

Consolidated Financial Results for the Fiscal Year Ended August 31, 2023 [Japanese GAAP]

October 12, 2023

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

Stock exchange listing: Tokyo Stock Exchange

Code number: 9418

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

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Scheduled date of Annual General Meeting of Shareholders: November 29, 2023

Scheduled date of commencing dividend payments: November 30, 2023

Scheduled date of filing annual securities report: November 30, 2023

Availability of supplementary briefing materials on financial results: Available

Schedule of financial results briefing session: Scheduled (for analysts and institutional investors)

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

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

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2023	276,344	16.1	21,565	24.5	20,386	25.5	10,959	26.2
August 31, 2022	237,927	14.2	17,321	11.0	16,241	10.0	8,687	8.0

(Note) Comprehensive income: Fiscal year ended August 31, 2023: ¥12,070 million [38.0%]

Fiscal year ended August 31, 2022: ¥8,747 million [8.4%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales	EBITDA		Adjusted EPS	
	Yen	Yen	%	%	%	Million yen	%	Yen	%
August 31, 2023	183.16	183.06	20.2	11.5	7.8	31,316	19.2	235.61	21.1
August 31, 2022	144.59	144.49	23.6	11.0	7.3	26,269	7.8	194.48	3.0

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended August 31, 2023: ¥29 million

Fiscal year ended August 31, 2022: ¥29 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2023	200,524	77,707	34.1	1,139.02
As of August 31, 2022	153,007	40,281	26.3	670.32

(Reference) Equity: As of August 31, 2023: ¥69,500 million

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

(3) Consolidated Cash Flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Million yen	Million yen	Million yen	Million yen
August 31, 2023	10,678	(9,443)	23,108	52,132
August 31, 2022	17,664	(7,412)	(5,448)	26,381

2. Dividends

	Annual Dividend					Total dividends (annual)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	millions of yen	%	%
Fiscal year ended August 31, 2022	–	0.00	–	15.00	15.00	901	10.4	2.4
Fiscal year ended August 31, 2023	–	10.00	–	11.50	21.50	1,266	11.7	2.4
Fiscal year ending August 31, 2024 (Forecast)	–	12.50	–	12.50	25.00		12.4	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2024 (September 1, 2023 - August 31, 2024)

(% 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
	300,000	8.6	24,000	11.3	23,300	14.3	12,100	10.4	201.34

	EBITDA		Adjusted EPS	
Full year	Million yen	%	Yen	%
	34,500	10.2	254.26	7.9

*** Notes:**

- (1) Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (2) 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
- (3) Total number of shares issued and outstanding (common shares)
1) Total number of shares issued and outstanding at the end of the year (including treasury shares):
August 31, 2023: 60,096,611 shares
August 31, 2022: 60,089,111 shares

2) Total number of treasury shares at the end of the year:
August 31, 2023: 74 shares
August 31, 2022: 72 shares

3) Average number of shares during the year:
Fiscal year ended August 31, 2023: 59,834,691 shares
Fiscal year ended August 31, 2022: 60,084,269 shares

(4) 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

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal Year Ended August 31, 2023 (September 1, 2022 – August 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended August 31, 2023	13,587	19.0	7,870	32.3	6,917	28.5	6,395	30.2
August 31, 2022	11,415	39.8	5,948	78.2	5,385	97.9	4,912	(73.6)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended August 31, 2023	Yen 106.88	Yen 106.83
August 31, 2022	81.75	81.70

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2023	112,993	41,377	36.6	688.52
As of August 31, 2022	105,965	36,244	34.2	603.19

(Reference) Equity: As of August 31, 2023: ¥41,377 million

As of August 31, 2022: ¥36,244 million

* These consolidated financial results are outside the scope of audit 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. Overview of Operating Results, etc. (1) Overview of Operating Results for the Fiscal Year under Review” on page 2.

Supplementary briefing materials on financial results for the fiscal year ended August 31, 2023 will be filed on TDnet on October 12, 2023, and also posted on the Company’s website.

The Company plans to hold a financial results briefing session for institutional investors on Tuesday, October 17, 2023.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

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 store customers, 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 fiscal year under review, although economic and social activities had been significantly impacted by the spread of COVID-19, the reclassification of COVID-19 as a Category V Infectious Disease under the Act on Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases on May 8, 2023 marked a major step forward towards the post-COVID-19 society. Economic and social activities have been returning to pre-COVID-19 levels, with various events resuming and business at commercial stores as well as operating rates at facilities going back to normal. There have been some positive signs, as the number of domestic travelers has been on the increase, while the number of foreign visitors to Japan, which had been trending low, is also returning to pre-pandemic levels, thanks to the weaker yen.

