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# Quarterly trends and results

Earnings (cumulative)			FY04	FY04/23						
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of forecast	Company forecast
Revenue	10,670	21,370	31,976	43,076	11,142	22,582	34,216	46,772	101.7%	46,000
YoY	-20.5%	-24.0%	-18.6%	-17.2%	4.4%	5.7%	7.0%	8.6%		6.8%
Cost of revenue	7,433	15,001	22,369	30,666	7,902	16,019	24,214	33,444		
YoY	-20.1%	-21.9%	-17.2%	-16.1%	6.3%	6.8%	8.3%	9.1%		
Cost ratio	69.7%	70.2%	70.0%	71.2%	70.9%	70.9%	70.8%	71.5%		
Gross profit	3,237	6,370	9,607	12,410	3,240	6,563	10,002	13,327		
YoY	-21.4%	-28.6%	-21.8%	-19.7%	0.1%	3.0%	4.1%	7.4%		
Gross profit margin	30.3%	29.8%	30.0%	28.8%	29.1%	29.1%	29.2%	28.5%		
SG&A expenses	2,205	4,316	6,507	9,244	2,375	4,600	6,834	9,320		
YoY	-37.0%	-37.7%	-28.3%	-23.3%	7.7%	6.6%	5.0%	0.8%		
SG&A-to-sales ratio	20.7%	20.2%	20.3%	21.5%	21.3%	20.4%	20.0%	19.9%		
OP	1,032	2,054	3,101	3,165	865	1,962	3,168	4,008	114.5%	3,500
YoY	67.2%	3.2%	-3.2%	-7.0%	-16.2%	-4.5%	2.2%	26.6%		10.6%
ОРМ	9.7%	9.6%	9.7%	7.3%	7.8%	8.7%	9.3%	8.6%		7.6%
Recurring profit	1,016	1,999	3,024	2,879	773	1,805	2,964	3,707	114.1%	3,250
YoY	73.1%	-1.5%	-8.9%	-21.4%	-23.9%	-9.7%	-2.0%	28.8%		12.9%
Recurring profit margin	9.5%	9.4%	9.5%	6.7%	6.9%	8.0%	8.7%	7.9%		7.1%
Net income	563	1,120	1,622	828	306	844	1,657	1,792	108.6%	1,650
YoY	157.7%	-20.3%	-25.2%	-47.8%	-45.7%	-24.7%	2.1%	116.5%		99.3%
Net margin	5.3%	5.2%	5.1%	1.9%	2.7%	3.7%	4.8%	3.8%		3.6%
Quarterly		FY04/22	!			FY04	/23			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Revenue	10,670	10,701	10,606	11,100	11,142	11,440	11,635	12,555		
YoY	530.2%	-27.2%	-5.2%	-12.7%	4.4%	6.9%	9.7%	13.1%		
Cost of revenue	7,433	7,568	7,368	8,298	7,902	8,117	8,195	9,230		
YoY	-20.1%	-23.5%	-5.8%	-13.0%	6.3%	7.3%	11.2%	11.2%		
Cost ratio	69.7%	70.7%	69.5%	74.8%	70.9%	71.0%	70.4%	73.5%		
Gross profit	3,237	3,133	3,238	2,802	3,240	3,323	3,439	3,325		
YoY	732.1%	-34.8%	-3.7%	-11.5%	0.1%	6.1%	6.2%	18.7%		
Gross profit margin	30.3%	29.3%	30.5%	25.2%	29.1%	29.0%	29.6%	26.5%		
SG&A expenses	2,205	2,111	2,191	2,738	2,375	2,225	2,234	2,486		
YoY	-37.0%	-38.4%	1.9%	-7.7%	7.7%	5.4%	2.0%	-9.2%		
SG&A-to-sales ratio	20.7%	19.7%	20.7%	24.7%	21.3%	19.5%	19.2%	19.8%		
OP	1,032	1,022	1,047	65	865	1,098	1,205	840		
YoY	579.0%	-25.5%	-13.7%	-67.8%	-16.2%	7.4%	15.1%	1,201.2%		
OPM	9.7%	9.5%	9.9%	0.6%	7.8%	9.6%	10.4%	6.7%		
Recurring profit	1,016	983	1,025	-145	773	1,032	1,159	743		
YoY	73.1%	-31.8%	-20.5%	-	-23.9%	4.9%	13.1%	-		
Recurring profit margin	9.5%	9.2%	9.7%	-	6.9%	9.0%	10.0%	5.9%		
Net income	563	557	502	-795	306	538	813	135		
YoY	157.7%	-53.1%	-34.2%		-45.7%	-3.4%	61.8%	-		
Net margin	5.3%	5.2%	4.7%	_	2.7%	4.7%	7.0%	1.1%		

Source: Shared Research based on company materials

Notes: Figures may differ from company materials due to differences in rounding methods.

