

1. Qualitative information on the financial results

(1) Financial results

The economic situation in Japan during the H1 of the fiscal year under review is uncertain due to factors such as the prolonged conflict in the Middle East and Ukraine. However, the overall economic situation remained firm, supported by domestic personal consumption and inbound demand. Against this backdrop, we are aggressively advancing toward becoming a global content business enterprise based on our corporate philosophy of “The Greatest Leisure for All People.”

In the contents and digital business, centered on Tsuburaya Productions Co., Ltd., (hereinafter, “TPD”), the Japanese IP is becoming increasingly popular worldwide. In May this year, we formulated and began promoting a five-year medium-term management plan. By creating new imaging products that appeal to a wide range of people and distributing them around the world, we will raise our brand power and awareness, and leverage this to develop a variety of merchandise. In addition, we will continue to build the human and organizational foundations that are indispensable for imaging planning and merchandise development. Ultraman series, the mainstay IP of this business, has been providing excitement and hope to many people for about 60 years. As a character that is loved by three generations, its fan base is expanding to the domestic and Chinese markets as well as to other Asian countries. New imaging titles have expanded fans globally through multilingual and simultaneous distribution, and this has created a virtuous circle that leads to the development of past imaging titles. MD and licensing revenues increased 41.2% YoY in China, where merchandise category continues to expand, supported by this fan base.

Large-scale anime film *Ultraman: Rising*, which was launched in Netflix in June, has been distributed to 190 countries and regions around the world. The viewing ranking for the week of release has won second place globally, and we have entered the weekly ranking TOP10 in 69 countries and regions, and we are penetrating Ultraman contents into new regions and a wide range of fans, including North America.

Seven million packs* of the *ULTRAMAN CARD GAME*, a trading card game, which was launched in October, have been shipped globally for the first time, and the sale consumption rate has exceeded expectations, and additional orders are strongly expected (*calculated based on six cards per pack).

In addition, we moved forward with the establishment of overseas bases in Singapore, Seoul and Los Angeles to promote globalization.

Currently, we are working to strengthen merchandise distribution through E-commerce that enable digital marketing as the mainstay of our medium-term management plan. Through these initiatives, we will build a supply chain that will ensure high-margin operations.

In PS business, we have made a series of efforts, centered on FIELDS CORPORATION, to make pachinko/pachislot (hereinafter “PS”) more accessible and easy to enjoy for people living in mature societies in the 21st century. To further promote this, we announced a business alliance with DAIKOKU DENKI Co., Ltd. today. We will contribute to the development of the PS industry by combining the valuable resources of both companies to create new value for everyday leisure and promote measures that contribute to the expansion of fans through PS play.

During this period, in response to the issuance of new banknotes implemented by the Japanese Government in July for the first time in approximately 20 years in order to prevent counterfeiting and improve universal design, pachinko halls nationwide made large-scale capital investments to update balls and medal lending machines for a total of approximately 3.4 million units and checkout machines at approximately 7,000 halls. As a result, total PS sales in the H1 of the fiscal year fell 10.3% YoY. In this environment, we plan a merchandise lineup focused on the second half of the fiscal year.

In the H1 of the fiscal year, we sold four titles in total comprising of approximately 28,000 units of pachislot machines including *Smart slot STREET FIGHTER V The way of the challenger*, and approximately 21,000 units of mainly generic pachinko machines. In the Q3, we sold three titles including *P Uchū Senkan Yamato 2202 Super Wave* and *P Godzilla vs EVANGELION Second impact G* in pachinko, and in pachislot we sold three titles including *Smart pachislot MONSTER HUNTER RISE* and the *L INUYASHA 2*, all of which were sold six titles as planned. In addition, we began sales of e

ULTRAMAN 2400 ★80 pachinko machine from this week and announced sales of pachislot machine *L Tokyo Ghoul* today.

ACE DENKEN Co., Ltd. posted strong results in the Q2, following on from the Q1. The Company is currently in the process of drafting its medium-term management plan.

As a result of the above, the business results for the current interim consolidated accounting period were net sales ¥45,760 million (down 31.7% YoY), operating profit ¥4,071 million (down 24.2% YoY), ordinary profit ¥5,330 million (down 9.8% YoY), and profit attributable to owners of parent ¥2,823 million (down 31.5% YoY).

The overview of each business segment for the current interim term is as follows.

Contents and digital segment

The status of TPD which plays a central role in the contents and digital segment, for the current interim term 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.

