



# Introduction of USEN & U-NEXT GROUP

December 2024

# Contents

---

1. Corporate overview
2. Content Distribution
3. Store Services
4. Business Systems
5. Communications
6. Energy
7. Financial strategies
8. APPENDIX

# 1. Corporate overview

# Five business segments

\*Previous segment until FY2024, segment changed from FY2025 (details page 56)

## BtoB

Store & Facility DX solution ~Higher profitability and labor shortage solutions~

### Store Services

(Restaurants · Retailers · Beauty salons)

Background music, POS register,  
Cashless payment, Catering robots,  
etc.



Market share of  
music distribution  
for stores in Japan\*<sup>1</sup>  
**No.1**

### Business Systems

(Hotels · Hospitals)

Automated payment machines,  
Reception machine, Operational  
management systems etc.



Automated payment  
machines market  
share in Japan\*<sup>2</sup>  
**No.1**

Infrastructure services ~Telecommunications and energy~

### Communications

Broadband internet service, ICT  
and cloud services etc.

### Energy

High/Low voltage, green energy

## BtoC

Entertainment

### Content Distribution

SVOD (subscription video on  
demand) service “U-NEXT”



SVOD market  
share in Japan\*<sup>3</sup>  
**No.2**

\*1 U-NEXT HOLDINGS assumptions

\*2 U-NEXT HOLDINGS assumptions

\*3 Video on Demand Market Five-year Forecast, GEM Partners

# At a glance

These figures are as of August 31, 2024, except where otherwise noted

Net Sales

¥326.8<sub>bn</sub>

Operating Income

¥29.1<sub>bn</sub>

EBITDA

¥39.5<sub>bn</sub>

Market capitalization

¥350.0<sub>bn</sub>

(Based on the highest stock price of FY2024)

ROE

20%

ROIC

14%

Founded in

1961

Number of employees

5,300

SVOD market  
share in Japan<sup>\*1</sup>

No.2

Market share of music distribution  
for stores in Japan<sup>\*2</sup>

90%

Automated payment machines  
market share in Japan<sup>\*3</sup>

No.1

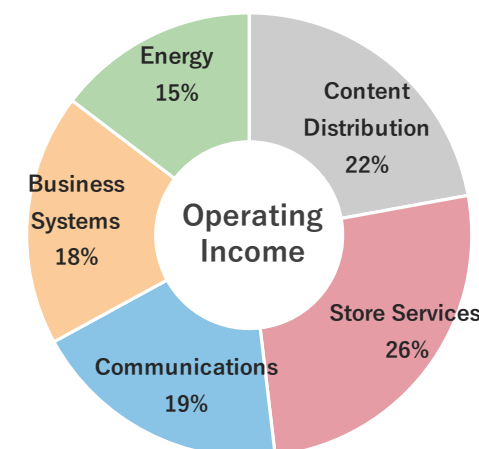
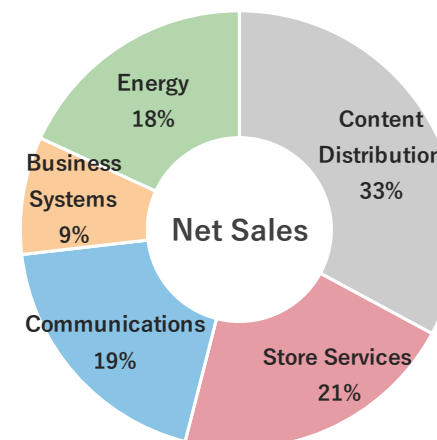
<sup>\*1</sup> Video on Demand Market Five-year Forecast,  
GEM Partners

<sup>\*2</sup> U-NEXT HOLDINGS assumptions

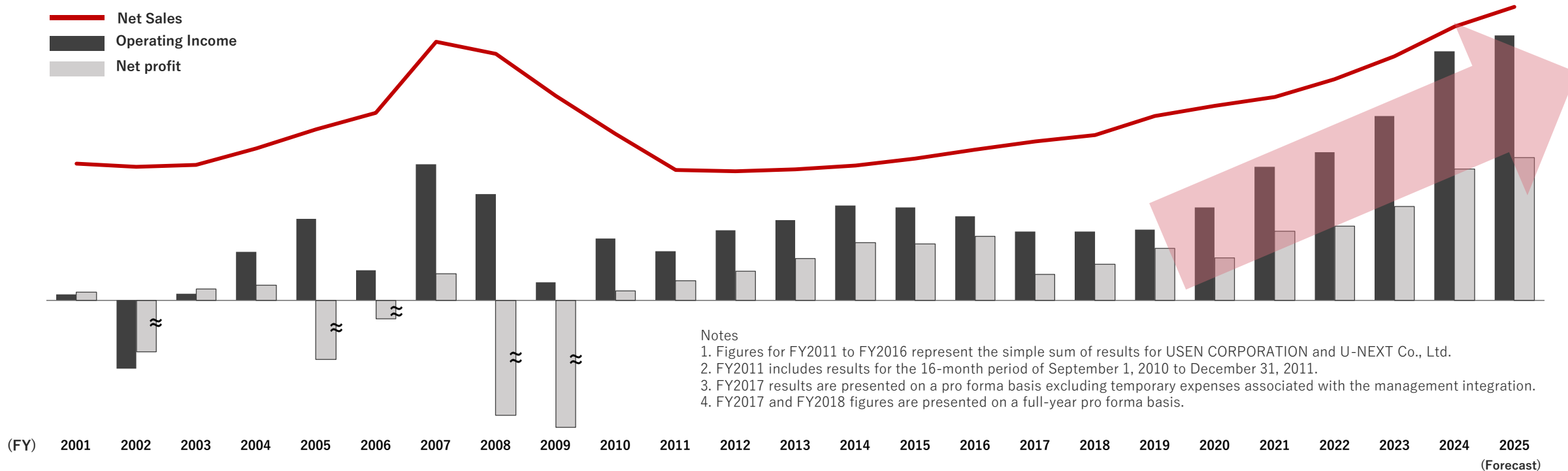
<sup>\*3</sup> U-NEXT HOLDINGS assumptions

<sup>\*4</sup> Business segment share of the simple sum  
of earnings of all business segments

Business segment composition<sup>\*4</sup>



# History with changes and growth



## From diversification to restructuring (–2009 )

Diversification by adding communication, video distribution and other businesses. Broadband network and other investments raised expenses. Additional challenges due to the global financial crisis and two consecutive years of losses of more than ¥50 billion resulted in restructuring that included shutting down unprofitable businesses.

## Stabilization (2010–2016)

In 2010, U-NEXT was separated from USEN and USEN's stability improved as the company focused on cash-cow businesses. The video distribution business of U-NEXT grew and this company was listed on the TSE MOTHERS in 2014 and the TSE first section in 2015.

## From integration to today (2017–)

The 2017 management integration of USEN and U-NEXT created the USEN & U-NEXT Group. Even during the pandemic, depreciation of the yen and other difficulties, all businesses grew and the company has achieved eight consecutive years\* of sales and earnings growth.

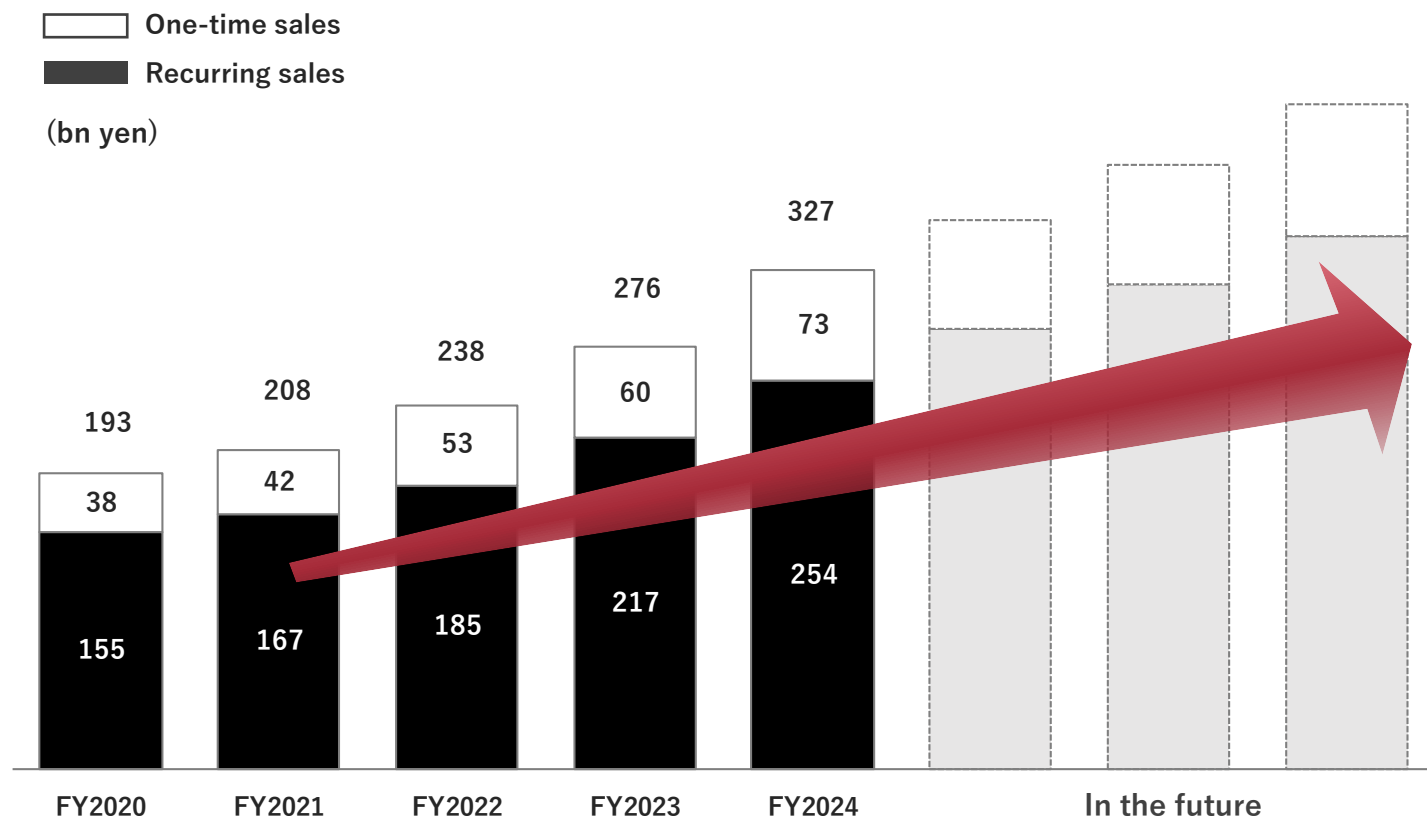
\* Sales figures are converted from 8-month financial results to 12-month financial results for the fiscal year ended August 31, 2018

**U-NEXT**  
HOLDINGS



# Recurring sales growth

## Steady growth backed by consistent growth of recurring sales



\*Recurring sales: Continuous revenues, such as fixed monthly fee services, etc.

\*One-time sales: One-shot revenues such as device sales, pay-per-view content, etc.

Recurring sales ratio (% of total sales)

**80 %**

Recurring sales CAGR (5 years)

**+13 %**

Recurring sales (FY2024 actual)

**Above ¥250 bn**

## 2. Content Distribution



# Investment highlights

---

## 1. Differentiation strategies

- A content lineup using the revenue sharing model
- Unique content using exclusive distribution rights
- Hybrid structure combining unlimited viewing and loyalty points

## 2. Market growth potential

- More rapid growth is expected in Japan's SVOD market.

## 3. Growth strategies

- Expansion of content lineup
- Attract many categories of users by marketing mix with three integrated channels
- Use loyalty points to increase user satisfaction and ARPU

# A provider of the best possible way to spend time for everyone

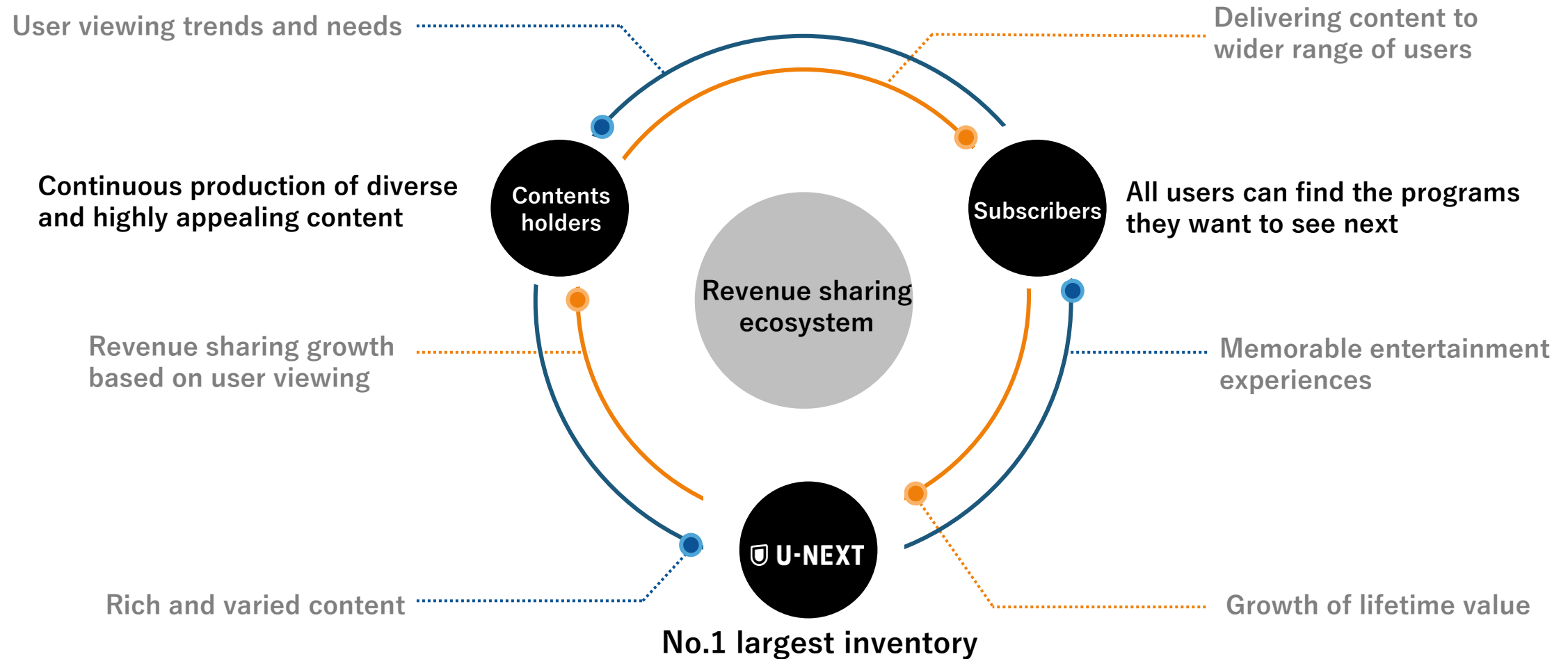
People use entertainment as a way to enjoy their free time.  
Our responsibility is to make that time the best it can be.

**We are dedicated to continuing to provide entertainment that enables everyone to spend their free time in the best possible way.**



# Differentiation strategies: Revenue sharing model

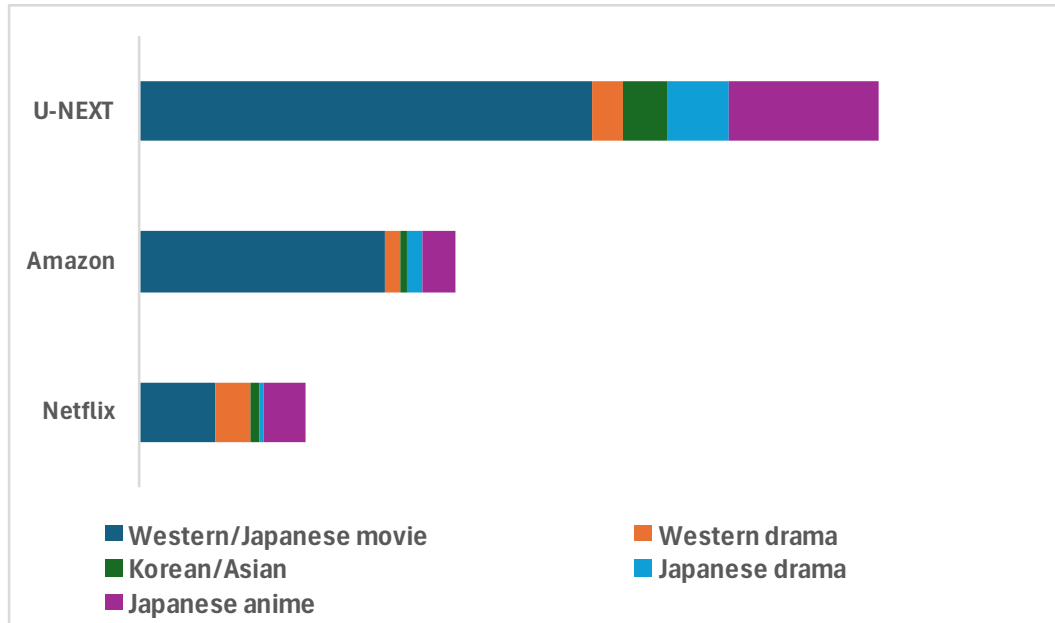
## Our ecosystem makes possible the steady expansion of content



# Differentiation strategies: Overwhelming leadership in coverage

## Always the first or second choice due to an enormous volume of content

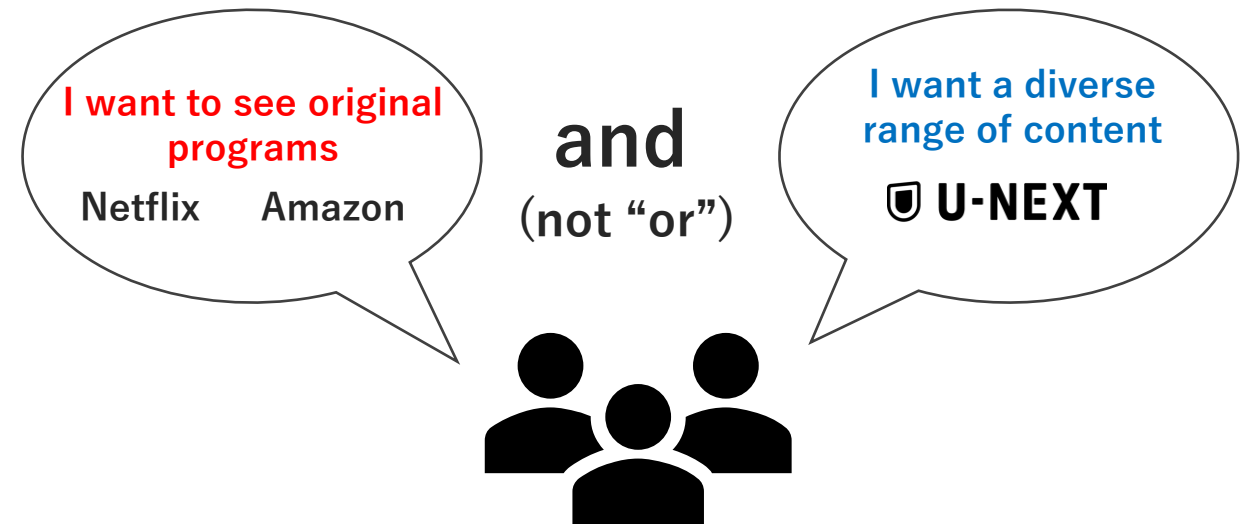
### Number of content



Source: GEM Partners November 2024 survey. The survey covered western movies, Japanese movies, Korean and Asian dramas, other dramas from outside Japan, Japanese drama, animated programs, and variety shows provided in major flat-rate video distribution services in Japan. On-demand paid content is surveyed separately.

