

Asahi Net, Inc.

Financial Results Briefing Materials
for the First Half of the Fiscal Year Ending March 31, 2025
(From April 1, 2024 to September 30, 2024)



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I am Hijikata, the President of Asahi Net, Inc.
I would like to explain the financial results for the first half of the fiscal year ending
March 31, 2025.



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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.

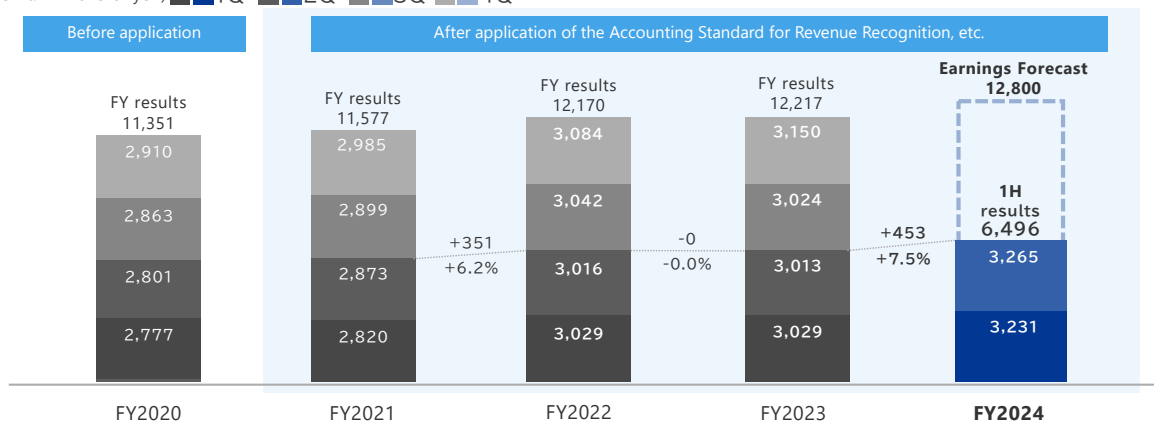
This is what I will talk about today.



Trends in Net Sales

Net sales for the first half of FY2024 increased by 453 million yen year on year

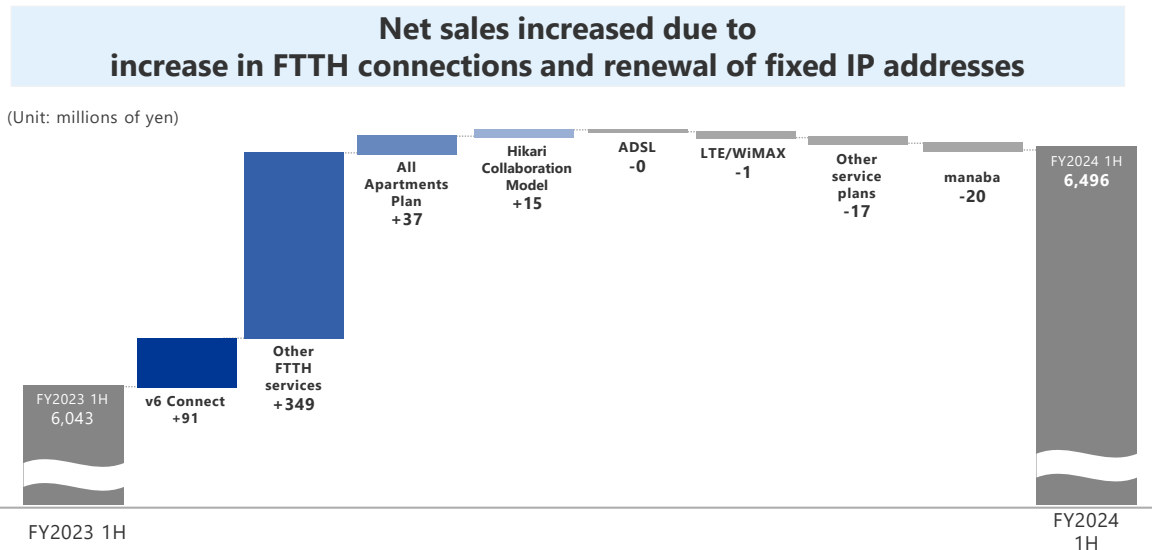
(Unit: millions of yen) ■ 1Q ■ 2Q ■ 3Q ■ 4Q



First, let's look at net sales. Net sales for the first half of FY2024 were 6,496 million yen. This was an increase of 453 million yen or 7.5% year on year. The rate of progress toward the FY forecast of 12,800 million yen was 50.8%. It has been progressing as planned.



