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June 9, 2023

Consolidated Financial Results for the Three Months Ended April 30, 2023 (Under Japanese GAAP)



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 Listing: Tokyo Stock Exchange
 Securities code: 4334
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 Scheduled date to file quarterly securities report: June 13, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended April 30, 2023 (from February 1, 2023 to April 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year 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								
April 30, 2023	1,004	0.3	176	(27.1)	193	(46.3)	143	(51.7)
April 30, 2022	1,001	88.5	242	—	359	62.8	295	60.9

Note: Comprehensive income For the three months ended April 30, 2023: ¥143 million [(51.9)%]
 For the three months ended April 30, 2022: ¥298 million [56.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
April 30, 2023	17.01	16.80
April 30, 2022	34.21	34.11

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
April 30, 2023	4,600	3,826	82.4
January 31, 2023	4,759	4,046	84.3

Reference: Equity
 As of April 30, 2023: ¥3,791 million
 As of January 31, 2023: ¥4,014 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2023	—	0.00	—	30.00	30.00
Fiscal year ending January 31, 2024	—				
Fiscal year ending January 31, 2024 (Forecast)		0.00	—	42.00	42.00

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

3. Forecast of consolidated earnings for the fiscal year ending January 31, 2024 (from February 1, 2023 to January 31, 2024)

(Percentages indicate year-on-year 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
Six months ending July 31, 2023	2,178	2.1	162	(68.0)	170	(73.9)	120	(77.4)	14.32
Fiscal year ending January 31, 2024	7,923	84.3	1,615	70.4	1,622	48.5	1,192	35.0	141.47

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

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment 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: None
 - (ii) Changes in accounting policies due to other reasons: 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 April 30, 2023	11,096,000 shares
As of January 31, 2023	11,096,000 shares

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

As of April 30, 2023	2,731,043 shares
As of January 31, 2023	2,665,543 shares

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

Three months ended April 30, 2023	8,411,247 shares
Three months ended April 30, 2022	8,651,057 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

This summary of financial results includes forward-looking statements such as our forecasts.

These forward-looking statements are based on judgments and assumptions that are based on information currently available to us, and may differ materially from our actual results in the future in light of the uncertainties inherent in judgments and assumptions and the possibility of fluctuations due to future business operations and changes in internal and external conditions.

Please refer to "Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 2 of the accompanying materials for the judgments and assumptions that form the basis for the forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Management's discussion

In the first quarter of the current fiscal year, the Japanese economy is expected to pick up under "WITH CORONA", partly due to the effects of various policies. However, the downturn in the overseas economy poses a risk of downward pressure on the economy amid the continued global monetary tightening. In addition, due attention should be paid to the effects of price increases, supply-side constraints, and changes in financial markets.

In the entertainment sector related to our group, we are communicating improved supplies of Sony Interactive Entertainment PlayStation5 and strong hardware and software sales. In addition, the cumulative domestic e-sports tournament viewing time from January to March 2023 was 1.36 billion minutes, an increase of 60% from the previous year, and the major growth of e-sports is being communicated.

Against this backdrop, in our group's outsourced software, the development of professional wrestling games modeled on the same organization developed by All Elite Wrestling (abbreviated as "AEW"), a progressive U.S. professional wrestling organization, continues to proceed smoothly, and several other software titles are also progressing.

In XR business field, we used our proprietary AR Live System "ALiS ZERO" technology. At "Project SEKAI COLORFUL LIVE 2nd - Will -" held at Makuhari Messe on January 7-9, we were in charge of motion capture recording and the production of CG models/animations. In addition, at "HATSUNE MIKU JAPAN TOUR 2023 ~THUNDERBOLT~" held in 5 locations nationwide from February to March, I was in charge of CG production for a portion of the songs of HATSUNE MIKU, KAGAMINE RIN, and KAGAMINE LEN. In addition, the Group continues to contribute to the holding of multiple live events.

In the pachinko and pachislot field, we are outsourcing video development projects for multiple titles, some of which have been completed.

In the publishing business field, we are continuing to produce "DC Dual Force", an on-line trading card game featuring DC comics characters, and we plan to distribute and launch it worldwide.

In addition, several other projects are being developed in the mobile content field.

As a result of the above, for the first quarter, net sales were 1.004 billion yen (up 0.3% year-on-year), ordinary income was 193 million yen (down 46.3% year-on-year), and profit attributable to owners of parent was 143 million yen (down 51.7% year-on-year).

Since our Group is a single segment of the digital content business, the disclosure of business results by segment is omitted.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year decreased by 159 million yen from the end of the previous fiscal year to 4.6 billion yen. The main factors were a decrease of 474 million yen in cash and deposits, an increase of 164 million yen in accounts receivable and contract assets, and an increase of 211 million yen in software in progress.

