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Consolidated Financial Results for the Fiscal Year Ended April 30, 2024 (Japanese GAAP)

June 14, 2024

Company name: FreeBit Co., Ltd. Stock exchange listing: Tokyo
 Stock code 3843 URL <https://freebit.com/>
 Representative Title: President, CEO and CTO Name: Atsuki Ishida
 Contact: Title: Director and General Manager of Group Corporate Planning Division Name: Ikuko Wada TEL 03-5459-0522
 Scheduled date of ordinary general meeting of shareholders July 25, 2024 Scheduled date to commence dividend payments: July 11, 2024
 Scheduled date of filing of annual securities report July 26, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: (Video Delivery Only)
 Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended April 30, 1.2024 (May 1, 2023 - April 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended April 30, 2024	53,037	-	5,887	-	5,756	-	3,566	-
Fiscal year ended April 30, 2023	46,771	8.6	4,007	26.6	3,707	28.8	1,792	116.5

(N.B.) Comprehensive income Fiscal year ended April 30, 2024 4,709 Millions of yen (-%) Fiscal year ended April 30, 2023 2,604 Millions of yen (65.9%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets ratio	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended April 30, 2024	178.58	176.74	35.9	15.5	11.1
Fiscal year ended April 30, 2023	95.07	94.31	23.7	10.4	8.6

(Reference) Equity in earnings of affiliates Fiscal year ended April 30, 2024 2 Millions of yen Fiscal year ended April 30, 2023 Δ 1 Millions of yen

(N.B.) Gigaprize Corporation and its subsidiaries changed their fiscal year-end from March 31 to April 30 in the fiscal year under review. As a result, the year under review is the transitional period for the change in the fiscal year-end. Accordingly, the year-on-year change is not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended April 30, 2024	38,183	15,196	30.5	582.26
Fiscal year ended April 30, 2023	35,926	11,032	22.9	412.94

Reference: Shareholders' equity Fiscal year ended April 30, 2024 11,628 Millions of yen Fiscal year ended April 30, 2023 8,242 Millions of yen

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended April 30, 2024	4,225	△1,085	△2,720	18,722
Fiscal year ended April 30, 2023	3,322	△644	△2,110	18,305

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	Third Quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended April 30, 2023	-	0.00	-	8.00	8.00	159	8.4	2.1
Fiscal year ended April 30, 2024	-	0.00	-	27.00	27.00	539	15.1	5.4
Fiscal Year Ending April 30, 2025 (Forecast)	-	-	-	-	-	-	-	-

(N.B.) Currently, the dividend forecast for the fiscal year ending April 30, 2025 has not been determined.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending April 30, 2024 (May 1, 2024 to April 30, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	54,000	-	5,700	-	5,500	-	3,000	-	150.24

(N.B.) Since we manage our operations on an annual basis, we have omitted the presentation of consolidated earnings forecasts for the second quarter (cumulative). For details, see Attachment page 7 (4) Future Outlook of Business Results and Others.

For the fiscal year ended April 30, 2024, consolidated subsidiary GIGAPRIZE Co., Ltd. and its subsidiaries changed their fiscal year-end from March 31 to April 30. As a result, the year ended April 31, 2024 is the transitional period for the change in the fiscal year-end, and therefore, the year-on-year change is not presented.

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements

① Changes in accounting policies due to revision of accounting standards: None

② Changes in accounting policies other than the above ①: None

③ Changes in accounting estimates: None

④ Restatement of revisions: None

(3) Number of shares outstanding (common stock)

① Number of shares outstanding at the end of the period (including treasury stock)

Fiscal year ended April 30, 2024	23,414,000shares	Fiscal year ended April 30, 2023	23,414,000shares
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② Number of treasury stock at the end of the period

Fiscal year ended April 30, 2024	3,441,941shares	Fiscal year ended April 30, 2023	3,453,741shares
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③ Average number of shares during the period

Fiscal year ended April 30, 2024	19,968,319shares	Fiscal year ended April 30, 2023	18,849,604shares
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(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended April 30, 2024 (May 1, 2023 - April 30, 2024)

(1) Non-Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended April 30, 2024	9,194	△ 1.0	818	51.3	823	60.7	794	454.1
Fiscal year ended April 30, 2023	9,285	6.0	541	△4.3	512	△36.9	143	△43.6

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended April 30, 2024	39.80	39.39
Fiscal year ended April 30, 2023	7.61	7.55

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended April 30, 2024	25,066	8,259	32.6	408.72
Fiscal year ended April 30, 2023	26,068	7,439	28.3	369.61

Reference: Shareholders' equity Fiscal year ended April 30, 2024 8,163 Millions of yen Fiscal year ended April 30, 2023 7,377 Millions of yen

<Reasons for differences in non-consolidated results from the results of the previous fiscal year>

In the fiscal year under review, operating income increased due to an increase in the use of mobile services, despite a decrease in sales of fixed network services. As a result, there was a difference in the actual values of ordinary income and net income between the previous fiscal year and the current fiscal year.

※ The financial results are outside the scope of audits by a certified public accountant or an auditing firm.

※ Explanation of the proper use of financial forecasts and other special notes
(Notes on forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance. Actual results may differ significantly from these forecasts due to various factors. For assumptions used as the basis for the earnings forecasts and cautionary statements regarding the use of the earnings forecasts, please refer to page 7 (4) Future Outlook of Business Results and Others.

