

Consolidated Financial Results
for the Six Months Ended February 29, 2024
[Japanese GAAP]

April 9, 2024

Company name: U-NEXT HOLDINGS Co.,Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9418
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 Scheduled date of filing quarterly securities report: April 10, 2024
 Scheduled date of commencing dividend payments: May 27, 2024
 Availability of supplementary briefing materials on quarterly financial results: Available
 Schedule of quarterly 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 Six Months Ended February 29, 2024 (September 1, 2023 – February 29, 2024)

(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	%
Six months ended February 29, 2024	152,249	13.8	15,813	65.7	15,323	69.3	8,727	76.0
February 28, 2023	133,732	17.3	9,544	7.9	9,050	7.3	4,958	12.5

(Note) Comprehensive income: Six months ended February 29, 2024: ¥9,137 million [83.5%]
 Six months ended February 28, 2023: ¥4,980 million [12.3%]

	Basic earnings per share		Diluted earnings per share		EBITDA		Adjusted EPS	
	Yen		Yen		Million yen	%	Yen	%
Six months ended February 29, 2024	145.17		–		20,665	46.2	171.32	57.5
February 28, 2023	82.64		82.60		14,131	7.9	108.80	10.7

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2024	209,921	86,157	36.4
As of August 31, 2023	200,524	77,707	34.1

(Reference) Equity: As of February 29, 2024: ¥76,452 million
 As of August 31, 2023: ¥68,451 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, 2023	–	10.00	–	11.50	21.50
Fiscal year ending August 31, 2024	–	16.00			
Fiscal year ending August 31, 2024 (Forecast)			–	16.00	32.00

(Note) Revision to the forecast for dividends announced most recently: Yes

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
	316,000	14.3	28,500	32.2	27,500	34.9	14,700	34.1	244.50

	EBITDA		Adjusted EPS	
Full year	Million yen	%	Yen	%
	39,000	24.5	296.89	26.0

(Note) Revision to the financial results forecast announced most recently: Yes

*** 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 13 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):
February 29, 2024: 60,125,111 shares
August 31, 2023: 60,096,611 shares
2) Total number of treasury shares at the end of the period:
February 29, 2024: 74 shares
August 31, 2023: 74 shares
3) Average number of shares during the period:
Six months ended February 29, 2024: 60,117,611 shares
Six months ended February 28, 2023: 59,992,416 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 six months ended February 29, 2024 will become available today (April 9, 2024) 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 defines its purpose as a ““Social DX” company that makes the future closer.’ The purpose expresses the Group’s stance and determination to leverage digital transformation (DX) to solve various issues that prevent the Group’s vision from coming true and to transform the future into the present. Furthermore, the Group has made it a fundamental management policy to recognize that new business opportunities lie in solving various social issues and use them to drive its growth.

Under the policy, the Group has classified its business into the following five segments, and each segment is striving to achieve the goals defined by the policy.

The Group’s business segments are: 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.

In addition, 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 six months ended February 29, 2024, economic and social activities continued a steady recovery. Activities of individuals extended into various areas as restrictions were lifted. The number of foreign visitors to Japan rose above the levels seen before the COVID-19 pandemic. Business at commercial stores as well as operating rates at facilities were thus on the mend.

Meanwhile, the business environment surrounding our customers has become more uncertain, due primarily to the impact of the 2024 Noto Peninsula Earthquake, soaring prices, and serious labor shortages, as well as the responses required to address various impacts of the so-called 2024 issues, a series of issues expected to arise from the limit, which took effect on April 1, 2024, on overtime hours for automobile drivers imposed by the Act on the Arrangement of Related Acts to Promote Work Style Reform.

Under these circumstances, the Group has supported commercial stores and service users by providing one-stop solutions to the needs and problems of society through various business activities. The Group has also striven to continue to provide individual users with a wider range of genres of content by developing services that are easy for everyone to use in order to let people enjoy the best leisure time.

As a result, regarding the financial results for the six months ended February 29, 2024, net sales were ¥152,249 million (up 13.8% year on year), operating profit was ¥15,813 million (up 65.7% year on year) and ordinary profit was ¥15,323 million (up 69.3% year on year). In addition, profit attributable to owners of parent was ¥8,727 million (up 76.0% year on year).

