

Consolidated Financial and Operating Results for the Fiscal Year Ended February 28, 2022 (JGAAP)

Company Name: Tri-Stage Inc.
 Listed Exchange: Tokyo Stock Exchange (Code Number: 2178)
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 Scheduled Date for the Ordinary General Meeting of Shareholders: May 26, 2022
 Scheduled Date for Commencement of Dividend Payments: May 27, 2022
 Scheduled Date for Submitting the Securities Report: May 27, 2022
 Availability of Supplementary Briefing Material on Annual Results: Yes
 Schedule of Annual Result Briefing Sessions: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down.)

I. Consolidated Financial and Operating Results for FY 2021 (from March 1, 2021 to February 28, 2022)

1. Operating Results

Percentages indicate year-on-year increase / (decrease)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---------|-----------------|-------|------------------|-------|-----------------|-------|---|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| FY 2021 | 47,519 | (0.6) | 1,349 | 2.2 | 1,344 | 0.7 | 844 | (0.4) |
| FY 2020 | 47,782 | (5.3) | 1,320 | 110.2 | 1,335 | 230.5 | 848 | 364.8 |

(Note) Comprehensive income: FY2021: 1,014 million yen, up 29.9%; FY2020: 781 million yen, up 251.1%

| | Earnings per share | Diluted earnings per share | Return on equity | Return on assets | Operating profit margin |
|---------|--------------------|----------------------------|------------------|------------------|-------------------------|
| | Yen | Yen | % | % | % |
| FY 2021 | 33.71 | 33.69 | 12.0 | 8.8 | 2.8 |
| FY 2020 | 33.39 | 33.38 | 12.7 | 8.7 | 2.8 |

(Reference) Share of loss (profit) of entities accounted for using equity method: FY2021: — million yen; FY2020: 11 million yen

2. Financial Position

| | Total assets | Net assets | Equity ratio | Book value per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | % |
| As of February 28, 2022 | 15,333 | 7,477 | 48.7 | 297.80 |
| As of February 28, 2021 | 15,182 | 6,815 | 43.7 | 264.82 |

(Reference) Shareholders' equity: As of February 28, 2022: 7,466 million yen; As of February 28, 2021: 6,636 million yen

3. Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of fiscal year |
|---------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| FY 2021 | 1,295 | (178) | (255) | 8,334 |
| FY 2020 | 1,948 | 329 | (1,169) | 7,451 |

II. Dividends

| | Dividends per share | | | | | Total dividend amount (total) | Dividend payout ratio (consolidated) | Dividend on equity (consolidated) |
|--------------------|---------------------|----------------|---------------|----------------|--------|-------------------------------|--------------------------------------|-----------------------------------|
| | First quarter | Second quarter | Third quarter | Fourth quarter | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| FY 2020 | — | 0.00 | — | 7.00 | 7.00 | 175 | 21.0 | 2.7 |
| FY 2021 | — | 0.00 | — | 7.00 | 7.00 | 175 | 20.8 | 2.5 |
| FY 2022 (forecast) | — | — | — | — | — | | — | |

Note: As announced in the press release “Notice Regarding MBO and Application Recommendation” dated April 12, 2022, Tri-Stage has received a takeover bid from BCJ-60 Co., Ltd. (hereinafter, “the Bidder”), for the acquisition of all shares (hereinafter, “Company shares”) and stock acquisition rights, with plans for Company shares to be delisted after the successive procedures have been implemented. Accordingly, there is no dividend planned for the fiscal year ending February 28, 2023.

III. Consolidated Forecast for FY 2022 (From March 1, 2022 to February 28, 2023)

As announced in the press release “Notice Regarding MBO and Application Recommendation” dated April 12, 2022, the plan is for Company Shares to be delisted after the takeover bid and successive procedures have been implemented by the Bidder. Accordingly, there is no consolidated earnings forecast for the fiscal year ending February 28, 2023.

IV. Other Items

- Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in change in the scope of consolidation): None

Note: While not applicable to changes in specified subsidiaries, all shares in consolidated subsidiary PT. Merdis International were transferred, resulting in its removal from the scope of consolidation.

- Changes in accounting policies, changes in accounting estimates and restatements

- Changes in accounting policies in accordance with revision of accounting standards: None
- Changes in accounting policies other than (1) above: None
- Changes in accounting estimate: None
- Restatements: None

- Issued and outstanding common shares

| | (Shares) | | | |
|--|----------|------------|----------|------------|
| (1) Number of shares issued and outstanding at the end of the period, including treasury shares: | FY 2021: | 30,517,200 | FY2020: | 30,517,200 |
| (2) Number of treasury shares at the end of the period: | FY 2021: | 5,444,261 | FY2020: | 5,458,261 |
| (3) Average number of shares outstanding for the period: | FY 2021: | 25,063,427 | FY 2020: | 25,419,761 |

I. Non-consolidated Financial and Operating Results for FY 2021 (from March 1, 2021 to February 28, 2022)

1. Operating Results

Percentages indicate year-on-year increase / (decrease)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---------|-----------------|-------|------------------|--------|-----------------|--------|---|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| FY 2021 | 22,123 | (7.0) | 980 | (21.9) | 955 | (22.8) | 708 | 148.7 |
| FY 2020 | 23,779 | (4.0) | 1,254 | 31.2 | 1,236 | 16.8 | 285 | 15.3 |

| | Earnings per share | Diluted earnings per share |
|---------|--------------------|----------------------------|
| | Yen | Yen |
| FY 2021 | 28.28 | 28.26 |
| FY 2020 | 11.21 | 11.21 |