(Method of obtaining supplementary material on financial results and details of financial results briefing session)

- Supplementary materials will be disclosed on TDnet on the same day and will also be posted on our website.
- The content of the financial results briefing will be posted on our website with the recorded videos.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

Forward-looking statements in the text are based on judgments as of the end of the current fiscal year.

The consolidated subsidiary GIGAPRIZE Co., Ltd. ("GIGAPRIZE") and its subsidiaries changed their fiscal year-end from March 31 to April 30, the same as our consolidated fiscal year-end. As a result, this consolidated subsidiary's financial results for the fiscal year under review were irregular, with the 13-month period from April 1, 2023 to April 30, 2024 as the consolidated accounting period.

For details of the change in the fiscal year-end, [3. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Changes in scope of consolidation or application of the equity method)].

The official names and explanations of the names used in the summary of operating results are as follows.

Name of use	Official name	Explanation
5G	5th Generation	Abbreviation for the fifth-generation mobile communications system. One of the next-generation telecommunications standards
web3	web3	Concept of a next-generation distributed Internet that enables users to exchange data, content, etc. directly with each other without going through a giant platform
Cloud	Cloud Computing	A generic term for systems providing software to users across networks, data centers and server groups where such data is accumulated and operated.
MVNO	Mobile Virtual Network Operator	Mobile virtual network operators
IoT	Internet of Things	A system that enables automatic identification and automated control without human intervention by having a communication function to communicate with each other.
MVNE	Mobile Virtual Network Enabler	MVNO support providers
metaverse	Metaverse	Virtual space used over the Internet
AI	Artificial Intelligence	Techniques that use computers to study or conduct human intellectual behavior
TONE Care	TONE Care	One of the demonstration projects by TONE Laboratory Online service that enables quick and remote health consultations, such as consultations on health concerns and overuse of children's smartphones
TONE Coin	TONE Coin	One of the demonstration projects by TONE Laboratory A point system based on the ceiling compensation of a mobile blockchain in which unique points [TONE Coin] are accumulated simply by automatically launching the program while the smartphone is charging
LLM	Large Language Models (Large-Scale Language Model)	Language model constructed with large amounts of data and deep learning technology Language models are modeled using the probability of the appearance of sentences and words, and are used in natural language processing such as text creation.
DX	Digital Transformation	Reforming products, services, business models, etc. by utilizing data and digital technologies
1st Party Data	1st Party Data	Data collected in-house by companies without going through third parties
NFT	Non-Fungible Token	Technology that can clarify whether digital content is real, who is the producer, and who is the owner

Reportable segments for the fiscal year under review are as follows.

Reportable Segment	Main services
5G Infrastructure Support Program	<ul style="list-style-type: none"> • Business support services for ISPs • Business support (MVNE) services for MVNOs • Cloud services for corporate customers
5G Lifestyle Support Business	<ul style="list-style-type: none"> • Mobile communications-related services for individuals • Internet connection-related services for individuals • Internet connection-related services for condominiums • Management service for company housing
Corporate and Creator 5G DX Support Program	<ul style="list-style-type: none"> • Internet marketing-related services • Ad-Tech Services

① Management policies and strategies

Our grouping is [Being The NET Frontier! Based on our corporate philosophy of (spreading the Internet and contributing to society)], we provide Internet-related services primarily to corporations and individuals by leveraging our accumulated technological capabilities, such as the development of Internet-related core technologies and the operation of large-scale

systems.

We are promoting corporate management based on a 10-year plan covering the period from 2021 to 2030. We have been developing our business to achieve net sales of ¥50 billion and operating income of ¥5 billion under the three-year medium-term management plan [SiLK VISION 2024], which is the final year of the consolidated fiscal year under review. As a result, our business in each reportable segment progressed steadily, with net sales exceeding ¥53 billion and operating income of ¥5.8 billion.

Going forward, while continuing to contribute to the realization of a sustainable society, we will continue to invest our management resources focusing on the mobile revolution, lifestyle revolution, and production revolution domains, which we consider to be growth domains worldwide. In this way, we will aim to expand our business through "exponentially growing technologies" as [5G/web3 era Platform Maker].

② Business environment

In the business environment surrounding our group, despite signs of a gradual pick-up in socioeconomic activities, such as the expansion of personal consumption and the increase in overseas travelers, against the backdrop of the relaxation of action restrictions associated with a new type of coronavirus infectious disease, the outlook remains uncertain due to the continued impact of soaring resources and energy prices caused by various concerns about the global situation, as well as the impact of interest rate and exchange rate fluctuations.

In this environment, in the information and telecommunications market in which our group operates, in addition to the increasing needs for Internet services due to the normalization of telework and the expansion of cloud usage, the increasing use of online videos and games at home and the increased use of SNS, the number of users of Internet services via mobile line networks is also increasing. We expect the importance of stable operation of highly reliable networks and systems, such as the improvement of communication quality and speed mainly due to the increase in communication traffic and the response to cyber security, will increase.

In the Internet services market for apartment homes, in addition to the standardization of Internet facilities for newly built properties, the introduction of security-related facilities such as auto-locks and security cameras is progressing, and demand for safe and secure housing via communication lines is expected to be firm. Existing properties are also undergoing renovations tailored to the diversifying needs and lifestyles of tenants, as well as the introduction of Internet facilities, which are in high demand, as a means of increasing asset value by emphasizing the comfort of properties.

