

# Asahi Net, Inc.

## Financial Results for the Fiscal Year Ended March 2023 and Financial Forecasts for the Fiscal Year Ending March 31, 2024



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I am Hijikata, the President of Asahi Net, Inc.  
I would like to explain the financial results for the fiscal year ended March 31, 2023.



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## < Cautionary Statement Concerning Forward-Looking Statements >

Statements made in this document with respect to the current plans, estimates, strategies, beliefs and other statements of Asahi Net, Inc. (the "Company") that are not historical facts are forward-looking statements about the future performance of the Company.

These statements are based on the judgment of the management of the Company drawn from currently available information. Accordingly, we advise you not to place undue reliance on these forecast statements. Actual financial results may differ significantly from these forecasts and may be worse than the forecasts due to various key factors.

The Company has taken the greatest care in the preparation of the information presented in this document but is not held liable for any errors in the information.

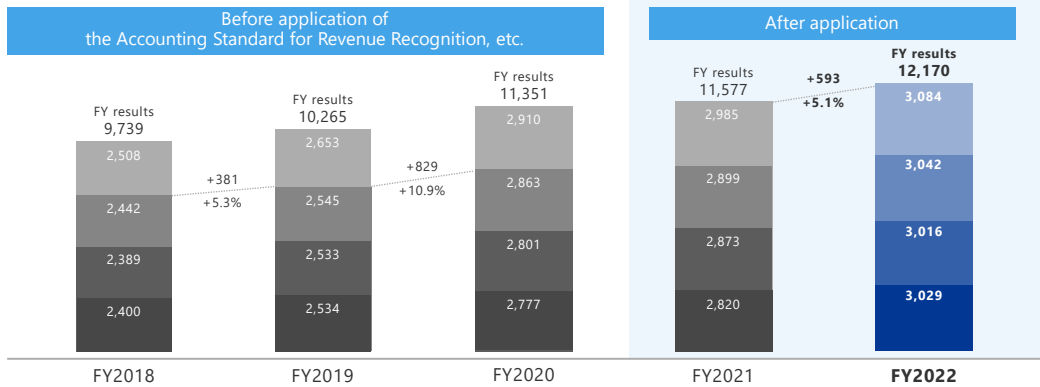
This is what I will talk about today.



# Trends in Net Sales

Net sales increased for eleven consecutive years since FY2012, setting a record

(Unit: millions of yen) ■ 1Q ■ 2Q ■ 3Q ■ 4Q



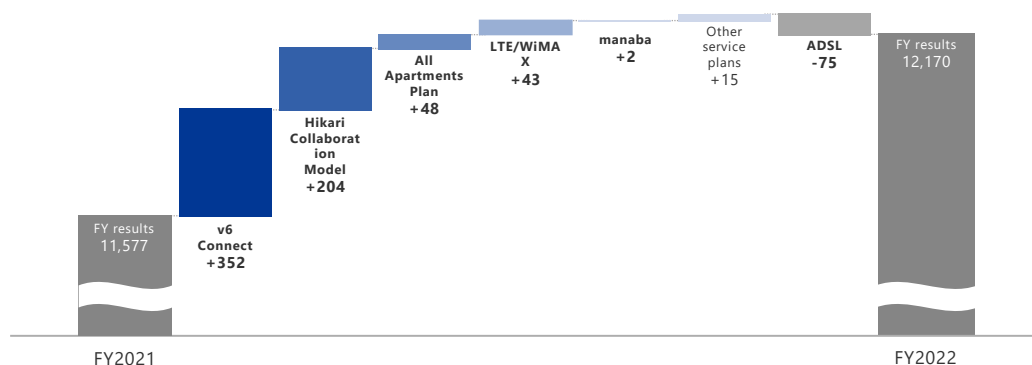
First, let's look at net sales.  
Net sales for FY2022 were 12,170 million yen. This was an increase of 593 million yen or 5.1% year on year. The figure increased for eleven consecutive years since FY2012, setting a record for net sales. The main factors were an increase in the number of subscribers to ISP Asahi Net's internet connection services and an increase in the traffic of VNE v6 Connect.



## Year-on-Year Difference in Net Sales

**Net sales increased due to an increase in the traffic of v6 Connect and an increase in the number of Hikari subscribers among corporate customers**

(Unit: millions of yen)



Next, let me explain the main factors behind the increase in net sales from FY2021 to FY2022.

Firstly, let's look at v6 Connect. Net sales increased by 352 million yen. The increase was due to an increase in traffic handled with our partner companies. The number of our partner companies increased by one to a total of 12 companies as of March 31, 2023.

Next, net sales from Asahi Net Hikari and Asahi Net docomo Hikari, which leverage the Hikari Collaboration Model, increased by 204 million yen. We have been receiving orders for Asahi Net Hikari from corporate customers since the start of the fiscal year, leading to an increase in net sales.

