FreeBit Co., Ltd.

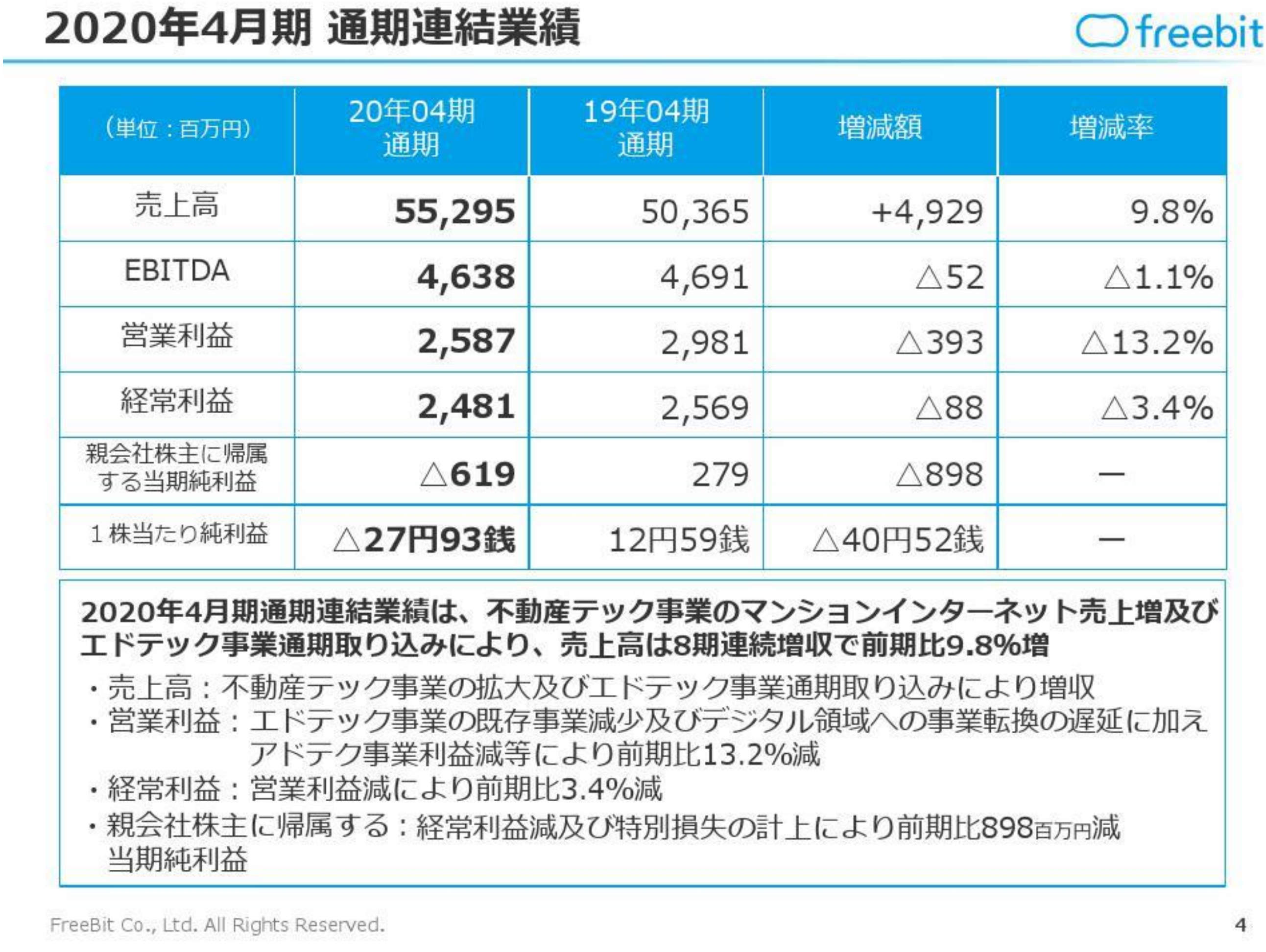
Financial Results Briefing for the Fiscal Year Ended April 2020

June 19, 2020

Presentation

Tanaka: I am Tanaka of FreeBit Co., Ltd. Today, I would like to explain the financial results for the fiscal year ending April 2020.

FreeBit has transitioned to a new management structure from the new fiscal year starting on May 1, but I will present today as it is for the announcement of the results for the previous fiscal year. From this fiscal year onward, Shimizu, Director and Executive Vice President, will explain the earnings forecasts later. I am in a position today to thank everyone for the support I have received to the date and I would like to ask for your continuous support for FreeBit Co., Ltd. going forward. Now, let me begin.



（単位：百万円）	20年04期 通期	19年04期 通期	増減額	増減率
売上高	**55,295**	50,365	+4,929	9.8%
EBITDA	**4,638**	4,691	△52	△1.1%
営業利益	**2,587**	2,981	△393	△13.2%
経常利益	**2,481**	2,569	△88	△3.4%
親会社株主に帰属する当期純利益	**△619**	279	△898	―
１株当たり純利益	**△27円93銭**	12円59銭	△40円52銭	―

2020年4月期通期連結業績は、不動産テック事業のマンションインターネット売上増及びエドテック事業通期取り込みにより、売上高は8期連続増収で前期比9.8%増

・売上高：不動産テック事業の拡大及びエドテック事業通期取り込みにより増収
・営業利益：エドテック事業の既存事業減少及びデジタル領域への事業転換の遅延に加えアドテク事業利益減等により前期比13.2%減
・経常利益：営業利益減により前期比3.4%減
・親会社株主に帰属する当期純利益：経常利益減及び特別損失の計上により前期比898百万円減

First, this is the consolidated financial results. Net sales amounted to JPY55.295 billion, an increase of 9.8% YoY. EBITDA was JPY4.638 billion, operating income was JPY2.587 billion, and ordinary income was JPY2.481 billion.

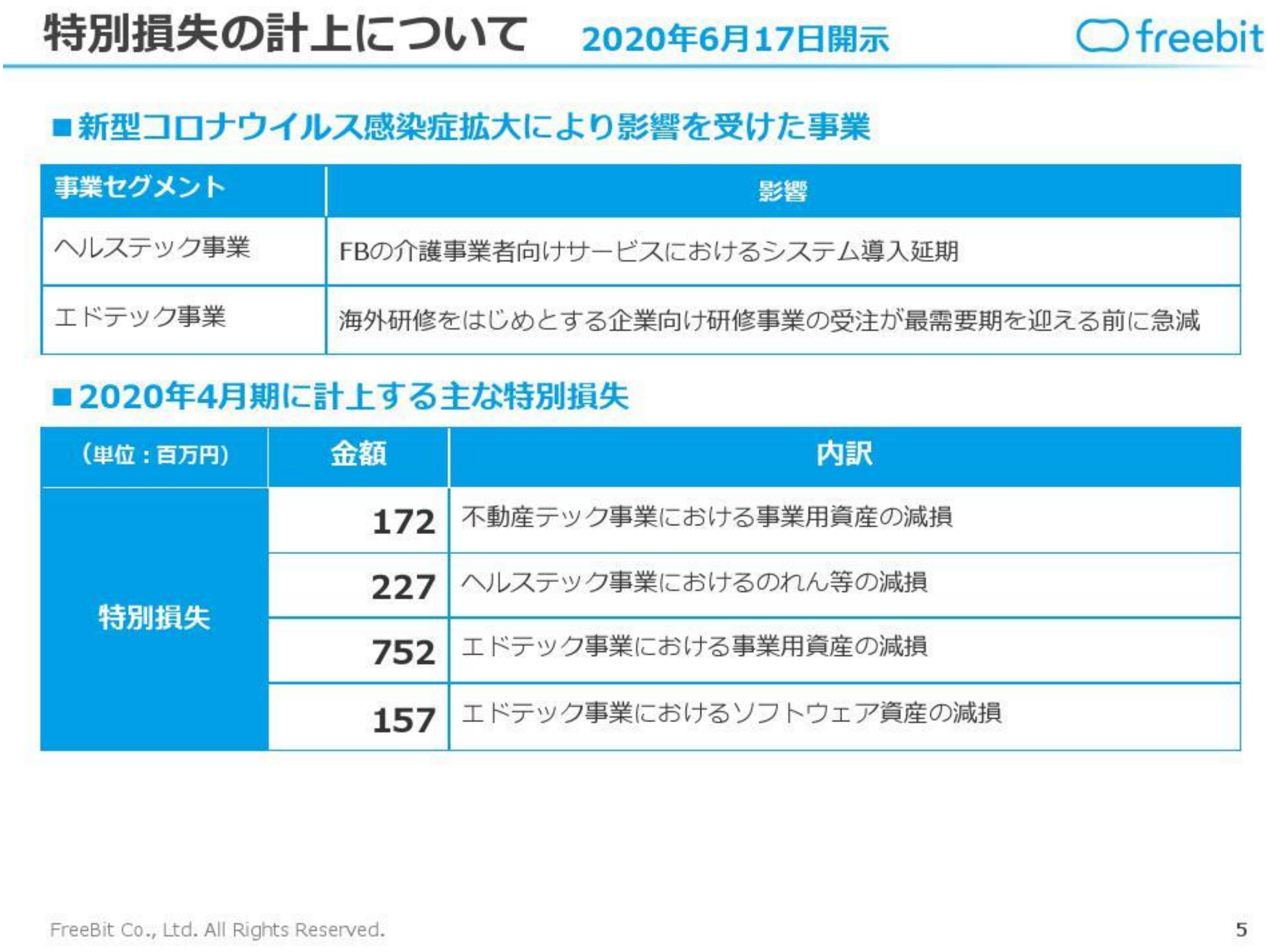
So far, we have made progress in line with the performance forecast that we announced the other day and in line with the financial forecast we revised the day before yesterday. As we announced the day before yesterday, the final profit was negative JPY619 million.

Unfortunately, both operating income and ordinary income declined from the previous year. The Company also posted a net loss of JPY600 million due to a large extraordinary loss resulting from a review of valuable assets considering this business performance and the status of the new coronavirus.

In terms of sales, we saw an increase. This increase is attributable to the full-year contribution of the Real Estate Tech and EdTech businesses.

The operating income has been negative, and this is mainly because the existing operations in the EdTech business have suffered a slight decline in earnings from the third quarter of the previous fiscal year due to the competitive situation. In addition, the situation of the new coronavirus has been significantly impacted, resulting in a decline in earnings.

For the AdTech business, there have been several circumstances that have slowed down the growth in the past two fiscal years or so. Also, in the fiscal year under review, profit declined 13.2% from the previous fiscal year. This has also contributed to the decline of operating income.


特別損失の計上について　2020年6月17日開示

freebit

■新型コロナウイルス感染症拡大により影響を受けた事業

事業セグメント	影響
ヘルステック事業	FBの介護事業者向けサービスにおけるシステム導入延期
エドテック事業	海外研修をはじめとする企業向け研修事業の受注が最需要期を迎える前に急減

■2020年4月期に計上する主な特別損失

（単位：百万円）	金額	内訳
特別損失	172	不動産テック事業における事業用資産の減損
	227	ヘルステック事業におけるのれん等の減損
	752	エドテック事業における事業用資産の減損
	157	エドテック事業におけるソフトウェア資産の減損

FreeBit Co., Ltd. All Rights Reserved.　5

Continuing onto an extraordinary loss I just mentioned. We have decided to post it significantly this time. The reason for this is, firstly, that the HealthTech business is negative because the operations for services for nursing care providers were temporarily stopped in the context of the new coronavirus. As the business has not yet fully recovered, the impact of this situation remains.

Secondly, in the EdTech business, there was virtually no demand for corporate training and overseas training services in March and April. Originally, this is the period for the peak demand, but the loss of such demand had an extremely large impact on the business.

Considering this, considering that the risk of impacts will remain in the current fiscal year onward, we have impaired assets so that they will not have as much impact on our business results from the current fiscal year onward.

As described here, the largest impairment loss was for the business assets of the EdTech business amounting to JPY752 million.

Including software impairment losses, the EdTech business alone recorded impairment losses of nearly JPY1 billion.

In addition, in the HealthTech business, although we have been amortizing the goodwill for nursing care services monthly till now, we have amortized it all at once at the end of this fiscal year.

Furthermore, in the Real Estate Tech business, we have impaired the goodwill from its subsidiary and other assets because the operation of our stores has been greatly reduced by the impact of the new coronavirus.