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

Please note that the Company changed its trade name on April 1, 2024 to U-NEXT HOLDINGS Co.,Ltd. with the aim of being a corporate brand that garners trust and anticipation from many people. The new corporate slogan is “NEXT for U.”

In addition, some reportable segments have changed from the first quarter of the fiscal year under review. For details of the changes, please refer to “2. Matters on changes in reportable segments, etc.” in “(Segment information, etc.)” under “(4) Notes to Quarterly Consolidated Financial Statements” from “2. Quarterly Consolidated Financial Statements and Principal Notes.”

<Content Distribution Business>

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

As of March 2024, “U-NEXT,” which provides abundant titles with unlimited viewing, offers more than 360,000 video titles such as movies and drama series, including rental titles, over 1,010,000 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 six months ended February 29, 2024, 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. In addition, though the foreign exchange market has started to stabilize, the yen has continued to trend lower, having a certain impact on content procurement costs.

Under these circumstances, “U-NEXT” has reinforced the licensing agreements with Paramount Global Content Distribution in the U.S. and enhanced its distribution lineup with popular content provided by many production studios, drama series and variety programs currently broadcast on Tokyo Broadcasting System Television (TBS) and TV TOKYO, European soccer, including LALIGA, domestic and overseas combat sports, golf tours, and other sports content, live streaming, and e-books.

Furthermore, we have just entered into a comprehensive distribution agreement with UNIVERSAL MUSIC LLC and started distributing music videos of their artists. As a platform that offers live music performances, “U-NEXT” has long worked to collaborate with in-person music events. It has strengthened its content in the music genre as well and currently distributes more than 5,000 music videos. The number of paid members of “U-NEXT” topped 4.2 million as of February 29, 2024 and has steadily been growing since then.

As a result, net sales and operating profit of the Content Distribution Business for the six months ended February 29, 2024 were ¥52,567 million (up 39.7% year on year) and ¥4,373 million (up 37.0% 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., WannaEat CO., LTD., and USEN TRUST Co., Ltd. The business provides, sells, and implements store solutions including music distribution and store DX services, offers support services for restaurants to attract customers, delivers food license sharing services, 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.

Furthermore, USEN Media CORPORATION operates its gourmet sites “Hitosara” and “SAVOR JAPAN,” which is for foreign visitors to Japan, and provides “Tabelog” and other services to help restaurants attract customers, while WannaEat CO., LTD. provides food license sharing services.

During the six months ended February 29, 2024, USEN CORPORATION, under the mission of “Create Stores’ Future,” has continued to focus on offering total support for store DX, which is indispensable for store management, and put forth an effort to solve the problems of customers. In November 2023, we launched “USEN MUSIC Entertainment,” a service that goes beyond background music. It integrates sounds and visuals into one and offers entertainment in which customers can participate.

Moreover, as part of our store DX services, we have proposed the use of catering and transport service robots.

In January 2024, USEN CORPORATION became the only Japanese company that was awarded “Best Partner of the Year 2023” and “Excellent Service Performance Partner 2023” by SHENZHEN PUDU TECHNOLOGY CO., LTD. We have thus been recognized for our excellent sales record and after-sales services of catering and transport service robots.

As a result, net sales and operating profit of the Store Services Business for the six months ended February 29, 2024 were ¥33,384 million (up 9.0% year on year) and ¥5,167 million (up 9.2% 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., TACT INC., U-MX co., LTD., Next Innovation Co., Ltd., and Y.U-mobile Co., Ltd.

For corporate customers, USEN ICT Solutions CORPORATION primarily provides services through our “USEN GATE 02” brand and proposes and sells 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.

In addition, 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.

For commercial stores, USEN NETWORKS Co., Ltd. mainly offers 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, Y.U-mobile Co., Ltd. principally provides 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 six months ended February 29, 2024, services for corporate customers, the sales agency business, and the Company’s own optical line service continued to demonstrate robust performance.