We recorded an increase of 48 million yen in net sales from the All Apartments Plan, which provides internet connection services to apartment owners and residents through a sales channel partnership with NTT East and NTT West. Net sales from LTE and WiMAX mobile connection services increased by 43 million yen.

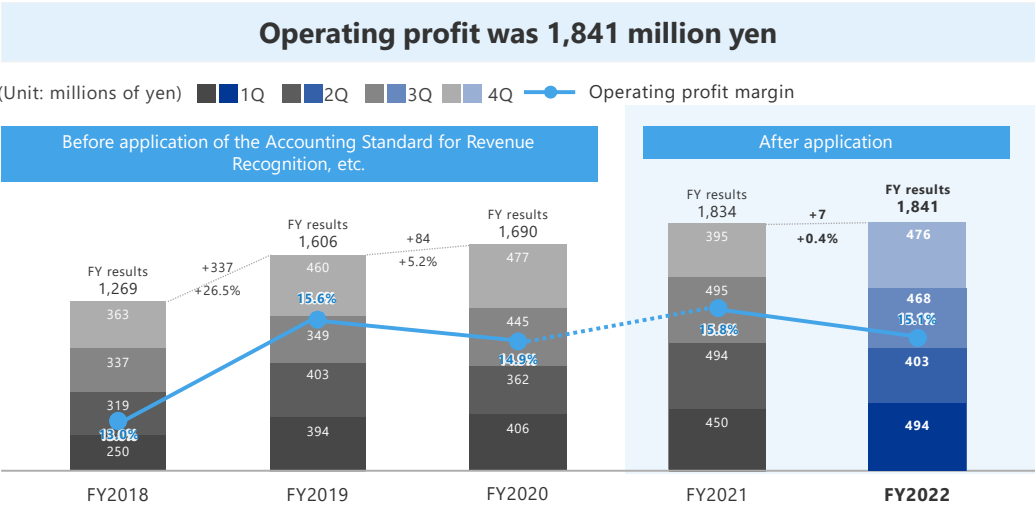
Net sales from the educational support service manaba increased by 2 million yen.

Net sales from ADSL services decreased by 75 million yen. Besides the termination of the Neo-Discount ADSL Course in the previous fiscal year, the decrease was also attributable to the cancellation of memberships following the reduction of the service area of NTT East's and NTT West's FLET'S ADSL at the end of January 2023.

Among services included in the other service plans, net sales decreased mainly for narrowband connection services such as dial-up connection services.



# Trends in Operating Profit



Operating profit was 1,841 million yen, and operating profit margin was 15.1%. Operating profit increased by 7 million yen or 0.4% year on year.

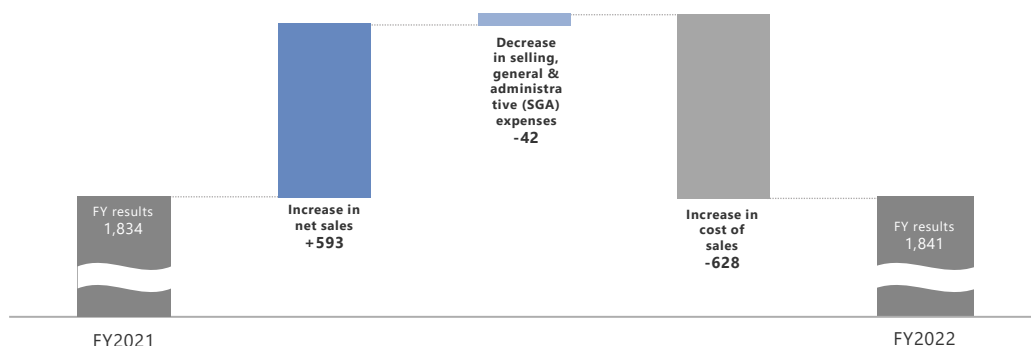
This slide shows the quarterly trends in operating profit. Although operating profit decreased in the second quarter of FY2022 due to the posting of one-time cost of sales and selling, general and administrative expenses, operating profit increased as planned from the third quarter onward.



## Year-on-Year Difference in Operating Profit

**Cost of purchasing lines, communication cost, and depreciation increased, while SGA expenses for membership acquisition decreased**

(Unit: millions of yen)



Now, let me explain the main factors behind the increase in operating profit from FY2021 to FY2022. As I mentioned earlier, net sales increased by 593 million yen. Cost of sales increased by 628 million yen. Selling, general and administrative expenses decreased by 42 million yen.

The following are the main reasons for the increase in cost of sales. The first reason is the purchase of new lines as a result of the rise in the number of new subscribers, including access lines for Asahi Net Hikari and WiMAX +5G. The purchase of new lines is expected to grow in the future as the number of subscribers for internet connection services increases. The second is the increase in communication cost and depreciation involved in maintaining service quality. This was due to signing up for additional contracts for the IPv6 network, for which investments in capital were made in the previous fiscal year. In addition, we made investments in FY2022 to maintain communication quality in order to cope with the increase in download traffic per line due to the growth in internet usage. Third, software expenses and depreciation increased due to the release of new mail services in August 2022.