Meanwhile, the business environment surrounding the customers has become even more uncertain, as labor costs, raw material prices, transportation costs, utility costs, and the prices of various other things continue to soar and the labor shortage also remains in a critical state.

Under these circumstances, the Group, upholding its purpose as a “Social DX” company that makes the future closer, 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 and post COVID-19 and further utilized resources in the Group to practice our Group slogan, “Brighten the future.”

In September 2022, the Group made WannaEat CO., LTD., (formerly VIRTUAL RESTAURANT CO., LTD.) its subsidiary to make a foray into the delivery services market.

Additionally, in March 2023, U-NEXT Co., Ltd. and Premium Platform Japan, Inc., which operates the video distribution service, “Paravi,” integrated their management.

Furthermore, aiming for the further growth of the guarantee-related business of USEN CORPORATION, we established USEN TRUST Co., Ltd. and have been endeavoring to expand and deepen new businesses through expansive business divestitures and succession.

As a result, regarding the financial results for the fiscal year under review, net sales were ¥276,344 million (up 16.1% year on year), operating profit was ¥21,565 million (up 24.5% year on year) and ordinary profit was ¥20,386 million (up 25.5% year on year). In addition, profit attributable to owners of parent was ¥10,959 million (up 26.2% 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 September 2023, “U-NEXT,” which provides abundant titles with unlimited viewing, offers more than 330,000 video titles such as movies and drama series, including rental titles, over 940,000 e-books including comics and book titles, and 190 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 fiscal year under review, due to economic and social activities going back to normal, more and more in-person events, such as live performances and concerts, are taking place, owing to increased opportunities to go out and the relaxation of restrictions. As demand driven by the stay-at-home economy declines, video distribution services are now subject to the process of selection and concentration by consumers.

Under these circumstances, in March 2023, U-NEXT Co., Ltd. integrated management with Premium Platform Japan, Inc., which operates the video distribution service, “Paravi,” and thanks to the integration of services from June 2023, the “U-NEXT” membership has grown exponentially, topping 3.9 million as of August 31, 2023.

Through collaborative relationship with the TBS HOLDINGS, INC. Group, which was solidified by the capital and business alliance with TBS HOLDINGS INC. in June 2023, the Group will strive to maximize business synergies going forward and make the most of the funds made available by the capital increase through third-party allotment to further expand the content lineup mainly in our current focus areas of Asian dramas, sports, and live distribution.

Meanwhile, the yen has continued to trend lower in the foreign exchange market, having a certain impact on content procurement costs.

As the competitive environment related to content is becoming more intensified, under the mission of “The best times, any time, and only for you,” we have developed the “ONLY ON Strategy” in addition to the conventional “Coverage Strategy.” Under this new strategy, we have bolstered the Japanese drama and variety program genres through the service integration with “Paravi” and upgraded the Company’s exclusive titles, such as by launching exclusive distribution of high-profile sports content including soccer, combat sports, and golf, as well as by starting to offer live distribution of music content. Through such initiatives, we 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 August 2023, we started to offer live distribution of all 380 games of Spain’s LALIGA, one of the five major soccer leagues in Europe. We have been striving to improve our content by opening the official U-NEXT soccer account on X (formerly Twitter) to announce LALIGA games and offer information on the Premier League and Serie A games that can be viewed on the “SPOTV NOW Pack.”

In addition, focusing 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 were ¥85,150 million (up 19.2% year on year) and ¥6,252 million (down 0.7% 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., U’S MUSIC Co., Ltd., and WannaEat CO., LTD., (formerly VIRTUAL RESTAURANT 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 copyrights, 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, IP cameras, and digital signage, rent guarantee services, and non-life insurance services.

Capitalizing on its stable revenue base centered on music distribution services, this 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 fiscal year under review, 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 particular, we are working on activities to solve the problems of customers such as personnel shortages and an improvement in productivity by proactively focusing on the introduction of catering service robots to restaurants so that the customers can offer services to visitors safely and efficiently with no contact.

Additionally, given that the guarantee-related business is rapidly growing in Japan, the Group determined that having the newly established USEN TRUST Co., Ltd. take charge of the guarantee-related business, including the rent guarantee business and warranty extension services for devices sold, which had formerly been a part of the businesses of USEN CORPORATION, would lead to the realization of a flexible business growth strategy across the Group. And accordingly, the new company succeeded the relevant businesses through a company split.

