



Q1 FY2023 Results Briefing Materials

May 2023

CERES INC. (Prime Market of the Tokyo Stock Exchange: #3696)





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2. Consolidated Results Summary
3. Results Summary of Each Business
4. Appendix

1. Profile

Enriching the world through internet marketing

CERES aims to realize prosperous social interactions by providing various marketing services through the Internet, which has become a part of our social infrastructure.

Create a token economy



CERES is “the goddess of the earth” and “the goddess of abundant harvest” in Greek mythology. The Greek name for the Goddess is Demeter, and CERES is its Roman equivalent.

Company Name	CERES INC.
Established	January 28,2005
Location	Setagaya Business Square Tower, 24 Floor 4-10-1 Yoga, Setagaya-ku, Tokyo
Fiscal Year	December 31
Capital	¥ 2,025 million (As of March 31, 2023)
Representative	Satoshi Takagi, President and Representative Director
Employees (Consolidated)	511 (As of March 31, 2023; without temporary staff)
Businesses	Mobile Service Business Financial Service Business
Consolidated Subsidiaries	Mercury Inc., Diana Inc., Bacchus Inc., studio15 Co.Ltd., label inc., Salus,inc., YUMEMI Inc.
Equity-method affiliate companies	bitbank, Inc.

2022 Transition to the New Prime Market of the Tokyo Stock Exchange

2021 Made studio15 Co.Ltd. a consolidated subsidiary

2018 Made YUMEMI Inc. a consolidated subsidiary

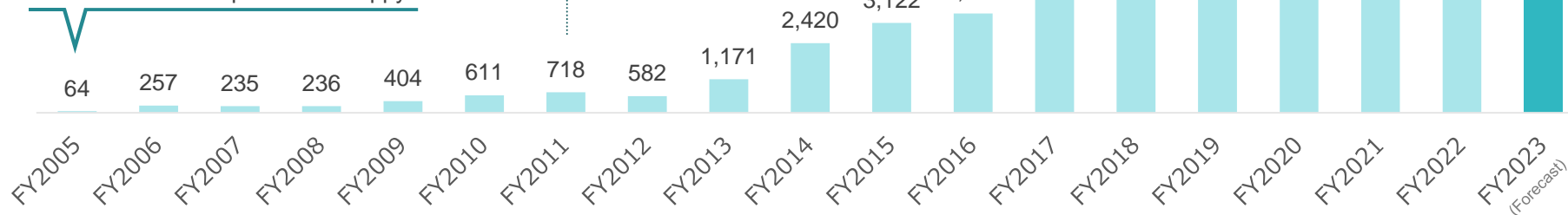
2017 Made bitbank, Inc. an equity-method affiliate
Established Mercury Inc. to enter into the crypto asset exchange business

2016 Made YUMEMI Inc. an equity-method affiliate
Listed on the First Section of the Tokyo Stock Exchange

2014 **Listed on the Mothers market of the Tokyo Stock Exchange**

2011 Launched “Moppy” for smartphones

2005 CERES INC. established
Launched point site “Moppy”



*Net sales are stated on the assumption that the new Accounting Standard for Revenue Recognition has been retroactively applied.

Sales (millions of yen)

Numerical Targets in Medium-Term Management Plan 2026

We are committed to achieving net sales of ¥40 billion and ordinary profit of ¥10 billion in FY2026.

To accomplish the targets set forth in Medium-Term Management Plan 2026, we plan to aggressively invest a total of ¥30 billion over five years.

FY2026

Net sales

¥ **40** bn

Ordinary profit

¥ **10** bn

Investment







¥ **30** bn

Business Portfolio





We generate cash steadily in our mainstay Moppy business, and invest actively in growth areas.

We achieve a sustainable business portfolio by combining businesses of varying growth models.

Mobile Service Business

Point	 
D2C	  
DX	

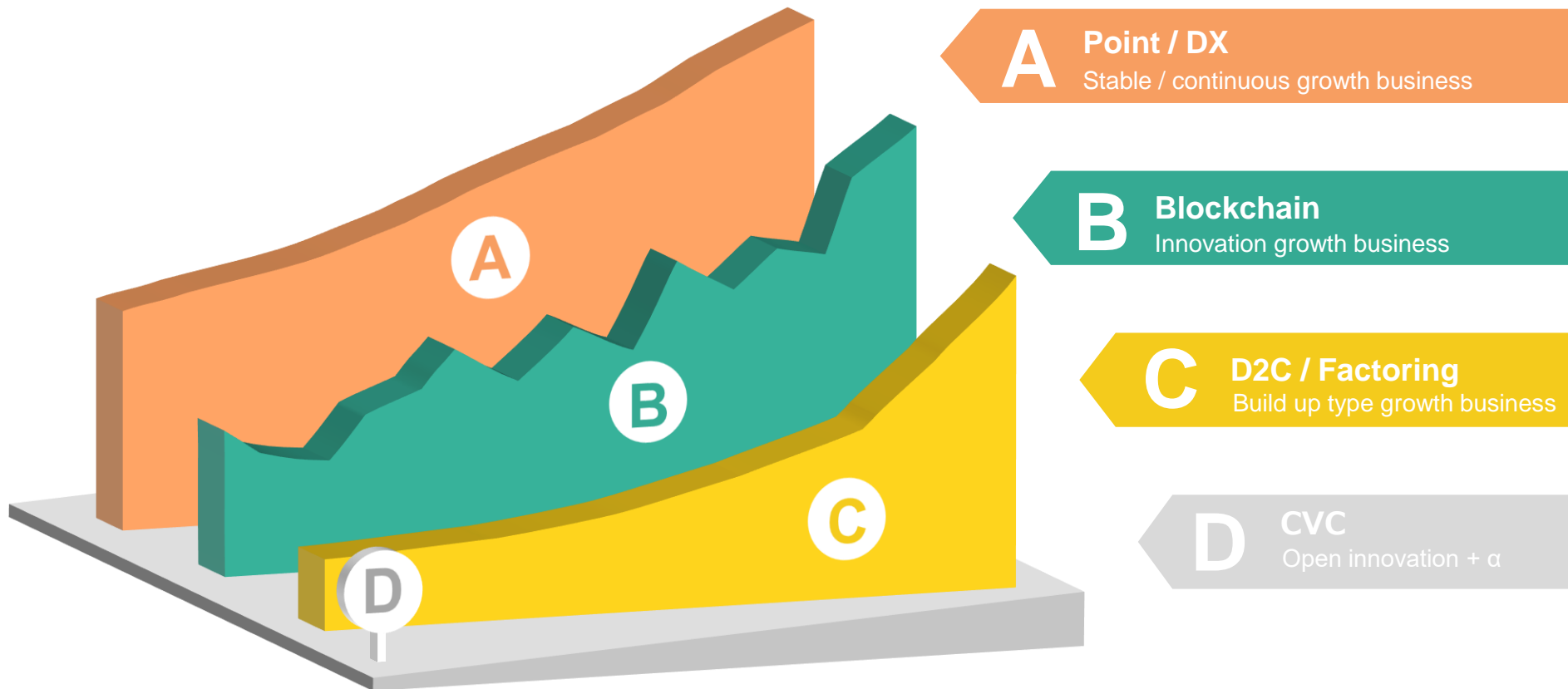
Financial Service Business

Blockchain	 
Online Factoring	 
CVC (corporate venture capital)	Investment development business

An Image of Growth up to 2026

We will pursue medium-term growth leveraging three business portfolios that feature varying growth models.

We plan to achieve stable growth with Point and DX while aiming for dynamic and rapid growth with Blockchain and D2C.





2. Consolidated Results Summary



Net sales increased 17.3% YoY to ¥5,525 million.

- In Mobile Service, sales grew 13.7% YoY to ¥5,314 million, owing to strong performance of Moppy in the Point business, as well as the D2C and DX businesses.
- In Financial Service, sales jumped 3.3x the year-ago figure to ¥218 million, due to record sales at Mercury on favorable performance of staking services and sale of shareholdings in CVC.

Operating profit fell 57.3% YoY to ¥253 million.

- In Mobile Service, operating profit fell 31.9% YoY to ¥686 million despite higher profits in the D2C and DX businesses, due to a temporary rise in the cost ratio at Moppy caused by lagging of point rewarding period and point redemption campaigns.
- In Financial Service, operating loss narrowed to ¥137 million, owing to strong performance of the factoring services of Mercury and labor and gains from sale of shareholdings in CVC.

Ordinary profit fell 46.5% YoY to ¥352 million.

- We recorded ¥109 million in equity in profit of affiliate bitbank backed by the robust crypto asset market.

Condensed Income Statement

(Millions of yen)	Q1 FY2023	Q1 FY2022	YoY	Q4 FY2022	QoQ
Net sales	5,525 (100.0%)	4,709 (100.0%)	+17.3%	5,523 (100.0%)	+0.0%
Gross profit	2,179 (39.4%)	1,956 (41.5%)	+11.4%	2,063 (37.4%)	+5.6%
SG&A expenses	1,925 (34.8%)	1,362 (28.9%)	+41.4%	1,784 (32.3%)	+7.9%
Operating profit	253 (4.6%)	594 (12.6%)	-57.3%	279 (5.1%)	-9.3%
Ordinary profit	352 (6.4%)	657 (14.0%)	-46.5%	99 (1.8%)	+252.9%
Quarterly profit *1	201 (3.6%)	389 (8.3%)	-48.4%	27 (0.5%)	+620.3%
EBITDA *2	483 (8.8%)	774 (16.5%)	-37.6%	233 (4.2%)	+107.1%

*1 Quarterly profit represents profit attributable to owners of parent.

*2 EBITDA: Profit before income taxes + Interest expenses + Depreciation + Amortization of goodwill (addition of amount equivalent to amortization of goodwill including share of loss of entities accounted for using equity method) + impairment losses.

Segment Information

In Mobile Service, sales in each business grew, but operating profit declined due to a rise in the cost ratio at Moppy caused by temporary cause.

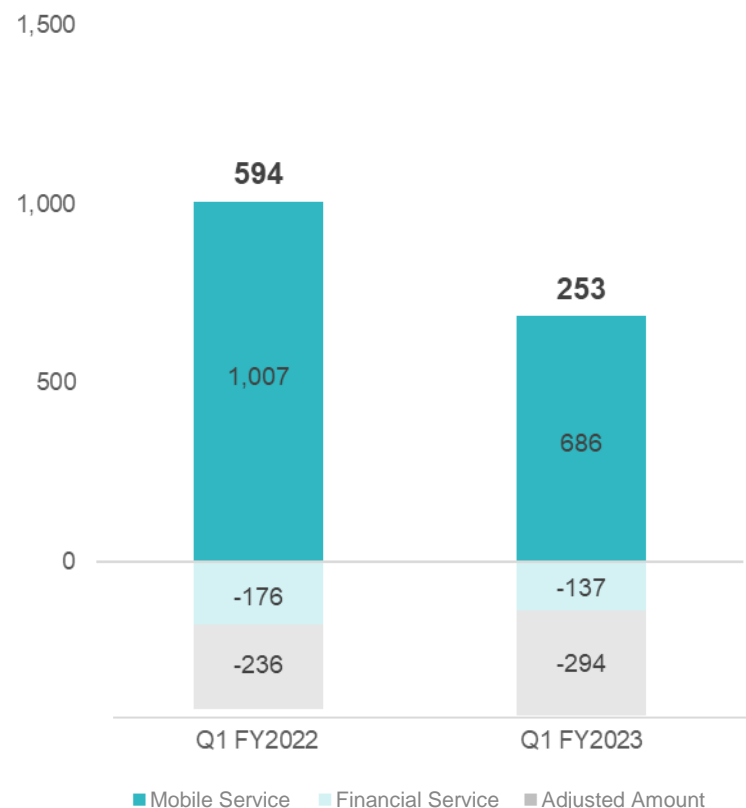
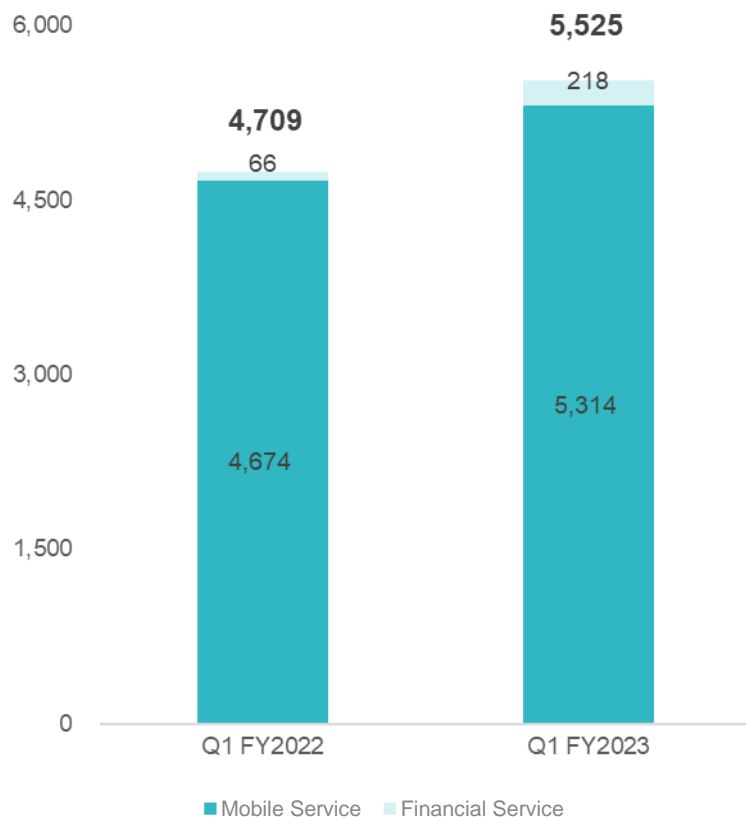
Financial Service posted higher sales and a narrower operating loss owing to favorable performance of Mercury and sale of shareholdings.