Selling, general and administrative expenses decreased by 42 million yen. This was due to decreases in sales promotion expenses and advertising expenses aimed at acquiring new individual and corporate members for ISP Asahi Net.



## Trends in EBITDA

**Updates to mail systems implemented and mission-critical systems planned for FY2022 and FY2023, respectively**

(Unit: millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Operating profit	1,269	1,606	1,690	1,834	1,841
Depreciation	410	448	581	818	896
EBITDA(*)	1,679	2,054	2,272	2,653	2,737
EBITDA margin	17.2%	20.0%	20.0%	22.9%	22.5%
Investments in capital	568	831	1,295	1,160	1,055

(\*) EBITDA is calculated as the sum of operating profit and depreciation.

Next, I will explain the trends in EBITDA and EBITDA margin. In FY2022, EBITDA was 2,737 million yen and EBITDA margin was 22.5%. Investments in capital totaled 1,055 million yen. Investments in capital increased mainly due to the release of mail services in the second quarter of FY2022 and to maintain communication quality.

Traditionally, we have identified two challenges that Asahi Net needs to address. The first challenge is to maintain a profitable structure by controlling rising costs. The second challenge is to continue providing quality services that ensure customer satisfaction.

We plan to continue making network-related investments in capital and developing the mission-critical systems for future business expansion in FY2023.



## Operating Results

(Unit: millions of yen)

	FY2021	FY2022	Change	Percentage change
Net sales	11,577	12,170	593	5.1%
Operating profit	1,834	1,841	7	0.4%
Ordinary profit	1,839	1,846	7	0.4%
Profit	1,255	1,285	30	2.4%
Earnings per share	44.92 yen	45.92 yen	—	—

Next is the operating results for FY2022. Net sales and operating profit were as explained earlier. Ordinary profit was 1,846 million yen. Profit was 1,285 million yen, and as a result, earnings per share was 45.92 yen.

In FY2022, a gain on sale of investment securities of 474 million yen was posted as extraordinary income. A loss on retirement of communication equipment of 66 million yen to be paid to NTT East and NTT West, a loss on retirement of non-current assets of 22 million yen, and impairment losses of 372 million yen were posted as extraordinary losses.

With regard to impairment losses, the Company was in the process of updating its mission-critical systems for contract management, data integration with other carriers, etc., but found it necessary to reformulate some of its plans at the end of the current period. Following a review of the future recoverability of some of the assets already recorded, the Company decided to post impairment losses of 372 million yen in accordance with the "Accounting Standard for Impairment of Fixed Assets."



# Financial Position

(Unit: millions of yen)

	As of March 31, 2022	As of March 31, 2023	Change
Total assets	12,940	13,660	719
Total liabilities	1,659	1,699	39
Net assets	11,281	11,961	680
Equity ratio	87.2%	87.6%	—

Now, let's look at the financial position for FY2022. Total assets increased 719 million yen from the end of the previous fiscal year to 13,660 million yen, total liabilities increased 39 million yen from the end of the previous fiscal year to 1,699 million yen, and net assets increased 680 million yen from the end of the previous fiscal year to 11,961 million yen. Equity ratio was 87.6%.



# Shareholder Return

**Year-end dividend for FY2022 was 11.50 yen, with full-year dividend rising to 22.50 yen**

(Unit: millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Profit	952	1,150	1,301	1,255	1,285
Dividends	18.00 yen	18.50 yen	19.50 yen	21.00 yen	22.50 yen
Dividend payout ratio	56.0%	45.2%	41.8%	46.7%	49.0%

Note: With regard to FY2022 (forecast), a revision (increase) of the forecasted dividend was announced on May 10, 2023.  
Note: A notification regarding own share repurchase through the Off-Auction Own Share Repurchase Transaction (ToSTNeT-3) was issued on May 10, 2023.

Next, I will explain the cash dividends for FY2022. The Company recognizes the return of profits to shareholders as a key management priority, and our basic policy is to maintain stable dividends while securing retained earnings for future business development and strengthening our management structure.

At present, we consider a dividend payout ratio of about 40% to 50% as an appropriate level. The initial plan was to pay an interim dividend of 11 yen and a year-end dividend of 11 yen for a full-year dividend of 22 yen. However, in comprehensive consideration of our shareholder return policy and financial results, we will pay a year-end dividend of 11.50 yen for the current fiscal year. As a result, the full-year dividend will be 22.50 yen, with the dividend payout ratio expected to be 49.0%.

The Company has also issued a press release today regarding the repurchase of its own shares. The total number of shares to be repurchased is 330,000, with the total price of the purchase expected to be 195 million yen.