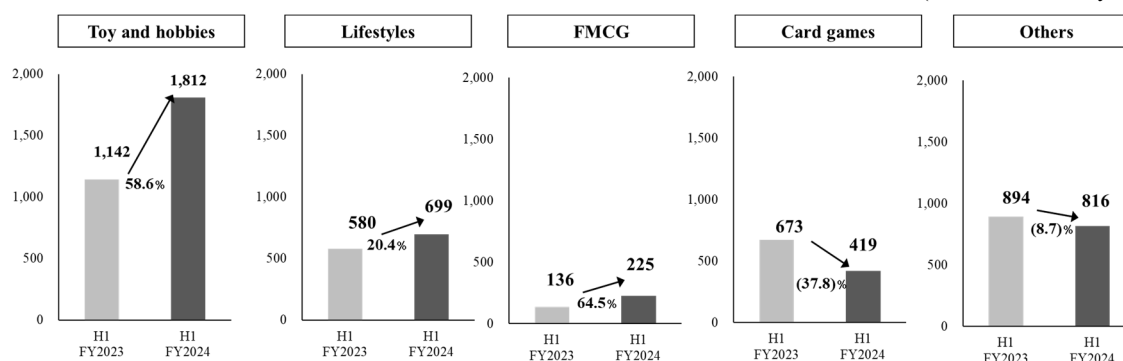
[MD and licensing] ¥3,972 million (+15.9% YoY)

Overseas MD and license revenues increased 35.0% YoY to ¥3,170 million due to the steady penetration of merchandise in a wide range of categories among Chinese consumers.

Results by merchandise category are as follows:

1. Toy and hobbies: Licensing revenues for block toys grew substantially, and the range of low-end toys licensees expanded, resulting in a 58.6% YoY increase in revenues to ¥1,812 million.
2. Lifestyles: Licensing revenues increased, mainly for stationery, and household sundries also remained firm, rising 20.4% YoY to ¥699 million.
3. FMCG*: Sales increased 64.5% YoY to ¥225 million due to higher sales in the food sector.
*FMCG: Daily consumer goods (food, beverages, etc.)
4. Card games: Licensing revenues from conventional collection-type card games in China declined 37.8% YoY, ahead of the launch of *ULTRAMAN CARD GAME*. However, revenues rose 58.4% from the previous quarter, to ¥419 million.
5. Other: Domestic licensing revenues declined 42.3% to ¥293 million from the previous fiscal year because licensing revenues from *SHIN ULTRAMAN* and *GRIDMAN* series were accounted in previous fiscal year. Overseas, the base of game and corporate advertising licensees in China grew steadily, rising 35.2% YoY to ¥524 million.

(Unit: Millions of yen)



[Imaging and event] ¥1,569 million (+1.2% YoY)

In the imaging business, *ULTRAMAN ARC*, which was launched in July, was broadcast and distributed in China and other major Asian countries at the same time, following on from the previous title, *ULTRAMAN BLAZAR*, and has achieved a high level of popularity and recognition. *Ultraman: Rising*, which is being distributed exclusively in 190 countries/regions worldwide on Netflix, also contributed to revenues from the imaging business.

In the live event business, *Ultra Hero's EXPO Summer Festival*, a large-scale domestic event held every summer, was newly held in Osaka in addition to Tokyo. This event was well received. In addition, *Ultraman The Hero Premiere 2024*, an event held in major Asian nations and regions, contributed to the expansion of the fan base.

[Trends in major business revenues of TPD*]

(Unit: millions of yen)

	Apr.-Sep. 2023 (Previous H1)	Apr.-Sep. 2024 (Current H1)	YoY change (%)
Net sales of TPD	4,897	5,697	+16.3%
MD and license revenues	3,428	3,972	+15.9%
Overseas MD and license revenues	2,348	3,170	+35.0%
Domestic MD and license revenues	1,080	802	(25.7)%
Imaging and events revenues	1,550	1,569	+1.2%

[Breakdown of TPD's revenue by region]

(Unit: millions of yen)

	Apr.-Sep. 2023 (Previous H1)	Apr.-Sep. 2024 (Current H1)	YoY change (%)
Overseas revenues	2,722	3,648	+34.0%
Domestic revenues	2,257	1,893	(16.1)%

*The figures in the above table are extracts of some of the main business revenues that comprise net sales of TPD.

"MD and license revenues" and "Imaging and events revenues" have been partially revised and reflected from the Q1 of the fiscal year under review.

Digital Frontier Inc. is steadily developing large-scale anime movies and game-related projects as well as VFX production for Netflix titles such as *City Hunter*, leveraging its leading-edge CG video production technology.

As a consequence, the contents and digital business segment reported consolidated results of net sales ¥7,996 million (up 7.9% YoY) and operating profit ¥2,117 million (up 6.9% YoY) for the current interim period.

PS business segment

The table below shows the results of PS machine sales for this interim term. In addition, ACE DENKEN Co., Ltd. posted higher earnings in PS business, following on from the Q1. This was mainly due to solid performance in the installation of equipment and other works, as well as supporting compatibility renovations for new banknotes.

