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Summary

(Translation)
February 9, 2022

# FIELDS CORPORATION
## Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Under Japanese GAAP)


Company name: FIELDS CORPORATION
Listing: Tokyo Stock Exchange 1st section
Securities code: 2767
URL: https://www.fields.biz/ir/e/
Representative: Hidetoshi Yamamoto, Chairman, President and Group CEO
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Scheduled date to file quarterly securities report: February 10, 2022
Scheduled date to commence dividend payments: -
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions)

**1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)**

(1) Consolidated operating results (cumulative) (Percentages indicate YoY changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| December 31, 2021 | 72,531 | 148.5 | 2,366 | — | 2,590 | — | 1,787 | — |
| December 31, 2020 | 29,182 | (21.5) | (1,865) | — | (1,690) | — | (2,677) | — |

Note: Comprehensive income For the nine months ended December 31, 2021: ¥2,194 million [—%]
For the nine months ended December 31, 2020: ¥(2,564) million [—%]

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Nine months ended | Yen | Yen |
| December 31, 2021 | 55.29 | 55.16 |
| December 31, 2020 | (81.77) | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|---|---|---|---|
| As of | Millions of yen | Millions of yen | % |
| December 31, 2021 | 78,369 | 30,703 | 37.9 |
| March 31, 2021 | 52,370 | 30,443 | 56.9 |

Reference: Equity As of December 31, 2021: ¥29,702 million
As of March 31, 2021: ¥29,803 million

**2. Cash dividends**

| | Annual dividends | | | | |
|---|---|---|---|---|---|
| | Q1-end | Q2-end | Q3-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2021 | — | 0.00 | — | 10.00 | 10.00 |
| Fiscal year ending March 31, 2022 | — | 0.00 | — | | |
| Fiscal year ending March 31, 2022 (Forecast) | | | | — | — |

(Note) Revisions to the forecast of cash dividends most recently announced: None
We have yet to decide the dividend forecast for the year ending March 31, 2022.

**3. Forecast of consolidated earnings for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)**

As announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2021," published on May 13, 2021, we will continue to gather rationale for calculation while reviewing the market environment, and disclose the forecast as soon as it becomes possible.

***Notes**

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

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to reasons other than (3) (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|---|---|
| As of December 31, 2021 | 34,700,000 shares |
| As of March 31, 2021 | 34,700,000 shares |

(ii) Number of treasury shares at the end of the period

| | |
|---|---|
| As of December 31, 2021 | 2,368,300 shares |
| As of March 31, 2021 | 2,368,300 shares |

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|---|---|
| Nine months ended December 31, 2021 | 32,331,700 shares |
| Nine months ended December 31, 2020 | 32,744,994 shares |

* Quarterly financial results reports are exempt from quarterly review by certified public accountants or an audit corporation.

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# 1. Qualitative information on the quarterly financial results

## (1) Analysis of operating results and consolidated earnings forecasts

### i) Overview of Q3 (April-December)

In the fiscal year under review, we are taking a positive view of the changes in the public's entertainment and leisure needs during and after the COVID-19 pandemic and promoting our business based on the two major pillars of PS business and IP business, under our corporate philosophy of *The Greatest Leisure for All People*.

In our IP business, we are focusing on growing Tsuburaya Productions Co., Ltd. (hereinafter, "TPD") and Digital Frontier Inc. (hereinafter, "DF") into global IP companies. With regard to TPD, in addition to aggressively developing IP businesses centered on *Ultraman* IP, TPD is making progress in the development of large-scale new IP, shifting to digital domains, and overseas expansion mainly in China and other Asian countries, and North America. With regard to DF, it is making progress in initiatives aimed at new business domains as well as the visual field, making use of its CG/VFX video production technologies. In the PS business, we are leveraging the sales capabilities of FIELDS CORPORATION (hereinafter, "FIELDS Corp."), the industry's largest distributor, to build a business foundation that can secure efficient earnings and sustained growth. The group has been making steady progress in business plans in each of these business areas.

The initiatives of each business and group company in Q3 of the current fiscal year are as follows.

TPD's merchandising business, particularly in China and other Asian countries, and the domestic licensing business have been steady, and contributed to earnings in response to the increased value resulting from a variety of measures, particularly in *Ultraman* series. In the video business, *ULTRAMAN* season 2 will begin distribution on Netflix and other platforms from April 14, 2022, and *SHIN ULTRAMAN*, produced and written by Hideaki Anno, will be released on May 13, 2022. TPD continues to work steadily toward the release of these works. In the digital business domain, in addition to the joint business with NTT DOCOMO, INC. and its proprietary e-commerce website, TPD continues to actively innovate new businesses that combine the company's IP and digital technologies, such as *INTO THE STORY*, an immersive live attraction where customers experience interactive stories online, something that could not be realized with conventional video products or stage performance.