2. Financial Position

| | Total assets | Net assets | Equity ratio | Book value per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | % |
| As of February 28, 2022 | 11,130 | 6,751 | 60.6 | 268.87 |
| As of February 28, 2021 | 11,365 | 6,222 | 54.6 | 247.52 |

(Reference) Shareholders' equity: As of February 28, 2022: 6,741 million yen; As of February 28, 2021: 6,202 million yen

(Year on year differences in profit)

Though in the non-consolidated results for the fiscal year ended February 28, 2021, an extraordinary loss of ¥730 million recorded as a loss on valuation of shares of subsidiaries and associates related to adflex communication shares, profit increased 48.7% year on year as the impact of this loss disappeared in the non-consolidated results for the fiscal year ended February 28, 2022.

- **Disclosure related to the implementation status of audit procedures**

This summary report is not subject to audit procedures based on the Financial Instruments and Exchange Act; audit procedures for the consolidated financial statements were being conducted when this report was disclosed.

- **Explanation regarding the appropriate use of forecasts of business results**

1. The forecasts and future projections contained herein have been prepared on the basis of rational decisions given the information available as of the date of announcement of this document, and do not represent promises with regard to the Company's future results. Actual performance may differ substantially from forecasts for a variety of reasons. Please refer to the "I. Overview of Consolidated Operating Results and Financial Position, 4. Future Outlook" on page 4 of the attachment to this document for cautionary statements concerning the conditions and performance forecasts that serve as the basis for these forecasts.
2. The Company plans to hold a quarterly result briefing session for institutional investors on Tuesday, April 12, 2022. We intend to disclose a quarterly result briefing material and a video presentation on its website promptly following the presentation.

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I. Overview of Consolidated Operating Results and Financial Position

1. Overview of Operating Results

During the consolidated fiscal year under review, the Japanese economy was expected to normalize in terms of economic and social activities due to the rollout of vaccinations, but the spread of Omicron variants at the beginning of 2022 necessitated the announcement of semi-states of emergency in many areas, leaving the future as uncertain as ever.

At the same time, the direct marketing market, where Tri-Stage Group clients operate, continues to expand with the establishment of mail order business and the expansion of online shopping. As new lifestyles take root, there is a rising demand for direct marketing as a highly convenient service. The Group recognizes that its social role, which supports direct marketing companies, is also increasing.

Under these circumstances, the Group announced the Medium-term Business Plan: Tri's Vision 2024 on April 12, 2021. With the vision of "Innovation by DX in Direct Marketing," this plan's basic strategy aims to strengthen data marketing to improve value propositions, increase customer numbers with cross-channel and AI marketing services, and create new businesses leveraging the strength of existing businesses and DX efforts. The Group will focus efforts on realizing strategy and transforming business operating in the red back into the black to expand earnings. In the consolidated fiscal year under review, we actively worked on the functional improvements to the Tri-DDM data marketing platform and the development of new services, which are the basis of these strategies.

Further, in line with a policy of selection and focus, all shares in consolidated subsidiary PT. Merdis International (hereinafter "MERDIS") were transferred on October 29, 2021. Accordingly, a loss on sales of shares of subsidiaries and associates of ¥404,531 thousand was recorded as an extraordinary loss.

As a result, during the consolidated fiscal year under review, the Group recorded net sales of ¥47,519,020 thousand (down 0.6% year on year) and gross profit of ¥5,356,350 thousand (down 0.1% year on year). Selling, general and administrative expenses amounted to ¥4,006,442 thousand (down 0.9% year on year), operating profit was ¥1,349,907 thousand (up 2.2% year on year), ordinary profit was ¥1,344,698 thousand (up 0.7% year on year), and profit attributable to owners of parent was ¥844,961 thousand (down 0.4% year on year).

Performance by segment is described below.

(1) Direct Marketing Support Business

The TV Business provides comprehensive solutions essential for direct marketing, from the provision of TV program timeslots and commercials, to program and commercial production, order management and customer management, driven by the Group strength in acquiring new customers in TV shopping through the "provision of optimal media based on data analysis," "hit video production" and "efficient order management." In addition, with the Tri-DDM data marketing platform, we have clarified the value of broadcasting slots and understood the appropriate operation status of the contact center. In the consolidated fiscal year under review, the Group focused efforts on strengthening television broadcast slot purchases through Tri-Stage Media Inc., which was spun off on February 1, 2021, improving ordering efficiency with Tri-DDM and enhancing video production capabilities through video empathy analysis services and QR tracking services, resulting in stable sales and gross profit.

In the Web Business, with adflex communications at its core, the Group is working to maximize client sales and profits by proactively introducing AI tools including listing advertisement optimization as well as mutual proposals for both television and the Internet. Despite delays from the initial forecast due to fewer opportunities to negotiate sales, the acquisition of new clients and increases in transactions with existing clients continued to move forward, enabling us to return to the black during the first quarter of the consolidated fiscal year under review. Having concluded a Japan exclusive partner agreement with Optmyzr Inc in August 2021, we launched provision of the Optmyzr AI tool that automatically optimizes listing ads and gradually transitioned away from existing tools.

