



**USEN-NEXT
HOLDINGS**

Integrated Report | **2021**

Brighten the future

USEN-NEXT HOLDINGS is engaged in the swift and accurate execution of Group management strategies focused on achieving sustainable improvement in both the growth potential and earnings power of its businesses, to this end taking full advantage of each Group company's strengths to realize synergies. These strengths include stable customer bases, multifaceted sales channels, robust follow-up maintenance service structures, a solid network infrastructure, and a rich lineup of video, music, and other content along with a diverse portfolio of human resources as well as the capability to create new services.

Looking ahead, we will continue striving to improve our value as a corporate group needed by society and deserving of its ongoing expectations.

**USEN-NEXT
HOLDINGS**



Dialogue with Stakeholders

The Company is engaged in the easy-to-understand, timely and fair disclosure of corporate information to a broad range of stakeholders.

Customers and business partners

- In addition to featuring services provided by each business segment as described in this publication, the *USEN-NEXT HOLDINGS Integrated Report*, and other materials, we strive to enhance the content of information disclosure via the swift issuance of news releases on new businesses and services.
- Not only do we engage in robust customer communications in the course of direct sales, inside sales, and other sales activities, we also work to secure as many contact points as possible with customers and business partners via the utilization of a robust follow-up maintenance structure backed by our in-house resources.

Shareholders and investors

- We hold periodic financial results briefings that can be viewed online, with the Representative Director directly explaining such items as overall operating results, the business environment, the content of management strategies, and progress under the business plan.
- To ensure vigorous dialogue, we engage in individual meetings with institutional investors and analysts.
- We participate in various IR conferences and seminars sponsored by securities firms.
- We endeavor to enhance the content of IR-related information disclosure by, for example, additionally disclosing our policies for dividends and other shareholder distributions as well as shareholder benefit programs.

Other stakeholders

- We disclose recruitment information through "GATE," a website targeting job seekers, including potential university graduates and businesspeople looking for new opportunities. Moreover, we maintain the "Inside the GATE" webpage featuring in-depth articles that showcase our corporate culture and initiatives via interviews with employees.

Editorial Policy

This publication is the first edition of the *USEN-NEXT HOLDINGS Integrated Report* and is aimed at facilitating stakeholders' deeper understanding of the Group's management endeavors, which center on the sustainable creation of corporate value and other corporate activities in general. In the course of compiling this report, we strove to identify and present information of particular concern to investors and to introduce the Group's vision, initiatives undertaken by each business segment, and the current status of business operations. This report also features articles summarizing such matters as our foundations for value creation supporting the aforementioned endeavors in order to communicate an overview of the Group. Going forward, we will continue working to improve the quality of this report by reflecting opinions voiced by stakeholders in future editions.

Reference Guidelines	The International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)
Scope of Reporting	Period: The fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021; however, the report includes some articles on activities undertaken in September 2021 and later) Scope: USEN-NEXT HOLDINGS Co., Ltd. and its subsidiaries and affiliates
Disclaimer on Forward-looking Statements	This report includes opinions, forecasts, and other statements that are based on management's judgment at the time of its preparation and therefore involve risk factors and other uncertainties. Accordingly, the Company makes no promises or guarantees regarding the accuracy or integrity of information herein. Readers are advised to note that actual results may vary significantly from these forward-looking statements due to various material factors.

For Inquiries

USEN-NEXT HOLDINGS Co., Ltd.

Meguro Central Square, 3-1-1, Kamiosaki, Shinagawa-ku, Tokyo
TEL: +81-3-6823-7015

Contents

A Message from the CEO	2
Value Creation Story	
Corporate History	4
Value Creation Process	6
The USEN-NEXT Group's Sustainability Initiatives and Growth Strategies	
Toward the Sustainable Creation of Corporate Value (Materiality).	8
Business Overview	9
The New Medium-term Business Plan "Road to 2025"	14
Foundations Supporting Sustainable Growth	
Human Resource Strategies	16
Corporate Governance	18
Members of the Board of Directors and Audit & Supervisory Board	20
Data Section	
Financial and Non-financial Highlights.	22
Financial Analysis	24
Seven-year Summary of Key Financial Data (consolidated basis).	26
Corporate Profile	28

Brighten the future

Review of Operating Results for the Fiscal Year Ended August 31, 2021

In the fiscal year ended August 31, 2021, the COVID-19 pandemic exerted a lingering and significant impact on restaurants and retail stores, which represent our main customer base, as well as on other commercial facilities, SMEs, hotels, and medical institutions. Against this difficult backdrop, the USEN-NEXT Group has nevertheless been able to take full advantage of the increased organizational strength deriving from the management integration, meeting customer needs for non face-to-face and contactless business solutions, work-at-home and remote work systems, and other items. At the same time, the Group has helped its customers promote DX by focusing on providing IoT services for shops. Through these strategies, the Group has successfully seized opportunities arising from an evolving business environment and recorded solid operating results, with the Content Distribution business, which is positioned as a high-growth business, achieving a particularly noteworthy increase in profit. Specifically, net sales increased 7.8% from the previous fiscal year to ¥208,351 million, while operating income rose 43.4% to ¥15,608 million. Moreover, profit attributable to owners of parent grew 63.9% to ¥8,044 million. We have thus registered record-high sales and profit.

Although growth in stay-at-home demand is often cited as the key factor supporting our achievement in the Content Distribution business, we believe that, strictly speaking, the effect of such demand has not been the most significant factor when it comes to direct impact on our operating results for the fiscal year under review. In truth, we have been able to maintain ongoing business growth without experiencing a recoil after a considerable increase in the number of subscribers at the first announcement of the state of emergency declaration. This, we believe, suggests that on-demand content distribution services evolved into something truly essential to consumers in step with changes in lifestyle norms, gaining “citizenship” among other staples of daily life. Although our business environment is engulfed by the extremely intensive competition attendant to a growing market, our services currently constitute a cluster of top contenders.

We also think that our on-demand content distribution services possess considerable growth potential, considering the current ratio of subscribers to the total number of households nationwide. With this in mind, we aim to increase our market share on the back of market expansion. To this end, we need to implement a differentiation strategy as we must pit our offerings against those of other top providers, including foreign-capital competitors with extremely strong original content creation capabilities. In this light, however, we boast an unparalleled, comprehensive lineup of video content encompassing domestic and overseas programs. Furthermore, we are striving to upgrade this lineup into a multifunctional content portfolio that offers users not only video content but a range of manga, novels, magazines, and other e-books. In addition, we are focusing on enhancing live-streaming content and are poised to win new customers by delivering music, combat sports, and other unique programs.

Yasuhide Uno

Representative Director, President & CEO
USEN-NEXT HOLDINGS Co., Ltd.

Realizing Outstanding Organizational Strength amid the Pandemic

We believe that the Group’s organizational strength has supported its ongoing growth amid the pandemic in two ways.

First, our corporate culture is deeply rooted in our experience of overcoming one crisis after another. Because of this, each employee has a resilient mindset that prompts them to pull together and prevail in the face of adversity.

Second, the Group underwent a reorganization on December 1, 2017 to establish a new management structure, with USEN-NEXT HOLDINGS becoming a holding company. In line with this move, each business segment was assigned to a Group company. The new structure quickly came into its own, realizing its functions to the fullest and enabling these companies to better utilize resources available within the Group even as they focused on pursuing operations targeting their respective customer segments. This has, in turn, enhanced our overall organizational strength. We consider this structure to be a major factor contributing to our increased ability to flexibly align each business with its external environment. For example, despite fallout from the pandemic, we have been better positioned than ever to firmly accelerate measures to expand the Content Distribution and Communications businesses in a way that accurately adapts to changes in the business environment. We have also been able to maintain the revenue bases of Store Services- and Business Systems-related operations by paying close attention to the environments surrounding our customers and striking a balance between “offensive” and “defensive” measures.

On the other hand, our efforts to create and expand new businesses are lagging and need to gain an additional momentum.

We are currently pursuing a vision of “becoming a ¥1 trillion corporate group with 100 presidents at 100 operating companies.” This vision does not mean that a simple increase in the number of Group companies is all we need. Rather, the most imminent issue is how to nurture each business into a major earnings pillar. Unless we succeed in this endeavor, it is highly unlikely we will develop high-caliber business leaders capable of navigating our operations into the next generation.

When it comes to nurturing a major business, we deem it extremely important to begin by supporting tangible success, even if at first it seems small. Also, once a high-growth business emerges from among a throng of new businesses under development, we can expect, with a certain degree of probability, to see another follow suit. Our aim is to trigger just that kind of a “chain reaction.” Accordingly, we strive to nurture as many seeds of successful businesses as possible as we seek to establish a framework in which the constant creation of new businesses is fueled by such chain reactions.

From the aspect of human resource development, we launched a president candidate discovery program titled “CEO’s GATE” to internally solicit applications from individuals who aspire to handle in-house entrepreneurship. This program has drawn approximately 1,000 entries, and around 10 people have been selected as candidates. Having also invited external human resources to participate in the program, we are currently building up a structure for nurturing corporate managers.

Facilitating the Adoption of Freer Workstyles to Achieve a Drastic Improvement in Productivity

Since June 2018, well before the COVID-19 pandemic, the USEN-NEXT Group has promoted a human resource management project titled “Work Style Innovation.” Breaking free of conventional concepts of work styles, we are advocating for a freer approach with work styles that suit the needs of individual employees. For example, we have entirely renovated our office spaces by introducing location-free work platforms in addition to enabling the use of flextime without core time and allowing employees to work remotely. These measures were coupled with management

messages aimed at strongly encouraging efforts to improve productivity. Thanks to these initiatives, we have not only overcome challenges arising from the urgent need to introduce COVID-19 countermeasures without a decline in productivity; we have achieved net sales 1.9 times higher than the levels recorded three years ago, even though the number of employees has not changed substantially (then 4,073 and now 4,692). Previously, common wisdom presumed that an increase in sales must entail an increase in headcount. However, we have shifted our mindset and begun to pursue a policy of raising sales without inflating the size of our workforce. In doing so, we focused on helping each employee embrace new ways of thinking and raise their awareness. This was how we drastically improved productivity per employee. Looking ahead, we intend to roll out best practices achieved by sales units in terms of the technology-driven enhancement of operational efficiency to all other business units throughout the Group, including those charged with back-office operations.

The USEN-NEXT Group’s Reason for Being

As expressed in our corporate slogan, “Brighten the future,” we believe that a corporation is worthy of existing only if it is genuinely needed by society. This has long been a closely-held belief among us, well before businesses’ roles in addressing social issues and their reasons for being became subject of public attention. In addition, we have constantly challenged ourselves to act as an agent of change supporting the betterment of society through the businesses we handle. Our focus has always been on navigating the overall direction of our businesses accordingly.

If we were to liken business endeavors to climbing a mountain, achieving record-high net sales and market capitalization can be likened to conquering Everest, the world’s highest mountain whose summit has been targeted by numerous alpinists and reached by many throughout the history. Similarly, there have been many corporate leaders who accomplished new heights in operating results. However, we also know that a dozen other formidable peaks are still left unconquered. Like ambitious alpinists, we aim to remain a pioneer in terms of blazing a new path in uncharted areas.

In 2000, we became the first in the world to introduce an optical fiber internet service for business. The release of this service was backed by our strong belief that people would sooner or later be enabled to work without commuting. Of course, we knew that whether people embraced remote working—like we have seen today—or not, was a matter to be left to their decisions based on prevailing circumstances. At the same time, we recognized that our role in society was to innovate infrastructure capable of offering workstyle choices and to develop robust services supporting such choices.

This approach remains unchanged. We now aim to become a “social DX company” that offers futuristic solutions to the people of today as we strive to help create a society in which everyone is empowered to efficiently select and enjoy various goods and content via the digital transformation of social infrastructure as whole. To this end, we will pay close attention to consumers’ value systems, especially the prevailing attitudes of young people, and remain sensitive to every possible change that could lead to new business opportunities.

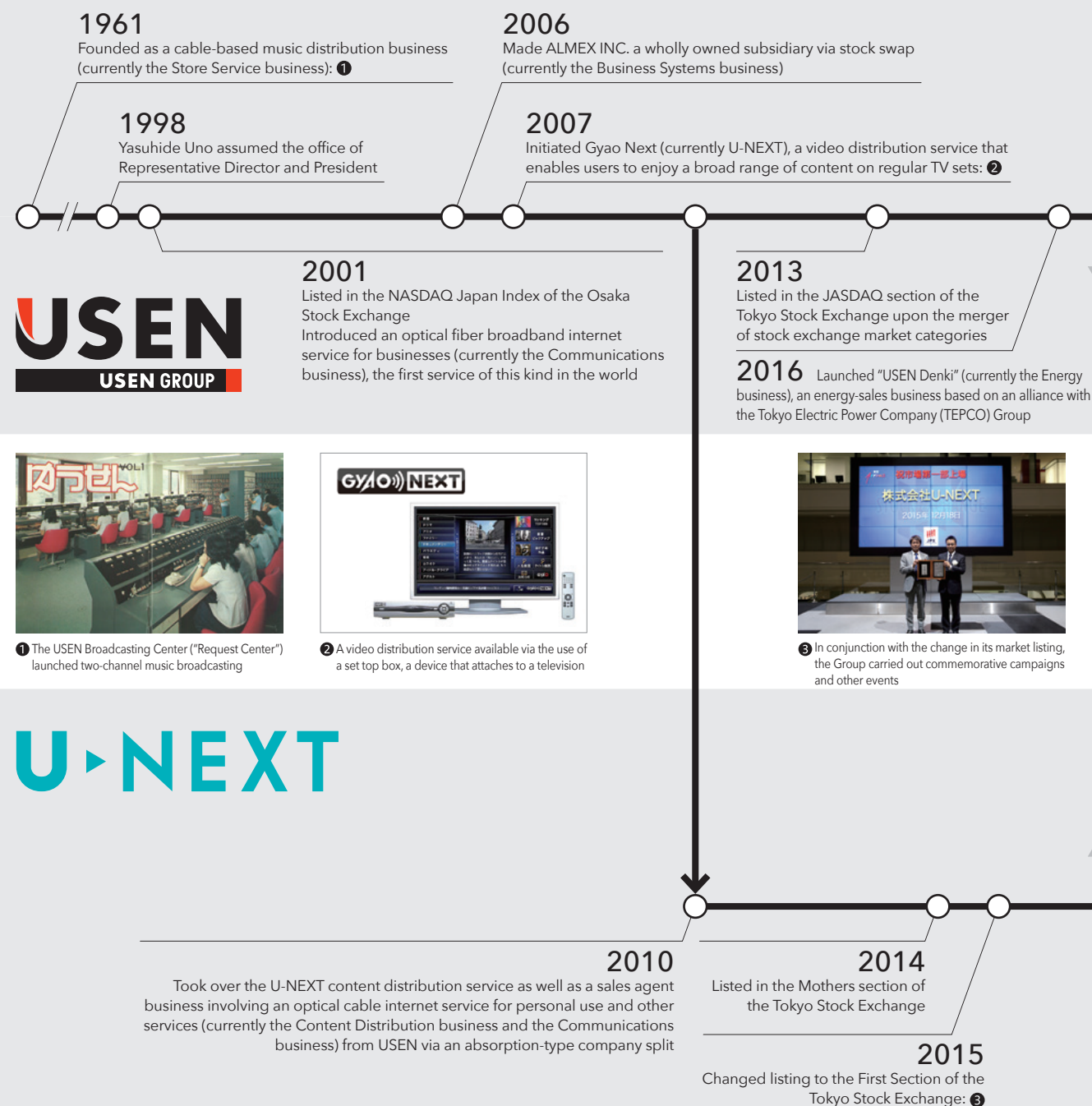
Lastly, we are confident that each business handled by the Group has potential for growth in many directions. On the other hand, as we operate in highly competitive business fields, we must remain vigilant and watch out for our rivals who may, at any time, make a big leap forward and leave us behind. Moreover, from the global perspective, domestic business corporations are, in general, deemed to lag far behind competitors overseas. We are therefore acutely aware of the need to secure a robust market share in Japan while maintaining our competitiveness against global peers. Accordingly, we will strive to further raise profitability and enhance our financial position as well as organizational strengths, with all Group members working as one to steadily take a step forward toward the top of an as yet unconquered summit.

