

TSUBURAYA FIELDS HOLDINGS

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Summary

(Translation)
August 9, 2024

TSUBURAYA FIELDS HOLDINGS INC. Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: TSUBURAYA FIELDS HOLDINGS INC.
(URL: <https://www.tsuburaya-fields.co.jp/e/>)
Listing: Tokyo Stock Exchange
Securities code: 2767
URL: <https://www.tsuburaya-fields.co.jp/e/>
Representative: Hidetoshi Yamamoto, President and Group CEO
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: No

(Yen amounts are rounded down to millions)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	26,176	(13.7)	2,519	24.4	3,328	52.3	1,696	22.6
June 30, 2023	30,335	268.0	2,025	986.0	2,185	650.4	1,384	—

(Note) Comprehensive income For the three months ended June 30, 2024: ¥ 2,622 million [(6.6) %]
For the three months ended June 30, 2023: ¥ 2,807 million [924.0 %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	26.90	26.86
June 30, 2023	21.17	21.11

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	88,982	49,951	45.6
March 31, 2024	98,280	55,986	48.6

(Reference) Equity As of June 30, 2024: ¥ 40,616 million
As of March 31, 2024: ¥ 47,727 million

(Note) "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022) and other have been applied from the beginning of the Q1 of the FY2024. Figures for the FY2023 have been retroactively adjusted.

2. Cash dividends

	Annual dividends				
	Q1-end	Q2-end	Q3-end	Fiscal year-end	Total
Fiscal year ended March 31, 2024	Yen	Yen	Yen	Yen	Yen
	-	0.00	-	40.00	40.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)	-	0.00	-	40.00	40.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

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

(Note) Revision of the most recently released performance forecasts: None

The average number of shares outstanding during the period, which is the basis for calculating "basic earnings per share," is the number of issued shares as of March 31, 2024 (excluding treasury shares).

***Notes**

- (1) Changes in significant subsidiaries during the period: None
- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons other than (3) (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

- (4) Number of issued shares (common shares)

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

As of June 30, 2024	65,429,150 shares
As of March 31, 2024	69,400,000 shares

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

As of June 30, 2024	3,500,000 shares
As of March 31, 2024	3,970,850 shares

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

Three months ended June 30, 2024	63,082,996 shares
Three months ended June 30, 2023	65,414,424 shares

* Review of the accompanying quarterly consolidated financial statements by a certified public accountant or an auditing firm: None

* 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.

For the assumptions underlying the forecasts, please refer to *1. Qualitative information on the quarterly financial results (1) Financial results* on page two and *(2) Earnings forecasts* on page five.

(How to obtain supplementary materials on financial results)

Briefings for institutional investors and analysts will not be held in the Q1 of the current fiscal year, but materials distributed at regular briefings will be posted on our website immediately after the financial results are announced.

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1. Qualitative information on the quarterly financial results

(1) Financial results

Two years have already passed since Russia's military invasion of Ukraine, and there is still no sign of a solution. Furthermore, Israel's conflict in Gaza Strip, Palestine has spread to neighboring countries, raising tensions in the Middle East region, and there are concerns about the impact on the world economy as a whole. In addition, the outlook for the Japanese economy is difficult to predict due to factors such as the yen exchange rate and volatile stock market fluctuations caused by concerns about the peak out of the U.S. economy.

On the other hand, the content business originating in Japan, which is gaining worldwide popularity, is becoming increasingly popular in the world as a new core industry. Against this backdrop, we are aggressively building our foundation as a global content business company based on our corporate philosophy of *The Greatest Leisure for All People*, and we are steadily producing results.

Tsuburaya Productions Co., Ltd. (hereinafter, "TPD"), which plays a central role in the content and digital business, launched its medium-term management plan starting in FY2024. Under this medium-term management plan, we are pursuing various measures aimed at establishing a global content business, with the following five pillars: i . establishing an internal structure in line with global expansion, ii . reframing our merchandise distribution network with global perspective and building new distribution network, iii . strengthening the development of Ultraman series merchandise, iv . development of a variety of IP merchandise other than Ultraman and v . developing new visual products.

To establish an internal structure in line with global expansion, we have invited a diverse range of professional personnel to our head office and subsidiaries, in North America and Singapore. Each of these personnel works together to conduct fundamental reframing of our merchandise distribution network and building new distribution network. In China, a theme park centered on Ultraman area was newly established, and touch points have been further expanded, and the popularity of Ultraman has become a favorable chain for merchandising, and merchandise development for a wide range of consumers is expanding.

