

# **INTERTRADE Co., Ltd.**

**3747**

Tokyo Stock Exchange Standard Market

21-Jan.-2025

FISCO Ltd. Analyst

**Tomokazu Murase**



FISCO Ltd.

<https://www.fisco.co.jp>

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## Summary

### FY9/25 marks start of preparatory phase for a significant breakthrough

INTERTRADE Co., Ltd. <3747> (hereafter, also “the Company”) has three business segments. Its core business is the Financial Solutions Business, which provides services such as stock trading systems for securities companies and forex (FX) trading systems and accounts for 80% of net sales. The others are the Business Solutions Business, which mainly provides IT support and develops and sells group management and control solution systems, and the Healthcare Business, which develops and sells health foods, cosmetics, and other products based on Hanabiratake (*sparassis crispa*), a functional food ingredient. The Company more or less dominates the market for small to mid-size local securities brokerages for stock trading and other systems that the Financial Solutions Business supplies to brokerages.

#### 1. Overview of FY9/24 results

The FY9/24 consolidated results underperformed projections of the initial plan across the board with net sales of ¥1,849mn (down 8.1% year on year (YoY)), operating profit of ¥80mn (down 59.8%), ordinary loss of ¥159mn (profit of ¥1mn in FY9/23), and loss attributable to owners of parent of ¥97mn (profit of ¥36mn in FY9/23). This was partially attributable to a situation where the core Financial Solutions Business did not fare well, and also attributable to a situation where business development efforts did not proceed according to plan contrary to expectations that Healthcare Business growth would serve as a driver of revenue growth plans under the initial plan, amid a situation where the process for gaining approval of IT HANABIRATAKE supplement as a Food with Function Claims (FFC) remained incomplete, despite the Company having sought to achieve such approval during the fiscal year.

#### 2. Outlook for FY9/25 results

For FY9/25, the Company projects net sales of ¥2,160mn (up 16.8% YoY), operating profit of ¥110mn (up 37.1%), ordinary loss of ¥40mn (loss of ¥159mn in FY9/24), and profit attributable to owners of parent of ¥10mn (loss of ¥97mn in FY9/24). These forecasts enlist the assumption that IT HANABIRATAKE supplement will gain approval as an FFC. Signs of Healthcare Business expansion are likely to emerge in 2H if the supplement gains FFC approval.

#### 3. Future management plan

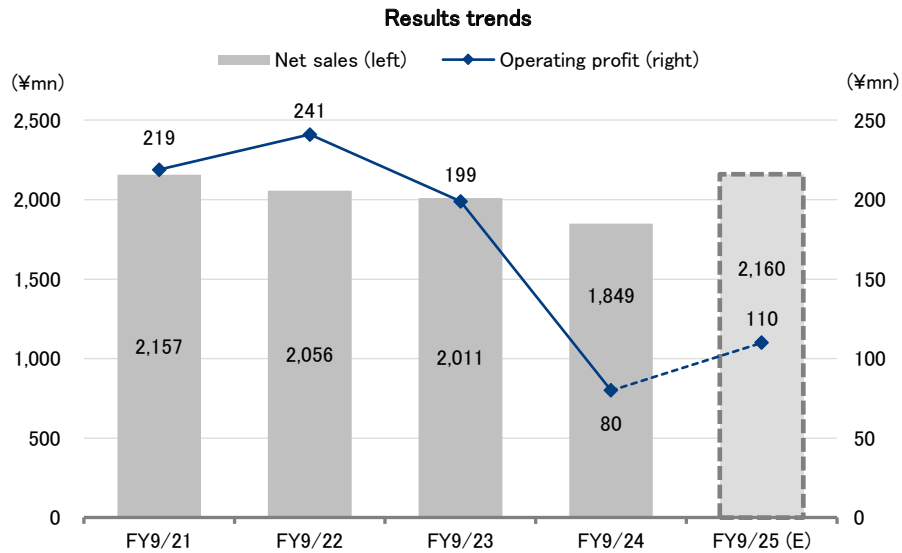
The Company seeks to ensure that Digital Asset Markets, Inc. (hereafter, “Digital Asset Markets”) which operates an exchange for trading Zipang Coin, a crypto asset linked to the prices of gold and silver, contributes to earnings in the near term, and has accordingly been making progress in launching the Data Protection (DP) Business currently. Although the DP Business obviously won’t get up to speed immediately, disclosures involving progress of the business warrant attention going forward.