(Millions of yen)

Net sales

(Millions of yen)

Operating profit



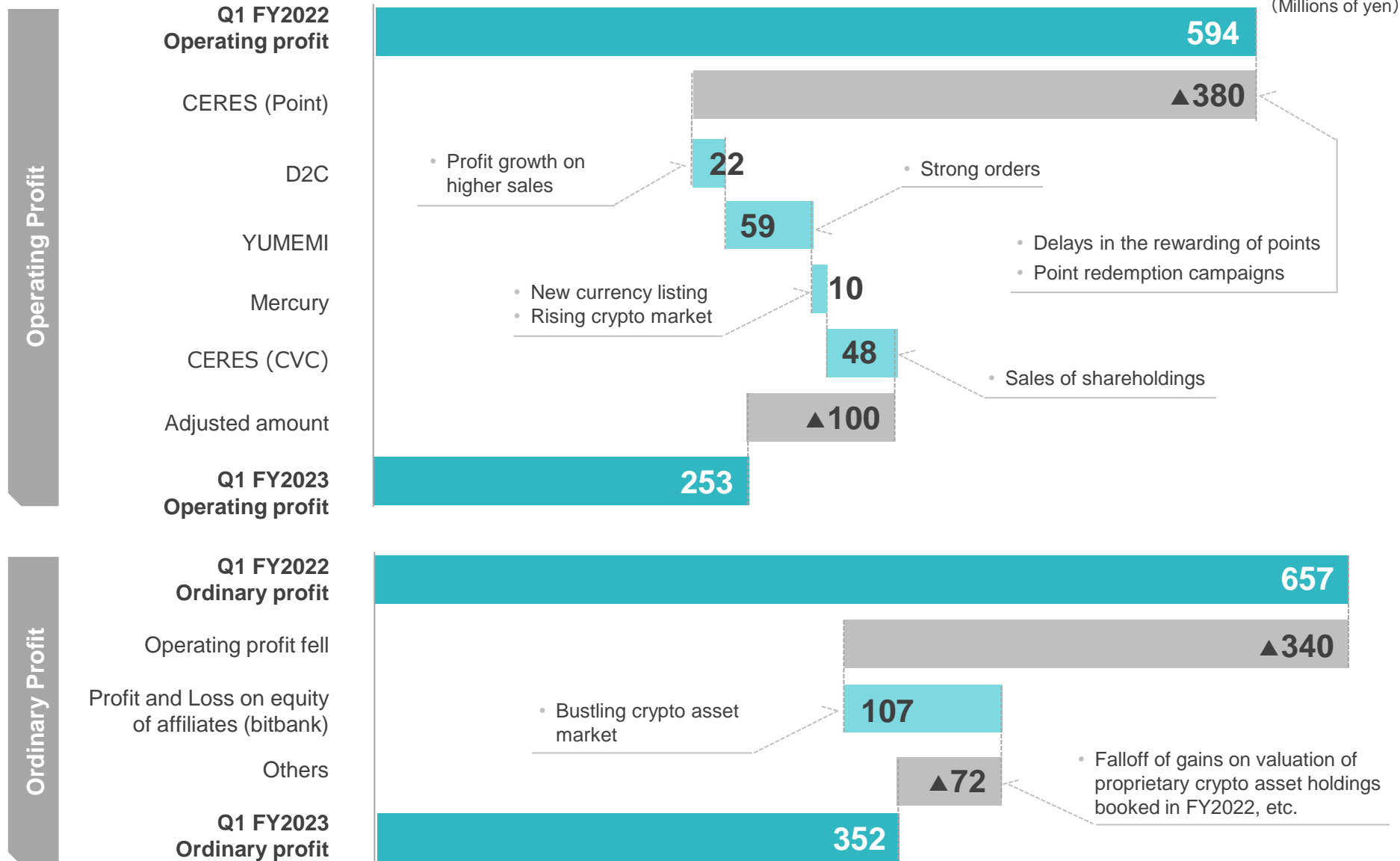
* Inter-segment transaction value is not indicated since its impact on the graph is immaterial.

* Adjusted amount includes expense items that do not belong to a specific segment.

Earnings by Business Segment

(Millions of yen)	Net sales		Operating profit	
	Q1 FY2023	Q1 FY2022	Q1 FY2023	Q1 FY2022
ALL	5,525 YOY +17.3%	4,709	253 YOY -57.3%	594
Mobile Service Business	5,314 YOY +13.7%	4,674	686 YOY -31.9%	1,007
Point	3,525 YOY +6.0%	3,324	506 YOY -42.9%	886
D2C	645 YOY +50.2%	429	59 YOY +59.9%	37
DX	1,210 YOY +26.1%	960	152 YOY +63.2%	93
Transaction value within segments	-66 YOY -	-39	-32 YOY -	-10
Financial Service Business	218 YOY +227.7%	66	-137 YOY -	-176
Inter-segment transaction value / Adjusted amount	-7 YOY -	-32	-294 YOY -	-236

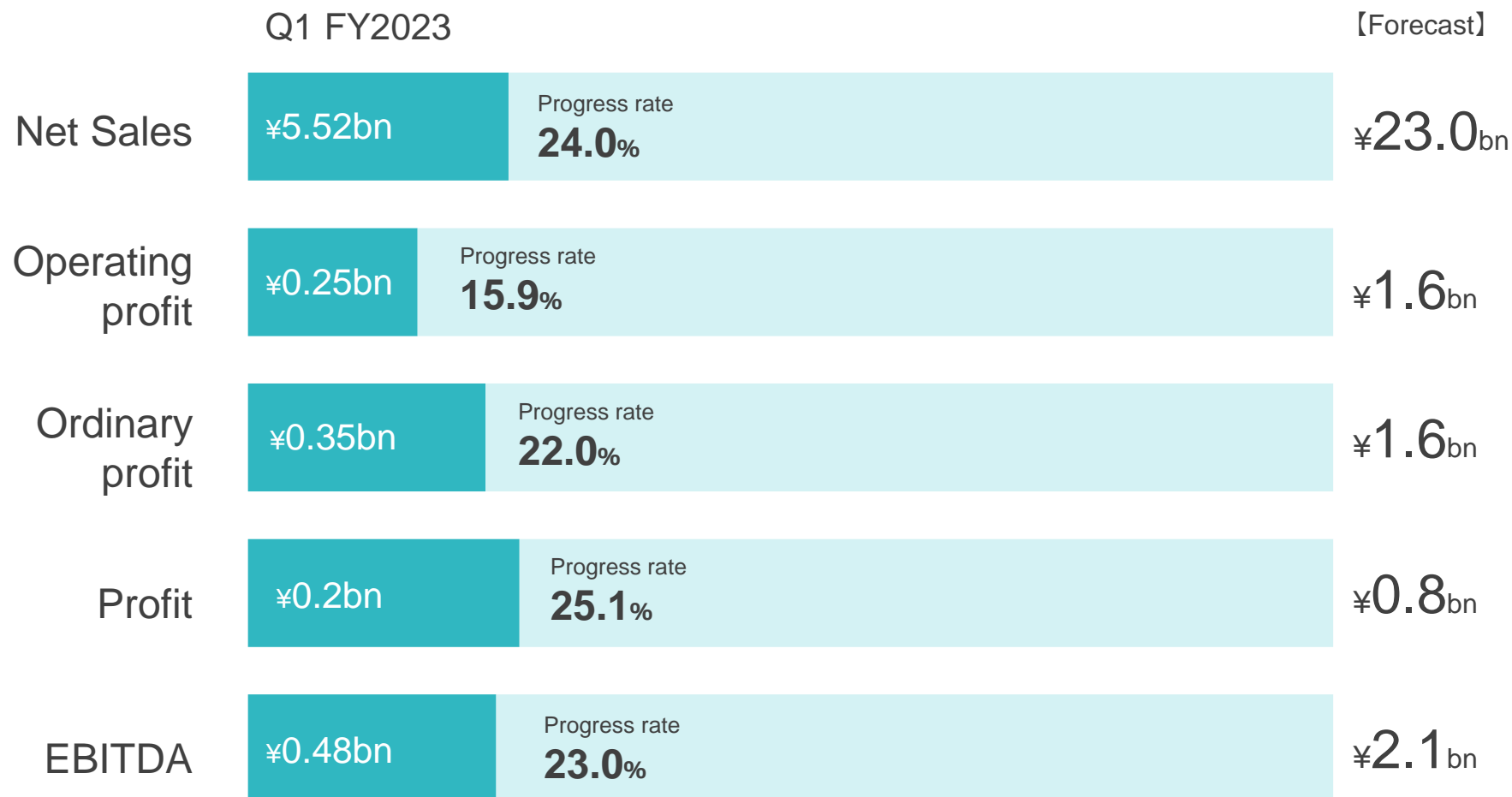
Factors Affecting Operating Profit and Ordinary Profit



Progress of the Company Forecasts

Sales were in line with expectations although progress varied by business.

Profits fell short of plan, as favorable DX performance could not offset the temporary increase in the cost ratio at Moppy.



