

2. Consolidated financial statements and important notes

(1) Consolidated balance sheets

	(Unit: millions of yen)	
	FY2023 (as of March 31, 2024)	Q3 of FY2024 (as of December 31, 2024)
Assets		
Current assets		
Cash and deposits	34,914	25,235
Notes and accounts receivable - trade, and contract assets	10,391	23,872
Electronically recorded monetary claims - operating	2,744	3,069
Merchandise and finished goods	142	1,605
Work in process	6,296	9,188
Raw materials and supplies	3,816	4,194
Merchandise rights	2,123	3,512
Other	4,451	5,585
Allowance for doubtful accounts	(31)	(13)
Total current assets	64,848	76,251
Non-current assets		
Property, plant and equipment		
Land	5,360	5,360
Other	4,079	4,503
Total property, plant and equipment	9,440	9,864
Intangible assets		
Goodwill	1,395	1,185
Other	1,007	1,062
Total intangible assets	2,402	2,247
Investments and other assets		
Investment securities	13,131	9,142
Long-term loans receivable	1,802	1,991
Other	8,033	8,663
Allowance for doubtful accounts	(1,379)	(1,467)
Total investments and other assets	21,588	18,329
Total non-current assets	33,431	30,441
Total assets	98,280	106,692
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,961	24,762
Electronically recorded obligations - operating	1,460	1,004
Short-term borrowings	6,000	6,000
Current portion of long-term borrowings	2,400	1,899
Income taxes payable	2,414	1,097
Provision for bonuses	758	156
Provision for bonuses for directors (and other officers)	216	-
Other	6,400	7,901
Total current liabilities	30,610	42,822
Non-current liabilities		
Long-term borrowings	5,503	6,124
Provision for retirement benefits for directors (and other officers)	169	32
Retirement benefit liability	1,447	1,508
Asset retirement obligations	1,331	1,343
Other	3,230	3,374
Total non-current liabilities	11,682	12,382
Total liabilities	42,293	55,204

(Unit: millions of yen)

	FY2023 (as of March 31, 2024)	Q3 of FY2024 (as of December 31, 2024)
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,390	9,059
Retained earnings	33,942	32,583
Treasury shares	(1,631)	(3,426)
Total shareholders' equity	47,649	46,164
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	164
Foreign currency translation adjustment	2	11
Remeasurements of defined benefit plans	37	33
Total accumulated other comprehensive income	78	209
Share acquisition rights	203	301
Non-controlling interests	8,055	4,812
Total net assets	55,986	51,487
Total liabilities and net assets	98,280	106,692

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

Consolidated statements of income

(Unit: millions of yen)

	FY2023 nine-month (April 1, 2023 to December 31, 2023)	FY2024 nine-month (April 1, 2024 to December 31, 2024)
Net sales	123,206	97,764
Cost of sales	100,204	74,052
Gross profit	23,001	23,712
Selling, general and administrative expenses	10,681	14,322
Operating profit	12,320	9,390
Non-operating income		
Interest income	9	17
Dividend income	128	127
Purchase discounts	21	19
Share of profit of entities accounted for using equity method	912	1,170
Distributions from investments	14	9
Other	141	188
Total non-operating income	1,228	1,532
Non-operating expenses		
Interest expenses	42	69
Depreciation	18	20
Other	32	73
Total non-operating expenses	93	163
Ordinary profit	13,456	10,759
Extraordinary income		
Gain on sale of non-current assets	3	0
Gain on sale of investment securities	-	39
Total extraordinary income	3	39
Extraordinary losses		
Loss on retirement of non-current assets	9	5
Impairment	13	-
Loss on sale of shares of subsidiaries and associates	-	162
Other	-	1
Total extraordinary losses	23	168
Profit before income taxes	13,436	10,630
Income taxes	2,851	2,855
Profit	10,584	7,774
Profit attributable to non-controlling interests	1,052	1,349
Profit attributable to owners of parent	9,532	6,424

Consolidated statements of comprehensive income

(Unit: millions of yen)

	FY2023 nine-month (April 1, 2023 to December 31, 2023)	FY2024 nine-month (April 1, 2024 to December 31, 2024)
Profit	10,584	7,774
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,166)	130
Foreign currency translation adjustment	(0)	9
Remeasurements of defined benefit plans, net of tax	(4)	(4)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(1,170)	134
Comprehensive income	9,413	7,909
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,361	6,555
Comprehensive income related to non-controlling interests	1,052	1,353