In USEN Media CORPORATION, we operate “Hitosara” and provide “Tabelog” services which help restaurants attract customers, and customer stores are recovering their pre-COVID-19 status.

Furthermore, regarding the “SAVOR JAPAN” website, which offers gourmet information for foreign visitors to Japan, we have commenced our partnership with “Alipay,” China’s largest lifestyle platform, allowing us to capture the demand of Chinese tourists, who are expected to visit in greater numbers 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 and promoting DX to attract customers in collaboration with outside partners, with the mission of “Contributing to the present and future of restaurants.”

In August 2023, WannaEat CO., LTD. (formerly VIRTUAL RESTAURANT CO., LTD.) changed its trade name to further improve the quality of its services and raise its visibility. It has been focusing on releasing new brands, launching new food brands through collaborations, promoting the acquisition of franchisees by leveraging the sales channels of the Group companies, and developing new food delivery brands.

As a result, net sales and operating profit of the Store Services Business for the fiscal year under review were ¥63,440 million (up 9.1% year on year) and ¥9,831 million (up 8.7% 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 corporate customers, 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 commercial stores, we offer a variety of services according to the 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 individuals, we provide an 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 fiscal year under review, the activities to acquire new orders for communication lines, network, and security services mainly for corporate customers continued to see strong performance.

In addition, fee income increased in the sales agency business as we captured demand.

In the area of ICT environment construction for corporate customers, USEN ICT Solutions CORPORATION engages in network-related services, cloud services, data center services, maintenance and operation services for corporate ICT environments, and other services under the “USEN GATE 02” brand. It also proposes music distribution 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, corporate workstyles are becoming increasingly diverse. As a result, there has been a growing need to introduce tools to resolve the issue of how internal communications should take place in companies between employees commuting to the office and those working remotely, as well as tools for business efficiency improvement and labor-saving, and we have also worked to propose new service introduction for enterprises.

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.

Moreover, 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 are providing “USEN Hikari 01,” an optical line service for individuals.

Furthermore, as we entered into a strategic partnership with Toho Gas Co., Ltd., since August 2023 we began to offer stable and high-speed Internet connection to members of the Toho Gas membership site, thereby concentrating our efforts on initiatives with various companies as well.

As a result, net sales and operating profit of the Communications Business were ¥56,201 million (up 10.7% year on year) and ¥6,391 million (up 19.1% year on year), respectively.

<Business Systems Business>

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

Upholding its mission of “Techno-hospitality (Technology x Hospitality) to the world,” ALMEX INC. 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 fiscal year under review, as COVID-19 was reclassified as a Category V Infectious Disease, there have been increased economic and social activities, with conditions going back to pre-pandemic levels.

The Japanese government officially announced the issuance of new banknotes commencing in July 2024, leading to the materialization of demand for the replacement of older machines and the introduction of new machines compatible with the new banknotes at many facilities and a significant increase in sales in the fourth quarter.

In the hotel industry, we have also been proactively addressing the need for a smaller workforce and labor savings due to labor shortages, owing to the uptick in the number of hotel guests as domestic travel picked up and the number of foreign visitors to Japan recovered.

For hospitals and clinics, we started the sale of small self-service cash registers, among others, in response to the situation where it is difficult to allocate a sufficient number of staff to reception desks due to labor shortages 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 savings.

Regarding “Sma-pa Myna Touch,” a card reader with face recognition functions compatible with an online eligibility confirmation system, the Ministry of Health, Labour and Welfare has decided to set a partial grace

period for the introduction of an online eligibility confirmation system that is to be mandatory from April 2023; however, we continue with our efforts to promote the introduction of the card reader with face recognition functions to promote DX across medical institutions.

In addition, we have been striving to enhance the convenience of customers, by such new means as providing one-stop support to promote DX at hospitals and clinics, through collaboration with JA MITSUI LEASING, LTD.

Furthermore, at golf courses and facilities of other business types, the use of automated payment machines as a means to achieve a smaller workforce and labor savings is taking root. Against this background, recognizing the emergence of new needs as a big opportunity, we have been offering various proposals. In July 2023, we commenced the sales of “Hello Caddy,” Japan’s first AI technology-driven, personal caddy robot that follows players and carries their golf bags and luggage.

As a result, net sales and operating profit of the Business Systems Business were ¥20,533 million (up 7.2% year on year) and ¥3,172 million (down 3.2% year on year), respectively.

