Summary of Third Quarter of Fiscal Year Ending August 2024

U-NEXT HOLDINGS Co., Ltd.
(Tokyo Stock Exchange, Prime Market Code: 9418)

July 8, 2024

Contents

1. Overview of 3Q results of operations

Executive summary

Earnings in the first three quarters at all levels are more than 80% of the revised FY2024 forecasts. Expect FY2024 earnings to surpass the forecasts, although more marketing expenses in the 4Q.

Record-high sales and operating income in the 3Q in the Store Services, Communication and Business Systems segments.

Content Distribution sales growth continues as this business adds more subscribers and operating income is steady.

Energy operating income up more than 130% YoY because of a big increase in the number of U-POWER contracts.

Consolidated financial summary (vs. Forecast)

- Earnings in the first three quarters at all levels are more than 80% of the revised FY2024 forecasts.
- Expect FY2024 earnings to surpass the forecasts, although more marketing expenses in the 4Q.

Million yen	FY2024 Forecast	FY2024 3Q	Progress
Net Sales	316,000	235,537	75%
Operating Income	28,500	23,533	83%
Operating margin (%)	9.0%	10.0%	-
Ordinary Income	27,500	23,006	84%
Profit or Loss attributable to owners of parent	14,700	13,014	89%
Profit of Loss attributable to owners of parent [Adjusted]	17,850	15,373	86%
Net Income per share (yen)	244.50	216.48	-
Net Income per share [Adjusted] (yen)	296.89	255.72	-
EBITDA	39,000	30,994	79%
EBITDA margin	12.3%	13.2%	-
EBITDA-CAPEX	17,000	12,025	71%

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Consolidated financial summary (YoY)

Sales increased 17% and earnings at all levels were up around 50%.

Million yen	FY2023 3Q	FY2024 3Q	YoY	YoY (Ratio)
Net Sales	202,097	235,537	+33,440	+17%
Operating Income	15,567	23,533	+7,966	+51%
Operating margin (%)	7.7%	10.0%	-	-
Ordinary Income	14,664	23,006	+8,342	+57%
Profit or Loss attributable to owners of parent	8,369	13,014	+4,645	+56%
Profit of Loss attributable to owners of parent ［Adjusted］	10,722	15,373	+4,651	+43%
Net Income per share (yen)	140.08	216.48	-	-
Net Income per share [Adjusted] (yen)	179.47	255.72	-	-
EBITDA	22,614	30,994	+8,380	+37%
EBITDA margin	11.2%	13.2%	-	-
EBITDA-CAPEX	2,350	12,025	+9,675	+412%

Segment information (vs. Forecast)

- Sales and operating income are on a pace to surpass the revised FY2024 forecasts.
- The adjustment includes larger than planned expenses for group branding activities.

Million yen		FY2024 Forecast	FY2024 3Q	Progress
Content Distribution	Net Sales	108,200	80,197	74%
	Operating Income	8,400	6,538	78%
Store Services	Net Sales	68,700	52,047	76%
	Operating Income	9,900	8,246	83%
Communications	Net Sales	62,000	47,703	77%
	Operating Income	7,000	5,491	78%
Business Systems	Net Sales	26,100	20,441	78%
	Operating Income	5,700	4,896	86%
Energy	Net Sales	55,500	38,766	70%
	Operating Income	6,100	5,048	83%
Adjustment	Net sales	-4,500	-3,618	80%
	Operating income	-8,600	-6,687	78%

*The adjustment includes head office expenses, goodwill amortization, the elimination of inter-segment transactions and other items.

Segment information (YoY)

- Sales and earnings increased in all segments except Energy. (Energy sales down because of a JEPX price decline but profitability improved)
- The increase in the operating income adjustment is because of group branding activities.

Million yen		FY2023 3Q	FY2024 3Q	YoY	YoY (Ratio)
Content Distribution	Net Sales	60,625	80,197	+19,572	+32%
	Operating Income	5,063	6,538	+1,475	+29%
Store Services	Net Sales	47,135	52,047	+4,912	+10%
	Operating Income	7,435	8,246	+811	+11%
Communications	Net Sales	41,644	47,703	+6,059	+15%
	Operating Income	4,684	5,491	+807	+17%
Business Systems	Net Sales	13,811	20,441	+6,630	+48%
	Operating Income	1,820	4,896	+3,076	+169%
Energy	Net Sales	41,667	38,766	-2,901	-7%
	Operating Income	2,165	5,048	+2,883	+133%
Adjustment	Net sales	-2,786	-3,618	-832	-30%
	Operating income	-5,601	-6,687	-1,086	-19%

In FY2024, consolidated subsidiary TACT was moved from Content Distribution to Communications.
FY2023 figures for these two segments have not been revised because the effect of this change is negligible.

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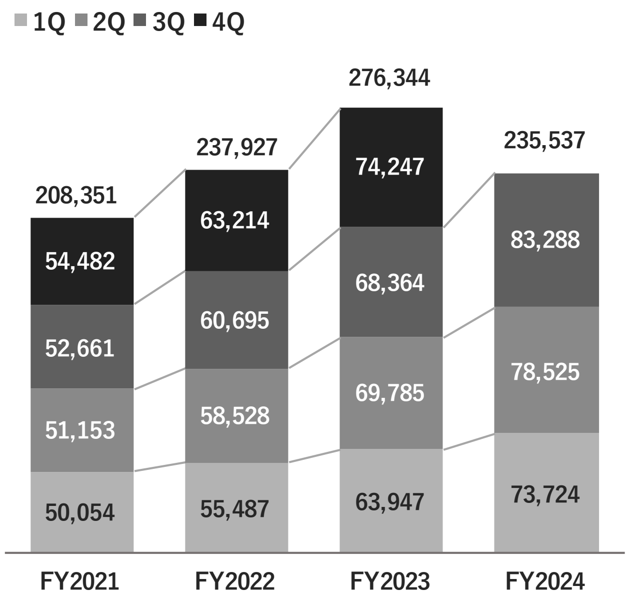
Net sales/Operating income/EBITDA

(Million yen)

- Record-high sales, operating income and EBITDA for the first three quarters.
- Consolidated profitability was much higher YoY due to Business Systems and Energy.

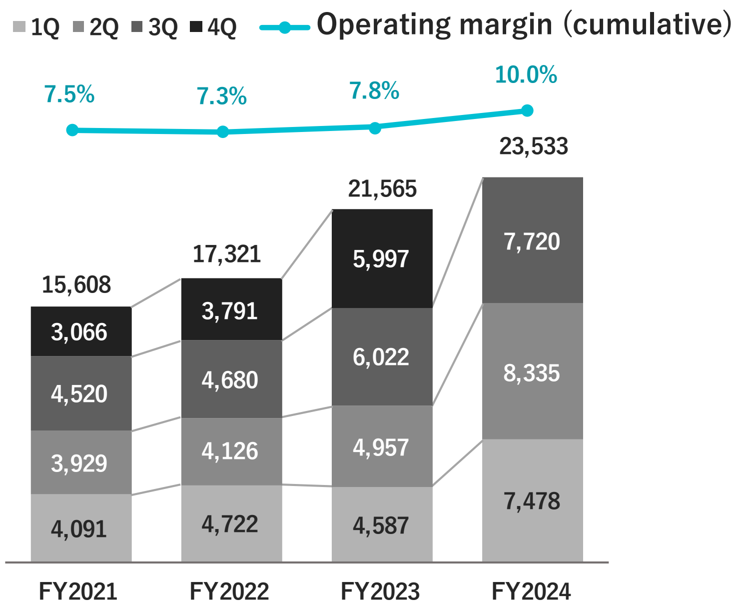
Net Sales

YoY +17% QoQ +6%



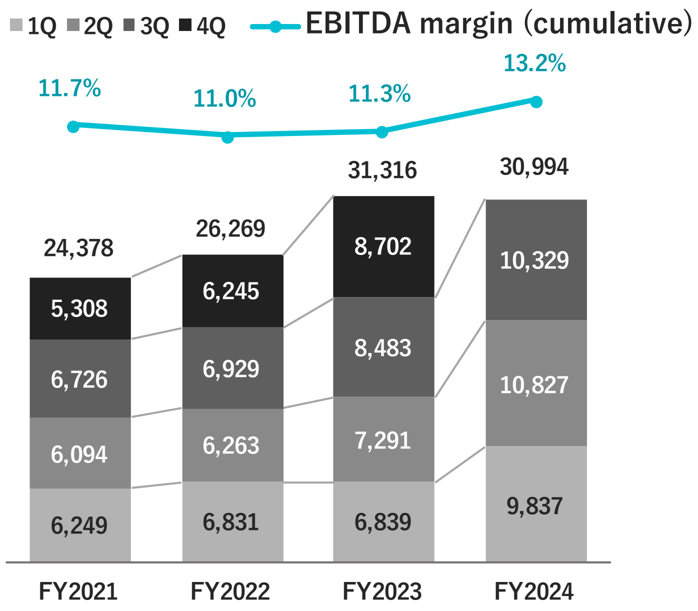
Operating Income/margin

YoY +51% QoQ -7%



EBITDA/margin

YoY +37% QoQ -5%



EBITDA=Operating Income + Depreciation + Amortization of goodwill

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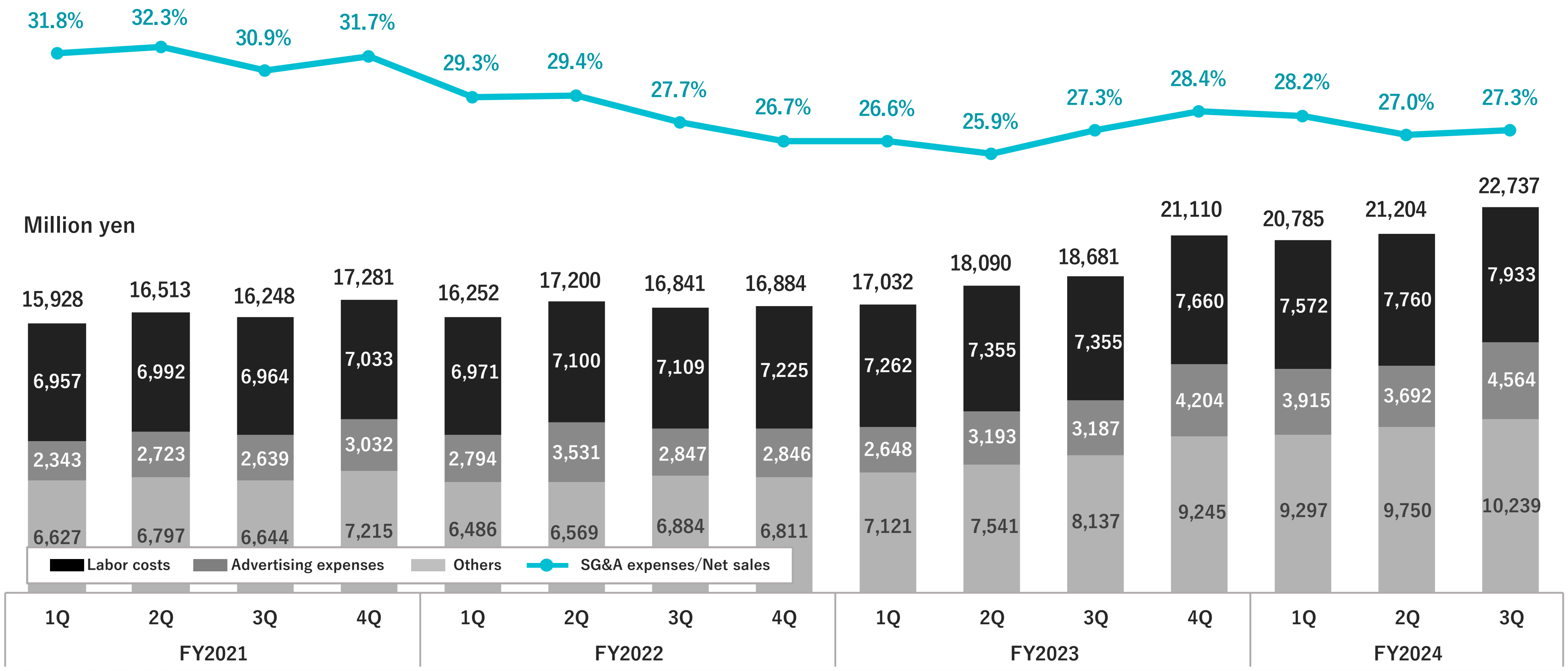
SG&A expenses

- SG&A expenses increased YoY with the growth of business but kept less than 30% of sales.
- Increased in the 3Q mainly because of personnel expenses for new graduates and group branding activities associated with the new company name.



SG&A ratio

YoY -0pt
(Quarter)

QoQ +0pt

SG&A

YoY +22%
(Quarter)

QoQ +7%

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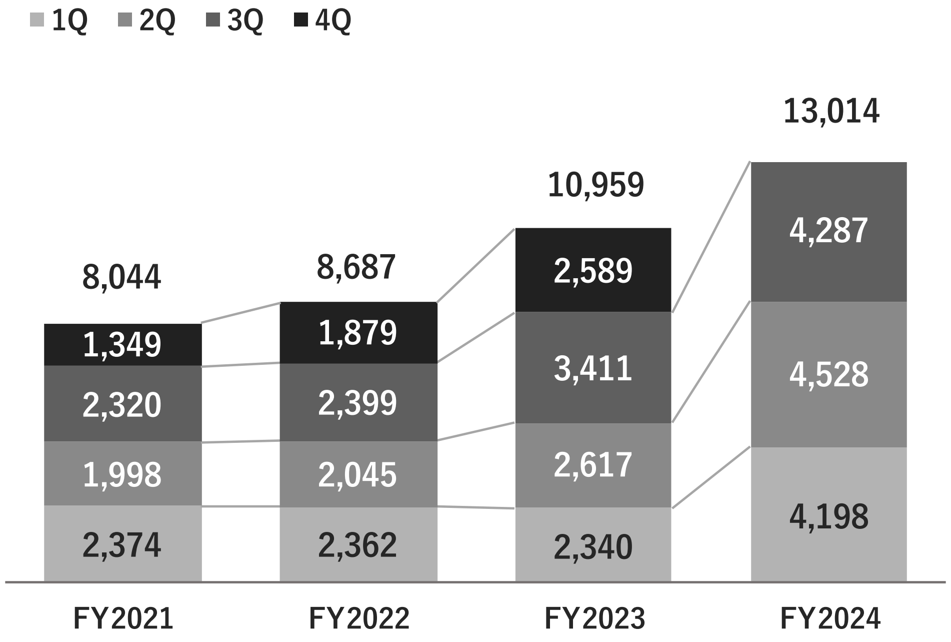
Net income

(Million yen)