Year-on-Year Difference in Net Sales



Next, let me explain the main factors behind the increase in net sales of 453 million yen from the first half of FY2023 to the first half of FY2024.

Firstly, let's look at v6 Connect. Net sales increased by 91 million yen. This was due to an increase in traffic handled with our partner companies. Although there was a decrease of one partner company in the first quarter, sales grew steadily. Next, I will explain about the increase or decrease in each service of ISP Asahi Net.

Net sales from other FTTH services increased by 349 million yen. Net sales increased due to an increase in the number of FTTH connection services subscribers as a result of enhanced member acquisition through NTT channels and Web channels. The renewal of the fixed IP address option in February 2024 also contributed to increased net sales.

We recorded an increase of 37 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 the Hikari Collaboration Model, including Asahi Net Hikari and Asahi Net docomo Hikari, which leverage the Hikari Collaboration Model between NTT East and NTT West, increased by 15 million yen.

Net sales from LTE and WiMAX mobile connection services decreased by 1 million yen. Among mobile connection services, net sales from LTE increased by 14 million yen. More and more corporate members are using SIM cards and fixed IPs to access remotely located equipment via the internet. Net sales from WiMAX decreased by 15 million yen. This decline, continuing from the previous fiscal

year, was a result of sluggish growth in the number of subscriptions to the 5G service, which separates communications charges from device charges and offers unlimited use at a flat rate.

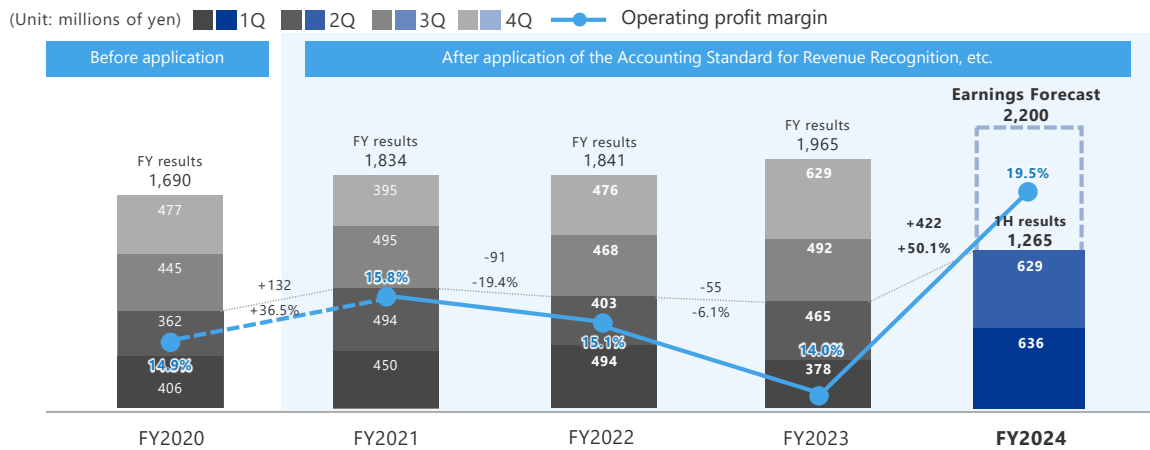
Net sales from other services decreased by 17 million yen. Net sales from other service plans mainly include those of narrowband connection services such as dial-up connection services.

Net sales from the educational support service manaba decreased by 20 million yen due to the impact of a university that canceled its subscription at the end of the fiscal year ended March 31, 2024.



Trends in Operating Profit

Operating profit increased 50.1% year on year, reaching a record high



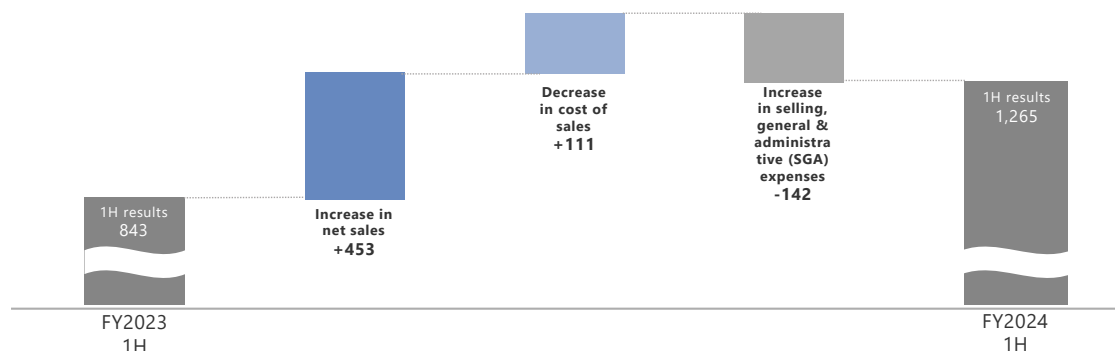
Operating profit was 1,265 million yen, a record high for the first half. The rate of progress toward the FY forecast of 2,200 million yen was 57.5%. Operating profit margin was 19.5%. It has been progressing as planned.