Although the negative risk related to the new coronavirus to the business will continue, we conducted the impairment based on the judgment that this impairment of the asset will eliminate some of the depreciation burden going forward.

Going back to the topics of the consolidated financial results. Net sales increased 9.8%, as I mentioned earlier, thanks to the expansion of the Real Estate Tech business and the launch of the EdTech business. We have achieved net sales growth for the eighth consecutive year and a record high.

In terms of operating income, the delays in digitalization in the EdTech business have made it difficult to win in competition. In the AdTech business, the success of Internet advertising depends on the proper targeting of customers. However, based on the view that this conflicts with the issue of privacy, the internet advertising system is being reviewed in various ways worldwide, not only in our company, over the past two years. Under these circumstances, we were unable to achieve our initial target.

Next, I will talk about detailed topics for each segment. In the InfraTech business, cloud-based services and mobile-based services showed steady growth.

In addition, we incorporated the Tone mobile business in the fall of last year, succeeded it, and it has been reflected in our performance since this year.

In terms of our initiatives with ALPS ALPINE CO., LTD., in CASE/MaaS marketplace, we are still in the process of preparing for the project.

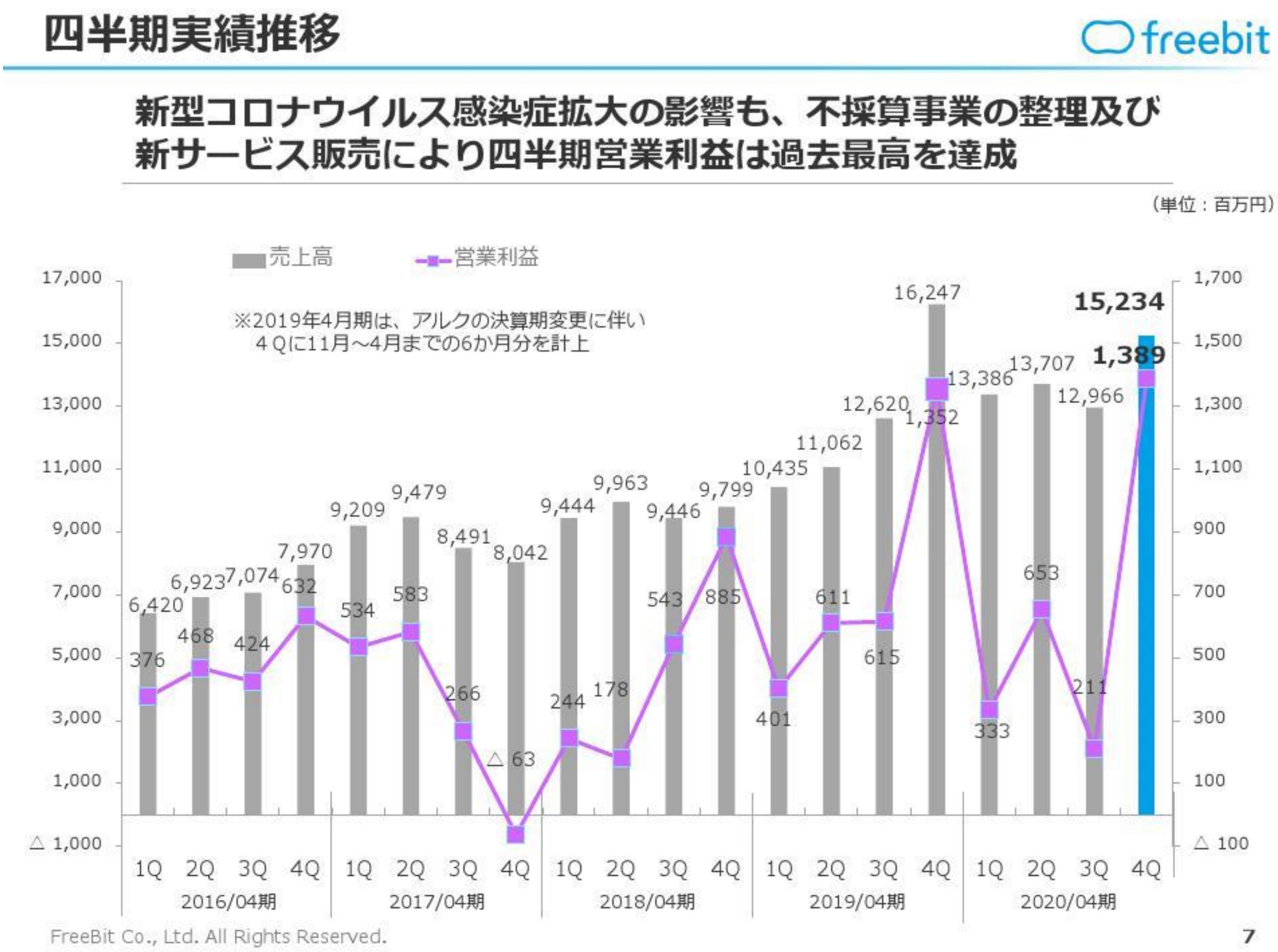
The Real Estate Tech segment continues to be driven by the condominium Internet, with sales up 25.2% and extremely high growth continuing in this segment. Of course, the growth in sales contributed to the profit significantly, resulting in a 17% increase.

In the HealthTech business segment, FreeBit EPARK Health Care, Inc. continues to grow steadily, resulting in a 17.4% increase YoY.

In the nursing care business, however, segment income was negative JPY140 million due to the suspension of operations.

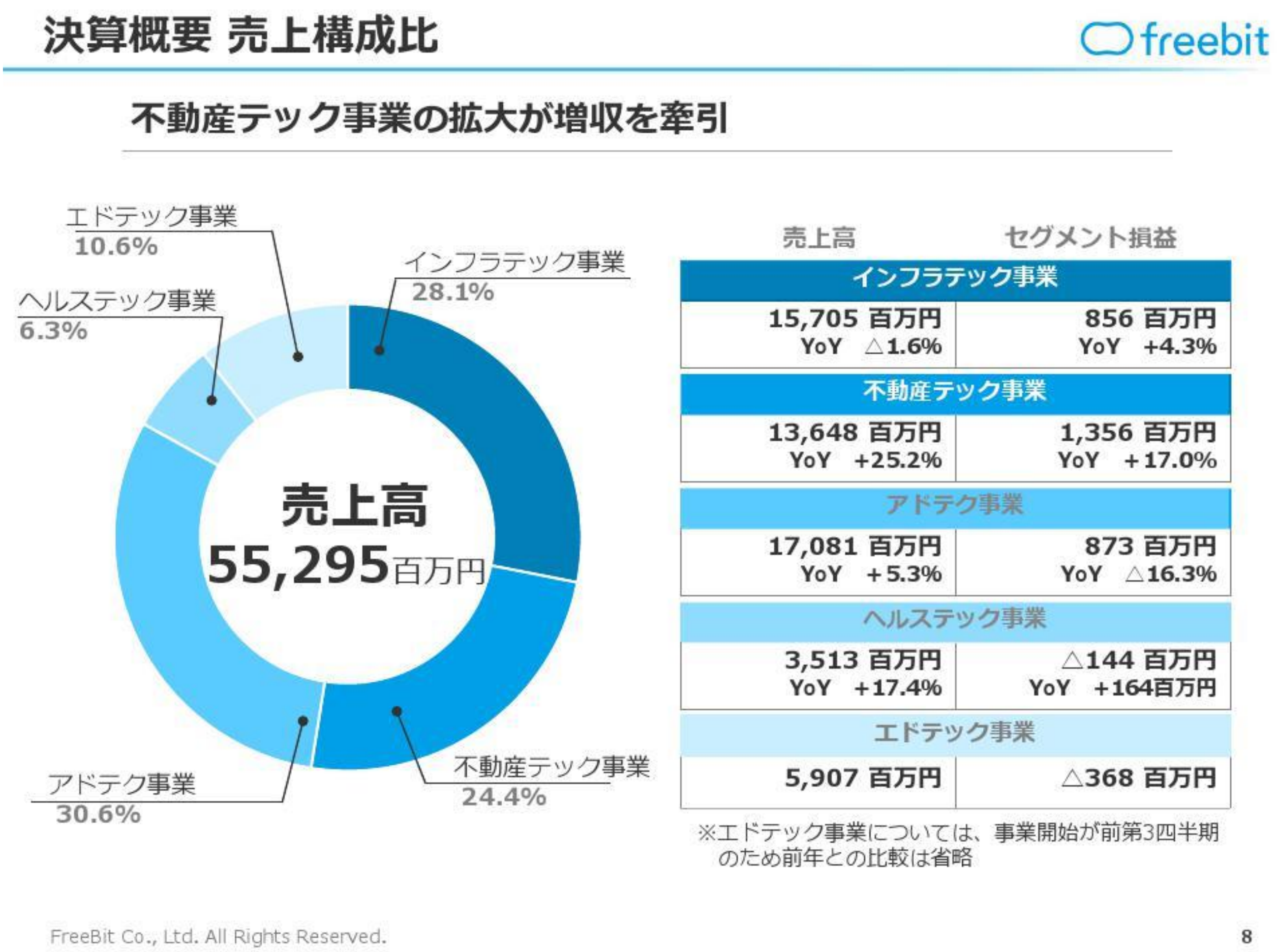
However, as we saw an increase in the profit of FreeBit EPARK Health Care Inc. and the separation of unprofitable businesses in the third quarter, we were able to achieve the blacks in this segment at the end.

In the EdTech business, we recorded a full-year profit for the last fiscal year when we acquired the business, but from the second half of the last fiscal year, the business performance has gradually become sluggish. In the end, we were affected by the new coronavirus significantly, which had an extremely large negative impact on our business performance.



In terms of quarterly performance, as shown in the chart, sales have grown considerably since the fiscal year ended April 2016. Sales of the previous quarter were JPY15.234 billion, which seems to be a little smaller than the fourth quarter of one year ago. However, this is because of the special situation in which fourth quarter of a year ago booked sales for six months following the acquisition of ALC PRESS Inc. If this is excluded, quarterly sales also reached a record high.

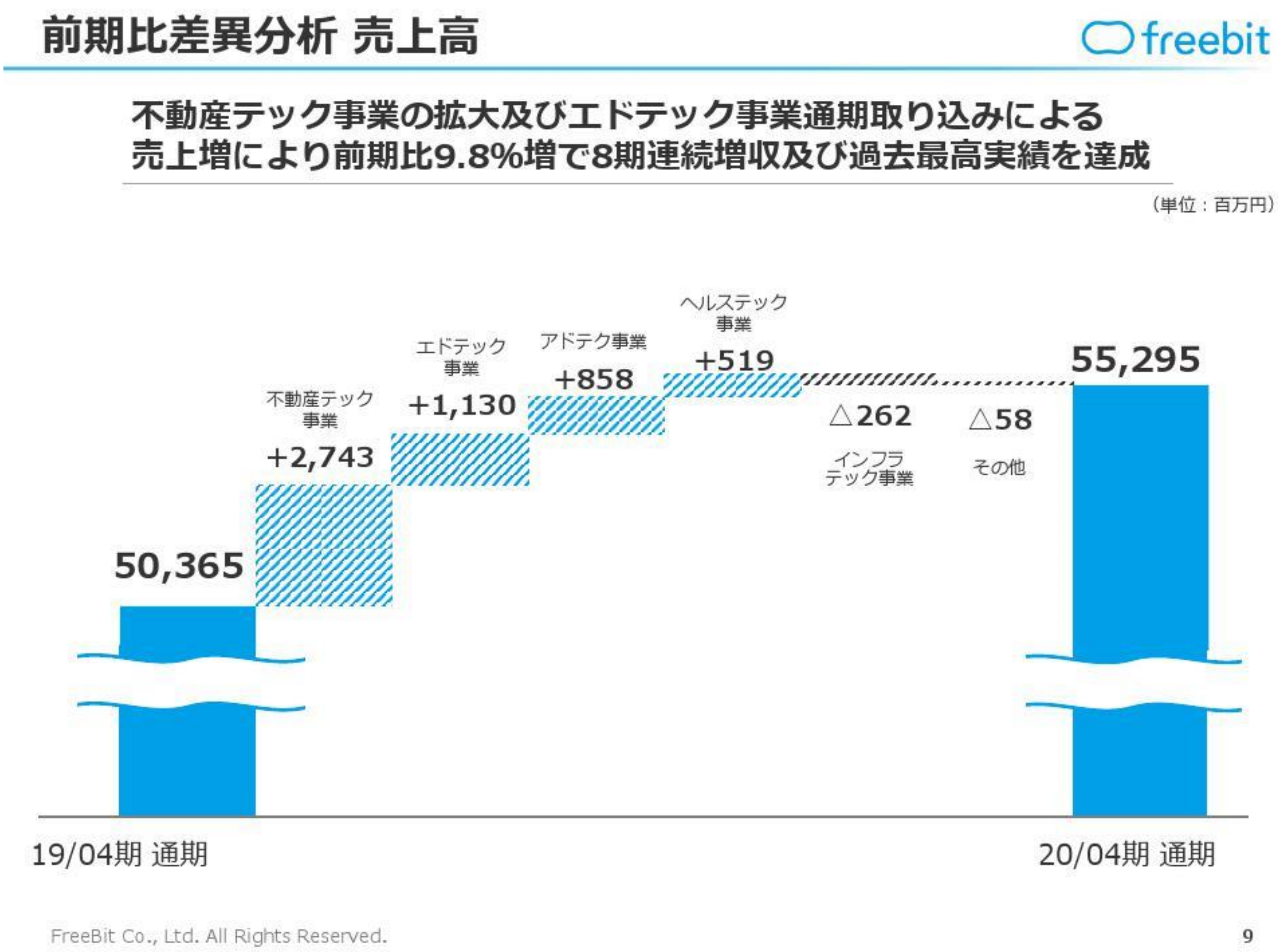
Furthermore, on a fourth quarter basis, operating income reached a record high, although we regrettably fell short of the operating income forecast in the medium-term plan. We were able to achieve record high profits on a quarterly basis and sales were significantly higher than expected. As a result, the Group remained on a growth track, and this is the result up to the fourth quarter.



