

Translation

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Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 12, 2023

Company name: FURYU CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 6238 URL <https://www.furyu.jp/>
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 Department
 Scheduled date of ordinary general meeting of shareholders: June 23, 2023
 Scheduled date to file Securities Report: June 23, 2023
 Scheduled date to commence dividend payments: June 5, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	%
Year ended March 31, 2023	36,400	6.9	2,134	(42.5)	2,179	(41.2)	1,443	(43.3)
Year ended March 31, 2022	34,058	—	3,709	—	3,707	—	2,544	—

Note: Comprehensive income Year ended March 31, 2023 ¥1,324 million [(48.6)%]
 Year ended March 31, 2022 ¥2,577 million [—%]

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/ total assets	Operating profit/ net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	53.62	—	7.0	8.1	5.9
Year ended March 31, 2022	93.01	—	12.0	13.2	10.9

(Reference) Share of profit (loss) of entities accounted for using equity method

Year ended March 31, 2023 ¥— million
 Year ended March 31, 2022 ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	25,932	20,152	77.7	762.20
As of March 31, 2022	28,146	21,250	75.5	776.71

(Reference) Equity As of March 31, 2023 ¥20,152 million
 As of March 31, 2022 ¥21,250 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	904	(2,334)	(2,440)	10,800
Year ended March 31, 2022	5,692	(2,274)	(1,013)	14,662

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter- end	2nd quarter- end	3rd quarter- end	Fiscal year- end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	—	0.00	—	52.00	52.00	1,422	55.9	6.7
Year ended March 31, 2023	—	0.00	—	38.00	38.00	1,004	70.9	4.9
Year ending March 31, 2024 (Forecast)	—	0.00	—	38.00	38.00		57.9	

Breakdown of year-end dividend for the fiscal year ended March 31, 2022:

Ordinary dividend of ¥37

15th anniversary commemorative dividend of ¥15

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	39,000	7.1	2,500	17.1	2,500	14.7	1,735	20.2	65.62

*Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

Note: For details, please see "3. Consolidated financial statements and significant notes thereto (5) Notes to consolidated financial statements (Changes in accounting policies) on 13 page of the attached material."

(3) Number of issued shares (common shares)

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

As of March 31, 2023	28,296,000 shares	As of March 31, 2022	28,296,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	1,855,966 shares	As of March 31, 2022	935,766 shares
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Average number of shares during the period

Year ended March 31, 2023	26,919,568 shares	Year ended March 31, 2022	27,360,241 shares
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(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	36,121	6.3	2,317	(40.1)	2,367	(38.8)	1,634	(39.0)
Year ended March 31, 2022	33,978	37.1	3,869	41.4	3,871	42.5	2,681	45.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2023	60.72	—
Year ended March 31, 2022	97.99	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	26,226	20,570	78.4	778.02
As of March 31, 2022	28,236	21,472	76.0	784.81

(Reference) Equity	As of March 31, 2023	¥20,570 million
	As of March 31, 2022	¥21,472 million

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

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

The forward-looking statements including forecast of financial results contained in these materials are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. As such, they do not constitute the Company's guarantee that such results would be achieved. Actual financial and other results may differ substantially from the statements herein due to various factors.

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year under review

During the fiscal year under review, the Japanese economy underwent changes brought about by increased relaxation of COVID-19 restrictions and progress toward the normalization of socioeconomic activities based on a live-with-COVID policy, and there were signs of personal consumption recovering gradually.

However, the economic outlook remained uncertain, with the sharp yen depreciation caused by the Bank of Japan keeping policy accommodative despite increasingly aggressive tightening being undertaken by its global counterparts, and soaring prices of energy and raw materials caused by the prolongation of Russia-Ukraine situation.

Under these circumstances, with the Group's corporate philosophy "Create quality entertainment that brings happiness and fulfillment to people," the Group focused on expanding the Photo Sticker Business, diversifying monetization utilizing the customer base, which is young women, and selling products using character IPs (intellectual properties).