Year-on-Year Difference in Operating Profit

**Cost of sales decreased due to more efficient communication cost, while
SGA expenses for membership acquisition increased**

(Unit: millions of yen)



I will explain the main factors for why operating profit increased by 422 million yen from the first half of FY2023 to the first half of FY2024.
As I explained in the previous slide, net sales increased by 453 million yen.

This has to do with cost of sales and SGA.

Firstly, there was a decrease in communication cost. The cost of telecommunication lines decreased due to the completion of a plan to review some of the network facilities to efficiently handle the traffic that has been increasing since the first half of the fiscal year ended March 31, 2023 and will continue to do so in the future. In addition, we have been able to increase the total amount of traffic that can be handled by our current telecommunication lines and are prepared for future traffic growth.

The second reason is the increase in outsourcing expenses and depreciation. A multi-year plan is underway for the renewal of mission-critical systems. In addition to the mission-critical systems that we have been working on since the previous fiscal year, outsourcing and development costs increased for the development of ISP, VNE, and manaba, and this is expected to continue through the fiscal year ending March 2026. Depreciation associated with investments in capital remained flat year on year.

The third reason is the increase in sales promotion expenses. Expenditures were mainly made to acquire new members for the ISP "ASAHI Net". Outsourcing expenses to increase the volume of sales activities, router gifts linked to the number of new members, and agency commissions have increased. We plan to continue to focus on attracting new members.



Trends in EBITDA

Mission-critical systems scheduled for release toward the end of FY2024

(Unit: millions of yen)

	FY2020	FY2021	FY2022	FY2023	FY2024 (1H)	FY2024 (Forecast)
Operating profit	1,690	1,834	1,841	1,965	1,265	2,200
Depreciation	581	818	895	883	427	1,020
EBITDA(*)	2,272	2,653	2,737	2,849	1,693	3,220
EBITDA margin	20.0%	22.9%	22.5%	22.3%	26.1%	24.7%
Investments in capital	1,295	1,160	1,055	1,830	—	3,000

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

Next, I will explain the trends in EBITDA and EBITDA margin. In the first half of FY2024, EBITDA was 1,693 million yen and EBITDA margin was 26.1%. In the fiscal year ending March 31, 2025, the company is investing in the renewal of mission-critical systems, periodic equipment upgrades, and network facilities to handle the increasing traffic in the future. As a result, EBITDA is planned to be 3,220 million yen.



Operating Results

(Unit: millions of yen)

	FY2023 1H	FY2024 1H	Change	Percentage change	Rate of progress toward earnings forecast
Net sales	6,043	6,496	+453	7.5%	50.7%
Operating profit	843	1,265	+422	50.1%	57.5%
Ordinary profit	853	1,276	+422	49.5%	58.0%
Profit	555	977	+422	76.1%	63.5%
Earnings per share	19.97 yen	36.11 yen	—	—	—

Next is the operating results for the first half of FY2024. Net sales and operating profit were as explained earlier.

Ordinary profit increased by 49.5% year on year to 1,276 million yen. Profit increased by 76.1% year on year to 977 million yen.

In the first half of FY2024, a gain on sale of investment securities of 137 million yen was posted as extraordinary income.



Financial Position

(Unit: millions of yen)

	As of March 31, 2024	As of September 30, 2024	Change
Total assets	14,279	14,547	268
Total liabilities	1,772	1,919	147
Net assets	12,506	12,627	120
Equity ratio	87.6%	86.8%	—

Now, let's look at the financial position for the first half of FY2024. Total assets increased 268 million yen from the end of the previous fiscal year to 14,547 million yen, total liabilities increased 147 million yen from the end of the previous fiscal year to 1,919 million yen, and net assets increased 120 million yen from the end of the previous fiscal year to 12,627 million yen. Equity ratio was 86.8%.



