

TSUBURAYA FIELDS HOLDINGS

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Summary

(Translation)
May 14, 2024

TSUBURAYA FIELDS HOLDINGS INC. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)

Company name: TSUBURAYA FIELDS HOLDINGS INC.
(URL: <https://www.tsuburaya-fields.co.jp/ir/e/>)
Listing: Tokyo Stock Exchange, Prime Market
Securities code: 2767
URL: <https://www.tsuburaya-fields.co.jp/ir/e/>
Representative: Hidetoshi Yamamoto, President and Group CEO
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Scheduled date of annual general meeting of shareholders: June 19, 2024
Scheduled date to commence dividend payments: June 20, 2024
Scheduled date to file annual securities report: June 19, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions)

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(Percentages indicate YoY changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	141,923	21.2	11,827	8.0	12,947	15.4	11,551	40.5
March 31, 2023	117,125	23.4	10,950	217.9	11,218	208.7	8,221	232.7

(Notes) Comprehensive income For the fiscal year ended March 31, 2024: ¥11,797 million [5.3%]
For the fiscal year ended March 31, 2023: ¥11,207 million [267.9%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2024	176.56	176.11	26.6	14.5	8.3
March 31, 2023	126.70	125.74	23.7	14.9	9.3

Reference: Share of profit (loss) of entities accounted for using equity method For the fiscal year ended March 31, 2024: ¥896 million
For the fiscal year ended March 31, 2023: ¥90 million

(Notes) On March 22, 2023, we conducted a 2-for-1 stock split of our common share. For this reason, basic earnings per share and diluted earnings per share are calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	98,139	55,845	48.5	727.30
March 31, 2023	80,893	41,817	48.4	598.18

Reference: Equity As of March 31, 2024: ¥47,586 million
As of March 31, 2023: ¥39,120 million

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	5,563	(4,101)	(3,145)	34,814
March 31, 2023	12,561	(7,642)	(725)	36,497

2. Cash dividends

	Annual dividends per share					Total cash dividends	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	Q1 end	Q2 end	Q3 end	Fiscal year-end	Total			
Fiscal year ended March 31, 2023	Yen -	Yen 0.00	Yen -	Yen 30.00	Yen 30.00	Millions of yen 1,961	% 23.7	% 5.6
Fiscal year ended March 31, 2024	-	0.00	-	40.00	40.00	2,617	22.7	6.0
Fiscal year ending March 31, 2025 (forecast)	-	0.00	-	40.00	40.00		22.6	

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	155,000	9.2	15,200	28.5	16,100	24.3	11,600	0.4	177.29

*Notes

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to reasons other than (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of March 31, 2024	69,400,000 shares
As of March 31, 2023	69,400,000 shares

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

As of March 31, 2024	3,970,850 shares
As of March 31, 2023	4,001,382 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024	65,423,736 shares
Fiscal year ended March 31, 2023	64,891,355 shares

(Notes) We conducted a 2-for-1 stock split on March 22, 2023. Therefore, the average number of shares outstanding during the period are calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate YoY changes.)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2024	9,487	(77.0)	6,557	28.4	6,633	28.6	6,326	14.7
March 31, 2023	41,193	(50.7)	5,106	289.4	5,159	241.2	5,515	245.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2024	96.70	96.45
March 31, 2023	85.00	84.36

(Notes) 1. On October 3, 2022, we shifted to a holding company structure. As a result, the non-consolidated results for the year ended March 31, 2024 have changed significantly compared with the year ended March 31, 2023.

2. We conducted a 2-for-1 stock split on March 22, 2023. Accordingly, basic earnings per share and diluted earnings per share are calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended				
March 31, 2024	59,470	39,325	65.8	597.93
March 31, 2023	55,717	35,973	64.5	549.36

Reference: Equity As of March 31, 2024: ¥39,122 million
As of March 31, 2023: ¥35,927 million

- * Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.
- * Proper use of earnings forecasts, and other special matters

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results, etc. may differ materially from the forecasts due to various factors. Please refer to 1. Overview of business results and others (1) Overview of business results on page two and (2) Outlook for the next fiscal year on page six.

(How to obtain supplementary materials on financial results)

The Company is planning to hold a financial briefing for analysts and institutional investors on Wednesday, May 15, 2024. Materials used at that briefing will be posted on the Company's website as soon as possible after the briefing.

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1. Overview of business results and others

(1) Overview of business results

In the current consolidated fiscal year, the economy of Japan looks to be overcoming the long-term slump that lasted 30 years. In May 2023, restrictions imposed by coronavirus disease (COVID-19) infectious diseases were lifted, and increased corporate activities and human resource flows helped boost economic revitalization. Despite soaring prices, wage increases have stimulated consumer sentiment and created a virtuous circle of domestic demand, providing a tailwind to the service industry in a wide range of areas, including accommodations, eating and drinking, and entertainment. The number of foreign visitors to Japan reached a record high in March 2024, and the depreciation of the yen for the first time in 34 years has been the driving force behind vigorous consumption in Japan. On the other hand, the global economy has been improving somewhat due to the resilience of the U.S. economy, although there are geopolitical risks such as the expansion of armed conflicts between Hamas and Israel, in addition to the prolonged invasion of Ukraine by Russia.

Against this backdrop of economic conditions, our group promoted the further strengthening of our multi-faceted content business centered on strong characters, and made a smooth start toward becoming a “global content company.”

In the contents and digital business, we are building a world view of visual products and branding characters based on *Ultraman*, which is now expanding to the world. We are developing new character-related merchandise for new fans through live events and establishment of Ultraman area in the theme park that enable customers to experience this worldview, and are cultivating and expanding our fan base globally through cross-media business development.

In pachinko/pachislot (hereinafter, “PS”) business, in order to contribute to the sound development of PS machine industry, one of Japan’s largest leisure industries, we are working with allied manufacturers to develop a title that meets user needs based on qualitative and quantitative data by utilizing attractive IP.

With these two businesses at the core, we aim to realize our group-wide philosophy of “The Greatest Leisure for All People.”

Consolidated financial results for the fiscal year under review were ¥141,923 million for net sales (up 21.2% YoY), ¥11,827 million for operating profit (up 8.0% YoY), ¥12,947 million for ordinary profit (up 15.4% YoY) due to the recording of share of profit of entities accounted for using equity method, and ¥11,551 million for profit attributable to owners of parent (up 40.5% YoY) due to the recording of gain on bargain purchase from the acquisition of Sophia, Co., Ltd.

The overview of each segment is as follows.

Contents and digital segment

Ultraman, born in 1966, has been established as a hero loved by three generations of grandfathers and grandchildren by spinning works with Showa, Heisei and Reiwa. Furthermore, by merging with digital technology, their value and recognition are increasing as they are being used as characters in other companies’ commercials, collaborating with products, and increasing licensing income as more attractive new heroes. In China, one of the big markets for the character business, the company actively developed video products centered on “Heisei Ultraman” and “New Generation.” As a result, favorability and penetration have increased and this is what is driving Ultraman’s popularity in other Asian countries. This has spurred *Ultraman* to become popular in other Asian countries and elsewhere. We are developing our business as a global character through a combination of strategies, such as three dimensional events and merchandising, based on two-dimensional visual products. At the same time, the protection of intellectual property rights is one of the top priorities in the sound development of our character business. We will take countermeasures against the creation of fake characters using advanced technologies such as generative AI, and build a system to maintain the brand value of our characters.

In MD and license business, we expanded our merchandise category portfolio to include toys and apparel/fashion. This has enabled us to build a stronger earnings base that is less susceptible to developments in a particular merchandise.

We are preparing for the global expansion of game function’s higher trading card for the card game, which has become a global boom, and we plan to begin sales in China, North America, Asia and Japan in stages. This led to some adjustments in the conventional card games currently on the market in anticipation of new product launches.

In the visual and event business, in February 2024 *ULTRAMAN BLAZAR THE MOVIE: TOKYO KAIJU SHOWDOWN*, a movie that powered up the TV series, was released at 166 locations in Japan and in six Asian countries and regions, and in March we began distributing it in *TSUBURAYA IMAGINATION*. The development of visual products in a variety of media, such as television, movies, and distribution, is aimed at expanding fans to those who have not had contact opportunities to date.

