

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

March 8, 2024

Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 (Under Japanese GAAP)



Company name: YUKE'S Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4334
 URL: <https://www.yukes.co.jp>
 Representative: Yukinori Taniguchi, President and Representative Director
 Inquiries: Takashi Hashiki, Director, General Manager of Administration Division
 Telephone: +81-72-224-5155
 Scheduled date of annual general meeting of shareholders: April 26, 2024
 Scheduled date to commence dividend payments: April 30, 2024
 Scheduled date to file annual securities report: April 26, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the fiscal year ended January 31, 2024 (from February 1, 2023 to January 31, 2024)

(1) Consolidated operating results

(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	%
Fiscal year ended								
January 31, 2024	4,087	(5.0)	179	(81.1)	282	(74.1)	(1,349)	—
January 31, 2023	4,299	18.4	948	36.3	1,092	12.7	883	(4.1)

Note: Comprehensive income For the fiscal year ended January 31, 2024: ¥(1,336) million [—%]
 For the fiscal year ended January 31, 2023: ¥880 million [(6.1)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2024	(160.68)	—	(42.3)	7.1	4.4
January 31, 2023	103.40	102.31	23.7	24.6	22.1

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended January 31, 2024: ¥— million
 For the fiscal year ended January 31, 2023: ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2024	3,253	2,434	72.8	281.68
January 31, 2023	4,759	4,046	84.3	476.14

Reference: Equity
 As of January 31, 2024: ¥2,367 million
 As of January 31, 2023: ¥4,014 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
January 31, 2024	(29)	(657)	(56)	1,183
January 31, 2023	634	(511)	(316)	1,888

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended January 31, 2023	—	0.00	—	30.00	30.00	252	29.0	6.9
Fiscal year ended January 31, 2024	—	0.00	—	10.00	10.00	84	—	2.6
Fiscal year ending January 31, 2025 (Forecast)	—	0.00	—	12.00	12.00	0	30.3	0

3. Forecast of consolidated earnings for the fiscal year ending January 31, 2025 (from February 1, 2024 to January 31, 2025)

	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, 2024	1,856	(8.7)	110	(32.7)	107	(54.8)	77	(56.4)	9.23
Fiscal year ending January 31, 2025	4,040	(1.1)	397	121.4	397	40.7	333	—	39.65

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of January 31, 2024	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 January 31, 2024	2,692,480 shares
As of January 31, 2023	2,665,543 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended January 31, 2024	8,399,792 shares
Fiscal year ended January 31, 2023	8,543,584 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended January 31, 2024 (from February 1, 2023 to January 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2024	3,415	(6.6)	63	(92.3)	167	(82.6)	(1,437)	—
January 31, 2023	3,655	13.0	815	35.9	957	9.7	788	(8.0)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
January 31, 2024	Yen (171.09)	Yen —
January 31, 2023	92.35	91.37

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
January 31, 2024	Millions of yen 2,235	Millions of yen 1,542	% 66.0	Yen 175.58
January 31, 2023	3,762	3,242	85.3	380.76

Reference: Equity

As of January 31, 2024: ¥1,475 million
As of January 31, 2023: ¥3,210 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

1. Overview of Operating Results and Financial Position	2
(1)Analysis of Operating Results	2
(2)Analysis of Financial Status	3
(3)Basic Policy on Profit Distribution and Dividends for the Current Fiscal Year	3
2. Basic Approach to Selection of Accounting Standards	3
3. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY NOTES	4
(1)Consolidated balance sheet	4
(2)Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	6
Consolidated statement of income	6
Consolidated statement of comprehensive income	7
(3)Consolidated statement of changes in equity	8
(4)Consolidated statement of cash flows	10
(5)Notes to Consolidated Financial Statements	11
(Notes on Going Concern Assumptions)	11
(Important Items Forming the Basis for Preparation of Consolidated Financial Statements)	11
(Changes in Accounting Policies)	12
(Changes in Presentation Method)	12
(Segment Information)	13
(Per Share Information)	15
(Significant Subsequent Events)	15

1. Overview of Operating Results

(1) Analysis of business results

Looking ahead, the Japanese economy is expected to continue recovering moderately, supported partly by the effects of various policies, amid an improvement in the employment and income situation. Nevertheless, the downturn in overseas economies poses the risk of downward pressure on our economy, such as the impact of the global monetary tightening and concerns about the outlook for the Chinese economy. In addition, due attention should be paid to the effects of price increases, developments in the Middle East, and changes in financial markets.