Management Conscious of Cost of Capital and Stock Price

(Unit: millions of yen)

	FY2021	FY2022	FY2023	FY2024 1H
Net sales	11,577	12,170	12,217	6,496
Operating profit	1,834	1,841	1,965	1,265
Profit	1,255	1,285	1,289	977
Net assets per share	403.48	427.08	450.96	470.34
ROE (return on equity)	11.3%	11.1%	10.5%	—
Stock price (March closing price)	588 yen	590 yen	644 yen	—
PBR (price to book ratio)	1.46	1.38	1.43	—

This slide is on indicators for management conscious of cost of capital and stock price.

The Company has set return on equity (ROE) as a target management indicator for the entire company, with the goal of achieving ROE of 10% or more, which is higher than the cost of shareholders equity (5% to 6%), the yield expected by investors. The Company's ROE has been as stated in the slide for the last three fiscal years, achieving a return on capital that exceeds the cost of shareholders' equity calculated by the Company. The price to book ratio (PBR) is also shown in the slide. The equity spread, which is ROE minus the cost of shareholders' equity, is planned to be around 5%.



Shareholder Return

An interim dividend of 12 yen and a planned annual dividend of 24 yen for FY2024

(Unit: millions of yen)

	FY2020	FY2021	FY2022	FY2023	FY2024 (Planned)
Profit	1,301	1,255	1,285	1,289	1,540
Dividends	19.50 yen	21.00 yen	22.50 yen	23.00 yen	24.00 yen
Dividend payout ratio	41.8%	46.7%	49.0%	49.5%	43.2%
Acquisition of own shares	—	—	—	195	606
Total payout ratio	—	—	—	59.5%	81.2%

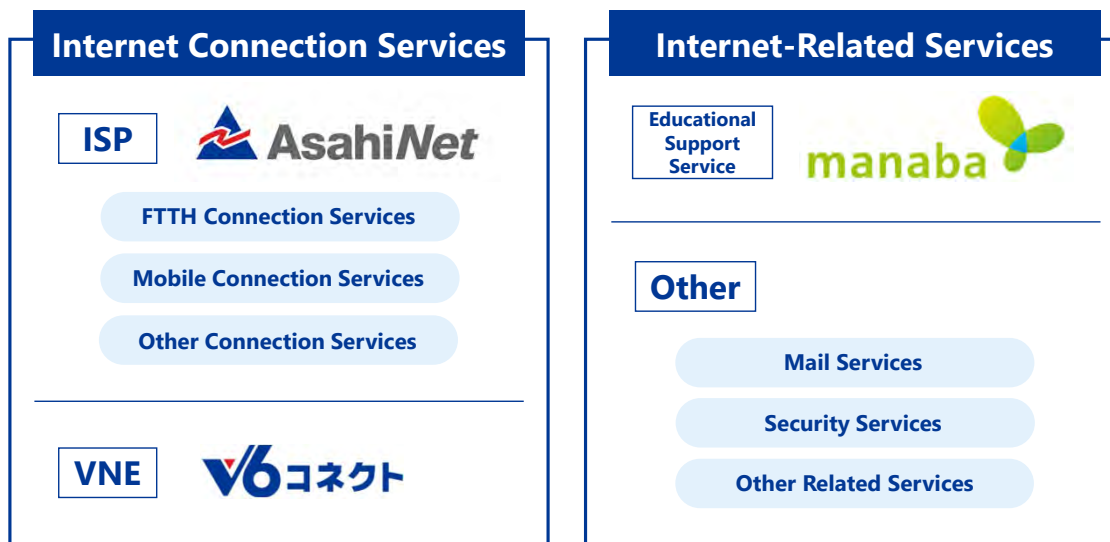
Note: A notification regarding own share repurchase through the Off-Auction Own Share Repurchase Transaction (ToSTNeT-3) was issued on May 9, 2024.

Next, I will explain the cash dividends for FY2024. The interim dividend is 12 yen, as planned. The annual dividend for FY2024 is expected to be 24 yen per share, consisting of an interim dividend of 12 yen and a year-end dividend of 12 yen. As a result, the dividend payout ratio is expected to be 43.2%.

The Company acquired its own shares on May 9, 2024. The total number of shares acquired was 950,000 shares, for a total acquisition cost of 606 million yen. As a result, the total payout ratio for FY2024 is expected to be 81.2%.