## Service Lineup of Asahi Net

### Internet Connection Services

ISP



FTTH Connection Services

Mobile Connection Services

Other Connection Services

VNE



### Internet-Related Services

Educational  
Support  
Service

Other

Mail Services

Security Services

Other Related Services

Next, let's look at each service in detail.

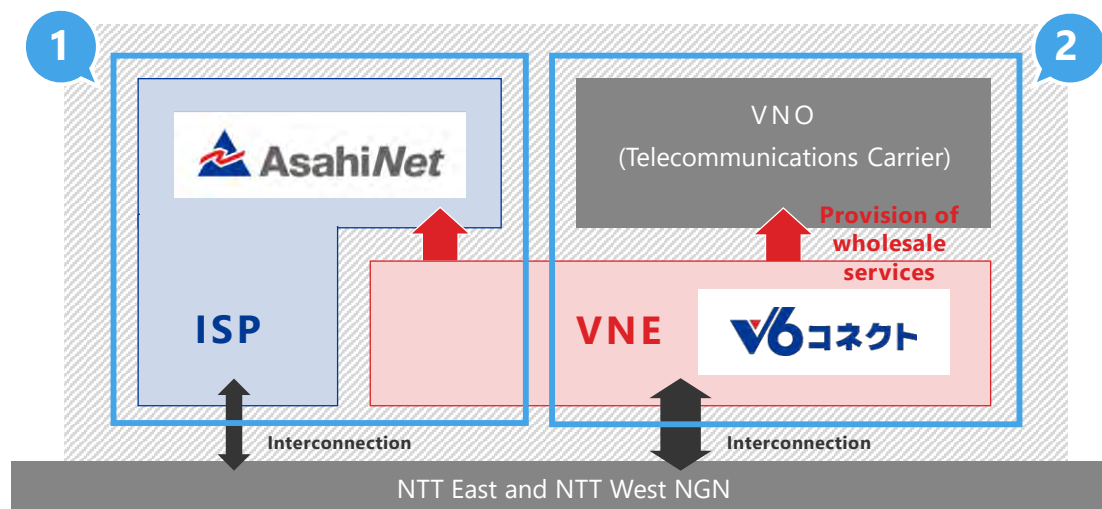
Net sales from ISP Asahi Net and VNE v6 Connect services are disclosed as net sales for internet connection services.

Net sales from the educational support service manaba and other services are disclosed as net sales for internet-related services.

I will explain based on these points.



## Structure of Internet Connection Services



First, I will explain the status of internet connection services.

Internet connection services consist of two categories. In the first category, as indicated on the upper left of the slide, the Company provides its own service Asahi Net as an ISP; and in the second category, as indicated on the upper right of the slide, the Company provides v6 Connect, an IPv6 connection service, to telecommunications carriers as a VNE.



# Net Sales from Internet Connection Services

(Unit: millions of yen)

	FY2021	FY2022	Change	Percentage change
ISP Asahi Net	8,621	8,865	244	2.8%
VNE v6 Connect	1,383	1,735	352	25.5%
Total	10,004	10,601	596	6.0%

This shows the net sales from internet connection services for FY2022.  
ISP Asahi Net posted 8,865 million yen, and VNE v6 Connect posted 1,735 million yen.

Year-on-year changes in net sales for each service are as follows. Net sales from ISP Asahi Net increased by 244 million yen or 2.8%. Net sales from VNE v6 Connect increased by 352 million yen or 25.5%.

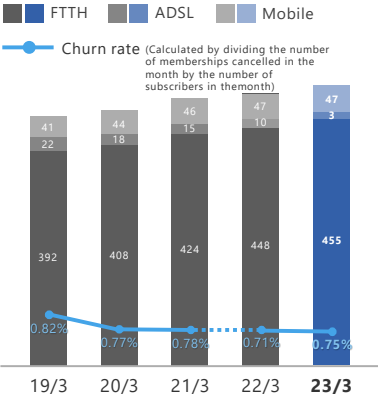


# Trends in the Number of Subscribers to ISP Asahi Net’s Internet Connection Services

**Recorded a steady increase in the number of orders received from corporate customers and an increase in the number of FTTH connection services subscribers**

(Unit: thousands of IDs)

	March 31, 2022	March 31, 2023	Change
FTTH (fiber-optic connection)	448	455	7
ADSL	10	3	-6
Mobile connection	47	47	0



Now, let me touch on the status of the ISP Asahi Net business.  
The number of subscriber IDs to FTTH connection services, including Asahi Net Hikari, increased by 7,000 year on year to 455,000 as of March 31, 2023. The number of subscriber IDs to ADSL connection services decreased by 6,000 to 3,000. The number of subscriber IDs to mobile connection services was 47,000.

