

## 1. Qualitative information on the quarterly financial results

### (1) Analysis of operating results

We would like to express our heartfelt sympathy to the victims of the 2024 Noto Peninsula Earthquake and sincerely pray for the earliest possible recovery and reconstruction of the affected areas.

During the first three quarters of the fiscal year under review, the Japanese economy was generally stable due to a recovery in exports despite signs of a policy shift toward monetary easing and concerns about soaring energy prices. In addition to the shift of COVID-19 to “Category V” and the increase in consumer spending accompanied by hands-on experiences and behavior, the combination of extraordinary recovery in the number of foreign tourists visiting Japan has contributed to the economic environment, partly due to the depreciation of the yen. On the other hand, there are concerns about downside risks to the global economy due to geopolitical shocks such as the escalation of armed conflicts between Hamas and Israel, the stagnation of logistics caused by the attack on vessels in the Red Sea, and the prolonged Russian invasion of Ukraine.

Against this backdrop of economic conditions, our Group is working to further strengthen our multi-faceted content business with strong characters, aiming to make a leap forward as a global content company with an eye on the world. Many fans from around the world visit the official shops of Tsuburaya Productions Co., Ltd. (hereinafter, “TPC”) in search of “Ultraman goods” sold only in Japan. The release of the movie *SHIN ULTRAMAN* contributed greatly to sales by expanding popularity across generations, regions, and ethnicities, and by further expanding domestic and overseas events and collaborative merchandise with other companies. By cultivating the appeal of characters to develop content and digital business, we are making a smooth start to realize our shared group philosophy of “The Greatest Leisure for All People.”

Consolidated financial results for the first three quarters under review were net sales ¥123,206 million (up 37.5% YoY), operating profit ¥12,320 million (up 30.0% YoY), ordinary profit ¥13,456 million (up 38.0% YoY), and profit attributable to owners of parent ¥9,532 million (up 68.8% YoY).

The overview of each segment is as follows.

#### **Content and digital segment**

During the first three quarters of the fiscal year under review, net sales increased 7.5% YoY.

The success of *SHIN ULTRAMAN*, a movie released in May 2022, has led to the expansion of new fans and contributed to the expansion of fans to three generations of parents and children. In July 2023, we launched a TV program called *ULTRAMAN BLAZAR* in six countries and regions around the world. The TV program also offers simultaneous distribution of subtitled and dubbed versions in 13 languages on YouTube. This has helped us to win new Ultraman fans worldwide. This led to the viewing of traditional video products. As a consequence, this has led to the sales of official goods and the expansion of licensing merchandise with other companies, thereby further stimulating the appetite for purchasing.

As a result of increased recognition and favorability of video products, four theme parks in China have established Ultraman areas with permanent stages, which serves as a trigger for the expansion of fans. In addition, both domestic and overseas events were actively held to attract as many visitors as possible. As a consequence, sales in the visual and event business increased, and sales of Ultraman goods in merchandise category, which was expanded in line with the expansion of the fan base, were also strong.

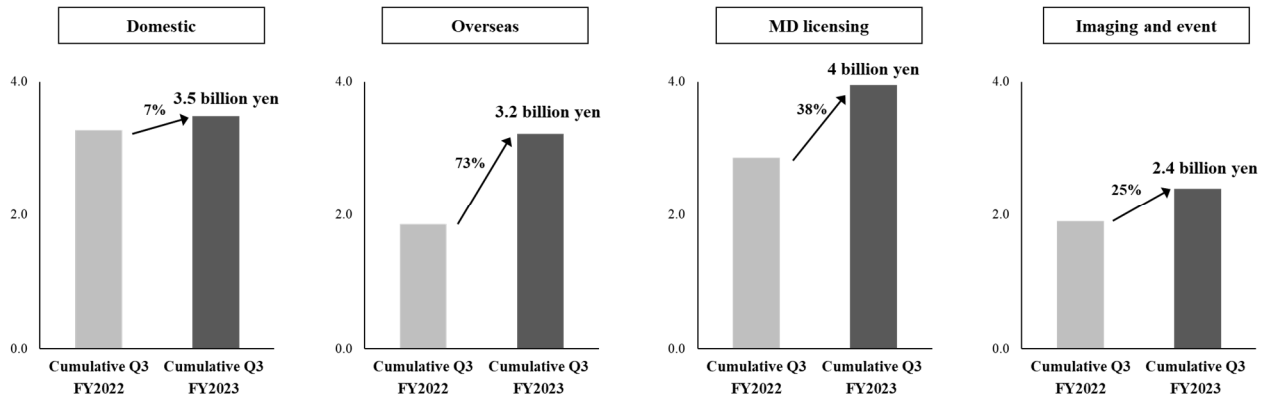
Currently, card games are popular in China. In order to broaden the fan base of card games to a wider range of age groups and expand globally, we announced that this summer we will start selling trading card games with a strong gaming element with an eye to its potential for world tournament. Along with this movement, there were also movements in inventory adjustments in the card games currently being sold.