Condensed Balance Sheet

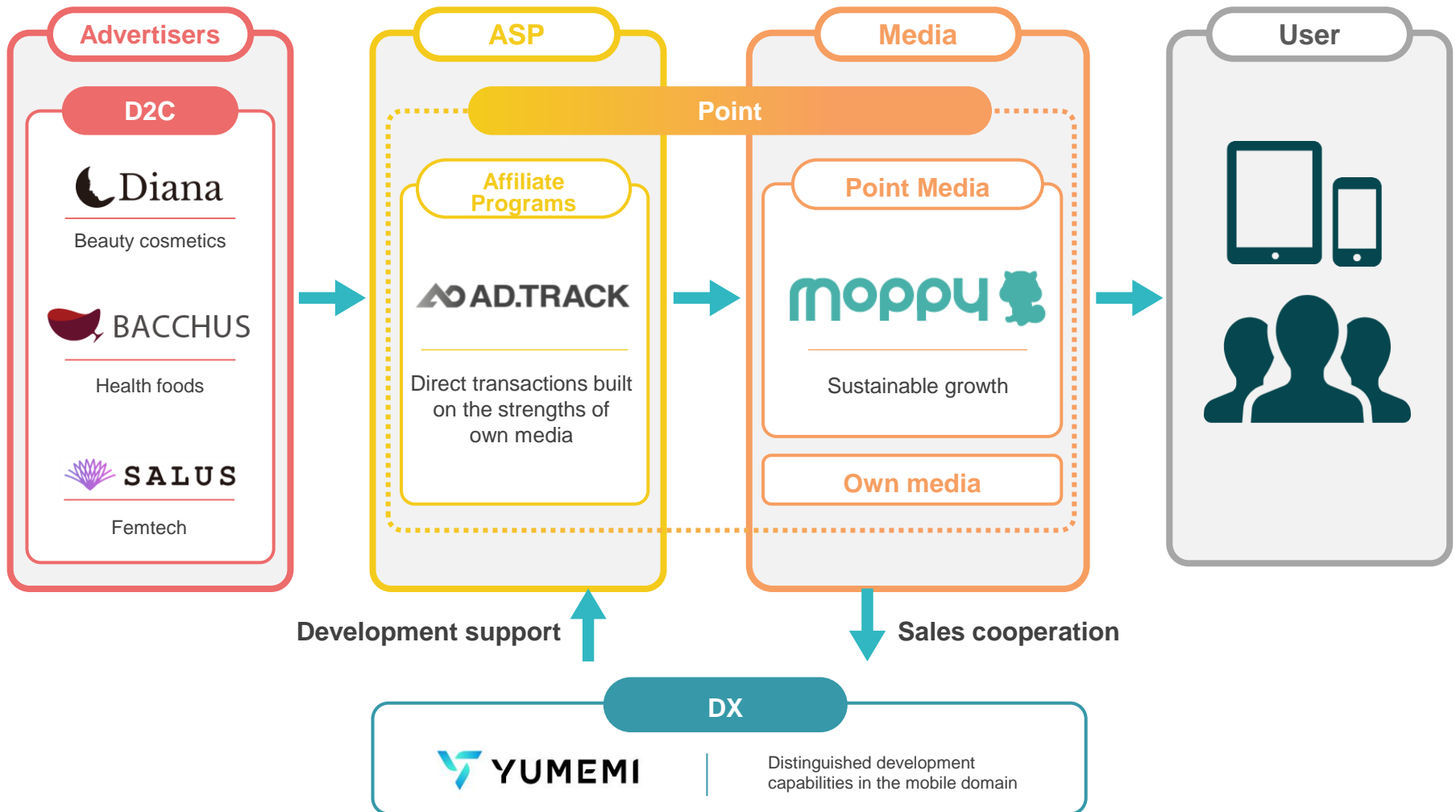
(Millions of yen)		End-Q1 FY2023	FY2022	Change	Major factors
	Current assets	14,070 (62.8%)	14,413 (63.8%)	-343	Cash and deposits: -846 Operational investment securities: +61 Accounts receivable-trade: +43
	Non-current assets	8,348 (37.2%)	8,183 (36.2%)	+164	Goodwill: -51 Shares of subsidiaries and associates: +116 Investment securities: +51
Total assets		22,418 (100.0%)	22,597 (100.0%)	-178	
	Current liabilities	10,621 (47.4%)	10,558 (46.7%)	+62	Provision for point card certificates: +129 Short-term borrowings: +6 Income taxes payable etc.: -237
	Non-current liabilities	2,063 (9.2%)	2,342 (10.4%)	-279	Long-term borrowings: -260
Total liabilities		12,684 (56.6%)	12,900 (57.1%)	-216	
Total net assets		9,734 (43.4%)	9,696 (42.9%)	+38	Profit: +201 Dividends: -227
Total liabilities and net assets		22,418 (100.0%)	22,597 (100.0%)	-178	



3. Results Summary of Each Business

Mobile Service Business Domains

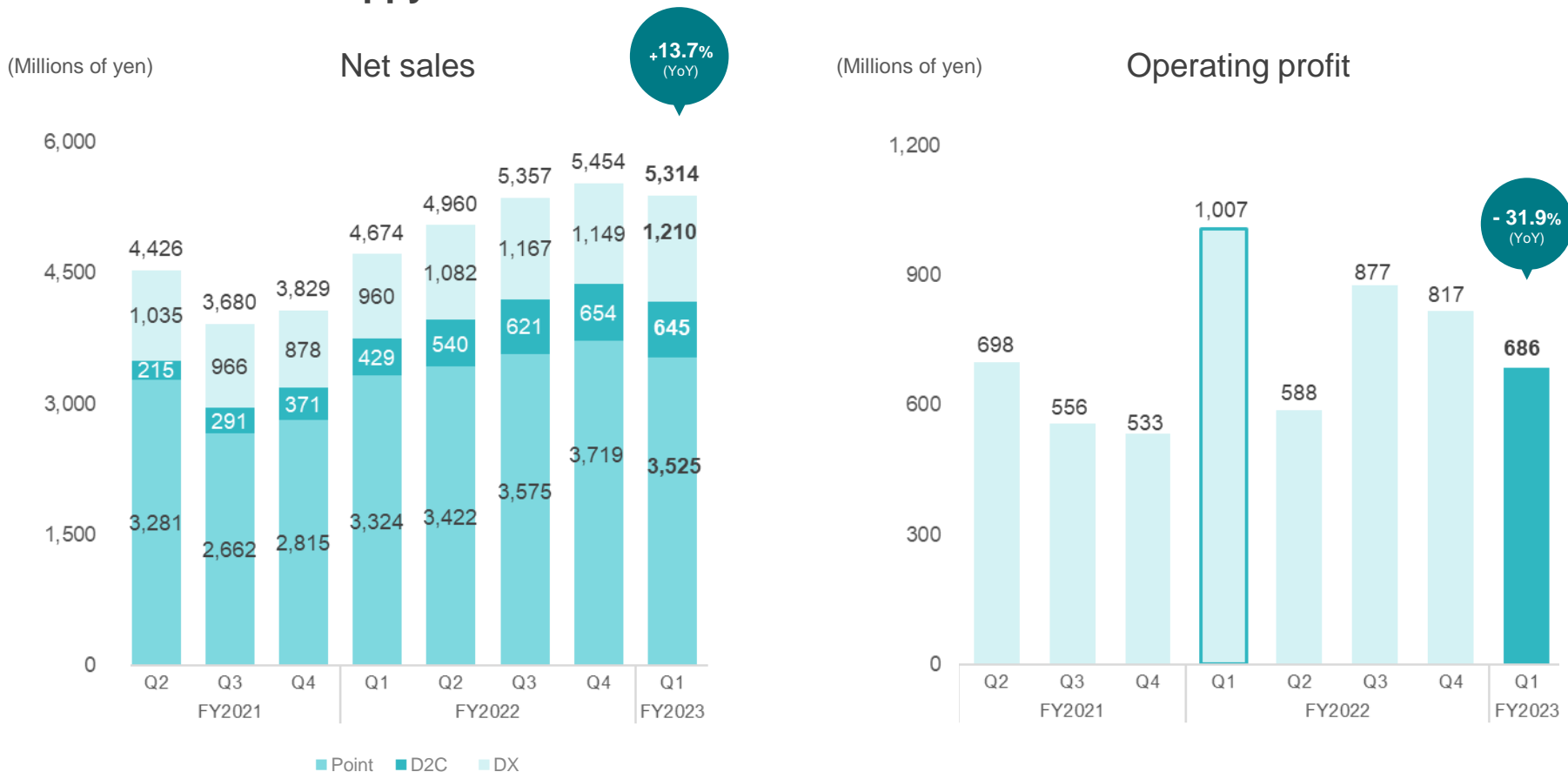
Create synergies through mutual collaboration between Moppy, AD.TRACK and D2C.



Mobile Service Business Earnings

Sales were up 13.7% YoY. DX sales were at a record high for the quarter but total sales were lower QoQ.

Operating profit fell despite higher D2C and DX profits, due to a temporary increase in the cost ratio at Moppy.

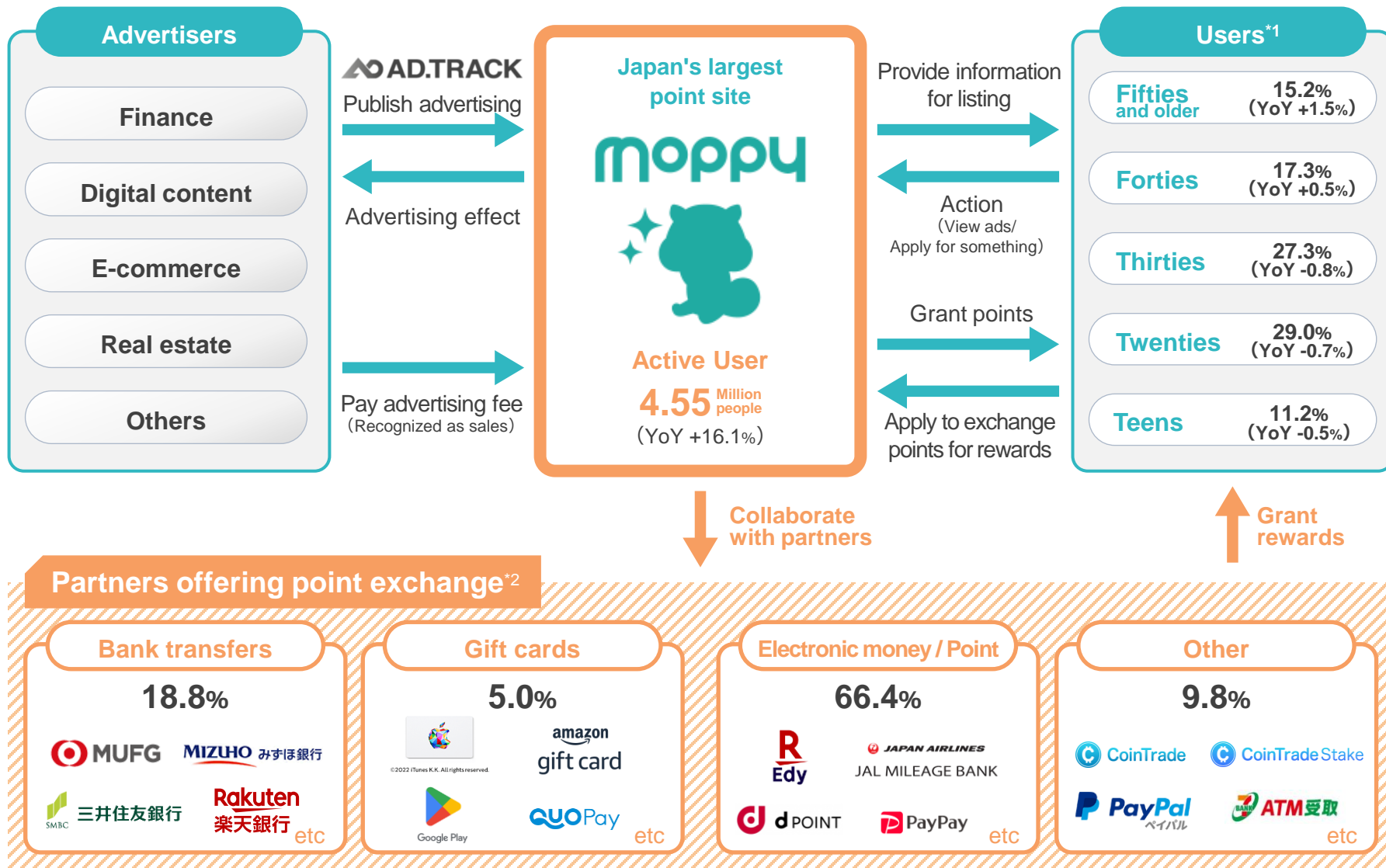


* Net sales for FY2021 and earlier are stated on the assumption that the new Accounting Standard for Revenue Recognition has been retroactively applied.

* The business classification in the Mobile Service segment for FY2021 and earlier has been revised in accordance with the changes that subsequently took place in the segment.

* Trading volume within segments are not indicated since their impact on the graphs is marginal.