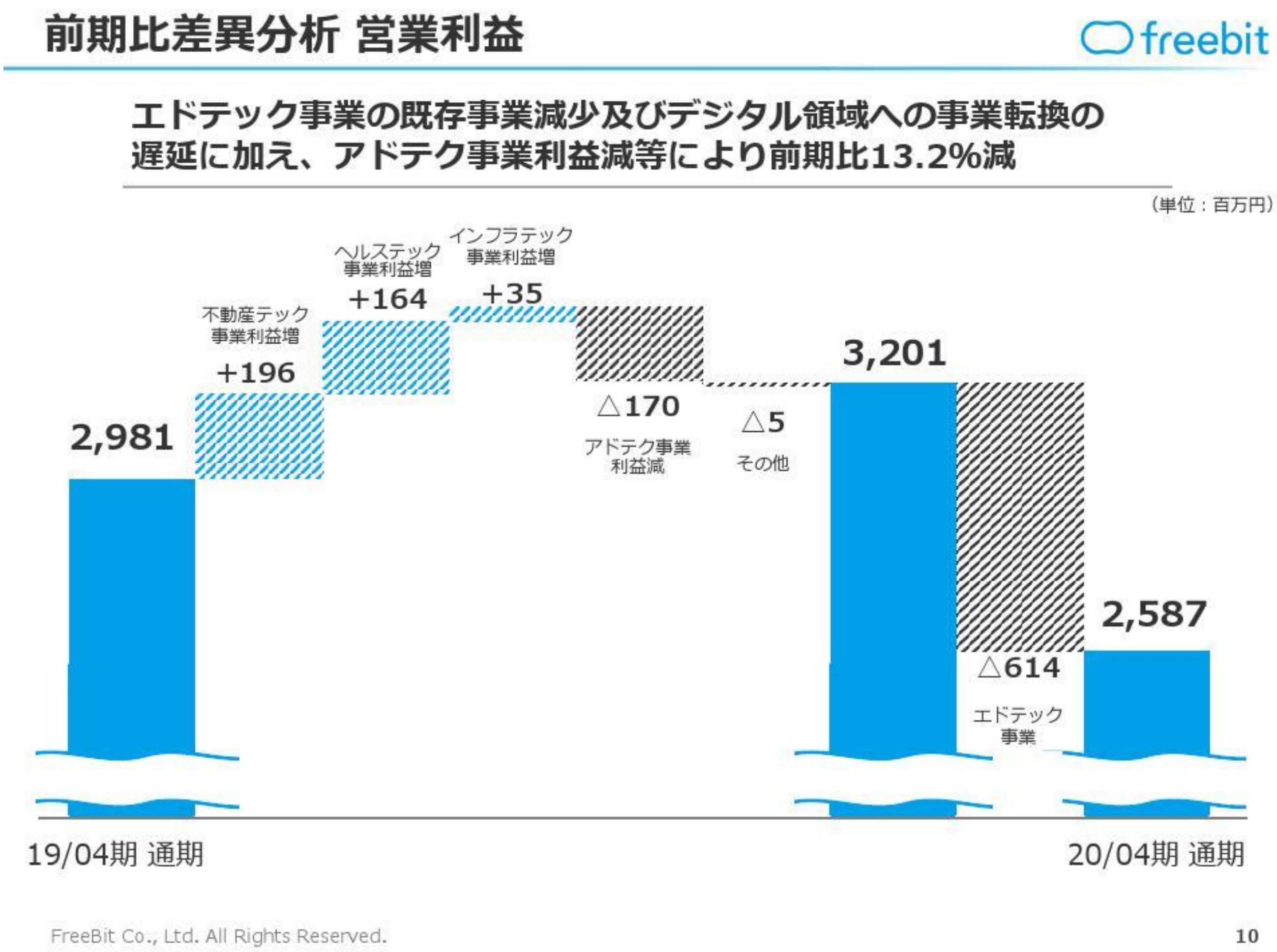
The segment that contributed the most to this substantial growth in sales is the Real Estate Tech business, which achieved sales growth of 25.2% and earnings growth of 17% YoY.

The AdTech business, which had been driving growth for some time, recorded only a 5.3% increase in sales due to a slight decline in growth caused by the changes in the external environment.

The growth of the HealthTech business and the sales of the newly added EdTech business offset the slowdown of growth in sales of the AdTech business, resulting in a significant increase in sales.

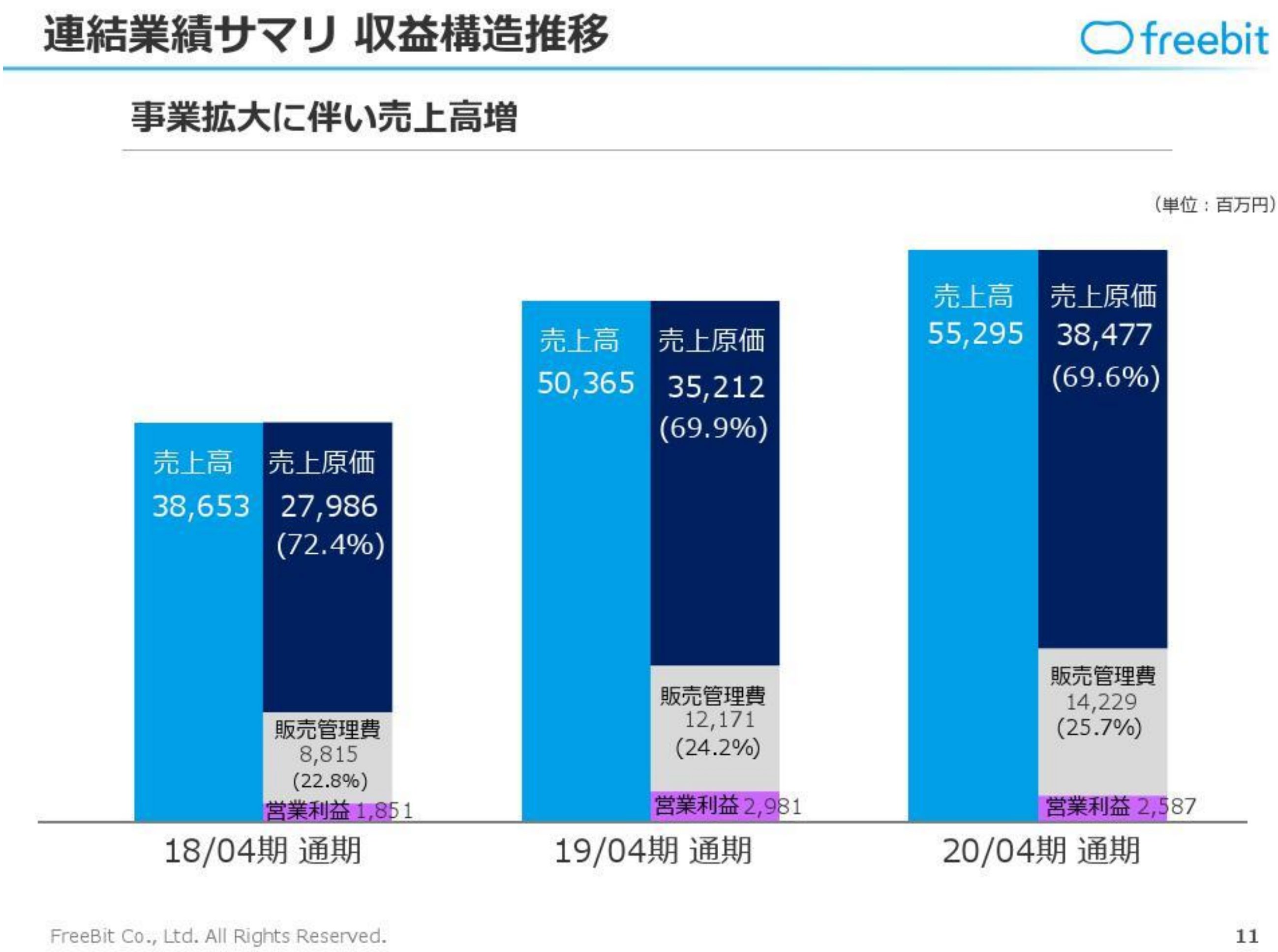


The significant increase in sales is illustrated in this chart. The Real Estate Tech business, which is the leftmost, contributed JPY2.743 billion to sales, and the EdTech business contributed JPY1.13 billion. In the AdTech business, although the growth rate was low, the actual amount of sales increased to JPY858 million and the HealthTech business, which is a new business, increased sales to JPY519 million. Altogether sales increased by about JPY5 billion on a full-year basis.



Operating income increased due to the steady growth in the profit in the Real Estate Tech, HealthTech, and InfraTech businesses. The AdTech business was unable to cover the increase in expenses through revenue growth, and its operating income decreased compared with the previous fiscal year.

Up until this point, the overall structure was such that profits would increase. However, as I mentioned earlier, the EdTech business started to slow down gradually. Impacted also by the new coronavirus, the business suffered a substantial decline in profits and, with the profit in the previous fiscal year and the loss in this fiscal year, it posted the decrease of JPY614 million YoY. in profit. As a result, operating income posted JPY2.587 billion, down from previous fiscal year on a full-year basis.



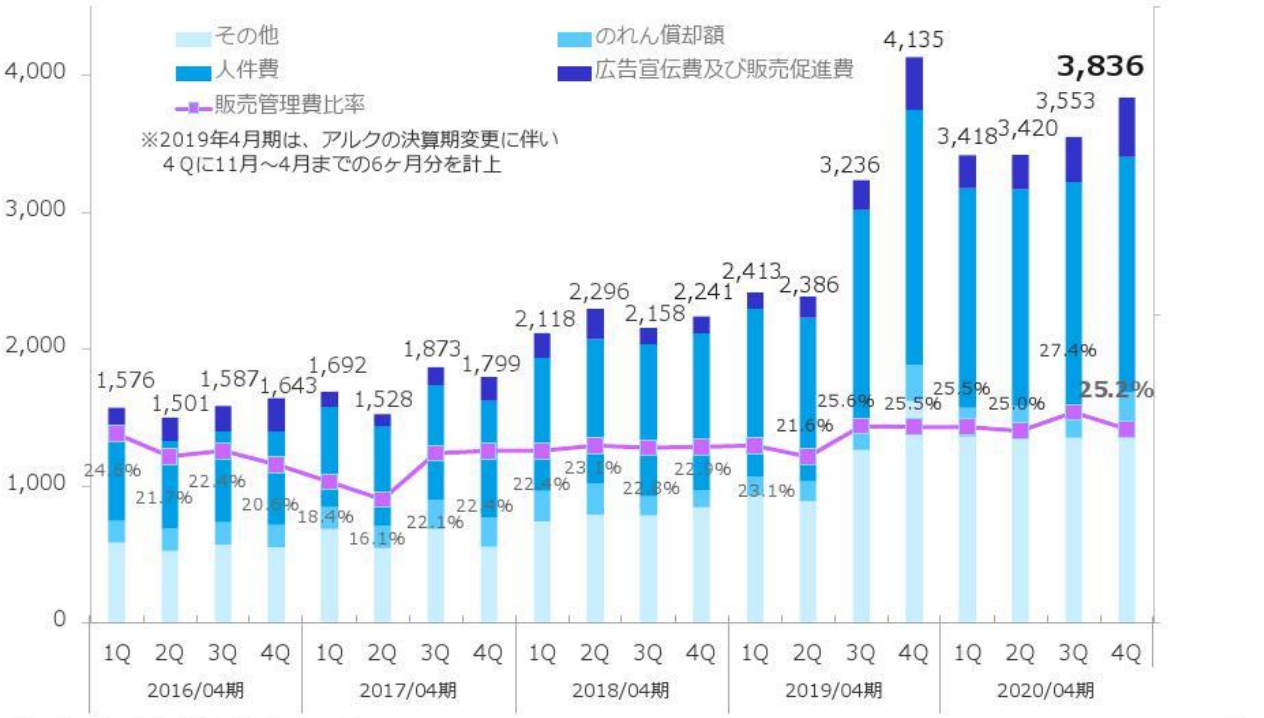
Looking at trends in the profit structure, although sales growth is extremely steady as shown in the chart, SG&A expenses are also increasing along with growth. As a result, profits have declined from the previous year due also in part to the impact of the new coronavirus.

