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February 8, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: Japan Communications Inc.
 Listing: Tokyo Stock Exchange: Prime Market
 Securities code: 9424
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 Scheduled date to file quarterly securities report: February 9, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors, analysts and the press)

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

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2023	5,387	24.7	810	49.4	839	47.8	1,062	107.8
December 31, 2022	4,321	27.6	542	171.5	568	176.3	511	135.0

Note: Comprehensive income For the nine months ended December 31, 2023: ¥1,019 million [119.7%]
 For the nine months ended December 31, 2022: ¥464 million [139.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2023	6.44	6.43
December 31, 2022	3.10	3.07

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2023	4,181	2,682	59.2	14.99
March 31, 2023	3,040	1,534	46.1	8.50

Reference: Equity
 As of December 31, 2023: ¥2,473 million
 As of March 31, 2023: ¥1,402 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2024	–	0.00	–		
Fiscal year ending March 31, 2024 (Forecast)				0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Overview and management policy for the fiscal year ending March 31, 2024

Since its founding in 1996, the Company has propounded and implemented the MVNO business model, an innovative form of telecommunications business, having developed its business with the mission of transferring (communicating) data safely, securely, and conveniently. Specifically, the Company is engaged in three businesses: mobile communications business (SIM business), communications business through local mobile networks (local 4G/5G), and digital ID (FPoS: Fintech Platform over SIM) business for use on smartphones.

The Company plans to ensure a stable revenue base with continuous evolution in the SIM business and to invest the revenue in the local 4G/5G business and FPoS business in order to develop them into pillars of future earnings. In the local 4G/5G business, the Company aims to build advanced showcases in the U.S. and leverage this experience to expand in Japan.

In the FPoS business, the Company has acquired a certification under the Digital Signature Act for “my Digital Certificate” (issued by my FinTech Inc., a subsidiary of the Company) based on its patented FPoS technology, and develops the “my Digital Certificate” to be actually utilized as a safe, secure, and convenient digital ID that can be used on smartphones.

Considering the factors described above, one of the Company’s management priorities is to grow the scale of its business to a market capitalization of 500 billion yen in three to five years from the launch of the commercial service of FPoS.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2023	165,009,239 shares
As of March 31, 2023	165,009,239 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023	15,004 shares
As of March 31, 2023	15,004 shares

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

Nine months ended December 31, 2023	164,994,235 shares
Nine months ended December 31, 2022	164,622,831 shares

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

1. Qualitative Information on Results for the Nine Months Ended December 31, 2023

(1) Explanation on operating results

Since its founding in 1996, the Company has propounded and implemented the MVNO business model, an innovative form of telecommunications business, having developed its business with the mission of transferring (communicating) data safely, securely, and conveniently. Specifically, the Company is engaged in three businesses: mobile communications business (SIM business), communications business through local mobile networks (local 4G/5G), and digital ID (FPoS: Fintech Platform over SIM) business for use on smartphones.

The Company plans to ensure a stable revenue base with continuous evolution in the SIM business and to invest the revenue in the local 4G/5G business and FPoS business in order to develop them into pillars of future earnings.

(i) Mobile Communications Business (SIM business)

Upon a ruling by the Minister of Internal Affairs and Communications in June 2020, since the Company launched the “Nihon Tsushin SIM” which provides flat-rate voice plans equivalent to that of major mobile phone operators in July 2020, the Company has continued to achieve growth both in the number of subscribed lines and quarterly revenue.

The Company has continued to improve the product specifications of “Nihon Tsushin SIM” to strengthen its product competitiveness. In April 2022, the Company started supporting eSIM, which is embedded in devices such as smartphones, in advance of other MVNOs (announced on April 6, 2022). In addition, by March 2023, the Company had introduced an identification method using electronic certificates stored in “My Number Card” in identification under the Act on Identification, etc. by Mobile Voice Communications Carriers of their Subscribers, etc. and for Prevention of Improper Use of Mobile Voice Communications Services.

In April 2023, the Company increased the basic data limit for data communications of “Reasonable Minna-no Plan,” which is a flagship plan of “Nihon Tsushin SIM,” from 6 GB to 10 GB, while keeping basic monthly fees unchanged. In May 2023, the Company became the first in the MVNO industry to support the MNP one-stop system (Note).