Moppy Business Model



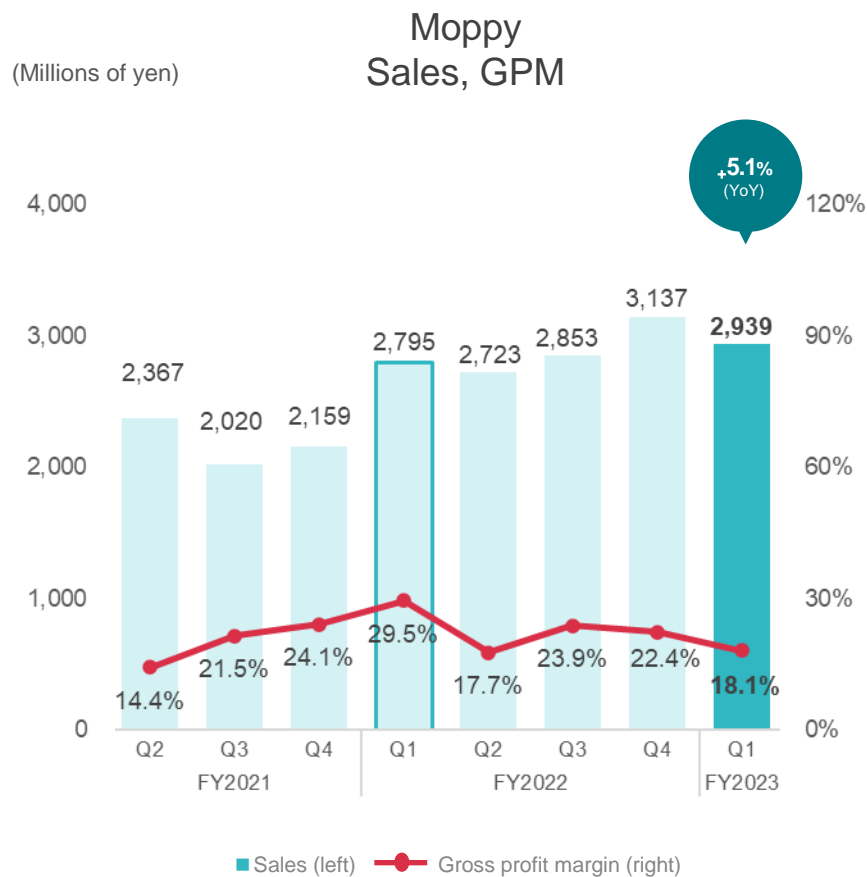
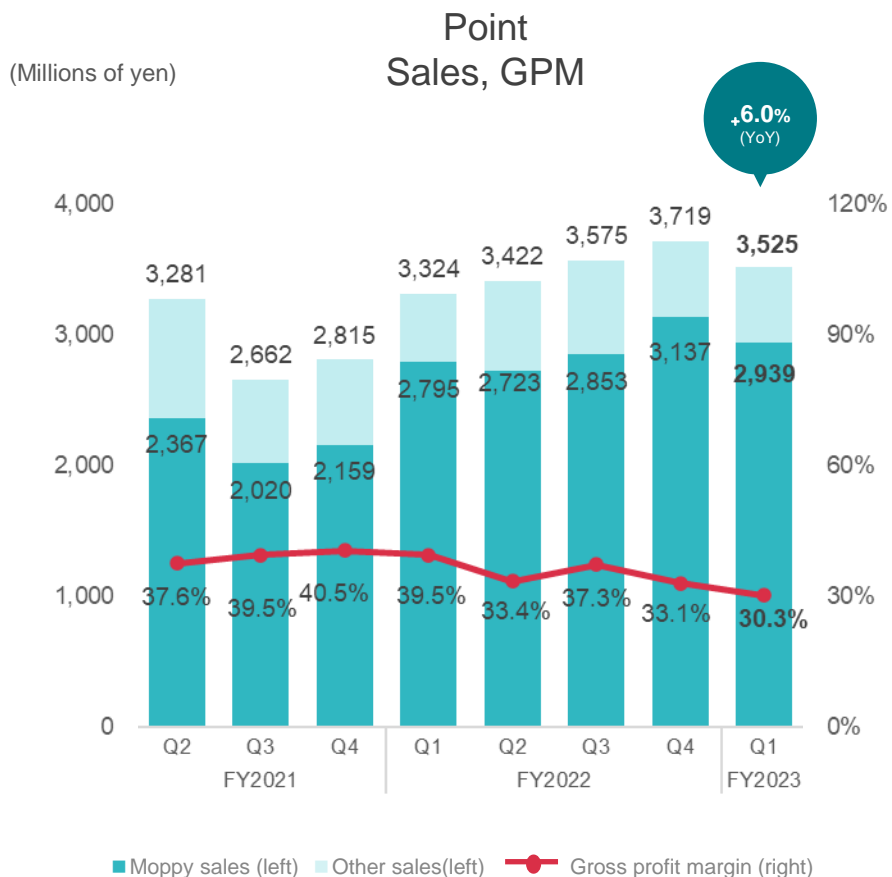
*1 Ratios as of March 31, 2023

*2 Point exchange ratios are for January to March 2023

Point Earnings

Sales at Moppy increased YoY but fell QoQ due to sluggish year-end demand for advertising.

Gross profit margin slumped temporarily due to delays in the rewarding of points and point redemption campaigns.



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Active users / ARPU / Apps Downloads (Moppy)

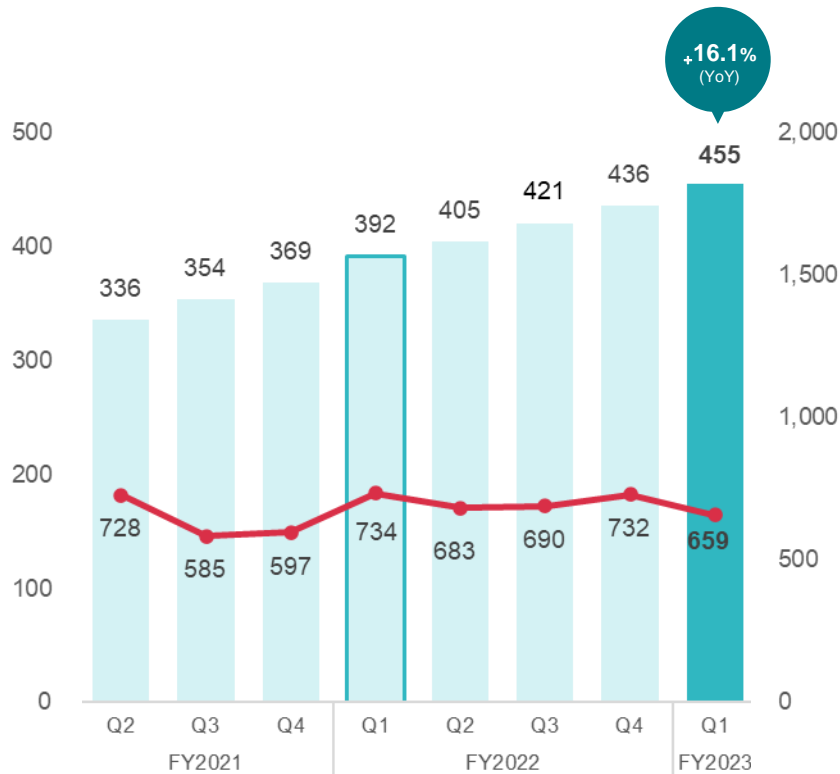
Member count and unique users (users that responded to ads) increased, and the number of app downloads exceeded 3 million.

ARPU fell due to increased use of low-priced e-commerce ads. We plan to promote the use of multiple ads.

Active users, ARPU

(10,000 people)

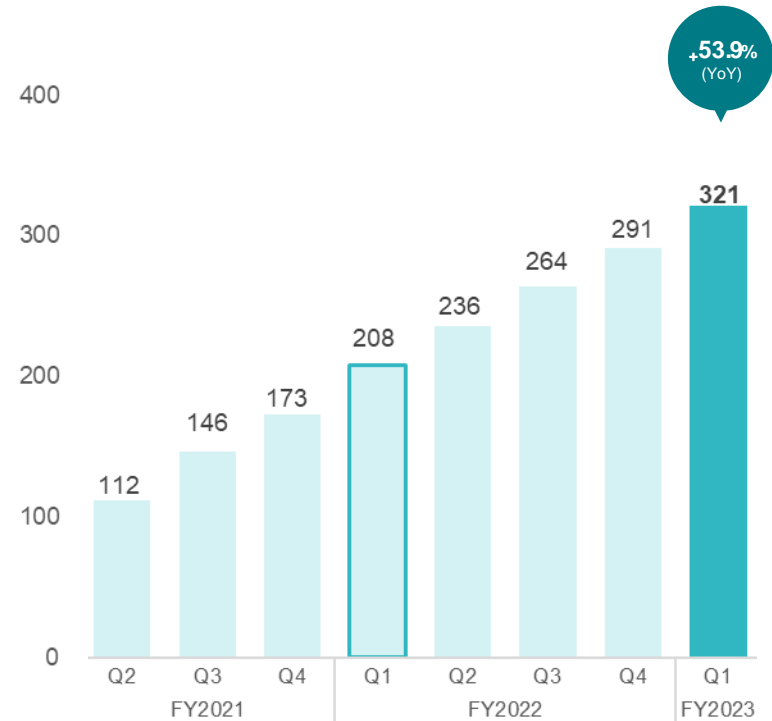
(yen)



■ Active users (left) ● ARPU (right)

Apps Downloads

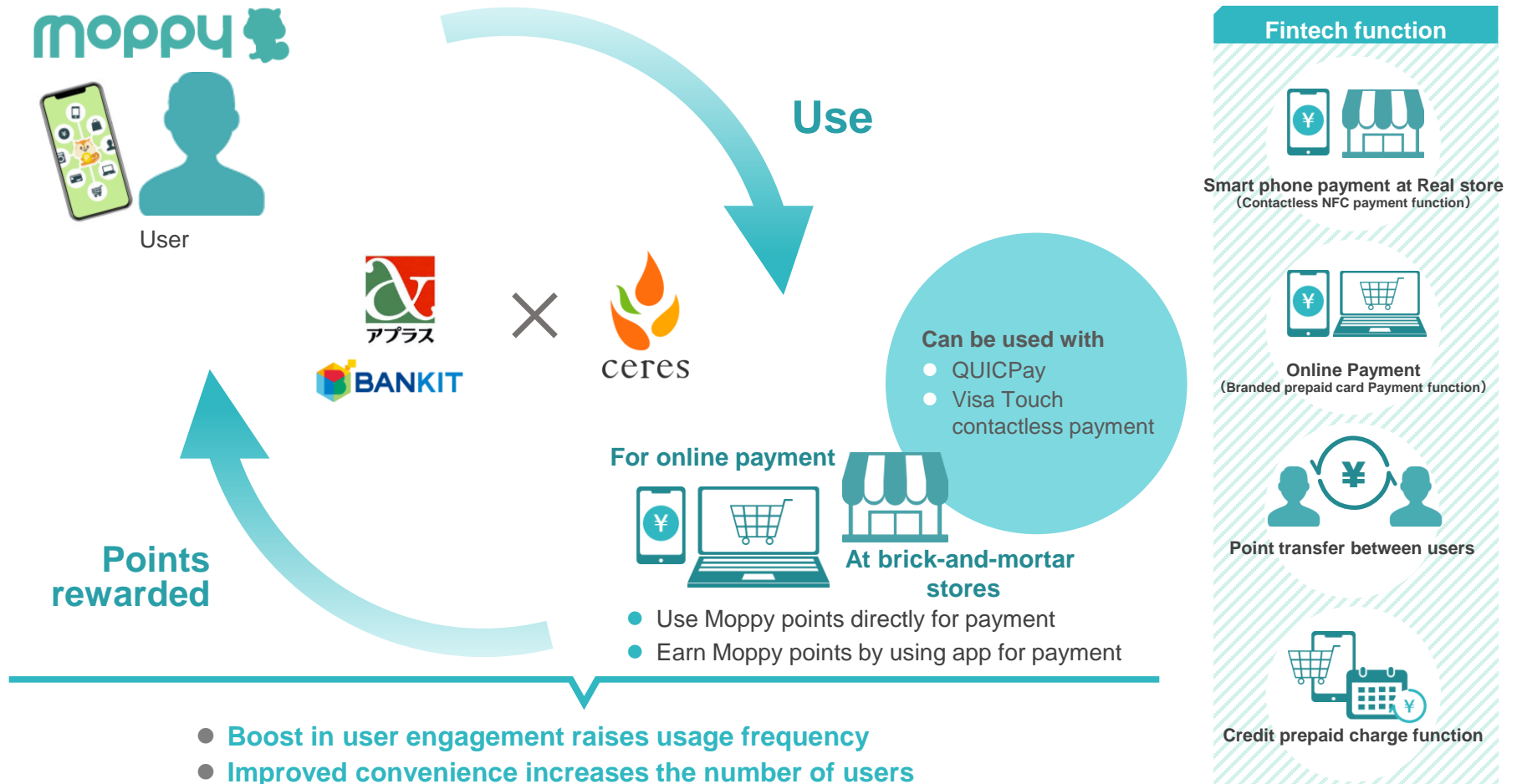
(10,000 DL)



Moppy Business Strategy

We plan to upgrade Moppy into a payment app by adding fintech features in 2023.