販売管理費推移

freebit

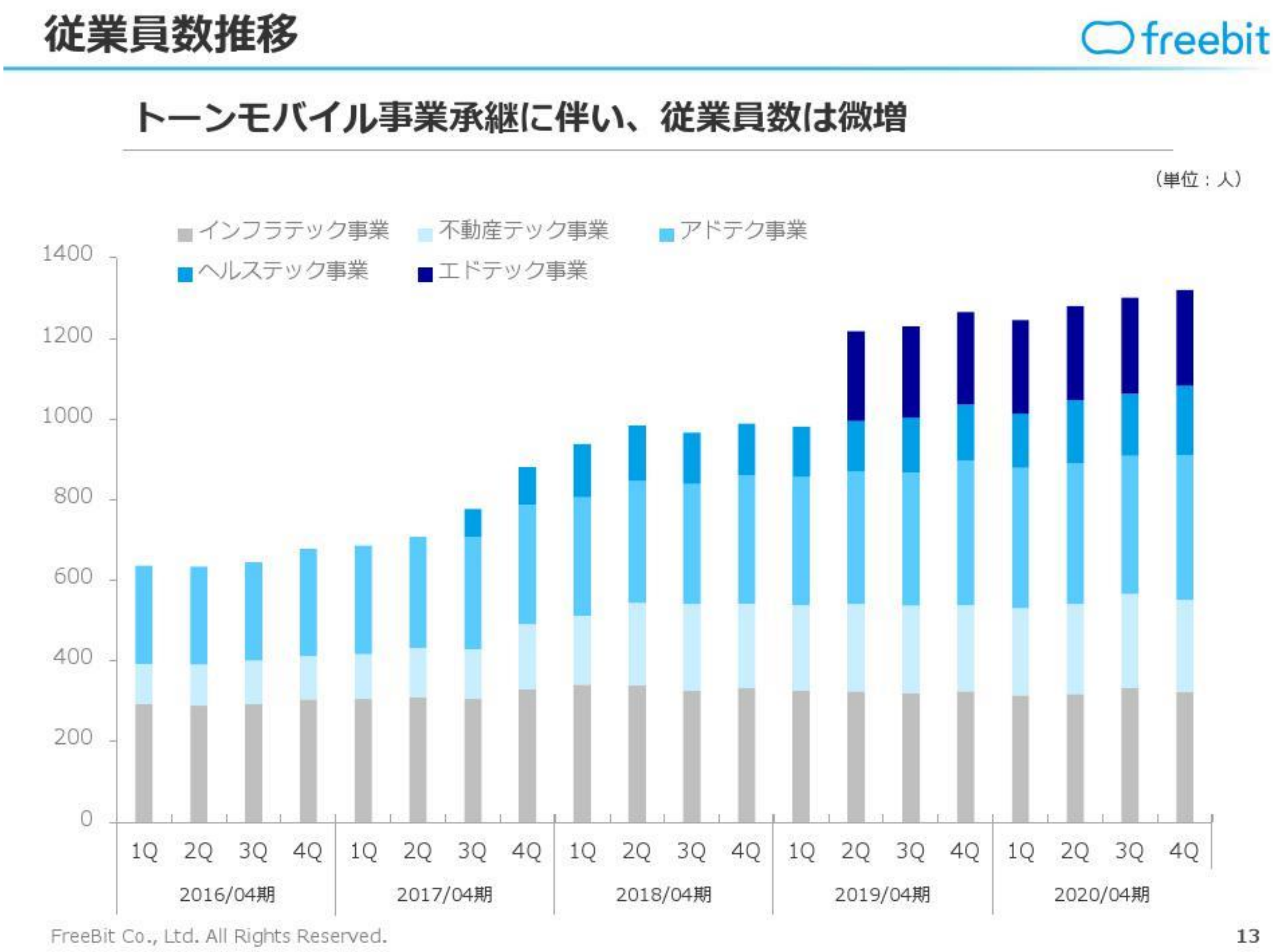
トーンモバイル事業承継に伴い、人件費及び広告宣伝費増

（単位：百万円）

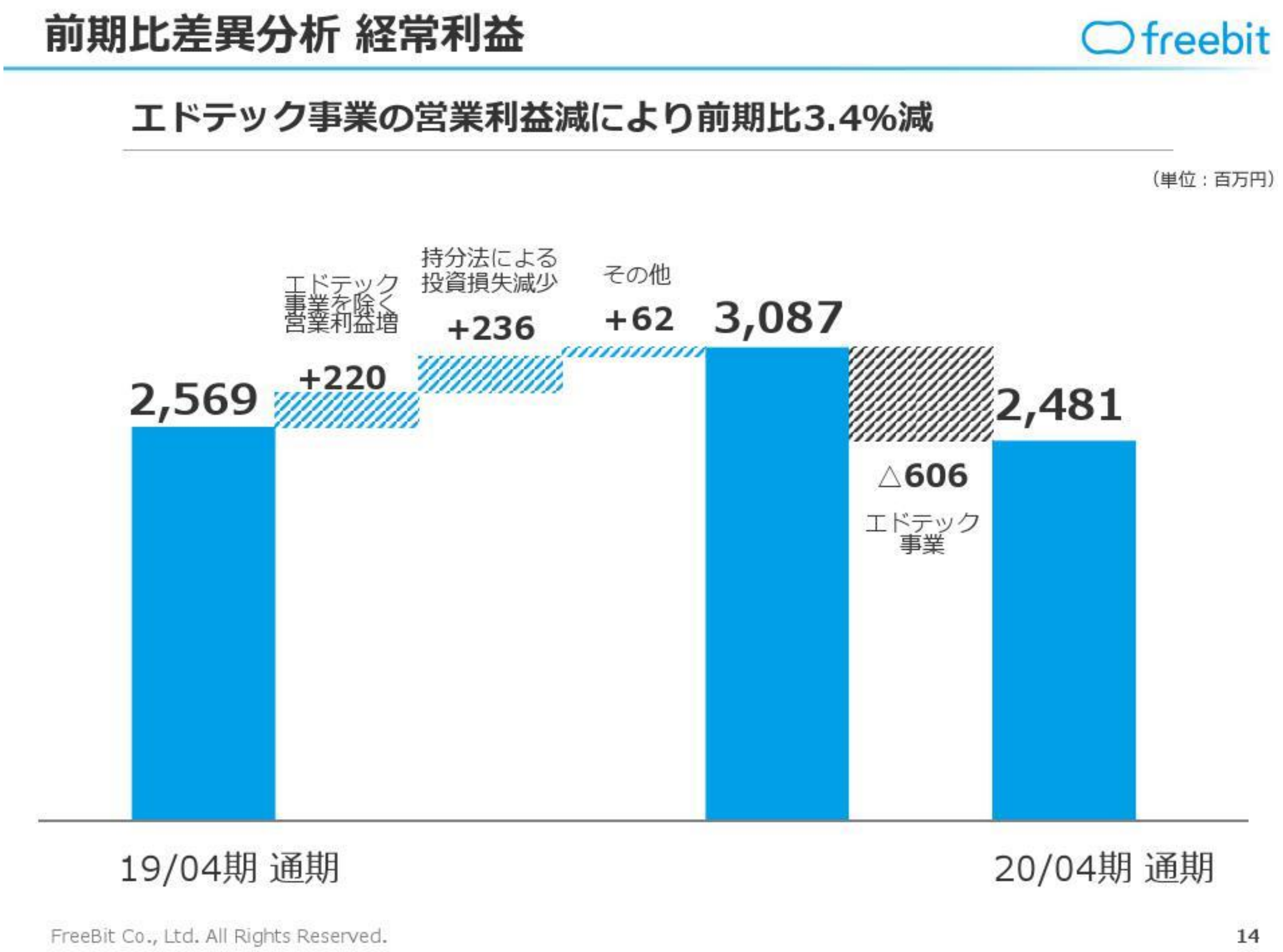


 12

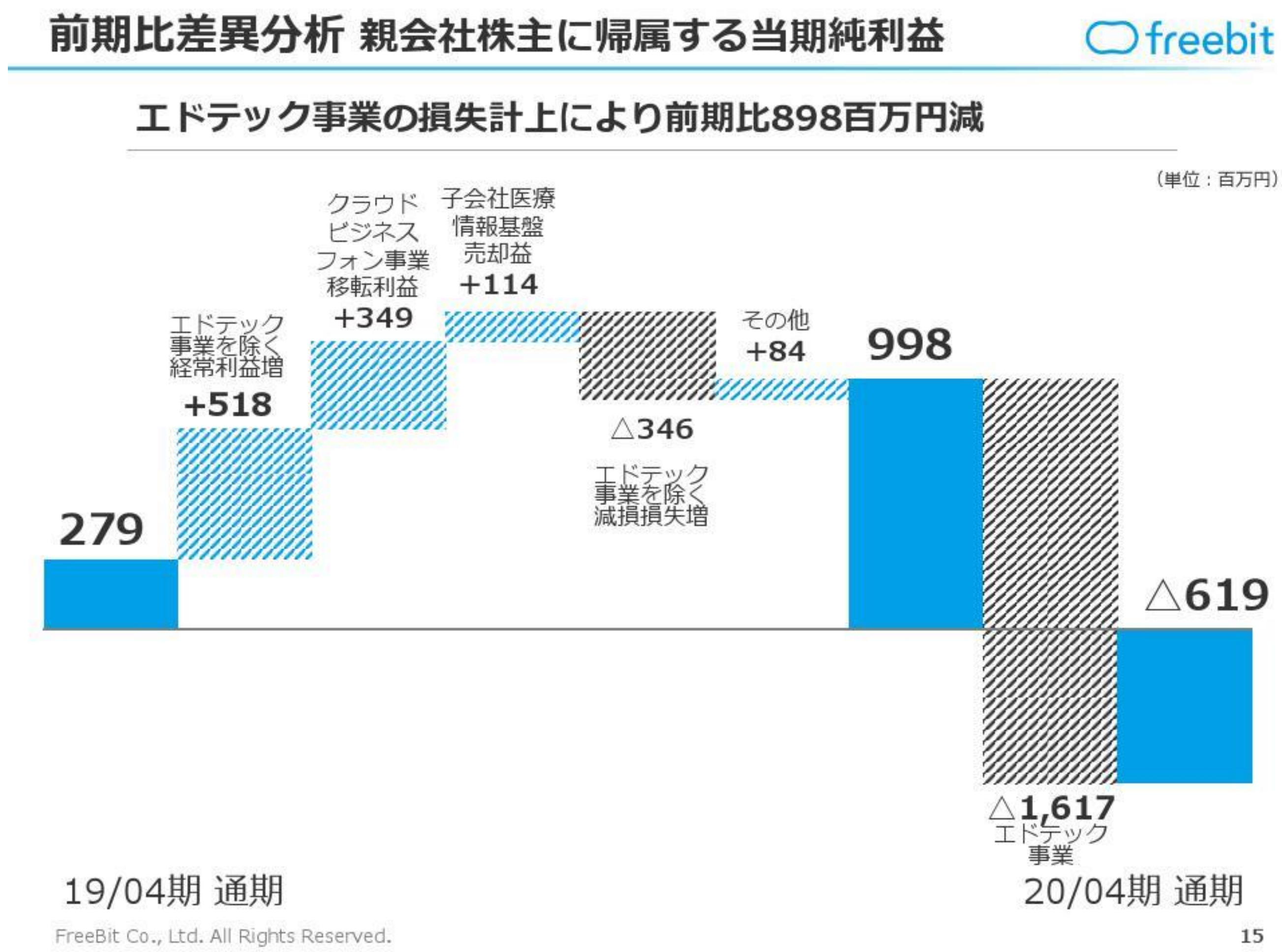
As shown in the chart, SG&A expenses are rising sharply. The reason that the one bar chart stands out is because the expenses for six months were posted along with the posting of sales for six months of ALC PRESS Inc. Please regard this as a singular value.