At USEN NETWORKS Co., Ltd., we continued to see a steady increase in the number of new customers acquired 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 collaboration with professional e-sports teams, we have started to offer a high-speed, low-latency, and stable optical line service essential for online gaming and e-sports watching.

As a result, net sales and operating profit of the Communications Business for the six months ended February 29, 2024 were ¥31,026 million (up 12.6% year on year) and ¥3,588 million (up 20.8% 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 six months ended February 29, 2024, in response to the announcement of the commencement of the issuance of new banknotes in July 2024, demand remained solid for automated payment machines and other machines that are compatible with the new banknotes as businesses looked to replace older machines or introduce new ones. Consequently, sales significantly grew.

When introducing automated payment machines to hotels, we also propose the use of “USEN-NEXT Lease,” a vendor lease product offered by our Group company USEN-NEXT Financial Co., Ltd. to offer our customers a

variety of options for introduction. We also aim to increase profit of the entire Group by utilizing synergy generated in the Group. For hospitals and clinics, where it is difficult to allocate a sufficient number of staff to reception desks due to labor shortages and work style reforms, we started to interface “Sma-pa TERMINAL,” a next-generation multifunctional reception machine, with “Sma-pa Myna Touch,” a card reader with face recognition functions compatible with an online eligibility confirmation system. It has made it possible to perform reception and health insurance card verification in a single process and is contributing to the reduction of workload at service counters.

As a result, net sales and operating profit of the Business Systems Business for the six months ended February 29, 2024 were ¥12,726 million (up 35.9% year on year) and ¥2,900 million (up 128.3% 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 six months ended February 29, 2024, as there have been increased economic and social activities, electricity consumption at customer stores and commercial facilities also recovered. While the mild winter has continued from December onward, and 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 February, the Financial Services Agency was reported to be considering encouraging companies listed on the Prime Market of the Tokyo Stock Exchange to disclose their greenhouse gas emissions and make efforts at decarbonization. The demand for renewable energy is thus expected to grow even further.

U-POWER Co., Ltd. had been selling high-voltage and low-voltage electricity generated substantially from renewable sources to corporate clients. Additionally, it started selling “GREEN Home,” a substantially renewable electricity plan for households, on November 1, 2023.

We will continue to strengthen our sales of substantially renewable energy, contribute to the wider adoption of renewable energy in Japan, and fulfill our social responsibility to realize a sustainable society.

As a result, net sales and operating profit of the Energy Business for the six months ended February 29, 2024 were ¥24,815 million (down 18.1% year on year) and ¥3,494 million (up 227.0% 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 second quarter of the fiscal year under review increased by ¥9,397 million compared with the end of the previous fiscal year to ¥209,921 million.

Current assets increased by ¥10,157 million compared with the end of the previous fiscal year to ¥131,382 million mainly due to increases in cash and deposits of ¥686 million, in notes and accounts receivable - trade of ¥464 million, in inventories of ¥1,226 million, and in prepaid expenses of ¥8,294 million.

Non-current assets decreased by ¥759 million compared with the end of the previous fiscal year to ¥78,539 million mainly due to an increase in property, plant and equipment of ¥211 million, a decrease in intangible assets of ¥955 million, and a decrease in investments and other assets of ¥15 million.

(Liabilities)

Current liabilities increased by ¥2,742 million compared with the end of the previous fiscal year to ¥58,270 million.

Non-current liabilities decreased by ¥1,795 million compared with the end of the previous fiscal year to ¥65,493 million mainly due to a decrease in long-term borrowings of ¥1,500 million and a decrease in retirement benefit liability of ¥32 million.

(Net assets)

Net assets increased by ¥8,450 million compared with the end of the previous fiscal year to ¥86,157 million mainly due to an increase in retained earnings of ¥8,036 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 six months ended February 29, 2024 was ¥52,818 million, an increase of ¥686 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 six months ended February 29, 2024 was ¥7,436 million (¥591 million used for the same period in the previous fiscal year). Primary factors for this were the recording of profit before income taxes of ¥15,112 million, depreciation of ¥3,279 million, amortization of goodwill of ¥1,572 million, an increase in inventories of ¥1,226 million, a decrease in accounts payable - other of ¥1,698 million, an increase in prepaid expenses of ¥8,279 million, and a decrease due to income taxes paid of ¥2,395 million.