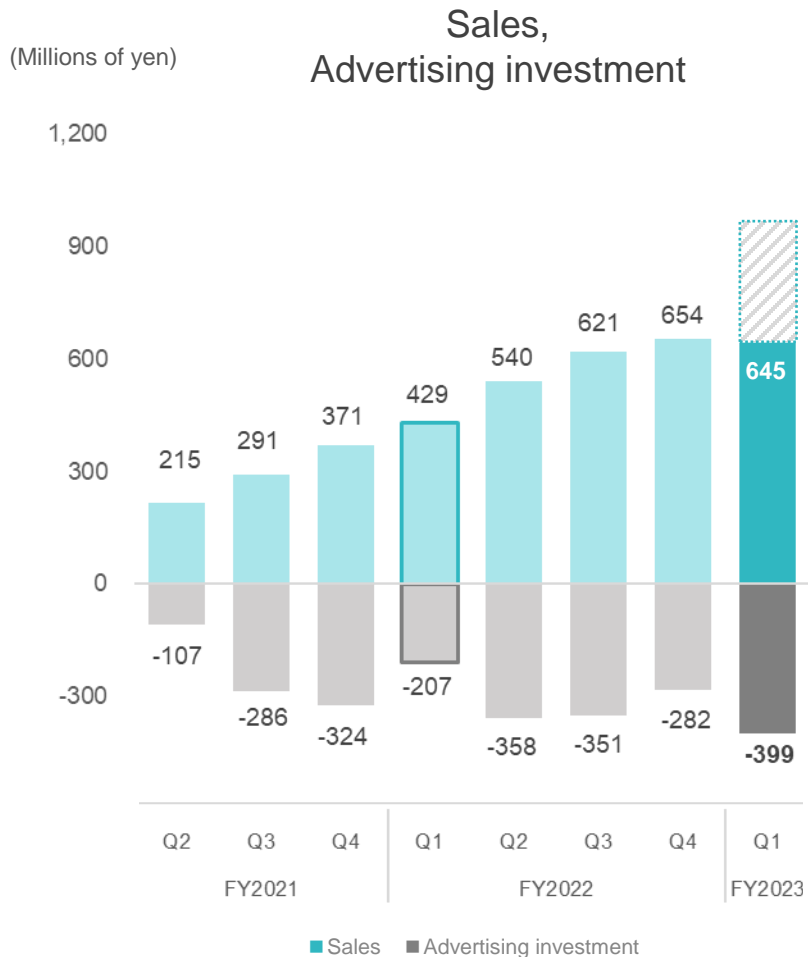
We plan to further expand the user base by enhancing the convenience of the Moppy app and increase usage frequency.



D2C Earnings

Sales jumped 50.2% YoY, owing to greater-than-expected orders for high-performance shoe insole Pitsole.

However, sales were flat QoQ due to postponed sales booking on pre-order sales as some production could not catch up with demand.



High Performance Insole 「Pitsole」 Topic

Pitsole



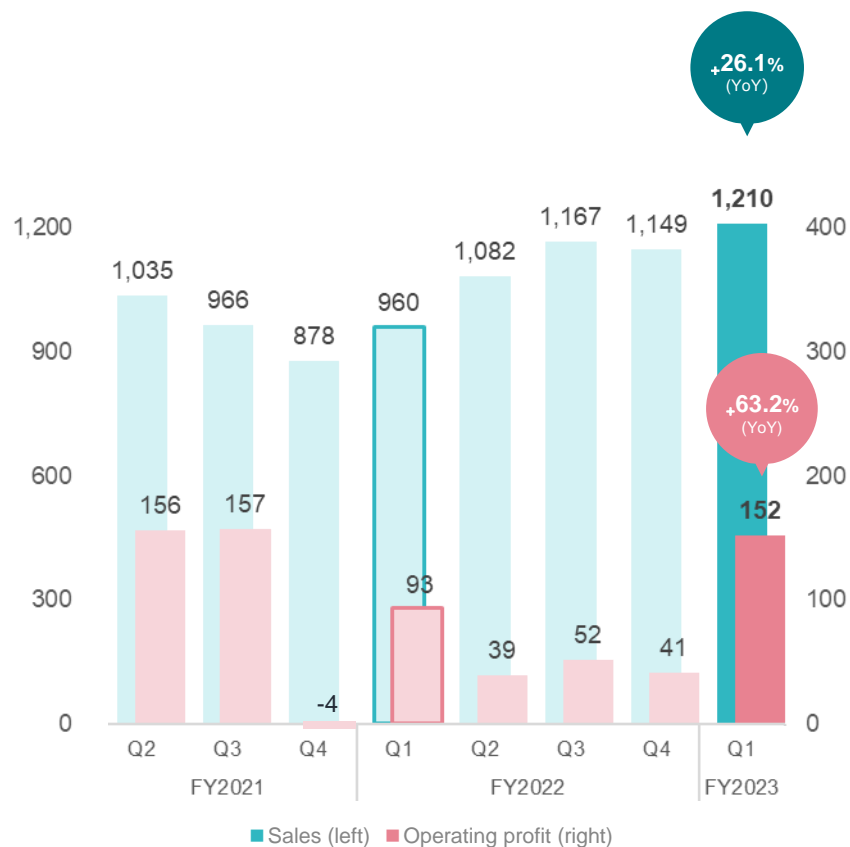
- Order amount reached a record high
- Conducted pre-order sales as some production could not catch up with demand
- As sales are booked based on shipments, there is a time lag for pre-orders, and advertising expenses arose according to sales
- Over 80% of users make multiple purchases

DX (YUMEMI) Earnings

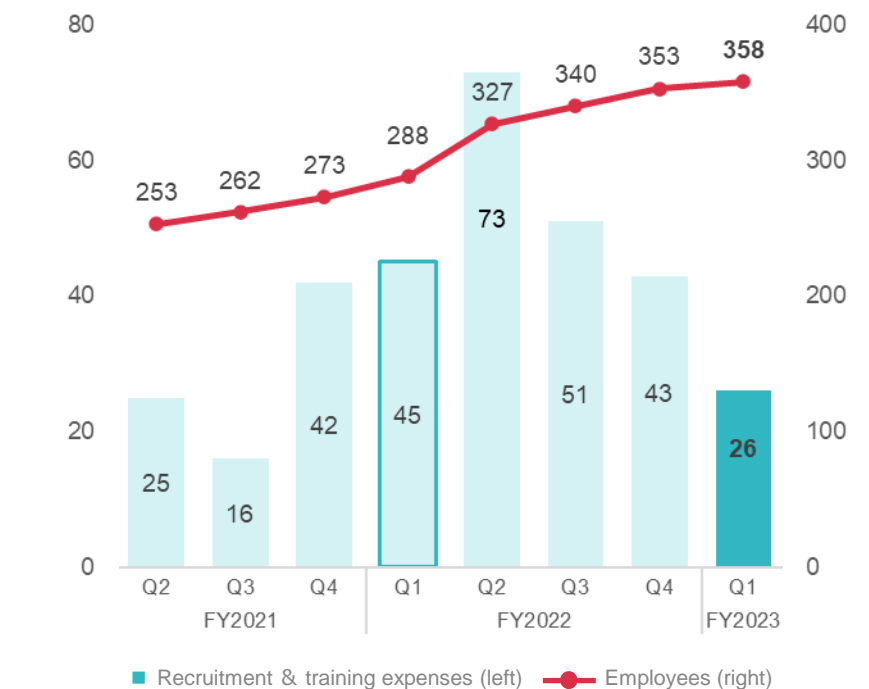
YUMEMI posted record-high quarterly sales and a sharp increase in profit on the back of strong orders.

It brought onboard 67 new-graduate engineers, and projects an increase in growth investments (e.g., personnel expenses and recruitment and training expenses).

(Millions of yen) Sales, Operating profit (Millions of yen)



(Millions of yen) Employees, Recruitment & training expenses (People)

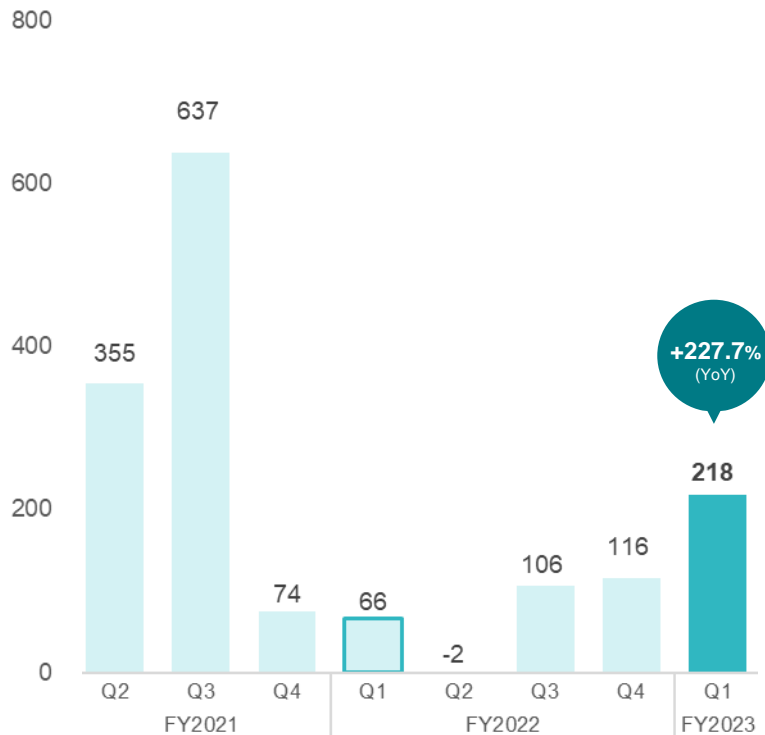


Financial Service Business Earnings

Mercury saw increases in the user count, ratio of active users, and staking balance. label reported steady growth in GMV of factoring services. Sales jumped 3.3x the year-ago figure.

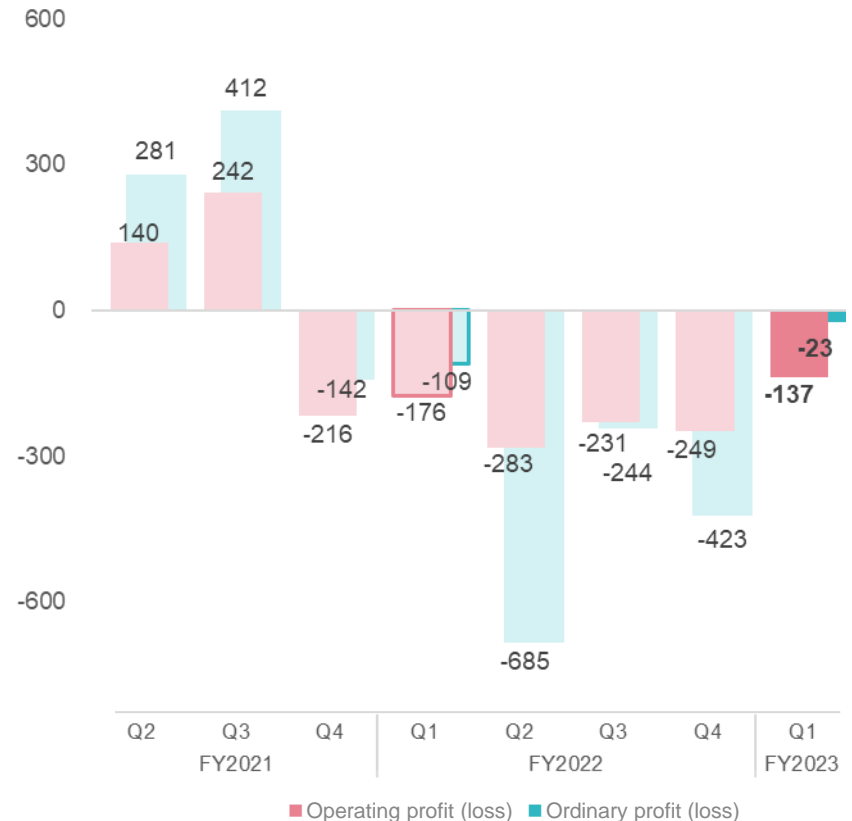
(Millions of yen)