In the entertainment industry related to our group, the total number of visitors to the Tokyo Game Show 2023 held at Makuhari Messe from September 21 to 24, 2023 was 243,238, a substantial 76% increase from the 138,192 visitors in the previous year. This is more than 90% of the 2019 level before the Corona crisis, and is almost a return to normal mode.

Against this backdrop, THQ Nordic GmbH launched on June 29, 2023 “AEW: Fight Forever”, a professional wrestling game modeled on the same organization, which was developed by “All Elite Wrestling” (abbreviated as “AEW”), a progressive US professional wrestling organization. In addition, we are in the process of developing the “EARTH DEFENSE FORCE: WORLD BROTHERS 2” (release source: D3PUBLISHER INC.), which is scheduled to be released in 2024. This game was exhibited at the Tokyo Game Show 2023 held from September 21 to 24, 2023 and the Taipei Game Show 2024 held from January 25 to 28, 2024. In addition, in the new large-scale downloadable contents “Tales of ARISE – Beyond the Dawn”(2023 launched on November 9, 2021, which is a story drawn after the ending of the game book of “Tales of ARISE” launched by Bandai Namco Entertainment Inc., we will PS5, PS4, Xbox Series X programs such as level design, battle implementation, etc., and the creation of cutting scenes We participated in developing the entire S, Xbox 1, Steam platform. In addition, several other projects are being developed.

In XR business field, AR Live System “ALiS ZERO®”, our proprietary technology, continues to contribute to several live events. At “HATSUNE MIKU JAPAN TOUR 2023 ~THUNDERBOLT~” (sponsored by CRYPTON FUTURE MEDIA, INC) held 6 times in 5 locations nationwide from February 2023 to March 25, 2023, We were in charge of CG production for some of the songs of HATSUNE MIKU & KAGAMINE RIN & KAGAMINE LEN. Also, on August 19, 2023, we participated in the live production of “GIRLS und PANZER Virtual Live, Begin! ~ All members gather at Oarai!!!! ~” (sponsored by: Bandai Namco Filmworks Inc., Bandai Namco Music Live Inc.) using “ALiS ZERO®”. We also participated in the live production of “HATSUNE MIKU “MAGICAL MIRAI 2023”” (sponsored by TOKYO METROPOLITAN TELEVISION BROADCASTING Corporation and CRYPTON FUTURE MEDIA, INC) held at INTEX OSAKA on August 11-13, 2023, and at Makuhari Messe on September 1-3, 2023. We also produced a real-time CG at “Project SEKAI 3rd Anniversary Thanks Festival” (sponsored by SEGA CORPORATION and Colorful Palette Inc.) held on September 16-17, 2023. In addition, on October 8, 2023, we participated in the real-time live distribution of “CONNECT LIVE 3rd ANNIVERSARY Memorial Stage” at “Project SEKAI COLORFUL STAGE! feat. HATSUNE MIKU”, a rhythm and adventure game for iOS/Android by SEGA CORPORATION and Colorful Palette Inc.. We also produced CG motion data at the “HATSUNE MIKU EXPO 2023 VR” (sponsored by CRYPTON FUTURE MEDIA, INC), which was distributed on November 12, 2023.

In the publishing business field, “DC DUAL FORCE”, a digital card game featuring DC comics characters, transitioned to early access on August 31, 2023, and began distribution in Steam/Epic Games Store on October 18, 2023. However, we were forced to conclude that we were profitable in a short period of time and that the recoverability of initial development costs in the future was very low. Accordingly, we recorded an extraordinary loss of 1.655 billion yen due to the impairment loss on assets related to “DC DUAL FORCE”.

In the pachinko and pachislot field, we continue to undertake image development projects for multiple titles, and development is proceeding steadily.

