7%				
Gross Profit	867	956	1,044	1,123	1,190	1,561	1,832	2,039	2,260	2,169	2,119	-50	-2.3%				
Gross Profit Margin	63.8%	66.5%	64.7%	65.3%	65.9%	70.8%	70.0%	68.9%	67.8%	59.8%	58.3%	-1.5%	-				
SG&A Expenses	618	606	796	1,030	1,289	1,476	1,535	1,674	1,867	1,850	1,955	104	5.6%				
SG&A Expense Ratio	45.4%	42.1%	49.3%	59.9%	71.4%	66.9%	59.4%	56.6%	56.0%	51.0%	53.8%	2.7%	-				
Operating Profit (by segment)	249	350	248	93	-98	85	277	365	392	318	164	-154	-48.4%	140	24	17.5%	
I. Marketing DX Support	142	214	210	153	-121	46	199	247	280	256	151	-105	-41.0%				
II. E-Commerce Support	107	136	38	-60	22	39	78	119	108	67	7	-59	-88.8%				
Operating Profit Margin	18.3%	24.4%	15.4%	5.4%	-5.5%	3.9%	10.6%	12.4%	11.8%	8.8%	4.5%	-4.2%	-	3.8%	0.7%	-	
I. Marketing DX Support	15.8%	23.5%	19.5%	12.2%	-7.9%	2.4%	8.6%	9.5%	9.6%	8.7%	5.3%	-3.5%	-				
II. E-Commerce Support	23.2%	25.8%	7.1%	-12.9%	8.2%	15.4%	26.1%	33.1%	26.4%	9.5%	1.0%	-8.5%	-				
Ordinary Profit	234	352	250	106	-115	79	261	364	399	329	162	-167	-50.8%	135	27	20.1%	
Net profit	138	231	169	73	-89	-35	183	240	236	197	68	-129	-65.1%	55	13	23.6%	

(Source) Prepared by Alpha-Win Research Dept. based on the financial results summary and financial results briefing materials.

- ◆ Net sales were in line with the forecast, while profits slightly exceeded forecasts.

Comparison of Forecast and Results

The Company had revised its full-year forecast downward at the time of the first-half results announcement (on August 5, 2024). Results landed nearly in line with this revised forecast, with no surprises. Net sales were mostly the same as the revised forecast (fell short by 14 million yen or 0.4% compared to the revised forecast of 3,650 million yen), while profits were slightly higher than expected (operating profit was 164 million yen, while its forecast was 140 million yen; net profit was 68 million yen, while its forecast was 55 million yen).

Note that Alpha-Win Research Department had forecasted the same figures as the Company's revised forecast.

- ◆ Profits of the Marketing DX Support Segment and E-Commerce Support Segment both declined due to lower profit margins.

Financial Performance by Segment: Overview

In the Marketing DX Support Segment, sales (to external customers, rounded to the nearest unit; the same applies hereinafter) were 2,858 million yen (-2.2% YoY) and profit was 151 million yen (-41.0% YoY). In the E-Commerce Support Segment, sales were 778 million yen (+10.7% YoY) and profit was 7 million yen (-88.8% YoY). Both segments saw a sharp decline in profit.

Financial Performance by Segment: I. Marketing DX Support

Marketing Process Category

▪ Factors that Caused Sales and Profits to Decline

Sales of the Marketing Process Category declined (-66 million yen YoY) and profit also declined. Since sales of AdRepo were flat YoY, this decline in profit was mainly due to the decline in sales of AD EBiS (our estimate: a decline of 50-60 million yen or about 3%), which has a high profit margin, as well as due to investments in the new service.

In the Marketing DX Support Segment, sales and profit growth used to be mainly driven by the increase in the average sales per account of its core product AD EBiS.

However, with the slowing growth in average sales per account and declining number of customer accounts, sales of AD EBiS in the Marketing Process Category have been on a declining trend.

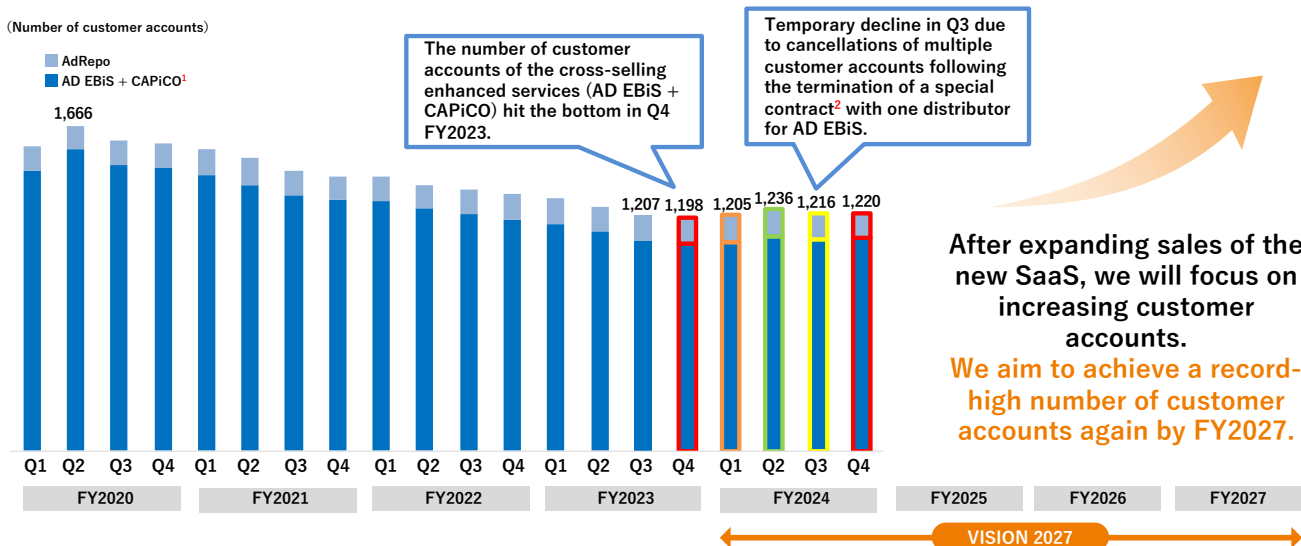
▪ Number of Customer Accounts

Due to the change in the disclosure standard, the Company now discloses sales, average sales per account, and number of customer accounts for the entire Marketing Process Category (AD EBiS, CAPiCO, and AdRepo), instead of the figures for AD EBiS alone.

The number of customer accounts in this business category (a KPI) declined to 1,198 (the bottom) in Q4 FY2023, then bottomed out and recovered to 1,220 at the end of the previous fiscal year (Figure 23). The low-priced plan GSP (Growth Step Program, released in July 2023) accounted for 58% of the new customers acquired in the previous fiscal year, contributing to the recovery in the number of customer accounts.

- ◆ Sales of AD EBiS declined. Sales of AdRepo remained flat.
- ◆ Development costs for the new service increased, negatively impacting profit.
- ◆ Average sales per account of the Marketing Process Category have been declining YoY, but the number of accounts is starting to bottom out.
- ◆ Sales of AD EBiS are on a downward trend.
- ◆ The low-priced plan contributed to the acquisition of new customers.

[Figure 23] Changes in the Marketing Process Category’s Number of Customer Accounts (quarterly changes) (unit: number of accounts)



(Remarks)

1. Only the number of accounts using both AD EBiS and CAPiCO are counted. Accounts using the CAPiCO plan that comes with AD EBiS are not counted, as they are considered to be subscribed to AD EBiS as an optional plan. Note that these figures are for paid accounts only; beta version accounts for the new SaaS are not included.
2. Since the cancellation was with a distributor that managed multiple low-cost accounts, the impact on sales was minimal.

(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

- ◆ Average sales per account are declining due to the sales expansion of the low-priced plan. The Company prioritizes increasing the net number of customer accounts in preparation for future development.

