

August 7, 2025

Consolidated Financial Results for the Three Months Ended June 30, 2025 (Under Japanese GAAP)

Company name: Japan Communications Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 9424
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes for institutional investors, securities 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, 2025 (from April 1, 2025 to June 30, 2025)

(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, 2025	2,737	31.6	323	36.7	317	24.7	241	29.8
June 30, 2024	2,080	21.3	236	(11.4)	254	(11.5)	186	(68.8)

Note: Comprehensive income For the three months ended June 30, 2025: ¥229 million [39.8%]
 For the three months ended June 30, 2024: ¥164 million [(71.4)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2025	1.45	-
June 30, 2024	1.12	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2025	7,808	4,108	49.6
March 31, 2025	7,340	3,870	50.4

Reference: Equity
 As of June 30, 2025: ¥3,872 million
 As of March 31, 2025: ¥3,702 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, 2025	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2026	-				
Fiscal year ending March 31, 2026 (Forecast)		0.00		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, 2026

In order to realize our mission of "transporting bits safely and securely," we are providing mobile communication services and mobile solution services and we are developing business providing communication and authentication platforms that guarantee identity and authenticity using our patented digital ID (FPoS) technology (hereinafter referred to as the "FPoS Business"). FPoS is a technology that has been recognized by the Financial Services Agency as contributing to ensuring the safety and improving the convenience of financial transactions.

In mobile communication services, we agreed with NTT DOCOMO, Inc. (hereinafter referred to as "DOCOMO") to interconnect with DOCOMO's voice and SMS network in February 2024 and we plan to launch a new service based on the interconnection in May 2026. This will allow us to develop new business as Neo-Carrier and we expect to provide 10 million lines in 2034.

In the FPoS business, an evaluation of institutional credibility based on the certification of the Electronic Signature Act has been penetrated as well as technical reliability. This will allow us to grow at a geometric progression and we expect to provide 100 million digital certificates in 2034.

Through the above services and business, we expect net revenue of 240 billion yen and profit after tax of 36 billion yen in 2034.

First, we will prepare for an interconnection with DOCOMO's voice and SMS network by May 2026, will try to expand our customer base through measures to raise awareness, and will try to establish FPoS's evaluation and to expand their case studies simultaneously.

* **Notes**

- (1) Significant changes in the scope of consolidation during the period: 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, 2025	165,923,739 shares
As of March 31, 2025	165,923,739 shares

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

As of June 30, 2025	29,504 shares
As of March 31, 2025	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, 2025	165,907,833 shares
Three months ended June 30, 2024	164,994,235 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: nothing

* Proper use of earnings forecasts, and other special matters

A financial results meeting will be held on Friday, August 8, 2025 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, 2025

(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 those 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. As an awareness improvement measures to accelerate growth of “Nihon Tsushin SIM”, the Company conducted first time TV commercials (“We cannot subtract any further. 290 yen” edition) and conducted the similar advertising on the Internet in the previous fiscal year. Also, the Company increased the data amount of “Reasonable Minna-no Plan” and “Reasonable 30-GB Plan” (current “Reasonable 50-GB Plan”) with keeping their rate unchanged on September 30, 2024, to enhance competitiveness. These measures allow “Nihon Tsushin SIM” to be posted in a comparison website, SNS, etc. and its marketability and price competitiveness are highly valued. 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. The Company considers the “communication quality,” “billing plan” and “procedure and support” important and focuses on increasing customer satisfaction. And the Company was awarded the first prize of total satisfaction in the category of MVNO for the customer satisfaction survey on the mobile phone service for 2024, by J.D. Power Japan, Inc.

Due to the awareness being improved and the products being evaluated, the revenue from “Nihon Tsushin SIM” has been growing for both individual and corporate subscribers and has been driving the Company’s growth.

In addition, as the Company agreed with DOCOMO about the interconnection with its voice and SMS network in February 2024, the Company is aiming for starting new service based on the interconnection in May 2026 (scheduled) and the Company is in process of building the mobile core network for the voice and SMS service. The Company plans to make its voice core system virtualized on the private cloud to improve the flexibility of service and to reduce the construction cost.

Furthermore, the Company was allotted the mobile phone numbers (eleven-digit numbers starting with 090, etc.) from the Ministry of Internal Affairs and Communications in June 2025. The allotment of mobile phone numbers to MVNO is owing to the policy decision in December 2021 and the system reform in February 2023 by the Information and Communications Council of the Ministry of Internal Affairs and Communications, and it is the first time in Japan. The interconnection with DOCOMO’s voice and SMS network requires the Company to be allotted the mobile phone numbers, and the Company is making steady progress in preparation for the interconnection.