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

In addition, we cooperated in art at ABC TV Sunday drama “Born on Which Day,” which was launched on August 6, 2023. Within this drama, our digital card game “DC DUAL FORCE”, “AEW: Fight Forever”(from the seller: THQ Nordic GmbH) and RPG “Tales of ARISE” that we developed and cooperated with (from the seller: Bandai Namco Entertainment Inc.) were used. In addition, I joined as a co-creation partner in the “Multiple Content Launch System for Golf Experience! AR Glass” exhibited by NTT QONOQ, INC. at “docomo Open House'24” (hosted by NTT DOCOMO, INC.) held at the Tokyo International Forum on January 17-18, 2024, where I was in charge of creating agent avatars by AR and the mechanism of multiple content launch control that forms the basis of applications in collaboration with NTT DATA MSE CORPORATION.

As a result of the above, net sales for the consolidated fiscal year under review were 4,087,093 thousand yen (a-year-on-year decrease of 5.0%).

In terms of income, operating income was 179,488 thousand yen (down 81.1% year on year) due to the recording of advertising expenses related to “DC DUAL FORCE” and an increase in personnel expenses, ordinary income was 282,710 thousand yen (down 74.1% year on year) due to foreign exchange gains arising

from exchange rate fluctuations, and extraordinary loss was 1.655 billion yen due to impairment losses on assets related to "DC DUAL FORCE", resulting in a net loss attributable to owners of parent of 1,349,644 thousand yen (compared to net income attributable to owners of parent of 883,448 thousand yen in the same period of the previous year).

Since our Group is a single segment of the Digital Contents Business, the disclosure of business results by segment is omitted.

With regard to the outlook for the next fiscal year, development of multiple projects is progressing in the games, pachinko and pachislot, and mobile fields.

Through the above activities, we forecast consolidated net sales of 4.04 billion yen, operating income of 397 million yen, ordinary income of 397 million yen, and net income attributable to owners of the parent of 333 million yen for the fiscal year ending January 2025.

(2) Financial Position

① Assets, liabilities and net assets

Total assets at the end of the fiscal year under review decreased 1,506,161 thousand yen from the end of the previous fiscal year to 3,253,617 thousand yen. The main factors were a decrease of 704,230 thousand yen in cash and deposits and a decrease of 900,067 thousand yen in intangible assets.

Liabilities increased by 106,230 thousand yen from the end of the previous fiscal year to 819,308 thousand yen. The main factors were an increase of 300 million yen in short-term loans payable and a decrease of 141,081 thousand yen in income taxes payable.

Net assets decreased by 1,612,391 thousand yen from the end of the previous fiscal year to 2,434,308 thousand yen. Major factors included a loss attributable to owners of parent of 1,349,644 thousand yen and dividends of surplus of 252,913 thousand yen.

② Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year decreased by 704,230 thousand yen from the end of the previous fiscal year to 1,183,933 thousand yen.

The status of each cash flow for the current consolidated fiscal year and its factors are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was 29,411 thousand yen, compared with 634,823 thousand yen provided in the same period of the previous fiscal year.

This was mainly due to loss before income taxes of 1,367,957 thousand yen, impairment loss of 1,655,267 thousand yen, increase in notes and accounts receivable-trade of 230,143 thousand yen, and income taxes paid of 226,085 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 657,262 thousand yen, compared with 511,427 thousand yen used in the same period of the previous fiscal year.

This was mainly due to expenditures of 606,350 thousand yen for acquisition of intangible fixed assets and expenditures of 40 million yen for acquisition of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was 56,475 thousand yen, compared with 316,714 thousand yen used in the same period of the previous fiscal year.

This was mainly due to an increase in short-term loans payable of 300 million yen, purchase of treasury stock of 126,110 thousand yen, and cash dividends paid of 251,625 thousand yen.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year under Review

We regard the return of profits to shareholders as 1 of our most important management issues. Our basic policy is to return profits to shareholders in accordance with business performance while maintaining stable dividends, while taking into account future business development and internal reserves that take into account the characteristics of our business.

The dividend will be determined based on a consolidated dividend payout ratio of 30%, and the minimum annual dividend will be 10 yen per share unless there is a significant downturn in business performance due to a sudden change in the business environment.