In April 2021, the Group released the managed television advertisement platform "urutere." In October 2021, we released ODASO, an advertisement distribution system linking television commercials and web advertising in real time, while promoting sales activities in collaboration with the TV Business and Web Business.

As a result, during the consolidated fiscal year under review, net sales were ¥26,952,276 thousand (down 2.8 % year on year) and operating profit was ¥1,178,905 thousand (up 6.6 % year on year).

(2) Direct Mail Business

The Direct Mail Business, driven by Mail Customer Center Co., Ltd., leverages competitive pricing made possible by its position as the industry leader in terms of the number of DMs handled to engage in agency services dispatching direct mails such as Yu-Mail and Kuroneko DM Bin. The Group also worked to support small courier services (product DM) such as

Nekopos and Yu-Packet, which are rapidly expanding in the market. Although DMs continue to be withheld in some industries due to a decrease in events attracting customers, the number of DMs increased over the previous fiscal year due to new client acquisitions and expanded transactions with existing clients.

As a result, during the consolidated fiscal year under review, net sales were ¥18,723,508 thousand (up 3.1 % year on year) and operating profit was ¥225,364 thousand (down 31.3% year on year).

(3) Overseas Business

As disclosed in the “Notice Regarding Changes in Consolidated Subsidiaries (Share Transfer) and Recognition of Extraordinary Losses” announced on September 14, 2021, the Company transferred all shares in MERDIS on October 29, 2021. As a result, MERDIS was removed from the scope of consolidation in the third quarter of the consolidated fiscal year under review and the Overseas Business will be removed as a reporting segment at the end of the consolidated fiscal year under review.

During the consolidated fiscal year under review, net sales were ¥577,382 thousand (down 32.6% year on year) and operating profit amounted to ¥4,302 thousand (down 82.5% year on year).

(4) Retail Business

The Nippon Department Store Inc. under the Nippon Department Store brand name, is striving to strengthen its wholesale business and increase profits from each of its stores. Based on the concept of making the Nippon Department Store more fun, in September 2021, the corporate logo and online store were updated as part of brand renewal efforts. Despite ongoing difficulties caused by intermittent restraints on human movement in reaction to the spread of COVID-19, compared to last year, we were better able to ensure business hours, while efforts to develop private brand products and expand the wholesale business were successful, driving sales higher than in the previous fiscal year and narrowing losses.

As a result, during the consolidated fiscal year under review, net sales were ¥1,265,852 thousand (up 19.9 % year on year) and operating loss amounted to ¥58,674 thousand (a loss of ¥140,698 thousand in the previous fiscal year).

2. Overview of Financial Position

(1) Assets

At the end of the consolidated fiscal year under review, total assets stood at ¥15,333,367 thousand, an increase of ¥150,882 thousand compared with the end of the previous fiscal year. This increase was mainly due to a ¥892,772 thousand increase in cash and deposits, a ¥464,242 thousand decrease in notes and accounts receivable–trade, a ¥128,396 thousand decrease in merchandise, and a ¥102,309 thousand decrease in buildings.

(2) Liabilities

At the end of the consolidated fiscal year under review, total liabilities amounted to ¥7,856,141 thousand, a decrease of ¥511,158 thousand compared with the end of the previous fiscal year. This decrease was mainly due to a ¥1,790,168 thousand increase in short-term borrowings and a ¥1,843,712 thousand decrease in long-term borrowings.

(3) Net assets

At the end of the consolidated fiscal year under review, total net assets stood at ¥7,477,226 thousand, an increase of ¥662,041 thousand compared with the end of the previous fiscal year. This increase was mainly due to factors including dividends of surplus amounting to ¥175,412 thousand and recording profit attributable to owners of parent of ¥844,961 thousand.

3. Overview of Cash Flows

At the end of the consolidated fiscal year under review, cash and cash equivalents increased ¥882,772 thousand to ¥8,334,154 thousand compared with the end of the previous fiscal year.

(1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥1,295,527 thousand during the consolidated fiscal year under review (provided ¥1,948,987 thousand in the previous fiscal year).

This was mainly due to recording profit before income taxes of ¥891,344 thousand and a ¥392,588 thousand decrease in trade receivables.

(2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥178,973 thousand (provided ¥329,068 thousand in the previous fiscal year).

This was mainly due to purchase of intangible assets of ¥69,197 and payments for sales of shares of subsidiaries resulting in change in scope of consolidation of ¥52,729 thousand.

(3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥255,474 thousand (used ¥1,169,943 thousand in the previous fiscal year).

This was mainly due to factors including net increase in short-term borrowings of ¥927,663 thousand, repayments of long-term borrowings of ¥1,034,588 thousand, and dividends paid of ¥175,354 thousand.

