

Report Date: 1/21/2026
Company: FFRI Security Inc
Ticker: 3692 JP
Industry: Infrastructure Software
Stock Price (Yen): 9320
Market Cap (Yen, Millions): 76,331



We Believe More Than 100% of FFRI's Profit Increase Is Due to Questionable Accounting from Government Subsidies

- We are short FFRI because we think it is using misleading accounting to give the appearance to investors that it has made a turnaround in revenues and profits. However, our research shows FFRI's revenues would have fallen by 1% without this questionable accounting. The accounting firm that approved these practices was later banned for six-months for "grossly improper" operations.¹ We believe the real key to FFRI's apparent success is the use of a private consortium led by FFRI's President as a conduit for its government subsidies that obscures real expenses associated with these funds.
- FFRI is a recipient of "K Program" funds from the New Energy and Industrial Technology Development Organization (NEDO) which offers subsidies that "strengthen advance cyber-defense functions and analytical capabilities" for Japan.¹ However, FFRI does not receive the funds directly. The conduit for its funds is the Cyber Research Consortium (CRC), which was founded by FFRI and is managed by FFRI's President.² CRC income represented 20.5% of FFRI's revenues in FY3/25. We calculate that without these funds, intended as an R&D offset, FFRI would have reported losses instead of profits.
- We analyzed 9 other government subsidy recipients. In each case, subsidies offset R&D expenses and had no material impact on profits. FFRI is different. While FFRI's revenues increased by ¥623 million from CRC payments, shockingly, its R&D expenses *decreased* by 13% in FY3/25. We believe there are two likely explanations; either FFRI is receiving subsidies intended to increase R&D while *cutting* R&D spend (which would be very bad behavior); or FFRI is recording their reimbursements as revenues while obfuscating the related R&D expenses by capitalizing them or running them through the CRC.
- We analyzed publicly available financials from the CRC revealing the Consortium made a negligible net profit in FY3/25 of ¥11.7 million and a net loss of ¥14.3 million in FY3/24. We believe the CRC is barely profitable and effectively operates as a pass-through entity. Unlike the CRC, FFRI is booking government subsidies from the CRC as revenue without incurring material R&D costs. In our view, FFRI's accounting treatment of R&D subsidies seems impossible without this pass-through entity as government R&D subsidies are typically reimbursed on a cost basis. We are eager to see what the actual costs incurred by FFRI on this project were and where those costs have been recorded.
- We cannot verify if some of FFRI's R&D expenses are being kept in the CRC because they are a private company. However, we can see that FFRI capitalized its ¥480 million

¹ This report uses translations of Japanese sources. The Japanese translation of this report is provided for convenience only and may contain errors. Only the English version represents Wolfpack's opinion. Readers use translations at their own risk. For legal matters, refer to the English text.

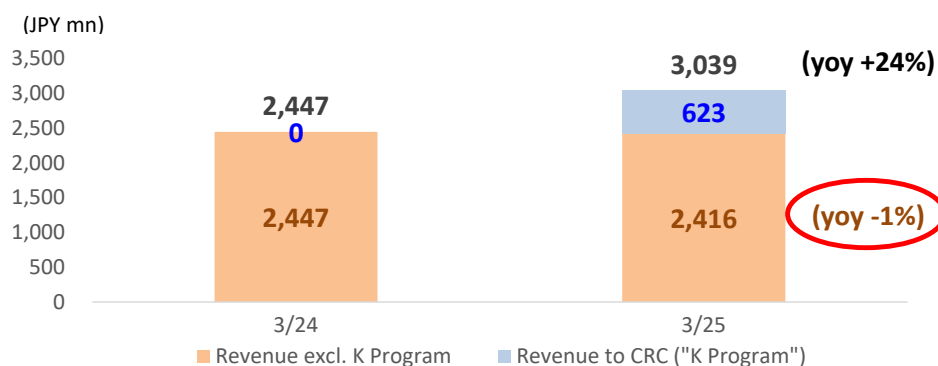
membership fee it paid to the CRC; we believe that this is essentially an R&D cost and should be treated as an expense (which is how FFRI typically treats R&D costs).³ We calculate FFRI's profits in FY3/25 would have been cut by 32% without this gimmick.

- FFRI is the only company we found in Japan that uses NEDO public funds that creates the appearance of large profits. We [reviewed](#) 9 different companies that received government subsidies and only one other company, Axelspace, recorded subsidies as topline revenues. However, Axelspace only recorded this revenue *as it incurred costs*, so the subsidies only offset R&D expenses rather than generating profits.
- A Japanese GAAP expert told us that NEDO funds are typically recorded as “other income” or as an R&D offset. Instead, FFRI records them as topline revenue. The auditor who approved this treatment, ASKA & CO, was suspended for six months by the FSA for “grossly improper” operations.⁴ FFRI, in a highly unusual move, changed its segment reporting mid-year, making its reliance on government subsidies less obvious. FFRI has since switched auditors to UHY Tokyo Audit Corporation, another small audit firm. Will this new auditor be willing to approve management's unusual treatment of its subsidies in their year-end audit?⁵
- Management's ability to generate the impression of a turnaround has sent the stock price soaring over 300%, but we think this is the same company it has always been. Its main software product, Yarai, saw its licenses peak in 2019. If you exclude income from the CRC, revenue growth in 2024 was not even flat, it was worse than the year before.
- The stock market expects FFRI will benefit from Takaichi's cybersecurity initiatives. However, we believe there is a significant risk that FFRI's questionable accounting, which paradoxically shows R&D expenses declining while subsidies are increasing, may attract scrutiny from NEDO and the Takaichi administration of the CRC and FFRI's use of public funds. We think the ideal situation would be for FFRI to make public any relevant CRC transactions so that investors can properly evaluate FFRI's turnaround narrative.

