Annual Securities Report

(Pursuant to Article 24, paragraph (1) of the Financial Instruments and Exchange Act)

Business year	**From: April 1, 2022**
(17th Fiscal Year)	**To: March 31, 2023**

FURYU Corporation

2-3 Uguisudani-cho, Shibuya-ku, Tokyo

(E11661)

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.

[Cover page]

[Document title]	Annual Securities Report
[Clause of stipulation]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 23, 2023
[Fiscal year]	17th Fiscal Year (from April 1, 2022 to March 31, 2023)
[Company name]	FURYU Kabushiki Kaisha
[Company name in English]	FURYU Corporation
[Title and name of representative]	Takashi Mishima, President
[Address of registered head office]	2-3 Uguisudani-cho, Shibuya-ku, Tokyo
[Telephone number]	+81-3-5728-1761 (main)
[Name of contact person]	Naoki Tani, General Manager of Finance & Accounting
[Nearest place of contact]	2-3 Uguisudani-cho, Shibuya-ku, Tokyo
[Telephone number]	+81-3-5728-1761 (main)
[Name of contact person]	Naoki Tani, General Manager of Finance & Accounting
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I. Company Information

I. Overview of Company

1. Key Financial Data

(1) Key financial data of group

Fiscal year		13th	14th	15th	16th	17th
Fiscal year-end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Thousands of yen)	27,134,724	–	–	34,058,184	36,400,530
Ordinary profit	(Thousands of yen)	3,531,606	–	–	3,707,246	2,179,782
Profit attributable to owners of parent	(Thousands of yen)	1,882,615	–	–	2,544,847	1,443,560
Comprehensive income	(Thousands of yen)	1,817,796	–	–	2,577,076	1,324,280
Net assets	(Thousands of yen)	17,948,456	–	–	21,250,976	20,152,541
Total assets	(Thousands of yen)	25,021,861	–	–	28,146,455	25,932,162
Net assets per share	(Yen)	633.39	–	–	776.71	762.20
Earnings per share	(Yen)	66.53	–	–	93.01	53.62
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity-to-asset ratio	(%)	71.6	–	–	75.5	77.7
Rate of return on equity	(%)	10.8	–	–	12.0	7.0
Price-earnings ratio	(Times)	14.9	–	–	11.9	22.3
Cash flows from operating activities	(Thousands of yen)	5,287,948	–	–	5,692,327	904,307
Cash flows from investing activities	(Thousands of yen)	(2,090,603)	–	–	(2,274,547)	(2,334,820)
Cash flows from financing activities	(Thousands of yen)	(879,762)	–	–	(1,013,589)	(2,440,734)
Cash and cash equivalents at end of period	(Thousands of yen)	13,789,424	–	–	14,662,406	10,800,352
Number of employees [Average number of temporary employees not included in the above numbers]	(Persons)	482 [177]	– [–]	– [–]	488 [170]	507 [188]

Notes:
1. Since the Company did not prepare consolidated financial statements for the 14th and 15th Fiscal Years, key financial data for the two years are not presented.
2. Standards including the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) have been applied from the beginning of the 16th Fiscal Year. All key financial data for the 16th Fiscal Year and subsequent fiscal years are shown after the application of these accounting standards.
3. Rate of return on equity for the 16th Fiscal Year is calculated based on shareholders’ equity at the end of the fiscal year, as this was the first year in which the preparation of consolidated financial statements was resumed.
4. The amount of diluted earnings per share is not provided, because there are no dilutive shares.
5. The number of employees is the number of full-time employees (excluding employees dispatched from the Group to outside the Group and including employees dispatched from outside the Group to the Group). The number of temporary employees (including part-timers and employees dispatched from staffing companies) is the average number of employees during the year and is separately presented in parentheses.

(2) Key financial data of reporting company

Fiscal year		13th	14th	15th	16th	17th
Fiscal year-end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Thousands of yen)	26,405,566	27,431,578	24,777,265	33,978,079	36,121,909
Ordinary profit	(Thousands of yen)	3,801,147	3,656,632	2,716,938	3,871,150	2,367,367
Profit	(Thousands of yen)	1,901,415	3,020,531	1,844,510	2,681,099	1,634,658
Investment income when equity method is applied	(Thousands of yen)	–	–	–	–	–
Share capital	(Thousands of yen)	1,639,216	1,639,216	1,639,216	1,639,216	1,639,216
Total number of issued shares	(Shares)	28,296,000	28,296,000	28,296,000	28,296,000	28,296,000
Net assets	(Thousands of yen)	17,821,606	18,994,072	19,764,619	21,472,490	20,570,988
Total assets	(Thousands of yen)	24,186,435	24,024,969	24,012,831	28,236,772	26,226,289
Net assets per share	(Yen)	629.83	694.22	722.38	784.81	778.02
Dividend per share (Interim dividend paid per share)	(Yen)	30 [–]	40 [–]	36 [–]	52 [–]	38 [–]
Earnings per share	(Yen)	67.20	108.54	67.42	97.99	60.72
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity-to-asset ratio	(%)	73.7	79.1	82.3	76.0	78.4
Rate of return on equity	(%)	11.0	16.4	9.5	13.0	7.8
Price-earnings ratio	(Times)	14.7	7.6	16.0	11.3	19.7
Payout ratio	(%)	44.6	36.9	53.4	53.1	62.6
Cash flows from operating activities	(Thousands of yen)	–	2,952,362	2,795,002	–	–
Cash flows from investing activities	(Thousands of yen)	–	(1,854,930)	(2,146,456)	–	–
Cash flows from financing activities	(Thousands of yen)	–	(1,857,564)	(1,100,454)	–	–
Cash and cash equivalents at end of period	(Thousands of yen)	–	12,706,286	12,255,623	–	–
Number of employees (Average number of temporary employees not included in the above numbers)	(Persons)	422 [163]	453 [151]	453 [157]	477 [165]	495 [184]
Total shareholder return (Comparative index: TOPIX)	(%) (%)	103.2 [92.7]	90.6 [81.8]	119.8 [113.9]	128.1 [113.4]	141.0 [116.7]
Highest share price	(Yen)	1,135	1,272	1,501	1,966	1,330
Lowest share price	(Yen)	868	747	782	946	894

Notes:

1. Since consolidated financial statements are prepared for the 13th and 16th fiscal years and thereafter, cash flows from operating activities, investing activities, financing activities, and cash and cash equivalents at end of period for those years are not shown.
2. Standards including the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) have been applied from the beginning of the 16th Fiscal Year. All key financial data for the 16th Fiscal Year and subsequent fiscal years are shown after the application of these accounting standards.
3. Investment income when equity method is applied is not shown, since there is no affiliate.
4. The dividend of ¥40 per share for the 14th Fiscal Year includes a commemorative dividend of ¥5 per share for the 5th anniversary of the Company’s listing. Meanwhile, the dividend of ¥52 per share for the 16th Fiscal Year includes a commemorative dividend of ¥15 per share for the 15th anniversary of the Company’s establishment.
5. The amount of diluted earnings per share is not provided, because there are no dilutive shares.
6. The number of employees is the number of full-time employees (excluding employees dispatched from the Company to outside the Company and including employees dispatched from outside the Company to the Company). The number of temporary employees (including part-timers and employees dispatched from staffing companies) is the average number of employees during the year and separately presented in parentheses.
7. The highest and lowest share prices are those quoted on the Prime Market of the Tokyo Stock Exchange from April 4, 2022, and prior to that date, they refer to those quoted on the 1st Section of the Tokyo Stock Exchange.

2. History

The Company's history dates back to April 1997, when OMRON Corporation launched a new business in the entertainment field as the "Columbus Project." As our first initiative, we commercialized a photo sticker machine.

Using this initiative as a springboard, we aggressively developed new businesses, including the Photo Sticker Business in April 1998, the mobile content business in December 2001, and the amusement prize business in January 2002. In April 2002, we were promoted to OMRON Corporation's Entertainment Business Division, and in July 2003, OMRON Entertainment Co., Ltd. (100% invested by OMRON Corporation) was established to take over all businesses of the Entertainment Business Division.

Then, we accelerated our business development by entering the mobile advertising business in July 2006. In April 2007, judging that we had established a revenue base for our existing businesses, we conducted a management buyout (hereinafter, "MBO (Note)"), and all businesses and employees were transferred to FURYU Corporation, which was established mainly by the management team.

After the MBO, we have expanded our sphere of activities as a comprehensive entertainment company under the corporate philosophy of "Create quality entertainment that brings happiness and fulfillment to people."

Note: MBO is an abbreviation for "management buyout" and refers to a method of corporate acquisition in which the management and employees of a company buy out the company's shares and business units.

Month/year	Outline
Apr. 1997	Launched by OMRON Corporation to handle entertainment-related businesses
Apr. 1998	Entered the Photo Sticker Business
Dec. 2001	Entered the mobile content business
Jan. 2002	Entered the amusement prize business
Apr. 2002	Entertainment Business Division established by OMRON Corporation
July 2003	Established OMRON Entertainment Co., Ltd. (100% invested by OMRON Corporation)
	Took over all businesses of Entertainment Business Division
Oct. 2006	FURYU HD Corporation (currently the Company) established, led by the current management team
Feb. 2007	Changed trade name from FURYU HD Corporation to FURYU Corporation
Apr. 2007	Conducted MBO and took over all businesses and employees of OMRON Entertainment Co., Ltd.
Apr. 2009	Entered the video game software business
Apr. 2012	Acquired 100% of the shares of We've Inc. (a consolidated subsidiary)
	Expanded into the partwork, publishing, and other businesses
Jan. 2014	Acquired shares of Coreedge Inc. (an equity method affiliated company)
Dec. 2015	Listed on the Tokyo Stock Exchange 1st section
Sept. 2018	Accepted third-party allocation of shares from Coreedge Inc. (a consolidated subsidiary)
July 2019	Merged with We've Inc.
Nov. 2019	Sold all shares of Coreedge Inc.
Apr. 2021	Established a joint venture company, Olu.Inc., with CODE SHARE Inc.
Mar. 2022	Acquired 100% of the shares of Olu.Inc.
Apr. 2022	Shifted from the Tokyo Stock Exchange 1st section to the Prime Market due to the restructuring of the market categories of the Tokyo Stock Exchange

3. Description of Business

The Group (the Company and its affiliate) is a “comprehensive entertainment company” that operates diverse businesses in entertainment-related industries under the corporate philosophy of “Create quality entertainment that brings happiness and fulfillment to people.” The Group’s strengths lie in its marketing capabilities, mainly targeting young women, and its ability to acquire abundant character copyrights. The Group consists of the Company and its consolidated subsidiary, Olu.Inc. Businesses are categorized into four segments.

The business segments in this description of business are the same as those listed in “V. Financial Information, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements.”

(1) Photo Sticker Business

This segment concentrates on the sale of photo sticker machines, and sticker paper, the consumable of such machines. Users can obtain stickers with image data printed on them by taking pictures with the high-performance camera installed in the photo sticker machine. By applying image processing to the captured images, the Group’s photo sticker machines can produce photo images that have the facial features and skin and hair textures favored by many women in their teens and early twenties, its main target users.

In addition, the Group’s photo sticker machines are connected to a data server through a communication module, which collects captured image data and operating status data. Through quantitative marketing research based on these data and qualitative marketing research based on interviews with users, the Group is continuously launching photo sticker machines onto the market that meet the needs of its target users.

The Group is involved in the planning, development, and sales of the photo sticker machines and related products, but does not have its own factory for product manufacturing and outsources all manufacturing to outside companies.

There are two main sales channels: one is to sell the photo sticker machines and sticker paper to store operators including amusement facilities; and the other is to earn revenue directly from end-users as play fees at directly-managed stores such as “girls mignon.” The former channel includes two types: sales of the machines; and rentals of the machines. In the rental type, the machine itself is provided free of charge, and a certain percentage of the play fee becomes the Group’s revenue.

(2) Content and Media Business

This segment conducts content and media operation on the Internet centered on the photo sticker image acquisition and viewing service “Pictlink,” targeting mainly young women using smartphones and other mobile devices.

Users of photo sticker machines have needs for reusing images, such as “saving images on mobile devices and viewing them whenever they want” and “using images for social networking services (SNS).” Pictlink provides a service that allows users to retrieve the data of images taken by photo sticker machines through mobile devices such as smartphones. In addition, by providing users with an album function for organizing images and an SNS function for posting images, Pictlink is continuously used. Photo sticker machines typically take four to seven pictures per play. With Pictlink, a user can get one of the images taken for free, but if the user becomes a paying member, he/she can acquire all of the images.

In this segment, mainly targeting young women, we also conduct sale of colored contact lenses, programmatic advertising business, and fashion D2C business primarily through SNS marketing. We sell colored contact lenses through the Company’s website “Mew contact,” and wholesale private-brand products to retailers and others. In the fashion D2C business, we sell products through the website “Olu.”

(3) Character Merchandizing Business

Using licensed character copyrights, this segment is engaged in the planning and sale of plush toys and figures as crane game prizes offered by amusement arcades, “MINNA NO KUJI” character lottery tickets sold at convenience stores, and high-end hobby products.

The lineup of characters for which we obtain copyrights ranges from popular classic characters that never go out of style to new characters that have become social phenomena, responding to the needs of a wide range of markets.

We carry out planning (designing) in-house based on the licensed characters and outsource manufacturing to outside companies, including those overseas, for commercialization. We are committed to thorough cost control through measures such as basically conducting direct transactions and avoiding the use of trading houses or other distribution intermediaries as much as possible in a bid to reduce intermediation margins. At the same time, we strive for quality control by conducting on-site inspections at consignees and first article inspections, as well as needle inspections in Japan (to check whether there are any needles remaining in the finished products).

