

FreeBit Co., Ltd.

3843

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■ Summary

In FY4/22 1Q, captured the increase in demand due to COVID-19, while the 5G InfraTech Business performed well.

From the 2Q, will actively conduct investment to progress the development of services.

In the new medium-term plan SiLK VISION 2024, expectations are rising for a new growth vision

FreeBit Co., Ltd. <3843> (hereafter, also “the Company”) provides a variety of Internet-related services mainly to corporations, including infrastructure for Internet service providers (ISPs), support for entering the MVNO*¹ business as a Mobile Virtual Network Enabler (MVNE), cloud infrastructure, particularly virtual data centers (VDCs)*², and consulting and solutions for Internet services. It also works through Group companies to supply ISP services, MVNO services, web marketing services to individuals, Internet-related services to collective housing (condominiums), and other services. Following the start of the new medium-term management plan (hereafter, the new medium-term plan) SiLK VISION 2024, the business segments are now comprised of the 5G InfraTech Business, the 5G Lifestyles Support Business, and the Companies and Creators 5G DX Support Business.

*¹ MVNO is the abbreviation of Mobile Virtual Network Operator. It is a virtual mobile communications business that involves conducting an independent communication business by piggybacking on the wireless communications infrastructure of other communication businesses, such as NTT DOCOMO, INC., KDDI CORPORATION <9433>, and SoftBank Corp. <9434>.

*² A mechanism or service for virtually building the functions of a data center so they can be used over the Internet.

1. FY4/22 1Q result trends

In the FY4/22 1Q results, net sales were ¥10,669mn, operating income was ¥1,032mn, ordinary income was ¥1,015mn, and profit attributable to owners of parent was ¥563mn. From the current period, the Company has adopted the Accounting Standard for Revenue Recognition, so simple comparisons with results in the same period in the previous fiscal year are not possible. There were also the elements of “Businesses made off-balance in the previous period,” “Strategic investment conducted in the previous period,” and the “Change to the fiscal period of the subsidiary DREAM TRAIN INTERNET (DTI) INC.,” so the Company published results comparisons using “corrected values” that reflected these elements. Although these values have not been audited, on comparing them to the results in the same period in the previous year, net sales increased 5.5%, operating income rose 29.5%, ordinary income grew 30.0%, and profit attributable to owners of parent increased 56.1%. Internet services for condominiums, which are provided in the 5G Lifestyles Support Business, performed steadily, while through capturing demand mainly generated by the novel coronavirus pandemic (hereafter, COVID-19), the 5G InfraTech Business succeeded in increasing the bandwidth of MVNE and improving the profit margin. Conditions are favorable for the Company, mainly due to COVID-19, and in this situation, it is utilizing its highly appealing products and services to develop markets and also to improve profits. At FISCO, we positively evaluate these points as confirming the height of the Company’s profitability.

Summary

2. FY4/22 outlook

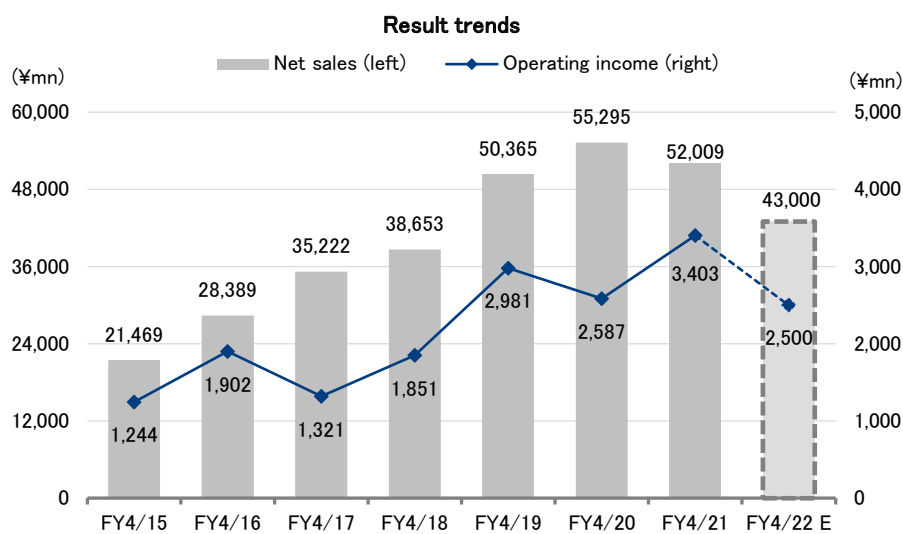
For the FY4/22 consolidated results, the Company is forecasting net sales of ¥43,000mn, operating income of ¥2,500mn, ordinary income of ¥2,350mn, and profit attributable to owners of parent of ¥600mn. At the end of the 1Q, the progress rates toward achieving each of these forecasts were at high levels, of 24.8% for net sales, 41.3% for operating income, 43.2% for ordinary income, and 93.9% for profit attributable to owners of parent. However, the Company plans to conduct investment concentrated in the period from the second half of the 2Q to the 3Q, so at the current time, we think it is premature to expect these results forecasts to be upwardly revised. As well as conducting investment, the Company is accelerating efforts for various business incubation projects that will utilize the resources of all the companies in the Group. In addition, toward achieving the targets in the new medium-term plan SiLK VISION 2024, it is further recruiting DX human resources, developing basic technologies, and actively developing new services.

