

Quarterly trends and results

Earnings (cumulative) (JPYmn)	FY04/22				FY04/23				FY04/23	
	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%
OPM	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 (JPYmn)	FY04/22				FY04/23			
	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) (JPYmn)	FY04/22				FY04/23			
	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%

- Operating profit: JPY2.0bn (+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: JPY604mn (-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

(JPYmn)	FY04/22			FY04/23			FY04/24
	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.

About Shared Research Inc.

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

Contact Details

Company name

Shared Research Inc.

Phone

+81 (0)3 5834-8787

Address

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

Email

info@sharedresearch.jp

Website

<https://sharedresearch.jp>

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report. The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer: The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion from us that could influence investment decisions in the company, such an opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.