DF continues to experience steady growth with CG video production centered on major domestic gaming companies, and VFX video production collaboration with Netflix. In addition, amidst growing expectations for the utilization of digital twins and 3D models and digital spaces in general, DF has been working with Unicast Inc. on the development of *KSIN*, a remote customer service system utilizing high-definition 3DCG avatars. The service has already been adopted as part of a program undertaken by NEXCO EAST (East Nippon Expressway Company Limited), and further developments are underway for practical application.

In Q3 (October to December), FIELDS Corp., which operates the PS business, sold one pachinko title *NEON GENESIS EVANGELION -Roar for tomorrow-*, and two pachislot titles *PACHISLOT GANTZ KIWAMI THE SURVIVAL GAME* and *Pachislot MONSTER HUNTER: WORLD™ GOLD HUNTING*, to deliver 64,000 units in total as shown in Table 1 below. In particular, the Bisty-brand pachinko *Neon Genesis Evangelion -Roar for tomorrow-* has been highly anticipated by halls and fans, and has been operating at an extremely high level since its delivery in December. The machine was the first pachinko machine to adopt a handle in the center of the chassis, called a "Smart Handle." As a result, the number of units delivered in Q3 cumulative period totaled 142,000 units and is trending steadily. In addition, FIELDS Corp. is steadily preparing to provide a stable supply of merchandise that meets the needs of the future market environment and combines customer satisfaction for fans with increased profitability for pachinko halls.

[Table 1: Major delivered titles for Q3 cumulative period]

| Delivery time | Brand | Major delivered title | Units sold |
|---|---|---|---|
| Q1 | OK!! | *PACHINKO GANTZ KIWAMI* | 50,000 units |
| | OK!! | *PACHINKO ULTRAMAN TARO 2* | |
| | NewGin | *P BERSERK Musou* | |
| | Enterrise | *PACHISLOT Hyakkaryouran SAMURAI GIRLS* | |
| Q2 | Bisty | *P Uchū Senkan Yamato 2202 Ai no Senshi-tachi* | 27,000 units |
| | Daiichi Shokai | *S Ushio &TORA -A flash of thunder spear-* | |
| Q3 | Bisty | *NEON GENESIS EVANGELION -Roar for tomorrow-* | 64,000 units |
| | Spiky | *PACHISLOT GANTZ KIWAMI THE SURVIVAL GAME* | |
| | Enterrise | *Pachislot MONSTER HUNTER: WORLD™ GOLD HUNTING* | |
| | | | Total of 142,000 units |

Consequently, consolidated results for Q3 cumulative period of the current fiscal year were net sales ¥72,531 million (up 148.5% YoY), operating profit ¥2,366 million (up ¥4,232 million YoY), ordinary profit¥2,590 million (up ¥4,281 million YoY), and profit attributable to owners of parent ¥1,787 million (up ¥4,465 million YoY).

Among these, non-consolidated results of TPD were net sales ¥3,847 million (up 49.1% YoY), operating profit ¥1,075 million (up 220.4% YoY), ordinary profit ¥1,086 million (up 213.8% YoY), and profit ¥910 million (up 408.6% YoY). In addition, the non-consolidated results of FIELDS Corp. were net sales ¥64,299 million (up 177.3% YoY), operating profit ¥1,005 million (up ¥3,489 million YoY), ordinary profit ¥1,217 million (up ¥3,385 million YoY), and profit ¥1,264 million (up ¥4,012 million YoY).

The performance of other group companies also progressed as planned.

ii) Full-year outlook

In IP business and the PS business, we expect steady progress in Q4 (January to March).

TPD is expected to show steady growth in the domestic licensing business, centered on *Ultraman* series, and the merchandising business, centered on China and other Asian countries. In January 2022, *Ultraman* was adopted for VR demonstration content of "Real Motion Capture," an advanced technology developed by NTT DOCOMO, INC. that enables large-scale distribution of content with a high sense of immersion in VR spaces. In addition, TPD is strategically conducting research and initiatives for metaverse-related businesses, including the selection of *ULTRAMAN* as the first content to be provided by Rakuten NFT, an NFT marketplace service launched by Rakuten Group, Inc.