We will pay a year-end dividend of 10 yen per share of our common stock.

2. Basic Approach to Selection of Accounting Standards

Our Group intends to consider the application of International Financial Reporting Standards, taking into account various domestic and overseas circumstances.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Thousands of yen)

	As of January 31, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	1,888,164	1,183,933
Trade receivables and contract asset	885,242	1,115,386
Merchandise	0	0
Work in process	63,354	11,172
Prepaid expenses	241,002	34,031
Other	61,177	49,303
Allowance for doubtful accounts	(218)	(235)
Total current assets	3,138,721	2,393,592
Non-current assets		
Property, plant and equipment		
Buildings and structures	117,854	122,457
Accumulated depreciation	(95,723)	(98,739)
Buildings and structures, net	22,131	23,718
Land	2,514	2,514
Other	483,244	488,788
Accumulated depreciation	(475,911)	(480,331)
Other, net	7,333	8,457
Total property, plant and equipment	31,979	34,690
Intangible assets		
Software	1,086	459
Software in progress	899,440	-
Other	1,242	1,242
Total intangible assets	901,769	1,701
Investments and other assets		
Investment securities	339,021	404,815
Long-term prepaid expenses	201,839	202,179
Distressed receivables	104,852	102,052
Deferred tax assets	42,656	113,743
Other	103,789	102,893
Allowance for doubtful accounts	(104,852)	(102,052)
Total investments and other assets	687,307	823,632
Total non-current assets	1,621,056	860,024
Total assets	4,759,778	3,253,617

(Thousands of yen)

	As of January 31, 2023	As of January 31, 2024
Liabilities		
Current liabilities		
Short-term borrowings	-	300,000
Accounts payable - other	254,993	239,961
Income taxes payable	150,638	9,557
Contract liabilities	77	77
Provision for bonuses	101,039	92,639
Provision for loss on orders received	-	2,700
Other	88,444	50,037
Total current liabilities	595,192	694,972
Non-current liabilities		
Long-term accounts payable - other	200	200
Retirement benefit liability	117,436	123,886
Other	250	250
Total non-current liabilities	117,886	124,336
Total liabilities	713,078	819,308
Net assets		
Shareholders' equity		
Share capital	412,902	412,902
Capital surplus	466,215	510,822
Retained earnings	4,040,181	2,437,623
Treasury shares	(957,988)	(1,060,229)
Total shareholders' equity	3,961,310	2,301,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,773	65,949
Total accumulated other comprehensive income	52,773	65,949
Share acquisition rights	32,615	67,239
Total net assets	4,046,699	2,434,308
Total liabilities and net assets	4,759,778	3,253,617

(2)Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated statement of income)

(Thousands of yen)

	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024
Net sales	4,299,846	4,087,093
Cost of sales	2,752,876	2,907,642
Gross profit	1,546,970	1,179,450
Selling, general and administrative expenses	598,633	999,961
Operating profit	948,336	179,488
Non-operating income		
Interest income	12,540	10,241
Dividend income	1,737	2,118
Foreign exchange gains	116,765	88,123
Other	21,537	10,246
Total non-operating income	152,580	110,729
Non-operating expenses		
Interest expenses	228	425
Commission for purchase of treasury shares	998	499
Loss on extinguishment share-based compensation expenses	-	3,900
Commitment fees	5,964	2,683
Loss on investments in silent partnerships	1,387	-
Total non-operating expenses	8,578	7,507
Ordinary profit	1,092,338	282,710
Extraordinary income		
Gain on liquidation of subsidiaries and associates	5,129	-
Gain on reversal of share acquisition rights	-	4,600
Total extraordinary income	5,129	4,600
Extraordinary losses		
Loss on retirement of non-current assets	8,037	-
Impairment losses	-	1,655,267
Total extraordinary losses	8,037	1,655,267
Profit (loss) before income taxes	1,089,430	(1,367,957)
Income taxes - current	193,334	58,582
Income taxes - deferred	12,647	(76,895)
Total income taxes	205,982	(18,313)
Profit (loss)	883,448	(1,349,644)
Profit (loss) attributable to owners of parent	883,448	(1,349,644)

