

Consolidated Financial Results for the Three Months Ended November 30, 2022 [Japanese GAAP]

January 12, 2023

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: January 13, 2023

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 Three Months Ended November 30, 2022 (September 1, 2022 – November 30, 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	%
Three months ended								
November 30, 2022	63,947	15.2	4,587	(2.9)	4,279	(6.4)	2,340	(0.9)
November 30, 2021	55,487	10.9	4,722	15.4	4,572	16.2	2,362	(0.5)

(Note) Comprehensive income: Three months ended November 30, 2022: ¥2,369 million [0.3%]

Three months ended November 30, 2021: ¥2,363 million [(0.6)%]

	Basic earnings per share		Diluted earnings per share		EBITDA		Adjusted EPS	
	Yen		Yen		Million yen	%	Yen	%
Three months ended								
November 30, 2022	38.95		38.93		6,839	0.1	52.01	0.4
November 30, 2021	39.32		39.30		6,831	9.3	51.80	(5.0)

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of November 30, 2022	163,286		41,642		25.5	
As of August 31, 2022	153,007		40,281		26.3	

(Reference) Equity: As of November 30, 2022: ¥41,640 million

As of August 31, 2022: ¥40,278 million

2. Dividends

	Annual dividend				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2022	–	0.00	–	15.00	15.00
Fiscal year ending August 31, 2023	–				
Fiscal year ending August 31, 2023 (Forecast)		9.00	–	9.00	18.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2023 (September 1, 2022 – August 31, 2023)

(% 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
	247,000	3.8	18,400	6.2	17,300	6.5	9,200	5.9	153.10

	EBITDA		Adjusted EPS	
Full year	Million yen	%	Yen	%
	28,500	8.5	205.36	5.6

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

*** 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 12 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: None
 - 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):

November 30, 2022:	60,092,111 shares
August 31, 2022:	60,089,111 shares
 - 2) Total number of treasury shares at the end of the period:

November 30, 2022:	72 shares
August 31, 2022:	72 shares
 - 3) Average number of shares during the period:

Three months ended November 30, 2022:	60,089,335 shares
Three months ended November 30, 2021:	60,083,045 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 three months ended November 30, 2022 will become available today (January 12, 2023) on the Company’s website and TDnet.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Group has the following five business segments: the Content Distribution Business through which we offer video distribution services for individuals, the Store Services Business through which we offer store DX services and music distribution services for commercial stores and facilities and support services to attract customers for stores, the Communications Business through which we offer networks and security services for offices and distribute internet services, etc., the Business Systems Business through which we offer automated payment machines and front operation management systems mainly for medical institutions and hotels, and the Energy Business through which we offer high- and low-voltage electricity for commercial stores and commercial facilities.

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

During the three months ended November 30, 2022, although COVID-19 infection cases repeated the cycle of expansion and contraction, economic activities with no restrictions on movement of people are becoming normalized. There have been positive signs such as more customers visiting commercial stores and an impact of the nationwide travel discount program for travel and hotel businesses.

Meanwhile, businesses and commercial stores are forced to revise the prices of commercial products due to the continued inflation on a global scale against the backdrop of shortages of food and energy caused by the situation in Ukraine and as a result of the soaring raw material prices and utility costs caused by the rapid and historical depreciation of the yen.

The soaring commodity prices may potentially result in a decline in consumer confidence and fewer customers coming to the commercial stores, causing the business environment surrounding customers to remain uncertain.

Under these circumstances, the Group, as a “social DX” company that brings the future closer to the present, has provided commercial stores and service users with products and services that meet various needs and problems through its business activities, and practiced our Group slogan, “Brighten the future.”

As a result, regarding the financial results for the three months ended November 30, 2022, net sales were ¥63,947 million (up 15.2% year on year), operating profit was ¥4,587 million (down 2.9% year on year) and ordinary profit was ¥4,279 million (down 6.4% year on year). In addition, profit attributable to owners of parent was ¥2,340 million (down 0.9% 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.