Service Lineup of Asahi Net



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

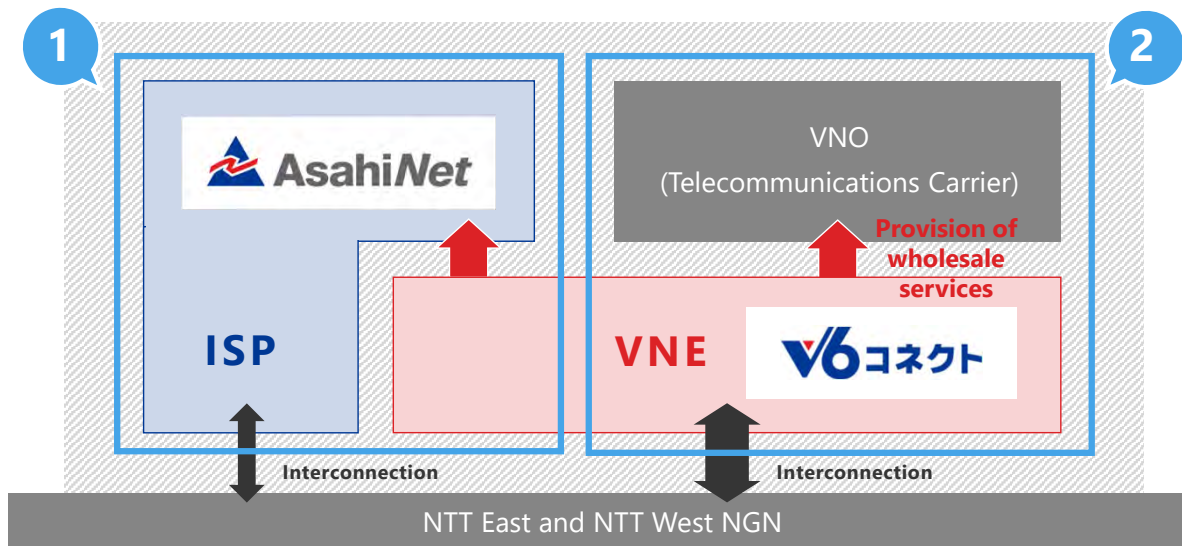
Net sales from ISP Asahi Net and VNE v6 Connect services are disclosed as net sales for internet connection services.

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)

	FY2023 1H	FY2024 1H	Change	Percentage change
ISP Asahi Net	4,379	4,770	+390	8.9%
VNE v6 Connect	961	1,053	+91	9.5%
Total	5,341	5,824	+482	9.0%

This shows the net sales from internet connection services for the first half of FY2024.

Net sales from ISP Asahi Net increased by 390 million yen or 8.9% year on year to 4,770 million yen. Net sales from VNE v6 Connect increased by 91 million yen or 9.5% year on year to 1,053 million yen.

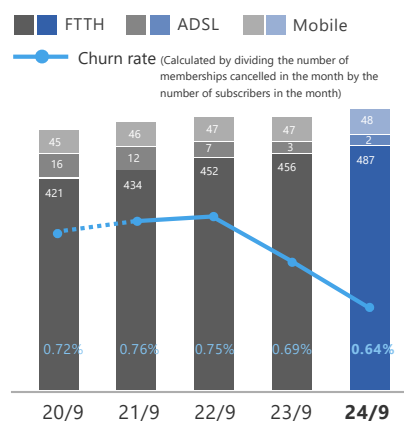


Trends in the Number of Subscribers to ISP Asahi Net's Internet Connection Services

Strengthened acquisition of subscribers and recorded an increase in the number of FTTH connection services subscribers

(Unit: thousands of IDs)

	Sep. 30, 2023	Sep. 30, 2024	Change
FTTH (fiber-optic connection)	456	487	+31
ADSL	3	2	-0
Mobile connection	47	48	+0



Now, let me touch on the status of the ISP Asahi Net business. The number of subscriber IDs for FTTH connection services, including Asahi Net Hikari, increased by 31,000 year on year to 487,000. The number of subscriber IDs for ADSL connection services reached 2,000. The number of subscriber IDs for mobile connection services was 48,000.

The churn rate for subscribers of internet connection services was 0.64%. The churn rate remained low.



Initiatives for ISP Asahi Net

Promote the strengthening of member acquisition channels to increase the number of subscribers

FLET'S Hikari Cross All Apartments Plan



- Acquisition of 10Gbps Hikari access service
- Development of markets with potential of growing the number of subscribers

We are enhancing acquisition of 10Gbps Hikari access service that combines "FLET'S" provided by NTT East and NTT West and ISP Asahi Net.

We are engaged in proposal activities in collaboration with NTT East and NTT West targeted at for-sale condominiums and rental apartments.

Fixed IP Address Relaunch of Service

- Launch of IPoE fixed IP address optional service using the IPv4 over IPv6 connection method
- Allowing the selection of internet connection method when using fixed IP addresses

Following the relaunch of this service in February 2024, it will be possible to select IPv4 fixed IP addresses using the IPoE connection method in addition to fixed IP addresses using the existing PPPoE connection method.

