

# Consolidated Financial Results for the Nine Months Ended May 31, 2022 [Japanese GAAP]



July 7, 2022

Company name: USEN-NEXT HOLDINGS Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9418

URL: <https://usen-next.co.jp/>

Representative: Yasuhide Uno, President, Representative Director & CEO

Contact: Shohei Mabuchi, Managing Director & CFO

Phone: +81-3-6823-7015

Scheduled date of filing quarterly securities report: July 8, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts are rounded down to the nearest million yen.)

## 1. Consolidated Financial Results for the Nine Months Ended May 31, 2022 (September 1, 2021 – May 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
May 31, 2022	174,712	13.5	13,530	7.9	12,810	7.4	6,807	1.7
May 31, 2021	153,869	7.3	12,541	49.0	11,930	61.8	6,694	109.8

(Note) Comprehensive income: Nine months ended May 31, 2022: ¥6,827 million [1.8%]

Nine months ended May 31, 2021: ¥6,709 million [112.8%]

	Basic earnings per share		Diluted earnings per share		EBITDA		Adjusted EPS	
	Yen		Yen		Million yen	%	Yen	%
Nine months ended								
May 31, 2022	113.31		113.23		20,023	5.0	150.73	(2.0)
May 31, 2021	111.43		111.34		19,070	28.8	153.85	56.9

(Note) The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the three months ended November 30, 2021. The above amounts for the nine months ended May 31, 2022 show figures after the said accounting standard has been applied. Percent changes from the previous corresponding period are calculated based on the consolidated financial results for the nine months ended May 31, 2021 before the said accounting standard has been applied.

## (2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2022	151,641		38,361		25.3	
As of August 31, 2021	141,316		33,334		23.6	

(Reference) Equity: As of May 31, 2022: ¥38,358 million

As of August 31, 2021: ¥33,331 million

(Note) The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the three months ended November 30, 2021. The above amounts for the nine months ended May 31, 2022 show figures after the said accounting standard has been applied.

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2021	–	0.00	–	13.50	13.50
Fiscal year ending August 31, 2022	–	0.00	–		
Fiscal year ending August 31, 2022 (Forecast)				15.00	15.00

(Note) Revision to the forecast for dividends announced most recently: None

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2022 (September 1, 2021 – August 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	220,000	5.6	17,000	8.9	16,000	8.3	8,500	5.7	141.47

	EBITDA		Adjusted EPS	
Full year	Million yen	%	Yen	%
	26,000	6.7	191.40	1.4

(Note) Revision to the financial results forecast announced most recently: None

The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the three months ended November 30, 2021. The above amounts for the consolidated financial results forecast for the fiscal year ending August 31, 2022 show figures after the said accounting standard has been applied. Percent changes from the previous corresponding period are calculated based on the consolidated financial results for the fiscal year ended August 31, 2021 before the said accounting standard has been applied.

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: None  
(Changes in specified subsidiaries resulting in changes in scope of consolidation):  
Newly included: – ( ), Excluded: – ( )
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes  
(Note) For details, please refer to “(4) Notes to Quarterly Consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)” on page 14 of the Attachments.
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (4) Total number of shares issued and outstanding (common shares)
- 1) Total number of shares issued and outstanding at the end of the period (including treasury shares):

May 31, 2022:	60,084,611 shares
August 31, 2021:	60,083,111 shares
  - 2) Total number of treasury shares at the end of the period:

May 31, 2022:	72 shares
August 31, 2021:	23 shares
  - 3) Average number of shares during the period:

Nine months ended May 31, 2022:	60,084,013 shares
Nine months ended May 31, 2021:	60,074,957 shares
- (5) Calculation method of management indices
- EBITDA: Operating profit + Depreciation + Amortization of goodwill
    - \* The amounts of depreciation and amortization of goodwill represent figures on the statements of cash flows.
  - Adjusted EPS: Adjusted profit (i.e., Profit attributable to owners of parent + Amortization of goodwill) / Average number of shares during the period

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

\*Explanation on the proper use of financial results forecast and other notes

(Notes on forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document, and the Company does not in any way guarantee the achievement of the projections. In addition, actual results may differ significantly from these forecasts due to various factors. For preconditions for the financial results forecast and notes on the use thereof, etc., please refer to “1. Qualitative Information on Quarterly Financial Results (1) Explanation of Operating Results” on page 2 of the Attachments.

(Method of obtaining supplementary briefing materials on quarterly financial results)

Briefing materials on the financial results for the nine months ended May 31, 2022 will become available today (July 7, 2022) on the Company’s website.

## Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	8
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.....	8
2. Quarterly Consolidated Financial Statements and Principal Notes .....	9
(1) Quarterly Consolidated Balance Sheets .....	9
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	11
Quarterly Consolidated Statements of Income	
For the nine months ended May 31 .....	11
Quarterly Consolidated Statements of Comprehensive Income	
For the nine months ended May 31 .....	12
(3) Quarterly Consolidated Statements of Cash Flows .....	13
(4) Notes to Quarterly Consolidated Financial Statements .....	14
(Notes on going concern assumption) .....	14
(Notes in case of significant changes in shareholders' equity).....	14
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements).....	14
(Changes in accounting policies).....	14
(Additional information) .....	15
(Segment information, etc.).....	16

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

The Group believes that a variety of customers it serves in the B to B market are its greatest assets, including commercial stores to which the Group provides its mainstay music distribution services, in addition to other customers such as hotels, hospitals, golf courses and small- to medium-sized offices.

Making the most of these assets, the Group has been focusing on initiatives to further consolidate its position as a solutions provider and a platformer for small- to medium-sized enterprises that provides one-stop solutions to various needs and problems of customers in its five business segments: the Content Distribution Business, the Store Services Business, the Communications Business, the Business Systems Business, and the Energy Business.

During the nine months ended May 31, 2022, the government lifted priority measures to prevent the spread of infections that were implemented in 18 prefectures including Tokyo and Osaka as a countermeasure against the COVID-19 throughout the country for the first time in roughly two and a half months. Amid a decrease in new COVID-19 cases, Japan has seen the recovery of social economic activities such as the relaxation of restrictions on holding events and increase in the number of people at shopping districts and sightseeing spots. There are also positive signs at restaurants and other commercial stores which returned to normal operation following the lifting of restrictions imposed such as limits to the number of people and the reduction of operating hours, resulting in a gradual increase in the number of customers at these stores.

On the other hand, a large number of businesses and commercial stores are forced to revise the prices of commercial products due to food and energy shortages caused by the situation in Ukraine, which have led to worldwide inflation, and the soaring raw material prices and utility costs caused by the rapid depreciation of the yen. The soaring commodity prices may affect procurement costs of commercial stores and result in decline in consumer confidence and the fewer number of customers coming to the stores. The business environment surrounding the commercial stores still remains uncertain.

Under these circumstances, the Group, as a “social DX” company that brings the future closer to the present, has continued to focus on its efforts to support commercial stores and service users by providing one-stop solutions to the needs and problems of society through its business activities.

In each segment, the Group has provided products and services tailored to various needs and issues of customers in the era of coexistence with COVID-19 and further utilized resources in the Group to practice our Group slogan, “Brighten the future.”

In order for the Group to steadily carry out a new medium-term business plan, “Road to 2025,” which was formulated and released by the Group, and realize sustainable growth and a further increase of corporate value while responding to a social environment undergoing drastic change in the era of coexistence with and post COVID-19, the Group selected the Prime Market in the Tokyo Stock Exchange’s new market segments and transitioned to the market on April 4, 2022.

As a result, regarding the financial results for the nine months ended May 31, 2022, net sales were ¥174,712 million (up 13.5% year on year), operating profit was ¥13,530 million (up 7.9% year on year) and ordinary profit was ¥12,810 million (up 7.4% year on year). In addition, profit attributable to owners of parent was ¥6,807 million (up 1.7% year on year).

The Group’s net sales (including inter-segment sales or transfers) and operating profit by segment are outlined below.

#### <Content Distribution Business>

The Content Distribution Business is operated by U-NEXT Co., Ltd. and TACT INC., our consolidated subsidiaries, and provides and sells the U-NEXT video distribution service.

During the nine months ended May 31, 2022, amid a boom in the market for video distribution, there has been a decrease in COVID-19 cases and the government lifted priority measures to prevent the spread of infections throughout the country. The demand driven by the stay-at-home economy has become low with increasing number of people at shopping districts and sightseeing spots, while membership has been increasing steadily.

Under these circumstances, we have been focusing on the “experience of seeing a movie at a movie theater” and aiming to provide “video distribution services to send customers to movie theaters” in the “U-NEXT” service. We made it possible to purchase TOHO Cinemas’ movie tickets with “U-NEXT points” in addition to existing movie theaters, and started a collaboration campaign of “U-NEXT and TOHO Cinemas.”

In regard to the content, as the competitive environment is becoming more intensified, in addition to the conventional “Coverage Strategy,” we have developed “ONLY ON Strategy” in a way that upgrades the Company’s exclusive titles, such as launching live distribution of new releases and much-talked-about titles and sports contents and music contents, and have worked on enhancing our exclusively distributed titles under the concepts of “Viewable Only With U-NEXT” and “Only With U-NEXT You Can Enjoy Unlimited Viewing.”

