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Financial Results for the Second Quarter of the Fiscal Year Ending January 2024

YUKE'S Co., Ltd.

Details of Explanation

- ① **Second Quarter Fiscal Year 1/2024 results**
 - Second Quarter earnings report (overview)
 - Second Quarter Results Highlights

- ② **Fiscal Year 2024/1 Earnings Forecasts and Initiatives**
 - Full-year Forecast
 - Dividend Policy
 - Share Repurchase Program (Results)

- ③ **Key Points for Future Focus**
 - About the 30th anniversary of the Company's founding
 - Key Points and Achievements in Each Business
 - Strengthening Human Resource Recruitment

Fiscal Year 2024/1 Second Quarter Financial Results



Difference from Forecast as of March 10

(Millions of yen)

Fiscal Year 1/2024 Second Quarter	Net sales	Operating profit	Ordinary profit	Comprehensive income attributable to Parent
Previous forecast (As of March 10, 2023)	2,178	162	170	120
Actual	2,032	164	238	177
Change	(146)	+1	+68	+57
Rate of change	(6.7)%	+0.9%	+39.9%	+47.3%

Reasons for Difference

Net sales
Operating profit

In the Game Business, sales were slightly lower than forecast due to the cancellation of some consignment projects. However, the initial exchange rate is assumed to be 125 yen to the U.S. dollar. As a result of the contribution to profits from the increase in sales denominated in foreign currencies and royalties, operating income was basically in line with forecast.

Ordinary profit

In non-operating income, ordinary income and quarterly net income attributable to owners of the parent are expected to exceed the forecasts due to the generation of foreign exchange gains of 61 million yen due to exchange rate fluctuations, etc.

Consolidated Statements of Income Highlights (Results/YoY Change)

(Millions of yen, %)

	Fiscal Year 1/2023 Second Quarter	Fiscal Year 1/2024 Second Quarter	Change	Rate of change
Net sales	2,135	2,032	(102)	(4.8)
Cost of sales	1,357	1,318	(39)	(2.9)
Gross profit	777	714	(62)	(8.1)
SGA cost	268	549	+281	+104.5
Operating profit	508	164	(343)	(67.6)
Non-operating income	145	74	(70)	(48.4)
Non-operating expenses	0	0	0	+56.5
Ordinary profit	653	238	(414)	(63.5)
Total income taxes	118	65	(52)	(44.7)
Of parent Profit	534	177	(357)	(66.8)
Applicable exchange rate (U.S. dollars/Japanese yen)	127.50 (average)	138.29 (average)		

Net sales decreased 4.8% year on year to 2.032 billion yen due to a decline in the Game Business, XR Business, and Others, despite an increase in the Pachislot and Pachinko Machine Business compared to the previous fiscal year. In addition, gross profit declined 8.1% due to a decrease in the percentage of sales in the high-margin XR business. (Gross profit margin increased from 36.4% in the previous fiscal year to 35.1% in the current fiscal year)