Corporate History

The USEN-NEXT Group was founded by the now deceased Mototada Uno, who initiated a wired music broadcasting service in 1961 as a private business. He conceived the idea of distributing music content to commercial facilities via coaxial cables after observing shop staff having to manually flip the record on the record player to keep the background music going. His initial business thus helped eliminate the need for this cumbersome procedure well before hassle-free alternatives to record players became widespread. Today, the Group boasts a solid customer base, having secured music distribution service contracts with a total of approximately 700,000 stores nationwide, a number unmatched by any domestic peer.

The Group also became the first in the world to introduce a high-speed, optical fiber internet service for business use in 2001 and in 2007 led the way with the launch of an on-demand video distribution service for personal use. Since the dawn of the internet society and in step with its advance, the Group has expanded the scope of services it offers. Moreover, the Group provides a variety of products and services to store facilities, SOHO and other small businesses, small- and medium-size enterprises (SMEs) and individual users, in an effort to help promote digital transformation (DX).

Under the brand slogan, "Brighten the future," the USEN-NEXT Group underwent management integration in 2017 and is working assiduously to achieve further growth.



Brighten the future



④ Made a new start as the USEN-NEXT Group, with USEN-NEXT HOLDINGS Co., Ltd. serving as a holding company and overseeing 14 business companies under its umbrella

2017
U-NEXT underwent management integration with USEN and was rebranded USEN-NEXT HOLDINGS: ④

2020
Announced "USEN IoT PLATFORM," a concept aimed at providing comprehensive assistance to stores seeking to utilize IoT and pursue DX, transcending the conventional scope of music distribution-related services: ⑤

USEN-NEXT HOLDINGS U



⑤ A one-stop solution designed to help realize IoT-driven, "smart" store management



- A customer base consisting of more than 900,000 stores
- Robust network infrastructure
- A rich lineup of video and music content
- In-depth insight into technologies
- Outstanding capabilities to create new services

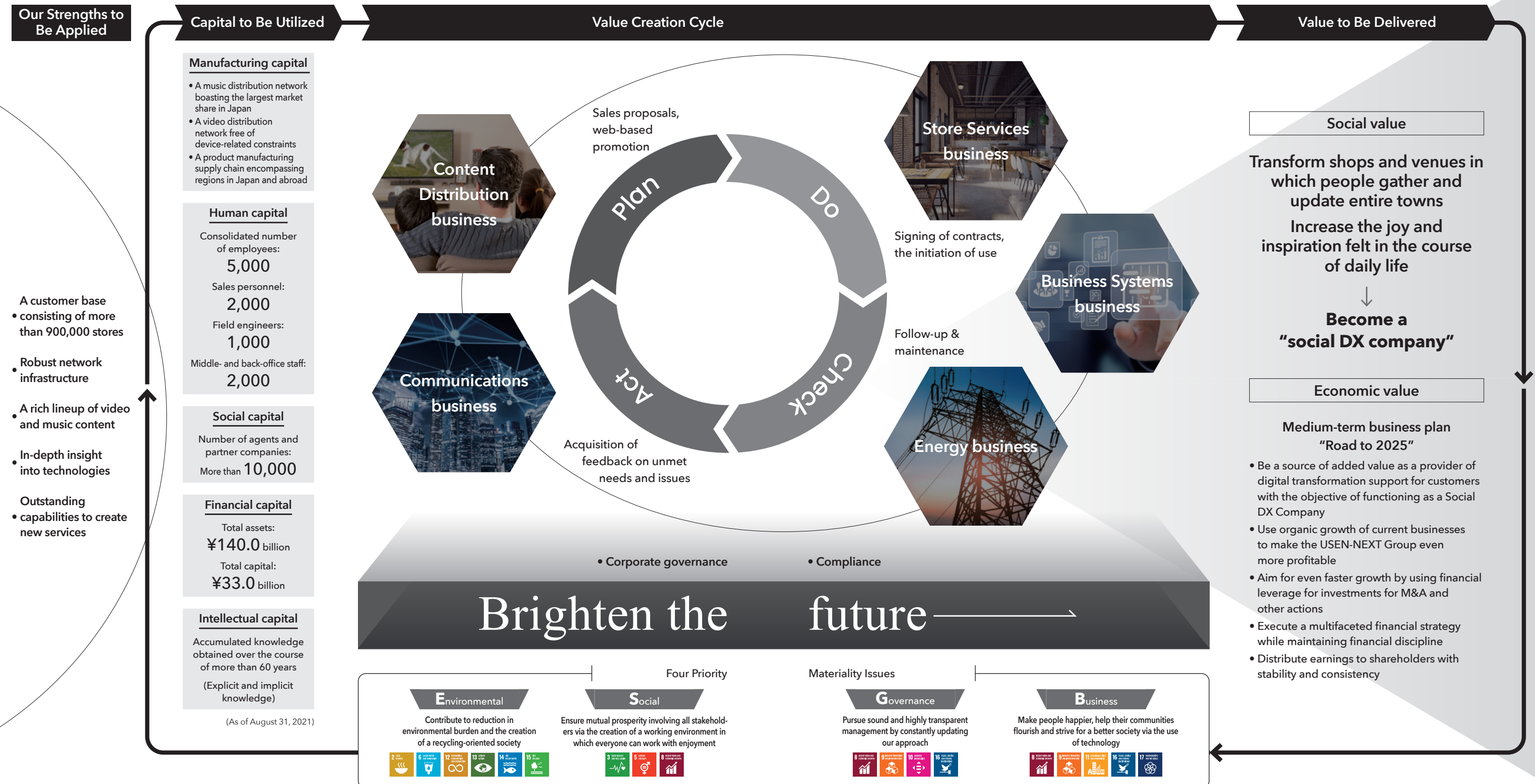
Value Creation Process

The launch of a cable-based broadcasting service, which marks the Group's founding, turned an unconventional idea into something essential to daily life. Building on its early success, the USEN-NEXT Group developed one business after another, taking full advantage of its outstanding capabilities to create new services as well as its superior understanding of new technologies. Our business strengths are backed by a built-in framework derived from these endeavors that today enables us to address a range of social needs and issues in a comprehensive manner and obtain feedback from contact points with diverse customer groups.

Stepping up Initiatives to Address SDGs through Our Business

• USEN CORPORATION was certified by the Small and Medium Enterprise Agency as an "organization assisting management innovation, etc." in recognition of its store assistance business initiatives.

• The "Hitosara" customer-attraction service for restaurants provided via a gourmet information website run jointly by the NPO TABLE FOR TWO International and USEN CORPORATION, has been donating ¥20 per reservation to the former since April 2013. This amount is equivalent to the price paid for a typical lunch provided to students by schools in developing nations. As of September 2021, the number of meals these donations made possible exceeded 287,000. Moreover, USEN CORPORATION was named a "Gold Partner" by the NPO in 2020.



Toward the Sustainable Creation of Corporate Value (Materiality)

In line with the corporate slogan “Brighten the future,” the USEN-NEXT Group strives to become a “social DX company” that offers futuristic solutions to the people of today and helps resolve environmental and social issues through its business activities. With this in mind, we have identified four priority materiality issues that must be addressed by the Group. Acting as an agent of change supporting the betterment of society, we will thus strive to secure sustainable corporate growth while contributing to social sustainability.

Environmental

Contribute to reduction in environmental burden and the creation of a recycling-oriented society

We will take on environmental initiatives while helping each employee raise their awareness of environmental concerns. Specifically, we will contribute to reduction in environmental burden and the creation of a recycling-oriented society through our business.

Our initiatives

- Go paperless by digitizing in-house documents, application forms, contracts, and other paper forms
- Reduce CO₂ emissions by adopting electric and hybrid vehicles
- Introduce motion sensor lighting for office spaces while encouraging employees to meticulously turn off the lights of meeting rooms and other facilities when not in use
- Discourage the use of single-use plastic bags through the distribution of custom printed reusable shopping bags to all employees
- Promote the purchase of eco-friendly products, including office supplies and other goods, in conformity with the Act on Promoting Green Purchasing
- Offer waste paper for reuse in papermaking to help produce cardboard, toilet paper, and a variety of other products made of recycled paper

Risks

- Impairment of the Group's brand due to social recognition regarding energy consumption, CO₂ emissions, and other environmental burden arising from our operations
- A decline in the value of real estate properties and other assets held by the Group due to climate change; a decrease in profit due to the disruption of business operations and supply chain activities; a surge in raw material prices due to the depletion of natural resources, and the lower availability of food

Governance

Pursue sound and highly transparent management by constantly updating our approach

As a company genuinely needed by society, we will constantly update the USEN-NEXT Group itself so that we can remain a contributor to the resolution of issues that society is confronting while simultaneously practicing sustainable business management and striving for a sustainable society. Moreover, we will pursue the soundness and transparency of our business management by developing internal control systems and functions, maintaining compliance with the Corporate Governance Code, and establishing a robust risk management structure.

Our initiatives

- Develop a well-balanced business portfolio consisting of more than 20 operating companies that maintain mutually complementary relationships
- Practice a speed-oriented management approach that constantly upgrades the Group itself in step with the pace of market change
- Nurture senior management candidates and other human resources who support corporate growth over the medium term
- Empower SMEs and private business owners to resolve the issues they are confronting and help them attain higher productivity in order to contribute to the invigoration of the Japanese economy as a whole and its sustainable growth
- Disclose in detail the status of policies and initiatives related to principles of the Corporate Governance Code and ensure compliance with the Code
- Develop an effective internal control system while establishing a robust risk management structure to handle operational risks

Risks

- The obsolescence of existing business models due to the emergence of new technologies, including IoT and AI
- The lack of proper risk management due to the businesses overcommitting to multilateralization
- Manufacturing and supply shortfalls of needed products and services due to deterioration in competitiveness
- Growing obstacles to continued business operations due to functional failure in corporate governance and internal control

Social

Ensure mutual prosperity involving all stakeholders via the creation of a working environment in which everyone can work with enjoyment

We will pursue happiness for all those employed by the Group by creating a safe and secure workplace environment that encourages vibrant and productive work. By doing so, we will empower employees to constantly deliver value to suppliers, business partners, customers and all other stakeholders who come into contact with them through the betterment of their business activities.

Our initiatives

- Breaking free from conventional concepts of work styles bound by time and location, introduce a flextime system without a core time, a remote work system and a location-free working system at all Group business units, with the aim of realizing diverse work styles that help employees work vibrantly and achieve high productivity
- Implement a post-retirement rehiring system in which individuals aged up to 70 are eligible to remain as full-time employees in order to develop an environment that allows them to work with confidence over the long term and to encourage energetic, excellent human resources to continuously serve as key workforce components regardless of age
- Develop unique programs designed to assist employees in their health improvement efforts and the ongoing pursuit of fulfilling careers so that they can work with confidence over the long term and enjoy healthy and happy lives along with their families
- Act in collaboration with local governments to establish innovative work styles and employment systems and vitalize regional communities by providing a diverse range of employment opportunities that enable people to work even if they reside in distant locations
- Promote the recruitment of people with disabilities and abolish conventional hiring practices that place them in a separate category, thereby promoting diversity, equity and inclusion
- Step up collaboration with suppliers via fair supplier selection and supply chain management to create greater value in addition to ensuring the stable provision of products and services and offering proper follow-up support

Risks

- Deterioration in employee capabilities due to excessive overtime and prolonged working hours; the disruption of employment due to decreased abilities and motivation
- Growing difficulties in securing human resources due to the emergence of mental health issues, harassment, or problems associated with overwork resulting in the deterioration in the public esteem of the Group
- Deterioration in competitiveness due to the lack of human resources to support the development of new products and alternative technologies

Business

Make people happier, help their communities flourish, and strive for a better society via the use of technology

We will enable people to make their lives more fulfilling via the provision of a rich lineup of entertainment content that can be enjoyed in their private spaces while empowering retail stores and business corporations to introduce technologies that deliver value in such forms as efficiency and comfort. By doing so, we will help create attractive, comfortable spaces as part of our efforts to contribute to people's happiness, the creation of flourishing communities, and the betterment of society.