(4) Game and Anime Business

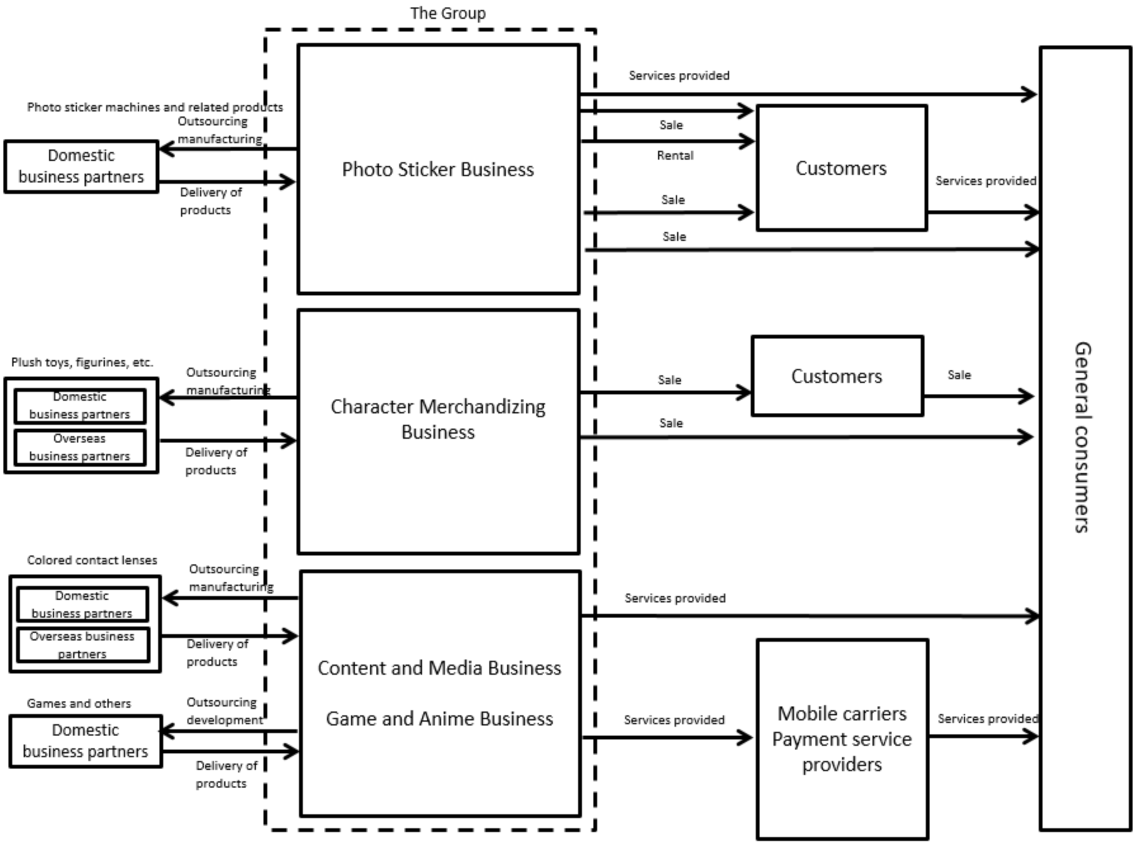
This segment is engaged in the planning, development, sale, and operation of video game software for hardware such as PlayStation®4, PlayStation®5, and Nintendo Switch™, as well as game applications distributed through platform operators (payment service providers) such as Google Play and App Store. It also: plans and produces anime programs, gathers sponsors and organizes production committees for them as producer, commercializes visual content, and publishes partworks in collaboration with other publishers.

Video game software consists mainly of titles that use copyrights of popular anime and manga characters, and original titles developed with well-known outside creators to pursue quality. The Group's revenues are derived from the sale of these game software titles.

As for game apps, we provide chiefly romance simulation games for women. Basically, the games are free to play. The Group's revenues come from charges for in-app items and additional storylines that players purchase. We plan, develop, and operate both video game software and game apps.

As for anime, we are mainly engaged in the planning and production of animated films as an organizing company of production committees. The Group's revenues include allocations based on production contracts, commissions received as an organizing company, and videogram sales.

Organization Chart


The Group
Photo sticker machines and related products
Outsourcing manufacturing
Domestic business partners
Delivery of products
Photo Sticker Business
Services provided
Sale
Rental
Sale
Sale
Customers
Services provided
Plush toys, figurines, etc.
Domestic business partners
Overseas business partners
Outsourcing manufacturing
Delivery of products
Character Merchandizing Business
Sale
Customers
Sale
Sale
General consumers
Colored contact lenses
Domestic business partners
Overseas business partners
Outsourcing manufacturing
Delivery of products
Games and others
Domestic business partners
Outsourcing development
Delivery of products
Content and Media Business
Game and Anime Business
Services provided
Services provided
Mobile carriers
Payment service providers
Services provided

4. Subsidiaries and Other Affiliated Entities

Name	Address	Share capital (Thousands of yen)	Main Business	Holding ratio of voting rights (%)	Relationship
(Consolidated subsidiary)					
Olu.Inc.	Shibuya-ku, Tokyo	25,000	Content and Media Business	100.0	Concurrent directorship: Yes

Note: The "Main Business" column lists the name of the segment.

5. Employees

(1) Information about Group

As of March 31, 2023

Segment name	Number of employees (Persons)
Photo Sticker Business	152 [40]
Content and Media Business	99 [58]
Character Merchandizing Business	105 [39]
Game and Anime Business	57 [17]
Total of reportable segments	413 [154]
Corporate (shared)	94 [34]
Total	507 [188]

Notes: 1. The number of employees is the number of full-time employees (excluding employees dispatched from the Group to outside the Group and including employees dispatched from outside the Group to the Group). The number of temporary employees (including part-timers and employees dispatched from staffing companies) is the average number of employees during the year and is separately presented in parentheses.

2. The number of employees listed as "Corporate (shared)" is the number of employees belonging to the administrative division.

(2) Information about reporting company

As of March 31, 2023

Number of employees (Persons)	Average age (Years)	Average length of service (Years)	Average annual salary (Yen)
495 [184]	37.3	Eight years and four months	6,725,824

Segment name	Number of employees (Persons)
Photo Sticker Business	152 [40]
Content and Media Business	87 [54]
Character Merchandizing Business	105 [39]
Game and Anime Business	57 [17]
Total of reportable segments	401 [150]
Corporate (shared)	94 [34]
Total	495 [184]

Notes: 1. The number of employees is the number of full-time employees (excluding employees dispatched from the Company to outside the Company and including employees dispatched from outside the Company to the Company). The number of temporary employees (including part-timers and employees dispatched from staffing companies) is the average number of employees during the year and separately presented in parentheses.

2. Average annual salary includes bonuses and extra wages.

3. The number of employees listed as “Corporate (shared)” is the number of employees belonging to the administrative division.

(3) Labor union

The Group does not have a labor union, and labor-management relations are amicable.

(4) Percentage of female employees in managerial positions, percentage of male employees taking childcare leave, and gender pay gap

(i) Reporting company

Fiscal year under review					Supplementary explanation
Percentage of female employees in managerial positions (%) (Note: 1)	Percentage of male employees taking childcare leave (%) (Note: 2)	Gender pay gap (%) (Note: 1)			
		All workers	Regular employees	Part-timers/fixed-term employees	
23.5	50.0	74.1	75.5	63.9	–

Notes: 1. Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64, 2015).

2. In accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76, 1991), the percentage of childcare leave taken is calculated as per Article 71-4, Item (i) of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25, 1991).

(ii) Consolidated subsidiary

This information is omitted, because the Company’s consolidated subsidiary is not subject to the obligation to make public announcements under the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64, 2015) and the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76, 1991).

II. Overview of Business

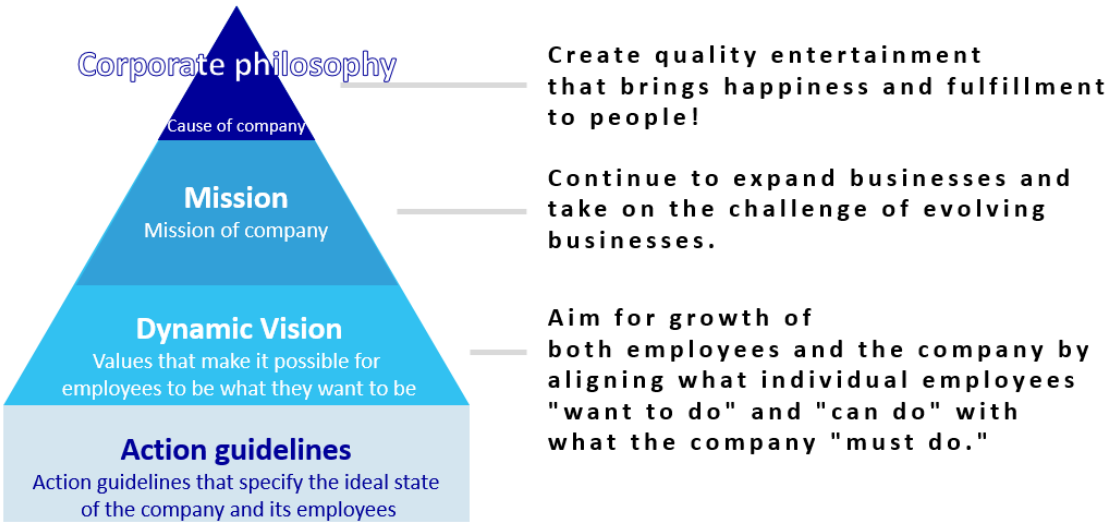
1. Management Policy, Business Environment, Issues to Address

The Group's management policy, business environment, and issues to address are as follows:

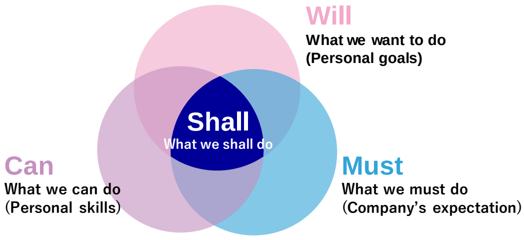
The forward-looking statements contained herein represent the Group's judgment as of the end of the fiscal year under review.

(1) Basic management policy

The Group has established a corporate philosophy system, and its basic management stance is for all officers and employees to practice and embody these principles. In order to fulfill the mission set forth in the philosophy and make it possible for us to be what we want to be, we adopt the basic management policy of strengthening our management base, fostering a good corporate culture, establishing business strategies that increase corporate value, and working to ensure the execution of these strategies. Based on this basic policy, we operate diverse businesses in the entertainment-related market on the strength of our marketing capabilities, mainly targeting young women, and our ability to acquire an abundance of character copyrights, and through these business activities, we will strive to increase our corporate value.



Corporate philosophy system

Corporate philosophy (Cause of company)	Create quality entertainment that brings happiness and fulfillment to people!
Mission (Mission of company)	Continue to expand businesses and take on the challenge of evolving businesses.
Dynamic Vision (Values that make it possible for employees to be what they want to be)	Aim for growth of both employees and the Company by aligning what individual employees “want to do” and “can do” with what the Company “must do.” 
Code of conduct (Code of conduct that specify the ideal state of the Company and its employees)	Corporate code of conduct 1. We comply with laws and regulations and social norms, and conduct our activities with high ethical standards and common sense. 2. We create precious time for customers and obtain the highest satisfaction with the best quality. 3. We respect human rights and create a comfortable work environment based on diversity. 4. We are committed to going green to realize a sustainable society for our future children. 5. We value communication with the local community and contribute as a member of society. 6. We maintain fair, just, and honest business relationships with our business partners and aim for mutual growth. 7. We have no relationship with antisocial forces and say “no” to any unreasonable demands.
	Employee code of conduct 1. We cherish our dreams and passion, are not afraid of change, and continue to believe in possibilities and take on challenges. 2. We take value diversity for granted, and value teamwork. 3. We strive to set a good example for children, backed by high ethical standards and compliance awareness. 4. We aim for growth and self-fulfillment by enjoying every task and working with a sense of initiative and autonomy.

(2) Management strategies

We will increase the number of users through the development of a variety of photo sticker machines with differentiated functions and designs and the opening of new directly-managed stores. As for the photo sticker image acquisition and viewing service “Pictlink,” we will solicit users to join as “premium members,” which is more expensive than conventional paid membership. In addition, we will tap into our young female customer base to promote the creation and development of businesses, such as colored contact lens sales, programmatic advertising business, and fashion D2C business.

With respect to products utilizing intellectual properties, meanwhile, we will funnel our efforts into selling high-end hobby products and making inroads into overseas markets. We also aim to increase the profitability of the Game and Anime Business through measures such as strengthening overseas sales of the Company’s original video game software, increasing revenues from existing app titles, and converting popular anime titles into series.

(3) Business environment

The main sales destination for the Group’s Photo Sticker Business and Character Merchandising Business is the amusement market. Despite increased relaxation of various COVID-19 restrictions and signs of a gradual recovery in consumer spending, consumer confidence continues to slump, and the use of photo sticker machines has not recovered to pre-pandemic levels with the business environment remaining harsh. On the other hand, increasing popularity of crane games seen in the previous year continued into the fiscal year under review. Demand for crane game prizes in the Group’s Character Merchandizing Business is expected to grow.

(4) Priority business and financial issues to address

In order to achieve sustainable growth, the Group will give priority to tackling the following issues, taking into account (2) Management strategies, and (3) Business environment.

(i) Impact of COVID-19

The impact of COVID-19 declined gradually, and socioeconomic activities are increasingly based on a live-with-COVID policy. However, the future consumption trend is unclear, as socioeconomic activities may be restricted if COVID-19 infections spread again. In the amusement market to which the Group's Photo Sticker Business and Character Merchandizing Business belong, the number of visitors to amusement facilities is expected to decline due to changing consumer sentiment. Responding to these changes in the environment is one of the important management issues.