The number of employees is increasing. However, the acquisition of ALC PRESS Inc. has been the largest factor in the increase in recent years, and the increase remains small in each of other businesses.

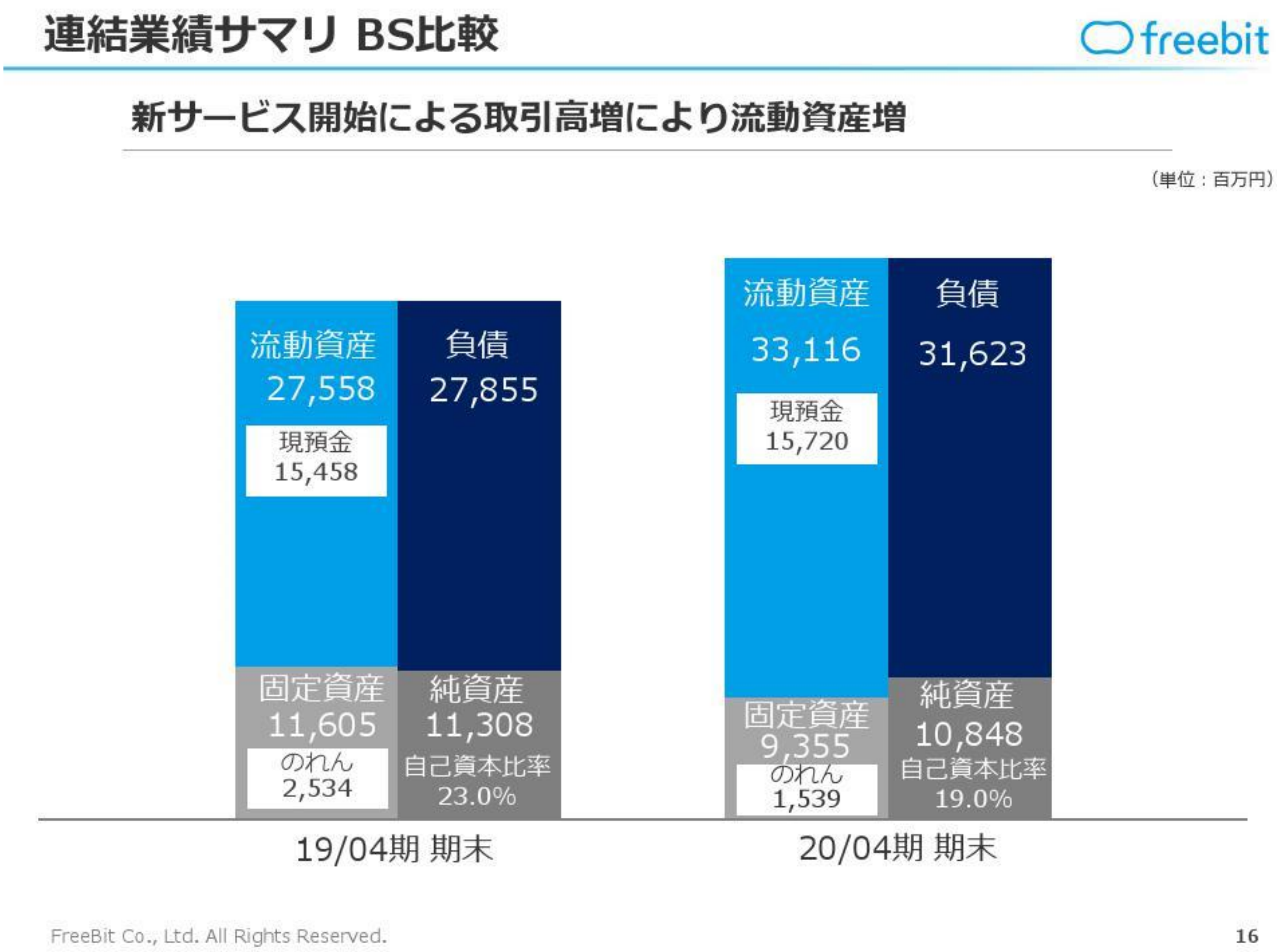


In terms of ordinary income, from JPY2.569 billion in the previous year, we had planned to post about JPY3 billion considering a decrease in equity in losses and other factors. However, due to the decrease in profit of the EdTech business, ordinary income ended at the same level of operating income.



Net income is the one that has changed most drastically this time. The EdTech business had about JPY1 billion of the extraordinary loss and the loss of about JPY600 million at the stage of ordinary income. As a result, the loss was JPY1.617 billion in EdTech business alone as shown in the bar second from right in the chart. Consequently, we regret to report a final loss.

Excluding this factor, we would have had a final profit of about JPY1 billion. We deeply regret this point and considering the business risks in the future, we have taken such measures in the belief that the disposal of losses at this point may have a positive effect of lightening assets in the future.



Although the balance sheet is not a special major topic, the increase in sales of the business has resulted in an increase in the total assets base.

The amount of net assets has not changed significantly, but the equity ratio has declined slightly due to the increase in total assets. Liabilities have been rising because we had increased our cash position before the new coronavirus emerged, in preparation for our future business development and a possible sudden change in the external environment around the world.