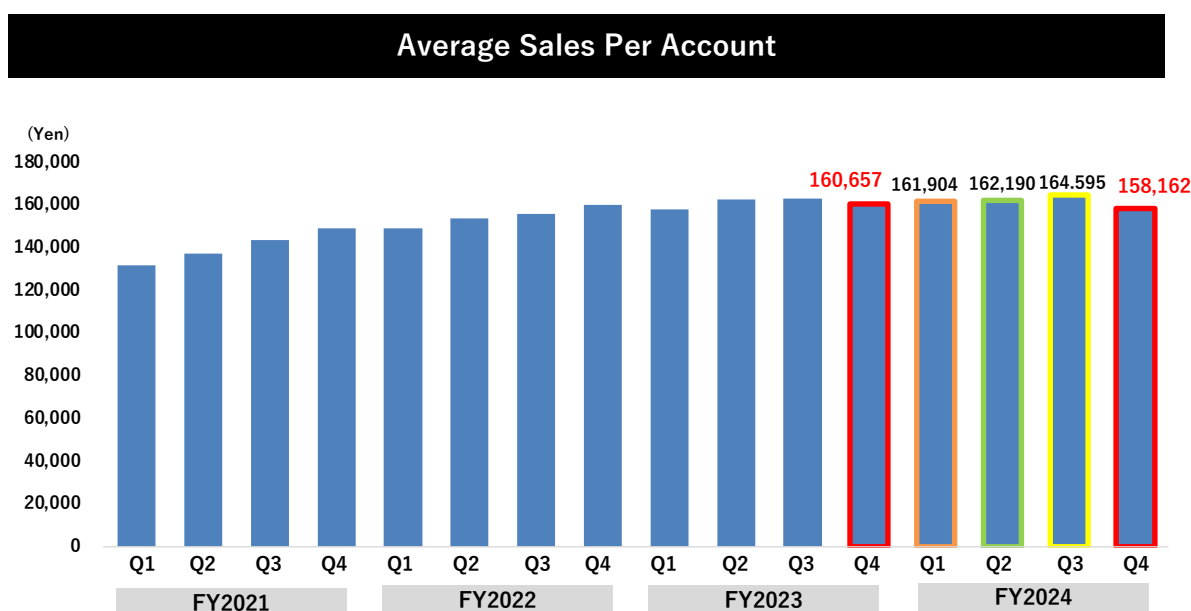
▪ Average Sales Per Account

Average sales per account at the end of the previous fiscal year's Q4 were 158,162 yen per month, a slight decrease both YoY (-2,495 yen or -1.6%) and QoQ (-6,433 yen or -3.9%) (Figure 24).

The growth of GSP is a factor in the overall decline in the average sales per account, as GSP is offered at a special price of 50,000 yen per month for the first two years of using the service (100,000 yen per month after the first two years). Since the Company plans to continue to increase the net number of customer accounts, a continuing decline in the average sales per account is anticipated.

In the Marketing DX Support Segment, the sales expansion of the low-priced plan was responsible for the slight decline in the average sales per account of AD EBiS, the core service of the Marketing Process Category.

【Figure 24】 Changes in the Marketing Process Category's Average Sales Per Account (quarterly changes) (unit: yen)



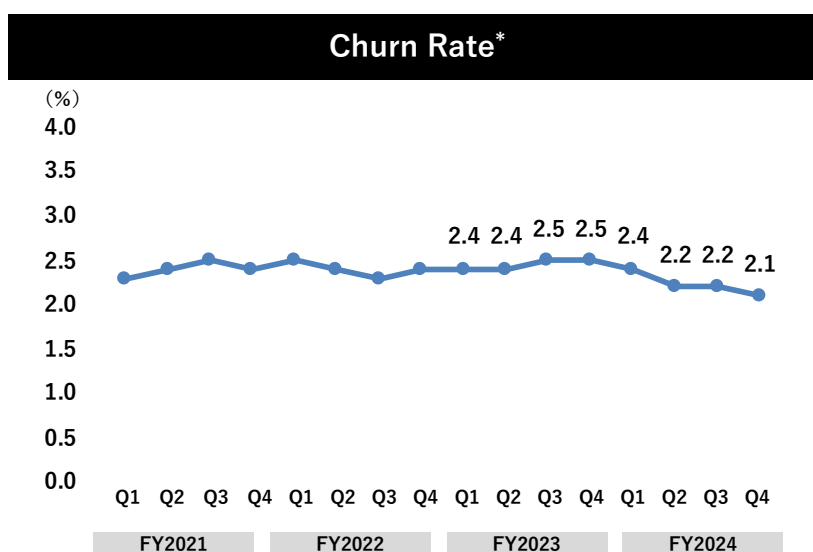
(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

- ◆ The churn rate is gradually declining.

• Churn Rate

The churn rate had been remaining flat around 2.3% to 2.5% since Q2 FY2022. However, through ongoing customer success efforts, it has gradually declined from 2.4% at the end of Q1 FY2024 to 2.2% in both Q2 and Q3, and to 2.1% at the end of Q4 FY2024 (Figure 25 on page 24).

With the churn rate falling to 2.1% in Q4 and the number of new customers increasing especially for GSP (58% of the total number of new customers acquired in the full fiscal year), the Marketing Process Category's number of customer accounts bottomed out in Q4 FY2023.

【Figure 25】 Changes in the Marketing Process Category's Churn Rate (quarterly changes)

(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

(Remarks) *Moving average of the last 12 months (churn rate = churn amount in the last 12 months / 12-month sales amount up through the previous month). Figures are for the last month of each quarter.

- ◆ Sales of the Incubation Category remained flat.

Incubation Category

Sales of Incubation, the other business category of the Marketing DX Support Segment, remained flat at 525 million yen due to the concentration of business resources on the Marketing Process Category and the e-commerce website building and operation support business.

- ◆ Far End performed well.

Far End's sales grew from 158 million yen to 195 million yen, but this was canceled out by declines in sales of Spoo and AD HOOP.

- ◆ Sales of the E-Commerce Support Segment increased due to expansion of the E-Commerce Website Building & Operation Category, but profit declined due to upfront investments.

Note that in August 2024, Far End began offering My Redmine Global Edition, a cloud service for project management, to overseas customers in anticipation of future global expansion.

Financial Performance by Segment: II. E-Commerce Support

Sales of the E-Commerce Support Segment increased despite a slight decline in the sales of the Platform Category, thanks to an increase in orders and sales in the E-Commerce Website Building & Operation Category.

- ◆ Platform and E-Commerce Website Building & Operation will be integrated into a single business category for the E-Commerce Support Segment. The KPI regarding the sales proportion of the E-Commerce Website Building & Operation Category to overall sales of the E-Commerce Support Segment will be removed.

However, profit declined due to increases in recruitment and personnel expenses to strengthen the organization, as well as upfront investments for the development of an enterprise version.

The sales proportion of the E-Commerce Website Building & Operation Category, a KPI for the E-Commerce Support Segment, increased by 8 percentage points YoY to 58%.

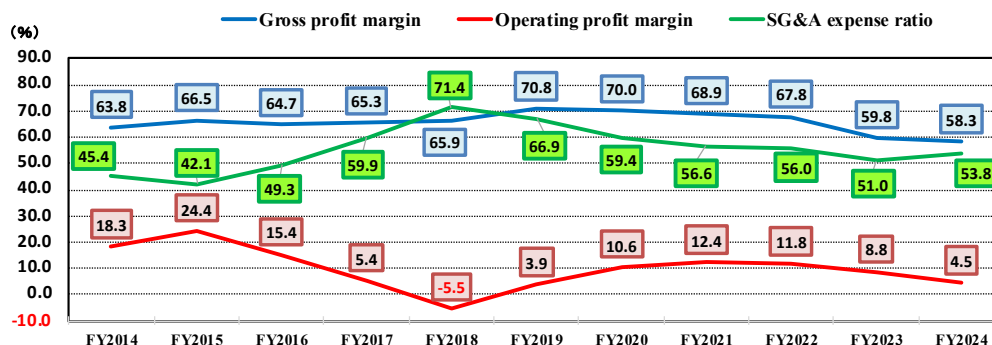
This KPI will be removed, however, as RUBY will be consolidated starting this fiscal year and the two business categories will be integrated into one to expand services based on a vertical integration model.

- ◆ In addition to the decline in the gross profit margin, the SG&A expense ratio rose, causing the operating profit margin to decline sharply.

Trends in Overall Profit Margins

Partly due to changes in the business mix resulting from the M&A, the gross profit margin declined by 1.5 percentage points from 59.8% in FY2023 to 58.3% in FY2024 (Figure 26). Meanwhile, SG&A expenses rose by 5.6%, well above the rate of sales growth (+0.3%). The SG&A expense ratio similarly rose by 2.8 percentage points from 51.0% to 53.8%. As a result, in the previous fiscal year, the operating profit margin declined by 4.3 percentage points from 8.8% to 4.5%.