	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024
Profit (loss)	883,448	(1,349,644)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,009)	13,176
Foreign currency translation adjustment	(1,539)	-
Total other comprehensive income	(2,549)	13,176
Comprehensive income	880,898	(1,336,467)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	880,898	(1,336,467)

(3) Consolidated statement of changes in equity

Previous fiscal year (February 1, 2022, to January 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	412,902	432,218	3,276,097	(738,338)	3,382,879
Cumulative effects of changes in accounting policies			(32,854)		(32,854)
Restated balance	412,902	432,218	3,243,243	(738,338)	3,350,025
Changes during period					
Dividends of surplus			(86,510)		(86,510)
Profit (loss) attributable to owners of parent			883,448		883,448
Purchase of treasury shares				(260,078)	(260,078)
Disposal of treasury shares		33,997		40,428	74,426
Net changes in items other than shareholders' equity					
Total changes during period	-	33,997	796,938	(219,649)	611,285
Balance at end of period	412,902	466,215	4,040,181	(957,988)	3,961,310

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	53,783	1,539	55,323	33,257	3,471,460
Cumulative effects of changes in accounting policies					(32,854)
Restated balance	53,783	1,539	55,323	33,257	3,438,606
Changes during period					
Dividends of surplus					(86,510)
Profit (loss) attributable to owners of parent					883,448
Purchase of treasury shares					(260,078)
Disposal of treasury shares					74,426
Net changes in items other than shareholders' equity	(1,009)	(1,539)	(2,549)	(642)	(3,192)
Total changes during period	(1,009)	(1,539)	(2,549)	(642)	608,093
Balance at end of period	52,773	-	52,773	32,615	4,046,699

Current fiscal year (from February 1, 2023 to January 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	412,902	466,215	4,040,181	(957,988)	3,961,310
Changes during period					
Dividends of surplus			(252,913)		(252,913)
Profit (loss) attributable to owners of parent			(1,349,644)		(1,349,644)
Purchase of treasury shares				(126,110)	(126,110)
Disposal of treasury shares		44,606		23,868	68,475
Net changes in items other than shareholders' equity					
Total changes during period	-	44,606	(1,602,557)	(102,241)	(1,660,192)
Balance at end of period	412,902	510,822	2,437,623	(1,060,229)	2,301,118

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	52,773	52,773	32,615	4,046,699
Changes during period				
Dividends of surplus				(252,913)
Profit (loss) attributable to owners of parent				(1,349,644)
Purchase of treasury shares				(126,110)
Disposal of treasury shares				68,475
Net changes in items other than shareholders' equity	13,176	13,176	34,624	47,800
Total changes during period	13,176	13,176	34,624	(1,612,391)
Balance at end of period	65,949	65,949	67,239	2,434,308

(Thousands of yen)

	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	1,089,430	(1,367,957)
Depreciation	7,338	48,906
Share-based payment expenses	34,861	80,270
Increase (decrease) in retirement benefit liability	6,338	6,450
Increase (decrease) in provision for bonuses	23,418	(8,399)
Increase (decrease) in provision for loss on orders received	-	2,700
Increase (decrease) in allowance for doubtful accounts	(6,952)	(2,783)
Interest and dividend income	(14,277)	(12,359)
Loss on extinguishment share-based compensation expenses	-	3,900
Interest expenses	228	425
Foreign exchange losses (gains)	(107,470)	(38,918)
Loss (gain) on liquidation of subsidiaries and associates	(5,129)	-
Gain on reversal of share acquisition rights	-	(4,600)
Loss on retirement of non-current assets	8,037	-
Impairment losses	-	1,655,267
Decrease (increase) in trade receivables	(178,555)	(230,143)
Decrease (increase) in inventories	15,938	52,181
Decrease (increase) in distressed receivables	7,000	2,800
Increase (decrease) in accounts payable - other	25,637	(15,032)
Increase (decrease) in contract liabilities	(22,000)	-
Other, net	(114,146)	16,661
Subtotal	769,696	189,369
Interest and dividends received	12,350	10,432
Interest paid	(228)	(444)
Payments for commitmentline expense	(5,964)	(2,683)
Income taxes paid	(160,963)	(226,085)
Income taxes refund	19,932	-
Net cash provided by (used in) operating activities	634,823	(29,411)
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,100)	(10,887)
Purchase of intangible assets	(493,772)	(606,350)
Purchase of investment securities	-	(40,000)
Proceeds from liquidation of investment securities	980	-
Proceeds from refund of guarantee deposits	996	-
Payments of guarantee deposits	(8,530)	(24)
Net cash provided by (used in) investing activities	(511,427)	(657,262)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	-	300,000
Proceeds from exercise of employee share options	30,162	18,234
Purchase of treasury shares	(260,078)	(126,110)
Proceeds from issuance of share acquisition rights	-	3,526
Dividends paid	(85,799)	(251,625)
Other payments	(998)	(499)
Net cash provided by (used in) financing activities	(316,714)	(56,475)
Effect of exchange rate change on cash and cash equivalents	109,695	38,918
Net increase (decrease) in cash and cash equivalents	(83,622)	(704,230)
Cash and cash equivalents at beginning of period	1,971,786	1,888,164
Cash and cash equivalents at end of period	1,888,164	1,183,933