(Cash flows from investing activities)

Net cash used in investing activities for the six months ended February 29, 2024 was ¥4,489 million (¥4,836 million used for the same period in the previous fiscal year). Primary factors for this were a decrease in net cash of ¥2,633 million due to purchase of property, plant and equipment and a decrease in net cash of ¥1,649 million due to purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities for the six months ended February 29, 2024 was ¥2,266 million (¥1,726 million provided for the same period in the previous fiscal year). Primary factors for this were a decrease in net cash of ¥1,530 million due to repayments of long-term borrowings and a decrease in net cash of ¥691 million due to dividends paid.

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

In regard to the consolidated financial results forecast, based on our business performance for the second quarter of the current fiscal year, the full-year consolidated financial results forecast has changed from what we announced in the consolidated financial results dated October 12, 2023.

For more detail, please refer to our “Notice of revised forecasts of consolidated financial results” published today(April 9, 2024)

. 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 those forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of August 31, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	52,132	52,818
Notes and accounts receivable - trade	31,989	32,453
Inventories	9,708	10,934
Prepaid expenses	24,364	32,659
Other	4,017	3,519
Allowance for doubtful accounts	(987)	(1,003)
Total current assets	121,225	131,382
Non-current assets		
Property, plant and equipment	18,419	18,630
Intangible assets		
Goodwill	42,591	41,065
Other	6,083	6,654
Total intangible assets	48,675	47,719
Investments and other assets		
Other	17,258	17,242
Allowance for doubtful accounts	(5,054)	(5,053)
Total investments and other assets	12,204	12,188
Total non-current assets	79,298	78,539
Total assets	200,524	209,921
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,457	24,421
Electronically recorded obligations - operating	2,009	2,233
Current portion of long-term borrowings	3,000	3,000
Income taxes payable	2,460	5,976
Other provisions	191	304
Other	23,408	22,334
Total current liabilities	55,527	58,270
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	50,970	49,470
Provision for related facility repairs	104	89
Retirement benefit liability	2,340	2,308
Other	3,874	3,625
Total non-current liabilities	67,289	65,493
Total liabilities	122,817	123,763

(Million yen)

	As of August 31, 2023	As of February 29, 2024
Net assets		
Shareholders' equity		
Share capital	97	99
Capital surplus	29,784	29,786
Retained earnings	38,138	46,174
Treasury shares	(0)	(0)
Total shareholders' equity	68,020	76,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	99	59
Remeasurements of defined benefit plans	331	331
Total accumulated other comprehensive income	431	391
Non-controlling interests	9,255	9,705
Total net assets	77,707	86,157
Total liabilities and net assets	200,524	209,921

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
For the Six Months Ended February 29

(Million yen)

	For the six months ended February 28, 2023	For the six months ended February 29, 2024
Net sales	133,732	152,249
Cost of sales	89,065	94,445
Gross profit	44,667	57,803
Selling, general and administrative expenses	35,122	41,989
Operating profit	9,544	15,813
Non-operating income		
Penalty income	21	36
Other	114	73
Total non-operating income	135	110
Non-operating expenses		
Interest expenses	354	242
Foreign exchange losses	66	146
Other	209	210
Total non-operating expenses	630	600
Ordinary profit	9,050	15,323
Extraordinary income		
Gain on sale of investment securities	0	165
Total extraordinary income	0	165
Extraordinary losses		
Loss on retirement of non-current assets	405	326
Other	41	49
Total extraordinary losses	447	376
Profit before income taxes	8,602	15,112
Income taxes	3,645	5,935
Profit	4,957	9,177
Profit (loss) attributable to non-controlling interests	(0)	449
Profit attributable to owners of parent	4,958	8,727

Quarterly Consolidated Statements of Comprehensive Income
For the Six Months Ended February 29

(Million yen)

	For the six months ended February 28, 2023	For the six months ended February 29, 2024
Profit	4,957	9,177
Other comprehensive income		
Valuation difference on available-for-sale securities	4	(39)
Remeasurements of defined benefit plans, net of tax	18	(0)
Total other comprehensive income	22	(39)
Comprehensive income	4,980	9,137
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,980	8,687
Comprehensive income attributable to non-controlling interests	(0)	449