### A market where competing services can coexist

Consumers in Japan use an average of **two services**\*



Source: Analysis of 2024 Video Content Users, GEM Partners



# Differentiation strategies: Expansion of exclusive content

As of November 2024

## More programs that can be viewed only by using U-NEXT



©2024 WarnerMedia Direct Asia Pacific, LLC. MAX and related elements are property of Home Box Office, Inc. THE PENGUIN and all related characters and elements are copyrights and trademarks of DC. All Rights Reserved.



©2024 "Kuchinai Sakura" Film Production Committee



© CJ ENM Studios Co., Ltd.



©Fujiko Pro, Shogakukan, TV Asahi, Shin-Ei, ADK 2024



©Premier League



© Sony Music Labels Inc. Photo Masato Yokoyama

**U-NEXT**  
HOLDINGS

# Differentiation strategies: Hybrid of unlimited viewing & points



**2,189** JPY per month

Approx. 15 US\$ (¥150/US\$)

**Streaming**

+

**¥1,200 Loyalty points**

Approx. 8 US\$ (¥150/US\$)

- No.1 largest inventory\*  
(Over 340,000 contents)
- Unlimited 200 e-magazine viewing
- Add to 3 sub-accounts at no additional cost  
(Family Account)

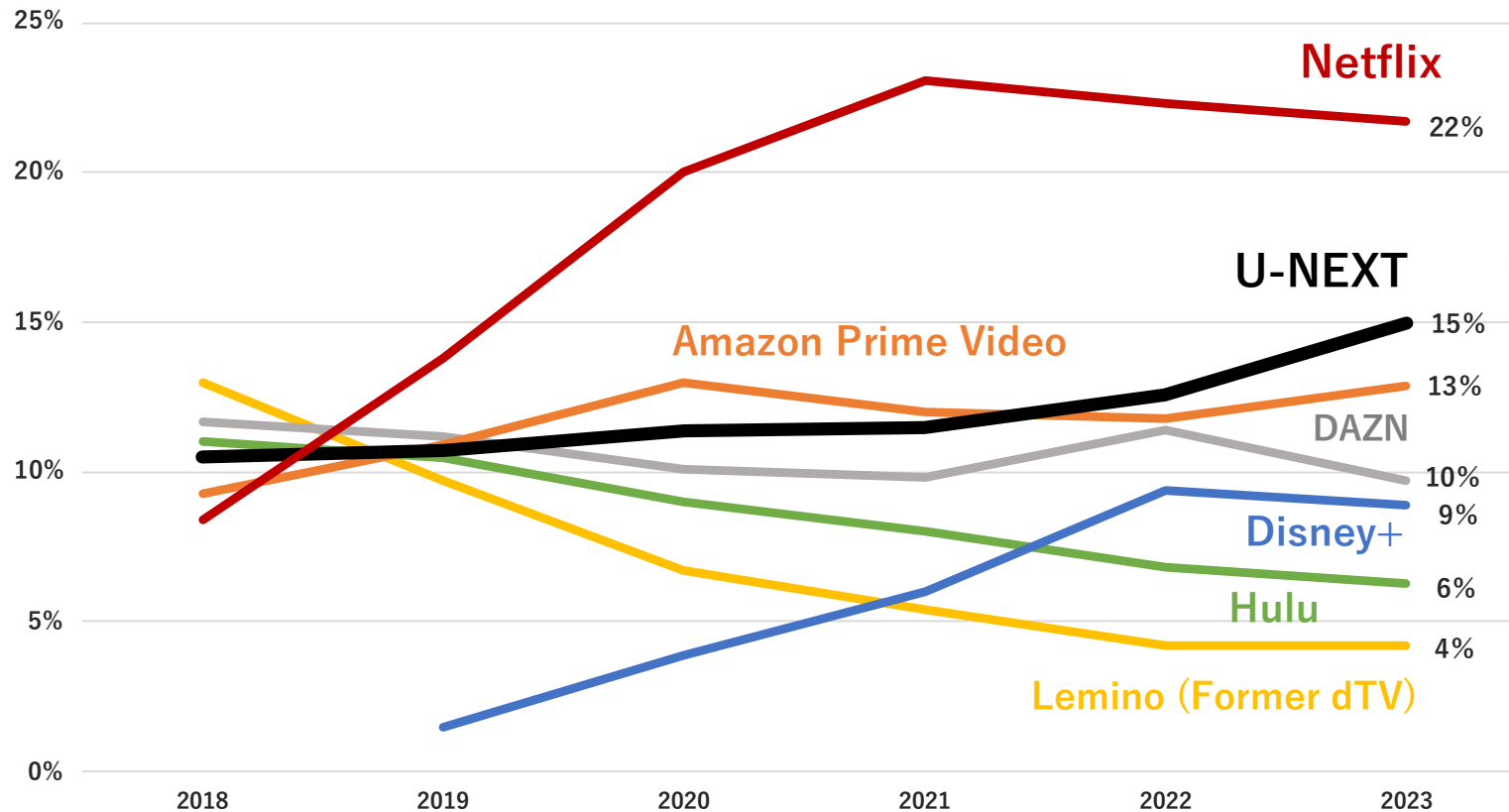
\*GEM Partners, November 2024

- Rentals of the latest videos (movies, dramas)
- Purchase of more than 1.1 million e-books
- Purchase of movie tickets
- Purchase of tickets for viewing live events



# Market growth potential: Market share in Japan

Only U-NEXT is consistently increasing its market share.



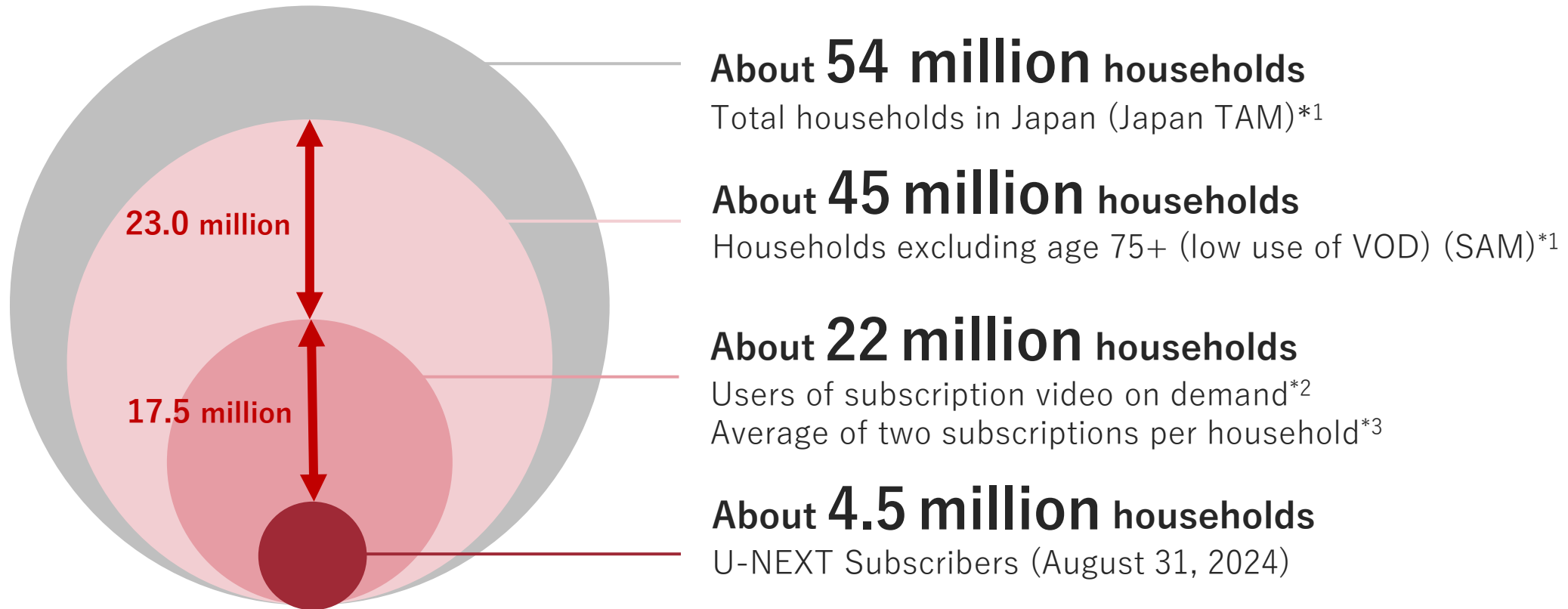
**U-NEXT is No.2 after Netflix  
(No.1 in Japanese companies)**

Market share includes the additional share due to the Paravi service integration beginning in July 2023 (only the last six months of 2023).

Source: Video on Demand Market Five-year Forecast, GEM Partners  
Market share by total amount paid by consumers for video distribution services

# Market growth potential: JAPAN TAM

## Significant Growth Potential in Japan's SVOD Market



\*1 2022 Comprehensive Survey of Living Conditions, Ministry of Health, Labor and Welfare

\*2 Based on 38.6% use of fee-based VOD services in 2023 according to the 2023 VOD Business Survey Report by Impress

\*3 Analysis of VOD/Broadcast/Video Software Market Users (2024), GEM Partners

# Growth strategies: Expansion of content lineup

6 million subscribers is the initial goal for the first-in-all-categories strategy

Korean drama



vs. foreign OTT

Japanese drama



vs. Japanese TV station platforms

Switch to categories where U-NEXT is strong

Music



vs. CS/BS (pay channel)

Sport



vs. CS/BS/foreign OTT

Drivers of growth from 4 to 6 million subscribers

Movie



Anime



Western drama

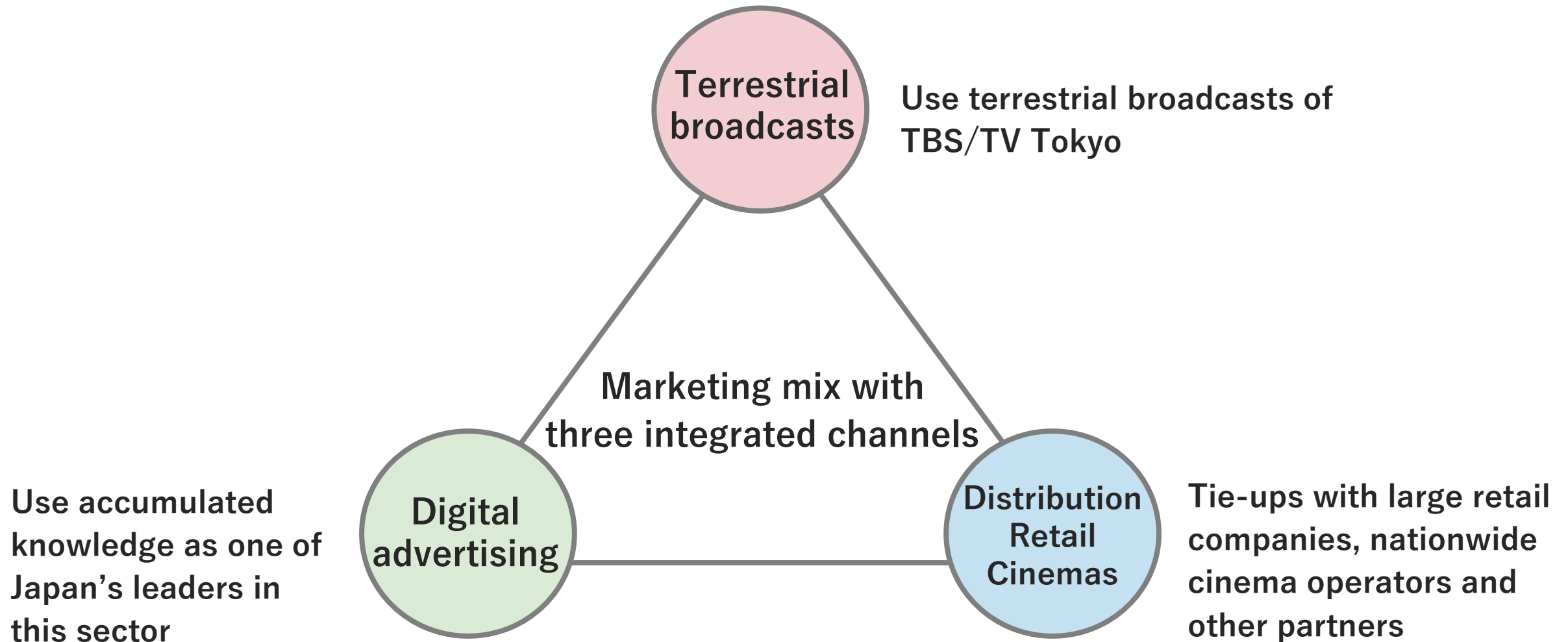


First place categories that supported growth to 4 million subscribers

© SLL Joongang Co.,Ltd all rights reserved.  
『VIVANT』 ©TBS  
『HIKARU UTADA SCIENCE FICTION TOUR 2024』 © Sony Music Labels Inc.  
Photo Masato Yokoyama  
『Premier League』  
©2024 "Kakushigoto" Production Committee  
©Tetsuko Kuroyanagi / 2023 "Madogiwa no Totto-chan" Film Production Committee  
『THE LAST OF US』 © 2023 Home Box Office, Inc. All rights reserved. HBO®  
and all related programs are the property of Home Box Office, Inc.

