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Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

August 10, 2023

Listing: Tokyo Stock Exchange

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 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	2,479	(12.2)	413	(50.0)	1,045	(28.3)	640	(37.7)
Three months ended June 30, 2022	2,823	44.0	828	123.5	1,458	282.7	1,027	370.3

(Note) Comprehensive Three months ended June 30, 2023 382Millions of yen (Δ 74.2%) Three months ended June 30, 2022 1,483Millions of yen (184.8%)
 income: June 30, 2023

	Profit per share	Diluted Profit per share
	Yen	Yen
Three months ended June 30, 2023	51.47	48.71
Three months ended June 30, 2022	82.78	78.91

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	25,576	12,029	36.6
As of March 31, 2023	25,129	11,864	37.2

(Reference) Equity: As of June 30, 2023 9,365Millions of yen As of March 31, 2023 9,354Millions of yen

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Term end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	17.50	-	17.50	35.00
Fiscal year ended March 31, 2024	-	-	-	-	-
Fiscal year ending March 31, 2024 (Forecast)	-	17.50	-	17.50	35.00

(Note) Revisions to the forecast of cash dividends most recently announced: Non

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentage figures show year-on-year increase or decrease.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First 6 months	5,000	(13.6)	1,000	(38.9)	950	(60.0)	600	(63.9)	48.23
Full year	14,000	13.4	3,800	14.8	3,550	2.5	2,200	(4.1)	176.84

(Note) Revisions to the consolidated earnings forecasts most recently announced: Non

* Notes

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

Newly included: - (Company name) -, excluded: - (Company name) -

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, refer to the attachment P.11 “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to quarterly consolidated financial statements (Application of special accounting for preparing quarterly consolidated financial statements)”.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other than 1): None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

2) Number of treasury shares at the end of the period

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of June 30, 2023	12,440,800 shares	As of March 31, 2023	12,440,800 shares
As of June 30, 2023	395 shares	As of March 31, 2023	395 shares
Three months ended June 30, 2023	12,440,405 shares	Three months ended June 30, 2022	12,410,105 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

(Notes on description about the future, etc.)

Descriptions about the future such as earnings outlook, which are included in these materials, are based on the information currently available to the Company and on certain conditions that the Company deems reasonable, and it does not mean that the Company promises to realize them. Also, there is a possibility that the actual earnings, etc., may differ significantly due to various factors. For matters related to earnings forecasts, refer to Attachment P.6 “1. Qualitative Information on Financial Results for the Quarter (3)Explanation of forward-looking information such as consolidated earnings forecasts”.

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1. Qualitative Information on Financial Results for the Quarter

(1) Explanation of operating result

Forward-looking statements in the text are based on the judgment of our group (the Company and its consolidated subsidiaries) as of the end of the current quarter.

The Group is engaged in various businesses in order to create business opportunities, develop businesses, change the industrial structure, and realize the ideal society ahead of anyone else in areas closely related to daily life, beyond barriers that no one has been able to break through, under the corporate philosophy of "Open Door". In particular, we are working to expand our businesses by providing a communication environment using new IT technology to solve social issues of the Philippines while contributing to SDGs.

In the first quarter of the consolidated fiscal year under review, although there was progress in the normalization of socioeconomic activities due to the removal of restrictions and other measures related to new coronavirus infections worldwide, there is a need to keep a close eye on the economic outlook as raw material and energy prices continue to rise due to the prolonged invasion of Ukraine and monetary tightening in the United States and Europe to calm inflation continues. In Japan, the new coronavirus infection was downgraded to the same classification as seasonal influenza in May 2023, and there are signs of a gradual economic recovery as socioeconomic activities have normalized. In the Philippines, one of the Group's major markets, the economy is returning to the trend of high growth before the new Corona disaster, with a GDP growth rate of 6.4% in the first quarter of 2023. The impact of the new coronavirus infection has triggered ongoing changes in society, such as new ways of working based on remote work, further increasing the importance of communication via communication lines. The development and expansion of communication lines as a life infrastructure that supports society is an urgent need in Japan, the Philippines, and around the world, and we will continue to aggressively expand our business.

Our group has acquired an international telecommunications network ("international telecommunications network") consisting of a portion of the rights to use the submarine cable connecting the Philippines with Singapore and Hong Kong (City-to-City Cable System, "C2C lines") and land lines in various countries, and has established a position as a carrier's carrier ("wholesaler for telecommunications carriers"). We have also established a position as a wholesaler for telecommunications carriers, and are striving to expand our business by meeting growing telecommunications demand, jointly constructing submarine cables in the Philippines, laying land lines in the Philippines, expanding backbone lines in the Philippines, etc.