[PS unit sales in PS business segment]

	Apr.-Sep. 2023 (Previous H1)	Apr.-Sep. 2024 (Current H1)	YoY change (%)
Pachinko	85,748 units	20,961 units	(75.6) %
Pachislot	40,277 units	27,675 units	(31.3) %
Total	126,025 units	48,636 units	(61.4) %

As a consequence, PS business segment posted consolidated results for the H1 of the fiscal year under review of net sales ¥37,196 million (down 37.0% YoY), and operating profit ¥3,122 million (down 30.7% YoY).

Other business

In other business, results for the current interim consolidated accounting period were net sales ¥835 million and operating profit ¥1 million.

(2) Earnings forecasts

Contents and digital segment

On October 25, we began selling *ULTRAMAN CARD GAME* starter deck merchandise and on November 8, we began selling the booster pack merchandise.

We have deployed this system in 23 countries and regions including Japan, China, Asia, North America, and Europe, and as shown in the table below, we shipped approximately 44 million cards (equivalent to about 7 million packs) for the first time.

As mentioned above, the sale consumption rate is more than expected and additional orders are also strongly expected.

In January 2025, we will launch a new extra deck merchandise and booster pack merchandise globally.

[Shipments of *ULTRAMAN CARD GAME* (preliminary figures)]

	Number of shipments
Domestic	Approx. 22 million
Overseas	Approx. 22 million
China	Approx. 14 million
Asia	Approx. 5 million
North America	Approx. 2 million
Europe	Approx. 0.7 million
Total	Approx. 44 million

In conjunction with the launch of *ULTRAMAN CARD GAME*, we are globally developing promotional activities tailored to the characteristics of each region, such as digital marketing utilizing TVCM and social media, with a focus on China, Japan, and the United States, which are key sales regions. In the second half of the fiscal year, we will actively promote *ULTRAMAN CARD GAME* and expand sales worldwide.

PS business segment

The titles in the table below were sold out in the Q3. Sales of the Q4 delivery titles are also progressing smoothly as mentioned above.

[Major sales titles in the Q3]

Classification	Major sales titles (* PB: private brands)	Smart PS
Pachinko	P Uchū Senkan Yamato 2202 Super Wave	
	Sumapachi SSSS.GRIDMAN (PB)	○
	P Godzilla vs EVANGELION Second impact G	
	e Godzilla vs EVANGELION Second impact G Awakening of destroyer	○
Pachislot	L SHIN IKKITOUSEN	○
	Smart pachislot MONSTER HUNTER RISE	○
	L INUYASHA 2 (PB)	○

*Presentation of currently announced sales titles

As described above, the business performance of each segment has been steady, and the consolidated earnings forecast for the year ending March 31, 2025 is unchanged from the content 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.

(3) Overview of financial position

(Assets)

Current assets decreased by ¥11,855 million from the end of the previous fiscal year to ¥52,993 million. This was mainly due to a decrease in cash and deposits.

Property, plant and equipment increased by ¥116 million from the end of the previous fiscal year to ¥9,556 million. This was mainly due to an increase in tools, furniture and fixtures included in other.

Intangible assets decreased by ¥122 million from the end of the previous fiscal year to ¥2,279 million. This was mainly due to a decrease in goodwill.

Investments and other assets increased by ¥1,285 million from the end of the previous fiscal year to ¥22,874 million. This was mainly due to an increase in investment securities.

Consequently, assets decreased by ¥10,575 million from the end of the previous fiscal year to ¥87,704 million.

(Liabilities)

Current liabilities decreased by ¥1,977 million from the end of the previous fiscal year to ¥28,632 million. This was mainly due to a decrease in trade payables, an increase in short-term borrowings and a decrease in income taxes payable.

Non-current liabilities decreased by ¥1,577 million from the end of the previous fiscal year to ¥10,105 million. This was mainly due to a decrease in long-term borrowings.

Consequently, liabilities decreased by ¥3,555 million from the end of the previous fiscal year to ¥38,737 million.

(Net assets)

Net assets decreased by ¥7,019 million from the end of the previous fiscal year to ¥48,966 million. This was mainly due to a decrease in purchase of treasury shares, a decrease in retained earnings due to dividends paid, and a decrease in non-controlling interests.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the Q2 of the current fiscal year decreased by ¥13,555 million from the end of the previous fiscal year to ¥21,258 million.

(Cash flows from operating activities)

Net cash used in operating activities was ¥1,269 million, compared with net cash used of ¥2,448 million in the same period of the previous fiscal year. This was mainly due to ¥5,362 million in profit before income taxes, ¥4,528 million increase in inventories, and ¥2,370 million decrease in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,334 million, compared with net cash used of ¥4,675 million in the same period of the previous fiscal year. This was mainly due to purchase of non-current assets of ¥556 million, purchase of shares of subsidiaries and associates of ¥337 million and expenses from loans of ¥162 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥10,953 million, compared with net cash used of ¥1,443 million in the same period of the previous fiscal year. This was mainly due to purchase of treasury shares of ¥6,310 million and purchase of shares of subsidiaries not resulting in change in scope of consolidation of ¥3,037 million and dividends paid of ¥2,613 million.