

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheets

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (as of March 31, 2023)	Q3 of current consolidated fiscal year (as of December 31, 2023)
Assets		
Current assets		
Cash and deposits	36,597	27,380
Notes and accounts receivable - trade, and contract assets	10,936	38,414
Electronically recorded monetary claims - operating	1,957	2,159
Merchandise and finished goods	339	425
Work in process	1,902	4,939
Raw materials and supplies	1,997	2,061
Merchandise rights	1,734	2,519
Other	3,441	7,812
Allowance for doubtful accounts	(37)	(25)
Total current assets	58,868	85,687
Non-current assets		
Property, plant and equipment		
Land	1,929	2,316
Other	3,365	3,553
Total property, plant and equipment	5,295	5,869
Intangible assets		
Goodwill	1,677	1,465
Other	1,210	1,173
Total intangible assets	2,888	2,639
Investments and other assets		
Investment securities	7,959	11,063
Long-term loans receivable	681	1,016
Other	5,407	4,673
Allowance for doubtful accounts	(207)	(197)
Total investments and other assets	13,841	16,555
Total non-current assets	22,024	25,064
Total assets	80,893	110,751
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,402	38,328
Short-term borrowings	6,549	4,000
Current portion of long-term borrowings	2,794	2,550
Income taxes payable	1,358	835
Provision for bonuses	273	142
Provision for bonuses for directors (and other officers)	159	-
Other	6,952	6,611
Total current liabilities	30,489	52,467
Non-current liabilities		
Long-term borrowings	3,994	4,351
Retirement benefit liability	862	901
Asset retirement obligations	1,213	1,123
Other	2,515	2,521
Total non-current liabilities	8,585	8,898
Total liabilities	39,075	61,366

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (as of March 31, 2023)	Q3 of current consolidated fiscal year (as of December 31, 2023)
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,390	7,390
Retained earnings	24,217	31,782
Treasury shares	(1,644)	(1,632)
Total shareholders' equity	37,912	45,488
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,194	28
Foreign currency translation adjustment	1	1
Remeasurements of defined benefit plans	12	6
Total accumulated other comprehensive income	1,208	36
Share acquisition rights	45	160
Non-controlling interests	2,651	3,699
Total net assets	41,817	49,385
Total liabilities and net assets	80,893	110,751

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

Quarterly consolidated statements of income

Nine months ended December 31, 2023

(Unit: Millions of yen)

	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)
Net sales	89,607	123,206
Cost of sales	70,508	100,204
Gross profit	19,099	23,001
Selling, general and administrative expenses	9,622	10,681
Operating profit (loss)	9,476	12,320
Non-operating income		
Interest income	2	9
Dividend income	5	128
Purchase discounts	129	21
Share of profit of entities accounted for using equity method	90	912
Distributions from investments	15	14
Other	128	141
Total non-operating income	372	1,228
Non-operating expenses		
Interest expenses	62	42
Provision of allowance for doubtful accounts	6	-
Other	32	50
Total non-operating expenses	100	93
Ordinary profit (loss)	9,749	13,456
Extraordinary income		
Gain on sale of non-current assets	1	3
Total extraordinary income	1	3
Extraordinary losses		
Loss on retirement of non-current assets	4	9
Impairment losses	-	13
Loss on sale of membership	7	-
Other	0	-
Total extraordinary losses	11	23
Profit before income taxes	9,738	13,436
Income taxes	2,401	2,851
Profit	7,336	10,584
Profit attributable to non-controlling interests	1,689	1,052
Profit attributable to owners of parent	5,646	9,532

Quarterly consolidated statements of comprehensive income

Nine months ended December 31, 2023

(Unit: Millions of yen)

	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)
Profit (loss)	7,336	10,584
Other comprehensive income		
Valuation difference on available-for-sale securities	179	(1,166)
Foreign currency translation adjustment	(0)	(0)
Remeasurements of defined benefit plans	(2)	(4)
Share of other comprehensive income of entities accounted for using equity method	-	0
Total other comprehensive income	176	(1,170)
Comprehensive income	7,513	9,413
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,825	8,361
Comprehensive income attributable to non-controlling interests	1,687	1,052