In the Internet marketing market, expansion continues due to rapid digitization and advances in mobile technologies. In particular, social media advertising and influencer marketing are driving growth. Competition is intensifying as video content and e-commerce consolidate, approaches and new service areas emerge that emphasize optimization of the customer experience, and the number of business entrants is increasing, and the need for differentiation is increasing.

③ Our group's performance

Results by reportable segment are as follows.

(1) 5G Infrastructure Support Program

In the fixed-line network, the use of many services via the Internet continues to increase due to an increase in online video viewing at home and the use of rich content, including games, and SNS, along with changes in working styles and lifestyles, and the generalization of online-format conferences and learning accompanying the spread of telework and home learning. As a result, network costs remain high as the volume of line usage increases.

In the mobile network, the provision of inexpensive plans by major mobile telecommunications carriers and the deployment of these plans under subbrands continue to affect the growth of proprietary MVNO service providers. However, the growth of the mobile market as a whole is expected to continue and will continue to expand, as the use of these services for IoT and inbound tourists is expected to increase.

Under these circumstances, in the 5G Infrastructure Support Business Segment, net sales were ¥9,932,193,000 (an increase of 4.7% year on year) and segment income was ¥1,506,187,000 (an increase of 9.3% year on year) as a result of the steady expansion of the business scale of the MVNO support business as an MVNE.

(2) 5G Lifestyle Support Business

As explained in [5G Infrastructure Support Business], in the fixed-line network services market, network costs are rising, but in the 5G Homestyle (Internet services for condominiums), high-speed broadband environments aimed at improving the asset value of buildings and occupancy rates are becoming standardized, and the use of telework, online learning, video content viewing, etc. has been recognized as a standard. As a result, the market size of 5G Homestyle (Internet services for condominiums) is expected to grow steadily in the future. In light of this business environment, we expanded the scope of

our services to include faster Internet access services and Internet access services for multi-purpose facilities, services for detached rental housing, and security-related services such as security cameras.

In addition, GIGAPRIZE, which provides this 5G Homestyle (Internet service for collective housing), in collaboration with Secual Co., Ltd. and Adinte Co., Ltd., developed high-value-added rental housing with solutions services such as high-speed Internet access services and cloud-based security cameras, and worked with Daito Trust Construction Co., Ltd. to build residential environments in line with the needs of the times, and supported efforts to solve problems of local governments by leveraging network technologies, such as the introduction of next-generation street lights with high-precision human flow analysis functions [Secual Smart Pole] in [Meiji Park].

Then, at Community Town [LIVINGTOWN Minatomirai], which proposes new lifestyles and lifestyles in the 5G/web 3 era utilizing advanced technologies, we will construct Local5G SA climate through technological collaboration with our group, Alps Alpine Electronics, Inc. and NEC Networks & System Integration Co., Ltd. to verify experiences that can experience smart homes and smart towns in the areas of housing, work, and mobility through facilities and IoT equipment installed in each area and within model houses [LIVE! Start LIVINGTOWN].

In addition, GIGAPRIZE has begun a business alliance with Terra Charge Co., Ltd., which operates the EV Charging Infrastructure Business [Terra Charge]. Through the provision of EV charging infrastructure to managing companies and owners, we will contribute to supporting the improvement of property value and improving the convenience and satisfaction of tenants who own EV.

In 5G Lifestyle (mobile communications services for individuals and Internet-related services), we provide services with an eye to the arrival of the 5G/web3/metaverse era in smartphone services [Tone Mobile] utilizing the proprietary technologies provided by our group. We are also working to solve a variety of social problems. As a unique service, we are developing [TONE Family], a monitoring service for families equipped with [TONE Anshin AI], which monitors families using AI, and providing specialized consultation on "overuse of smartphones" at [TONE Care], a next-generation online health consultation service with a view to solving the social problem of internet dependence that is worried worldwide.

In addition, we have begun allocating the unique points [TONE Coin] accumulated through the operation of the Mobile Layer 1 Blockchain [TONE Chain] provided to participants of the user-collaborative demonstration project [TONE Labo] to usage fees for [Tone Mobile].

Furthermore, we launched a [TONE IN] strategy to expand the technologies and services we have cultivated through [Tone Mobile] to other fields, including IoT. As a first step, we have expanded the target devices that [Tone Mobile] can use, and it is now possible to use [Tone Mobile] simply by installing dedicated SIMs on more than 94 Android/iPhone devices that are handled by DoCoMo.

In addition, we have developed [freebit Edge LLM], a [Edge-type LLM-generated AI-system] that operates on smartphones. By linking with [TONE Family] in the future, we plan to develop a service where AI determines the risk of using SNS for children (※).

※ AI determines risk

Judgments based on [freebit Edge LLM] are based on AI's own calculations, and are not guarantees of the degree of risk, accuracy of such judgments, or results. The AI judgment results may include biases or harshness based on learning data.

Against this backdrop, the 5G Lifestyle Support Business Segment posted net sales of ¥26,612,422,000 (up 14.4% year on year) and segment income of ¥3,319,271,000 (up 62.8% year on year), mainly as a result of steady growth in the number of units offered for 5G Homestyle (Internet services for collective housing).

(3) Corporate and Creator 5G DX Support Program

In the Internet marketing and ad technology services offered by Full Speed Co., Ltd. ([Full Speed]), economic activity began to normalize as action restrictions eased along with the transition to five-type infectious diseases of the new coronavirus. Demand for advertising also increased. Against this backdrop, we have leveraged the Internet marketing know-how we have cultivated to date to promote DX in our Internet marketing-related business. In our digital marketing support tool [Beyocon], which utilizes the 1st Party Data, we have begun to respond to the conversion data importing function for Microsoft Advertising, thereby improving convenience.