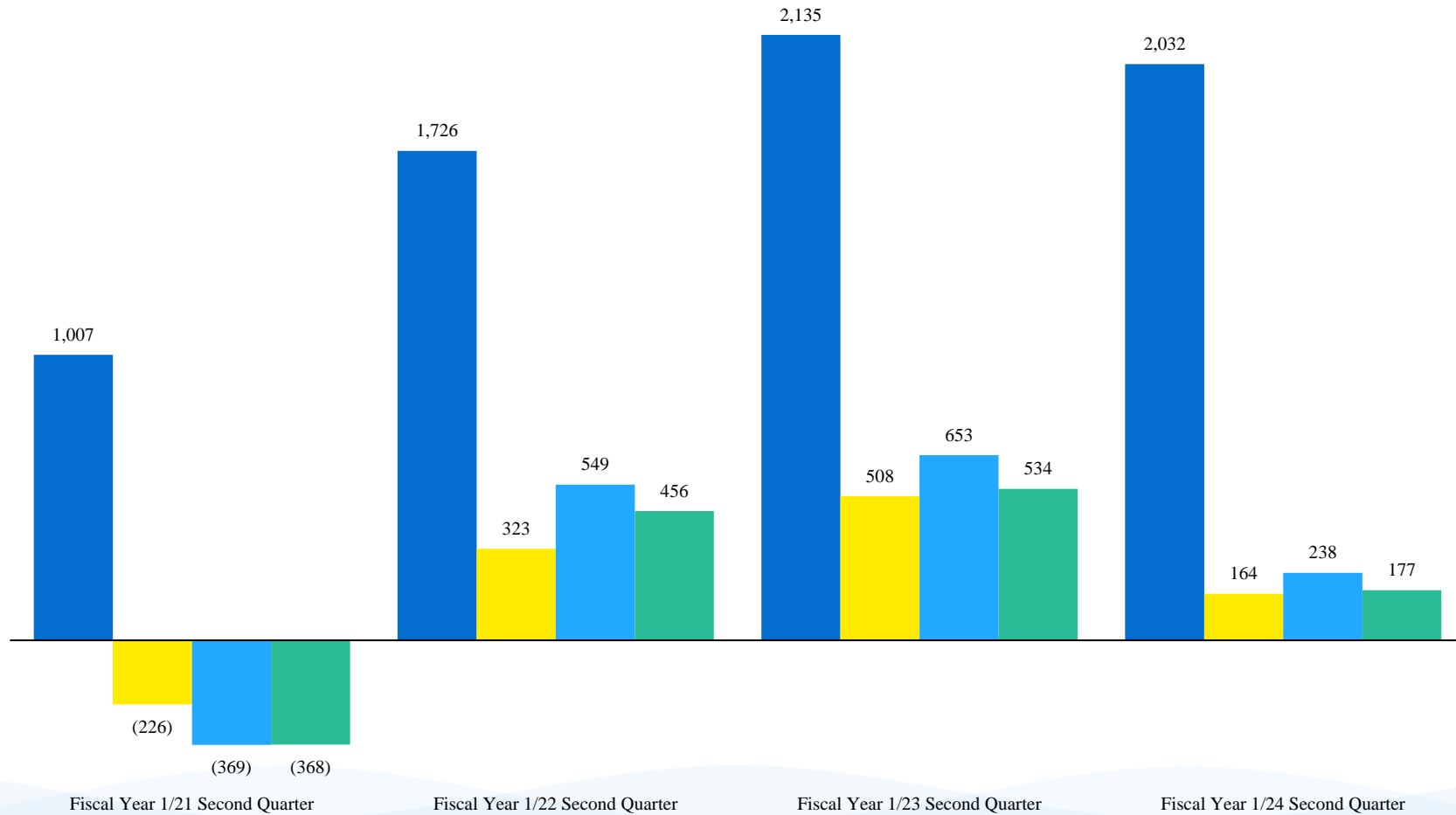
Operating income increased year on year due to higher SG&A expenses stemming from personnel expenses and DC DUAL FORCE advertising expenses.

Down 67.6%, to 164 million yen.