<Energy Business>

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

U-POWER Co., Ltd. has been promoting greener energy consumed at stores and facilities by providing three plans with different green energy rates to help companies achieve ESG management and SDGs.

USEN CORPORATION, through a 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 the sale of city gas services, and proposals of energy-saving measures.

During the fiscal year under review, while there have been increased economic and social activities, with conditions going back to pre-pandemic levels due to the reclassification of COVID-19 as a Category V Infectious Disease, electricity consumption at customer stores and commercial facilities also recovered.

In addition, Japan’s record heat this summer also led to greater electricity consumption and increased sales.

In the power industry, while power procurement costs are trending downward, major electric power companies have been making revisions to their rate menus (standard menus) and obtaining approval for raising regulated electricity rates, causing constant changes in market conditions.

In “U-POWER (high-voltage),” we proposed menus to serve customers of “USEN Electricity (high-voltage),” in which we continued to see a certain number of cancellations due to soaring electricity prices, and promoted subscriptions to our services.

In addition, sales of “U-POWER (low-voltage)” have also continued to expand through agent channels, and the number of its customers has steadily increased.

As a result, net sales and operating profit of the Energy Business were ¥54,865 million (up 31.8% year on year) and ¥3,731 million (up 628.6% year on year), respectively.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets at the end of the fiscal year under review increased by ¥47,517 million compared with the end of the previous fiscal year to ¥200,524 million.

Current assets increased by ¥45,874 million compared with the end of the previous fiscal year to ¥121,225 million mainly due to increases in cash and deposits of ¥25,741 million; notes and accounts receivable – trade of ¥6,001 million; inventories of ¥1,900 million; and prepaid expenses of ¥10,835 million.

Non-current assets increased by ¥1,643 million compared with the end of the previous fiscal year to ¥79,298 million.

(Liabilities)

Current liabilities increased by ¥3,770 million compared with the end of the previous fiscal year to ¥55,527 million.

Non-current liabilities increased by ¥6,321 million compared with the end of the previous fiscal year to ¥67,289 million mainly due to an increase in bonds payable of ¥10,000 million and a decrease in long-term borrowings of ¥3,000 million.

(Net assets)

Net assets increased by ¥37,425 million compared with the end of the previous fiscal year to ¥77,707 million mainly due to an increase in retained earnings of ¥9,374 million; an increase in capital surplus of ¥18,692 million and an increase of ¥9,253 million in non-controlling interests, as a result of a capital increase through a third-party allotment at U-NEXT Co., Ltd., a consolidated subsidiary.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “net cash”) on a consolidated basis at the end of the fiscal year under review was ¥52,132 million, an increase of ¥25,750 million compared with the end of the previous fiscal year, which included an increase in cash and cash equivalents of ¥1,407 million due to a share exchange. Primary factors for this were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities for the fiscal year under review was ¥10,678 million (¥17,664 million provided for the previous fiscal year). Primary factors for this were the recording of profit before income taxes of ¥19,284 million, depreciation of ¥6,612 million and amortization of goodwill of ¥3,138 million, income taxes paid of ¥6,589 million, an increase in trade receivables of ¥4,445 million, an increase in trade payables of ¥1,222 million, and an increase in prepaid expenses of ¥10,675 million.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year under review was ¥9,443 million (¥7,412 million used for the previous fiscal year). Primary factors for this were a decrease in net cash of ¥4,689 million due to purchase of property, plant and equipment, a decrease in net cash of ¥3,178 million due to purchase of intangible assets, and a decrease in net cash of ¥1,243 million due to purchase of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Net cash provided by financing activities for the fiscal year under review was ¥23,108 million (¥5,448 million used for the previous fiscal year). Primary factors for this were an increase in net cash of ¥55,220 million due to proceeds from long-term borrowings through refinancing of all syndicated loans, a decrease in net cash of ¥60,670 million due to repayments of long-term borrowings, an increase in net cash of ¥10,000 million due to issuance of bonds, a decrease in net cash of ¥6,367 million due to purchase of

treasury shares, an increase in net cash of ¥26,798 million due to proceeds from share issuance to non-controlling shareholders, and a decrease in net cash of ¥1,476 million due to dividends paid.

(4) Future Outlook

The Group aims to make the most of its management assets: video content, music content, a variety of IoT products, network infrastructure, and a stable customer base, and continues to maintain its strong direct selling systems. At the same time, the Group will maximize the Group synergies by making the most of its sales channels such as telemarketing, web marketing, and agency networks to further strengthen its service creation capabilities, growth potential, and profit generation capabilities.

