Consolidated Financial Results for the Fiscal Year Ended August 31, 2024 [Japanese GAAP]

October 10, 2024

Company name: U-NEXT HOLDINGS Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 9418
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Scheduled date of Annual General Meeting of Shareholders: November 28, 2024
Scheduled date of commencing dividend payments: November 29, 2024
Scheduled date of filing annual securities report: November 29, 2024
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, 2024 (September 1, 2023 – August 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2024	326,754	18.2	29,110	35.0	28,321	38.9	15,357	40.1
August 31, 2023	276,344	16.1	21,565	24.5	20,386	25.5	10,959	26.2

(Note) Comprehensive income: Fiscal year ended August 31, 2024: ¥15,974 million [32.3%]
Fiscal year ended August 31, 2023: ¥12,070 million [38.0%]

	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	
Fiscal year ended	Yen	Yen	%	%	%	Million yen	%	Yen	%
August 31, 2024	255.44	–	20.4	13.2	8.9	39,541	26.3	307.77	30.6
August 31, 2023	183.16	183.06	20.2	11.5	7.8	31,316	19.2	235.61	21.1

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended August 31, 2024: ¥48 million
Fiscal year ended August 31, 2023: ¥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, 2024	228,962	92,033	35.8	1,361.63
As of August 31, 2023	200,524	77,707	34.1	1,139.02

(Reference) Equity: As of August 31, 2024: ¥81,867 million
As of August 31, 2023: ¥68,451 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
August 31, 2024	15,866	(10,630)	(4,755)	52,738
August 31, 2023	10,678	(9,443)	23,108	52,132

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, 2023	–	10.00	–	11.50	21.50	1,266	11.7	2.4
Fiscal year ended August 31, 2024	–	16.00	–	17.00	33.00	1,984	12.9	2.6
Fiscal year ending August 31, 2025 (Forecast)	–	7.00	–	7.00	14.00		–	

(Note) The Company will conduct a 3-for-1 stock split of common shares effective as of December 1, 2024. Accordingly, the above figures for dividends per share for the fiscal year ending August 31, 2025 (forecast) are presented in an amount after the stock split. The total annual dividends per share without taking into account the stock split will be ¥42.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2025 (September 1, 2024 - August 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	360,000	10.2	31,000	6.5	30,000	5.9	16,700	8.7	92.58

	EBITDA		Adjusted EPS	
	Million yen	%	Yen	%
Full year	42,500	8.1	110.05	7.8

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None
Newly included: - companies

(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, 2024:	60,125,111 shares
August 31, 2023:	60,096,611 shares

2) Total number of treasury shares at the end of the year:

August 31, 2024:	97 shares
August 31, 2023:	74 shares

3) Average number of shares during the year:

Fiscal year ended August 31, 2024:	60,121,337 shares
Fiscal year ended August 31, 2023:	59,834,691 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, 2024 (September 1, 2023 – August 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2024	16,230	19.5	8,488	7.9	8,090	16.9	7,820	22.3
August 31, 2023	13,587	19.0	7,870	32.3	6,917	28.5	6,395	30.2

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
August 31, 2024	130.08	–
August 31, 2023	106.88	106.83

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2024	118,280	47,490	40.2	789.86
As of August 31, 2023	112,993	41,377	36.6	688.52

(Reference) Equity: As of August 31, 2024: ¥47,490 million
As of August 31, 2023: ¥41,377 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, 2024 will be filed on TDnet on October 10, 2024, and also posted on the Company's website.

The Company plans to hold a financial results briefing session for institutional investors on Tuesday, October 15, 2024.

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1. Overview of Operating Results, etc.

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

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 digital transformation (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.

Six years have passed since the management integration of USEN CORPORATION and U-NEXT Co., Ltd., and the Company is making steady progress with the current medium-term management plan. For the Group to make its transition to a new phase of growth, the Company changed its trade name from USEN-NEXT HOLDINGS Co., Ltd. to U-NEXT HOLDINGS Co., Ltd. on April 1, 2024.

During the fiscal year under review, although economic and social activities are back to normal, the business environment surrounding our customers has remained uncertain, due to various issues, including the 2024 Noto Peninsula Earthquake, frequent natural disasters caused by record-breaking abnormal weather, rice shortages, soaring prices, sudden fluctuations in exchange rates and stock prices, severe labor shortages exemplified by the so-called 2024 issues, and overtourism due to the increase in the number of foreign visitors to Japan.

Under these circumstances, the Group changed its group management system in September 2023 to reflect the growth of its business domain and scale.

The Group divided its business domain into sectors and assigned an executive to each sector.

Each assigned executive oversees business companies in his/her sector and pursues strategic planning and organizational development from a cross-organizational perspective.

In September 2024, the Group reorganized business companies in part of its businesses according to their service. By further clarifying their roles and functions, the Group aims to achieve flexible and swift business operations.

In addition, to strengthen the sustainability as a company, the Group has also focused on building an organization that fosters leaders of the next generation. At the same time, the Group has strived to establish organizations and systems that enable it to continuously provide innovative services in response to various needs and issues of its customers.