Business Trends

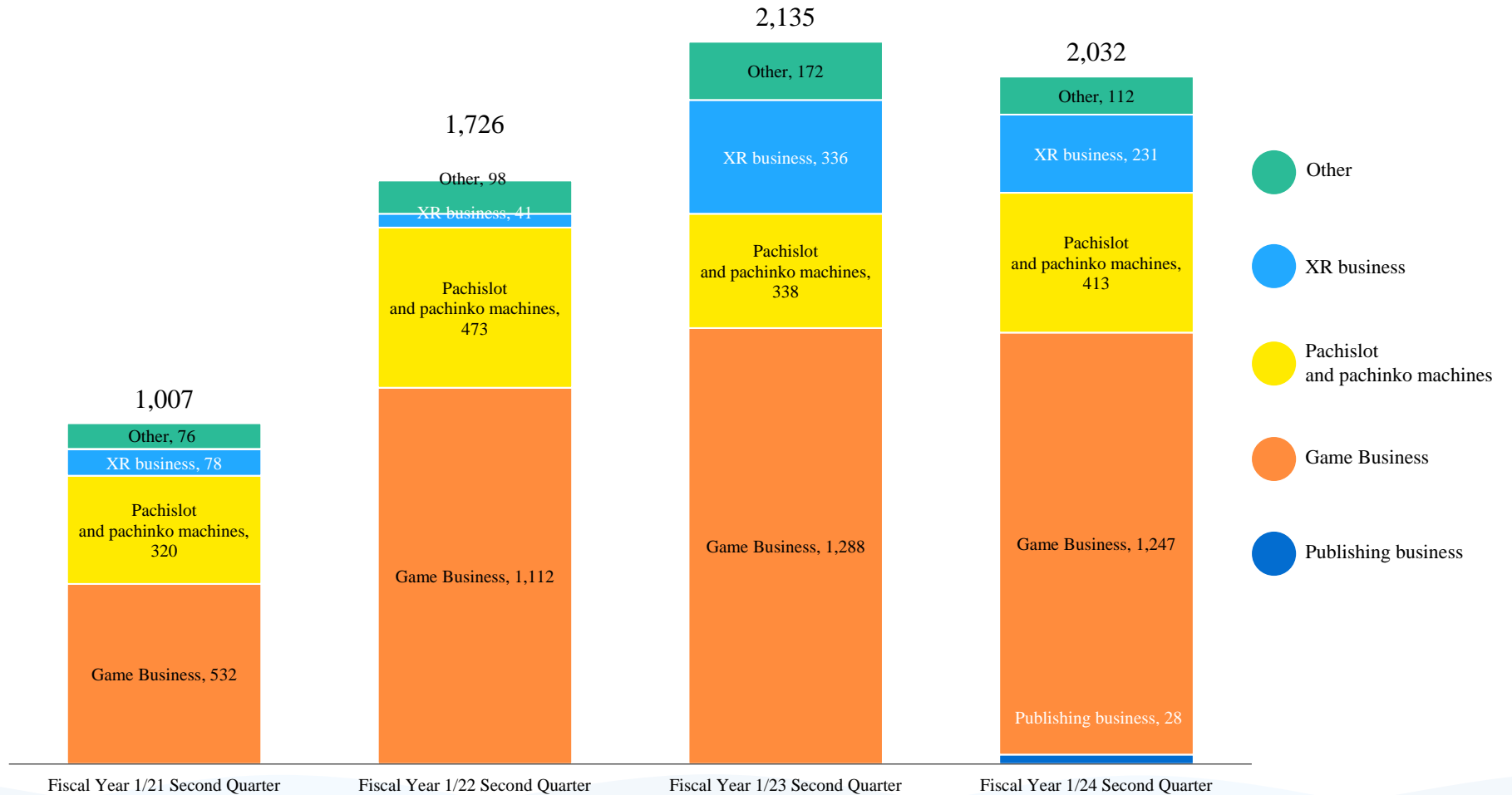
(Millions of yen)

■ Net sales ■ Operating profit ■ Ordinary profit ■ Profit attributable to owners of parent



Net Sales by Industry Segment

(Millions of yen)



Consolidated balance sheet ①

Assets

(Millions of yen)

	End of January, 2023 (Con.)	End of July, 2023 (Consolidated)	Change
Current assets	3,138	2,512	(626)
Cash and deposits	1,888	1,309	(578)
Notes and and contract assets	885	920	+35
Work in process	63	10	(52)
Other	301	271	(30)
Fixed assets	1,621	2,047	+426
Tangible fixed assets	31	38	+6
Intangible fixed assets	901	1,317	+415
Investments and other assets	687	692	+4
<u>Total assets</u>	4,759	4,560	(199)

Consolidated balance sheet ②

Liabilities

(Millions of yen)

	End of January, 2023 (Con.)	End of July, 2023 (Consolidated)	Change
Current liabilities	595	520	(74)
Accounts payable - other	254	303	+48
Income taxes payable	150	69	(81)
Advances received and contract liabilities	0	7	+7
Provision for bonuses	101	81	(19)
Other	88	59	(28)
Non-current liabilities	117	118	0
Total liabilities	713	639	(73)

Net assets

(Millions of yen)

	End of January, 2023 (Con.)	End of July, 2023 (Consolidated)	Change
Shareholders' equity	3,961	3,826	(134)
Stated capital	412	412	0
Capital surplus	466	509	+43
Retained earnings	4,040	3,965	(75)
Treasury share	(957)	(1,061)	(103)
Accumulated other comprehensive income	52	57	+4
Share acquisition rights	32	37	+4
Total net assets	4,046	3,920	(125)
Total liabilities and net assets	4,759	4,560	(199)

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Fiscal Year 2024/1 Second Quarter Results Highlights



"AEW: Fight Forever"



Revival of the golden age of professional wrestling games!