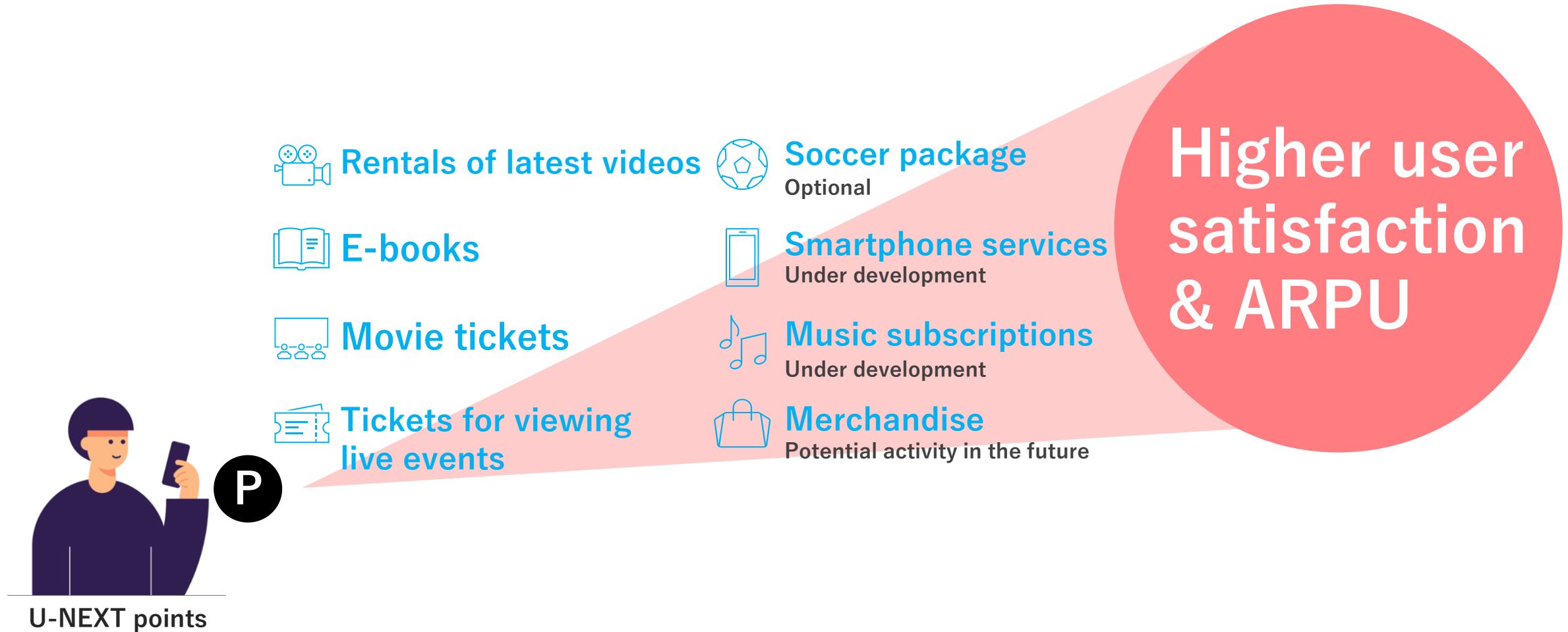
**U-NEXT**  
HOLDINGS

# Growth strategies: Marketing that attracts diverse users



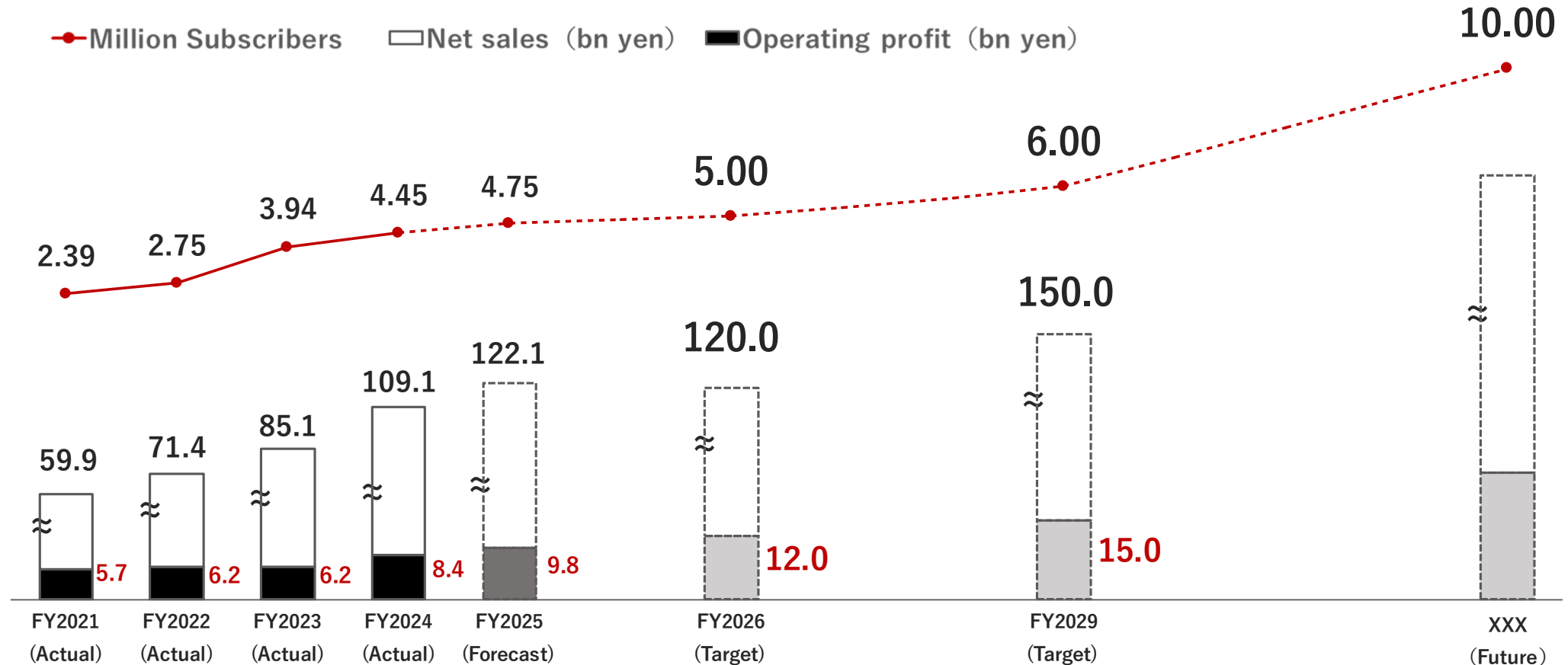
# Growth strategies: Loyalty point strategy

Higher user satisfaction and ARPU by variety of appealing point services



# Growth strategies: KPI & PL

## Targets are 10 million subscribers and No. 1 SVOD service in Japan



\*FY2026 and FY2029 figures are the targets at the time of the third-party allotment by U-NEXT, which we announced in June 2023.



## 3. Store DX (Store Services)

# Investment highlights

---

1. More growth of store DX demand
  - More growth of store DX demand because of the labor shortage
2. Strengths
  - Competitive superiority due to a large music distribution customer base and skilled workforce
3. Growth strategies
  - Sales centered on new stores increase profitability and the number of contracts
  - A larger lineup for the flexibility to meet the future needs of stores

# Vision

## A new future for stores

A mission of Store Services is to create “human value” that exceeds the value of IT. As the pace of innovation increases, stores and restaurants are using the digital transformation (DX) to create time for services only people can provide in order to build stronger relationships with customers.



# More growth of store DX demand

## More demand for DX as labor shortage severity increased in stores

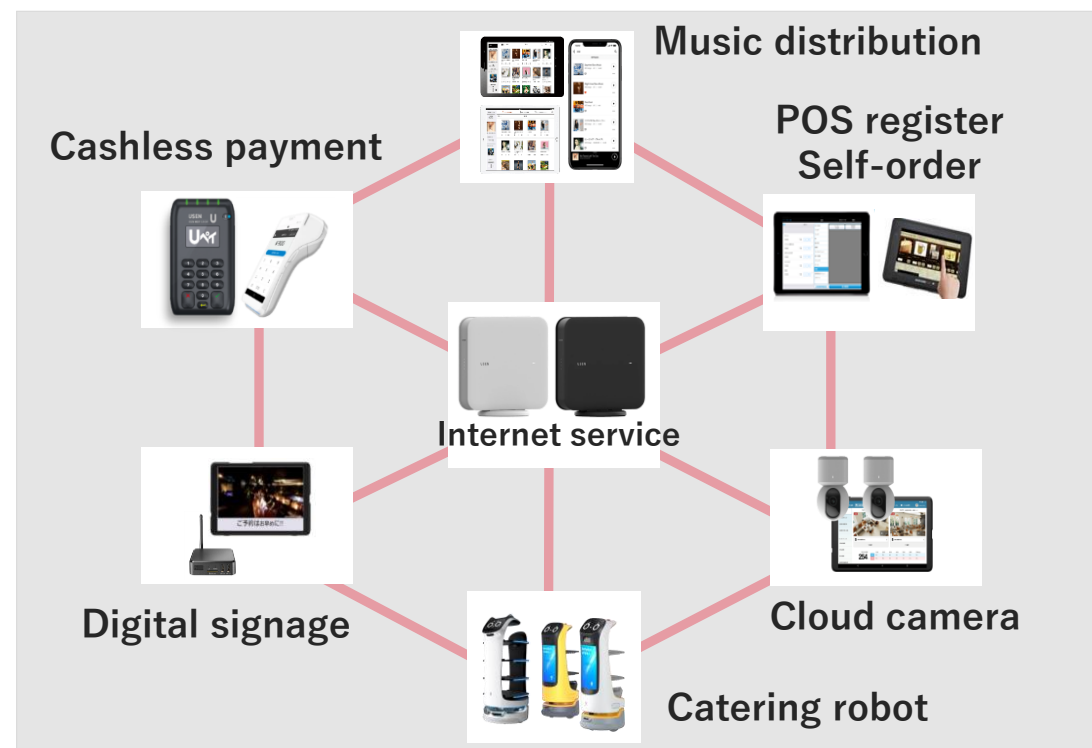
Pct. of companies with difficulty hiring part-time workers

Restaurants **70%** 

Retail stores  
Hotels **60%** 

Source: Labor shortage survey of companies by Teikoku Databank (October 2024)

DX solutions for higher store efficiency



©Pudu Technology Inc.

# Strength: Comprehensive store service lineup

## One-stop solutions and support for raising store productivity

Opening stores	Infrastructure	Efficient operations	Comfortable space	Sales promotion
<ul style="list-style-type: none"><li>● <b>Support website</b><ul style="list-style-type: none"><li>• Canaeru</li></ul></li><li>● <b>Real estate</b><ul style="list-style-type: none"><li>• Rent guarantee</li><li>• Brokerage service</li><li>• Subleasing</li></ul></li><li>● <b>Financial service</b><ul style="list-style-type: none"><li>• Insurance for stores</li><li>• Leases</li><li>• Installment sales</li></ul></li></ul>	<ul style="list-style-type: none"><li>● <b>Broadband internet service</b><ul style="list-style-type: none"><li>• USEN Hikari plus</li></ul></li><li>● <b>Wi-Fi</b><ul style="list-style-type: none"><li>• USEN Wi-Fi</li><li>• USEN AIR UNLIMITED</li></ul></li><li>● <b>Phone</b><ul style="list-style-type: none"><li>• USEN PHONE</li></ul></li><li>● <b>Energy</b><ul style="list-style-type: none"><li>• USEN Energy</li><li>• U-POWER</li></ul></li></ul>	<ul style="list-style-type: none"><li>● <b>POS register</b><ul style="list-style-type: none"><li>• USEN Regi</li></ul></li><li>● <b>Cashless payment</b><ul style="list-style-type: none"><li>• USEN PAY</li></ul></li><li>● <b>Orders</b><ul style="list-style-type: none"><li>• Mobile order handy</li><li>• Mobile order</li></ul></li><li>● <b>Cloud camera</b><ul style="list-style-type: none"><li>• USEN camera</li></ul></li><li>● <b>Digital signage</b><ul style="list-style-type: none"><li>• USEN signage</li></ul></li><li>● <b>Catering robot</b></li></ul>	<ul style="list-style-type: none"><li>● <b>Background music</b><ul style="list-style-type: none"><li>• USEN MUSIC</li><li>• OTORAKU</li><li>• Background music for offices</li><li>• WEDDING MUSIC BOX</li></ul></li><li>● <b>Background video</b><ul style="list-style-type: none"><li>• USEN MUSIC Entertainment</li></ul></li></ul>	<ul style="list-style-type: none"><li>● <b>Gourmet website</b><ul style="list-style-type: none"><li>• Hitosara</li><li>• SAVOR JAPAN</li></ul></li><li>● <b>App production</b><ul style="list-style-type: none"><li>• Uplink</li></ul></li><li>● <b>Food delivery franchise</b><ul style="list-style-type: none"><li>• Fooshare</li></ul></li></ul>

### Support for customers

- One-stop support encompassing proposals, installation, customer services and maintenance
- Nationwide engineering support network
- 24/7 telephone customer service

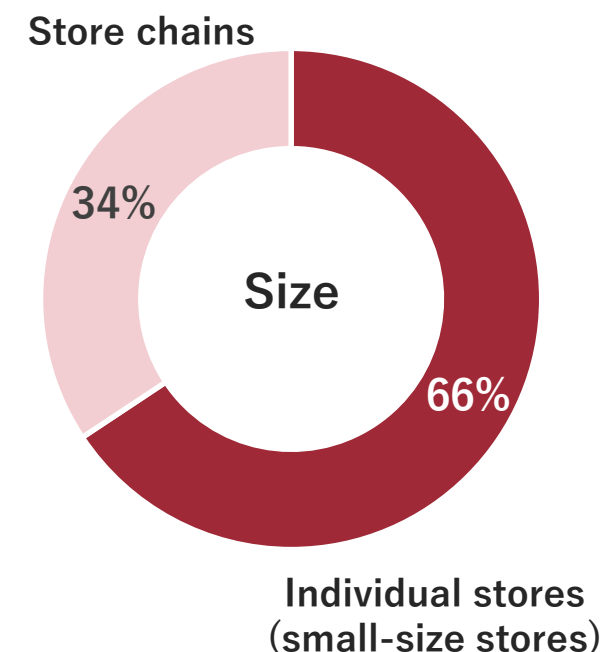
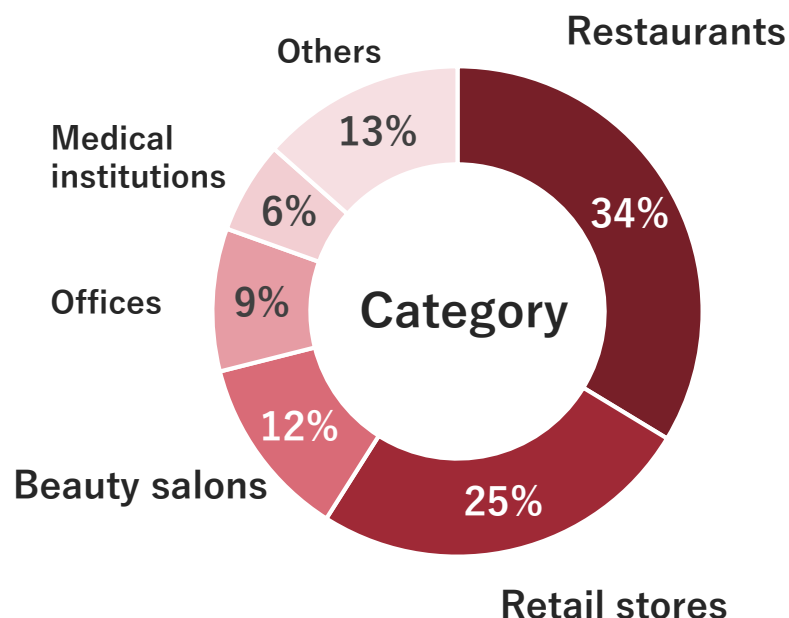


# Strengths: Solid customer base

A nationwide network of store customers established during more than 60 years in the music distribution business

**830,000**

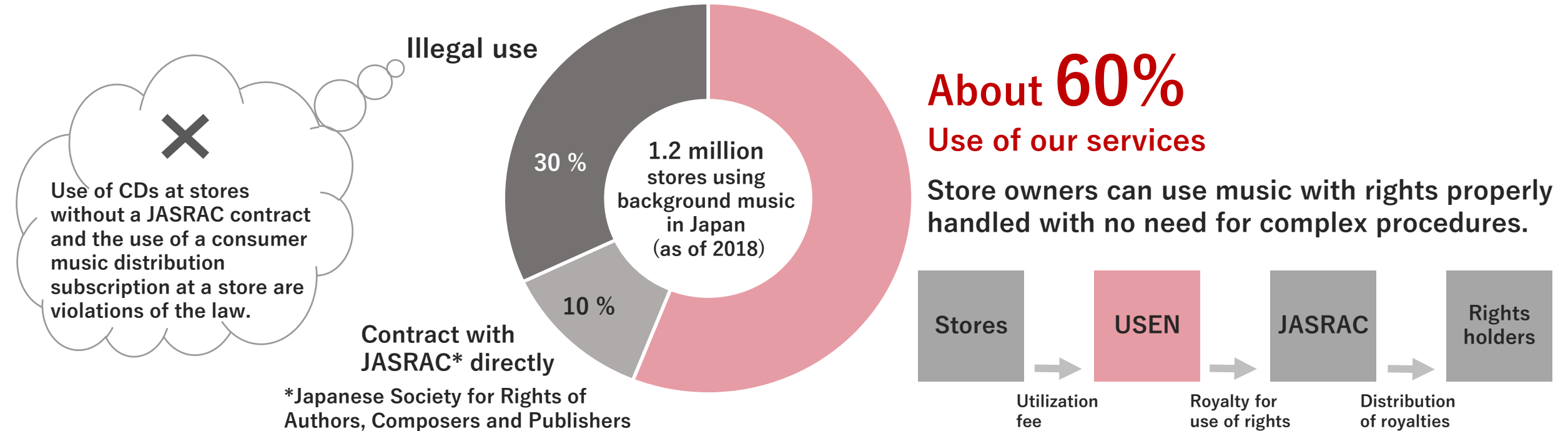
Store customers





# Strengths: Dominant position in background music

## Dominant position in the market for background music for stores in Japan



Source: JASRAC press release

# Strengths: Human resource capabilities for store DX

With outstanding DX skills, providing extensive support for clients

Sales **1,200** employees



Ideas for solutions that match specific needs of each store

Field Engineers **900** employees



Our engineers handle everything from installation, repair, and maintenance

Business Sites **150** sites



Increase customer satisfaction by providing speedy services backed by nationwide coverage

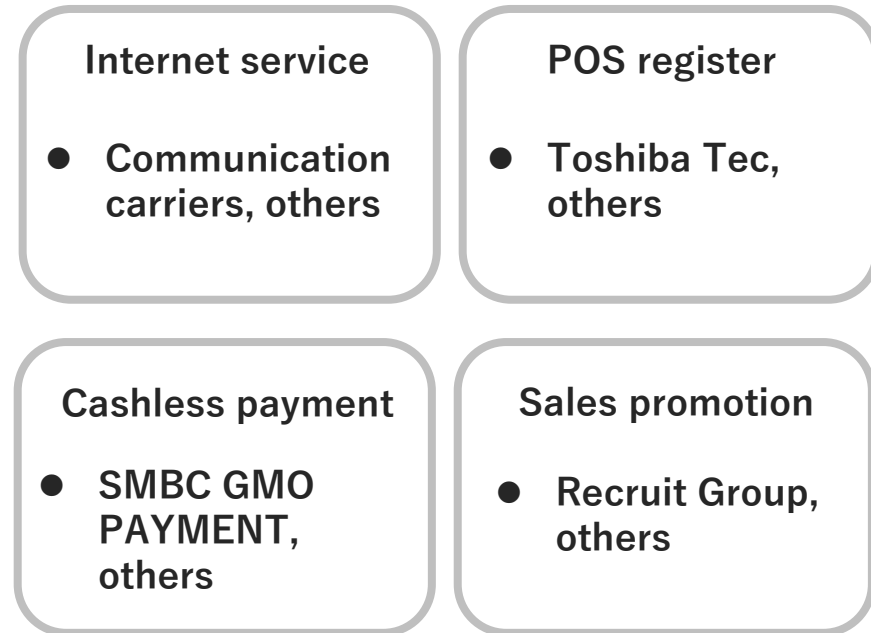
Peer company comparisons (U-NEXT HD assumption)	USEN & U-NEXT Group	POS register company A	Cashless payment company B	Marketing support company C
The number of sales employees	1,200	Approx. 125	Approx. 40	Approx. 250
The number of engineers	900	Approx. 100	Approx. 40	Approx. 350