* Please refer to our v6 Connect website for the service configuration of the IPv4 over IPv6 connection method. <https://v6connect.net/#service> (in Japanese)

I will explain our initiatives in the first half of FY2024.

Net sales of ASAHI Net increased in proportion to the number of FTTH connection service and mobile connection service subscriptions, and we disclose the number of Internet connection subscriptions as a leading indicator on a quarterly basis. As we continue to strengthen to increase the number of subscribers in NTT Channels, Web Channels and Major Corporate Customers in FY2024, the number of FTTH connection services subscribers has been increasing as of September, 2024.

This is about specific activities in the first half of the fiscal year ending March 31, 2025.

The first is to strengthen NTT channels. We are expanding 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 and FLET'S Hikari Cross, which only offer the Company's ISP service for NTT East's and NTT West's FLET'S lines. By strengthening our sales structure, we are promoting activities to obtain examples of customer utilization and their needs.

The second is to strengthen web channels. We are investing in advertising expenses and sales promotion expenses aimed at acquiring prospective customers and new members through the Company's website. In addition, we sponsored e-sports tournaments and other events as part of our efforts to support the various possibilities of e-sports and to realize our motto, "Building connections, supporting communication." We also worked to strengthen

sales of “FLET’S Hikari Cross” provided by NTT East and NTT West and “Asahi Net Hikari Cross” utilizing Hikari collaboration model.

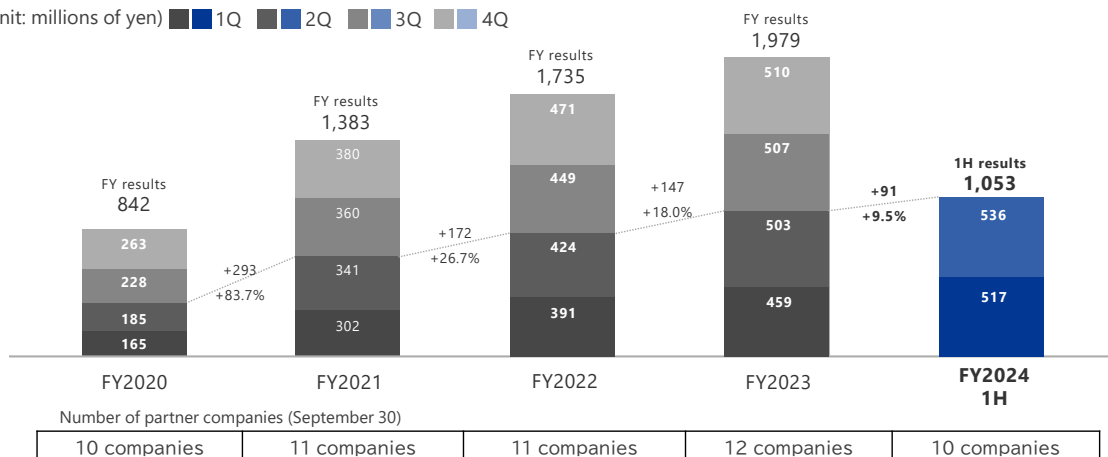
The third is to strengthen corporate memberships. Compared to other ISP providers, we have a higher percentage of corporate members. Reasons for corporate members to select our services include stable quality communication lines and Internet access using a fixed IP address. In the fourth quarter of the fiscal year ended March 31, 2024, we began offering a service that allows IPv4 fixed IP addresses to be used over IPoE. Fixed IP addresses have long been in high demand from corporate members, and now that the service has been expanded to include not only PPPoE but also IPoE, there has been an increase in use cases such as multi-factor authentication and access from remote locations via the Internet. The revision of monthly usage fees for the provision of fixed IP address services also contributed to the increase in net sales.