In addition, in November 2023, the Company upgraded the 20-GB plan of “Nihon Tsushin SIM” to a 30-GB plan by increasing the basic data limit for data communications to 30 GB, while keeping basic monthly fees unchanged, and adding the option of “all-you-can-calls” for calls no longer than 5 minutes to the previous option of 70 minutes of free voice calls.

As a result, the “Nihon Tsushin SIM” lineup includes the “Reasonable Simple 290 Plan (1 GB; 290 yen per month)” for low data usage, the “Reasonable Minna-no Plan (10 GB + “all-you-can-calls” for calls no longer than 5 minutes (or 70 minutes of free voice calls); 1,390 yen per month)” for average data usage, and the “Reasonable 30-GB Plan (30 GB + “all-you-can-calls” for calls no longer than 5 minutes (or 70 minutes of free voice calls); 2,178 yen per month)” for slightly high data usage, and that enables customers to choose the most reasonable mobile communication billing plan for themselves.

As the above products being evaluated, revenue from “Nihon Tsushin SIM” has been growing steadily for both individual and corporate subscribers. In addition, the number of subscribers for voice communication services under partner brands has also been increasing steadily, and as a result, the SIM business has continued to see growth both in the MVNO Business and the Enabler Business.

Note: The MNP one-stop system allows customers who wish to switch to another carrier without changing their mobile number (this is called “MNP”) to complete the MNP procedure simply by applying on the website of the carrier to which they are switching, without having to obtain an MNP reservation number from the carrier to which they subscribed.

(ii) Local 4G/5G Business through Local Mobile Networks

In the local 4G/5G business, the Company aims to build advanced showcases in the U.S. and leverage this experience to expand in Japan. The U.S. subsidiary of the Company operates a business that provides SIMs used for connections with local mobile networks in the U.S. market.

As announced in December 2023, the Company's U.S. subsidiary, JCI US Inc. (hereinafter referred to as "JCIUS"), entered into a contract with the State of Utah in the U.S. to implement a statewide Citizens Broadband Radio Service (CBRS) (local 4G/5G) for an educational and telehealth network. It means that JCIUS entered into a contract with the State of Utah through the University of Utah and the Utah Education and Telehealth Network (hereinafter referred to as "UETN") to provide the Company's Secure LTE Network Gateway Platform (NGP) services in its first major commercial implementation in the country. The local 4G/5G networks envisioned in this contract will replace and expand the service requirements of Wi-Fi and provide secure (private/closed) networks for the University of Utah and for the current and future users of high-speed broadband services implemented by UETN. JCIUS will provide all necessary SIMs and/or other Hardware Security Modules (HSM) to enhance connectivity to networks for the people of the State of Utah.

Through the U.S. subsidiary, the Company is accumulating technologies and expertise on the communications (local 4G/5G) business with local mobile networks, and by utilizing these technologies and expertise, the Company provides SIMs that can connect to local mobile networks set up by partner and customer companies. The Company will continue to accumulate knowledge in Japan and the U.S., and will utilize this knowledge to develop case examples in the local 4G/5G business.

(iii) Digital ID (FPoS) Business for Use on Smartphones

As digital transformation (DX) underway in many areas of society and the economy, the importance of digital IDs is recognized again, and the Company is pushing forward with a business that will establish and provide digital IDs that can be used on smartphones using FPoS, the Company's patented technology. FPoS guarantees the identity (confirmation of the person's identity) and authenticity (confirmation that the person's intent is not falsified) of a customer by examining the combination of a public key contained in an electronic certificate issued to the customer's smartphone (iPhone and Android) by an electronic certification authority accredited under the Digital Signature Act and a private key generated in the customer's smartphone.

Currently, services of various providers are available through apps on smartphones. However, it is widely recognized that the customer's data (including personal information) when using applications i) may be impersonated or falsified with, and ii) cannot be managed by the customer because it is shared with a third party other than the service provider. Therefore, a method that can ensure the security and privacy of data containing personal information without compromising customer convenience is strongly required.

As for i), in the Internet world, it is easier to impersonate or falsify than in real world. Because we cannot confirm the counterpart is who we think he or she is, and we cannot confirm the information that arrived from the counterpart is in fact sent by him or her. As a result, intentions or transactions over the Internet cannot always be reliable.