Without Recording R&D Reimbursement Subsidies as Topline Revenue, FFRI Revenues Would Have Declined By 1% Instead of Growing By 24%

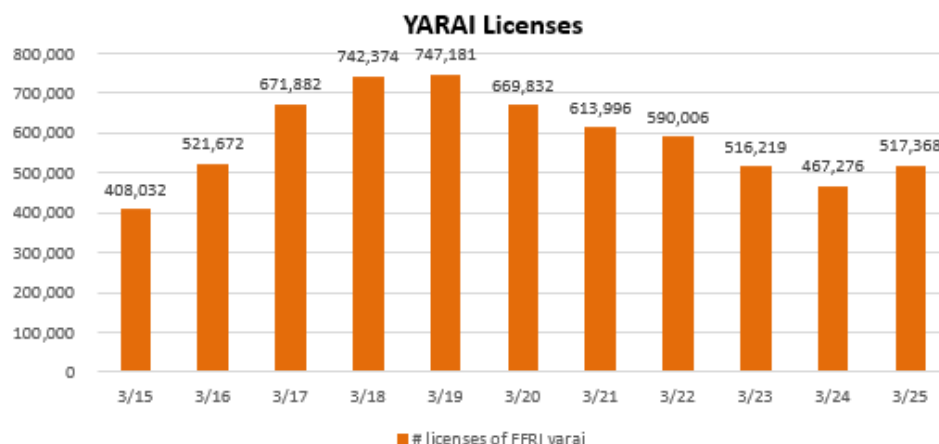
Our analysis shows FFRI's 24% revenue growth in FY3/25 came entirely from subsidies. These subsidies originated from Japan's New Energy and Industrial Technology Development Organization (NEDO) and were distributed to the Cyber Research Consortium (CRC), a private consortium of cybersecurity companies that channels government funding into cybersecurity R&D.

CRC payments to FFRI accounted for 20.5% of revenues in FY3/25; we calculate that without FFRI's highly unusual treatment of these subsidies as topline revenues, FFRI's core business revenue in FY3/25 would have been 1% *lower* than in FY3/24.



FFRI's Stock Price Suffered for Years Until K Program Funds Were Used to Increase Profits

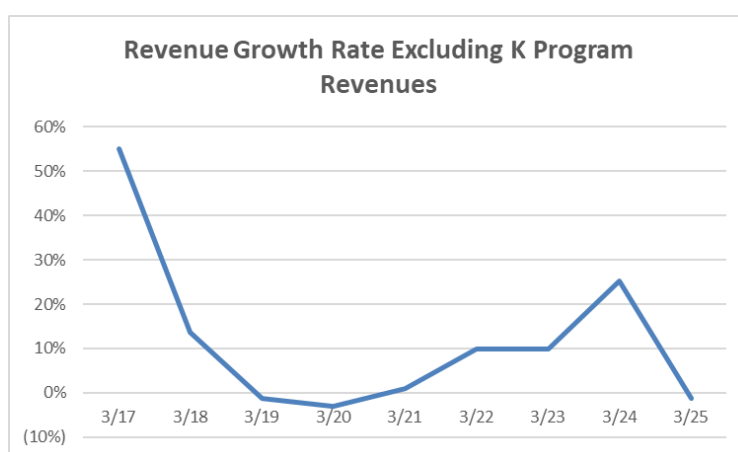
FFRI's stock price has soared over 300% thanks to its questionable accounting of funds flowing in from the CRC, but apart from this accounting treatment of government subsidies, we think FFRI is essentially the same company it has always been. FFRI is a [cyber-security](#) company that sells software, but its main software product, Yarai, saw licenses peak in 2019.⁶



FFRI's revenues and growth were stagnant for years. Up until March 2025 when the 2024 annual results were released, FFRI's stock mimicked the underperformance of its commercial business.



We can see the stock continued to suffer throughout FY3/25 despite better results in FY3/24. When we look at core revenues and exclude subsidy income from the CRC, we can see that the revenue growth rate was set to collapse again for FY3/25.



However, instead of showing investors another lackluster year, FFRI managed to convince their auditor to include the R&D reimbursement as topline revenues.

FFRI Is the Only Japanese-Listed Company We Found That Records Profits Through Aggressive Accounting of R&D-Related Subsidies. More Concerning, While Subsidies Increased, FFRI's R&D Spend Declined 13%

One reason we think FFRI's accounting is questionable is because FFRI is the only company we found that records profits from R&D subsidies. We calculate that income from the CRC drove more than 100% of FFRI's operating profit growth last year. This growth will increase (on paper) significantly in FY3/26 since it will apply to the entire fiscal year (FFRI joined the K Program partway through FY3/25).

We spoke to an expert in Japanese GAAP (JGAAP) who told us that, while there is some ambiguity in the rules, most companies record government subsidies like the one that FFRI receives as some form of “other income.”