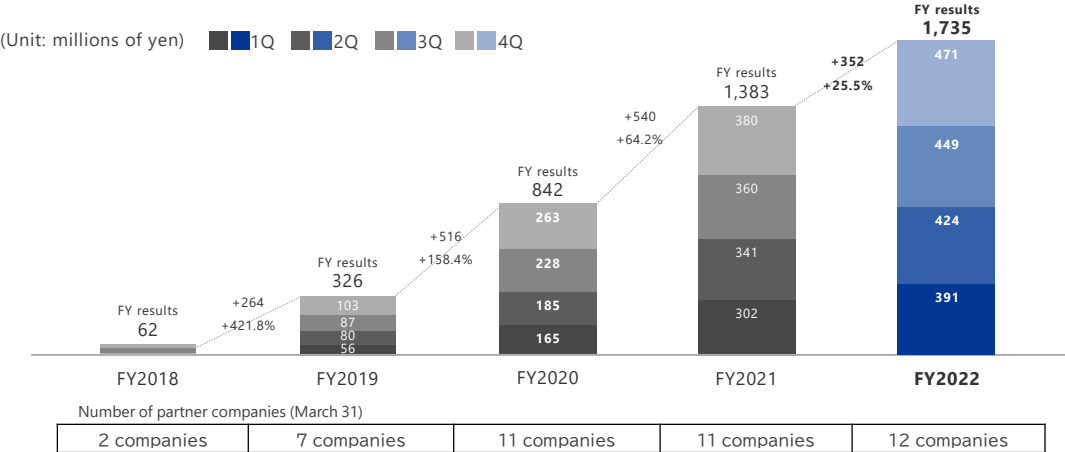
The churn rate for subscribers of internet connection services was 0.75%. The churn rate remained low.

The increased number of orders received in FY2022 for Asahi Net Hikari and the All Apartments Plan provided in partnership with NTT East and NTT West, which I mentioned when discussing net sales, has driven the number of subscribers to FTTH connection services. The number of subscribers to ADSL connection services has decreased due to the reduction of the service area of FLET’S ADSL in January 2023. There has been an increase in demand for mobile connection services from corporate customers who use WiMAX and LTE services with the Fixed IP Option.



# Trends in Net Sales from VNE v6 Connect and the Number of Partner Companies

Net sales from v6 Connect increased 25.5% year on year



Now, let's look at VNE v6 Connect. Net sales from v6 Connect for FY2022 increased by 25.5% year on year to 1,735 million yen. The number of our partner companies increased by one to a total of 12 companies.

V6 Connect is an IPv6 internet connection service for VNOs (telecommunications carriers), which is offered by using the IPoE connection method of FLET'S Hikari provided by NTT East and NTT West. The Company records as sales the amount of fees charged on a pay-as-you-go basis based on the traffic used by VNOs.

The bar chart on the slide shows the trends in quarterly net sales. There are two main factors contributing to the increase in net sales. The first is an increase in the number of FLET'S Hikari lines used by partner companies. The second is an increase in traffic per line. The increase in traffic per line contributed significantly to the increase in net sales for FY2022.



# Net Sales from Internet-Related Services

(Unit: millions of yen)

	FY2021	FY2022	Change	Percentage change
manaba	763	766	2	0.4%
Other	809	803	-6	-0.8%
Total	1,573	1,569	-3	-0.2%

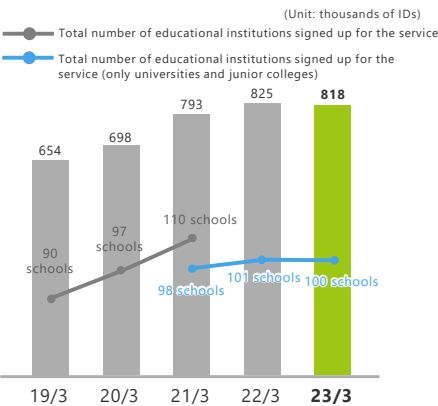
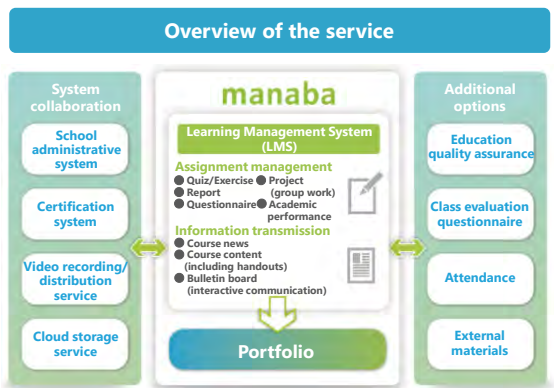
Now, let's move on to look at the status of internet-related services.  
Internet-related services include the educational support service manaba and related services such as mail and security services.

This shows the net sales from internet-related services for FY2022.  
Net sales from the educational support service manaba increased by 0.4% year on year to 766 million yen. Net sales from other services decreased by 0.2% to 803 million yen.