#### Key Points

- Digital Asset Markets, which handles Web3\* business, continues to make upfront investment
- Digital Asset Markets is making progress in launching its Data Protection (DP) Business
- Prospect of Company entering growth phase upon approval of IT HANABIRATAKE supplement as Food with Function Claims (FFC) warrants optimism

| \*Web3 is known as the next generation of the Internet. It is a decentralized Internet based on blockchain technology. |

Summary



Source: Prepared by FISCO from the Company's financial results

## Company overview

### Financial Solutions Business is the mainstay; diversifying into healthcare and other fields

#### 1. Company overview

As well as the core Financial Solutions Business, INTERTRADE engages in the Business Solutions Business and Healthcare Business. In the Financial Solutions Business, the Company provides financial solutions and services such as stock trading systems for brokerages, a proprietary trading system that enables trading outside stock exchanges, and forex trading (FX) systems. It has also expanded into trading systems for commodities such as gold, crude oil, and soybeans (commodity futures) and digital assets including crypto assets.

The Business Solutions Business provides a platform for integrated management of customers' management information, services that provide and support IT skills and business skills in terms of human labor, and support center and system integration services. The Healthcare Business conducts research, production, and sales of *sparassis crispa*, a functional food ingredient that grows in the alpine zone more than 1,000m above sea level.

#### 2. History

The Company was founded in January 1999 by former employees of a major brokerage to develop systems for financial institutions with superior operability and functionality. It began sales of a dealing system for the securities business called TradeOffice-SX in September 2000, followed by TradeOffice-SX Trading Version, a trading system for the securities business in February 2002.

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Company overview

In March 2003, the Company launched Joho Haishin Service (“information delivery service”), which delivers market price information of major stock exchanges including the Tokyo Stock Exchange (TSE), and in December 2004, it began sales of MarketAxis D-Edition, a dealing system for brokerages capable of processing large-volume transactions. In 2005, the Company started sales of ITMonster, a proprietary trading system (PTS), as well as MarketAxis N-Edition, an online transaction system for B2B companies. The Company began selling TIGER Trading System, a next-generation securities dealing/trading system in 2007, and began providing TIGER Trading System as an ASP service in 2008.

History

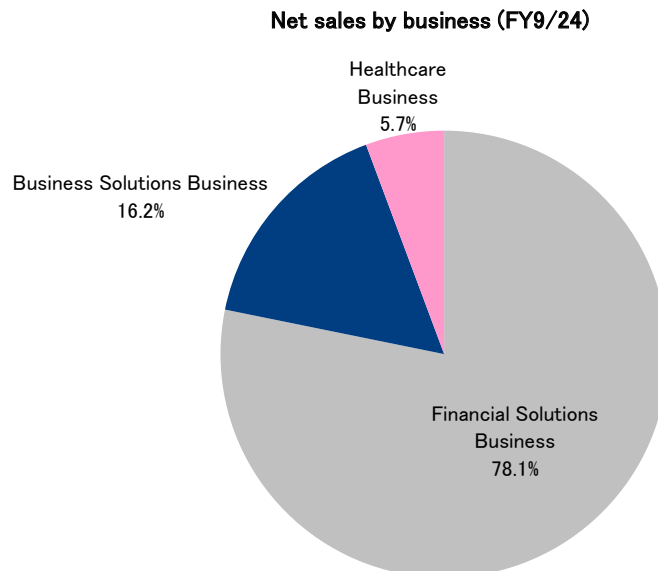
Year Month	Main events
1999 January	Company founded by former employees of a major brokerage to develop systems for financial institutions with operability and functionality
2000 September	Began sales of TradeOffice-SX, a dealing system for the securities business
2002 February	Began sales of TradeOffice-SX Trading Version, a trading system for the securities business
2003 March	Launched Joho Haishin Service (“information delivery service”), which delivers market price information of major stock exchanges including the Tokyo Stock Exchange (TSE)
2003 September	Business alliance with KVH Co., Ltd. (now Colt Technology Services Co., Ltd.)
2004 September	Listed shares on the Tokyo Stock Exchange Mothers Market
2004 December	Began sales of MarketAxis D-Edition, a dealing system for brokerages capable of processing large-volume transactions
2005 January	Started sales of ITMonster, a proprietary trading system (PTS)
2005 July	Started sales of MarketAxis N-Edition, an online transaction system for B2B companies
2005 September	Launched “INTERTRADE Hitachi Riskscope” (risk analysis model) business with Hitachi, Ltd.
2006 February	Formed business and capital alliance with Itochu Techno Science Corporation (now Itochu Techno-Solutions Corporation) and kabu.com Securities Co., Ltd. (now au Kabucom Securities Co., Ltd.)
2006 April	Relocated head office to 4-5-4 Hatchobori, Chuo-ku, Tokyo Made INTERTRADE Asset Management Co., Ltd. (previously Arts Investment Management) a subsidiary
2006 June	Made Arts Securities Co., Ltd. a subsidiary
2007 March	Formed business and capital alliance with Fractal Systems Inc. Began support services for new entrants in the forex margin trading business
2007 April	Made Bladia Inc. a subsidiary
2007 August	Began selling new TIGER Trading System, a next-generation securities dealing/trading system Began selling a forex margin trading system capable of processing large-volume transactions
2008 May	Began providing TIGER Trading System ASP service
2008 October	Absorption-type merger with Bladia Inc.
2010 February	Began sales of TIGER Trading System-related services Intelligence Trading Package, MEXII&MSRII Package, and Dealers Premium Support Service (DPSS)
2010 September	Relocated head office to 1-17-21 Shinkawa, Chuo-ku, Tokyo
2011 October	Founded subsidiary Tradex Co., Ltd.
2012 June	IT Solutions Business (now Business Solutions Business) began providing services
2012 August	Withdrew from INTERTRADE Asset Management Co., Ltd.; launched Food Service Business (now Healthcare Business)
2012 October	Changed name of INTERTRADE Asset Management Co., Ltd. to Laboag Co., Ltd., which took over the Food Service Business (now Healthcare Business) Made BSJ Co., Ltd a subsidiary
2013 February	Made Pal (now INTERTRADE Healthcare Co., Ltd.) a subsidiary
2015 February	Reassigned listing to the Tokyo Stock Exchange Second Section
2017 August	Began providing Spider Digital Transfer service
2018 January	Consolidated subsidiary Kenko Plaza Pal Co., Ltd. and Laboag merge and change name to INTERTRADE Healthcare
2018 July	Transferred shares of subsidiary Tradex Co., Ltd.
2018 November	Made Digital Asset Markets a subsidiary
2020 January	Made Digital Asset Markets an equity-method affiliate after Company’s stake was reduced following a third-party allotment of shares
2022 February	Equity-method affiliate Digital Asset Markets began operation of Spider Digital Transfer crypto assets service, a sales and trading management system for Zipang Coin (crypto asset)
2022 April	Transitioned to the Tokyo Stock Exchange’s Standard Market