As of November 2022, “U-NEXT,” which provides abundant titles with unlimited viewing, offers more than 270,000 video titles such as movies and drama series, including rental titles, over 840,000 e-books including comics and book titles, and 170 plus magazines. “U-NEXT,” which allows users to seamlessly enjoy watching and reading with a single app, offers an entertainment experience crossing the borders of genres.

During the three months ended November 30, 2022, the demand driven by the stay-at-home economy is becoming lower due to reasons such as increased opportunities to go out and an increase in the number of people working in the office, as there have been no restrictions on movement of people imposed in the era of coexistence with and post COVID-19. In addition, subscription services have been reviewed and screened by users due to surging prices of various commodities.

Under these circumstances, “U-NEXT” membership has been increasing steadily. As the competitive environment related to content 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 content and music content, 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.”

In addition, with focus on the “experience of watching a movie in a movie theater,” we are aiming to achieve “video distribution services that will encourage more customers to visit the movie theaters,” by enabling ticket purchases with “U-NEXT points.”

As a result, net sales and operating profit of the Content Distribution Business for the three months ended November 30, 2022 were ¥19,024 million (up 10.6% year on year) and ¥1,878 million (down 7.8% 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 provides, sells, and implements store solutions including music distribution, offers support services for restaurants to attract customers, and manages and develops music copyright, etc.

In our music distribution service, we provide commercial stores, chain stores, and individual customers across Japan with music, information, etc. through optimal infrastructure, using dedicated receiving terminal devices.

In addition, in our store DX services, we provide solutions necessary for store management, which include the “USEN Regi” POS cash register, the “USEN Pay” cashless payment service, support services for restaurants to attract customers, IoT services including Wi-Fi and IP cameras, rent guarantee services, and non-life insurance services.

Capitalizing on its stable revenue base centered on music distribution services, the business plans to actively develop the store DX market. To this end, we have worked to maintain and expand transactions with commercial stores and chain store customers across Japan, acquire new customers, and improve our brand power.

During the three months ended November 30, 2022, at USEN CORPORATION, under the mission of “Create Stores’ Future,” we offer total support for store DX, which is indispensable for store management.

We promote 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, and also provide comprehensive support for service implementation and follow-up. As such, we have been proposing store management from a new perspective.

In addition, we have been working on activities to solve problems of customers such as personnel shortage in the era of coexistence with and 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 USEN Media CORPORATION, we operate “Hitosara” and provide “Tabelog” services which help restaurants attract customers. While customer stores continued to face difficult business environment, the “SAVOR JAPAN” website, which offers gourmet information for travelers visiting Japan from overseas countries, has seen a significant rise in the number of reservations made since October 2022, when the restriction on acceptance of such travelers was lifted. We expect that demand of travelers visiting Japan from overseas countries will further increase in the future. We will continue to focus on offering highly convenient services for both food providers and consumers as a medium connecting the two sides.

As a result, net sales and operating profit of the Store Services Business for the three months ended November 30, 2022 were ¥15,373 million (up 8.7% year on year) and ¥2,460 million (up 12.9% 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.

For stores and facilities, we offer a variety of services according to needs of customers, such as “USEN Hikari plus,” an optical line service provided by the Company; “USEN NET,” an ISP; and a next-generation IP telephone service. For offices, we provide services through our “USEN GATE 02” brand, and propose and sell ICT environment construction services as a “multi-service vendor” of ICT solutions, capitalizing on our strengths in that we are capable of proposing network, security, and cloud services comprehensively.

For individuals, we provide a MVNO service “y.u mobile,” which offers simple pricing plans and has been favorably received by customers since the launch of the service.

During the three months ended November 30, 2022, the activities to acquire new orders for communication lines, network and security services mainly for medium to small enterprises continued to see strong performance.

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. It also proposes 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.

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.

Moreover, 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.

At USEN NETWORKS Co., Ltd., we saw a steady increase in the number of acquisition of new customers for “USEN Hikari plus,” an optical line service for corporations provided by the Company, and we are striving to make a shift from a model of acquiring one-shot fees to a model of acquiring running revenue.

Furthermore, in addition to creating an environment for remote work, in response to increasing needs for enjoying music, video distribution and other services through the Internet, we started to provide “USEN Hikari 01,” an optical line service for individuals.