FPoS ensures the security of customer data (including personal information) through a mechanism that grants access only when a public key contained in an electronic certificate correctly combines with a private key generated in a smartphone. For example, when using a mobile phone, an IC chip known as SIM is required instead of an ID and password or one-time password. This is because mobile phone operators have established a technical safeguard using SIM, IC chip, to identify subscribers instead of passwords, which can be hacked. FPoS is based on the same concept and serves as a robust technical safeguard to protect access to customer's data (including personal information), as does access to mobile communication networks.

FPoS is a mechanism that can guarantee the identity and authenticity of communications over the Internet. Making intentions and transactions over the Internet more trustworthy by an implementation of FPoS, would be a means to solve problems in a wide range of sectors, including not only banking (Internet banking), but also healthcare, administration, education, and transportation, etc.

As for ii), currently, when a smartphone application is downloaded and used, the terms of use, etc. are displayed, and if users do not agree to them, they cannot use the application (and are deemed to have agreed to them if they do use the application) (Opt-in method). Users are considered to have initiative in Opt-in method, but in reality, not many users will carefully read, understand, and agree to the terms of use before using the app. Therefore, the Company added "Dynamic Opt-in" function to FPoS to compensate for the imperfections of the Opt-in method. This is a function that displays a list of the recipients of the customers' personal information on their smartphone and allows the customers to authorize or revoke the provision of their personal information, allowing them to manage their own personal information.

In order to demonstrate the above potential of FPoS, the Company is cooperating with Mebuku Ground Inc., a private-public partnership company made up of Maebashi City, private-sector business enterprises and universities. Since October 2022, Mebuku Ground Inc. has been operating “mebuku App” which issues “mebuku ID,” a digital ID using FPoS technology.

The greatest strength of “mebuku ID” is its high security, but in addition, its greatest differentiating factor is its ability to securely and reliably link personal information held by multiple business operators through its high security. The everyday activities of people span across multiple domains, such as government-operated public domains, medical and educational institutions and other quasi-public domains, and besides those, the various private domains. If personal information can be securely and reliably linked across all these domains, it will be possible to provide services that are individually optimized for each user and to visualize various social issues by presenting data that can generate new value, thereby providing clues toward solutions. In addition, since “mebuku ID” implements a “Dynamic Opt-in” function, such data linkage can be implemented based on the substantial consent of users.

The “mebuku ID” is not only far more secure than other IDs, but is also highly regarded by many local governments, companies, and organizations for its ability to link data across business operators, and for its Dynamic Opt-in function that provides information of which business operators or service are eligible to link the data.

Furthermore, “mebuku Pay,” Maebashi City’s electronic local currency, was launched in December 2023 through “mebuku ID” and “mebuku App” (announced by Maebashi City and Mebuku Ground Inc. in September 2023). “mebuku Pay” was designed and developed with the highest priority placed on giving back to the local community by ensuring that payment data remains in the community and is utilized locally. The Company believes that “mebuku ID” and “mebuku Pay” can be an effective means to solve social issues, as they enable communities to reap the benefits of social and economic digitalization.

The Company is working toward its mission of transferring (communicating) data safely, securely, and conveniently. FPoS is a technology and operation that fulfills a core role in this mission.

As a result of the above, the Group’s consolidated net revenue for the nine months ended December 31, 2023 was 5,387 million yen, an increase of 1,065 million yen (up 24.7%) compared to the nine months ended December 31, 2022 (hereinafter referred to as the “same period of the previous year”). This was because of the growth of the flat-rate or semi-flat-rate voice services centered on “Nihon Tsushin SIM” in the MVNO Business (up 20.1% from the same period of the previous year) and the growth of the voice services of partner brands in the Enabler Business (up 29.7% from the same period of the previous year).

Cost of revenue was 2,998 million yen, an increase of 610 million yen (up 25.6%) compared to the same period of the previous year. This was mainly due to an increase in mobile network procurement costs associated with the growth of “Nihon Tsushin SIM.” The increase in cost of revenue can be contained because the mobile networks of both data and voice communications procured by the Company from NTT DOCOMO have been set not to exceed the amount of the appropriate costs under efficient management plus appropriate profit.