As a result, regarding the operating results for the fiscal year under review, the Group saw net sales of ¥36,400 million (106.9% of the previous fiscal year), operating profit of ¥2,134 million (57.5% of the previous fiscal year), ordinary profit of ¥2,179 million (58.8% of the previous fiscal year), and profit attributable to owners of parent of ¥1,443 million (56.7% of the previous fiscal year).

Operating results by segment are as follows:

(Photo Sticker Business)

In the Photo Sticker Business, despite the current recovery of personal consumption as mentioned above, the slump in consumer sentiment caused by the spread of COVID-19 infections had a lingering effect, and the play count did not recover to pre-COVID levels. Amid the continuing severe market environment, we introduced the special mode featuring the collaboration with popular characters and popular artists, and undertook sales promotion measures, including advertisement on the LINE official account, etc., to recover play count. In addition, we launched new models, such as "rootme" in June 2022, "TODAYL" in October 2022, and "IDOLY studio" in January 2023. Under these circumstances, the play count in the fiscal year under review reached 33.75 million (31.97 million in the previous fiscal year).

As a result, for the fiscal year under review, the Group saw net sales of ¥8,689 million (114.7% of the previous fiscal year), and an operating profit of ¥506 million (operating loss of ¥252 million in the previous fiscal year).

(Content and Media Business)

In the Content and Media Business, the number of paying members for the photo sticker image acquisition and viewing service "Pictlink," which we consider an important KPI for the service, was on a gradual uptrend, and reached 1.49 million at the end of March 2023 (1.46 million at the end of March 2022).

In our sales of colored contact lenses, with an aim of improving profit margins, we focused on the sale of our private-label brands, such as "LuMia" and "ramurie," while reducing the costs for advertising other companies' products. In addition, we launched new products, such as "PURI ism" in August 2022, and "U.P.D." in October 2022. Concurrently, with an aim of improving customer convenience, we renewed our e-commerce site "Mew contact."

In the Programmatic Advertising Business, sales increased due to an increase in the volume of orders from existing customers.

As a result, for the fiscal year under review, the Group saw net sales of ¥8,569 million (102.9% of the previous fiscal year), and an operating profit of ¥3,290 million (103.7% of the previous fiscal year).

(Character Merchandizing Business)

In the Character Merchandizing Business, we acquired and commercialized numerous new character copyrights for popular manga works, popular artists, and games with worldwide popularity, etc.

Our products are manufactured mainly in China. As the manufacturing costs were settled in the US dollar, the Company was affected by the weak yen. Accordingly, the Company's profits remained under pressure.

The profitability of crane game prizes declined, as there were no IPs of the popularity as explosive as that seen in the previous fiscal year, and the scale merit declined. However, the Company managed to maintain sales volume due to the expansion of the crane game market and commercialization of numerous popular IPs.

Sales of products for overseas merchandise sales grew, as orders received remained robust, particularly in China and the US.

Sales of high-end hobby items rose due to an increase in the number of items and other factors. In addition, we launched "FURYU HOBBY MALL" in March 2023, an e-commerce site for hobby items, with an aim of further increasing sales by expanding the product range from high-end to middle-end items.

As a result, for the fiscal year under review, the Group saw net sales of ¥16,347 million (107.7% of the previous fiscal year), and an operating loss of ¥155 million (operating profit of ¥2,408 million in the previous fiscal year).

(Game and Anime Business)

In the Game and Anime Business, the Group's efforts by business category were as follows:

In the home video game software business, a new original title, "TRINITY TRIGGER," was released in September 2022. We also released "Battle Spirits CONNECTED BATTLERS" and "LogiKing," new titles based on the IPs owned by other companies, in April and December 2022, respectively.

In the game application business, the market for romance simulation games designed for women, which is the Company's business area, was on a shrinking trend, and the Group's sales fell below the previous fiscal year's level.