Furthermore, based on the belief that the most important management resources for a company's sustainable growth are its human resources, the Group has also made an effort to create an employee-friendly environment.

As a result, regarding the financial results for the fiscal year under review, net sales were ¥326,754 million (up 18.2% year on year), operating profit was ¥29,110 million (up 35.0% year on year) and ordinary profit was ¥28,321 million (up 38.9% year on year). In addition, profit attributable to owners of parent was ¥15,357 million (up 40.1 % year on year).

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

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 "(3) Matters on changes in reportable segments, etc." in "1. Overview of reportable segments" in "(Segment information, etc.)" under "(5) Notes to Consolidated Financial Statements" from "3. 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 September 2024, “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 1,080,000 e-books including comics and book titles, and 200 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, as economic and social activities go back to normal, video distribution services are taking root as part of daily life. However, they are also subject to the process of selection and concentration by consumers.

In addition, fluctuations in the foreign exchange rates have a certain impact on content procurement costs.

Under these circumstances, “U-NEXT” has enhanced its distribution lineup with popular content from overseas, including K-pop and K-drama content, 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, the Volleyball Nations League, and other sports content, music, live streaming, and e-books.

In August, we signed a basic agreement with The Football Association Premier League Limited for exclusive distribution rights in Japan to the English Premier League and The Emirates FA Cup, the cup competition with the longest history, for a period of seven years from the 2024-2025 season to the 2030-2031 season. To take advantage of the acquisition of the distribution rights, U-NEXT have started to offer a new plan called “U-NEXT Soccer Pack.”

Games of Spain’s top professional football league LALIGA, among others, are also included in this pack. We allow users to subscribe to “U-NEXT Soccer Pack” either at an economical price by using U-NEXT points or as a standalone service with an aim of increasing average revenue per user (ARPU) and expanding the user base.

Furthermore, we have started a “Kids Unlimited” service, which allows monthly subscribers to enjoy unlimited access to approximately 1,300 children’s books at no additional cost. We have also focused on publishing original books and comics as part of our intellectual property (IP) strategy. We will thus continue to strive to expand our lineup of attractive content and improve our services.

Going forward, we will also offer U-NEXT’s soccer content to hotels, commercial facilities, and sports bars. We will utilize synergies with the group’s businesses for stores and facilities and support the creation of spaces in which people can share and enjoy together the joy of watching sports.

As a result, net sales and operating profit of the Content Distribution Business were ¥109,124 million (up 31.1% year on year) and ¥8,486 million (up 39.2% 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 fiscal year under review, 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.

On November 20, 2023, we launched “USEN MUSIC Entertainment,” enabling a new comprehensive production solution for stores with a service that goes beyond background music. It integrates sounds and visuals into one and offers entertainment in which customers can participate.

Moreover, we have started a “USEN Oshi-katsu Request” as a service to support users’ oshi-katsu, or enthusiastic support activities, for their favorite music artists in the USEN music distribution service.

Additionally, USEN Techno-Service Co., Ltd., which undertakes equipment installation work for stores and facilities, has significantly increased its installation record, primarily in restaurant chains, by leveraging its extensive network of engineers across Japan.

As a result, net sales and operating profit of the Store Services Business for the fiscal year under review were ¥70,000 million (up 10.3% year on year) and ¥9,966 million (up 1.4% 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 fiscal year under review, 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., through collaborations and efforts with various companies, 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. We are striving to make a shift from a model of acquiring one-shot fees to a model of acquiring running revenue, and the number of customers is steadily rising.

Furthermore, on June 19, 2024, we launched a high-speed home internet service “JAL Hikari Powered by USEN NETWORKS,” which allows JAL Mileage Bank members to earn miles, expanding our services to individual customers as well.

As a result, net sales and operating profit of the Communications Business were ¥63,679 million (up 9.2% year on year) and ¥7,248 million (up 10.7% 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, new banknotes were issued in July 2024, and sales significantly grew as businesses continued to replace their older automated payment machines and other machines with new ones that are compatible with the new banknotes or introduce new ones.

We will continue not only to seize the opportunities arising from the new banknotes but also meet the needs for cashless payment solutions actively.

At hospitals and clinics, where it is difficult to allocate a sufficient number of staff to reception desks due to chronic labor shortages and work style reforms, we started to interface “Sma-pa Myna Touch,” a card reader with face recognition functions compatible with an online eligibility confirmation system, with “Sma-pa TERMINAL,” a next-generation multifunctional reception machine, and “APS-3300,” an automated reception machine for returning patients, in order to make it possible to perform reception and health insurance card verification in a single process. We are thus supporting them in DX promotion.

Furthermore, in July 2024, we delivered and installed multiple self-check-in systems for hotel facilities and automated payment machines exclusively for hot spring facilities at a large resort complex “Ryugujo Spa & Hotel Mikazuki” in Chiba Prefecture. Introduction of payment machines is expanding to facilities other than hospitals and hotels, and they are significantly contributing to labor-efficient operations, alleviating labor shortages, and reducing long lines of guests waiting to make payment.