As part of these efforts, we have been working to further expand our content lineup by live and exclusive distribution in multichannel platforms of “2022 Masters Tournament” in which Hideki Matsuyama’s winning streak and Tiger Woods’ return to the tournament drew attention. In addition, we select and introduce our recommended titles including exclusive titles with/without unlimited viewing among many titles released every month.

In “U-NEXT,” more than 220,000 movies, drama series, and animated programs can be enjoyed with unlimited viewing. Moreover, 30,000 plus titles including new releases can be rented and over 760,000 comic book and book titles are included in the lineup. “U-NEXT,” which allows users to seamlessly enjoy watching and reading with a single app, offers an entertainment experience crossing the borders of genres.

Additionally, in regard to the improvement of the user experience, we have been encouraging the installation of “U-NEXT Button” on the remote controllers attached to the televisions newly launched by manufacturers and making efforts to allow users to enjoy our services comfortably.

In terms of increasing the number of subscribers, we have also continued to work on acquiring viewers through new channels, including by launching a new bundled plan which combines the MVNO service “y.u mobile” sold by Y.U-mobile Co., Ltd., one of the Group companies, with the “U-NEXT” video distribution service.

As a result, net sales and operating profit of the Content Distribution Business for the nine months ended May 31, 2022 were ¥52,929 million (up 20.1% year on year) and ¥4,935 million (up 4.5% year on year), respectively.

#### <Store Services Business>

The Store Services Business is operated by the following consolidated subsidiaries: USEN CORPORATION, CANSYSTEM. CO., LTD., USEN Media CORPORATION, USEN FB Innovation Co., Ltd., USEN Techno-Service Co., Ltd., USEN-NEXT Design Co., Ltd., and U’S MUSIC Co., Ltd. The business distributes music and provides, sells, and implements store solutions, offers support services for restaurants, and manages and develops music copyright, etc.

The Store Services Business is the Group’s mainstay business, and capitalizing on its stable revenue base centered on music distribution services, the Group plans to actively develop the store IoT market. To this end, we have worked to maintain and expand transactions with customers, acquire new customers and improve our brand power especially in the market for commercial stores.

For commercial stores and chain stores, in an aim to enhance the lineup of services for stores and commercial facilities, we have provided and proposed comprehensive solutions and support services ranging from the support for starting a business and establishing business environments to the support for attracting customers and sales promotions, centered on music distribution and IoT services.

During the nine months ended May 31, 2022, priority measures to prevent the spread of infections were lifted throughout Japan, and the country has seen an increase in the number of people at shopping districts and sightseeing spots. The government lifted restrictions imposed on restaurants of limits to the number of people and the reduction of operating hours, which were measures to prevent infections there, resulting in a gradual increase in the number of customers. On the other hand, commercial stores were forced to revise the prices of commercial products in line with the soaring raw material prices and utility costs and an array of daily necessities' price hikes. The price hikes may result in decline in consumer confidence and the fewer number of customers coming to the stores. The business environment surrounding the commercial stores still remains uncertain.

The Group has focused on understanding the actual needs of its customer commercial stores and providing them with attentive and speedy services. At the same time, we have aimed to offer comprehensive support for them while leveraging the Group synergy.

At USEN CORPORATION, under the vision of "Create Stores' Future," we offer total support for store DX, which is indispensable for store management in the era of coexistence with and post COVID-19.

"USEN IoT PLATFORM" enables providing one-stop services to offer wireless communications and business equipment using the latest technology, including the "U AIR" Wi-Fi equipment for business use that enables internet use without the need of line construction and the "U MUSIC" service that combines AI with our knowledge cultivated through more than 50 years of providing store BGM services to create optimal BGM for each store based on its characteristics. Centered around this service, "USEN Marutto Store DX" promotes operational efficiency, labor saving and non-contact operations by offering a package service that realizes DX of every operation in stores from front operations to back-office operations, including "U-Regi" cloud POS cash register, "U-Pay" payment service, order system, security cameras, in-store signage and insurances, and also provides comprehensive support for service implementation and follow-up. As such, we have been proposing store management from a new perspective.

As part of these efforts, we have been working on activities to solve problems of customers such as personnel shortage in the era of post COVID-19 and securing of time for recruitment and education by proactively focusing on the introduction of robots offering catering and transportation services so that the customers can offer services to visitors safely and efficiently with enjoyment and no contact.