A big YoY increase and record-high net income for the first three quarters

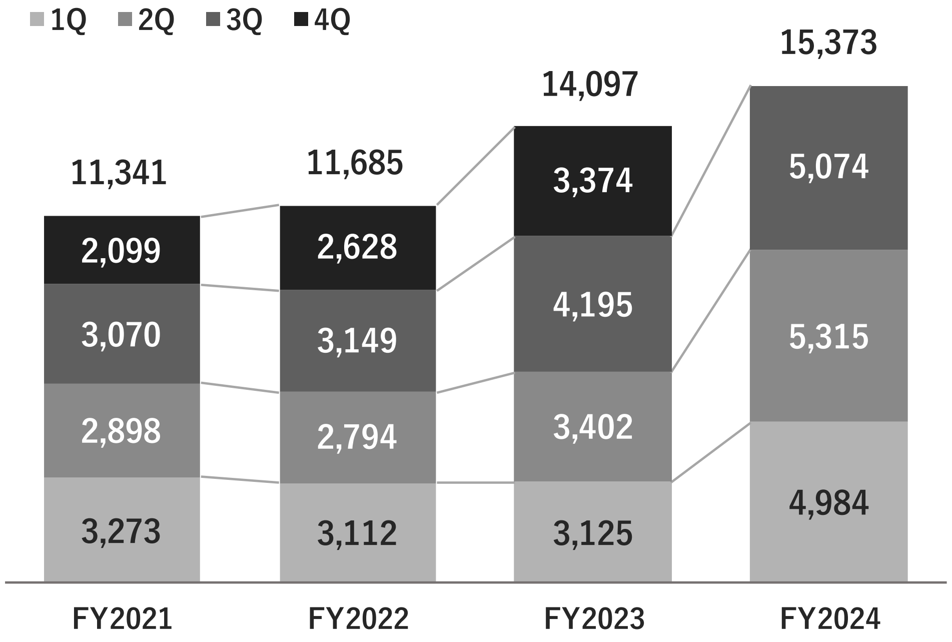
Net Income

YoY +56%　　QoQ -5%



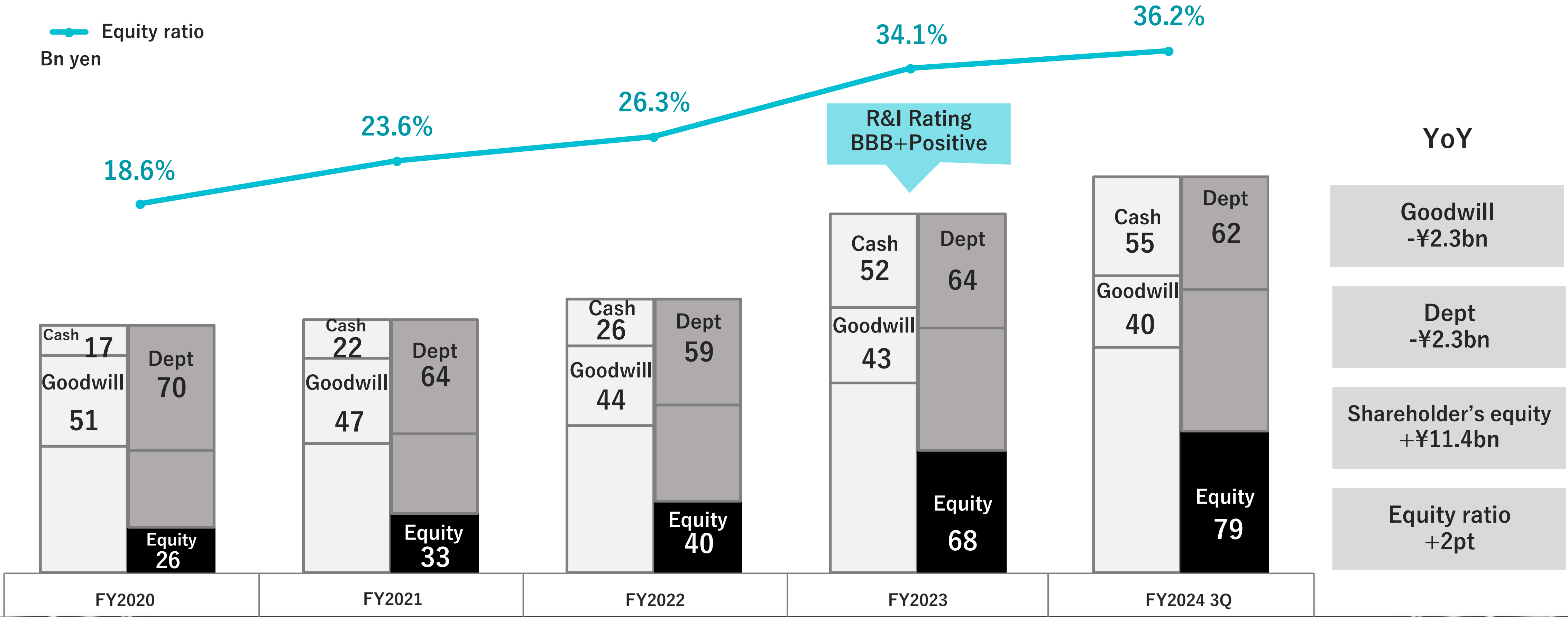
Net Income (adjusted)

YoY +43%　　QoQ -5%



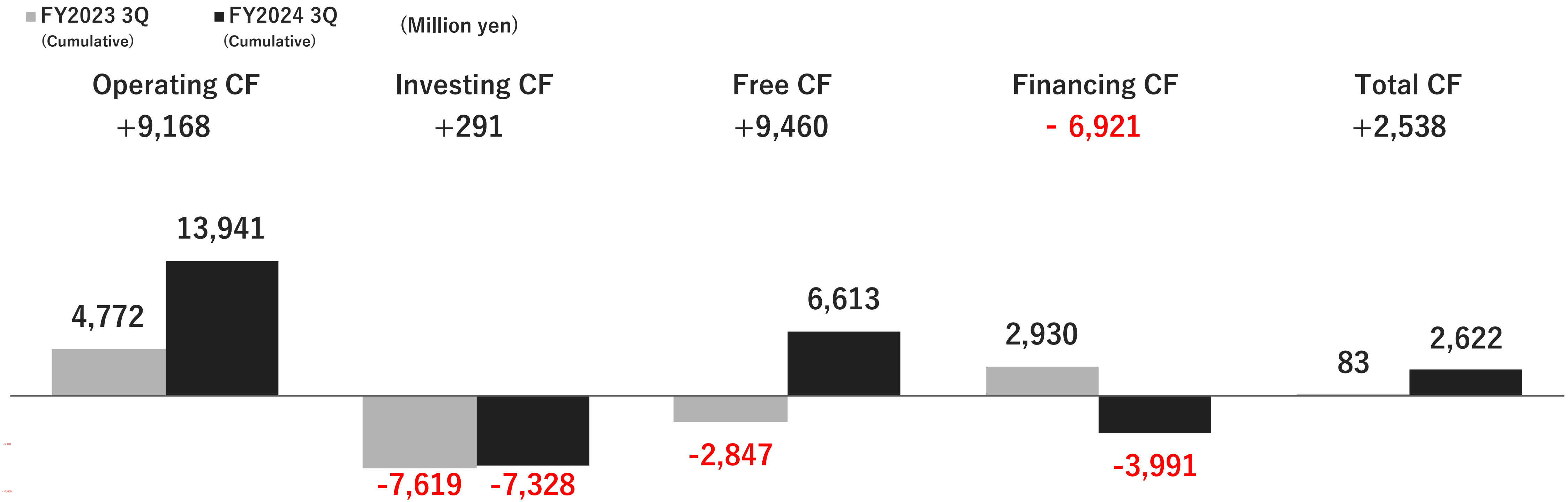
Consolidated balance sheet

- Shareholders' equity ratio increased 2.1 pct. points from the end of FY2023 to 36.2% at the end of the 3Q mainly because of an increase in equity.
- U-NEXT uses 30% to 40% as the appropriate range for the shareholders' equity ratio.



Consolidated cash flows (YoY summary)

- Operating CF: Cash provided increased; major components are pretax profit (+¥8.4bn), prepaid expenses (-¥6.1bn), working capital (+¥2.2bn) and income taxes payable (+¥2.4bn).
- Investing CF: Cash used decreased; ¥1.1bn increase in business investments but higher cash used one year earlier due to purchase WannaEat stock.
- Free CF: Positive cash flow of ¥6.6bn following the ¥2.8bn negative cash flow one year earlier.
- Financing CF: The positive FY2023 3Q financing cash flow was the result of proceeds of ¥10 billion from the sale of bonds.



Beginning with FY2024, U-NEXT HOLDINGS no longer include in financial reports first and third quarter consolidated cash flows, which is a voluntary disclosure item. Consequently, FY2024 3Q cash flows have not been reviewed by an independent auditor. This is solely reference information for investors.

Consolidated cash flows (YoY)

Million yen	FY2023 3Q	FY2024 3Q	Difference
Operating CF			
Profit before income taxes	14,204	22,626	+8,422
Depreciation	4,692	5,101	+408
Amortization of goodwill	2,353	2,359	+5
Interest expenses	500	375	-124
Loss on retirement of non-current assets	558	467	-91
Decrease (increase) in trade receivables	-173	-3,398	-3,224
Decrease (increase) in inventories	-2,434	-1,707	+726
Increase (decrease) in trade payables	-872	3,849	+4,721
Increase (decrease) in accounts payable	1,255	804	-451
Increase (decrease) in contract liabilities	1,062	1,727	+665
Decrease (increase) in prepaid expenses	-6,960	-13,100	-6,140
Others	-1,683	49	+1,733
Subtotal	12,502	19,153	+6,651
Income taxes paid	-7,239	-4,847	+2,391
Others	-490	-364	+125
Operating CF	4,772	13,941	+9,168

Million yen	FY2023 3Q	FY2024 3Q	Difference
Investing CF			
Purchase of property, plant and equipment	-3,637	-4,201	-563
Payments for retirement of property, plant and equipment	-535	-501	+33
Purchase of intangible assets	-2,215	-2,711	-496
Purchase of shares of subsidiaries and associates	-1,243	-71	+1,172
Others	12	156	+144
Investing CF	-7,619	-7,328	+291
Financing CF			
Proceeds from long-term borrowings	55,220	-	-55,220
Repayments of long-term borrowings	-59,920	-2,280	+57,639
Proceeds from issuance of bonds	10,000	-	-10,000
Purchase of treasury shares	-6,367	-0	+6,367
Proceeds from share issuance to non-controlling shareholders	2,508	-	-2,508
Dividends paid	-1,476	-1,653	-176
Others	2,965	-57	-3,023
Financing CF	2,930	-3,991	-6,921
Total CF	83	2,622	+2,538

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2. Segment information

Overview of business segments

BtoB

DX for Stores & Facilities ~Higher profitability and labor shortage solutions~

Store Services
(Restaurants・Retailers・Beauty salons)
Background music, POS system, Cashless payment, Catering robots, etc.

Market share of music distribution for stores in Japan*1
No.1

Business Systems
(Hotels・Hospitals)
Automated payment machines、reception machine、Operational Management systems etc.

Automated payment machines market share in Japan*2
No.1

Infrastructure Services ~Telecommunications and energy~

Communications
Broadband internet service, ICT and cloud services etc.

Energy
High/Low voltage, green energy

BtoC

DX for Individual Lifestyles

Content Distribution
SVOD(subscription video on demand) service "U-NEXT"

SVOD market share in Japan*3
No.2

*1 U-NEXT HOLDINGS assumptions
*2 U-NEXT HOLDINGS assumptions
*3 Video on Demand Market Five-year Forecast, GEM Partners

Summary of 3Q results of operations

Content Distribution	(YoY) Sales and earnings up due to the Paravi integration and increase of subscribers. (QoQ) No change in earnings due to an increase in the cost of content. (The 1Q-3Q cost of sales ratio was at the benchmark.)
Store Services	(YoY) Sales and earnings up because of steady growth of DX products, rent guarantee and other recurring income services. (QoQ) Strong one-time sales of products, record-high quarterly sales and operating income.
Communications	(YoY) Operating income was higher in all categories. (QoQ) Record-high quarterly sales and operating income due to broadband service sales agent growth, partly because of seasonal factors.
Business Systems	(YoY) Big increases in sales and earnings because of the demand to replace automatic payment kiosks for compatibility with the new currency designs. (QoQ) Record-high quarterly sales and operating income because of strong sales of products for medical institutions and golf courses.
Energy	(YoY) Sales down as JEPX prices declined but a big increase in earnings because of more U-POWER customers and higher USEN DENKI profitability. (QoQ) Sales were up due to an increase of customers, including high-volume customers, but earnings were down due to capacity market contribution payable.

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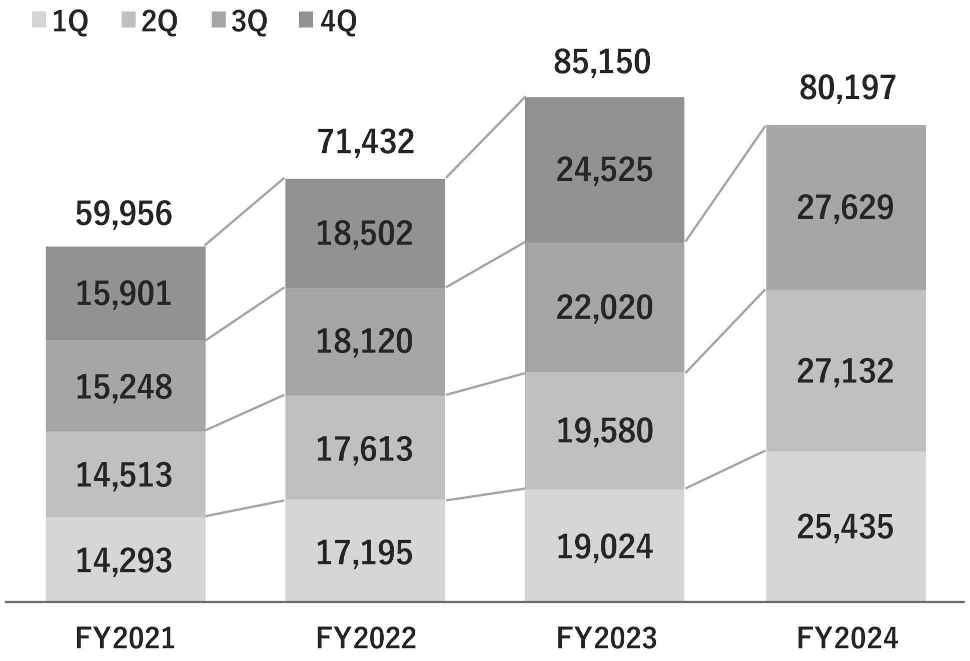
Content Distribution

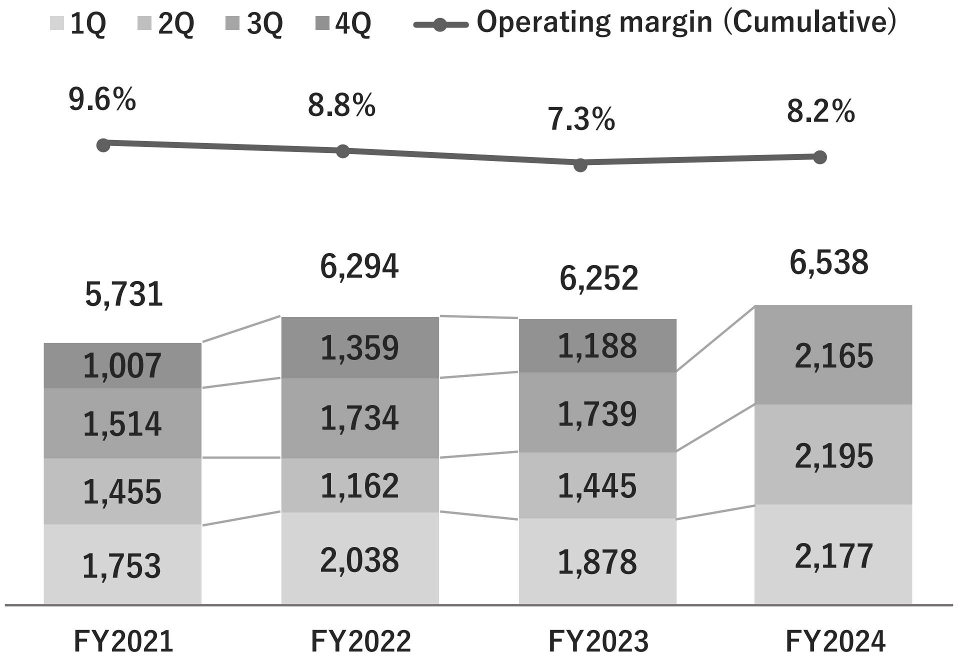
(Million yen)

- Sales and earnings up YoY due to the Paravi integration and increase of subscribers
- No QoQ change in operating income because of the higher content cost of sales ratio, but this ratio was at the benchmark during the first three quarters.