As a result, net sales and operating profit of the Business Systems Business were ¥28,841 million (up 40.5% year on year) and ¥7,023 million (up 121.4% 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, we experienced higher-than-average temperatures in winter, and then once-in-a-decade heat in summer. Nevertheless, the reserve margin for summer electricity demand remained on or above the minimum reserve margin of 3% required for stable supply across all areas. As a result, no power-saving requests were made.

In addition, in the foreign exchange market, the yen made a drastic shift from a depreciation trend to appreciate, creating highly volatile conditions and leading to instability in electricity procurement costs.

Under these circumstances, U-POWER Co., Ltd. sells high-voltage and low-voltage electricity generated substantially from renewable sources to corporate clients. In addition, it has started selling “GREEN Home,” a substantially renewable electricity plan for households. Due to the increasing demand driven by customers’ wish to use environmentally friendly electricity and the strengthened customer acquisition efforts using sales agents both inside and outside of the Group, the number of accounts to which we supply electricity topped 90 thousand as of August 31, 2024, and the number of contracts has steadily been growing.

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 were ¥60,146 million (up 9.6% year on year) and ¥5,614 million (up 50.5% 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 ¥28,438 million compared with the end of the previous fiscal year to ¥228,962 million.

Current assets increased by ¥28,993 million compared with the end of the previous fiscal year to ¥150,218 million mainly due to increases in cash and deposits of ¥605 million, notes and accounts receivable – trade of ¥9,257 million, inventories of ¥1,593 million, and prepaid expenses of ¥16,330 million.

Non-current assets decreased by ¥555 million compared with the end of the previous fiscal year to ¥78,743 million mainly due to an increase in property, plant and equipment of ¥2,637 million and decreases in intangible assets of ¥1,480 million and in investments and other assets of ¥1,712 million.

(Liabilities)

Current liabilities increased by ¥16,001 million compared with the end of the previous fiscal year to ¥71,529 million.

Non-current liabilities decreased by ¥1,890 million compared with the end of the previous fiscal year to ¥65,399 million mainly due to decreases in long-term borrowings of ¥1,147 million and in retirement benefit liability of ¥94 million.

(Net assets)

Net assets increased by ¥14,326 million compared with the end of the previous fiscal year to ¥92,033 million mainly due to increases in retained earnings of ¥13,705 million and in non-controlling interests of ¥910 million.

(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 ¥52,738 million, an increase of ¥605 million compared with the end of the previous fiscal year, which included an increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation of ¥124 million. 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 ¥15,866 million (¥10,678 million provided for the previous fiscal year). Primary factors for this were the recording of profit before income taxes of ¥27,356 million, depreciation of ¥7,284 million, and amortization of goodwill of ¥3,145 million, income taxes paid of ¥4,828 million, and increases in trade receivables of ¥9,255 million, in inventories of ¥1,593 million, in trade payables of ¥6,531 million, and in prepaid expenses of ¥16,311 million.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year under review was ¥10,630 million (¥9,443 million used for the previous fiscal year). Primary factors for this were decreases in net cash of ¥5,640 million due to purchase of property, plant and equipment and ¥3,793 million due to purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities for the fiscal year under review was ¥4,755 million (¥23,108 million provided for the previous fiscal year). Primary factors for this were decreases in net cash of ¥3,030 million due to repayments of long-term borrowings and ¥1,653 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 change due to various factors, 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.

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, 2025 (Forecast)	360,000	31,000	30,000	16,700
Fiscal year ended August 31, 2024 (Result)	326,754	29,110	28,321	15,357

2. Basic Policy on Selection of Accounting Standards

The 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, 2023	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	52,132	52,738
Notes and accounts receivable - trade	31,989	41,246
Inventories	9,708	11,302
Prepaid expenses	24,364	40,694
Other	4,017	4,624
Allowance for doubtful accounts	(987)	(387)
Total current assets	121,225	150,218
Non-current assets		
Property, plant and equipment		
Buildings and structures	38,028	39,524
Accumulated depreciation and impairment	(27,310)	(28,125)
Buildings and structures, net	10,717	11,399
Land	1,045	2,658
Other	6,656	6,999
Total property, plant and equipment	18,419	21,056
Intangible assets		
Goodwill	42,591	39,490
Other	6,083	7,704
Total intangible assets	48,675	47,194
Investments and other assets		
Investment securities	1,307	1,128
Long-term loans receivable	5,302	5,305
Deferred tax assets	7,584	5,489
Other	3,063	4,685
Allowance for doubtful accounts	(5,054)	(6,117)
Total investments and other assets	12,204	10,491
Total non-current assets	79,298	78,743
Total assets	200,524	228,962

(Million yen)