In addition, the Group was authorized as an organization supporting corporate management reform by The Small and Medium Enterprise Agency, and started offering a cost-free support service to apply for the "fund to strengthen corporate management capability of small and medium enterprises" provided by Japan Finance Corporation in March this year as an activity to carry out highly specialized store support business. We have also long provided support to start a business on a website "canaeru," where we support those who are preparing to start their businesses, mainly by providing information on opening a restaurant, offering free consultations on business opening and holding seminars.

In USEN Media CORPORATION, we operate "Hitosara" and provide "Tabelog" services which help restaurants attract customers. While customer stores continued to face difficult business environment, we have seen a gradual recovery in the industry thanks to lifting of priority measures to prevent the spread of infections and the relaxation of limitations and restrictions. We have focused on initiatives to offer highly convenient services for both food providers and consumers as media connecting the two sides.

As a result, net sales and operating profit of the Store Services Business for the nine months ended May 31, 2022 were ¥43,179 million (up 2.8% year on year) and ¥7,034 million (down 0.2% year on year), respectively.

### <Communications Business>

The Communications Business is operated by the following consolidated subsidiaries: USEN NETWORKS Co., Ltd., U-NEXT Co., Ltd., USEN ICT Solutions CORPORATION, USEN Smart Works CORPORATION, USEN-NEXT LIVING PARTNERS Inc., U-MX co., LTD., Next Innovation Co., Ltd., and Y.U-mobile Co., Ltd. The business operates sales agencies for broadband internet lines, proposes and sells services for building ICT environments in offices, and provides and sells the y.u mobile MVNO service as well as broadband internet lines for individual customers.

During the nine months ended May 31, 2022, there are positive signs such as an increase in the number of people at shopping districts and sightseeing spots. On the other hand, the business environment surrounding business operators still remains uncertain due to the soaring raw material prices and utility costs, an array of daily necessities' price hikes, global logistics stagnation and other reasons.

Even under these circumstances, the activities to acquire new orders for communication lines, network and security services mainly for small enterprises continued to see strong performance.

At USEN NETWORKS Co., Ltd., we saw steady performance in acquiring new customers, and we are striving to make a shift from a model of acquiring one-shot fees to a model of acquiring running revenue in "USEN Hikari plus," an optical line service for corporations provided by the Company, in this quarter under review.

In the "B to B to X model" that utilizes "USEN Hikari plus" optical line service, a company enters into a contract for the optical line service, which is used by its employees for teleworking and other purposes. It is a service that leads not only to an improvement in productivity with better communication quality but also to an improvement in employee satisfaction, as the company provides its employees with the optical lines for business use free of charge. Since the need for remote work remains high in the era of coexistence with and post COVID-19 although remote workers are gradually returning to their offices, we believe that the service will promote "relocation without career change" that allows people to relocate to rural areas while working with companies in urban areas and will support jobseekers for whom it is difficult to work in the office, thereby becoming a tool to help us differentiate from competitors.

Furthermore, in addition to creating an environment for remote work, we received a lot of feedback requesting individual contracts by employees for the optical line service instead of the company entering into contracts for the optical line service due to increasing needs for leisure time to enjoy music, video distribution and other services through the Internet. In response, we started to provide "USEN Hikari 01," an optical line service for individuals.

We also started handling a video distribution service U-NEXT operated by the Group company U-NEXT Co., Ltd., and offering a discount service *Entame-Wari*, which offers a benefit to those who entered into new contracts for both "USEN Hikari 01" and "U-NEXT."

In the area of ICT environment construction for offices, USEN ICT Solutions CORPORATION engages in network-related services, cloud services, data center services, and maintenance and operation services for corporate ICT environments and other services under the USEN GATE 02 brand, while also proposing BGM services including Sound Design for OFFICE for office workers. In this way, while proposing business environment improvements aligned with the needs of each company, we are also working to create a system that can provide one-stop service for building these ICT environments.

Meanwhile, to celebrate the 20th anniversary of the rollout of "USEN GATE 02," the "USEN GATE 02 20th anniversary campaign" is underway.

USEN Smart Works CORPORATION provides a variety of cloud services (SaaS service) to companies to support employees' work styles in offices and also provides attentive support after service introduction.

While remote working arrangements and online meetings have taken root in the era of coexistence with and post COVID-19, there are growing needs to introduce tools for business efficiency improvement and labor saving, and we have also worked to propose new service introduction for enterprises.

Furthermore, we have also engaged in proposal activities, including for the utilization of tools to resolve the issue of how internal communications should take place in companies, which has been raised as a result of the mix of employees commuting to the office and those working remotely.