The animation business performed well to drive the Game and Anime Business. The movie "LAID-BACK CAMP," premiered in July 2022, topped ¥1 billion in box-office revenue, and pamphlets and goods featuring movie characters, provided to coincide with the release of the movie, enjoyed robust sales. In addition, we worked on sales promotion of DVDs and Blu-ray discs for the movie "LAID-BACK CAMP," which are planned for release in the next fiscal year, and preparation for the third season of TV animation.

As a result, for the fiscal year under review, the Group saw net sales of ¥2,794 million (93.8% of the previous fiscal year), and an operating profit of ¥196 million (730.5% of the previous fiscal year).

(2) Overview of financial position for the fiscal year under review**(i) Assets**

Assets stood at ¥25,932 million, a decrease of ¥2,214 million from the end of the previous fiscal year. This is mainly due to a decrease in cash and deposits of ¥3,862 million, despite an increase in accounts receivable - trade of ¥270 million, an increase in electronically recorded monetary claims - operating of ¥331 million, an increase in inventories of ¥413 million, an increase in advance payments to suppliers of ¥416 million and an increase in deferred tax assets of ¥82 million.

(ii) Liabilities

Liabilities stood at ¥5,779 million, a decrease of ¥1,115 million from the end of the previous fiscal year. This is mainly due to a decrease in lease liabilities of ¥244 million and a decrease in income taxes payable of ¥1,010 million, despite an increase in accrued expenses of ¥87 million.

(iii) Net assets

Net assets stood at ¥20,152 million, a decrease of ¥1,098 million from the end of the previous fiscal year. This is mainly due to a decrease of ¥999 million due to purchase of treasury shares.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥10,800 million, down by ¥3,862 million, compared to the end of the previous fiscal year. This was the result of ¥904 million provided by operating activities, ¥2,334 million used in investing activities, and ¥2,440 million used in financing activities.

(i) Cash flows from operating activities

In operating activities, profit before income taxes amounted to ¥2,168 million and depreciation amounted to ¥2,085 million. In addition, there were an increase in trade receivables of ¥602 million, an increase in inventories of ¥413 million, an increase in advance payments of ¥416 million, a decrease in trade payables of ¥137 million, and income taxes paid of ¥1,729 million. As a result, net cash provided by operating activities was ¥904 million, compared with ¥5,692 million provided in the previous fiscal year.

(ii) Cash flows from investing activities

In investing activities, there were outflows of ¥1,800 million due to purchase of property, plant and equipment and ¥476 million due to purchase of intangible assets. As a result, net cash used in investing activities was ¥2,334 million, compared with ¥2,274 million used in the previous fiscal year.

(iii) Cash flows from financing activities

In financing activities, there was ¥1,870 million in proceeds from sale and leaseback transactions and ¥1,876 million due to repayments of lease obligations, ¥1,012 million due to purchase of treasury shares and ¥1,422 million due to dividends paid. As a result, net cash used in financing activities was ¥2,440 million, compared with ¥1,013 million used in the previous fiscal year.

(4) Future outlook

Concerning the future outlook, while expecting the economy to recover moderately as socioeconomic activities transition to a live-with-COVID policy, a situation of uncertain outlook is projected to continue due to soaring prices of raw materials resulting from the Russia-Ukraine situation, and yen depreciation caused by differences in monetary policy compared with countries of Europe and North America.

In such an environment, the Company is expected to continue stable revenues in its flagship operations, with the annual total play count for photo stickers in the fiscal year ending March 31, 2024 expected to continue to recover to approximately 35.50 million (105.2% of the fiscal year under review) and the number of paying members of Pictlink in the fiscal year ending March 31, 2024 expected to reach 1.51 million (compared with 1.49 million at the end of the fiscal year under review). As for crane game prizes, the Company will aim to build on its existing popular IPs by acquiring and commercializing new Disney character IPs and current forecasts include the assumption that a larger number of orders than that of the fiscal year ended March 31, 2023 will be acquired due to the substantial and diverse lineup.