【Figure 26】 Changes in the SG&A Expense Ratio and Profit Margins (Unit: %)



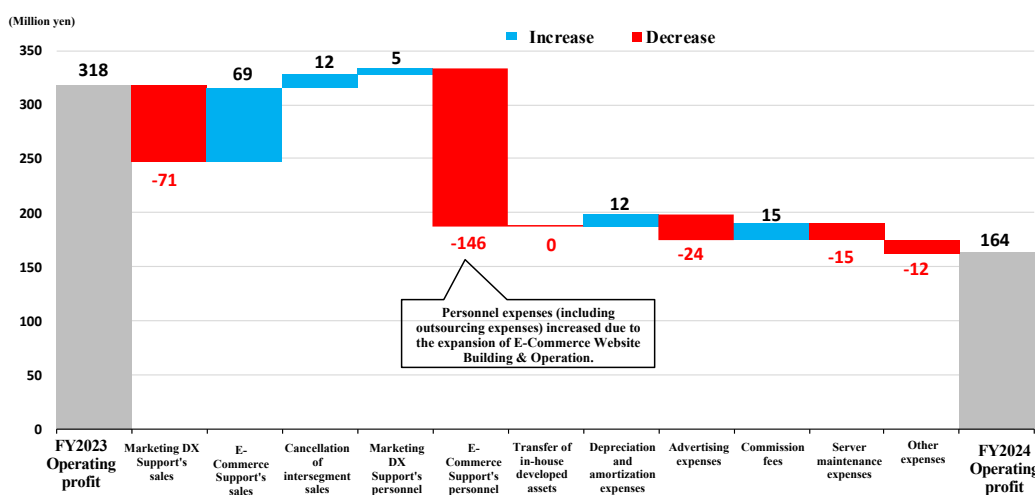
(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

- ◆ Profit was halved because increases in costs such as personnel expenses associated with the expansion of the E-Commerce Support Segment could not be absorbed.

Analysis of Factors that Increased/Decreased Last Fiscal Year’s Profit

Figure 27 shows an analysis of the factors that negatively or positively impacted profit in the previous fiscal year. The sales decline of the Marketing DX Support Segment was mostly offset by the sales growth of the E-Commerce Support Segment. However, profit declined as a whole due to significant increases in various costs such as personnel expenses in the E-Commerce Support Segment (+146 million YoY), advertising expenses, and server maintenance expenses.

【Figure 27】 Factors that Impacted Operating Profit in FY2024 (full fiscal year; YoY comparison)



(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

(Remarks) The amount of increase or decrease in the sales of Marketing DX Support and E-Commerce Support is based on the sales figures before consolidation adjustments.

- Management reforms have helped the Company as a whole remain profitable, with an operating profit maintained for 23 consecutive quarters.

- Net sales increased YoY in Q1 but have continued to decline since Q2. Profits have been halved for six consecutive quarters since Q3 FY2023 due to upfront investment costs.

- The E-Commerce Support Segment posted losses consecutively in the most two recent quarters.

Quarterly Trends in Financial Performance

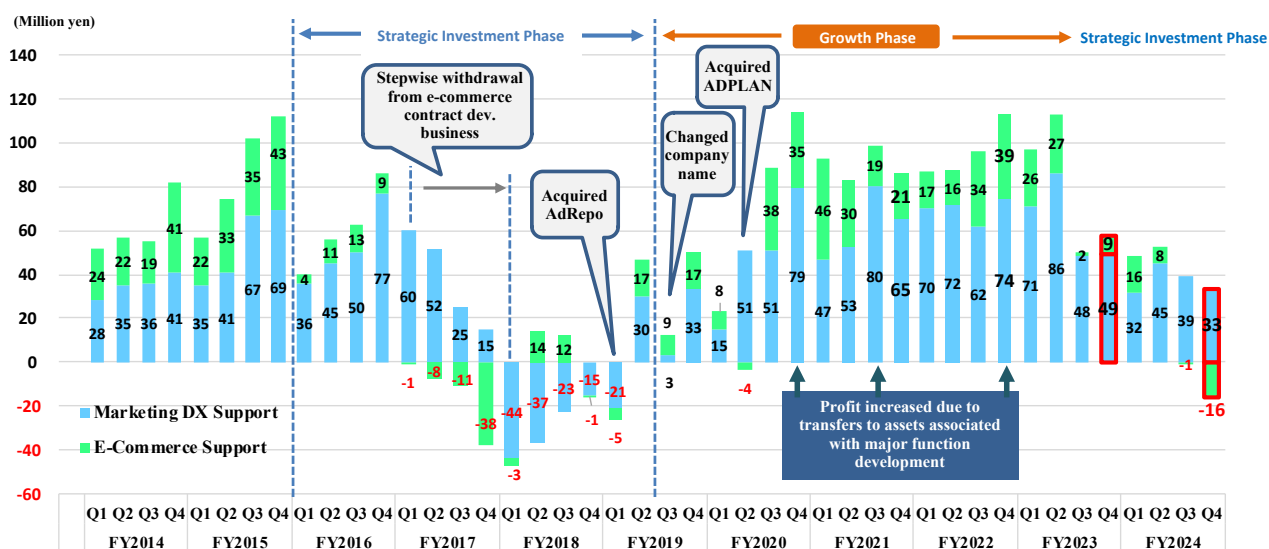
On a company-wide basis, the Company has maintained an operating profit for 23 consecutive quarters. The main reason for the Company’s continued profitability is the increase in sales. However, it is also due to the solid support in profit provided by AD EBiS, the withdrawal from unprofitable businesses, the shift in business model from a pay-as-you-go model to a subscription-based model, M&As, and strengthened management of cost control. These have helped improve the profit margins and the SG&A expense ratio.

In the previous fiscal year’s Q1, net sales increased YoY, but from Q2 through Q4, net sales declined by about 1-2%.

Meanwhile, both operating profit and net profit were halved YoY in every quarter since Q1 (profits have been halved for six consecutive quarters since Q3 FY2023) (Figure 28).

The main reason for this is upfront investment costs, such as higher personnel expenses and development costs, for the strengthening of the development structure for the new service. Both segments have been experiencing declining profits, with the E-Commerce Support Segment posting losses, albeit by small amounts, for the last two consecutive quarters.

【Figure 28】 Quarterly Changes in Operating Profit



(Source) Prepared by Alpha-Win Research Dept. based on the financial results summary

◆ The Company's Consolidated Financial Forecast for FY2025 (this fiscal year)

Full-Year Forecast

◆ At the beginning of the fiscal year, the Company did not announce its financial forecast and shareholder returns for the current fiscal year.

The Company has not announced its full-year financial forecast or expected shareholder returns at this point, stating that due to the consolidation of RUBY, it is taking time to make adjustments to its accounting policies and closely examine its accounting procedures, and that the forecast will be disclosed as soon as it becomes reasonably predictable.

◆ With the acquisition of RUBY, record-high net sales are assured.

The Company did state that it expects to achieve record-high net sales (the amount is currently being analyzed). The full-year forecast will most likely be announced at the time of the Q1 earnings announcement.

◆ The themes for this fiscal year are growth of the E-Commerce Support Segment and monetization of the new service.

Under this fiscal year's themes to grow the E-Commerce Support Segment and monetize the new service of the Marketing Process Category, the Company will focus on its growth areas.

◆ The monthly sales momentum (YoY) is increasing.

Current Situation (monthly sales)

Figure 29 shows this fiscal year's trends in monthly sales as disclosed by the Company.

◆ Cumulative net sales for October and November of this fiscal year show an increase of 24% YoY. The E-Commerce Support Segment's sales doubled thanks to RUBY. Marketing DX Support's sales remain flat.

Monthly net sales in the previous fiscal year had remained mostly flat YoY. In the first two months of the current fiscal year, or October and November, the sales trend has recovered to a significant growth of more than 20% YoY (cumulative for the first two months: +24.0% YoY).

While the Marketing DX Support Segment has remained flat, the E-Commerce Support Segment's sales have almost doubled, presumably due to the consolidation of RUBY.

【Figure 29】 This Fiscal Year's Monthly Changes in Sales (flash report)

(Upper row is net sales in thousand yen; lower row is YoY change in %)

Calendar Year	2024			
Fiscal Year	FY2025			
Monthly Sales (thousand yen)	October	November	Cumulative Sales for the First Two Months	Unit
Marketing DX Support Segment	230,454	240,089	470,543	thousand yen
	99.3	98.9	99.1	% YoY
E-Commerce Support Segment	137,575	152,804	290,379	thousand yen
	189.0	232.7	210.5	% YoY
Entire Company	367,030	392,894	759,924	thousand yen
	120.8	127.4	124.0	% YoY

(Source) Prepared by Alpha-Win Research Dept. based on monthly announcements on the Company's website.