Regarding DF, conventional video production of CGs, VFX and others are expected to remain firm. Against the background of recent wide-ranging expectations across multiple industries for the utilization of the metaverse and digital virtual spaces in general, the creative capabilities of high-quality 3D models (such as avatars and assets) cultivated by DF has garnered attention from industries other than conventional entertainment video production, and is creating and expanding new business opportunities. DF is strategically taking advantage of this opportunity to formulate medium-to-long-term strategies and promote business planning in order to become a growth engine.

FIELDS Corp. has been receiving additional orders of the pachinko machine *NEON GENESIS EVANGELION -Roar for tomorrow*-from many pachinko halls since January, as it has remained at a high level of operation. In addition, it has begun sales of the Bisty-brand pachislot *NEON GENESIS EVANGELION -Resonance of souls*- and the Spiky-brand pachislot *BLACK LAGOON ZERO bullet MAX*. Model certification test for other scheduled machines has already been completed. FIELDS Corp. is working to maximize the number of units by introducing products to market at the optimal time, while assessing the operating conditions in the marketplace.

The other group companies are also showing steady performance.

We have not determined the forecast for the fiscal year ending March 31, 2022 at this time in order to identify the impact on the market of the recent rapid expansion of COVID-19 variants. We will continue to collect rationale for calculations while reviewing the market environment, and disclose the forecast as soon as it becomes possible.

(Note 1) All figures in this report are based on our estimates.

(Note 2) Merchandise names in this report are trademarks or registered trademarks of each company.

(2) Overview of financial position

(Assets)

Current assets increased by ¥25,385 million from the end of the previous fiscal year to ¥64,532 million. This was mainly due to an increase in trade receivables.

Property, plant and equipment increased by ¥237 million from the end of the previous fiscal year to ¥4,509 million. This was mainly due to an increase in land.

Intangible assets decreased by ¥101 million from the end of the previous fiscal year to ¥2,526 million. This was mainly due to a decline in goodwill.

Investments and other assets increased by ¥477 million from the end of the previous fiscal year to ¥6,800 million. This was mainly due to an increase in investments in capital.

Consequently, assets increased by ¥25,999 million from the end of the previous fiscal year to ¥78,369 million.

(Liabilities)

Current liabilities increased by ¥28,445 million from the end of the previous fiscal year to ¥39,340 million. This was mainly due to an increase in trade payables.

Non-current liabilities decreased by ¥2,706 million from the end of the previous fiscal year to ¥8,325 million. This was mainly due to a decrease in long-term borrowings.

Consequently, liabilities increased by ¥25,738 million from the end of the previous fiscal year to ¥47,665 million.

(Net assets)

Net assets increased by ¥260 million from the end of the previous fiscal year to ¥30,703 million. This was mainly due to an increase in non-controlling interests.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as "cash") for the Q3 of the current fiscal year increased by ¥890 million from the end of the previous fiscal year to ¥25,400 million.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,176 million (¥4,865 million provided in the same period of the previous fiscal year). This was mainly attributable to profit before income taxes of ¥2,863 million, an increase in trade payables of ¥22,333 million, and an increase in trade receivables of ¥20,450 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,218 million (¥917 million used in the same period of the previous fiscal year). This was mainly due to payments for investments in capital of ¥1,199 million, purchase of non-current assets of ¥911 million, proceeds from sale of investment securities of ¥488 million, and proceeds from sale of shares of subsidiaries and associates of ¥319 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,083 million (¥3,749 million used in the same period of the previous fiscal year). This was mainly due to repayments of long-term borrowings of ¥3,150 million, an increase in short-term borrowings of ¥1,210 million, and cash dividends paid of ¥322 million.

## 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, 2021) | Q3 of current consolidated fiscal year (as of December 31, 2021) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 24,610 | 25,500 |
| Notes and accounts receivable - trade | 5,325 | - |
| Notes and accounts receivable - trade, and contract assets | - | 25,646 |
| Electronically recorded monetary claims - operating | 67 | 720 |
| Merchandise and finished goods | 700 | 388 |
| Work in process | 3,589 | 3,034 |
| Raw materials and supplies | 1,901 | 2,090 |
| Other | 3,024 | 7,239 |
| Allowance for doubtful accounts | (71) | (86) |
| Total current assets | 39,147 | 64,532 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 1,645 | 1,922 |
| Other | 2,626 | 2,586 |
| Total property, plant and equipment | 4,272 | 4,509 |
| Intangible assets | | |
| Goodwill | 1,875 | 1,686 |
| Other | 752 | 840 |
| Total intangible assets | 2,628 | 2,526 |
| Investments and other assets | | |
| Investment securities | 1,803 | 1,440 |
| Long-term loans receivable | 457 | 235 |
| Other | 4,469 | 5,390 |
| Allowance for doubtful accounts | (408) | (265) |
| Total investments and other assets | 6,322 | 6,800 |
| Total non-current assets | 13,223 | 13,836 |
| Total assets | 52,370 | 78,369 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,610 | 26,411 |
| Short-term borrowings | 253 | 1,466 |
| Current portion of long-term borrowings | 3,863 | 3,555 |
| Income taxes payable | 100 | 509 |
| Provision for bonuses | 288 | 136 |
| Provision for bonuses for directors (and other officers) | 14 | 9 |
| Other | 2,764 | 7,250 |
| Total current liabilities | 10,895 | 39,340 |
| Non-current liabilities | | |
| Long-term borrowings | 6,837 | 4,196 |
| Retirement benefit liability | 770 | 810 |
| Asset retirement obligations | 861 | 800 |
| Other | 2,561 | 2,519 |
| Total non-current liabilities | 11,031 | 8,325 |
| Total liabilities | 21,927 | 47,665 |