『AEW: Fight Forever』

Launched June 29, 2023!

■ AEW: Fight Forever product profile

Sold by: THQ Nordic/Developed by: YUKE'S

Supported models: Nintendo Switch™, PlayStation®5/PlayStation®4, PC, Xbox Series X | S™ / Xbox One™

Genre: Action, Sports/Number of Players: 1-4 (Online Play 1-4)

Delivery store: Nintendo eShop PlayStation™Store · Steam® · Microsoft Store

Supported languages: japanese, english, portuguese, french, german, spanish, chinese (simplified)

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What is AEW?

Also known as the National Football League (NFL) and the Premier League team owner, this is a pro-less organization founded by the parents and children of Shahid Khan and Tony Khan, the wealthy, whose net assets are said to be USD 6.8 billion. With its overwhelming financial resources, the company has attracted considerable attention as major players around the world have been abandoned, including CM Punk and Brian Danielson.



Shikaku reappears on a square earth!?

DigiBok Earth Defense Force 2

EARTH DEFENSE FORCE: WORLD BROTHERS

"We're in charge of development," "We're going to be shikaku again on the square planet!?"
DigiBok Earth Defense Force 2
With EARTH DEFENSE FORCE: WORLD BROTHERS
This is announced.

■Product Outline of the "Digi Boku Earth Defense Force 2 EARTH DEFENSE FORCE: WORLD BROTHERS for Shikaku Again !? Digi Boku"
Sold by: D3PUBLISHER INC.
Release date: Scheduled for 2024
Compatible model: PlayStation®5/PlayStation®4, Nintendo Switch™
Genre: Action Shooting
Official website: <https://www.d3p.co.jp/edfwb2/>

"Shikaku reappears on a square earth!?" DigiBoku Earth Defense Force 2

What is EARTH DEFENSE FORCE: WORLD BROTHERS?

This is a sequel to the DigiBoku Earth Defense Force, a spin-out work that expresses the Action Shooting "Earth Defense Force" series with Voxell Art, which depicts a fight against invaders from space. The mysterious giant "Geikar" that suddenly emerged from the inside of the Earth causes the square Earth to come apart again!
Let's gather the Legends and local EDF members "World Brother" who have participated in the previous series. Create your own strongest team. Let's restore the planet to its original state!

" DC DUAL FORCE "



WB Games logo, WB shield: ™ & © DC Comics. ™ & © Warner Bros. Entertainment Inc. (s21)
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End of open beta test

From August 31

Expand Early Access!

Dcdualforce.com will be released in other Steam®/Epic Games Store and expanded to other languages.

■DC DUAL FORCE Product Profile

Sold by: YUKE'S Co., Ltd.

Suggested retail price: Free (with some in-game charges)

Supported models: Microsoft Windows

Genre: Digital Card Game

Delivery store: dcdualforce.com, Epic Games Store, Steam®

Supported languages: french, italian, german, spanish, portuguese, japanese, traditional chinese, korean

What is DC DUAL FORCE?

An on-line trading card game featuring DC comics characters, which are historically popular worldwide. You can combine your favorite characters, such as superman and batman, to build your own deck and enjoy games with players around the world.



In charge of CG production with proprietary techniques

**" HATSUNE MIKU JAPAN TOUR 2023
~Participated in THUNDERBOLT~"CG production!**

HATSUNE MIKU was in charge of CG production of some of the music of HATSUNE MIKU/KAGAMINE RIN/KAGAMINE LEN using YUKE'S's proprietary techniques in the live tours " HATSUNE MIKU JAPAN TOUR 2023 ~THUNDERBOLT" around Japan.

What is HATSUNE MIKU?

This is "software" developed by Crypton Future Media, Inc. that allows anyone to sing a song by entering lyrics and melody. This was a dramatic movement as many creators made music on HATSUNE MIKU and posted it on the Internet.