# Strengths: Differentiation by one-stop services

Always the first choice because the customer can leave everything to us

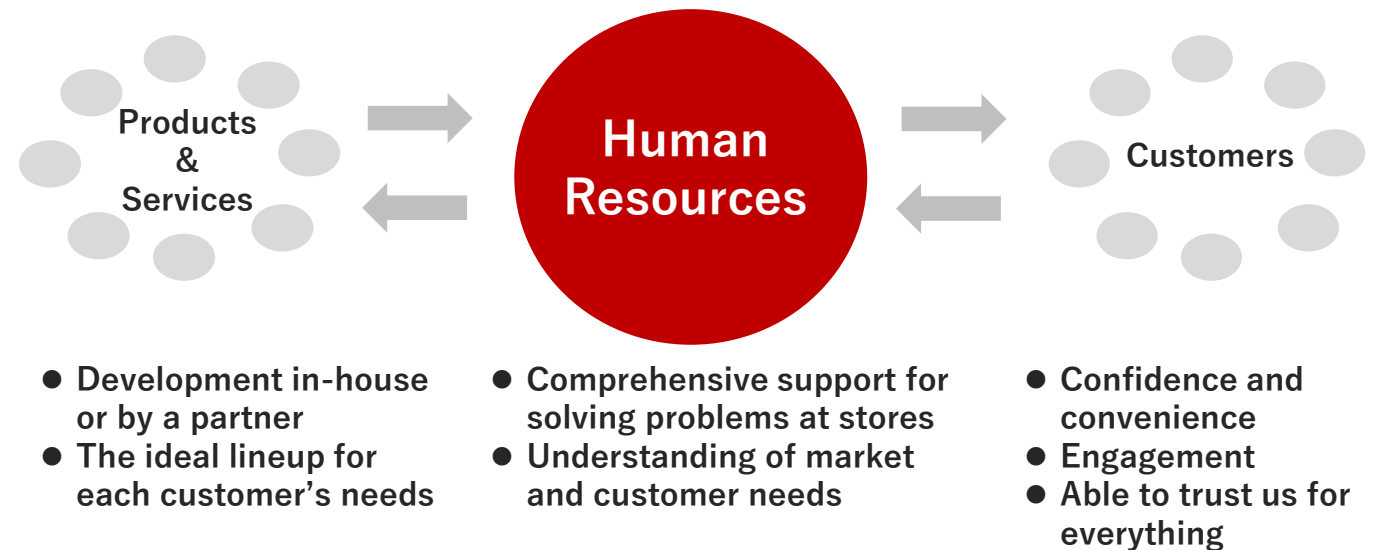
Players in each service area

## Mainly specialized business domains



USEN & U-NEXT Group

## One-stop services backed by a skilled workforce



# Growth strategies: TAM & Focus target

Cross-selling and acquisition of newly opened stores for earnings growth

About 4.3 million stores in Japan (not expected to increase)

Stores using  
our services

830,000

Growth

Stores not yet using our services  
3.5 million

Growth

Use of an approach other than direct sales  
channel because operating efficiency is low  
due to the use of products of other companies

Only background music  
(No DX products yet)

Use of DX products

## Focus target

Completely new proposals  
are possible for new stores,  
frequently resulting in sales  
of many products



**70,000 stores/ year**

replaced as stores close  
and new ones open

These figures are U-NEXT HD assumptions

**U-NEXT**  
HOLDINGS

# Growth strategies: Focusing on newly opened stores

Starting sales visits during preparations result in sales of several products

1

## A nationwide network of 18,000 partner companies

Information from real estate brokers, architecture and interior decoration companies, and other companies that allows sales calls to potential customers at the first stages of preparations to open a new store

2

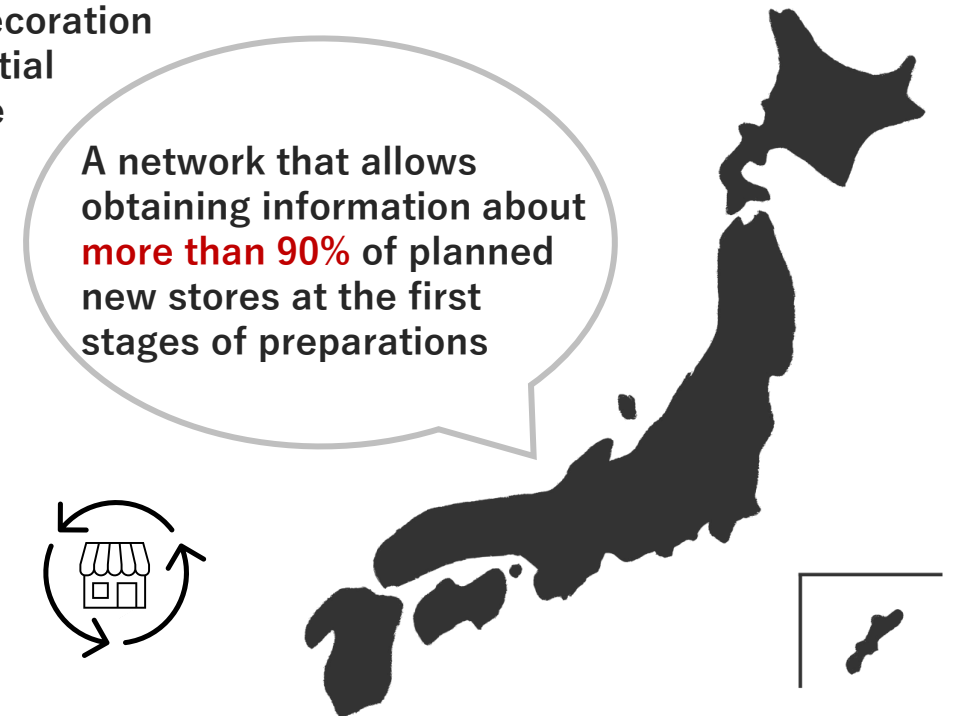
## Use of sales activities to collect information

The nationwide sales and engineer team of 2,000 is constantly collecting information about store closings and openings

3

## Stores that replace current customers

Sales activities when the store of a current customer closes and is replaced with a new store





# Growth strategies: A Larger product lineup

## Increasing the lineup to meet the future needs of stores

### New products

2022

Food delivery franchise service (Fooshare)



2023

High-capacity Wi-Fi for stores (USEN AIR UNLIMITED)



Music and video service for stores (USEN MUSIC Entertainment)



2024

Cash management is also possible  
Cashless payment service integrated with a simple cash register (USEN PAY+)



Next-generation model of catering and transport robot with display (KettyBot Pro)



In the future

More services that help solve problems of stores

Human Resources

Purchases

Foreign tourists

Real estate

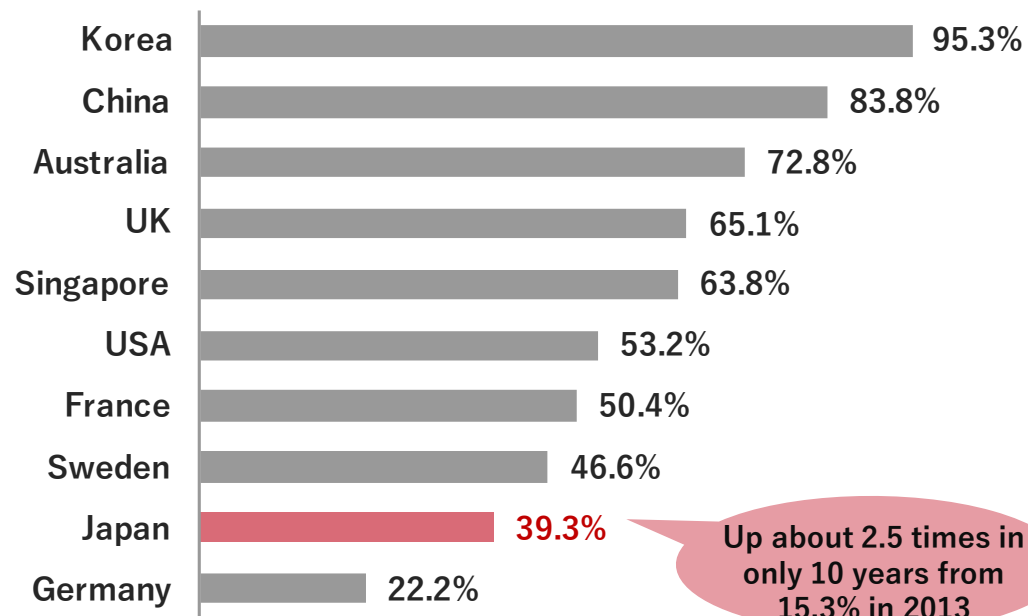
etc.



# Featured product: Cashless payments

## Cashless payments in Japan are expected to continue to grow

### Share of cashless payments

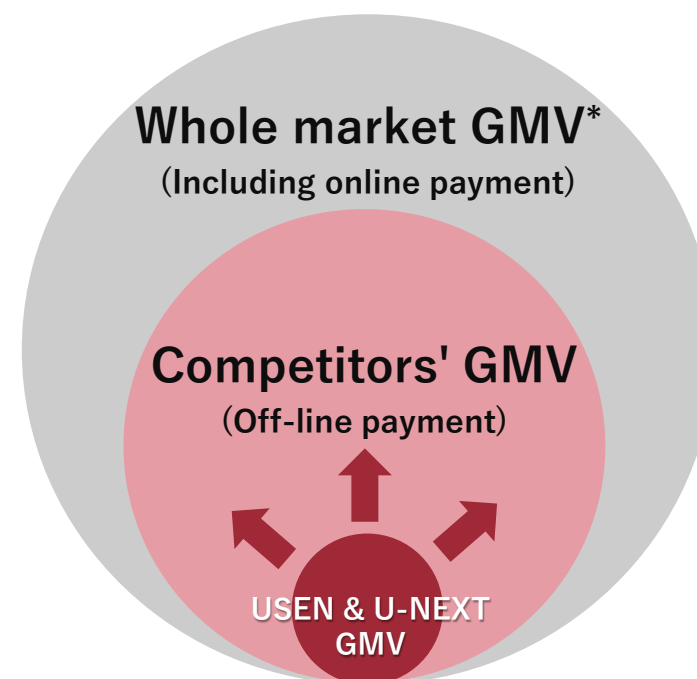


Pct. for Japan is 2023 and pct. for other countries are 2021.

Source: "Cashless Roadmap 2023" of Payments Japan Association  
Share of cashless payments in 2023, statistics of Ministry of Economy, Trade and Industry

### Cashless payment market in Japan

U-NEXT HD assumptions



\* Gross Merchandise Value

# Featured product: Cashless payments

## Faster growth backed by the Group strengths and more added value

### USEN PAY/USEN PAY+

#### USEN PAY



- Compatibility with 71 payment brands, among the most in Japan, including credit cards, QR codes, e-money and other payment platforms
- Accepts WeChat Pay, Alipay+ and other foreign payment services for handling payments by foreign tourists in Japan
- Safe next-day money transfer service (optional)

#### USEN PAY+



- Supports both cash and cashless payment needs
- First release of the A920MAX payment terminal for commercial use in Japan

### Growth strategies

- Promote cross-selling to newly opened stores and to the existing customer base of over 800,000 stores
- Sales targeting stores not yet using USEN PAY by using sales agents and internal sales activities of group companies
- Develop products that add more value, such as by improving operations of member stores and support promotions and other marketing activities

# Featured product: Cloud camera

## Establish a significant position in the growing cloud camera

### Cloud camera market in Japan

Hospitals, Nursing home, Parking,  
Infrastructure facilities,  
Public facilities, Apartments

Restaurants  
Retail stores

USEN & U-NEXT  
Group

U-NEXT HD assumptions

### Service lineup & Growth strategies

#### USEN Camera

Security camera that can also  
analyze customer categories



#### キャンクラウド by U-NEXT

A simple cloud security  
camera that is easy to use



#### NEXTクラウドビュー by USEN

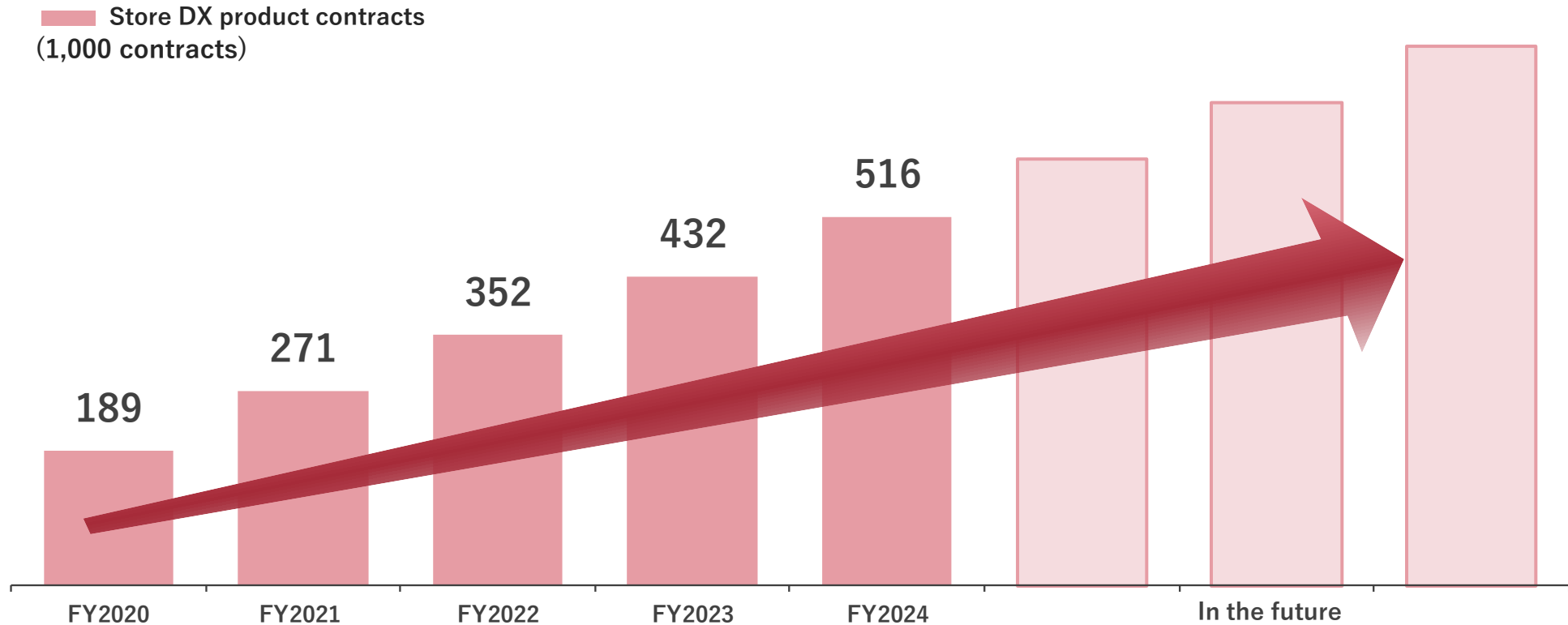
Cloud camera with  
outstanding security and  
many other features



- Increasing sales activities targeting restaurants and stores that are already USEN & U-NEXT Group customers and expanding these activities to hospitals, factories, condominiums, parking areas and other new market sectors
- Use synergies among group companies for cross-selling
- Well-planned activities to sell cameras for use in schools and other public-sector buildings

# Growth strategies: KPI (Store DX product contracts)

Strong growth in store DX products, which has expanded 2.7 times over the past five years