(ii) Reinforcement of user acquisition

In the Group's Photo Sticker Business, Content and Media Business, and Game and Anime Business, we believe it will be necessary to increase the number of users of the content provided in order to enhance earnings. Due to the impact of COVID-19, there was a marked decline in the number of users of the content provided in the Group's flagship Photo Sticker Business and Content and Media Business. The user count is recovering currently, but it has not recovered to pre-COVID levels. We believe there is an urgent need for the Group to add back users. To this end, we will need to improve the quality and added value of the contents provided, and implement new measures to make them recognized widely. To acquire users, compliance is also considered to be extremely important.

Taking these circumstances into consideration, the Group will strive to improve the acquisition rate and paid user rate and increase the number of users, by implementing effective measures such as enhancing the quality of content while being more conscious about compliance with laws, regulations, and social norms going forward.

(iii) Initiatives for new businesses for diversification of revenue bases

The Group has been expanding its earnings by entering into various businesses and diversifying revenue bases since its establishment. From now on, in order to realize medium- and long-term and sustainable growth, the Group will continue to strengthen its revenue base and management base that can flexibly respond to changes in the markets, by launching businesses quickly and efficiently, utilizing the knowledge and know-how, that it has accumulated in the existing businesses.

(iv) Stabilization of revenue in the Game and Anime Business

For the game market in Japan and abroad, the environment is likely to become more competitive, as an increase in new competitors and integration are also expected going forward, while the whole market is growing moderately. Accordingly, it will become necessary to quickly develop an infrastructure to continuously create hit titles in order to stabilize revenue in the game market.

The Group will strive to ensure stable revenue by maximizing the value of IPs through synergies among titles, making titles into series, and expanding international sales.

(v) Diversification of characters and rapid changes in customer preferences

Belonging to a market with characteristics such as diversification of characters and rapid changes in customer preferences, the Group's Character Merchandizing Business and Game and Anime Business will need to acquire the rights to profitable characters and develop major characters in order to expand earnings. Accordingly, the Group will strive to develop further relationships with right holders.

(vi) Securing of excellent human resources and strengthening of the organizational structure

The Group recognizes that it is essential to secure excellent human resources in order to develop further going forward. In securing human resources, the Group has the policy of recruiting human resources who match its corporate culture, and have the qualifications it requires, by implementing mid-career recruitment as necessary, in addition to the planned recruitment of new graduates.

Moreover, considering employees as the most important embodiment of corporate philosophy, the Group will continuously implement initiatives for all employees to enable them to perform to their best, by implementing development programs for them with the Dynamic Vision as their core.

(vii) Addressing foreign currency risk

In the Character Merchandizing Business, products are manufactured mainly in China. As the manufacturing costs are settled in US dollars, the Company was affected by the weak yen. As the yen is currently depreciating against the US dollar, for the purpose of mitigating the impact on the purchasing costs, the Company enters into forward foreign exchange contracts as necessary.

(5) Objective indicators for judging the achievement of management targets

The Group aims to improve profitability and capital efficiency, and attaches importance to return on equity (ROE) as a management indicator. The Group will continue its efforts to grow earnings and improve capital efficiency, and further strengthen its business foundation to consistently achieve management targets regardless of changes in the environment. The Group aims to raise ROE to 15% as of the fiscal year ending March 31, 2028.

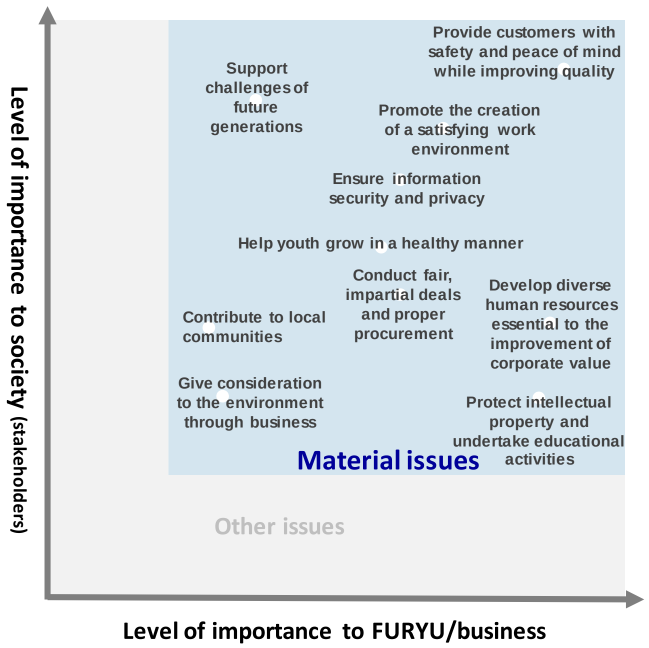
2. Approach to Sustainability and Initiatives

Under the Group's corporate philosophy of "Create quality entertainment that brings happiness and fulfillment to people," we will strive to build a relationship of trust with all stakeholders through our business activities and contribute to the sustainable development of society.

To this end, we pick out and identify material issues on which the Group should place particular importance from among all social issues, in light of the impact which each of our businesses will have on society. Our efforts are centered on four areas: creation of quality entertainment, realization of the Dynamic Vision, support for the next generation that will pave the way towards the future, and a sound management base.

The forward-looking statements contained herein represent the Group's judgment as of the end of the fiscal year under review.

Area	Material issues
Create quality entertainment	Provide customers with safety and peace of mind while improving quality Give consideration to the environment through business
Implement Dynamic Vision	Promote the creation of a satisfying work environment Develop diverse human resources essential to the improvement of corporate value
Support the next generation that will create the future	Support challenges of future generations Help youth grow in a healthy manner Contribute to local communities
Proper management foundation	Ensure information security and privacy Conduct fair, impartial deals and proper procurement Protect intellectual property and undertake educational activities



As part of these efforts, we are implementing environmental management; i.e., conducting our business in an environmentally friendly manner for the sake of future generations. Recognizing that addressing environmental issues, including climate change, is one of its management challenges, the Group has begun disclosing information in line with the Task Force on Climate-related Financial Disclosure (TCFD) framework. We will continue to contribute to the realization of a sustainable society through our business activities, and will work to enhance information disclosure in line with the TCFD recommendations.

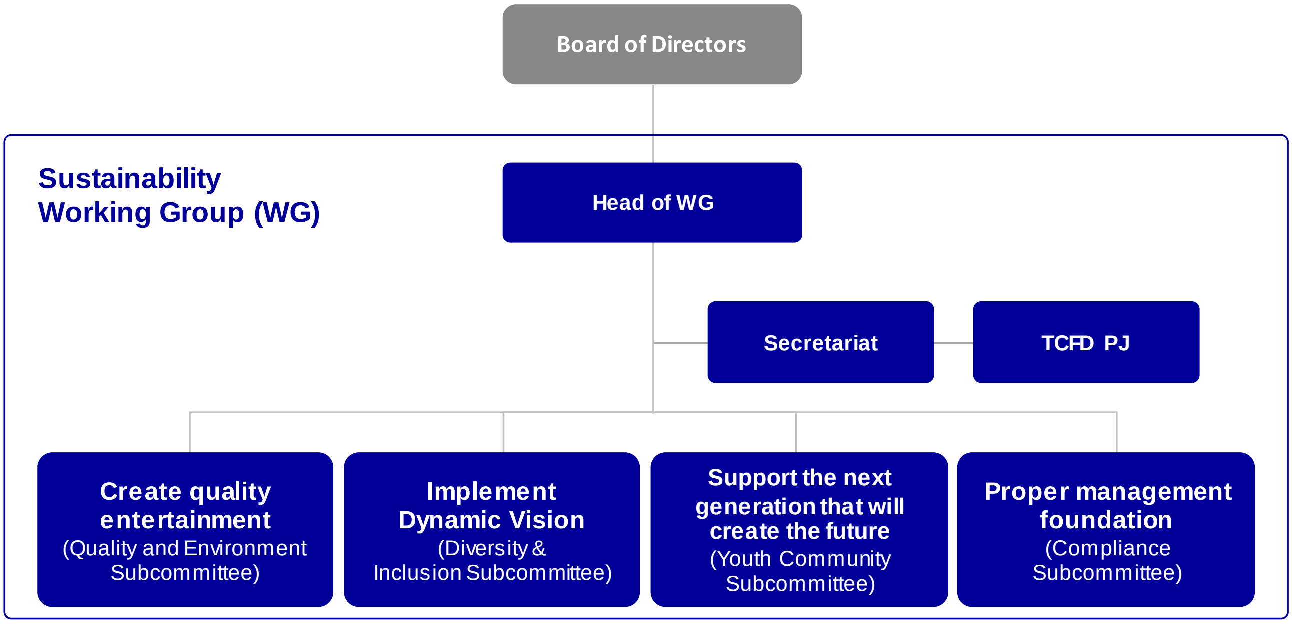
Please refer to our website for details on the Group's disclosure of information in line with the TCFD recommendations.

https://www.furyu.jp/sustainability/tcfd/ (in Japanese)

(1) Governance

The Group has established a Sustainability Working Group (hereinafter, the "WG") as a subordinate body of the Board of Directors. The WG is headed by the Director in charge of corporate management.

The WG confirms the progress of each subcommittee as appropriate and reports regularly to the Board of Directors for discussion at Board of Directors meetings as necessary.



(2) Strategies

We consider the Dynamic Vision to be an important value for the Group's employees, and we regard all employees who embody the Dynamic Vision as key human resources in the Group's human capital.

We believe that the continuous growth of employees is the key to business expansion and ultimately to company growth. The basic policy of our mid-term vision announced in May 2023, "Organizational Culture Reform," states "Realization of Dynamic Vision: Achieving employee and company growth through autonomous career development and increased motivation of employees," and we, as a company, support each employee in their autonomous efforts to develop their own career.

Specifically, we are making the following efforts so that our diverse workforce can make the most of their individuality and characteristics, and work vigorously while feeling pride and satisfaction in their work.

(i) Human resources development policy: Nurture diverse human resources to enhance corporate value

The foundation of human resource development at the Company is the Dynamic Vision, a set of values that employees hold dear. This Dynamic Vision is an important element of the Company's raison d'etre. By aligning what individual employees "want to do" and "can do" with what the Company "must do," we aim to nurture the diversity of employees and ensure that employees and the Company grow together.

a. Encourage employees to envision who they want to be

Every month, the President communicates to all employees the importance of each of them creating the Dynamic Vision. In addition, through the Dynamic Vision program and dialogues among employees, we provide opportunities for employees to get a new idea by themselves, thereby encouraging them to create their own Dynamic Vision.

b. Support employees in becoming who they want to be

Through one-on-one interviews based on two-way dialogue between a supervisor and a subordinate and other measures, we fully reconcile organizational targets with each employee's independent will and career to help them set their own targets, and provide feedback on the degree of achievement and processes thereof. In this way, we promote a system that leads to individual growth and the realization of the Dynamic Vision.

(ii) Policy for internal environmental improvement: Promote rewarding work environment

a. Approach to internal environmental improvement

We promote diversity and inclusion to enable employees and the Company to grow together by respecting the individuality of each employee, creating an environment in which diverse human resources can utilize their individuality and characteristics to maximize their abilities, and creating an organizational culture in which employees can gain a sense of accomplishment and a feeling of vitality through work with their colleagues.

(a) Professional system

Through the introduction of a multi-track personnel promotion system, we respond to the diverse career path needs of employees and help all of them have the opportunity to contribute to the business and have their experiences, abilities, and way of thinking recognized and utilized.

(b) Integration of non-managerial job groups (career positions/non-career positions)

We expand opportunities for employees to play more active roles that are not bound by conventional job groups (frameworks), and encourage them to better themselves so that they can maximize their ability with a sense of fulfilment while considering how to contribute to the organization.

(c) Open position system (system to make personnel rotation more active by disclosing positions open within the Company each year and allowing employees to apply for the positions they would like to fill)

We strive to match diverse human resources with jobs as an organization and provide opportunities for diverse human resources to develop their careers autonomously.

(d) Assessment of location transfers (job relocations) (system that allows employees to report that they are temporarily unable to transfer due to childcare, nursing care, injury, or illness)

We have established an environment that allows employees to continue working at the Company while maintaining a good work-life balance, by flexibly accommodating changes in their personal circumstances due to life events.

b. Status of internal environmental improvement

We have traditionally made people-oriented recruitment, selection, and appointment of both new graduates and mid-career workers, regardless of gender or nationality. In order to achieve sustainable growth and increase corporate value, we believe it is important to respect diverse perspectives and values. Based on this belief, we will continue to proactively recruit people with different experiences, skills, and careers, while promoting the development of a workplace environment in which they can play an active role.

(3) Risk management

In the Group, the subcommittees play a central role in examining sustainability-related risks and opportunities, and formulating and undertaking various necessary measures. Meanwhile, the WG reports to the Board of Directors as appropriate, and the Board of Directors provides oversight.

(4) Indicators and targets

The Group uses the following indicators for its human resource development policy, including ensuring diversity of human resources, and its policy for internal environmental improvement, as described in “(2) Strategies” above. The results and targets for these indicators are as detailed below. Olu.Inc. became a wholly-owned consolidated subsidiary of the Company in March 2022 through the acquisition of all of its shares. Since the impact that Olu.Inc. has on the matter discussed here is negligible at the moment, the data on Olu.Inc. are not included in the results and targets for the indicators.

