

## 2. Consolidated financial statements and important notes

## (1) Consolidated balance sheets

	(Unit: millions of yen)	
	FY2023 (as of March 31, 2024)	Q2 of FY2024 (as of September 30, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	34,914	21,358
Notes and accounts receivable - trade, and contract assets	10,391	9,282
Electronically recorded monetary claims - operating	2,744	1,963
Merchandise and finished goods	142	549
Work in process	6,296	9,345
Raw materials and supplies	3,816	4,486
Merchandise rights	2,123	2,525
Other	4,451	3,517
Allowance for doubtful accounts	(31)	(36)
Total current assets	64,848	52,993
Non-current assets		
Property, plant and equipment		
Land	5,360	5,360
Other	4,079	4,196
Total property, plant and equipment	9,440	9,556
Intangible assets		
Goodwill	1,395	1,255
Other	1,007	1,024
Total intangible assets	2,402	2,279
Investments and other assets		
Investment securities	13,131	13,736
Long-term loans borrowings	1,802	1,819
Other	8,033	8,661
Allowance for doubtful accounts	(1,379)	(1,343)
Total investments and other assets	21,588	22,874
Total non-current assets	33,431	34,711
Total assets	98,280	87,704
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,961	8,015
Electronically recorded obligations - operating	1,460	2,017
Short-term borrowings	6,000	8,000
Current portion of long-term borrowings	2,400	1,661
Income taxes payable	2,414	1,321
Provision for bonuses	758	554
Provision for bonuses for directors (and other officers)	216	-
Other	6,400	7,062
Total current liabilities	30,610	28,632
Non-current liabilities		
Long-term borrowings	5,503	3,956
Provision for retirement benefits for directors (and other officers)	169	32
Retirement benefit liability	1,447	1,485
Asset retirement obligations	1,331	1,333
Other	3,230	3,297
Total non-current liabilities	11,682	10,105
Total liabilities	42,293	38,737

(Unit: millions of yen)

	FY2023 (as of March 31, 2024)	Q2 of FY2024 (as of September 30, 2024)
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,390	9,059
Retained earnings	33,942	30,410
Treasury shares	(1,631)	(3,465)
Total shareholders' equity	47,649	43,952
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	38
Foreign currency translation adjustment	2	0
Remeasurements of defined benefit plans	37	34
Total accumulated other comprehensive income	78	73
Share acquisition rights	203	289
Non-controlling interests	8,055	4,651
Total net assets	55,986	48,966
Total liabilities and net assets	98,280	87,704

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

## Consolidated statements of income

(Unit: millions of yen)

	FY2023 six-month (April 1, 2023 to September 30, 2023)	FY2024 six-month (April 1, 2024 to September 30, 2024)
Net sales	67,015	45,760
Cost of sales	54,666	33,267
Gross profit	12,348	12,492
Selling, general and administrative expenses	6,977	8,421
Operating profit	5,370	4,071
Non-operating income		
Interest income	6	10
Dividend income	128	8
Purchase discounts	11	19
Share of profit of entities accounted for using equity method	400	1,178
Distributions from investments	8	6
Other	46	111
Total non-operating income	602	1,333
Non-operating expenses		
Interest expenses	28	41
Financing expenses	2	1
Depreciation	11	13
Other	23	18
Total non-operating expenses	65	74
Ordinary profit	5,907	5,330
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	-	34
Total extraordinary income	0	34
Extraordinary losses		
Loss on retirement of non-current assets	7	3
Impairment	13	-
Total extraordinary losses	21	3
Profit before income taxes	5,886	5,362
Income taxes	1,061	1,348
Profit	4,825	4,013
Profit attributable to non-controlling interests	701	1,190
Profit attributable to owners of parent	4,123	2,823

## Consolidated statements of comprehensive income

(Unit: millions of yen)

	FY2023 six-month (April 1, 2023 to September 30, 2023)	FY2024 six-month (April 1, 2024 to September 30, 2024)
Profit	4,825	4,013
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,167)	0
Foreign currency translation adjustment	0	(2)
Remeasurements of defined benefit plans, net of tax	(2)	(2)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(1,169)	(3)
Comprehensive income	3,655	4,009
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,952	2,818
Comprehensive income related to non-controlling interests	702	1,191

## (3) Consolidated statements of cash flows

(Unit: millions of yen)