In addition, *Ultraman: Rising*, a feature CG animated film jointly produced with Netflix, is scheduled to be distributed worldwide this year. We are preparing to develop a variety of merchandise tailored to each product with our partner companies.

Revenue of domestic/overseas MD and license (excluding card games)

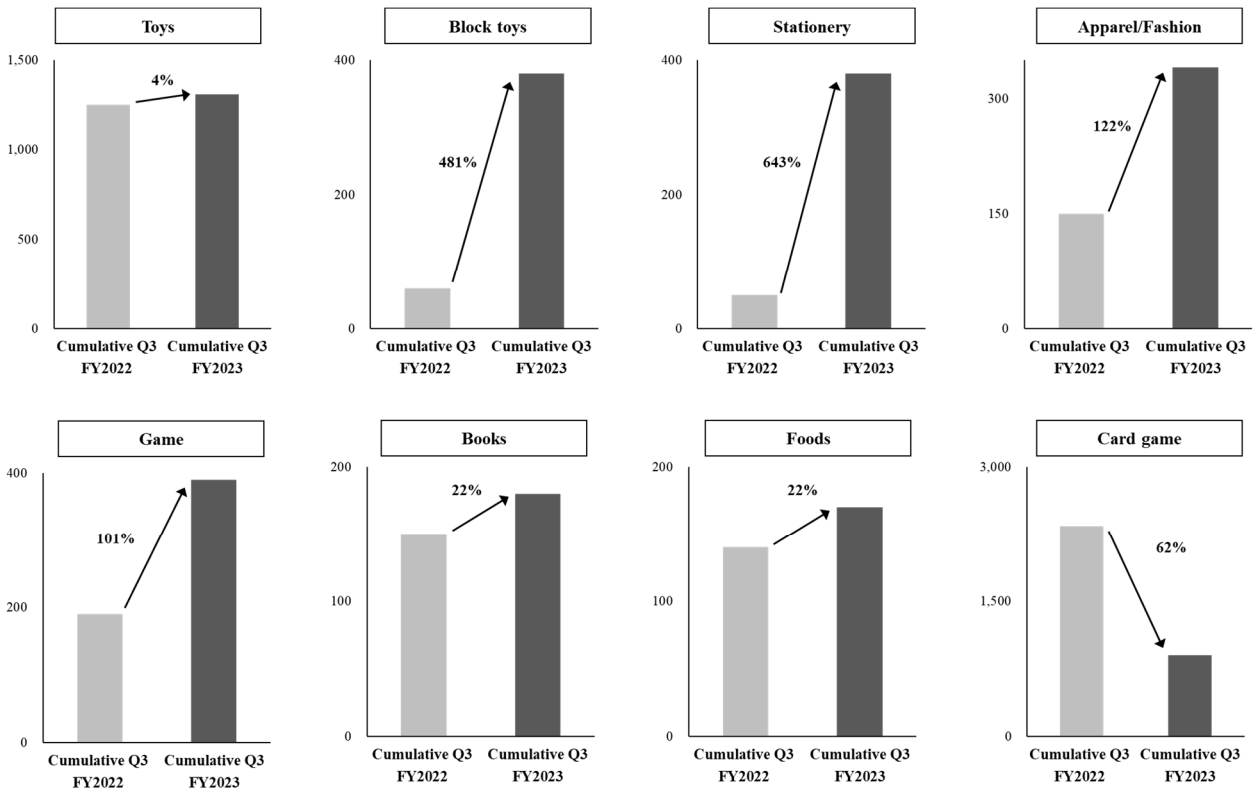
Revenue by business (global, excluding card games)

(Unit: billions of yen)



Revenue by major merchandise categories (global)

(Unit: millions of yen)



Revenue of domestic/overseas MD and license (excluding card games)

Revenue by major merchandise categories (globally)

	Cumulative Q3, FY2023	YoY (%)
Domestic	3.5 billion yen	+7%
Overseas	3.2 billion yen	+73%

	YoY (%)
Toys	+4%
Block toys	+481%
Stationery	+643%
Apparel/fashion	+122%
Game	+101%
Books	+22%
Foods	+22%
Card game	-62%

Revenue by business (global and excluding card games)

	Cumulative Q3, FY2023	YoY (%)
MD and license	4.0 billion yen	+38%
Imaging and event	2.4 billion yen	+25%

\* The “toys” category excludes “block toys” and “card games.”