As a result, net sales and operating profit of the Communications Business for the nine months ended May 31, 2022 were ¥38,955 million (up 5.4% year on year) and ¥4,319 million (up 26.0% year on year), respectively.

#### <Business Systems Business>

The Business Systems Business is operated by ALMEX INC., a consolidated subsidiary. It develops, manufactures and sells business management systems and automated payment machines for hotels, hospitals, golf courses, etc.

During the nine months ended May 31, 2022, the government lifted priority measures to prevent the spread of infections that was implemented as a countermeasure against the COVID-19 pandemic, and there are positive signs such as an increase in the number of people at shopping districts and sightseeing spots. Meanwhile, the acceptance of foreign tourists depends on the circumstances of the future, and the tourism and travel businesses continued to suffer from a severe business environment.

Under these circumstances, for hospitals, we sell “Sma-pa Myna Touch,” a card reader with face recognition functions compatible with an online eligibility confirmation system, which went into full-scale operation in October 2021. Until now the online eligibility confirmation system with a card reader with face recognition function was not available, including “Sma-pa Myna Touch” and other products offered by other companies if a person did not have an Individual Number Card. However, our original new function enabled users to use the system either with the Individual Number Card or health insurance card in “Sma-pa Myna Touch.”

Partly because the Individual Number Card system is struggling with popularity, the introduction of the card readers with face recognition functions in medical institutions as a whole is taking time, but we will continue to carry out initiatives to cut down future operation costs in hospitals with the new function.

In addition, the high recognition rate of the face recognition engine in “Sma-pa Myna Touch” is highly appreciated, and we received an order of the renewal of “face recognition software for the office of Individual Number Card issuance” from Japan Agency for Local Authority Information Systems (J-LIS).

For hotels, as a move for the possible recovery of accommodation business and the return of inbound travelers, we have partnered with Tabist Co., Ltd. and provided an accommodation management system of “innto” to more than 7,000 rooms of 230 facilities that are located around Japan and supported by Tabist Co., Ltd. to help streamline and automate services at hotels.

New needs have emerged even at golf courses and facilities of other business types, where the services had previously centered on omotenashi (hospitality) by persons and had little need for smaller workforces and labor savings using automated payment machines and other devices. Against this background, we have taken this situation as a big business opportunity and made proactive efforts.

As a result, net sales and operating profit of the Business Systems Business for the nine months ended May 31, 2022 were ¥14,300 million (up 9.3% year on year) and ¥2,444 million (up 21.5% year on year), respectively.

#### <Energy Business>

The Energy Business is operated by USEN CORPORATION and U-POWER Co., Ltd., our consolidated subsidiaries.

USEN CORPORATION has carried out the Energy Business as part of the lineup of services for commercial stores, buildings and commercial facilities, promoting sales mainly of high- and low-voltage electricity and gas. Through cost consulting by providing a one-stop service together with a variety of our other services, the Group is enhancing the value of its service offerings.

In addition, U-POWER Co., Ltd., which was established in December, 2021, started full operation on March 1. In the background of recent globally increasing demand for renewable energy with the aim of a sustainable society, the company has been promoting the use of greener energy at stores in Japan by providing three plans with different green energy rates to help these stores achieve SDGs.

During the nine months ended May 31, 2022, priority measures to prevent the spread of infections that were implemented as a countermeasure against the COVID-19 pandemic were lifted throughout Japan, and the country

has seen an increase in the number of people at shopping districts and sightseeing spots. The government lifted restrictions imposed on restaurants of limits to the number of people and the reduction of operating hours, which were measures to prevent infections there, resulting in a gradual increase in the number of customers. In line with this, electricity consumption at customer stores and commercial facilities is headed for a gradual recovery.

We have continued to work to provide customers with the value of reducing energy costs as a more attractive service, through collaboration with other products leveraging the Group synergies. The efforts led to a sales increase partly due to the impact from an increase of the fuel cost adjusted unit price.

On the other hand, the soaring fuel prices in the world against the background of the situation in Ukraine and the power crunch has made it uncertain to achieve future stable growth of our business. In USEN Electricity (high-voltage), we recognize that negotiations to raise the unit price of power sale will be necessary with existing subscribing facilities due to an increase in costs for power procurement. If this results in an increasing number of cancellations, it will affect an increase in the number of facilities that can subscribe to the service.

As a result, net sales and operating profit of the Energy Business for the nine months ended May 31, 2022 were ¥28,255 million (up 39.6% year on year) and ¥366 million (up 19.6% year on year), respectively.

## (2) Explanation of Financial Position

### 1) Status of assets, liabilities and net assets

#### (Assets)

Total assets at the end of the third quarter of the fiscal year under review increased by ¥10,325 million compared with the end of the previous fiscal year to ¥151,641 million.

