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On **June 14, 2019**, FreeBit Co., Ltd. announced earnings results for full-year FY04/19.

Quarterly performance (JPYmn)	FY04/18				FY04/19				FY04/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,444	9,963	9,447	9,800	10,436	11,062	12,620	16,248		
YoY	2.6%	5.1%	11.3%	21.9%	10.5%	11.0%	33.6%	65.8%		
Gross profit	2,363	2,475	2,702	3,127	2,814	2,999	3,852	5,488		
YoY	6.1%	17.2%	26.2%	80.2%	19.1%	21.2%	42.6%	75.5%		
GPM	25.0%	24.8%	28.6%	31.9%	27.0%	27.1%	30.5%	33.8%		
SG&A expenses	2,119	2,297	2,158	2,242	2,413	2,387	3,236	4,135		
YoY	25.2%	50.2%	15.2%	24.6%	13.9%	3.9%	50.0%	84.5%		
SG&A-to-sales ratio	22.4%	23.1%	22.8%	22.9%	23.1%	21.6%	25.6%	25.5%		
Operating profit	245	178	544	885	401	612	616	1,353		
YoY	-54.2%	-69.5%	103.9%	-	64.0%	243.6%	13.2%	52.9%		
OPM	2.6%	1.8%	5.8%	9.0%	3.8%	5.5%	4.9%	8.3%		
Recurring profit	12	-15	520	910	172	562	559	1,275		
YoY	-96.9%	-	122.2%	-	-	-	7.6%	40.1%		
RPM	0.1%	-	5.5%	9.3%	1.7%	5.1%	4.4%	7.8%		
Net income	-307	-503	85	157	-148	157	-33	303		
YoY	-	-	40.9%	-	-	-	-	92.5%		
Net margin	-	-	0.9%	1.6%	-	1.4%	-	1.9%		
Cumulative (JPYmn)	FY04/18				FY04/19				FY04/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,444	19,407	28,854	38,654	10,436	21,498	34,118	50,366	104.9%	48,000
YoY	2.6%	3.8%	6.2%	9.7%	10.5%	10.8%	18.2%	30.3%		24.2%
Gross profit	2,363	4,838	7,540	10,667	2,814	5,813	9,665	15,153		
YoY	6.1%	11.5%	16.4%	29.8%	19.1%	20.1%	28.2%	42.1%		
GPM	25.0%	24.9%	26.1%	27.6%	27.0%	27.0%	28.3%	30.1%		
SG&A expenses	2,119	4,416	6,574	8,816	2,413	4,800	8,036	12,172		
YoY	25.2%	37.1%	29.0%	27.9%	13.9%	8.7%	22.2%	38.1%		
SG&A-to-sales ratio	22.4%	22.8%	22.8%	22.8%	23.1%	22.3%	23.6%	24.2%		
Operating profit	245	423	966	1,851	401	1,013	1,629	2,982	108.4%	2,750
YoY	-54.2%	-62.2%	-30.2%	40.1%	64.0%	139.6%	68.5%	61.1%		48.5%
OPM	2.6%	2.2%	3.3%	4.8%	3.8%	4.7%	4.8%	5.9%		5.7%
Recurring profit	12	-4	516	1,426	172	735	1,294	2,569	107.1%	2,400
YoY	-96.9%	-	-51.9%	76.6%	-	-	150.7%	80.1%		68.3%
RPM	0.1%	-	1.8%	3.7%	1.7%	3.4%	3.8%	5.1%		5.0%
Net income	-307	-810	-725	-567	-148	9	-24	279	111.7%	250
YoY	-	-	-	-	-	-	-	-		-
Net margin	-	-	-	-	-	0.0%	-	0.6%		0.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Full-year FY04/19 results

- ▷ Sales: JPY50.4bn (+30.3% YoY)
- ▷ Operating profit: JPY3.0bn (+61.1% YoY)
- ▷ Recurring profit: JPY2.6bn (+80.1% YoY)
- ▷ Net income:\* JPY279mn (versus year-earlier loss of JPY567mn)

\*Net income/loss refers to net income/loss attributable to parent company shareholders

Results for FY04/19 left the company with 104.9% of its full-year forecast for sales, 108.4% for operating profit, 107.1% for recurring profit, and 111.7% for net income.