Net Sales YoY +32% QoQ +2%



Operating Income / Operating margin YoY +29% QoQ -1%



In FY2024, consolidated subsidiary TACT was moved from Content Distribution to Communications.
Figures for these two segments in prior years have not been revised because the effect of this change is negligible.

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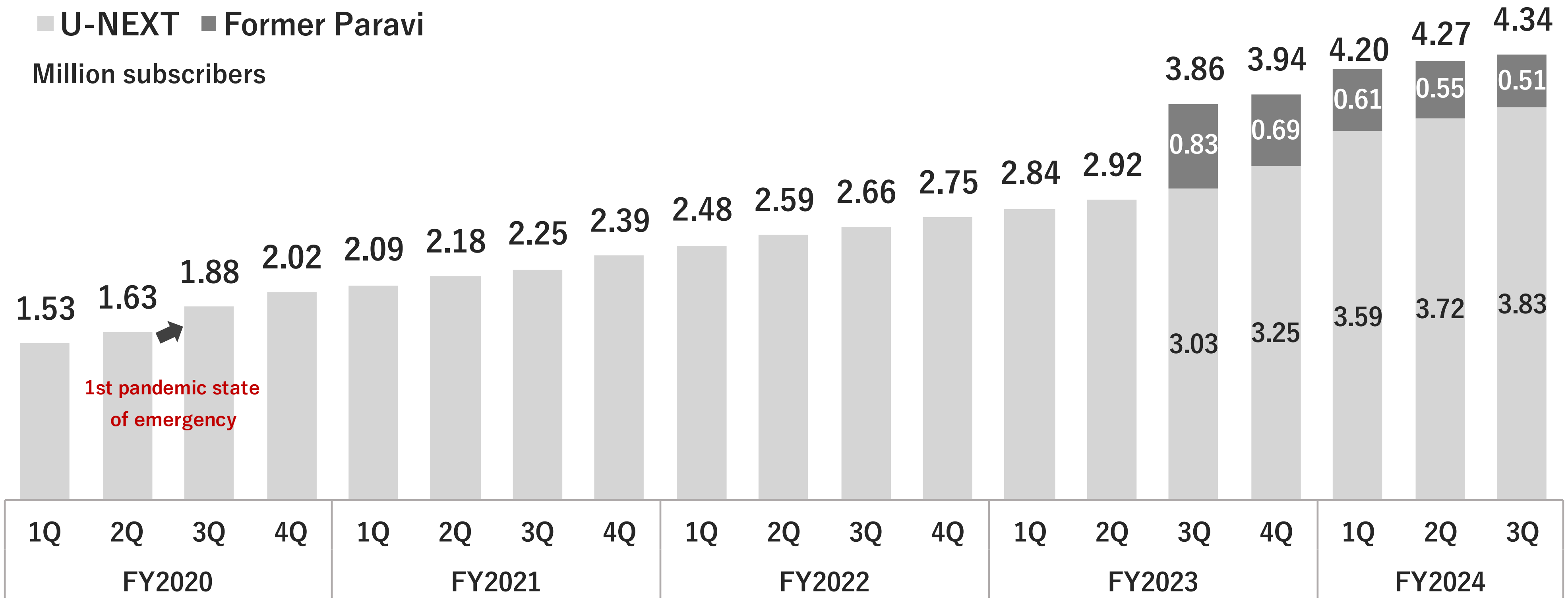
Content Distribution (Subscribers)

- U-NEXT subscribers is steadily increasing.
- Former Paravi subscribers is declining gradually as planned.



Net change of QoQ (K)	FY2020 1Q	2Q	3Q	4Q	FY2021 1Q	2Q	3Q	4Q	FY2022 1Q	2Q	3Q	4Q	FY2023 1Q	2Q	3Q	4Q	FY2024 1Q	2Q	3Q
U-NEXT	+105	+244	+142	+73	+86	+70	+136	+95	+107	+69	+94	+88	+88	+107	+221	+333	+138	+109	
Paravi	-	-	-	-	-	-	-	-	-	-	-	-	-	+829	-137	-80	-63	-43	

YoY

+0.48M (+12%)

QoQ

+70K (+2%)

Includes monthly point service and other subscribers associated with business alliance partners.

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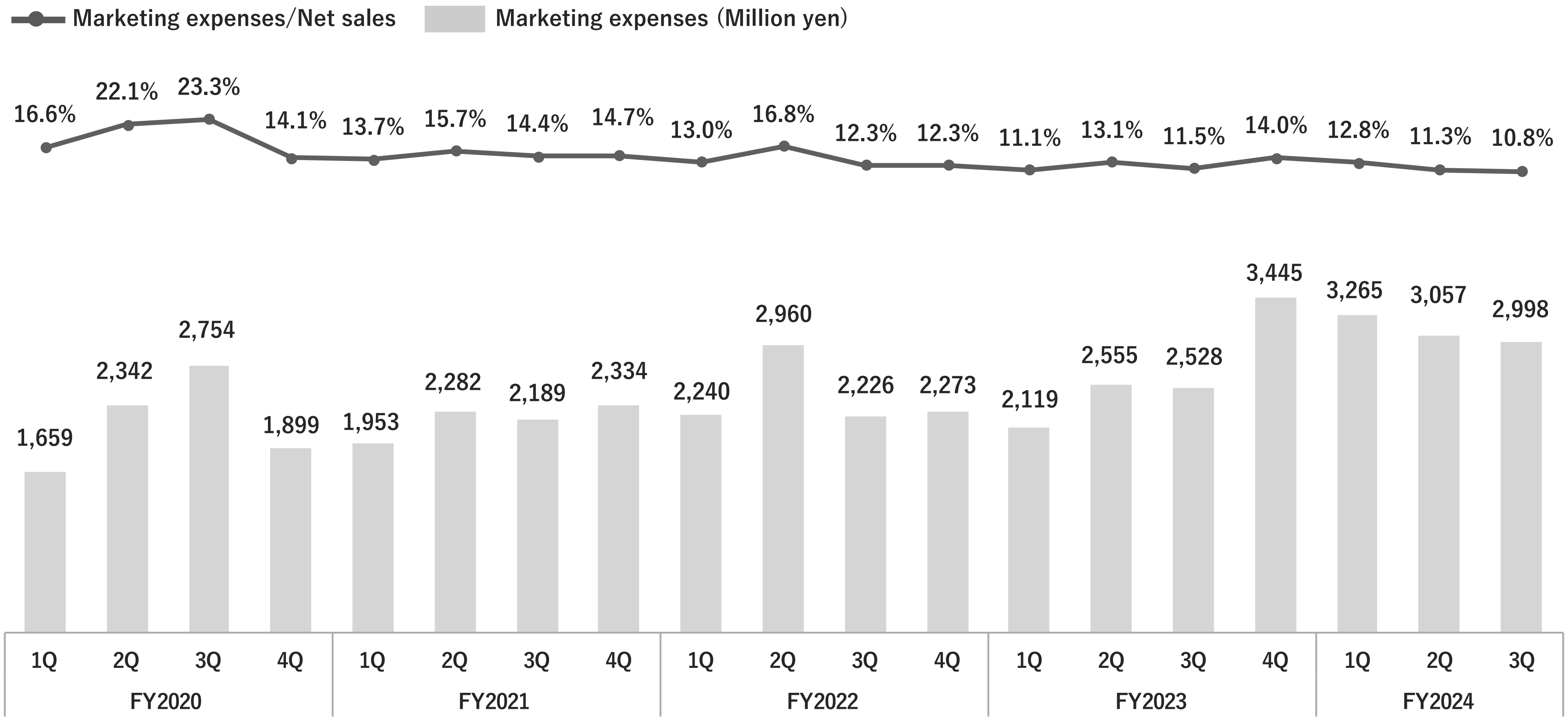
Content Distribution (Marketing expenses)

Increased in YoY and slightly decreased in QoQ, depending on the number of subscribers acquired.



Marketing expenses

YoY +19%
(Quarter)
QoQ -2%

Marketing expenses ratio

YoY -1pt
(Quarter)
QoQ -0pt

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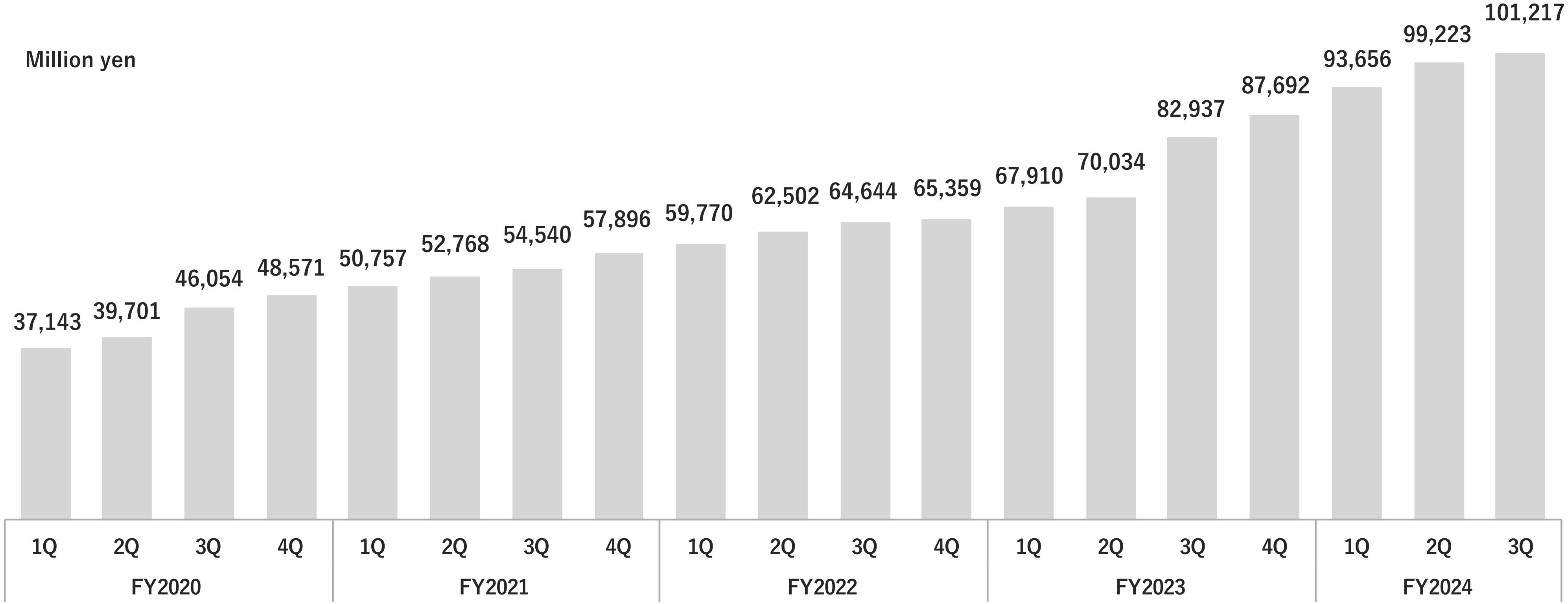
Content Distribution (ARR)

ARR reached ¥10bn because of the increasing of subscribers.



YoY

+¥18.3bn
(+22%)

QoQ

+¥2.0bn
(+2%)

*Annual Recurring Revenue: Monthly recurring revenue multiplied by 12.
*Monthly Recurring Revenue: Portion of U-NEXT service sales derived from fees paid on a regular basis.
(excludes PPV and other one-time sales, includes music distribution and other related services with monthly fees)
*Based on sales in the last month of each quarter.

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Content Distribution (Topics)

TV series based on original U-NEXT book – The first media mix using U-NEXT IP

The TV series “Danchi no Futari”

Production will begin of a TV program called “Danchi no Futari” that is based on an original U-NEXT book.

- Broadcast: Starts September 1, 2024 (Tentative) NHK BS Premium 4K/NHK BS
  Every Sunday evening 10:00-10:49
- Cast: Kyoko Koizumi, Satomi Kobayashi, etc.

Press release: (in Japanese only):
https://www.unext.co.jp/ja/press-room/danchi-no-futari-dramatization-2024-05-22

Activities using U-NEXT Intellectual Property

Novels

Comics

©海石ともえ／U-NEXT

Scroll manga

©U-NEXT

- IP development started in 2020 and more than 110 titles have been created.
- Producing manga and novels to use popular titles as the basis for video programs.
- Broader target audience and lower costs than the production of video content.

Content Distribution (Topics) *Subsequent event

Temporary suspension of acceptance of some credit cards for certain genre

Summary

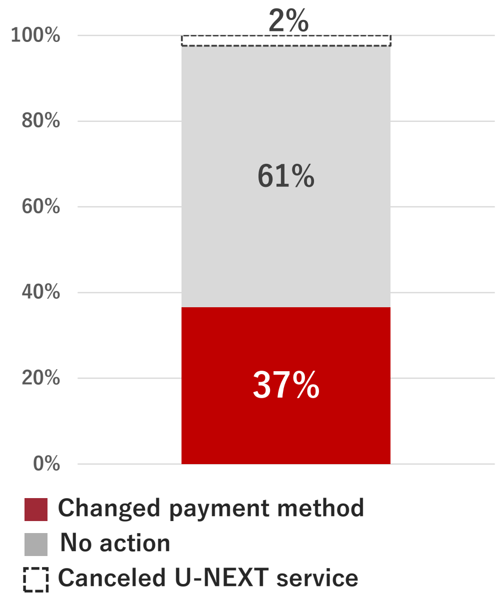
- U-NEXT has temporarily stopped accepting some credit cards for payments involving certain genre.
- Customers who were using these credit cards to pay for viewing content of certain genre need to switch to a different payment method.
- There is no plan at this time to terminate services involving the genre affected by this action.