We are also moving forward with new business initiatives for medium-term growth. We have strengthened our provision of NFT issuance support services for creators and expanded creator economies (economic zones in which creators make monetization through their own skills) through a platform [StandAlone] for creators that allows creators to disseminate information themselves without going through major platforms and maximize their value.

Under these circumstances, in the Corporate and Creator 5G DX Support Business Segment, net sales were 19,278,245,000 yen (up 14.4% year on year) and segment income was 1,104,452,000 yen (up 82.7% year on year) as a result

of strong customer acquisition for affiliate services.

As a result of the above, net sales were 53,037,592,000 yen (up 13.4% year on year), operating income was 5,887,702,000 yen (up 46.9% year on year), ordinary income was 5,756,351,000 yen (up 55.3% year on year), and profit attributable to owners of parent was 3,566,009,000 yen (up 99.0% year on year).

(Reference 1)

Net sales for the 12-month period excluding the impact of the change in the fiscal year-end from the previous fiscal year

(Thousands of yen)

Segment Name	Fiscal year ended April 30, 2023	(Reference) Fiscal year ended April 2024	Change	Change (%)
5G Infrastructure Support Program	9,489,228	9,932,193	442,965	4.7
5G Lifestyle Support Business	23,261,191	24,880,991	1,619,800	7.0
Corporate and Creator 5G DX Support Program	16,849,059	19,278,245	2,429,185	14.4
Adjustments	△2,827,962	△2,785,268	42,694	-
Total	46,771,516	51,306,161	4,534,645	9.7

(N.B.) For the fiscal year ended April 30, 2024, these figures are unaudited reference values calculated for purposes of comparing net sales.

(Reference 2)

Operating income (excluding strategic investments (temporary investments)) compared over 12 months excluding the impact of the change in fiscal year-end from the previous fiscal year

(Thousands of yen)

Segment Name	(Reference) Fiscal year ended April 30, 2023	(Reference) Fiscal year ended April 30, 2024	Change	Change (%)
5G Infrastructure Support Program	1,679,079	1,807,419	128,339	7.6
5G Lifestyle Support Business	2,809,209	3,446,054	636,844	22.7
Corporate and Creator 5G DX Support Program	818,069	1,240,524	422,454	51.6
Others	△16,540	△20,753	△4,213	-
Adjustments	1,803	△21,455	△23,258	-
Total	5,291,622	6,451,787	1,160,164	21.9

(N.B.) These figures are unaudited reference values calculated for the purpose of comparing operating income for the fiscal years ended April 30, 2023 and 2024.

Net Sales and Segment Income (Loss) by Segment

(Thousands of yen)

Category	Net sales	Segment income (△)
5G Infrastructure Support Program	9,932,193	1,506,187
5G Lifestyle Support Business	26,612,422	3,319,271
Corporate and Creator 5G DX Support Program	19,278,245	1,104,452
Others	-	△20,753
Adjustments	△2,785,268	△21,455
Total	53,037,592	5,887,702

Comparison of Business Results for the Current Fiscal Year and the Previous Fiscal Year

(Thousands of yen)

	Fiscal year ended April 30, 2023 (A) (From May 1, 2022 to April 30, 2023)	Fiscal year ended April 30, 2024 (B) (From May 1, 2023 to April 30, 2024)	Difference (B-A)	Year-on-year change (%)
Net sales	46,771,516	53,037,592	6,266,075	13.4
Gross profit on sales	13,327,292	15,386,361	2,059,069	15.5
Selling, general and administrative expenses	9,319,736	9,498,658	178,922	1.9
Operating income	4,007,556	5,887,702	1,880,146	46.9
Ordinary income	3,707,329	5,756,351	2,049,022	55.3
Profit attributable to owners of parent	1,792,049	3,566,009	1,773,959	99.0

(2) Overview of Financial Position for the Fiscal Year under Review

Assets

Total assets at the end of the fiscal year under review increased 2,257,102,000 yen from the end of the previous fiscal year to 38,183,589,000 yen.

This was mainly due to increases of 416,603,000 yen in cash and deposits, 531,377,000 yen in lease receivables and investment assets, 734,690 thousand yen in raw materials and supplies, 912,805 thousand yen in leased assets and 234,875 thousand yen in deferred tax assets, despite decreases of 255,244,000 yen in merchandise and finished goods and leased assets (tangible) of 285,904,000 yen.

Liabilities

Total liabilities at the end of the fiscal year under review decreased 1,907,371,000 yen from the end of the previous fiscal year to 22,986,762,000 yen.

This was mainly due to decreases of 300 million yen in current portion of bonds, 663,280,000 yen in accounts payable-other, 1,454,898 thousand yen in long-term loans payable and 364,683 thousand yen in lease obligations (non-current), despite an increase of 455,821,000 yen in current portion of long-term loans payable and 423,582,000 yen in income taxes payable.

(Net assets)

Total net assets at the end of the fiscal year under review increased by 4,164,474,000 yen from the end of the previous fiscal year to 15,196,827,000 yen, mainly due to an increase in retained earnings. As a result, the equity ratio was 30.5%.

(3) Overview of cash flows for the fiscal year under review

The balance of cash and cash equivalents (hereinafter, "funds") at the end of the fiscal year under review was 18,722,373,000 yen, an increase of 416,603,000 yen from the end of the previous fiscal year.