Source: Prepared by FISCO from the Company’s website

## Business overview

### Expanding scope of business from financial solutions to business solutions and healthcare

INTERTRADE has three business segments. The Financial Solutions Business provides securities dealing systems, forex (FX) margin trading systems, and crypto asset platforms, etc. The Business Solutions Business develops and sells group management and control solution systems and dispatches system engineers, etc. The Healthcare Business engages in research and production of functional food mushrooms IT HANABIRATAKE (*sparassis crispa*), and the planning, manufacture, and sales of health food, cosmetics, and other products made from it.



Source: Prepared by FISCO from the Company's financial results

#### 1. Financial Solutions Business

The Financial Solutions Business is the Company's core business, accounting for 78.1% of net sales in FY9/24. It mainly develops and maintains brokerage dealing systems, but it is taking action to adapt to the trend of a decreasing number of securities brokerages and dealers and the start of an increase in non-financial companies moving into the finance business amid the spread of the blockchain and other developments.

Specifically, the Company's equity-method subsidiary Digital Asset Markets provides a trading system for crypto assets (Zipang Coin) Japan's first digital gold issued by Mitsui & Co. Digital Commodities, Ltd in seeking to link the crypto asset to the prices of gold. Prices are linked to gold prices. The Zipang Coin trading system is supporting the growth of the Financial Solutions Business.

The Company also expects a one-time need arising among customers to update their systems due to the TSE upgrading its cash equity trading system (arrowhead) to arrowhead 4.0 in November 2024. Although the business is unlikely to offer large growth potential, it will likely continue to earn stable recurring revenue such as maintenance and license fees.

## 2. Business Solutions Business

The Business Solutions Business accounts for 16.2% of net sales. Its core product is a management integration and control platform, which links various data used to make management decisions seamlessly in real time, provides integrated management of the combined information with added value, and assists judgment and decision-making in management by utilizing data according to the purpose. The Company aims to make its system the de-facto standard of companies' management and control systems.

The business is struggling because the system, unlike accounting systems which are essential to companies, is dependent on customers' operating environments and takes considerable time from enquiry to receiving the order. However, it is now being introduced by major companies. There are also steep peaks and troughs in the business cycle, because it is a contract development business. As well, it can be difficult to secure the best engineer resources for the job at the right time, because system operation is unpredictable, depending on the situation with each customer. As a solution to this problem, the Company is aggressively hiring new graduates, seeking to resolve the engineer shortage by training its own human resources.