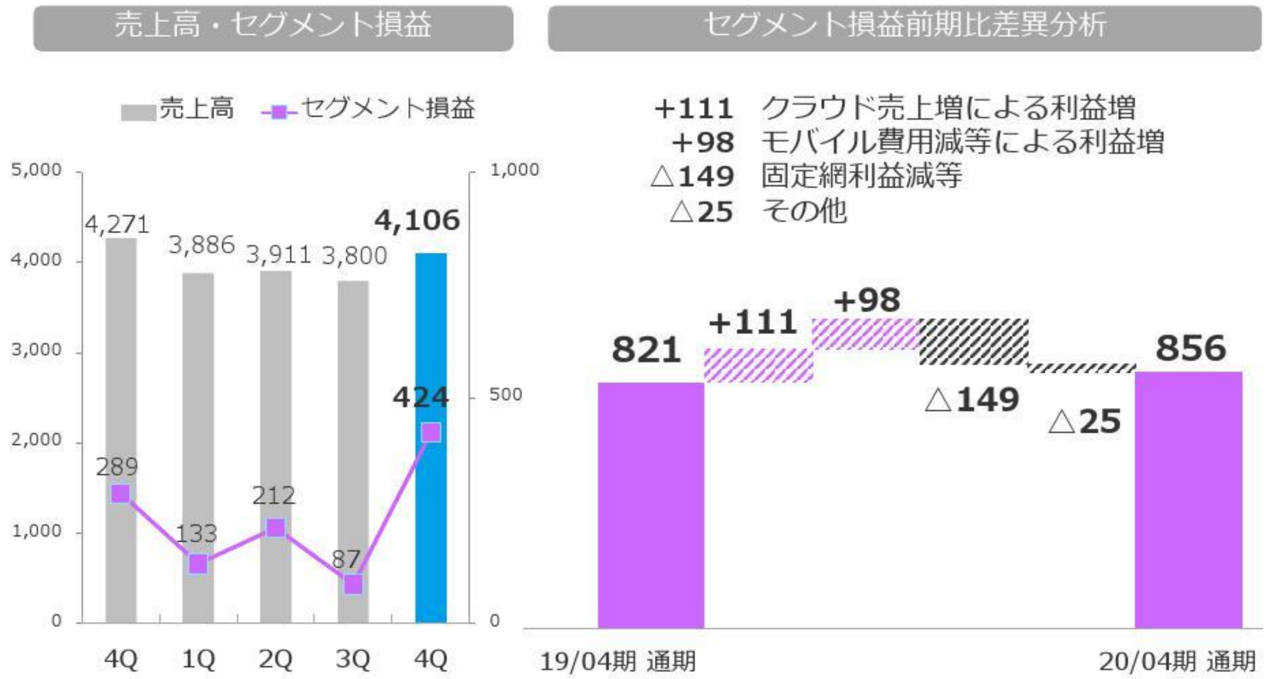
インフラテック事業進捗

freebit

前期比 売上高1.6%減、セグメント損益4.3%増

クラウドサービス売上増により増益

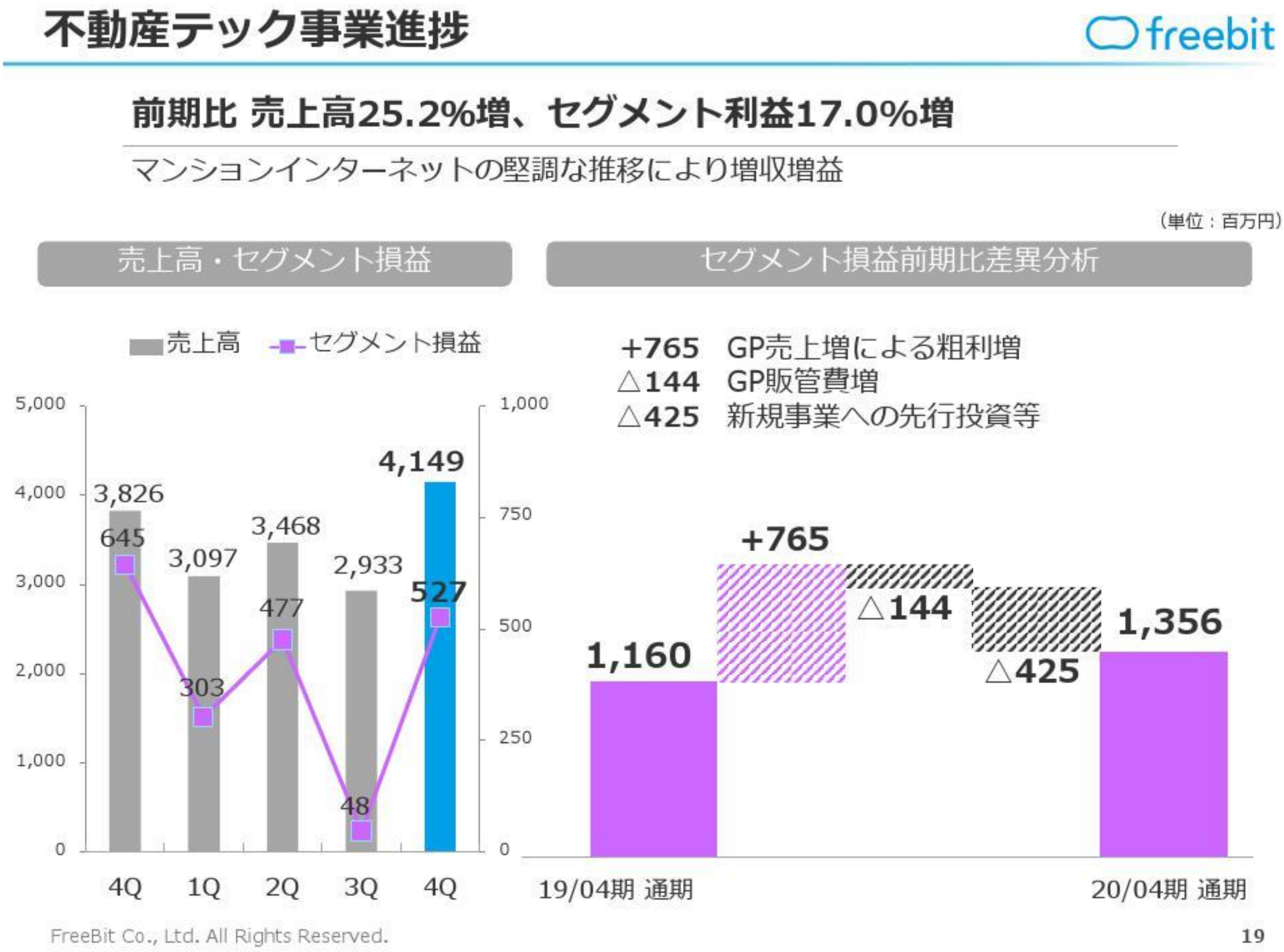
（単位：百万円）



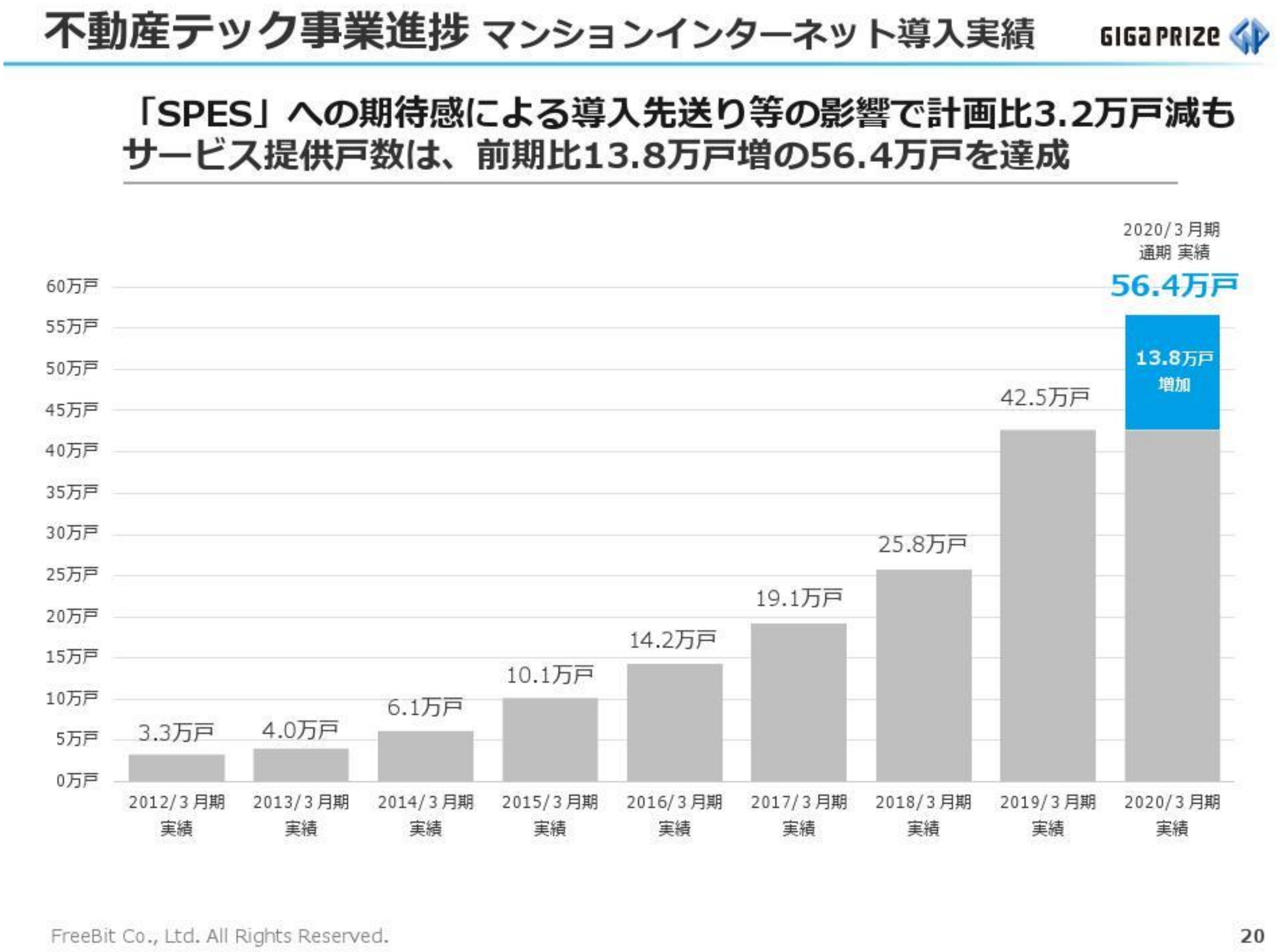
 18

Next, we will report on the progress of each business segment.

In the InfraTech business, sales remained almost unchanged with a decline of 1.6% YoY. Profit increased by 4.3% because of efficient cost control.



The Real Estate Tech Business continued to achieve significant growth in sales and as a result, profits also increased.

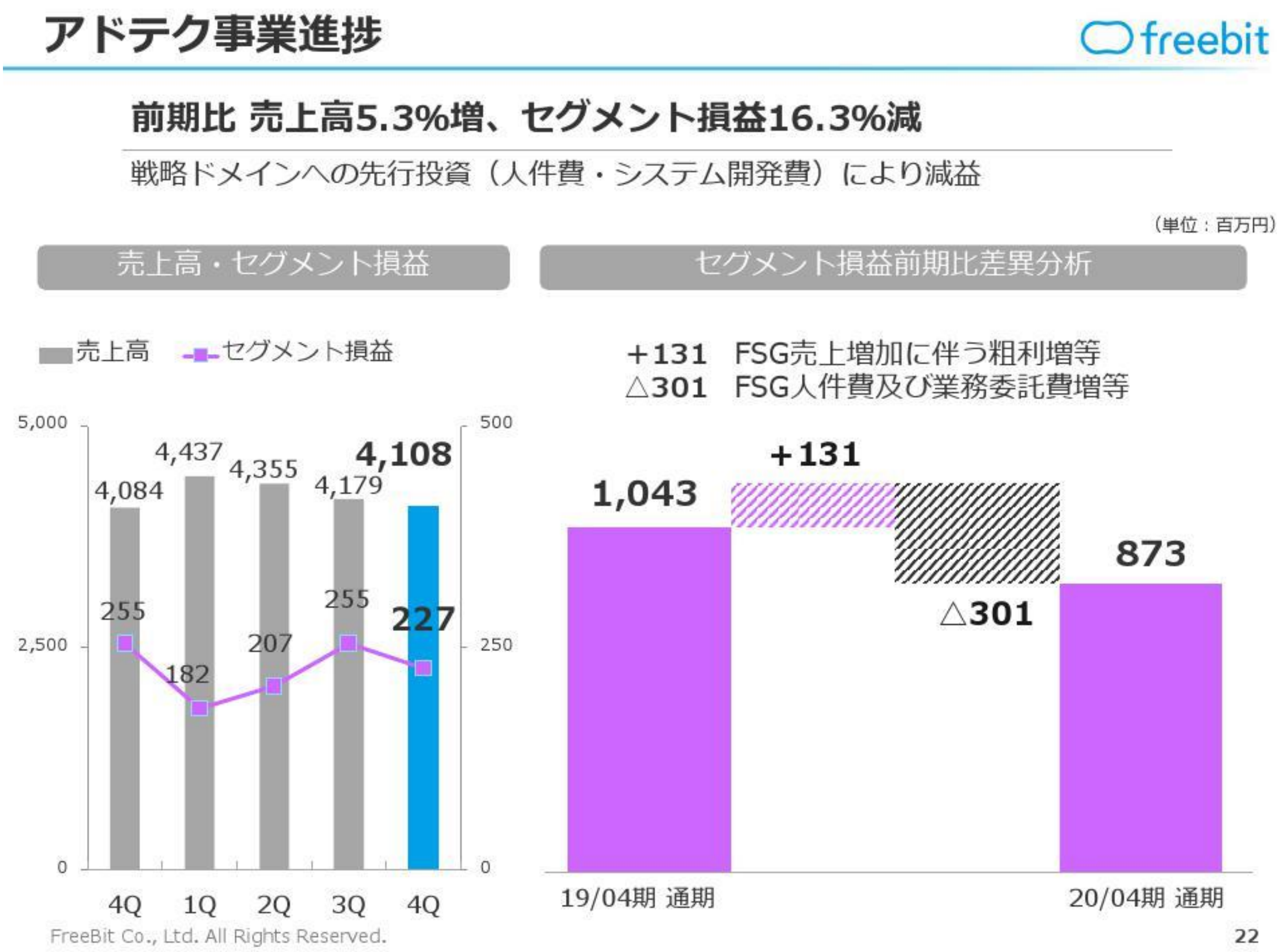


In terms of the number of users in the Real Estate Tech business, it continues to grow steadily and exceeded 564,000 units in the fiscal year ended March 2020. This trend will continue to be promoted in the future, so we believe that it will continue to be a driving force behind our performance.

One of the topics in the Real Estate Tech business is the launch of a service called SPES. This is originally a short-distance Ethernet standard for automobiles, but we have adopted this standard for apartment buildings for the first time, and we have begun installing it to the housing of Daito Trust Construction Co. Ltd.

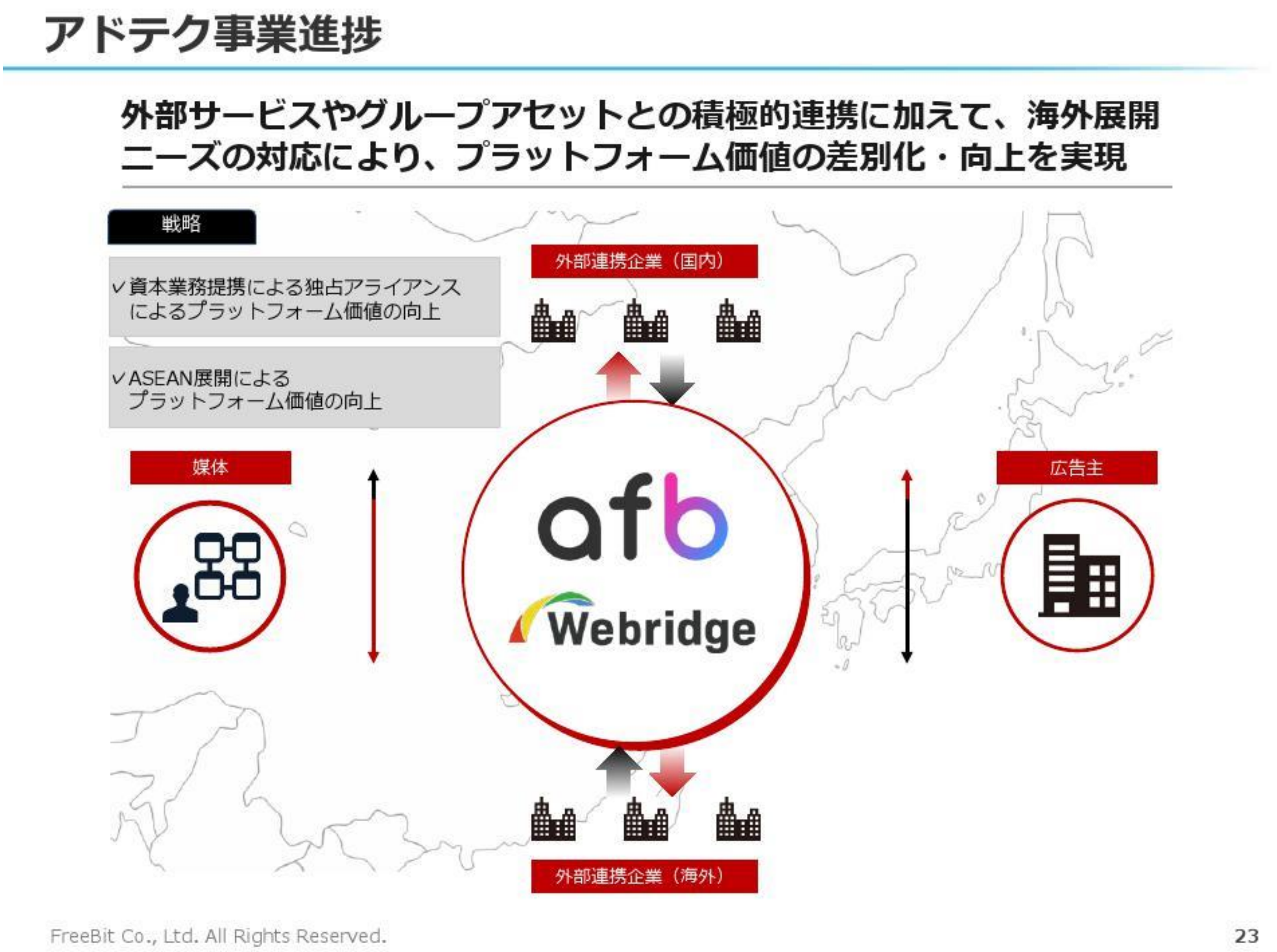
As you know, Daito Trust Construction Co. Ltd. is one of the largest companies in the industry, so if it works well, it will become one of the greatest growth areas.