She has also attracted attention as a "character" and is now active in many fields as a virtual singer, developing goods and performing live, and her popularity is spreading around the world.
※KAGAMINE RIN and KAGAMINE LEN are also virtual singers developed by Krypton Future Media, Inc.

For real-time motion capture Participated in live production

**"GIRLS und PANZER Virtual Live, start!"
~We are all here!!!!!!~"
Participated in the live production of**

We participated in live production as a person in charge of CG model production and real-time motion capture of characters using YUKE'S's proprietary technical ALiS ZERO ® in the series's first live distribution "GIRLS und PANZER Virtual Live, Start! ~Oarai, all-in group!!!!!!~"(sponsored: Bandai Namco Filmworks Inc., and Bandai Namco Music Live Inc.).

What is GIRLS und PANZER?

All 2012 TV series-broadcast in October 2012, OVA's theatrical presentation in July 2014, and the "theatrical version" in November 2015 are popular animations. Women's high-school students are surprised to take a battle in a tank. Heartful dramas attract a lot of attention and excitement, and the theatrical version surpassed 2.5 billion yen in box office revenues. The town of Oarai in Ibaraki Prefecture, where the film is set, is also showing continuous excitement, and fans continue to visit.

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Fiscal Year 2024/1 Earnings Forecasts and Future Initiatives



Fiscal Year 2024/1 Consolidated Earnings Forecasts

(Millions of yen, %)

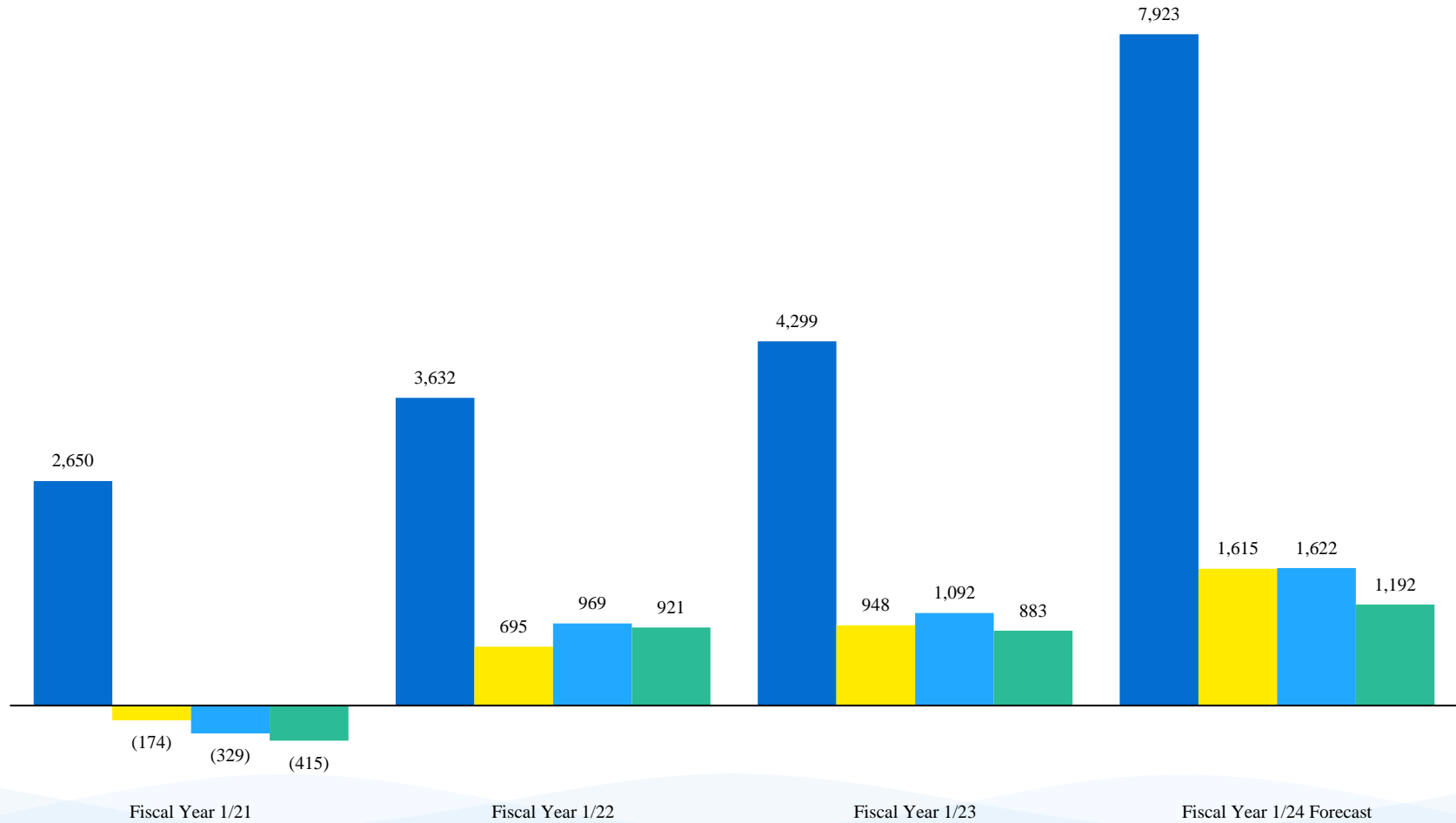
	Fiscal Year 1/2023	Fiscal Year 1/2024 Forecast	Change	Rate of change
Net sales	4,299	7,923	3,623	+84.3%
Cost of sales	2,752	5,061	2,308	+83.9%
Gross profit	1,546	2,861	1,314	+85.0%
SGA cost	598	1,246	647	+108.2%
Operating profit	948	1,615	667	+70.4%
Ordinary profit	1,092	1,622	529	+48.5%
Profit attributable to owners of parent	883	1,192	309	+35.0%
Applicable exchange rate (U.S. dollars/Japanese yen)	133.34 yen (average)	125 yen	FX Sensitivity: Per JPY Net sales Approx. 28,090 thousand yen Operating income Approx. 9,990 thousand yen	