(Remarks) The values shown for October and beyond are preliminary data before an audit by an auditor and may become revised in the future.

◆ Alpha-Win Research Dept.'s Financial Forecast for FY2025 (this fiscal year)

Revisions to This Fiscal Year's Forecast

Based on the results of the previous fiscal year, the current situation, and interview with the Company, we have revised our sales and profit forecasts for the current fiscal year (Figure 31 on page 30).

- ◆ We reviewed this fiscal year's forecast and revised sales and profits downward.
- ◆ We re-evaluated the increase in upfront investment costs and revised our sales forecast for the Marketing DX Support Segment.
- ◆ Although our forecast has been revised downward, we still predict higher sales, profits, and dividends YoY in our new forecast.

We lowered our forecast for net sales from 5,000 million yen to 4,750 million yen (from our previous to current forecast; the same order applies hereinafter), operating profit from 250 million yen to 180 million yen, and net profit from 150 million yen to 110 million yen.

Our new forecasts are based on the higher-than-expected level of upfront investments in both segments, which are expected to continue, as well as the expectation that sales will be flat for Marketing Process and Incubation.

In line with the downward revision of profits, we also lowered our dividend forecast from 8.4 yen per share to 7.9 yen per share. However, we still expect higher sales, profits, and dividends YoY.

Underlying Assumptions of the Forecast

The following are the underlying assumptions of our financial forecast for this fiscal year.

- ◆ Sales of the existing businesses are expected to remain flat, while RUBY's sales contribution is expected to be 1 billion yen, the same level as its most recent fiscal year.
- ◆ The profit margin is expected to decline due to upfront investments and inflation. We believe that operating profit could increase depending on cost control.
- ◆ Key points regarding the new service of the Marketing DX Support Segment are its development and sales situation.
- ◆ Significant contribution of the new service to earnings is not expected until the next fiscal year or later.

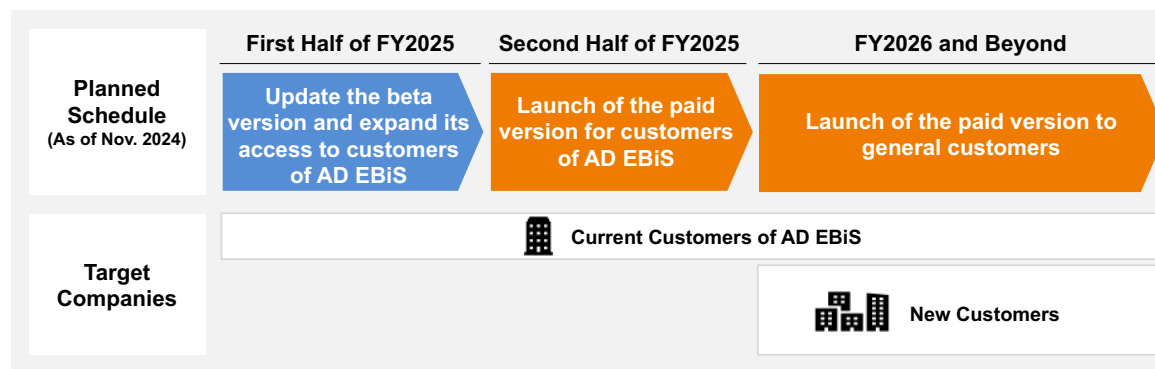
1. **Companywide Sales:** Judging from the sales growth rate in October and November and the current situation, we predict sales of the existing businesses of Marketing DX Support to be about the same as in the previous fiscal year. We also expect annual sales of RUBY to remain flat at around 1 billion yen, the same as in its fiscal year ended March 2024.
2. **Companywide Profit:** We expect the operating profit margin to decline slightly from 4.5% in the previous fiscal year to 3.8% this fiscal year (an improvement from actual margins in the second half of the previous fiscal year: 3.2% in both Q3 and Q4). For operating profit, we forecast a 9.8% increase. Although there will continue to be increases in upfront investments, as well as inflation and increases in personnel expenses, we believe that the Company may be able to maintain an operating profit and possibly increase profit if it manages investment amounts and cost control.
3. **New Services:** The contribution of the new services to business performance needs to be assessed in terms of product development, service description, pricing system, and sales situation.

Regarding the new SaaS of the Marketing Process Category, a beta version is being provided free of charge to the existing customers of AD EBiS, and the Company is currently working on the development of a high-quality product. The schedule is to begin selling the paid version of the product to the current customers of AD EBiS in the second half of this fiscal year, and then to general customers in the next fiscal year (Figure 30 on page 29).

Since the new service is a subscription-based business, there will be some time lag before it begins contributing to earnings. We believe that a full-scale contribution to earnings will not be seen until the next fiscal

year at the earliest. Therefore, at this point, our forecast does not include significant profit contribution by the new service.

【Figure 30】 Planned Schedule for the New Service of the Marketing Process Category



(Source) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials

◆ Average sales per account is expected to gradually decrease due to an increase in customers of the low-priced service.

◆ The number of customer accounts is expected to increase gradually, partly due to sales expansion of the low-priced plan.

◆ Sales of the Marketing Process Category are expected to remain flat.

◆ We expect sales of the incubation businesses to also remain flat YoY.

4. **Marketing Process Category's Average Sales Per Account:** We estimate the average sales per account of Marketing Process at the end of the current fiscal year (the average of the figures as of the end of each quarter) to be 156,500 yen, based on the average of 158,162 yen at the end of Q4 FY2024. Since GSP (the low-priced plan) accounts for 58% of the new customers, a high proportion, it will most likely impact the future price mix. Consequently, we estimate the cumulative average sales per account for this fiscal year to be 160,000 yen, a decrease of about 1% compared to the previous fiscal year's cumulative average.

Marketing Process Category's Number of Customer Accounts: On the other hand, the number of customer accounts is starting to bottom out thanks to GSP and lower churn rates. We forecast a slight increase in the number, from 1,220 accounts at the end of Q4 2024 to 1,250 accounts at the end of this fiscal year (average of 1,235 during this fiscal year, an expected increase of 16 accounts or 1.3% from the average of 1,219 during the previous fiscal year).

Marketing Process Category's Sales: As a result of the above, we expect full-year sales of the Marketing Process Category to remain flat, from an estimated 2,336 million yen in the previous fiscal year to 2,370 million yen (+1.5% YoY) in the current fiscal year.

This category's forecasted decline in profit from the previous fiscal year, as well as the downward revisions of our sales and profit forecasts for this fiscal year, is mainly due to the revision of the underlying assumptions for AD EBiS.

5. **Incubation Businesses:** The Company plans to focus its resources on the Marketing Process Category and the E-Commerce Website Building & Operation Category. Therefore, we expect the incubation businesses' sales to remain flat this fiscal year at 525 million yen, which is about the same level as the previous fiscal year, with no significant change in terms of profit and loss either.

◆ In the E-Commerce Support Segment, a significant sales growth is expected due to the acquisition of Ruby and increased headcount. We expect the synergies and profit growth from the acquisition to materialize starting in the next fiscal year or later.

◆ The profit margin is expected to decline due to increases in various costs and the acquisition of RUBY.

◆ No major M&As are included in our forecast.

6. **E-Commerce Support Segment:** Performance of this segment will be impacted by whether there will be orders for large projects. The EC-CUBE enterprise version will be launched sequentially, but it will take some time before this contributes to earnings.

In the E-Commerce Support Segment, RUBY will make a full contribution to consolidated net sales from the beginning of the fiscal year. In addition, the segment's increase in headcount will likely begin to positively contribute to sales.

However, the PMI of RUBY will require time and cost, and it may take some time before the synergies take effect. Therefore, we predict that significant contributions to consolidated profit will not be seen until the next fiscal year or later and that its contribution to this fiscal year's profit will be limited.

7. **Profit Margins and SG&A Expenses:** Partly due to the M&A, the gross profit margin is expected to decline by 6.1 percentage points from the previous fiscal year to 52.2%.

SG&A expenses are expected to increase significantly (from 1,955 million yen to 2,300 million yen; +345 million yen or +17.6% YoY) due to higher personnel, advertising, and sales promotion expenses, as well as due to the inclusion of RUBY's expenses (however, we predict the SG&A expense ratio to decline to 48.4%).

Due to the low profit margin of RUBY, we believe that its contribution to profit growth will be limited for the time being.