The status of each cash flow for the current consolidated fiscal year and its factors are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities increased by ¥4,225,973,000 (from ¥3,322,201,000 in the previous fiscal year). This was mainly due to income before income taxes and minority interests of ¥5,877,587,000, despite a decrease in accounts payable-other of ¥653,947,000 and income taxes paid of ¥1,223,299,000.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥1,085,370,000 (a decrease of ¥644,624,000 in the previous fiscal year). This was mainly due to the purchase of property, plant and equipment of ¥1,116,678,000.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥2,720,485,000 (a decrease of ¥2,110,714,000 in the previous fiscal year). This was mainly due to ¥4,799,077,000 for repayment of long-term loans payable, ¥300 million for redemption of bonds, ¥390,804,000 for purchase of shares of subsidiaries not resulting in change in scope of consolidation, and ¥802,942 thousand for repayment of lease obligations, despite ¥3.8 billion in proceeds from long-term loans payable.

(4) Future Outlook

The Medium-Term Management Plan [SiLK VISION 2024], which was the first of the 10-year plan from 2021 to 2030, progressed smoothly, and the set-up for business expansion as [a platform manufacturer in the 5G/web3 era] has been completed.

Under the second medium-term management plan [SiLK VISION 2027], in addition to continuing to grow existing businesses, we will expand our strategic portfolio through M&A and business alliances. In addition, we have positioned the 5G/web3 business as a "social implementation" stage, and intend to expand the [TONE IN] strategy of expanding the technologies and services cultivated through [Tone Mobile] into other fields, including IoT, and to build services based on the conceptual designs of [Medical DX] and [Trusted Web Concept] in the medical and healthcare fields. And by leveraging our next-generation telecommunications (5G), including IoT, and our blockchain and advanced technologies, we will make concerted efforts to resolve various social issues in the 5G/web3 era.

Going forward, while contributing to the realization of a sustainable society, we will continue to concentrate our management resources in the mobile revolution, lifestyle revolution, and production revolution domains, which we consider to be global growth domains. As [a platform manufacturer in the 5G/web3 era], we will aim to expand our business by utilizing "exponentially growing technologies."

For the fiscal year ending April 30, 2025, the first year of the next medium-term management plan [SiLK VISION 2027], we will promote initiatives to implement the above strategies while continuing to expand earnings.

As a result of the above, for the fiscal year ending April 30, 2025, we forecast consolidated net sales of ¥54 billion, operating income of ¥5.7 billion, ordinary income of ¥5.5 billion, and net income attributable to owners of the parent of ¥3 billion.

※ The above forecasts are based on information available as of the date when this document was released. Actual results may differ from the forecasts due to various factors in the future.

2. Basic Approach to Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements between periods and between companies, our policy for the time being is to prepare consolidated financial statements in accordance with Japanese GAAP.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year As of April 30, 2023	Current consolidated fiscal year (April 30, 2024)
Assets section		
Current assets		
Cash and deposits	18,305,769	18,722,373
Notes receivable	173,106	132,810
Accounts receivable	8,192,709	8,349,738
Contract assets	29,446	23,525
Lease receivables and investment assets	394,925	926,302
Merchandise and finished goods	338,698	83,453
Work in process	251,623	195,266
Raw materials and supplies	1,248,072	1,982,762
Prepaid expenses	468,303	573,202
Accounts receivable	572,895	471,028
Others	731,764	410,840
Allowance for doubtful accounts	△66,882	△53,727
Total current assets	30,640,431	31,817,576
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	435,582	341,196
Land	177,670	162,135
Rental assets, net	265,780	1,178,585
Leased assets, net	1,101,285	815,380
Construction in progress	333,535	402,144
Other, net	161,971	138,081
Total property, plant and equipment	2,475,825	3,037,524
Intangible fixed assets		
Goodwill	37,149	2,406
Software	171,899	248,223
Software in progress	162,227	312,661
Others	17,994	21,841
Total intangible assets	389,271	585,132
Investments and other assets		
Investment securities	949,050	989,025
Long-term loans receivable	1,496,914	1,496,914
Deferred tax assets	864,239	1,099,115
Guarantee deposits	480,969	482,037
Others	365,133	407,869
Allowance for doubtful accounts	△1,735,348	△1,731,604
Total investments and other assets	2,420,958	2,743,356
Total fixed assets	5,286,055	6,366,013
Total assets	35,926,487	38,183,589

(Thousands of yen)

	Previous consolidated fiscal year As of April 30, 2023	Current consolidated fiscal year (April 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	256,361	352,019
Short-term borrowings	300,000	300,000
Current portion of bonds	300,000	-
Current portion of long-term debt	4,492,962	4,948,783
Lease obligations	741,035	557,414
Accounts payable-other	5,936,200	5,272,919
Income taxes payable	708,358	1,131,940
Contractual liabilities	579,468	461,862
Accrued bonuses	150,092	259,526
Other reserves	48,455	102,098
Others	851,012	763,303
Total current liabilities	14,363,947	14,149,868
Long-term liabilities		
Long-term debt	9,084,282	7,629,384
Lease obligations	1,073,433	708,750
Provision for directors' retirement benefits	60,527	60,527
Net defined benefit liability	57,300	66,206
Others	254,643	372,025
Total long-term liabilities	10,530,186	8,836,893
Total liabilities	24,894,134	22,986,762
Net assets		
Shareholders' equity		
Common stock	4,514,185	4,514,185
Capital surplus	1,645,027	1,496,844
Retained earnings	5,286,747	8,693,075
Treasury stock	△3,251,237	△3,240,129
Total shareholders' equity	8,194,722	11,463,975
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	54,227	174,924
Foreign currency translation adjustments	△6,500	△10,015
Total accumulated other comprehensive income	47,726	164,909
Stock purchase warrants	75,185	133,359
Stock acquisition rights	780	780
Non-controlling interests	2,713,938	3,433,802
Total net assets	11,032,352	15,196,827
Total liabilities and net assets	35,926,487	38,183,589