	FY2023 six-month (April 1, 2023 to September 30, 2023)	FY2024 six-month (April 1, 2024 to September 30, 2024)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	5,886	5,362
Depreciation	426	505
Amortization of goodwill	142	140
Investments in capital depreciation	338	245
Increase (decrease) in allowance for doubtful accounts	(22)	(30)
Increase (decrease) in provision for bonuses	8	(203)
Increase (decrease) in provision for bonuses for directors (and other officers)	(159)	(216)
Increase (decrease) in retirement benefit liability	26	35
Interest and dividend income	(134)	(18)
Interest expenses	28	41
Share of loss (profit) of entities accounted for using equity method	(400)	(1,178)
Decrease (increase) in trade receivables	(15,522)	1,889
Decrease (increase) in inventories	(4,078)	(4,528)
Decrease (increase) in accounts receivable - other	(2,098)	829
Increase (decrease) in trade payables	14,985	(2,370)
Increase (decrease) in liabilities related to payable transactions	453	903
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(1,222)	51
Other, net	376	(263)
Subtotal	(966)	1,191
Interest and dividends received	134	314
Interest paid	(28)	(41)
Income taxes refund (paid)	(1,587)	(2,734)
Net cash provided by (used in) operating activities	(2,448)	(1,269)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(596)	(434)
Proceeds from sale of property, plant and equipment	0	1
Purchase of intangible assets	(147)	(121)
Purchase of investment securities	(411)	(23)
Proceeds from sale of investment securities	37	149
Purchase of shares of subsidiaries and associates	(141)	(337)
Purchase of shares of acquisition of equity method affiliates	(3,167)	(8)
Loan advances	(320)	(162)
Proceeds from collection of loans receivable	4	46
Other, net	66	(443)
Net cash provided by (used in) investing activities	(4,675)	(1,334)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(549)	2,000
Proceeds from long-term borrowings	2,950	-
Repayments of long-term borrowings	(1,877)	(1,204)
Purchase of treasury shares	(0)	(6,310)
Dividends paid	(1,959)	(2,613)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(3,037)
Other, net	(7)	212
(1,443)	(1,443)	(10,953)
Effect of exchange rate change on cash and cash equivalents	(0)	1
Net increase (decrease) in cash and cash equivalents	(8,567)	(13,555)
Cash and cash equivalents at beginning of period	36,497	34,814
Cash and cash equivalents at end of period	27,929	21,258

## (4) Notes regarding the six months 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 meeting 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 H1 of the current fiscal year.

(Cancellation of treasury shares)

At board of directors meeting 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 H1 of the current fiscal year.

Consequently, treasury shares at the end of second quarter under review were 3,465 million.

(Application of the accounting method specific to H1 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 profit before income taxes for the consolidated fiscal year, including the H1 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 Current Income Taxes)

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 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 H1 consolidated financial statements.

In addition, the Company has applied the 2022 Revised Implementation Guidance from the beginning 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 H1 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 H1 of the current fiscal year.

(Segment information, etc.)

[Segment information]

## I. Six months ended September 30, 2023 (April 1, 2023 - September 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	7,336	58,878	66,214	800	67,015	—	67,015
Intersegment net sales or transfers	72	144	216	5	221	(221)	—
Total	7,409	59,022	66,431	805	67,236	(221)	67,015
Segment profit (loss)	1,980	4,506	6,486	20	6,507	(1,136)	5,370

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

2. The ¥(1,136) million of adjustment to segment profit includes the elimination of inter-segment transactions of ¥53 million and corporate expenses of ¥(1,190) million not allocated to each reporting segment.

3. Segment profit (loss) is adjusted with operating profit in the H1 consolidated statements of income.

## II. Six months ended September 30, 2024 (April 1, 2024 - September 30, 2024)

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	7,833	37,092	44,925	834	45,760	—	45,760
Intersegment net sales or transfers	163	103	267	0	268	(268)	—
Total	7,996	37,196	45,192	835	46,028	(268)	45,760
Segment profit (loss)	2,117	3,122	5,239	1	5,241	(1,170)	4,071

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

2. The ¥(1,170) million of adjustment to segment profit includes the elimination of inter-segment transactions of ¥(5) million and corporate expenses of ¥(1,164) million not allocated to each reporting segment.

3. Segment income is adjusted with operating profit in the H1 consolidated statements of income.