In addition, with regard to the consumption behavior and corporate activities that have been changing dramatically in the midst of the era of coexistence with COVID-19 and post-COVID-19, as well as rapidly changing technological and social environments, the Group believes that it is important to quickly capture the needs and business opportunities in the market by utilizing IT technologies such as IoT and AI and work to maximize shareholder value and corporate value through sustainable profit growth under swift decision-making. Under a holding company structure, the Group will make a united effort to promote DX inside and outside the Group, share customer assets, and strengthen cooperation among business companies to steadily carry out its medium-term management plan “Road to 2025” which was formulated and announced in February 2022.

Based on the above, the financial results forecast for the next fiscal year is as follows.

(Consolidated)	(Million yen)			
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ending August 31, 2024 (Forecast)	300,000	24,000	23,300	12,100
Fiscal year ended August 31, 2023 (Result)	276,344	21,565	20,386	12,002

2. Basic Policy on Selection of Accounting Standards

The Company Group has adopted corporate accounting standards generally accepted in Japan (Japanese standards). Regarding the adoption of the International Financial Reporting Standards (IFRS), we are currently collecting and examining relevant information and have not yet determined the future adoption.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of August 31, 2022	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	26,390	52,132
Notes and accounts receivable - trade	25,987	31,989
Inventories	7,808	9,708
Prepaid expenses	13,528	24,364
Other	2,671	4,017
Allowance for doubtful accounts	(1,035)	(987)
Total current assets	75,351	121,225
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,954	38,028
Accumulated depreciation and impairment	(28,840)	(27,310)
Buildings and structures, net	11,114	10,717
Land	1,233	1,045
Other	6,795	6,656
Total property, plant and equipment	19,143	18,419
Intangible assets		
Goodwill	44,324	42,591
Other	5,462	6,083
Total intangible assets	49,787	48,675
Investments and other assets		
Investment securities	1,159	1,307
Long-term loans receivable	5,192	5,302
Deferred tax assets	4,497	7,584
Other	3,055	3,063
Allowance for doubtful accounts	(5,179)	(5,054)
Total investments and other assets	8,725	13,244
Total non-current assets	77,655	80,339
Total assets	153,007	200,524

(Million yen)

	As of August 31, 2022	As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,979	24,457
Electronically recorded obligations - operating	1,517	2,009
Current portion of long-term borrowings	5,450	3,000
Income taxes payable	3,600	2,460
Contract liabilities	9,644	10,557
Provision for related facility repairs	30	30
Provision for loss on guarantees	25	101
Other provisions	117	59
Other	9,413	12,851
Total current liabilities	51,776	55,527
Non-current liabilities		
Long-term borrowings	53,970	50,970
Bonds payable	–	10,000
Provision for related facility repairs	152	104
Retirement benefit liability	2,348	2,340
Other	4,477	3,874
Total non-current liabilities	60,948	67,289
Total liabilities	112,725	122,817
Net assets		
Shareholders' equity		
Share capital	96	97
Capital surplus	11,092	29,784
Retained earnings	28,763	38,138
Treasury shares	(0)	(0)
Total shareholders' equity	39,952	68,020
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25	99
Remeasurements of defined benefit plans	301	331
Total accumulated other comprehensive income	326	431
Non-controlling interests	2	9,255
Total net assets	40,281	77,707
Total liabilities and net assets	153,007	200,524

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income

(Million yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Net sales	237,927	276,344
Cost of sales	153,426	179,864
Gross profit	84,500	96,480
Selling, general and administrative expenses	67,178	74,914
Operating profit	17,321	21,565
Non-operating income		
Penalty income	23	58
Share of profit of entities accounted for using equity method	29	29
Subsidy income	34	5
Other	127	170
Total non-operating income	214	263
Non-operating expenses		
Interest expenses	670	624
Commission expenses	163	529
Foreign exchange losses	244	199
Other	216	87
Total non-operating expenses	1,294	1,442
Ordinary profit	16,241	20,386
Extraordinary income		
Gain on sale of non-current assets	3	58
Gain on sale of investment securities	–	172
Gain on bargain purchase	–	88
Total extraordinary income	3	319
Extraordinary losses		
Loss on litigation	256	–
Impairment losses	116	202
Loss on retirement of non-current assets	925	1,035
Penalty loss	–	173
Other	11	10
Total extraordinary losses	1,310	1,421
Profit before income taxes	14,934	19,284
Income taxes - current	5,067	5,417
Income taxes - deferred	1,179	1,901
Total income taxes	6,247	7,318
Profit	8,687	11,966
Profit (loss) attributable to non-controlling interests	(0)	1,007
Profit attributable to owners of parent	8,687	10,959