Results and Targets for Human Capital Indicators

Indicator			Results						Target	
			FY2020		FY2021		FY2022		FY2027	
Rate of participation in Dynamic Vision program (%)			100.0		100.0		100.0		Maintain current level	
Percentage of employees who found the Dynamic Vision program useful (%)			62.4		71.1		77.7		80.0	
Number of employees (Persons)			453		477		495		–	
	Percentage of males (%)		48.4		48.1		47.1		–	
	Percentage of females (%)		51.6		51.9		52.9		–	
Average age (Years)			36.5		37.0		37.3		–	
	Males (Years)		38.8		39.5		39.8		–	
	Females (Years)		34.3		34.7		35.1		–	
Average years of continuous service			Seven years and eight months		Eight years and one month		Eight years and four months		–	
	Males		Nine years and two months		Nine years and eight months		Nine years and ten months		–	
	Females		Six years and three months		Six years and seven months		Six years and eleven months		–	
Turnover (%)			4.6		3.8		6.2		5.0	
Number of newly hired employees	New graduates (Persons)		8	38.1%	14	32.6%	13	25.5%	–	–
		Males (Persons)	3	37.5%	4	28.6%	6	46.2%	–	–
		Females (Persons)	5	62.5%	10	71.4%	7	53.8%	–	–
	Mid-career employees (Persons)		13	61.9%	29	67.4%	38	74.5%	–	–
		Males (Persons)	5	38.5%	13	44.8%	18	47.4%	–	–
		Females (Persons)	8	61.5%	16	55.2%	20	52.6%	–	–
Continuous employment rate of new graduates hired in the past five fiscal years (%)			–		–		80.4		80.0	
Number of (Senior) Experts (Persons)			3		4		8		–	
Percentage of personnel transfers approved through the open position system (%)			21.6		22.2		29.9		35.0	

Indicator			Results			Target
			FY2020	FY2021	FY2022	FY2027
Percentage of female employees in managerial positions (section manager and above)		(%)	27.7	27.8	23.5	35.0
Percentage of female board members		(%)	11.1	11.1	11.1	30.0
Percentage of childcare leave taken		Males (%)	14.3	16.7	50.0	100.0
		Females (%)	100.0	100.0	100.0	Maintain current level
Average annual salary		(Yen)	6,767,791	6,740,834	6,725,824	–
Gender pay gap		(%)	–	–	74.1	80.0
		Regular employees (%)	–	–	75.5	80.0
		Non-regular employees (%)	–	–	63.9	80.0
Average overtime hours per worker per month		(Hours)	16.7	20.0	18.1	–
Percentage of annual paid leave taken		(%)	74.3	81.0	89.9	Maintain current level

Notes:
1. In the calculation of the "Rate of participation in Dynamic Vision program," we do not include employees who are the Company's employees as of the implementation date of the program but are not eligible for it due to leave of absence or other reasons.
2. The "Percentage of employees who found the Dynamic Vision program useful" is based on the results of a post-program questionnaire.
3. In the FY2027 targets for the "Continuous employment rate of new graduates hired in the past five fiscal years" and the "Percentage of female employees in managerial positions (section manager and above)," the targets for FY2024 are shown based on the "General Employer Action Plan" under the Act on the Promotion of Women's Active Engagement in Professional Life.

3. Business Risks

Of the matters related to the overview of business, financial information and other information as described in the Annual Securities Report, the major risks that management recognizes as having the potential to materially affect the financial position, operating results, and cash flows of the reporting company are as follows.

The forward-looking statements contained herein represent the Group's judgment as of the end of the fiscal year under review.

Each of these risks has the potential to affect the Group's earnings in the short-, medium-, and long-term. To minimize such management and business risks and to take advantage of these risks as opportunities, we will respond to them based on the management strategies described in "II. Overview of Business, Management Policy, Business Environment, Issues to Address."

(1) Suppliers concentration

In pursuit of high quality and low prices, the Group concentrates its contract manufacturing of photo sticker machines to Kabushiki Kaisha TSUGAWA (Location: Kohoku-ku, Yokohama-Shi, Kanagawa; Representative: Yoshikazu Komada). Therefore, in the event of a natural disaster, a change in policy at the contract manufacturer, or some other reason that causes suspension of production at the contract manufacturer, the Group may not be able to find an alternative contract manufacturer capable of maintaining the same quality or procure parts and materials promptly, or may be forced to spend a lot of time auditing the plant for the production capacity and quality standards required by the Group, which may affect the Group's business and earnings.

(2) Business competition

The Group strives to improve its competitiveness by building websites that pursue optimal usability, providing distinctive services and diverse lineup of products, ensuring transaction security, and enhancing customer support. However, intensifying competition with companies offering Internet-related services similar to the Group's or new entrants may affect the Group's business and earnings.

(3) Adaptation to new technologies

The services provided by the Group are heavily weighted towards mobile terminals, and with the spread of advanced information terminals such as smartphones, new services for these advanced terminals are being developed one after another. Therefore, the Group's competitiveness may decline in the event of delays in responding to new technologies due to an inability to secure or develop engineering personnel or other reasons.

(4) Human capital

The Group has rapidly expanded its business domain in recent years. In order to cope with further business expansion and diversification of business content from this point onward as well, we believe that it will be necessary to enhance human resources in each function within the Group. However, if human resource development and the hiring of external personnel do not proceed as planned in response to the expansion of business scale, and if appropriate human resources are not allocated, the Group's competitiveness may decline and its business expansion may be constrained, which may affect the Group's business and earnings.

(5) Birthrate declining problem in Japan

The Group's Photo Sticker Business primarily targets young women, including high school girls, in Japan. We are working to revitalize the market and expand our market share by continuously launching photo sticker machines onto the market that meet users' needs. However, if the birthrate in Japan decreases at a much faster pace than expected and the entire market shrinks significantly in the future, the Group's business and earnings may be affected.

(6) Concentration of production and quality decline at subcontractors

In the Group's Character Merchandising Business, the majority of products, mainly crane game prizes and figures, are manufactured by subcontractors in China. For this reason, we regularly instruct and supervise the quality control of our subcontractors and diversify our production bases to Southeast Asia and other regions in order to reduce production costs and avoid concentration of production. However, if the Group is unable to manufacture products under the conditions it requires, due to an increase in production costs caused by rising local labor costs or other factors, or due to social or political problems, the Group's business and earnings may be affected.

Most of these transactions are denominated in US dollars, and we expect to pay approximately US$100 million per year. Although we use foreign exchange contracts for a certain percentage of actual demand, fluctuations in foreign exchange rates can affect the Group's earnings.

(7) Information security

The Group uses a wide range of information networks and computer systems in a variety of ways in its business operations. In addition, in the course of its business operations, the Group holds personal or confidential information of users and related parties.

The Group has taken various measures and put in place a system to ensure the continuous operation of its business. However, natural disasters, security breaches by third parties, hacking, or intentional or negligent acts by employees could result in the external leakage or unauthorized use of personal information or confidential information of users and related parties held by the Group. In such cases, not only would business operations be disrupted, but the Group could be held liable for damages to customers and other parties, and could also be subject to business improvement orders or other administrative action, which could affect the Group's business and earnings.

(8) Management of personal information and information concerning the privacy and credit of customers and other parties

In the course of its business activities, the Group may obtain information (including personal information) concerning the privacy and credit of customers and other parties. The Group takes the utmost care to maintain the confidentiality of such information to prevent its leakage, but there is a possibility that such information may be leaked to outside parties due to unforeseen circumstances. In such cases, the Group may be held liable for compensation for damages and other expenses or its brand image may be degraded, which may affect the Group's business and earnings.

(9) Litigation

The Group is strengthening its compliance system, and takes the utmost care not to infringe on the intellectual property rights of third parties, by commissioning its patent attorneys and other advisors to conduct preliminary investigations. However, if the Group has infringed on the intellectual property rights of a third party or the Group's intellectual property rights have been infringed on by a third party, it will not only cost a large amount of money and time to resolve the dispute, but also the Group may be ordered to pay damages. In such cases, the Group's business and earnings could be affected.

(10) Impact of disasters and other crises

The Group identifies potential risks in its business activities in accordance with the "Risk Management Regulations" and other regulations, strives to reduce risks and prevent crises from occurring in the normal course of business, and develops and maintains a system to immediately respond to any serious crisis.

However, if the Group's head office, business establishments, or business partners suffer physical/human damage beyond expectations due to a large-scale natural disaster such as earthquake, fire, or flood, terrorist attack, political change, or other reasons, the Group's business activities may be disrupted, which may affect its business and earnings.

(11) Changes in customer needs

The Group's Photo Sticker Business and Character Merchandising Businesses both target young people as their primary customers. Meanwhile, by planning, developing, operating, and selling a variety of game content, the Game and Anime Business strives to enhance the content.

With that being said, user preferences change rapidly in these businesses. If for some reason it becomes difficult for us to accurately understand user needs or launch models and content that meet those needs, it may lead to a decline in the Group's ability to appeal to users, and affect its business and earnings.

The impact of COVID-19 is described in "II. Overview of Business, Management Policy, Business Environment, Issues to Address, (4) Priority business and financial issues to address."

(12) Responding to changes in legal regulations

In the course of conducting our business based on compliance with laws, regulations, and social ethics, we are subject to various domestic and international legal regulations, including the Act on the Protection of Personal Information, the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use, patent laws, tax laws, and import/export laws, and these laws and regulations could be tightened going forward. In addition, even in the Internet-related field, where laws and regulations are gradually being developed, there is a possibility that new laws and regulations will be enacted or existing laws and regulations will be reinterpreted in the future. In such cases, the Group's business and earnings may be affected by expecting increased restrictions on business activities, as well as increased burdens and costs associated with complying with regulatory changes.

4. Management Analysis of Financial Position, Operating Results and Cash Flows

(1) Overview of operating results and others

The following is an overview of the Group's financial position, operating results, and cash flows (hereinafter referred to as "operating results, etc.") for the fiscal year under review.

(i) Operating results

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 gradual recovery of personal consumption.

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 the 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 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, 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, games with worldwide popularity, etc.

Our products are manufactured mainly in China. As the manufacturing costs were settled in the US dollars, 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 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 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 anime 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 anime.

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).

(ii) Financial position

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 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.

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.

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.

(iii) Overview of Cash Flows

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.

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.

Cash flows from investing activities

In investing activities, there were ¥1,800 million in purchase of property, plant, and equipment, and ¥476 million in 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.

Cash flows from financing activities

In financing activities, there were ¥1,870 million in proceeds from sale and leaseback transactions, ¥1,876 million in repayments of lease liabilities, ¥1,012 million in purchase of treasury shares, and ¥1,422 million in 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.

(iv) Production, orders received, and sales

a. Production

Since the Group does not have its own production bases or production processes, it is difficult to indicate its production capacity; therefore, such information is omitted.

b. Purchase of goods

As the Group’s business is not suited to the description of actual purchase of goods due to the nature of the services it provides, this information is omitted.

c. Orders received

This information is omitted because of the short period of time between the confirmation of orders and the recording of sales in the Group’s business.

d. Sales

Sales results by segment in the fiscal year under review are as follows.

Segment name	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Compared to previous year (%)
Photo Sticker Business (Thousands of yen)	8,689,105	114.7
Content and Media Business (Thousands of yen)	8,569,135	102.9
Character Merchandizing Business (Thousands of yen)	16,347,545	107.7
Game and Anime Business (Thousands of yen)	2,794,743	93.8
Total (Thousands of yen)	36,400,530	106.9

Note: Inter-segment transactions are offset and eliminated.

(2) Analysis and discussion of operating results, etc., from the management's perspective

The following are the recognition, analysis, and discussion of the Group's operating results, etc., from the management's perspective. The forward-looking statements contained herein represent our judgment as of the end of the fiscal year under review.

(i) Significant accounting estimates and assumptions used for the estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. The significant accounting policies adopted in the preparation of the consolidated financial statements of the Group are as described in "V. Financial Information, 1. Consolidated Financial Statements, (1) Notes to consolidated financial statements (significant accounting estimates)."

(ii) Analysis of operating results

Net sales

Consolidated net sales for the fiscal year under review increased ¥2,342 million from the previous fiscal year to a record high of ¥36,400 million. This was mainly because strong sales in the previous fiscal year of crane game prizes, products for overseas merchandise sales, and high-end hobby items both in Japan and overseas in the Character Merchandising Business continued into the fiscal year under review; and the number of total play counts in the Photo Sticker Business and the number of paying members of "Pictlink" in the Content and Media Business, both of which were adversely affected by the worsening market environment due to the spread of COVID-19, bounced back.

Cost of sales

Cost of sales for the fiscal year under review increased ¥3,172 million from the previous fiscal year to ¥21,265 million. This was mainly because in addition to an increase in sales in the Character Merchandising Business, soaring raw material costs, and the rapid depreciation of the yen boosted purchase costs in this business, which settles most of its transactions in US dollars.

Gross profit

As a result of the above, gross profit for the fiscal year under review decreased ¥830 million from the previous fiscal year to ¥15,134 million.

Selling, general, and administrative expenses

Selling, general, and administrative expenses for the fiscal year under review increased ¥744 million from the previous fiscal year to ¥13,000 million. This was mainly due to an increase in personnel expenses, outsourcing expenses, and R&D expenses associated with the expansion of operations in the Character Merchandising Business, as well as an increase in R&D expenses for video game software.

Operating profit

As a result of the above, operating profit for the fiscal year under review decreased ¥1,574 million from the previous year to ¥2,134 million.

Non-operating profit/loss

Non-operating profit/loss for the fiscal year under review was a profit of ¥44 million (net), compared to a loss of ¥2 million (net) in the previous year. This was mainly due to foreign exchange gains and a gain on liquidation of leasehold and guarantee deposits.

Extraordinary profit/loss

Extraordinary profit/loss for the fiscal year under review was a loss of ¥11 million (net), compared to a loss of ¥19 million (net) in the previous year. This was mainly due to a loss on sales and retirement of non-current assets and impairment losses.

Profit attributable to owners of parent

As a result of the above, profit attributable to owners of parent for the fiscal year under review decreased ¥1,101 million from the previous fiscal year to ¥1,443 million.

(iii) Factors that have a significant impact on operating results

Of the factors that significantly affect the Group's operating results, those that could significantly affect investors' decisions are as described in "II. Overview of Business, 3. Business Risks."

(iv) Sources of the Group's capital and fund liquidity

The Group has sufficient liquidity on hand, and its basic policy is to use mainly its own funds to cover short-term expenses and capital investment, and borrow from financial institutions as necessary. When funds are needed for the Group's growth in the future, we plan to use our own funds as much as possible and borrow from financial institutions as needed in accordance with our basic policy.

5. Material Contracts

Not applicable.