3. Medium- to long-term growth strategy

SiLK VISION 2024 is the first phase of the FreeBit Group's 10-year plan, and as a Platformer Maker in the 5G era, it is aiming to expand its businesses through "technologies that grow exponentially." While contributing to the realization of a sustainable society, the FreeBit Group is developing its businesses by focusing on the fields of mobile revolution, lifestyle revolution, and production revolution, which are considered to be growth fields globally, and concentrating its management resources into them toward achieving the targets for FY4/24 of net sales of ¥50bn and operating income of ¥5bn.

Key Points

- In FY4/22 1Q, demand grew against the backdrop of COVID-19, while the 5G InfraTech Business performed well
- For the FY4/22 full year, plans to develop technologies and accelerate incubation
- In SiLK VISION 2024, has disclosed new growth information, centered on the production revolution field and other fields



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

■ Company profile

A company developing businesses to provide internet infrastructure by utilizing its strength in technologies in anticipation of the 5G world

1. Company profile

The Company provides a variety of Internet-related services mainly to corporations, including infrastructure for ISPs, support for entering the MVNO business as an MVNE, providing cloud infrastructure, particularly VDCs, and consulting and solutions for Internet services. It also works through Group companies to supply ISP services, MVNO services, web marketing services to individuals, as well as Internet-related services to collective housing (condominiums), and other services. The Group has many companies, including GIGA PRIZE CO., LTD. <3830>, Full Speed Inc.<2159>, DREAM TRAIN INTERNET INC.

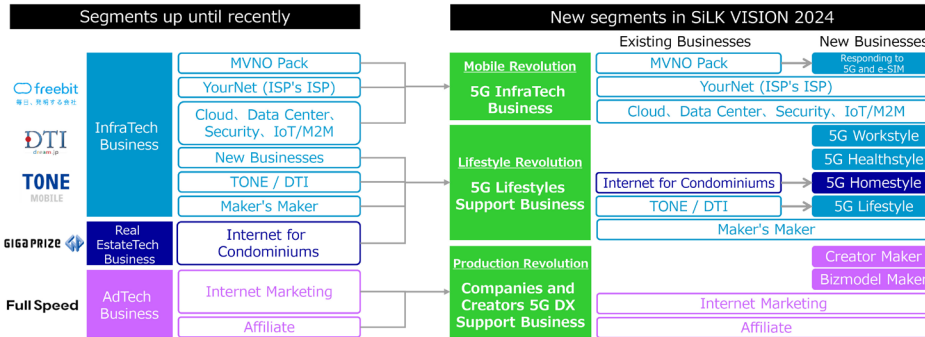
The Company was founded in Shibuya Ward, Tokyo, in 2000 (its predecessor was FreeBit.com Co. Ltd.). Its business grew mainly for services for ISPs and it was listed on the Mothers market of the Tokyo Stock Exchange in 2007. Using the opportunity of its listing, it accelerated the expansion of its business areas through M&A. It made a consolidated subsidiary of DREAM TRAIN INTERNET INC., an ISP for individuals, in that same year and of GIGA PRIZE CO., LTD. in 2009. In 2010, alongside making a consolidated subsidiary of Full Speed, which is an Internet advertising agency, the Company also made consolidated subsidiaries of For it Inc., which conducts an affiliate advertising business, and BEKKOAME INTERNET. INC., which conducts an IT platform business. In this way, it is expanding its business areas based on its corporate philosophy of “Being the NET frontier! Expand the Internet and contribute to society.” In 2011, it entered the MVNE/MVNO business and also accelerated growth in the Mobile Business field. It has contributed to the development of the MVNO business in Japan. In 2016, the Company’s listing was upgraded to the TSE 1st Section, and after acquiring a foothold through M&A, it entered the HealthTech Business. In 2018, it made a wholly owned subsidiary of ALC PRESS INC., which provides language educational services, and entered the EdTech Business. In July 2019, it concluded a comprehensive tie-up with ALPS ALPINE CO., LTD. <6770>, targeting the “seamless driving experience.” In May 2020, the Company’s founder, Mr. Atsuki Ishida, returned as the representative director and it embarked on structural reforms. In reforms that involved moving businesses off the balance sheet, it subsequently eliminated FreeBit EPARK Health Care, Inc. (currently, Kusurinomadoguchi, Inc.), For Members Co., Ltd., and ALC PRESS INC. from consolidated scope.