Orders of products for overseas merchandise are expected to perform strongly at about the same level as the fiscal year under review, and in addition to continuing efforts to cultivate new sales channels, the number of items are also expected to increase. As for the high-end hobby products, we expect that by increasing the number of online visitors, improving customer convenience and increasing the number of items as a result of renewing the e-commerce site for hobby items, we will increase net sales.

At the same time, we will continue investments to expand net sales and secure profits for the Fashion D2C Business, which we have newly launched, and the Advertising Business, in which we leverage our

customer base of young women. For the Game and Anime Business, we expect net sales to decrease because there are no scheduled big titles comparable to the movie “LAID-BACK CAMP,” which was released in the fiscal year ended March 31, 2023.

In light of the above, for the Group’s financial forecasts for fiscal year ending March 31, 2024, the Group expects net sales of ¥39,000 million (107.1% of the fiscal year under review), operating profit of ¥2,500 million (117.1% of the fiscal year under review), ordinary profit of ¥2,500 million (114.7% of the fiscal year under review), and profit attributable to owners of parent of ¥1,735 million (120.2% of the previous fiscal year).

We expect our businesses to expand solidly and net sales to increase year on year. We also expect profits to increase year on year. However, as mentioned above, we are forecasting there will continue to be impacts from the soaring prices of raw materials and the foreign exchange risks posed by yen depreciation.

The assumed foreign exchange is US\$1 = ¥135.00.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

The Company considers that it is for the benefit of shareholders’ common interest to implement, on a priority basis, strategic investments that lead to sustainable growth and improved corporate value. In addition, recognizing the return of profit to shareholders as one of the important management measures, the Company has the basic policy of regarding stable and continuous dividends as its basic principle and conducting the return of profit by comprehensively considering the trends of earnings and the enhancement of internal reserves required for future growth investments, among others. Furthermore, in addition to this policy, the Company will place greater emphasis on the sound increase of profit and the return of profit to shareholders in addition to promoting the improvement of ROE to 15% or more as a target for capital efficiency. Therefore, future dividends will be determined based on a comprehensive judgment, using a dividend payout ratio of 40% or dividend on equity ratio (DOE) of 5.0% as a reference index, and taking into consideration the amount of medium- to long-term investments aimed at enhancement of corporate value in the future. At the same time, the Company will also consider a flexible position with regard to share repurchases, in response to the state of cash flow and the share price trends. The Board of Directors shall decide on dividends, etc., of surplus.

In accordance with this basic policy, the Company proposes to pay a year-end dividend for the fiscal year under review of ¥38 per share (in the previous fiscal year, a year-end dividend of ¥52 per share was paid, consisting of an ordinary dividend of ¥37 plus a commemorative dividend for the 15th anniversary of ¥15). As a result, the dividend payout ratio for the fiscal year under review became 70.9%, with a DOE of 5.1%. Regarding a dividend for the next fiscal year, a year-end dividend of ¥38 per share is envisaged.

2. Basic rationale for selecting the accounting standard

The Group has adopted Japanese accounting standards in order to ensure comparability with other Japanese companies in the same industries.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	14,662,406	10,800,352
Accounts receivable - trade	3,980,189	4,250,802
Electronically recorded monetary claims - operating	961,251	1,293,139
Merchandise and finished goods	1,680,375	1,889,241
Work in process	30,095	21,106
Raw materials and supplies	298,343	512,118
Advance payments to suppliers	839,214	1,255,756
Prepaid expenses	272,742	275,063
Accounts receivable - other	468,695	335,275
Other	200,072	233,723
Allowance for doubtful accounts	(7,371)	(5,422)
Total current assets	23,386,016	20,861,156
Non-current assets		
Property, plant and equipment		
Buildings, net	178,490	197,563
Tools, furniture and fixtures, net	136,874	160,641
Leased assets, net	2,205,217	2,244,187
Other	113,035	63,221
Total property, plant and equipment	2,633,617	2,665,613
Intangible assets		
Software	274,131	310,735
Other	280,733	357,203
Total intangible assets	554,864	667,939
Investments and other assets		
Investment securities	30,098	21,048
Distressed receivables	20,150	18,332
Long-term prepaid expenses	37,184	61,268
Leasehold and guarantee deposits	440,217	508,538
Deferred tax assets	1,053,481	1,135,620
Other	10,975	10,975
Allowance for doubtful accounts	(20,150)	(18,332)
Total investments and other assets	1,571,956	1,737,452
Total non-current assets	4,760,438	5,071,005
Total assets	28,146,455	25,932,162