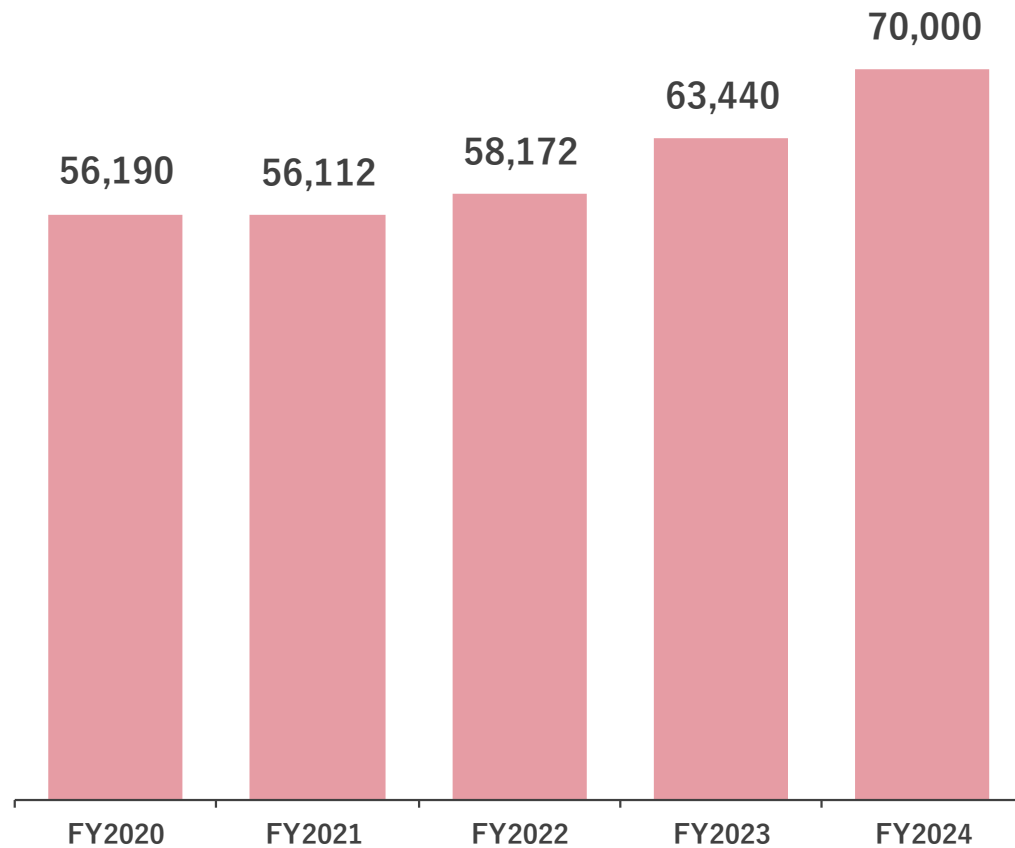


Store DX products: The sum of network services, POS register service, Wi-Fi service, IP camera service, App production service, gourmet website service, table service robots, digital signage, cashless services, food delivery franchise

# Growth strategies: Sales and Operating Income (Store Services Business)

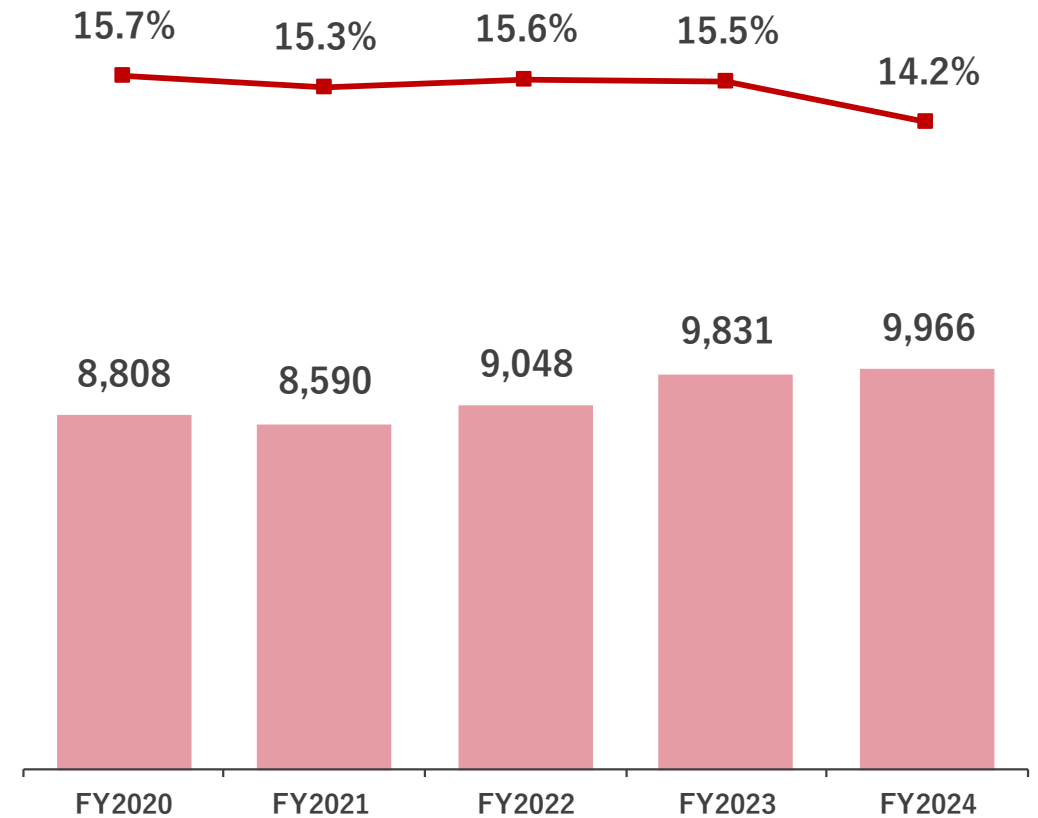
(Million yen)

## Net Sales



## Operating Income/Margin

■ Operating Margin ■ Operating Income





# 4. Business Systems

# Business Systems: Business models

**One-time sales**  
(Gross profit margin is 45%)

## Sales of machines

Development, production and sale of automatic payment machines, hospital reception kiosks for returning patients and other products (Fabless business model; no company-owned manufacturing facility)



**Automatic payment machines**



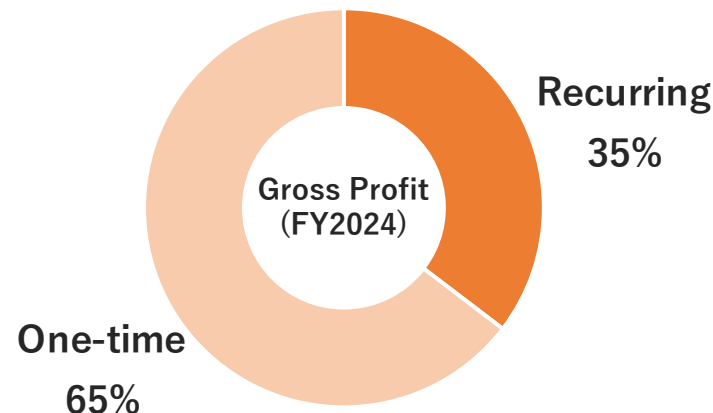
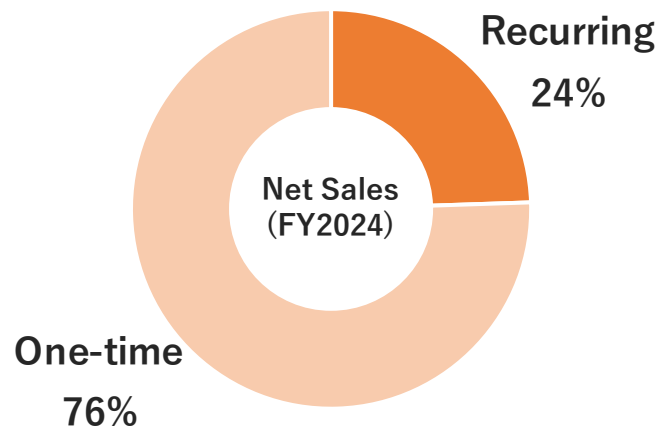
### Hotel KIOSK

- Self-check-in/out
- Key card Issuance
- Payment
- Inbound support



### Hospital KIOSK

- Reception
- Health insurance verification
- Payment



**Recurring sales**  
(Gross profit margin is 75%)

## Maintenance services



Maintenance services after purchase of machines

## Software utilization fees



Hotel operation management system and utilization fees for optional apps linked to hardware

# Business Systems: JAPAN TAM & Market share

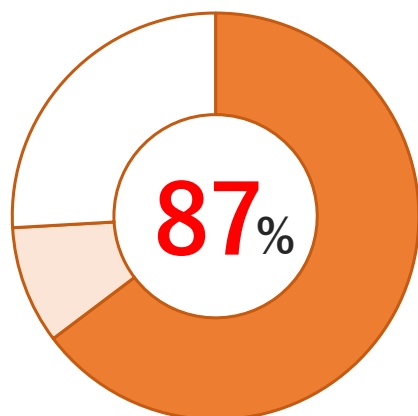
(U-NEXT HOLDINGS assumptions)

## Japan TAM and our market share in automatic payment machines

■ U-NEXT HD ■ Other companies □ White space

Percentages are our market share in facilities that have already installed automatic payment machines

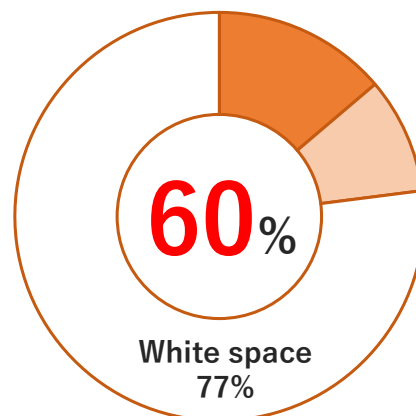
### Leisure Hotels



The number of facilities  
The whole market: 5,300  
Our customers : 3,500

Dominant market share but a mature market

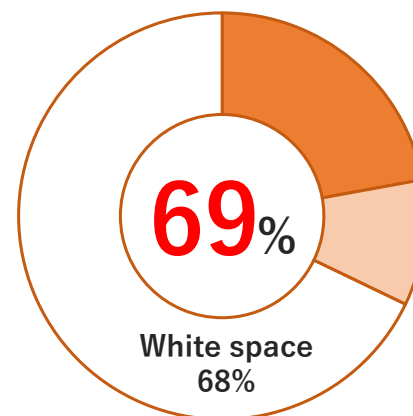
### Business Hotels



The whole market: 8,700  
Our customers : 1,200

Big growth potential in less populated regions and at small/midsize hotel chains

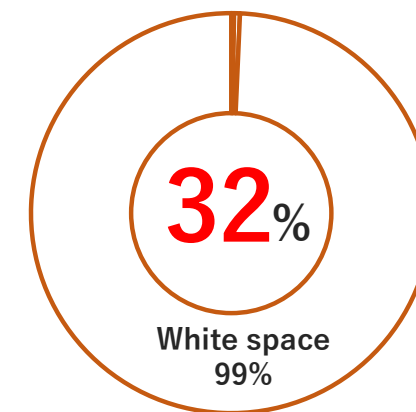
### General Hospitals (More than 150 hospital beds)



The whole market: 3,900  
Our customers : 900

Growth expected due to the ongoing DX of health care

### Clinics · Pharmacies



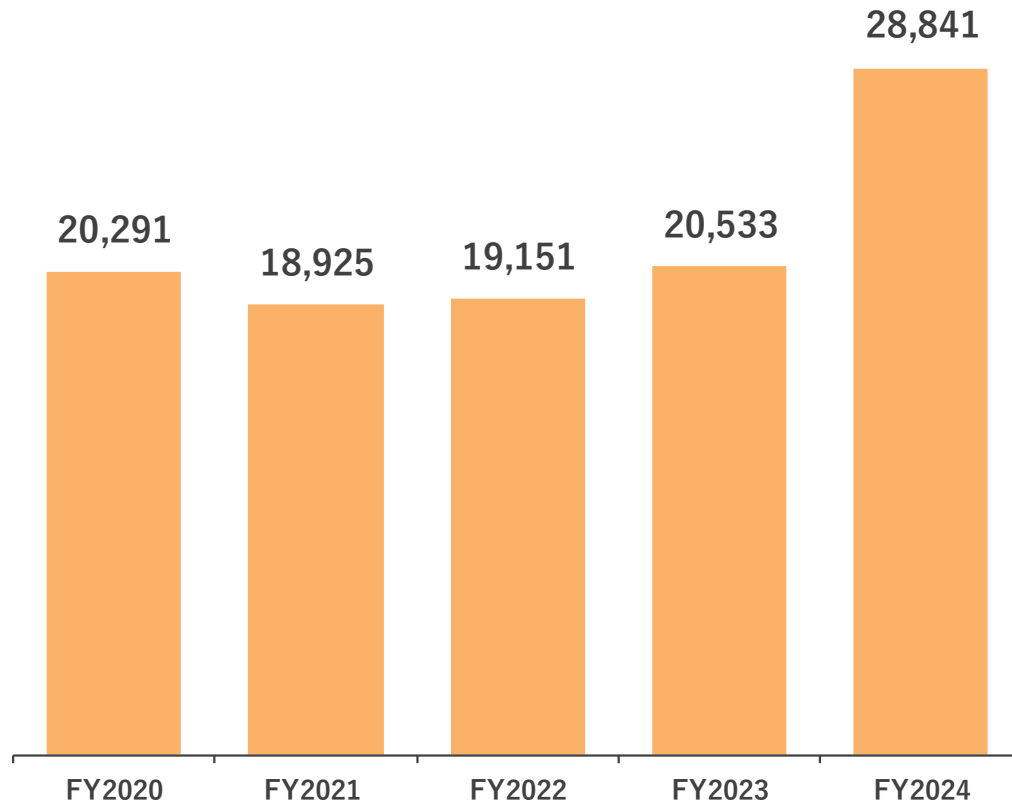
The whole market: 232,200  
Our customers : 500

A new market sector with significant growth potential

# Business Systems: Sales and Operating Income

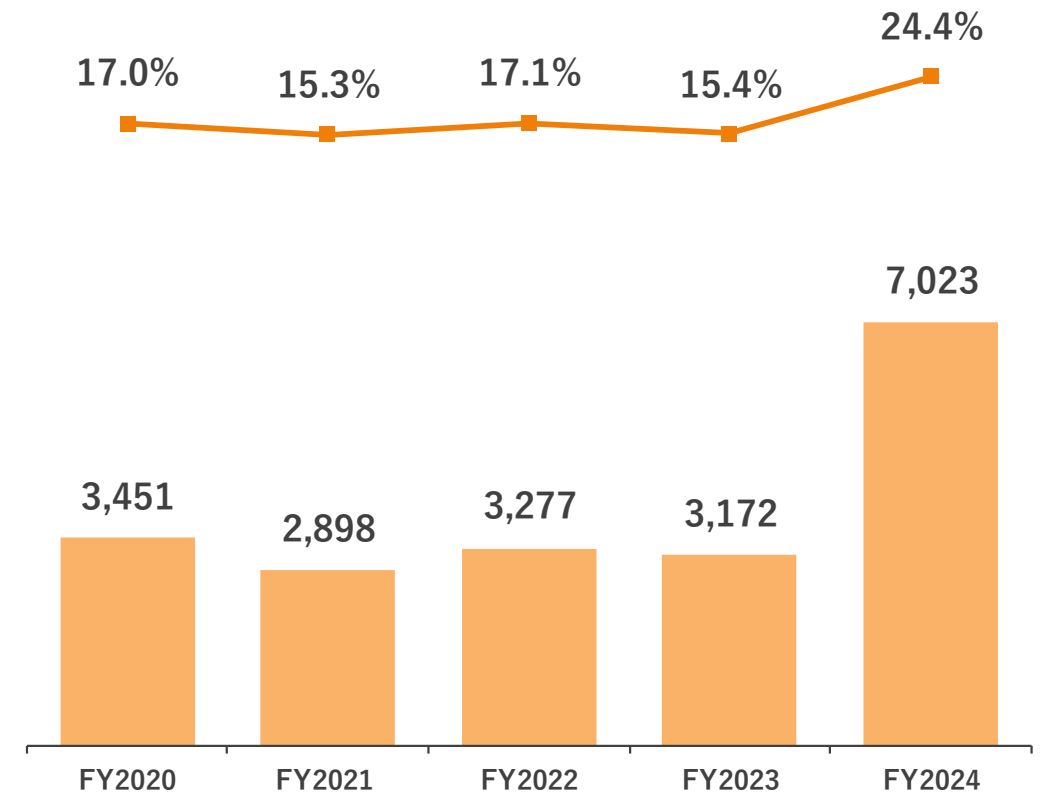
(Million yen)

## Net Sales



## Operating Income/Margin

Operating Margin Operating Income



# 5. Communications



# Communications: Four service categories

Growth  
business  
sector

## ICT service for business

- **Clients:** Small and medium-sized companies with 50 to 300 employees
- **Services:** Proposals and sales for network services, security, group share and other SaaS; a business model generating recurring revenue from monthly fees

## Broadband service sales agent

- **Clients:** Stores and small and medium-sized offices nationwide
- **Services:** Sales agent for broadband services, mainly the services of NTT East/West. A business model generating one-time fees based on the number of service agreements sold.

Growth  
business  
sector

## Broadband internet service for stores

- **Clients:** Stores and small and medium-sized offices nationwide
- **Services:** Sale of USEN Hikari plus, a fiber-optic broadband service for companies; cross-selling as a store DX infrastructure service. A business model generating recurring revenue from monthly fees.