	As of August 31, 2023	As of August 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,457	30,989
Electronically recorded obligations - operating	2,009	2,697
Current portion of long-term borrowings	3,000	3,066
Income taxes payable	2,460	6,392
Contract liabilities	10,557	10,890
Provision for related facility repairs	30	30
Provision for loss on guarantees	101	458
Other provisions	59	125
Other	12,851	16,878
Total current liabilities	55,527	71,529
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	50,970	49,822
Provision for related facility repairs	104	63
Retirement benefit liability	2,340	2,246
Other	3,874	3,266
Total non-current liabilities	67,289	65,399
Total liabilities	122,817	136,928
Net assets		
Shareholders' equity		
Share capital	97	99
Capital surplus	29,784	29,786
Retained earnings	38,138	51,843
Treasury shares	(0)	(0)
Total shareholders' equity	68,020	81,729
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	99	40
Remeasurements of defined benefit plans	331	97
Total accumulated other comprehensive income	431	138
Non-controlling interests	9,255	10,166
Total net assets	77,707	92,033
Total liabilities and net assets	200,524	228,962

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended August 31, 2023	For the fiscal year ended August 31, 2024
Net sales	276,344	326,754
Cost of sales	179,864	209,597
Gross profit	96,480	117,155
Selling, general and administrative expenses	74,914	88,044
Operating profit	21,565	29,110
Non-operating income		
Penalty income	58	110
Share of profit of entities accounted for using equity method	29	48
Other	175	173
Total non-operating income	263	332
Non-operating expenses		
Interest expenses	624	514
Foreign exchange losses	199	143
Provision of allowance for doubtful accounts	14	260
Other	603	203
Total non-operating expenses	1,442	1,121
Ordinary profit	20,386	28,321
Extraordinary income		
Gain on sale of non-current assets	58	0
Gain on sale of investment securities	172	165
Gain on bargain purchase	88	–
Total extraordinary income	319	165
Extraordinary losses		
Impairment losses	202	116
Loss on retirement of non-current assets	1,035	648
Loss on valuation of shares of subsidiaries and associates	9	150
Provision of allowance for doubtful accounts	–	215
Other	173	0
Total extraordinary losses	1,421	1,131
Profit before income taxes	19,284	27,356
Income taxes - current	5,417	8,773
Income taxes - deferred	1,901	2,315
Total income taxes	7,318	11,088
Profit	11,966	16,267
Profit attributable to non-controlling interests	1,007	910
Profit attributable to owners of parent	10,959	15,357

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended August 31, 2023	For the fiscal year ended August 31, 2024
Profit	11,966	16,267
Other comprehensive income		
Valuation difference on available-for-sale securities	74	(58)
Remeasurements of defined benefit plans, net of tax	30	(234)
Total other comprehensive income	104	(293)
Comprehensive income	12,070	15,974
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,063	15,064
Comprehensive income attributable to non-controlling interests	1,007	910

(3) Consolidated Statements of Changes in Net Assets

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	38,138	(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

For the fiscal year ended August 31, 2024 (From September 1, 2023 to August 31, 2024)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	97	29,784	38,138	(0)	68,020
Changes during period					
Dividends of surplus			(1,653)		(1,653)
Profit attributable to owners of parent			15,357		15,357
Issuance of new shares - exercise of share acquisition rights	2	2			4
Purchase of treasury shares				(0)	(0)
Increase due to increase of consolidated subsidiaries			1		1
Net changes in items other than shareholders' equity					
Total changes during period	2	2	13,705	(0)	13,709
Balance at end of period	99	29,786	51,843	(0)	81,729

	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	99	331	431	9,255	77,707
Changes during period					
Dividends of surplus					(1,653)
Profit attributable to owners of parent					15,357
Issuance of new shares - exercise of share acquisition rights					4
Purchase of treasury shares					(0)
Increase due to increase of consolidated subsidiaries					1
Net changes in items other than shareholders' equity	(58)	(234)	(293)	910	617
Total changes during period	(58)	(234)	(293)	910	14,326
Balance at end of period	40	97	138	10,166	92,033