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	Previous consolidated fiscal year (From May 1, 2022 to April 30, 2023)	Current consolidated fiscal year (From May 1, 2023 to April 30, 2024)
Net sales	46,771,516	53,037,592
Cost of sales	33,444,223	37,651,230
Gross profit on sales	13,327,292	15,386,361
Selling, general and administrative expenses	9,319,736	9,498,658
Operating income	4,007,556	5,887,702
Non-operating income		
Interest and dividend income	742	1,459
Equity in earnings of affiliates	-	2,223
Foreign exchange gain	5,742	21,799
Gain on sales of investment securities	-	13,634
Penalty income	11,015	22,031
Others	14,458	24,043
Total non-operating income	31,959	85,191
Non-operating expenses		
Interest expenses	113,717	99,397
Equity in losses of affiliates	1,922	-
Commissions paid	137,070	18,021
Loss on devaluation of investment securities	21,649	53,044
Litigation expenses	39,207	26,465
Others	18,618	19,613
Total non-operating expenses	332,186	216,542
Ordinary income	3,707,329	5,756,351
Extraordinary income		
Gain on sales of property, plant and equipment	-	6,440
Gain on sales of investment securities	-	172,799
Gain on sales of shares of subsidiaries and associates	-	86,462
Gain on transfer of business	-	4,000
Reversal of provision for loss on indemnification of damages	21,315	-
Total extraordinary income	21,315	269,702
Extraordinary losses		
Impairment loss	36,898	141,123
Loss on sales and retirement of non-current assets	1,357	3,127
Loss on devaluation of investment securities	212,452	-
Loss on valuation of investments in subsidiaries and affiliates	-	4,216
Cost of disposal of telecommunications facilities	35,330	-
Total extraordinary losses	286,038	148,466
Income before income taxes and minority interests	3,442,606	5,877,587
Income taxes - current	1,187,318	1,570,185
Income taxes-deferred	△325,461	△285,323
Total income taxes	861,856	1,284,861
Net income	2,580,749	4,592,726
Net income attributable to non-controlling interests	788,699	1,026,716
Profit attributable to owners of parent	1,792,049	3,566,009

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous consolidated fiscal year (From May 1, 2022 to April 30, 2023)	Current consolidated fiscal year (From May 1, 2023 to April 30, 2024)
Net income	2,580,749	4,592,726
Other comprehensive income		
Valuation difference on available-for-sale securities	26,242	120,696
Foreign currency translation adjustments	△2,347	△3,514
Total other comprehensive income	23,894	117,182
Comprehensive income	2,604,644	4,709,909
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,815,519	3,683,192
Comprehensive income attributable to noncontrolling interests	789,124	1,026,716

(3) Consolidated Statements of Changes in Net Assets

Previous fiscal year (from May 1, 2022 to April 30, 2023)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	4,514,185	3,050,292	3,635,697	△4,343,431	6,856,743
Changes during the period					
Dividends from surplus			△141,000		△141,000
Profit attributable to owners of parent			1,792,049		1,792,049
Purchase of treasury stock				△74	△74
Disposal of treasury stock		397,441		1,073,158	1,470,600
Change in treasury shares of parent arising from transactions with non-controlling interests		△1,800,406			△1,800,406
Restricted stock awards		△2,299		19,109	16,809
Net changes of items other than shareholders' equity					
Total changes during the period	-	△1,405,264	1,651,049	1,092,193	1,337,978
Balance at the end of the period	4,514,185	1,645,027	5,286,747	△3,251,237	8,194,722

	Accumulated other comprehensive income			Stock purchase warrants	Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income				
Balance at the beginning of the period	27,985	△3,728	24,256	50,755	780	4,106,671	11,039,207
Changes during the period							
Dividends from surplus							△141,000
Profit attributable to owners of parent							1,792,049
Purchase of treasury stock							△74
Disposal of treasury stock							1,470,600
Change in treasury shares of parent arising from transactions with non-controlling interests							△1,800,406
Restricted stock awards							16,809
Net changes of items other than shareholders' equity	26,242	△2,772	23,469	24,430	-	△1,392,733	△1,344,833
Total changes during the period	26,242	△2,772	23,469	24,430	-	△1,392,733	△6,854
Balance at the end of the period	54,227	△6,500	47,726	75,185	780	2,713,938	11,032,352

Current fiscal year (From May 1, 2023 to April 30, 2024)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	4,514,185	1,645,027	5,286,747	△3,251,237	8,194,722
Changes during the period					
Dividends from surplus			△159,682		△159,682
Profit attributable to owners of parent			3,566,009		3,566,009
Change in treasury shares of parent arising from transactions with non-controlling interests		△151,053			△151,053
Restricted stock awards		2,870		11,108	13,978
Net changes of items other than shareholders' equity					
Total changes during the period	-	△148,182	3,406,327	11,108	3,269,253
Balance at the end of the period	4,514,185	1,496,844	8,693,075	△3,240,129	11,463,975