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	862,036	734,435
Electronically recorded obligations - operating	1,575,446	1,565,204
Lease liabilities	371,960	127,356
Accounts payable - other	749,887	718,142
Accrued expenses	1,345,444	1,432,538
Income taxes payable	1,110,180	100,180
Accrued consumption taxes	216,196	56,071
Contract liabilities	64,498	349,998
Provision for loss on orders received	—	182,815
Other	412,493	227,529
Total current liabilities	6,708,143	5,494,273
Non-current liabilities		
Retirement benefit liability	180,186	278,350
Other	7,148	6,996
Total non-current liabilities	187,335	285,347
Total liabilities	6,895,479	5,779,620
Net assets		
Shareholders' equity		
Share capital	1,639,216	1,639,216
Capital surplus	1,614,716	1,614,716
Retained earnings	19,003,864	19,024,692
Treasury shares	(1,000,385)	(2,000,368)
Total shareholders' equity	21,257,410	20,278,255
Accumulated other comprehensive income		
Deferred gains or losses on hedges	54,328	(59,116)
Remeasurements of defined benefit plans	(60,762)	(66,597)
Total accumulated other comprehensive income	(6,434)	(125,713)
Non-controlling interests	—	—
Total net assets	21,250,976	20,152,541
Total liabilities and net assets	28,146,455	25,932,162

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

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	34,058,184	36,400,530
Cost of sales	18,093,061	21,265,612
Gross profit	15,965,122	15,134,917
Selling, general and administrative expenses	12,255,390	13,000,076
Operating profit	3,709,732	2,134,841
Non-operating income		
Interest income	6	6
Foreign exchange gains	–	33,033
Gain on adjustment of accounts payable	12,373	–
Subsidy income	9,457	1,158
Subsidy income	–	5,196
Gain on investments in investment partnerships	16,575	6,628
Gain on liquidation of lease and guarantee deposits	–	9,909
Other	189	2,271
Total non-operating income	38,601	58,203
Non-operating expenses		
Interest expenses	98	133
Foreign exchange losses	38,004	–
Commission expenses	–	12,073
Other	2,984	1,054
Total non-operating expenses	41,087	13,262
Ordinary profit	3,707,246	2,179,782
Extraordinary income		
Gain on sale of non-current assets	19	74
Total extraordinary income	19	74
Extraordinary losses		
Loss on sale and retirement of non-current assets	4,883	6,452
Impairment losses	14,193	4,966
Total extraordinary losses	19,077	11,418
Profit before income taxes	3,688,189	2,168,438
Income taxes - current	1,399,570	754,378
Income taxes - deferred	(231,729)	(29,499)
Total income taxes	1,167,841	724,878
Profit	2,520,347	1,443,560
Loss attributable to non-controlling interests	(24,500)	–
Profit attributable to owners of parent	2,544,847	1,443,560

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	2,520,347	1,443,560
Other comprehensive income		
Deferred gains or losses on hedges	38,605	(113,444)
Remeasurements of defined benefit plans, net of tax	18,123	(5,834)
Total other comprehensive income	56,728	(119,279)
Comprehensive income	2,577,076	1,324,280
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,601,576	1,324,280
Comprehensive income attributable to non-controlling interests	(24,500)	—