In addition, aiming to provide a real-world experience of Ultraman worldview, in the fiscal year under review we opened Ultraman areas with permanent stages at four theme parks in China. These areas have become popular spots with many families visiting. Domestic Ultraman shows are attracting more customers than expected.

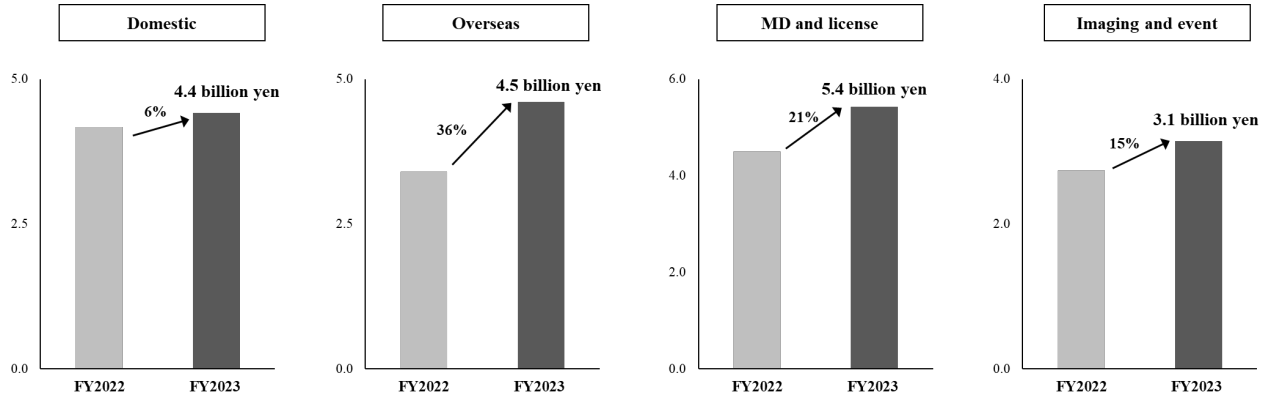
In Japan, the *Ultra Hero's EXPO* and *TSUBURAYA CONVENTION* events for fans held during the summer and winter holidays were both popular and tickets sold out, and merchandise sales were strong. Many foreign Ultraman fans visited official shops handling Ultraman goods in search of original merchandise.

We will continue to create a virtuous circle in which the expansion of the fan base, which touches on Ultraman's worldview, leads to merchandise sales, and furthermore, expands our licensing merchandise with other companies.

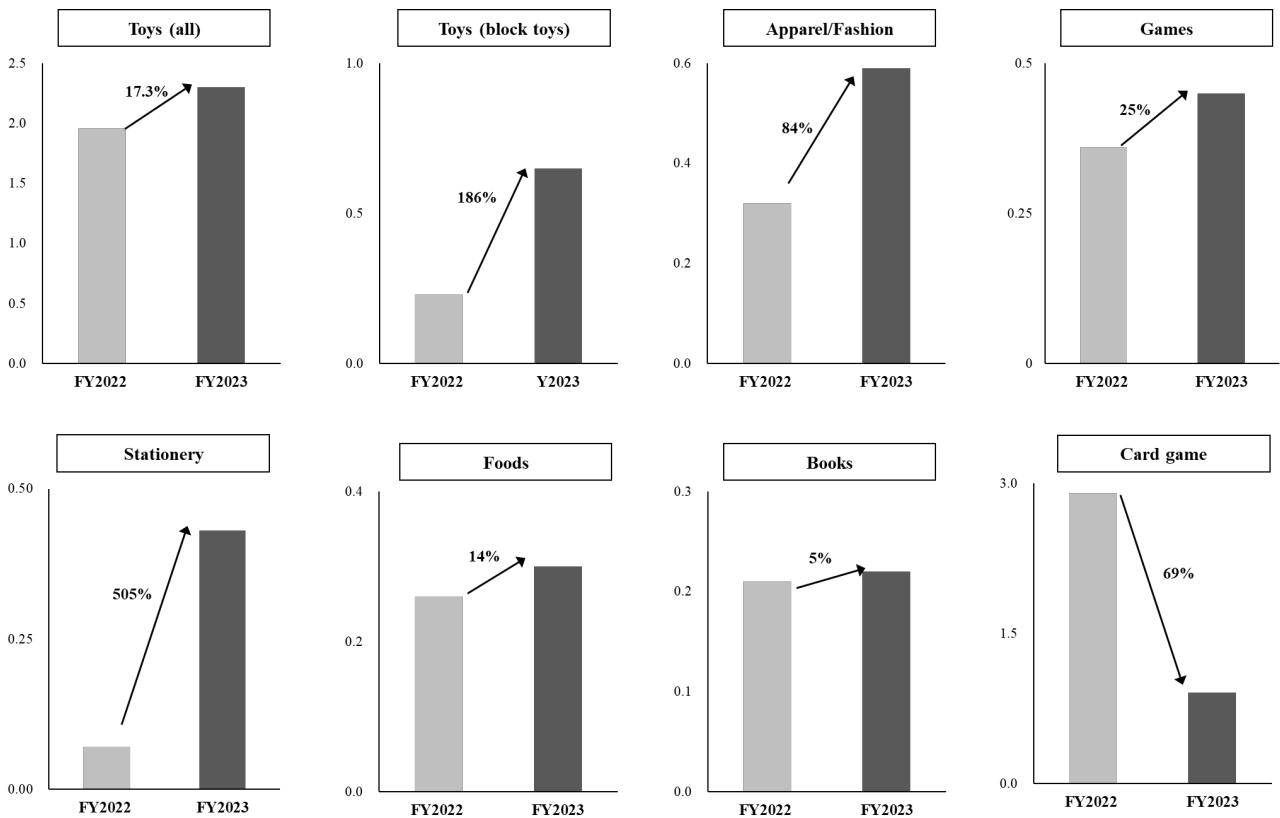
(Unit: billions of yen)

Revenue by domestic/overseas MD and license (excluding card game)

Revenue by business (global and excluding card game)



Revenue by major merchandise categories (global)



* "Toys" category excludes "card games".

Digital Frontier Inc., a company with state-of-the-art CG video production technology, has received orders for large-scale anime movies and gaming projects in addition to VFX production of Amazon Prime Video “The Silent Service” and Netflix “Yu Yu Hakusho.” In addition, we are advancing initiatives in new fields that utilize our “digital human” technology. KSIN, an avatar remote customer service jointly developed with Unicast Inc., was certified by the Ministry of Economy, Trade and Industry under IT Introduction Subsidy 2023.

Consequently, the contents and digital segment posted a 5.5% YoY increase in net sales of ¥15.33 billion and a 13.6% YoY decrease in operating profit to ¥3.78 billion.

PS business segment

PS business is one of the businesses responsible for profitability. With FIELDS at its core, we are a "unique distributor," and we are steadily promoting our business toward our medium-to-long-term goals while building a management structure that is not affected by market conditions.

During the fiscal year ended March 31, 2024, PS machine industry sold approximately 840,000 pachinko machines (down 15% YoY) and approximately 820,000 pachislot machines (up 26% YoY), for a total of approximately 1,660,000 machines (down 5% YoY). Since the launch of smart pachislot in November 2022, many hit titles have appeared for pachislot, and approximately 35% of the entire pachislot number of machines installed has transitioned to smart machines. In addition, although the introduction of smart pachinko was started in the fiscal year under review, number of pachinko machines installed accounted for approximately 4% of the total number of pachinko machines, which is not yet widely used. On the other hand, pachinko machines equipped with "Lucky Triggers," which emerged in March 2024, have won strong support from users and are trending favorably. As a result, pachinko halls' appetite for investment in pachinko is expected to recover going forward.

In PS segment, we sold 187,000 pachinko machines, 7 titles (up 23.6% YoY) and 72,000 pachislot machines, 6 titles (up 6.7% YoY), for a total of 260,000 PS machines (up 18.4% YoY). Market share was 14.7% (compared with 12.9% in the previous fiscal year).