(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. 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 Japanese partner and customer companies.

As Mobile Solution (MSP business), the Company also continues to provide various solutions using mobile telecommunication such as private SIM-to-SIM telecommunication, secure payment solution completely conforming to PCI DSS, the global payment security standard, upload-prioritized SIM for IoT devices and security cameras.

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) is 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. The authentication by FPoS is i) verification of a customer's identity by private key and electronic certificate, which are equipped with an IC chip in a customer's Individual Number Card, ii) generation of private key and issuance of electronic certificate by electronic certification authority, that is accredited under the Electronic Signatures Act, in Hardware Security Module (HSM) built in a customer's smartphone (iPhone and Android), and iii) guarantee of 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 and a private key.

That is to say, an Individual Number Card is a trust anker in the authentication by FPoS and FPoS has a high-level security equal to an Individual Number Card. While an Individual Number Card can be used as a digital ID in administrative procedures, FPoS can be used as a digital ID and authentication infrastructure in a wide range of areas including administrative procedures by local governments and business operators.

When a customer uses a service through applications 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 high-level 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.

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 Company released "FPoS library" which is a component of the core functions of FPoS, that are functions of identity verification, person authentication and data linking, in May 2024 (Please see the Company's press release on May 24, 2024). Furthermore, the business implementation method of "my electronic certificate" by FPoS that allows to obtain the amended information of basic four information described in an Individual Number Card (name, address, date of birth and gender) subject to the individual's consent, was accredited under the Electronic Signatures Act in October 2024 (Please see the Company's press release on October 7 and 8, 2024). Based on the above, the Company started to provide the "Digital Authentication Module" as a development software module for smartphone application in collaboration with my FinTech Inc., a subsidiary of the Company and Mebuku Ground Inc., etc. in February 2025 (Please see the Company's press release on February 14, 2025). When the business operators who provide services through the applications for smartphones incorporate the "Digital Authentication Module" into their applications, they can use the functions of identity verification, person authentication and data linking at the same level as "Mebuku ID" and can use a digital ID based on the basic four information described in an Individual Number Card on their application. This will solve the two problems of using the Internet on your smartphone, the "safety" and the "difficulty of data linking".

In addition, "FPoS library" was incorporated into the payment application on smartphones provided by WELLNET CORPORATION, and safe and secure payment using electronic certificate started carrying in July 2025 (Please see the Company's press release on July 23, 2025). This payment application issues an electronic certificate for identity verification by an Individual Number Card using "FPoS library" when a customer creates their account, and authorizes the customer using private key generated in smartphone and electronic certificate, instead of former authentication by ID and password. Because the private key is managed in Hardware Security Module (HSM) built in smartphone and it is impossible for a third party to obtain the private key, the problems of impersonation and man-in-the-middle attack shall be solved fundamentally.

As a result of the above, the Group's consolidated net revenue for the three months ended June 30, 2025 was 2,737 million yen, an increase of 657 million yen (up 31.6%) compared to 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." Cost of revenue was 1,616 million yen, an increase of 441 million yen (up 37.5%) compared to the same period of the previous year. This was due to an increase in mobile network procurement costs associated with the growth of "Nihon Tsushin SIM." However, even if the number of subscribers increases, a certain gross margin can be secured 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. Gross profit was 1,121 million yen, an increase of 215 million yen (up 23.9%) compared to the same period of the previous year.

The sales, general and administrative expenses was 797 million yen (668 million yen in the same period of the previous year), the operating profit was 323 million yen (236 million yen in the same period of the previous year), and ordinary profit was 317 million yen (254 million yen in the same period of the previous year).

As a result of the above, quarterly profit attributable to owners of parent was 241 million yen (186 million yen in the same period of the previous year).

(2) Explanation on financial position for the three months ended June 30, 2025

(i) Assets, liabilities, and net assets

Assets

Current assets at the end of the current first quarter were 5,556 million yen, an increase of 49 million yen compared to the end of the previous year. Non-current assets were 2,224 million yen, an increase of 418 million yen compared to the end of the previous year. This was due to increases of 189 million yen in property, plant and equipment, 227 million yen in intangible assets. Deferred assets were 26 million yen, a decrease of 1 million yen compared to the end of the previous year.

As a result, total assets amounted to 7,808 million yen, an increase of 467 million yen compared to the end of the previous year.