Our initiatives

- DX for stores: Utilize technologies to help retail stores achieve DX and resolve issues confronting them; contribute to the creation of hospitable and vibrant stores that, in turn, impart vitality to communities and society as a whole
- DX for other facilities: Utilize technologies to empower hospitals, hotels, and other facilities to achieve DX so that the lives of the many members of society who use such facilities are more comfortable and happier
- DX for individual lifestyles: Utilize technologies to deliver a rich lineup of entertainment content and thereby help enhance people's quality of life

Risks

- Deterioration in the performance of the Store Services business due to domestic emigration from and the depopulation of regional communities, which can lead to local economic stagnation
- Deterioration in the overall desirability of communities due to their depopulation
- A decline in the value of real assets due to the lack of proper maintenance and management

Business Overview

Content Distribution business

- “U-NEXT” content distribution service



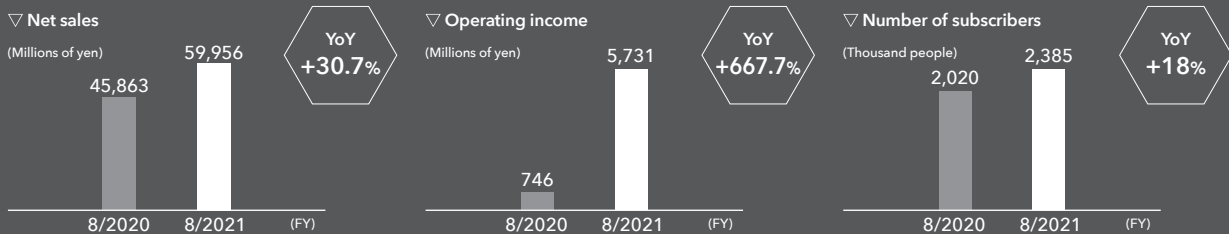
As a pioneer in Japan in terms of video distribution services, we will expand our user base while fully leveraging scale merits to enhance our services and achieve further profit growth.

Tenshin Tsutsumi
Representative Director &
President
U-NEXT Co., Ltd.



Results Summary

In addition to delivering a unique lineup that differentiates us from competitors, we have executed “ONLY ON” strategies via, for example, the signing of an exclusive partnership agreement with U.S.-based Warner Media, LLC, in order to strengthen distribution content with offerings unavailable elsewhere. As a result, we achieved increases in both sales and profit by successfully meeting user needs in a growing market.



Features/Competitive Edge

- “U-NEXT” is one of the major video-on-demand (VOD) services in Japan
- High average revenue per user (ARPU) thanks to the combination of unlimited viewing and loyalty point programs, with segment sales staying at an industry-leading level
- Absolute No. 1* in terms of the volume of content, along with a unique service package that includes an e-library, all in a single subscription contract

Since 2007, we have delivered “U-NEXT,” a flat-rate content distribution service aimed at replacing DVD rental services. U-NEXT allows users to choose from subscription video on demand (SVOD) or transactional video on demand (TVOD) service options while granting users points equivalent to ¥1,200 on a monthly basis. These points can be used to view TVOD titles or purchase movie theater tickets at a discount. Through these and other services, we strive to offer a unique service model that transcends the scope of a typical subscription scheme.

In Japan's video content market, there is a constant need for mainstream western movies as well as for major Japanese movies, while Korean and other Asian TV dramas have become as popular as those produced in Japan or imported from the United States. Furthermore, numerous titles that are unique to Japan, such as variety shows and animated productions, now constitute a rich and diverse archive. Against this backdrop, U-NEXT provides a comprehensive lineup of domestic and overseas content that not only includes box-office hits and much-discussed movies but also encompasses classics and little-known artistic works. By doing so, we are enhancing the added value of our services as we pit them against those provided by competitors, including foreign-capital content distributors.

Currently, the volume of video content being distributed via U-NEXT exceeds 230,000 titles. Of these, approximately 210,000 are available for unlimited viewing, making us the No. 1 domestic content provider in this regard. Moreover, the number of subscribers has grown to approximately 2.4 million, including many heavy users who view our content for more than 20 hours per month. In addition, once they download the U-NEXT app, subscribers also enjoy access to more than 650,000 e-books. U-NEXT's single service package that includes an e-library sets it apart.

Right now, several major manufacturers are offering new TV models with remote controls equipped with a “U-NEXT button” to allow new subscribers to seamlessly connect with U-NEXT. This is but one example of our efforts to enhance user experience.

* Source: An August 2021 survey by GEM Partners Inc.

Growth Strategy/Priority Markets

- Proactive, ongoing, and large advertising expenditures to attract new users
- Further expansion and upgrading of content to ensure the retention of existing users
- Considering leveraging relationships nurtured through our involvement in the music distribution business to launch live-music distribution

Growth in stay-at-home demand due to the COVID-19 pandemic caused the flat-rate video distribution service market to expand rapidly and the business environment is presently engulfed in increasingly intensifying competition. Given the circumstances, we recognize that further growth will require securing a certain number of titles that can lead and symbolize our brand and be available “ONLY ON” U-NEXT.

As part of measures to address this issue, in March 2021, we entered into an exclusive partnership agreement with U.S.-based Warner Media, LLC. This move enabled us to initiate the exclusive distribution of Home Box Office (HBO) cable-TV programs, new original titles created for the HBO Max video distribution service, and other popular HBO programs via U-NEXT's unlimited viewing services. In September 2021, we also concluded a business alliance with CUBE Entertainment Inc., a major entertainment agency in South Korea, becoming its Japanese partner to aid in CUBE's CINE de RAMA visualization project and take on its local development in Japan.

We are also considering incorporating music distribution into the U-NEXT service lineup. It is commonly accepted that there is no crossover in the markets for videos, books, and music and thus no competition among their distributors. We intend to eventually upgrade U-NEXT into a seamless service that enables users, upon downloading a single app, to watch, read, and listen to a diverse range of content. This is how we aim to deliver a totally new entertainment experience that transcends the conventional boundaries that have long separated content providers with strengths in different genres. Looking ahead, we will continue to provide social value, serving as an entertainment platform deserving the support of both creators and consumers.

Store Services business

- Music distribution service
- IoT for stores
- Real estate brokerage service for stores



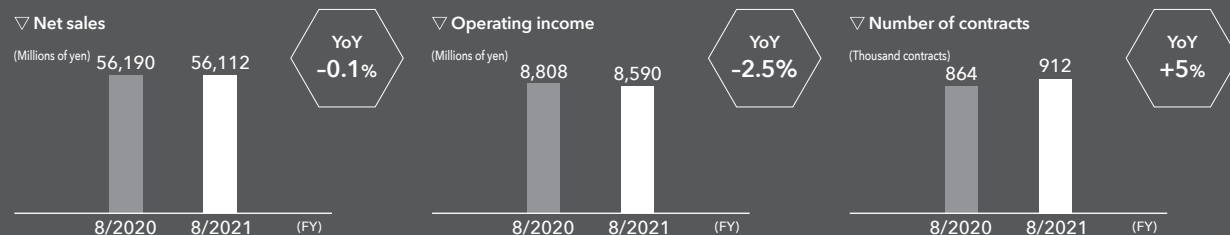
Maintaining a solid customer base of stores signed up for music distribution, we will assist the DX of store operations via the provision of IoT, fintech, and other solutions and achieve a higher ARPU.*

Kimimasa Tamura
Representative Director &
President
USEN CORPORATION



Results Summary

Despite the harsh business environment influenced by the COVID-19 pandemic, we have been able to steadily expand sales by up-selling products and services while securing firm revenue from music distribution for stores. Although we also undertook proactive advertising promotion measures in the fourth quarter, segment results were virtually unchanged from the previous fiscal year.



Features/Competitive Edge

- Well-positioned to serve our target markets of restaurants, retail stores, beauty salons and other businesses
- Music distribution for stores, which commands the No. 1 share in Japan, generates stable earnings
- A big competitive advantage thanks to a nationwide team of more than 2,000 direct sales staff and installation engineers

The establishment of the Store Services business, which began as a cable-based broadcasting service, marked the Group's origin. In June 2021, we celebrated the 60th anniversary of this business. In the music distribution business—one of Store Services flagship operations—we made CANSYSTEM CO., LTD. a wholly owned subsidiary in October 2018, bringing this fellow industry player under the Group's umbrella. Our sales infrastructure presently comprises 136 bases across Japan and approximately 1,200 direct sales staff. Moreover, around 10,000 partner companies, including roughly 2,000 active partners, work with us to cover regional markets all around Japan. In addition, a total of approximately 900 field engineers, of whom approximately 700 are certified electricians, support our maintenance structure, which serves customers nationwide. These assets underpin our unparalleled advantages in the Store Services business.

The current reported monthly rate of new store openings in Japan is approximately 7,000. For most of these store openings, we are able to gather relevant information well before launch. This knowledge is reflected in our customer development efforts. Our main customers are restaurants, stores, beauty salons, and other commercial facilities and, when business offices, hospitals, and clinics are included, sales from these customers account for 90% of our segment sales portfolio.

The Store Services business is thus supported by a solid customer base consisting of more than 900,000 stores, and this, in turn, generates stable recurring revenues that enable us to proactively allocate funds to growing businesses. Our role in the Group is to strengthen its consolidated revenue base. In the fiscal year under review, we revised our reportable segments by merging the former Media business into the Store Services segment. As a result, the Store Services business accounts for 55% of consolidated operating income for the fiscal year ended August 31, 2021.

Growth Strategy/Priority Markets

- Leveraging the communications environment we provide as a platform for the upselling of IoT/DX solutions, with robust internal resources enabling us to undertake delivery, maintenance, and customer support in an integrated manner
- Placing a stronger focus on newly opened stores, which are more likely to sign package contracts for multiple services, to steadily promote upselling amid the ongoing cycle of store openings and closings

Many of our customer stores enter into contracts with multiple different providers for such services as internet access, Wi-Fi, settlement terminals, and security cameras. Although stores are now facing the urgent call to promote DX amid the COVID-19 pandemic, the majority of managers seem to be not so clear regarding the solutions they want to introduce and how to best utilize them. With this in mind, the Group created "USEN IoT PLATFORM," a concept aimed at helping resolve users' DX-related issues. In line with this concept, we help stores update and simplify their wireless communications environments while delivering a one-stop package of DX solutions that allows them to choose the optimal products and services for them from among more than 60 options, including a store BGM service, the "U-regi" POS register, and the "U-pay" payment platform capable of accommodating various cashless payment methods, as well as Wi-Fi, IP phone, FAX, and cloud security camera services.

We also offer "comprehensive support services for stores" as part of upstream efforts to ensure the seamless marketing of the above-mentioned services. Specifically, we engage closely with our customers during the pre-opening preparatory stages, providing them with meticulous and comprehensive support until their stores are launched. In particular, we hold store opening seminars in addition to assisting in the preparation of business plan documents, which are essential to obtaining startup loans.

In the course of pursuing these initiatives, we started a business providing insurance for stores, an operation now enjoying growth and becoming a profit contributor. Also, acting in collaboration with a real estate brokerage company that was newly established within the Group, we are poised to establish a virtuous cycle of securing opportunities arising from diverse customer needs. Furthermore, we offer business succession support for aged store owners while extending assistance to owners who must plan for store closings, which, regrettably, have become commonplace amid the COVID-19 pandemic. Thus, we employ a commensurately serious approach to meeting needs associated with exit strategies for stores. Our actions, we believe, will increase the likelihood of success in securing contracts with newly opening stores and upselling our products and services.

Communications business

- ICT services for businesses
- Broadband internet service for stores
- Broadband service sales agents
- Services for individuals



We will secure greater recurring revenue by stepping up the marketing of ICT services for businesses, which are seeing stable growth, and our broadband internet service for stores (collaborative broadband service).



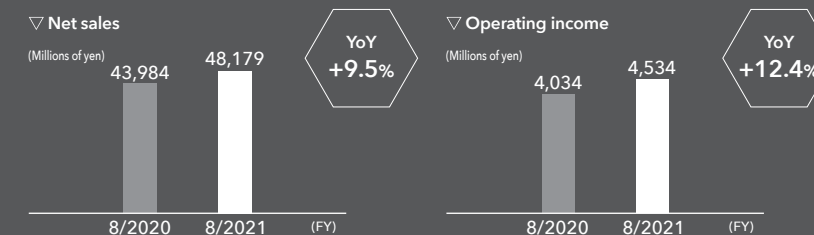
Yoichi Aoyagi
Representative Director &
President
USEN ICT Solutions Co., Ltd.

Koichiro Oshita
Representative Director &
President
USEN Smart Works Co., Ltd.

Kazuki Kanda
Representative Director &
President
USEN NETWORKS Co., Ltd.

Results Summary

We have seen steady growth in both sales and profit from ICT services for businesses, which mainly target SMEs, while succeeding in recording profit in the broadband internet service on a monthly basis for the first time since its launch. Furthermore, segment profit improved, due in part to the completion of the amortization of goodwill in the first half.



Features/Competitive Edge

- Providing communications services to SMEs, stores, and individuals
- A multivendor strategy underpins ICT services for businesses via direct sales activities
- Services for stores (sales agency and owned network services) are supported by 250 agents

In the Communications business, we market ICT services for offices, including communications network, security, groupware, and other solutions while acting as a sales agent for the fiber-optic line service provided by communications carriers. We also sell and provide the broadband internet service ourselves to stores, rental real estate properties, and individuals in addition to handling the mobile virtual network operator (MVNO) service for individuals.

Targeting SME customers, USEN ICT Solutions leverages a multivendor strategy that enables it to deliver an unparalleled service lineup even as it remains independent from any particular carrier. Furthermore, it employs a team of approximately 150 sales staff to ensure that each customer is served exclusively by specific staff. Well aware of the needs of SME employees in charge of information systems, who very often happen to be the only IT specialist in their organization or part of an extremely small IT team, USEN ICT Solutions strives to be a reliable partner that helps them resolve issues. Thanks to these efforts, the number of customers that have introduced its solutions, mainly communications services, stands at approximately 40,000.

Since its inauguration in May 2019, USEN Smart Works has expanded its operations through subscription sales, which allow corporate users to sign up for only the number of accounts that they need. As a premier partner of Google and Cybozu, USEN Smart Works takes full advantage of its know-how when introducing such services as groupware and other SaaS solutions while utilizing an ecosystem with systems integrators and other partners.