(Reference) Trends in Cash Flow Indicators

| | FY2018 | FY2019 | FY2020 | FY2021 |
|--|--------|--------|--------|--------|
| Shareholders' equity ratio (%) | 41.9 | 43.3 | 43.7 | 48.7 |
| Shareholders' equity ratio based on market value (%) | 53.8 | 43.8 | 68.7 | 56.9 |
| Interest-bearing debt to cash flow ratio (year) | 4.3 | 4.4 | 1.7 | 2.4 |
| Interest coverage ratio (times) | 30.4 | 36.3 | 77.1 | 64.6 |

- Shareholders' equity ratio = Shareholders' equity/Total assets
- Shareholders' equity based on market value = Total market value of stock/ Total assets
- Interest-bearing debt to cash flow ratio = Interest-bearing debt / Operating cash flow
- Interest coverage ratio = Operating cash flow / Interest payments

Notes: 1. All calculations are based on consolidated financial figures.

2. Total market value of stock is calculated based on total number of shares outstanding excluding treasury shares.

3. Cash flow is operating cash flow.

4. Interest-bearing debt includes all debt recorded on the consolidated balance sheet for which interest is paid.

5. ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) was applied from the beginning of the consolidated the fiscal year ended February 29, 2020. Accordingly, figures for the fiscal year ended February 28, 2019, reflect the retrospective application of these standards.

4. Future Outlook

Regarding Medium-term Business Plan Tri's Vision 2024, despite remaining on track in terms of implementing various measures in line with basic strategy, revisions have been made in light of changing assumptions and conditions driven by factors including the prolonged impact of the pandemic, changes in the business environment and withdrawal from overseas business. Accordingly, while the strategy remains unchanged, Tri-Stage Group has downwardly revised numerical targets and extended the plan duration by one year. Initial numerical targets called for operating profit of ¥2,000 million and profit attributable to owners of parent of ¥1,300 million by February 2024. These targets have been revised to operating profit of ¥1,580 million and profit attributable to owners of parent of ¥1,070 million by February 2025.

At a Board of Directors meeting held on April 12, 2022, the Tri-Stage approved a management buyout (MBO) by BCJ-60 Co., Ltd. (hereinafter, "the Bidder"), for the acquisition of all shares (hereinafter, "Company shares") and stock acquisition rights (hereinafter, "the takeover bid"). Tri-Stage recommends shareholders apply for the takeover bid of Company shares. With regard to share warrant holders (hereinafter, "warrant holders"), the decision was made to allow the warrant holders to decide whether to apply for takeover bid stock acquisition rights. The Board of Directors resolution states that the Bidder intends to take the Company private through the takeover bid, which is premised on plans to delist Company shares after the successive procedures have been implemented.

For details, please refer to "Notice Regarding MBO and Application Recommendation" dated April 12, 2022.

Accordingly, no earnings forecast will be disclosed for the fiscal year ending February 28, 2023. Medium- to long-term growth targets are as follows.

Having announced the vision of "Innovation by DX in Direct Marketing," the Group's basic strategy is to strengthen data marketing to improve value propositions, increase customer numbers with cross-channel and AI marketing services, and create new businesses leveraging the strength of existing businesses and DX efforts. The Group will focus efforts on realizing strategy and transforming business operating in the red back into the black to expand earnings. Focused on changes in consumer behavior, we will target sustainable growth through the ongoing provision of high-value-added support services to companies engaged in direct marketing.

In the TV Business, the Group will attempt to expand sales and profits through functional improvements to the Tri-DDM data marketing platform, the provision of greater value to clients with “AI order forecasting” and other new services, and contributions to client business sustainable growth. Additionally, the provision of cross-channel and AI marketing services will enable us to expand our client domains and create growth opportunities.

In the Web Business, adflex communications will drive attempts to acquire new clients with internet advertising proposals using AI tools highly effective at improving advertising, as the Group aims to expand sales and profits via consulting services highly customized to client perspectives. We will also enhance synergies with the TV Business and proactively provide marketing support linking TV and Web activities.

The Direct Mail Business, driven by Mail Customer Center Co., Ltd., will continue to flexibly respond to changes in the external environment while stably securing sales and profits in mainstay Yu-Mail and Kuroneko DM Bin. The Group will also work to support small courier services Nekopos and Yu-Packet, which can be posted in letterboxes.

In the Retail Business, Nippon Department Store Inc., will strive to expand private brand products, strengthen EC site sales and expand its wholesale business to improve profitability. Although the external environment continues to be difficult due to the ongoing impact of the pandemic, appropriate measures are taken at all stores to ensure maximum priority is placed on customer and employee safety amid attempts to quickly recover profitability through more efficient store management.

II. Basic Approach to Selecting Accounting Standards

The Tri-Stage Group has adopted Japanese GAAP in consideration of the comparability of consolidated financial statements for the period. With regard to the adoption of International Financial Reporting Standards, the Group intends to respond appropriately, taking into consideration various circumstances in Japan and overseas.