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,639,216	1,639,216	17,470,810	(1,000,345)	19,748,896
Cumulative effects of changes in accounting policies			(26,824)		(26,824)
Restated balance	1,639,216	1,639,216	17,443,986	(1,000,345)	19,722,072
Changes during period					
Dividends of surplus			(984,969)		(984,969)
Profit attributable to owners of parent			2,544,847		2,544,847
Purchase of treasury shares				(39)	(39)
Change in ownership interest of parent due to transactions with non-controlling interests		(24,500)			(24,500)
Net changes in items other than shareholders' equity					
Total changes during period	—	(24,500)	1,559,877	(39)	1,535,338
Balance at end of period	1,639,216	1,614,716	19,003,864	(1,000,385)	21,257,410

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	15,722	(78,885)	(63,163)	—	19,685,733
Cumulative effects of changes in accounting policies					(26,824)
Restated balance	15,722	(78,885)	(63,163)	—	19,658,909
Changes during period					
Dividends of surplus					(984,969)
Profit attributable to owners of parent					2,544,847
Purchase of treasury shares					(39)
Change in ownership interest of parent due to transactions with non-controlling interests					(24,500)
Net changes in items other than shareholders' equity	38,605	18,123	56,728	—	56,728
Total changes during period	38,605	18,123	56,728	—	1,592,066
Balance at end of period	54,328	(60,762)	(6,434)	—	21,250,976

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,639,216	1,614,716	19,003,864	(1,000,385)	21,257,410
Changes during period					
Dividends of surplus			(1,422,732)		(1,422,732)
Profit attributable to owners of parent			1,443,560		1,443,560
Purchase of treasury shares				(999,983)	(999,983)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	20,828	(999,983)	(979,155)
Balance at end of period	1,639,216	1,614,716	19,024,692	(2,000,368)	20,278,255

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	54,328	(60,762)	(6,434)	—	21,250,976
Changes during period					
Dividends of surplus					(1,422,732)
Profit attributable to owners of parent					1,443,560
Purchase of treasury shares					(999,983)
Net changes in items other than shareholders' equity	(113,444)	(5,834)	(119,279)	—	(119,279)
Total changes during period	(113,444)	(5,834)	(119,279)	—	(1,098,434)
Balance at end of period	(59,116)	(66,597)	(125,713)	—	20,152,541

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,688,189	2,168,438
Depreciation	2,094,038	2,085,712
Impairment losses	14,193	4,966
Increase (decrease) in allowance for doubtful accounts	(6,839)	(3,765)
Increase (decrease) in retirement benefit liability	81,742	86,734
Interest and dividend income	(6)	(6)
Interest expenses	98	133
Foreign exchange losses (gains)	(2,592)	(9,193)
Commission for purchase of treasury shares	–	12,073
Loss (gain) on sale and retirement of non-current assets	4,863	6,377
Decrease (increase) in trade receivables	(283,505)	(602,500)
Decrease (increase) in inventories	(198,721)	(413,651)
Decrease (increase) in accounts receivable - other	(28,112)	(135,644)
Decrease (increase) in advance payments to suppliers	(468,324)	(416,541)
Increase (decrease) in trade payables	1,027,017	(137,843)
Increase (decrease) in accounts payable - other	201,600	14,526
Increase (decrease) in accrued expenses	(1,789)	87,094
Other, net	398,579	(113,365)
Subtotal	6,520,431	2,633,544
Interest and dividends received	6	6
Interest paid	(98)	(133)
Income taxes paid	(828,011)	(1,729,110)
Net cash provided by (used in) operating activities	5,692,327	904,307
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,809,857)	(1,800,705)
Proceeds from sale of property, plant and equipment	650	1,319
Purchase of intangible assets	(464,449)	(476,771)
Payments of guarantee deposits	(29,301)	(81,458)
Other, net	28,410	22,796
Net cash provided by (used in) investing activities	(2,274,547)	(2,334,820)
Cash flows from financing activities		
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(24,500)	–
Proceeds from sale and leaseback transactions	1,331,956	1,870,135
Repayments of lease liabilities	(1,336,036)	(1,876,081)
Purchase of treasury shares	(39)	(1,012,056)
Dividends paid	(984,969)	(1,422,732)
Net cash provided by (used in) financing activities	(1,013,589)	(2,440,734)
Effect of exchange rate change on cash and cash equivalents	2,592	9,193
Net increase (decrease) in cash and cash equivalents	2,406,783	(3,862,054)
Cash and cash equivalents at beginning of period	12,255,623	14,662,406
Cash and cash equivalents at end of period	14,662,406	10,800,352