Meanwhile, USEN NETWORKS serves smaller stores and SOHO, marketing "USEN Hikari plus," a collaborative broadband service provided in partnership with Nippon Telegraph and Telephone (NTT) East and NTT West corporations. Thanks to its long-standing transactional relationships in which it has acted as a sales agent for these companies, USEN NETWORKS is able to coordinate installation schedules and offer other services based on its alliance with them. In addition, its approximately 250 sales partners nationwide strive to win customers from competitors by taking advantage of its strengths backed by unique option services, including around-the-clock helplines. Tasked with these infrastructure services, USEN NETWORKS also plays its part in expanding the Group's marketing platform supporting its upsell strategies for the Store Services business, which aim to usher customers toward the purchase of IoT products and services.

Growth Strategy/Priority Markets

- Switchover to a recurring-revenue business model is under way via a shift from acting as a sales agent to winning customers for our own networks
- Seizing growing opportunities for the upselling of IoT/DX products and services on the back of an increase in the number of stores using our networks
- Aiming for steady growth by building up a lineup that matches ICT needs among businesses

For the USEN-NEXT Group, the Communications business is expected to remain its principal earnings pillar going forward as this business boasts remarkably high lifetime value (LTV).

USEN ICT Solutions markets various services under "USEN GATE 02." This well-established brand encompasses network, cloud, and datacenter services as well as commissioned maintenance and operation services and the distribution of BGM for workplaces. At the same time, USEN ICT Solutions endeavors to enhance its service lineup in a way aligned with the latest customer needs. Furthermore, it also strives to build an even stronger structure supporting its abilities to propose and deliver one-stop solutions that help develop ICT environments.

USEN Smart Works is focused on helping the businesspeople employed by its corporate customers update their work styles and enhance their sense of job fulfillment. To this end, it provides businesses with innovative proposals designed to help them resolve various issues, including how to embrace remote work, manage online meetings, reduce unnecessary workload, implement labor-saving measures, and maintain robust communications between on-site workers and remote workers. User accounts currently total approximately 400,000, a number USEN Smart Works aims to increase to 1 million by targeting smaller businesses than typical SMEs, a "blue ocean" market expected to hold considerable potential. Also, USEN Smart Works intends to raise ARPU by cross-selling a broad range of products and services.

USEN NETWORK will continue to promote a shift from a one-off revenue model supported by sales agent fees to a recurring-revenue model via the marketing of "USEN Hikari plus." In addition, USEN NETWORK has taken full advantage of its flexible scheme development capabilities and released a fiber-optic line service based on a novel "B to B to X" model, under which corporate subscribers can extend access to their internet link to their employees working from home at no extra charge. Currently, USEN NETWORK is striving to improve telecommunications quality to help customers improve both productivity and employee satisfaction.

* Average revenue per user for one month.

Business Systems business

- Automated payment machines for stores
- Operational management systems for hotels
- Facial recognition-based online insurance status confirmation systems



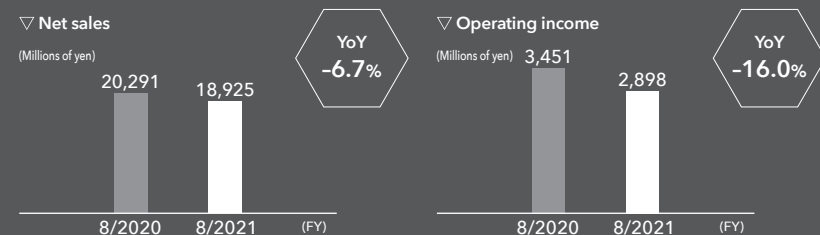
We will promote “techno-hospitality” across society via DX-driven facility solutions while enhancing our hardware and software lineups to tap into an even broader range of business fields.

Shohei Mabuchi
Representative Director &
President
ALMEX INC.



Results Summary

Due to the COVID-19 pandemic, demand associated with capital expenditures declined considerably among hotels and large hospitals, which constitute our main markets. However, this downward trend bottomed out in the second quarter, and demand was reinstated to a recovery track. With the marketing of Sma-pa Myna Touch card readers, we strove to win new customers among small- and mid-size medical institutions and pharmacies, laying a foundation for future upsell strategies.



Features/Competitive Edge

- Leisure hotels, business hotels, and large medical institutions are our main markets
- In the field of automated payment machines, our core products, we are the market leader as a fabless maker without in-house manufacturing lines
- Differentiating ourselves through the provision of threefold customer value arising from hardware, software/apps, and maintenance engineers
- Recurring revenues and initial sales stably account for 40% and 60%, respectively

As a USEN-NEXT Group company, ALMEX INC. is engaged in the development, manufacture, and sale of automated payment machines, operational management systems, and other offerings for hotels, large hospitals, and golf courses. Based on the management philosophy, “Delivering techno-hospitality to people of the world,” its raison d'être, ALMEX is committed to contributing to the pursuit of DX and improvement in productivity for a diverse range of facilities and stores that are essential to Japan's society. These endeavors are backed by its extensive lineup of solutions designed to powerfully support remote, contactless, and labor-saving operations. In these ways, we aim for the sustainable realization of the above philosophy.

In the field of automated payment machines, ALMEX remains Japan's market leader as a fabless maker without in-house manufacturing lines. With these machines as its core products, ALMEX serves such markets as hotels, hospitals, and golf courses, with initial sales of these offerings accounting for approximately 60% of its sales. Meanwhile, recurring revenues, which account for 40% overall sales, derive from the provision of operational management systems, various software/apps, and commissioned installation services for hospital bed peripheral equipment in addition to maintenance and other relevant services. With the two revenue sources combined, we maintain a quite stable revenue base. With regard to maintenance services, we have secured a robust structure employing in-house engineers who extend timely support to every customer facing issues until those issues are resolved completely.

Most recently, we began marketing several new products, including AI-based thermal cameras designed to take contactless body temperature measurements and automatically confirm whether visitors are wearing face masks. Also released recently are systems that enable restaurants to fully automate their settlement operations via a combination of tabletop ordering terminals and automated payment machines. In addition, our Sma-pa Myna Touch card readers were designated as recommended equipment compatible with a government-funded online insurance status confirmation system that utilizes “My Number Cards” and was fully deployed in October 2021. Currently, we are proactively expanding our product lineups in these and other areas.

Growth Strategy/Priority Markets

- Assisting customers in their DX efforts in light of the need for higher labor efficiency due to a decline in Japan's working age population
- Boosting recurring revenues through optional software services accompanying business systems equipment
- Leveraging “Myna Touch” as a starting point to tap into a broad swathe of the small- and mid-size medical institution market while supporting the revival of inbound tourism, which will lead to recovery in demand associated with IT investment

The current business environment remains harsh due to the lingering effects of the COVID-19 pandemic, which include declines in demand associated with business travel and domestic tourism along with the disappearance of the inbound tourism market. Business hotels in particular have suffered from major plunges in utilization ratios in the Tokyo metropolitan and other urban areas. This, in turn, has led to the shrinkage of capital expenditure needs.

On the other hand, the introduction of remote and contactless solutions has become a matter of urgency in every corner of society due to the pervasive, ongoing risk of COVID-19 infection. This trend is likely to persist in the post-pandemic period and beyond. In this light, although human hospitality has traditionally been a central aspect of service at golf courses and hotels, meaning that such entities have been disinclined to seek out automated payment machines or other automation/labor-saving solutions, today these businesses are evolving, creating new markets where new opportunities abound. This emerging trend is similarly affecting many other types of stores and facilities. For example, the hospital sector, which we already have penetrated, is accelerating the introduction of automated payment machines and reception kiosk terminals in order to shorten waiting time for outpatient visitors and thereby avoid so-called “3-Cs,” namely, crowded spaces, close contact, and closed spaces.

Furthermore, Sma-pa Myna Touch card readers are expected to be introduced by clinics, small-size hospitals, dental clinics, dispensing pharmacies and other customer groups that had previously been out of our marketing reach. To promote upselling to these facilities, we have newly released Sma-pa TERMINAL DESKTOP, a compact and affordable kiosk terminal that can be installed on a counter. We intend to market this offering to other components of the medical sector and expect the veterinary clinic sector, which is estimated to comprise 20,000 facilities nationwide, to be a potential customer group.

While striving to expand our markets through the above initiatives, we will enhance our AI-based facial recognition systems, cashless payment (fintech) platforms, and IoT-related software services. We will thus install a variety of innovative functions in our business systems equipment. By doing so, we aim to raise the ratio of recurring revenues to more than 50% of segment sales.

Energy business

- Retail sales of electricity
- Retail sales of city gas



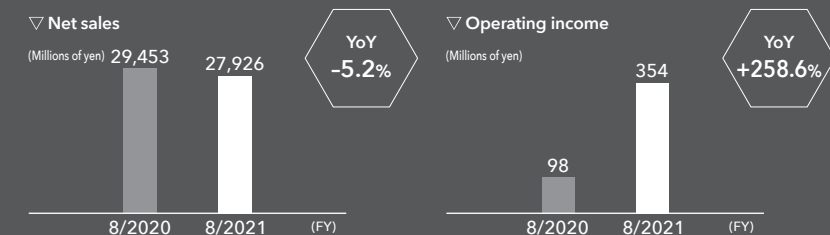
Working hand in hand with partner companies, we will reach out to a broad range of markets and deliver a comprehensive lineup of store infrastructure services and other Group products.

Naoki Yamashita
Executive Officer
Head of Energy
Business Division
USEN CORPORATION



Results Summary

As a result of measures enforced to prevent the spread of COVID-19, including the shortening of restaurant business hours, customers' energy consumption remained stagnant. Nevertheless, we were able to achieve profit growth thanks to ongoing efforts to deliver value arising from energy-related cost reductions employing synergies backed by collaboration with other Group products.



Features/Competitive Edge

- Marketing electricity purchased solely from TEPCO instead of on the open market, thereby avoiding revenue volatility
- Maximum utilization of the Group's sales channels, including direct sales, outbound sales, sales agents, and others

In April 2016, the full liberalization of the electricity retail market gave Japanese consumers the freedom to choose from the diverse rate menus offered by an array of energy providers. Given the USEN-NEXT Group's commitment to delivering comprehensive assistance to stores working to resolve various issues, its entry into electricity sales was inevitable. Since the September 2016 launch of this business, we have also begun acting as a sales agent for city gas services in response to the subsequent full liberalization of the gas retail market.

As for retail sales of electricity, our involvement began in the area of brokerage and, once we accumulated a sufficient track record, we transitioned to being a sales agent in partnership with Tepco Customer Service Co., Ltd., a wholly owned subsidiary of TEPCO Energy Partner, Incorporated. By procuring energy entirely from Tepco Customer Service, we have been able to maintain a stable sales agent model that circumvents the risk of profit deterioration due to electricity rate surges. In addition, our target customer groups consist mainly of stores, shops, commercial complexes, and other facilities that largely overlap with those served by the Group's Store Services business. Immediately after launching energy sales, we placed our focus on building up our revenue base by winning customers among office buildings, factories, nursing homes, hospitals, and other large facilities in need of high-voltage power sources. We have since begun serving stores with lower voltage needs as we expand our areas of marketing.

Thus, by effectively utilizing a customer base and sales resources the Group has long nurtured, the Energy business achieved growth. We have also played a part in enhancing value provided via “comprehensive support services for stores” and creating Group synergies by offering discounts on electricity and gas rates and assisting those enacting energy-saving measures. These efforts, in turn, led to the first recording of segment profit in the fiscal year ended August 31, 2020.

Growth Strategy/Priority Markets

- Started out by selling electricity in limited voltage categories in TEPCO's service areas
- Providing an infrastructure service to diverse customers, regardless of sector, to help reduce the cost of facility operations

The electricity market has been engulfed by increasingly intensive competition among Power Producers & Suppliers (PPSs) and conventional regional power companies. On the other hand, due to the influence of the state of emergency declaration issued upon the outbreak of the COVID-19 pandemic and the subsequent enforcement of quasi-emergency measures, economic activities as a whole remain stagnant. As the economy and business operations have yet to return to a full recovery track, our operations are being affected by a less-than-robust recovery in the volume of energy consumption at stores and other commercial facilities that are our customers.

Given the above business environment, the USEN-NEXT Group has developed a collaborative service in partnership with TEPCO Energy Partner involving the combined marketing of low-voltage electricity and products offered by the Store Services business to customer stores in TEPCO service areas. This new service was launched in the second half of 2020 and has garnered favorable customer reviews. Looking ahead, we intend to also penetrate the business office market and to this end are securing a structure capable of delivering comprehensive proposals with bundled service packages involving ambient BGM and cloud camera services as a starting point.

With regard to the market for high-voltage electricity, interest in the price stability offered by the Group's fixed rate menus has grown substantially in the aftermath of the early-2021 surges in electricity retail market prices, which led to extreme volatility in the electricity rates borne by consumers. We will steadily expand sales by accurately meeting this trend in customer needs.

The New Medium-term Business Plan "Road to 2025"

The USEN-NEXT Group has established a medium-term business plan called "Road to 2025" that will end with the fiscal year ending in August 2025. During this plan, Group companies will make steady progress with new strategies while adapting with flexibility to the big changes in the social environment as the world advances from living with the pandemic to life after the pandemic. The objective is sustained growth in order to continue increasing the overall value of the USEN-NEXT Group.

More information about this plan is in the medium-term business plan materials that were released in February 2022.