	Accumulated other comprehensive income			Stock purchase warrants	Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income				
Balance at the beginning of the period	54,227	△6,500	47,726	75,185	780	2,713,938	11,032,352
Changes during the period							
Dividends from surplus							△159,682
Profit attributable to owners of parent							3,566,009
Change in treasury shares of parent arising from transactions with non-controlling interests							△151,053
Restricted stock awards							13,978
Net changes of items other than shareholders' equity	120,696	△3,514	117,182	58,174	-	719,864	895,221
Total changes during the period	120,696	△3,514	117,182	58,174	-	719,864	4,164,474
Balance at the end of the period	174,924	△10,015	164,909	133,359	780	3,433,802	15,196,827

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From May 1, 2022 to April 30, 2023)	Current consolidated fiscal year (From May 1, 2023 to April 30, 2024)
Net cash provided by operating activities		
Income before income taxes and minority interests	3,442,606	5,877,587
Depreciation and amortization	890,517	753,606
Impairment loss	36,898	141,123
Amortization of goodwill	37,437	13,743
Increase (decrease) in allowance for doubtful accounts (Δ: decrease)	Δ16,843	Δ16,898
Interest and dividend income	Δ742	Δ1,459
Interest expense and interest on bonds	113,717	99,397
Foreign exchange gains (losses) (gains on Δ)	83	Δ217
Equity in earnings (Δ) of affiliates	1,922	Δ2,223
Unrealized gains (losses) on available-for-sale securities. (Gain on Δ)	234,101	53,044
Loss (Gain) on Sales of Investment Securities. (Δ)	-	Δ186,434
Loss (gain) on sales of shares of subsidiaries and associates (gain on Δ)	-	Δ86,462
Decrease (increase) in notes and accounts receivable - trade (increase in Δ)	Δ364,427	Δ116,732
Decrease (increase) in inventories (increase in Δ)	Δ208,045	Δ423,088
Increase (decrease) in other receivables (Δ increased)	Δ42,911	72,646
Decrease (Δ increased) in other current assets	430,911	Δ315,885
Increase (decrease) in accounts payable - other (decrease in Δ)	98,889	Δ653,947
Decrease (Δ) in other current liabilities	Δ84,869	59,486
Increase (decrease) in other long-term liabilities (Δ: decrease)	31,727	124,889
Others	32,481	62,886
Subtotal	4,633,458	5,455,061
Interest and dividend income received	744	2,500
Interest paid	Δ114,072	Δ100,118
Income taxes paid	Δ1,304,354	Δ1,223,299
Income taxes refund	106,425	91,830
Net cash provided by operating activities	3,322,201	4,225,973
Cash flows from investing activities		
Purchase of property, plant and equipment	Δ558,484	Δ1,116,678
Purchase of intangible assets	Δ110,614	Δ303,417
Proceeds from sales of investment securities	17,788	240,143
Proceeds from sales of shares of subsidiaries and associates	-	112,500
Others	6,687	Δ17,917
Cash flows from investing activities	Δ644,624	Δ1,085,370
Cash flows from financing activities		
Proceeds from long-term debt	5,800,000	3,800,000
Repayments of long-term debt	Δ4,185,960	Δ4,799,077
Payments for redemption of bonds	Δ200,000	Δ300,000
Proceeds from sales of treasury stock	1,470,600	-
Purchase of treasury stock	Δ74	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	Δ3,932,017	Δ390,804
Cash dividends paid	Δ140,878	Δ159,156
Repayments of lease obligations	Δ870,005	Δ802,942
Others	Δ52,378	Δ68,504
Cash flows from financing activities	Δ2,110,714	Δ2,720,485
Effect of exchange rate changes on cash and cash	Δ2,350	Δ3,513

equivalents

Net increase (decrease) in cash and cash equivalents (Δ)	564,513	416,603
Cash and cash equivalents at beginning of year	17,741,256	18,305,769
Cash and cash equivalents at end of year	18,305,769	18,722,373

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Change in scope of consolidation or equity method application)

Changes in the fiscal year, etc. of consolidated subsidiaries

During the fiscal year under review, consolidated subsidiaries GIGAPRIZE CORPORATION, GIGATEC CORPORATION, SOFT BORANCE CORPORATION, and LTM CORPORATION changed their fiscal year-end from March 31 to April 30, and are the same as the consolidated fiscal year-end.

As a result of this change in the fiscal year-end, the fiscal year under review for this consolidated subsidiary is 13 months, and the impact of the change in the fiscal year-end is adjusted through the consolidated statement of income.

The consolidated subsidiaries recorded net sales of ¥1,731,430,000, operating income of ¥398,106,000, and ordinary income and income before income taxes and minority interests of ¥395,372,000 for the period from April 1, 2023 to April 30, 2023.

(Changes in Presentation Method)

Consolidated Balance Sheets

In the past, the presentation of leased assets was included in [Buildings and structures], [Land], and [Others] (¥146,641,000, ¥118,434,000 and ¥704,000, respectively, for the previous fiscal year, respectively). However, due to the completion of a complex of LTM Co., Ltd. [LIVINGTOWN Minatomirai] and the completion of a condominium in Nerima Ward, Tokyo, a consolidated subsidiary, it was determined that the aggregate presentation of assets used in tenant management services and real estate leasing services would be an appropriate presentation of the consolidated balance sheet for the fiscal year under review. [Rental assets] are presented as 1,178,585,000 yen for the current fiscal year.