III. Consolidated Financial Statements and Primary Notes

1. Consolidated Balance Sheets

(Thousands of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 7,451,382 | 8,344,154 |
| Notes and accounts receivable - trade | 6,340,248 | 5,876,005 |
| Merchandise | 196,130 | 67,733 |
| Work in process | 5,521 | 4,506 |
| Supplies | 5,467 | 4,873 |
| Other | 148,987 | 203,242 |
| Allowance for doubtful accounts | (62,580) | (60,703) |
| Total current assets | 14,085,157 | 14,439,813 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 203,320 | 101,011 |
| Tools, furniture and fixtures, net | 38,345 | 46,408 |
| Vehicles, net | 1,189 | 129 |
| Leased assets, net | 12,524 | 3,127 |
| Total property, plant and equipment | 255,380 | 150,677 |
| Intangible assets | | |
| Software | 233,593 | 193,930 |
| Other | 30,750 | 2,418 |
| Total intangible assets | 264,343 | 196,349 |
| Investments and other assets | | |
| Investment securities | 4,284 | 4,188 |
| Guarantee deposits | 354,631 | 341,518 |
| Distressed receivables | 130,102 | 38,138 |
| Deferred tax assets | 215,084 | 197,610 |
| Other | 3,603 | 3,210 |
| Allowance for doubtful accounts | (130,102) | (38,138) |
| Total investments and other assets | 577,603 | 546,528 |
| Total non-current assets | 1,097,328 | 893,554 |
| Total assets | 15,182,485 | 15,333,367 |

(Thousands of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|--|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 4,002,948 | 3,907,165 |
| Short-term borrowings | 1,101,843 | 2,892,012 |
| Lease obligations | 16,527 | 15,650 |
| Income taxes payable | 155,836 | 26,709 |
| Provision for bonuses | 107,027 | 91,001 |
| Provision for bonuses for directors (and other officers) | 7,600 | 2,550 |
| Provision for point card certificates | 3,571 | 3,460 |
| Provision for contract loss | 99,209 | — |
| Asset retirement obligations | 19,994 | — |
| Other | 488,709 | 417,589 |
| Total current liabilities | 6,003,268 | 7,356,139 |
| Non-current liabilities | | |
| Long-term borrowings | 2,063,279 | 219,567 |
| Lease obligations | 38,059 | 21,774 |
| Retirement benefit liability | 134,305 | 134,122 |
| Asset retirement obligations | 85,955 | 86,980 |
| Other | 42,431 | 37,556 |
| Total non-current liabilities | 2,364,031 | 500,001 |
| Total liabilities | 8,367,300 | 7,856,141 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 645,547 | 645,547 |
| Capital surplus | 735,426 | 736,088 |
| Retained earnings | 7,248,259 | 7,917,808 |
| Treasury shares | (1,837,778) | (1,833,064) |
| Total shareholders' equity | 6,791,455 | 7,466,380 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 337 | 274 |
| Foreign currency translation adjustment | (155,638) | — |
| Total accumulated other comprehensive income | (155,301) | 274 |
| Share acquisition rights | 20,131 | 10,571 |
| Non-controlling interests | 158,899 | — |
| Total net assets | 6,815,185 | 7,477,226 |
| Total liabilities and net assets | 15,182,485 | 15,333,367 |

2. Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|--|--|
| Net sales | 47,782,543 | 47,519,020 |
| Cost of sales | 42,421,451 | 42,162,670 |
| Gross profit | 5,361,091 | 5,356,350 |
| Selling, general and administrative expenses | 4,040,801 | 4,006,442 |
| Operating profit | 1,320,290 | 1,349,907 |
| Non-operating income | | |
| Interest income | 12,374 | 8,551 |
| Dividend income | 10,242 | 150 |
| Commission income | — | 12,178 |
| Insurance claim income | 10,000 | — |
| Share of profit of entities accounted for using equity method | 11,917 | — |
| Foreign exchange gains | 7,561 | — |
| Subsidy income | 15,380 | 4,629 |
| Other | 7,309 | 4,135 |
| Total non-operating income | 74,785 | 29,645 |
| Non-operating expenses | | |
| Interest expenses | 23,650 | 21,142 |
| Foreign exchange losses | — | 3,449 |
| Commission expenses | 35,773 | 10,113 |
| Other | 239 | 147 |
| Total non-operating expenses | 59,664 | 34,853 |
| Ordinary profit | 1,335,411 | 1,344,698 |
| Extraordinary income | | |
| Gain on sales of investment securities | 202,981 | — |
| Gain on reversal of share acquisition rights | 20,346 | 13,328 |
| Other | 6,718 | — |
| Total extraordinary income | 230,047 | 13,328 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 9,231 | 2,930 |
| Impairment loss | 347,703 | 58,735 |
| Loss on sales of shares of subsidiaries and associates | — | 404,531 |
| Other | 3,719 | 484 |
| Total extraordinary losses | 360,654 | 466,682 |
| Profit before income taxes | 1,204,804 | 891,344 |
| Income taxes - current | 217,369 | 31,234 |
| Income taxes - deferred | 129,021 | 9,391 |
| Total income taxes | 346,391 | 40,625 |
| Profit | 858,412 | 850,718 |
| Profit attributable to non-controlling interests | 9,662 | 5,757 |
| Profit attributable to owners of parent | 848,750 | 844,961 |

Consolidated Statements of Comprehensive Income

(Thousands of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|--|--|--|
| Profit | 858,412 | 850,718 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 304 | (62) |
| Foreign currency translation adjustment | (39,103) | 164,265 |
| Share of other comprehensive income of entities accounted for using equity method | (38,011) | — |
| Total other comprehensive income | (76,811) | 164,203 |
| Comprehensive income | 781,601 | 1,014,922 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 782,538 | 1,000,538 |
| Comprehensive income attributable to non-controlling interests | (937) | 14,384 |