In October, new trading card game will be launched simultaneously in 15 countries to strengthen Ultraman series' merchandise capabilities. We invited a group of experienced personnel to form a project team, and made preparations across the board from planning and development to launch. Orders launched in June have been steady. Domestically, orders have expanded to card specialty stores, major distributors, mass merchandisers, and convenience stores. Overseas, orders from North America and the Asia region have been brisk. By leveraging our extensive ties with distributors worldwide, we will expand the distribution of a wide range of merchandise as well as card games.

As a new video work, Netflix film *Ultraman: Rising* was released on global simultaneous distribution on June 14. In addition to becoming the second largest viewer ranking on a global basis in the week of its release, it has since been well received, ranking it in the top 10 in 69 countries. As a result, Ultraman is becoming increasingly popular in the North American region, and we will cultivate the North American market as the next pillar of our global merchandising development after China and Asia.

In PS business, we are working to acquire attractive IP and develop pachinko/ pachislot (hereinafter, "PS") machines which meets PS fans' expectations to grow medium-to-long-term.

In light of the latest market trends, FIELDS CORPORATION (hereinafter, "FIELDS") focused on strengthening merchandise capabilities for deliveries during the fiscal year in the Q1. From the Q2 onward, we plan to bring these products to market at the best possible time.

ACE DENKEN Co., Ltd. (hereinafter, "ACE DENKEN"), which has newly joined our group, is a leading company in the installation of equipment for pachinko halls, including the island refueling system. It has built up a track record of reliability and achievements by responding to every need of pachinko halls nationwide. ACE DENKEN and FIELDS will work to bring significant benefits to the industry through collaboration.

As a consequence, the Group's consolidated results for the Q1 of this fiscal year were as follows: net sales ¥26,176 million (down 13.7% YoY), operating profit ¥2,519 million (up 24.4% YoY), ordinary profit ¥3,328 million (up 52.3% YoY), and profit attributable to owners of parent ¥1,696 million (up 22.6% YoY).

An overview of each business segment in the Q1 of the fiscal year under review is as follows.

Content and digital business segment

The status of TPD, which is the core of the content and digital business, in the Q1 is as follows.

Both sales and income increased from the same period of the previous fiscal year, mainly due to increased revenue from overseas MD and license.

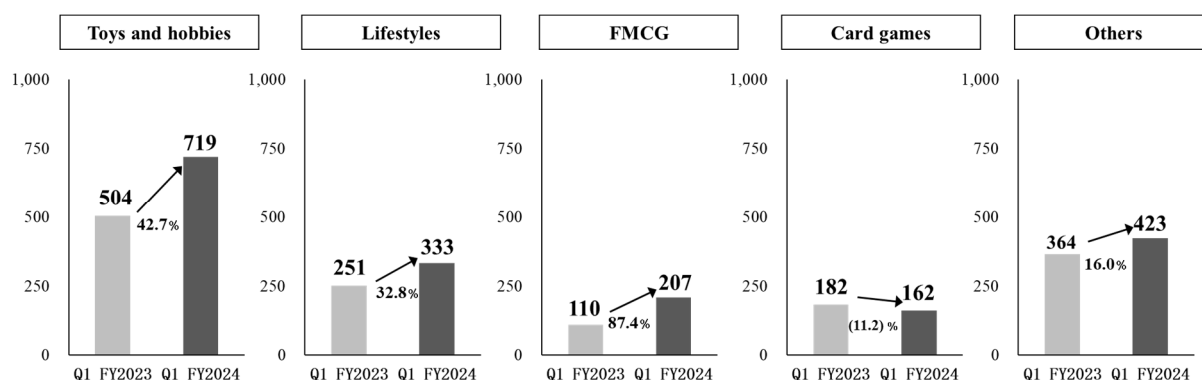
MD and license| ¥1,845 million (+30.6% YoY)

Merchandising in China has expanded to include low-priced toys and food products, in addition to block toys, card games, stationery, and apparel. As a result, revenues from MD and license increased 30.6% YoY, steadily penetrating the broader merchandise lineup of consumers. In particular, revenues from overseas MD and license, mainly in China, increased 49.1% YoY.

Results by merchandise category are as follows.