As a result, gross profit was 2,389 million yen (1,933 million yen in the same period of the previous year), selling, general and administrative expenses was 1,578 million yen (1,390 million yen in the same period of the previous year), and operating profit was 810 million yen (542 million yen in the same period of the previous year).

During the three months ended June 30, 2023, a final judgment was rendered in a lawsuit between the Company and Quanta Computer Inc. In conjunction with the finalization of the judgment, the Company recorded extraordinary income of 363 million yen, resulting in profit attributable to owners of parent of 1,062 million yen (511 million yen in the same period of the previous year).

Financial results by business are as follows:

(Millions of yen)

Net revenue	For nine months ended December 31, 2022	For nine months ended December 31, 2023	Year-on-year change	Year-on-year change (%)
MVNO Business	2,258	2,711	453	20.1
Enabler Business	2,063	2,676	612	29.7
Total	4,321	5,387	1,065	24.7

Revenue of 80 million yen (97 million yen in the same period of the previous year) from overseas operations in the segment information is included in the Enabler Business.

(2) Explanation on financial position

(i) Assets, liabilities, and net assets

Assets

Current assets at the end of the current third quarter were 3,310 million yen, an increase of 997 million yen compared to the end of the previous year. This was mainly due to an increase of 783 million yen in cash and deposits and an increase of 115 million yen in accounts receivable - other. Non-current assets were 871 million yen, an increase of 143 million yen compared to the end of the previous year. This was mainly due to increases of 90 million yen in property, plant and equipment and 59 million yen in intangible assets.

As a result, total assets amounted to 4,181 million yen, an increase of 1,140 million yen compared to the end of the previous year.

Liabilities

Current liabilities at the end of the current third quarter were 1,368 million yen, a decrease of 57 million yen compared to the end of the previous year. This was mainly due to a decrease of 287 million yen in valuation reserve for inventory purchase commitments while there were increases of 114 million yen in accounts payable - other, 24 million yen in income taxes payable, and 94 million yen in deposits received. Non-current liabilities were 129 million yen, an increase of 49 million yen compared to the end of the previous year. This was mainly due to an increase of 40 million yen in lease liabilities.

As a result, liabilities amounted to 1,498 million yen, a decrease of 7 million yen compared to the end of the previous year.

Net assets

Net assets at the end of the current third quarter were 2,682 million yen, an increase of 1,148 million yen compared to the end of the previous year. This was mainly due to recording 1,062 million yen in profit attributable to owners of parent.

As a result, the equity ratio was 59.2% (46.1% at the end of the previous year).

(ii) Status of cash flows

Cash and cash equivalents at the end of the nine months ended December 31, 2023 were 2,364 million yen, an increase of 783 million yen compared to the end of the previous year.

The status of cash flows and their factors during the nine months ended December 31, 2023 are as follows.

Cash flows from operating activities

Net cash provided by operating activities totaled 851 million yen (an inflow of 534 million yen in the same period of the previous year). This was mainly due to the recording of a reversal of valuation reserve for inventory purchase commitments of 287 million yen, an increase in trade receivables of 27 million yen, an increase in inventories of 26 million yen and a decrease in unearned revenue of 14 million yen, despite recording profit before income taxes of 1,203 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 147 million yen (an outflow of 166 million yen in the same period of the previous year). This was mainly due to payments for purchase of property, plant and equipment of 74 million yen and purchase of intangible assets of 77 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 78 million yen (there were no cash flows from financing activities in the same period of the previous year). This was mainly due to 93 million yen of proceeds from share issuance to non-controlling shareholders.

(3) Explanation on future forecast information such as consolidated business forecast

Since its founding in 1996, the Company has propounded and implemented the MVNO business model, an innovative form of telecommunications business, having developed its business with the mission of transferring (communicating) data safely, securely, and conveniently. Specifically, the Company is engaged in three businesses: mobile communications business (SIM business), communications business through local mobile networks (local 4G/5G), and digital ID (FPoS: Fintech Platform over SIM) business for use on smartphones.