(3) Consolidated statements of cash flows

(Unit: millions of yen)

	FY2023 nine-month (April 1, 2023 to December 31, 2023)	FY2024 nine-month (April 1, 2024 to December 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	13,436	10,630
Depreciation	752	835
Amortization of goodwill	212	210
Amortization of investments in capital	491	379
Increase (decrease) in allowance for doubtful accounts	(22)	(66)
Increase (decrease) in provision for bonuses	(130)	(601)
Increase (decrease) in provision for bonuses for directors (and other officers)	(159)	(216)
Increase (decrease) in retirement benefit liability	33	56
Interest and dividend income	(138)	(144)
Interest expenses	42	69
Share of loss (profit) of entities accounted for using equity method	(912)	(1,170)
Decrease (increase) in trade receivables	(27,680)	(13,806)
Decrease (increase) in inventories	(4,055)	(6,122)
Decrease (increase) in accounts receivable - other	(4,800)	(1,051)
Increase (decrease) in trade payables	25,947	13,346
Increase (decrease) in liabilities related to payable transactions	547	638
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(894)	53
Other, net	681	714
Subtotal	3,351	3,754
Interest and dividends received	197	439
Interest paid	(42)	(69)
Income taxes refund (paid)	(2,631)	(4,459)
Net cash provided by (used in) operating activities	874	(333)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,430)	(757)
Proceeds from sale of property, plant and equipment	3	1
Purchase of intangible assets	(194)	(232)
Purchase of investment securities	(421)	(37)
Proceeds from sale of investment securities	52	299
Purchase of shares of subsidiaries and associates	(254)	(232)
Purchase of shares of acquisition of equity method affiliates	(3,167)	(8)
Proceeds from sales of shares of entities accounted for using equity method	-	2,416
Loan advances	(340)	(351)
Proceeds from collection of loans receivable	5	63
Other, net	67	(117)
Net cash provided by (used in) investing activities	(5,678)	1,043

(Unit: millions of yen)

	FY2023 nine-month (April 1, 2023 to December 31, 2023)	FY2024 nine-month (April 1, 2024 to December 31, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,549)	-
Proceeds from long-term borrowings	2,950	2,980
Repayments of long-term borrowings	(2,836)	(1,798)
Proceeds from exercise of employee share options	5	273
Purchase of treasury shares	(0)	(6,310)
Dividends paid	(1,959)	(2,615)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(3,037)
Other, net	(23)	(48)
Net cash provided by (used in) financing activities	(4,412)	(10,556)
Effect of exchange rate change on cash and cash equivalents	(0)	(1)
Net increase (decrease) in cash and cash equivalents	(9,217)	(9,848)
Cash and cash equivalents at beginning of period	36,497	34,814
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	169
Cash and cash equivalents at end of period	27,280	25,135

(4) Notes regarding the nine 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 nine months 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 nine months of the current fiscal year.

Consequently, treasury shares at the end of Q3 under review were ¥3,426 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 profit before income taxes for the consolidated fiscal year, including the Q3 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 quarterly 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 past consolidated financial statements including previous financial year have also 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 and "Retained earnings" increased by ¥140 million.

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 nine months of the current fiscal year and previous fiscal year.

(Segment information, etc.)

[Segment information]

I. Nine months ended December 31, 2023 (April 1, 2023 – December 31, 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	11,273	110,736	122,009	1,196	123,206	—	123,206
Intersegment net sales or transfers	193	215	409	7	417	(417)	—
Total	11,466	110,952	122,419	1,204	123,623	(417)	123,206
Segment profit (loss)	3,000	10,978	13,978	17	13,996	(1,675)	12,320

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

2. The ¥(1,675) million of adjustment to segment profit includes the elimination of inter-segment transactions of ¥(29) million and corporate expenses of ¥(1,646) million not allocated to each reporting segment.

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

II. Nine months ended December 31, 2024 (April 1, 2024 - December 31, 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	12,545	83,955	96,501	1,263	97,764	—	97,764
Intersegment net sales or transfers	325	155	481	0	482	(482)	—
Total	12,871	84,111	96,983	1,264	98,247	(482)	97,764
Segment profit (loss)	2,794	8,570	11,364	12	11,376	(1,986)	9,390

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

2. The ¥(1,986) million of adjustment to segment profit includes the elimination of inter-segment transactions of ¥1 million and corporate expenses of ¥(1,987) million not allocated to each reporting segment.

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