2. Segment descriptions

Up to the previous period, the Company’s business segments were the InfraTech Business, the Real EstateTech Business, and the AdTech Business. But following the start of the new medium-term plan SILK VISION 2024, which is described in detail below, it has changed the business segments to the 5G InfraTech Business, the 5G Lifestyles Support Business, and the Companies and Creators 5G DX Support Business.

Company profile

Details of the change of segments



Source: Prepared by FISCO from the Company's results briefing materials

1) 5G InfraTech Business

The 5G InfraTech Business is responsible for the “mobile revolution” field that the Company is progressing. “Mobile revolution” is a field of supplying the infrastructure that forms the foundation for increasing the efficiency of people’s lives and providing knowledge on the production revolution in order to solve various social problems, such as environmental problems, the aging society, and low economic growth, and to realize a sustainable society.

The 5G InfraTech Business uses 5G and e-SIM (converting SIM to software), AI, and blockchain to create conditions of stability and inexpensive prices not only for “people,” but also for enormous “things” to provide a platform to support the creation of markets for “experiences (consumption)” that will connect to them in the future.

In terms of the market potential in the future, it seems that huge markets will be created, with the 5G-related market for industries in Japan set to be worth ¥210.6bn, the IoT market ¥10.3tn, and even if just limited to MaaS, ¥2.9tn. The Company will approach these huge markets from the unique angle of DOA (Distributed Autonomous Organization), which is different angle to that of the enormous platformers that are experiencing various problems.

2) 5G Lifestyles Support Business

The 5G Lifestyles Support Business is responsible for the “lifestyle revolution” field that the Company is progressing. In a situation of the changes to people’s ways of working, learning and living in order to transition to a sustainable society, lifestyle revolution is a field to solve social problems for this and to create a new society and value.

The 5G Lifestyles Support Business utilizes the platform created by the 5G InfraTech Business to construct and provide business platforms that support the creation of various “experience” markets that are unique to the 5G era, such as “safe and secure lifestyles” “health,” “ways of working,” and “housing.”

In terms of the market potential in the future, due to the impact of COVID-19, people’s needs have fallen to “safety needs” within Maslow’s hierarchy of needs. But alongside the spread of vaccines in the future, their needs will be elevated to a higher level (the consumption of experiences). In this situation, the Company considers that the acceleration of the spread of 5G to IT in people’s lives will contribute to the creation of markets on the higher level of progressing from things to services to experiences.

3) Companies and Creators 5G DX Support Business

The Companies and Creators 5G DX Support Business is responsible for the “production revolution” field that the Company is progressing. Production revolution is a field in which, in order to solve social problems, the “structurization of knowledge” is carried out to mobilize the appropriate knowledge from within the vast body of knowledge, and through this, innovation is created through “knowledge on the production revolution.”

The Companies and Creators 5G DX Support Business uses the Group’s proprietary DX methods to support building a platform that will make possible as far as “(market creation) → value creation → verification → market launches → maintaining relations with customers” for product manufacturing in the 5G era. This will be done alongside not only companies, but also creators and influencers who will be at the center of product manufacturing in the future.

In terms of the market potential in the future, currently in marketing creators and influencers do not simply recommend products and services, but rather they propose the person that you can become as a result of using them. In this situation, the market to satisfy the “need for self-actualization (the consumption of experiences)” is expected to grow.

Results trends

Is both increasing profits through capturing demand due to COVID-19 and investing in services toward long-term growth

1. Summary of the FY4/22 1Q results

In the FY4/22 1Q results, net sales were ¥10,669mn, operating income was ¥1,032mn, ordinary income was ¥1,015mn, and profit attributable to owners of parent was ¥563mn. From FY4/22, the Company has adopted the Accounting Standard for Revenue Recognition. There were also the elements of “Businesses made off-balance in the previous period,” “Strategic investment conducted in the previous period,” and the “Change to the fiscal period of the subsidiary DTI,” so the Company published results comparisons using “corrected values” that reflected these elements. Although these values have not been audited, on comparing them to the results in the same period in the previous year, net sales increased 5.5%, operating income rose 29.5%, ordinary income grew 30.0%, and profit attributable to owners of parent increased 56.1%.