(Unit: Millions of yen)

| | Previous consolidated fiscal year (as of March 31, 2021) | Q3 of current consolidated fiscal year (as of December 31, 2021) |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 7,948 | 7,948 |
| Capital surplus | 7,579 | 7,579 |
| Retained earnings | 16,104 | 16,087 |
| Treasury shares | (1,946) | (1,946) |
| Total shareholders' equity | 29,686 | 29,669 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 116 | 37 |
| Foreign currency translation adjustment | 1 | 1 |
| Remeasurements of defined benefit plans | (0) | (6) |
| Total accumulated other comprehensive income | 117 | 32 |
| Share acquisition rights | 7 | 23 |
| Non-controlling interests | 632 | 978 |
| Total net assets | 30,443 | 30,703 |
| Total liabilities and net assets | 52,370 | 78,369 |

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

Quarterly consolidated statements of income

Nine months ended December 31, 2021

(Unit: Millions of yen)

| | Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020) | Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021) |
|---|---|---|
| Net sales | 29,182 | 72,531 |
| Cost of sales | 22,027 | 61,155 |
| Gross profit | 7,154 | 11,375 |
| Selling, general and administrative expenses | 9,019 | 9,009 |
| Operating profit (loss) | (1,865) | 2,366 |
| Non-operating income | | |
| Interest income | 4 | 2 |
| Dividend income | 2 | 1 |
| Purchase discounts | 14 | 154 |
| Share of profit of entities accounted for using equity method | 182 | 42 |
| Distributions from investments | 12 | 20 |
| Other | 93 | 91 |
| Total non-operating income | 309 | 312 |
| Non-operating expenses | | |
| Interest expenses | 71 | 61 |
| Provision of allowance for doubtful accounts | 28 | 17 |
| Other | 34 | 9 |
| Total non-operating expenses | 133 | 87 |
| Ordinary profit (loss) | (1,690) | 2,590 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 0 | 0 |
| Gain on sale of investment securities | - | 231 |
| Gain on sale of shares of subsidiaries and associates | - | 121 |
| Other | - | 1 |
| Total extraordinary income | 0 | 356 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 10 | 20 |
| Loss on litigation | 10 | 18 |
| Losses from coronavirus disease (COVID-19) | 609 | 43 |
| Other | 3 | 1 |
| Total extraordinary losses | 634 | 84 |
| Profit (loss) before income taxes | (2,324) | 2,863 |
| Income taxes | 267 | 585 |
| Profit (loss) | (2,592) | 2,277 |
| Profit (loss) attributable to non-controlling interests | 85 | 489 |
| Profit (loss) attributable to owners of parent | (2,677) | 1,787 |

Quarterly consolidated statements of comprehensive income

Nine months ended December 31, 2021

(Unit: Millions of yen)

| | Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020) | Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021) |
|---|---|---|
| Profit (loss) | (2,592) | 2,277 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 26 | (77) |
| Foreign currency translation adjustment | 0 | 0 |
| Remeasurements of defined benefit plans | 0 | (6) |
| Total other comprehensive income | 27 | (82) |
| Comprehensive income | (2,564) | 2,194 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (2,658) | 1,703 |
| Comprehensive income attributable to non-controlling interests | 94 | 491 |