Below we can see an example of how this typically works. ExaWizards receives subsidies so they include them as “Non-Operating Income.”⁷

ExaWizards FY22/3 financial report

Consolidated Statements of Income

| (In thousands of yen) | Fiscal Year Ended March 31 | |
|--|----------------------------|-----------|
| | 2021 | 2022 |
| Net sales | 2,612,944 | 4,810,893 |
| Cost of sales | 951,343 | 1,761,412 |
| Gross profit | 1,661,600 | 3,049,481 |
| Selling, general and administrative expenses | 2,169,940 | 3,250,900 |
| Operating profit (loss) | (508,339) | (201,419) |
| Non-operating income | | |
| Interest and dividend income | 90 | 44 |
| Subsidy income | 68,109 | 157,952 |
| Other | 3 | 1,235 |
| Total non-operating income | 68,202 | 159,231 |
| Non-operating expenses | | |
| Interest expenses | 3,892 | 5,505 |
| Foreign exchange losses | 7,315 | 4,039 |
| Listing expenses | - | 45,347 |
| Other | - | 392 |
| Total non-operating expenses | 11,207 | 55,283 |
| Ordinary profit (loss) | (451,345) | (97,470) |

Non-Operating Income and Loss, Ordinary Profit:

Non-operating income for the consolidated fiscal year totaled ¥159,231 thousand (+133.5% year-on-year). The main component is subsidy income from projects with the New Energy and Industrial Technology Development Organization (NEDO) and other organizations. Non-operating expenses totaled ¥55,283 thousand (+393.3% year-on-year). The main component was listing-related expenses.

As a result of the above, ordinary loss for the consolidated fiscal year was ¥97,470 thousand (-78.4% year-on-year).

Here we can see that subsidy income is not used to benefit topline revenues or operating margins.

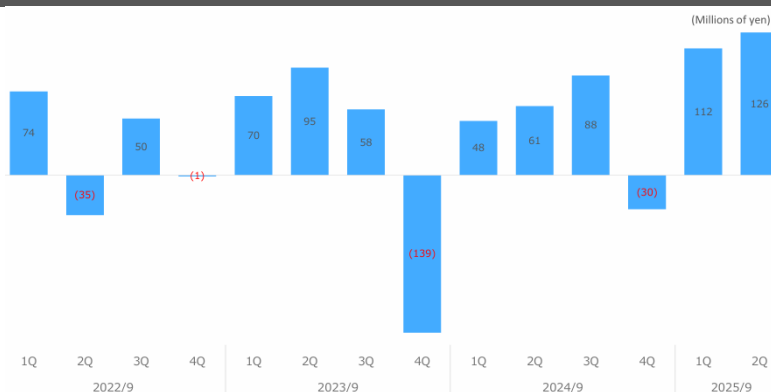
While we think this is the best way to do it, some other companies opt to simply reduce their R&D expenses. For example, if we look at Fixstars financial presentation we can see that subsidy amounts are deducted from R&D expenses.⁸

Fixstars FY26/9 2Q financial results presentation

R&D expenses

Expanded R&D in AI-related projects. In quantum computing, leveraged subsidies from sources such as NEDO to reduce cost burdens.

Confirmed subsidy amounts are deducted from R&D expenses, resulting in lower recorded R&D costs in the quarters when subsidies are finalized (each Q4 and Q2 of FY September 2022).



Given FFRI's receipt of an enormous amount of K Program subsidies, we would expect either a significant increase in other income (to offset increased R&D spurred by the subsidies) or a significant decrease in R&D expenses, ***but not both an increase in income and a decline in R&D spend***. Here we calculate that FFRI's R&D costs have shrunk 13% year-over-year, while income from subsidies has ballooned and now makes up 20.5% of topline revenues. In our view, this should not be happening.

We think this paradox is a big red flag that FFRI's accounting should be perceived by investors as questionable.

Is The CRC A Pass-Through Entity Allowing FFRI To Avoid Cost Base Accounting Of Its R&D Subsidy?

The CRC is a consortium of private companies that was founded by FFRI and ShineTech Co, Ltd. The ostensible purpose of this entity is to “contribute to the development of cybersecurity technology by engaging in R&D and promoting the industry.”⁹ NEDO has reportedly authorized up to ¥29 billion yen for the CRC over five years.¹⁰

The CRC has five regular members: FFRI, NTT Corporation, Fujitsu Limited, Mitsubishi Electric Corporation, and Hitachi, Ltd. FFRI is by far the smallest with ~215 employees while the next smallest company, Fujitsu Limited, has 115,000 employees. CRC transactions are immaterial to other members, so we cannot compare their accounting treatment.

The CRC is too small to have any material impact on the other members of the CRC, so we suspect they have not looked too closely at the books for this consortium. We doubt these other members are categorizing any funds they receive from the CRC as top-line revenues.

FFRI's financials show it received ¥623 million from the CRC (originally from NEDO) and recorded this as topline revenue. FFRI also paid the CRC ¥480 million in cumulative membership fees between FY3/24 and FY3/25, which it capitalized rather than expensed.