3. Consolidated Statements of Changes in Net Assets

For the fiscal year ended February 28, 2021

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 645,547 | 744,808 | 6,557,325 | (1,297,807) | 6,649,873 |
| Changes during period | | | | | |
| Dividends of surplus | | | (190,777) | | (190,777) |
| Profit attributable to owners of parent | | | 848,750 | | 848,750 |
| Purchase of treasury shares | | | | (539,970) | (539,970) |
| Disposal of treasury shares | | | | | — |
| Purchase of shares of consolidated subsidiaries | | (9,382) | | | (9,382) |
| Change in scope of equity method | | | 32,961 | | 32,961 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | (9,382) | 690,934 | (539,970) | 141,581 |
| Balance at end of period | 645,547 | 735,426 | 7,248,259 | (1,837,778) | 6,791,455 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 1,044 | 51,966 | 53,010 | 36,837 | 187,460 | 6,927,182 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (190,777) |
| Profit attributable to owners of parent | | | | | | 848,750 |
| Purchase of treasury shares | | | | | | (539,970) |
| Disposal of treasury shares | | | | | | — |
| Purchase of shares of consolidated subsidiaries | | | | | | (9,382) |
| Change in scope of equity method | | | | | | 32,961 |
| Net changes in items other than shareholders' equity | (707) | (207,604) | (208,311) | (16,705) | (28,561) | (253,579) |
| Total changes during period | (707) | (207,604) | (208,311) | (16,705) | (28,561) | (111,997) |
| Balance at end of period | 337 | (155,638) | (155,301) | 20,131 | 158,899 | 6,815,185 |

For the fiscal year ended February 28, 2022

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 645,547 | 735,426 | 7,248,259 | (1,837,778) | 6,791,455 |
| Changes during period | | | | | |
| Dividends of surplus | | | (175,412) | | (175,412) |
| Profit attributable to owners of parent | | | 844,961 | | 844,961 |
| Purchase of treasury shares | | | | | — |
| Disposal of treasury shares | | 662 | | 4,713 | 5,376 |
| Purchase of shares of consolidated subsidiaries | | | | | — |
| Change in scope of equity method | | | | | — |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 662 | 669,549 | 4,713 | 674,925 |
| Balance at end of period | 645,547 | 736,088 | 7,917,808 | (1,833,064) | 7,466,380 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 337 | (155,638) | (155,301) | 20,131 | 158,899 | 6,815,185 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (175,412) |
| Profit attributable to owners of parent | | | | | | 844,961 |
| Purchase of treasury shares | | | | | | — |
| Disposal of treasury shares | | | | | | 5,376 |
| Purchase of shares of consolidated subsidiaries | | | | | | — |
| Change in scope of equity method | | | | | | — |
| Net changes in items other than shareholders' equity | (62) | 155,638 | 155,576 | (9,560) | (158,899) | (12,883) |
| Total changes during period | (62) | 155,638 | 155,576 | (9,560) | (158,899) | 662,041 |
| Balance at end of period | 274 | — | 274 | 10,571 | — | 7,477,226 |

4. Consolidated Statements of Cash Flows

(Thousands of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,204,804 | 891,344 |
| Depreciation | 177,325 | 141,962 |
| Impairment losses | 347,703 | 58,735 |
| Loss on valuation of inventories | 18,029 | 2,546 |
| Amortization of goodwill | 40,607 | — |
| Loss (gain) on sale of investment securities | (202,981) | — |
| Loss (gain) on sale of shares of subsidiaries and associates | — | 404,531 |
| Increase (decrease) in allowance for doubtful accounts | (194,797) | (93,841) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 5,900 | (5,050) |
| Increase (decrease) in provision for bonuses | 100,021 | (16,026) |
| Increase (decrease) in provision for point card certificates | (319) | (110) |
| Increase (decrease) in provision for contract loss | 99,209 | (99,209) |
| Increase (decrease) in retirement benefit liability | 19,619 | 1,606 |
| Interest and dividend income | (22,616) | (8,701) |
| Interest expenses | 23,650 | 21,142 |
| Commission expenses | 35,773 | 10,113 |
| Share of loss (profit) of entities accounted for using equity method | (11,917) | — |
| Loss (gain) on sale of non-current assets | 177 | — |
| Loss on retirement of non-current assets | 9,231 | 2,930 |
| Decrease (increase) in trade receivables | 284,776 | 392,588 |
| Decrease (increase) in inventories | 51,338 | (21,712) |
| Increase (decrease) in trade payables | 25,520 | (77,667) |
| Increase (decrease) in accounts payable - other | (98,168) | 67,386 |
| Increase (decrease) in accrued consumption taxes | 41,684 | (65,081) |
| Other, net | 20,351 | (87,134) |
| Subtotal | 1,974,922 | 1,520,355 |
| Interest and dividends received | 22,616 | 11,733 |
| Interest paid | (25,294) | (20,054) |
| Income taxes paid | (23,257) | (216,507) |
| Net cash provided by (used in) operating activities | 1,948,987 | 1,295,527 |
| Cash flows from investing activities | | |
| Payments into time deposits | — | (10,000) |
| Proceeds from sale of investment securities | 405,598 | — |
| Purchase of property, plant and equipment | (17,505) | (47,657) |
| Purchase of intangible assets | (76,786) | (69,197) |
| Loan advances | (467) | (261) |
| Payments for sale of shares of subsidiaries resulting in change in scope of consolidation | — | (52,729) |
| Other, net | 18,229 | 872 |
| Net cash provided by (used in) investing activities | 329,068 | (178,973) |