In Japan, the provision of services that optimize software, communication lines, and consultation for each customer is expanding, especially for call center operators, whose demand for communication traffic is increasing.

Shinagawa Lasik & Aesthetics Center Corporation ("SLACC"), which operates clinics in the Metro Manila area, is taking thorough measures to prevent new coronavirus infection so that customers can visit its clinics with peace of mind, and the number of visitors is increasing.

As a result of the above, net sales for the first quarter of the current fiscal year were 2,479 million yen (down 12.2% year-on-year) and operating income was 413 million yen (down 50.0% year-on-year) due to the absence in the first quarter of revenues from the provision of telecommunication lines, which are lump-sum payments, which were recorded in the same period last year. Due to the recording of 609 million yen in foreign exchange gains from the depreciation of the yen, ordinary income was 1,045 million yen (down 28.3% year-on-year) and net income attributable to owners of the parent was 640 million yen (down 37.7% year-on-year).

The financial results by segment are as follows:

Effective from the first quarter of the fiscal year ending March 31, 2024, the "Global Telecommunications Business," "Philippines Telecommunications Business," "Domestic Telecommunications Business," "Medical and Healthcare Business," and "Others" segments, which are more closely linked than ever before, have been integrated into the "Global Telecommunications Business" and "Philippines Telecommunications Business" segments, and the "Others" segment, in which business progress is managed by the same division, has been changed to the "Global Telecommunications Business" segment. The following comparisons with the same period of the previous fiscal year are based on the figures for the same period of the previous fiscal year, which have been reclassified into the segment classifications after the change.

(Global Telecommunications Business)

In the Global Telecommunications Business, the Group continued to strengthen sales of C2C lines, an international telecommunications network for which the Group holds usage rights, to expand stock-type business. In addition, we aggressively

increased our sales staff to increase the number of corporate Internet access service customers. However, in the quarter under review, both sales and profits declined. This decrease is attributed to the absence, during this first quarter, of revenue recognition from lump-sum payments related to telecommunication lines, which had been accounted for in the same period of the preceding year.

As a result, net sales were 1,016 million yen (down 29.6% year-on-year) and segment income was 89 million yen (down 82.4% year-on-year).

(Note) IRU stands for Indefeasible Right of Use and refers to a long-term stable communication line usage right that cannot be cancelled or terminated without agreement between the parties. The Company has concluded mainly a 15-year IRU contract to purchase and sell the right to use international communication lines.

(Domestic Telecommunications Business)

We purchased a large amount of incoming call billing services (toll-free) provided by major telecommunications carriers for the call center system “AmeyoJ” developed by Drishti-soft Solutions Pvt. Ltd. of India, for which we have the sales agency rights in Japan. Sales of solutions for call centers in combination with second-based billing services to be sold by the second to call center operators continued to grow.

As a result, net sales were 1,045 million yen (up 2.4% year-on-year), and segment profit substantially increased to 208 million yen (up 13.9% year-on-year).

(Medical & Healthcare Business)

The SLACC, which performs LASIK and other surgeries, promoted safe operations through thorough measures to prevent coronavirus infection. As a result, the number of patients visiting the hospital increased.

In April 2023, Shinagawa Healthcare Solutions Corporation, established in June last year, opened the Shinagawa Diagnostic & Preventive Care Center, a high-quality physical checkup and health screening center that introduces diagnostic imaging and other technologies in which Japan excels.

As a result, net sales were 418 million yen (up 16.2% year-on-year), and segment income was 115 million yen (down 15.6% year-on-year) due to higher SG&A expenses, including personnel and sales expansion costs.

(2) Explanation of financial position

(Status of Assets)

Current assets at the end of the first quarter of the consolidated fiscal year ending March 31, 2024, were 13,058 million yen, a decrease of 1,212 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 1,842 million yen in cash and deposits, while an increase of 215 million yen in accounts receivable - trade. Also, noncurrent assets were 12,471 million yen, an increase of 1,631 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,722 million yen in property, plant and equipment as a result of capital investment, while the right to use telecommunication lines and long-term prepaid expenses decreased by 22 million yen and 66 million yen, respectively.

As a result, total assets were 25,576 million yen, an increase of 447 million yen from the end of the previous consolidated fiscal year.