8. **M&A:** The uncertain factors include sales and costs associated with acquiring companies and businesses during the fiscal year. However, at this point, we do not expect any new large M&As this fiscal year.

【Figure 31】 Financial Forecasts for This Fiscal Year and the Medium Term

(Million yen)	FY2022 Results	FY2023 Results	FY2024 Results	FY2025 CE	FY2025 New E	FY2026 New E	FY2027 New E	FY2025 Old E	FY2026 Old E
Net Sales	3,334	3,626	3,636		4,750	5,000	5,300	5,000	5,500
I. Marketing DX Support Segment's Sales	2,924	2,923	2,858		2,900	3,000	3,200	3,100	3,200
II. E-Commerce Support Segment's Sales	410	703	778		1,850	2,000	2,100	1,900	2,300
Gross Profit	2,260	2,169	2,119		2,480	2,600	2,800	2,300	2,380
Gross Profit Margin	67.8%	59.8%	58.3%		52.2%	52.0%	52.8%	46.0%	43.3%
SG&A Expenses	1,867	1,850	1,955		2,300	2,400	2,500	2,050	2,100
Ratio to sales	56.0%	51.0%	53.8%		48.4%	48.0%	47.2%	41.0%	38.2%
Operating Profit	392	318	164		180	200	300	250	280
Ratio to sales	11.8%	8.8%	4.5%		3.8%	4.0%	5.7%	5.0%	5.1%
Ordinary Profit	399	329	162		180	200	300	250	280
Ratio to sales	12.0%	9.1%	4.5%	Not Decided	3.8%	4.0%	5.7%	5.0%	5.1%
Net Profit	236	197	68		110	120	180	150	170
Ratio to sales	7.1%	5.4%	1.9%		2.3%	2.4%	3.4%	3.0%	3.1%
Net Sales (YoY growth rate)	12.7%	8.8%	0.3%		30.6%	5.3%	6.0%	37.5%	10.0%
I. Marketing DX Support Segment's Sales	12.5%	-0.0%	-2.2%		1.5%	3.4%	6.7%	8.5%	3.2%
II. E-Commerce Support Segment's Sales	14.4%	71.4%	10.7%		137.6%	8.1%	-5.0%	144.1%	21.1%
Gross Profit Margin (diff. from last FY)	-1.2%	-8.0%	-1.5%		-6.1%	-0.2%	0.8%	-12.3%	-2.7%
SG&A Expenses (growth rate)	11.6%	-0.9%	5.7%		17.7%	4.3%	4.2%	4.9%	2.4%
Operating Profit (growth rate)	7.4%	-18.8%	-48.4%		9.8%	11.1%	50.0%	52.4%	12.0%
Ordinary Profit (growth rate)	9.8%	-17.6%	-50.8%		11.1%	11.1%	50.0%	54.3%	12.0%
Net Profit (growth rate)	-1.5%	-16.5%	-65.1%		61.8%	9.1%	50.0%	120.6%	13.3%

(Source) Prepared by Alpha-Win Research Dept. based on the financial results summary and briefing materials.

(Remarks) CE: the Company's forecast/estimate. E: Alpha-Win's forecast/estimate. New E: current forecast. Old E: previous forecast.

8. Growth Strategy

◆ The Company's Medium- and Long-Term Business Plan and Strategy

Medium-Term Business Plan (VISION 2027): Summary

◆ This fiscal year is the second year of VISION 2027 (medium-term plan).

◆ The Company is currently in its second founding phase.

◆ The Company aims to achieve net sales of 10 billion yen at an early stage.

◆ Marketing process support and e-commerce support will be the two growth drivers.

◆ Numerical targets for the final year of the current medium-term plan are not disclosed.

◆ The most important mission is to accelerate sales growth.

◆ Will strengthen investments while maintaining an operating profit

◆ Plans to actively engage in M&A activities

◆ In the medium-term plan, the KPI is to achieve a new record high in the number of customer accounts of the Marketing Process Category.

The Company has created a new plan, VISION 2027, for the four fiscal years from FY2024 to FY2027. This fiscal year is the second year of the plan.

The Company positions the current stage as its second founding phase. It has been growing mainly through its products, but it is now aiming to transform itself into a business partner that supports its clients' businesses through "Products x DX Talent." It aims for an early achievement of 10 billion yen in net sales as a Comprehensive Marketing DX Support Business Group (the Company aims to achieve this early, but the timeframe has not been specified).

In this process, the Company will narrow down its areas of business to align with the theme of the current medium-term plan to "draw a clear path toward achieving net sales of 10 billion yen through the two growth drivers of marketing process support and e-commerce support."

Unlike the previous medium-term plan, specific numerical targets for net sales, operating profit, operating profit margin, and DOE for the final year have not been announced.

The Company has clearly defined its basic policy on business performance as follows: prioritizing accelerated sales growth as its core mission, while reinforcing upfront investments to the extent that a consolidated operating profit can be maintained.

The two investment policies for achieving the medium-term management plan are as follows.

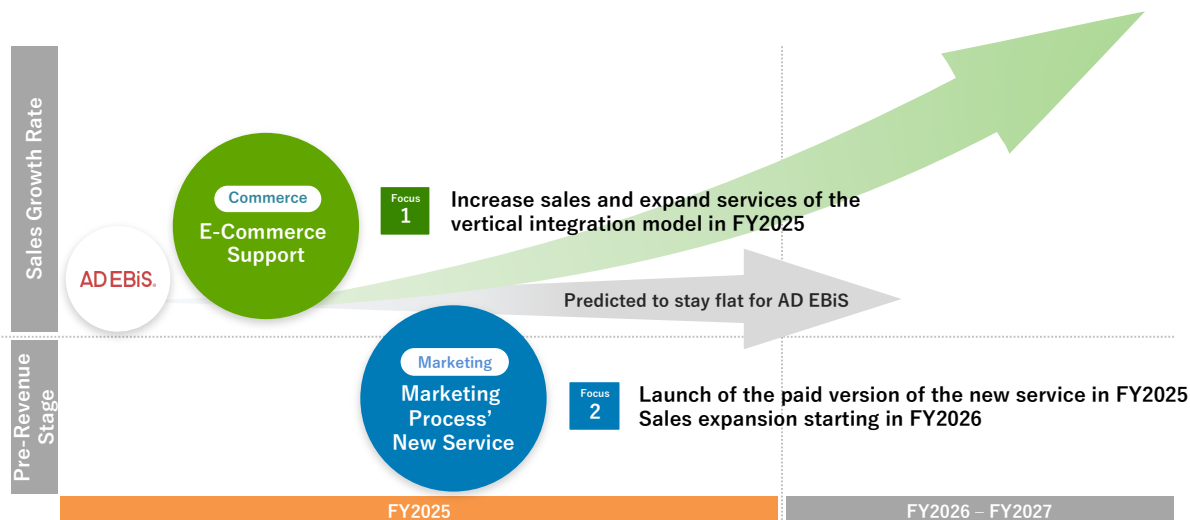
1. Invest earnings from the existing businesses, particularly AD EBiS, in the future growth drivers
2. Drive business growth by acquiring lacking capabilities (particularly DX talent) through M&A

The Company used to have two KPIs: to break the record high for the number of customer accounts of the Marketing Process Category by FY2027 (the current record is 1,666 in Q2 FY2020), and to increase the proportion of the E-Commerce Website Building & Operation Category's sales to total sales of the E-Commerce Support Segment to over 80% by FY2027 (it was 58% in the previous fiscal year).

The latter is expected to reach over 80% this fiscal year due to the consolidation of RUBY. However, due to the integration of business categories in the E-Commerce Support Segment, this KPI related to sales proportion has been removed.

The aims of VISION 2027 and the areas of investment are shown in Figure 32 on page 32. First, the Company will further expand the E-Commerce Support's businesses, where sales growth is accelerating. Then, it will aim to increase earnings from the Marketing Process Category's new service.

【Figure 32】 VISION 2027’s Sales Growth Projection



(Source) Financial results briefing materials.

◆ Alpha-Win Research Dept.’s Outlook of Medium- and Long-Term Financial Performance

Medium-Term Forecast

- ◆ We reviewed and revised downward our medium-term forecast.
- ◆ We revised the average sales per account and number of customer accounts of the Marketing Process Category. Sales of the existing businesses of this category are expected to remain flat.
- ◆ We expect the new service to begin contributing to performance in the next fiscal year or later.
- ◆ In E-Commerce Support, we expect RUBY’s contribution, as well as expansion of the existing business of E-Commerce Website Building & Operation.