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the “Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter the “Guidance on Fair Value Measurement”) from the beginning of the fiscal year under review, and in accordance with the transitional treatment prescribed in paragraph 27-2 of the Guidance on Fair Value Measurement, the new accounting policies set forth in the Guidance on Fair Value Measurement have been applied prospectively. This change does not impact gains and losses or the financial position for the fiscal year under review.

(Changes in accounting estimates)

Not applicable.

(Segment information)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Group are components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about allocation of managerial resources and to assess their performance.

The Group plans comprehensive strategy and develops business activities in which the services engaged in form the basis of business unit. Accordingly, the Group is made up from segments differentiated by the type of service. There are four reportable segments consisting of Photo Sticker Business, Content and Media Business, Character Merchandizing Business, and Game and Anime Business.

The Photo Sticker Business concentrates on the sale of photo sticker machines and sticker paper, the consumable of such machines. The Content and Media Business carries out the operation, etc. of an internet-based content and media business, the main service of which is Pictlink, a photo sticker image acquisition and viewing service. The Character Merchandizing Business concentrates on the use of licensed character copyrights, and the planning and sales of plush toys, figures and other items used in the crane games that are offered by amusement facilities. The Game and Anime Business concentrates on the planning and sale of home video game software and social games designed for digital content platforms as well as planning and production of animation programs, production services involving the bringing together of sponsor companies and formation of production committees, and the sale of video content merchandise.

2. Method for calculating amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method used for reported business segments complies with accounting policy that has been adopted in preparing the consolidated financial statements.

Segment profit of the reportable segments are on an operating profit basis.

3. Information on amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2022

(Thousands of yen)

	Reportable segments				
	Photo Sticker Business	Content and Media Business	Character Merchandizing Business	Game and Anime Business	Total
Net sales					
Sales to external customers	7,576,908	8,324,940	15,175,504	2,980,830	34,058,184
Inter-segment sales or transfers	—	—	—	—	—
Total	7,576,908	8,324,940	15,175,504	2,980,830	34,058,184
Segment profit (loss)	(252,955)	3,173,093	2,408,548	26,942	5,355,629
Segment assets	3,937,866	373,464	633,183	595,838	5,540,352
Other items					
Depreciation	1,331,041	37,654	29,137	592,296	1,990,129
Increase in property, plant and equipment and intangible assets	1,610,629	9,047	86,248	428,056	2,133,982

	Adjustments	Amount recorded in the consolidated financial statements
Net sales		
Sales to external customers	—	34,058,184
Inter-segment sales or transfers	—	—
Total	—	34,058,184
Segment profit (loss)	(1,645,897)	3,709,732
Segment assets	22,606,102	28,146,455
Other items		
Depreciation	103,908	2,094,038
Increase in property, plant and equipment and intangible assets	124,746	2,258,728

Notes: 1. Adjustments are as follows:

The adjustment amount of negative ¥1,645,897 thousand for segment profit or loss includes ¥2,562 thousand in inter-segment transactions, and negative ¥1,648,459 thousand in corporate expenses that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

The adjustment amount of ¥22,606,102 thousand for segment assets is corporate assets that are not allocated to each reportable segment.

Corporate assets primarily comprise cash and deposits.

The adjustment amount of ¥124,746 thousand for increase in property, plant and equipment and intangible assets is corporate capital investments that are not allocated to each reportable segment.

