

## 1. Qualitative information on the financial results

### (1) Financial results

In January this year, Donald Trump took office in the United States. We are making progress toward realizing our five-year medium-term management plan based on our corporate philosophy of “The Greatest Leisure for All People,” while properly assessing the future impact of the new US administration’s policy of “America First” on the global and Japanese economies.

In the content and digital business, we steadily executed our mission for the fiscal year under review, which is the first year of our five-year medium-term management plan. In order to build a solid foundation as a global content business company, we aggressively conducted activities and invested, including building overseas bases, strengthening human resources, and implementing marketing measures in various regions of the world. By creating new visual products that appeal to a wide range of people and distributing them around the world, we will raise our brand strength and recognition, and leverage this to develop a diverse range of businesses.

In the environment surrounding the PS business, in addition to smart pachislot, which maintains strong performance while capturing new fan segments, smart pachinko, which is equipped with game function, such as lucky triggers, is attracting attention. Moreover, the merger of pachinko and pachislot with new IP, game characteristics and functions is expected to further revitalize the marketplace in the future. FIELDS CORPORATION, the core company in the PS business, is analyzing and researching the latest market trends, and aims to grow sustainably by developing and selling machines to meet the needs of both pachinko halls and fans together with allied manufacturers.

Against this backdrop, the business performance for the Q3 of the current fiscal year progressed steadily on schedule, with net sales ¥97,764 million (down 20.6% YoY), operating profit ¥9,390 million (down 23.8% YoY), ordinary profit ¥10,759 million (down 20.0% YoY), and profit attributable to owners of parent ¥6,424 million (down 32.6% YoY).

The overview of each business segment is as follows.

#### **Content and digital segment**

During the Q3 of the fiscal year under review, the Company distributed and broadcast two titles globally: Netflix movie *Ultraman: Rising* and *ULTRAMAN ARC*, the newest TV series. These titles contributed significantly to the expansion of IP’s awareness and improved favorability. In December, *Ultraman: Rising* was nominated for four awards at the 52nd Annual Annie Awards, which is honoring excellence in the field of animation in the United States and is attracting increasing attention.

Thanks to the expansion of the fan base through video development, the Company developed markets not only in Japan and China, but also in Asia and North America. As a result, MD and license revenue for the Q3 of the fiscal year under review was ¥6,718 million (up 32.0% YoY). In China, revenues grew in the toys and hobby, and lifestyle categories.

In addition to the particularly popular merchandise such as block toys and stationery, steady growth in the number of licensees and the number of merchandise items has led to growth in both categories.

An overview of results by merchandise category is as follows.

- i. Toys and hobby: Licensing revenues from block toys continued to grow, and licensees of low-priced toys widened, resulting in a YoY increase of 50.6% to ¥2,679 million.
- ii. Lifestyle: Sales of stationery, apparel, and daily necessities increased steadily, increasing 33.2% YoY to ¥1,392 million.
- iii. FMCG\*: Earnings remained firm in the food field, reflecting an increase in new licensees for dairy products and other products. Sales increased 9.3% YoY to ¥252 million. \*FMCG: Fast Moving Consumer Goods (food, beverages, etc.)
- iv. Card games: Sales increased 48.0% YoY to ¥1,306 million due to the global rollout of *ULTRAMAN CARD GAME* and the persistent popularity of conventional collection-type card games in China.
- v. Other: Sales decreased 5.5% YoY to ¥1,087 million due to the lack of licensing revenues from *SHIN ULTRAMAN* and *GRIDMAN* series in the previous fiscal year, despite an increase in revenues from gaming and corporate advertising.

In the imaging and event business, revenue for the Q3 of the fiscal year under review was ¥2,179 million (down 13.0% YoY) due to the fact that the *TSUBURAYA CONVENTION*, a major event for fans held once every two years, was not held in this fiscal year. In the imaging business, in addition to broadcasting and distribution of two new video titles, we focused on distribution and program sales of past titles such as television and movies, and on the development of owned media. In the live event business, in addition to the addition of the Osaka venue (summer) to the *Ultra Hero's EXPO* (summer and winter), the Group actively participated in planning exhibitions and other activities, including the implementation of *Ultraman Zero 15 Anniversary Event* in Japan and overseas.

Digital Frontier Inc. is making steady progress in VFX production for Netflix titles such as *City Hunter* with its strength of video production leveraging cutting-edge technologies, as well as in consigned development of large-scale anime movies and opening movies for game software.

As described above, in the content and digital business, we worked aggressively to build a foundation and invest in order to realize the five-year medium-term plan while achieving higher sales.

Consequently, the business results for the Q3 of the current fiscal year were net sales ¥12,871 million (up 12.2% YoY) and operating profit 2,794 million (down 6.9% YoY).

### **PS business segment**

In pachinko halls nationwide, investment in the purchase of new machines was restrained in the first half of the year due to the emphasis placed on capital investment in response to the issuance of new banknotes. FIELDS CORPORATION has positioned the first half of the year as a period for refining merchandise and has made steady progress in preparing for merchandise sales in the second half of the year. Consequently, in the Q3 of the fiscal year under review (October to December), we sold a total of 83,000 units on schedule, consisting of six titles (three pachinko and three pachislot titles).

ACE DENKEN Co., Ltd., which has a large market share in the peripheral equipment and installation work fields, actively responded to robust demand. In addition, as it joined the group during the fiscal year under review, pachinko halls increased confidence for ACE DENKEN. As a result, results were favorable. Moreover, we are working on specific measures to realize group synergies and improve efficiency, such as integrating sales bases with FIELDS CORPORATION.