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Profit	8,687	11,966
Other comprehensive income		
Valuation difference on available-for-sale securities	26	74
Remeasurements of defined benefit plans, net of tax	34	30
Total other comprehensive income	60	104
Comprehensive income	8,747	12,070
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,747	11,063
Comprehensive income attributable to non-controlling interests	(0)	1,007

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended August 31, 2022 (From September 1, 2021 to August 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	96	11,091	21,877	(0)	33,065
Cumulative effects of changes in accounting policies			(990)		(990)
Restated balance	96	11,091	20,887	(0)	32,075
Changes during period					
Dividends of surplus			(811)		(811)
Profit attributable to owners of parent			8,687		8,687
Issuance of new shares - exercise of share acquisition rights	0	0			0
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	0	0	7,876	(0)	7,876
Balance at end of period	96	11,092	28,763	(0)	39,952

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(0)	267	266	3	33,334
Cumulative effects of changes in accounting policies					(990)
Restated balance	(0)	267	266	3	32,344
Changes during period					
Dividends of surplus					(811)
Profit attributable to owners of parent					8,687
Issuance of new shares - exercise of share acquisition rights					0
Purchase of treasury shares					(0)
Net changes in items other than shareholders' equity	26	34	60	(0)	59
Total changes during period	26	34	60	(0)	7,936
Balance at end of period	25	301	326	2	40,281

For the fiscal year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	96	11,092	28,763	(0)	39,952
Changes during period					
Dividends of surplus			(1,476)		(1,476)
Profit attributable to owners of parent			10,959		10,959
Issuance of new shares - exercise of share acquisition rights	0	0			1
Purchase of treasury shares				(6,367)	(6,367)
Increase or decrease by the stock exchange		139		6,367	6,506
Increasing and decreasing by absorption split			(107)		(107)
Capital increase of consolidated subsidiaries		18,552			18,552
Net changes in items other than shareholders' equity					
Total changes during period	0	18,692	9,374	(0)	28,067
Balance at end of period	97	29,784	39,138	(0)	68,020

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	25	301	326	2	40,281
Changes during period					
Dividends of surplus					(1,476)
Profit attributable to owners of parent					10,959
Issuance of new shares - exercise of share acquisition rights					1
Purchase of treasury shares					(6,367)
Increase or decrease by the stock exchange					6,506
Increasing and decreasing by absorption split					(107)
Capital increase of consolidated subsidiaries					18,552
Net changes in items other than shareholders' equity	74	30	104	9,253	9,357
Total changes during period	74	30	104	9,253	37,425
Balance at end of period	99	331	431	9,255	77,707

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	14,934	19,284
Depreciation	5,949	6,612
Amortization of goodwill	2,997	3,138
Increase (decrease) in allowance for doubtful accounts	85	14
Increase (decrease) in allowance for equipment-related repairs	(24)	(48)
Increase (decrease) in allowance for loss on guarantees	25	76
Interest and dividend income	(22)	(24)
Interest expenses	670	624
Impairment loss	116	202
Loss on retirement of non-current assets	925	1,035
Gain on bargain purchase	–	(88)
Loss (gain) on sale of non-current assets	(2)	(58)
Proceeds from sale of investment securities	–	172
Decrease (increase) in trade receivables	(4,596)	(4,445)
Decrease (increase) in inventories	(933)	(1,886)
Increase (decrease) in trade payables	3,810	1,222
Increase (decrease) in electronically recorded obligations-operating	437	465
Increase (decrease) in accounts payable - other	(93)	1,936
Increase (decrease) in contract liabilities	404	715
Decrease (increase) in prepaid expenses	(3,302)	(10,675)
Other, net	(610)	(61)
Subtotal	20,771	17,869
Interest and dividends received	22	24
Interest paid	(670)	(624)
Income taxes paid	(1,973)	(6,589)
Other, net	(485)	–
Net cash provided by (used in) operating activities	17,664	10,678
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,584)	(4,689)
Proceeds from sales of property, plant and equipment	61	316
Proceeds from disposal of property, plant and equipment	(718)	(663)
Purchase of intangible assets	(1,876)	(3,178)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,243)
Proceeds from sale of investment securities	–	172
Other, net	(295)	(158)
Net cash provided by (used in) investing activities	(7,412)	(9,443)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	55,220
Repayments of long-term borrowings	(4,590)	(60,670)
Proceeds from issuance of bonds	–	10,000
Purchase of treasury shares	(0)	(6,367)
Proceeds from share issuance to non-controlling shareholders	–	26,798
Dividends paid	(811)	(1,476)
Other, net	(47)	(395)
Net cash provided by (used in) financing activities	(5,448)	23,108
Net increase (decrease) in cash and cash equivalents	4,803	24,342
Cash and cash equivalents at beginning of period	21,578	26,381
Increase of cash and cash equivalents due to share exchange	–	1,407
Cash and cash equivalents at end of period	26,381	52,132