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended February 28, 2023	For the six months ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	8,602	15,112
Depreciation	3,017	3,279
Amortization of goodwill	1,569	1,572
Increase (decrease) in allowance for doubtful accounts	131	16
Increase (decrease) in retirement benefit liability	2	(32)
Interest and dividend income	(7)	(8)
Interest expenses	354	242
Loss on retirement of non-current assets	405	326
Decrease (increase) in trade receivables	(3,240)	(463)
Decrease (increase) in inventories	(2,026)	(1,226)
Decrease (increase) in prepaid expenses	(3,813)	(8,279)
Increase (decrease) in trade payables	720	(104)
Increase (decrease) in electronically recorded obligations-operating	284	292
Increase (decrease) in accounts payable - other	(935)	(1,698)
Other, net	(646)	1,037
Subtotal	4,418	10,066
Interest and dividends received	7	8
Interest paid	(354)	(242)
Income taxes paid	(4,663)	(2,395)
Net cash provided by (used in) operating activities	(591)	7,436
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,214)	(2,598)
Purchase of intangible assets	(1,049)	(1,685)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,243)	–
Other, net	(328)	(200)
Net cash provided by (used in) investing activities	(4,836)	(4,483)
Cash flows from financing activities		
Proceeds from short-term borrowings	3,000	–
Repayments of long-term borrowings	(3,950)	(1,530)
Proceeds from issuance of bonds	10,000	–
Purchase of treasury shares	(6,367)	–
Dividends paid	(901)	(691)
Other, net	(54)	(44)
Net cash provided by (used in) financing activities	1,726	(2,266)
Net increase (decrease) in cash and cash equivalents	(3,702)	686
Cash and cash equivalents at beginning of period	26,381	52,132
Cash and cash equivalents at end of period	22,679	52,818

(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 second 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. Six months ended February 28, 2023 (From September 1, 2022 to February 28, 2023)

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	3,831	7,483	8,924	6,039	561	26,839	23	26,863
Goods transferred over a certain period of time	33,646	22,846	17,340	3,296	29,721	106,850	18	106,869
Revenue from contracts with customers	37,477	30,330	26,264	9,336	30,282	133,690	41	133,732
Net sales to outside customers	37,477	30,330	26,264	9,336	30,282	133,690	41	133,732
Inter-segment sales or transfers	162	300	1,281	30	6	1,780	(1,780)	—
Total	37,639	30,630	27,545	9,366	30,288	135,471	(1,738)	133,732
Segment profit	3,193	4,730	2,969	1,270	1,068	13,232	(3,687)	9,544

(Notes) 1. The adjustment for segment profit of ¥(3,687) 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.

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

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

Not applicable.

II. Six months ended February 29, 2024 (From September 1, 2023 to February 29, 2024)

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	5,657	8,433	9,902	9,190	25	33,209	3	33,213
Goods transferred over a certain period of time	46,788	24,601	19,342	3,515	24,762	119,008	26	119,035
Revenue from contracts with customers	52,445	33,035	29,244	12,705	24,787	152,218	30	152,249
Net sales to outside customers	52,445	33,035	29,244	12,705	24,787	152,218	30	152,249
Inter-segment sales or transfers	122	349	1,781	21	27	2,302	(2,302)	—
Total	52,567	33,384	31,026	12,726	24,815	154,520	(2,271)	152,249
Segment profit	4,373	5,167	3,588	2,900	3,494	19,523	(3,709)	15,813

(Notes) 1. The adjustment for segment profit of ¥(3,709) 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.

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

2. Matters on changes in reportable segments, etc.

(Changes in reportable segments)

Effective the first quarter of the fiscal year under review, reportable segments have been revised in line with the revised segmentation for performance management. Accordingly, the financial results of TACT INC., which were included in the Content Distribution Business, have now been included in the Communications Business.

The segment information for the six months ended February 28, 2023 has been recategorized based on the reportable segments used for the six months ended February 29, 2024.

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

Not applicable.