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August 8, 2024

## Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: Japan Communications Inc.  
 Listing: Tokyo Stock Exchange: Prime Market  
 Securities code: 9424  
 URL: <http://www.j-com.co.jp/>  
 Representative: Naohisa Fukuda, Representative Director-President  
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 Telephone: +81-3-5776-1700  
 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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

#### (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	%
Three months ended								
June 30, 2024	2,080	21.3	236	△11.4	154	△11.5	186	△68.8
June 30, 2023	1,715	26.7	267	68.6	287	59.1	597	270.1

Note: Comprehensive income For the three months ended June 30, 2024: ¥164 million [△71.4%]  
 For the three months ended June 30, 2023: ¥574 million [329.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2024	1.12	—
June 30, 2023	3.61	3.61

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	4,516	3,149	65.3
March 31, 2024	4,409	2,979	62.8

Reference: Equity  
 As of June 30, 2024: ¥2,949 million  
 As of March 31, 2024: ¥2,768 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, 2024	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		0.00	–	0.00	0.00

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

### Overview and management policy for the fiscal year ending March 31, 2025

To achieve the mission of carrying bit in safety and security, the Company provides mobile telecommunications service and mobile solution service, and operates the business that provides telecommunications and authentication infrastructure whose identification and authenticity are secured by FPoS, the Company's patented technology (hereinafter referred to as the "FPoS business"). FPoS is a technology which was recognized by the Financial Services Agency as conducive to ensuring security and improving convenience of financial transactions. In the mobile telecommunications service, the Company agreed with NTT DOCOMO, INC. (hereinafter referred to "DOCOMO") about the interconnection with DOCOMO's voice and SMS network in February 2024 and the Company plans to provide new service based on the interconnection in May 2026. Herewith, the Company will be able to develop new business as Neo-Carrier and the Company assumes to provide 10 million mobile telecommunications lines in 2034. In the FPoS business, its technical secureness and institutional reliability owing to accreditation under the Electronic Signatures Act have been so evaluated that it is expected to grow in geometric progression and the Company assumes to provide 100 million electronic certificates in 2034. The Company assumes that these service and business will bring us domestic net revenue of 240 billion yen and profit after tax of 36 billion yen in 2034.

First, the Company will proceed to prepare for the interconnection with DOCOMO's voice and SMS network for the launch of new service in May 2026 and will make efforts to expand customer base through actions to increase awareness at the same time, and the Company will continue to make efforts to establish evaluation of FPoS and to expand cases using 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 June 30, 2024	165,009,239 shares
As of March 31, 2024	165,009,239 shares

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

As of June 30, 2024	15,004 shares
As of March 31, 2024	15,004 shares

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

Three months ended June 30, 2024	164,994,235 shares
Three months ended June 30, 2023	164,994,235 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

**A financial results meeting will be held on Friday, August 9, 2024 for institutional investors, analysts and the press. The Company plans to post a video of this financial results meeting on its website promptly after the meeting is held.**

## 1. Explanation on operating results, etc.

### (1) Explanation on operating results for the three months ended June 30, 2024

#### (i) Mobile Telecommunications Service (MVNO/MVNE 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 “Nihon Tsushin SIM” lineup includes the “Reasonable Simple 290 Plan (1 GB; 290 yen per month + voice option of “all-you-can-calls” for calls no longer than 5 minutes (or 70 minutes of free voice calls); 390 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.

In addition, the voice service of the “Nihon Tsushin SIM” is not provided in prefix method, which has been adopted by many of MVNOs, and the Company provides services of comparable call quality as major mobile phone operators, though the price of the service is the lowest in Japanese mobile telecommunications industry.

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 customers for voice services under partner brands has also been increasing steadily, and as a result, the mobile telecommunication service has continued to see growth both in the MVNO business and the MVNE business.

Based on the above, the Company has strengthened the operation (SIM shipment and call center, etc.) of the “Nihon Tsushin SIM” to operate seven days a week, and has advertised (“We can’t subtract any further. 290 yen” edition) on the Internet and television since the end of June 2024 as measure to increase awareness.

In addition, as the Company applied to DOCOMO for the interconnection with its voice and SMS network in June 2022 and agreed with DOCOMO about the interconnection in February 2024, the Company proceeds to prepare for a new service based on the interconnection with DOCOMO’s voice and SMS network to be launched in May 2026 (scheduled).