We question to what extent FFRI's R&D expenses are being run through the CRC. Based on our analysis, the CRC effectively operates as a pass-through entity. Considering FFRI books government subsidies from the CRC as revenue without incurring offsetting R&D expenses which are typically reimbursed on a cost basis, we are fascinated to learn what FFRI's actual project costs were and where these costs have been recorded. Given FFRI founded the CRC and FFRI's President manages it, FFRI likely influences how the CRC records transactions. While we cannot examine the books of this private entity, NEDO may insist on seeing them before renewing their contract.

FFRI Capitalizes Its CRC Membership Instead of Expensing Them, Removing These Costs from Its Income Statement.

FFRI has won over investors by claiming to grow its operating profit 64% year-over-year. However, it has done this, in part, by capitalizing its CRC membership fees. We believe that if FFRI is going to record the money it receives from the CRC as income, then the CRC membership fees it pays ought to be categorized as an expense on the income statement as well. After all, FFRI's R&D expenses are typically expensed and not capitalized.¹¹

However, with FFRI, they capitalized the CRC membership fee as seen below.

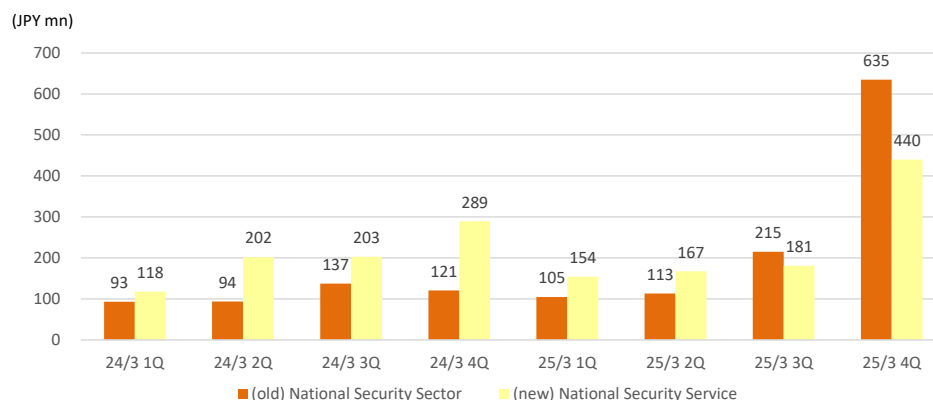
| 投資活動によるキャッシュ・フロー | | |
|------------------|---------|----------|
| 有形固定資産の取得による支出 | △10,374 | △3,508 |
| 無形固定資産の取得による支出 | △1,031 | △14,918 |
| 敷金及び保証金の差入による支出 | △496 | △1,365 |
| 敷金及び保証金の回収による収入 | - | 7 |
| 出資金の払込による支出 | - | △430,000 |
| 投資活動によるキャッシュ・フロー | △11,903 | △449,784 |

If FFRI put its ¥480 million in membership fees as an expense on its income statement, then it would have seen its operating profit **decline by 32%**. We suspect the reason they did not do this is simply because they knew it would look bad.

A 4th Quarter Change in Segment Accounting and a Suspended Auditor, How More Red Flags Do Investors Need to See?

FFRI seems to have surprised everyone by changing its segment accounting in May 2025. We believe this last-minute change obscures the full impact that the K Program funds were having on FFRI.

Our analysis shows that under the prior segment structure, the National Security Sector would have shown 148% growth to ¥1.1 billion in FY3/25, while Security Products would have been roughly flat. By transferring revenue from the National Security Sector to the Security Products segment, FFRI showed 48% growth in its Security Products Segment instead. The National Security Sector segment still showed growth, but far less than under the prior method.



The auditor that signed off on all of this: the categorization of K Program funds as topline revenue, the capitalization of CRC membership fees, and the last-minute segment change, was ASKA & CO, who received disciplinary action earlier this year for “grossly improper” operations. UHY Tokyo Audit Corporation will soon be doing their first full audit of FFRI, and we hope they may not be as comfortable engaging in such novel accounting methods as ASKA & CO.

Our analysis indicates FFRI’s growth is far less impressive than it seems. We call on NEDO to take a closer look at FFRI’s accounting practices and to demand a full account of CRC transactions so investors will have more transparency. We also believe the other members of the CRC should closely examine the accounting of the CRC and FFRI to ensure they are happy to effectively endorse this unusual arrangement.

APPENDIX

Our Analysis of Nine Government Subsidy Recipients Shows Only One of Them Recorded Their Subsidies as Topline Revenue and That None of Them Used the Subsidies to Generate Operating Profit

FFRI and most of its peers claim to follow Japanese Generally Acceptable Accounting Practices (JGAAP). We spoke with an expert in JGAAP and learned that there is some ambiguity in the rules as to how income related to a subsidy such as the K Program should be recorded. For this reason, we do not believe that FFRI's conduct is illegal, however, we do believe that FFRI's treatment of its subsidies qualifies as aggressive and misleading.

We examined 9 recipients of government subsidies and found that only one other company included the funding in their topline revenue.

Axelspace records its subsidies as topline revenues, but Axelspace has its own reasons to push the envelope. It [listed](#) on the Tokyo Stock Exchange in July 2025 and 88.7% of its so-called revenue is K Program subsidies.¹²

It is also important to note that the NEDO funding in the case of Axelspace is that the corresponding R&D expenditures are booked as expenses, and not capitalized in a way that creates the illusion of profit.¹³

The remaining 8 companies we observed recorded their NEDO funding in a far more conservative manner.