As a result, both sales and profits increased by ¥125.59 billion (up 24.6% YoY) for net sales and ¥10.41 billion (up 35.0% YoY) for operating profit, significantly exceeding our forecasts.

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

[PS machine Unit Sales in PS business segment]

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Change
Pachinko	151,688 units	187,471 units	+23.6%
Pachislot	68,196 units	72,780 units	+6.7%
Total	219,884 units	260,251 units	+18.4%

[Major sales titles for the year ended March 31, 2024]

	Timing of sales	Month of delivery	Major sales titles (* PB are private brands)	Smart PS machine	Number of units posted
Pachinko	H1	May	P CODE GEASS Lelouch of the Rebellion -Rebellion to Re; surrection-		20,000
		Sep.	P Hyakka-Ryoran		10,000
		-	P NEON GENESIS EVANGELION -Roar for tomorrow-		24,000
	H2	Dec.	Pachinko EVANGELION:3.0+1.0		68,000
	Other series machines, resale, etc.				63,000
Pachislot	H1	June	L BERSERK Musou	○	14,000
		July	S The Ambition of Oda Nobuna: National edition (PB)		-
		Oct.	L Evangelion -Genesis of Destiny-	○	17,000
	H2	Nov.	L Higurashi When They Cry: GOU	○	-
		Dec.	L Ring ni kakero I V (PB)	○	17,000
		Feb.	L Godzilla vs EVANGELION	○	-
Others				4,000	
Total					260,000

*Titles with sales of less than 10,000 units are not disclosed.

Other segment

In other business, operating results for the fiscal year under review were net sales ¥1,607 million yen and operating profit ¥19 million.

(2) Outlook for the next fiscal year

The forecasts for each business segment for the year ending March 31, 2025 are as follows.

Content and digital segment

In order to grow the content and digital business in medium-to-long-term, we will focus on building a foundation for this business in the next fiscal year and implement a variety of measures.

Visual products are one of the cornerstones of our global strategy. We will aggressively promote video planning in multimedia areas such as movies, distribution and television, and gaming, as well as collaboration with global titles, and will develop businesses that further strengthen Ultraman branding. In conjunction with this, we aim to maximize monetization by providing character merchandise and servicing to broaden the customer experience.

Netflix movie *Ultraman: Rising* will be distributed worldwide on June 14, 2024. This new Ultraman story, featuring the themes of “parents and children” and “families” that can be enjoyed by all generations, provides us with an opportunity to expand our fan base globally, not only to our Ultraman enthusiasts until now, but also in North America and elsewhere. In order to avoid missing this chance, we will proactively develop various merchandise tailored to the work in cooperation with partner companies, mainly in the domestic market and North America. The new *ULTRAMAN ARC* program will begin broadcasting and distribution in July at the same time worldwide.

In 2024, we will begin sales of the new Ultraman Card Game with full participation. In order to ensure successful deployment of this merchandise, we plan to conduct a large-scale advertising campaign.

In order for Ultraman to continue to be a long-loved character in the future, it is essential to cultivate and expand a new base of fans who are interested in Ultraman based on video products. To this end, we will continue our efforts to expand the scope of Ultraman at domestic and overseas events and at Chinese theme parks.

The world’s VFX market is expected to be worth approximately ¥10 trillion in 2030. At the 96th Academy Awards, *Godzilla-1.0* was the first Japanese film to receive the Visual Effects Award, attracting global attention for Japanese VFX technologies. Digital Frontier Inc. will develop a content production system for the global market from a long-term perspective for dramatic growth in the future.

As a result of the above, in the fiscal year ending March 2025, we forecast a net sales of ¥18 billion (up 17.4% YoY) and operating profit of ¥4 billion (up 5.8% YoY) to actively invest in advertising expenses.

For the content and digital business segment, we plan to announce a new five-year medium-term management plan on May 15.

PS business segment

In the face of diversifying leisure activities, pachinko parlors are expected to undergo major changes in order to contribute to the creation of an affluent local community. Currently, the introduction of smart PS machine enables free space designs for island facilities and PS machine units, and in March 31 2024, we acquired shares in Sophia Co., Ltd., including Ace Denken Co., Ltd., (operating profit ¥2.8 billion for the previous fiscal year) which is the leading provider of island facilities, and made it a subsidiary. We will contribute to the sound development of PS machine industry by providing pachinko parlors with innovations in PS spaces.

In the fiscal year ending March 2025, we plan to sell pachinko 8 titles and pachislot 12 titles. We will continue to work with allied manufacturer to develop title that satisfy user needs by leveraging our attractive IP.

As a result of the above, for the fiscal year ending March 31, 2025, we are forecasting a net sales of ¥135 billion (up 7.5%YoY) and operating income of ¥13.5 billion (up 29.7% YoY) for PS business segment.

[Consolidated results]

For the fiscal year ending March 31, 2025, we plan to achieve consolidated results of net sales of ¥155 billion (up 9.2% YoY), operating profit of ¥15.2 billion (up 28.5% YoY), ordinary profit of ¥16.1 billion (up 24.3% YoY), and profit attributable to owners of parent of ¥11.6 billion (up 0.4% YoY).

(3) Basic policy on profit distribution and dividends for the current and next fiscal year

We regard improving corporate value as an important management issue and have adopted a basic policy of paying an appropriate dividend in line with profits. At the same time, as market conditions change dramatically, we believe that prioritizing securing investment funds to expand earnings by stabilizing our financial base from a medium-to-long-term perspective will lead to the greatest shareholder return, including future increases in corporate value.

With regard to dividends for the fiscal year under review, the Company announced a year-end dividend forecast of ¥30 per share at the beginning of the fiscal year, and subsequently increased the dividend by ¥10 per share in the “Notice of revision of dividend forecast (dividend increase)” dated February 9, 2024, and announced a year-end dividend forecast of ¥40 per share in total.

(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 summary report are trademarks or registered trademarks of their respective companies.

(4) Overview of financial position for the fiscal year under review

	End of the previous fiscal year (As of the end of March 2023)	End of current fiscal year (As of the end of March 2024)	YoY change
Total assets	¥80,893 million	¥98,139 million	¥17,246 million
Total liabilities	¥39,075 million	¥42,293 million	¥3,217 million
Total net assets	¥41,817 million	¥55,845 million	¥14,028 million

(Assets)

Current assets increased by ¥5,979 million from the end of the previous fiscal year to ¥64,848 million. This was mainly due to growth in work in process.

Property, plant and equipment increased by ¥4,145 million from the end of the previous fiscal year to ¥9,440 million. This was mainly due to increase in land.

Intangible assets decreased by ¥485 million from the end of the previous fiscal year to ¥2,402 million. This was mainly due to a decrease in goodwill.

Investments and other assets increased by ¥7,606 million from the end of the previous fiscal year to ¥21,447 million. This was mainly due to increase in investment securities.

Consequently, assets increased by ¥17,246 million from the end of the previous fiscal year to ¥98,139 million.

(Liabilities)

Current liabilities increased by ¥120 million from the end of the previous fiscal year to ¥30,610 million. This was mainly due to a decrease in notes and accounts payable - trade and an increase in income taxes payable.

Non-current liabilities increased by ¥3,097 million from the end of the previous fiscal year to ¥11,682 million. This was mainly due to increase in long-term borrowings.

Consequently, liabilities increased by ¥3,217 million from the end of the previous fiscal year to ¥42,293 million.

(Net assets)

Net assets increased by ¥14,028 million from the end of the previous fiscal year to ¥55,845 million. This was mainly due to an increase in retained earnings and an increase in non-controlling interests.

(5) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review decreased by ¥1,683 million from the end of the previous fiscal year to ¥34,814 million.