Digital Frontier Co., Ltd., which possesses cutting-edge CG video production technology, is pursuing initiatives in new fields that utilize digital human technology, an elaborately created 3DCG model that cannot be distinguished from actual images created, in addition to steady orders for Netflix, large-scale anime movies and game projects. In January, 3DCG model of Sakamoto Ryoma, replicated by the company, was used in the TV CM of Yakult 1000, merchandise of Yakult Honsha Co., Ltd. The technology is expected to be used in various categories in the future, including CM videos and movies.

As a consequence, the contents and digital business segment recorded a 7.5% YoY increase in net sales of ¥11,466 million for the first three quarters of the fiscal year under review, and operating profit decreased 21.2% to ¥3,000 million as a result of aggressive investments for future growth.

### **PS business segment**

In pachinko/pachislot (hereinafter, “PS”) industry during the first three quarters of the fiscal year under review, the pachislot market continued to be favorable due to the continued introduction of hit title in smart pachislot machines, and the market continued to be in good condition. Along with this, sales of pachinko parlors have also recovered steadily.

Meanwhile, in the pachinko market, performance was somewhat sluggish compared to the pachislot market, as several hit title have appeared in smart pachinko machines, but the shift to smart machines in earnest has not been achieved and there are few new titles that will drive operations. In this environment, *Pachinko EVANGELION:3.0+1.0* (sales volume: 61,000 units), which was launched in December 2023, has been well received. Together with *NEON GENESIS EVANGELION -Roar for tomorrow-*, which was sold in December 2021, the Evangelion series has the largest operating share and installed share (as of the end of December 2023), and it has grown into a series that is loved by users.

We expect to acquire and expand further fans by continuing to develop products that draw out the appeal of our own characters.

Sales results for the third quarter are shown in the table below.

[PS machine unit sales in PS business segment]

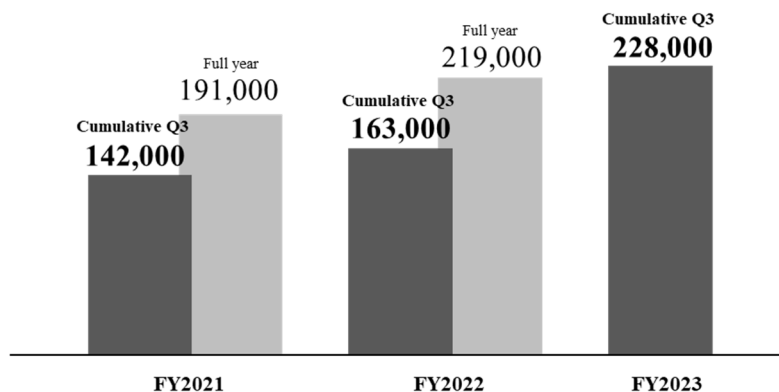
	Apr.-Dec. 2022 (Previous Q3 cumulative period)	Apr.-Dec. 2023 (Current Q3 cumulative period)	Change
Pachinko	122,565 machines	162,089 machines	+32.2%
Pachislot	40,462 machines	66,392 machines	+64.1%
Total	163,027 machines	228,481 machines	+40.1%

[Major sales titles up to the third quarter of the fiscal year ending March 31, 2024]