As a result, net sales and operating profit of the Communications Business for the three months ended November 30, 2022 were ¥12,827 million (up 1.9% year on year) and ¥1,221 million (down 10.1% year on year), respectively.

<Business Systems Business>

The Business Systems Business is operated by ALMEX INC., a consolidated subsidiary.

Under the slogan “Techno-hospitality (Technology x Hospitality) to the world,” it aims to provide clients and end-users behind them with “ultimate hospitality” through products and services making use of the latest technologies, and develops, manufactures, sells, and maintains automated payment machines, hotel management systems, reception machines, guidance display machines, etc. for such clients as business hotels, city hotels, leisure hotels, hospitals, clinics, and golf courses. It also sells order terminals and operating systems for restaurants.

During the three months ended November 30, 2022, new non-contact and non-face-to-face needs have emerged in the era of coexistence with and post COVID-19 even at facilities where the services had previously centered on omotenashi (hospitality) by people and had little need for smaller workforces and labor savings using automated payment machines and other devices. We have taken this situation as a big business opportunity and made proactive efforts to solve issues and meet needs that newly emerged at facilities.

Guests are gradually returning to hotels thanks in part to an impact of such factors as the lifting of restrictions on movement of people, resumption of acceptance of travelers visiting Japan from overseas countries, and the nationwide travel discount program, and the number of guests is expected to increase in the future. Under such circumstances, measures to control infection need to be taken on an ongoing basis, and we are focusing on provision of products and services to solve various problems including labor shortage.

For hospitals and clinics, we started the sale of “FIT-B for Clinic,” a new industry’s smallest self-service cash register, in response to the situation where it is difficult to allocate a sufficient number of staff to reception desks due to labor shortage and work style reforms, as well as to the needs for accepting visits on a non-face-to-face basis and saving space. As such, we diversify payment methods and achieve labor saving.

In addition, for veterinary clinics, we developed and started to offer “FIT-A,” an automated payment machine, to solve issues such as too much work of staff due to a chronic shortage of manpower and customer services on a non-contact and non-face-to-face basis. We have started to tap into a new market where introduction of DX has not yet been achieved.

As a result, net sales and operating profit of the Business Systems Business for the three months ended November 30, 2022 were ¥4,162 million (down 12.4% year on year) and ¥413 million (down 50.2% year on year), respectively.

<Energy Business>

The Energy Business is operated by USEN CORPORATION and U-POWER Co., Ltd., our consolidated subsidiaries, and offers “USEN Electricity,” “USEN GAS,” and “U-POWER” services.

USEN CORPORATION, through business alliance with the TEPCO Group, offers energy consulting services which include low-voltage electricity for commercial stores, high-voltage electricity for commercial facilities, intermediary in sale of city gas services, and proposals of energy-saving measures.

In addition, U-POWER Co., Ltd. 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 three months ended November 30, 2022, 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.

In “USEN Electricity (high-voltage),” we continued to see cancellations as a result of a rise in the unit price of power sales with existing customers due to an increase in costs for power procurement.

While many new electric power companies have ceased to receive new orders, U-POWER Co., Ltd. has offered plans that can be selected by enterprises which are facing difficulty in entering into contracts with electric power companies. It also receives orders from customers who cancelled the contracts for “USEN Electricity (high-voltage).”

As a result, net sales and operating profit of the Energy Business for the three months ended November 30, 2022

were ¥13,352 million (up 74.1% year on year) and ¥304 million (up 196.9% 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 first quarter of the fiscal year under review increased by ¥10,279 million compared with the end of the previous fiscal year to ¥163,286 million.

Current assets increased by ¥9,308 million compared with the end of the previous fiscal year to ¥84,660 million.

Non-current assets increased by ¥970 million compared with the end of the previous fiscal year to ¥78,625 million mainly due to increases in property, plant and equipment of ¥71 million; goodwill of ¥621 million as a result of making VIRTUAL RESTAURANT CO., LTD. a subsidiary; and investments and other assets of ¥119 million.