## 3. Healthcare Business

The Healthcare Business accounts for 5.7% of net sales. It engages in research and production of IT HANABIRATAKE (*sparassis crispa*), a functional food mushroom, as well as commercializing it into products such as supplements made by drying and processing the raw material into powder form. The Company also sells raw materials and conducts OEM. *Sparassis crispa* is generally known for its immunoactivating effects, while the Company has obtained results from joint research with academic institutions that IT HANABIRATAKE is likely to have a positive effect on endocrine and nervous system functions. The Company aims to sell the supplement as an FFC product for its effects on endocrine functions.

The Company announced its acquisition of a patent pertaining to *sparassis crispa* jointly with Tsuzuki Daiichi Educational Institute, which operates Yokohama University of Pharmacy. This entailed patent no. 7440838, "Foods and beverages for suppressing visceral fat accumulation in ovariectomized organisms, and drugs for suppressing visceral fat accumulation in ovariectomized organisms," disclosed on February 29, 2024. The document describes the use of *sparassis crispa* in foods, beverages and pharmaceuticals that suppress accumulation of visceral fat based on the discovery that administering *sparassis crispa* to ovariectomized mice, an animal model for menopause in women, demonstrates effectiveness in suppressing visceral fat accumulation. While it remains in the development stage, business centered around *sparassis crispa* has potential to become a new growth driver for the Company.

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Business overview

*Sparassis crispa*



Source: Website of the Company's subsidiary

Products containing *sparassis crispa*



Source: The Company's website



## Strengths

### Constantly pioneering growth business areas by providing advanced systems

The Company's greatest strength can be said to be that many small and mid-size regional brokerages trust and rely on its system, because it is difficult for them to develop their own superior systems. We at FISCO think that President and Representative Director Kazuya Nishimoto being a former IT systems specialist at a brokerage provided the expertise required to provide advanced systems and helped to establish a strong reputation.

In its core market of securities trading systems, financial services harnessing new technologies are spreading around the world. In this context, the Company plans to use Spider Digital Transfer to pioneer new growth business areas. Spider Digital Transfer is a solution that selects or combines the required process application functions from multiple system packages for financial product trading to create a more compact yet deeper set of system functions that fit the customer's business.

In the Healthcare Business, the Company is working on having its IT HANABIRATAKE supplement approved as an FFC. Although it was unable to complete the process in FY9/24, the Company expects that it will make a large contribution to earnings when achieved. In March 2023, the Company also formed a strategic business and capital alliance with AXXZIA Inc. <4936>, which has a strong track record of selling cosmetics in China. For supplements made using IT HANABIRATAKE, the Company is building up research data. It started with collaborative R&D with other private-sector companies and academia, and has conducted clinical trials with more than 60 women participants, publishing papers on the effect of reducing discomfort associated with menopause, etc. However, it does not have sufficient research and other data in the cosmetics field. The Company therefore plans to proceed with R&D in the cosmetics field through a business alliance with AXXZIA to drive future development in that field.

## Business trends

### Lower sales and significantly lower profit in FY9/24; core financial solutions weighing on performance

#### 1. FY9/24 results

The FY9/24 consolidated results underperformed projections of the initial plan across the board with net sales of ¥1,849mn (down 8.1% year on year (YoY)), operating profit of ¥80mn (down 59.8%), ordinary loss of ¥159mn (profit of ¥1mn in FY9/23), and loss attributable to owners of parent of ¥97mn (profit of ¥36mn in FY9/23).

Business trends

On the revenue front, net sales decreased YoY overall with net sales having increased by 16.1% in the Business Solutions Business, yet having decreased by 10.2% in the core Financial Solutions Business and by 26.8% in the Healthcare Business, which is currently under development. This was attributable to a situation where business development efforts did not proceed according to plan contrary to expectations that Healthcare Business growth would serve as a driver of revenue growth plans under the initial plan, amid a situation where efforts to gain approval of IT HANABIRATAKE supplement as a Food with Function Claims (FFC) during the fiscal year have yet to be completed. Moreover, this was compounded by challenges encountered by the Financial Solutions Business, which had not been anticipated at the beginning of the fiscal year.

Meanwhile, results on an operating profit basis were affected by lower profit margins of the Financial Solutions Business and a 7.1% increase in selling and administrative expenses. Ordinary profit and bottom line results were significantly affected by equity-method investment loss of ¥238mn recorded for the Company's equity-method subsidiary Digital Asset Markets.