Liabilities

Current liabilities at the end of the current first quarter were 1,909 million yen, an increase of 236 million yen compared to the end of the previous year. This was mainly due to a decrease of 34 million yen in deposits received while there was an increase of 267 million yen in accounts payable-other. Non-current liabilities were 1,789 million yen, a decrease of 7 million yen compared to the end of the previous year.

As a result, liabilities amounted to 3,699 million yen, an increase of 229 million yen compared to the end of the previous year.

Net assets

Net assets at the end of the current first quarter were 4,108 million yen, an increase of 238 million yen compared to the end of the previous year. This was mainly due to recording 241 million yen in quarterly profit attributable to owners of parent.

As a result, the equity ratio was 49.6% (50.4% 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, 2025 were 4,260 million yen, a decrease of 39 million yen compared to the end of the previous year.

The status of cash flows and their factors at the end of the three months ended June 30, 2025 are as follows.

Cash flows from operating activities.

Net cash provided by operating activities totaled 330 million yen (an inflow of 152 million yen in the same period of the previous year). This was mainly due to recording quarterly profit before income taxes of 281 million yen.

Cash flows from investing activities.

Net cash used in investing activities totaled 365 million yen (an outflow of 173 million yen in the same period of the previous year). This was mainly due to payment for purchase of property, plant and equipment of 147 million yen, payment for purchase of intangible assets of 149 million yen and payment for purchase of long-term prepaid expenses of 43 million yen.

Cash flows from financing activities.

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

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

The Company is working on to make the “Neo-carrier” come true first in Japan, that provides all the telecommunication service via mobile phone such as data, voice and SMS, based on the interconnection, by the interconnection with DOCOMO’s voice and SMS network and is aiming for starting new service as the Neo-carrier in May 24, 2026. At the same time, the Company expands the business that provides telecommunications and authentication infrastructure whose identification and authenticity are secured by FPoS, the Company’s patented technology and is working on to provide the function carrying data in safety and security, in various fields such as finance, payment, transportation, local governing and healthcare, both in person and via the Internet. Through these two efforts, the revenue and profit of the Company will be expected to grow big in the medium- and long-term. For the fiscal year ended March 31, 2026, the progress of the above two efforts and the growth of the Mobile Telecommunications Service (MVNO/MVNE business) that supports an investment to the above two efforts are key. In the Mobile Telecommunications Service (MVNO/MVNE business), the Company supposes 20% or over growth in revenue and growth that exceeds revenue growth in profit.

Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2025	As of June 30, 2025
Assets		
Current assets		
Cash and deposits	4,300,365	4,260,400
Accounts receivable - trade	796,320	794,280
Merchandise	49,284	37,029
Accounts receivable - other	98,834	84,805
Other	269,813	388,807
Allowance for doubtful accounts	(7,411)	(8,497)
Total current assets	5,507,208	5,556,827
Non-current assets		
Property, plant and equipment		
Buildings	138,091	138,079
Accumulated depreciation	(78,138)	(79,028)
Buildings, net	59,952	59,050
Vehicles	27,110	27,110
Accumulated depreciation	(10,632)	(12,004)
Vehicles, net	16,478	15,106
Tools, furniture and fixtures	946,691	1,165,171
Accumulated depreciation	(748,928)	(772,423)
Tools, furniture and fixtures, net	197,763	392,747
Leased assets	342,537	342,537
Accumulated depreciation	(307,113)	(310,162)
Leased assets, net	35,424	32,374
Land	59,918	59,918
Total property, plant and equipment	369,536	559,197
Intangible assets		
Trademark right	4,289	4,141
Software	370,733	490,604
Software in progress	440,005	548,205
Total intangible assets	815,028	1,042,951
Investments and other assets		
Investment securities	166,341	133,272
Long-term loans receivable	300,000	300,000
Leasehold and guarantee deposits	84,380	102,269
Other	70,344	86,729
Total investments and other assets	621,066	622,271
Total non-current assets	1,805,631	2,224,419
Deferred assets		
Bond issuance costs	27,771	26,768
Total deferred assets	27,771	26,768
Total assets	7,340,611	7,808,015