Reference <https://usen-next.co.jp/ir/>

Basic Strategy



Performance Indicators

- Establish a scenario for even faster growth than the base case while taking into account volatility created by changes in the business climate
- Aim for the upside case while using the base case as the bottom line for growth

(Billions of yen)

	FY8/2021 (Actual)	Plan for FY8/2025 (Base case)			Plan for FY8/2025 (Upside case)		
		Goals	CAGR	Four-year growth rate	Goals	CAGR	Four-year growth rate
Net sales	208.4	274.0	+7.1%	+31.5%	286.0	+8.2%	+37.2%
Operating income	15.6	22.0	+9.0%	+41.0%	25.0	+12.5%	+60.3%
Operating margin	7.5%	8.0%	—	+0.5%	8.7%	—	+1.2%
Profit attributable to owners of parent	8.0	12.0	+10.7%	+50.0%	13.5	+14.0%	+68.8%
Profit attributable to owners of parent [adjusted for amortization of goodwill]	11.3	15.0	+7.3%	+32.7%	16.5	+9.9%	+46.0%
EBITDA	24.4	33.0	+7.8%	+35.2%	36.0	+10.2%	+47.5%
EBITDA-CAPEX	13.8	16.5	+4.6%	+19.6%	19.5	+9.0%	+41.3%
Payout ratio	10.1%	10%~30%	—	—	10%~30%	—	—
Number of employees (consolidated)	4,692	5,200	—	—	5,200~5,300	—	—

Major Financial Indicators

	Previous Plan (Actual)		Plan for FY8/2025
	FY8/2019	FY8/2021	
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

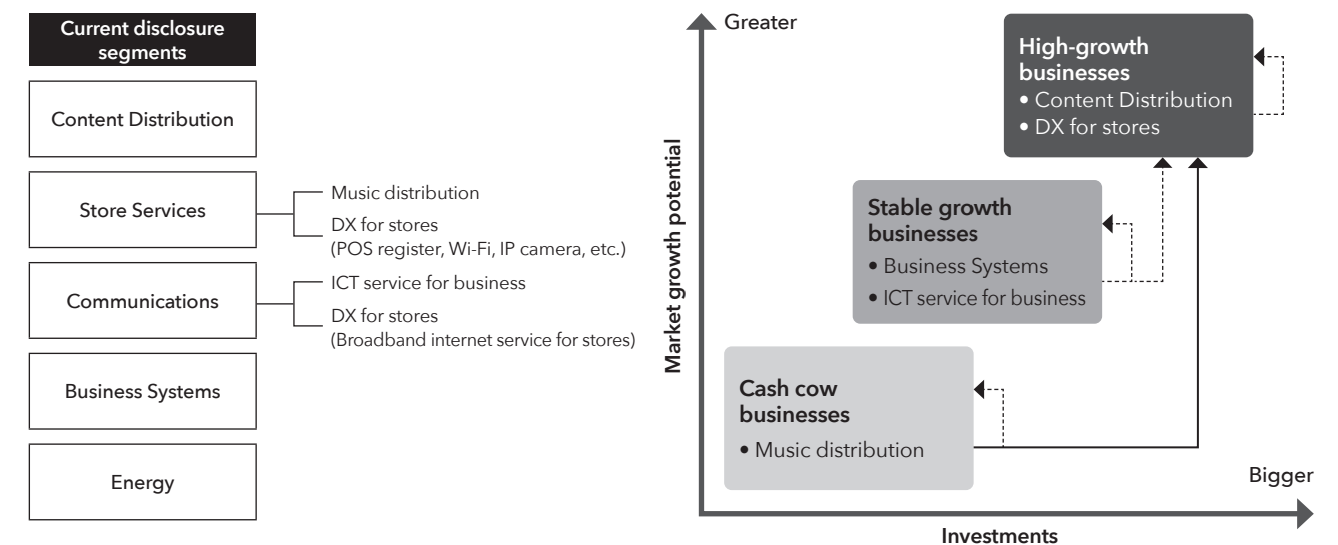
* In the plan, the effect of any M&A activity associated with fund procurement activities is not included

- 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

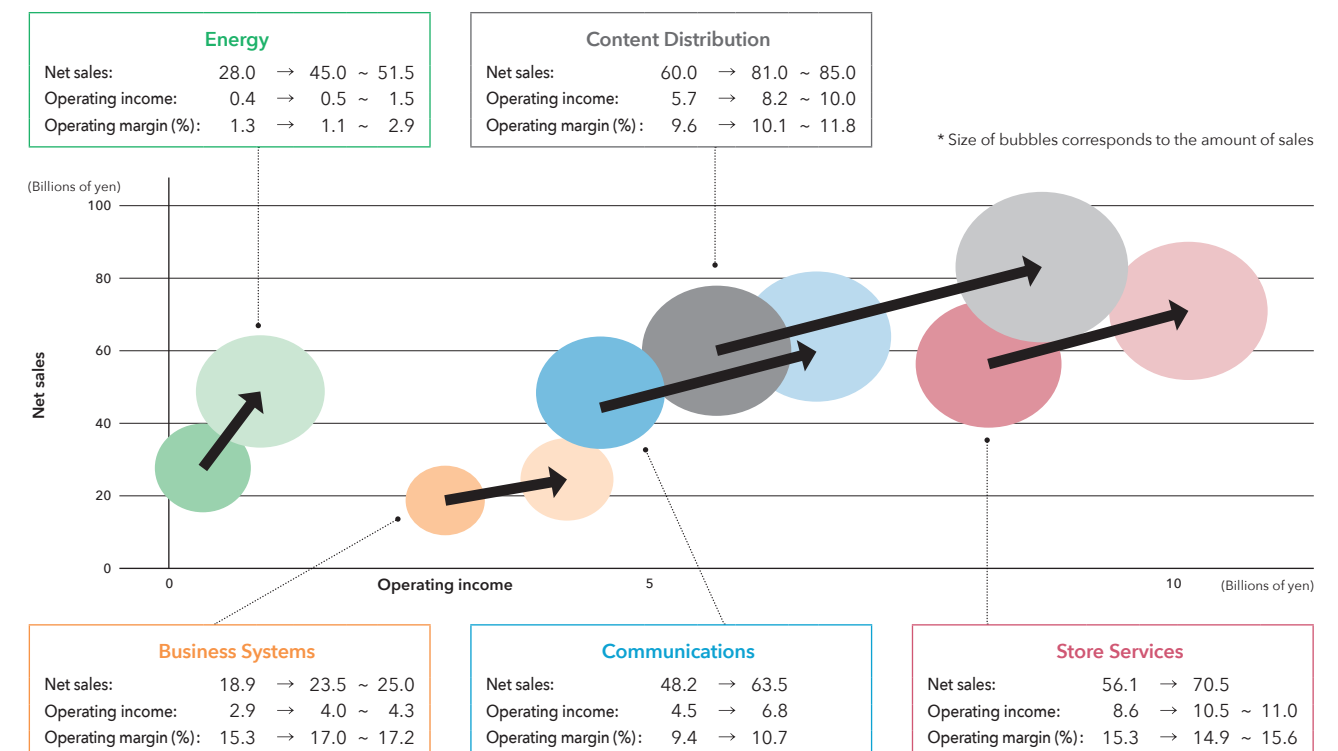
Portfolio Management

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



Expectation for Segment Growth (FY8/2021 to FY8/2025)

Anticipate that Content Distribution will drive overall growth as all segments achieve consistent growth of sales and earnings



Human Resource Strategies

Achieving Work Style Innovation at the Fastest Possible Pace

Takeshi Sumitani
Head of Corporate Affairs Department
Executive Officer
USEN-NEXT HOLDINGS Co., Ltd.



I believe the USEN-NEXT Group should be a place where people work autonomously. In the past, it was common for Japanese companies to decide and manage how their employees work and how work is performed, while employees worked within the framework set by their employer. With the December 2017 management integration, we created our corporate slogan, “Brighten the future,” and completely renewed the Group structure. In conjunction with this change, we made a pivotal shift to become a company where everyone thinks and works on their own accord so that employees are able to work with anyone, anytime and anywhere. To make this policy a reality, we launched our Work Style Innovation program in 2018.

This program, and the basis of our human resources management, is premised on the belief that human nature is fundamentally good, not fundamentally bad. Companies have traditionally thought that employees are unable to manage themselves, unless management decides when and where they will work, that they end up in becoming lazy without constant monitoring, and that misconduct would arise in the absence of an approval process. Companies have spent vast resources on managing their employees on the premise that human nature is fundamentally bad.

If we assume that human nature is fundamentally good, i.e., that employees will work earnestly and that each person will chose their own way of working without doing bad things, the cost of managing human resources can be minimized in essence. While there is a certain probability of losses, reducing management costs can offset these losses. Assuming human nature is fundamentally good also encourages employees to work in sustainable and healthy ways. It is truly a paradigm shift in the way we work.

Amid severe labor shortages due to a falling birthrate and aging population, the work conditions sought by job seekers have changed greatly over the past 10 years or so, and companies must offer attractive working conditions or risk losing the fight to hire personnel. This has become a very serious problem for companies. Our Work Style Innovation program is designed to affect the greatest changes in employee awareness and work styles in as short a time as possible.

● June 2018 Work Style Innovation

かっこよく、働こう。
Be innovative for results!

Under the concept of “Being Cool at Work, Being Innovative for Results!,” we launched the Work Style Innovation program as a new human resources project.

Based on the three aims of (1) pursuing optimal methods for producing results without being bound to preconceived ideas, (2) pursuing efficiency and results without being restricted by time and location, and (3) fostering communities that enhance employee motivation and energy, we launched the Super Flex System that frees employees from time constraints and the Remote Work System that frees employees from physical locations.

Super Flex System	Realize productive work styles that free employees from time constraints	Without setting up core time and flexible time systems, employees are free to set their own start and finish times in order to maximize results
Remote Work System	Realize productive work styles that free employees from physical locations	With the approval of their superior, employees can work outside the company anytime

On the introduction of these systems, we have adopted the adjective “work-oriented” as our customary phrase to explain management’s belief that the freedom of choice precisely serves the purpose of empowering employees to produce results in their work.

In July 2018, the scattered head offices of Group companies were moved and consolidated to Meguro, Tokyo. In September 2018, each Group company began rolling out Super Flex Systems and Remote Work Systems.

● September 2018 Career Growth Program “Next Way”

To realize the Work Style Innovation envisioned by the USEN-NEXT Group, our internal job transfer system Next Way helps Group employees pursue diverse careers and challenges. During the management integration in December 2017, employees were reassigned to our 14 operating companies, and this program fielded many questions about job rotations among Group companies.

More specifically, we have put into place the three following systems.

Scout U (Group internal scouting system)	A career description is submitted after employees discuss with human resource department staff the experiences, accomplishments and skills they acquired while working at their company as well as their career visions. Based on this information, the presidents of operating companies directly contact the employees who wish to be scouted.
Want U (Internal job listing system)	Each company and department lists jobs that can be applied for by employees, who are reassigned to their desired department if selected.
Try U (Job rotation system)	Human resources are proactively rotated throughout the Group, with the right people optimally assigned to the right position.

● September 2019 New evaluation-based compensation system “val.U”

We updated our performance evaluation system in order to fairly evaluate and reflect in employee compensation the value of human resources created in the Work Style Innovation and Next Way systems. By allocating compensation based on the current value of our human resources, we are able to enhance the motivation and retention of talented employees.

Moreover, we stopped writing up detailed evaluation sheets that were made at great cost, and switched to assessments based on one-on-one communications between an employee and their supervisor in order to move performance evaluations closer to people involved in the actual work.

● “Cho! All-Ahead Hiring”

The USEN-NEXT Group introduced a groundbreaking hiring practice in a clear break from the traditional hiring of students right out of college. Under the slogan “Cho! All-Ahead Hiring,” we initiated this with the very first round of college graduate hires following management integration. As a result, the ratio of college graduates who accepted our offers increased to 60% in April 2019, from 40% in April 2018.

Regarding mid-career hires, we had around 400 applications for each position in fiscal 2017, and we had around 2,500 people applying for each staff position at the head office in July 2019, a roughly six-fold increase.

● July 2019 New recruiting program “GATE”

With FAIR, SIMPLE and INNOVATIVE as our policy, we have updated our hiring program across the entire Group. We stopped hiring new college graduates en masse, and shifted to hiring throughout the entire year, allowing prospective employees to decide when to join. As long as a student is at least 18 years old, people who are still studying can be hired as full-time employees.

Furthermore, the only information we require for entry into the GATE program is a person’s name, birthdate and email address. During the pandemic, all aspects of the selection process are being conducted through online interviews, which are more convenient and reassuring for students in their job-seeking activities.

● December 2020 USEN-NEXT Tuition Support Program

The USEN-NEXT Tuition Support Program was created as an independent scholarship program to assist students in both their academic pursuits and job-seeking activities. It is designed to support those who would otherwise have no choice but to drop out of college due to the lack of part-time income and their family’s worsening financial situation during the pandemic. While helping to pay the cost of education until graduation, the program allows students to work even before they graduate, and then repay funds offered through the program from their paychecks after entering the workforce full time.

● January 2021 Job hunting portal “RecruTech® for U”

We took our innovative efforts to revolutionize the hiring of new college graduates one step further with advances in technology. Instead of using an entry sheet, we ask job applicants to submit a personal message video with their smartphones, and have incorporated completely new hiring methods, such as giving feedback based on the results of AI-driven video analysis. We also screen job applicants based on whether they approve of such innovative efforts. This hiring approach exemplifies our determination to be a change agent promoting digital transformation.

● January 2021 New work model in collaboration with Nagaoka City “NAGAOKA WORKER”

We signed an agreement with Nagaoka City related to a new model for hiring personnel as a way of receiving the increasing number of people moving back to the region. NAGAOKA WORKER was launched as a work model that facilitates 100% remote work for major corporations located in the Tokyo metropolitan area while employees live in Nagaoka City, as a part of our Work Style Innovation program that frees people from time constraints and physical location.

As a public-private collaboration, we support the meeting of diversifying needs in new kinds of work and life styles.

● February 2021 President candidate discovery program “CEO’s GATE”

We launched the president candidate discovery program “CEO’s GATE” to realize our longer-term vision of becoming a ¥1 trillion corporate group with 100 presidents at 100 operating companies. Around 1,000 people entered the program from within and without the Group who are interested in becoming a president of a Group operating company.

To ultimately achieve a diverse lineup of Group company presidents boasting varied backgrounds, the USEN-NEXT Group is prepared to promote diversity in its own unique ways.

● May 2021 Sustainable well-being program “Well. U”

Well.U

Sustainable Well-being Program

Yet another unique program, “Well. U” supports the health and well-being of our employees in ways conducive to new work styles, with a focus on new lifestyles and remote working. Based on the theme “Know

Well, Do Well and Live Well,” the program implements measures that help employees visualize and improve their own health, lead fulfilling lives and continue working to the best of their abilities.