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended August 31, 2023	For the fiscal year ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	19,284	27,356
Depreciation	6,612	7,284
Amortization of goodwill	3,138	3,145
Increase (decrease) in allowance for doubtful accounts	14	463
Net increase in provision for related facility repairs	(48)	(40)
Increase (decrease) in provision for loss on guarantees	76	356
Interest and dividend income	(24)	(25)
Interest expenses	624	514
Impairment losses	202	116
Loss on retirement of non-current assets	1,035	648
Loss (gain) on sale of non-current assets	(58)	(0)
Loss (gain) on sale of investment securities	(172)	(165)
Decrease (increase) in trade receivables	(4,445)	(9,255)
Decrease (increase) in inventories	(1,886)	(1,593)
Increase (decrease) in trade payables	1,222	6,531
Increase (decrease) in electronically recorded obligations-operating	465	713
Increase (decrease) in accounts payable - other	1,936	196
Increase (decrease) in contract liabilities	715	333
Decrease (increase) in prepaid expenses	(10,675)	(16,311)
Other, net	(149)	915
Subtotal	17,869	21,185
Interest and dividends received	24	25
Interest paid	(624)	(514)
Income taxes paid	(6,589)	(4,828)
Net cash provided by (used in) operating activities	10,678	15,866
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,689)	(5,640)
Proceeds from sale of property, plant and equipment	316	0
Payments for retirement of property, plant and equipment	(663)	(641)
Purchase of intangible assets	(3,178)	(3,793)
Proceeds from sale of investment securities	172	166
Other, net	(1,401)	(721)
Net cash provided by (used in) investing activities	(9,443)	(10,630)
Cash flows from financing activities		
Proceeds from long-term borrowings	55,220	–
Repayments of long-term borrowings	(60,670)	(3,030)
Proceeds from issuance of bonds	10,000	–
Purchase of treasury shares	(6,367)	(0)
Proceeds from share issuance to non-controlling shareholders	26,798	–
Dividends paid	(1,476)	(1,653)
Other, net	(395)	(71)
Net cash provided by (used in) financing activities	23,108	(4,755)
Net increase (decrease) in cash and cash equivalents	24,342	481
Cash and cash equivalents at beginning of period	26,381	52,132
Increase of cash and cash equivalents due to share exchange	1,407	–
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	124
Cash and cash equivalents at end of period	52,132	52,738

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(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. our consolidated subsidiary, 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., USEN-NEXT Design Co., Ltd., WannaEat CO., LTD., and USEN TRUST 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, USEN-NEXT LIVING PARTNERS Inc., TACT 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.

(3) Matters on changes in reportable segments, etc.

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 fiscal year ended August 31, 2023 has been recategorized based on the reportable segments used for the fiscal year under review.

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, 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	9,157	16,863	19,496	13,737	495	59,750	23	59,774
Goods transferred over a certain period of time	73,848	45,886	35,743	6,730	54,350	216,559	10	216,570
Revenue from contracts with customers	83,006	62,749	55,239	20,468	54,846	276,310	34	276,344
Net sales to outside customers	83,006	62,749	55,239	20,468	54,846	276,310	34	276,344
Inter-segment sales or transfers	245	690	3,084	65	19	4,105	(4,105)	–
Total	83,251	63,440	58,323	20,533	54,865	280,415	(4,070)	276,344
Segment profit	6,095	9,831	6,548	3,172	3,731	29,379	(7,813)	21,565
Segment assets	52,054	54,930	29,833	14,792	12,145	163,756	36,767	200,524
Other items								
Depreciation	860	4,506	144	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 ¥36,767 million represents corporate assets not allocated to segments and elimination of inter-segment transactions.

(2) The adjustment for depreciation of ¥542 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, 2024 (From September 1, 2023 to August 31, 2024)

(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	11,394	19,603	19,715	21,723	47	72,484	3	72,488
Goods transferred over a certain period of time	97,487	47,733	40,012	7,046	60,037	252,317	31	252,349
Revenue from contracts with customers	108,881	67,336	59,727	28,769	60,085	324,801	35	324,837
Other revenue (Note 3)	–	1,916	–	–	–	1,916	–	1,916
Net sales to outside customers	108,881	69,253	59,724	28,769	60,085	326,718	35	326,754
Inter-segment sales or transfers	242	746	3,951	71	60	5,073	(5,073)	–
Total	109,124	70,000	63,679	28,841	60,146	331,791	(5,037)	326,754
Segment profit	8,486	9,966	7,248	7,023	5,614	38,338	(9,227)	29,110
Segment assets	62,572	57,456	27,133	21,490	19,236	187,889	41,072	228,962
Other items								
Depreciation	1,066	5,209	134	361	13	6,785	498	7,284

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

(1) The adjustment for segment profit of ¥(9,227) 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 ¥41,072 million represents corporate assets not allocated to segments and elimination of inter-segment transactions.

(2) The adjustment for depreciation of ¥498 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.
3. Other revenue is revenue based on the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019).

[Related information]

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.

Fiscal year ended August 31, 2024 (From September 1, 2023 to August 31, 2024)

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, 2023 (From September 1, 2022 to August 31, 2023)

(Million yen)

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

Fiscal year ended August 31, 2024 (From September 1, 2023 to August 31, 2024)

(Million yen)

	Reportable segment						Corporate and elimination	Total
	Content Distribution Business	Store Services Business	Communi-cations Business	Business Systems Business	Energy Business	Total		
Impairment losses	–	113	3	–	–	116	–	116

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

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	Communi-cations 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

–

Fiscal year ended August 31, 2024 (From September 1, 2023 to August 31, 2024)

(Million yen)

	Reportable segment						Corporate and elimination	Total
	Content Distribution Business	Store Services Business	Communi-cations Business	Business Systems Business	Energy Business	Total		
Amortization during the year	–	637	–	–	–	637	2,508	3,145
Balance at the end of the year	–	8,135	–	–	–	8,135	31,354	39,490

[Information on gain on negative goodwill by reportable segment]

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.