2. Segment profit (loss) was adjusted to operating profit in the consolidated statements of income.

Fiscal year ended March 31, 2023

(Thousands of yen)

	Reportable segments				
	Photo Sticker Business	Content and Media Business	Character Merchandizing Business	Game and Anime Business	Total
Net sales					
Sales to external customers	8,689,105	8,569,135	16,347,545	2,794,743	36,400,530
Inter-segment sales or transfers	—	—	—	—	—
Total	8,689,105	8,569,135	16,347,545	2,794,743	36,400,530
Segment profit (loss)	506,690	3,290,474	(155,728)	196,810	3,838,246
Segment assets	3,886,820	658,743	799,311	703,321	6,048,197
Other items					
Depreciation	1,456,615	20,844	33,560	476,912	1,987,933
Increase in property, plant and equipment and intangible assets	1,558,080	70,685	22,378	499,043	2,150,187

	Adjustments	Amount recorded in the consolidated financial statements
Net sales		
Sales to external customers	—	36,400,530
Inter-segment sales or transfers	—	—
Total	—	36,400,530
Segment profit (loss)	(1,703,404)	2,134,841
Segment assets	19,883,965	25,932,162
Other items		
Depreciation	97,779	2,085,712
Increase in property, plant and equipment and intangible assets	106,282	2,256,470

Notes: 1. Adjustments are as follows:

The adjustment amount of negative ¥1,703,404 thousand for segment profit or loss includes ¥2,400 thousand in inter-segment transactions, and negative ¥1,705,804 thousand in corporate expenses that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

The adjustment amount of ¥19,883,965 thousand for segment assets is corporate assets that are not allocated to each reportable segment.

Corporate assets primarily comprise cash and deposits.

The adjustment amount of ¥106,282 thousand for increase in property, plant and equipment and intangible assets is corporate capital investments that are not allocated to each reportable segment.

2. Segment profit (loss) was adjusted to operating profit in the consolidated statements of income.

[Related information]

Fiscal year ended March 31, 2022

1. Information about products and services

The information is omitted because the same information is disclosed in “[Segment information].”

2. Information about geographical areas

(1) Net sales

The information is omitted because sales to external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because there are no subsidiaries or branch offices in countries or regions other than Japan.

3. Information about main customers

This information is omitted because there are no net sales applicable to net sales to any specific customer that accounting for at least 10% of net sales in the consolidated statements of income.

Fiscal year ended March 31, 2023

1. Information about products and services

The information is omitted because the same information is disclosed in “[Segment information].”

2. Information about geographical areas

(1) Net sales

The information is omitted because sales to external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because there are no subsidiaries or branch offices in countries or regions other than Japan.

3. Information about main customers

This information is omitted because there are no net sales applicable to net sales to any specific customer that accounting for at least 10% of net sales in the consolidated statements of income.

[Information about impairment loss of non-current assets by reportable segment]

Fiscal year ended March 31, 2022

In the “Content and Media Business” segment, impairment losses on non-current assets were recorded. The amount of the impairment losses was ¥14,193 thousand.

Fiscal year ended March 31, 2023

In the “Content and Media Business” segment, impairment losses on non-current assets were recorded. The amount of the impairment losses was ¥4,966 thousand.

[Information about amortization and unamortized balance of goodwill by reportable segment]

Not applicable.

[Information about gain on bargain purchase by reportable segment]

Not applicable.

(Per share information)

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	776.71	762.20
Earnings per share	93.01	53.62

Notes: 1. The amount of diluted earnings per share is not provided because there are no potential shares.

2. The basis for calculation of net assets per share is as follows.

	As of March 31, 2022	As of March 31, 2023
Total net assets (Thousands of yen)	21,250,976	20,152,541
Amounts deducted from total net assets (Thousands of yen)	—	—
Net assets related to common shares at the end of the period (Thousands of yen)	21,250,976	20,152,541
Number of shares of common shares used for calculation of net assets per share at the end of the period (Shares)	27,360,234	26,440,034

3. The basis for calculation of earnings per share is as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	2,544,847	1,443,560
Profit (loss) not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent pertaining to common shares (Thousands of yen)	2,544,847	1,443,560
Average number of outstanding common shares during the period (Shares)	27,360,241	26,919,568

(Subsequent events)

Not applicable.