These initiatives align with two of the 17 Sustainable Development Goals (SDGs), namely “3. Good health and well-being for all” and “8. Decent work and economic growth.” The USEN-NEXT Group is stepping up its efforts to address SDGs through the “Well. U” program.

July 2021 launch	Updated environments for online medical consultations and interviews assuming remote work and remote interactions
September 2021 launch	Built a thorough examination system for specialized physicians at advanced health checkup centers
December 2021 planned launch	Constant visualization of one’s own health with health checkup outcome database
February 2022 planned launch	Health condition checkups to detect signs of mental illnesses while working remotely
March 2022 planned launch	Develop innovative web services with point award and redemption functions based on system usage

● June 2021 “Special Activity Worker System”

This system supports employees who engage in activities outside their companies, such as giving back to society and participation in sports, including employees who play sports as a member of a community sports club and employees who are contributing to CSR, the arts and culture, or seeking to be elected as public officials. All employees who belong to the USEN-NEXT Group can participate in this system.

● June 2021 “Career Opportunity For DIVERSITY”

In order to promote diversity & inclusion, we do not distinguish between people with and without disabilities. This program hires people with disabilities and prepares work environments for them.

The program facilitates searches for people by the type of their disability in order to find suitable work for them, and the job listings contain information relevant to work arrangements specially provided for people with disabilities. People with disabilities can apply for job positions with confidence after ascertaining whether the work details and environment align with their unique needs.

Corporate Governance

Basic Approach

The USEN-NEXT Group's brand slogan is "Brighten the future."

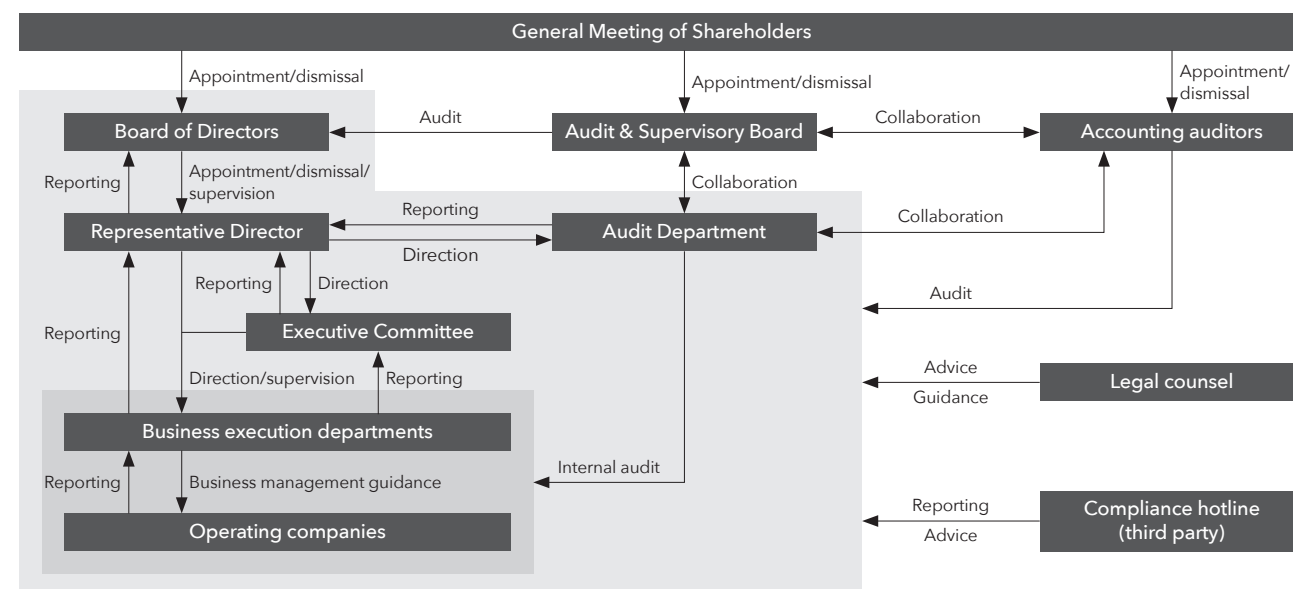
The USEN-NEXT Group has set up the following structure for corporate governance based on the recognition that having robust corporate governance is an important management issue from the standpoint of remaining a corporate group needed by society and deserving of its ongoing expectations, while providing essential services to society. We strive to establish a sound, transparent and highly efficient management structure with the aim of fulfilling our management responsibility and accountability to shareholders and other stakeholders.

With a focus on business execution functions and internal audit functions through its Board of Directors, Audit & Supervisory Board, Group Executive Committee, and executive officer system, the Group

has built and maintains an efficient and legally compliant corporate structure that focuses on ensuring the effectiveness and efficiency of business operations and reliability in financial reporting along with the protection of assets and compliance with laws and regulations in its business activities.

To ensure proper business activities and controls at USEN-NEXT HOLDINGS and Group subsidiaries, the Company's Audit Department engages in operational audits and other monitoring activities, defines management rules for Group companies, assesses the status of business activities at each company, and advances the governance structure for the entire Group.

Corporate Governance Structure



Outline of Corporate Governance Structure

The Company's management structure consists of 11 directors and four Audit & Supervisory Board members. The Board of Directors includes four outside directors, ensuring objectivity and neutrality in management supervision functions. The Audit & Supervisory Board consists of two full-time members and two outside members.

(1) Board of Directors

As a decision-making entity, the Board of Directors determines basic policies for Group management, deliberating and deciding the most important matters. The Board also supervises the status of business execution by, for example, examining important issues reported from relevant departments and otherwise reviewing regular reports. The outside directors monitor directors in charge of business execution and the Company's overall execution structure, while also voicing their opinions about the Company's overall corporate governance structure.

1) Appointment of directors and composition of Board of Directors
For the Board of Directors, each director's main skills are arranged in a matrix for better visibility, and candidates for directors are decided with consideration paid to achieving the appropriate size of the Board and the optimal combination of director skills to facilitate effective deliberations. Internal directors are chosen with attention paid to the balance of their knowledge, experience and abilities in various businesses. Outside directors are selected with the aim of ensuring diversity in terms of their field of specialization, experience and career backgrounds.

The Company's Articles of Incorporation require at least three directors who serve one-year terms.
2) Matters debated by the Board of Directors
The Company carefully makes decisions after duly deliberating matters of high importance, such as key matters related to human resources, organizations and systems, in addition to management policies and business plans, that are on the agenda for debate by the

Board of Directors as defined by laws, regulations, the Articles of Incorporation and the rules of the Board of Directors.

(2) Group Executive Committee

The Group Executive Committee meets once a month for the purpose of discussing important matters related to business execution across the Group, with the aim of aligning intentions on the business execution side and supporting appropriate decisions on matters as an advisory entity to the president.

(3) Audit & Supervisory Board

The Audit & Supervisory Board conducts audits of business execution by directors from an independent standpoint, based on laws, regulations, the Articles of Incorporation, rules and audit standards set by the Board.

Audit & Supervisory Board members participate in key meetings, including Board of Directors meetings, and conduct audits of

business execution by directors. Full-time members periodically meet with the Audit Department and receive reports about the status of internal audits and audit results, while also exchanging opinions on internal audit plans, implementation methods and improvement measures. These individuals work closely with the Audit Department when conducting internal audits of departments and audits of Group companies. They also interview executives and employees, examine documentation and conduct on-site surveys.

Audit and supervision functions are also carried out on management through interviews with directors and inspections of important documentation for final decisions.

(4) Audit Department

The Company has established the Audit Department to work with Audit & Supervisory Board members on audits of each business department and subsidiary, and the results of these audits are reported once each quarter to the Board of Directors.

Compliance

The USEN-NEXT Group is strengthening its companywide compliance structure in order to fulfill its social responsibility. We have drawn up the USEN-NEXT Group Code of Conduct as a basic set of values for all officers and employees to follow, and raise awareness of compliance

through periodic educational activities. To respond to changes in the business environment, we will continuously endeavor to reinforce our compliance structure.

Internal Control System

(1) System for ensuring business execution by directors and employees is in compliance with laws, regulations and the Articles of Incorporation

- 1) To ensure business execution by directors and employees of the Group and its affiliated companies remains in compliance with laws, regulations and the Articles of Incorporation, the USEN-NEXT Group Code of Conduct was created to reinforce compliance with laws, regulations and corporate ethics.
- 2) Internal reporting rules have been put into place along with education and training in order to facilitate the thorough and practical implementation of the above Code of Conduct by Group officers and employees.
- 3) The Audit Department, which acts independently of business execution departments, ensures internal audits are conducted on the overall activities related to the business execution side of the Group, including its subsidiaries.

(2) System for ensuring efficiency in business execution of directors

- 1) The Board of Directors meets once a month and as necessary to ensure the efficient business execution by directors within a framework that clearly separates functions for strategic decision making and management supervision and those for business execution.
- 2) We have an executive officer system to increase management efficiency.
- 3) The Company appoints outside directors to reinforce management supervision functions and invigorate deliberations by the Board of Directors.
- 4) Chaired by the president, the Executive Committee meets at least once a month to discuss important matters related to business execution.

(3) System for storing and managing information related to business execution by directors

In accordance with document management rules, information related to the business execution of directors is recorded in paper documents and electronic media and preserved. Directors and Audit & Supervisory Board members are able to view this documentation at any time, in accordance with the document management rules.

Risk Factors and Risk Management

The Company has defined Basic Rules for Risk Management in the context of general risk management, and has put into place a system for ensuring the overall management of risks that may have a material impact on the Group and accurately responding to such and other risks upon their materialization.

In preparation for emergencies with the possibility of a major impact on management and business activities, we formulated Crisis Management Rules and have in place a system to facilitate an accurate response. Please refer to pages 15-20 of the securities report for explanations regarding management's recognition of major risks that may have a material impact on the financial positions, business performance and cash flows of consolidated companies.

Members of the Board of Directors and Audit & Supervisory Board

(as of November 29, 2021)

Directors

Representative Director, President & CEO Yasuhide Uno Born on August 12, 1963 No. of Company shares owned: 37,130,687 Appointment to current position December 2017 Representative Director, President & CEO of the Company Past/concurrent positions May 2011 Director of U-MX Co., LTD March 2014 Chairman of ALMEX INC. January 2017 Director of Y.U-mobile Co., Ltd. December 2017 Chairman of USEN CORPORATION Chairman of U-NEXT Co., Ltd. Chairman of USEN ICT Solutions CORPORATION Chairman of USEN Media CORPORATION Chairman of USEN-NEXT LIVING PARTNERS Inc. October 2018 Director of CANSYSTEM. CO., LTD. January 2019 Director of USEN NETWORKS Co., Ltd. March 2019 Chairman of USEN Smart Works CORPORATION September 2020 Chairman of USEN FB Innovation Co., Ltd. November 2021 Director of TACT INC.		Managing Director & CFO Shohei Mabuchi Born on November 4, 1972 No. of Company shares owned: 100,142 Appointment to current position December 2017 Managing Director & CFO of the Company Past/concurrent positions November 2013 Representative Director & President of ALMEX INC. November 2014 Director of USEA Pte Ltd. February 2015 Director of Almex System Technology Asia Sdn.Bhd. January 2020 Director of USEN-NEXT Financial Co., Ltd. November 2021 Director of Next Innovation Co., Ltd.	
--	---	--	---

Director Tenshin Tsutsumi Born on September 15, 1977 No. of Company shares owned: 120,900 Appointment to current position December 2010 Director of the Company Past/concurrent positions December 2010 Director of U-NEXT MARKETING Co., Ltd. (Currently TACT INC.) June 2017 Director of Y.U-mobile Co., Ltd. December 2017 Representative Director & President of U-NEXT Co., Ltd. Director of USEN-NEXT LIVING PARTNERS Inc.		Director Yasuhiko Ota Born on September 12, 1968 No. of Company shares owned: 97,660 Appointment to current position July 2017 Director of the Company Past/concurrent positions December 2017 Director, Executive Vice President of USEN CORPORATION Director of USEN NETWORKS Co., Ltd. September 2021 Director & Vice President of CANSYSTEM CO., LTD.		Director Yoshitaka Kudo Born on January 22, 1967 No. of Company shares owned: 2,477 Appointment to current position November 2018 Director of the Company Past/concurrent positions September 2021 Chairman of CANSYSTEM CO., LTD.	
--	---	---	---	--	---

Outside Director Akio Sato Born on February 4, 1966 No. of Company shares owned: – Appointment to current position July 2017 Outside Director of the Company Past/concurrent positions March 2003 Opened Sato Sogo Law Office March 2008 Outside auditor of POLA ORBIS HOLDINGS Inc. December 2008 Outside director of GMO Payment Gateway, Inc. April 2012 Part-time Lecturer at Keio University Business School June 2015 Outside director of Kirayaka Bank, Ltd. June 2016 Outside director of Aozora Trust Bank, Ltd. (currently GMO Aozora Net Bank, Ltd.)		Outside Director Takeshi Natsuno Born on March 17, 1965 No. of Company shares owned: 15,000 Appointment to current position December 2010 Outside Director of the Company Past/concurrent positions May 2008 Special professor in residence at Graduate School of Media & Governance, Keio University June 2008 Outside director of transcocos inc. September 2009 Outside director of GREE, Inc. August 2016 Outside director of Oracle Corporation Japan February 2019 President of DWANGO Co., Ltd. June 2021 President of KADOKAWA CORPORATION		Outside Director Koichi Maruo Born on August 17, 1960 No. of Company shares owned: – Appointment to current position November 2021 Outside Director of the Company Past/concurrent positions April 2021 Executive advisor at Daiwa Securities Co., Ltd.	
---	---	--	---	---	---

We will continue working on dynamic growth and the creation of sustained value in our optimized business portfolio, based on financial and business strategies while taking both a hard and soft approach.