6. Research and Development Activities

In order to respond quickly to market changes and provide more profitable and attractive products and services, the Group focuses on: R&D of high value-added and high-quality photo sticker machines that incorporate new materials and technologies; R&D related to commercialization in the Character Merchandizing Business; and R&D of new games in the Game and Anime Business.

Total R&D expenses for the fiscal year under review amounted to ¥1,355 million. Major R&D activities by segment are as follows. The amount of R&D expenses for the Content and Media Business is omitted because it is insignificant.

(1) Photo Sticker Business

We are putting resources and effort into R&D related to producing attractive photos (image quality), which has a significant impact on customer satisfaction. R&D activities focused on optical and image processing technologies related to producing attractive photos (image quality) for the photo sticker machines released in the fiscal year under review and the following fiscal year.

R&D expenses for the Photo Sticker Business amounted to ¥397 million.

(2) Character Merchandizing Business

We conducted R&D activities to increase product value; related expenses included the cost of prototype figures, coloring, and photography for the commercialization of numerous new character copyrights.

R&D expenses for the Character Merchandizing Business amounted to ¥544 million.

(3) Game and Anime Business

We conducted R&D activities for new games in video game software for hardware such as PlayStation®4, PlayStation®5, and Nintendo Switch™, and social games for digital content platforms such as Google Play and App Store.

R&D expenses for the Game and Anime Business amounted to ¥263 million.

III. Information about Facilities

1. Overview of capital investment

The major capital investment (including investment in intangible assets, as well as in property, plant, and equipment) conducted by the Group is the acquisition of photo sticker machines to be installed at client sites. The breakdown of capital investments in the fiscal year under review is as follows. There were no disposals or sales of significant facilities during the fiscal year under review.

Segment name	Capital investment amount (Thousands of yen)	Details of facilities
Photo Sticker Business	1,558,080	Photo sticker machines, etc.
Content and Media Business	70,685	Office machines, etc.
Character Merchandizing Business	22,378	Metal molds, etc.
Game and Anime Business	499,043	Video masters, etc.
Subtotal	2,150,187	–
Adjustments	106,282	Management facilities, etc.
Total	2,256,470	–

2. Major facilities

(1) Reporting company

The major facilities in the Company are as follows.

As of March 31, 2023

Business place name (Location)	Segment name	Details of facilities	Book value (Thousands of yen)					Number of employees (Persons)
			Buildings and structures	Leased assets	Land	Other	Total	
Head Office (Shibuya-ku, Tokyo)	All segments	Management and other facilities, etc.	67,629	–	–	47,367	114,997	329 (82)
Ichinomiya Office (Ichinomiya-shi, Aichi)	Photo Sticker Business Character Merchandizing Business Corporate (shared)	Photo sticker machines, other facilities, etc.	1,338	–	–	24,457	25,795	16 (14)
Kyoto Office (Kyoto-shi, Kyoto)	Photo Sticker Business Content and Media Business Corporate (shared)	Photo sticker machines, other facilities, etc.	43,777	–	–	32,168	75,946	150 (37)
Amusement facilities, etc. (Shibuya-ku, Tokyo and others)	All segments	Photo sticker machines, etc.	76,450	2,243,704	373	118,125	2,438,654	–

Notes: 1. The leased assets in amusement facilities, etc., are photo sticker machines that the Company has designed, developed, and manufactured, which are installed in the amusement facilities, utilizing sale and leaseback transactions.

2. All of the head and other offices are rented, and the annual rent expenses are ¥416,374 thousand.

3. Figures in parentheses under "Number of employees" represent the number of temporary employees, which is not included in the number of employees.

(2) Domestic Subsidiary

As of March 31, 2023

Company name	Business place name (Location)	Segment name	Details of facilities	Book value (Thousands of yen)				Number of employees (Persons)
				Buildings and structures	Leased assets	Other	Total	
Olu.Inc.	Head Office (Shibuya-ku, Tokyo)	Content and Media Business	Manageme nt and other facilities	8,366	483	1,369	10,219	12 (4)

Notes: 1. The annual rent expenses for rental facilities at the domestic subsidiary are ¥9,615 thousand.

2. Figures in parentheses under "Number of employees" represent the number of temporary employees, which is not included in the number of employees.

3. Planned addition, retirement, and other changes of facilities

The plan for significant facilities as of the end of the fiscal year under review is as follows.

(1) Addition of Significant Facilities

Business place name (Location)	Segment name	Details of facilities	Planned investment amount		Way of funding	Planned commencement and completion dates		Increased capacity after completion
			Total amount (Thousands of yen)	Amount already paid (Thousands of yen)		Commence-ment	Completion	
Amusement facilities, etc. (Shibuya-ku, Tokyo and others)	Photo Sticker Business	Leased assets (Note 1)	1,219,870	–	Own fund	(Note 2)	(Note 2)	(Note 3)

Notes: 1. The leased assets are photo sticker machines that the Company has designed, developed, and manufactured, which are installed in amusement facilities, utilizing sale and leaseback transactions.

2. When implementing the capital investment plan, we regularly install facilities at customer sites nationwide every period. Therefore, planned commencement and completion dates are omitted.

3. Increased capacity after completion is omitted due to the difficulty in numerically assessing it.

(2) Retirement of Significant Facilities

Not applicable.

IV. Information about reporting company

1. Company’s shares and related information

(1) Total number of shares

(i) Authorized shares

Class	Total number of shares authorized to be issued (Shares)
Common shares	104,400,000
Total	104,400,000

(ii) Issued shares

Class	Number of issued shares as of fiscal year end (Shares) (March 31, 2023)	Number of issued shares as of filing date (Shares) (June 23, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	28,296,000	28,296,000	Tokyo Stock Exchange Prime Market	Share unit number 100 shares
Total	28,296,000	28,296,000	–	–

(2) Share acquisition rights

(i) Employee share option plans

Not applicable.

(ii) Rights plans

Not applicable.

(iii) Share acquisition rights for other uses

Not applicable.

(3) Exercises of moving strike convertible bonds

Not applicable.

(4) Changes in total number of issued shares, share capital, and legal capital surplus

Date	Change in total number of issued shares (Shares)	Total outstanding number of issued shares (Shares)	Change in share capital (Thousands of yen)	Outstanding share capital (Thousands of yen)	Change in legal capital surplus (Thousands of yen)	Outstanding legal capital surplus (Thousands of yen)
March 1, 2017 (Note)	18,864,000	28,296,000	–	1,639,216	–	1,639,216

Note: As of March 1, 2017, we conducted a stock split of three shares for each common share.

(5) Shareholding by shareholder category

As of March 31, 2023

Category	Status of shares (Number of shares constituting one unit: 100)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	–	12	20	53	92	16	8,511	8,704	–
Number of shares held (Units)	–	46,466	8,011	70,509	24,875	62	132,964	282,887	7,300
Ratio of shares held (%)	–	16.43	2.83	24.92	8.79	0.02	47.00	100.00	–

Note: Of 1,855,966 treasury shares, 18,559 units are included under “Individuals and others,” and 66 shares are included under “Shares less than one unit.”

(6) Major shareholders

As of March 31, 2023

Name	Address	Number of shares held (Shares)	Shareholding ratio (excluding treasury shares) (%)
Furyu Shoji Corporation	1-4-4 Shimomeguro, Meguro-ku, Tokyo	4,340,000	16.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	2,252,800	8.52
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,150,700	8.13
TM Corporation	1636-12 Ichigao-cho, Aoba-ku, Yokohama-shi, Kanagawa	1,415,000	5.35
FURYU Employee Shareholding Association	2-3 Uguisudani-cho, Shibuya-ku, Tokyo	912,300	3.45
Yoshiro Tasaka	Kita-ku, Kyoto-shi, Kyoto	840,000	3.18
Masato Yoshida	Tsuzuki-ku, Yokohama-shi, Kanagawa	840,000	3.18
Katsuyuki Inage	Nishikyo-ku, Kyoto-shi, Kyoto	750,000	2.84
Shinji Nakamura	Shinagawa-ku, Tokyo	525,800	1.99
Koshi Mizoue	Shibuya-ku, Tokyo	467,900	1.77
Total	–	14,494,500	54.82

Notes:
1. The Company holds 1,855,966 treasury shares but is excluded from the above major shareholders.
2. Furyu Shoji Corporation is an asset management company owned by the Company’s founder, Yoshiro Tasaka.
3. TM Corporation is an asset management company owned by the Company’s President, Takashi Mishima.
4. Of the above number of shares held, the number of shares related to trust business is as follows.

Custody Bank of Japan, Ltd. (Trust Account)	2,068,300 shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	829,100 shares

5. SMBC Nikko Securities Inc. submitted a substantial shareholding report on April 7, 2023. While the substantial shareholding reports state that as of March 31, 2023, SMBC Nikko Securities Inc. held 867,800 shares of the Company stock (shareholding ratio of 3.07%), Sumitomo Mitsui DS Asset Management Company, Limited held 445,900 shares

(shareholding ratio of 1.58%), and Sumitomo Mitsui Banking Corporation held 144,300 shares (shareholding ratio of 0.51%), they are not included among the above major shareholders, because the Company could not confirm the number of shares actually held at the end of the fiscal year under review. In addition, SMBC Nikko Securities Inc. submitted a change report on April 21, 2023. The change report states that as of April 14, 2023, Sumitomo Mitsui DS Asset Management Company, Limited held 435,700 shares of the Company stock (shareholding ratio of 1.54%), Sumitomo Mitsui Banking Corporation held 144,300 shares (shareholding ratio of 0.51%), and SMBC Nikko Securities Inc. held 60,300 shares (shareholding ratio of 0.21%).

(7) Voting rights

(i) Issued shares

As of March 31, 2023

Category	Number of shares (Shares)	Number of voting rights (Rights)	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common shares 1,855,900	–	–
Shares with full voting rights (Other)	Common shares 26,432,800	264,328	–
Shares less than one unit	Common shares 7,300	–	–
Total number of issued shares	28,296,000	–	–
Number of voting rights held by all shareholders	–	264,328	–

Note: Common shares in “Shares less than one unit” include 66 treasury shares held by the Company.

(ii) Treasury shares, etc.

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others’ names (Shares)	Total number of shares held (Shares)	Ratio of shares held to total issued shares (%)
FURYU Corporation	2-3 Uguisudani-cho, Shibuya-ku, Tokyo	1,855,900	–	1,855,900	6.56
Total	–	1,855,900	–	1,855,900	6.56

2. Acquisition and disposal of treasury shares

Class of shares: Acquisition of common shares falling under Article 155, item (iii) of the Companies Act.

(1) Acquisitions by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisitions by resolution of Board of Directors meeting

Category	Number of shares (Shares)	Total value (Yen)
Resolution of the Board of Directors (on August 12, 2022) (Acquisition period: August 15, 2022 to December 30, 2022)	1,120,000	1,000,000,000
Treasury shares acquired before the fiscal year under review	–	–
Treasury shares acquired during the fiscal year under review	920,200	999,983,300
Total number and value of remaining resolution shares	199,800	16,700
Unexercised ratio as of the last day of the fiscal year under review (%)	17.84	0.00
Treasury shares acquired during the period	–	–
Unexercised ratio as of the filing date (%)	17.84	0.00

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors meeting

Not applicable.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year under review		During the period	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Acquired treasury shares offered to subscribers	–	–	–	–
Acquired treasury shares that were cancelled	–	–	–	–
Acquired treasury shares transferred due to merger, share exchange, share delivery, or company split	–	–	–	–
Other (–)	–	–	–	–
Number of treasury shares held	1,855,966	–	1,855,966	–

Note: The number of treasury shares held during the period does not include shares less than one unit purchased or sold from June 1, 2023 to the filing date of this Annual Securities Report.

3. Dividend policy

The Group 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 significant 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 a 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 and other measures, in response to the state of cash flow and the share price trends. The Board of Directors shall decide on dividends 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. As a result, the dividend payout ratio for the fiscal year under review became 70.9%, with a DOE of 4.9%.

Regarding internal reserves, we will strive to improve corporate value by allocating them to strategic growth investments.

Dividends of surplus for the fiscal year under review are as follows.

Date of resolution	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)
May 12, 2023 Resolution of the Board of Directors	1,004,721	38

4. Corporate governance

(1) Overview of corporate governance

(i) Basic Rationale for Corporate Governance

In order to earn the trust of our shareholders, business partners, and employees, the Company considers the strengthening and enhancement of corporate governance, which serves a restraining mechanism to promote management integrity, as a significant management challenge. We strive to objectively assess the business environment, expedite decision-making, and enhance the management checking function to ensure transparency in our management.

(ii) Overview of Corporate Governance System and Reasons for Its Adoption

The Company is a company with a board of corporate auditors. While a system of audits by Auditors, including External Auditors, is effective as a management monitoring function, we recognize the need for management that is aligned with the actual business operations and led by Internal Directors who are well-versed in company affairs. Therefore, we have chosen to be a company with a board of corporate auditors as part of our institutional design. In order to ensure objectivity and transparency in the determination of nomination and remuneration for Directors, and to achieve effective corporate governance, we have established a Nominating and Remuneration Committee, whose majority members are independent External Directors.

The name, purpose, authority, and members of each institution established by the Company are as follows.

A. General Meeting of Shareholders

The Company's General Meeting of Shareholders is its highest decision-making body and, for the purpose of reflecting in company operations the opinions of shareholders, who are the substantial owners of the Company, has the authority to make decisions on the Company's fundamental policies and significant matters specified as matters to be resolved in the Companies Act and the Company's Articles of Incorporation, including the election of Directors and Auditors, and amendments to the Articles of Incorporation.

B. Board of Directors

The Company's Board of Directors promotes the Company's sustainable growth and medium- to long-term enhancement of corporate value, strives to establish and operate an appropriate corporate governance system, and serves as the decision-making body for business execution that determines significant management matters as stipulated by laws, regulations, and internal regulations. Additionally, it functions as a body that supervises the execution of Directors' duties. Specifically, as mentioned below, the Board of Directors consists of six Directors, including two External Directors (as of the filing date of this Annual Securities Report), and holds regular Board of Directors meetings once a month in principle, which all Directors and Auditors attend. Furthermore, in order to expedite decision-making, it holds extraordinary Board of Directors meetings as necessary to consider strategic matters and make resolutions on significant matters.