(5)Notes to consolidated financial statements

(Notes on the Going Concern Assumption)

Not applicable.

(Important Items Forming the Basis for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 2

Names of consolidated subsidiaries

FINE Co., Ltd.

YUKE'S MUSIC Co., Ltd.

2. Application of the equity method

Not applicable.

3. Accounting periods of consolidated subsidiaries

The last day of the fiscal year of consolidated subsidiaries is the same as the consolidated closing date.

4. Matters concerning accounting policies

(1)Valuation standards and methods for important assets

①Securities

Held-to-maturity debt securities

Depreciated using the amortized cost method (straight-line method).

Available-for-sale securities

Other than shares, etc. without market price

Stated at fair value (all unrealized gains and losses are included in net assets and the cost of securities sold is determined by the moving-average method).

Stocks, etc. without market price

As determined by the moving average method

②Inventories

Work in process

Stated at cost determined by the specific identification method. (The carrying amount on the balance sheet is written down to reflect the decline in profitability.)

Merchandise

Stated at cost determined by the moving-average method. (The carrying amount on the balance sheet is written down to reflect the decline in profitability.)

Supplies

Stated at cost determined by the last purchase price method. (The balance sheet value is written down to reflect the decline in profitability.)

(2)Description methods for major depreciable assets

①Property, plant and equipment

We and our consolidated subsidiaries use the declining-balance method.

Principal ranges of useful lives are as follows

Buildings and structures

8 to 15 years

②Intangible assets

Software (for internal use) is depreciated using the straight-line method over its estimated useful life (5 years).

(3)Accounting for allowances

①Allowance for doubtful accounts

To calculate losses due to bad debt, the expected amount to be collected is accounted for based on the actual bad debt ratio for general credits and by examining specific credits individually to evaluate the possibility of collection.

②Provision for bonuses

In preparation for the payment of bonuses to employees, an allowance is provided based on the estimated amount to be paid.

③Provision for loss on orders received

To provide for future losses on contract orders, the Company records an estimated amount of loss on contract orders at the end of the current fiscal year.

(4) Retirement benefit accounting method

In calculating net defined benefit liability and retirement benefit expenses, our Group uses the simplified method in which retirement benefit obligations are calculated based on the amount that would be required if all employees voluntarily terminated their employment at the end of the fiscal year.

(5) The standards for recognition of significant revenues and expenses

The following table summarizes the major performance obligations related to order-made software, which is our primary business with respect to revenue arising from contracts with our Group customers, and the normal point at which such performance obligations are satisfied (the normal point at which revenue is recognized):

The performance obligation to transfer the deliverables, such as the development of software for orders received creation, arises from assets that cannot be diverted to other uses by fulfilling the obligations under the contract with the customer. Therefore, the Company determines that the fulfillment obligation is to be met for a certain period of time, and estimates the progress of fulfillment of the fulfillment obligation. The Company recognizes revenue for a certain period of time based on the degree of such fulfillment. This measure of progress is based primarily on the cost basis incurred.