Fiscal year ended August 31, 2024 (From September 1, 2023 to August 31, 2024)

Not applicable.

(Per share information)

	For the fiscal year ended August 31, 2023	For the fiscal year ended August 31, 2024
Net assets per share	1,139.02 yen	1,361.63 yen
Basic earnings per share	183.16 yen	255.44 yen
Diluted earnings per share	183.06 yen	– 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, 2023	For the fiscal year ended August 31, 2024
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	10,959	15,357
Amount not attributable to common shareholders (Million yen)	–	–
Profit attributable to owners of parent related to common stock (Million yen)	10,959	15,357
Average number of shares during the period (Shares)	59,834,691	60,121,337
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Million yen)	–	–
Increase in the number of common stock (Shares)	32,324	–
(Of which, share acquisition rights (Shares))	32,324	–
Outline of dilutive shares not included in calculation of diluted earnings per share due to the absence of dilutive effect	–	The share acquisition rights based on the resolution of the Extraordinary General Meeting of Shareholders held on November 27, 2013 expired on November 27, 2023 due to the expiration of the exercise period.

(Notes) Information on diluted earnings per share for the fiscal year ended August 31, 2024 is not provided as there were no shares with dilutive effect.

(Significant subsequent events)

(Organizational Restructuring of the Group)

U-NEXT HOLDINGS Co., Ltd. (the "Company") implemented the following organizational restructuring of the Group (the "Group Reorganization") as of September 1, 2024. The Group Reorganization is a transaction under common control between wholly-owned subsidiaries of the Company.

1. Purpose of the Group Reorganization

With the corporate slogan "NEXT for U," the Company leverages technology to engage in the music distribution businesses for stores, facilities, and corporates, IoT/DX services, the solutions business, which comprises manufacture and sale of automated payment machines, the infrastructure business, which comprises electrical power and communications, and the Content Distribution Business for individuals, as businesses that are necessary for the Group's vision to come true.

The Company has decided to implement the Group Reorganization escribed below in order to expand the growth of the Group as a whole, by reorganizing part of the store, facilities, and corporates business according to service, thus clarifying the role and functions of the business to achieve more dynamic and swift business operations.

2. Summary of the Group Reorganization as of September 1, 2024

(1) Absorption-type merger by USEN CORPORATION ("USEN") of CANSYSTEM.CO., LTD. ("CAN") and USEN Media CORPORATION ("UM")

(i) Dates concerning the merger

September 1, 2024

(ii) Method of the merger

By an absorption-type merger in which USEN becomes the surviving company and each of CAN and UM become the disappearing companies.

(iii) Details of allotment related to the merger

As the merger is between wholly-owned subsidiaries of the Company, there is no allotment of shares or other assets with the merger.

(iv) Handling of share acquisition rights and bonds with share acquisition rights associated with the merger

Not applicable.

(2) Absorption-type merger by Next Innovation.Co., Ltd ("NI") of USEN WORKING Co., Ltd. ("UW")

(i) Dates concerning the merger

September 1, 2024

(ii) Method of the merger

By an absorption-type merger in which NI becomes the surviving company and UW becomes the disappearing company.

(iii) Details of allotment related to the merger

As the merger is between wholly-owned subsidiaries of the Company, there is no allotment of shares or other assets with the merger.

(iv) Handling of share acquisition rights and bonds with share acquisition rights associated with the merger

Not applicable.

(3) Company split of USEN and USEN Camera Solutions Co., Ltd. (“UCS”)

(i) Dates concerning the split

September 1, 2024

(ii) Method of the split and description of business to be split

By way of an absorption-type split in which UCS succeeds the camera solutions services business of USEN after the absorption-type merger

(iii) Details of allotment related to the split

There is no allotment of shares or other assets with the split.

(iv) Handling of share acquisition rights and bonds with share acquisition rights associated with the split

Not applicable.

(v) Capital increase/decrease as a result of the split

There is no capital increase or decrease with the split.

(vi) Continuing rights and obligations of the succeeding company

From the effective date, UCS will succeed the assets, liabilities, contracts, and other rights and obligations of USEN’s camera solutions services business to the extent stipulated in the Absorption-type Company Split Agreement.

(vii) Prospects of performance of obligations

It is judged that the succeeding company will have no problems performing the obligations associated with the liabilities it succeeds in the split.

(4) Company split of USEN and USEN FIELDING Co., Ltd. (“UF”)

(i) Dates concerning the split

September 1, 2024

(ii) Method of the split and description of business to be split

By way of an absorption-type split in which UF succeeds the installation services business of USEN after the absorption-type merger

(iii) Details of allotment related to the split

There is no allotment of shares or other assets with the split.

(iv) Handling of share acquisition rights and bonds with share acquisition rights associated with the split

Not applicable.

(v) Capital increase/decrease as a result of the split

There is no capital increase or decrease with the split.