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

| | Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020) | Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | (2,324) | 2,863 |
| Depreciation | 611 | 526 |
| Amortization of goodwill | 217 | 189 |
| Increase (decrease) in allowance for doubtful accounts | 16 | 18 |
| Increase (decrease) in provision for bonuses | (87) | (151) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (4) | (4) |
| Increase (decrease) in retirement benefit liability | 57 | 32 |
| Interest and dividend income | (6) | (4) |
| Share of loss (profit) of entities accounted for using equity method | (182) | (42) |
| Interest expenses | 71 | 61 |
| Decrease (increase) in trade receivables | 8,487 | (20,450) |
| Decrease (increase) in inventories | 733 | 446 |
| Increase (decrease) in trade payables | (1,693) | 22,333 |
| Decrease/increase in consumption taxes receivable/payable | (716) | 402 |
| Amortization of investments in capital | 246 | 189 |
| Other, net | (306) | (1,929) |
| Subtotal | 5,117 | 4,481 |
| Interest and dividends received | 5 | 4 |
| Interest paid | (71) | (61) |
| Income taxes refund (paid) | (186) | (247) |
| Net cash provided by (used in) operating activities | 4,865 | 4,176 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (252) | (719) |
| Proceeds from sale of property, plant and equipment | 4 | 0 |
| Purchase of intangible assets | (194) | (191) |
| Proceeds from redemption of investment securities | - | 109 |
| Purchase of investment securities | (44) | (65) |
| Proceeds from sale of investment securities | 43 | 488 |
| Purchase of shares of subsidiaries and associates | (99) | (10) |
| Proceeds from sale of shares of subsidiaries and associates | - | 319 |
| Payments for investments in capital | (260) | (1,199) |
| Loan advances | (47) | (0) |
| Proceeds from collection of loans receivable | 32 | 34 |
| Other, net | (100) | 16 |
| Net cash provided by (used in) investing activities | (917) | (1,218) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 80 | 1,210 |
| Proceeds from long-term borrowings | 710 | 200 |
| Repayments of long-term borrowings | (3,990) | (3,150) |
| Purchase of treasury shares | (365) | - |
| Dividends paid | (331) | (322) |
| Other, net | 147 | (21) |
| Net cash provided by (used in) financing activities | (3,749) | (2,083) |
| Effect of exchange rate change on cash and cash equivalents | 0 | 0 |
| Net increase (decrease) in cash and cash equivalents | 198 | 875 |
| Cash and cash equivalents at beginning of period | 24,725 | 24,510 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | - | 14 |
| Cash and cash equivalents at end of period | 24,924 | 25,400 |

(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)

The Company adopts the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of Q1 of the current fiscal year. For details, please refer to the *(4) Notes regarding the quarterly consolidated financial statements, 2. Quarterly consolidated financial statements and important notes.*

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

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

(Changes in accounting policies)

The Company adopts the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter, the "Accounting Standard for Revenue Recognition") from the beginning of Q1 of the current fiscal year and recognizes revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

Previously, revenue related to PS machine's agency sales was recognized as revenue in the amount of the agency commission received from manufacturers when the machines are delivered to pachinko halls and PS machine price is delivered to manufacturers.

As a result of adoption of the above accounting standard and determining our role (principal or agent) in the provision of goods or services to customers, for transactions for which we are the sole distributer, we have changed to a method of recognizing revenues as the price of PS machines sold to pachinko halls when PS machines are shipped, as in the case of agency sales.

With regard to the application of the Accounting Standard for Revenue Recognition, etc., in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of Q1 of the fiscal year under review has been adjusted to retained earnings at the beginning of Q1 of the fiscal year under review, and the new accounting policy has been applied from the beginning of the fiscal year under review. In addition, the Company applies the methodology set forth in the explanatory note (1), paragraph 86 of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of Q1 under review in accordance with the terms of the contract after reflecting all contract modifications, and adjusts the cumulative effect to retained earnings at the beginning of Q1 under review. Consequently, net sales increased by ¥33,740 million, cost of sales increased by ¥31,248 million, and operating profit, ordinary profit, and profit before income taxes increased by ¥2,492 million each for the nine months ended December 31, 2021. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by ¥1,441 million. Due to the adoption of the Accounting Standard for Revenue Recognition, from Q1 of the fiscal year under review, "Notes and accounts receivable - trade," which had been presented in "Current assets" in the consolidated balance sheet for the previous fiscal year, has been included in "Notes and accounts receivable - trade, and contract assets." In accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassifications have been made to the prior period under the new presentation method. Furthermore, in accordance with the transitional treatment stipulated in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), revenue from contracts with customers for the nine months ended December 31, 2020 has not been broken down.

The Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter, the "Accounting Standard for Calculation of Fair Value") and other standards have been applied from the beginning of Q1 of the current fiscal year, and in accordance with the transitional treatment stipulated in Article 19 of the Accounting Standard for Calculation of Fair Value and Article 44-2 of the Accounting Standard for Financial Merchandise (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Calculation of Fair Value will be applied in the future. There is no impact on the quarterly consolidated financial statements.