- There are no changes to the full-year consolidated earnings forecasts at this time.
- We plan to significantly increase net sales and operating income by developing the publishing business.
- The Company does not expect recurring profit to be affected by fluctuations in foreign currency exchange rates.

Performance Trends (Forecast)

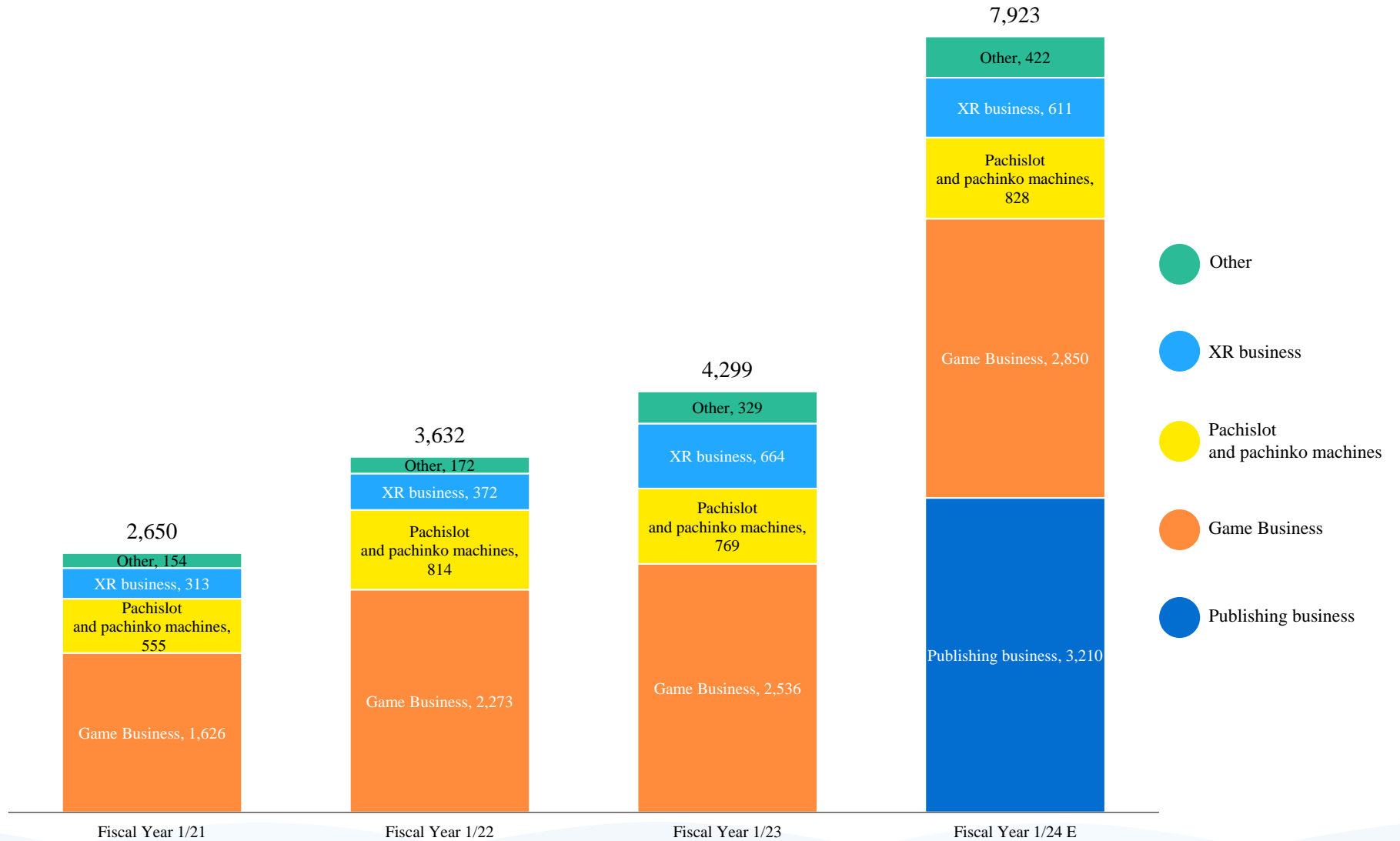
(Millions of yen)