Effect of the suspension

Only a few percent of users of the monthly fixed-price service were using the temporarily suspended credit cards to pay for the genre affected by this suspension.

Actions of customers

Customers viewing the affected genre who were using a suspended credit card have responded as follows.
(6/21/2024 - 6/30/2024)

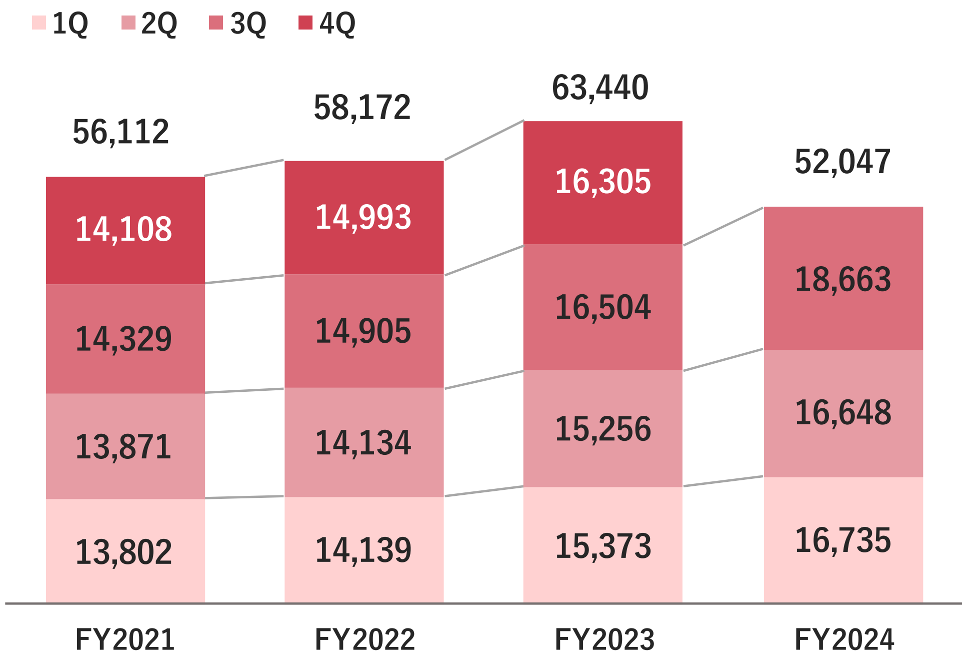


Store Services

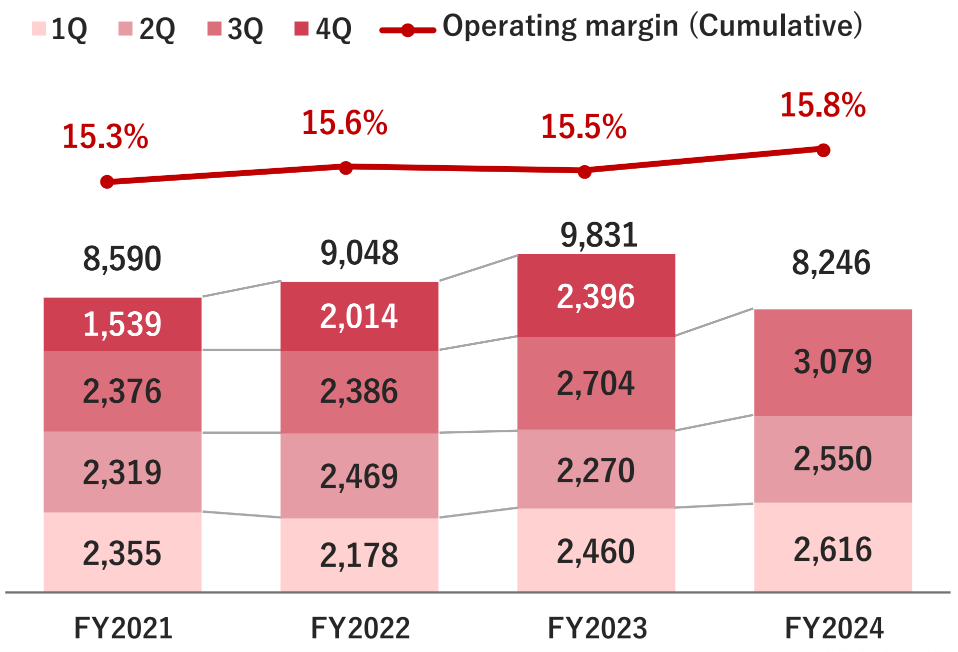
(Million yen)

- Sales and earnings up YoY because of steady growth of DX products, rent guarantee and other recurring income services.
- Record-high quarterly sales and operating income because of QoQ growth backed by one-time earnings growth including large construction projects for external clients and sales of table service robots.

Net Sales YoY +10% QoQ +12%

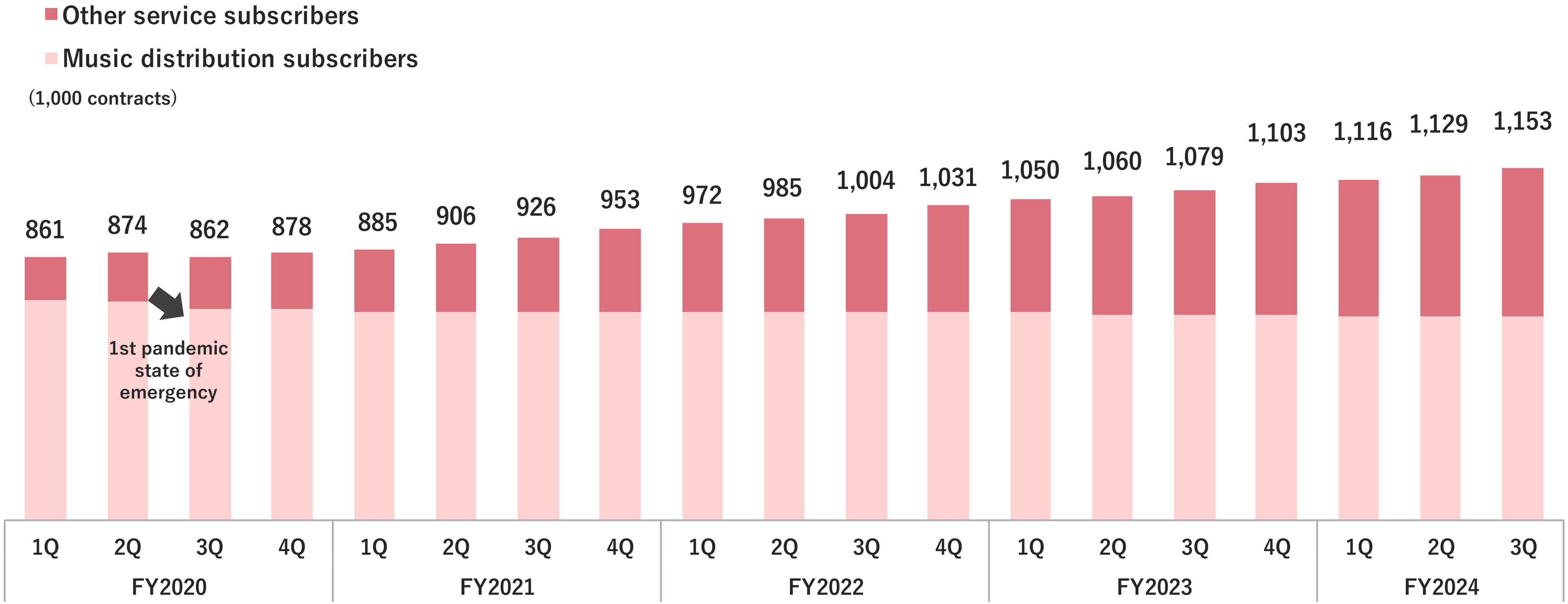


Operating Income / Operating margin YoY +11% QoQ +21%



Store Services (Number of contracts)

Net increases in contracts of 74K YoY and 23K QoQ as the customer base continued to grow



YoY

+74K
(+7%)

QoQ

+23K
(+2%)

*Other store services: The sum of network services, POS register service, Wi-Fi service, IP camera service, App production service, gourmet website service, table service robots, digital signage, cashless services, food delivery franchise
*Subscribers are counted separately for each service provided, including different services provided to the same customer.

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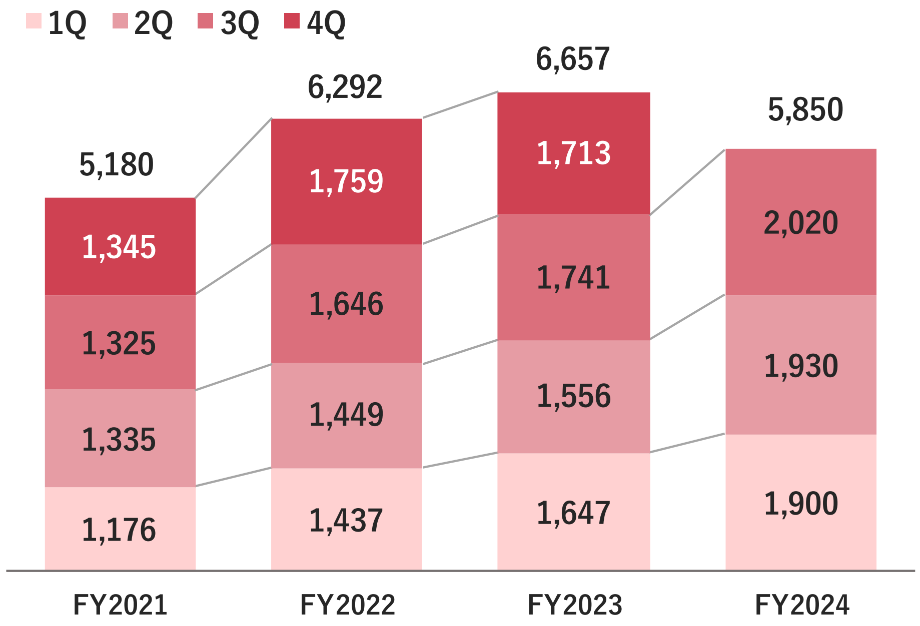
POS register service

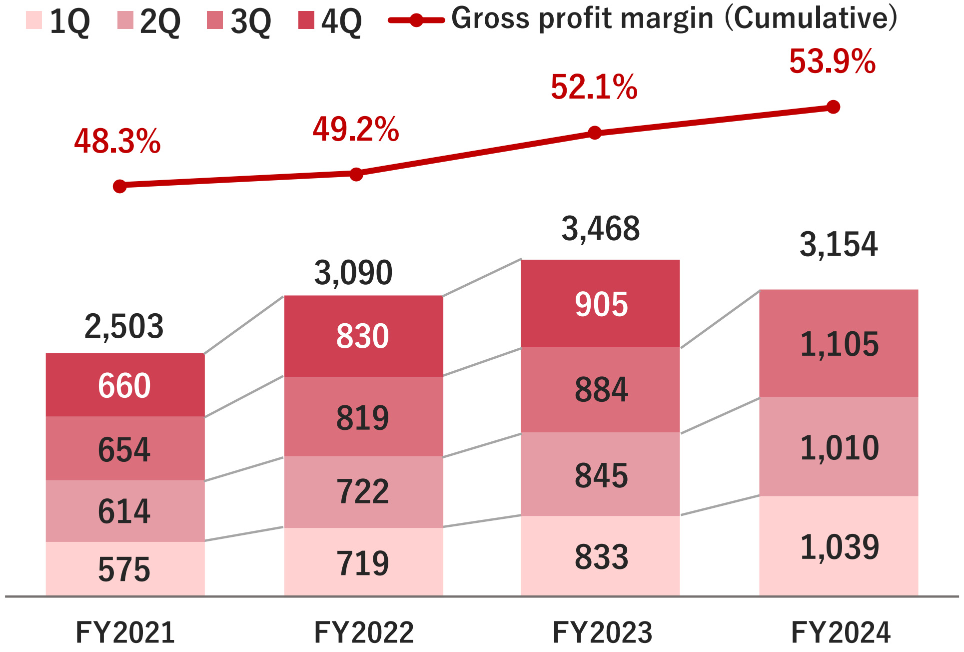
(Million yen)

- Big YoY increases in sales and earnings because of monthly fee revisions in the 1Q.
- Sales and earnings increased because of a recovery in sales of equipment and an increase in the number of contracts.

Net Sales YoY +18% QoQ +5%

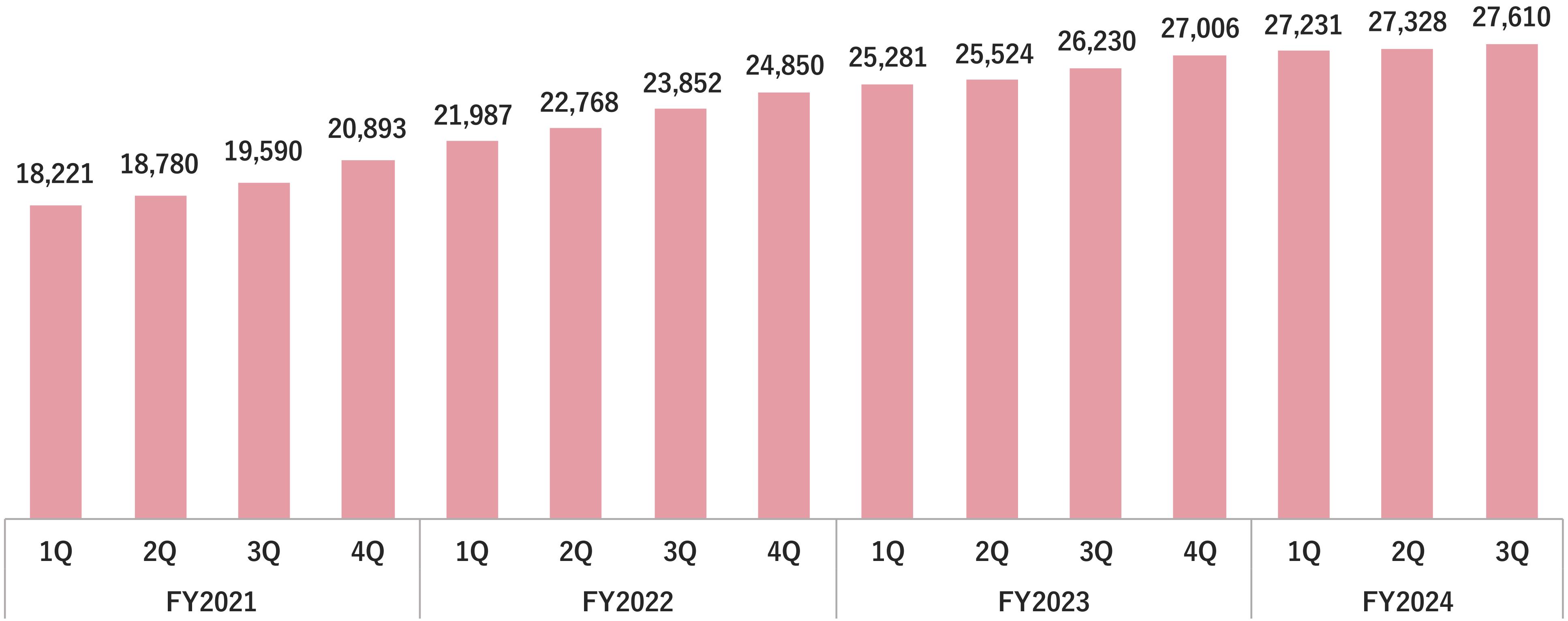


Gross Profit/margin YoY +23% QoQ +9%



POS register service (Number of contracts)

Net growth is recovering despite the increase in cancellations caused by the price revision in November 2023.