(vi) Continuing rights and obligations of the succeeding company

From the effective date, UF will succeed the assets, liabilities, contracts, and other rights and obligations of USEN’s installation services business to the extent stipulated in the Absorption-type Company Split Agreement.

(vii) Prospects of performance of obligations

It is judged that the succeeding company will have no problems performing the obligations associated with the liabilities it succeeds in the split.

(Business combination by acquisition and business succession by absorption-type company split)

At a meeting of the Board of Directors held on September 30, 2024, the Company passed a resolution to 1) acquire all shares of NetMove Corporation (the "Target Company"), which is a wholly owned subsidiary of SBI Sumishin Net Bank, Ltd. ("SBI Sumishin Net Bank"), to make it a wholly owned subsidiary of the Company (the "Share Acquisition"), and to 2) carry out, subsequent to the completion of the Share Acquisition and upon receipt of required approval and authorization, an absorption-type company split in which SBI Sumishin Net Bank is the splitting company and the Target Company is the succeeding company (the "Company Split," and together with the Share Acquisition, collectively, the "Transactions") that succeeds the Acquiring Business of SBI Sumishin Net Bank.

In the Share Acquisition, the Company will acquire all shares of the Target Company from SBI Sumishin Net Bank in exchange for cash consideration, on the premise that the Target Company has transferred its solutions business and innovation business to the succeeding company by way of an incorporation-type company split (the "Split of the Target Company").

I. Purposes of the Transactions

In 2019, the Group launched USEN PAY, a cashless payment service that utilizes the payment service provider service of the Target Company, with the Group serving as a general agent and in collaboration with the Acquiring Business division of SBI Sumishin Net Bank. USEN PAY, which is offered as a one stop package along with communication lines, POS cash register and other Group products as a way of differentiation from existing cashless service providers, has an edge in developing SMB markets in particular and is seeing increased engagement in its participating stores, with a total of over 2,000 sales staff and field engineers stationed at 150 locations across Japan to provide onsite services.

Meanwhile, the Target Company has been working to integrate its payment services with the banking services of SBI Sumishin Net Bank since it became a wholly owned subsidiary of SBI Sumishin Net Bank in April 2019, and is continuing to grow steadily with a lineup of three businesses, namely, payment solutions, security and authentication services and communications services. It boasts a firm customer base built over many years and high capabilities in system design and development.

The Company is convinced that vertical integration of the Target Company's payment solution functions and the Acquiring Business of SBI Sumishin Net Bank through the Transactions will allow it to enhance added value of its services, including by establishing a business model of "offering in one stop from sales, screening, systems registration, equipment installation to onboarding, follow-up and development" that will drastically shorten the lead time from application to when the stores can start using the services, and create convenience and competitive edge.

At present, the Group only provides store services in the area of face-to-face payment, the business size of which amounts to ¥250 billion in terms of annualized gross merchandise value. When the Transactions are implemented, the Company will consider expanding into the area of non-face-to-face payment in order to make available prepayments before store visits and a combination of physical stores and e-commerce sites, as well as offering face-to- face and non-face-to-face payment functions to business providers outside of the Group. The Company also plans to create a synergy by cross-selling the Group's POS cash registers and financial services to its customer base that is growing in tandem with the continuing growth of cashless payment business.

II. The Share Acquisition

(1) Overview of the business combination

i) Name and business description of the acquiree
   Name of the acquiree: NetMove Corporation
   Business description: Provision of cashless payment services, etc.

ii) Date of business combination (scheduled)
   December 2, 2024 (Date of share acquisition)
   December 1, 2024 (Deemed date of acquisition)

iii) Legal form of the business combination
   Acquisition of shares in exchange for cash

iv) Ratio of voting rights to be acquired
   100%

v) Primary basis for determining the acquirer
   The fact that the Company acquires the shares in exchange for cash

(2) Acquisition cost of the acquiree and its breakdown by type of consideration
Consideration for the acquisition: Cash ¥5,500 million
Acquisition cost: ¥5,500 million

(3) Details and amount of major acquisition-related expenses
Advisory costs: ¥275 million (estimate)

(4) Amount of goodwill to be recognized, reason for recognition, method of amortization, and period of amortization
Not finalized at the moment.

(5) Amounts of the assets to be acquired and liabilities to be assumed on the date of the business combination and their breakdown by major item
Not finalized at the moment.

III. The Company Split

1. Summary of the Company Split

(1) Schedule concerning the Company Split

Date of resolution by the Board of Directors	September 30, 2024
Execution date of agreement	September 30, 2024
Date of resolution by the General Meeting of Shareholders	January 31, 2025 (Scheduled)
Date of payment of cash consideration (Effective date)	February 1, 2025 (Scheduled)

(2) Method of the Company Split
The Company Split is conducted as an absorption-type company split concerning the Acquiring Business of SBI Sumishin Net Bank in which SBI Sumishin Net Bank is the splitting company and the Target Company, which is to become a wholly owned subsidiary of the Company, is the succeeding company.