(Status of liabilities)

Current liabilities at the end of the first quarter of the consolidated fiscal year ending March 31, 2024, were 12,561 million yen, an increase of 310 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,457 million yen in short-term borrowings, while a decreases of 706 million yen in Accounts payable - trade and 369 million yen in income taxes payable and 57 million yen in accounts payable and 42 million yen in current portion of long-term borrowings and 61 million yen in deferred payment profit and 8 million yen in provision for bonuses, respectively. Also, non-current liabilities were 986 million yen, a decrease of 28 million yen from the end of the previous consolidated fiscal year.

As a result, total liabilities were 13,547 million yen, an increase of 282 million yen from the end of the previous consolidated fiscal year.

(Status of net assets)

Net assets including non-controlling interests at the end of the first quarter of the consolidated fiscal year ending March 31, 2024, were 12,029 million yen, an increase of 165 million yen from the end of the previous consolidated fiscal year. This was mainly due to the recording of 640 million yen in profit attributable to owners of parent and an increase of 151 million yen in non-controlling interests, while a decrease of 411 million yen in foreign currency translation adjustment.

As a result, the equity ratio became 36.6% (37.2% at the end of the previous consolidated fiscal year).

(3) Explanation of forward-looking information such as consolidated earnings forecasts

The Group's performance in the first quarter of the current consolidated fiscal year was generally in line with plans. In the first quarter of the consolidated fiscal year ending March 31, 2024 (April 1, 2023 to June 30, 2023), foreign exchange gains of 609 million yen were recorded under non-operating income. This is mainly due to the valuation of foreign currency-denominated receivables and payables held by the Group at the exchange rate prevailing at the end of the first quarter of the consolidated fiscal year and will fluctuate depending on future exchange rate conditions and other factors. Therefore, the consolidated earnings forecasts for the first half and the full year remain unchanged from those announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: million yen)

	FY2022 (As of March 31, 2023)	1Q FY2023 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	6,881	5,038
Accounts receivable - trade	2,631	2,847
Lease receivable	3,203	3,226
Merchandise	35	64
Supplies	144	178
Other	1,619	1,975
Allowance for doubtful accounts	(245)	(274)
Total current assets	14,270	13,058
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles	3,016	3,268
Accumulated depreciation	(1,623)	(1,724)
Machinery, equipment and vehicles, net	1,393	1,544
Construction in progress	6,403	7,966
Land	78	80
Other, net	297	302
Total property, plant and equipment	8,171	9,894
Intangible assets		
The right to use communication lines	1,654	1,632
Goodwill	47	44
Other	58	64
Total intangible assets	1,760	1,741
Investments and other assets		
Investments in associates	—	12
Long-term prepaid expenses	256	189
Deferred tax assets	231	220
Other	423	417
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	907	835
Total non-current assets	10,839	12,471
Deferred assets	19	47
Total assets	25,129	25,576

(Unit: million yen)

	FY2022 (As of March 31, 2023)	1Q FY2023 (As of June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	1,781	1,074
Short-term borrowings	5,726	7,184
Current portion of long-term borrowings	443	400
Lease obligations	0	0
Accounts payable	147	89
Income taxes payable	881	512
Deferred payment profit	2,190	2,129
Provision for bonuses	39	30
Other	1,040	1,138
Total current liabilities	12,250	12,561
Non-current liabilities		
Long-term borrowings	760	689
Retirement benefit liability	65	65
Provision for retirement benefits for directors (and other officers)	143	2
Asset retirement obligations	17	17
Other	27	210
Total non-current liabilities	1,014	986
Total liabilities	13,265	13,547
Net assets		
Shareholders' equity		
Share capital	1,109	1,109
Capital surplus	1,004	1,004
Retained earnings	6,791	7,214
Treasury shares	(0)	(0)
Total shareholders' equity	8,905	9,327
Accumulated other comprehensive income		
Foreign currency translation adjustment	448	36
Re-measurements of defined benefit plans	1	1
Total accumulated other comprehensive income	449	37
Share acquisition rights	263	266
Non-controlling interests	2,245	2,397
Total net assets	11,864	12,029
Total liabilities and net assets	25,129	25,576

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Three months ended June 30)

(Unit: million yen)

	1Q FY2022 (For the three months ended June 30, 2022)	1Q FY2023 (For the three months ended June 30, 2023)
Net sales	2,823	2,479
Cost of sales	1,498	1,401
Gross profit	1,324	1,078
Selling, general and administrative expenses	496	664
Operating profit	828	413
Non-operating income		
Interest and dividend income	6	15
Foreign exchange gains	632	609
Other	17	69
Total non-operating income	657	694
Non-operating expenses		
Interest expenses	1	61
Other	25	1
Total non-operating expenses	26	63
Ordinary profit	1,458	1,045
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Total extraordinary income	0	0
Profit before income taxes	1,459	1,046
Income taxes	340	329
Profit	1,118	716
Profit attributable to non-controlling interests	91	76
Profit attributable to owners of parent	1,027	640