Current assets increased by ¥11,183 million compared with the end of the previous fiscal year to ¥71,875 million.

Non-current assets decreased by ¥858 million compared with the end of the previous fiscal year to ¥79,766 million mainly due to a decrease in goodwill of ¥2,248 million and an increase in deferred tax assets of ¥484 million as a result of the application of the Revenue Recognition Accounting Standard, etc.

#### (Liabilities)

Current liabilities increased by ¥8,102 million compared with the end of the previous fiscal year to ¥48,944 million.

Non-current liabilities decreased by ¥2,803 million compared with the end of the previous fiscal year to ¥64,335 million mainly due to a decrease in long-term borrowings of ¥2,260 million.

#### (Net assets)

Net assets increased by ¥5,026 million compared with the end of the previous fiscal year to ¥38,361 million mainly due to an increase in retained earnings of ¥5,006 million.

As a result of the application of the Revenue Recognition Accounting Standard, etc., retained earnings at the beginning of the period under review decreased by ¥990 million.

### 2) Status of cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) on a consolidated basis at the end of the nine months ended May 31, 2022 was ¥27,189 million, an increase of ¥5,611 million compared with the end of the previous fiscal year. Primary factors for this were as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities for the nine months ended May 31, 2022 was ¥16,186 million (¥13,361 million provided for the same period in the previous fiscal year). Primary factors for this were the recording of profit before income taxes of ¥11,943 million, depreciation of ¥4,245 million and amortization of goodwill of ¥2,248 million.

#### (Cash flows from investing activities)

Net cash used in investing activities for the nine months ended May 31, 2022 was ¥5,886 million (¥2,124 million used for the same period in the previous fiscal year). Primary factors for this were a decrease in net cash of ¥3,495 million due to purchase of property, plant and equipment and a decrease in net cash of ¥1,533 million due to purchase of intangible assets.

#### (Cash flows from financing activities)

Net cash used in financing activities for the nine months ended May 31, 2022 was ¥4,688 million (¥5,959 million used for the same period in the previous fiscal year). Primary factor for this was a decrease in net cash of ¥3,840 million due to repayments of long-term borrowings.

## (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

In regard to the consolidated financial results forecast, there are no changes to the full-year consolidated financial results forecast that was announced in the consolidated financial results dated October 14, 2021.

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to various factors.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of August 31, 2021	As of May 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	21,585	27,199
Notes and accounts receivable - trade	21,516	23,047
Inventories	6,874	7,995
Prepaid expenses	9,034	12,405
Other	2,666	2,354
Allowance for doubtful accounts	(985)	(1,126)
Total current assets	60,692	71,875
Non-current assets		
Property, plant and equipment	19,197	19,484
Intangible assets		
Goodwill	47,322	45,073
Other	5,103	5,300
Total intangible assets	52,425	50,373
Investments and other assets		
Other	14,145	15,049
Allowance for doubtful accounts	(5,144)	(5,141)
Total investments and other assets	9,000	9,907
Total non-current assets	80,624	79,766
Total assets	141,316	151,641
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,176	20,679
Electronically recorded obligations - operating	1,078	1,742
Current portion of long-term borrowings	4,580	3,000
Income taxes payable	928	3,762
Other provisions	563	146
Other	15,515	19,613
Total current liabilities	40,842	48,944
Non-current liabilities		
Long-term borrowings	59,430	57,170
Retirement benefit liability	2,345	2,298
Other provisions	177	185
Other	5,185	4,681
Total non-current liabilities	67,138	64,335
Total liabilities	107,981	113,279

(Million yen)

	As of August 31, 2021	As of May 31, 2022
Net assets		
Shareholders' equity		
Share capital	96	96
Capital surplus	11,091	11,091
Retained earnings	21,877	26,884
Treasury shares	(0)	(0)
Total shareholders' equity	33,065	38,072
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(9)
Remeasurements of defined benefit plans	267	295
Total accumulated other comprehensive income	266	286
Non-controlling interests	3	2
Total net assets	33,334	38,361
Total liabilities and net assets	141,316	151,641

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

For the Nine Months Ended May 31

(Million yen)