Summary of the FY4/22 1Q consolidated results

	FY4/21 1Q		FY4/22 1Q		Change compared to the same period in the previous year
	Result	Ratio to sales	Result	Ratio to sales	
Net sales	13,417	-	10,669	-	-2,747
Cost of sales	9,299	69.3%	7,433	69.7%	-1,866
Gross profit	4,117	30.7%	3,236	30.3%	-880
SG&A expenses	3,500	26.1%	2,204	20.7%	-1,295
Operating income	617	4.6%	1,032	9.7%	414
Ordinary income	586	4.4%	1,015	9.5%	429
Profit attributable to owners of parent	218	1.6%	563	5.3%	344

Source: Prepared by FISCO from the Company’s financial result

Results trends

Internet services for condominiums, which are provided in the 5G Lifestyles Support Business, performed steadily. Also, through capturing demand mainly generated by COVID-19, the 5G InfraTech Business succeeded in increasing the bandwidth of MVNE and improving the profit margin. Conditions are favorable for the Company, mainly due to COVID-19, and in this situation, it is utilizing its highly appealing products and services to develop markets and also to improve profits. At FISCO, we positively evaluate these points as confirming the height of the Company's profitability.

2. 5G InfraTech Business

The 5G InfraTech Business provides business support services for ISPs, services to support the launch of an MVNO business, and services to support business corporations' installations of technologies, such as the Cloud and IoT. It is also building next-generation networks and data centers and developing new services that utilize 5G and e-SIM.

In the 1Q, alongside the spread of teleworking and home learning due to COVID-19, usage rose of rich contents and SNS, including online classes and meetings, online video streaming, and games, so the usage of many services that are used via the Internet continued to increase. Also, the business to support telecommunication carriers grew, including that the all-you-can-use MVNE voice phone call service is being well received. In addition, the business to support ISPs performed steadily, while services for general corporations, including cloud-related services to support Internet-related businesses, also performed strongly.

Net sales were ¥2,223mn, declining 24.3% compared to the same period in the previous year and declining 1.1% compared to the corrected value. This was because following the adoption of the Accounting Standard for Revenue Recognition, one part of sales of bandwidth wholesales were recorded as the net amount, and also due to the change of plan for the voice phone service. Conversely, segment profit grew steadily, increasing 216.4% compared to the same period in the previous year and 217.5% compared to the corrected value, including from the contributions of the increase in mobile-use bandwidth and the cost improvements for the fixed-line network.

Trends in the 5G InfraTech Business

Net sales and segment profit/loss

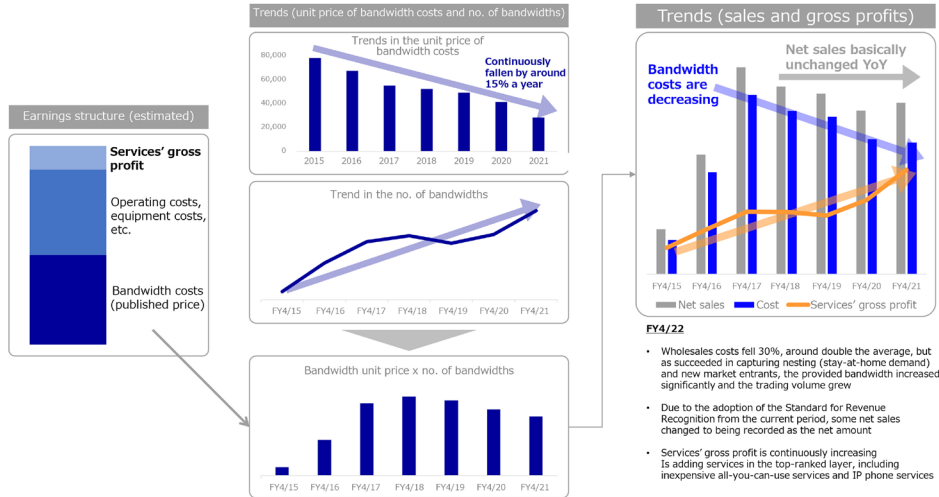


Source: Prepared by FISCO from the Company's results briefing materials

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Results trends

Business structure of the 5G Infrastructure and Mobile Business



Source: Prepared by FISCO from the Company's results briefing materials

3. 5G Lifestyles Support Business

The 5G Lifestyles Support Business provides mobile communications services mainly targeting individuals, such as for smartphones, and fixed-line Internet-related services. It also provides 5G Homestyle (an Internet service for condominiums).