In order to respond promptly to changes in the business environment and further clarify the responsibilities of Directors, the term of office for Directors is until the conclusion of the Annual General Meeting of Shareholders pertaining to the last fiscal year ending within one year after their election.

[Members of the Company's Board of Directors]

Chairperson: Takashi Mishima, President

Masato Yoshida, Executive Managing Director; Katsuyuki Inage, Managing Director; Michinari Sasanuma, Director; Takako Kotake, External Director; and Kento Uno, External Director

C. Board of Auditors

As mentioned below, the Company's Board of Auditors consists of three Auditors, including two External Auditors (as of the filing date of this Annual Securities Report). Its meetings are held periodically once a month, in principle, prior to the Board of Directors meetings and as necessary. The Auditors attend the Board of Directors meetings and provide comments and suggestions regarding management. They also exchange opinions with Directors, the person responsible for internal audits, and the Accounting Auditor as necessary to supervise the execution of Directors' duties.

[Members of the Company's Board of Auditors]

Chairperson: Takayuki Nakamura, Auditor

Omou Yamazaki, External Auditor; Shinichiro Yoshiba, External Auditor

D. Accounting Auditor

The Company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC, and undergoes accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act. Deloitte Touche Tohmatsu LLC conducts accounting audits in cooperation with the Company's internal audit division, Board of Auditors, and others.

E. Nominating and Remuneration Committee

The Nominating and Remuneration Committee serves as an advisory body to the Board of Directors, considering the following matters of the Company and providing reports on the results to the Board of Directors. The Nominating and Remuneration Committee consists of two External Directors (Takako Kotake and Kento Uno as of the filing date of this Annual Securities Report) and one President (Takashi Mishima as of the same date).

a. Composition and structure of the Board of Directors

b. Criteria and process for the election and removal of Directors and the President

c. Consideration of Director candidates and President candidates

d. Succession plan for the President

e. Determination method for the evaluation and remuneration (including non-monetary remuneration; the same applies hereinafter) of Directors

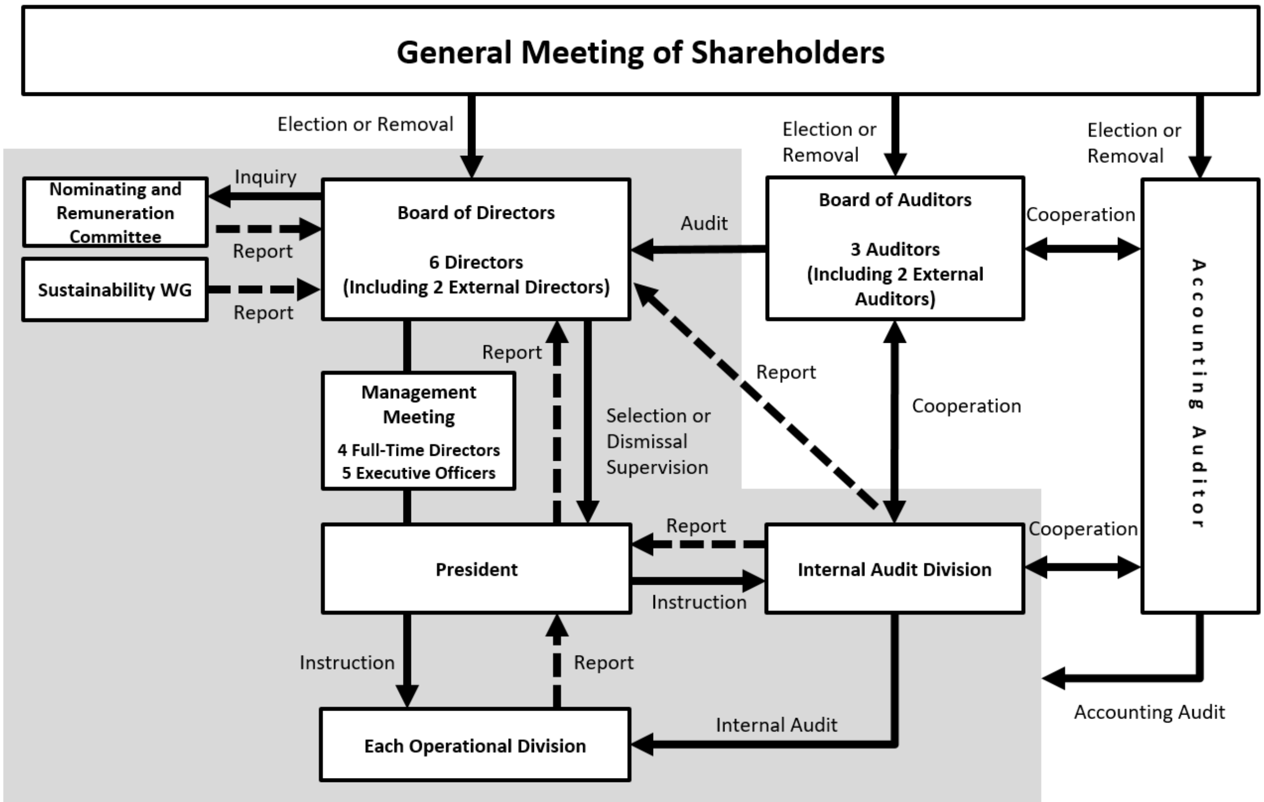
f. Individual evaluation and remuneration of Directors

g. Other matters regarding the evaluation, nomination, and remuneration of Directors on which the President or the Board of Directors asks for reports

F. Management Meeting

The Management Meeting serves as a body that discusses and decides on significant matters related to business operations that are executed by the President based on the management policies determined by the Board of Directors. The Management Meeting is chaired by the President (Takashi Mishima as of the filing date of this Annual Securities Report), and consists of four full-time Directors (Takashi Mishima, Masato Yoshida, Katsuyuki Inage, and Michinari Sasanuma as of the same date) and five executive officers (Masaki Tsuchiya, Takayuki Tsumagari, Masahito Enomoto, Ryoko Sada, and Hitoshi Nishimura as of the same date).

The Company's corporate governance system is as follows.



(iii) Development of Internal Control Systems, Risk Management Systems, and Systems to Ensure Proper Operations of Subsidiary

The summary of decisions regarding systems to ensure that the execution of Directors' duties complies with laws, regulations, and the Articles of Incorporation, as well as other systems to ensure proper company operations, is as follows.

A. Systems to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation

a. Under the corporate philosophy "Create quality entertainment that brings happiness and fulfillment to people," the Company shall establish a "corporate code of conduct" and an "employee code of conduct," which emphasize compliance with laws, regulations, and social norms, as well as highly ethical and sensible behavior, and "compliance regulations," which outline the development of compliance promotion systems. The Company shall also thoroughly disseminate them to its officers and employees, and conduct compliance training and others to ensure that the execution of duties complies with laws, regulations, and the Articles of Incorporation.

b. The Company is a company with a board of corporate auditors, and each Auditor shall attend the Board of Directors meetings and other significant meetings, and audit the execution of Directors' duties through investigations into the status of business execution. The Board of Auditors shall document the Board of Auditors regulations, the Auditors' audit standards, etc., verify the effectiveness of internal control systems, and strive for early detection of issues. If any issue is identified, the Board of Auditors shall request corrective actions from the Board of Directors.

c. The internal audit division shall audit the status of business execution from the perspectives of legality and appropriateness, and report to the President on an ongoing basis. In order to ensure cooperation with Directors and Auditors, the Company shall establish a mechanism for the Internal Audit Division to appropriately report directly to the Board of Directors and the Board of Auditors.

d. The Company shall develop and operate an appropriate whistle-blowing system that ensures protection for whistleblowers who discover violations of laws and regulations, while maintaining transparency.

e. The Company shall have no relationship with antisocial forces and shall respond to unjust demands with a firm stance as an organization.

B. Systems for the storage and management of information related to the execution of Directors' duties

a. Minutes of the General Meetings of Shareholders, minutes of the Board of Directors meetings, documents of resolutions, and other information related to the execution of Directors' duties shall be appropriately recorded, stored, and managed in accordance with applicable laws, regulations, internal regulations, and other relevant provisions.

b. The information referred to in the preceding paragraph shall be stored and managed so that Directors, Auditors, the Accounting Auditor, and others can inspect and reproduce it as necessary.

c. Regulations and provisions concerning information storage and management shall be revised and improved as necessary.

C. Regulations and other systems for risk management of losses

a. The Company shall ensure that reports on significant risk information related to business execution are provided by officers and employees at Board of Directors meetings and other significant meetings.

b. In order to achieve early detection and resolution of risks, the Internal Audit Division shall conduct internal audits.

c. Regarding risk management, the person responsible for risk management shall oversee it in accordance with various regulations for risk management, and the division responsible for risk management shall comprehensively and systematically manage risks. The responsible division shall cooperate with the person in charge in each division to mitigate risks.

d. The Company shall ensure workplace safety and health, and appropriately operate management systems for quality and environment in accordance with international standards.

e. In the event of a sudden risk such as a natural disaster or accident that requires a company-wide response, an emergency response system shall be established with the President as the responsible person.

D. Systems to ensure the efficient execution of Directors' duties

a. As a foundation for ensuring the efficient execution of Directors' duties, pursuant to the Board of Directors regulations, the Board of Directors meetings shall be held once a month in principle, and extraordinary Board of Directors meetings shall be held as necessary.

b. The Company shall make every effort to provide each Director with sufficient and appropriate information to facilitate his or her decision-making.

c. In order to facilitate the execution of duties by the President and Executive Directors in accordance with the management policies determined by the Board of Directors, a "Management Meeting" shall be established to discuss and decides on significant matters related to business operations and thereby streamline decision-making. The resolutions of and reports to the Management Meeting shall be reported to the Board of Directors as necessary.

d. In order to ensure objectivity and transparency in the determination of nomination and remuneration for Directors, and thereby to achieve effective corporate governance, the Company shall establish a Nominating and Remuneration Committee, whose majority members are External Directors.

e. In order to adapt to the rapidly changing business environment, the term of office for Directors shall be set at one year.

E. Systems to ensure appropriate business operations within the corporate group consisting of the Company, its parent company, and its subsidiary

a. Regarding the management of the Company's subsidiary, while respecting its autonomy, the Company shall establish regulations for the management of affiliated companies, receive periodic reports on its business situations, and engage in prior consultations on significant matters in accordance with the regulations.

b. The subsidiary shall manage business and investment risks in accordance with its regulations, taking into account the nature and scale of its business. The Company shall, in accordance with the regulations for the management of affiliated companies and under the supervision of the officer in charge of the management, receive reports from the subsidiary and gather information to manage risks associated with the subsidiary through the division in charge of subsidiary management and relevant divisions.

c. The Company shall formulate a medium-term management plan which includes its subsidiary, and establish an annual plan and decide on budget allocations and other matters for each fiscal year to concretize the medium-term management plan.

d. In order to check the proper business execution in its subsidiary, the Company shall conduct audits through its Auditors and Internal Audit Division as needed.

e. The Company shall develop a whistle-blowing system that allows officers and employees of its subsidiary to report directly to external attorneys at law and others.

f. The Company shall conduct compliance training for officers and employees of its subsidiary to foster a sense of compliance.

F. Matters regarding employees that Auditors request the Company to appoint to assist their duties; matters regarding the employees' independence from Directors; and matters regarding the ensuring of effectiveness of instructions given by Auditors to the employees

a. While the Company currently does not have employees dedicated to assisting Auditors' duties, the Board of Directors shall engage in consultations with the Board of Auditors as necessary and, if requested by Auditors, appoint and assign such employees.

b. During the assistance period designated by Auditors, the authority to direct such employees shall be delegated to Auditors, and a system under which the employees do not receive directions or orders from Directors shall be developed.

c. Such employees may request each of the Company's divisions and subsidiary to provide necessary information for Auditors' audits based on instructions from Auditors.

d. Such employees shall facilitate communication and coordination between the Internal Audit Division, External Directors, and the subsidiary's auditors, and assist in sharing information related to audits, based on instructions from Auditors.

G. Systems for reporting to Auditors and systems to ensure that informants do not suffer disadvantageous treatment due to their reporting

a. System for the Company's Directors and employees to report to Auditors

1) When any officer or employee of the Company becomes aware of the occurrence or potential occurrence of a fact that causes significant damage to the Company, an event that substantially impairs the Company's reputation, a serious deficiency or problem in the Company's management systems or procedures, or misconduct such as a violation of laws or regulations, he or she shall report it to Auditors or the Board of Auditors without delay.

2) The Company's whistle-blowing regulations stipulate that officers and employees of the Company may report directly to Auditors of the Company, and explicitly state that no dismissal or other adverse treatment shall occur solely due to the act of reporting to Auditors of the Company, who also serve as whistle-blowing contacts.

b. System for reporting to Auditors of the Company by Directors, Auditors, employees executing operations, and other employees of the Company's subsidiary, as well as those who have received reports from them

1) When officers and employees of the subsidiary are requested by Auditors of the Company to provide reports on matters related to their business execution, they shall promptly submit the reports.

2) The Company shall develop a system that allows officers and employees of its subsidiary to report directly to Auditors of the Company, and clearly state that no dismissal or other adverse treatment occurs solely due to the act of reporting to Auditors of the Company. The subsidiary's person in charge of the whistle-blowing system shall report to Auditors of the Company on the status of whistle-blowing as necessary.

3) The Company's Internal Audit Division and division in charge of subsidiary management as well as its subsidiary's auditors shall report to Auditors of the Company on the status of business execution and audit results in the subsidiary as necessary.