Sales



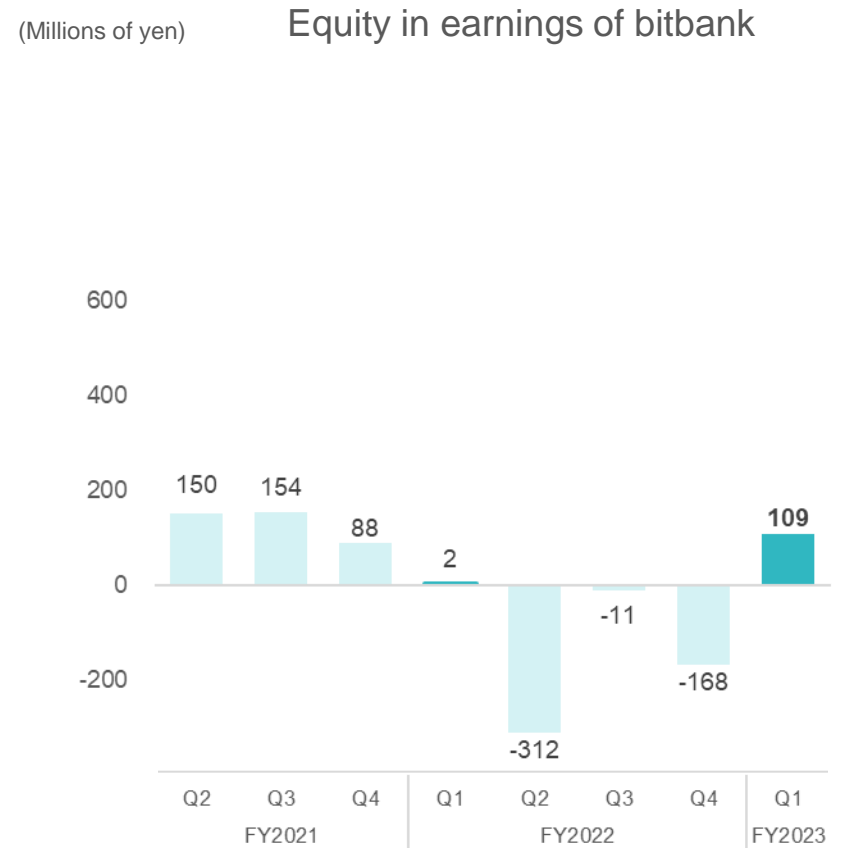
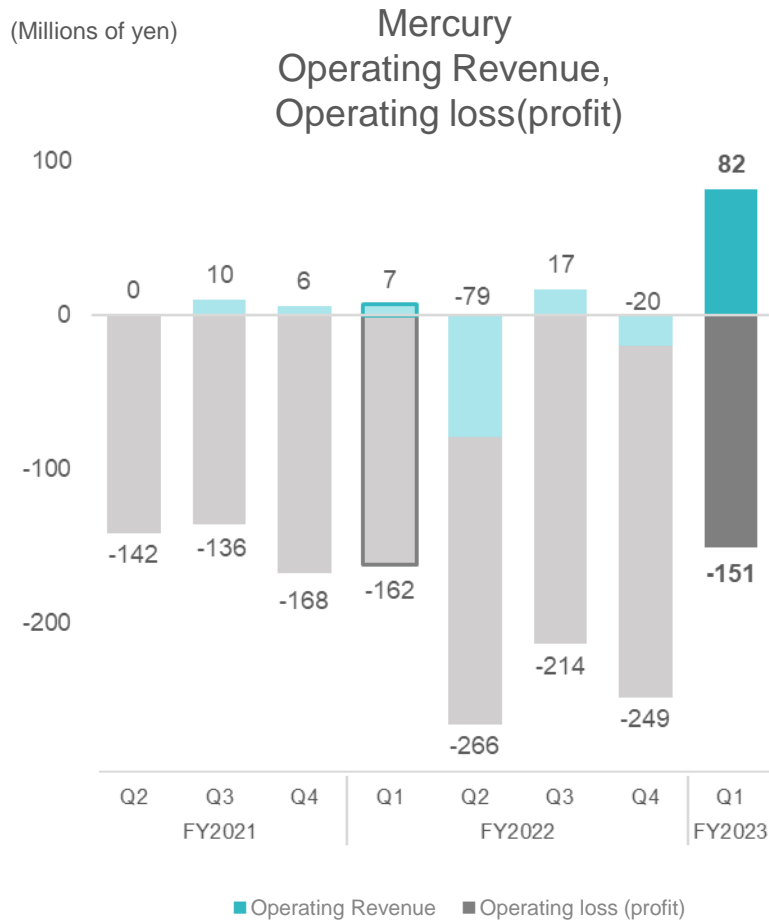
(Millions of yen)

Operating profit (loss), Ordinary profit (loss)



Mercury and bitbank Earnings

Mercury began handling two new currencies, and reported record quarterly sales. We recorded equity in earnings of affiliate bitbank against a backdrop of robust market conditions. bitbank became Japan's No. 1* crypto asset exchange in terms of the number of currencies handled (29).



Note: The number of currencies handled by domestic crypto asset exchanges as of April 28, 2023, CERES research.

Mercury Business Strategy

Mercury forged a strategic partnership with Fireblocks.

It plans to further enhance its services by accelerating growth in the number of crypto assets handled in its staking service.

As a late entrant to the crypto asset exchange market, Mercury intends to establish a unique advantage.



System change

- **CASC (Crypto Asset Self-Check) system started**
⇒ Simplified new listing procedures for crypto assets

Bottleneck

- **Wallet development for each currency**
⇒ Incurred development costs (time and man-hours)

First such partnership in Japan



- Blockchain start-up based in Israel
- Provides protection and management solutions for digital assets
- World-class security features

Provides wallets for over 1,300 crypto assets

Resolved the bottleneck

Aim to become Japan's No.1 staking firm

Investment Development Business (CVC)

CVC invests in businesses that have affinity with CERES' operations, such as media and blockchain-related fields.

In Q1, we sold ¥67 million in shareholdings and recorded ¥42 million in gain on sale of shareholdings.

*As of March 31, 2023



Collaborations in Mobile Service

Media, D2C-related

Collaborations in Financial Service

Fintech, blockchain-related








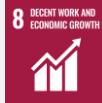



















IPO Result 8 companies



4. Appendix

Setting Materiality

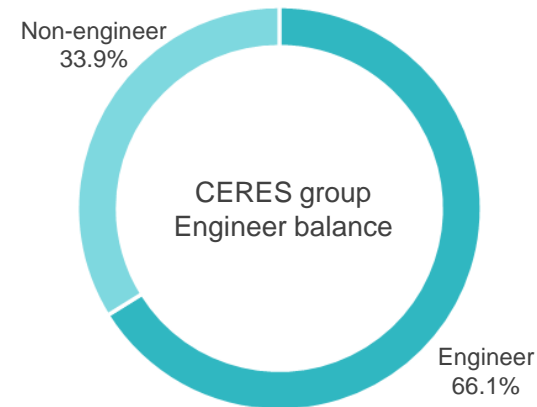
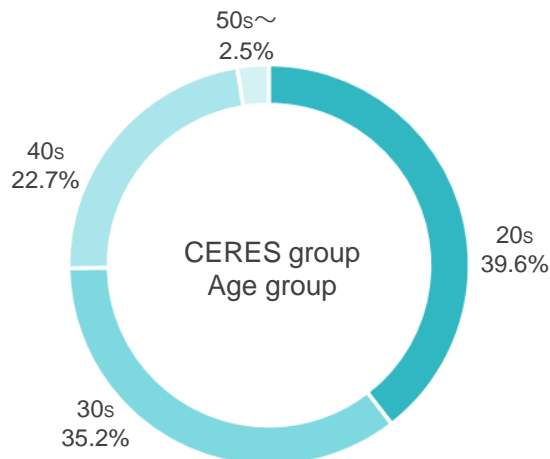
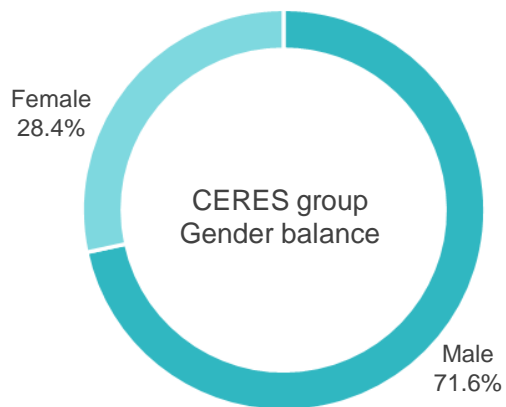
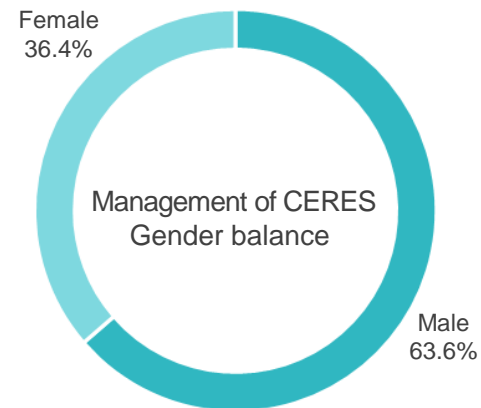
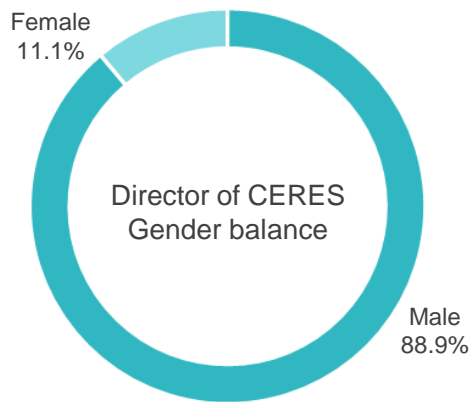
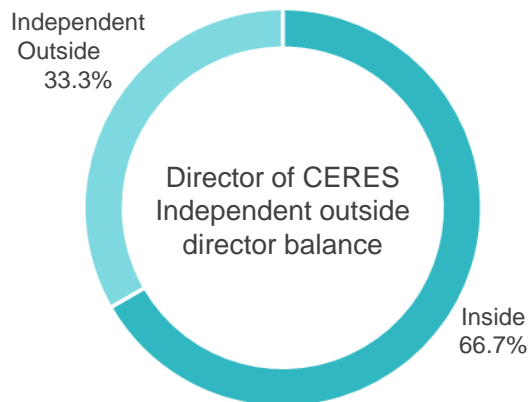
We identified seven material issues as key themes to focus on, and intend to step up existing ESG strategies implemented to practice sustainable management.

Materiality		SDGs					
1	Contribute to creating a prosperous society through proprietary services						
2	Contribute to resolving social issues and economic development through open innovation						
3	Contribute to fair operation of digital advertising and healthy development of the industry						
4	Provide environmentally-conscious products and services						
5	Promote diverse workforce						
6	Ensure information security and privacy						
7	Reinforce corporate governance						

Promoting Governance and Diversity

Boost corporate value over the medium to long term by strengthening corporate governance.