- i. Toys and hobbies: Increased by 42.7% YoY to ¥719 million due to growth in licensing revenues from block toys and new low-priced toys.
- ii. Lifestyles: Increased by 32.8% to ¥333 million due to growth in licensing revenues mainly for children's apparel and stationery.
- iii. FMCG*: Sales rose 87.4% to ¥207 million, as the expansion of food-related merchandise led to growth in licensing revenues. *Fast Moving Consumer Goods- Daily consumer goods (food, beverages, etc.)
- iv. Card games: Licensing revenue from existing card games remained unchanged from the previous fiscal year, at ¥162 million (down 11.2% YoY).
- v. Others: Revenues from licensing of game collaborations and other products contributed to sales, rising 16% YoY to ¥423 million.

(Unit: Millions of yen)



Imaging and event| ¥615 million (+6.7% YoY)

In the imaging business, sales and distribution of programs in North America and other regions progressed. In the live-event business, we promoted promotional measures ahead of the broadcasting and distribution of *Ultraman: Rising* and *ULTRAMAN ARC*. In addition, we held a successful event in Shibuya, Tokyo to commemorate the 15th anniversary of *Ultraman Zero*, a popular character, and many fans from not only domestic but also abroad visited and enjoyed the event.

[Trends in major business revenues of TPD] (Unit: millions of yen)

	Apr.-Jun. 2023 (Previous Q1)	Apr.-Jun. 2024 (Current Q1)	YoY change (%)
Net sales of TPD	1,922	2,419	+25.9%
MD and license revenues	1,413	1,845	+30.6%
Overseas MD and license revenues	952	1,420	+49.1%
Domestic MD and license revenues	461	425	(7.7)%
Imaging and events revenues	576	615	+6.7%

[Breakdown of TPD's revenue by region] (Unit: millions of yen)

	Apr.-Jun. 2023 (Previous Q1)	Apr.-Jun. 2024 (Current Q1)	YoY change (%)
Overseas revenues	1,111	1,653	+48.8%
Domestic revenues	878	807	(8.1)%

Digital Frontier Inc. is steadily developing large-scale anime movies and game-related projects on a consignment basis, in addition to VFX production for Netflix titles such as *City Hunter*, leveraging its state-of-the-art CG video production technology. Furthermore, we are accelerating initiatives in new fields by utilizing digital human technology which replicates humans in CG in real life, such as commercials and deployment on metaverses, and a VTuber project *cage* based on digital dolls produced with state-of-the-art 3DCG.

As a consequence, the content and digital business segment recorded consolidated results for the Q1 of this fiscal year of net sales of ¥3,598 million, up 14.9% YoY, and operating profit of ¥1,048 million, up 33.6% YoY.

PS business segment

FIELDS implemented the aforementioned initiatives, resulting in PS sales results for the Q1 as shown in the table below. In addition, ACE DENKEN saw a rise in installation work, supported by the benefits of joining our group, and also benefited from a response to new banknote-compatible equipment, which boosted earnings in PS business.

As a consequence, PS business segment posted consolidated results for the Q1 of the fiscal year under review of net sales ¥22,290 million, down 17.4% YoY, and operating profit of ¥2,057 million, up 9.3% YoY.

[PS unit sales in PS business segment]

	Apr.-Jun. 2023 (Previous Q1)	Apr.-Jun. 2024 (Current Q1)	YoY change (%)
Pachinko	42,909 units	8,615 units	(79.9) %
Pachislot	17,488 units	20,676 units	+18.2%
Total	60,397 units	29,291 units	(51.5) %

[Major sales titles for the FY2024]

Classification	Timing of sales	Month of delivery	Major sales titles (* PB: private brands)	Smart PS	Unit Sales (thousand units)	
Pachinko	Q1	-	Other series machines, increased production, etc.			8
	Q2 onward	October	<i>P Uchū Senkan Yamato 2202 Super Wave</i>		On sale	
Pachislot	Q1	April	<i>L Godzilla vs EVANGELION</i> (increased production)	○	7	20
		April	<i>Smart Slot STRIKE THE BLOOD</i>	○	-	
		May	<i>L Ultraman Tiga</i>	○	-	
		June	<i>Smart slot STREET FIGHTER V The way of the challenger</i>	○	5	
		-	Others		-	
	Q2 onward	July	<i>L AKAME GA KILL! 2 (PB)</i>	○	On sale	
	October	<i>L SHIN IKKITOUSEN</i>	○	On sale		
Total						29

*Sales figures for titles with less than 10,000 units for pachinko and less than 5,000 units for pachislot are not disclosed.