## For individuals (MVNO/Broadband internet service)

- **Clients:** Individuals (BtoC)
- **Services:** MVNO (Y.U-mobile), which is jointly owned with Yamada Holdings, and broad internet service for individuals; both are a business model generating recurring revenue from monthly fees

# Communications: Growth Area (1) ICT service for business

## Market/TAM

- About 2 million, mainly SMEs but also large companies, of the approximately 4 million companies in Japan
- The domestic SaaS market is expected to reach 1.24 trillion yen in 2023 (up 14% from the previous year) and expand to several trillion yen in the future\*

## Opportunities/Risks

- Growing demand at companies for the DX and business process efficiency services because of work style reforms and the pandemic
- Increase of wide range of security needs
- An extremely competitive environment with many service providers
- Risk of lower profit margins due to changes in agency terms for global SaaS companies

## Weaknesses

- Difficult to differentiate from competitors in terms of services due to resale focus
- A majority of personnel are sales staff, with a shortage of engineers to develop, build, maintain, and operate services

\*Sources: Japan SaaS Insights 2023 <https://onecapital.jp/perspectives/japan-saas-insights-2023>

## Strengths



- A multivendor strategy and one-stop proposals to meet each customer's requirements without depending on a specific carrier or vendor
- One person is assigned to each company for accurate assistance for SMEs that are not familiar with IT systems, ensuring a high level of customer satisfaction

## Growth strategies

- Using communication network services as a base, focusing on cross selling of support for security measures, which are becoming increasingly complex, cloud data center outsourced maintenance and operation, and other services
- Enlarge the service lineup for SaaS/IaaS, where demand is growing, and strengthen sales activities for these services

# Communications: Growth Area (2) Broadband internet service for stores

## Market/TAM

- 4.3 million business stores and offices nationwide
  - 70,000 new store openings per year
- \*Same as in Store Services Business

## Opportunities/Risks

- The number of broadband internet service subscribers is increasing consistently
- An extremely competitive environment with many service providers
- Risk of replacement by high-performance Wi-Fi or other wireless service

## Weaknesses

- Difficult to differentiate in terms of service and functionality

## Strengths



- Inside sales within USEN & U-NEXT Group drive replacement from competitors.
- Create synergies in the Store Services business as a key product to cross-sell DX products for stores

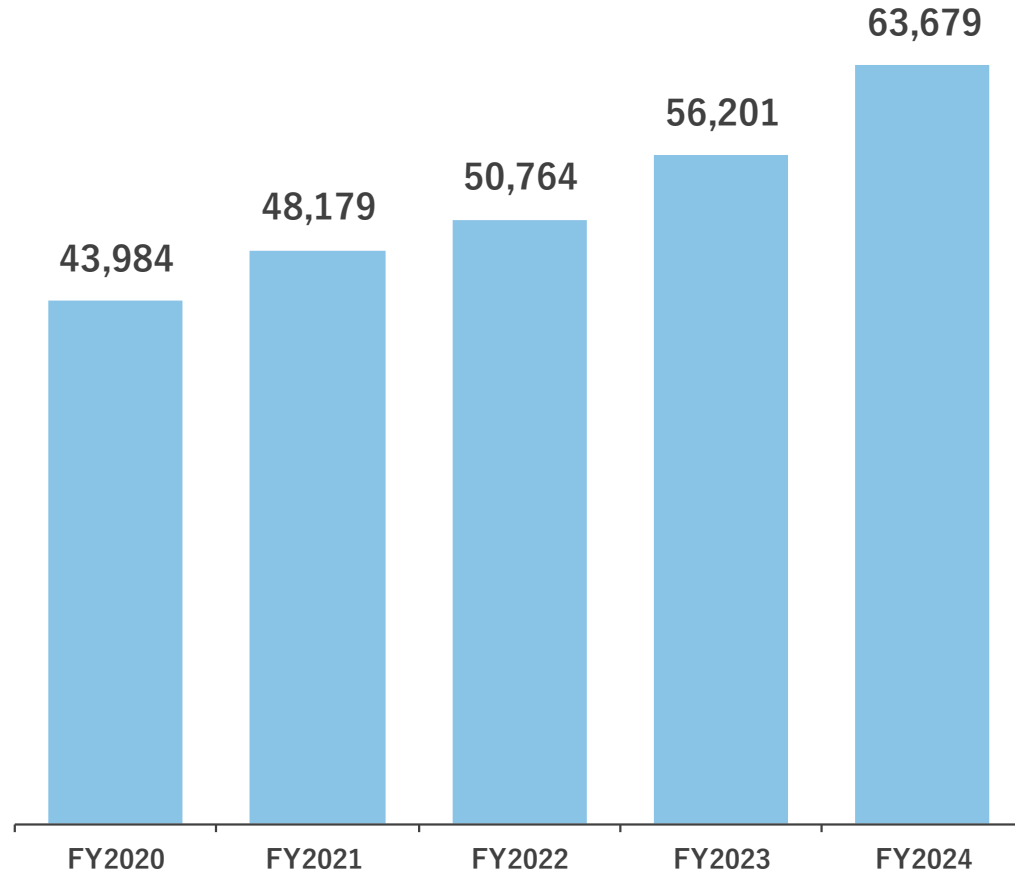
## Growth strategies

- Shift from agent sales that generate one-time fees to a recurring revenue model based on the USEN & U-NEXT Group's own broadband service
- Use the larger number of stores using our owned network to create opportunities for upselling IoT/DX services
- Increase BtoC sales of communication plans by adding alliances with partners within the USEN & U-NEXT Group and external partners

# Communications: Sales and Operating Income

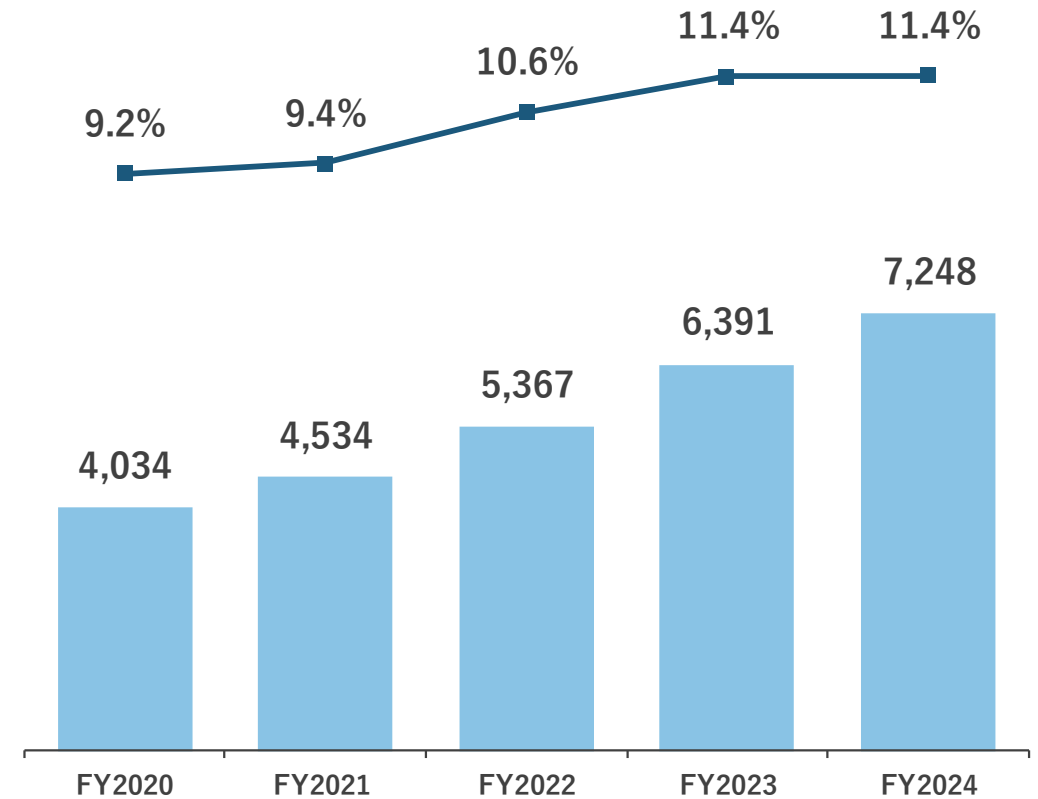
(Million yen)

## Net Sales



## Operating Income/Margin

Operating Margin Operating Income



# 6. Energy



# Energy: Business models

	USEN DENKI	U-POWER
Start of service	<ul style="list-style-type: none"> <li>● 2016</li> </ul>	<ul style="list-style-type: none"> <li>● 2022</li> </ul>
Customers	<p><b>Only BtoB</b></p> <ul style="list-style-type: none"> <li>● High voltage: Midsize buildings, factories, hotel chains, etc.</li> <li>● Low voltage: Stores (same as in Store Services)</li> </ul>	<p><b>BtoB + BtoC</b></p> <ul style="list-style-type: none"> <li>● High voltage: Midsize buildings, factories, hotels, public facilities, etc.</li> <li>● Low voltage: Stores (same as in Store Services), individuals</li> </ul>
Service price	<ul style="list-style-type: none"> <li>● <b>Fixed rate (the price per kilowatt stays the same)</b></li> <li>● Non-fossil green electricity menu only for new customers</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Variable rate linked to market prices</b> (some fixed fees)</li> <li>● <b>Virtually renewable energy, supported by non-fossil fuel energy certificates</b></li> </ul>
Procurement	<ul style="list-style-type: none"> <li>● Electricity purchased mainly from <b>TEPCO</b></li> <li>● Some using <b>JEPX (Japan Electric Power Exchange)</b></li> </ul>	<ul style="list-style-type: none"> <li>● Most electricity purchased using <b>JEPX</b> (some purchased from companies that generate electricity)</li> </ul>
Earnings model	<ul style="list-style-type: none"> <li>● Shifting from agency model to retail model (selling prices determined by us to maintain a margin)</li> <li>● <b>Big profitability improvement by optimizing sources of electricity</b></li> </ul>	<ul style="list-style-type: none"> <li>● Selling prices are market prices plus margin</li> <li>● When market price exceeds a threshold, additional cost is added to the selling price 100%; <b>no risk of a loss if the cost of electricity increases significantly</b></li> </ul>
Remarks	<ul style="list-style-type: none"> <li>● <b>Stopped adding new customers</b> in 2023 but began accepting new customers in April 2024</li> </ul>	<ul style="list-style-type: none"> <li>● <b>A priority business sector for growth</b></li> </ul>

# Energy: U-POWER (SWOT)

## Market/TAM

- High voltage: Midsize buildings, factories, hotels, local governments, etc.
- Low voltage (BtoB) : Stores and offices (same as in Store Services)
- Low voltage (BtoC) : Individuals

## Opportunities

- Synergies from cross selling the products of other segments, Store Services and Content Distribution
- Increasing public awareness of SDGs and renewable energy
- Business expansion into new areas such as power generation and storage

## Risks

- Risk of contract cancellations and unpaid sales due to sharp increases in electricity prices
- Fierce competition between conventional electric utilities and new sellers of electricity

## Strengths

- Ability to leverage not only the Group's sales channels, such as direct sales, inside sales, sales agencies, but also the existing customer base
- Electricity supply plans are more price competitive than those of other companies
- Virtually renewable energy electricity menu with non fossil fuel energy certification in response to the growing interest in the SDGs and protecting the environment

## Weaknesses

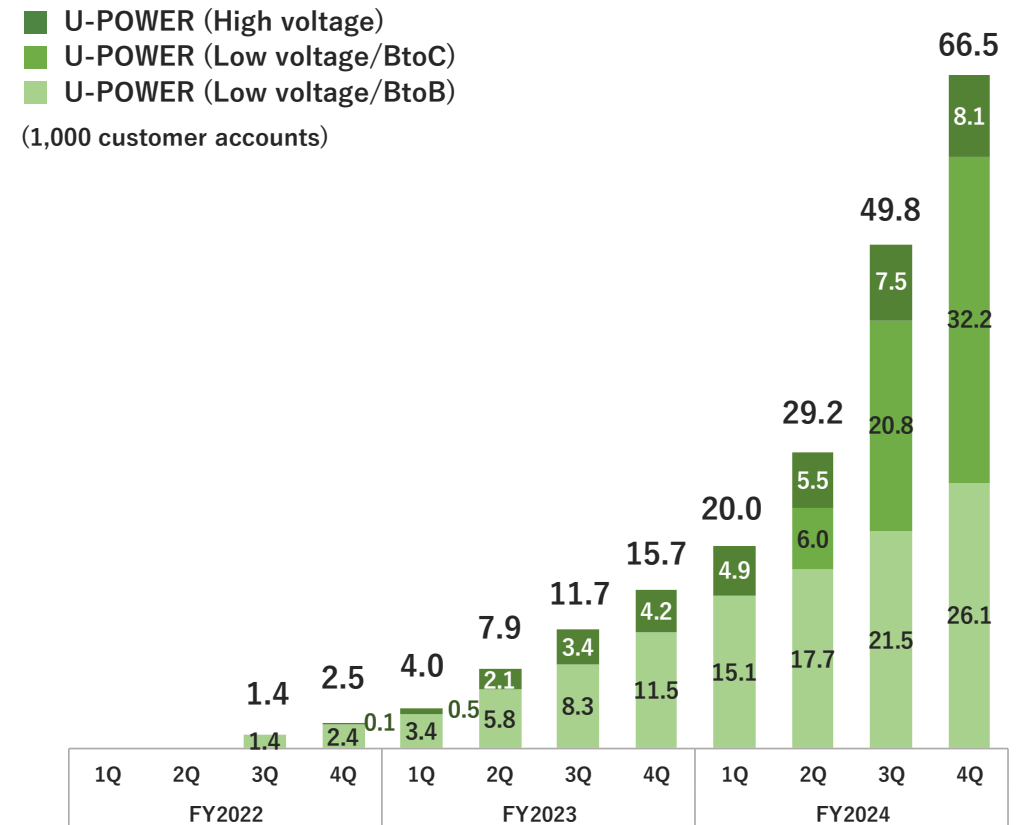
- Difficulty in differentiating services on a stand-alone basis
- Limitations of profitability due to not having an in-house power generation model
- Necessity to control business expansion pace according to financial situation due to the large working capital size

# Energy: U-POWER (Growth strategies & KPI)

## Growth strategies

- Continue to use the USEN & U-NEXT Group's current customer base and sales channels to increase the number of contracts.
- In addition to selling electricity to companies, add decarbonization consulting and other services to be a one-stop provider of support for achieving carbon neutrality.
- Started selling household virtually renewable energy electricity plans in October 2023. Planning more activities to benefit from synergies with other segments, such as joint activities with U-NEXT.
- Established the U-POWER Energy Conservation Research Center to strengthen capabilities for creating conservation programs and assisting customers reduce electricity use in other ways.

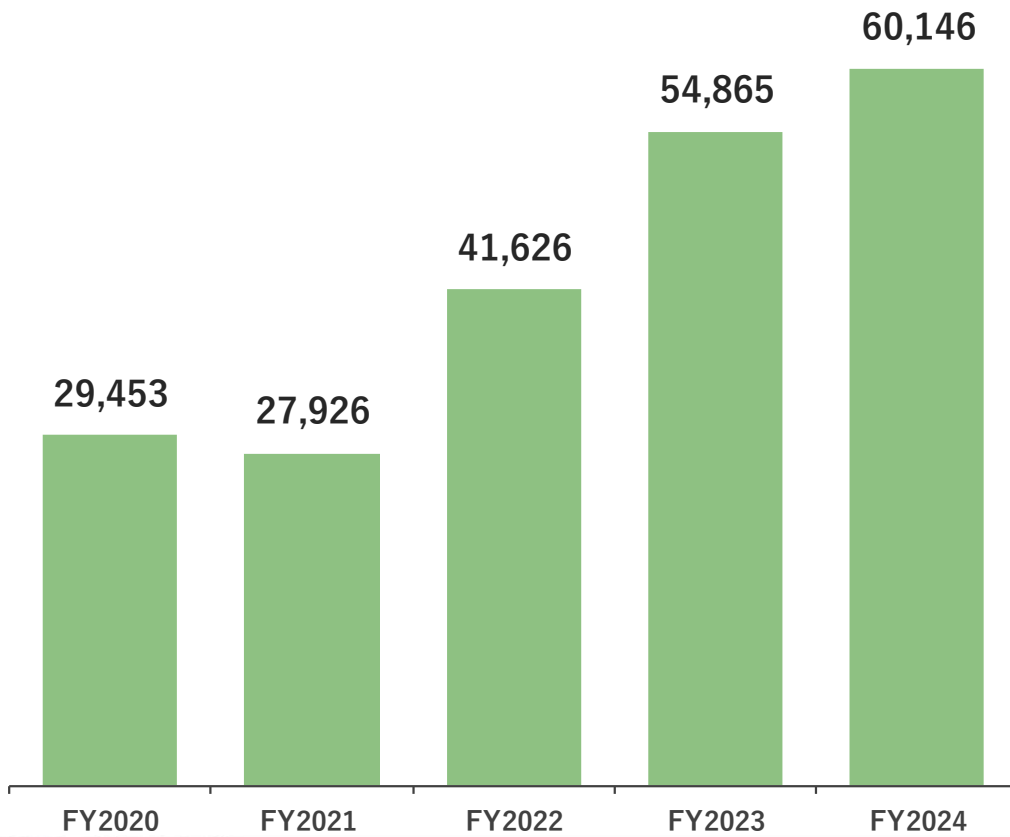
## KPI (Customer accounts)



# Energy: Sales and Operating Income

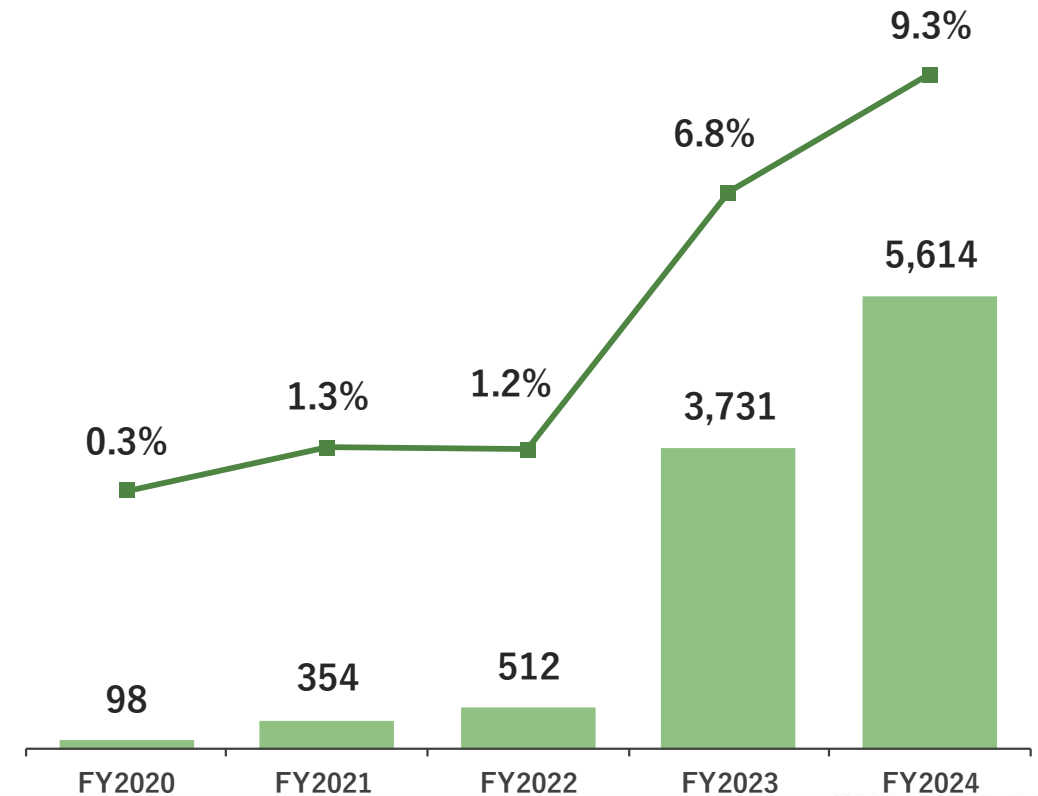
(Million yen)

## Net Sales



## Operating Income / Operating Margin

Operating Margin Operating Income



# 7. Financial strategies



# Financial indicators (1)

- The private placement of stock greatly improved financial soundness and the equity ratio and debt/equity ratio have both reached the medium-term plan targets.
- The goal is to establish a base capable of sustained growth with periods of sudden and rapid spurts of growth while maintaining the proper balance between the use of additional leverage and measures to increase profitability.