**FY9/24 results**

(¥mn)

	FY9/23		FY9/24		YoY
	Results	% of sales	Results	% of sales	
Net sales	2,011	100.0%	1,849	100.0%	-8.1%
Gross profit	734	36.5%	652	35.3%	-11.1%
Operating profit	199	9.9%	80	4.3%	-59.8%
Ordinary profit	1	0.1%	-159	-	-
Profit attributable to owners of parent	36	1.8%	-97	-	-

Source: Prepared by FISCO from the Company's financial results

## 2. Results by business segment

**FY 9/24 net sales by segment**

(¥mn)

	FY9/23		FY9/24		YoY
	Results	% of sales	Results	% of sales	
Net sales	2,011	100.0%	1,849	100.0%	8.1%
Financial Solutions Business	1,609	80.0%	1,445	78.1%	-10.2%
Business Solutions Business	257	12.8%	298	16.2%	16.1%
Healthcare Business	143	7.2%	105	5.7%	-26.8%
Operating profit	199	-	80	-	-59.8%
Profit attributable to owners of parent	36	-	-97	-	-

Source: Prepared by FISCO from the Company's financial results

### (1) Financial Solutions Business

Net sales declined 10.2% YoY to ¥1,445mn and segment profit was down 19.6% to ¥417mn. Whereas the Company continues to generate stable revenue from dealing systems for brokerages, the decrease in both sales and profit is largely attributable to the impact of lower sales from sources such as license fees from major customers not previously anticipated at the initial planning stage, and also attributable to the Company having encountered delays in receiving orders for projects that had been planned at the point in time of initial planning in Web3-related business, which is a key business area.

## Business trends

**(2) Business Solutions Business**

Net sales increased 16.1% YoY to ¥298mn and segment profit was ¥20mn in contrast to segment loss of ¥1mn in FY9/23. There was an increase in additional development projects for existing customers amid a scenario where many large enterprises adopted the GroupMAN@IT e<sup>2</sup> management integration and control platform. Moreover, the Company did not encounter a situation in FY9/24 such as that which occurred in FY9/23 whereby segment profit was subject to downward pressure due to temporary suspension of projects amid a scenario where development projects did not proceed as planned. In addition, the Company's provision of system integration services to new clients also contributed to the increase in sales and profit.

**(3) Healthcare Business**

Net sales decreased 26.8% YoY to ¥105mn and segment loss increased from ¥37mn in FY9/23 to ¥51mn in FY9/24. Approval of the Company's IT HANABIRATAKE supplement as an FFC has not yet been completed according to plan, which is seemingly a result of the Consumer Affairs Agency exercising greater caution in making decisions due to a series of problems associated with Red Yeast Rice (beni koji) of Kobayashi Pharmaceutical <4967>. Sales results underperformed targets of initial sales plans because the Company's previous plans involved stepping up the pace of its business development efforts by rolling out new products after having received FFC approval.

## Financial condition

### Equity ratio decreased slightly but remains above 70%; expectations of further stability due to development of the Healthcare Business in the near term

#### 1. Financial condition

The financial condition of the Company as of the end of FY9/24 is as follows. Total assets (total liabilities and net assets) decreased by ¥77mn from the end of the previous fiscal year to ¥1,645mn. The main factors behind the change were a ¥30mn increase in cash and deposits to ¥1,024mn and a ¥70mn decrease in notes and accounts receivable - trade, and contract assets (see "Status of cash flows" and "Management indicators" below for details).

Total liabilities increased by ¥20mn from the end of the previous fiscal year to ¥413mn. This was mainly due to a sum total of ¥80mn in long-term borrowings and long-term borrowings to be repaid within one year.

With regard to net assets, the Company's retained earnings brought forward remains negative (-¥1,158mn) and the Company expects it will take several years to clear the loss. Whereas the Company has not paid dividends since FY9/15, it is apparently holding to its policy of paying dividends after retained earnings return to positive territory. Total net assets decreased by ¥98mn to ¥1,232mn, mainly as a result of the Company having incurred loss attributable to owners of parent.

## Financial condition

## Simplified balance sheet

	FY9/23	FY9/24	YoY	
			Change	% change
(¥mn)				
<b>Assets</b>				
Current assets	1,355	1,423	68	5.0%
Non-current assets	368	222	-146	-39.6%
Property, plant and equipment	30	44	13	45.2%
Intangible assets	4	2	-1	-29.4%
Investments and other assets	333	175	-158	-47.5%
<b>Total assets</b>	<b>1,723</b>	<b>1,645</b>	<b>-77</b>	<b>-4.5%</b>
<b>Total liabilities</b>				
Current liabilities	310	272	-38	-12.4%
Non-current liabilities	81	140	58	71.9%
<b>Total liabilities</b>	<b>392</b>	<b>413</b>	<b>20</b>	<b>5.2%</b>
<b>Net assets</b>				
Shareholders' equity	1,319	1,221	-97	-7.4%
Share capital	1,478	1,478	0	0.0%
Capital surplus	996	996	0	0.0%
Retained earnings	-1,060	-1,158	-97	9.2%
Treasury shares	-95	-95	0	0.0%
<b>Total net assets</b>	<b>1,331</b>	<b>1,232</b>	<b>-98</b>	<b>-7.4%</b>
<b>Total liabilities and net assets</b>	<b>1,723</b>	<b>1,645</b>	<b>-77</b>	<b>-4.5%</b>