(3) Details of allotment related to the Company Split (Compensation for the split)
As a compensation for the Company Split, the Target Company will pay cash in the amount of ¥1,000 million to SBI Sumishin Net Bank.

(4) Handling of share acquisition rights and bonds with share acquisition rights associated with the Company Split
Not applicable.

(5) Capital increase/decrease as a result of the company split
There will be no increase or decrease in capital of the Target Company resulting from the Company Split.

(6) Continuing rights and obligations of the succeeding company
As a consequence of the Company Split, the Target Company will succeed from SBI Sumishin Net Bank, as of the effective date, from among the contractual position and other rights and obligations related to the Acquiring Business, those that are specified in the agreement on the Company Split.

(7) Prospects of performance of obligations
It is judged that the Target Company will have no problem performing the obligations associated with the liabilities it succeeds as a result of the Company Split.

2. Overview of the business division to be succeeded

(1) Business description of the division to be succeeded
From among the assets, liabilities, contractual position and other rights and obligations related to the Acquiring Business operated by SBI Sumishin Net Bank, those that are specified in the agreement on the Company Split.

(2) Operating results of the business division to be succeeded (Fiscal year ended March 31, 2024)
Net sales ¥6,023 million

(3) Items and carrying amounts of assets and liabilities to be succeeded

Not applicable, as there are no assets or liabilities to be succeeded in consequence of the Company Split.

(Stock split and a partial amendment to the Articles of Incorporation pertaining to the stock split)

At a meeting of the Board of Directors held on October 10, 2024, the Company passed a resolution to conduct a stock split of common shares and make a partial amendment to the Articles of Incorporation pertaining to the stock split.

1. Purposes of the stock split

By lowering the price per unit of investment, the Company aims to encourage a broader range of investors, primarily individual investors, to purchase its shares, increase the liquidity of its shares, and further expands its investor base.

2. Overview of the stock split

(1) Method of the stock split

We will conduct a stock split at a ratio of three shares to one share of common shares of the Company held by shareholders listed or recorded in the final shareholder registry as of the record date, which is Saturday, November 30, 2024 (effectively Friday, November 29, 2024, as November 30, 2024 is a non-business day for the shareholder registry administrator).

(2) Number of shares to be increased due to the stock split

(i) Total number of shares issued and outstanding before the stock split	60,125,111 shares
(ii) Number of shares to be increased due to the stock split	120,250,222 shares
(iii) Total number of shares issued and outstanding after the stock split	180,375,333 shares
(iv) Total number of shares authorized to be issued after the stock split	294,000,000 shares

(3) Schedule concerning the stock split

Announcement date of the record date (Scheduled)	Thursday, November 14, 2024
Record date of the split	Saturday, November 30, 2024
Effective date of the split	Sunday, December 1, 2024

(4) Impact on per share information

	For the fiscal year ended August 31, 2023	For the fiscal year ended August 31, 2024
Net assets per share	379.67 yen	453.88 yen
Basic earnings per share	61.05 yen	85.15 yen
Diluted earnings per share	61.02 yen	– yen

(5) Others

(i) Changes to the amount of share capital

There will be no changes to the amount of share capital due to the stock split.

(ii) Dividends

As the effective date of the stock split is December 1, 2024, the year-end dividends for the fiscal year ended August 31, 2024, whose record date is August 31, 2024, will be paid out for the common shares of the Company before the stock split. The interim dividends for the fiscal year ending August 31, 2025, whose record date is February 28, 2025, will be paid out for the common shares of the Company after the stock split.

3. Partial amendment to the Articles of Incorporation

(1) Reasons for the amendment to the Articles of Incorporation

Pertaining to the stock split mentioned above, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act, and based on a resolution of the Board of Directors, the Company will amend the Article 6 (Total Number of Shares Authorized to Be Issued) of the current Articles of Incorporation of the Company with the effective date of December 1, 2024.

(2) Details of the amendment to the Articles of Incorporation

Details of the amendment are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendment
Chapter II: Shares (Total Number of Shares Authorized to Be Issued) Article 6: The total number of shares of the Company authorized to be issued shall be <u>98,000,000</u> shares.	Chapter II: Shares (Total Number of Shares Authorized to Be Issued) Article 6: The total number of shares of the Company authorized to be issued shall be <u>294,000,000</u> shares.

(3) Schedule concerning the amendment to the Articles of Incorporation

Effective date: December 1, 2024 (Scheduled)

(Changes in reportable segments)

At a meeting of the Board of Directors held on October 10, 2024, the Company passed a resolution to make partial changes to reportable segments.

In September 2023, the Company introduced a sector-based framework for our internal management system. By the internal reorganization implemented on September 1, 2024, the roles and functions according to the service of each business of the Group have been clarified, and internal management and operational control systems based on the sector-based framework have been established. Accordingly, the Company decided to make changes to its reportable segments and start using classifications based on internal sectors in the fiscal year ending August 31, 2025.

Information on net sales, profit, assets, and other items by reportable segment for the fiscal year under review based on the changed segments are currently being calculated.