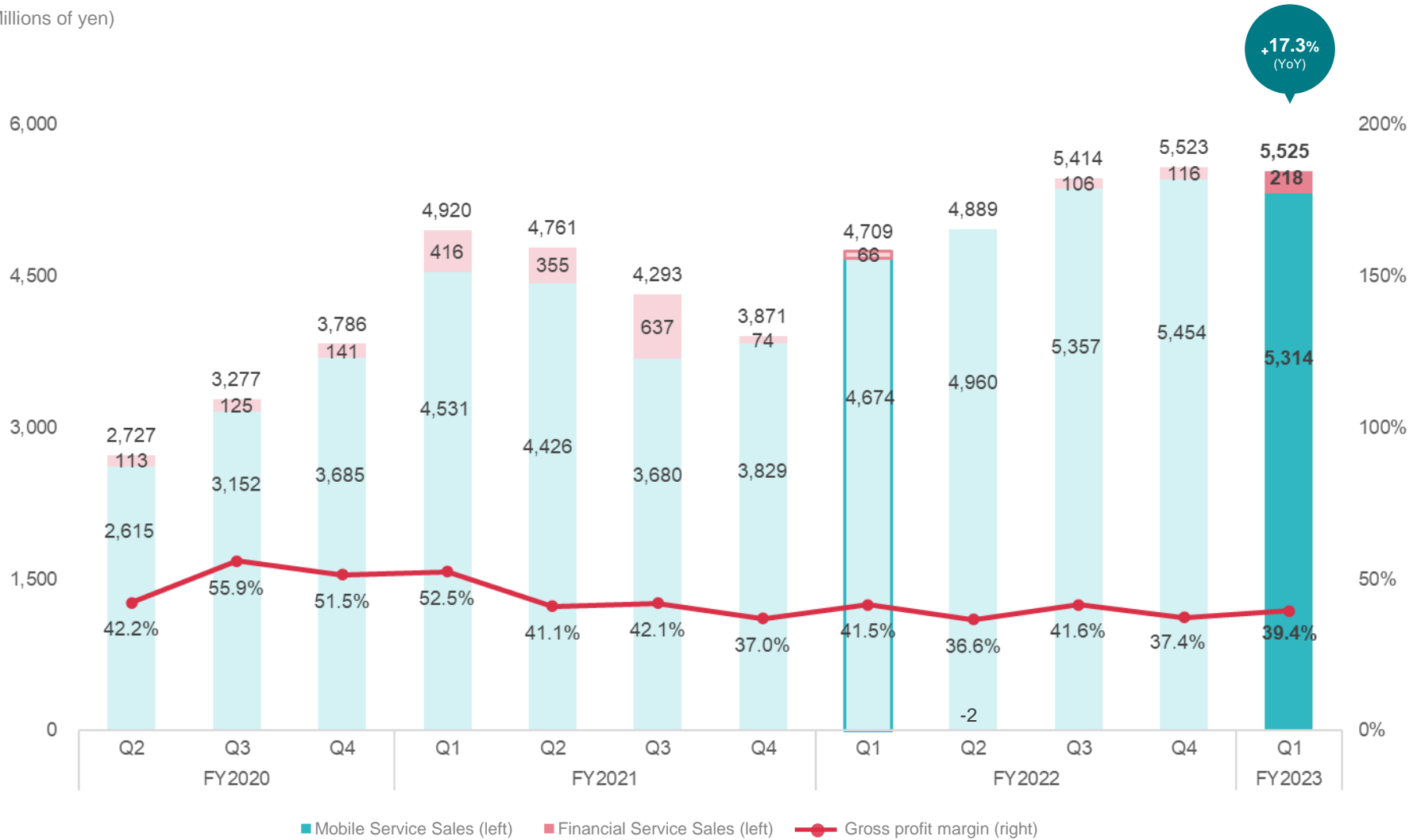
Promote diversity, including gender equality, to achieve sustainable growth.



* As of March 31,2023

Quarterly Sales

(Millions of yen)



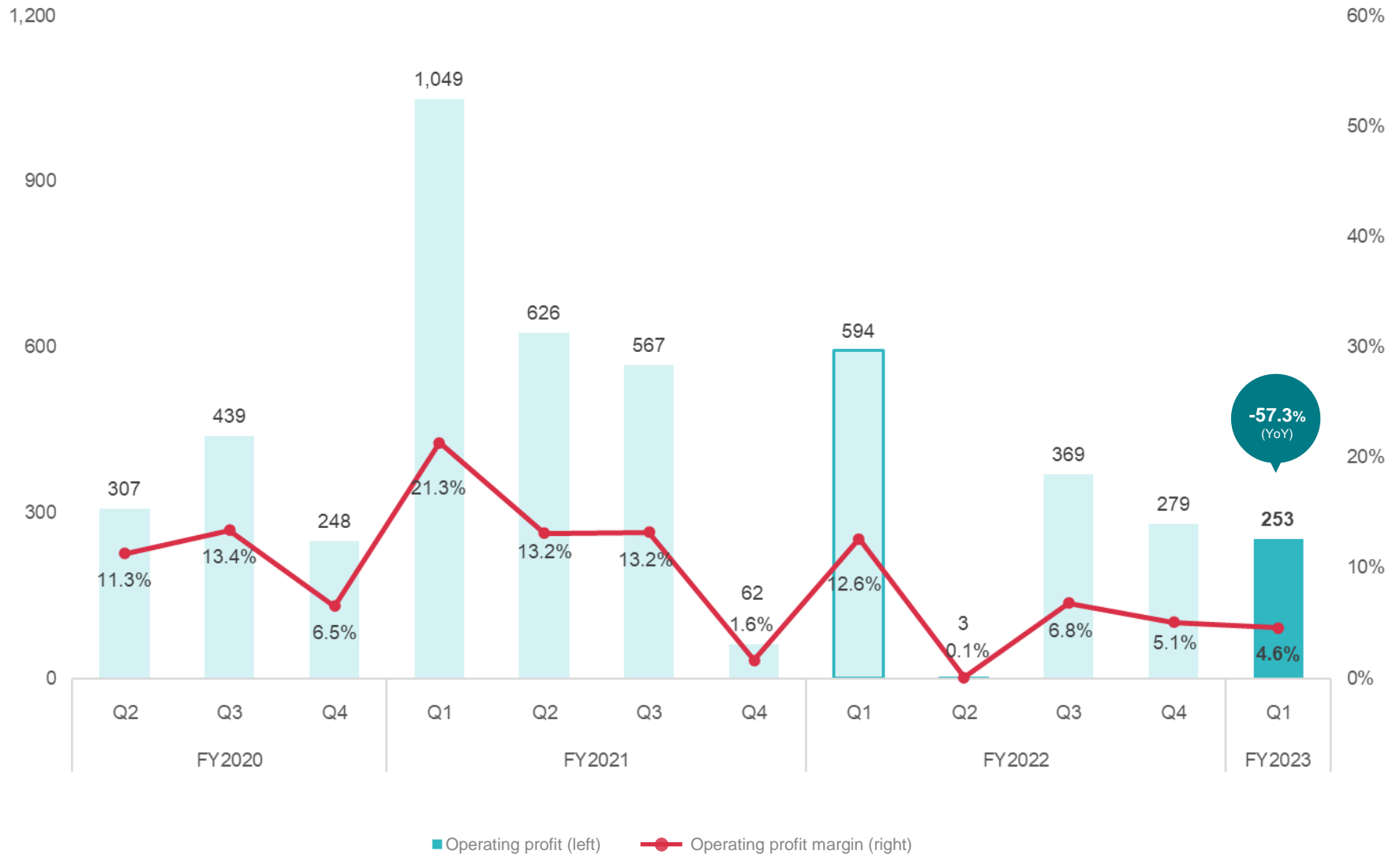
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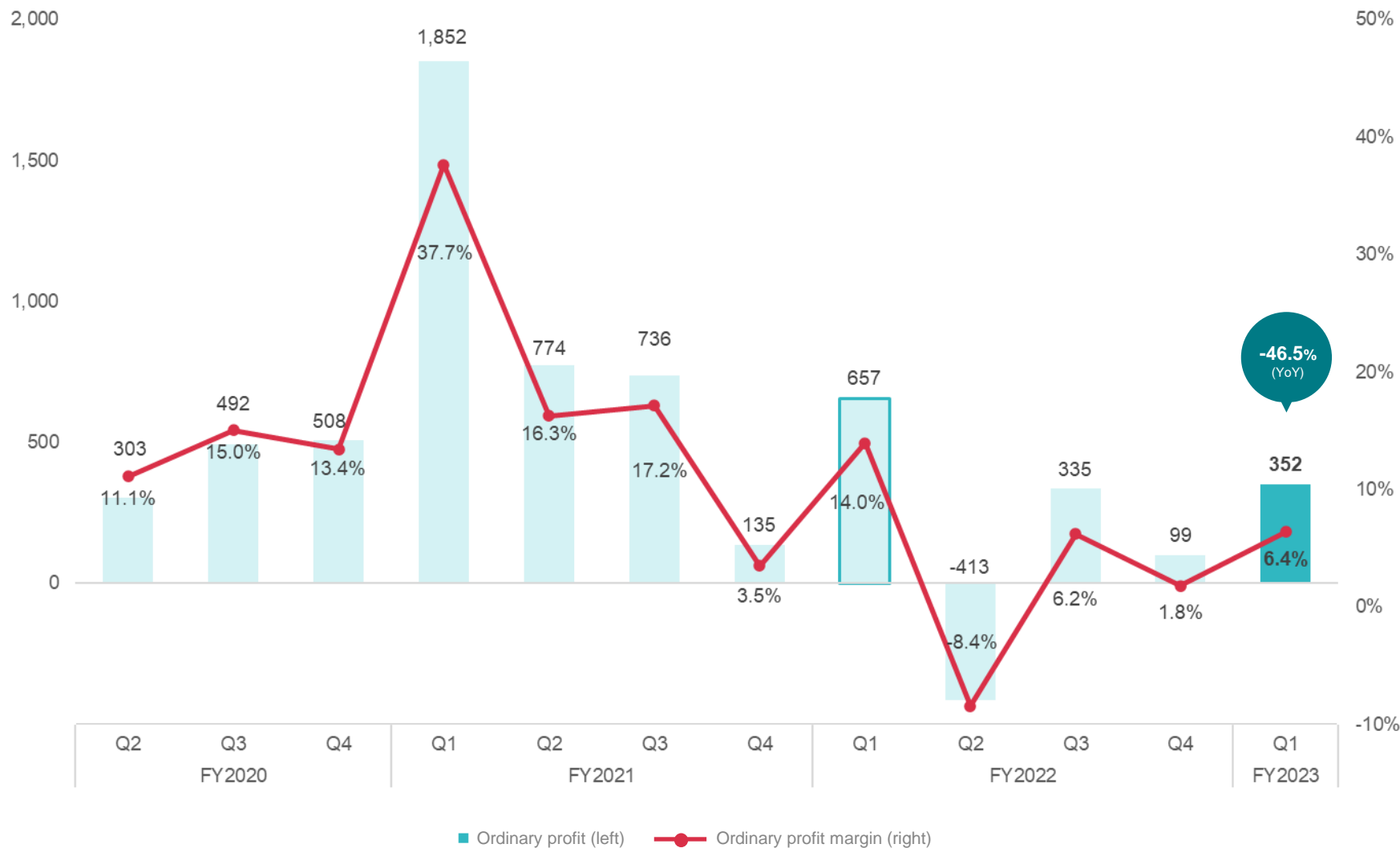
Quarterly Operating Profit

(Millions of yen)