1. ABEJA (5574), their NEDO development project is booked as a net cost against related R&D expenses. No revenue is recognized.¹⁴

ABEJA FY24/8 financial report

〈注〉NEDOの第一期プロジェクトに係る助成対象費用（主にLLM 構築に必要な計算リソースに係る費用）は研究開発費として未払計上するとともに、助成金相当額を研究開発費のマイナスとして未収計上しているため、助成対象費用は当期の損益に影響はございません。

Translation:

Note: The subsidy-eligible expenses related to NEDO's first-phase project (primarily costs for computing resources required for building an LLM) are recorded as R&D expenses. At the same time, the corresponding subsidy income is recorded as a reduction of R&D expenses as a negative amount. Therefore, these subsidy-eligible expenses do not affect the profit for the current period.

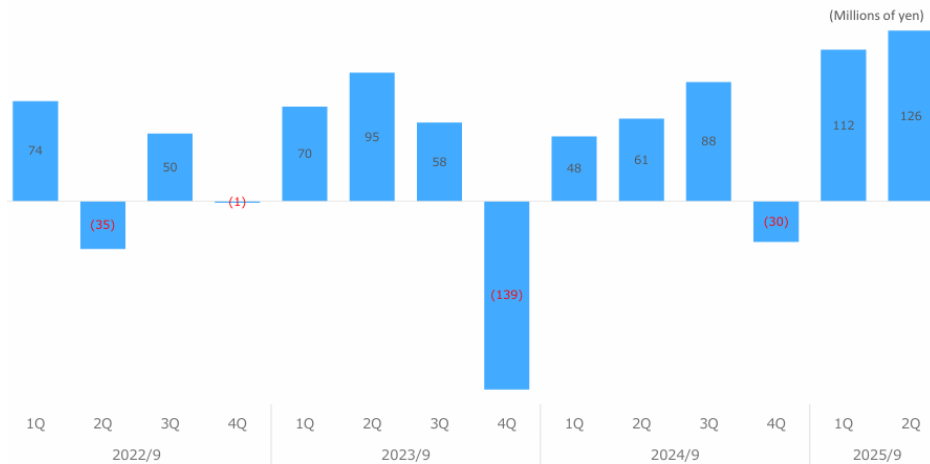
2. Fixstars (3687) used NEDO funding to reduce quantum computing costs by deducting subsidy amounts from R&D expenses.¹⁵

Fixstars FY26/9 2Q financial results presentation

R&D expenses

Expanded R&D in AI-related projects. In quantum computing, leveraged subsidies from sources such as NEDO to reduce cost burdens.

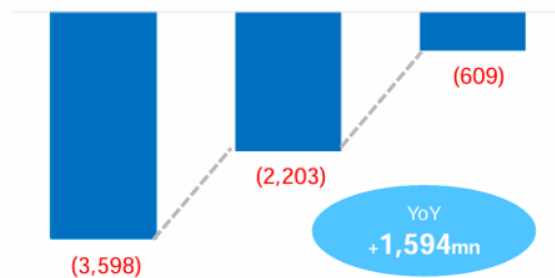
Confirmed subsidy amounts are deducted from R&D expenses, resulting in lower recorded R&D costs in the quarters when subsidies are finalized (each Q4 and Q2 of FY September 2022).



3. Dynamic Map Platform (336A) subsidy is allocated to non-operating income.¹⁶

Dynamic Map Platform FY25/3 financial results presentation

Adjusted EBITDA (JPY mn)



FYE3/2023

FYE3/2024

FY3/2025

Note: Adjusted EBITDA = EBITDA (operating profit + depreciation and amortization) + Government Subsidy Income (recorded in non-operating income)

4. iSpace (9348) has a METI SBIR project grant booked under other income.¹⁷

iSpace FY25/3 financial report

(Thousands of yen)

| | Consolidated fiscal year ended March 31, 2024 | Consolidated fiscal year ended March 31, 2025 |
|--|--|--|
| Net sales | 2,357,055 | 4,743,238 |
| Cost of sales | 1,428,811 | 2,498,705 |
| Gross profit | 928,243 | 2,244,532 |
| Selling, general and administrative expenses | | |
| Research and development expenses | 3,834,408 | 7,730,999 |
| Salaries and allowances | 997,196 | 1,522,199 |
| Other | 1,598,334 | 2,786,476 |
| Total selling, general and administrative expenses | 6,429,939 | 12,039,675 |
| Operating loss | (5,501,696) | (9,795,143) |
| Non-operating income | | |
| Interest income | 18,615 | 95,753 |
| Subsidy income | — | 228,639 |
| Foreign exchange gains | 641,007 | — |
| Miscellaneous income | 1,489 | 82,597 |
| Other | 0 | 0 |
| Total non-operating income | 661,112 | 406,991 |
| Non-operating expenses | | |
| Interest expenses | 367,997 | 920,442 |
| Foreign exchange losses | — | 644,231 |
| Share issuance costs | 52,019 | — |
| Listing expenses | 470,789 | — |
| Financing expenses | 320,787 | 374,888 |
| Other | 45,811 | 6,781 |
| Total non-operating expenses | 1,257,406 | 1,946,343 |
| Ordinary loss | (6,097,990) | (11,334,495) |