YoY

+1.4K
(+5%)

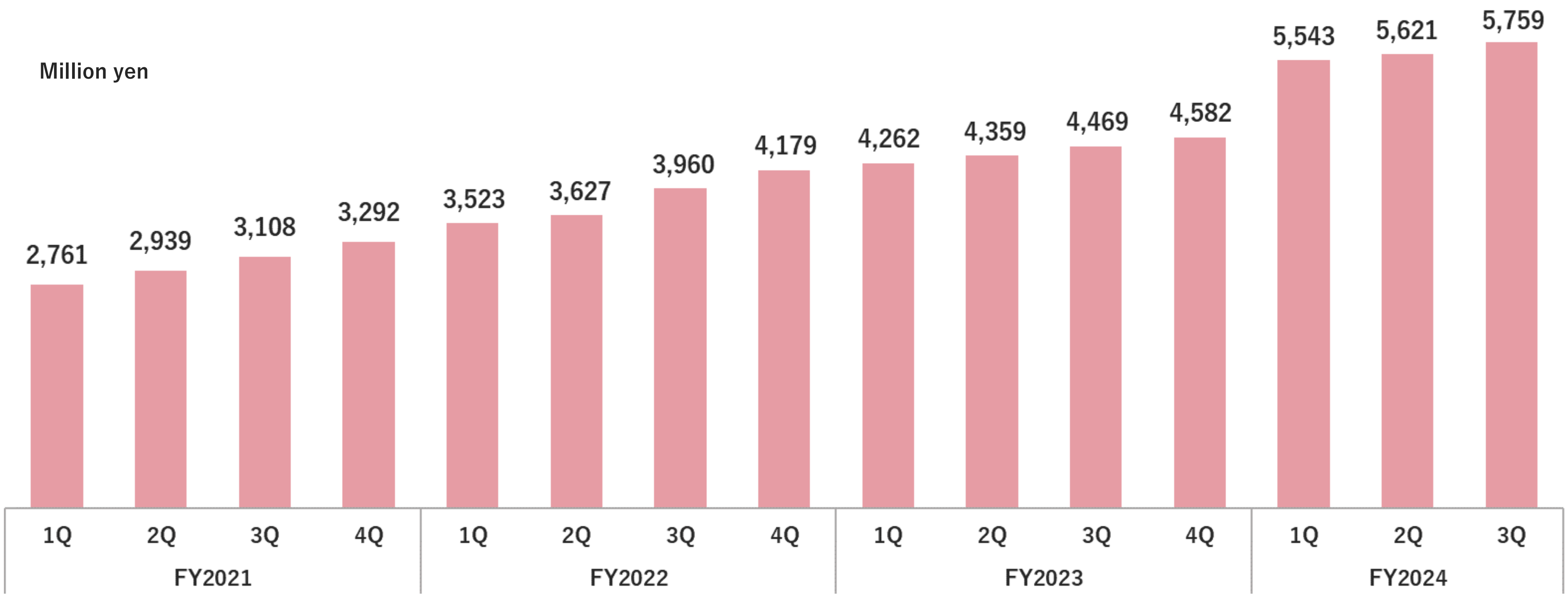
QoQ

+0.3K
(+1%)

Net change of QoQ	+552	+559	+810	+1,303	+1,094	+781	+1,084	+998	+431	+243	+706	+776	+225	+97	+282

POS register service (ARR)

Small increase in ARR due to the net increase in the number of customers.



YoY

+¥1,290M
(+29%)

QoQ

+¥138M
(+2%)

*Annual Recurring Revenue: Monthly recurring revenue multiplied by 12.
*Monthly Recurring Revenue: Portion of POS register service sales derived from fees paid on a regular basis.
(excludes one-time sales such as equipment sales and sales when a service is started)
*Based on sales in the last month of each quarter.

Store Services (Topics)

- Reorganization planned for September 1, 2024, for even faster growth.
- Actions include increasing specialization on growing markets and reorganizing field engineering operations as a separate company.

USEN Camera Solutions

- Specializes in camera solutions.
- Targets the restaurant-bar/retail store sector, where the Group has many customers, and aims to increase sales to hospitals and clinics, factories, condominiums.

USEN PAY

- Specializes in cashless payment.
- The goal is market share growth by fully utilizing the Group’s assets, particularly a base of more than 800,000 customers and a large number of sales channels.

USEN FIELDING

- Field engineering, which is a key strength of the Group, will become a separate company for a stronger base to provide construction services.
- Making this business a separate company is expected to increase the ability to provide added value in order to raise the profitability of the Group.

*The reorganization will have a negligible effect on segment sales and earnings because all actions involve wholly owned subsidiaries and Store Services operations.

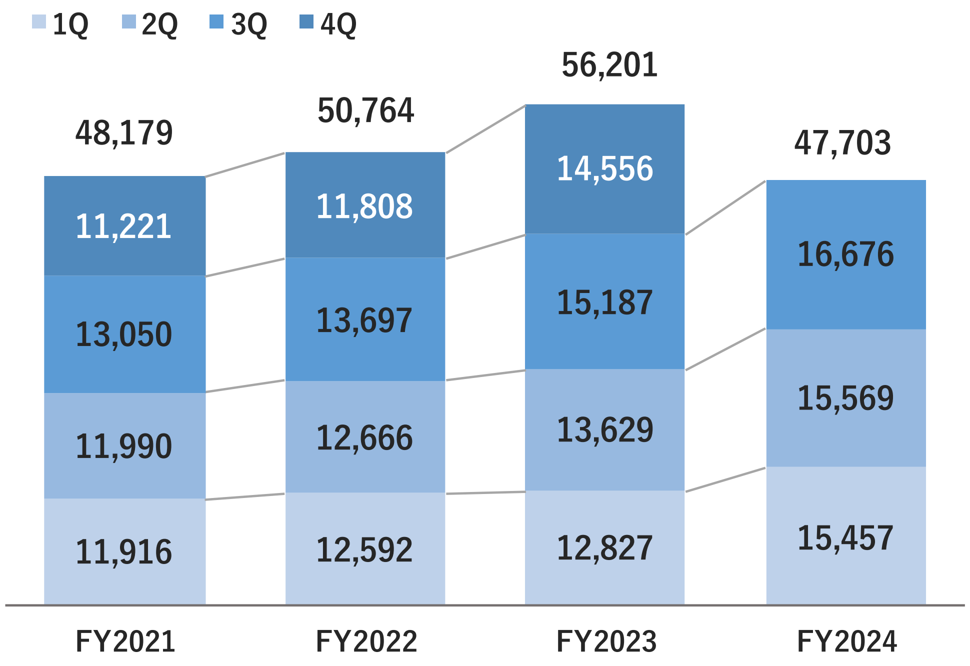
Reference: https://ssl4.eir-parts.net/doc/9418/ir_material6/231598/00.pdf

Communications

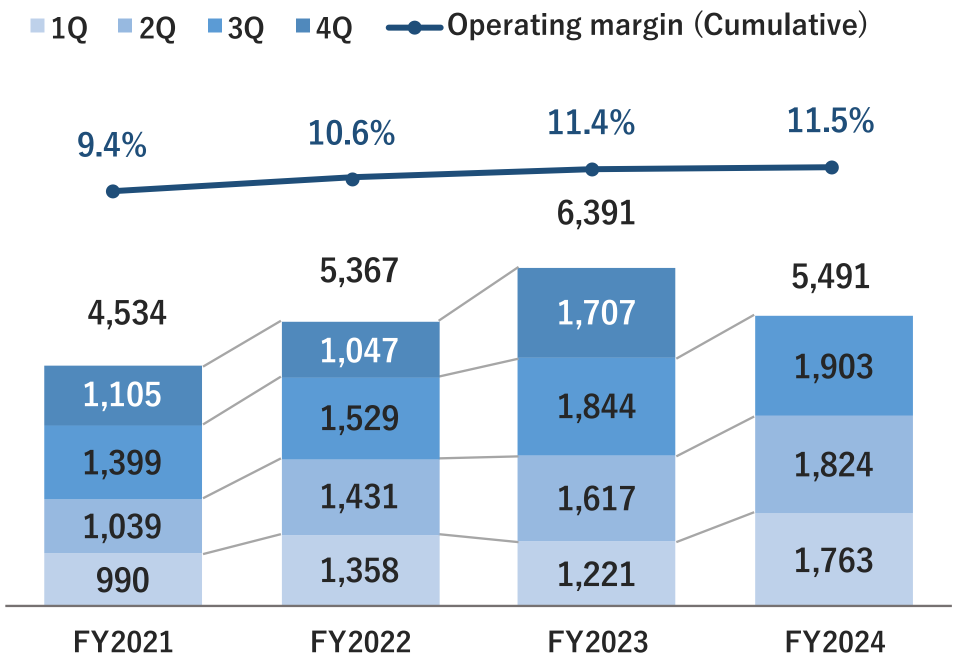
(Million yen)

- YoY Sales increased, except to individuals, and operating income was higher in all categories.
- A small QoQ decline in ICT service for business earnings, partly caused by higher personnel expenses, but record-high quarterly sales and operating income because of the growth of the broadband service sales agent business, partly due to seasonal factors.

Net Sales YoY +15% QoQ +7%



Operating Income / Operating margin YoY +17% QoQ +4%

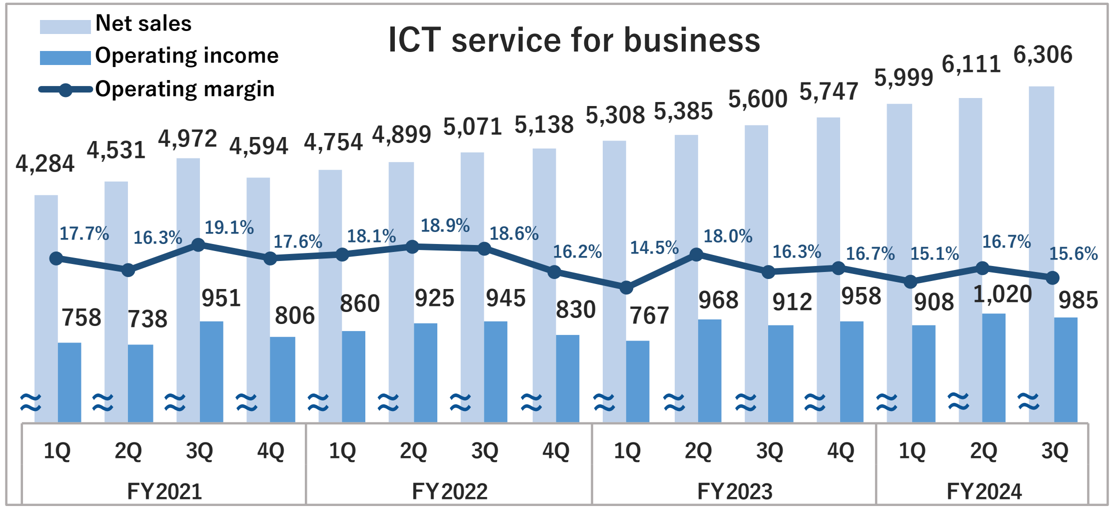


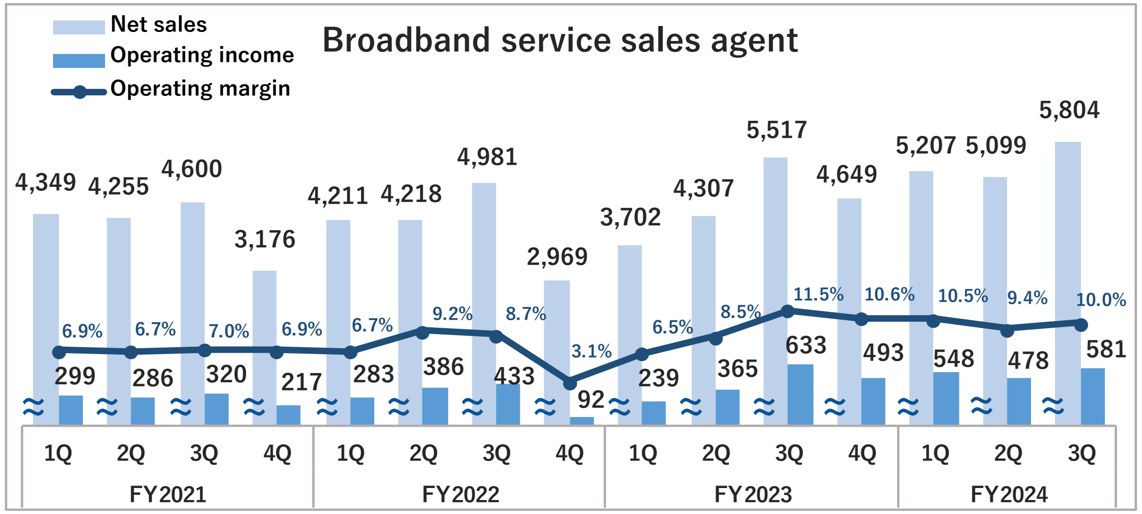
In FY2024, consolidated subsidiary TACT was moved from Content Distribution to Communications.
Figures for these two segments in prior years have not been revised because the effect of this change is negligible.