Other business

In other business, consolidated results for the Q1 of the fiscal year under review were net sales ¥413 million and operating profit ¥7 million.

(2) Earnings forecasts

As mentioned above, the business performance of each segment is steady, and the consolidated earnings forecast for the fiscal year ending March 31, 2025 remains unchanged from that announced on May 14.

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

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

(Note 3) [MD and license revenues] and [Imaging and events revenues] are partially revised and reflected.

(3) Overview of financial position

(Assets)

Current assets decreased by ¥9,203 million from the end of the previous fiscal year to ¥55,644 million. This was mainly due to a decrease in cash and deposits.

Property, plant and equipment increased by ¥0 million from the end of the previous fiscal year to ¥9,441 million.

Intangible assets decreased by ¥9 million from the end of the previous fiscal year to ¥2,393 million. This was mainly due to a decrease in goodwill.

Investments and other assets decreased by ¥85 million from the end of the previous fiscal year to ¥21,502 million. This was mainly due to a decrease in investments in capital included in other.

Consequently, Assets decreased by ¥9,297 million from the end of the previous fiscal year to ¥88,982 million.

(Liabilities)

Current liabilities decreased by ¥1,935 million from the end of the previous fiscal year to ¥28,674 million. This was mainly due to a decrease in income taxes payable.

Non-current liabilities decreased by ¥1,327 million from the end of the previous fiscal year to ¥10,355 million. This was mainly due to a decrease in long-term borrowings.

Consequently, liabilities decreased by ¥3,263 million from the end of the previous fiscal year to ¥39,030 million.

(Net assets)

Net assets decreased by ¥6,034 million from the end of the previous fiscal year to ¥49,951 million. This was mainly due to a decrease in purchase of treasury shares, a decrease in retained earnings due to dividends paid, and an increase in retained earnings due to the recording of quarterly profit attributable to owners of the parent.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the Q1 of the current fiscal year decreased by ¥12,872 million from the end of the previous fiscal year to ¥21,942 million.

(Cash flows from operating activities)

Net cash used in operating activities was ¥2,739 million, compared with net cash used of ¥436 million in the same period of the previous fiscal year. This was mainly due to profit before income taxes of ¥3,328 million, an increase of inventories of ¥2,858 million, and income taxes paid of ¥2,426 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥658 million, compared with net cash used of ¥1,093 million in the same period of the previous fiscal year. This was mainly due to purchase of non-current assets of ¥245 million and purchase of shares of subsidiaries and associates of ¥137 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥9,476 million, compared with net cash used of ¥1,641 million in the same period of the previous fiscal year. This was mainly due to purchase of treasury shares of ¥6,310 million and dividends paid of ¥2,554 million.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheets

(Unit: millions of yen)

	Previous consolidated fiscal year (as of March 31, 2024)	Q1 of current consolidated fiscal year (as of June 30, 2024)
Assets		
Current assets		
Cash and deposits	34,914	22,042
Notes and accounts receivable - trade, and contract assets	10,391	11,385
Electronically recorded monetary claims - operating	2,744	3,411
Merchandise and finished goods	142	532
Work in process	6,296	8,663
Raw materials and supplies	3,816	3,583
Merchandise rights	2,123	2,329
Other	4,451	3,732
Allowance for doubtful accounts	(31)	(35)
Total current assets	64,848	55,644
Non-current assets		
Property, plant and equipment		
Land	5,360	5,360
Other	4,079	4,080
Total property, plant and equipment	9,440	9,441
Intangible assets		
Goodwill	1,395	1,325
Other	1,007	1,067
Total intangible assets	2,402	2,393
Investments and other assets		
Investment securities	13,131	13,181
Long-term loans borrowings	1,802	1,793
Other	8,033	7,897
Allowance for doubtful accounts	(1,379)	(1,369)
Total investments and other assets	21,588	21,502
Total non-current assets	33,431	33,337
Total assets	98,280	88,982
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,961	11,127
Electronically recorded monetary claims - operating	1,460	1,557
Short-term borrowings	6,000	6,000
Current portion of long-term borrowings	2,400	2,031
Income taxes payable	2,414	522
Provision for bonuses	758	441
Provision for bonuses for directors (and other officers)	216	-
Other	6,400	6,993
Total current liabilities	30,610	28,674
Non-current liabilities		
Long-term borrowings	5,503	4,191
Provision for retirement benefits for directors (and other officers)	169	32
Retirement benefit liability	1,447	1,474
Asset retirement obligations	1,331	1,332
Other	3,230	3,325
Total non-current liabilities	11,682	10,355
Total liabilities	42,293	39,030

