

## 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.

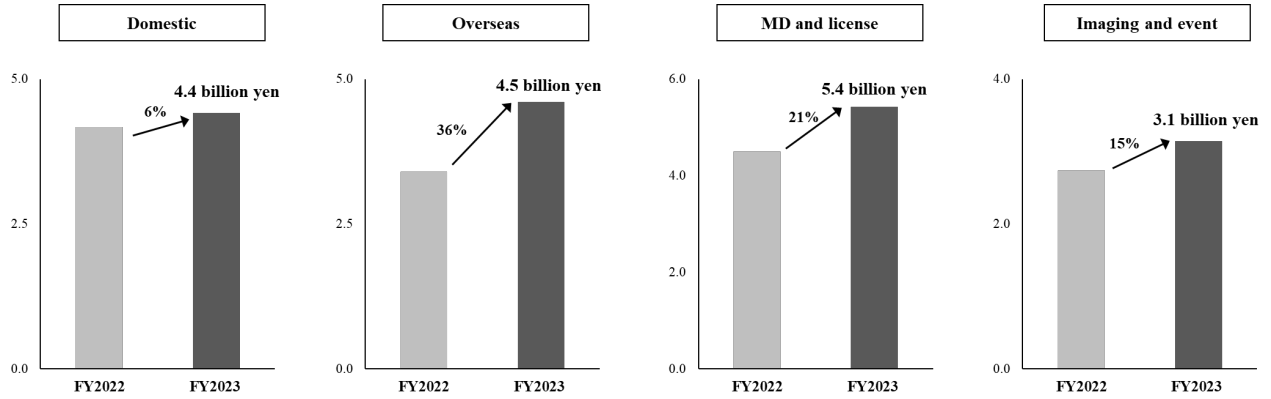
In Japan, the *Ultra Hero's EXPO* and *TSUBURAYA CONVENTION* events for fans held during the summer and winter holidays were both popular and tickets sold out, and merchandise sales were strong. Many foreign Ultraman fans visited official shops handling Ultraman goods in search of original merchandise.

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.

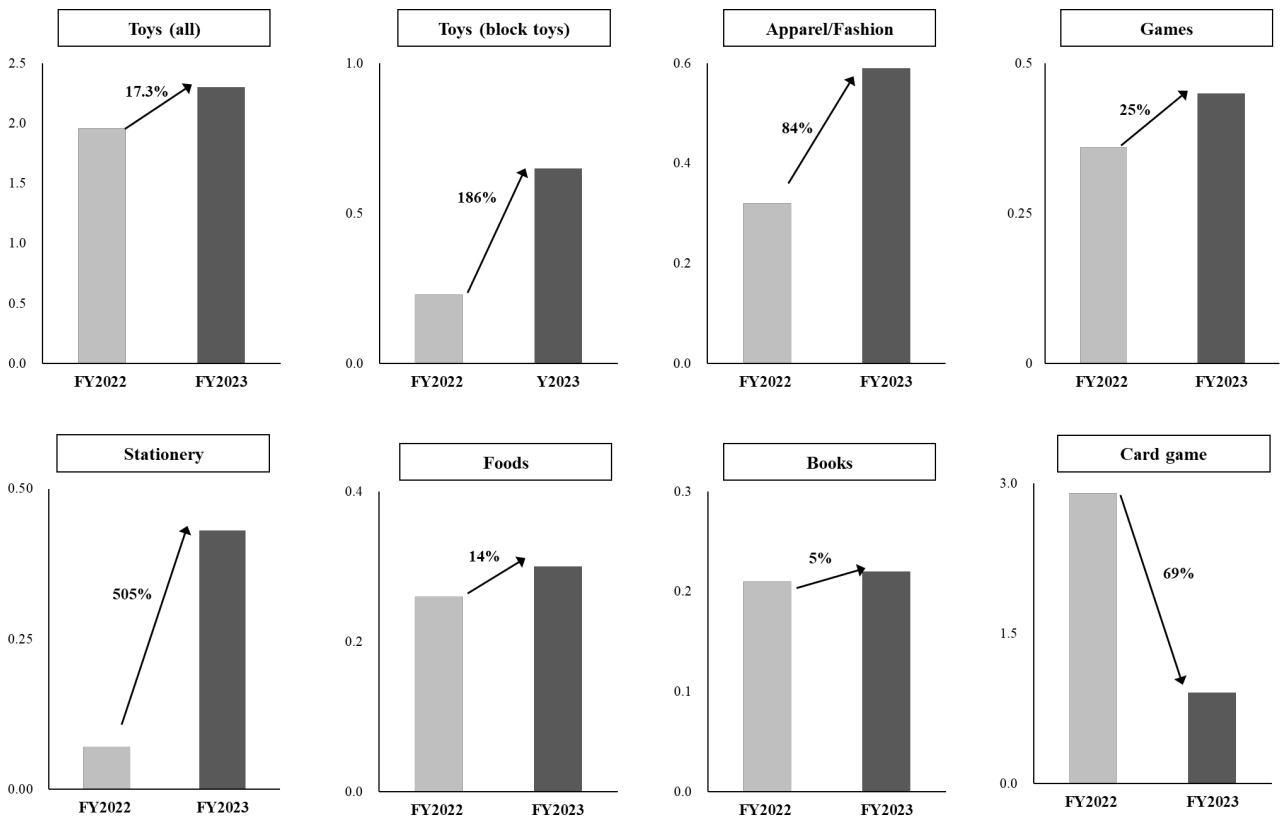
(Unit: billions of yen)

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.