#### (ii) Mobile Solution (MSP business)

In the telecommunications business through local mobile networks (local 4G/5G business) among the mobile solution (MSP business), the Company aims to build actual results in the U.S., where there are many advanced showcases, 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. 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 current and future users of high-speed broadband services implemented by the University of Utah and 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 telecommunications business through local mobile networks (local 4G/5G business), and by taking advantage of 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 take advantage these knowledge to develop case examples in the local 4G/5G business.

In addition, the Company takes advantage of the technology and infrastructure of SIM authentication which the Company has developed in the U.S. to provide the new service based on the interconnection with DOCOMO's voice and SMS network.

(iii) FPoS business

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, which is the Company's patented technology and the technology being recognized by the Financial Services Agency as conducive to ensuring security and improving convenience of financial transactions. 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 Electronic Signatures Act and a private key generated in the customer's smartphone.

This is a mechanism similar to the solid identification by an Individual Number Card, as FPoS uses a smartphone instead of an Individual Number Card. FPoS has a high-level security equal to an Individual Number Card. While an Individual Number Card has restriction on its purpose of use and its range of use as a digital ID is limited to Myna-portal, etc., FPoS has no restriction on its purpose of use and it can be used as a digital ID in a wide range of areas by local governments and business operators.

When a customer uses a service through application(s) on a smartphone, there is a problem that the customer could be impersonated and the customer's data (including personal information) could be falsified, however, if that service is secured by FPoS, the customer could not be impersonated and the data could not be falsified, because FPoS has a security equal to an Individual Number Card. And there is also a problem that the customer cannot manage the business operators who have link to the customer's data (including personal information), however, if that service is secured by FPoS, the customer can confirm and manage the business operators who have link to the customer's data (including personal information) easily, because FPoS has a function of "Dynamic Opt-in" which displays the list of the business operators who have link to the customer's personal information and enables the customer to authorize or revoke the link to their personal information.

In order to demonstrate the above potential of FPoS, the Company cooperates 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. operates "Mebuku App" which issues "Mebuku ID," a digital ID using FPoS technology.

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 services are eligible to link the data.

In December 2023, "Mebuku Pay," Maebashi City's electronic local currency, was launched 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 payment data to the local community by ensuring that it 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.

In addition, benefit money for nurturing and non-taxable family unit in Maebashi City can be paid in "Mebuku Pay." This is achieved because of the high-level security of "Mebuku ID" and ability to link personal information safely and surely owing to a consent of the person by a function of "Dynamic Opt-in."

Furthermore, the Company released "FPoS library" which is a component of the core functions of FPoS in May 2024. The business operators who provide services through the applications for smartphones can incorporate the FPoS library into their applications and enable their applications to have functions of identity verification, person authentication and data linking at the same level as "Mebuku ID".

The Company will support the activity by Mebuku Ground Inc. and local horizontal activity by it continuously.

As a result of the above, the Group's consolidated net revenue for the three months ended June 30, 2024 was 2,080 million yen, an increase of 365 million yen (up 21.3%) compared to the three months ended June 30, 2023 (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 and the growth of the voice services of partner brands in the MVNE business.

Cost of revenue was 1,175 million yen, an increase of 224 million yen (up 23.6%) 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 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 905 million yen (764 million yen in the same period of the previous year), selling, general and administrative expenses was 668 million yen (497 million yen in the same period of the previous year), operating profit was 236 million yen (267 million yen in the same period of the previous year), and ordinary profit was 254 million yen (287 million yen in the same period of the previous year).

In addition, the Company posted 33 million yen which is the amount equivalent to depreciation balance of DOCOMO's existing interconnection equipment as extraordinary losses (burden charge of removing cost for telecommunication equipment) pursuant to DOCOMO's Terms and Conditions for the Interconnection, because DOCOMO needs to exchange the equipment for the interconnection of data communication with the Company as the Company strengthens the data communication networks procured from DOCOMO due to the growth of the mobile telecommunication service.

As a result of the above, profit attributable to owners of parent was 186 million yen (597 million yen in the same period of the previous year).

## **(2) Explanation on financial position for the three months ended June 30, 2024**

### **(i) Assets, liabilities, and net assets**

#### Assets

Current assets at the end of the current first quarter were 3,503 million yen, a decrease of 49 million yen compared to the end of the previous year. Non-current assets were 1,012 million yen, an increase of 156 million yen compared to the end of the previous year. This was mainly due to increases of 117 million yen in property, plant and equipment and 42 million yen in intangible assets.

As a result, total assets amounted to 4,516 million yen, an increase of 106 million yen compared to the end of the previous year.

#### Liabilities

Current liabilities at the end of the current first quarter were 1,247 million yen, a decrease of 54 million yen compared to the end of the previous year. This was mainly due to decreases of 132 million yen in income taxes payable and 15 million yen in deposits received while there was an increase of 120 million yen in accounts payable. Non-current liabilities were 119 million yen, a decrease of 7 million yen compared to the end of the previous year.