Cash flows for the fiscal year under review are summarized as follows:

	Previous period (Year ended March 31, 2023)	Current period (Year ended March 31, 2024)	YoY change
Cash flows from operating activities	¥12,561 million	¥5,563 million	¥(6,997) million
Cash flows from investing activities	¥(7,642) million	¥(4,101) million	¥3,540 million
Cash flows from financing activities	¥(725) million	¥(3,145) million	¥(2,420) million

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,563 million (¥12,561 million provided in the same period of the previous fiscal year). This was mainly due to profit before income taxes of ¥13,811 million, an increase in inventories of ¥4,558 million, a decrease in trade payables of ¥4,371 million, a decrease in trade receivables of ¥3,926 million, and income taxes paid of ¥2,643 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥4,101 million (¥7,642 million used in the same period of the previous fiscal year). This was mainly due to expenditures of ¥3,167 million for purchase of shares of entities accounted for using equity method,

¥1,762 million for purchase of non-current assets, ¥1,732 million for proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation, ¥439 million for purchase of investment securities, and ¥370 million for loan advances.

(Cash flows from financing activities)

Net cash used in financing activities was ¥3,145 million, compared with net cash used of ¥725 million in the same period of the previous fiscal year. This was mainly due to repayments of long-term borrowings of ¥3,617 million, proceeds from long-term borrowings of ¥2,950 million, and dividends paid of ¥1,959 million.

(Reference) Trends in cash flow-related indicators

	FY2019	FY2020	FY2021	FY2022	FY2023
Shareholders' equity ratio	52.6%	56.9%	43.4%	48.4%	48.5%
Shareholders' equity ratio based on market value	14.7%	35.6%	41.6%	167.3%	113.7%
Cash flow to interest-bearing liabilities ratio	-	3.0 years	1.6 years	1.1 years	2.5 years
Interest coverage ratio	-	40.7 times	102.5 times	157.3 times	98.5 times

Shareholders' equity ratio: shareholders' equity/ total assets

Shareholders' equity ratio based on market value: market capitalization (closing share price at the end of the period)/ total assets

Cash flow to interest-bearing liabilities ratio: interest-bearing liabilities/ operating cash flow

Interest coverage ratio: operating cash flow/ interest expenses

(Notes) 1. All figures are calculated based on consolidated financial figures.

2. Market capitalization is calculated based on the number of shares outstanding excluding treasury shares.

3. Interest-bearing liabilities covers all liabilities that pay interest out of liabilities recorded in the consolidated balance sheet.

4. Cash flow to interest-bearing liabilities ratio and interest coverage ratio are not stated when operating cash flow is negative.

2. Basic policy regarding selection of accounting standards

The Group considers the financial statements prepared in accordance with Japanese GAAP to be appropriate for the purpose of presenting the status of the Company's current business. With regard to the application of IFRS, we intend to respond appropriately, taking into account various domestic and overseas circumstances.

3. Consolidated financial statements and important notes

(1) Consolidated balance sheets

(Unit: millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	36,597	34,914
Notes receivable - trade	1,733	1,375
Accounts receivable - trade	8,878	8,636
Contract assets	324	380
Electronically recorded monetary claims - operating	1,957	2,744
Merchandise and finished goods	339	142
Work in process	1,902	6,296
Raw materials and supplies	1,997	3,816
Merchandise rights	1,734	2,123
Other	3,441	4,451
Allowance for doubtful accounts	(37)	(31)
Total current assets	58,868	64,848
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,479	14,282
Accumulated depreciation	(3,387)	(11,273)
Buildings and structures, net	2,091	3,009
Machinery, equipment and vehicles	96	1,041
Accumulated depreciation	(73)	(982)
Machinery, equipment and vehicles, net	22	59
Tools, furniture and fixtures	3,703	6,589
Accumulated depreciation	(3,245)	(5,681)
Tools, furniture and fixtures, net	457	907
Land	1,929	5,360
Construction in progress	793	102
Total property, plant and equipment	5,295	9,440
Intangible assets		
Goodwill	1,677	1,395
Other	1,210	1,007
Total intangible assets	2,888	2,402
Investments and other assets		
Investment securities	7,959	13,131
Long-term loans receivable	681	1,802
Deferred tax assets	962	3,391
Leasehold and guarantee deposits	2,247	2,632
Other	2,197	1,868
Allowance for doubtful accounts	(207)	(1,379)
Investments and other assets Total	13,841	21,447
Total non-current assets	22,024	33,290
Total assets	80,893	98,139

(Unit: millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,402	10,961
Electronically recorded obligations - operating	-	1,460
Short-term borrowings	6,549	6,000
Current portion of long-term borrowings	2,794	2,400
Income taxes payable	1,358	2,414
Contract liabilities	1,029	1,249
Provision for bonuses	273	758
Provision for bonuses for directors (and other officers)	159	216
Other	5,923	5,150
Total current liabilities	30,489	30,610
Non-current liabilities		
Long-term borrowings	3,994	5,503
Provision for retirement benefits for directors (and other officers)	-	169
Retirement benefit liability	862	1,447
Asset retirement obligations	1,213	1,331
Other	2,515	3,230
Total non-current liabilities	8,585	11,682
Total liabilities	39,075	42,293
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,390	7,390
Retained earnings	24,217	33,801
Treasury shares	(1,644)	(1,631)
Total shareholders' equity	37,912	47,508
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,194	38
Foreign currency translation adjustment	1	2
Remeasurements of defined benefit plans	12	37
Total accumulated other comprehensive income	1,208	78
Share acquisition rights	45	203
Non-controlling interests	2,651	8,055
Total net assets	41,817	55,845
Total liabilities and net assets	80,893	98,139

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

Consolidated statements of income

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net sales	117,125	141,923
Cost of sales	91,799	115,464
Gross profit	25,326	26,459
Selling, general and administrative expenses		
Advertising expenses	1,191	1,107
Salaries	4,379	4,667
Provision for bonuses	200	193
Retirement benefit expenses	68	73
Outsourcing expenses	1,465	937
Travel and transportation expenses	312	407
Depreciation	415	484
Rent expenses on land and buildings	1,202	1,026
Provision of allowance for doubtful accounts	(63)	(6)
Amortization of goodwill	260	282
Provision for bonuses for directors (and other officers)	159	216
Other	4,784	5,241
Total selling, general and administrative expenses	14,376	14,631
Operating profit	10,950	11,827
Non-operating income		
Interest income	4	13
Dividend income	5	129
Purchase discounts	129	21
Share of profit of entities accounted for using equity method	90	896
Distributions from investments	21	16
Other	133	155
Total non-operating income	385	1,233
Non-operating expenses		
Interest expenses	79	56
Financing expenses	4	4
Depreciation	-	25
Provision of allowance for doubtful accounts for subsidiaries and associates	6	-
Other	27	28
Total non-operating expenses	116	113
Ordinary profit	11,218	12,947

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	299
Gain on sale of non-current assets	1	3
Gain on bargain purchase	-	1,072
Other	0	-
Total extraordinary income	1	1,375
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	38	-
Loss on retirement of non-current assets	46	24
Impairment losses	-	172
Provision of allowance for doubtful accounts for subsidiaries and associates	-	314
Loss on sale of membership	7	-
Other	0	0
Total extraordinary losses	91	511
Profit (loss) before income taxes	11,127	13,811
Income taxes - current	1,963	2,649
Income taxes - deferred	(859)	(1,763)
Total income taxes	1,103	885
Profit (loss)	10,024	12,925
Profit attributable to non-controlling interests	1,802	1,374
Profit attributable to owners of parent	8,221	11,551

Consolidated statement of comprehensive income

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Profit (loss)	10,024	12,925
Other comprehensive income		
Valuation difference on available-for-sale securities	1,174	(1,156)
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	8	26
Share of other comprehensive income of entities accounted for using equity method	-	0
Total other comprehensive income	1,183	(1,128)
Comprehensive income	11,207	11,797
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,406	10,422
Comprehensive income attributable to non- controlling interests	1,801	1,374

(3) Consolidated statement of change in equity

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Unit: millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,948	7,576	16,771	(1,946)	30,349
Changes during period					
Dividends of surplus			(646)		(646)
Profit (loss) attributable to owners of parent			8,221		8,221
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(128)	302	173
Purchase of shares of consolidated subsidiaries		(191)			(191)
Change in scope of consolidation		5			5
Net changes in items other than shareholders' equity					
Total changes during period	-	(185)	7,446	301	7,562
Balance at end of period	7,948	7,390	24,217	(1,644)	37,912