	For the nine months ended May 31, 2021	For the nine months ended May 31, 2022
Net sales	153,869	174,712
Cost of sales	92,637	110,887
Gross profit	61,231	63,824
Selling, general and administrative expenses	48,689	50,294
Operating profit	12,541	13,530
Non-operating income		
Foreign exchange gains	33	–
Subsidy income	25	34
Other	89	103
Total non-operating income	148	138
Non-operating expenses		
Interest expenses	561	505
Other	198	352
Total non-operating expenses	759	858
Ordinary profit	11,930	12,810
Extraordinary income		
Gain on sale of non-current assets	388	3
Other	238	–
Total extraordinary income	626	3
Extraordinary losses		
Loss on retirement of non-current assets	558	519
Loss on litigation	–	256
Other	194	94
Total extraordinary losses	753	870
Profit before income taxes	11,804	11,943
Income taxes	5,117	5,135
Profit	6,686	6,807
Profit attributable to non-controlling interests	(7)	(0)
Profit attributable to owners of parent	6,694	6,807

Quarterly Consolidated Statements of Comprehensive Income

For the Nine Months Ended May 31

(Million yen)

	For the nine months ended May 31, 2021	For the nine months ended May 31, 2022
Profit	6,686	6,807
Other comprehensive income		
Valuation difference on available-for-sale securities	(43)	(8)
Remeasurements of defined benefit plans, net of tax	67	28
Total other comprehensive income	23	20
Comprehensive income	6,709	6,827
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,717	6,828
Comprehensive income attributable to non-controlling interests	(7)	(0)

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended May 31, 2021	For the nine months ended May 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	11,804	11,943
Depreciation	3,979	4,245
Amortization of goodwill	2,548	2,248
Increase (decrease) in allowance for doubtful accounts	(93)	138
Increase (decrease) in retirement benefit liability	(683)	(46)
Interest and dividend income	(6)	(9)
Interest expenses	561	505
Loss on retirement of non-current assets	558	519
Loss (gain) on sale of non-current assets	(388)	(2)
Loss on litigation	–	256
Extra retirement payments	54	–
Decrease (increase) in trade receivables	77	(1,497)
Decrease (increase) in inventories	(1,759)	(1,120)
Decrease (increase) in prepaid expenses	(2,546)	(2,200)
Increase (decrease) in trade payables	(357)	2,495
Increase (decrease) in electronically recorded obligations-operating	1,444	669
Increase (decrease) in accounts payable - other	1,772	1,099
Increase (decrease) in accrued expenses	(1,254)	(1,116)
Other, net	(324)	755
Subtotal	15,385	18,883
Interest and dividends received	5	9
Interest paid	(561)	(505)
Extra retirement payments	(100)	(229)
Income taxes paid	(1,368)	(1,971)
Net cash provided by (used in) operating activities	13,361	16,186
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,302)	(3,495)
Proceeds from sale of property, plant and equipment	3,507	61
Payments for retirement of property, plant and equipment	(566)	(511)
Purchase of intangible assets	(1,883)	(1,533)
Proceeds from sale of investment securities	67	–
Other, net	54	(408)
Net cash provided by (used in) investing activities	(2,124)	(5,886)
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	(5,420)	(3,840)
Dividends paid	(480)	(811)
Other, net	(59)	(37)
Net cash provided by (used in) financing activities	(5,959)	(4,688)
Net increase (decrease) in cash and cash equivalents	5,276	5,611
Cash and cash equivalents at beginning of period	16,776	21,578
Cash and cash equivalents at end of period	22,053	27,189



#### (4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year, including the third quarter of the fiscal year under review, and multiplying the profit before income taxes by this estimated effective tax rate.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. effective from the beginning of the first quarter of the fiscal year under review, and has decided to recognize the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to the customer. Major revisions due to the application of the Revenue Recognition Accounting Standard, etc. are as follows.

In the Content Distribution Business, regarding points granted to customers based on monthly fees paid by them, the amount corresponding to the points expected to be used in the future had previously been deducted from sales as provision for point expenses. However, the Group has shifted to the method by which revenue recognition is deferred until the points are used.

In the Store Services Business, the Group has shifted to the method by which it recognizes contract fee revenue over a certain period of time as performance obligations are satisfied over the contract period. In addition, for a transaction in which the Group acts as an agent, the Group recognizes revenue at the net amount after deducting the amount to be paid to the supplier from the amount to be received from the customer.

In the Communication Business, the Group has shifted to the method by which it recognizes contract fee revenue over a certain period of time as performance obligations are satisfied over the contract period. The Group has also shifted to the method by which incentives which had been treated as sales are deducted from the cost.

In the Energy Business, the Group has shifted from the previous method by which revenue is recognized as of the meter reading date to the method by which the revenue from the meter reading date to the end of the relevant accounting period is recognized using reasonable estimates.