In the market for fixed-line network services in 1Q, network costs increased due to the rise in the use of rich contents, such as online video streaming and games; the increase in communication traffic, including due to the growth in the use of cloud services; and the spread of products that are accessed highly frequently, like SNS and subscription-type Internet services. However, for 5G Homestyle, which is one of the Company's main services, progress was made for installations with the aims of improving asset value and the occupancy rate through the provision of a high-speed broadband environment. In addition, usage increased of teleworking, online classes, video content streaming, and other aspects, which once again confirmed the importance of a stable Internet environment, so services grew.

Also, in the real estate industry as a whole, interest is strong in real estate tech that utilizes technologies like AI and IoT, and demand is increasing for new services, such as the use of various IoT devices to realize smart cities that resolve regional issues and that create new value with safety and security in people's daily lives, and to realize smart homes that accommodate diversified lifestyles. Real-estate-related demand continues to contribute to the Company's earnings growth, while it has also changed the organizational structure toward providing services that are in line with the new medium-term plan. At FISCO, we expect that these organizational reforms will be a major factor behind the Company's results growth in the future, both in terms of demand and supply.

Steady progress was also made for 5G Lifestyle (Internet-related services for individuals and mobile communication services). In particular, for TONE MOBILE, an inexpensive smartphone mobile communication service, the sales network was strengthened through increasing the number of KITAMURA stores that handle it. Also, the functions of TONE CAMERA (for the iPhone), which uses AI to prevent damage to self-portraits, was recognized for the first time as a function recommended by the Tokyo Metropolitan Ordinance Regarding the Healthy Development of Youths, and in such ways, the appeal of the Group's services is improving.

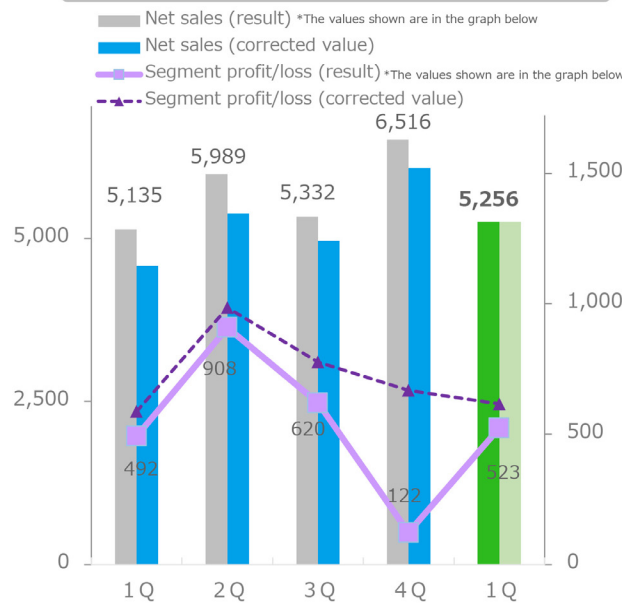
Results trends

In 5G Homestyle as well, SPES, which is a service that makes possible Internet usage in a short period of time without construction work even in existing buildings, the Company started a new initiative, of a PWINS consolidated-type Wi-Fi access point that utilizes a technological innovation to comply with Wi-Fi standards.

As a result, net sales were ¥5,256mn, increasing 2.4% compared to the same period in the previous year and 14.7% compared to the corrected value. Segment profit increased 6.3% compared to the same period, but it declined 10.8% compared to the corrected value, mainly due to the impact of investment in new businesses.