	FY2021 Results	FY2025 Plan	FY2024 Results	備考
ROE	27.2%	About 20%	20.4%	Consistent with the plan
Net Income / Sales Ratio	3.9%	-	4.7%	Profitability is increasing
Asset Turnover Ratio	1.5	-	1.5	The same as the plan
Financial Leverage	4.7	-	2.9	Declining (increase in financial soundness)
Equity ratio	23.6%	30%~40%	35.8%	Within the targeted range
Gross Leverage ratio	2.6	Under1.5	1.6	About the same as the plan
Gross Debt equity ratio	1.9	Under1.0	0.8	Better than planned

\*Gross Leverage ratio: Debt ÷ EBITDA

\*Gross Debt/Equity ratio: Debt ÷ Shareholder's equity

# Financial indicators (2)

(Billion yen)

		FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Forecast	Remarks
ROE	① = ②/③	23.6%	20.2%	20.4%	18.8%	Small increase in FY24/08
Net Income	- ②	8.7	11.0	15.4	16.7	
Shareholder's equity (Average)	- ③	36.5	54.0	74.9	88.9	
ROIC	④ = (⑤ × (1 - ⑥))/(③ + ⑦)	11.3%	11.9%	13.5%	12.7%	Big increase in FY24/08
Operating Income	- ⑤	17.3	21.6	29.1	31.0	
Effective tax rate	- ⑥	36%	36%	36%	36%	
Shareholder's equity (Average)		36.5	54.0	74.9	88.9	
Debt (Average)	- ⑦	61.7	61.7	63.4	66.7	Increased because of funds procured for M&A and real estate purchases
Cost of capital	⑧ = ⑨ + (⑩ × ⑪)	11.5%	9.3%	5.8%	5.8%	Down significantly from FY23/08 (no change expected in FY25/08)
10-year Japanese gov't bond	- ⑨	0.2%	0.7%	0.9%	0.9%	Based on the last day of each fiscal year (rate at end of Feb. '24 for FY24/08)
Market risk premium	- ⑩	7.4%	7.0%	5.5%	5.5%	Average of each fiscal year (LTM at end of Feb. '24 for FY24/08)
Shareholder beta	- ⑪	1.52	1.23	0.89	0.89	Calculated at 52 weeks/104 weeks/36 months/60 months with 95% confidence interval
WACC	⑫ = ⑧ × ⑬ + ⑭ × ⑮	5.2%	5.2%	3.7%	3.7%	Equity ratio is increasing (more financial soundness)
Cost of shareholder's equity		11.5%	9.3%	5.8%	5.8%	
Shareholders' equity ratio	- ⑬	40%	52%	57%	58%	
Cost of debt	- ⑭	1.1%	0.8%	1.0%	0.9%	
Debt to Total Assets	- ⑮	60%	48%	43%	42%	
Equity spread	① - ⑧	12.1%	10.9%	14.7%	13.0%	
EVA spread	④ - ⑫	6.0%	6.8%	9.7%	9.0%	

# Shareholder returns policy

Investments for growth are the priority use of cash flows  
Goal is increasing corporate value for shareholder value growth

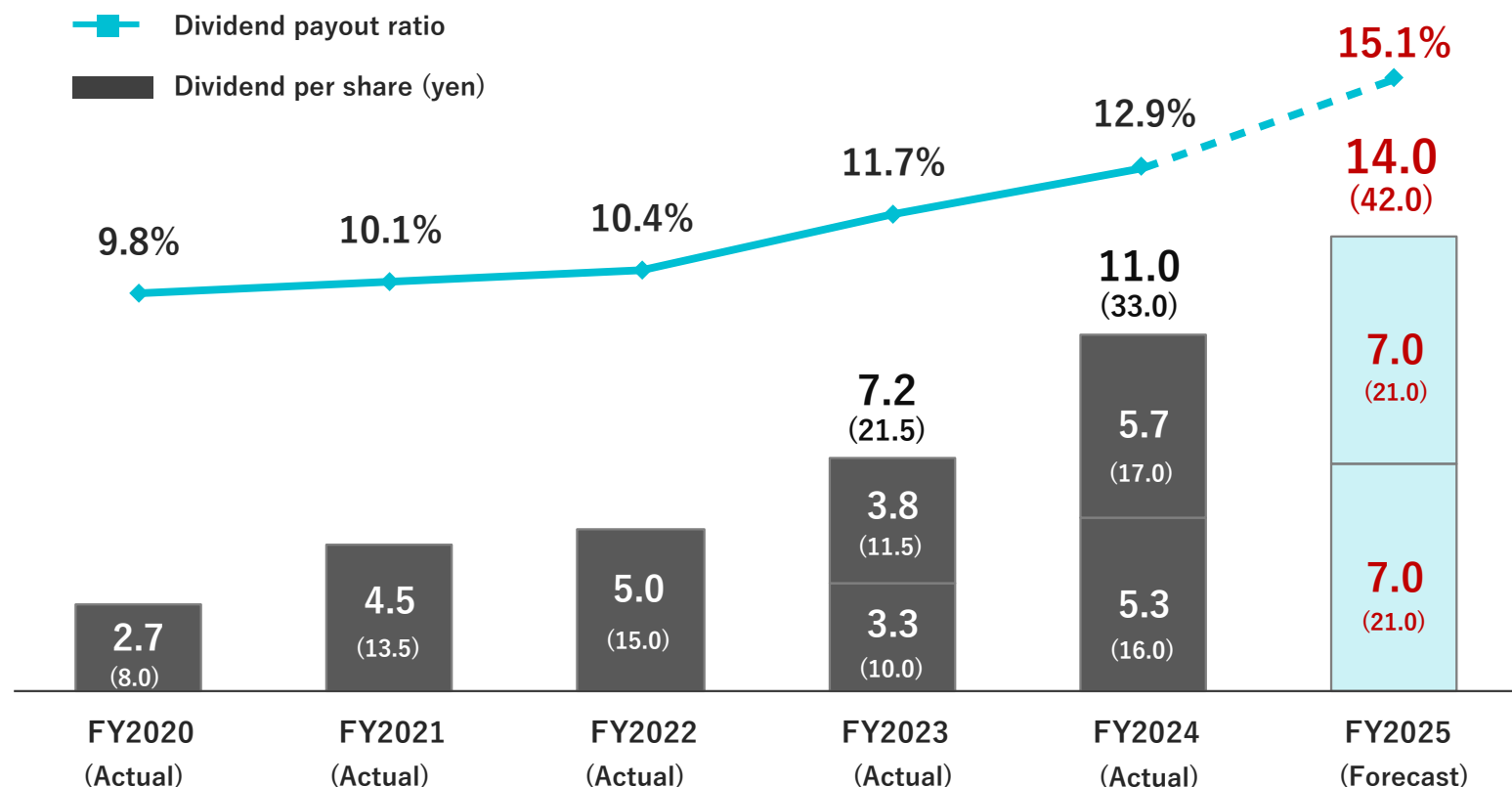
## Capital Gains

Our goal is the long-term growth of corporate value supported by increasing earnings resulting from investments for growth



## Income Gains

Continuous dividend increases with payout ratios of 10%~30%

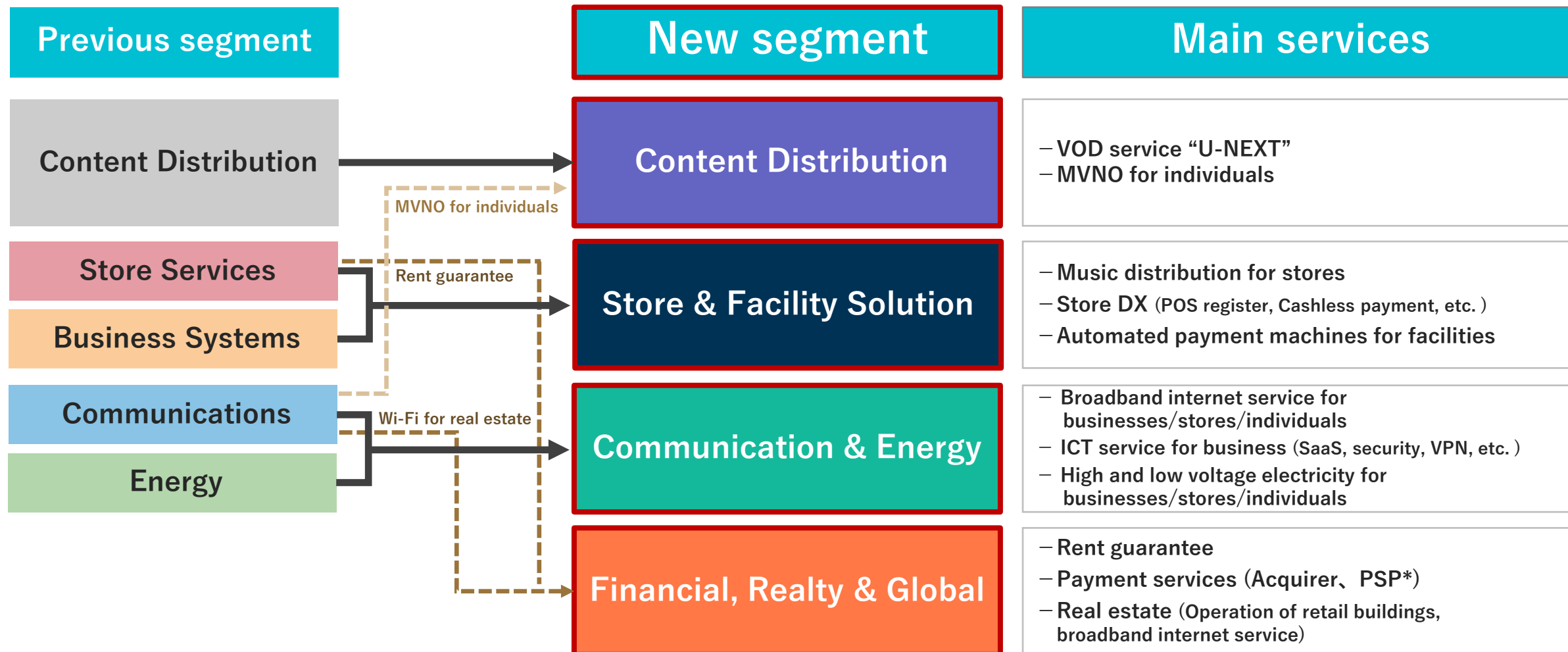


\*After the one-to-three stock split planned for December 1, 2024. The dividend in parentheses is before this stock split.

\*The graphs are divided between interim (below) and year-end (above) dividends beginning in FY2023.

# 8. APPENDIX

# Revised segments beginning in FY2025



A payment service provider (PSP) processes electronic payments between credit card and other companies and the stores, EC businesses and other member merchants of these companies.



# New segment proforma results

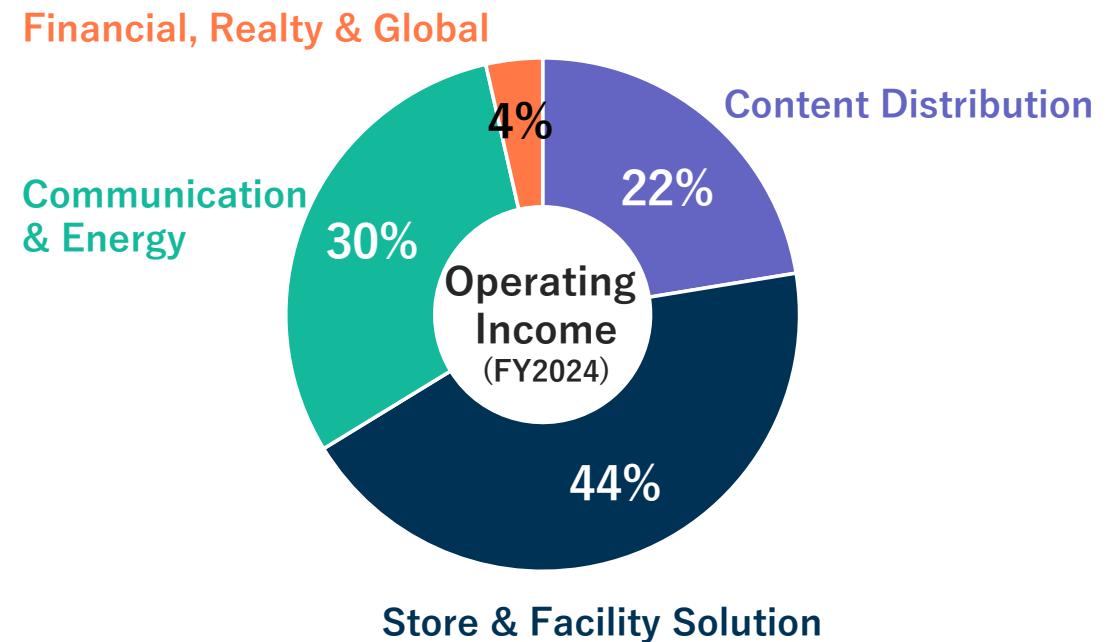
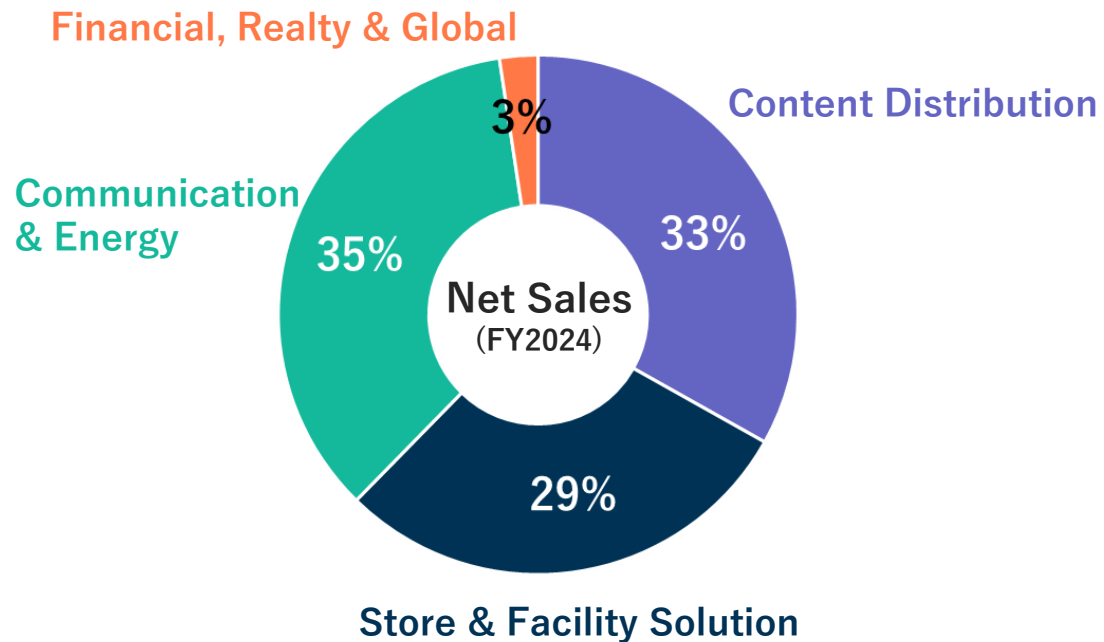
Million yen		Previous segment*1			New segment proforma*2			Difference		
		FY2022	FY2023	FY2024	FY2022	FY2023	FY2024	FY2022	FY2023	FY2024
Content Distribution	Net Sales	68,479	83,010	109,124	69,518	84,115	110,134	+1,039	+1,104	+1,010
	Operating Income	5,793	6,098	8,486	5,725	6,139	8,595	-68	+40	+108
Store & Facility Solution	Net Sales	77,324	83,974	98,841	76,401	82,451	96,989	-923	-1,522	-1,852
	Operating Income	12,326	13,004	16,989	12,055	12,647	16,809	-270	-356	-180
Communication & Energy	Net Sales	95,343	113,207	123,825	91,190	107,624	117,194	-4,153	-5,583	-6,630
	Operating Income	6,380	10,276	12,862	5,447	9,076	11,574	-932	-1,199	-1,287
Financial, Realty & Global	Net Sales	—	—	—	4,512	6,650	7,938	+4,512	+6,650	+7,938
	Operating Income	—	—	—	1,150	1,483	1,363	+1,150	+1,483	+1,363
Adjustment	Net Sales	-3,220	-3,847	-5,037	-3,696	-4,496	-5,503	-475	-648	-465
	Operating Income	-7,178	-7,813	-9,227	-7,057	-7,781	-9,232	+121	+32	-4

\*1 Simple sum of current “Store Services” and “Business Systems” for “Store & Facility Solution” and current “Communications” and “Energy” for “Communication & Energy”.