# Number of Subscriber IDs for manaba

The number of subscriber IDs decreased by 7,000 year on year, while a total of 100 educational institutions have signed up for the service



Next, let me talk about the educational support service manaba. manaba is a cloud-based application service developed, sold and supported by the Company for educational institutions, mainly universities. The service consists of a learning management system (manaba application), system collaboration services, and additional optional services. The number of subscriber IDs for manaba as of March 31, 2023, was 818,000, a year-on-year decrease of 7,000. Although Tokyo Information Design Professional University and other educational institutions started using the service in the current fiscal year, the number of subscriber IDs decreased due to the expiry of contracts with two universities in the first quarter of FY2022.



# Summary of Financial Results for FY2022

## 1 Financial Results for FY2022

- Recorded net sales of 12,170 million yen, achieving a new record for net sales for eleven consecutive years since FY2012
- Recorded an operating profit of 1,841 million yen, achieving a 0.4% year-on-year increase

## 2 Status of Our Business

### ◆ ISP Asahi Net

The number of subscriber IDs for FTTH connection services increased by 7,000 year on year, with FTTH driving the increase in the number of Asahi Net subscribers.

### ◆ VNE v6 Connect

Net sales increased by 25.5% year on year. Sales increased due to increased traffic per line used by partner companies.

### ◆ manaba

The number of subscriber IDs decreased by 7,000 year on year to 818,000. New attendance management and portfolio features were launched.

Next is the summary of financial results for FY2022.

Firstly, let's look at the financial results. Net sales for FY2022 reached a record high of 12,170 million yen. Net sales increased for eleven consecutive years from FY2012. Operating profit was 1,841 million yen.

Secondly, let's look at the status of our business. The number of subscriber IDs for the FTTH connection services of ISP Asahi Net increased by 7,000 year on year to 455,000. Net sales from VNE v6 Connect increased by 25.5% year on year to 1,735 million yen. The increase in sales is mainly due to the increased traffic of FLET'S Hikari per line used by partner companies. The number of our partner companies increased by one to a total of 12 companies. The number of subscriber IDs for the educational support service manaba decreased by 7,000 year on year to 818,000. The total number of educational institutions signed up for the service was 100.



## Earnings Forecast

### Policy

**Produce tangible results to increase the respective revenues from ISP, VNE and manaba services**

(Unit: millions of yen)

	FY2022	FY2023 (Forecast)	Change	Percentage change
Net sales	12,170	12,600	430	3.5%
Operating profit	1,841	2,000	159	8.6%
Ordinary profit	1,846	2,000	153	8.3%
Profit	1,285	1,400	115	8.9%
Earnings per share	45.92 yen	49.99 yen	—	—

Next, I would like to talk about the earnings forecast for FY2023. For FY2023, we have set a strategy of producing tangible results to increase the respective revenues from ISP, VNE and manaba services.

We will increase the number of subscribers to FTTH connection services with a focus on the Hikari Collaboration Model and FLET'S services as well as subscribers to mobile connection services for ISP Asahi Net, cope with the annual increase in traffic and ensure communication quality for VNE v6 Connect, and develop an LMS feature aimed at education quality assurance for the educational support service manaba.

Under this strategy, net sales are expected to reach 12,600 million yen, an increase of 430 million yen year on year and a growth rate of 3.5%. Operating profit is expected to reach a record high of 2,000 million yen, as expenses are expected to rise due to increases in the purchase of new lines, communication cost for maintaining communication quality and depreciation associated with investments in capital, while we continue to work on updating our mission-critical systems, a project that was started in the previous year. This represents an increase of 159 million yen in operating profit year on year and a growth rate of 8.6%. Ordinary profit is expected to reach 2,000 million yen, which represents an increase of 153 million yen year on year and a growth rate of 8.3%. Profit is expected to reach 1,400 million yen, which represents an increase of 115 million yen year on year and a growth rate of 8.9%.

In addition, investments in capital for FY2023 will be 2,000 million yen. We plan to continue making network-related investments in capital to ensure profits while maintaining communication quality in response to the increasing traffic, as well as updating server-related areas that require periodic updates. The update of our mission-critical systems will be taking place over multiple years through the end of FY2024. In view of the above, EBITDA and EBITDA margin for FY2023 are expected to be 3,000 million yen and 23.8%, respectively.



# Shareholder Return

**The proposed amount of cash dividends for FY2023 is 23 yen**

(Unit: millions of yen)

	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Profit	1,150	1,301	1,255	1,285	1,400
Dividends	18.50 yen	19.50 yen	21.00 yen	22.50 yen	23.00 yen
Dividend payout ratio	45.2%	41.8%	46.7%	49.0%	46.0%