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	18	1	3	23	28	1,150	31,551
Changes during period							
Dividends of surplus							(646)
Profit (loss) attributable to owners of parent							8,221
Purchase of treasury shares							(0)
Disposal of treasury shares							173
Purchase of shares of consolidated subsidiaries							(191)
Change in scope of consolidation							5
Net changes in items other than shareholders' equity	1,175	(0)	8	1,184	17	1,500	2,702
Total changes during period	1,175	(0)	8	1,184	17	1,500	10,265
Balance at end of period	1,194	1	12	1,208	45	2,651	41,817

Current consolidated fiscal year (April 1, 2023 to March 31, 2024)

(Unit: millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,948	7,390	24,217	(1,644)	37,912
Changes during period					
Dividends of surplus			(1,961)		(1,961)
Profit (loss) attributable to owners of parent			11,551		11,551
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(5)	12	7
Purchase of shares of consolidated subsidiaries					-
Change in scope of consolidation					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	9,584	12	9,596
Balance at end of period	7,948	7,390	33,801	(1,631)	47,508

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,194	1	12	1,208	45	2,651	41,817
Changes during period							
Dividends of surplus							(1,961)
Profit (loss) attributable to owners of parent							11,551
Purchase of treasury shares							(0)
Disposal of treasury shares							7
Purchase of shares of consolidated subsidiaries							-
Change in scope of consolidation							-
Net changes in items other than shareholders' equity	(1,155)	0	25	(1,130)	157	5,404	4,431
Total changes during period	(1,155)	0	25	(1,130)	157	5,404	14,028
Balance at end of period	38	2	37	78	203	8,055	55,845

(4) Consolidated statements of cash flows

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	11,127	13,811
Depreciation	781	1,024
Amortization of goodwill	260	282
Investments in capital depreciation	797	633
Increase (decrease) in allowance for doubtful accounts	(106)	298
Increase (decrease) in provision for bonuses	(18)	35
Increase (decrease) in provision for bonuses for directors (and other officers)	113	57
Increase (decrease) in retirement benefit liability	(19)	51
Interest and dividend income	(9)	(143)
Interest expenses	79	56
Share of loss (profit) of entities accounted for using equity method	(90)	(896)
Loss (gain) on sale of non-current assets	(1)	(3)
Loss (gain) on sale of shares of subsidiaries and associates	38	(299)
Impairment losses	-	172
Gain on bargain purchase	-	(1,072)
Decrease (increase) in trade receivables	551	3,926
Decrease (increase) in inventories	2,330	(4,558)
Decrease (increase) in advance payments to suppliers	(456)	1,175
Decrease (increase) in accounts receivable - other	(229)	(591)
Increase (decrease) in trade payables	(631)	(4,371)
Increase (decrease) in Liabilities related to paid-in transactions (decrease in)	(1,105)	146
Increase (decrease) in accounts payable - other	676	(827)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	797	(1,374)
Other, net	(1,040)	529
Subtotal	13,844	8,062
Interest and dividends received	9	201
Interest paid	(79)	(56)
Income taxes refund (paid)	(1,213)	(2,643)
Net cash provided by (used in) operating activities	12,561	5,563

(Unit: millions of yen)

	End of previous fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Purchase of property, plant and equipment	(812)	(1,528)
Proceeds from sale of property, plant and equipment	4	3
Purchase of intangible assets	(531)	(234)
Purchase of investment securities	(5,126)	(439)
Proceeds from sale of investment securities	79	73
Purchase of shares of subsidiaries and associates	-	(254)
Proceeds from sale of shares of subsidiaries and associates	273	-
Payments for investments in capital	(1,012)	(303)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	3	1,732
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	343
Purchase of shares of affiliates accounted for by the equity method	-	(3,167)
Loan advances	(483)	(370)
Proceeds from collection of loans receivable	18	6
Payments of leasehold and guarantee deposits	(25)	(33)
Proceeds from refund of leasehold and guarantee deposits	14	57
Other, net	(45)	12
Net cash provided by (used in) investing activities	(7,642)	(4,101)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,349	(499)
Repayments of long-term borrowings	(5,051)	(3,617)
Proceeds from long-term borrowings	-	2,950
Dividends paid	(645)	(1,959)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(486)	-
Other, net	109	(19)
Net cash provided by (used in) financing activities	(725)	(3,145)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	4,193	(1,683)
Cash and cash equivalents at beginning of period	32,304	36,497
Cash and cash equivalents at end of term	36,497	34,814

(5) Note regarding the consolidated financial statements

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

Not applicable.

(Segment information, etc.)

[Segment information]

1. The outline of any reporting segment

The reporting segments of the Company are components of the Group for which separate financial data is available and which are regularly reviewed by board of directors to determine resource allocation and assess performance.

Our group comprises segments by products and services handled by the operating companies. We have two reportable segments: content and digital, and PS.

The content and digital business segment plans, produces, and distributes visual products and engages in merchandise and advertising licensing. PS segment plans, develops, manufactures, and sells PS machine.

In each business, the company which serves as the business controlling company is the center of planning and promoting business strategies in Japan and overseas.

2. Methods of measuring net sales, profit (loss) and assets etc. of reporting segments

The accounting method for the reporting segments is the same as the accounting method used in the preparation of the consolidated financial statements.

Income of reporting segments is based on operating profit.

3. Information on net sales and profit (loss) and assets etc. by reporting segment

Previous fiscal year (April 1, 2022, to March 31, 2023)

(Unit: millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjusted amount (Note 2)	Carrying value (Note 3)
	Content and digital business	PS business	Total				
Net sales							
Net sales to external customers	14,029	100,805	114,835	2,290	117,125	—	117,125
Intersegment net sales or transfers	503	3	506	14	521	(521)	—
Total	14,532	100,808	115,341	2,305	117,646	(521)	117,125
Segment profit	4,378	7,714	12,092	75	12,168	(1,218)	10,950
Segment assets	13,019	44,835	57,854	1,416	59,271	21,621	80,893
Other items							
Depreciation	343	359	703	32	735	45	781
Amortized amount of goodwill	—	260	260	—	260	—	260
Investment amount to equity-method affiliates	—	36	36	454	491	—	491
Increase in property, plant and equipment and intangible assets additions	867	344	1,211	9	1,220	305	1,526

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

2. Adjusted amounts are as follows.

- (1) ¥(1,218) million for adjustments to segment income includes an elimination ¥(26) million for inter-segment transactions and ¥(1,191) million for corporate expenses that are not allocated to individual reportable segments.
- (2) ¥21,621 million adjustment to segment assets includes ¥(8,693) million the elimination of inter-segment transactions and ¥30,315 million for corporate assets not allocated to the respective reportable segments.
- (3) Depreciation reconciliation of ¥45 million represents depreciation related to corporate assets that is not allocated to reportable segments.
- (4) ¥305 million for adjustment to the increase in property, plant and equipment and intangible assets relates to corporate assets that is not allocated to reportable segments.

3. Segment profit is adjusted with operating profit of consolidated statement of income.

Current fiscal year (April 1, 2023 to March 31, 2024)

(Unit: millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjusted amount (Note 2)	Carrying value (Note 3)
	Content and digital business	PS business	Total				
Net sales							
Net sales to external customers	14,998	125,328	140,326	1,597	141,923	—	141,923
Intersegment net sales or transfers	337	267	605	10	615	(615)	—
Total	15,336	125,595	140,931	1,607	142,538	(615)	141,923
Segment profit	3,781	10,412	14,194	19	14,214	(2,386)	11,827
Segment assets	15,309	58,381	73,690	1,318	75,009	23,129	98,139
Other items							
Depreciation	455	397	852	45	897	126	1,024
Amortized amount of goodwill	—	282	282	—	282	—	282
Investment amount to equity-method affiliates	—	9,521	9,521	436	9,958	—	9,958
Increase in property, plant and equipment and intangible assets additions	518	919	1,438	77	1,516	38	1,554

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

2. Adjusted amounts are as follows.

- (1) ¥(2,386) million for adjustments to segment income includes an elimination of inter-segment transactions of ¥29 million and ¥(2,416) million in corporate expenses that are not allocated to the respective reportable segments.
- (2) ¥23,129 million adjustment to segment assets includes ¥(507) million elimination of inter-segment transactions and ¥23,637 million for corporate assets not allocated to the respective reportable segments.
- (3) Depreciation reconciliation of ¥126 million represents depreciation related to corporate assets that is not allocated to reportable segments.
- (4) The ¥38 million adjustment to the increase in property, plant and equipment and intangible assets relates to corporate assets that is not allocated to reportable segments.