\*2 New segment proforma figures are provisional numbers prior to the completion of an examination by the independent auditor.

# Composition ratio in the new segment (Net Sales/Operating Income)

3 segments excluding “Financial, Realty & Global”, which is a development area, are well balanced in composition.



\*The new segment proforma for FY2024 (Consolidation adjustments are not considered. )

# Disclosure basis beginning with first quarter of FY2025

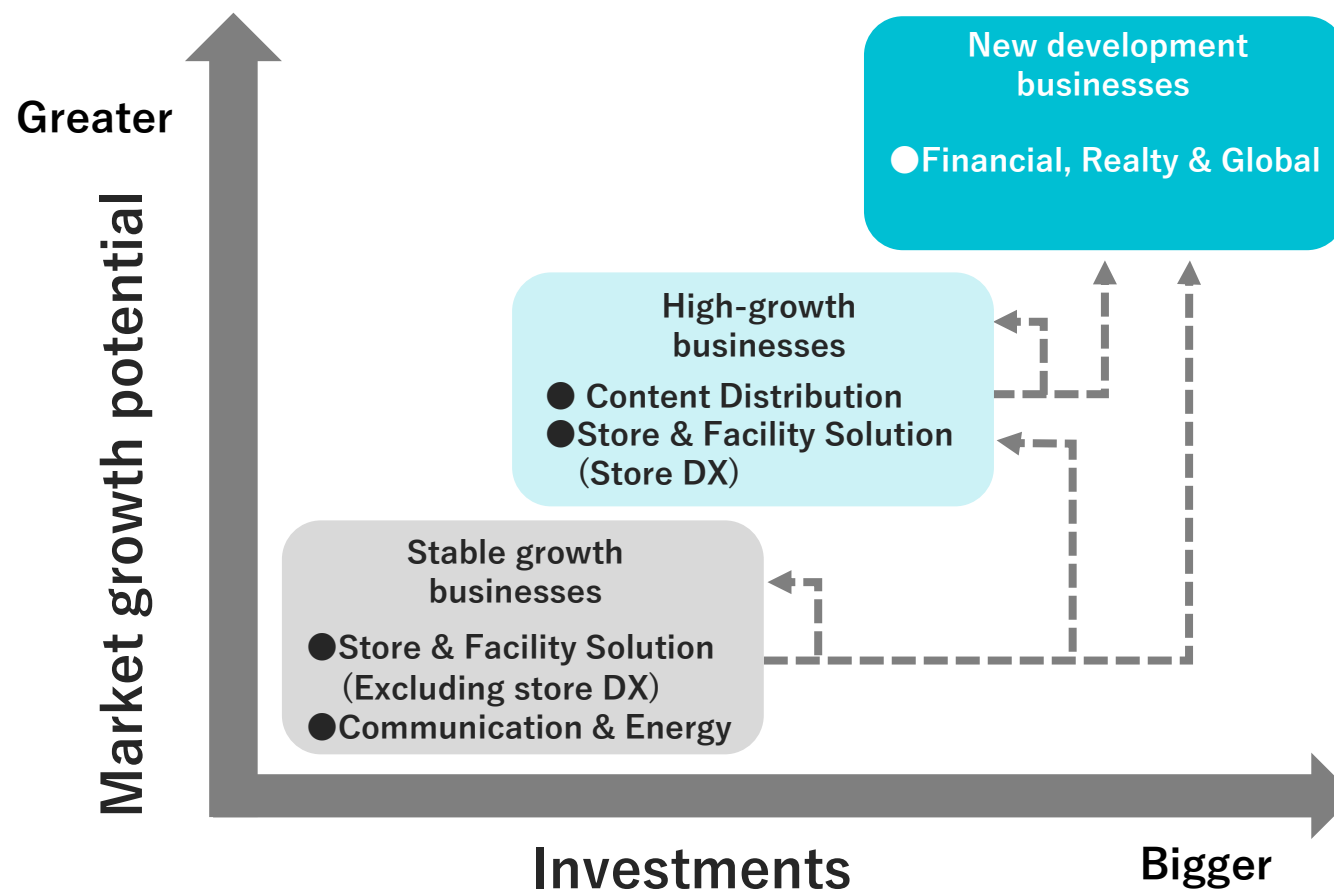
Segment	Current disclosure	Beginning with FY2025 (revisions are in red) *There is a possibility of changes
Content Distribution	<ul style="list-style-type: none"> <li>✓ Sales, Operating Income</li> <li>✓ Subscribers, Marketing expenses, ARR</li> </ul>	<ul style="list-style-type: none"> <li>✓ No change (sales and operating income are proforma figures that have been revised for consistency with the new segments)</li> </ul>
Store & Facility Solution	<p><b>Store Services</b></p> <ul style="list-style-type: none"> <li>✓ Sales, Operating Income</li> <li>✓ Contracts</li> <li>✓ POS register service (Sales, Gross profit margin, Contracts, ARR)</li> </ul> <p><b>Business Systems</b></p> <ul style="list-style-type: none"> <li>✓ Sales, Operating Income</li> <li>✓ Sales, Gross profit margin (One-time/Recurring)</li> </ul>	<p><b>Whole segment</b></p> <ul style="list-style-type: none"> <li>✓ Sales, Operating Income (prior-year figures revised on a proforma basis)</li> </ul> <p><b>Store solution</b></p> <ul style="list-style-type: none"> <li>✓ Contracts</li> <li>✓ Contracts and ARR for the three main products: POS register + Cameras + Cashless payments</li> </ul> <p><b>Store solution</b></p> <ul style="list-style-type: none"> <li>✓ Sales, Gross profit margin for hotels (One-time/Recurring)</li> <li>✓ Sales, Gross profit margin for healthcare (One-time/Recurring)</li> </ul>
Communication & Energy	<p><b>Communications</b></p> <ul style="list-style-type: none"> <li>✓ Sales, Operating Income</li> <li>✓ Sales, Operating Income of service categories</li> </ul> <p><b>Energy</b></p> <ul style="list-style-type: none"> <li>✓ Sales, Operating Income, Customer accounts</li> </ul>	<p><b>Whole segment</b></p> <ul style="list-style-type: none"> <li>✓ Sales, Operating Income (prior-year figures revised on a proforma basis)</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>✓ ICT service for business (Sales, Operating Income, ARR)</li> <li>✓ Broadband internet service for stores and individuals (Sales, Operating Income, Contracts)</li> </ul> <p><b>Energy</b></p> <ul style="list-style-type: none"> <li>✓ Sales, Operating Income, Customer accounts</li> </ul>
Financial, Realty & Global		<ul style="list-style-type: none"> <li>✓ Sales, Operating Income</li> <li>✓ Contracts for major products (Wi-Fi for real estate, rent guarantees, small-amount, short-term insurance)</li> <li>✓ Outstanding financial transactions with small/midsize companies and stores (leases, credit for purchases, lending)</li> <li>✓ Cashless payment GMV *Including consolidation following closing of M&amp;A</li> </ul>

\*U-NEXT plans to disclose quarterly segment information using the revised segments for fiscal years beginning with FY22/08.

# Portfolio management

Sustained growth backed by use of stable business cash flows for large investments for High-growth businesses and New development businesses.

## 【Disclosure segments】



# FY2025 Forecast

Forecast sales growth of 10% and high single-digit growth of earnings at all levels.

Million yen	FY2024 Results	FY2025 Forecast	Difference	Ratio
Net Sales	326,754	360,000	+33,246	+10%
Operating Income	29,110	31,000	+1,890	+6%
Operating Margin (%)	8.9%	8.6%	-0.3pt	-
Ordinary Income	28,321	30,000	+1,679	+6%
Profit or Loss attributable to owners of parent	15,357	16,700	+1,343	+9%
Profit of Loss attributable to owners of parent [Adjusted]	18,503	19,850	+1,347	+7%
Net Income per share (yen)	255.44	92.58	-	-
Net Income per share [Adjusted] (yen)	307.77	110.05	-	-
EBITDA	39,541	42,500	+2,959	+7%
EBITDA margin	12.1%	11.8%	-0.3pt	-
EBITDA-CAPEX	13,371	10,300	-3,071	-23%

\*FY2025 earnings per share is adjusted for the stock split that is planned for December 1, 2024.



# FY2025 Forecast (Business segments)

Million yen		FY2024 Results	FY2025 Forecast	Difference	Ratio
Content Distribution	Net Sales	110,134	122,100	+11,966	+11%
	Operating Income	8,595	9,800	+1,205	+14%
	Operating Margin	7.8%	8.0%	+0.2pt	-
Store & Facility Solution	Net Sales	96,989	93,100	-3,889	-4%
	Operating Income	16,809	14,700	-2,109	-13%
	Operating Margin	17.3%	15.8%	-1.5pt	-
Communication & Energy	Net Sales	117,194	142,100	+24,906	+21%
	Operating Income	11,574	13,600	+2,026	+18%
	Operating Margin	9.9%	9.6%	-0.3pt	-
Financial, Realty & Global	Net Sales	7,938	8,700	+762	+10%
	Operating Income	1,363	1,400	+37	+3%
	Operating Margin	17.2%	16.1%	-1.1pt	-
Adjustment	Net Sales	-5,503	-6,000	-497	-9%
	Operating Income	-9,232	-8,500	+732	+8%

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

\*FY2024 figures are provisional numbers prior to the completion of an examination by the independent auditor.

# FY2025 Forecast (Key points)

Content Distribution	<ul style="list-style-type: none"> <li>● YoY increase in subscribers of 300,000. (+400,000 at U-NEXT and -100,000 at the former Paravi)</li> <li>● Forecasts use an exchange rate of ¥155/US.</li> <li>● No change in marketing expenses vs. FY2024.</li> <li>● Profitability improved with no change in profit structure despite increases in system costs and personnel expenses.</li> </ul>
Store & Facility Solution	<ul style="list-style-type: none"> <li>● Estimated drop impact in replacement demand for automatic pay machines is -¥5.0 bn in sales and -¥2.5 bn in profit.</li> <li>● Excluding the above factors, on an adjusted basis, sales are expected to increase by ¥1.0 bn and profit by ¥0.5 bn.</li> <li>● Store solution: Music distribution sales increased slightly due to price revision, and DX for stores grew stably.</li> <li>● Facility solution: Partially offsetting the drop in one-time sales by increasing of recurring revenues.</li> </ul>
Communication & Energy	<ul style="list-style-type: none"> <li>● Stable growth in recurring revenue of ICT Service and Broadband internet service for stores and individuals.</li> <li>● YoY increase in customers of 100 at high voltage, +38,000 at low voltage (BtoB +4,000, BtoC +34,000).</li> <li>● Cost increase impact of capacity payments, which occurs 5 months in FY2024 and 12 months in FY2025, is ¥3.3 bn.</li> <li>● The cost increases will be passed on to customers through price increases, resulting in sales increase of ¥20.0 bn and profit increase of ¥1.7 bn YoY.</li> </ul>
Financial, Realty & Global	<ul style="list-style-type: none"> <li>● Increase in sales and earnings due to stable growth in rent guarantee business.</li> <li>● Newly consolidated a commercial building management subsidiary from the beginning of FY2025, contributing to sales/profit (plans to acquire 5 additional properties during FY2025).</li> <li>● Cashless payment business M&amp;A (completed in FY2025) proceeds are not factored in. (Sales increase is expected to have a limited impact on profit and loss due to goodwill amortization expenses)</li> </ul>
Adjustment	<ul style="list-style-type: none"> <li>● Decrease in branding costs in FY2024. (FY2025 branding costs will be determined based on business conditions. )</li> <li>● Increase in personnel expenses and commissions paid.</li> </ul>

# Progress of Medium-Term Business Plan (Performance indicators)

(bn yen)	FY2025 plan (Base & Upside case)		FY2024 Results	FY2025	
	Goals	CAGR (vs. FY2021)		Forecast	CAGR (vs. FY2021)
Net Sales	274.0~286.0	+7%~8%	326.8	360.0	+15%
Operating Income	22.0~25.0	+9%~13%	29.1	31.0	+19%
Operating Margin (%)	8.0%~8.7%	-	8.9%	8.6%	-
Profit or Loss attributable to owners of parent	12.0~13.5	+11%~14%	15.4	16.7	+20%
Profit of Loss attributable to owners of pare [Adjusted]	15.0~16.5	+7%~10%	18.5	19.9	+15%
EBITDA	33.0~36.0	+8%~10%	39.5	42.5	+15%
EBITDA-CAPEX	16.5~19.5	+5%~9%	13.4	10.3	-7%
Dividend payout ratio	10%~30%	-	12.9%	15.1%	-

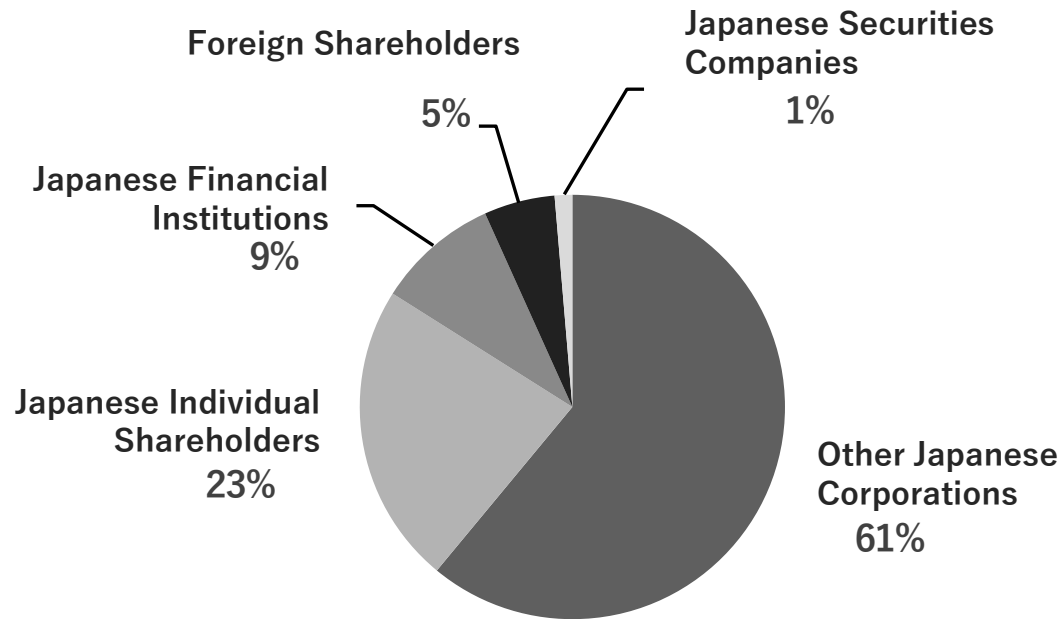
# Progress of Medium-Term Business Plan (Business Segments)

(bn yen)		FY2025 plan (Base & Upside case)		FY2024	
		Goals	CAGR (vs. FY2021)	Actual	CAGR (vs. FY2021)
Content Distribution	Net Sales	81.0~85.0	+8%~9%	109.1	+22%
	Operating Income	8.2~10.0	+10%~15%	8.5	+14%
	Operating Margin	10.1%~11.8%	-	7.8%	-
Store Services	Net Sales	70.5	+6%	70.0	+8%
	Operating Income	10.5~11.0	+5%~6%	10.0	+5%
	Operating Margin	14.9%~15.6%	-	14.2%	-
Communications	Net Sales	63.5	+7%	63.7	+10%
	Operating Income	6.8	+11%	7.3	+17%
	Operating Margin	10.7%	-	11.4%	-
Business Systems	Net Sales	23.5~25.0	+6%~7%	28.8	+15%
	Operating Income	4.0~4.3	+8%~10%	7.0	+34%
	Operating Margin	17.0%~17.2%	-	24.4%	-
Energy	Net Sales	45.0~51.5	+13%~17%	60.1	+29%
	Operating Income	0.5~1.5	+6%~39%	5.6	+124%
	Operating Margin	1.1%~2.9%	-	9.3%	-
Adjustment	Net Sales	-9.5	-	-5.0	-
	Operating Income	-8.0~-8.6	-	-9.2	-

Business segments were revised beginning in FY2025. Information for FY2024 is based on the previous segments.

# Shareholder composition (As of August 31, 2024)

## Shareholder composition



## Major shareholders

Name	Number of shares held	Shareholding ratio
UNO-HOLDINGS Co., Ltd.	30,117,800	50.09%
Yasuhide Uno	4,178,145	6.94%
Custody Bank of Japan, Ltd. (Trust Account)	2,609,200	4.33%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,558,300	4.25%
HIKARI TSUSHIN, INC.	1,931,866	3.21%
SIL Co., Ltd.	1,333,900	2.21%
TBS HOLDINGS, INC.	952,800	1.58%
TV TOKYO Holdings Corporation	832,112	1.38%
CENTRAL TANSI Co., Ltd.	700,000	1.16%
UEDA YAGI TANSI Co., Ltd.	460,000	0.76%



## Forward-looking Statements

This presentation includes opinions, forecasts and other statements that are based on the judgments of management when this presentation was prepared.

As this information incorporates risk factors and other uncertainties, U-NEXT HOLDINGS makes no promise that this information is accurate or complete.



**JPX-NIKKEI 400**

Selected for FY2021-2024