Progress made in the 5G Lifestyles Support Business

Net sales and segment profit/loss



Source: Prepared by FISCO from the Company's results briefing materials

4. Companies and Creators 5G DX Support Business

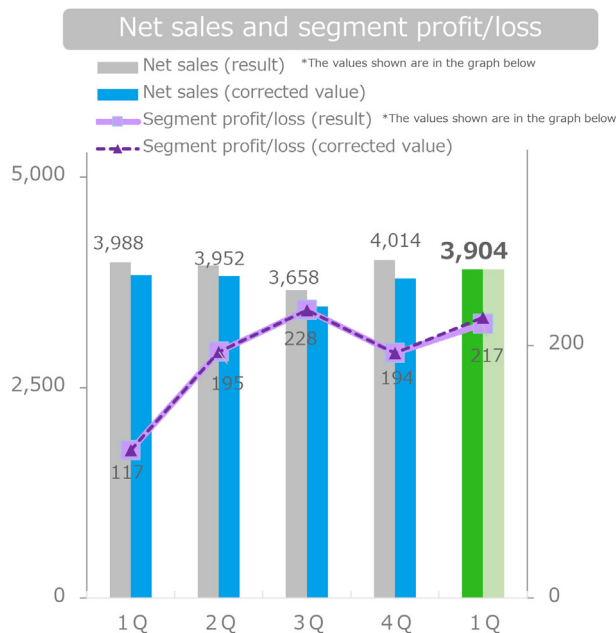
The Companies and Creators 5G DX Support Business is progressing the internet marketing and ad technology-related businesses. It is also providing Creator Maker, which is a platform on which creators and influencers, such as YouTubers, can disseminate their own work, and Bizmodel Maker, which is a framework through which companies launching a new business can provide services via their own platform.

In the 1Q, demand recovered for internet marketing and ad technology services. In this environment, the Company focused on growing ad technology-related services in its existing businesses, while it also progressed the provision of DSP advertising, which is an internet marketing-related service, and internet advertising services centered on products for the video advertising market. Also, as an initiative for a new business for which growth is expected in the medium term, it released BitStar Network, an influencer DX service that it developed jointly with BitStar, Inc. The online advertising market is trending upward, and in this situation the Company is increasing its lineup of new services tailored to social trends. Due to such reasons, at FISCO we think that its growth potential in the future continues to be excellent.

Results trends

Net sales were ¥3,904mn, declining 2.1% compared to the same period in the previous year, mainly because following the adoption of the Accounting Standard for Revenue Recognition, some sales were recorded as the net amount. However, net sales increased 1.8% compared to the corrected value. Segment profit was ¥217mn, increasing 84.6% compared to both the same period in the previous year and the corrected value, including due to the steady performance of the existing businesses and the contribution of cost improvements.

Companies and Creators 5G DX Support Business



Source: Prepared by FISCO from the Company's results briefing materials

5. Financial position

At the end of the 1Q, total assets were ¥33,687mn, down ¥1,148mn on the end of the previous fiscal year. This was mainly due to the decreases of cash and deposits of ¥139mn, raw materials and storage products of ¥219mn, advance payments included in other current assets of ¥232mn, deposits included in other current assets of ¥299mn, and property, plant and equipment of ¥113mn. The main reason for the increases in notes and accounts receivable - trade, and contract assets, and the decrease in accounts receivable – other included in other current assets, was the rearrangement of items, which was primarily due to the adoption of the Accounting Standard for Revenue Recognition.

Liabilities were ¥20,889mn, down ¥1,798 on the end of the previous fiscal year. This was mainly due to decreases of notes and accounts payable – trade of ¥332mn, current portion of long-term loans payable of ¥190mn, income taxes payable of ¥652mn, provisions of ¥196mn, and long-term loans payable of ¥322mn.

Net assets increased ¥649mn on the end of the previous fiscal year to ¥12,797mn, mainly due to the increase in retained earnings. As a result, the equity ratio was 27.4%. On considering the point that earnings can be expected to steadily accumulate in the future, at FISCO we think that there is little reason to be concerned about the Company's financial stability.

■ Outlook

Made excellent progress in FY4/22 1Q and will actively invest from the 2Q onwards.

Ultimately, is focusing on medium- to long-term earnings growth

● Outlook for FY4/22

For the FY4/22 consolidated results, the Company is forecasting net sales of ¥43,000mn, operating income of ¥2,500mn, ordinary income of ¥2,350mn, and profit attributable to owners of parent of ¥600mn. At the end of the 1Q, the progress rates toward achieving each of these forecasts were at high levels, of 24.8% for net sales, 41.3% for operating income, 43.2% for ordinary income, and 93.9% for profit attributable to owners of parent. However, the Company plans to conduct investment concentrated in the period from the second half of the 2Q to the 3Q, so at the current time, we think it is premature to expect these results forecasts to be upwardly revised.

As well as conducting investment, the Company is accelerating efforts for various business incubation projects that will utilize the resources of all the companies in the Group. In addition, toward achieving the targets in the new medium-term plan SiLK VISION 2024, it is further recruiting DX human resources, developing basic technologies, and actively developing new services.

The initiatives being progressed by the Group for each segment are described below.

1) 5G InfraTech Business

It is strengthening the structure to provide services that capture the demand being generated by COVID-19, launching an optimization project for a next-generation network infrastructure system and data center, and starting various adjustments, such as for MNO toward the fully fledged provision of 5G.