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

Net sales from v6 Connect increased 9.5% year on year

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

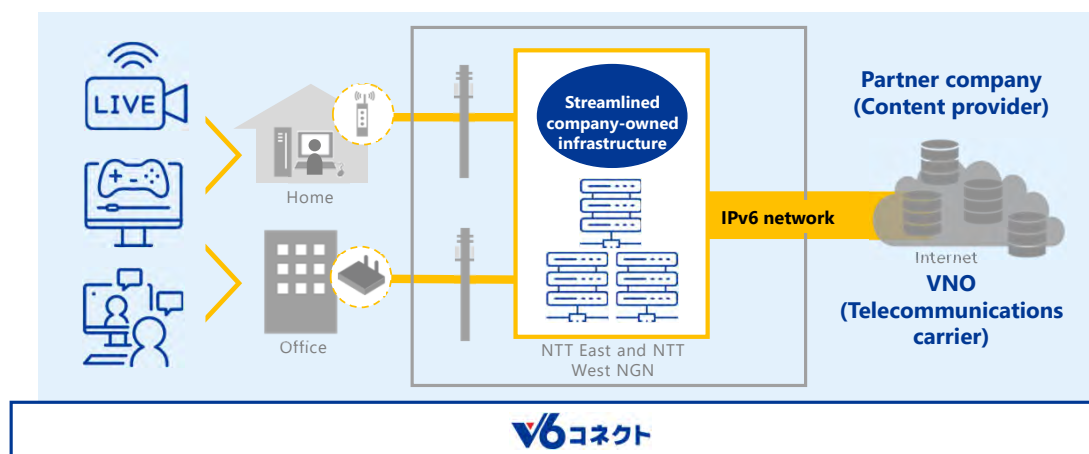


Now, let's look at VNE v6 Connect. Net sales from v6 Connect for the first half of FY2024 increased by 9.5% year on year to 1,053 million yen. The number of our partner companies decreased by one from the end of the previous period to a total of 10 companies. V6 Connect is an IPv6 internet connection 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. 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.



Plan for VNE v6 Connect

Maintain cooperative relationships with partner companies and streamline our network infrastructure



v6コネク

Now, let me move on to explain our initiatives in the first half of the fiscal year ending March 31, 2025 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). Along with the growing number of users of Hikari access services that support 10 Gbps over the existing 1 Gbps due to the expansion of the service area of “FLET’S Hikari Cross”, 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. We have been reviewing 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 based on our plan.



Net Sales from Internet-Related Services

(Unit: millions of yen)

	FY2023 1H	FY2024 1H	Change	Percentage change
manaba	312	292	-20	-6.4%
Other	388	379	-9	-2.3%
Total	701	672	-29	-4.1%

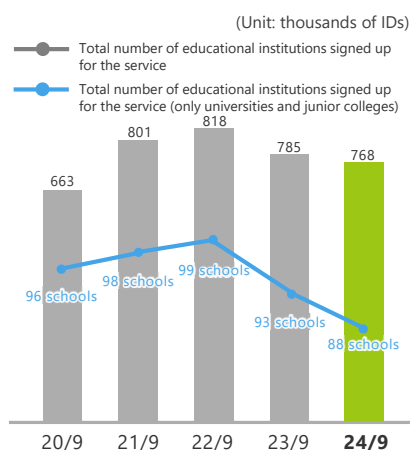
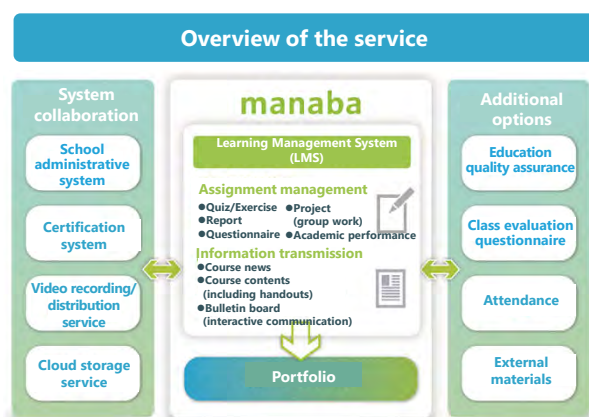
Now, let's move on to look at the status of internet-related services. Internet-related services include the educational support service manaba and related services such as mail and security services.

This shows the net sales from internet-related services for the first half of FY2024. Net sales from the educational support service manaba decreased by 6.4% year on year to 292 million yen. Net sales from other services decreased by 2.3% to 379 million yen.



Number of Subscriber IDs for manaba

The number of subscriber IDs decreased by 28,000 year on year, while a total of 88 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.