[PS unit sales in PS business segment]

	Previous Q1-Q3 (Apr.-Dec. 2023)	Current Q1-Q3 (Apr.- Dec. 2024)	YoY change(%)
Pachinko	162,089 units	69,484 units	(57.1) %
Pachislot	66,392 units	62,468 units	(5.9) %
Total	228,481 units	131,952 units	(42.2) %

Consequently, PS business posted results for the cumulative Q3 of the current fiscal year of net sales ¥84,111 million, down 24.2% YoY, and operating profit ¥8,570 million, down 21.9% YoY.

### **Other business**

In other business, results for the Q3 of the current fiscal year were net sales ¥1,264 million and operating profit ¥12 million.

## (2) Earnings forecasts

The performance of each business is steady as planned, and the full-year consolidated earnings forecasts for the year ending March 31, 2025 are unchanged from those announced on May 14, 2024.

The progress status of each business is as follows.

**Content and digital business segment**

In order to steadily grow our global content business, we have been actively implementing various measures since the first half of the fiscal year.

Thanks to steady progress in the global development of visual products such as movies and distribution, overseas net sales, mainly in MD and license revenues is steadily growing. Despite the impact of biennial events in the domestic market, we intend to grow both MD and license, and imaging and events from the next fiscal year onwards. We are currently working at a rapid pace to build an EC that is positioned as a major pillar of measures aimed at accelerating future growth both domestically and overseas.

Regarding the *ULTRAMAN CARD GAME*, which was launched in the fiscal year under review, the second edition in January, followed by the favorable launch of the first edition. Since then, the Company has strategically launched a new merchandise once every quarter. The Company will also continue to implement promotional activities toward the world championships in spring 2026.

[Shipments of *ULTRAMAN CARD GAME* (preliminary figures as of 31 January)]

	Number of shipments
Domestic	Approx. 30.9 million
Overseas	Approx. 32.5 million
China	Approx. 17.5 million
Asia	Approx. 9.9 million
North America	Approx. 3.7 million
Europe	Approx. 1.3 million
Total	Approx. 63.4 million

**PS business segment**

In the Q4, we announced two pachinko titles such as *e ULTRAMAN 2400 ★80* and five pachislot titles such as *LPachislot Evangelion: 3.0+1.0* and *L Tokyo Ghoul*. All sales have already been steadily completed, and sales of merchandise, which was scheduled for the fiscal year under review, have been completed. In addition, with regard to a couple of titles including the pachislot *Smart pachislot MONSTER HUNTER RISE*, which we sold in the Q3, we have won strong support from fans and have been operating at a high level, so we have decided to resell them, and we are currently in the process of responding to this decision.

Moreover, ACE DENKEN will further promote synergies with FIELDS CORPORATION and actively respond to the diverse requirements of pachinko halls.

(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 increased by ¥11,402 million from the end of the previous fiscal year to ¥76,251 million. This was mainly due to an increase in trade receivables.

Property, plant and equipment increased by ¥424 million from the end of the previous fiscal year to ¥9,864 million. This was mainly due to an increase in tools, furniture and fixtures included in other.

Intangible assets decreased by ¥155 million from the end of the previous fiscal year to ¥2,247 million. This was mainly due to a decrease in goodwill.

Investments and other assets decreased by ¥3,258 million from the end of the previous fiscal year to ¥18,329 million. This was mainly due to a decrease in investment securities.

Consequently, assets increased by ¥8,412 million from the end of the previous fiscal year to ¥106,692 million.

## (Liabilities)

Current liabilities increased by ¥12,211 million from the end of the previous fiscal year to ¥42,822 million. This was mainly due to an increase in trade payables.

Non-current liabilities increased by ¥699 million from the end of the previous fiscal year to ¥12,382 million. This was mainly due to an increase in long-term borrowings.

Consequently, liabilities increased by ¥12,911 million from the end of the previous fiscal year to ¥55,204 million.

## (Net assets)

Net assets decreased by ¥4,498 million from the end of the previous fiscal year to ¥51,487 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 Q3 of the current fiscal year decreased by ¥9,679 million from the end of the previous fiscal year to ¥25,135 million.

## (Cash flows from operating activities)

Net cash used in operating activities was ¥333 million, compared with net cash provided by operating activities of ¥874 million in the same period of the previous fiscal year. This was mainly due to ¥10,630 million in profit before income taxes, ¥13,806 million increase in trade receivables, ¥13,346 million increase in trade payables, ¥6,122 million increase in inventories and ¥4,459 million of income taxes paid.

## (Cash flows from investing activities)

Net cash provided by investing activities was ¥1,043 million, compared with net cash provided by investing activities of ¥5,678 million in the same period of the previous fiscal year. This was mainly due to ¥2,416 million of proceeds from sale of share of entities accounted for using equity method, purchase of non-current assets of ¥990 million and expenses from loans of ¥351 million.

## (Cash flows from financing activities)

Net cash used in financing activities was ¥10,556 million, compared with net cash used of ¥4,412 million in the same period of the previous fiscal year. This was mainly due to purchase of treasury shares of ¥6,310 million, purchase of shares of subsidiaries not resulting in change in scope of consolidation of ¥3,037 million, proceeds from long-term borrowings of ¥2,980 million, dividends paid of ¥2,615 million and repayments of long-term borrowings of 1,798 million.