3. Segment profit is adjusted with operating profit of consolidated statement of income.

(Per share information)

Item	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net assets per share	¥598.18	¥727.30
Profit (loss) per share	¥126.70	¥176.56
Diluted profit (loss) per share	¥125.74	¥176.11

(Note) 1. On March 21, 2023, we conducted a 2-for-1 stock split of our common share. Accordingly, per share information is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

2. The basis for calculating profit per share or loss per share is as follows:

Item	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Profit per share or loss per share		
Profit (loss) attributable to owners of parent (millions of yen)	8,221	11,551
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit (loss) attributable to owners of parent attributable to common share (millions of yen)	8,221	11,551
Average number of shares of common stock outstanding during the period (shares)	64,891,355	65,423,736
Diluted profit (loss) per share		
Adjustment of profit attributable to owners of parent (millions of yen)	—	—
Increase in common share (shares)	497,578	167,205
Outline of dilutive shares not included in the calculation of diluted profit per share because they have no dilutive effect	—	—

(Significant subsequent events)

(Cancellation of treasury shares)

At the director meeting held on May 14, 2024, we resolved to cancel treasury shares as described below in accordance with Article 178 of the Companies Act.

1. Reasons for cancellation of treasury shares

To further improve capital efficiency and share value through a reduction in the total number of shares outstanding as part of shareholder return measures.

2. Details of retirement

- | | | |
|-----|----------------------------------|--|
| (1) | Type of shares to be cancelled | Shares of our common stock |
| (2) | Number of shares to be cancelled | 3,970,850 shares
(5.72% of the total number of issued shares before cancellation) |
| (3) | Scheduled retirement date | May 31, 2024 |

(Purchase of treasury shares)

At the director meeting held on May 14, 2024, we adopted a resolution regarding matters pertaining to purchase of treasury shares in accordance with the provisions of Article 156 of the Companies Act as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act. The Company has decided to use Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) of the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") to outsource the purchase of shares, and a portion of the purchases will be made through a facility-type treasury shares acquisition (ASR) method.

In addition, in conjunction with the recent purchase of treasury shares acquisition by way of a facility-type Treasury shares acquisition (ASR), at the director meeting held on the same day, we resolved to issue the fourth share acquisition rights (hereinafter referred to as “Fixed Capital Share acquisition rights”) and the fifth Share acquisition rights (hereinafter referred to as “Fixed Capital Subscription Type Share acquisition rights”) and Fixed Capital Subscription Type Share acquisition rights individually or collectively referred to as “Share acquisition rights”) through a third-party allotment to SMBC Nikko Securities Co., Ltd. (hereinafter referred to as “SMBC Nikko Securities”).

1. Reasons for Purchase of treasury shares

We regard the improvement of corporate value as an important management issue. To accomplish this goal, we aim to stabilize our financial base from a medium-to-long-term perspective in response to rapid changes in the market. While appropriately securing funds to invest in expanding earnings, we also have a basic policy of paying dividends in line with earnings to our stockholders.

Taking into account our financial condition, future business plans, and market conditions, we have decided to acquire treasury shares by adopting a facility-type purchase of treasury shares that is capable of reliably generating a considerable amount of treasury shares, in order to further solidify our commitment to returning profits to shareholders and, in turn, contribute to a cycle of enhancing corporate value. Accordingly, we have decided to acquire Treasury shares with the aim of improving capital efficiency and enhancing shareholder returns.

In addition to the facility-type treasury shares acquisition (ASR), the number of shares to be acquired (upper limit) (defined below) has been determined based on the fact that Hidetoshi Yamamoto, our major shareholder has informed the Company of his intention to sell part of his shareholding in the Company.

2. Details of resolution on purchase of treasury shares (resolution of director council on May 14, 2024)

(1)	Type of stock to be acquired	Shares of our common stock
(2)	Total number of shares that can be acquired	Up to 3,500,000 shares (5.35% of the total number of issued shares (excluding treasury shares))
(3)	Total value of shares repurchased	¥6,500,000,000 (maximum)
(4)	Acquisition period	May 15, 2024
(5)	Acquisition method	Purchase by off-Auction Own Share Repurchase Trading System (ToSTNeT-3) of the Tokyo Stock Exchange

3. Acquisition Methods (Treasury shares Acquisition (ToSTNeT-3) and Treasury shares Acquisition (ASR))

At the closing price (including the final special quotation) of today (May 14, 2024), the company commissioned Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) of the Tokyo Stock Exchange at 8:45 a.m. on May 15, 2024 to purchase a maximum of 3,500,000 shares (hereinafter referred to as the “Treasury shares Acquisition (ToSTNeT-3)”), and the maximum number of shares to be acquired is referred to as the “maximum number of shares to be acquired.” Such purchase order shall be placed only during the relevant trading hours.

In Treasury shares Acquisition (ToSTNeT-3), the Company plans to make sales orders from SMBC Nikko Securities for 1,000,000 of the 3,500,000 shares to be acquired (the number of shares to be sold from such SMBC Nikko Securities is referred to as the “number of shares to be acquired (ASR)” and Treasury shares Acquisition from the Company is referred to as the “Treasury shares Acquisition (ASR).” The actual purchase price of the shares from SMBC Nikko Securities is equal to the arithmetic average of the closing trading volume of our shares on the Tokyo Stock Exchange on the last trading day of each of our quarterly accounting periods (from May 16, 2024 to the trading day prior to the vesting date of the fixed-amount subscription rights or grants of the fixed-amount subscription rights to shares; the same shall apply hereafter) and excluding the trading day before the end of the five trading days prior to the trading day of our shares and the trading day without VWAP of our shares. 98.1% Adjustment transactions using fixed-amount subscription rights to shares and fixed-amount subscription rights to shares (hereinafter referred to as “Adjustment Transactions”) will be conducted between us and SMBC Nikko Securities to equal the prices multiplied (hereinafter referred to as “Average VWAP”). As a result of this reconciliation transaction, the ultimate total purchase of treasury shares or the number of shares to be repurchased may change.

4. About Facility-Type Treasury shares Acquisitions (ASR)

In implementing Purchase of treasury shares, SMBC Nikko Securities proposed Facility-Type Treasury shares Acquisition (ASR) (Treasury shares Acquisition (ASR) and purchase of treasury shares through a series of transactions in the Adjusted Transaction, collectively referred to herein as the “Schemes.” For the reasons stated below, we have determined that purchase of treasury shares is the best option for us to satisfy our need for a substantial amount of treasury shares as a means of returning profits to shareholders. Accordingly, we have decided to acquire a portion of treasury shares (ToSTNeT-3) through a facility-type ASR.

Among purchase of treasury shares methods based on market purchases, there are various methods for acquiring treasury shares through regular auction transactions, such as those ordered individually by us, discretionary account transactions by securities companies, and the use of trust companies. In the case of purchase of treasury shares of the size we are planning this time, considering the trading volume in the market of our shares, it is assumed that both methods will take a certain amount of time before purchase of treasury shares is completed. In addition, unlike the above-mentioned method, the transaction itself ends in one day when the purchase is outsourced to a ToSTNeT-3, but depending on the volume of sales orders by our shareholders, we may not be able to purchase treasury shares of the size that we intended.

In this regard, we will be able to complete treasury shares repurchase transaction of the size we intend to acquire in one day, even if there are few sales orders by ordinary shareholders. In this case, we will be able to purchase treasury shares of the total number of shares to be repurchased (ASR) with a high degree of certainty, as SMBC Nikko Securities plans to place sales orders for the total number of shares to be repurchased (ASR) based on the calculation of treasury, as described below. Although the order for sales of SMBC Nikko Securities has not been finalized at this time, we have obtained confirmation from SMBC Nikko Securities that it is expected that the total number of shares to be acquired (ASR) can be sold by borrowing shares from Mint Co., our major shareholder. In addition, we expect to improve the supply and demand for our shares through the market purchase transaction (as defined below) by SMBC Nikko Securities, which will be conducted after treasury shares acquisition (ASR).