The Revenue Recognition Accounting Standard, etc. are applied in accordance with the transitional procedures prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applicable to periods prior to the beginning of the first quarter of the fiscal year under review was added to or subtracted from the beginning balance of retained earnings of the first quarter of the fiscal year under review, and thus the new accounting policy was applied from the beginning balance. However, by applying the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policies have not been applied retrospectively to contracts for which almost all revenues had been recognized in accordance with the previous treatment before the beginning of the first quarter of the fiscal year under review.

As a result, for the nine months ended May 31, 2022, net sales decreased by ¥1,700 million, cost of sales decreased by ¥1,720 million, selling, general and administrative expenses decreased by ¥11 million and

operating profit, ordinary profit and profit before incomes taxes increased by ¥32 million, respectively. In addition, retained earnings at beginning of period decreased by ¥990 million.

Due to the application of the Revenue Recognition Accounting Standard, etc., advances received and provision for sales promotion expenses which had been included in “Other” under “Current liabilities” in the consolidated balance sheet of the previous fiscal year are included in “Contract liabilities” included in “Other” from the first quarter of the fiscal year under review. In accordance with the transitional procedures prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation method has not been carried out for the previous fiscal year. Furthermore, in accordance with the transitional procedures prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue arising in relation to contracts with customers in the third quarter of the previous fiscal year is not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. effective from the beginning of the first quarter of the fiscal year under review, and has decided to prospectively apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard, etc. in accordance with the transitional measures prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This will have no impact on quarterly consolidated financial statements.

(Additional information)

(Accounting estimates associated with the spread of COVID-19)

There are no significant changes in the assumptions used for the accounting estimates related to the impact of the spread of COVID-19 from those stated in “Additional information” in the securities report for the previous fiscal year.

(Segment information, etc.)

[Segment information]

I. Nine months ended May 31, 2021 (From September 1, 2020 to May 31, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment						Adjustment (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Content Distribution Business	Store Services Business	Communi- cations Business	Business Systems Business	Energy Business	Total		
Net sales								
Net sales to outside customers	43,335	41,553	35,669	13,051	20,242	153,852	17	153,869
Inter-segment sales or transfers	719	449	1,288	34	-	2,493	(2,493)	-
Total	44,055	42,003	36,957	13,086	20,242	156,345	(2,475)	153,869
Segment profit	4,723	7,050	3,429	2,011	306	17,522	(4,980)	12,541

(Notes) 1. The adjustment of segment profit of ¥(4,980) million includes elimination of inter-segment transactions and corporate expenses not allocated to each reportable segment. Corporate expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.

2. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

Not applicable.

II. Nine months ended May 31, 2022 (From September 1, 2021 to May 31, 2022)

1. Information on net sales and profit (loss) and information on disaggregation of revenue by reportable segment

(Million yen)

	Reportable segment						Adjustment (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Content Distribution Business	Store Services Business	Communi- cations Business	Business Systems Business	Energy Business	Total		
Net sales								
Goods transferred at a point in time	7,138	9,865	12,887	9,472	401	39,766	20	39,786
Goods transferred over a certain period of time	44,872	32,842	24,558	4,773	27,852	134,900	25	134,925
Revenue arising from contracts with customers	52,010	42,708	37,446	14,246	28,254	174,666	46	174,712
Net sales to outside customers	52,010	42,708	37,446	14,246	28,254	174,666	46	174,712
Inter-segment sales or transfers	919	471	1,509	53	1	2,954	(2,954)	-
Total	52,929	43,179	38,955	14,300	28,255	177,621	(2,908)	174,712
Segment profit	4,935	7,034	4,319	2,444	366	19,101	(5,571)	13,530

(Notes) 1. The adjustment of segment profit of ¥(5,571) million includes elimination of inter-segment transactions and corporate expenses not allocated to each reportable segment. Corporate expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.

2. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.

2. Matters on changes in reportable segments, etc.

As stated in changes in accounting policies above, the Group has applied the Revenue Recognition Accounting Standard, etc. effective from the beginning of the first quarter of the fiscal year under review, and has changed its accounting method of revenue recognition. Accordingly, the Group has also changed the method of calculating profit or loss for business segments.

As a result, compared to the previous method, the major effects by segment in the third quarter of the fiscal year under review are: a decrease of net sales by ¥55 million and a decrease of segment profit by ¥55 million in the Content Distribution Business; a decrease of net sales by ¥1,267 million and a decrease of segment profit by ¥181 million in the Store Services Business; a decrease of net sales by ¥412 million and an increase of segment profit by ¥267 million in the Communications Business; and an increase of net sales by ¥45 million and an increase of segment profit by ¥0 million in the Energy Business.

3. Information on impairment loss on non-current assets and goodwill by reportable segment

Not applicable.