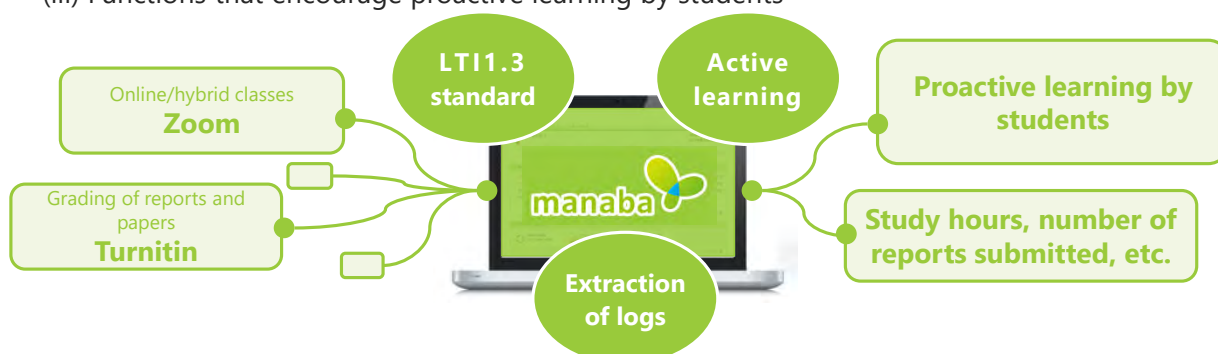
The number of subscriber IDs as of September 30, 2024, was 768,000 IDs, a year-on-year decrease of 17,000 IDs. In FY2023, the number of universities decreased by 5 from the end of the same period of the previous year to 88, due to five universities terminating their contracts.



Initiatives for manaba

Key initiatives aimed at achieving the education quality assurance that is expected by the Ministry of Education, Culture, Sports, Science and Technology

- (i) Strengthen integration with various systems in order to adapt to the changing academic environment
- (ii) Extract logs to analyze learning behavior
- (iii) Functions that encourage proactive learning by students



The environment surrounding universities has been shaped by the digital transformation of education promoted by the Ministry of Education, Culture, Sports, Science and Technology, with new value now required of any LMS and portfolio. We believe it is necessary for the educational support service manaba to provide services that are essential for achieving education quality assurance and university institutional research (IR), and since the previous fiscal year we have been continuing on the following three key initiatives for FY2024.

The first is to strengthen integration with various systems in order to adapt to the changing academic environment. In order to adapt to the digital transformation promoted by universities, including the conduct of classes that combine face-to-face and online methods as well as the use of generative AI in academic activities, we are developing services that support Learning Tools Interoperability (LTI), a standard adopted in the education industry, between “manaba” and various systems. In July 2024, we obtained LTI certification. This enables, for example, Turnitin, a similarity checking tool for generated AI, and Zoom, a web conferencing tool, to be linked.

The second is to extract logs to analyze learning behavior. Besides reports created by students, manaba also preserves various kinds of learning behavior log data, such as the number of times students have repeated a test, viewed supplementary learning materials for a class, etc. We have developed a system that will allow data logs to be extracted for use in university IR, which contain not only self-assessment data at universities but also academic performance information such as GPA and student satisfaction information from class evaluation questionnaires retained by universities. Then, we are consolidating case studies on how to use the extracted data.

The third is to provide functions that encourage proactive learning by students. We are promoting the development of functions that encourage proactive efforts by students to engage in active learning.

In the fiscal year ending March 31, 2025, we are promoting activities to spread the word about manaba's future service policy by exhibiting at events where educators gather and by holding user meetings with university faculty and staff who use manaba.



Summary of Financial Results for the First Half of FY2024

1 Financial Results for the First Half of FY2024

- Recorded net sales of 6,496 million yen, achieving increased revenue due to an increase in internet connection services subscribers as well as fixed IP addresses
- Recorded an operating profit of 1,265 million yen, achieving a 50.1% year-on-year increase

2 Status of Our Business

◆ ISP Asahi Net

The number of subscriber IDs for FTTH connection services increased by 31,000 year on year, with FTTH driving the increase in the number of Asahi Net subscribers.

◆ VNE v6 Connect

Net sales increased by 9.5% year on year. Sales increased due to increased traffic per line used by partner companies.

◆ manaba

The number of subscriber IDs decreased by 17,000 year on year to 768,000. Started provision of external linking function with various systems.

Next is the summary of financial results for the first half of FY2024. Firstly, let's look at the financial results. Net sales for the first half of FY2024 were 6,496 million yen. Net sales increased due to an increase in internet connection services subscribers as well as fixed IP addresses. Operating profit was 1,265 million yen, the highest operating profit on record.

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 31,000 year on year to 487,000. There was an increase in subscribers of FTTH connection services including FLET'S Hikari. Net sales from VNE v6 Connect increased by 9.5% year on year to 1,053 million yen. The increase in sales is mainly due to the increased traffic per line used by partner companies. The number of subscriber IDs for the educational support service manaba decreased by 17,000 year on year to 768,000. Total number of educational institutions signed up for the service was 88.



This is the end of my presentation on the financial results for the first half of the fiscal year ending March 31, 2025.
Thank you for listening.