Segment Information

1. Overview of reportable segments

The reportable segments of the Group are the constituent units of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating business performance.

Our group develops comprehensive domestic and overseas strategies for the services we handle and conducts business activities. Accordingly, our group consists of segments based on services. We have three reportable segments: [5G Infrastructure Support Business], [5G Lifestyle Support Business] and [Corporate and Creator 5G DX Support Business].

[5G Infrastructure Support Business] provides business support services for ISPs, business support (MVNE) services for MVNOs, and cloud services for corporations. [5G Lifestyle Support Business] provides mobile communications-related services for individuals, Internet connection-related services for individuals, Internet connection services for multifamily homes, and company housing management agency services. [Corporate and Creator 5G DX Support Business] provides Internet marketing related services and ad technology related services.

2. Calculation method for net sales, income or loss, assets and other items by reportable segment

The method of accounting for reportable business segments is in accordance with the accounting policies used to prepare the consolidated financial statements.

Income (loss) of reportable segments is based on operating income.

Inter-segment profits or transfers are based on prevailing market prices.

3. Information on net sales, income (loss), assets and other items by reportable segment

Previous fiscal year (from May 1, 2022 to April 30, 2023)

(Thousands of yen)

	Reportable Segments			Others (N.B.) 1	Total
	5G Infrastructure Support Program	5G Lifestyle Support Business	Corporate and Creator 5G DX Support Program		
Net sales					
Sales to external customers	7,156,127	23,117,078	16,498,310	-	46,771,516
Intersegment sales or transfers	2,333,101	144,113	350,748	-	2,827,962
Total	9,489,228	23,261,191	16,849,059	-	49,599,479
Segment income (Δ)	1,378,392	2,039,485	604,414	Δ16,540	4,005,752
Segment assets	3,484,706	10,813,505	3,742,398	425,660	18,466,270

(Thousands of yen)

	Adjustments (N.B.) 2	Amount recorded in consolidated financial statements (N.B.) 3
Net sales		
Sales to external customers	-	46,771,516
Intersegment sales or transfers	Δ2,827,962	-
Total	Δ2,827,962	46,771,516
Segment income (Δ)	1,803	4,007,556
Segment assets	17,460,216	35,926,487

(N.B.) 1. [Others] is a business segment that is not included in the reportable segments and includes the startup investment development business.

2. Adjustments are as follows.

(1) Adjustments to segment income (Δ) of ¥1,803,000 include reclassifications of allowance for doubtful accounts.

(2) Adjustments to segment assets of ¥17,460,216,000 include cash and deposits of ¥18,305,769,000 and Δ of consolidation adjustments of ¥845,553,000.

3. Segment income (Δ) is reconciled to operating income in the consolidated financial statements.

Current fiscal year (From May 1, 2023 to April 30, 2024)

(Thousands of yen)

	Reportable Segments			Others (N.B.) 1	Total
	5G Infrastructure Support Program	5G Lifestyle Support Business	Corporate and Creator 5G DX Support Program		
Net sales					
Sales to external customers	7,732,335	26,489,538	18,815,717	-	53,037,592
Intersegment sales or transfers	2,199,858	122,883	462,527	-	2,785,268
Total	9,932,193	26,612,422	19,278,245	-	55,822,860
Segment income (Δ)	1,506,187	3,319,271	1,104,452	Δ20,753	5,909,158
Segment assets	4,238,523	11,767,674	3,965,921	346,721	20,318,840

(Thousands of yen)

	Adjustments (N.B.) 2	Amount recorded in consolidated financial statements (N.B.) 3
Net sales		
Sales to external customers	-	53,037,592
Intersegment sales or transfers	Δ2,785,268	-
Total	Δ2,785,268	53,037,592
Segment income (Δ)	Δ21,455	5,887,702
Segment assets	17,864,749	38,183,589

(N.B.) 1. [Others] is a business segment that is not included in the reportable segments and includes the startup investment development business.

2. Adjustments are as follows.

(1) Adjustments to segment income (Δ) of ¥21,455,000 include eliminations of intersegment transactions, etc.

(2) Adjustments to segment assets of ¥17,864,749,000 include cash and deposits of ¥18,722,373,000 and Δ of consolidation adjustments of ¥857,624,000.

3. Segment income (Δ) is reconciled to operating income in the consolidated financial statements.

(Per Share Information)

	Previous consolidated fiscal year (From May 1, 2022 to April 30, 2023)	Current consolidated fiscal year (From May 1, 2023 to April 30, 2024)
Net assets per share	412.94 Yen	582.26 Yen
Net income per share	95.07 Yen	178.58 Yen
Diluted net income per share	94.31 Yen	176.74 Yen

(N.B.) The basis for calculating net income per share and diluted net income per share is as follows.

	Previous consolidated fiscal year (From May 1, 2022 to April 30, 2023)	Current consolidated fiscal year (From May 1, 2023 to April 30, 2024)
Net income per share		
Profit attributable to owners of parent (thousand yen)	1,792,049	3,566,009
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent related to common stock (thousand yen)	1,792,049	3,566,009
Average number of shares of common stock outstanding during the period (shares)	18,849,604	19,968,319
Diluted net income per share		
Increase in common stock (shares)	151,991	207,983
(Stock acquisition rights (shares))	(2,841)	(20,283)
Subsequent grants of restricted stock awards (shares)	(149,150)	(187,700)
Summary of dilutive shares not included in the calculation of diluted net income per share because they have no dilutive effect	-	-

(Significant subsequent events)

Not applicable.