	As of March 31, 2025	As of June 30, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	473,613	470,357
Current portion of bonds payable	286,000	286,000
Accounts payable - other	181,435	448,565
Income taxes payable	67,055	64,291
Unearned revenue	105,240	100,433
Deposits received	341,948	307,067
Other	217,834	233,242
Total current liabilities	1,673,128	1,909,958
Non-current liabilities		
Bonds payable	1,714,000	1,714,000
Long-term accounts payable - other	9,404	9,917
Long-term unearned revenue	33,267	28,442
Lease liabilities	40,250	36,790
Total non-current liabilities	1,796,922	1,789,150
Total liabilities	3,470,050	3,699,108
Net assets		
Shareholders' equity		
Share capital	600,350	600,350
Capital surplus	288,636	216,929
Retained earnings	2,745,019	2,986,766
Treasury shares	(2,192)	(2,192)
Total shareholders' equity	3,631,813	3,801,853
Accumulated other comprehensive income		
Foreign currency translation adjustment	70,516	70,387
Total accumulated other comprehensive income	70,516	70,387
Share acquisition rights	116,215	116,215
Non-controlling interests	52,015	120,449
Total net assets	3,870,560	4,108,906
Total liabilities and net assets	7,340,611	7,808,015

Quarterly consolidated statement of income

(Thousands of yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Net sales	2,080,694	2,737,936
Cost of sales	1,175,579	1,616,876
Gross profit	905,114	1,121,060
Selling, general and administrative expenses	668,553	797,756
Operating profit	236,560	323,303
Non-operating income		
Interest income	-	673
Share of profit of entities accounted for using equity method	5,911	3,494
Foreign exchange gains	12,500	-
Miscellaneous income	449	140
Total non-operating income	18,861	4,308
Non-operating expenses		
Interest expenses	522	410
Interest expenses on bonds	-	7,280
Amortization of bond issuance costs	-	1,003
Foreign exchange losses	-	1,011
Miscellaneous losses	0	152
Total non-operating expenses	522	9,858
Ordinary profit	254,899	317,753
Extraordinary income		
Gain on sale of non-current assets	150	-
Gain on reversal of share acquisition rights	14	-
Total extraordinary income	164	-
Extraordinary losses		
Loss on retirement of communication equipment	33,000	-
Loss on valuation of investment securities	-	36,563
Total extraordinary losses	33,000	36,563
Profit before income taxes	222,064	281,190
Income taxes - current	47,170	51,494
Total income taxes	47,170	51,494
Profit	174,893	229,696
Loss attributable to non-controlling interests	(11,322)	(12,051)
Profit attributable to owners of parent	186,216	241,747

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Profit	174,893	229,696
Other comprehensive income		
Foreign currency translation adjustment	(10,664)	(128)
Total other comprehensive income	(10,664)	(128)
Comprehensive income	164,229	229,567
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	175,551	241,619
Comprehensive income attributable to non-controlling interests	(11,322)	(12,051)

Quarterly consolidated statement of cash flows

(Thousands of yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Cash flows from operating activities		
Profit before income taxes	222,064	281,190
Depreciation	43,046	62,382
Interest and dividend income	-	(673)
Interest expenses on borrowings and bonds	522	7,690
Share of loss (profit) of entities accounted for using equity method	(5,911)	(3,494)
Foreign exchange losses (gains)	(13,000)	1,201
Gain on sale of non-current assets	(150)	-
Gain on reversal of share acquisition rights	(14)	-
Loss on retirement of communication equipment	33,000	-
Loss (gain) on valuation of investment securities	-	36,563
Decrease (increase) in trade receivables	107,824	1,506
Decrease (increase) in inventories	(1,196)	10,010
Increase (decrease) in trade payables	(9,777)	(2,955)
Decrease (increase) in accounts receivable - other	(10,967)	14,028
Increase (decrease) in unearned revenue	(5,318)	(3,646)
Increase (decrease) in Long-term unearned revenue	(7,785)	(3,771)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(49,099)	(9,378)
Other, net	14,360	(13,450)
Subtotal	317,595	377,204
Interest paid	(522)	(410)
Income taxes paid	(164,119)	(46,661)
Net cash provided by (used in) operating activities	152,953	330,132
Cash flows from investing activities		
Decrease (increase) in short-term loans receivable	-	(2,645)
Purchase of property, plant and equipment	(144,417)	(147,359)
Proceeds from sale of property, plant and equipment	150	-
Purchase of intangible assets	(28,836)	(149,280)
Payments of leasehold and guarantee deposits	(40)	(23,220)
Purchase of long-term prepaid expenses	-	(43,259)
Net cash provided by (used in) investing activities	(173,142)	(365,766)
Cash flows from financing activities		
Repayments of lease liabilities	(3,249)	(3,355)
Net cash provided by (used in) financing activities	(3,249)	(3,355)
Effect of exchange rate change on cash and cash equivalents	2,106	(974)
Net increase (decrease) in cash and cash equivalents	(21,332)	(39,964)
Cash and cash equivalents at beginning of period	2,518,019	4,300,365
Cash and cash equivalents at end of period	2,496,687	4,260,400