• Shohei Mabuchi

CFO

Audit & Supervisory Board Members

Full-Time Member Yosuke Kobayashi Born on December 18, 1967 No. of Company shares owned: 3,351 Appointment to current position July 2017 Member of the Company's Audit & Supervisory Board Past/concurrent positions November 2009 Auditor of U'S MUSIC Co., Ltd. November 2014 Auditor of ALMEX INC. February 2015 Auditor of USEN Techno-Service Co., Ltd. December 2017 Auditor of USEN CORPORATION Auditor of U-NEXT Co., Ltd. Auditor of USEN Media CORPORATION Auditor of USEN NETWORKS Co., Ltd. February 2018 Auditor of USEN-NEXT Design Co., Ltd. October 2018 Auditor of CANSYSTEM CO., LTD. January 2020 Auditor of USEN-NEXT Financial Co., Ltd. September 2020 Auditor of USEN FB Innovation Co., Ltd.		Full-Time Member Masao Horiuchi Born on November 13, 1969 No. of Company shares owned: 26,000 Appointment to current position July 2017 Member of the Company's Audit & Supervisory Board Past/concurrent positions December 2010 Auditor of U-NEXT MARKETING Co., Ltd. (currently TACT INC.) May 2011 Auditor of U-MX Co., Ltd. March 2014 Auditor of Next Innovation Co., Ltd. January 2017 Auditor of Y.U-mobile Co., Ltd. July 2017 Auditor of USEN ICT Solutions Co., Ltd. Auditor of USEN-NEXT LIVING PARTNERS Inc. December 2017 Outside director of CyberAgent Inc. June 2018 Outside director of LANDIX Inc. Outside director of Payroll Inc. March 2019 Auditor of USEN Smart Works Co., Ltd. June 2020 Outside director of For Startups, Inc.	
--	---	--	---

Outside Member Yukio Kitamura Born on October 5, 1945 No. of Company shares owned: – Appointment to current position July 2017 Outside Member of the Company's Audit & Supervisory Board Past/concurrent positions April 1980 Director of Toranomon Sogo Law Office		Outside Member Shintaro Suhara Born on September 29, 1970 No. of Company shares owned: 9,269 Appointment to current position December 2010 Outside Member of the Company's Audit & Supervisory Board Past/concurrent positions August 2016 Outside director of Village Vanguard Corporation March 2021 Director and group founder of es Networks Co., Ltd.	
---	---	--	---

Takeshi Sumitani	Executive Officer, Head of Corporate Control Department
Yasuhito Kawaoka	Executive Officer, Head of Management Control Department
Sadamitsu Kitagawa	Executive Officer, Head of Business Development Office

Managing Director Kimimasa Tamura Born on June 20, 1971 No. of Company shares owned: 98,369 Appointment to current position December 2017 Managing Director of the Company Past/concurrent positions November 2017 Director of U'S MUSIC Co., Ltd. December 2017 Representative Director & President of USEN CORPORATION September 2019 Director of USEN Techno-Service Co., Ltd. September 2020 Director of USEN FB Innovation Co., Ltd.	
---	---

Director Shintaro Takahashi Born on January 8, 1965 No. of Company shares owned: 152,700 Appointment to current position November 2020 Director & CMO of the Company Past/concurrent positions July 2016 Outside director of gumi Inc.	
--	---

Outside Director Anju Ishiyama Born on April 20, 1989 No. of Company shares owned: – Appointment to current position November 2021 Outside Director of the Company Past/concurrent positions March 2016 Executive director and secretary general of Sharing Economy Association, Japan August 2018 Representative Director of Japan Association of Public Meets Innovation May 2020 Representative Director of Cift	
---	---

I expect the Group to make significant contributions to the sustainability and growth of Japanese corporations by leveraging its real advantages and digital strengths.

• Akio Sato

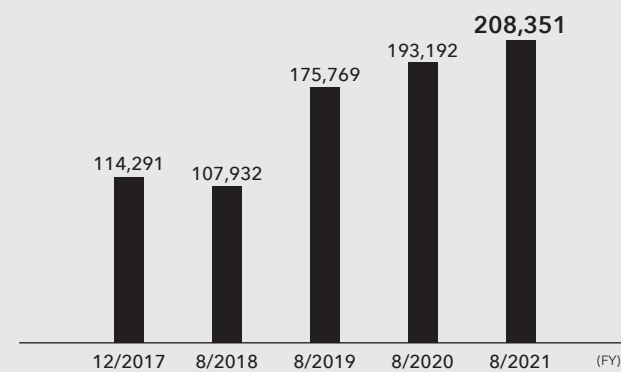
Outside Director

Financial and Non-financial Highlights

Financial Highlights

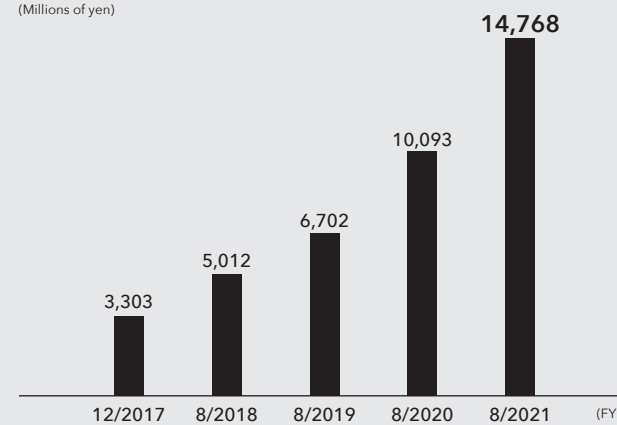
▽ Net sales (consolidated)

(Millions of yen)



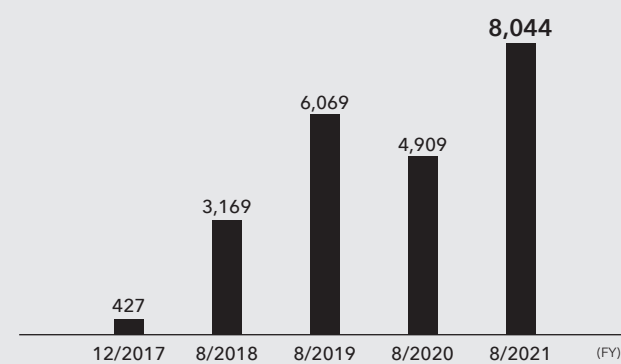
▽ Ordinary income (consolidated)

(Millions of yen)



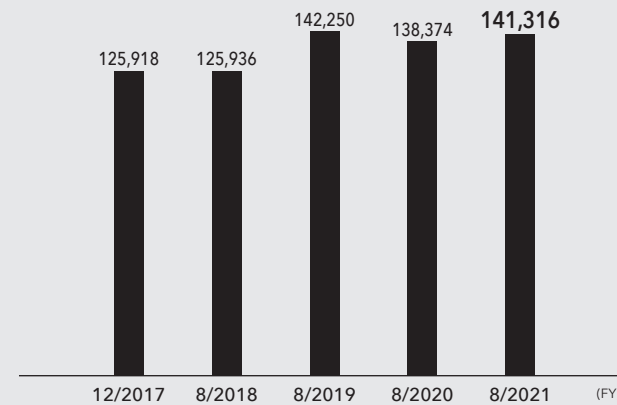
▽ Profit attributable to owners of parent (consolidated)

(Millions of yen)



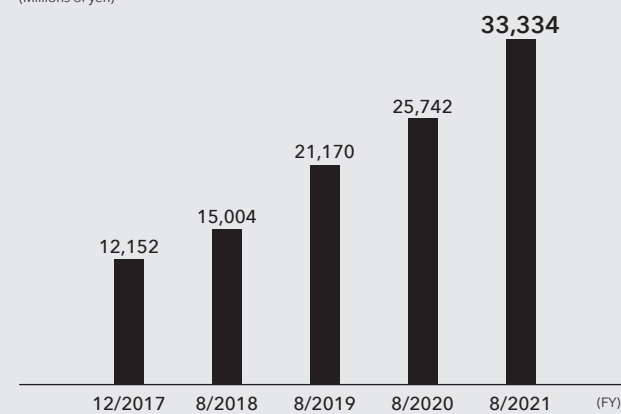
▽ Total assets (consolidated)

(Millions of yen)



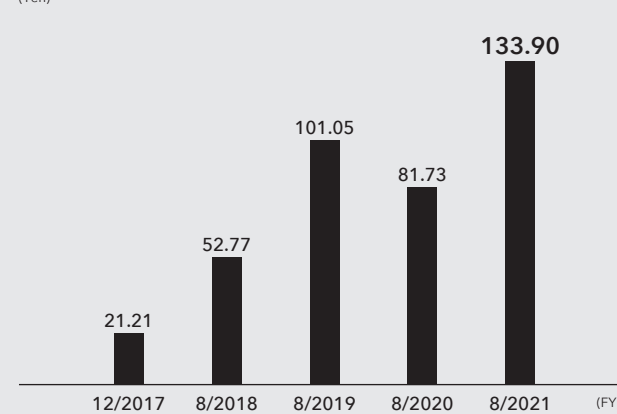
▽ Net assets (consolidated)

(Millions of yen)



▽ Net income per share (consolidated)

(Yen)



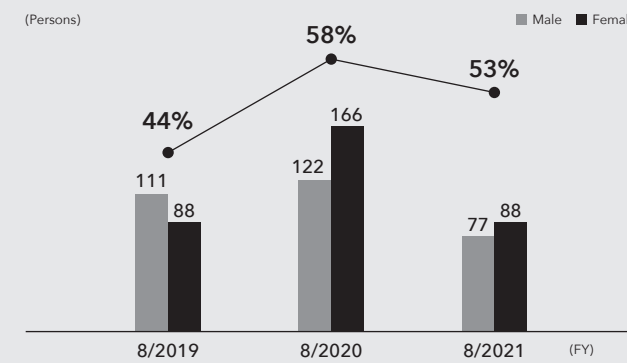
Notes: 1 USEN-NEXT HOLDINGS was inaugurated via the management integration of U-NEXT and USEN on December 1, 2017, with U-NEXT becoming the surviving company
2 Operating results for the fiscal year ended August 31, 2018 comprise results for only the eight months from January 1, 2018 to August 31, 2018 due to the change of fiscal year-end.

Non-financial Highlights

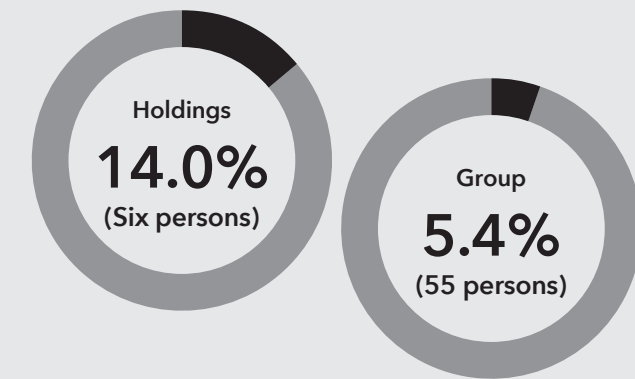
① Empowerment of Women

▽ Male/female ratio among new hires who joined the workforce as new graduates

(Persons)



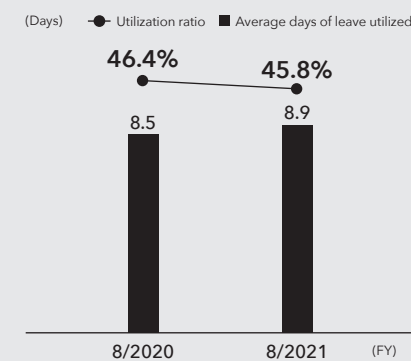
▽ Ratio of female managers to the overall number of managers



② An Environment in Which Employees Can Work with Confidence over the Long Term

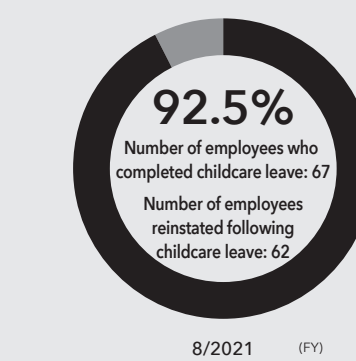
▽ Status of the utilization of annual paid leave

(Days)



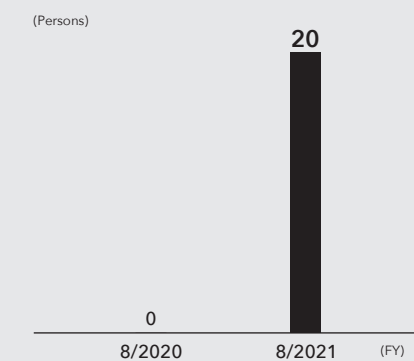
▽ Rate of reinstatement of employees who have taken childcare leave

(Persons)



▽ Number of full-time employees aged 65 or older*

(Persons)



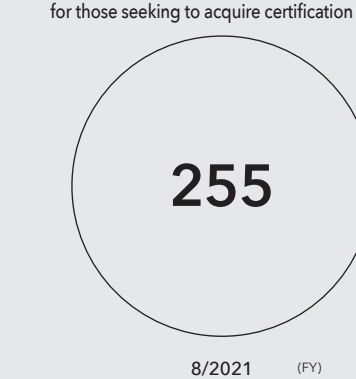
* Retirement age was raised to 70 as of the beginning of the fiscal year ended August 31, 2020

③ Assistance to Employees Willing to Take on Personal Growth Challenges

▽ Number of Group employees who utilized the in-house job posting system



▽ Number of employees utilizing the "License Support Program," an in-house subsidy program for those seeking to acquire certification



▽ Number of employees granted permission to engage in a side job



Financial Analysis

Analysis of Financial Position, Business Performance and Cash Flows

Summary of Business Performance

The USEN-NEXT Group believes its greatest asset is its diverse customer base on the B-to-B market, such as stores, hotels, hospitals, golf courses and small-/mid-size offices. Leveraging this customer base to its fullest, the Group is focusing efforts on solidifying its position as a platformer for SMEs and as a company that offers one-stop solutions to various problems faced by its customers through five business segments: Store Services, Communications, Business Systems, Content Distribution and Energy.

During the fiscal year under review, some customers in the retail store, retail complex, hotel and leisure facility fields continued to be severely impacted by the COVID-19 pandemic. Under these conditions, the Group supported retail stores and their customers through a broad array of customer assistance measures, while responding to customer needs for remote and contactless services, and focusing on expanding its lineup of new services, such as IoT for retail stores that helps improve convenience for customers.

With the restaurant sector hard hit by the pandemic, and in light of needs to provide an even broader range of more

detailed services, we merged the Media business into the Store Services segment during the fiscal year under review. In addition, the Group established USEN FB Innovation Co., Ltd. as a new company in September 2020 to leverage group synergies in the provision of more comprehensive support based on the accurate assessment of the current and post-pandemic needs of restaurants.