(3) Quarterly consolidated statements of cash flows

	(Unit: Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
	(April 1, 2022 to December 31, 2022)	(April 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	9,738	13,436
Depreciation	564	752
Amortization of goodwill	189	212
Decrease in allowance for doubtful accounts	(53)	(22)
Decrease in provision for bonuses	(136)	(130)
Decrease in provision for bonuses for directors (and other officers)	(46)	(159)
Increase in retirement benefit liability	22	33
Interest and dividend income	(7)	(138)
Share of loss (profit) of entities accounted for using equity method	(90)	(912)
Interest expenses	62	42
Depreciation of investments in capital	550	491
Decrease (increase) in trade receivables	(23,934)	(27,680)
Decrease (increase) in inventories	120	(4,055)
Decrease (increase) in accounts receivable - other	(4,734)	(4,800)
Increase (decrease) in trade payables	20,072	25,947
Increase (decrease) in liabilities related to payable transactions	(561)	547
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	544	(894)
Other, net	5	681
Subtotal	2,306	3,351
Interest and dividends received	7	197
Interest paid	(62)	(42)
Income taxes refund (paid)	(1,183)	(2,631)
Net cash provided by (used in) operating activities	1,068	874
Cash flows from investing activities		
Purchase of property, plant and equipment	(657)	(1,430)
Proceeds from sale of property, plant and equipment	4	3
Purchase of intangible assets	(185)	(194)
Purchase of investment securities	(1,167)	(421)
Proceeds from sale of investment securities	45	52
Purchase of shares of subsidiaries and associates	-	(254)
Purchase of shares of entities accounted for using equity method	-	(3,167)
Payments for investments in capital	(764)	-
Loan advances	(333)	(340)
Proceeds from collection of loans receivable	16	5
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	3	-
Other, net	(12)	67
Net cash provided by (used in) investment activities	(3,050)	(5,678)

(Unit: Millions of yen)

	Nine months ended December 31, 2022 <small>(April 1, 2022 to December 31, 2022)</small>	Nine months ended December 31, 2023 <small>(April 1, 2023 to December 31, 2023)</small>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	349	(2,549)
Proceeds from long-term borrowings	-	2,950
Repayments of long-term borrowings	(3,762)	(2,836)
Proceeds from exercise of employee share options	82	5
Purchase of treasury shares	(0)	(0)
Dividends paid	(645)	(1,959)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(306)	-
Other, net	(23)	(23)
Net cash provided by (used in) financing activities	(4,306)	(4,412)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(6,288)	(9,217)
Cash and cash equivalents at beginning of period	32,304	36,497
Cash and cash equivalents at end of period	26,015	27,280

(4) Notes regarding the quarterly consolidated financial statements

(Notes regarding the operation of the company as a going concern)

Not applicable.

(Notes regarding occurrence of significant change in amount of shareholders' equity)

Not applicable.

(Application of the accounting method specific to quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to profit before income taxes for the consolidated fiscal year including the Q3 under review, and multiplying profit before income taxes by this estimated effective tax rate.

(Segment information)

[Segment information]

I. Cumulative Q3 of the previous fiscal year (from April 1, 2022 to December 31, 2022)

Net sales and profit (loss) by reportable segment

(Unit: millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjusted amount (Note 2)	Quarterly consolidated statement of income amount recorded (Note 3)
	Content and digital business	PS business	Total				
Net sales							
Net sales to external customers	10,278	77,616	87,895	1,712	89,607	-	89,607
Intersegment net sales or transfers	386	2	389	8	397	(397)	-
Total	10,665	77,619	88,284	1,721	90,005	(397)	89,607
Segment profit	3,805	6,062	9,868	56	9,925	(448)	9,476

(Note) 1. "Other" is a business segment that is not included in reportable segments and includes fitness business, etc.

2. ¥(448) million in adjustments to segment profit includes an elimination of ¥(58) million for inter-segment transactions and a of ¥(389) million for corporate expenses that are not allocated to individual reportable segments.

3. Segment profit has been adjusted with the operating profit of the quarterly consolidated statement of profit.

II. Cumulative Q3 of the current fiscal year (from April 1, 2023 to December 31, 2023)

Net sales and profit (loss) by reportable segment

(Unit: millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjusted amount (Note 2)	Quarterly consolidated statement of income amount recorded (Note 3)
	Content and digital business	PS business	Total				
Net sales							
Net sales to external customers	11,273	110,736	122,009	1,196	123,206	-	123,206
Intersegment net sales or transfers	193	215	409	7	417	(417)	-
Total	11,466	110,952	122,419	1,204	123,623	(417)	123,206
Segment profit	3,000	10,978	13,978	17	13,996	(1,675)	12,320

(Note) 1. "Other" is a business segment that is not included in reportable segments and includes fitness business, etc.

2. ¥(1,675) million in adjustments to segment profit includes an elimination of ¥(29) million for inter-segment transactions and a of ¥(1,646) million for corporate expenses that are not allocated to individual reportable segments.

3. Segment profit has been adjusted with the operating profit of the quarterly consolidated statement of profit.