(Liabilities)

Current liabilities decreased by ¥183 million compared with the end of the previous fiscal year to ¥51,573 million.

Non-current liabilities increased by ¥9,101 million compared with the end of the previous fiscal year to ¥70,069 million mainly due to an increase in bonds payable of ¥10,000 million and a decrease in long-term borrowings of ¥750 million.

(Net assets)

Net assets increased by ¥1,361 million compared with the end of the previous fiscal year to ¥41,642 million mainly due to an increase in retained earnings of ¥1,331 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 three months ended November 30, 2022 was ¥32,754 million, an increase of ¥6,373 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 three months ended November 30, 2022 was ¥1,373 million (¥6,095 million provided for the same period in the previous fiscal year). Primary factors for this were the recording of profit before income taxes of ¥4,113 million, depreciation of ¥1,467 million and amortization of goodwill of ¥784 million.

(Cash flows from investing activities)

Net cash used in investing activities for the three months ended November 30, 2022 was ¥3,334 million (¥1,887 million used for the same period in the previous fiscal year). Primary factors for this were a decrease in net cash of ¥1,171 million due to purchase of property, plant and equipment and a decrease in net cash of ¥755 million due to purchase of intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities for the three months ended November 30, 2022 was ¥8,333 million (¥1,573 million used for the same period in the previous fiscal year). Primary factor for this was an increase in net cash of ¥10,000 million due to issuance of bonds.

(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 13, 2022.

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, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	26,390	32,763
Notes and accounts receivable - trade	25,987	26,062
Inventories	7,808	8,842
Prepaid expenses	13,528	15,100
Other	2,671	2,952
Allowance for doubtful accounts	(1,035)	(1,060)
Total current assets	75,351	84,660
Non-current assets		
Property, plant and equipment	19,143	19,214
Intangible assets		
Goodwill	44,324	44,945
Other	5,462	5,621
Total intangible assets	49,787	50,566
Investments and other assets		
Other	13,905	13,975
Allowance for doubtful accounts	(5,179)	(5,131)
Total investments and other assets	8,725	8,844
Total non-current assets	77,655	78,625
Total assets	153,007	163,286
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,979	22,605
Electronically recorded obligations - operating	1,517	1,517
Current portion of long-term borrowings	5,450	5,450
Income taxes payable	3,600	1,824
Other provisions	152	159
Other	19,057	20,017
Total current liabilities	51,757	51,573
Non-current liabilities		
Bonds payable	–	10,000
Long-term borrowings	53,970	53,220
Retirement benefit liability	2,348	2,323
Other provisions	152	169
Other	4,497	4,357
Total non-current liabilities	60,968	70,069
Total liabilities	112,725	121,643

(Million yen)

	As of August 31, 2022	As of November 30, 2022
Net assets		
Shareholders' equity		
Share capital	96	97
Capital surplus	11,092	11,092
Retained earnings	28,763	30,095
Treasury shares	(0)	(0)
Total shareholders' equity	39,952	41,284
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25	45
Remeasurements of defined benefit plans	301	310
Total accumulated other comprehensive income	326	355
Non-controlling interests	2	2
Total net assets	40,281	41,642
Total liabilities and net assets	153,007	163,286

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
For the Three Months Ended November 30

(Million yen)

	For the three months ended November 30, 2021	For the three months ended November 30, 2022
Net sales	55,487	63,947
Cost of sales	34,512	42,327
Gross profit	20,975	21,619
Selling, general and administrative expenses	16,252	17,032
Operating profit	4,722	4,587
Non-operating income		
Share of profit of entities accounted for using equity method	34	45
Other	71	44
Total non-operating income	106	124
Non-operating expenses		
Interest expenses	172	178
Foreign exchange losses	17	79
Other	65	135
Total non-operating expenses	256	393
Ordinary profit	4,572	4,279
Extraordinary income		
Other	2	–
Total extraordinary income	2	–
Extraordinary losses		
Loss on retirement of non-current assets	144	143
Other	233	22
Total extraordinary losses	377	165
Profit before income taxes	4,198	4,113
Income taxes	1,835	1,773
Profit	2,362	2,340
Profit (loss) attributable to non-controlling interests	0	(0)
Profit attributable to owners of parent	2,362	2,340