The Company plans to ensure a stable revenue base with continuous evolution in the SIM business and to invest the revenue in the local 4G/5G business and FPoS business in order to develop them into pillars of future earnings. In the local 4G/5G business, the Company aims to build advanced showcases in the U.S. and leverage this experience to expand in Japan. In the FPoS business, the Company has acquired a certification under the Digital Signature Act for “my Digital Certificate” (issued by my FinTech Inc., a subsidiary of the Company) based on its patented FPoS technology, and develops the “my Digital Certificate” to be actually utilized as a safe, secure, and convenient digital ID that can be used on smartphones.

Considering the factors described above, one of the Company’s management priorities is to grow the scale of its business to a market capitalization of 500 billion yen in three to five years from the launch of the commercial service of FPoS (on October 21, 2022).

Quarterly consolidated financial statements

Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	1,580,619	2,364,511
Accounts receivable - trade	576,323	605,226
Merchandise	75,462	67,569
Supplies	65	65
Accounts receivable - other	103	115,305
Other	83,011	162,165
Allowance for doubtful accounts	△3,138	△4,658
Total current assets	2,312,448	3,310,184
Non-current assets		
Property, plant and equipment		
Buildings	106,085	107,821
Accumulated depreciation	△84,942	△86,768
Buildings, net	21,142	21,053
Vehicles	7,027	11,021
Accumulated depreciation	△5,596	△6,729
Vehicles, net	1,430	4,292
Tools, furniture and fixtures	876,556	971,577
Accumulated depreciation	△773,909	△823,618
Tools, furniture and fixtures, net	102,647	147,958
Leased assets	285,882	342,537
Accumulated depreciation	△266,737	△281,840
Leased assets, net	19,144	60,697
Construction in progress	—	1,056
Total property, plant and equipment	144,365	235,058
Intangible assets		
Patent right	4,727	6,350
Trademark right	3,229	3,419
Software	264,297	306,269
Software in progress	9,752	25,828
Total intangible assets	282,007	341,867
Investments and other assets		
Investment securities	128,570	145,047
Leasehold and guarantee deposits	133,884	110,937
Other	39,228	38,309
Total investments and other assets	301,683	294,293
Total non-current assets	728,056	871,219
Total assets	3,040,504	4,181,403

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	630,125	625,016
Accounts payable - other	78,842	193,839
Income taxes payable	109,651	133,931
Unearned revenue	120,872	108,670
Deposits received	66,559	161,419
Valuation Reserve For Inventory Purchase		
Commitments	287,979	—
Other	132,150	146,086
Total current liabilities	1,426,180	1,368,964
Non-current liabilities		
Long-term accounts payable - other	6,102	12,523
Long-term unearned revenue	56,613	58,922
Lease liabilities	17,212	58,036
Total non-current liabilities	79,928	129,482
Total liabilities	1,506,108	1,498,446
Net assets		
Shareholders' equity		
Share capital	535,822	535,822
Capital surplus	224,109	238,874
Retained earnings	530,319	1,592,971
Treasury shares	△2,192	△2,192
Total shareholders' equity	1,288,058	2,365,476
Accumulated other comprehensive income		
Foreign currency translation adjustment	114,472	107,932
Total accumulated other comprehensive income	114,472	107,932
Share acquisition rights	96,218	109,046
Non-controlling interests	35,646	100,502
Total net assets	1,534,395	2,682,957
Total liabilities and net assets	3,040,504	4,181,403

Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	4,321,916	5,387,895
Cost of sales	2,388,282	2,998,806
Gross profit	1,933,634	2,389,088
Selling, general and administrative expenses	1,390,847	1,578,217
Operating profit	542,787	810,871
Non-operating income		
Interest income	4	7
Foreign exchange gains	13,366	9,430
Share of profit of entities accounted for using equity method	12,289	13,526
Recoveries of written off receivables	—	5,990
Miscellaneous income	2,234	2,569
Total non-operating income	27,894	31,524
Non-operating expenses		
Interest expenses	318	1,245
Amortization of share issuance costs	376	—
Amortization of bond issuance costs	1,585	—
Miscellaneous losses	49	1,376
Total non-operating expenses	2,330	2,622
Ordinary profit	568,351	839,773
Extraordinary income		
Compensation for damage income	—	※1 75,869
Reversal of provision for valuation reserve for inventory purchase commitments	—	※2 287,979
Total extraordinary income	—	363,848
Profit before income taxes	568,351	1,203,622
Income taxes - current	91,471	177,213
Total income taxes	91,471	177,213
Profit	476,879	1,026,408
Loss attributable to non-controlling interests	△34,587	△36,243
Profit attributable to owners of parent	511,467	1,062,652