We have reviewed our forecast for the current and next fiscal year and also newly added a forecast for the fiscal year after the next. We plan to update our forecast of medium-term financial performance in the next fiscal year or later, when the details and trends of the newly launched services are expected to become clearer.

We revised our underlying assumptions for the Marketing Process Category (average sales per account and number of customer accounts) and made changes to our forecast for the Marketing DX Support Segment. Regarding sales of the current marketing process and incubation businesses (excluding the new service), we expect them to increase slightly or remain flat for the time being.

The amount of contribution to sales from the new service is currently unclear, but since it is a subscription-based SaaS, an annual sales growth of around 100 million yen can be expected in the next fiscal year and beyond.

Regarding the E-Commerce Support Segment, we expect the existing business of the E-Commerce Website Building & Operation Category to expand. However, we have not made large changes to our forecast, only adding RUBY’s contribution to company-wide sales in the next fiscal year and beyond. For the time being, significant contributions to profit are not expected since upfront investments and costs associated with streamlining are expected to continue (Figure 31 on page 30).

However, we expect that the Company will increase sales, profits, and dividends and achieve consecutive record-high net sales in both FY2026

- ◆ We expect that the Company will continue to increase sales, profits, and dividends in the next fiscal year and the fiscal year after the next, leading to the posting of consecutive record-high net sales.
- ◆ We reviewed our forecast for the next fiscal year and revised our profit forecasts downward.
- ◆ We newly added a forecast for the fiscal year after the next.
- ◆ We assumed that the DOE will be 2.5% for the time being.

- ◆ Business performance may be impacted by new businesses and M&A. Growth could potentially accelerate.

- ◆ We expect the Company to maintain an operating profit within a certain range.

(next fiscal year) and FY2027 (fiscal year after the next) due to the new service of the Marketing Process Category, increases in sales and profits in the e-commerce website building & operation business where synergies with RUBY are also expected, and sales growth of the marketing process business due to strengthened cross-selling.

For FY2026 (next fiscal year), we lowered our net sales forecast from 5,500 million yen to 5,000 million yen, operating profit from 280 million yen to 200 million yen (operating profit margin from 5.1% to 4.0%), and net profit from 170 million yen to 120 million yen (Figure 31 on page 30).

For FY2027 (fiscal year after the next), we have newly added forecasts as follows: net sales of 5,300 million yen, operating profit of 300 million yen (operating profit margin of 5.7%), and net profit of 180 million yen.

Regarding dividends, we assumed that the DOE will be 2.5%, the same as in our previous forecast, for both fiscal years. Although we have lowered our forecast for the amount of dividend in line with the change in the profit outlook, we still expect the Company to continue to increase dividends as its net assets increase with profit growth.

Currently, the Company is in the stage of shifting resources to new and peripheral areas by utilizing the cash flow from its existing businesses.

In addition to the organic growth of its existing businesses, the Company's growth may also be accelerated by the development of the new businesses, new M&As, and their synergies. The occurrence and success and failure of future M&As, including the PMI process, may have a significant impact on the Group's overall business performance.

In the medium and long term, we believe that continuous profit growth is possible with investment and cost control.

In the near term, since the Company will continue to make upfront investments toward significant growth, we expect it to remain profitable while maintaining an operating profit within a certain range (100-300 million yen).

9. Analyst’s View

◆ SWOT Analysis

The Company’s SWOT analysis result is as shown in Figure 33 (below is supplementally information). In general, there has been no major change since the last analysis.

◆ The Company’s strengths are the data and technologies accumulated over many years, DX talent, external network, the CEO’s management skills, product strength, strong support system, business model, and business strategy of actively engaging in M&A activities.

◆ On the other hand, risks include stricter regulations on the protection of personal information, technological innovations, intensifying competition, and shortage of DX talent.

◆ It clarified the scope of responsibility of each director and executive officer and has shifted to a more organized management structure.

Strengths

The Company’s main strengths are the following: the data and technologies accumulated over many years through AD EBiS; talents with high-level expertise in DX; a diverse network of business partners; its CEO’s management skills and expertise in leading technologies of Internet marketing; flagship products with a proven track record and robust features, along with a strong support system (technological expertise, rapid development, and adaptability to change that only specialized major players like the Company can offer); position in the market (No. 1 in the Internet advertising effectiveness measurement market with an extremely high share); a stable, subscription-based business model; and a growth strategy to actively engage in M&A activities and business acquisitions.

Risk Factors

On the other hand, the main risks include further regulations on the collection and use of personal information to strengthen privacy protection (in relation to Internet advertising effectiveness measurement), the emergence of alternative products due to the development of advanced AI technologies, deterioration of corporate users’ business performance, shortage of DX-related talent, and intensifying competition.

Previously, the Company’s heavy dependence on its CEO Iwata in management had been a problem. However, it has shifted to a system in which supervision and execution of duties are divided among its directors and executive officers, leading to increased management speed and risk reduction. As CEO, Susumu Iwata oversees the development of new areas of business, shifting to the creation of growth drivers for the Company.

【Figure 33】 SWOT Analysis (Words in red indicate additions or revisions since the previous analysis)

Strength	<ul style="list-style-type: none"> • Data and know-how (potential utilization as big data) that it has accumulated since its founding, as well as its technologies • Brand recognition, strong customer base, proven track record, and product strength (No. 1 in the Internet ad effectiveness system tools market with an extremely high share) • Marketing DX Support, its main business segment, is subscription-based; stable revenue can be expected (subscription business) • Network with numerous business partners (access to resources of external partners and collaboration with them) • Potential to increase revenue per customer and expand the customer base through upselling and cross-selling • CEO’s management skills and expertise in leading-edge technologies of the industry; agile management strategies • Organized working environment; engineers with expertise in leading-edge technologies; accumulation of know-how (competitive edge as a major, specialized company with high capabilities in development and adaptation)
Weakness	<ul style="list-style-type: none"> • Specialized in a niche market: small in scale (focused on specific services) • Business management is largely dependent on the CEO (however, authority and responsibility have now become divided and delegated to other executive officers) • Measures to significantly increase the number of customer accounts in the Marketing Process Category (the introduction of the low-cost plan has halted the downward trend) • Profitability of the entire YRGLM Group (due to the upfront investment required for expansion, profitability has fallen significantly compared to before; measures to improve profitability at acquired companies such as RUBY) • Shortage of DX talent (engineers and sales reps) • Funding power (upfront investment costs and risks related to the amount of capital and equity financing following large-scale M&As)
Opportunity	<ul style="list-style-type: none"> • Growth potential of the Internet ad marketing market and the e-commerce market • Growth potential in new areas based on its existing products and know-how (⇒Business opportunities related to entering the marketing process support market and developing the e-commerce website building and operation business) • Cross-selling based on its customer base • Business expansion and groupwide synergy creation through M&As and business acquisitions
Threat	<ul style="list-style-type: none"> • Impacts associated with deterioration in the macroeconomic environment (cancellations, service suspensions, etc., due to deterioration in the business performance of corporate customers caused by factors such as the strong yen, rising interest rates, inflation, and trade friction) • Intensification of competition (esp. EC-CUBE-related businesses), launch of competing or alternative products/services, emergence of rivals, and loss of competitive advantage with the existing products • Tighter regulations related to stronger privacy protection in the use of personal information (restrictions on obtaining data) • Defects in products/services and delays in developing or providing services with new features • Large system troubles such as computer system outage

(Source) Prepared by Alpha-Win Research Dept.

◆ Shareholder Returns

- ◆ Dividends were increased in the previous fiscal year based on a DOE of 2.5%.
- ◆ Dividends for the current fiscal year have not yet been decided. We expect the DOE to be maintained at 2.5% in the current fiscal year and beyond as well.
- ◆ We expect that dividends will continue to generally increase in the next fiscal year and beyond as well, aligned with the increase in net assets driven by profits.

The Company increased dividends to 7.8 yen per share (+0.4 yen per share YoY), in line with its initial plan for FY2024.