H. Matters related to the policy for handling expenses or liabilities arising from the execution of duties by Auditors of the Company

a. When an Auditor submits an expense claim to the Company in accordance with Article 388 of the Companies Act pertaining to the execution of his or her duties, the Company shall promptly bear the expenses, except in cases where the division in charge determines, after deliberation, that the claimed expenses are not necessary for the execution of the Auditor's duties.

b. An Auditor may consult independent external experts (such as attorneys at law and certified public accountants) as necessary, and the Company shall bear the expenses required for such consultations, except in cases where it is determined that the expenses are not necessary for the execution of the Auditor's duties.

I. Other systems to ensure the effective implementation of audits by Auditors

a. The Auditors and the Representative Director shall hold meetings as needed to exchange opinions and strive to deepen mutual understanding.

b. The Board of Auditors shall report to the Representative Director and the Board of Directors on its audit policy and plan, and the implementation status and results of audits as needed.

c. The Auditors shall maintain close cooperation with the Internal Audit Division and, when necessary, request investigations by the Internal Audit Division.

d. The Auditors shall hold meetings with the Accounting Auditor as needed to exchange opinions and information, and when necessary, request reports from the Accounting Auditor.

e. The Auditors shall attend the Board of Directors meetings and other significant meetings to understand the significant decision-making process and the status of execution of Directors' duties. They shall also inspect major internally approved documents and other significant documents on the business execution, and may request explanations from officers and employees as necessary.

Note: The contents were partially revised by resolution of the Board of Directors meeting held on March 20, 2023, and the above basic policy is the revised version. The main revisions are as follows.

- Addition of a mechanism for the Internal Audit Division to appropriately report directly to the Board of Directors and the Board of Auditors. (A. Systems to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation)
- Other changes of official titles or positions and division names.

(iv) Summary of the Limited Liability Agreement

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with External Directors and Auditors to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under these agreements shall be the minimum liability amount provided for by Article 425, paragraph (1) of the same Act. This limitation of liability shall be accepted only when the External Director or Auditor has performed his or her duties, which caused the liability, in good faith and without gross negligence.

(v) Summary of the Directors and Officers Limited Liability Agreement

The Company has entered into a directors and officers liability insurance policy with an insurance company that includes the Company's and its subsidiary' Directors, Auditors, executive officers, employees in managerial or supervisory positions, and others as the insured, as stipulated in Article 430-3, paragraph (1) of the Companies Act. It indemnifies the insured for such costs as litigation expenses and monetary damages incurred from claims for damages arising from acts carried out by the insured in the course of his or her duties. However, measures are being taken to ensure that the appropriateness of the execution of duties by directors and officers is not impaired. These measures include the exclusion from coverage of cases in which illegal benefits or favors are obtained, and cases of criminal acts and willful violations of laws and regulations.

Insurance premiums for them are fully borne by the Company.

(vi) Quorum of Directors

The Company's Articles of Incorporation stipulate that the number of Directors shall not exceed eight.

(vii) Resolution Requirements for the Election of Directors

The Company's Articles of Incorporation stipulate that a resolution for the election of Directors shall be adopted by a majority of the voting rights of the shareholders present at a General Meeting of Shareholders where the shareholders holding one-third or more of the voting rights of all shareholders entitled to exercise voting rights are present. The Articles of Incorporation also stipulate that no cumulative voting is used for the election of Directors.

(viii) Matters to be Resolved by the General Meeting of Shareholders that may be Resolved by the Board of Directors

A. Decision-making body for dividends of surplus

The Company's Articles of Incorporation stipulate that, except when otherwise provided by laws and regulations, the dividends of surplus and other matters specified in each item of

Article 459, paragraph (1) of the Companies Act shall be determined by resolution of the Board of Directors, rather than a resolution of the General Meeting of Shareholders. This provision aims to authorize the Board of Directors to determine dividends of surplus, and thereby allow a flexible return of profit to shareholders.

B. Exemption from liability of Directors and Auditors

In order to enable Directors and Auditors to fulfill their expected roles effectively, the Company's Articles of Incorporation stipulate that, pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, the Company may exempt Directors (including former Directors) and Auditors (including former Auditors) from liability for damages arising from conduct specified in Article 423, paragraph (1) of the same Act, within the limits prescribed by laws and regulations, by resolution of the Board of Directors.

(ix) Special Resolution Requirements for the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that a resolution provided for in Article 309, paragraph (2) of the Companies Act shall be adopted by two-thirds or more of the voting rights of the shareholders present at a General Meeting of Shareholders where the shareholders holding one-third or more of the voting rights of all shareholders entitled to exercise voting rights are present.

This provision aims to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the required quorum for a special resolution at a General Meeting of Shareholders.

(x) Activities of the Board of Directors

The Board of Directors meetings are held once a month in principle and as necessary. During the fiscal year under review, the Company held 14 meetings of the Board of Directors (with an additional written resolution), and all Directors attended all of the meetings.

The specific contents considered at the Board of Directors meetings held during the fiscal year under review are as follows.

A. Resolutions and reporting items

Matters related to financial results; determination of dividends; approval of business reports, financial statements, annexed detailed statements, and consolidated financial statements; matters related to the convocation of the General Meeting of Shareholders; officer-related matters (including those related to election, retirement, nomination, concurrent positions at other companies, election of alternate conveners and alternate chairpersons, and conclusion of a D&O insurance policy); revision of the "policy for determining the remuneration for individual Directors" and determination of remuneration amounts for Directors; purchase of treasury shares; short-term management plan; review of the basic policy for internal control systems; matters related to development of and conclusion of various agreements for new products; withdrawal from the publishing business; organizational changes; personnel transfers; revision of various regulations; matters related to transactions with the subsidiary; matters related to human capital; reports of emerging risks; reports from the Management Meeting and others; monthly business reports; reports from the Board of Auditors (including monthly reports and Board of Auditors audit reports); reports on forward foreign exchange contracts; reports on submission of an annual securities report, current reports, and an corporate governance report; reports on J-SOX; and reports from the Office of Internal Audit.

B. Agenda items (The Company provides a forum for mutually proposing topics that should be discussed and for exchanging opinions.)

Reporting of results of the effectiveness assessment of the Board of Directors and the operation of the Board of the Directors; overall corporate business strategy; new business initiatives; current status and future outlook of each business; sustainability (including TCFD response and human capital); formulation of a medium-term vision; corporate governance; budget overview; and IR activities.

(xi) Activities of the Nominating and Remuneration Committee

During the fiscal year under review, the Company held two meetings of the Nominating and Remuneration Committee, and all Members (Takako Kotake, Kento Uno, and Takashi Mishima) attended all of the meetings. The Nominating and Remuneration Committee considered the selection of officer candidates and the succession plan, as well as the individual evaluation and remuneration amount of each Director. The Committee then reported on the considered details to the Board of Directors and others as needed.

(2) Information about officers

(i) List of Officers

Eight males and one female (Ratio of female directors (and other officers): 11%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
President	Takashi Mishima	October 26, 1965	Apr. 1988 July 2003 Mar. 2007 June 2010 June 2014 Mar. 2015 Mar. 2016 June 2018 Apr. 2021	Joined Tateishi Electric Corporation (current OMRON Corporation) OMRON Entertainment Co., Ltd. General Manager of Business Strategy Department Director and General Manager of Corporate Planning & Management Department of the Company Managing Director Executive Managing Director General Manager of Corporate Management HQ General Manager of GIRLS Trend Business HQ President (current position) Director of Olu.Inc. (current position)	(Note 3)	205
Executive Managing Director	Masato Yoshida	March 08, 1966	Apr. 1989 July 2003 Sept. 2006 Apr. 2007 June 2010 June 2012 Jan. 2014 June 2014 Mar. 2016 June 2021 Mar. 2022 June 2022 Mar. 2023	Joined Tateishi Electric Corporation (current OMRON Corporation) Joined OMRON Entertainment Co., Ltd. General Manager of Prize Div General Manager of Prize Div of the Company Director Managing Director Concurrently serving as General Manager of Game Software Div Executive Managing Director (current position) General Manager of SEKAIKAN Business HQs Strategy Officer General Manager of Corporate Strategy HQs Director of Olu.Inc. (current position) Business Officer of the Company (current position)	(Note 3)	840
Managing Director	Katsuyuki Inage	September 12, 1966	Apr. 1989 July 2003 Apr. 2007 June 2013 Mar. 2016 Mar. 2019	Joined Tateishi Electric Corporation (current OMRON Corporation) Joined OMRON Entertainment Co., Ltd. General Manager of Development, Amusement Arcade Machine Div of the Company Director General Manager of Photo Sticker Machine Div General Manager of GIRLS Trend Business HQ	(Note 3)	750

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
			June 2019 Managing Director (current position) June 2021 Technical Officer (current position)		

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director	Michinari Sasanuma	April 23, 1964	Apr. 1988 Joined The Fuji Bank, Limited (current Mizuho Bank, Ltd.) Apr. 2013 General Manager of Tsurumi-Ekimae Branch May 2016 Temporary transfer to the Company July 2016 General Manager of Finance & Accounting Department Mar. 2017 General Manager of Risk Management Department and Finance & Accounting Department May 2017 Joined the Company Mar. 2018 General Manager of Corporate Management HQ June 2018 Director (current position) Mar. 2023 Corporate Management Officer (current position)	(Note 3)	2
Director	Takako Kotake [Name in the family register: Takako Saito]	September 06, 1972	May 2004 Joined Coin Ltd. (current Cookpad Inc.) July 2008 Executive Officer July 2010 Manager of President's Office Feb. 2012 Retired from Cookpad Inc. June 2013 HOKUTO Corporation Director (External Director) (current position) Nov. 2013 Established Kasumi Corporation Representative Director (current position) Apr. 2016 Joined Cookpad Inc. Managing Director of Corporate Branding Department and Editing Department June 2018 External Director of the Company (current position) June 2023 Managing Director of Corporate Branding Department of Cookpad Inc. (current position)	(Note 3)	–
Director	Kento Uno	February 09, 1977	May 1999 Joined Accenture Japan Ltd Aug. 2005 Joined transcosmos inc. Jan. 2009 Joined M-OUT Inc. Sept. 2011 Founded Userus Inc. (current hacchu navi Inc.), CEO Oct. 2018 Founded Ironforge LLP, CEO (current position) June 2020 External Director of the Company (current position)	(Note 3)	–
Full-Time Auditor	Takayuki Nakamura	January 09, 1964	Mar. 1987 Joined Seiyu Co., Ltd. Jan. 1997 Joined Nu Skin Japan Co., Ltd. Oct. 2001 Joined General Electric Capital Consumer Finance Co., Ltd. (current Shinsei Financial Co., Ltd.) July 2004 HR Client Management Director Oct. 2006 Joined Nu Skin Japan Co., Ltd. Manager of General Affairs and HR Department Dec. 2008 Joined the Company Mar. 2011 General Manager of HR and General Affairs Department June 2018 Full-Time Auditor (current position)	(Note 4)	15

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Auditor	Omou Yamazaki	October 29, 1958	Sept. 1985 Joined Minato Audit Corporation (current KPMG AZSA LLC) Oct. 1990 Joined Century Audit Corporation (current Ernst & Young ShinNihon LLC) Oct. 1995 Joined AGS Consulting Co., Ltd. Oct. 1998 Established Yamazaki CPA office Mar. 2004 Director of AGS Consulting Co., Ltd. Sept. 2009 CEO of AGS Certified Tax Co. Sept. 2012 External Auditor of T-NET JAPAN Co., Ltd. Mar. 2014 Established GG Partners Co., LTD., Representative Director (current position) Representative CPA of Yamazaki CPA office (current position) Feb. 2015 External Auditor of TAKISADA-OSAKA CO., LTD. (current STYLEM TAKISADA-OSAKA CO., LTD.) (current position) June 2015 External Auditor of the Company (current position) Sept. 2015 External Director (Audit and Supervisory Committee Member) of T-NET JAPAN Co., Ltd. (current position)	(Note 4)	–
Auditor	Shinichiro Yoshiba	November 04, 1973	Oct. 2000 Qualified as an attorney at law Jan. 2009 Partner of Mori Hamada & Matsumoto Jan. 2015 Partner of SHIOMIZAKA (current position) Nov. 2015 External Director (Audit and Supervisory Committee Member) of Wantedly, Inc. (current position) May 2017 External Director (Audit and Supervisory Committee Member) of STUDIO ATAO Co., Ltd. (current position) June 2018 External Auditor of CyberBuzz, Inc. Mar. 2019 External Auditor of HAMAI INDUSTRIES LTD. June 2019 External Auditor of the Company (current position) Mar. 2021 External Director (Audit and Supervisory Committee Member) of HAMAI INDUSTRIES LTD. (current position) Dec. 2022 External Director (Audit and Supervisory Committee Member) of CyberBuzz, Inc. (current position)	(Note 4)	–
Total					1,812

Notes:
1. Directors Takako Kotake and Kento Uno are External Directors.
2. Auditors Omou Yamazaki and Shinichiro Yoshiba are External Auditors.
3. The term is from the conclusion of the Annual General Meeting of Shareholders held on June 23, 2023 until the conclusion of the Annual General Meeting of Shareholders pertaining to the fiscal year ending March 31, 2024.
4. The term is from the conclusion of the Annual General Meeting of Shareholders held on June 23, 2023 until the conclusion of the Annual General Meeting of Shareholders pertaining to the fiscal year ending March 31, 2027.
5. The Company has introduced an executive officer system. The executive officers consist of five individuals: Masaki Tsuchiya, General Manager of GIRLS Trend Business HQs; Takayuki Tsumagari, General Manager of SEKAIKAN Business HQs; Masahito Enomoto, General Manager of Corporate Strategy HQs; Ryoko Sada, General Manager of Corporate Management HQs; and Hitoshi Nishimura, General Manager of Character MD No. 1 Div.
6. The Company has elected two substitute Auditors as specified in Article 329, paragraph (3) of the Companies Act to be ready to fill a vacant position should the number of Auditors fall below the number required by laws and regulations. The Company has elected Yukiyasu Takao as a substitute Auditor for Auditor Takayuki Nakamura, and Hidetake Kishimoto as a substitute External Auditor for External Auditors Omou Yamazaki and Shinichiro Yoshiba. The career summaries of substitute Auditors are as follows. The number of shares owned by Yukiyasu Takao is listed as his interest in the Furyu Employee Shareholding Association.