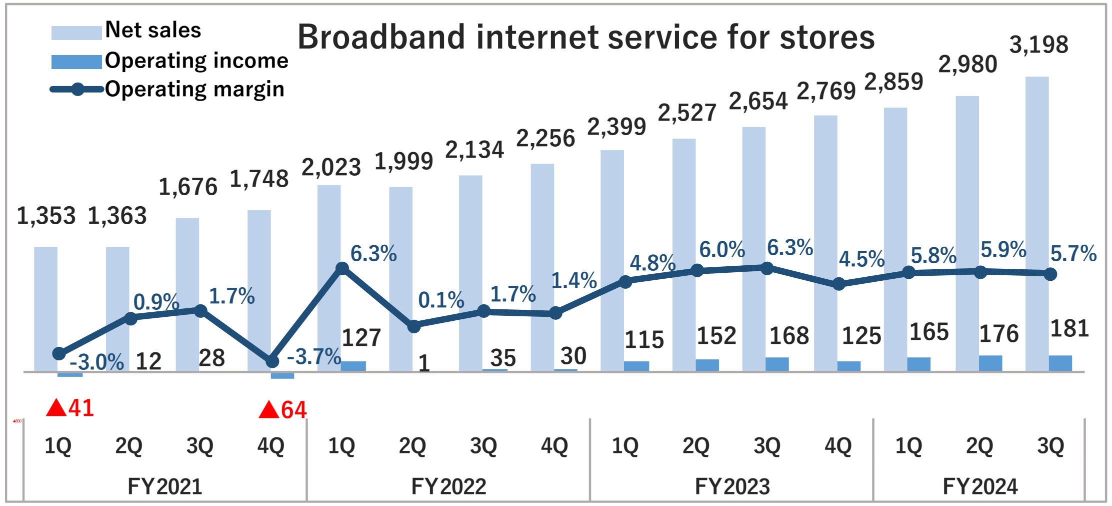
Communications (Service categories)

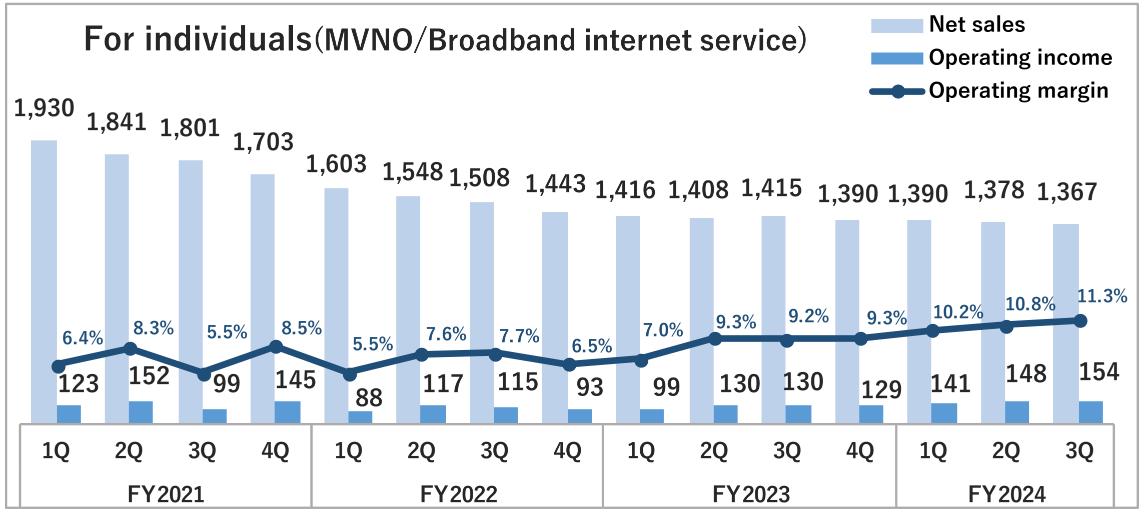
(Million yen)

TACT was moved from Content Distribution to Communications (broadband sales agent) in FY2024.







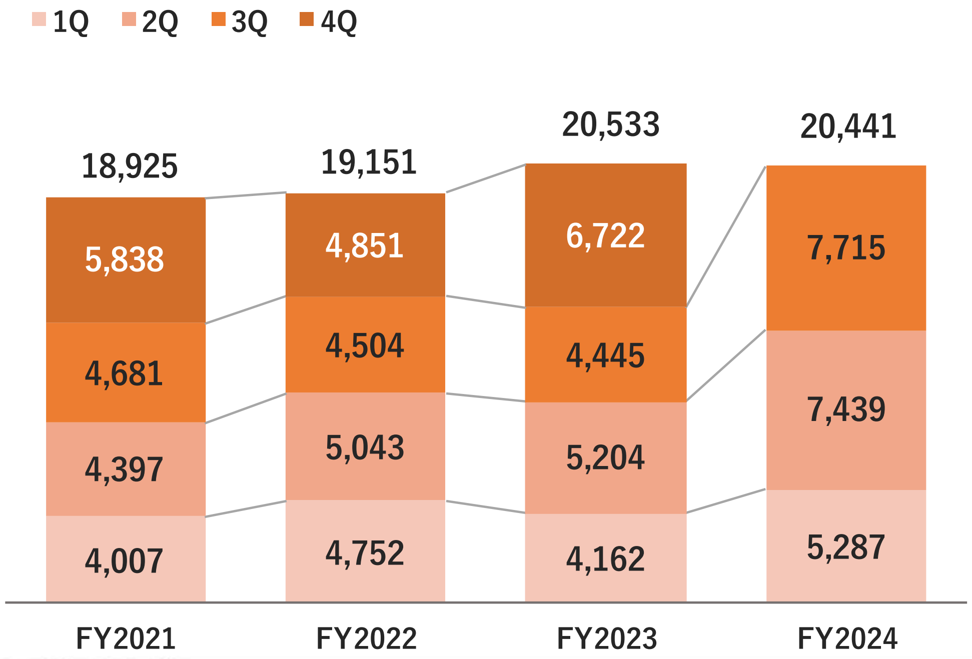


Business Systems

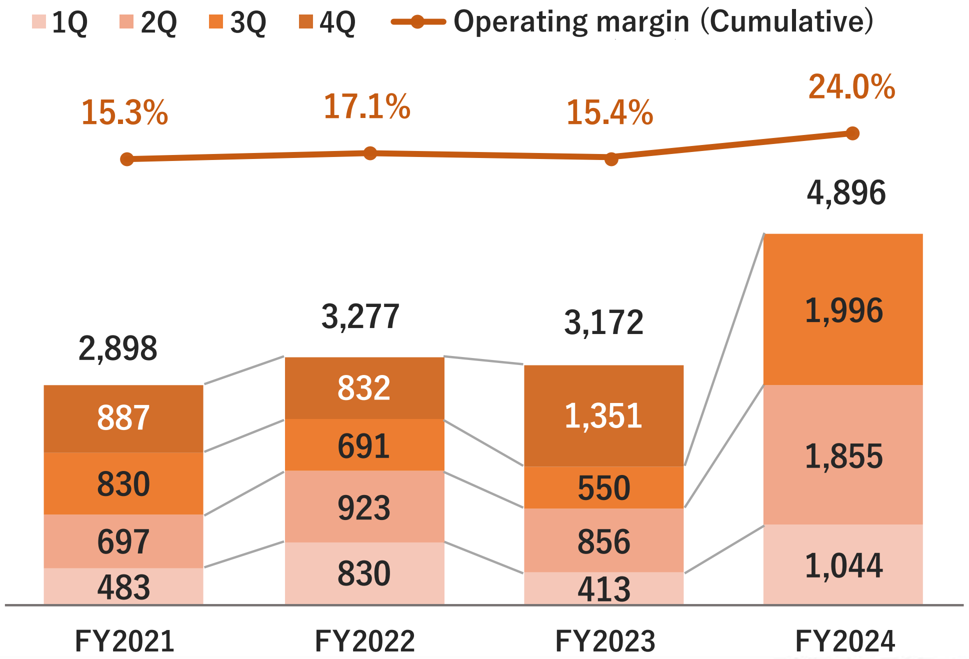
(Million yen)

- A big YoY increase in sales and earnings, the result of automatic payment kiosk replacement demand because of Japan’s currency redesign and of an improvement in the gross profit margin.
- A QoQ increase to record high quarterly sales and operating income because of the reasons for YoY growth and strong sales of products to medical institutions and golf courses.

Net Sales YoY +48% QoQ +4%



Operating Income Operating margin YoY +169% QoQ +8%



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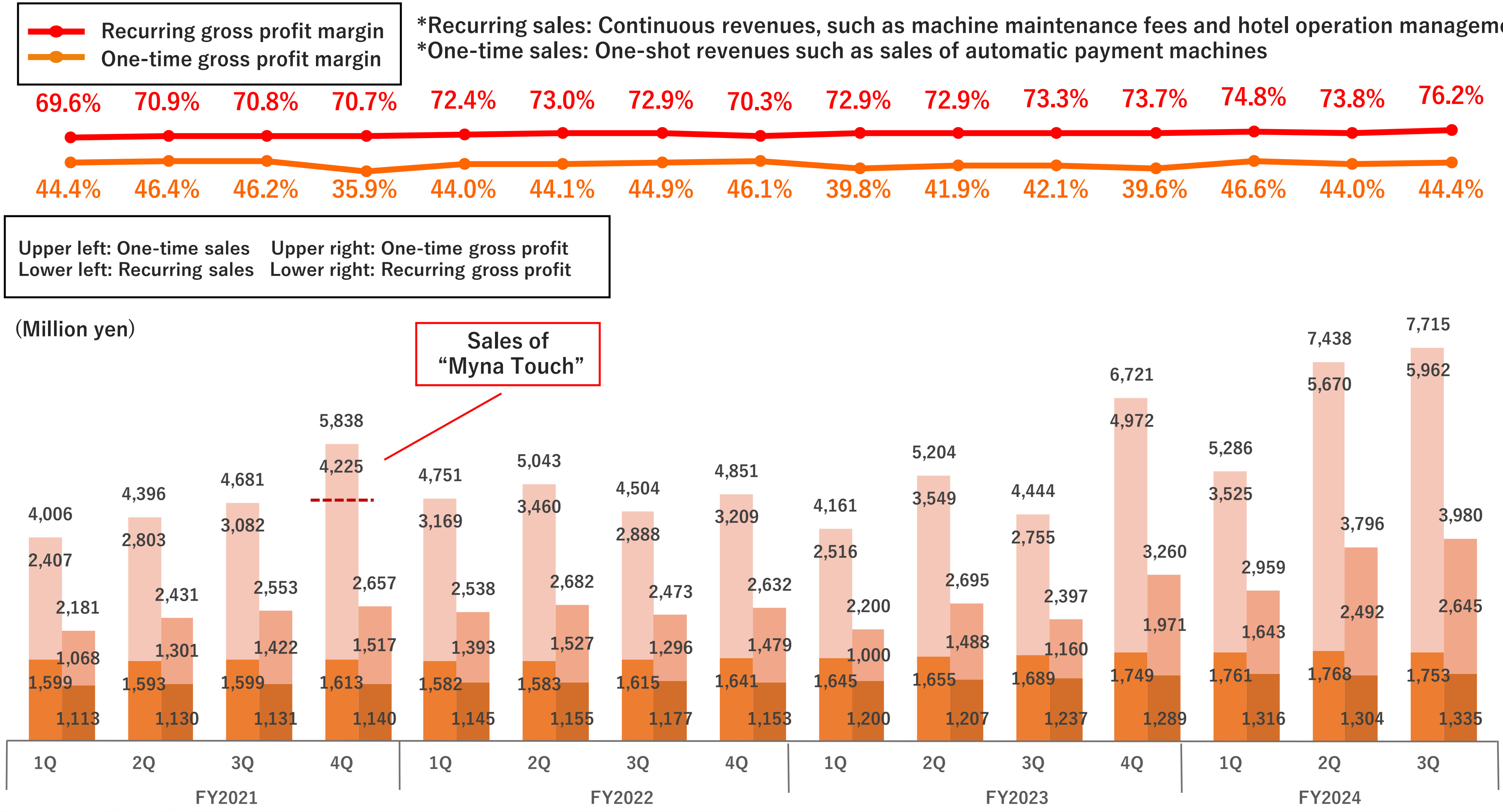
Business Systems (One-time sales/Recurring sales)

*Recurring sales: Continuous revenues, such as machine maintenance fees and hotel operation management system fees
*One-time sales: One-shot revenues such as sales of automatic payment machines



YoY (Quarter)

One-time sales +116%

Recurring sales +4%

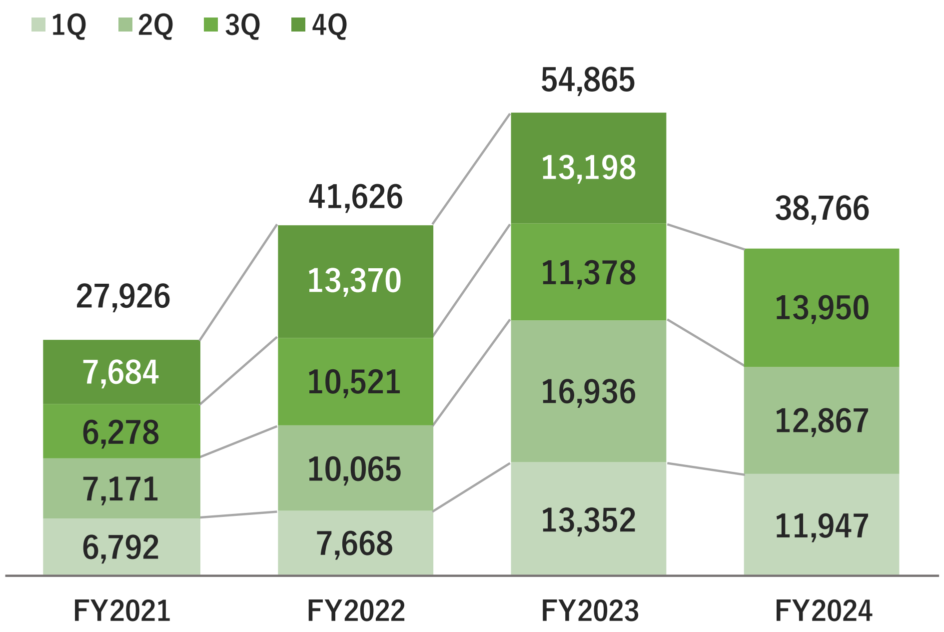
Recurring gross profit +8%

Energy

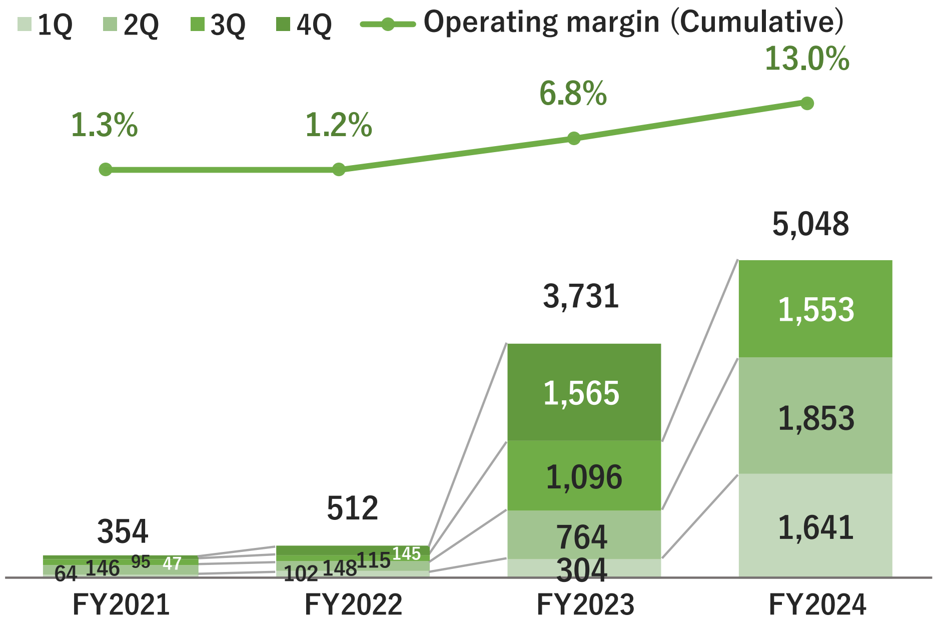
(Million yen)

- (YoY) Sales down as JEPX prices declined but a big increase in earnings because of more U-POWER customers and higher USEN DENKI profitability.
- (QoQ) Sales increased QoQ, including high-volume user sales. Earnings decreased because of capacity market contribution payable and higher expenses for adding customers and other reasons.