2) 5G Lifestyles Support Business

In 5G Lifestyle (DTI), it is implementing effective measures to expand the customer base; in 5G Homestyle (the GIGA PRIZE Group), the entire Group is conducting initiatives to improve competitiveness; and in 5G Workstyle services, it is starting marketing measures an anticipation of actual market launches.

3) Companies and Creators 5G DX Support Business

It is flexibly adjusting the sales targets while ascertaining the impact of COVID-19, starting to develop new services in the internet marketing-related business, and launching a demonstration experiment for the actual market launch of StandAlone, a platform for creators and influencers.

■ Medium- to long-term growth strategy

To prepare to be a platformer in the 5G era, is actively investing in three revolution fields.

Targeting operating income of ¥5bn in FY4/24

1. SiLK VISION 2024, the new medium-term management plan

SiLK VISION 2024 is the first phase of the FreeBit Group's 10-year plan, and as a Platformer Maker in the 5G era, it is aiming to expand its businesses through "technologies that grow exponentially." While contributing to the realization of a sustainable society, the FreeBit Group is developing its businesses by focusing on the fields of mobile revolution, lifestyle revolution, and production revolution, which are considered to be growth fields globally, and concentrating its management resources into them toward achieving the targets for FY4/24 of net sales of ¥50bn and operating income of ¥5bn.

2. Mobile revolution

In the mobile revolution field, the Company is starting to provide specific services in the 5G InfraTech Business, targeting the 5G- and IoT-related markets. It is widening its business scope, such as providing a business support service for ISPs, a service to support the launch of an MVNO business, a service to support business corporations' installations of technologies such as the Cloud and IoT, and new services that utilize 5G and e-SIM.

Currently, the inexpensive all-you-can-use service and the proprietary technology IP phone service are being well received, and the number of OEM for the freebit MVNO Pack is steadily increasing. Based on the Group's track record of activities in the inexpensive smartphone industry up to the present time, its highly unique technologies, and its market shares that are currently growing, at FISCO we think that this field will contribute greatly to earnings in the future, alongside aspects such as enhancements of services and improvements of functions.

3. Lifestyle revolution

Lifestyle revolution is a field that targets a higher level of needs, of "people and products leading to experiences," while also securing the safety, stability, and sustainability of the 5G era. The Company is providing specific services for it in the 5G Lifestyles Support Business. In the former segments, the InfraTech Business was based on TONE MOBILE, while the Real EstateTech Business was based on internet services for condominiums, but it plans to develop them to be new businesses, of 5G Workstyle, 5G Healthstyle, 5G Homestyle, and 5G Lifestyle.

For 5G Workstyle, an initiative for the new office, SiLK Alignment (SA), is currently being progressed within the Company. This is a type of office equipped with measures to prevent COVID-19 infections, including the automated allocation of seats and decisions on workplace attendance based on the SaveYou dedicated AI, remote environment attendance management, management of the COVID-19 vaccination schedule, and distance management using beacons. The initiative has already contributed to a 25% reduction of office rent for the Company and it is expected to achieve a 50% reduction during the current period. Based on this achievement, the Company is moving forward on testing the product ahead of commercialization, and FISCO believes this provides grounds to expect earnings to increase in the future. In addition, it is also progressing the commercialization of a USB-type office service that can realize a safe and secure remote working environment simply by inserting a USB device into a computer.

Medium- to long-term growth strategy

In addition, for 5G Homestyle, the Company is developing new services centered on the existing SPES. As the policy for the future, the service for which it has targeted “households” up to the present time will be converted to a service targeting individuals, while it is also thought it will create packages of various services.

4. Production revolution

Production revolution is field targeting the product manufacturing market in the 5G era in which not only companies, but also creators and influencers freely create various types of value. The Company is providing specific services for it in the Companies and Creators 5G DX Support Business that are based on the internet marketing and affiliate services that were previously provided in the AdTech Business.