■ Net sales ■ Operating profit ■ Ordinary profit ■ Profit attributable to owners of parent



Sales by Major Genre (Forecast)

(Millions of yen)



Dividend Policy

Returning profits to shareholders is 1 of the most important management issues.
While taking into account future business development and internal reserves that take into account the characteristics of the business,
Returning Profits to Shareholders in Accordance with Business Performance while Maintaining Stable Dividends

- ▶ Annual dividend of surplus
- ▶ Targeting a consolidated dividend payout ratio of 30% as a target
- ▶ Lower limit 10 yen per share per year

Fiscal Year 1/2023

Annual dividends per share

30 yen

Dividend payout ratio

29.0%



Fiscal Year 1/2024 (Forecast)

Annual dividends per share

Planned 42 yen

Dividend payout ratio

29.7%

Share Repurchase Program (Results)

Reason for the share repurchase

Expeditious implementation of financial strategies responding to the change in the management environment

Cumulative total of treasury stock acquired

Type of shares repurchased	Shares of our common stock
Total number of shares acquired:	426.4 thousand shares
Acquisition period	From April 27, 2022 to April 21, 2023
Agregate amount of acquisition cost	386,120.1 thousand yen (Average unit price: 906 yen)

[Reference] Resolution of the Board of Directors held on September 21, 2022

Class of shares to be acquired	Our common stock
Number of shares to be acquired	Up to 0.7 million shares (8.15% of the total number of issued shares (excluding treasury stock))
Total acquisition price of shares:	0.5 billion yen (maximum)
Acquisition period	From April 27, 2022 to April 21, 2023 ※Board of Directors' meeting held on September 21, 2022 resolved to expand the scope of share buybacks

The repurchase of treasury stock was terminated due to the expiration of the acquisition period.
As the share price exceeded expectations, the total number of shares acquired was lower than expected.

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Key Points and Results for the Future



4 slogans selected as action guidelines
to mark the 30th anniversary of the Company's founding

REBOOT
th year

RESOLVE RECONSTRUCT REVITALIZE

Disseminating Creative and Best Entertainment Worldwide!

Focus Point for the current fiscal year

Reorganized the organization from the Business Division to the Publishing Division and augmented staff.
We will also develop DC DUAL FORCE and other IP titles.
New titles are scheduled to start this fiscal year.