Net Sales YoY -7% QoQ +8%

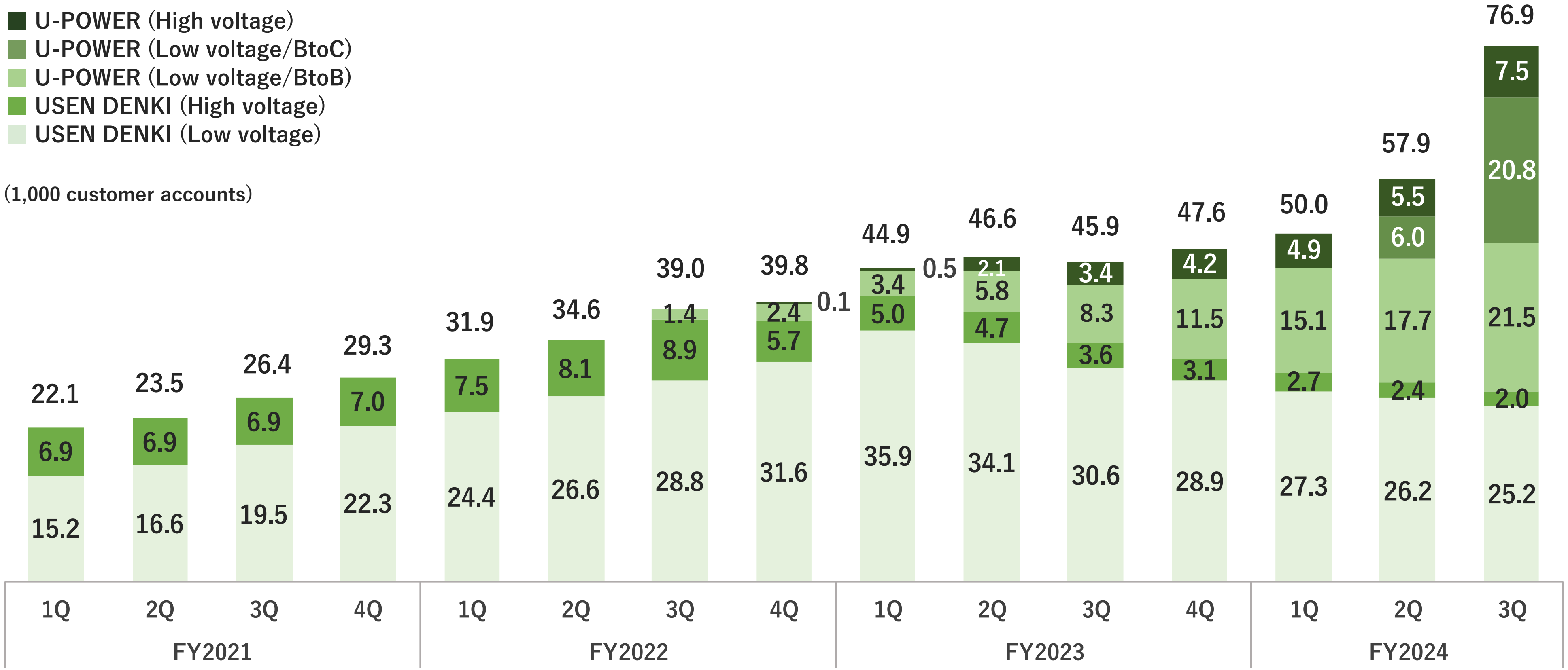


Operating Income / Operating margin YoY +133% QoQ -16%



Energy (Number of customer accounts)

- In the U-POWER high-voltage, a record-high net increase in contracts due to successful bids for large electricity supply contracts for local governments.
- In the U-POWER low voltage B-to-C category, growth was far above the forecast. One reason is the large number of people moving out during this time of the year.



YoY

+31.0K (+67%)

QoQ

+19.0K (+33%)

3. APPENDIX

Segment overview

	Competitive edge	Growth strategy
Content Distribution	✓ Provider of U-NEXT, No. 2[*1] SVOD market share in Japan ✓ Unlimited viewing coverage with the absolute No.1[*2] in content volume in Japan ✓ More than 1.05 million e-books available in a single app ✓ Achieving high ARPU by offering a hybrid model of unlimited viewing and pay-per-use, as well as points equivalent to ¥1,200 per month	✓ A competitive edge due to the size of the content lineup rather than the production of original content ✓ Unparalleled service that allows users to seamlessly enjoy the different categories of videos, books, and music and concerts, all in one app ✓ Further expansion of exclusive titles ✓ Enlarging and upgrading the sports category to make it a core category with movies, anime and drama
Store Services	✓ Music distribution for stores, which commands the No. 1 share in Japan ✓ A solid customer base built over more than 60 years of business development ✓ Maintaining and strengthening customer relationships with an in-house resource structure of 1,200 sales personnel and 900 field engineers covering all of Japan	✓ Use a platform of communication environments for upselling more than 60 IoT/DX products and services (integrated delivery/maintenance/support using internal resources) ✓ Increase focus on newly opened stores, where there is a high ratio of contracts for packages of services; use a cycle of stores that close and stores that open to replace these stores to slowly establish upselling
Communi-cations	✓ ICT Service for Business: A multivendor strategy underpins ICT service for business via a direct sales account manager system ✓ Broadband internet service for stores: Potential to bundle with DX offerings in the Store Services, sales promotion through a network of 250 agencies in addition to direct sales	✓ ICT Service for Business: Build a lineup that matches the ICT needs of businesses to aim for steady growth ✓ Broadband internet service for stores: Change from sales agent to providing our owned networks in order to switch to a recurring-revenue business model. More opportunities for upselling IoT/DX products and services by increasing the number of customers using our owned networks at stores.
Business Systems	✓ Leisure hotels, business hotels and general hospitals are the main markets ✓ Leading market share in Japan for automated payment kiosks, using a fabless production framework ✓ Competitive superiority by providing value through integrated services combining hardware, software/apps, and engineering/maintenance ✓ One-time and recurring account for 55% and 45% of gross profit, respectively	✓ Provide DX assistance to customers to improve efficiency as Japan's working age population falls ✓ Increase recurring revenue by providing software services ✓ Use "Myna Touch" as the entry point for expanding market coverage to include small/midsize medical institutions and target opportunities created by the recovery in IT investment demand associated with the return of foreign tourists to Japan ✓ Establish a presence and grow in peripheral markets such as pet clinics and tourism facilities
Energy	✓ USEN DENKI: Buys electricity from the Tokyo Electric Power Group ✓ U-POWER: A supplier of green electricity that is purchased at current market rates using the Japan Electric Power Exchange (JEPX) ✓ Ability to leverage not only the Group's sales channels—direct sales, inside sales, sales agencies, etc.—but also the existing customer base	✓ USEN DENKI: Provide an infrastructure as the entry point for sales channels of all Group businesses ✓ U-POWER: The goal is to increase the number of customers by using joint activities with USEN and other companies to meet demand associated with the growing interest in ESG

*Source: *1 GEM Partners Video on Demand Market Five-year Forecast Reports *2 GEM Partners, June 2024

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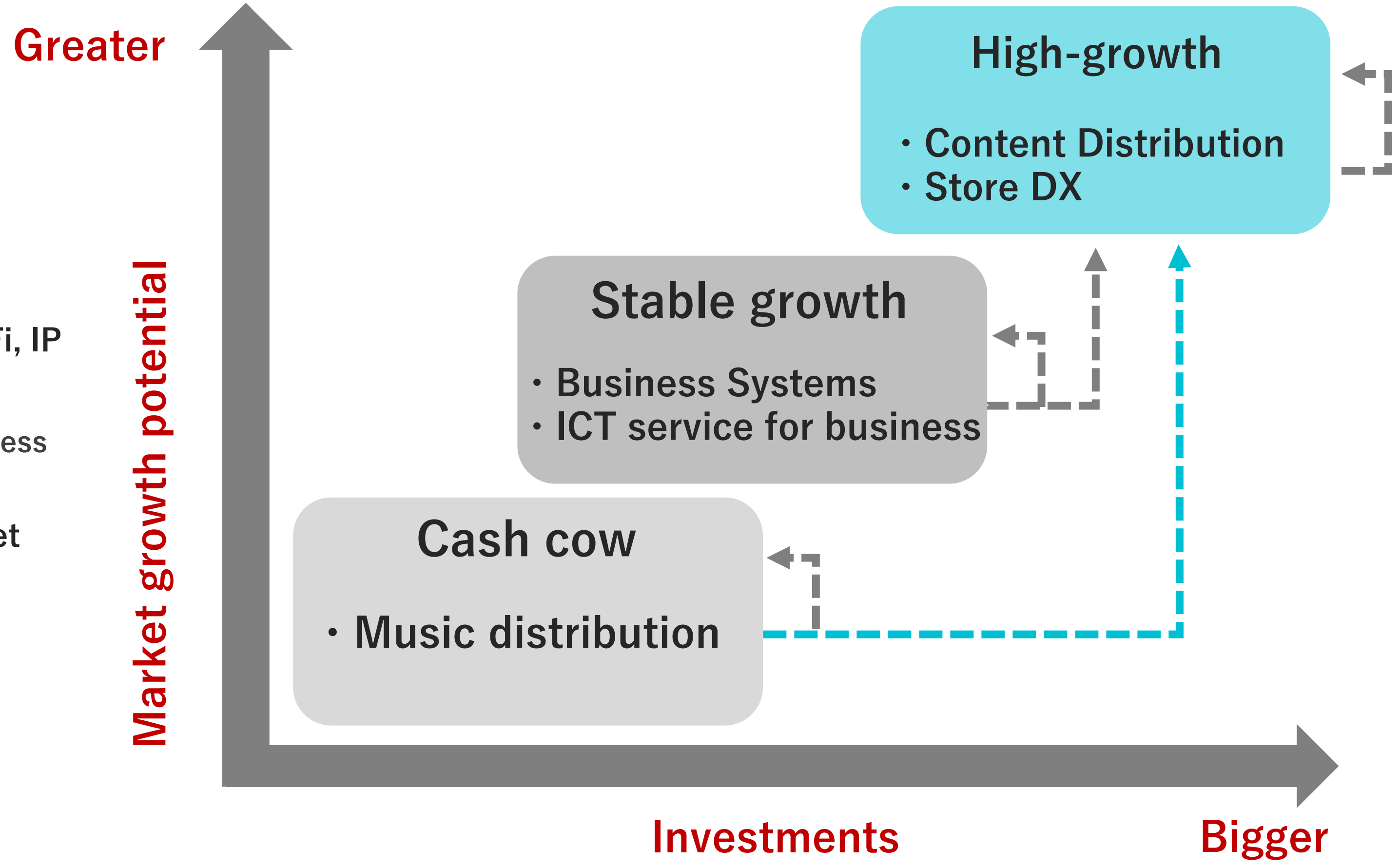
Portfolio management

Aim for sustained growth by making big investments in growing businesses while also reinvesting earnings generated by current businesses

Disclosure segments

- Content Distribution
- Store Services
  - Music distribution
  - Store DX (POS register, Wi-Fi, IP camera, etc.)
- Communications
  - ICT service for business
  - Store DX (Broadband internet service for stores)
- Business Systems
- Energy



Financial strategies

Major financial indicators

	Previous Plan (Actual)		Plan for FY2025
	FY2019	FY2021	
ROE	33.6%	27.2%	About 20%
Equity ratio	14.9%	23.6%	30%～40%
Leverage ratio	4.2	2.6	Under 1.5 times
Debt equity ratio	3.5	1.9	Under 1.0 times

*In the plan, the effect of any M&A activity associated with fund procurement activities is not included.

- Continue efficient business operations while utilizing financial leverage: Maintain an ROE of about 20% and raise the equity ratio to 30% to 40%
- Continue lowering the leverage and debt-to-equity ratios and strengthen fund procurement capabilities in order to utilize M&A opportunities with speed and flexibility.

Capital Allocation (Total for four years)

sources

Funds generated from businesses

More than ¥80 bn

Funds procured

uses

Business investments
More than ¥40 bn

Repayments of loans
More than ¥15 bn

Dividends of more than ¥4 bn

Investments for growth
(internal funds)
More than ¥16 bn

Investments for growth
(Funds procured)

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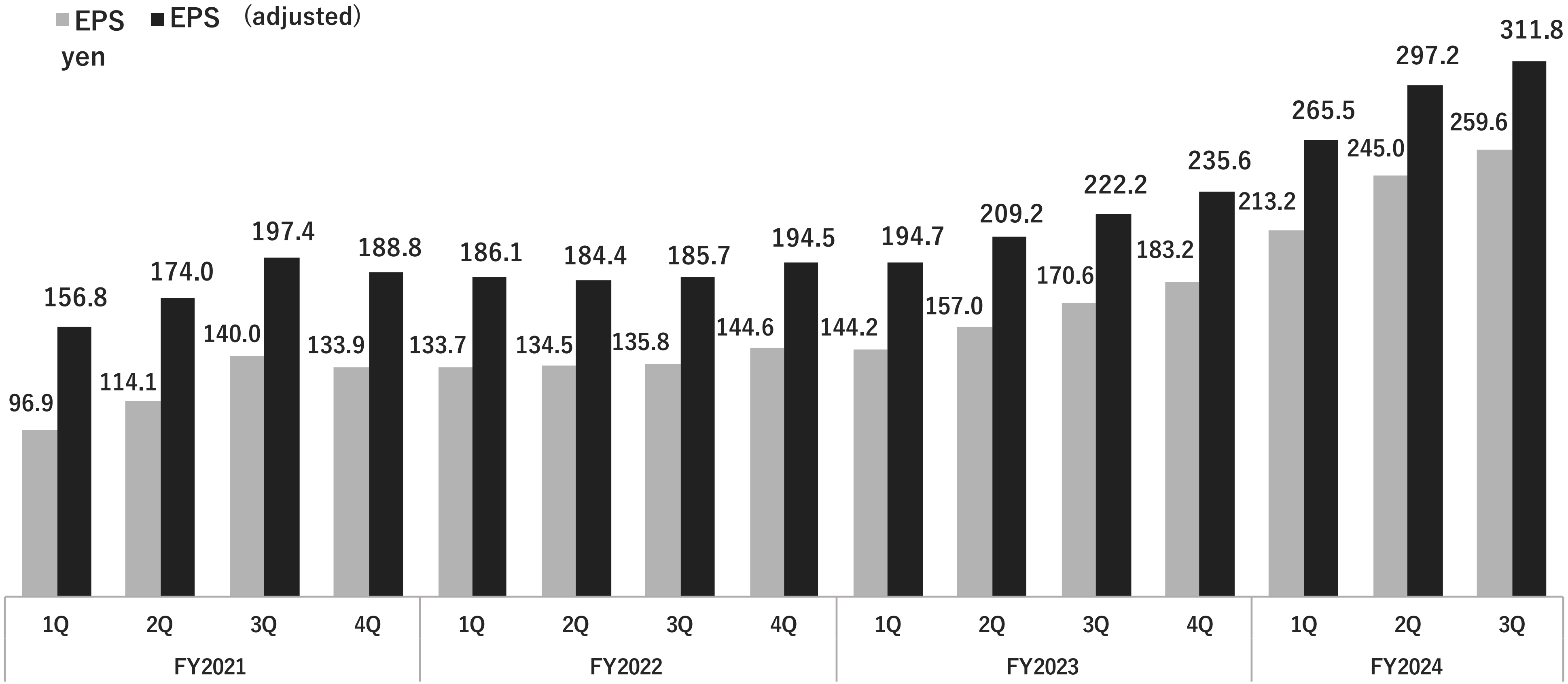
EPS (LTM)