However, for contracts with a very short term, revenue is not recognized over a certain period of time and is recognized when the performance obligations are fully satisfied (upon acceptance by the customer).

(6) Standards for the conversion of important foreign currency-denominated assets and liabilities into yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate at the end of the fiscal year under review, and translation adjustments are accounted for as profit or loss.

(7) Fund scope in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, readily available deposits and short-term investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and present insignificant risk of changes in value.

(Changes in accounting policies)

Not applicable.

(Changes in Presentation Method)

(Notes to Consolidated Balance Sheets)

"Long-term prepaid expenses," which was included in "Other" under "Investments and other assets" in the previous fiscal year, exceeded 5/100 of the total amount of assets. Therefore, the Company has decided to list them separately from the current fiscal year. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 305,628 thousand yen presented as "Other" under "Investments and other assets" in the consolidated balance sheet for the previous fiscal year has been reclassified as "Long-term prepaid expenses" 201,839 thousand yen and "Other" 103,789 thousand yen.

(Segment Information)

[Segment Information]

Previous fiscal year (February 1, 2022, to January 31, 2023)

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

Current fiscal year (from February 1, 2023 to January 31, 2024)

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

[Related Information]

Previous fiscal year (February 1, 2022, to January 31, 2023)

1. Information by product and service

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

2. Information for each region

(1) Net sales

(Thousands of yen)

Japan	United States	Other	Total
2,972,994	1,296,293	30,559	4,299,846

(NOTE)1. Net sales are classified by country or region based on the location of the customer.

2. Significant country or area belonging to each segment

Others: Asia

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information for each major customer

(Thousands of yen)

Name of customer	Net sales	Sales Related segment name
All Elite Wrestling, LLC	1,159,042	Digital Contents Business
CRYPTON FUTURE MEDIA, INC	481,227	Digital Contents Business

Current fiscal year (from February 1, 2023 to January 31, 2024)

1. Information by product and service

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

2. Information for each region

(1)Net sales

(Thousands of yen)

Japan	United States	Total
3,183,845	903,247	4,087,093

(NOTE)Sales are classified in countries or regions based on location of customers.

(2)Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information for each major customer

(Thousands of yen)

Name of customer	Net sales	Sales Related segment name
All Elite Wrestling, LLC	682,159	Digital Contents Business
D3PUBLISHER INC.	303,964	Digital Contents Business

(Per Share Information)

End of previous fiscal year (February 1, 2022 To January 31, 2023)	Current consolidated fiscal year (February 1, 2023 To January 31, 2024)
Net assets per share 476.14 Yen	Net assets per share 281.68 Yen
Net income per share 103.40 Yen	Net loss per share (160.68) Yen
Diluted EPS Net income for computation 102.31 Yen	Diluted net income per share is not presented because it is the amount of net loss per share, although there are dilutive shares.

(NOTE) The basis for calculating net income per share or loss per share and diluted net income per share is as follows:

	End of previous fiscal year (February 1, 2022 To January 31, 2023)	Current consolidated fiscal year (February 1, 2023 To January 31, 2024)
Net income per share or net loss per share		
Profit attributable to owners of parent or loss attributable to owners of parent (thousand yen)	883,448	(1,349,644)
Amount not attributable to common shareholders	-	-
Net income (loss) attributable to owners of parent related to common shares (thousand yen)	883,448	(1,349,644)
Average number of shares of common stock outstanding during the period (shares)	8,543,584	8,399,792
Diluted EPS Net income for computation		
Adjustment to profit attributable to owners of parent (thousand yen)	-	-
Increase in common stock (shares)	91,363	-
(Stock acquisition rights (shares))	91,363	-
Summary of dilutive shares not included in the calculation of diluted net income per share because they have no dilutive effect	2022 1st Stock Acquisition Rights (115 thousand shares).	-

(NOTE) Diluted net income per share for the current fiscal year is not presented because the amount of net loss per share for the current fiscal year is the amount of net loss per share, although there are dilutive shares.

(Significant subsequent events)

Not applicable.