5. ExaWizards (4259) recorded NEDO and METI subsidies as non-operating income.¹⁸

ExaWizards FY22/3 financial report

Consolidated Statements of Income

| (In thousands of yen) | Fiscal Year Ended March 31 | |
|--|----------------------------|-----------|
| | 2021 | 2022 |
| Net sales | 2,612,944 | 4,810,893 |
| Cost of sales | 951,343 | 1,761,412 |
| Gross profit | 1,661,600 | 3,049,481 |
| Selling, general and administrative expenses | 2,169,940 | 3,250,900 |
| Operating profit (loss) | (508,339) | (201,419) |
| Non-operating income | | |
| Interest and dividend income | 90 | 44 |
| Subsidy income | 68,109 | 157,952 |
| Other | 3 | 1,235 |
| Total non-operating income | 68,202 | 159,231 |
| Non-operating expenses | | |
| Interest expenses | 3,892 | 5,505 |
| Foreign exchange losses | 7,315 | 4,039 |
| Listing expenses | - | 45,347 |
| Other | - | 392 |
| Total non-operating expenses | 11,207 | 55,283 |
| Ordinary profit (loss) | (451,345) | (97,470) |

Non-Operating Income and Loss, Ordinary Profit:

Non-operating income for the consolidated fiscal year totaled ¥159,231 thousand (+133.5% year-on-year). The main component is subsidy income from projects with the New Energy and Industrial Technology Development Organization (NEDO) and other organizations. Non-operating expenses totaled ¥55,283 thousand (+393.3% year-on-year). The main component was listing-related expenses.

As a result of the above, ordinary loss for the consolidated fiscal year was ¥97,470 thousand (-78.4% year-on-year).

6. Japan Engine (6016)- NEDO subsidy is allocated to non-operating income¹⁹

Japan Engine FY25/3 financial report

| | 前事業年度 (自 2023年4月 1日 至 2024年3月31日) | 当事業年度 (自 2024年4月 1日 至 2025年3月31日) |
|------------|---|---|
| 売上高 | ※1 20,969,501 | ※1 28,862,663 |
| 売上原価 | | |
| 製品期首棚卸高 | 2,574,329 | 5,022,539 |
| 当期製品製造原価 | 17,246,160 | 19,292,042 |
| 合計 | 19,820,489 | 24,314,582 |
| 製品期末棚卸高 | 5,022,539 | 3,670,482 |
| 棚卸資産評価損 | 254,009 | △8,277 |
| 売上原価合計 | ※2 15,051,960 | ※2 20,635,821 |
| 売上総利益 | 5,917,541 | 8,226,842 |
| 販売費及び一般管理費 | ※3, ※4 3,728,599 | ※3, ※4 3,135,907 |
| 営業利益 | 2,188,942 | 5,090,934 |
| 営業外収益 | | |
| 受取利息 | 10 | 489 |
| 受取配当金 | 4,261 | 5,407 |
| 補助金収入 | 1,329,707 | 326,859 |
| 雑収入 | 27,937 | 26,661 |
| 営業外収益合計 | 1,361,916 | 359,418 |
| 営業外費用 | | |
| 支払利息 | 16,385 | 23,413 |
| 支払手数料 | 1,000 | 1,048 |
| 為替差損 | 13,488 | 3,745 |
| 雑損失 | 1,111 | 789 |
| 営業外費用合計 | 31,985 | 28,997 |
| 経常利益 | 3,518,873 | 5,421,355 |

Subsidy income (below OP)

Japan Engine 5/9/2024 press release

営業外収益（補助金収入）の計上に関するお知らせ

当社は、2024年3月期第4四半期会計期間（2024年1月1日から2024年3月31日）において、営業外収益（補助金収入）を計上いたしましたので、下記のとおりお知らせいたします。

記

1. 営業外収益（補助金収入）の内容

国立研究開発法人新エネルギー・産業技術総合開発機構（NEDO）からの補助金 1,097,082 千円（2024年2月22日入金）を補助金収入として計上いたしました。これは当社が参画している NEDO グリーンイノベーション基金事業「次世代船舶の開発プロジェクト」の「アンモニア燃料国産エンジン搭載船の開発」および「船用水素エンジンおよび MHFS の開発」に対するものです。

なお、2024年3月期第3四半期累計期間において、同2案件に対する補助金収入 232,624 千円を計上しておりますので、2024年3月期事業年度としては、合計 1,329,707 千円の補助金収入を計上しております。

また、本プロジェクトの事業期間は 2030 年度までとなっており、その間、上記開発案件の進捗に応じ、発生した費用支出に対して所定の補助率にて、補助金収入を得ることとなります。プロジェクトの概要につきましては、当社ホームページの「ニュース/2021 年」から、2021 年 10 月 26 日のリリース内容をご参照ください。<<https://www.j-eng.co.jp/news/2021/index.html>>

Translation:

Notice Regarding the Recognition of Non-operating Income (Subsidy Income)

We recorded subsidy income of 1,097,082 thousand yen (received on February 22, 2024) from the New Energy and Industrial Technology Development Organization (NEDO)

7. ASCL (6232) has two K Programs, both of which are specified as an R&D subsidy. Their filings explain that a subsidy relating to R&D is booked as non-operating income.²⁰