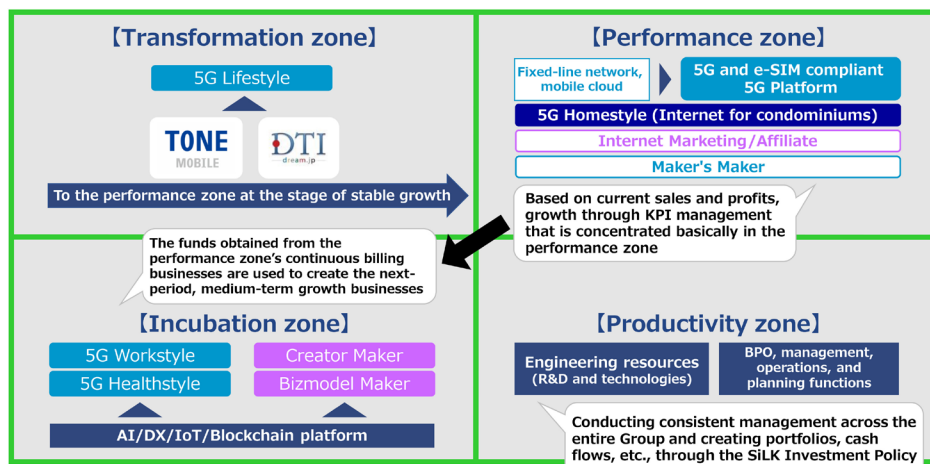
Currently, the Company is working toward the fully fledged provision of freebit StandAlone, which provides a proprietary smartphone platform environment for artists that does not depend at all on existing platformers. It is presently developing it in advance for some artists, and it is acquiring an excellent reputation as a platform that can be flexibly arranged, centered on influencers. Moreover, it is equipped with functions not only for online events, but also for real events, such as live performances. On inputting a person’s body temperature and physical condition, the AI determines whether or not that person can enter the venue, so it is a service tailored to the current societal environment for both the online and real-world aspects.

Starting with freebit StandAlone, the Company plans to progress developments in the production revolution field. At FISCO, we think that significant growth can be expected in the future from this field, such as from the combination of the Company’s foresight and its service planning and technological capabilities.

5. Zone management

The Company is working on zone management in its business portfolio management. This is an initiative to divide aspects such as businesses, resources, and functions within companies into four zones with different qualities, and thereby aim to conduct efficient management and operations.

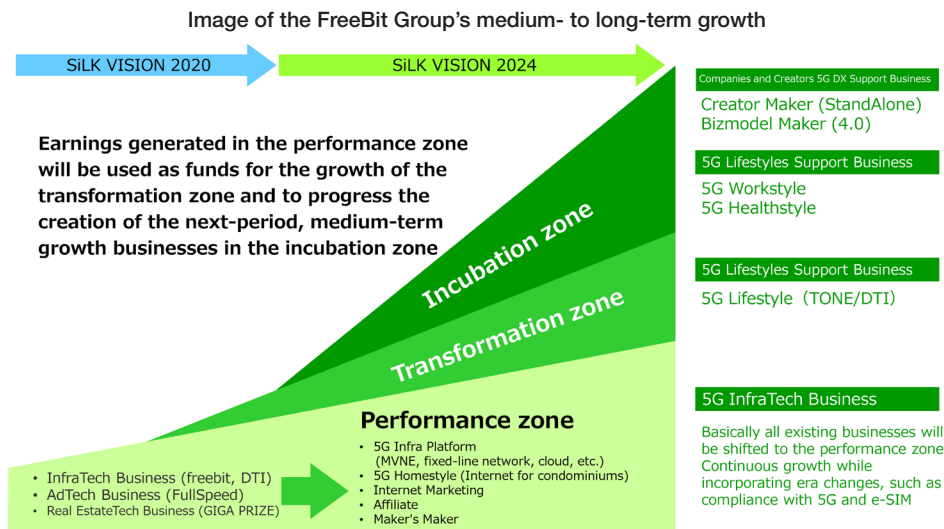
Details of zone management in SiLK VISION 2024



Source: Prepared by FISCO from the Company's results briefing materials

Medium- to long-term growth strategy

Through this initiative, for example it will be easier than previously to quickly generate earnings through concentrating the allocation of resources without restrictions into the new businesses in the incubation zone. It will also be possible to apply the technologies developed in the transformation zone across boundaries to businesses in the performance zone, thereby further improving profitability. In addition, in the event that a business with stable earnings classified into the performance zone is exposed to a threat, such as a change to its external environment, this business can be transformed so it is adapted to such a change in its external environment by transferring it to the transformation zone. It is considered that this sort of thorough business management and financial management on a Group-wide level will contribute to the rapid and flexible growth of each of the businesses that make up the Company's portfolio.



Source: Prepared by FISCO from the Company's results briefing materials

Shareholder return policy

**Previously has stably paid a dividend of ¥7.00.
 Has not yet decided on a dividend for FY4/22**

The Company has not announced the FY4/22 dividend target. It places importance on meeting shareholder expectations through growing the businesses and Group companies from a medium- to long-term perspective. On the one hand it prioritizes securing the investment resources for this, while on the other hand it also prioritizes continuously returning profits to shareholders. The dividend in both FY4/20 and FY4/21 was ¥7.00.



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