(Thousands of yen)

| | Fiscal year ended February 29, 2020 | Fiscal year ended February 28, 2021 |
|---|--|--|
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings | (460,000) | 927,663 |
| Proceeds from long-term borrowings | 200,000 | 50,000 |
| Repayments of long-term borrowings | (86,974) | (1,034,588) |
| Purchase of treasury shares | (539,970) | — |
| Proceeds from sale of treasury shares | — | 4,424 |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | (37,000) | — |
| Dividends paid | (190,933) | (175,354) |
| Other, net | (55,065) | (27,619) |
| Net cash provided by (used in) financing activities | (1,169,943) | (255,474) |
| Effect of exchange rate change on cash and cash equivalents | (5,328) | 21,692 |
| Net increase (decrease) in cash and cash equivalents | 1,102,784 | 882,772 |
| Cash and cash equivalents at beginning of period | 6,348,597 | 7,451,382 |
| Cash and cash equivalents at end of period | 7,451,382 | 8,334,154 |

5. Notes to Consolidated Financial Statements

- Notes Regarding Assumption of Going Concern
Not applicable

- Additional Information

(Accounting estimates in light of the spread of COVID-19)

Although economic and social activities were expected to normalize with the rollout of COVID-19 vaccinations, the spread of Omicron variant infections has resulted in the future remaining as uncertain as ever.

Factors including intermittent restraints on human movement have adversely impacted the Group's Retail Business.

Assuming that the impacts from COVID-19 continue affecting business amid a gradual recovery toward the end of the next consolidated fiscal year, the Group is making accounting estimates for impairment losses on noncurrent assets and the recoverability of deferred tax assets.

(Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

With respect to items subject to the review of the non-consolidated taxation system conducted to coincide with transition from the consolidated taxation system to the group tax sharing system, which was created under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company and its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 issued February 16, 2018) in accordance with the treatment set out in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No.39 issued March 31, 2020) and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

- Segment Information

(1) Reportable Segment Overview

(Method of identifying reportable segments)

The business segments of the Group are the constituent units of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating business performance.

The Direct Marketing Support Business provides a variety of media slots, including TV and websites, to companies engaged in direct marketing. In addition, the main business is to provide solutions, including expertise in various fields such as expression planning, production, ordering and logistics.

The Direct Mail Business uses "Yu-Mail" and "Kuroneko DM Bin" to provide direct mailing services, including printing and sealing operations, to companies that send direct mail.

The Overseas Business engages in TV shopping and wholesale sales in ASEAN countries. As all shares of MERDIS were transferred on October 29, 2021, the Overseas Business reporting segment will be eliminated at the end of the consolidated fiscal year under review.

The Retail Business is mainly involved in the operation of Nippon Department Store, a retail business that handles local products, specialty products and miscellaneous goods from all over Japan.

(2) Method of Calculating Sales and Profit (Loss), Assets and Liabilities and Other Items by Reportable segment

The accounting treatment method for reportable business segments is nearly the same as "Important Matters that Form the Basis for Preparing Consolidated Financial Statements," with reportable segment profit (loss) figures are based on operating profit. Moreover, internal earnings and transfers between segments are determined based on conditions similar to general transactions.

(3) Information on Net Sales, Operating Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

For FY 2020 (from March 1, 2020 to February 28, 2021)

(Thousands of yen)

| | Reporting segments | | | | Total | Adjustments ¹ | Amount stated in the Consolidated Statement of Income ² |
|--|-----------------------------------|----------------------|-------------------|-----------------|------------|--------------------------|--|
| | Direct Marketing Support Business | Direct Mail Business | Overseas Business | Retail Business | | | |
| Net sales | | | | | | | |
| Sales to customers | 27,714,982 | 18,155,178 | 856,972 | 1,055,410 | 47,782,543 | — | 47,782,543 |
| Inter-segment sales and transfers | 2,027 | 49,984 | — | 957 | 52,968 | (52,968) | — |
| Total | 27,717,009 | 18,205,162 | 856,972 | 1,056,367 | 47,835,512 | (52,968) | 47,782,543 |
| Segment profit (loss) | 1,105,605 | 328,124 | 24,615 | (140,698) | 1,317,646 | 2,643 | 1,320,290 |
| Segment assets | 11,270,229 | 2,987,930 | 620,855 | 436,090 | 15,315,105 | (132,620) | 15,182,485 |
| Other items | | | | | | | |
| Depreciation | 150,567 | 1,463 | 6,385 | 18,908 | 177,325 | — | 177,325 |
| Amortization of goodwill | 40,607 | — | — | — | 40,607 | — | 40,607 |
| Investment in entities accounted for using equity method | — | — | — | — | — | — | — |
| Increase in tangible assets and intangible assets | 102,674 | 2,044 | 1,642 | 36,575 | 142,937 | — | 142,937 |

Notes: 1. Details of adjustments are as follows.