ACSL FY24/12 financial results presentation

Awarded 3 large national projects for technical development



Award 2.6 bn JPY by FY26 for SBIR. 1 bn JPY in total and 100 mn JPY in project size for 2 K Programs

| | Project Summary | ACSL Role | Period / Value |
|--|--|--|--|
| SBIR (Small Business Innovation Research program) | A large-scale technology demonstration project to promote research and development by small and medium-sized enterprises and quickly bring innovative and superior technology to social implementation | <ul style="list-style-type: none"> Development of a new high-performance compact aerial photography drone that takes economic security and security into consideration Utilizing the knowledge gained through the development of SOTEN and feedback from the market, we will respond to the demand for small aerial photography drones in Japan and overseas | <ul style="list-style-type: none"> Dec 2023 ~Dec 2025 (scheduled) Subsidy : Max 2.6 bn JPY |
| K Program (Economic security important technology development program) | Developing cutting-edge and important technologies that are essential for Japan to maintain a firm position in the international community | <ul style="list-style-type: none"> Research and development of control technology and system construction that can realize autonomous group flight¹ in harsh environments Development of technology for multiple drones to estimate and understand their own spatial position and share | <ul style="list-style-type: none"> Apr 2024 ~Mar 2028 R&D subsidy : Max 1 bn JPY² |
| K Program (Economic security important technology development program) | same as above | <ul style="list-style-type: none"> Study for hardware development of small drones with autonomous and decentralized control functions Surveys of advanced technologies in Japan and abroad, existing drones and research and development trends, determine the direction of competitive drone development | <ul style="list-style-type: none"> May 2024 ~Mar 2025 R&D subsidy : within 100 mn JPY |

Both K Program subsidies are treated as R&D subsidy

1: Multiple drones flying simultaneously and in collaboration
2: Value will be determined based on discussion with funding parties

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ACSL FY24/12 financial report

(Thousands of yen)

| | For the fiscal year ended December 31, 2023 | For the fiscal year ended December 31, 2024 |
|---|---|---|
| Net sales | 896,362 | 2,655,602 |
| Cost of sales | 1,131,519 | 2,504,706 |
| Gross profit | (235,157) | 150,895 |
| Selling, general and administrative expenses | 1,836,038 | 2,444,117 |
| Operating loss | (2,071,195) | (2,293,221) |
| Non-operating income | | |
| Interest income | 337 | 493 |
| Share of profit of entities accounted for using equity method | - | 49,891 |
| Subsidy income | 131,973 | 183,596 |
| Foreign exchange gains | 31,065 | - |
| Other | 6,320 | 4,095 |
| Total non-operating income | 169,696 | 238,077 |
| Non-operating expenses | | |
| Interest expenses | 9,112 | 25,422 |
| Share of loss of entities accounted for using equity method | 10,249 | - |
| Share issuance costs | 60,845 | 2,037 |
| Bond issuance costs | 119,087 | - |
| Foreign exchange losses | - | 105,520 |
| Other | 2,141 | 194 |
| Total non-operating expenses | 201,437 | 133,175 |
| Ordinary loss | (2,102,936) | (2,188,320) |

当社グループ製品・サービスが産業向けドローン業界におけるデファクト・スタンダードとなるためには、今後も継続的かつ積極的に研究開発活動を実施していくことが不可欠となります。そこで、当社グループでは産学官連携で様々なプロジェクトに参画し、最先端の技術開発に取り組んでおります。国家プロジェクトにおいては、各プロジェクトで発生した研究開発費用について、管轄機関の監査を受けて認められた金額を、助成金又は補助金として収受しております。なお、助成金又は補助金に関して、新規技術の研究開発に係る助成金又は補助金については、営業外収益として計上しております。また、新規の研究開発を行わず、既存の当社の技術を用いて委託された実験を行うことが主目的であるプロジェクトについては、収受した金額を売上高として計上しております。

Translation:

Grants or subsidies related to R&D for new technologies are recorded as non-operating income.

8. Astroscale (186A) records its R&D project subsidies as below the line in other income.²¹

Astroscale FY25/4 financial report

| | | (単位: 千円) | |
|-------------|-------|--|--|
| | | 前連結会計年度 (自 2023年5月1日 至 2024年4月30日) | 当連結会計年度 (自 2024年5月1日 至 2025年4月30日) |
| 売上収益 | 6, 21 | 2, 852, 561 | 2, 456, 956 |
| 売上原価 | | △5, 097, 855 | △6, 337, 551 |
| 売上総損失 (△) | | △2, 245, 294 | △3, 880, 594 |
| 販売費及び一般管理費 | 25 | △11, 696, 433 | △19, 104, 897 |
| その他の収益 | 26 | 2, 386, 002 | 4, 230, 488 |
| 営業損失 (△) | | △11, 555, 724 | △18, 755, 004 |
| 金融収益 | 27 | 2, 824, 117 | 49, 365 |
| 金融費用 | 27 | △488, 235 | △2, 844, 649 |
| 税引前当期損失 (△) | | △9, 219, 842 | △21, 550, 288 |
| 法人所得税費用 | 14 | 38, 513 | △1, 315 |
| 当期損失 (△) | | △9, 181, 329 | △21, 551, 603 |
| 当期利益の帰属: | | | |
| 親会社の所有者 | | △9, 181, 329 | △21, 551, 603 |
| 非支配持分 | | — | — |
| 当期損失 (△) | | △9, 181, 329 | △21, 551, 603 |