As a result, liabilities amounted to 1,367 million yen, a decrease of 62 million yen compared to the end of the previous year.

#### Net assets

Net assets at the end of the current first quarter were 3,149 million yen, an increase of 169 million yen compared to the end of the previous year. This was mainly due to recording 186 million yen in profit attributable to owners of parent.

As a result, the equity ratio was 65.3% (62.8% at the end of the previous year).

(ii) Status of cash flows

Cash and cash equivalents at the end of the three months ended June 30, 2024 were 2,496 million yen, a decrease of 21 million yen compared to the end of the previous year.

The status of cash flows and their factors during the three months ended June 30, 2024 are as follows.

Cash flows from operating activities.

Net cash provided by operating activities totaled 152 million yen (an inflow of 45 million yen in the same period of the previous year). This was mainly due to payment of income taxes of 164 million yen, despite recording profit before income taxes of 222 million yen and a decrease in trade receivables of 107 million yen.

Cash flows from investing activities.

Net cash used in investing activities totaled 173 million yen (an outflow of 13 million yen in the same period of the previous year). This was mainly due to payment for purchase of property, plant and equipment of 144 million yen.

Cash flows from financing activities.

Net cash used in financing activities totaled 3 million yen (an outflow of 9 million yen in the same period of the previous year).

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

To achieve the mission of carrying bit in safety and security, the Company provides mobile telecommunications service and mobile solution service, and operates the business that provides telecommunications and authentication infrastructure whose identification and authenticity are secured by FPoS, the Company's patented technology (hereinafter referred to as the "FPoS business"). FPoS is a technology which was recognized by the Financial Services Agency as conducive to ensuring security and improving convenience of financial transactions. In the mobile telecommunications service, the Company agreed with NTT DOCOMO, INC. (hereinafter referred to "DOCOMO") about the interconnection with DOCOMO's voice and SMS network in February 2024 and the Company plans to provide new service based on the interconnection in May 2026. Herewith, the Company will be able to develop new business as Neo-Carrier and the Company assumes to provide 10 million mobile telecommunications lines in 2034. In the FPoS business, its technical secureness and institutional reliability owing to accreditation under the Electronic Signatures Act have been so evaluated that it is expected to grow in geometric progression and the Company assumes to provide 100 million electronic certificates in 2034. The Company assumes that these service and business will bring us domestic net revenue of 240 billion yen and profit after tax of 36 billion yen in 2034.

First, the Company will proceed to prepare for the interconnection with DOCOMO's voice and SMS network for the launch of new service in May 2026 and will make efforts to expand customer base through actions to increase awareness at the same time, and the Company will continue to make efforts to establish evaluation of FPoS and to expand cases using FPoS.

## Quarterly consolidated financial statements

## Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	2,518,019	2,496,687
Accounts receivable - trade	724,584	618,280
Merchandise	69,063	67,902
Supplies	68	45
Accounts receivable - other	111,888	122,856
Other	132,634	202,130
Allowance for doubtful accounts	△3,275	△4,323
Total current assets	3,552,984	3,503,579
Non-current assets		
Property, plant and equipment		
Buildings	87,186	119,691
Accumulated depreciation	△75,030	△75,598
Buildings, net	12,156	44,093
Vehicles	11,021	27,110
Accumulated depreciation	△7,181	△4,862
Vehicles, net	3,840	22,247
Tools, furniture and fixtures	828,696	860,020
Accumulated depreciation	△672,218	△693,343
Tools, furniture and fixtures, net	156,478	166,676
Leased assets	342,537	342,537
Accumulated depreciation	△288,421	△293,094
Leased assets, net	54,115	49,442
Land	—	59,918
Construction in progress	4,460	5,731
Total property, plant and equipment	231,051	348,109
Intangible assets		
Trademark right	3,308	3,198
Software	290,865	289,040
Software in progress	40,599	84,544
Total intangible assets	334,773	376,783
Investments and other assets		
Investment securities	149,841	155,753
Leasehold and guarantee deposits	106,910	101,768
Other	34,193	30,579
Total investments and other assets	290,946	288,101
Total non-current assets	856,771	1,012,993
<b>Total assets</b>	<b>4,409,755</b>	<b>4,516,573</b>