### Earnings trends by segment

Earnings (cumulative)		FY04/22			FY04/23				
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	
Revenue	10,670	21,370	31,976	43,076	11,142	22,582	34,216	46,772	
YoY	-20.5%	-24.0%	-18.6%	-17.2%	4.4%	5.7%	7.0%	8.6%	
5G Infrastructure Support	2,224	4,472	6,700	9,033	2,328	4,733	7,109	9,489	
YoY	-24.3%	-24.8%	-23.7%	-22.5%	4.7%	5.8%	6.1%	5.1%	
% of revenue	19.5%	19.6%	19.6%	19.6%	19.7%	19.7%	19.6%	19.1%	
5G Lifestyle Support	5,256	10,683	16,028	21,752	5,477	11,157	16,764	23,261	
YoY	2.4%	-4.0%	-2.6%	-5.3%	4.2%	4.4%	4.6%	6.9%	
% of revenue	46.2%	46.8%	46.9%	47.1%	46.2%	46.6%	46.2%	46.9%	
Enterprise/Creator 5G DX SupportDX Support	3,904	7,691	11,461	15,399	4,039	8,076	12,415	16,849	
YoY	-2.1%	-3.1%	-1.2%	-1.4%	3.5%	5.0%	8.3%	9.4%	
% of revenue	34.3%	33.7%	33.5%	33.3%	34.1%	33.7%	34.2%	34.0%	
Other	-	-	-	-	-	-	-	-	
YoY	-	-	-	-	-	-	-	-	
% of revenue	-	-	-	-	-	-	-	-	
Adjustments	-714	-1,475	-2,214	-3,108	-703	-1,383	-2,072	-2,828	
OP	1,032	2,054	3,101	3,165	865	1,962	3,168	4,008	
YoY	67.2%	3.2%	-3.2%	-7.0%	-16.2%	-4.5%	2.2%	26.6%	
OPM	9.7%	9.6%	9.7%	7.3%	7.8%	8.7%	9.3%	8.6%	
5G Infrastructure Support	295	544	957	1,134	393	733	1,161	1,378	
YoY	216.4%	156.3%	65.0%	141.3%	33.2%	34.7%	21.2%	21.6%	
OPM	13.3%	12.2%	14.3%	12.6%	16.9%	15.5%	16.3%	14.5%	
% of OP	28.6%	26.5%	30.9%	35.8%	45.6%	37.4%	36.7%	34.4%	
5G Lifestyle Support	566	1,188	1,640	1,334	377	980	1,535	2,039	
YoY	15.0%	-15.2%	-18.8%	-37.8%	-33.4%	-17.5%	-6.4%	52.9%	
OPM	10.8%	11.1%	10.2%	6.1%	6.9%	8.8%	9.2%	8.8%	
% of OP	54.9%	57.8%	52.9%	42.1%	43.7%	50.0%	48.5%	50.9%	
Enterprise/Creator 5G DX SupportDX Support	175	330	515	716	96	256	482	604	
YoY	48.1%	5.3%	-5.1%	-2.7%	-44.8%	-22.5%	-6.4%	-15.6%	
OPM	4.5%	4.3%	4.5%	4.7%	2.4%	3.2%	3.9%	3.6%	