<Summary of the Scheme (Facility-type treasury shares acquisition (ASR))>

The outline of this scheme is as follows.

- On May 15, 2024, we will make a ToSTNeT-3 to purchase treasury shares of up to 3,500,000 shares to be repurchased. At that time, SMBC Nikko Securities will borrow shares from Mint Co., a major shareholder of ours, and then in accordance with treasury shares acquisition (ToSTNeT-3), will make sales orders equal to the number of shares to be acquired (ASR), which is equivalent to 1,000,000 of the above 3,500,000 shares. In addition, we have been informed by our shareholder, Hidetoshi Yamamoto, that he has the intention to sell orders with a portion of our shares held (2,500,000 shares). Accordingly, we expect to be able to acquire treasury shares for ToSTNeT-3 of the planned number of shares to be acquired (ASR) even if ordinary shareholders do not place sales orders for ToSTNeT-3. In ToSTNeT-3, sales orders from ordinary shareholders are given precedence over sales orders based on the calculation of the treasury of SMBC Nikko Securities, a financial merchandise trader. Therefore, if total of the number of shares to be purchased (ASR) exceeds the number of shares to be repurchased (the upper limit), the commitment for sales orders by SMBC Nikko Securities is made only for the number of shares excluding the excess. Accordingly, in the event that ordinary stockholders place sales orders for the number of shares to be purchased (maximum), this Treasury shares acquisition (ASR) will not be conducted through the sale by SMBC Nikko Securities, and neither the amount of investment fixed type share acquisition rights nor the number of shares to be delivered fixed type share acquisition rights will be exercised.
- SMBC Nikko Securities, after treasury shares acquisition (ASR), actually sold to us in treasury shares acquisition (ASR) of our shares borrowed (hereafter, the quantity of such shares is referred to as “the number of shares sold (Nikko)”). We plan to acquire our shares within the stock market at the discretion of SMBC Nikko Securities for the purpose of returning them (hereafter, such transaction is referred to as the “market purchase transaction”).
- This scheme is designed to ensure that our effective unit purchase price equals the average VWAP with respect to shares we acquired from SMBC Nikko Securities through treasury shares acquisition (ASR). Specifically, we will allocate the amount of investment fixed share acquisition rights and the number of shares delivered fixed Share acquisition rights to SMBC Nikko Securities for the adjusted transaction. The adjusted transaction will be executed by SMBC Nikko Securities by exercising either the fixed Share acquisition rights amount of investment or the fixed share acquisition rights number of shares issued, depending on the status of the transition of the mean VWAP. Details of this adjustment transaction are as follows.

- (1) If the average VWAP after treasury shares acquisition (ASR) is higher than the unit price for treasury shares acquisition (ASR) (adjusted transaction by exercise of rights of fixed-type share acquisition rights for investment amount)
- Assuming that SMBC Nikko Securities acquires shares at the average VWAP in the market purchase transaction, the amount received by SMBC Nikko Securities from us at Treasury shares Acquisition (ASR) (the “Amount Received (Nikko)”). Even if SMBC Nikko Securities is used in full, it is not possible to purchase a sufficient number of shares to return the shares borrowed (the number of shares that can be purchased under such assumptions is hereinafter referred to as the “number of shares available for repurchase (mean VWAP).”) Therefore, SMBC Nikko Securities acquires shares equivalent to the shortage of shares by exercising the fixed Share acquisition rights for the amount of investment. The amount of investment at the time of fixed-type exercise of share acquisition rights is ¥1. The number of shares to be delivered to SMBC Nikko Securities upon the exercise of the investment is calculated according to the following formula.

Investments fixed number of shares delivered by share acquisition rights =

Number of shares sold (Nikko) - Number of shares available for acquisition (average VWAP)

(Number of Shares Available for Acquisition (Average VWAP) = Amount Received (Nikko)/Average VWAP)

- As a result of the aforementioned issuance of our shares through the exercise of the fixed Share acquisition rights, the actual number of Purchase of treasury shares that we will acquire under this scheme will be the number of shares purchased by us through ToSTNeT-3 transaction, less the number of shares delivered through the exercise of the fixed Share acquisition rights investment amount.
 - In this Treasury shares Acquisition (ToSTNeT-3), assuming that ASR of the number of shares to be acquired (ASR) does not exceed the maximum number of shares to be acquired (the total number of shares to be acquired (ASR) has been sold based on SMBC Nikko Securities’ own account), Total of the number of shares to be acquired and the number of shares to be acquired (treasury shares acquisition (ASR) will be the same as if we purchased shares at the average treasury shares using the amount of shares to be acquired in the number of shares to be acquired (ASR) by combining the above-mentioned adjusted transactions (however, the amount of capital contribution (¥1) at the time of exercise of the investment fixed amount ToSTNeT-3 is not taken into account).) In addition, if the number of shares to be repurchased (ASR) total exceeds the maximum number of shares to be repurchased, the number of shares of our company to be sold by SMBC Nikko Securities based on the calculation of treasury will be deducted from the excess. As a result, the number of shares of treasury shares repurchased subject to the adjusted transaction will be reduced, and the maximum number of shares to be delivered by the fixed capital contribution share acquisition rights will be reduced.
 - In this event, the fixed-number share acquisition rights will not be exercised and will be surrendered by SMBC Nikko Securities.
- (2) If the average VWAP after treasury shares acquisition (ASR) is lower than the unit price for treasury shares acquisition (ASR) (adjusted transaction by exercise of rights of fixed-number of shares delivered share acquisition rights)
- In this case, assuming that SMBC Nikko Securities acquires shares at the average VWAP in the market purchase transaction, SMBC Nikko Securities may purchase the quantity required to return the shares borrowed by Nikko Securities without using the full amount (amount received) (Nikko) received from us at treasury shares acquisition (ASR) (the amount required for the purchase is referred to herein as the “average VWAP amount required for purchase”).) For this reason, SMBC Nikko Securities exercises the fixed-number-of-shares-delivered share acquisition rights and pays the amount equivalent to the surplus to us as consideration for the exercise. The number of shares to be delivered related to the fixed-number Exercise of share acquisition rights is 100 shares, and the amount of money (exercise price) to be delivered to us upon such exercise is calculated by the following formula.

Number of shares delivered fixed type exercise of share acquisition rights value =

Amount received (Nikko) - Amount required to be purchased (mean VWAP)

(Amount required to be purchased (average VWAP) = Number of shares sold (Nikko) × Average VWAP)

- As a consequence of the payment of the exercise price related to the exercise of the aforementioned fixed-number Share acquisition rights, the total actual purchase price of treasury shares to be acquired by us under this scheme is the total purchase price paid by us through ToSTNeT-3 transaction, less the fixed-number-of-shares-delivered exercise

of share acquisition rights price.

- In this treasury shares acquisition (ASR), assuming that ASR of the number of shares to be acquired (ASR) does not exceed the maximum number of shares to be acquired (the total number of shares to be acquired (ASR) has been sold based on SMBC Nikko Securities' own account), Total will be the same as if we bought 1,000,000 shares of the number of shares to be acquired (treasury shares) at the mean VWAP by combining this treasury shares acquisition (ASR) with the above-mentioned adjusted transaction (however, we do not consider the 100 shares to be issued upon exercise of the above-mentioned fixed number of shares ASR). In addition, if the number of shares to be repurchased (ASR) total exceeds the maximum number of shares to be repurchased, the number of shares of our company to be sold by SMBC Nikko Securities based on the calculation of treasury will be deducted from the excess, resulting in a reduction in the number of shares of treasury shares repurchased subject to the adjusted transaction and a reduction in the maximum number of shares to be delivered fixed exercise of share acquisition rights value.
- In this event, the fixed-amount Share acquisition rights will not be exercised and will be surrendered by SMBC Nikko Securities.