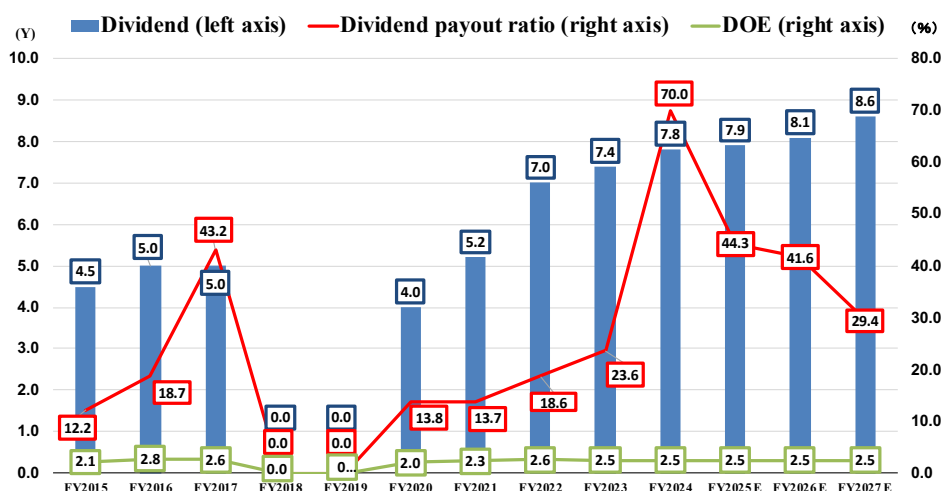
At this point, the Company has not yet decided on its dividend policy for the current fiscal year. We forecast an increase of 0.1 yen per share to 7.9 yen per share for the current fiscal year, based on a DOE of 2.5%.

The dividend payout ratio has increased from 18.6% in FY2022 to 23.6% in FY2023 and 70.0% in FY2024. However, we expect this to decline to around 44% this fiscal year based on our estimates.

Assuming that the DOE will remain at 2.5%, we have revised our dividend forecasts based on our new profit forecasts for both FY2026 and FY2027.

The YRGLM Group is still in the stage of business expansion and growth. While investments are expected to continue, net assets are expected to increase since the Company intends to maintain an operating profit. Therefore, we expect the Company to increase dividends over the medium term as well (Figure 34).

【Figure 34】 Changes in Dividend and Dividend Payout Ratio



(Source) Prepared by Alpha-Win Research Dept. E: Alpha-Win’s forecast/estimate.

- ◆ Volatility of stock price has been high. Stock price weakened following the announcement of the downward revision of financial performance, but is starting to settle down.

(11) AdTech: A general term for information technologies used in the advertising industry, including digital technologies for Internet advertising.

◆ Stock Price, Stock Trends, and Factors that May Impact Stock Price

Stock Price and Trends

The Company is a small-cap, AdTech⁽¹¹⁾-related stock listed on the TSE Growth Market. Since becoming listed, the volatility of stock price has been high (intraday stock price was at a max of 5,770 yen in November 2014 and a min of 469 yen in October 2023).

In response to the Company’s downward revision of its full-year financial forecast in the previous fiscal year, the stock price fell. However, the actual sales results were nearly the same as this revised forecast, and profits slightly

exceeded expectations. The stock price has consequently remained in the mid-500-yen range without falling below the low of the past 12 months.

The Company has been increasing shareholder returns. It has reintroduced a shareholder benefit program (shareholders who hold at least 100 shares will receive an Amazon gift card of 1,000 yen twice a year). In November 2023, it also bought back approximately 100 million yen worth of its own shares (approximately 150,000 shares).

Partly because the Company's business performance has temporarily plateaued, its stock has underperformed the TSE Growth, TSE Prime, and other major indices year-to-date (Figure 35).

【Figure 35】 Comparison of Valuation and Performance with Major Indices

Closing price on December 6, 2024	Stock prices / Indices	This fiscal year's forecasted P/E ratio	Actual P/B ratio	Simple average of dividend yield	YTD Return	Return since Nov. 6, 2024 (announcement of last fiscal year's results)	Return since May 8, 2024 (announcement of measures to enhance shareholder returns)
YRGLM (3690): GRT	538	30.14	1.77	Not decided	-15.54	-5.45	-14.9
Average of All TSE Prime Stocks: PRM	1,403.56	15.56	1.35	2.48	15.27	0.42	0.8
Average of All TSE Standard Stocks: STD	1,240.33	14.21	1.01	2.55	6.07	1.65	-0.9
Average of All TSE Growth Stocks: GRT	811.10	45.78	3.08	0.81	-8.97	1.75	-3.3
TOPIX	2,727.22				15.25	0.42	0.8
TSE Growth 250 (former TSE Mothers)	634.03				-10.25	2.02	-3.2
Nikkei Stock Average	39,091.17	15.77	1.43	2.00	16.81	-0.99	2.3

(Source) Prepared by Alpha-Win Research Dept. The Company's P/E ratio is based on Alpha-Win's forecast of the EPS.

(12) P/S ratio: Ratio of stock price to net sales = Market capitalization / Net sales

- ◆ Its valuation is higher than the TSE Prime's average and lower than the TSE Growth's average.

(13) PEG ratio: $P/E \div$ Expected medium-term profit (EPS) growth rate (per year)

- ◆ Based on the forecast for this fiscal year and the following two fiscal years, the P/E ratios are slightly high.

Comparison of Valuations with Key TSE Indices

Based on this fiscal year's financial forecast, the Company's valuations are as follows: forecasted P/E ratio of 30.06, actual P/B ratio of 1.77, forecasted P/S ratio¹² of 0.72, and forecasted dividend yield of 1.47% (based on Alpha-Win's forecast).

The Company's stock is somewhat overvalued in terms of each compared to the average of all stocks listed on the TSE Prime Market (P/E ratio of 15.56, P/B ratio of 1.35, and simple average of dividend yield of 2.48%). On the other hand, it is undervalued compared to the average of all stocks on the TSE Growth Market on which it is listed (P/E ratio of 45.78, P/B ratio of 3.08, and simple average of dividend yield of 0.81%).

Its EV/EBITDA is estimated to be 5.8 for the current fiscal year, 5.5 for the next fiscal year, and 4.6 for the fiscal year after the next (Alpha-Win's forecasts), which seem to be within the general range (about 2 to 8).

Based on Alpha-Win's new financial forecast, the forecasted P/E ratio is 27.6 for the next fiscal year and 18.4 for the fiscal year after the next. The PEG ratio¹³ would be around 3.0 if we assume the medium-term profit growth rate to be 10% (based on this fiscal year's forecast: 30.1/10), suggesting no sense of undervaluation (generally, a stock is said to be undervalued if the PEG is less than 1 and overvalued when it is greater than 2).

The P/S ratio is low at 0.72 (comparison with similar companies in Figure 38 on page 36: the average of the 24 major, listed AdTech-related companies is over 2, while the average of the five e-commerce-platform companies is 1.4).

- ◆ For the time being, the key point will be the Company's announcement of its financial forecast for the current fiscal year (profit and dividend levels).

The Company's stock is recognized as an AdTech- and subscription-related growth stock oriented toward domestic demand, which seems to be already reflected in the stock price to a certain extent. Based on our forecast for this fiscal year, there is no sense of undervaluation in terms of the key valuation metrics. Regarding future stock price trends, the key point will be the Company's announcement of this fiscal year's forecasts for financial performance and shareholder returns.

In the medium term, a key factor that may impact earnings is whether the Company will succeed with its new services (for marketing process support, etc.) that it plans to develop as growth drivers, as well as whether it can successfully grow the E-Commerce Support Segment.

- ◆ If the visibility of continuous double-digit profit growth improves, the stock is expected to have upside potential.

Once the Company completes its phase of upfront investments and the likelihood of returning to and maintaining a double-digit profit growth increases, valuations are expected to rise. Also considering the potential for future dividend increases, we believe that the stock has upside potential in the medium term.

Valuation Comparison with Similar Companies

In Japan, there are no listed companies that provide similar AdTech tools based on a subscription model like the Company.

Instead, we have compared the size, business, and valuations of listed Japanese AdTech companies with businesses partly similar to the Company and listed companies that compete with the Company in the e-commerce platform business (packaged software for building websites for e-commerce stores, etc.) (Figure 36 on page 38).

- ◆ Comparison with similar Japanese companies suggests that the Company's stock is somewhat undervalued.

Average figures of the 27 Japanese companies (24 AdTech companies including the Company and five e-commerce companies) are not very meaningful for comparison due to the large disparity between the companies. However, at least in terms of this fiscal year's expected P/E ratio, P/B ratio, P/S ratio, and dividend yield, the Company's valuations are relatively generally low, and its stock seems somewhat undervalued.

Key Points Going Forward

The following are the factors that may impact stock price and are considered to be the key points to watch.