Current performance

- Steady adoption by game producers, etc.
- Deploy DC DUAL FORCE:
 - July 14 Beta release
 - August 31: Transition to Arliaccess
- Negotiations are currently underway to acquire several major domestic and overseas IP for new titles.

Accelerate business with a focus on AR Live System ALiS ZERO®!

Focus Point

In order to follow the future expansion of the market following the convergence of the new coronavirus, XR Division will be launched, and personnel will be invested in research and development in order to improve the system including the external partner companies and to maintain the superiority of ALiS ZERO® in the market. As a result, sales will temporarily decline, but the growth rate is expected to recover in Fiscal Year 1/2025.



Current performance

- R&D is underway on new functions for ALiS ZERO® versatility and expanded applications
- R&D expenses increased by approximately 2.5 times year-on-year
- Development and expansion of the system continues to be ongoing.



What is ALiS ZERO® (Alice Zero)?

A next-generation real-time rendering engine independently developed by YUKE'S. For the motion capture data taken It can be reflected in 3DCG characters in real time and can also be rendered simultaneously with physical engines and voices.

Game/Pachislot and Pachinko Machine Business

Strengthen development capabilities to increase the number of commissioned development titles

Focus Point

In order to participate in the development of several AAA titles and increase the number of commissioned development titles, the Company will strengthen its development capabilities by strengthening recruitment of new graduates and careers and expanding the number of external partner companies.

In addition to technology cultivated over 2030 years, the Company will use the latest technology to flexibly respond to large-scale and complex game development.



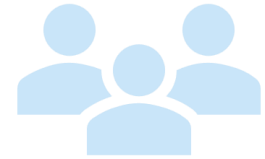
Current performance

	Number of titles entrusted		Outsourcing cost ratio (outsourcing cost/sales)	
	Fiscal Year 1/23 2Q	Fiscal Year 1/24 2Q	Fiscal Year 1/23 Full year	Fiscal Year 1/24 2Q
Game Business	8 titles	13 titles	20.35%	18.74%
Pachislot and pachinko machines	8 titles	11 titles	32.33%	20.41%
Total	16 titles	24 titles	23.05%	19.19%

In the Game Business, the loss of orders for projects with a high ratio of outsourcing and the large number of prototype projects, and in the Pachislot and Pachinko Machine Business, the scale of projects was smaller than expected, so the use of outsourcing did not progress as expected.

Stepping up staff recruitment

Realizing Key Points in Each Business Active recruitment of new graduates and careers



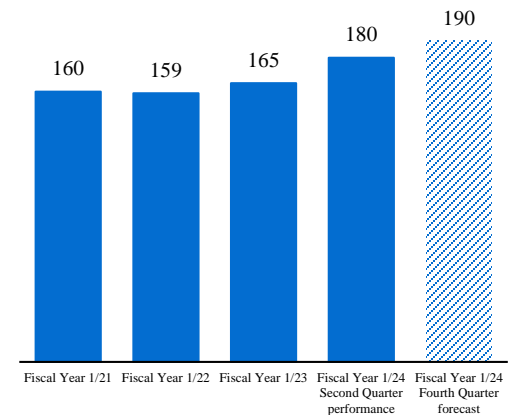
Strategies and initiatives

- + Recruitment activities using SNS
- + Referral adoption
- + Expansion of telework
- + Reforms of our personnel system
- + Increase in initial salary

Recruitment Status

Recruitment of development staff		
Increase in staff	Fiscal Year 1/24 Second Quarter performance	Fiscal Year 1/24 Fourth Quarter forecast
New graduates	15 employees	15 employees
Career	0 people	10 people
Total	15 employees	25 employees

Number of development personnel



Creator

165 employees
190 employees
 To the system
 15% Increase of staff

MVV (Mission, Vision, Values)

Corporate
Philosophy

**To many people around the world with greater expressiveness and new ideas
Fun games, big dreams, and deep emotions**

MVV

Mission

Bring smiles to the faces of the world with surprising and inspiring entertainment

Vision

Enhance sensitivity and create unique value

Values

Expanding a new world out of curiosity and the urge to know
Take on challenges without fear of challenging changes and failures,
and open up new possibilities
Take initiative, think and act on your own, and grasp your dreams
Compliance with Integrity and Building Public Trust
Recognize diversity values and evolve the form of happiness