Source: Prepared by FISCO from the Company's financial results

## 2. Status of cash flows

As stated above, cash and cash equivalents at the end of FY9/24 totaled ¥1,024mn, an increase of ¥30mn from the end of the previous fiscal year. A breakdown of the status of cash flows by activity is provided below.

Cash provided by operating activities totaled ¥81mn. This was mainly due to recording an equity-method investment loss of ¥238mn, and despite having incurred loss attributable to owners of parent. Cash used in investing activities came to ¥124mn, mainly due to an outflow of ¥24mn for the acquisition of property, plant and equipment and an outflow of ¥100mn attributable to an increase in short-term loans receivable. Cash provided by financing activities came to ¥73mn, mainly due to a ¥100mn inflow for long-term borrowings.

Although the cash outflow from investing activities is primarily attributable to short-term loans receivable, assessment of cash flows from investing activities is likely to vary depending on the purpose of these loans. However, the most significant point to consider in this regard is the substantial decrease in operating cash flow compared to the previous fiscal year. That said, with growth of the Healthcare Business on the horizon, this could be perceived as a phase of perseverance for the Company.

### Overview of cash flows

	FY9/23	FY9/24	YoY
			(¥mn)
Cash flows from operating activities	200	81	-119
Cash flows from investing activities	-133	-124	9
Cash flows from financing activities	70	73	3
<b>Cash and cash equivalents at end of period</b>	<b>994</b>	<b>1,024</b>	<b>30</b>

Source: Prepared by FISCO from the Company's financial results

### 3. Management indicators

Looking at stability indicators in FY9/24, the equity ratio was down 2.3 percentage points (pp) from the end of FY9/23 to 74.2%, but remains at a high level. The current ratio at 487.9% was also far higher than the benchmark figure of 200%, while the non-current ratio was 18.2%, well below the benchmark figure of 100%. Based on these indicators, we can say that there are no major issues with management stability.

Meanwhile, profitability indicators for FY9/23 deteriorated substantially relative to those of FY9/22, largely due to effects of losses associated with equity-method subsidiary Digital Asset Markets. The bottom-line loss recorded in FY9/24 naturally resulted in further deterioration of these indicators. Return on equity (ROE) turned negative to -7.7%, return on assets (ROA) also turned negative to -9.5%, and the operating margin dropped 5.6pp YoY to 4.3%. As previously mentioned in the section on cash flow, the extent to which the Company achieves growth going forward hinges on it achieving development of its Web3-relate business and its Healthcare Business in the near term.

**Management indicators**

	FY9/23	FY9/24	YoY	
<Stability indicators>	Equity ratio	76.5%	74.2%	-2.3pp
	Current ratio	408.0%	487.9%	79.9pp
	Non-current ratio	27.9%	18.2%	-9.7pp
<Profitability indicators>	ROE (return on equity)	2.8%	-7.7%	-10.5pp
	ROA (return on assets)	0.1%	-9.5%	-9.6pp
	Operating margin	9.9%	4.3%	-5.6pp
	Ordinary profit margin	0.1%	-	-

Source: Prepared by FISCO from the Company's financial results

## ■ Outlook

### FY9/25 marks start of preparatory phase for a significant breakthrough

#### 1. Outlook for FY9/25 results

For FY9/25, the Company projects net sales of ¥2,160mn (up 16.8%), operating profit of ¥110mn (up 37.1%), ordinary loss of ¥40mn (loss of ¥159mn in FY9/24), and profit attributable to owners of parent of ¥10mn (loss of ¥97mn in FY9/24).

The prospect of IT HANABIRATAKE supplement gaining approval as an FFC serves as the pivotal factor with respect to the Company going forward. Accordingly, the Company's plans enlist the assumption that the supplement will become commercially viable, which is contingent on the supplement gaining approval as an FCC. As such a scenario where the Company rolls out the new product, whose launch was postponed in FY9/24, would likely result in a situation where signs of Healthcare Business growth begin to emerge in 2H, assuming a lead-time of approximately three to four months. Meanwhile, the Company could become subject to downside risk under an unlikely worst-case scenario of further delays.