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax-sharing system from the fiscal year under review. In conjunction with this transition, corporate and local corporate taxes and tax effect accounting are accounted for and disclosed in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Issues Task Force (PITF) No. 42, August 12, 2021; the “Practical Solution No. 42”). In addition, based on Paragraph 32-1 of Practical Solution No. 42, the Company deems that there is no effect of changes in accounting policies due to the application of Practical Solution No. 42.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

(1) Method for determining reportable segments

The reportable segments of the Group are the components of the Group for which discrete financial information is available and they are regularly reviewed by the Board of Directors to make decisions on management resource allocation and to assess performance.

The Group has adopted a holding company system. The Company, the Group's holding company, formulates management strategies of the Group and manages the business performance of its subsidiaries responsible for each business. Furthermore, for each of the business companies that are the subsidiaries of the Company, the Company formulates comprehensive strategies about the products and services that each company handles and operates business activities.

Taking into account business scale and significance in the Group strategies, the Group has positioned the Content Distribution Business, the Store Services Business, the Communications Business, the Business Systems Business, and the Energy Business as its core businesses, and designated them as reportable segments.

(2) Type of products and services belonging to each reportable segment

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.

The Store Services Business is operated by the following consolidated subsidiaries: USEN CORPORATION, CANSYSTEM. CO., LTD., U'S MUSIC Co., Ltd., USEN Techno-Service Co., Ltd., USEN Media CORPORATION, USEN FB Innovation Co., Ltd., and USEN-NEXT Design Co., Ltd., WannaEat CO., LTD., (formerly VIRTUAL RESTAURANT CO., LTD.) The business provides, sells, and implements store solutions, including for music distribution, and manages and develops music copyrights, etc.

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, USENNEXT 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.

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.

The Energy Business is operated by USEN CORPORATION and U-POWER Co., Ltd., our consolidated subsidiaries, and sells high- and low-voltage electricity and gas to commercial stores, buildings, and commercial facilities, and provides green energy with the aim of helping stores achieve SDGs.

2. Method for calculating the amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting methods of reported business segments are the same as those adopted for the preparation of the consolidated financial statements.

Profit of reportable segments is stated on an operating profit basis.

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment
Fiscal year ended August 31, 2022 (From September 1, 2021 to August 31, 2022)

(Million yen)

	Reportable segment						Adjustment (Note 1)	Amount recorded in consolidated financial statements (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	9,520	13,445	16,259	12,677	701	52,604	20	52,624
Goods transferred over a certain period of time	61,619	44,022	32,314	6,409	40,923	185,290	12	185,302
Revenue from contracts with customers	71,140	57,467	48,574	19,087	41,624	237,894	32	237,927
Net sales to outside customers	71,140	57,467	48,574	19,087	41,624	237,894	32	237,927
Inter-segment sales or transfers	292	704	2,189	64	1	3,253	(3,253)	–
Total	71,432	58,172	50,764	19,151	41,626	241,147	(3,220)	237,927
Segment profit	6,294	9,048	5,367	3,277	512	24,500	(7,178)	17,321
Segment assets	26,246	50,939	15,920	14,199	7,625	114,931	37,075	153,007
Other items								
Depreciation	819	4,003	139	534	10	5,508	441	5,949

(Notes) 1. Details of the adjustment are as follows:

- (1) The adjustment for segment profit of ¥(7,178) million is the 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. The adjustment for segment assets of ¥38,075 million represents corporate assets not allocated to segments and elimination of inter-segment transactions.
 - (2) The adjustment for depreciation of ¥441 million represents the depreciation of corporate assets not allocated to each reportable segment.
2. Segment profit is adjusted with operating profit reported in the consolidated statements of income.