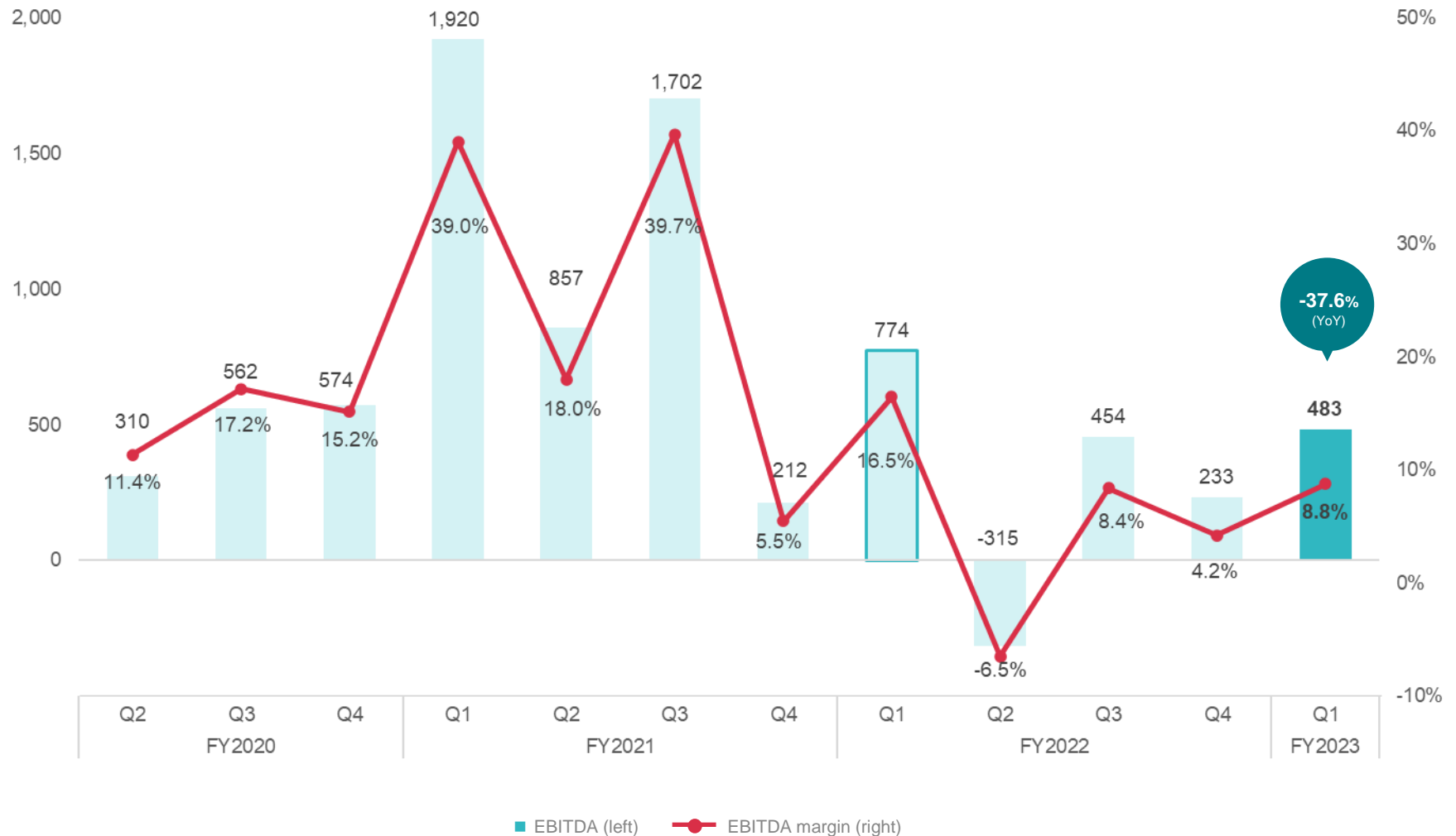
Quarterly Ordinary Profit

(Millions of yen)



Quarterly EBITDA

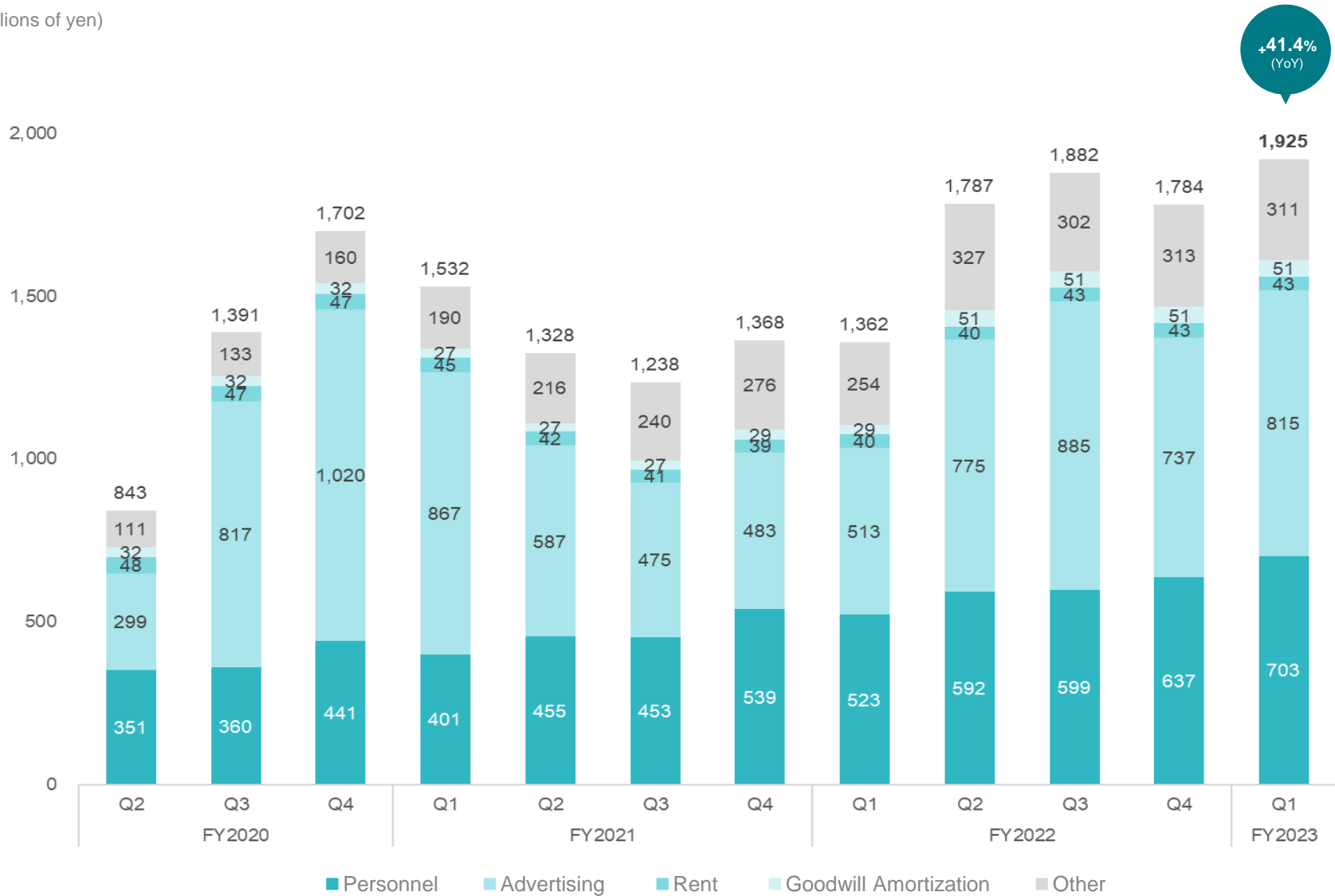
(Millions of yen)



* EBITDA: Profit before income taxes + Interest expenses + Depreciation + Amortization of goodwill (addition of amount equivalent to amortization of goodwill including share of loss of entities accounted for using equity method) + impairment loss.

Quarterly SG&A Expenses

(Millions of yen)



Employees

(People)

600

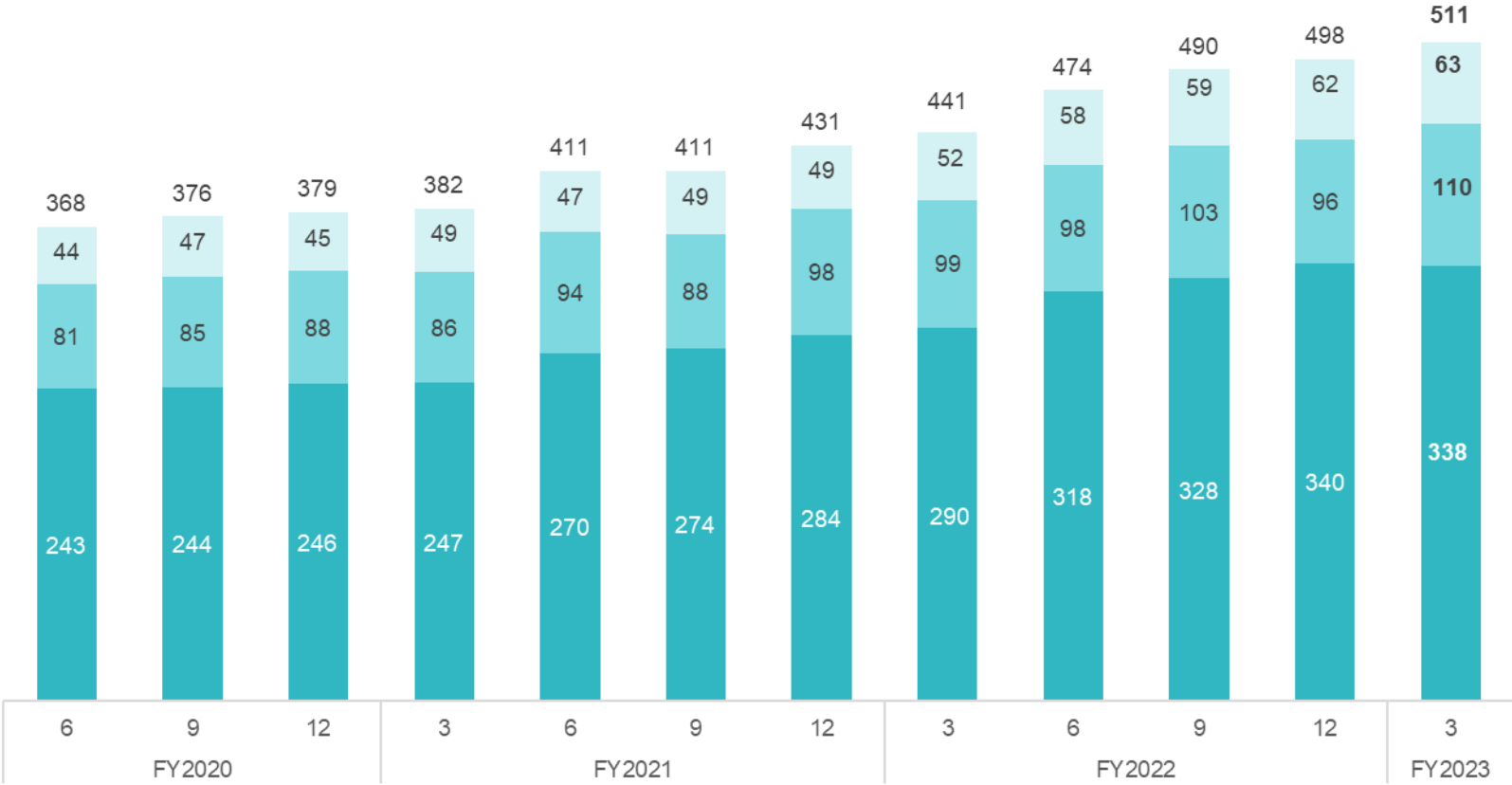
450

300

150

0

+15.9%
(YoY)



■ Engineer ■ Marketing ■ Corporate

* Excluding contract employee, temporary employee, and part-time job

Quarterly Sales

(Millions of yen)	FY2021			FY2022				FY2023
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	4,761	4,293	3,871	4,709	4,889	5,414	5,523	5,525
Mobile Service Business	4,426	3,680	3,829	4,674	4,960	5,357	5,454	5,314
Point	3,281	2,662	2,815	3,324	3,422	3,575	3,719	3,525
D2C	215	291	371	429	540	621	654	645
DX	1,035	966	878	960	1,082	1,167	1,149	1,210
Transaction value within segments	-106	-240	-236	-39	-84	-7	-68	-66
Financial Service Business	355	637	74	66	-2	106	116	218
Inter-segment transaction value or transfers	-20	-23	-32	-32	-68	-49	-47	-7

Quarterly Operating Profit

(Millions of yen)	FY2021			FY2022				FY2023
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Operating profit	626	567	62	594	3	369	279	253
Mobile Service Business	698	556	533	1,007	588	877	817	686
Financial Service Business	140	242	-216	-176	-283	-231	-249	-137
Adjusted amount	-213	-231	-254	-236	-301	-277	-288	-294



Notes regarding forward-looking statements

- The materials and information provided in this presentation contain forward-looking statements that are based on current forecasts, estimates, and assumptions that are subject to risk, and also include uncertainties that could cause actual results to differ materially from the statements in this presentation.
- These risks and uncertainties include general industry and market conditions, and general domestic and international economic conditions such as interest rate and currency exchange fluctuations.
- Please note that the Company is under no obligation to update or revise the forward-looking statements contained in this presentation, even if new information or events emerge in the future.