Quarterly Consolidated Statements of Comprehensive Income
For the Three Months Ended November 30

(Million yen)

	For the three months ended November 30, 2021	For the three months ended November 30, 2022
Profit	2,362	2,340
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	20
Remeasurements of defined benefit plans, net of tax	9	9
Total other comprehensive income	0	29
Comprehensive income	2,363	2,369
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,363	2,369
Comprehensive income attributable to non-controlling interests	0	(0)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended November 30, 2021	For the three months ended November 30, 2022
Cash flows from operating activities		
Profit before income taxes	4,198	4,113
Depreciation	1,358	1,467
Amortization of goodwill	749	784
Increase (decrease) in allowance for doubtful accounts	9	(23)
Increase (decrease) in retirement benefit liability	(36)	(25)
Interest and dividend income	(2)	(2)
Interest expenses	172	178
Loss on retirement of non-current assets	144	143
Loss (gain) on sale of non-current assets	(2)	–
Decrease (increase) in trade receivables	(509)	(25)
Decrease (increase) in inventories	(83)	(1,020)
Decrease (increase) in prepaid expenses	(46)	(1,564)
Increase (decrease) in trade payables	1,202	577
Increase (decrease) in electronically recorded obligations-operating	211	45
Increase (decrease) in accounts payable - other	800	943
Other, net	(891)	(492)
Subtotal	7,275	5,099
Interest and dividends received	4	2
Interest paid	(172)	(178)
Income taxes paid	(1,011)	(3,550)
Net cash provided by (used in) operating activities	6,095	1,373
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,100)	(1,171)
Payments for retirement of property, plant and equipment	(145)	(167)
Purchase of intangible assets	(493)	(755)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,243)
Other, net	(147)	4
Net cash provided by (used in) investing activities	(1,887)	(3,334)
Cash flows from financing activities		
Repayments of long-term borrowings	(750)	(750)
Proceeds from issuance of bonds	–	10,000
Dividends paid	(811)	(901)
Other, net	(12)	(15)
Net cash provided by (used in) financing activities	(1,573)	8,333
Net increase (decrease) in cash and cash equivalents	2,634	6,373
Cash and cash equivalents at beginning of period	21,578	26,381
Cash and cash equivalents at end of period	24,212	32,754

(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 first quarter of the fiscal year under review, and multiplying the profit before income taxes by this estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I. Three months ended November 30, 2021 (From September 1, 2021 to November 30, 2021)

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	2,514	3,384	4,083	3,153	126	13,262	-	13,262
Goods transferred over a certain period of time	14,460	10,609	8,011	1,576	7,542	42,199	25	42,225
Revenue arising from contracts with customers	16,974	13,994	12,094	4,730	7,668	55,462	25	55,487
Net sales to outside customers	16,974	13,994	12,094	4,730	7,668	55,462	25	55,487
Inter-segment sales or transfers	220	145	497	22	-	885	(885)	-
Total	17,195	14,139	12,592	4,752	7,668	56,347	(860)	55,487
Segment profit	2,038	2,178	1,358	830	102	6,507	(1,785)	4,722

(Notes) 1. The adjustment of segment profit of ¥(1,785) 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. Three months ended November 30, 2022 (From September 1, 2022 to November 30, 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	2,275	3,813	3,745	2,501	351	12,688	23	12,432
Goods transferred over a certain period of time	16,668	11,396	8,515	1,644	13,001	51,226	9	51,514
Revenue arising from contracts with customers	18,943	15,210	12,261	4,146	13,352	63,914	32	63,947
Net sales to outside customers	18,943	15,210	12,261	4,146	13,352	63,914	32	63,947
Inter-segment sales or transfers	80	163	566	15	-	825	(825)	-
Total	19,024	15,373	12,827	4,162	13,352	64,739	(792)	63,947
Segment profit	1,878	2,460	1,221	413	304	6,278	(1,690)	4,587

(Notes) 1. The adjustment of segment profit of ¥(1,690) 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.