(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	356,786	347,764
Accounts payable - other	122,801	243,336
Income taxes payable	190,655	57,890
Unearned revenue	113,829	110,657
Deposits received	341,072	325,624
Other	177,347	162,589
Total current liabilities	1,302,492	1,247,863
Non-current liabilities		
Long-term accounts payable - other	12,225	12,025
Long-term unearned revenue	61,309	57,176
Lease liabilities	53,829	50,473
Total non-current liabilities	127,364	119,675
Total liabilities	1,429,857	1,367,538
<b>Net assets</b>		
Shareholders' equity		
Share capital	545,666	545,666
Capital surplus	233,952	238,874
Retained earnings	1,895,653	2,081,869
Treasury shares	△2,192	△2,192
Total shareholders' equity	2,673,080	2,864,218
Accumulated other comprehensive income		
Foreign currency translation adjustment	95,854	85,189
Total accumulated other comprehensive income	95,854	85,189
Share acquisition rights	116,272	116,258
Non-controlling interests	94,690	83,368
Total net assets	2,979,898	3,149,035
<b>Total liabilities and net assets</b>	<b>4,409,755</b>	<b>4,516,573</b>

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

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	1,715,277	2,080,694
Cost of sales	950,762	1,175,579
Gross profit	764,515	905,114
Selling, general and administrative expenses	497,427	668,553
Operating profit	267,088	236,560
Non-operating income		
Share of profit of entities accounted for using equity method	6,673	5,911
Foreign exchange gains	13,919	12,500
Miscellaneous income	658	449
Total non-operating income	21,252	18,861
Non-operating expenses		
Interest expenses	212	522
Miscellaneous losses	191	0
Total non-operating expenses	404	522
Ordinary profit	287,935	254,899
Extraordinary income		
Compensation for damage income	75,869	—
Reversal of provision for valuation reserve for inventory purchase commitments	287,979	—
Gain on sale of non-current assets	—	150
Gain on reversal of share acquisition rights	—	14
Total extraordinary income	363,848	164
Extraordinary losses		
Loss on retirement of communication equipment	—	33,000
Total extraordinary losses	—	33,000
Profit before income taxes	651,784	222,064
Income taxes - current	65,952	47,170
Total income taxes	65,952	47,170
Profit	585,831	174,893
Loss attributable to non-controlling interests	△11,298	△11,322
Profit attributable to owners of parent	597,130	186,216

Quarterly consolidated statements of comprehensive income

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	585,831	174,893
Other comprehensive income		
Foreign currency translation adjustment	△11,216	△10,664
Total other comprehensive income	△11,216	△10,664
Comprehensive income	574,615	164,229
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	585,914	175,551
Comprehensive income attributable to non- controlling interests	△11,298	△11,322

## Quarterly consolidated statement of cash flows

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
<b>Cash flows from operating activities</b>		
Profit before income taxes	651,784	222,064
Depreciation	28,509	43,046
Interest expenses	212	522
Share of loss (profit) of entities accounted for using equity method	△6,673	△5,911
Foreign exchange losses (gains)	△14,633	△13,000
Reversal of provision for valuation reserve for inventory purchase commitments	△287,979	—
Gain on sale of non-current assets	—	△150
Gain on reversal of share acquisition rights	—	△14
Loss on retirement of communication equipment	—	33,000
Decrease (increase) in trade receivables	59,889	107,824
Decrease (increase) in inventories	2,823	△1,196
Increase (decrease) in trade payables	△324,766	△9,777
Decrease (increase) in accounts receivable - other	△75,869	△10,967
Increase (decrease) in unearned revenue	△2,354	△5,318
Increase (decrease) in Long-term unearned revenue	△559	△7,785
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	△20,752	△49,099
Other, net	52,277	14,360
Subtotal	61,908	317,595
Interest paid	△212	△522
Income taxes paid	△107,283	△164,119
Net cash provided by (used in) operating activities	△45,587	152,953
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	△4,022	△144,417
Proceeds from sale of property, plant and equipment	—	150
Purchase of intangible assets	△17,123	△28,836
Payments of leasehold and guarantee deposits	—	△40
Proceeds from refund of leasehold and guarantee deposits	7,459	—
Net cash provided by (used in) investing activities	△13,685	△173,142
<b>Cash flows from financing activities</b>		
Payments for retirement by purchase of share acquisition rights	△8,529	—
Repayments of lease liabilities	△959	△3,249
Net cash provided by (used in) financing activities	△9,488	△3,249
Effect of exchange rate change on cash and cash equivalents	2,168	2,106
Net increase (decrease) in cash and cash equivalents	△66,594	△21,332
Cash and cash equivalents at beginning of period	1,580,619	2,518,019
Cash and cash equivalents at end of period	1,514,025	2,496,687