- ◆ The key factors that may impact stock price are the Marketing Process Category's number of customer accounts, changes in sales of the e-commerce website building & operation business in the E-Commerce Support Segment (especially the contribution of RUBY and the new products/services to financial performance), changes in monthly net sales, M&A, and this fiscal year's profits and dividends.

1. Announcement of this fiscal year's financial forecast (regarding profits and dividends)
2. The Marketing Process Category's number of customer accounts (a KPI), average sales per account, and churn rate. Contribution of the new SaaS to earnings.
3. The contribution of RUBY to the performance of the E-Commerce Support Segment and the contribution of new services to the performance of the e-commerce website building & operation business (including the EC-CUBE Enterprise series that is scheduled to be launched).
4. Monthly sales trends (YoY changes for both segments)
5. Quarterly trends in profit and loss (profit growth rate, profit margins, EBITDA, and changes in each segment's sales and profits)
6. Profit outlook for the next fiscal year and beyond (profit growth rate)

7. Shareholder return measures and their level (possibility of dividend increases or an additional share buyback)
8. Announcements of an M&A or alliance
9. Strengthened regulations such as those for the protection of personal information

Since it is a small-cap growth stock, the volatility of financial performance and stock price is likely to remain high.

- ◆ We will continue to observe the Company's financial performance trends as a domestic-demand-oriented growth stock in the business of Internet-related, subscription-based software.

However, over the medium to long term, the Company's business has a large growth potential since the Internet advertising market and the e-commerce market are expected to continue to expand. We hope to follow the Company's business development, changes in sales, and changes in profit growth rates as a domestic-demand-oriented growth stock in the business of Internet-related, subscription-based software that is relatively resistant to direct impact by COVID-19, global situations, inflation, and exchange rate fluctuations.

[Figure 36] Comparison with Similar Companies (AdTech-related companies, e-commerce-platform-related companies, and 2 overseas companies)

AdTech-Related Companies				Markets: PRM = TSE Prime, STD = TSE Standard, and GRT = TSE Growth				Unit: million yen (million USD for overseas companies)			%				Ratios				%		Closing Price (12/6)
Code	Company Name	Business Area	Market	Market Cap.	Net Sales	Operating Profit	Operating Profit Margin	P/S	P/E	P/B	Dividend Yield	Stock Price									
2389	DIGITAL HD	Internet ad agency / ad measurement tool	PRM	22,087	16,100	1,000	6.2	1.37	100.39	0.72	0.05	1,265									
2461	FAN Communications	Affiliate (pay-per-performance) ad	PRM	32,234	6,980	1,910	27.4	4.62	17.79	1.58	4.53	419									
2491	ValueCommerce	Affiliate (pay-per-performance) ad	PRM	39,538	28,300	4,000	14.1	1.40	10.71	2.04	4.71	1,147									
3134	Hamee	Mobile accessories / E-commerce cloud support	PRM	17,435	19,745	2,084	10.6	0.88	12.79	1.71	2.10	1,070									
3655	BrainPad	Internet marketing / data analysis	PRM	26,181	11,900	1,450	12.2	2.20	26.73	4.40	0.68	1,174									
3688	CARTA HD	Ad platform	PRM	37,572	24,000	2,000	8.3	1.57	-	1.61	3.64	1,485									
3690	YRGLM Inc.	Internet ad measurement tool	GRT	3,428	4,750	180	3.8	0.72	30.06	1.77	1.47	538									
3853	Asteria	Packaged software	PRM	8,483	3,200	475	14.8	2.7	-	1.48	1.03	485									
3923	RAKUS	Cloud services / Email delivery / IT engineer dispatching	PRM	363,882	48,500	9,400	19.4	7.50	49.76	21.76	0.20	2,008									
4293	SEPTENI HD	Internet ad agency / smartphone marketing support	STD	96,605	28,100	3,000	10.7	3.4	18.40	1.38	6.86	457									
4395	Accrete	SMS delivery service	GRT	4,429	7,319	433	5.9	0.61	18.83	1.86	-	741									
4751	CyberAgent	Internet ad agency / smartphone / games	PRM	541,304	820,000	42,000	5.1	0.7	25.78	3.40	1.59	1,069									
4784	GMO AD Partners	Internet ad agency and related platform	STD	11,998	15,000	100	0.7	0.80	209.97	2.26	0.96	716									
6026	GMO TECH	App-installation-type charging ad / SEO	GRT	8,057	7,200	1,040	14.4	1.12	12.49	7.50	4.00	7,320									
6031	ZETA	Digital marketing solutions	GRT	10,537	800	45	5.6	13.17	282.07	3.78	0.86	409									
6038	iD	Contents marketing platform	STD	3,625	6,700	590	0.1	0.5	9.50	0.83	2.23	716									
6045	RenTracks	Pay-per-performance Internet ad service	GRT	5,838	3,808	1,165	30.6	1.53	8.00	1.73	3.14	732									
6081	Allied Architects	SNS-related marketing support	GRT	3,106	3,400	-430	-12.6	0.91	-	1.10	-	218									
6094	FreakOut HD	Internet ad delivery (DSP)	GRT	11,985	56,000	450	0.8	0.21	-	0.91	0.00	665									
6185	SMN	Retargeting ads and affiliate website services	STD	6,417	10,000	150	1.5	0.64	42.19	1.75	0.00	435									
6533	Orchestra HD	Digital marketing for companies	PRM	8,168	14,000	1,500	10.7	0.58	14.53	1.30	1.35	814									
6535	i-mobile	Ad network (pay-per-click ad distribution)	PRM	31,167	23,000	4,500	19.6	1.36	10.47	1.99	4.85	536									
6550	Unipos (net loss)	Internet ad service; media monetization support	GRT	1,666	1,056	-146	-13.8	1.58	-	4.48	0.00	128									
6562	Genice	Automatic trading of media ad space / AdTech biz	GRT	28,656	12,000	2,500	20.8	2.39	12.88	2.78	-	1,587									
Simple average of the 22 AdTech-related companies (which have not forecasted a net loss)				55,183	48,827	3,308	9.0	2.19	48.07	3.09	2.11										
NYSE:HUBS	HubSpot Inc.	Cloud-based customer management platform	NYSE	38,288	2,170	-111	-5.1	17.6	-	21.7	0.00	USD 741.67									
E-Commerce-Platform-Related Companies				Markets: PRM = TSE Prime, STD = TSE Standard, and GRT = TSE Growth				Unit: million yen (million USD for overseas companies)			%				Ratios				%		Closing Price (12/6)
Code	Company Name	Business Area	Market	Market Cap.	Net Sales	Operating Profit	Operating Profit Margin	P/S	P/E	P/B	Dividend Yield	Stock Price									
3371	SOFT CREATE HD	E-commerce website building package / B2B sales of merchandise	PRM	60,638	30,000	5,480	18.3	2.02	16.01	2.40	2.50	2,201									
4304	Estore	E-commerce website building / online shopping site support	STD	7,358	13,350	1,206	9.0	0.55	9.20	1.85	-	1,200									
4057	Interfactory	Cloud commerce platform	GRT	1,740	3,104	100	3.2	0.56	25.73	1.62	0.00	422									
4477	BASE	E-commerce platform / online settlements	GRT	39,610	15,500	200	1.3	2.56	194.32	2.85	0.00	342									
4496	Commerce One Holdings	Services to support SMEs / mid-tier companies in e-commerce website management	GRT	5,280	3,815	604	15.8	1.38	11.61	1.95	2.72	734									
Simple average of the 5 e-commerce-platform-related companies (based on data that are valid)				22,925	13,154	1,518	9.5	1.41	51.37	2.13	1.31										
NYSE:SHOP	Shopify Inc.	Cloud-based commerce platform	NYSE	152,946	7,060	-78	-1.1	21.66	106.6	14.6	0.00	USD 118.37									

(Source) Prepared by Alpha-Win Research Dept. based on the companies' websites, securities reports, financial results summaries, and financial results briefing materials.

(Remarks) Generally, each company's forecasted values from the latest financial results disclosure (latest quarterly financial results) or the most recent actual results (for BPS, etc.) were used (based on disclosed data available as of December 6, 2024). For forecasts disclosed as ranges, as a general rule, the median was used for calculations. For the Company, Alpha-Win Research Dept.'s forecast was used since its financial forecast for the current fiscal year is not disclosed. Values not disclosed are marked by "ND" (not determined) or "-". The average was calculated using only valid figures. For the two overseas companies, data (actual values) on business performance and finance in the most recent full fiscal year (ended December 2023) were used to calculate the P/E ratio, P/S ratio, P/B ratio, operating margins, etc.