% of OP	16.9%	16.1%	16.6%	22.6%	11.2%	13.0%	15.2%	15.1%					
	Other					-4	-8	-11	-15	-4	-8	-12	-17
				YoY		-	-	-	-	-	-	-	
				OPM		-	-	-	-	-	-	-	
				% of OP		-0.4%	-0.4%	-0.4%	-0.5%	-0.5%	-0.4%	-0.4%	-0.4%
	Adjustments					-0	-0	0	-3	2	1	2	2
strategic investments					105	223	507	1,669	241	476	722	1,284	
	5G Infrastructu	re Support				20	46	132	282	60	132	210	300
	5G Lifestyle St	upport				83	165	353	1,245	150	273	416	769
	Enterprise/Cre	ator 5G DX S	SupportDX Su	ipport		2	12	22	142	30	70	95	213
Quarterly							FY04/	22		FY04/23			
(JPYmn)						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue						10,670	10,701	10,606	11,100	11,142	11,440	11,635	12,555
				YoY		-20.5%	-27.2%	-5.2%	-12.7%	4.4%	6.9%	9.7%	13.1%
	5G Infrastructu	re Support				2,224	2,248	2,229	2,333	2,328	2,404	2,376	2,380
				YoY		-24.3%	-25.2%	-21.5%	-18.7%	4.7%	7.0%	6.6%	2.0%
				% of rev	enue	19.5%	19.6%	19.6%	19.4%	19.7%	19.8%	19.3%	17.9%
	5G Lifestyle St	upport				5,256	5,427	5,346	5,724	5,477	5,679	5,607	6,497
				YoY		2.4%	-9.4%	0.3%	-12.2%	4.2%	4.7%	4.9%	13.5%
				% of rev	enue	46.2%	47.3%	47.1%	47.7%	46.2%	46.9%	45.5%	48.8%
	Enterprise/Cre	ator 5G DX S	SupportDX Su	pport		3,904	3,787	3,770	3,937	4,039	4,037	4,339	4,434
				YoY		-2.1%	-4.2%	3.1%	-1.9%	3.5%	6.6%	15.1%	12.6%
				% of rev	enue	34.3%	33.0%	33.2%	32.8%	34.1%	33.3%	35.2%	33.3%
	Other					-	-	-	-	-	-	-	-
				YoY		-	-	-	-	-	-	-	
				% of rev	enue	-	-	-	-	-	-	-	
	Adjustments					-714	-761	-739	-894	-703	-681	-688	-756
OP						1,032	1,022	1,047	65	865	1,098	1,205	840
				YoY		67.2%	-25.5%	-13.7%	-67.8%	-16.2%	7.4%	15.1%	1,201.2%
				OPM		9.7%	9.5%	9.9%	0.6%	7.8%	9.6%	10.4%	6.7%
	5G Infrastructu	ire Support				295	249	413	176	393	340	427	218
				YoY		216.4%	109.2%	12.2%	-	33.2%	36.5%	3.4%	23.4%
				OPM		13.3%	11.1%	18.5%	7.6%	16.9%	14.2%	18.0%	9.1%
				% of OP		28.6%	24.4%	39.5%	260.6%	45.6%	31.0%	35.5%	25.9%
	5G Lifestyle St	upport				566	621	453	-307	377	603	555	504
				YoY		15.0%	-31.6%	-27.0%	-	-33.4%	-2.9%	22.7%	
				OPM		10.8%	11.4%	8.5%	-5.4%	6.9%	10.6%	9.9%	7.8%
				% of OP		54.9%	60.8%	43.2%	-452.9%	43.7%	54.9%	46.1%	60.0%
	Enterprise/Cre	ator 5G DX S	SupportDX Su	pport		175	155	185	202	96	159	226	123
				YoY		48.1%	-20.5%	-19.3%	3.8%	-44.8%	2.5%	22.5%	-39.2%
				OPM		4.5%	4.1%	4.9%	5.1%	2.4%	3.9%	5.2%	2.8%
				% of OP		16.9%	15.2%	17.6%	297.9%	11.2%	14.5%	18.8%	14.6%
	Other					-4	-4	-4	-4	-4	-4	-4	-5
				YoY		-	-	-	-	-	-	-	
				OPM		-	-	-	-	-	-	-	
				% of OP		-0.4%	-0.4%	-0.3%	-5.6%	-0.5%	-0.3%	-0.3%	-0.6%
	Adjustments					-0	-0	0	-3	2	-1	1	0
strategic inv	estments					105	118	284	1,162	241	235	246	562
	5G Infrastructu					20	26	86	150	60	72	78	90
	5G Lifestyle St	• • • • • • • • • • • • • • • • • • • •				83	82	188	892	150	123	143	353
	Enterprise/Cre	ator 5G DX S	SupportDX Su	ipport		2	10	10	120	30	40	25	118

Source: Shared Research based on company materials

Notes: Figures may differ from company materials due to differences in rounding methods.

## Full-year FY04/23 results

• Revenue: JPY46.8bn (+8.6% YoY)

• Operating profit: JPY4.0bn (+26.6% YoY)

• Recurring profit: JPY3.7bn (+28.8% YoY)

• Net income attributable to owners of the parent: JPY1.8bn (+116.5% YoY)

Revenue, operating profit, recurring profit, and net income attributable to owners of the parent all exceeded the company's FY04/23 full-year forecast, reaching 101.7%, 114.5%, 114.1%, and 108.6%, respectively.