(1) Adjustments to segment profit (loss) are mainly due to the elimination of inter-segment transactions.

(2) Adjustments to segment assets are mainly due to elimination of inter-segment receivables and payables.

2. Segment profit (loss) is adjusted to the operating profit indicated in the consolidated statement of income.

For FY 2021 (from March 1, 2021 to February 28, 2022)

(Thousands of yen)

| | Reporting segments | | | | Total | Adjustments ¹ | Amount stated in the Consolidated Statement of Income ² |
|--|-----------------------------------|----------------------|-------------------|-----------------|------------|--------------------------|--|
| | Direct Marketing Support Business | Direct Mail Business | Overseas Business | Retail Business | | | |
| Net sales | | | | | | | |
| Sales to customers | 26,952,276 | 18,723,508 | 577,382 | 1,265,852 | 47,519,020 | — | 47,519,020 |
| Inter-segment sales and transfers | 1,883 | 77,699 | — | 1,413 | 80,996 | (80,996) | — |
| Total | 26,954,160 | 18,801,208 | 577,382 | 1,267,266 | 47,600,017 | (80,996) | 47,519,020 |
| Segment profit (loss) | 1,178,905 | 225,364 | 4,302 | (58,674) | 1,349,897 | 10 | 1,349,907 |
| Segment assets | 11,670,119 | 3,286,684 | — | 430,736 | 15,387,540 | (54,173) | 15,333,367 |
| Other items | | | | | | | |
| Depreciation | 120,475 | 2,058 | 5,075 | 14,352 | 141,962 | — | 141,962 |
| Amortization of goodwill | — | — | — | — | — | — | — |
| Investment in entities accounted for using equity method | — | — | — | — | — | — | — |
| Increase in tangible assets and intangible assets | 85,052 | 2,529 | — | — | 87,581 | — | 87,581 |

Notes: 1. Details of adjustments are as follows.

(1) Adjustments to segment profit (loss) are mainly due to the elimination of inter-segment transactions.

(2) Adjustments to segment assets are mainly due to elimination of inter-segment receivables and payables.

2. Segment profit (loss) is adjusted to the operating profit indicated in the consolidated statement of income.

- Information per Share

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|----------------------------------|--|--|
| Book value per share (yen) | 264.82 | 297.80 |
| Earnings per share (yen) | 33.39 | 33.71 |
| Diluted earnings per share (yen) | 33.38 | 33.69 |

Note: The basis for calculating earnings per share and diluted earnings per share is as follows.

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Earnings per share | | |
| Profit attributable to owners of parent (thousands of yen) | 848,750 | 844,961 |
| Amount not attributable to common shareholders (thousands of yen) | — | — |
| Profit attributable to owners of parent related to common shares (thousands of yen) | 848,750 | 844,961 |
| Average number of common shares outstanding during the fiscal year (shares) | 25,419,761 | 25,063,427 |
| Diluted earnings per share | | |
| Adjustments to profit attributable to owners of parent (thousands of yen) | — | — |
| Increase in common shares (shares) | 9,304 | 17,542 |
| Subscription rights to shares (shares) | (9,304) | (17,542) |
| Summary of dilutive shares not included in the calculation of diluted net income per share due to lack of dilutive effect | Eighth subscription rights to shares (112,000 shares) and ninth subscription rights to shares (23,200 shares) | ninth subscription rights to shares (23,200 shares) and twelfth subscription rights to shares (58,400 shares) |

- Significant Subsequent Events

At a Board of Directors meeting held on April 12, 2022, the Company approved a management buyout (MBO) by BCJ-60 Co., Ltd. (hereinafter, “the Bidder”), for the acquisition of all shares (hereinafter, “Company shares”) and stock acquisition rights (hereinafter, “the takeover bid”). Tri-Stage recommends shareholders apply for the takeover bid of Company shares. With regard to share warrant holders (hereinafter, “warrant holders”), the decision was made to allow the warrant holders to decide whether to apply for takeover bid stock acquisition rights.

The Board of Directors resolution states that the Bidder intends to take the Company private through the takeover bid, which is premised on plans to delist Company shares after the successive procedures have been implemented.

- Notes: 1. A management buyout (MBO) is a transaction in which a Bidder makes a tender offer based on an agreement with officers of the target Company in which profits are shared with target Company officers.
2. A general term for stock acquisition rights (exercise period: June 14, 2020–June 13, 2023) issued on the basis of a resolution at the General Meeting of Shareholders and meeting of the Board of Directors held May 25, 2018; stock acquisition rights (exercise period: June 14, 2021–June 13, 2024) issued on the basis of a resolution at the General Meeting of Shareholders and meeting of the Board of Directors held May 28, 2019; stock acquisition rights (exercise period: June 12, 2022–June 11, 2025) issued on the basis of a resolution at the General Meeting of Shareholders and meeting of the Board of Directors held May 26, 2020; and stock acquisition rights (exercise period: June 15, 2023–June 14, 2026) issued on the basis of a resolution at the General Meeting of Shareholders and meeting of the Board of Directors held May 25, 2021.