Another initiative we worked on is to upgrade embedded Wi-Fi services. This contributes to the initiatives by GIGA PRIZE CO., LTD. to reduce operating costs as well as to improve the quality for customers.

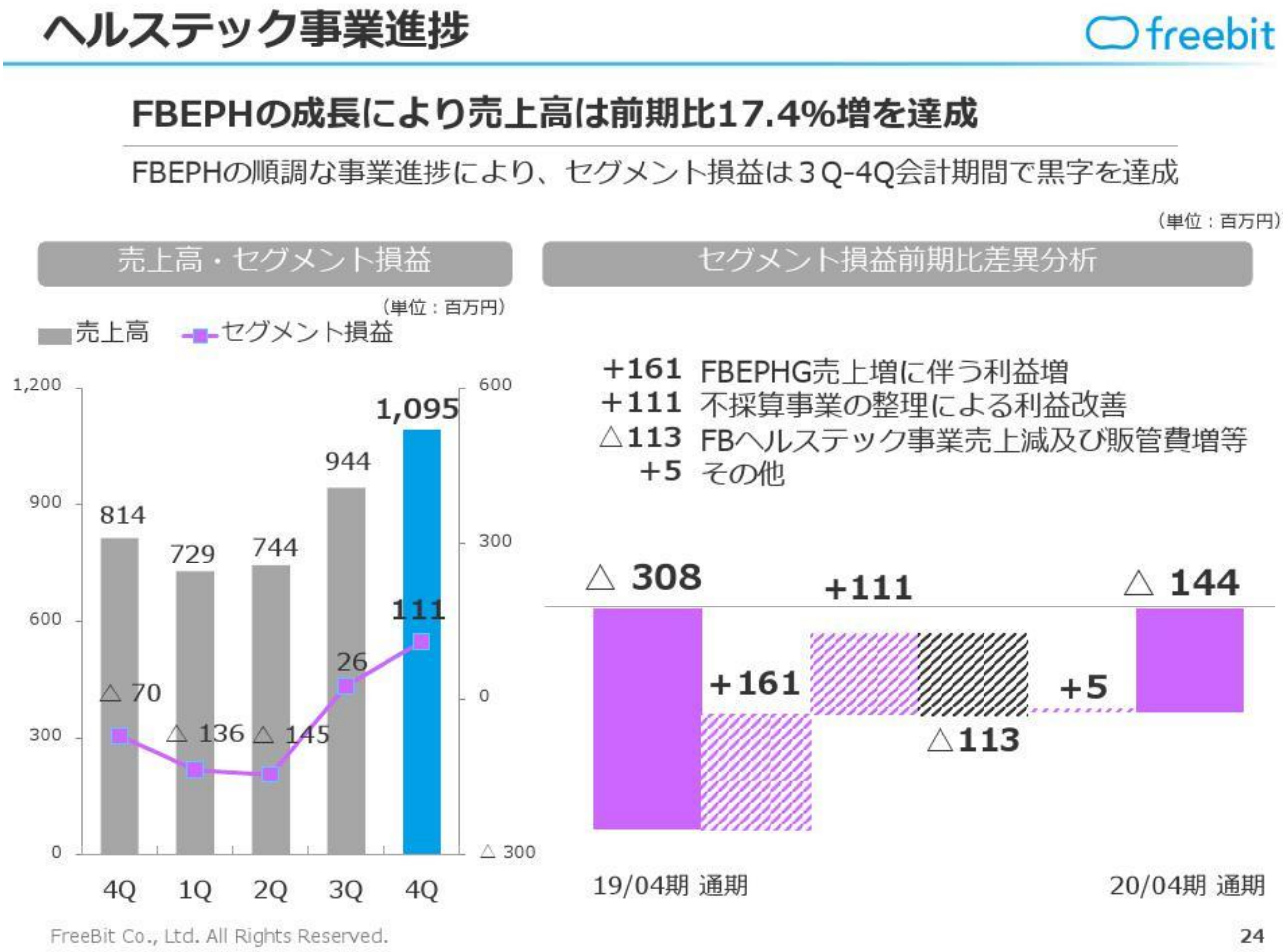


Continuing onto the AdTech business. Sales increased 5.3% while segment profit decreased 16.3%.

To improve the situation suffering from the deterioration in the industry due to the changes in the external environment, we were strengthening the system by investing in the development costs and others. However, due to the impact of the new coronavirus, there were also cancellations or postponements of the client campaigns in March, April, and May, and a considerable portion of the business has been affected, resulting in a decrease in profits.



On the other hand, we will continue to pursue the creation of various new markets through overseas expansion and others, and there is no change in our policy of continuing to grow while properly controlling costs.



Moving onto the HealthTech business. FreeBit EPARK Health Care, Inc. is growing steadily, resulting in a 17.4% increase in sales.

Segment profit was JPY111 million in the fourth quarter. While there were other businesses such as nursing care business that were struggling, this segment is expected to continue to grow.

This is an image of FreeBit EPARK Health Care Inc.'s monthly bookings for the Drug Desk, which are steadily rising. However, since the number of patients visiting hospitals in March and April was reduced by their self-restraint of action due to the impact of the new coronavirus, the number of bookings has been slightly affected.

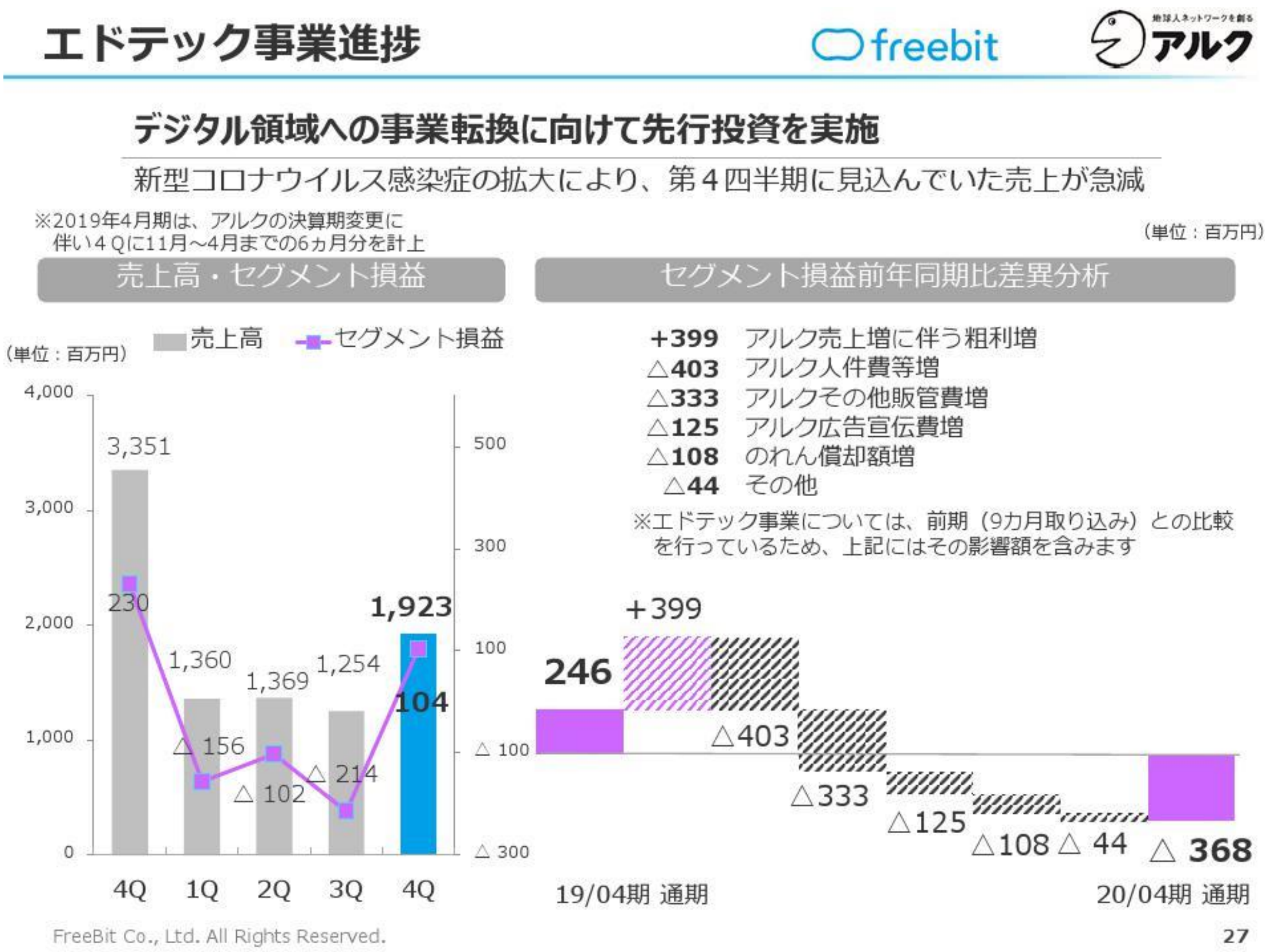
ヘルステック事業進捗

freebit
EPARK ヘルスケア

「EPARKお薬手帳」は累計ダウンロード数126万件を突破

 26

Furthermore, the number of downloads of drug handbooks continues to increase every month, exceeding 1.26 million units and this drug handbook is becoming extremely prominent in the industry. As there is still a large room left in the market, we will continue to focus on this service.



This is the EdTech business. First, the reason for the acquisition of this business into our group was to convert our business structure through digitization, meaning digital transformation, to generate more profit. We have begun to invest in a variety of ways, but we have not yet been able to convert it to sales. Also, we are not yet in the position to beat our competitors. Therefore, for the fiscal year under review, we began to see the downward trend in sales and profits from summer onwards.

To improve this situation, we have made up-front investments by strengthening our personnel and increasing our advertising expenditures, which had a negative impact on profit. Furthermore, the impact of the new coronavirus led to a substantial loss of corporate demand and resulted in a significant negative impact on the profit.

This is all about our business condition.

新型コロナウイルス感染症の影響について

freebit

新型コロナウイルス感染症によりお亡くなりになられた方々に謹んでお悔み申し上げますとともに、罹患された方々には心よりお見舞い申し上げます

■当社グループへの影響について

新型コロナウイルス感染症が経済活動及び経済環境に及ぼす影響については、現時点でその範囲と期間を見通すことが困難なため、当社グループの事業に与える影響について引き続き慎重に精査を進めており、開示すべき事項が明らかになった時点で速やかに公表いたします。

■当社グループの対応について

お客様、お取引先、従業員及びその家族の健康に配慮し、感染抑制及び感染拡大の防止に努めております。就業を原則テレワークとしていることはじめ、不要不急の外出・出張・会食の抑制、大人数での会議の自粛やテレビ会議の活用などの対策を講じています。

 29

As for the impact of the new coronavirus, I have just mentioned several impacts we had in my review of business performance. Since economic activities are not expected to return to their original status, we need to figure out how to continue our business in this new environment.