Exercise of either of the above-mentioned fixed-amount share acquisition rights or fixed-amount share acquisition rights is expected to occur between August 1, 2024 and September 24, 2024, the period during which the fixed-amount exercise of share acquisition rights is available. We intend to disclose the final results of the adjusted transaction separately; however, depending on the results, the ultimate total purchase of treasury shares or the number of shares acquired may change. In the unlikely event that the average VWAP after treasury shares acquisition (ASR) is equal to the unit price for treasury shares acquisition (ToSTNeT-3), SMBC Nikko Securities will surrender both the fixed investment amount share acquisition rights and the fixed number of shares delivered.

5. Issuance of share acquisition rights by Third Party Allocation

<Fourth Share acquisition rights (Fixed-type Share acquisition rights for investment amount)>

(1) Allocation Date	May 30, 2024
(2) Total number of Share acquisition rights	1 pc
(3) Issue price	0 yen
(4) Potential number of shares resulting from such issuance	The actual number of shares to be delivered is calculated by the method described in (7) below at the time of the exercise of the fixed Share acquisition rights investment amount.
(5) Amount of proceeds	0 yen * Amount of investment total amount of the fixed Issuance of share acquisition rights value and the value of the property to be invested upon fixed Exercise of share acquisition rights is 1 yen, but after deducting the approximate amount of issuance costs related to this Share acquisition rights, the amount is 0 yen.
(6) Exercise price	1 yen
(7) Calculation method for the number of shares to be delivered at the time of exercise	The actual number of shares to be delivered at the time of the fixed investment Exercise of share acquisition rights is calculated on the exercise date of the fixed investment Share acquisition rights based on the following formula: Number of shares delivered = (I)Number of shares sold (Nikko) - (II) Number of shares available for repurchase (mean VWAP) (I) "Number of shares sold (Nikko)" is the number of shares sold to us by SMBC Nikko Securities in Treasury shares repurchase (ASR). (II) "Number of shares available for repurchase (average VWAP)" is the number of shares calculated in accordance with the following formula (rounded up to the nearest 100 shares resulting from the computation):

	<p>Number of shares available for repurchase (avg. VWAP) = $\frac{\text{(a) Amount received (Nikko)}}{\text{(b) Mean VWAP}}$</p> <p>(a) “Amount received (Nikko)” is Total amount of the sales of shares sold by SMBC Nikko Securities to us on a treasury account in this Treasury shares repurchase (ASR).</p> <p>(b) “Average VWAP” is the price obtained by multiplying the simple arithmetic average of VWAP on the last day of the ordinary trading of our shares on the Tokyo Stock Exchange for the period from May 16, 2024 (including the same day) to the trading day immediately before the exercise date of the fixed-investment Share acquisition rights (including the same day) (hereinafter referred to in this column as the “average VWAP calculation period”), by 98.1% (calculated to the fifth decimal place below the yen and rounded to the fifth decimal place). However, we do not include the period from the last trading day of each of our quarterly fiscal periods through the last trading day of the five trading days prior to the last trading day of the same period and the trading days without VWAP of our shares in the averaging VWAP calculation period.</p>
(8) Solicitation or Allotment Method (Scheduled allotment counterparties)	Third-party allotment to SMBC Nikko Securities
(9) Other	<p>Equity Investments Fixed Share acquisition rights vest over the period from August 1, 2024 to September 24, 2024.</p> <p>On this date, we entered into a facility agreement with SMBC Nikko Securities (the “Facility Agreement”), which provides that SMBC Nikko Securities may not exercise, and will waive, its decision to exercise, one of the Fixed-Capitalization Share acquisition rights and the Fixed-Capitalization Share acquisition rights. In addition, we intend to enter into an agreement with SMBC Nikko Securities for the purchase of Share acquisition rights after the entry into force of the notification under Financial Instruments and Exchange Act relating to this Share acquisition rights (hereinafter referred to as the “Share acquisition rights Purchase Agreement”). This Share acquisition rights Purchase Agreement stipulates that SMBC Nikko Securities may not transfer this Share acquisition rights to any third party other than us without our prior written consent, and in no event shall only one of the capital contribution fixed Share acquisition rights and the number of shares delivered fixed type Share acquisition rights be transferred.</p>

<Fifth Share acquisition rights (number of shares delivered fixed share acquisition rights)>

(1) Allocation Date	May 30, 2024
(2) Total number of Share acquisition rights	1 pc
(3) Issue price	0 yen
(4) Potential number of shares resulting from such issuance	100 shares
(5) Amount of proceeds	The actual amount of proceeds will be reduced based on the exercise price calculated by the method described in (6) below.
(6) Calculation method of exercise price	<p>The actual exercise price at the time of Exercise of share acquisition rights of fixed-number share issuance will be calculated based on the following formula (fractions less than one yen resulting from the calculation will be rounded up to the nearest one yen, and one yen if the calculation result is less than one yen) on the date of exercise of the fixed-number-of-share issuance Share acquisition rights:</p> <p>Exercise price = (I) Amount received (Nikko) – (II) Amount required to be purchased (mean</p>

	<p>VWAP)</p> <p>(I) “Amount received (Nikko)” is Total amount of the sales of shares sold by SMBC Nikko Securities to us on a treasury account in this Treasury shares repurchase (ASR).</p> <p>(II) “Amount required for purchase (mean VWAP)” is the amount calculated according to the following formula.</p> <p>Amount required to be purchased (average VWAP) = (a) Number of shares sold (Nikko) ×(b) Average VWAP</p> <p>(a) “Number of shares sold (Nikko)” is the number of shares sold to us by SMBC Nikko Securities in Treasury shares repurchase (ASR).</p> <p>(b) “Average VWAP” is the price obtained by multiplying the simple arithmetic average of VWAP on the last day of the ordinary trading of our shares on the Tokyo Stock Exchange for the period from May 16, 2024 (including the same date) to the trading day immediately before the exercise date of the fixed-number Share acquisition rights for shares delivered (including the same date) (hereinafter referred to as the “average VWAP calculation period” in this column) by 98.1% (calculated to five decimal places below the yen and rounded to five decimal places). However, we do not include the period from the last trading day of each of our quarterly fiscal periods through the last trading day of the five trading days prior to the last trading day of the same period and the trading days without VWAP of our shares in the averaging VWAP calculation period.)</p>
(7) Solicitation or Allotment Method (Scheduled allotment counterparties)	Third-party allotment to SMBC Nikko Securities
(8) Other	<p>The vesting period for the fixed-number Share acquisition rights is from August 1, 2024 to September 24, 2024.</p> <p>See “<Other Fourth Share acquisition rights (Equity Fixed Share acquisition rights)>(9) Other” above for information regarding the signing of the Facility Agreement and Share acquisition rights Purchase Agreement.</p>

<About the Facility Agreement>

Under the Facility Agreement, SMBC Nikko Securities is required to exercise either a fixed-amount Share acquisition rights or a fixed-number-of-shares Share acquisition rights within the exercisable period, subject to certain circumstances. Specifically, SMBC Nikko Securities shall exercise either the acquisition unit price for the acquisition of treasury shares (ASR) and the average VWAP after the acquisition of treasury shares (ASR) as described above within the exercisable period of the acquisition unit price for the acquisition of treasury shares and the acquisition right for the fixed number of shares with the issuance of shares after the completion of the purchase transaction (provided, however, that SMBC Nikko Securities shall waive both the acquisition unit price for the acquisition of treasury shares (ASR) and the acquisition unit price for the fixed number of shares with the issuance of shares if the average VWAP after the acquisition of treasury shares (ASR) is the same as the acquisition unit price for the acquisition of treasury shares (ASR), and if such waiver is made, The Investment Amount Fixed Share Options and the Number of Shares to be Delivered Fixed Share Options are not exercised.) In addition, SMBC Nikko Securities is not allowed to exercise one of the fixed-amount Share acquisition rights and the fixed-amount Share acquisition rights to be delivered, or to be waived, when exercised. The Purchase Transaction by SMBC Nikko Securities will be conducted at the discretion of SMBC Nikko Securities, including whether or not to conduct the Purchase, the timing and prices of the Purchase.