Outlook

Although the prolonged timeline toward gaining FCC approval constitutes a negative factor, the Company appears to be making progress in its prevailing negotiations toward arranging partnerships with major wholesalers. Also, an initial batch of supplements available in China completely sold out amid progress made with respect to the Company's partnership with AXXZIA, which has a strong presence in that market. With the Company now generating additional orders, we at FISCO deem there to be significant potential for it to achieve business expansion if it proceeds with a full roll-out of products in Japan. Meanwhile, the Company announced it had newly acquired patent no. 7440838, "Foods and beverages for suppressing visceral fat accumulation in ovariectomized organisms, and drugs for suppressing visceral fat accumulation in ovariectomized organisms," in 2024. Although this particular application of the supplement emerged as a secondary outcome in the course of performing clinical trials and other such initiatives, we at FISCO contend that there is vast potential when it comes to development of products containing *sparassis crispa*. As such, progress regarding the IT HANABIRATAKE supplement should be closely monitored going forward.

On the other hand, a sense of reassurance is warranted in regard to prospects of the core Financial Solutions Business, in part given that projects selected for inclusion in the initial plan consist solely of those with a high likelihood of being awarded and also given that the Company is seeking an increase in maintenance fees accompanying extension of trading hours on the Tokyo Stock Exchange. However, the notion that success of the Financial Solutions Business hinges on the structure of Digital Asset Markets, which operates the Zipang Coin exchange, nevertheless remains unchanged. As such, upfront investment in that regard continuing into FY9/25 is likely to once again weigh on profits. Meanwhile, the Business Solutions Business exhibited substantial growth in FY9/24 and is poised to perform well again in FY9/25. For instance, enterprises operating under holding company structures have decided to adopt the GroupMAN@IT e<sup>2</sup> platform, which is likely to contribute to financial results over multiple years. On the profit side, however, the Business Solutions Business is apt to incur certain costs associated with use of external resources as necessary in carrying out various development efforts.

**FY9/25 outlook**

	FY9/24 Results	FY9/25 Forecast	YoY	
			Change	% change
Net sales	1,849	2,160	311	16.8%
Operating profit	80	110	30	37.1%
Ordinary profit	-159	-40	119	-
Profit attributable to owners of parent	-97	10	107	-

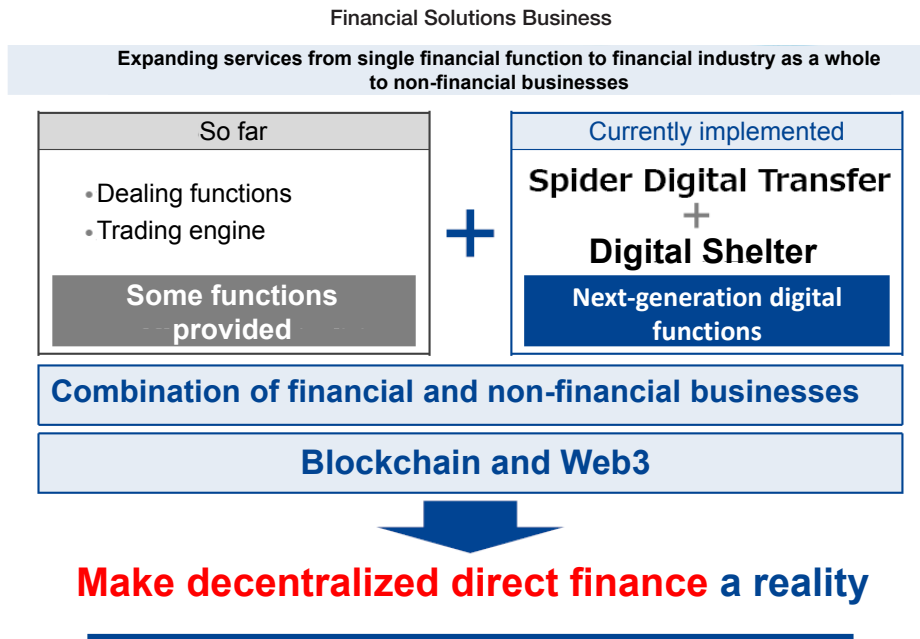
Source: Prepared by FISCO from the Company's financial results

Outlook

**2. Future management plan**

Digital Asset Markets runs an exchange for Zipang Coin in seeking to link the crypto asset to the prices of gold and silver. The Zipang Coin price is less volatile than that of Bitcoin, thereby making it suitable for payments. As such, use of Zipang Coin is likely to increase going forward, thereby giving rise to greater expectations regarding growth potential of Digital Asset Markets. However, because the business is still in its early stages, the Company assumes that upfront investment will continue for some time. Meanwhile, although the value of Zipang Coin is currently heading higher accompanying rising gold prices, it has not prompted momentum in the Company's business amid a scenario where most Zipang Coin users are treating it strictly as a financial asset at this point in time. As such, the Company seems to be facing somewhat of an uphill battle relative to what had been envisioned under its initial plans. To address this situation, Digital Asset Markets has broadened Zipang Coin purchasing options by forming connections with other major crypto asset exchanges and other such platforms in contrast to the previous approach of allowing for Zipang Coin purchases only through Digital Asset Markets. Additionally, the Company has set its sights on future demand for systems related to instant payments using digital currencies. The Company furthermore intends to prompt expansion of its business areas and is accordingly preparing to tap into demand for system upgrades, which includes addressing the issue of securing engineers.