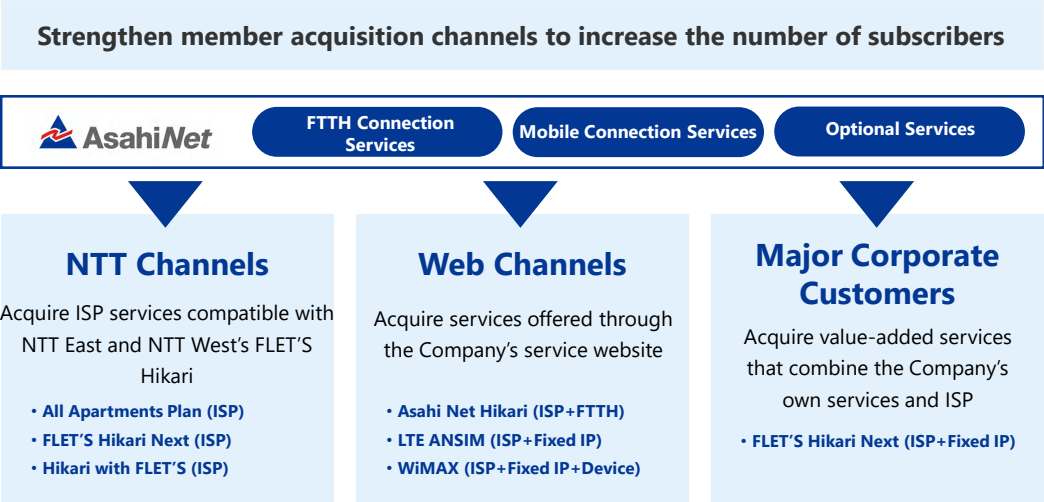
Note: With regard to FY2022, a revision (increase) of the forecasted dividend was announced on May 10, 2023.  
Note: A notification regarding own share repurchase through the Off-Auction Own Share Repurchase Transaction (ToSTNeT-3) was issued on May 10, 2023.

Now, let me explain our shareholder return plan. As mentioned previously, the Company recognizes the return of profits to shareholders as a key management priority, and our basic policy is to maintain stable dividends while securing retained earnings for future business development and strengthening our management structure.

Based on the policy of returning profits, we plan to pay an interim dividend of 11.50 yen and a year-end dividend of 11.50 yen for a full-year dividend of 23 yen for FY2023. We will continue to make appropriate decisions based on the situation.



# Plans of ISP Asahi Net



While net sales of Asahi Net increases in proportion to the number of subscribers to FTTH connection services and mobile connection services, we consider the slowdown in the growth of subscribers to FTTH connection services as explained in the trends in the number of subscribers as of the end of March 2023 to be an issue at this point, and we will proceed to adopt concrete measures to increase the number of subscribers.

The first is to strengthen NTT channels. We will expand Asahi Net Hikari under the Hikari Collaboration Model and the All Apartments Plan distributed in partnership with NTT East and NTT West, while strengthening sales for FLET'S Hikari Next, which only offers the Company's ISP service for NTT East's and NTT West's FLET'S Hikari.

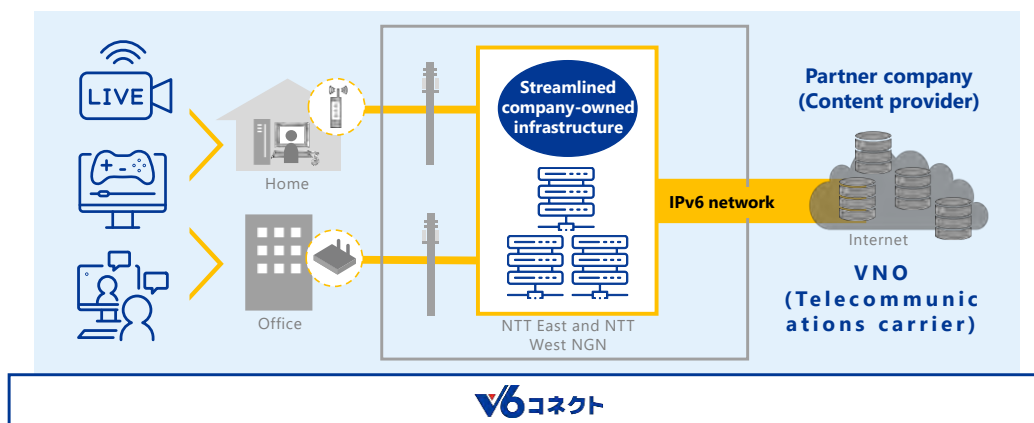
The second is to strengthen web channels. We will invest in advertising expenses and sales promotion expenses aimed at acquiring prospective customers through the Company's website. The website was relaunched in August 2022. We are working on improving it so that we can provide accurate information to customers who are considering signing up for our services.

The third is to strengthen corporate memberships. One feature of the Company is that the number of our subscribers who are corporate members exceeds that of individual members, and we boast a higher ratio of corporate members compared to other ISPs. One reason corporate customers opt for the Company is that we provide internet connections that leverage fixed IP services. We plan to increase the number of subscribers by sharing possible use cases such as multi-factor authentication and remote access via the internet by offering fixed IP addresses for FTTH connection services and mobile connection services.