In Mobile services, the freebit MVNO Pack, an MVNO support package, which FreeBit offers as a mobile virtual network enabler, performed well. Measures were also taken to expand the user base at Tone mobile Inc., which offers low-priced smartphone services as an MVNO, such as launching new smartphone handsets tailored to its own users.

In Advertising Technology, business expanded as Full Speed Inc. and its subsidiaries made efforts aimed at expanding the group DSP advertising service and services for the video ad market, and worked to make affiliate service afb more user friendly.

In the Lifestyle area, the company has been consistently cultivating each business so that they are able to play a significant role in the group's future development—it has been working to develop FreeBit EPARK Health Care, Inc. into a leading company in Health Tech, FreeBit into a leading company in IoT, GIGAPRIZE Co., Ltd. into a leading company in Real Estate Tech, and the company has also ventured into Ed Tech. The group recognizes that, at this time, growing the business is the highest priority and that in the process of growing the business, utilizing the user database and know-how to differentiate itself from competitors will eventually result in it securing an absolute advantage in the market. To realize this ambition, FreeBit stated that it is essential to continue investing to win customers rather than hasty monetization.

Results for individual segments are detailed below.

### Broadband

- ▷ Sales: JPY16.8bn (+35.5% YoY)
- ▷ Segment profit: JPY2.0bn (+1.9% YoY)

Along with the spread of highly-functional mobile devices such as smartphones and tablet devices, bandwidth charges on fixed-line networks have remained high as usage of rich content (videos and games) accessed through home Wi-Fi networks and usage of social media services have increased. However, steady expansion in internet connection services geared toward housing complexes drove sales and segment profit growth.

### Mobile

- ▷ Sales: JPY8.3bn (+2.0% YoY)
- ▷ Segment profit: JPY123mn (versus year-earlier loss of JPY268mn)

Along with the increase in the number of companies to which the Freebit group was providing MVNO services as a mobile virtual network enabler, the company focused on expanding sales of MVNO services to end users. Delivery of new smartphones to Tone mobile also contributed to increased sales and segment profit.

### Advertising Technology

- ▷ Sales: JPY16.0bn (+6.6% YoY)
- ▷ Segment profit: JPY1.1bn (-14.0% YoY)

As well as focusing on expanding internet advertising-related services, especially content for the video ad market, and DSP marketing, an ad technology related service, in affiliate services, the company grew its business and sales by both expanding its footprint in industries that play to its strengths, and also expanding service offerings to other industries. Segment profit narrowed due to overseas expansion and increased personnel-related expenses from upfront investment in the area of new business incubation.

### Cloud Computing

- ▷ Sales: JPY1.8bn (+0.9% YoY)
- ▷ Segment loss: JPY53mn (versus year-earlier profit of JPY5mn)

Sales of public cloud services, private cloud services, and hybrid cloud services (combination of public and private cloud services) continued to rise. The company also launched an IoT-specific cloud service, and tried to develop and improve systems while phasing out legacy systems.

### Health Tech

- ▷ Sales: JPY3.0bn (+82.9% YoY)
- ▷ Segment loss: JPY109mn (versus year-earlier loss of JPY527mn)

The company continued to make investments aimed at securing the business of those who use solutions services geared to dispensing pharmacies as well as users of medicine notebook apps. As a result, business scope expanded significantly.

### Ed Tech

- ▷ Sales: JPY4.8bn (NA)
- ▷ Segment profit: JPY281mn (NA)

New consolidated subsidiary ALC Press Inc. is responsible for the Ed Tech business. At its mainstay publishing business, the Ed Tech business saw strong sales of books on Japanese as a second language and in the educational textbook field, it won large orders from colleges and other educational institutions in response to its offering of products and services designed to meet the latest needs in the rapidly changing field of education. Since none of the services that would have been grouped under Ed Tech segment were in existence in FY04/18, YoY comparisons for segment results are not available.