Other income (above OP, below SG&A)

Breakdown of Other income

| | | (単位: 千円) | |
|------------------|--|--|--|
| | | 前連結会計年度 (自 2023年5月1日 至 2024年4月30日) | 当連結会計年度 (自 2024年5月1日 至 2025年4月30日) |
| プロジェクトに係る政府補助金収入 | | 1, 814, 524 | 3, 631, 699 |
| その他の政府補助金収入 | | 569, 001 | 583, 683 |
| その他 | | 2, 477 | 15, 205 |
| 合計 | | 2, 386, 002 | 4, 230, 488 |

(i) Government subsidies related, and
(ii) Other government subsidy income
are included in Other income

¹ [Nedo.go.jp](https://nedo.go.jp)

² See CRC [website](#), articles of incorporation, Article 51.

³ FY3/2025 1H period financials

| | | |
|------------------|----------|-----------|
| 投資活動によるキャッシュ・フロー | | |
| 有形固定資産の取得による支出 | △10, 374 | △3, 508 |
| 無形固定資産の取得による支出 | △1, 031 | △14, 918 |
| 敷金及び保証金の差入による支出 | △496 | △1, 365 |
| 敷金及び保証金の回収による収入 | — | 7 |
| 出資金の払込による支出 | — | △430, 000 |
| 投資活動によるキャッシュ・フロー | △11, 903 | △449, 784 |

⁴ See FSA [Disciplinary action against audit firm](#). (google translate used)

⁵ [Audit Change](#)

⁶ [P. 6](#)

⁷ [P. 10](#)

⁸ [P. 10](#)

⁹ See [webpage](#) for CRC

¹⁰ See [reporting](#).

¹¹ See p. 52/88 FFRI Yuho FY3/25

¹² See FY 5/26 1Q Investor Presentation for AxelSpace, page 10

AxelLiner事業の事業進捗:主要プロジェクト

左記のKプログラムを中心に、売上を計上

NEDO/経済安全保障重要技術育成プログラム(Kプログラム)

| | |
|----------|---|
| 案件概要 | 光通信等の衛星コンステレーション基盤技術の開発・実証 |
| プロジェクト規模 | 最大600億円 ¹⁾ |
| 実施先 | アクセルスペース、Space Compass、NICT、NEC |
| 目的 | <ul style="list-style-type: none"> 地球規模の宇宙通信インフラ構築の衛星光通信ネットワーク技術を世界に先駆けて確立 世界市場で技術優位性をもち、ルール形成等でも主導的立場に立つ |
| 当社の役割 | <ul style="list-style-type: none"> 小型LEO衛星、地球観測衛星、光通信ネットワーク制御システムの開発 |

【プロジェクト概要】

- 大容量・低遅延でのデータ通信・データ処理のサービスの提供を可能にする技術の研究開発を目指すプロジェクト（プロジェクトイメージは36ページ参照）
- 2026年5月期Q1の連結売上高の88.7%を占める
- 売上は工事進行基準での計上（計上イメージは31ページ参照）

【受注残】(2026年5月期Q1期末時点) 9,250百万円

- NEDOの会計期間2031年度までのプロジェクト期間の内、2029年3月までの役務提供について契約を締結

NEDO/超小型衛星コンステレーション技術開発実証事業

| | |
|----------|---|
| 案件概要 | 衛星コンステレーションのワンストップサービス実現に向けた超小型衛星実証事業 |
| プロジェクト規模 | 上限52.8億円 ¹⁾ |
| 実施先 | アクセルスペース、Synspective |
| 目的 | <ul style="list-style-type: none"> 国内での超小型衛星コンステレーション構築能力の確保 |
| 当社の役割 | <ul style="list-style-type: none"> 汎用衛星バス開発、100kg級衛星の宇宙実証 |

【プロジェクト概要】

- 小型衛星の量産化を見据えた設計の汎用化、製造の効率化、運用の自立化、自動化についての実証に対する補助事業

【受注残】(2026年5月期Q1期末時点) 1,783百万円

- 毎年度補助金の上限が通知される方式で、2026年度まで交付が決定
- 本プロジェクトによる収入は、営業外収益(補助金による収入)として計上。金額は、本プロジェクトの補助対象経費の額に対して補助率が3分の2

¹³ See Press Release available [here](#): where the company points out that its revenues are based on the progress of costs incurred

2. 2026年5月期 第1四半期決算発表に関するご質問

Q1 AxelLiner事業の売上が昨年対比で減少したのは、Kプログラム分の売上は売上原価発生の進捗で決まることから、タイミングの要因が大きく、需要の要因ではないという理解でよいのか。

A1 AxelLiner事業の主要案件であるKプログラムは、売上原価の発生進捗に応じて売上高を認識する契約形態となっております。

したがって、当第1四半期は製造計画上的コスト投入が昨年対比で一時的に減少したため、売上高も同様に減少しております。

¹⁴ [P. 25](#)

¹⁵ [P. 10](#)

¹⁶ [P. 20](#)

¹⁷ [P. 9](#)

¹⁸ [P. 10](#)

¹⁹ [Nikkei.com](#), [p. 37](#)

²⁰ [P. 5 and 6](#), [p. 4](#), and [p. 26](#)

²¹ [P. 138 and 183](#)

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