(Unit: millions of yen)

	Previous consolidated fiscal year (as of March 31, 2024)	Q1 of current consolidated fiscal year (as of June 30, 2024)
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,390	7,390
Retained earnings	33,942	28,916
Treasury shares	(1,631)	(3,721)
Total shareholders' equity	47,649	40,534
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	43
Foreign currency translation adjustment	2	3
Remeasurements of defined benefit plans	37	36
Total accumulated other comprehensive income	78	82
Share acquisition rights	203	247
Non-controlling interests	8,055	9,087
Total net assets	55,986	49,951
Total liabilities and net assets	98,280	88,982

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

Quarterly consolidated statements of income

Q1 of the year ending March 31, 2025

(Unit: millions of yen)

	Q1 of previous consolidated fiscal year (April 1, 2023 to June 30, 2023)	Q1 of current consolidated fiscal year (April 1, 2024 to June 30, 2024)
Net sales	30,335	26,176
Cost of sales	24,942	19,571
Gross profit	5,392	6,604
Selling, general and administrative expenses	3,367	4,085
Operating profit	2,025	2,519
Non-operating income		
Interest income	2	4
Dividend income	128	7
Purchase discounts	-	19
Share of profit of entities accounted for using equity method	13	725
Other	44	78
Total non-operating income	188	834
Non-operating expenses		
Interest expenses	14	17
Foreign exchange losses	5	-
Depreciation	4	6
Other	3	1
Total non-operating expenses	27	25
Ordinary profit	2,185	3,328
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	2	0
Total extraordinary losses	2	0
Profit before income taxes	2,183	3,328
Income taxes	543	711
Profit	1,640	2,617
Profit attributable to non-controlling interests	255	920
Profit attributable to owners of parent	1,384	1,696

Quarterly consolidated statements of comprehensive income

Q1 of the year ending March 31, 2025

(Unit: millions of yen)

	Q1 of previous consolidated fiscal year (April 1, 2023 to June 30, 2023)	Q1 of current consolidated fiscal year (April 1, 2024 to June 30, 2024)
Profit	1,640	2,617
Other comprehensive income		
Valuation difference on available-for-sale securities	1,166	5
Foreign currency translation adjustment	1	1
Remeasurements of defined benefit plans, net of tax	(1)	(1)
Share of other comprehensive income of entities accounted for using equity method	-	(0)
Total other comprehensive income	1,166	5
Comprehensive income	2,807	2,622
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,548	1,701
Comprehensive income related to non-controlling interests	258	921

(3) Quarterly consolidated statements of cash flows

(Unit: millions of yen)

	Q1 of previous consolidated fiscal year (April 1, 2023 to June 30, 2023)	Q1 of current consolidated fiscal year (April 1, 2024 to June 30, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	2,183	3,328
Depreciation	189	238
Amortization of goodwill	71	70
Investments in capital depreciation	176	111
Increase (decrease) in allowance for doubtful accounts	(18)	(5)
Increase (decrease) in provision for bonuses	(141)	(316)
Increase (decrease) in provision for bonuses for directors (and other officers)	(159)	(216)
Increase (decrease) in retirement benefit liability	15	25
Interest and dividend income	(131)	(12)
Interest expenses	14	17
Share of loss (profit) of entities accounted for using equity method	(13)	(725)
Decrease (increase) in trade receivables	1,330	(1,661)
Decrease (increase) in inventories	(3,610)	(2,858)
Decrease (increase) in accounts receivable - other	(2,359)	771
Increase (decrease) in trade payables	3,690	282
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(992)	(717)
Other, net	668	1,065
Subtotal	914	(603)
Interest and dividends received	130	308
Interest paid	(14)	(17)
Income taxes refund (paid)	(1,467)	(2,426)
Net cash provided by (used in) operating activities	(436)	(2,739)
Cash flows from investing activities		
Purchase of property, plant and equipment	(342)	(170)
Proceeds from sale of property, plant and equipment	-	0
Purchase of intangible assets	(93)	(74)
Purchase of investment securities	(389)	(17)
Proceeds from sale of investment securities	13	9
Purchase of shares of subsidiaries and associates	(141)	(137)
Loan advances	(220)	(11)
Proceeds from collection of loans receivable	2	21
Other, net	78	(277)
Net cash provided by (used in) investing activities	(1,093)	(658)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	651	-
Proceeds from long-term borrowings	750	-
Repayments of long-term borrowings	(1,112)	(599)
Purchase of treasury shares	(0)	(6,310)
Dividends paid	(1,922)	(2,554)
Other, net	(7)	(11)
Net cash provided by (used in) financing activities	(1,641)	(9,476)
Effect of exchange rate change on cash and cash equivalents	1	1
Net increase (decrease) in cash and cash equivalents	(3,169)	(12,872)
Cash and cash equivalents at beginning of period	36,497	34,814
Cash and cash equivalents at end of period	33,327	21,942