Big YoY increase because of higher earnings



EPS (adjusted)

YoY +¥90
(Quarter)
QoQ +¥15

EPS

YoY +¥89
(Quarter)
QoQ +¥15

*LTM: Last Twelve Month

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Consolidated balance sheet

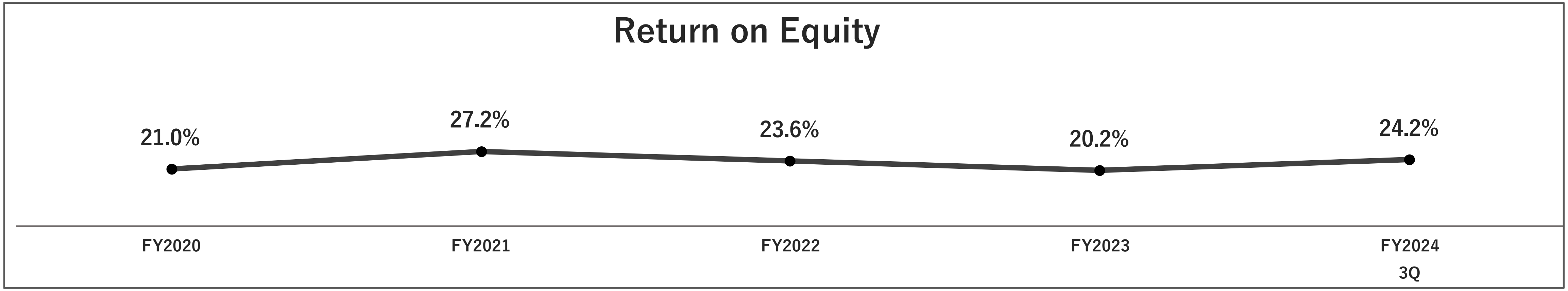
- Current assets: Prepaid expenses increased mainly because of purchases of content
- Non-current assets: Decrease is the net result of higher property, plant and equipment and software and amortization of goodwill
- Liabilities: Increase in other current liabilities is mainly income taxes payable
- Net assets: Increased as net income raised equity, partially offset by year-end dividend

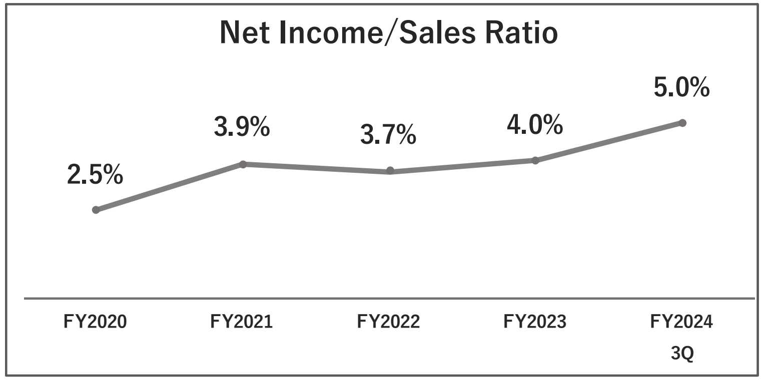
Million yen	FY2023	FY2024 3Q	Difference
(Assets)			
Current assets	**121,225**	**142,054**	**+20,829**
Cash and deposits	52,132	54,754	+2,622
Notes and accounts receivable-trade	31,989	35,389	+3,400
Inventories	9,708	11,416	+1,708
Prepaid expenses	24,364	37,483	+13,119
Other	3,030	3,011	-19
Non-current assets	**79,298**	**78,547**	**-752**
Property, plant and equipment	**18,419**	**18,758**	**+339**
Intangible assets	**48,675**	**47,498**	**-1,176**
Goodwill	42,591	40,278	-2,313
Other	6,083	7,220	+1,137
Investment and other assets	**12,204**	**12,290**	**+86**
Total assets	**200,524**	**220,601**	**+20,078**

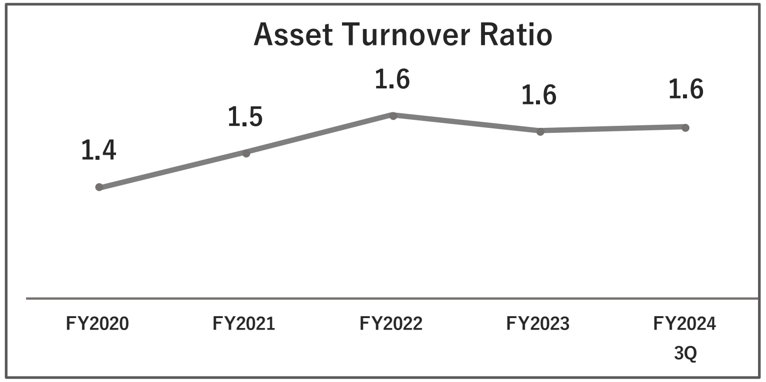
Million yen	FY2023	FY2024 3Q	Difference
(Liabilities)			
Current liabilities	**55,527**	**66,352**	**+10,825**
Notes and accounts payable-trade	26,466	30,294	+3,828
Short-term loans payable	-	-	-
Current portion of long-term loans payable	3,000	3,000	-
Other	26,060	33,057	+6,997
Non-current liabilities	**67,289**	**64,558**	**-2,731**
Bonds payable	10,000	10,000	-
Long-term loans payable	50,970	48,720	-2,250
Other	6,319	5,838	-481
Total liabilities	**122,817**	**130,911**	**+8,094**
(Net assets)			
Shareholder's equity	**68,020**	**79,385**	**+11,366**
Capital stock	97	99	+2
Capital surplus	29,784	29,786	+2
Retained earnings	38,138	49,499	+11,362
Treasury stock	-0	-0	-0
Valuation and translation adjustments	**431**	**374**	**-57**
Non-controlling interests	**9,255**	**9,930**	**+675**
Total net assets	**77,707**	**89,690**	**+11,983**
Total liabilities and net assets	**200,524**	**220,601**	**+20,078**

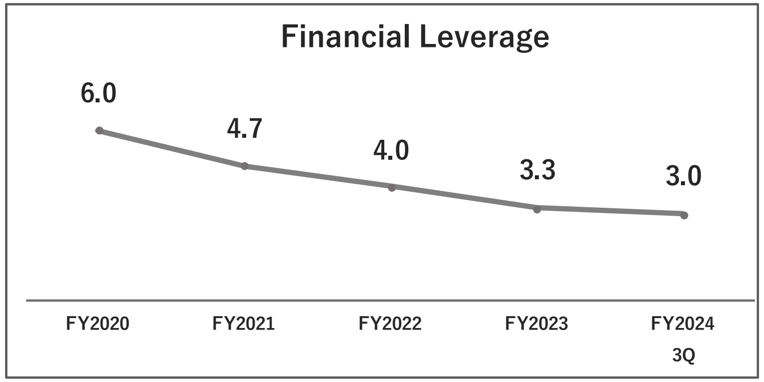
Return on equity (LTM)

ROE higher than at end of FY2023 as leverage decreased and profitability increased.







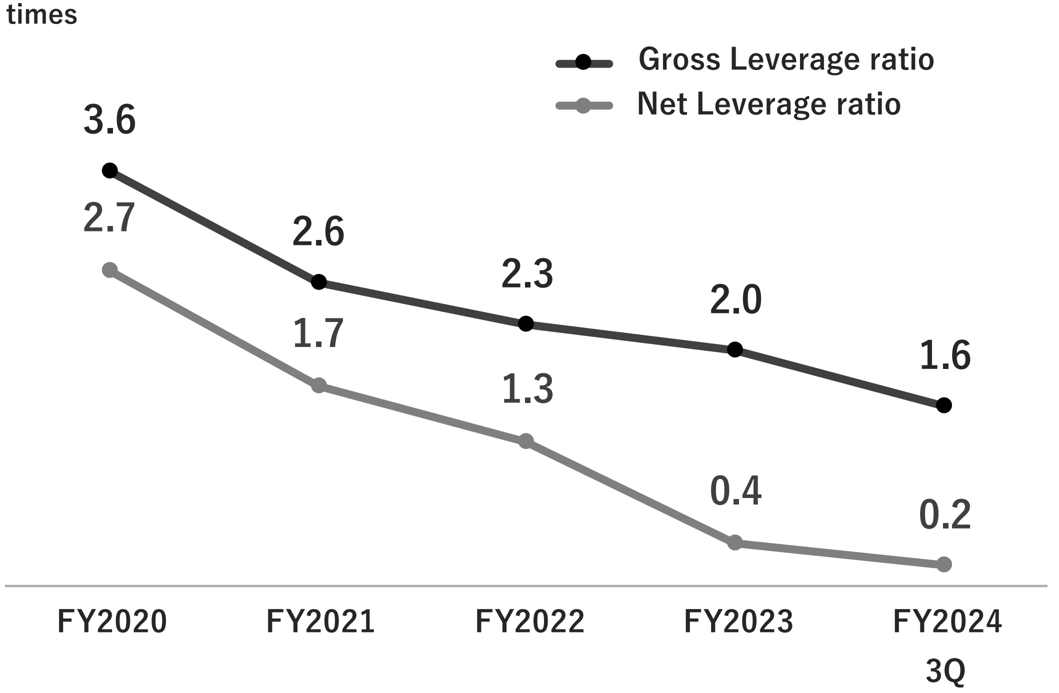


*Return on Equity: Net Income/Sales ratio × Asset Turnover ratio × Financial Leverage
*Net Income/Sales ratio: Profit or Loss attributable to owners of parent /Net Sales
*Asset Turnover Ratio: Net Sales /Total assets
*Financial Leverage: Total assets /(Net assets – Subscription rights to shares – Non-controlling interests)

Leverage ratio (LTM) /Debt/Equity ratio

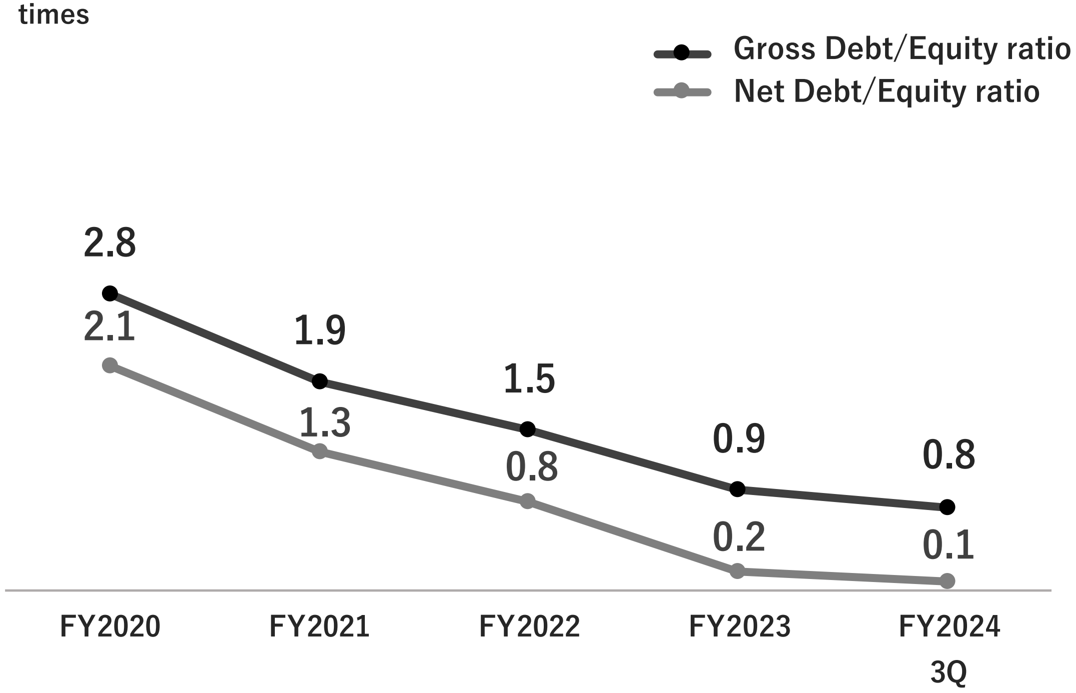
Increasing EBITDA and equity are lowering the leverage ratio and debt/equity ratio.

Leverage Ratio (LTM)



*LTM: Last Twelve Month
*Gross Leverage ratio: Debt ÷ EBITDA
*Net Leverage ratio: (Debt－Cash) ÷ EBITDA

Debt/Equity Ratio



*Gross Debt/Equity ratio: Debt ÷ Shareholder's equity
*Net Debt/Equity ratio: (Debt－Cash) ÷ Shareholder's equity

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Equity spread & EVA spread

(Billion yen)

		FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast	Remarks
ROE	①=②/③	**27.2%**	**23.6%**	**20.2%**	**19.7%**	About the same as in FY23/08
Net Income	- ②	80	87	110	147	
Shareholder's equity (Average)	- ③	293	365	540	745	¥27 billion sale of stock in FY2023
ROIC	④=(⑤×(1−⑥)/(③+⑦)	**10.4%**	**11.3%**	**11.9%**	**13.3%**	Above 13% in FY2024 forecast
Operating Income	- ⑤	156	173	216	285	
Effective tax rate	- ⑥	36%	36%	36%	36%	
Shareholder's equity(Average)		293	365	540	745	¥27 billion sale of stock in FY2023
Debt(Average)	- ⑦	671	617	617	625	¥10 billion sale of bonds in FY2023
Cost of capital	⑧=⑨+(⑩×⑪)	**5.3%**	**11.5%**	**9.3%**	**7.8%**	Declining after the peak in FY22/08
10-year Japanese gov't bond	- ⑨	0.0%	0.2%	0.7%	0.7%	Based on the last day of each fiscal year (rate at end of Feb. '24 for FY24/08)
Market risk premium	- ⑩	5.2%	7.4%	7.0%	6.2%	Average of each fiscal year (LTM at end of Feb. '24 for FY24/08)
Shareholder beta	- ⑪	1.02	1.52	1.23	1.14	Calculated at 52 weeks/104 weeks/36 months/60 months with 95% confidence interval
WACC	⑫=⑧×⑬+⑭×⑮	**2.5%**	**5.2%**	**5.2%**	**4.8%**	Equity ratio is increasing (more financial soundness)
Cost of shareholder's equity		5.3%	11.5%	9.3%	7.8%	
Shareholders' equity ratio	- ⑬	34%	40%	52%	57%	
Cost of dept	- ⑭	1.1%	1.1%	0.8%	0.8%	
Debt to Total Assets	- ⑮	66%	60%	48%	43%	
Equity spread	①−⑧	**22.0%**	**12.1%**	**10.9%**	**11.9%**	
EVA spread	④−⑫	**7.9%**	**6.0%**	**6.8%**	**8.5%**	

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Forward-looking Statements

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