(Thousands of yen)

	3rd quarter ended December 31, 2022	3rd quarter ended December 31, 2023
Net sales	1,558,967	1,884,369
Cost of sales	811,158	1,038,167
Gross profit	747,809	846,202
Selling, general and administrative expenses	498,863	568,006
Operating profit	248,945	278,195
Non-operating income		
Share of profit of entities accounted for using equity method	4,717	3,596
Miscellaneous income	483	888
Total non-operating income	5,201	4,484
Non-operating expenses		
Interest expenses	31	574
Amortization of share issuance costs	63	—
Amortization of bond issuance costs	528	—
Foreign exchange losses	20,245	12,173
Miscellaneous losses	—	1,167
Total non-operating expenses	20,869	13,915
Ordinary profit	233,277	268,765
Profit before income taxes	233,277	268,765
Income taxes - current	37,822	49,202
Total income taxes	37,822	49,202
Profit	195,454	219,563
Loss attributable to non-controlling interests	△14,888	△23,548
Profit attributable to owners of parent	210,343	243,111

Quarterly consolidated statements of comprehensive income

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	476,879	1,026,408
Other comprehensive income		
Foreign currency translation adjustment	△12,763	△6,540
Total other comprehensive income	△12,763	△6,540
Comprehensive income	464,116	1,019,868
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	498,704	1,056,112
Comprehensive income attributable to non- controlling interests	△34,587	△36,243

(Thousands of yen)

	3rd quarter ended December 31, 2022	3rd quarter ended December 31, 2023
Profit	195,454	219,563
Other comprehensive income		
Foreign currency translation adjustment	16,887	11,232
Total other comprehensive income	16,887	11,232
Comprehensive income	212,342	230,795
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	227,231	254,344
Comprehensive income attributable to non- controlling interests	△14,888	△23,548

Quarterly consolidated statement of cash flows

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	568,351	1,203,622
Depreciation	45,369	106,339
Interest and dividend income	△4	△7
Interest expenses	318	1,245
Share of loss (profit) of entities accounted for using equity method	△12,289	△13,526
Foreign exchange losses (gains)	△15,180	△9,257
Reversal of provision for valuation reserve for inventory purchase commitments	—	△287,979
Decrease (increase) in trade receivables	△96,451	△27,780
Decrease (increase) in inventories	△7,182	△26,745
Increase (decrease) in trade payables	89,405	△4,861
Decrease (increase) in accounts receivable - other	△63,409	△115,202
Increase (decrease) in unearned revenue	△11,235	△14,160
Increase (decrease) in Long-term unearned revenue	2,023	△5,847
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	△4,058	△630
Other, net	80,276	138,765
Subtotal	575,933	943,974
Interest and dividends received	4	7
Interest paid	△99	△1,245
Income taxes paid	△41,305	△167,027
Compensation for damage income	—	75,869
Net cash provided by (used in) operating activities	534,532	851,578
Cash flows from investing activities		
Purchase of property, plant and equipment	△30,158	△74,884
Purchase of intangible assets	△85,479	△77,156
Purchase of investment securities	△50,000	△2,950
Payments of leasehold and guarantee deposits	△3,690	△151
Proceeds from refund of leasehold and guarantee deposits	3,038	7,528
Other, net	—	10
Net cash provided by (used in) investing activities	△166,290	△147,603
Cash flows from financing activities		
Payments for retirement by purchase of share acquisition rights	—	△8,529
Repayments of lease liabilities	—	△6,565
Proceeds from share issuance to non-controlling shareholders	—	93,332
Net cash provided by (used in) financing activities	—	78,236
Effect of exchange rate change on cash and cash equivalents	2,482	1,679
Net increase (decrease) in cash and cash equivalents	370,725	783,891
Cash and cash equivalents at beginning of period	928,688	1,580,619
Cash and cash equivalents at end of period	1,299,413	2,364,511