Liabilities increased 60 million yen from the end of the previous fiscal year to 773 million yen. This was mainly due to an increase of 83 million yen in accounts payable-other.

Net assets decreased 219 million yen from the end of the previous fiscal year to 3.826 billion yen. Major factors included quarterly profit attributable to owners of parent of 143 million yen, dividends of surplus of 252 million yen, and an increase in treasury stock of 118 million yen.

(3) Explanation of Consolidated Earnings and Other Forecasts

There are no revisions to the full-year earnings forecasts announced in the financial results for the fiscal year ending January 2023 (announced on March 10, 2023).

Earnings forecasts are forward-looking statements based on currently available information. Actual results may differ from forecasts due to changes in business conditions or other factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (As of January 31, 2023)	Current first quarter consolidated accounting period (As of April 30, 2023)
Assets		
Current assets		
Cash and deposits	1,888,164	1,413,580
Notes and accounts and contract assets	885,242	1,049,469
Merchandise	0	0
Work in process	63,354	38,131
Prepaid expenses	241,002	253,917
Other	61,177	7,818
Allowance for doubtful accounts	(218)	(339)
Total current assets	3,138,721	2,762,578
Non-current assets		
Property, plant and equipment	31,979	36,573
Intangible assets		
Software in progress	899,440	1,110,925
Other	2,329	2,119
Total intangible assets	901,769	1,113,045
Investments and other assets		
Other	792,159	793,282
Allowance for doubtful accounts	(104,852)	(104,852)
Total investments and other assets	687,307	688,430
Total non-current assets	1,621,056	1,838,049
Total assets	4,759,778	4,600,627
Liabilities		
Current liabilities		
Accounts payable – other	254,993	338,889
Income taxes payable	150,638	53,947
Contract liabilities	77	11,646
Provision for bonuses	101,039	144,204
Other	88,444	108,056
Total current liabilities	595,192	656,744
Non-current liabilities		
Long-term accounts payable – other	200	200
Retirement benefit liability	117,436	116,443
Other	250	250
Total non-current liabilities	117,886	116,893
Total liabilities	713,078	773,637
Net assets		
Shareholders' equity		
Share capital	412,902	412,902
Capital surplus	466,215	471,515
Retained earnings	4,040,181	3,930,302
Treasury shares	(957,988)	(1,076,958)
Total shareholders' equity	3,961,310	3,737,761
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,773	53,414
Total accumulated other comprehensive income	52,773	53,414
Share acquisition rights	32,615	35,814
Total net assets	4,046,699	3,826,989
Total liabilities and net assets	4,759,778	4,600,627

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly consolidated statement of income)
 (First Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Previous 1st Quarter (From February 1, 2022 to April 30, 2022)	First Quarter (February 1, 2023 to April 30, 2023)
Net sales	1,001,138	1,004,406
Cost of sales	626,204	657,101
Gross profit	374,934	347,304
Selling, general and administrative expenses	132,485	170,566
Operating profit	242,448	176,737
Non-operating income		
Interest income	2,225	3,959
Foreign exchange gains	111,684	12,426
Other	3,623	745
Total non-operating income	117,533	17,131
Non-operating expenses		
Interest expenses	110	74
Commission for purchase of treasury shares	-	499
Total non-operating expenses	110	574
Ordinary profit	359,872	193,294
Profit before income taxes	359,872	193,294
Income taxes	63,938	50,259
Profit	295,933	143,034
Profit attributable to owners of parent	295,933	143,034

(Quarterly consolidated statement of comprehensive income)

(First Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Previous 1st Quarter (From February 1, 2022 to April 30, 2022)	First Quarter (February 1, 2023 to April 30, 2023)
Profit	295,933	143,034
Other comprehensive income		
Valuation difference on available-for-sale securities	(469)	640
Foreign currency translation adjustment	3,518	-
Total other comprehensive income	3,049	640
Comprehensive income	298,982	143,675
Profit attributable to		
Comprehensive income attributable to owners of parent	298,982	143,675
Comprehensive income attributable to non-controlling interests	-	-

(3)Notes to Quarterly Consolidated Financial Statements
(Going Concern Assumption) Not applicable.

(Notes on Significant Changes in Shareholders' Equity) Not applicable.

(Adoption of accounting treatment specific to the preparation of 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 fiscal year including the first quarter under review, and multiplying profit before income taxes by this estimated effective tax rate. In addition, if the calculation of tax expense using the estimated effective tax rate results in a significantly unreasonable outcome, tax expense is calculated by considering significant additional or deductible items and tax deductible items.

(Segment Information)

[Segment Information]

First Quarter (February 1, 2022-April 30, 2022) and First Quarter of Fiscal Year 2016
(From February 1, 2023 to April 30, 2023)

Since the business of our group is a single segment of the digital content business, the description is omitted.