(Quarterly consolidated statement of comprehensive income)
(Three months ended June 30)

(Unit: million yen)

	1Q FY2022 (For the three months ended June 30, 2021)	1Q FY2023 (For the three months ended June 30, 2022)
Profit	1,118	716
Other comprehensive income		
Foreign currency translation adjustment	364	(334)
Re-measurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	364	(334)
Comprehensive income	1,483	382
Comprehensive income attributable to		
Owners of parent	1,299	229
Non-controlling interests	183	153

(3) Notes to quarterly consolidated financial statements

(Notes to assumptions for ongoing concerns)

Not applicable.

(Note when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Application of special accounting for preparing quarterly consolidated financial statements)

(Calculation of taxes)

Income tax expenses are calculated by multiplying net income before income taxes by an estimated effective tax rate, which is a reasonable estimate of the effective tax rate after applying tax effect accounting to net income before income taxes for the fiscal year that includes this first quarter.

However, if the use of this estimated effective tax rate produces significantly unreasonable results, income tax expenses are calculated by using the statutory effective tax rate.

(Segment information, etc.)

[Segment information]

Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information on the amount of money of net sales, and profit or loss for each reportable segment and revenue breakdown information

(Unit: million yen)

	Reportable segment			Total	Adjustment amount	Quarterly Consolidated Financial statements Recorded amount (Note 1)
	Global Telecommunications Business	Domestic Telecommunications Business	Medical & Healthcare Business			
Net sales						
Revenue from contracts with customers	754	1,020	359	2,134	-	2,134
Other revenue (Note 2)	688	-	-	688	-	688
Net sales to external customers	1,443	1,020	359	2,823	-	2,823
Internal net sales or transfer amount between segments	250	-	-	250	(250)	-
Total	1,693	1,020	359	3,073	(250)	2,823
Segment profit	507	183	137	828	-	828

(Notes) 1. The segment profit or loss is consistent with the operating profit in the quarterly consolidated financial statements.

2. Other revenue is lease revenue based on Corporate Accounting Standards No.13 "Accounting Standards for Lease Transaction".

2. Information on impairment losses or goodwill, etc. of non-current assets for each reported segment

[Information on impairment losses of non-current assets for each reportable segment]

Not applicable.

[Information on the amortized amount and unamortized balance of goodwill for each reportable segment]

Not applicable.

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on the amount of money of net sales, and profit or loss for each reportable segment and revenue breakdown information

(Unit: million yen)

	Reportable segment			Total	Adjustment amount	Quarterly Consolidated Financial statements Recorded amount (Note 1)
	Global Telecommunications Business	Domestic Telecommunications Business	Medical & Healthcare Business			
Net sales						
Revenue from contracts with customers	903	1,045	418	2,366	-	2,366
Other revenue (Note 2)	113	-	-	113	-	113
Net sales to external customers	1,016	1,045	418	2,479	-	2,479
Internal net sales or transfer amount between segments	28	-	-	28	(28)	-
Total	1,045	1,045	418	2,508	(28)	2,479
Segment profit	89	208	115	414	(0)	413

(Notes) 1. The segment profit or loss is consistent with the operating profit in the quarterly consolidated financial statements.

2. Other revenue is lease revenue based on Corporate Accounting Standards No.13 "Accounting Standards for Lease Transaction".

2. Matters related to changes in reportable segments

(Change of name of reportable segment)

The "Global Telecommunications Business," "Philippines Telecommunications Business," "Domestic Telecommunications Business," "Medical & Healthcare Business," and "Others" were renamed "Global Telecommunications Business," "Domestic Telecommunications Business," and "Medical & Healthcare Business," effective from the first quarter of the current fiscal year. Segment information for the first quarter of the previous fiscal year is also disclosed based on the segment classification after the change.

3. Information on impairment losses or goodwill, etc. of non-current assets for each reported segment

[Information on impairment losses of non-current assets for each reportable segment]

Not applicable.

[Information on the amortized amount and unamortized balance of goodwill for each reportable segment]

Not applicable.

(Revenue recognition)

Information breaking down revenue from contracts with customers is as presented in the attachment P.11 "2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to quarterly consolidated financial statements (Segment information, etc.)" .