The video distribution service, which supports the high-growth Content Distribution business, saw sustained growth in the number of subscribers on stronger demand during the pandemic. In a bid to increase business scale, we worked to improve our services further, such as by expanding content.

For the fiscal year under review, the USEN-NEXT Group posted net sales of ¥208,351 million (up 7.8% year on year), operating income of ¥15,608 million (up 43.4%), ordinary income of ¥14,768 million (up 46.3%) and profit attributable to owners of parent of ¥8,044 million (up 63.9%).

See pages 9-13 for Business Overview

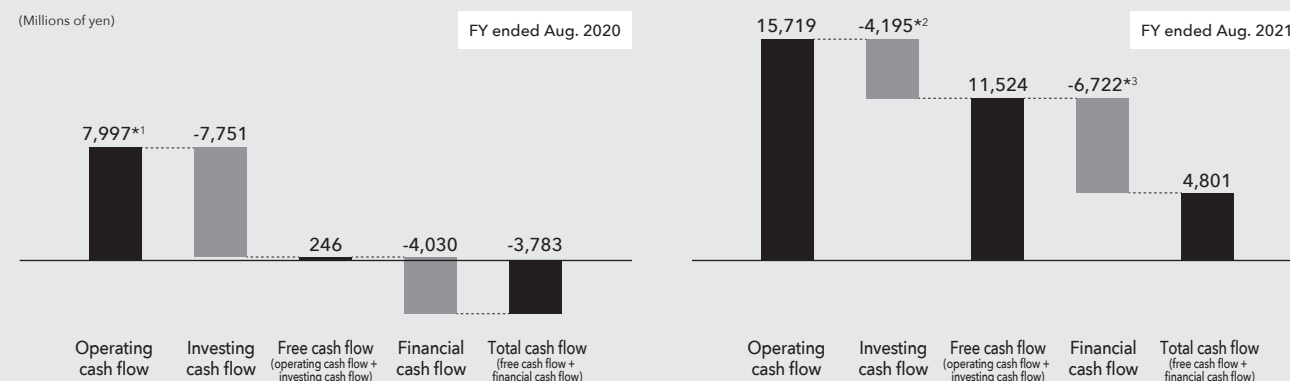
Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents increased ¥4,801 million to ¥21,578 million compared with a year earlier.

• Cash Flow from Operating Activities

Net cash provided by operating activities totaled ¥15,719 million, compared with ¥7,997 million in the previous fiscal year. The main factors were net income before income taxes of ¥14,121 million, depreciation of ¥5,472 million, and amortization of goodwill of ¥3,297 million.

▽ Consolidated Cash Flows



*1 Since August 31, 2019 was a holiday, ¥6.0 billion in payments were carried over to the first day of the fiscal year ended August 31, 2020.

*2 Includes ¥3.6 billion in income from the sale of assets.

*3 A portion of funds from the sale of assets were used to repay debt.

• Cash Flows from Financing Activities

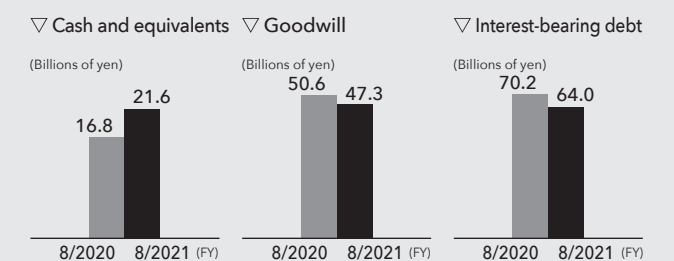
Net cash used in financing activities was ¥6,722 million, compared with ¥4,030 million in the previous fiscal year. The main

uses of cash were ¥6,170 million for expenditures to repay long-term loans payable, and ¥480 million for dividend payments.

Analysis of Financial Position

The assets of the USEN-NEXT Group include goodwill associated with the December 2017 management integration and M&A implemented afterwards, while liabilities include interest-bearing debt procured during the management integration. The Company plans to improve its financial position by steadily booking profits and repaying debt with funds generated from business activities.

Trends in key items on the balance sheet are shown on the right.

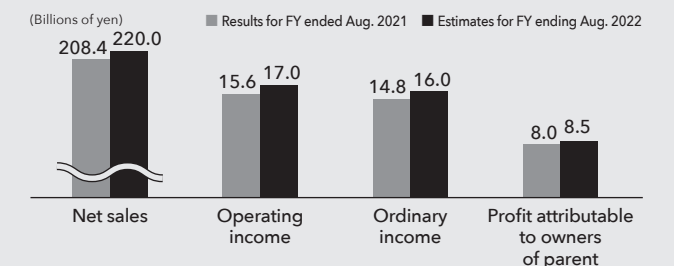


Outlook

The USEN-NEXT Group aims to maximize business value under a holding structure by sharing customer assets, strengthening collaboration across operating companies and specializing in fields of expertise. By fully leveraging its business assets (namely music content, IoT devices, network infrastructure and its stable customer base), the Group aims to maintain its robust direct-sales structure while maximizing Group synergies through various sales channels, including telemarketing, online marketing and its network of agents to reliably generate profits. In response to the rapid changes in consumer behavior and corporate activities during the pandemic, as well as the rapid pace of technological and social advances, the Group strives to be the first to identify market needs and business opportunities through the use of IoT, AI and other IT. While rapidly making decisions, we aim to reinforce our ability to create new services, growth potential and profit generation capacity in expanding fields like content distribution, IoT for stores, business systems and communications.

For the USEN-NEXT Group to continue to create the quality products and services needed and supported by a broad range of customers, each and every employee must work to the best of their ability and keep improving the quality of their work. Through Work Style Innovation across the entire Group, we are making updates on both the soft (systems) and hard (equipment) sides in order to motivate our employees to work on their own inspiration and lend their abilities for the benefit of society.

▽ Earnings estimates for FY ending Aug. 2022 (consolidated)



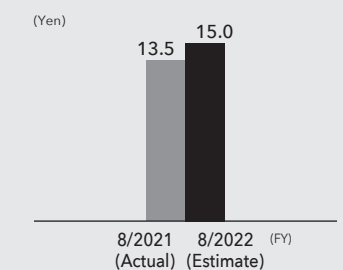
Basic Policy on Profit Allocation and Dividends for Current/Upcoming Fiscal Years

The USEN-NEXT Group considers returning profit to shareholders through stable dividends, in a way aligned with operating results and the business environment, to be a key management strategy on equal footing with securing retained earnings to support flexible business activities that translate into higher corporate value in the future.

The Company's basic dividend policy is to distribute a portion of surplus as dividend at the end of each fiscal year that is decided by the general meeting of shareholders. In addition, the Company may pay an interim dividend that is decided by the Board of Directors.

The Company is keen to reinforce its business foundations and financial position with the aim of increasing the dividend payout ratio to 30% as quickly as possible.

▽ Dividends per share



Seven-year Summary of Key Financial Data (consolidated basis)

	USEN (upper row) U-NEXT (lower row)	8/2015 12/2015	8/2016 12/2016
Net sales		70,176 33,964	73,613 45,846
Operating income		9,873 1,003	10,204 (396)
Operating margin (%)		14.1 3.0	13.9 (0.9)
Ordinary income		9,280 977	9,513 (436)
Profit attributable to owners of parent		6,564 522	7,469 (935)
Profit attributable to owners of parent [adjusted for amortization of goodwill]		7,892 523	8,507 (434)
Net income per share (yen)		29.89 31.81	36.25 (56.95)
Net income per share [adjusted for amortization of goodwill] (yen)		35.93 31.86	41.29 (26.47)
EBITDA*1		17,225 1,456	16,976 689
EBITDA margin (%)		24.5 4.3	23.1 1.5
EBITDA-CAPEX (including investment and financing)		11,806 51	8,313 (4,156)
Cash flow from operating activities		13,924 (864)	15,380 (214)
Cash flow from investing activities		(6,387) (1,447)	(9,991) (4,916)
Cash flow from financing activities		(3,347) 1,472	(8,206) 3,955
Cash and cash equivalents		13,682 3,154	10,865 1,978
Interest-bearing debt		21,960 2,260	19,820 6,348
Total assets		69,263 12,236	69,136 17,797
Net assets		25,823 4,817	27,738 3,816
Equity ratio (%)		37.3 38.9	40.1 20.9
ROE*2 (%)		29.0 11.5	27.9 (22.0)
D/E ratio*3 (times)		0.9 0.5	0.7 1.7
Leverage ratio*4 (times)		1.3 1.6	1.2 9.2
Dividend per share (yen)		0.0 6.0	3.0 0.0

Note: Figures presented in () are negative.

*1 EBITDA = Operating Income + Depreciation + Amortization of goodwill

*2 ROE = Profit attributable to owners of parent / Equity capital (average during the fiscal year)

*3 D/E ratio = Interest-bearing debt / Net assets

Unit: Millions of yen

USEN-NEXT HOLDINGS*5	12/2017*6	8/2018*7	8/2019	8/2020	8/2021
	114,291	107,932	175,769	193,192	208,351
	5,867	6,006	8,239	10,883	15,608
	5.1	5.6	4.7	5.6	7.5
	3,303	5,012	6,702	10,093	14,768
	427	3,169	6,069	4,909	8,044
	2,909	5,450	9,545	8,507	11,341
	21.21	52.77	101.05	81.73	133.90
	144.32	90.76	158.92	141.62	188.79
	12,880	12,780	17,475	19,505	24,378
	11.3	11.8	9.9	10.1	11.7
	8,668	7,927	9,992	9,358	13,835
	12,404	10,078	19,599	7,997	15,719
	(59,523)	(5,486)	(6,666)	(7,751)	(4,195)
	58,150	(3,922)	(6,082)	(4,030)	(6,722)
	13,010	13,708	20,559	16,776	21,578
	82,216	78,941	73,424	70,180	64,010
	125,918	125,936	142,250	138,374	141,316
	12,152	15,004	21,170	25,742	33,334
	9.6	11.9	14.9	18.6	23.6
	5.4	23.5	33.6	21.0	27.2
	6.8	5.3	3.5	2.7	1.9
	6.4	6.2	4.2	3.6	2.6
	0.0	0.0	5.0	8.0	13.5

*4 Leverage ratio = Interest-bearing debt / EBITDA

*5 USEN-NEXT HOLDINGS was inaugurated via the management integration of U-NEXT and USEN on December 1, 2017, with U-NEXT becoming the surviving company

*6 With regard to the operating results of former USEN for the fiscal year ended December 31, 2017, results for only nine months have been included into the scope of consolidation due to the tender offer of USEN shares that took place during the fiscal year in preparation for management integration.

*7 Operating results for the fiscal year ended August 31, 2018 comprise results for only the eight months from January 1, 2018 to August 31, 2018 due to the change of fiscal year-end.

Corporate Profile

Company Information

(As of August 31, 2021)

Company name	USEN-NEXT HOLDINGS Co., Ltd.
Location	Meguro Central Square, 3-1-1, Kamiosaki, Shinagawa-ku, Tokyo
Establishment	February 3, 2009
Business segments	Store Services business Communications business Business Systems business Content Distribution business Energy business
Representative	Yasuhide Uno, Representative Director, President & CEO
Capital stock	¥96 million
Number of employees (consolidated)	4,692 (1,608)*1

Group Structure*2

(As of August 31, 2021)

Store Services business	USEN CORPORATION	(consolidated subsidiary)
	CANSYSTEM. CO., LTD.	(consolidated subsidiary)
	USEN Media CORPORATION	(consolidated subsidiary)
	USEN FB Innovation Co., Ltd.	(consolidated subsidiary)
	USEN Techno-Service Co., Ltd.	(consolidated subsidiary)
	USEN-NEXT Design Co., Ltd.	(consolidated subsidiary)
	U'S MUSIC Co., Ltd.	(consolidated subsidiary)
Communications business	USEN NETWORKS Co., Ltd.	(consolidated subsidiary)
	U-NEXT Co., Ltd.	(consolidated subsidiary)
	USEN ICT Solutions CORPORATION	(consolidated subsidiary)
	USEN Smart Works CORPORATION	(consolidated subsidiary)
	USEN-NEXT LIVING PARTNERS Inc.	(consolidated subsidiary)
	U-MX Co., LTD.	(consolidated subsidiary)
	Next Innovation Co., Ltd.	(consolidated subsidiary)
	Y.U-mobile Co., Ltd.	(consolidated subsidiary)
	Two other companies	(consolidated subsidiaries)
	minimini-NEXT Corporation	(equity-method affiliate)
Business Systems business	ALMEX INC.	(consolidated subsidiary)
Content Distribution business	U-NEXT Co., Ltd.	(consolidated subsidiary)
	TACT INC.	(consolidated subsidiary)
Energy business	USEN CORPORATION	(consolidated subsidiary)
Other business	USEN-NEXT Financial Co., Ltd.	(equity-method affiliate)

*1 The number of employees represents active employees (excluding employees seconded outside the Group and including employees seconded from outside the Group) while the annual average number of temporary employees (including part-time employees and employees provided by staffing services) is presented in parentheses.

*2 In addition to companies named above, USEN-NEXT Group companies include 11 non-consolidated subsidiaries and two affiliates to which the equity method is not applied.

Share Information

(As of August 31, 2021)

Securities code	9418
Total number of authorized shares	98,000,000 shares
Total number of shares issued	60,083,111 shares
Number of shareholders	10,853*

* Excluding those holding only fractional shares

Major Shareholders

Name	Number of shares held	Shareholding ratio (%)
Yasuhide Uno	27,601,545	45.94
UNO-HOLDINGS Co., Ltd.	9,525,600	15.85
HIKARI TSUSHIN, INC.	5,879,766	9.79
SMBC Nikko Securities Inc.	1,377,000	2.29
Toru Shimada	1,053,300	1.75
The Master Trust Bank of Japan, Ltd. (Trust Account)	901,000	1.50
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	683,100	1.13
EUROCLEAR BANK S.A./N.V.	589,937	0.98
Kei Takahashi	501,100	0.83
Hiroyuki Yoshioka	500,000	0.83

Trend in stock prices

(Yen)



Number of shareholders by type