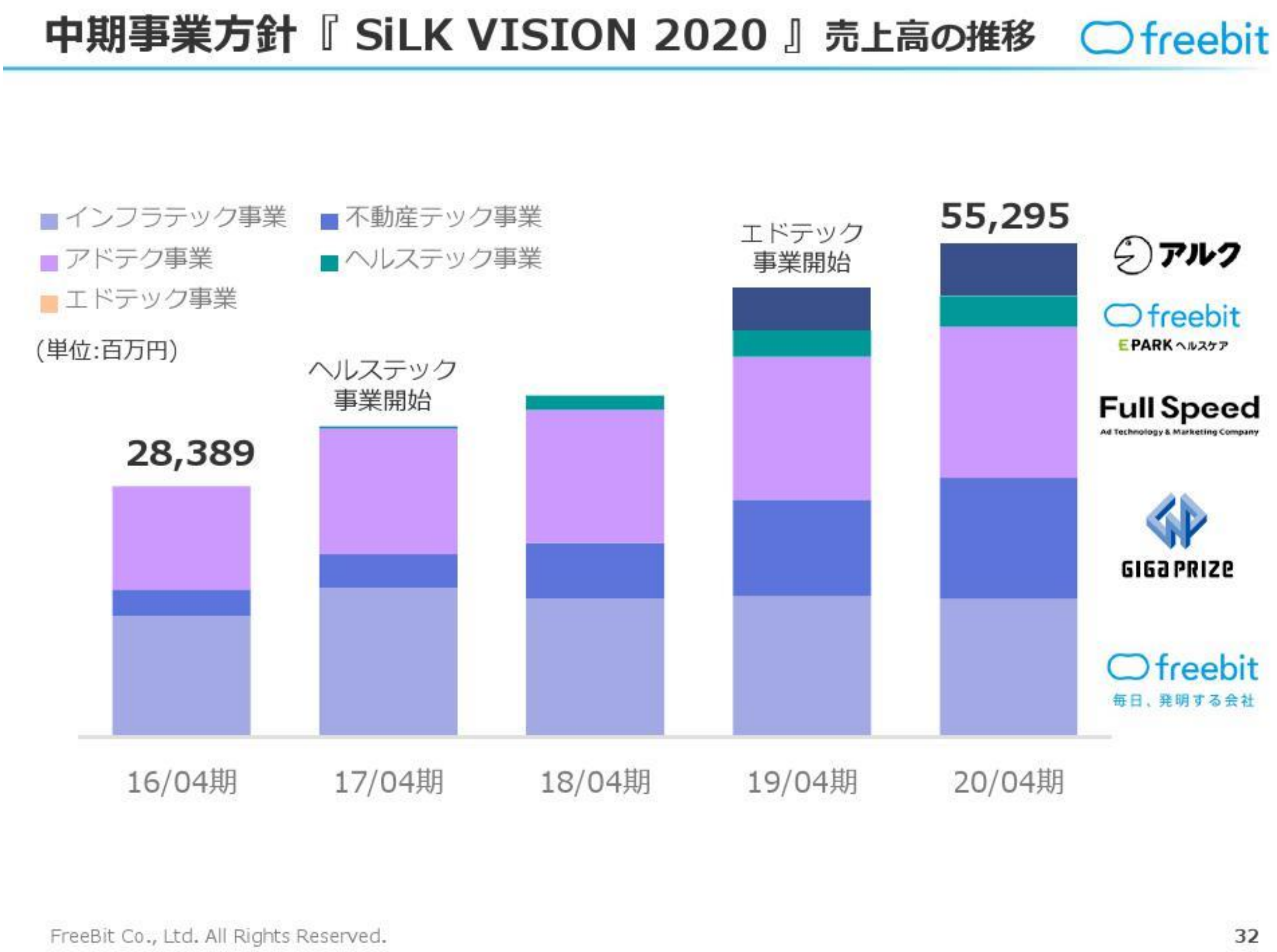
In our case, the InfraTech business and the mobile business in the InfraTech business are in the situation to grow supported by a tailwind of growing needs of remote working. Therefore, despite the substantial negative impact on EdTech business, the Group itself is not in the critical condition. The cash position was also expanded prior to the spread of the new coronavirus, so measures around it have been taken properly.

However, if the spread of the new coronavirus prolonged, its impact will become larger. Therefore, we continue to take utmost care in our business activities by taking measures such as promoting remote working within our group.

My last explanation is on the "SiLK VISION 2020", the medium-term business policy. We have promoted our business according to the medium-term business targets for the last fiscal year, the fiscal year ended April 2020. Our initial target was to become a company with consolidated net sales of JPY50 billion and consolidated operating income of JPY5 billion. For sales, we achieved this target one year ahead of schedule, and this fiscal year also saw a substantial increase. Therefore, the sales target was met completely.

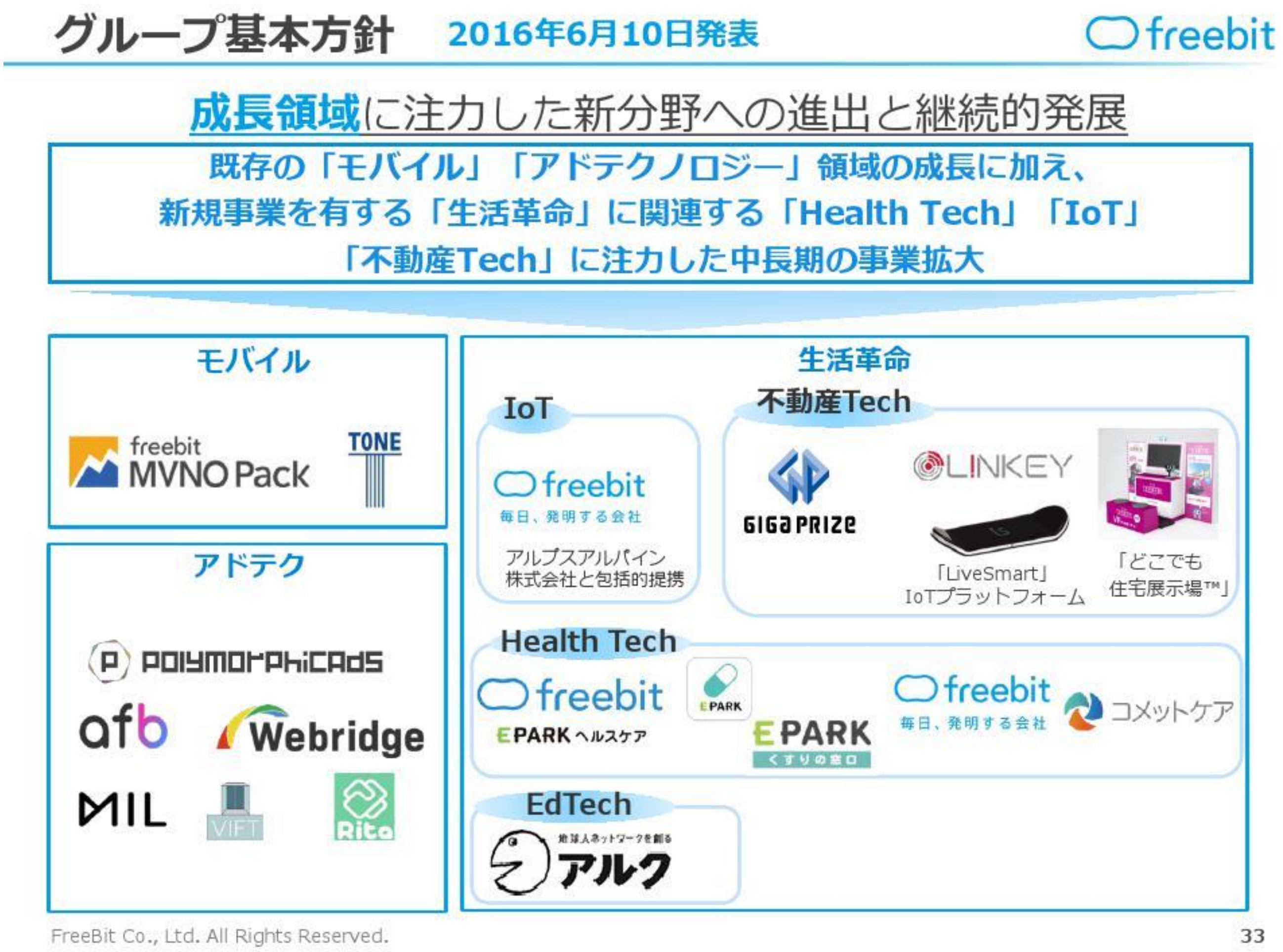
On the other hand, the operating income was only about half of the JPY5 billion level, which we have regretted deeply.

Last year, operating income was JPY3 billion, therefore originally, we had expected to reach the target this year if we continue to increase the profit as in the past. However, we had to make a downward revision halfway, which we regret deeply as well.



So, we achieved the sales target and this shows how we were able to achieve it. We have been working on the AdTech business since 2009 in addition to the InfraTech business we originally had. Therefore, we started from the condition where our business mostly consisted of the ones we had started at an early stage and at the level of about JPY28 billion.

In that flow, the InfraTech business has matured and failed to achieve an increase in sales. However, the AdTech business has grown very quickly and the Real Estate Tech business has won major customers and continues to grow significantly. In addition, in the past two to three years, the HealthTech business and EdTech business have begun their operations. Thus, overall, we achieved the significant growth.



As a result, in addition to mobile and AdTech, we have added HealthTech and Real Estate Tech to our growth domain. Also EdTech was added as a new domain that is not stated here. Altogether, they formed the Group business. From here on, we expect new developments to be made with the new management. With this, I would like to conclude my remarks.

Shimizu will continue with the explanation. Thank you very much.

freebit

■代表取締役の異動（2020年5月1日付）

氏名	新役職名	旧役職名
石田　宏樹	代表取締役社長CEO兼CTO	代表取締役会長
田中　伸明	取締役会長	代表取締役社長

■代表取締役社長CEO兼CTOの略歴

氏名	略歴
石田　宏樹	2000年　5月　当社設立、代表取締役社長 CEO 2004年　7月　当社代表取締役会長 CEO 2005年　7月　当社代表取締役社長 CEO 2015年　1月　トーンモバイル(株)（現TMC(株)）代表取締役社長 CEO 2015年　2月　当社代表取締役会長（現任） 2015年　4月　カルチュア・コンビニエンス・ク ラブ(株)取締役 CIO兼CSO 2016年　4月　カルチュア・コンビニエンス・ク ラブ(株)常務取締役 CIO兼CSO

Shimizu: I am Shimizu, Director and Executive Vice President.

I will explain our consolidated earnings forecasts for the fiscal year ending April 2021.

We have already disclosed this information on April 16, but since May 1, we have changed the representative director. Tanaka has been appointed as the Chairman of the Board from the President and Representative Director, and Hiroki Ishida has been appointed as the President, CEO, and CTO from the Chairman and Representative Director.

From the fiscal year ending April 2021, we intend to operate the Group with a management team centered on the representative, Hiroki Ishida.

2021年４月期 連結業績予想

（単位：百万円）	2021年4月期 通期予想	2020年4月期 通期実績	前期比
売上高	**54,000**	55,295	△2.3%
営業利益	**1,900**	2,587	△26.6%
経常利益	**1,700**	2,481	△31.5%
親会社株主に帰属する当期純利益	**△200**	△619	+419百万円

当社グループが、中期事業方針『SiLK VISION 2020』において獲得した「インフラ」と「プラットフォーム」の両ポートフォリオをwithコロナの「新常態」時代に合わせ最適化すると共に、人的リソース・技術リソース・保有データなどを最大限に有効活用していくグループの一体的運営を目指した大規模な構造改革を行なっていく所存で、それら関連のコストなどを織り込んでおります。

*アドテク事業においては、業界全体としてコロナの影響を見極めるのにもう少し時間がかかる見込みであるため、今後数値が変化する可能性があります。今後、業績に与える影響が判明した場合には、速やかに開示いたします。

*新中期経営計画『SiLK VISION 2023』骨子 2020年8月発表予定

36

First, this is the figures for the first year of the fiscal year ending April 2021. In our forecast of business results, net sales are JPY54 billion, operating income is JPY1.9 billion, ordinary income is JPY1.7 billion, and profit attributable to owners of parent is negative JPY200 million.

Regarding these figures, given that the EdTech and AdTech businesses are significantly affected by the new coronavirus, we expect net sales to be negative 2.3% due to their impact.

On the other hand, in the "SiLK VISION 2020", the previous medium-term management plan, our net sales have been extremely expanding and our portfolios have been extremely expanding in line with this. These expanded portfolios are mainly infrastructures and platforms. We are considering optimizing these portfolios to suit the new normal age of with coronavirus.

In addition, we have prepared figures based on these related costs, considering the Group's large-scale structural reforms by making maximum use of the Group's human resources, technological resources, and possessed data.

However, in the AdTech business, while we are considering the figures that are based on the expectation of business recovery to a certain extent, there are some cases where the second wave of the new coronavirus has occurred or recovery has not been carried out as expected. As a result of these factors, there is a possibility that the figures will change in the future. Therefore, we would like to promptly disclose any impacts on business results.

We are currently formulating the "SiLK VISION 2023" as our new medium-term management plan. We would like to announce it gradually from August 2020, so we would like to ask for your patience.

This concludes the explanation of the full-year financial results for the fiscal year ending April 2020. Thank you for watching until the end.

[END]

____

Document Notes

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

Disclaimer