Fiscal year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)

(Million yen)

	Reportable segment						Adjustment (Note 1)	Amount recorded in consolidated financial statements (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	10,855	16,863	17,799	13,737	495	59,750	23	59,774
Goods transferred over a certain period of time	73,998	45,886	35,592	6,730	54,350	216,559	10	216,570
Revenue from contracts with customers	84,853	62,749	53,391	20,468	54,846	276,310	34	276,344
Net sales to outside customers	84,853	62,749	53,391	20,468	54,846	276,310	34	276,344
Inter-segment sales or transfers	296	690	2,809	65	19	3,882	(3,882)	—
Total	85,150	63,440	56,201	20,533	54,865	280,192	(3,847)	276,344
Segment profit	6,252	9,831	6,391	3,172	3,731	29,379	(7,813)	21,565
Segment assets	52,617	54,930	29,255	14,792	12,145	163,740	36,783	200,524
Other items								
Depreciation	876	4,506	127	548	11	6,070	542	6,612,

(Notes) 1. Details of the adjustment are as follows:

- (1) The adjustment for segment profit of ¥(7,813) million is the 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. The adjustment for segment assets of ¥36,783 million represents corporate assets not allocated to segments and elimination of inter-segment transactions.
 - (2) The adjustment for depreciation of ¥542 million includes depreciation of corporate assets not allocated to each reportable segment.
2. Segment profit is adjusted with operating profit reported in the consolidated statements of income.

[Related information]

Fiscal year ended August 31, 2022 (From September 1, 2021 to August 31, 2022)

1. Information by product and service

This information is omitted as the classification is the same as that of reportable segments.

2. Geographical information

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceed 90% of the net sales reported in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment reported in the consolidated balance sheets.

3. Information by principal customer

This information is omitted as we have no single outside customer that accounts for 10% or more of the net sales reported in the consolidated statements of income.

Fiscal year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)

1. Information by product and service

This information is omitted as the classification is the same as that of reportable segments.

2. Geographical information

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceed 90% of the net sales reported in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment reported in the consolidated balance sheets.

3. Information by principal customer

This information is omitted as we have no single outside customer that accounts for 10% or more of the net sales reported in the consolidated statements of income.

[Information on impairment loss on non-current assets by reportable segment]

Fiscal year ended August 31, 2022 (From September 1, 2021 to August 31, 2022)

(Million yen)

	Reportable segment						Corporate and elimination	Total
	Content Distribution Business	Store Services Business	Communications Business	Business Systems Business	Energy Business	Total		
Impairment losses	–	111	4	–	–	116	–	116

Fiscal year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)

(Million yen)

	Reportable segment						Corporate and elimination	Total
	Content Distribution Business	Store Services Business	Communications Business	Business Systems Business	Energy Business	Total		
Impairment losses	47	140	14	–	–	202	–	202

[Information about amortization of goodwill and unamortized balance by reportable segment]

Fiscal year ended August 31, 2022 (From September 1, 2021 to August 31, 2022)

(Million yen)

	Reportable segment						Corporate and elimination	Total
	Content Distribution Business	Store Services Business	Communications Business	Business Systems Business	Energy Business	Total		
Amortization during the year	–	489	–	–	–	489	2,508	2,997
Balance at the end of the year	–	7,952	–	–	–	7,952	36,371	44,324

Fiscal year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)

(Million yen)

	Reportable segment						Corporate and elimination	Total
	Content Distribution Business	Store Services Business	Communications Business	Business Systems Business	Energy Business	Total		
Amortization during the year	–	629	–	–	–	629	2,508	3,138
Balance at the end of the year	–	8,728	–	–	–	8,728	33,863	42,591

[Information on gain on negative goodwill by reportable segment]

Not applicable.

Fiscal year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)

In the content distribution business, the Company acquired shares of Premium Platform Japan, Inc., effective March 31, 2023.

As a result, a gain on bargain purchase of ¥88 million was recorded in the fiscal year under review.

(Per share information)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Net assets per share	670.32 yen	1,139.02 yen
Basic earnings per share	144.59 yen	183.16 yen
Diluted earnings per share	144.49 yen	183.06 yen

(Notes) Basis for calculation of basic earnings per share and diluted earnings per share is as follows.

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	8,687	10,959
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent related to common stock (Million yen)	8,687	10,959
Average number of shares during the period (Shares)	60,084,269	59,834,691
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in the number of common stock (Shares)	39,854	32,324
(Of which, share acquisition rights (Shares))	39,854	32,324
Outline of dilutive shares not included in calculation of diluted earnings per share due to the absence of dilutive effect	—	—

(Significant subsequent events)

Not applicable.