Moreover, the Company seeks to ensure that Digital Asset Markets contributes to earnings in the near term by proceeding with efforts to launch its Data Protection (DP) Business. The Company actually acquired numerous patents related to its Financial Solutions Business in 2024, some of which reflect President Nishimoto's outlook envisioning major transformation of existing financial infrastructure in the future. Some of these patents are also foundational to the current Zipang Coin given their significance in serving as defensive patents. However, it is important to note that the remaining patents are related to the Data Protection Business, which obviously won't get up to speed immediately, as mentioned earlier in this report. As such, developments regarding the DP Business warrant attention going forward.

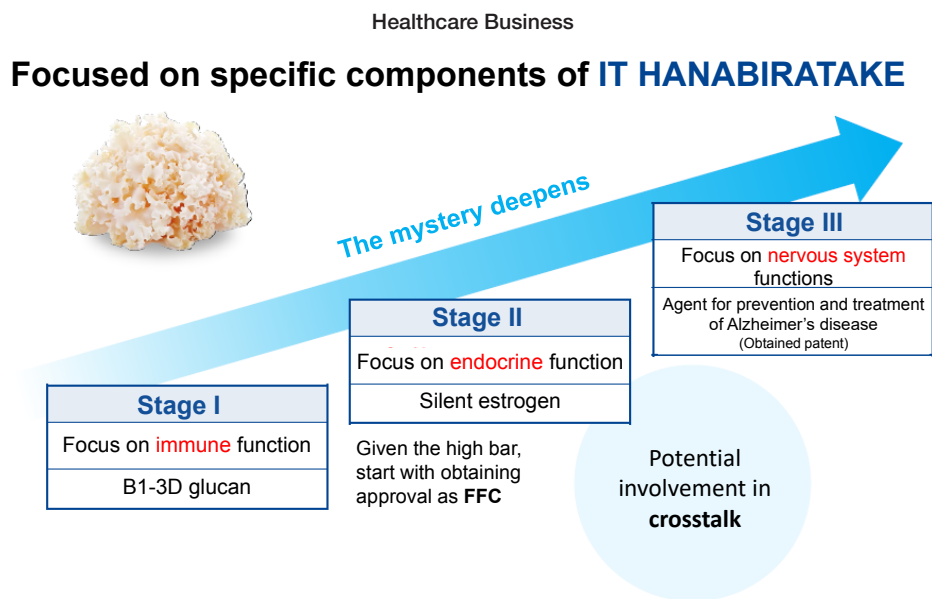


Source: The Company's results briefing materials

Outlook

The Healthcare Business initially faced concern among customers and banks about a company whose main business is the development of financial systems moving into a completely different industry. However, the Company raised its profile by building up a track record of joint research projects with universities and other organizations and gained trust. We think that it offers growth potential if it can stabilize earnings by making IT HANABIRATAKE an FFC, then discovering new raw materials likely to generate demand in the fast-growing healthcare market. Investors are likely to exhibit substantial optimism regarding such possibilities amid growing awareness of femtech.

In the longer term, the Company aims to increase the net sales share of the Healthcare Business to around 30% and will accordingly proceed with development efforts in the Chinese market in partnership with AXXZIA, which has a strong track record of cosmetics sales in China.



Source: The Company's results briefing materials

## Shareholder return policy

### Priority on strengthening financial condition and policy of paying dividends after clearing losses brought forward remains unchanged

INTERTRADE has paid no dividends since FY9/15. It still has losses brought forward and is focused on turning its negative retained earnings balance positive, after which it plans to resume dividend payments. The Company is keenly aware of the importance of shareholder returns. Its plan for returning profit to shareholders is to prioritize strengthening its management base and financial condition as a way to enhance corporate value, and pay dividends after that. Although the Company previously adopted a shareholder benefits program, it announced discontinuance of the program effective on June 20, 2024, in part due to the program's limited user base.





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■ For inquiries, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: [support@fisco.co.jp](mailto:support@fisco.co.jp)