The Company has won the top award for nine consecutive years in the ISP Overall category of the RBB TODAY Broadband Award 2022, whose winners are selected based on customer satisfaction surveys for internet communication services run by a third-party organization, and it also ranked No. 1 ISP for overall customer satisfaction for three consecutive years in the RBB TODAY Telework Award 2023. With an increasing number of companies adopting a hybrid work system that combines commuting to work with teleworking from home, user-friendliness of the internet environment has become an important metric for businesspeople when selecting a provider. Given these circumstances, we believe that winning these top awards attests to the high quality and appropriate prices of the services provided by the Company, and we aim to further increase the number of subscribers to our internet connection services.

## Plan for VNE v6 Connect

**Maintain cooperative relationships with partner companies and streamline our network infrastructure**



Now, let me move on to explain the plan for VNE v6 Connect. As for VNE v6 Connect, we will continue to focus on maintaining cooperative relationships with our partner companies and expanding alliances with new VNOs (telecommunications carriers).

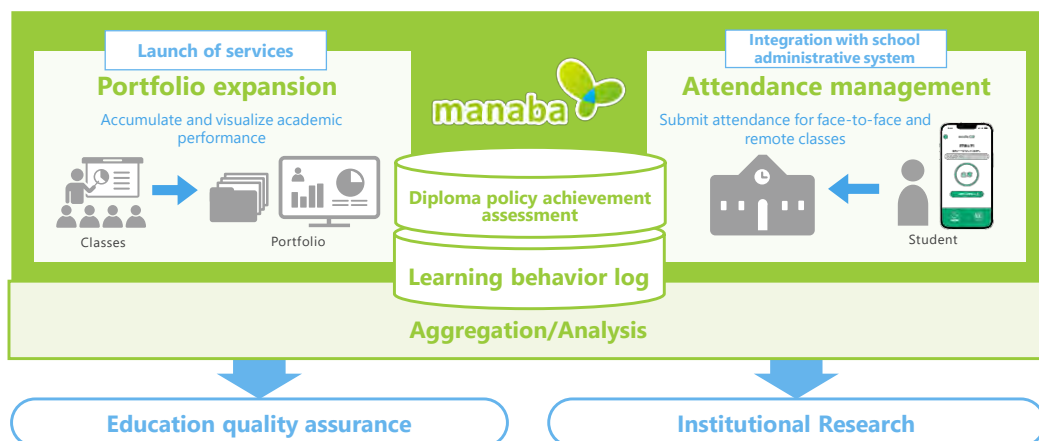
The use of downloaded content from watching live sporting events broadcasted over the internet, online game updates, etc., is expected to increase going forward and will continue to grow in the future.

V6 Connect is a service that charges a usage fee according to the amount of traffic used by VNOs. In the business development of VNOs, the use of v6 Connect for maintaining communication quality and cost control in the business structure is of great significance. The Company strives to maintain medium-term relationships between the Company and partner companies as partners by adjusting prices and streamlining network maintenance costs in order for our partner VNOs to expand and maintain their businesses.

The Company has continued to expand its network infrastructure to accommodate the increasing traffic in the future. In FY2023, we will review part of the configuration of our IPv6 network, which is interconnected to NTT East and NTT West's NGN, as part of our efforts to increase the volume of traffic that can be handled while controlling cost increases more effectively than in the past.

## Initiatives for manaba

**Continue to develop and make proposals for services that achieve the education quality assurance that is expected by the Ministry of Education, Culture, Sports, Science and Technology**



Now, I will talk about the plan for the educational support service manaba.

First, I will discuss the expected decrease in sales for FY2023. The first reason is the decrease in sales and cost of sales due to the expiry of the respon distributor contract between the Company and respon, Inc., at the end of March 2023. This is expected to result in a decrease in revenue of approximately 90 million yen. The second reason is the expected decrease in revenue of approximately 40 million yen due to the impact of the planned termination of subscriptions by seven universities in April 2023 and after. These universities are terminating their subscriptions because of the increased use of Google Workspace and Microsoft 365 as well as the consolidation with other services used within the universities. Universities and other educational institutions have undergone a major transition from face-to-face classes to online classes since 2020 in order to continue providing educational opportunities to students while adopting the necessary safety precautions against COVID-19. The process of this transition has been driven by the digital transformation of education encouraged by the Ministry of Education, Culture, Sports, Science and Technology, which has in turn called for the creation of new value by learning management systems (LMS) such as manaba and portfolios.

Given these circumstances, we will continue to strengthen the provision of services that are essential for education quality assurance and institutional research in FY2023. We have launched a portfolio expansion in April 2023 to accumulate and visualize academic performance. We have also enhanced the functionality of the attendance management service, which serves as an alternative to respon, by integrating attendance information with the school administrative system.

By deepening these efforts, the Company will contribute to university education through manaba as a service that supports diverse learning so that people will think of manaba when it comes to education quality assurance.



This is the end of my presentation on the financial results for the fiscal year ended March 31, 2023, and the plans for the year ending March 31, 2024.  
Thank you for listening.