Classification	Timing of sales	Month of delivery	Major sales titles (* PB indicates private brands)	Smart PS machine	Number of units posted (machines)	
Pachinko	Q1	May	<i>P CODE GEASS Lelouch of the Rebellion -Rebellion to Re; surrection-</i>		20,000	162,000
	Q2	Sep.	<i>P Hyakka-Ryoran</i>		10,000	
	Q3	Nov.	<i>Pachinko MITOKOHHMON chogokujo</i>		5,000	
		Dec.	<i>Pachinko EVANGELION:3.0+1.0 Type Rei</i>		48,000	
		Dec.	<i>Sumapachi EVANGELION:3.0 +1.0 Type Kaworu</i>	○	12,000	
	Other, series machines, resale, etc.					
Pachislot	Q1	Jun.	<i>L BERSERK Musou</i>	○	14,000	66,000
	Q2	Jul.	<i>S The Ambition of Oda Nobuna -countywide edition- (PB)</i>		6,000	
		Oct.	<i>L Evangelion -Genesis of Destiny-</i>	○	17,000	
	Q3	Nov.	<i>L Higurashi When They Cry: GOU</i>	○	6,000	
		Dec.	<i>L Ring ni kakero1 V (PB)</i>	○	17,000	
	Other					
Total					228,000	

[PS business segment unit sales]

(Unit: machine)



Consequently, PS business segment posted consolidated results for the first three quarters of the fiscal year under review of net sales ¥110,952 million, up 42.9% YoY, and operating profit ¥10,978 million, up 81.1% YoY.

In the fourth quarter of the fiscal year under review, the Company began sales of four pachinko title and one pachislot title, including pre-existing series machines. We are also advancing our additional orders in response to the strong operation of *Pachinko EVANGELION:3.0+1.0*.

#### Other business

In other business, results for the first three quarters under review were ¥1,204 million for net sales and ¥17 million for operating profit.

#### (2) Consolidated earnings forecasts

At this time, there are no changes to the consolidated earnings forecasts for the year ended March 31, 2024 from the contents announced on May 15, 2023.

(Note 1) Figures in this summary report are based on published figures for each company and organization or our estimates.

(Note 2) Merchandise in this report are trademarks or registered trademarks of their respective companies.

## (3) Overview of financial position

## (Assets)

Current assets increased by ¥26,818 million from the end of the previous fiscal year to 85,687 million yen. This was mainly due to an increase in notes and accounts receivable-trade.

Property, plant and equipment increased by ¥574 million from the end of the previous fiscal year to ¥5,869 million. This was mainly due to increase in land.

Intangible assets decreased by ¥248 million from the end of the previous fiscal year to ¥2,639 million. This was mainly due to a decline in goodwill.

Investments and other assets increased by ¥2,713 million from the end of the previous fiscal year to ¥16,555 million. This was mainly due to increase in investment securities.

Consequently, assets increased by ¥29,858 million from the end of the previous fiscal year to ¥110,751 million.

## (Liabilities)

Current liabilities increased by ¥21,978 million from the end of the previous fiscal year to ¥52,467 million. This was mainly due to an increase in notes and accounts payable-trade.

Non-current liabilities increased by ¥312 million from the end of the previous fiscal year to ¥8,898 million. This was mainly due to increase in long-term borrowings.

Consequently, liabilities increased by ¥22,290 million from the end of the previous fiscal year to ¥61,366 million.

## (Net assets)

Net assets increased by ¥7,567 million from the end of the previous fiscal year to ¥49,385 million. This was mainly due to increase in retained earnings.

## (Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the third quarter of the current fiscal year decreased by ¥9,217 million from the end of the previous fiscal year to ¥27,280 million.

## (Cash flows from operating activities)

Net cash provided by operating activities was ¥874 million, compared with net cash provided by operating activities of ¥1,068 million in the same period of the previous fiscal year. This was mainly attributable to profit before income taxes and minority interests of ¥13,436 million, an increase in notes and accounts receivable-trade of ¥27,680 million, an increase in notes and accounts payable-trade of ¥25,947 million, an increase in inventories of ¥4,055 million, an increase in accounts receivable - other of ¥4,800 million, and income taxes paid of ¥2,631 million.

## (Cash flows from investing activities)

Net cash used in investing activities was ¥5,678 million, compared with net cash used of ¥3,050 million in the same period of the previous fiscal year. This was mainly due to ¥3,167 million for purchase of shares of entities accounted for using equity method, ¥1,624 million for purchase of non-current assets, ¥421 million for purchase of investment securities, and ¥340 million for loan advances.

## (Cash flows from financing activities)

Net cash used in financing activities was ¥4,412 million, compared with net cash used of ¥4,306 million in the same period of the previous fiscal year. This was mainly due to proceeds from long-term borrowings of ¥2,950 million, repayments of long-term borrowings of ¥2,836 million, a net decrease in short-term borrowings of ¥2,549 million, and dividends paid of ¥1,959 million.