(4) Notes regarding the quarterly consolidated financial statements

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

Not applicable.

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

(Purchase of treasury shares)

At board of directors held on May 14, 2024, we passed a resolution regarding matters related 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, and made a purchase of treasury shares of 3,500,000 shares as of May 15, 2024. Consequently, treasury shares increased by ¥6,310 million in the Q1 of the current fiscal year.

(Cancellation of treasury shares)

At board of directors held on May 14, 2024, we resolved to conduct cancellation of treasury shares in accordance with Article 178 of the Companies Act, and on May 31, 2024, we cancelled 3,970,850 shares. Consequently, retained earnings and treasury shares decreased by ¥4,221 million in the Q1 of the current fiscal year.

Consequently, treasury shares at the end of the Q1 under review was ¥3,721 million.

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

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to income before income taxes for the consolidated fiscal year, including the Q1 under review, and multiplying the quarterly profit or loss before income taxes by this estimated effective tax rate.

(Changes in accounting policies)

(Application of the Accounting Standard for Income taxes - current, etc.)

The "Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard, 2022") and others have been applied from the beginning of the Q1 of the current fiscal year.

Revisions to the classification of income taxes for recording (other comprehensive income taxation) are made in accordance with the transitional treatment stipulated in Article 20-3 of the Revised Accounting Standard 2022 and the transitional treatment stipulated in Article 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Implementation Guidance"). This change in accounting policy had no impact on the quarterly consolidated financial statements.

In addition, the Company has applied the 2022 Revised Implementation Guidance from the beginning of the Q1 of the current fiscal year with respect to revisions related to the treatment in the consolidated financial statements for deferring gains and losses on sales of shares of subsidiaries, etc. arising from sales of subsidiaries, etc. among consolidated companies for tax purposes. These changes in accounting policies are applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous fiscal year and for the previous fiscal year have been applied retrospectively. As a consequence, compared with before the retroactive application, "Other" in investments and other assets for the previous fiscal year increased by 140 million yen and "Retained earnings" increased by 140 million yen.

There was no impact on ordinary profit, profit before income taxes, quarterly profit and quarterly profit attributable to owners of the parent in the consolidated statement of income for the previous quarter and the Q1 of the current fiscal year.

(Segment information, etc.)

[Segment information]

I. Three months ended June 30, 2023 (April 1, 2023 - June 30, 2023)

Information on net sales and profit (loss) by reporting segment

(Unit: millions of yen)

	Reporting 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	3,031	26,903	29,934	400	30,335	—	30,335
Intersegment net sales or transfers	99	71	171	2	173	(173)	—
Total	3,131	26,974	30,105	403	30,509	(173)	30,335
Segment profit (loss)	785	1,882	2,667	9	2,677	(652)	2,025

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

2. The ¥(652) million of adjustment to segment profit includes the elimination of inter-segment transactions of ¥(10) million and corporate expenses of ¥(641) million not allocated to each reporting segment.

3. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

II. Three months ended June 30, 2024 (April 1, 2024 - June 30, 2024)

i. Information on net sales and profit (loss) by reporting segment

(Unit: millions of yen)

	Reporting 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	3,522	22,240	25,762	413	26,176	—	26,176
Intersegment net sales or transfers	76	50	126	—	126	(126)	—
Total	3,598	22,290	25,889	413	26,303	(126)	26,176
Segment profit (loss)	1,048	2,057	3,106	7	3,114	(594)	2,519

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

2. The ¥(594) million of adjustment to segment profit includes the elimination of inter-segment transactions of ¥0 million and corporate expenses of ¥(594) million not allocated to each reporting segment.

3. Segment income is adjusted with operating profit in the quarterly consolidated statements of income.