### **5G Infrastructure Support**

• Revenue: JPY9.5bn (+5.1% YoY)

Operating profit: JPY1.4bn (+21.6% YoY)

In FY04/23, the segment posted an increase in revenue and profit. In fixed-line operations, network costs remained high because of an increase in the use of rich content such as videos and games, an increase in the use of social-networking sites, and ongoing expansion in the use of various internet-based services as teleworking became common. As for mobile operations, the company expects further growth in the overall market, although low-cost plans and sub-brands offered by major mobile carriers may affect the growth of independent MVNOs. The company, as an MVNE group, expanded support for MVNOs while holding down expenses associated with ISP support.

### **5G Lifestyle Support**

• Revenue: JPY23.3bn (+6.9% YoY)



Operating profit: [PY2.0bn (+52.9% YoY)

In FY04/23, the segment posted an increase in revenue and profit. In the 5G Homestyle business (internet services for housing complexes), progress was made in the installation of broadband networks designed to increase the asset value of buildings and improve occupancy rates. In the 5G Lifestyle business (mobile communication and internet-related services for individuals), the company launched proprietary services such as Tone Family, in addition to providing its own smartphone handsets, as part of the Tone Mobile smartphone business. The company also implemented a marketing strategy centered on affiliate advertising as it sought to increase subscriptions through NTT Docomo stores, and invested resources in field marketing to strengthen sales promotion at each store.

#### **Enterprise/Creator 5G DX Support**

• Revenue: JPY16.8bn (+9.4% YoY)

Operating profit: [PY604mn (-15.6% YoY)

In FY04/23, the segment posted a revenue increase and a profit decline. The company saw a gradual recovery in demand for the internet marketing and ad technology services offered by Full Speed from the pandemic-induced stagnation. However, the market did not return to the pre-pandemic level. In this environment, the company pursued DX in the area of internet marketing by leveraging its expertise in online marketing. The company also expanded support for the creator economy through StandAlone, a platform for creators, and strengthened non-fungible token (NFT) issuance support, to ensure medium-term growth.

## Full-year company forecast

### FY04/24 company forecast

		FY04/22			FY04/24		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	FY Est.
Revenue	21,370	21,705	43,076	22,582	24,190	46,772	50,000
YoY	-24.0%	-9.2%	-17.2%	5.7%	11.4%	8.6%	6.9%
OP	2,054	1,111	3,165	1,962	2,045	4,008	5,000
YoY	3.2%	-21.4%	-7.0%	-4.5%	84.0%	26.6%	24.8%
OPM	9.6%	5.1%	7.3%	8.7%	8.5%	8.6%	10.0%
Recurring profit	1,999	880	2,879	1,805	1,902	3,707	4,500
YoY	-1.5%	-46.1%	-21.4%	-9.7%	116.2%	28.8%	21.4%
Recurring profit margin	9.4%	4.1%	6.7%	8.0%	7.9%	7.9%	9.0%
Net income	1,120	-292	828	844	948	1,792	2,500
YoY	-20.3%	-	-47.8%	-24.7%	-	116.5%	39.5%
Net margin	5.2%	-	1.9%	3.7%	3.9%	3.8%	5.0%

Source: Shared Research based on company materials

Notes: Figures may differ from company materials due to differences in rounding methods.

### Initial company forecast (out June 9, 2023)

• Revenue: JPY50.0bn (+6.9% YoY)

Operating profit: JPY5.0bn (+24.8% YoY)
Recurring profit: JPY4.5bn (+21.4% YoY)

Net income attributable to owners of the parent: JPY2.5bn (+39.5% YoY)

For FY04/24, the company forecasts revenue of JPY50.0bn (+6.9% YoY), operating profit of JPY5.0bn (+24.8% YoY), recurring profit of JPY4.5bn (+21.4% YoY), and net income attributable to owners of the parent of JPY2.5bn (+39.5% YoY). The company expects the same revenue and operating profit as those targeted in the SiLK VISION 2024 medium-term management plan. The company will make strategic investments to expand the domains of mobile transformation, lifestyle transformation, and production transformation, and deploy management resources in DX and other new fields. The company will pursue a comprehensive and well-balanced business strategy as it enters the final year of SiLK VISION 2024.

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### Contact Details

Company name

Shared Research Inc.

Address

2-6-10 Kanda-Sarugakucho Chiyoda-ku Tokyo, Japan

Website

https://sharedresearch.jp

Phone

+81 (0)3 5834-8787

Email

info@sharedresearch.jp

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