### Financial position

As of the end of FY04/19, the company's consolidated balance sheet showed total assets of JPY39.2bn, an increase of JPY8.4bn over the end of FY04/18. The increase in total assets reflects increases of JPY1.8bn in cash and deposits, JPY3.2bn in notes and accounts receivable, JPY534mn in merchandise and finished goods, JPY863mn in lease assets (tangible), JPY392mn in goodwill, and JPY895mn in lease assets (intangible). Total liabilities of JPY27.9bn were up JPY7.7bn versus the end of FY04/18. This is largely due to increases of JPY362mn in notes and accounts payable, JPY355mn in lease liabilities (current), JPY1.1bn in accounts payable, JPY315mn in income taxes payable, JPY2.3bn in long-term loans payable, and JPY1.7bn in lease liabilities (fixed). Net assets of JPY11.3bn were up JPY634mn versus the end of FY04/18, due to an increase in non-controlling interest and retained earnings. This left the equity ratio at 23.0%.

## Full-year company forecasts

Company forecasts (JPYmn)	FY04/19		FY04/20	
	1H Act.	2H Act.	FY Act.	FY Est.
<b>Sales</b>	<b>21,498</b>	<b>28,868</b>	<b>50,366</b>	<b>57,000</b>
YoY	10.8%	50.0%	30.3%	13.2%
Cost of sales	15,685	19,528	35,212	
<b>Gross profit</b>	<b>5,813</b>	<b>9,340</b>	<b>15,153</b>	
YoY	20.1%	60.2%	42.1%	
GPM	27.0%	32.4%	30.1%	
SG&A expenses	4,800	7,372	12,172	
SG&A ratio	22.3%	25.5%	24.2%	
<b>Operating profit</b>	<b>1,013</b>	<b>1,969</b>	<b>2,982</b>	<b>4,000</b>
YoY	139.6%	37.8%	61.1%	34.2%
OPM	4.7%	6.8%	5.9%	7.0%
<b>Recurring profit</b>	<b>735</b>	<b>1,835</b>	<b>2,569</b>	<b>3,800</b>
YoY	-	-	80.1%	47.9%
RPM	3.4%	6.4%	5.1%	6.7%
<b>Net income</b>	<b>9</b>	<b>270</b>	<b>279</b>	<b>1,000</b>
YoY	-	-	-	258.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

FY04/20 forecasts call for sales of JPY57.0bn (+13.2% YoY), operating profit of JPY4.0bn (+34.2% YoY), recurring profit of JPY3.8bn (+47.9% YoY), and net income of JPY1.0bn (+258.0% YoY).

From FY04/20, the three reportable segments “Broadband,” “Mobile,” “Cloud,” and “Other” will be changed into “Infrastructure Tech,” “Real Estate Tech”

Initiatives by each business segment are as follows.

### Infrastructure Tech

- ▷ The company plans to continue investment in a high-speed internet backbone, to improve communication network efficiency and reduce costs
- ▷ Enhance sales for Mobabigi, a cloud-based business phone for corporations
- ▷ Enhance the sales promotion system, by expanding functionality of IP (internet protocol) phone service AdSiP
- ▷ Expand sales by extending sales of SIM services into the IoT market

### Real Estate Tech

- ▷ In terms of internet services for condominiums, the company aims to further increase sales by expanding IoT services that can provide added value, as well as increasing the number of units provided to via collaboration with large-scale homebuilders
- ▷ In the real estate business, the company aims to increase sales through growth of the ten stores directly managed by For Members Co., Ltd., and further development of Aeon Housing Network members

### Advertising Technology

- ▷ The company aims to accelerate development of its afb business to become the number 1 ASEAN affiliate provider
- ▷ Deepen and accelerate business development through AdMatrix DSP, and secure an overwhelmingly strong position in B2B marketing
- ▷ Establish a position as a marketing partner for mid-sized businesses, by offering solutions that leverage the company’s own know-how

### Health Tech

- ▷ The company plans to accelerate the spread of medicine notebooks in order to achieve further FreeBit EPARK Health Care growth, and achieve continued growth in media page view numbers, customer numbers, and collaborating pharmacy numbers
- ▷ The company aims to increase sales by expanding sales of services, and working to enhance functionality of its nursing record system for nursing homes

### Ed Tech

- ▷ Bring about early adoption of ICT for education content education platforms
- ▷ Expand services for new users as the age at which children start learning foreign languages is lowered by curriculum revision
- ▷ Focus on Japanese language education services against a background of increasing numbers of foreign workers

This note is the most recent addition to the [full report](#).

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