Name	Date of birth	Career summary		Number of shares held (Thousands of shares)
Yukiyasu Takao	March 16, 1967	Apr. 1989 June 2010 Mar. 2017 Mar. 2018 Mar. 2020	Joined MEITEC CORPORATION Joined the Company GIRLS Trend Business HQs Photo Sticker Machine Div General Manager of Development Department GIRLS Trend Business HQs Vice General Manager of Photo Sticker Machine Div GIRLS Trend Business HQs Vice General Manager of Pictlink Div (current position)	11
Hidetake Kishimoto	December 08, 1974	Oct. 2001 Oct. 2006 June 2014 Mar. 2016 Feb. 2019	Joined ChuoAoyama PricewaterhouseCoopers Joined AGS Consulting Co., Ltd. Established Kishimoto CPA Firm (current position) External Auditor of ANTEPRIMA JAPAN LTD (current position) Established SHIN Consulting Ltd., Chief Executive Officer (current position)	–

(ii) External Officers

The Company has two External Directors and two External Auditors.

External Director Takako Kotake actively provides recommendations and advice on management with insights into branding and public relations utilizing her business experience in other companies, and also makes recommendations from new perspectives of diversity and sustainability as an External Director. We have elected her as External Director, expecting that she will continue to provide advice and recommendations utilizing her experience and insights to play an appropriate role in ensuring the validity and appropriateness of decision-making, as well as continue to play a role as a member of the Nominating and Remuneration Committee so as to help ensure the transparency of management and enhance the supervisory function over management. We have determined that there is no personal relationship, capital relationship, transactional relationship, or any other interest between the Company and Ms. Kotake.

External Director Kento Uno has deep insights into IT, experience in launching new businesses, and abundant knowledge from the perspectives of digital transformation strategies and formulation of business development and growth strategies as a management consultant, and actively provides advice and recommendations on management. We have elected him as External Director, expecting that he will continue to provide advice and recommendations utilizing his experience and insights to play an appropriate role in ensuring the validity and appropriateness of decision-making, as well as continue to play a role as a member of the Nominating and Remuneration Committee so as to help ensure the transparency of management and enhance the supervisory function over management. We have determined that there is no personal relationship, capital relationship, transactional relationship, or any other interest between the Company and Mr. Uno.

We have elected Omou Yamazaki as External Auditor, expecting that he will utilize his high degree of expertise, abundant experience, and insights as a certified public accountant in audits. We have determined that there is no personal relationship, capital relationship, transactional relationship, or any other interest between the Company and Mr. Yamazaki.

We have elected Shinichiro Yoshiba as External Auditor, expecting that he will utilize his high degree of expertise, abundant experience, and insights as an attorney at law in audits. We have determined that there is no personal relationship, capital relationship, transactional relationship, or any other interest between the Company and Mr. Yoshiba.

Regarding the independence of external officers, we have established the “Criteria for Independence of External Officers” as follows and have elected External Directors and External Auditors based on the Criteria.

<Criteria for Independence of External Officers>

The Company evaluates the independence of external officers based not only on the independence criteria set forth in the Companies Act and those stipulated by the Tokyo Stock Exchange, but also on the following criteria established independently by the Company.

Provided that even if an officer formally meets the following criteria, we may deny the officer's

independence based on an overall evaluation that raises doubts about the independence. Conversely, even if an officer formally does not meet the following criteria, we may

recognize the officer's independence by considering other reasonable factors and judging

that the officer has substantive independence, provided that the reasons for such judgment are clearly stated.

"Major business partner" in the following criteria is determined based on whether it accounts for 1% or more of the average consolidated net sales in the past three fiscal years, including the most recent fiscal year.

1. Not to be a major business partner of the Company or any of its subsidiaries. Not to be a business executor of the major business partner. Not to have been a business executor thereof in the past three years.
2. Not to be a person whose major business partner is the Company or any of its subsidiaries. Not to be a business executor of the person. Not to have been a business executor thereof in the past three years.
3. Not to be the Accounting Auditor or an employee of the Accounting Auditor of the Company or any of its subsidiaries. Not to have been involved in the audit services for the Company or any of its current subsidiaries as an employee of the Accounting Auditor in the past three years.
4. Not to be an attorney at law, consultant or other party who obtains monetary or other financial benefits, totaling an average of ¥10 million or more per year in the past three fiscal years, from the Company or any of its subsidiaries, other than officer's remuneration.
5. Not to be a Director, Auditor, accounting advisor, statutory officers, executive officers, or employee of a company whose major shareholder is the Company.
6. Not to be a Director or any other officer of a company, or its parent company or any of its subsidiaries, that accepts Directors from the Company or any of its subsidiaries.
7. Not to be a relative within the second degree of kinship (a "close relative") to a Director, statutory officers, executive officers, or significant employee who is in a position equivalent to that of an officer, such as an advisor, trustee, or consultant (a "person equivalent to an officer"), of the Company or any of its subsidiaries. Not to be a close relative to a person who has been such Director, statutory officers, executive officers, or person equivalent to an officer in the past five years.
8. In addition, not to be a person whose circumstances may cause a constant substantial conflict of interest with overall general shareholders of the Company, beyond the above reasons already considered.

(iii) Supervision or Audits by External Directors or External Auditors, and Mutual Cooperation Between Internal Audits, Auditors' Audits, and Accounting Audits, as well as Relationships with Internal Control Division

We have established a system where External Directors and External Auditors can monitor the execution of duties by exchanging information and opinions, as necessary, with the Internal Audit Division, Auditors, and the Accounting Auditor through the Board of Directors and the Board of Auditors.

(3) Audits

(i) Auditors' Audits

The Board of Auditors consists of three members, two of whom are External Auditors. External Auditor Omou Yamazaki is qualified as a certified public accountant, with substantial insights into finance and accounting. External Auditor Shinichiro Yoshiba is qualified as an attorney at law, with substantial insights into laws.

The Auditors conduct operational audits and accounting audits of the Group based on their annual audit plan. They also attend the Board of Directors meetings and fulfill their management monitoring function. Moreover, regarding daily audit items, the full-time Auditor attends significant meetings such as a Management Meeting, audits important documents, audits each division and office, audits the preservation and management status of assets, audits general risk management, interviews the Representative Director, Directors, and others, audits the execution of duties, audits competitive transactions and conflict-of-interest transactions, exchanges information and opinions with the Accounting Auditor, provides advice, recommendations, and opinions to Directors, the Board of Directors, and employees, exchanges information and opinions with the person responsible for internal audits, and handles other related matters. The details of these tasks are reported to and shared with the Board of Auditors, and External Auditors provide comments and suggestions based on such reports to the Board of Directors as necessary.

The Board of Auditors meetings were held monthly prior to the Board of Directors meetings and as necessary. The number of Board of Auditors meetings held and the attendance rate of each Auditor during the fiscal year under review are as follows.

Name	Number of meetings	Number of attendances
Takayuki Nakamura	13	13
Omou Yamazaki	13	13
Shinichiro Yoshiba	13	13

Regarding matters to be deliberated and reported, the Board of Auditors determines audit policies and plans, approves audit reports, deliberates the evaluation, re-election, and remuneration of the Accounting Auditor, considers proposals for the election of Auditors and substitute Auditors to be submitted to the General Meeting of Shareholders, appoints a full-time Auditor, determines remuneration for Auditors, makes prior consultation on resolutions to be adopted by the Board of Directors, makes the full-time Auditor's daily audit reports, verifies the development and operation status of internal control systems, reports on whistle-blowing, and reports on quarterly labor management. It aims to enhance the quality of audits through cooperation strengthened by conducting interviews with the Representative Director and the person responsible for internal audits, as well as explaining its audit plan at the beginning of the period, reporting on the progress of audits during the period, reporting on the results of audits at the end of the period, and mutually exchanging information and opinions as necessary with the Accounting Auditor.

(ii) Internal Audits

The Internal Audit Division has been established as an independent organization under the direct control of the President. The Internal Audit Division consists of two members and, on the basis of its annual internal audit plan, conducts internal control audits and compliance audits on the subsidiary's and each division's status of business execution in terms of its legality, appropriateness, efficiency, and other aspects. Furthermore, the Internal Audit Division closely cooperates with the Auditors and the Accounting Auditor, mutually exchanging information and opinions as necessary, provides monthly reports on internal audits to the President, and also sends company-wide remainders on a regular basis. In order to ensure cooperation with Directors and Auditors, the Company has established a mechanism for the Internal Audit Division to appropriately report directly to the Board of Directors and the Board of Auditors. We aim to enhance the quality of internal audits through these measures and cooperation with the Internal Control Division.

(iii) Accounting Audits

A. Name of the audit corporation

Deloitte Touche Tohmatsu LLC

B. Continuous audit period

On and after the fiscal year ended March 31, 2008

C. Names of the certified public accountants who executed services

Michiyuki Yamamoto, Designated Engagement Partner and Partner

Yuichiro Koga, Designated Engagement Partner and Partner

D. Composition of the assistants involved in accounting audit services

9 certified public accountants and 18 CPA examination passers, etc.

E. Policy and reason for appointing the audit corporation

We appointed the audit corporation after checking the appropriateness of the Accounting Auditor' performance of duties, auditing system, and independence. Additionally, the policy for deciding removal or refusal of reappointment of the Accounting Auditor is as follows.

If deemed necessary, including where there is a problem in the execution of duties by the Accounting Auditor, the Board of Auditors shall decide on a proposal for removal or refusal of reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders. Moreover, if the Accounting Auditor is deemed to fall under items stipulated by each item of Article 340, paragraph (1) of the Companies Act, the Company shall remove the Accounting Auditor, based on the consent of all Auditors. In such cases, an Auditor selected by the Board of Auditors shall report the removal of the Accounting Auditor and its reasons at the first General Meeting of Shareholders to be convened after the removal.

F. Evaluation of the Accounting Auditor by the Auditors and the Board of Auditors

The Auditors and the Board of Auditors periodically evaluate the Accounting Auditor every year. This evaluation is conducted in terms of the audit corporation's quality control, composition of the audit team, audit fees, communication with the Auditors, management, and others, and fraud risks. During the Board of Auditors meeting held on May 19, 2023, the evaluation of Deloitte Touche Tohmatsu LLC, which is the Accounting Auditor, was conducted. Deloitte Touche Tohmatsu LLC was found to have developed and operated a system to ensure the quality of audits, and the reappointment of the Accounting Auditor was considered appropriate. Regarding Deloitte Touche Tohmatsu LLC, it was verified that there were no significant violations of laws and regulations, nor were there significant findings made during regulatory agency inspections in the past one year in terms of compliance.

There is no special interest between the audit corporation or its Partners engaged in audits of the Company and the Company.

(iv) Details of Audit Fees

A. Fees to primary auditor

Reporting company

(Thousands of yen)

Category	Previous fiscal year		Fiscal year under review	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	37,000	–	37,000	4,200
Consolidated subsidiary	–	–	–	–
Total	37,000	–	37,000	4,200

Details of non-audit services rendered by primary auditor

(Previous fiscal year)

Not applicable.

(Fiscal year under review)

The non-audit services rendered by primary auditors during the fiscal year under review are advisory services related to tasks we perform for organizing issues on human capital.

B. Fees to organization which belongs to the same network as primary auditor (excluding A.)

(Previous fiscal year)

Not applicable.

(Fiscal year under review)

Not applicable.

C. Fees for other important audit certification services

(Previous fiscal year)

Not applicable.

(Fiscal year under review)

Not applicable.

D. Policy for deciding audit fees

The audit fees paid by the Company to primary auditors are determined by the Representative Director, taking into account factors such as the number of audit days, the scale of the reporting company, and the nature of its business, after consultation between the audit corporation and the Finance & Accounting Department, and with the consent of the Board of Auditors.

E. Reasons for the Board of Auditors' consent to remuneration for the Accounting Auditor

The Company's Board of Auditors granted the consent under Article 399, paragraph (1) of the Companies Act regarding the amount of remuneration for the Accounting Auditor because it deemed the amount appropriate after conducting verification on the appropriateness of the content of the audit plan, execution of the accounting audit and the grounds for calculating remuneration estimates, the process of remuneration negotiations, and other matters.

(4) Remuneration for officers

(i) Matters Related to Policy for Deciding Amount of Remuneration for Officers or Its Calculation Method

At the Board of Directors meeting held on February 12, 2021, the Company resolved the policy for determining the remuneration for individual Directors. At the Board of Directors meeting held on June 24, 2022, the Company revised the decision-making policy for determining the remuneration for individual Directors, as a result of which the method of making the final decision on the amount of individual remuneration, as provided for in “c. Matters Concerning the Decision on Remuneration, etc.,” was changed from “delegated to the President” to “resolved by the Board of Directors.” For the resolution of the Board of Directors, the Company had consulted with the Nominating and Remuneration Committee about its content and received its report by return.

The contents of the policy for deciding the remuneration for individual Directors of the Company are as follows.

a. Basic Policy

It shall be the basic policy that the Company’s remuneration structure should encourage Directors’ contribution to not only short-term but also medium- to long-term corporate earnings, as well as clarifying their responsibility for earnings, and decisions on the remuneration for individual Directors should be at an appropriate level taking into consideration corporate earnings and individual Directors’ contribution to management (including actions for improving medium- to long-term earnings).

Moreover, in order to design the remuneration scheme and decide specific amounts of remuneration in accordance with objective and transparent procedures, the Company shall decide it by respecting the contents of the report by the Nominating and Remuneration Committee, mainly composed of independent External Directors, as much as possible.

b. Policy for Deciding Amount of Individual Monetary Remuneration

The base for the Company’s remuneration payment shall be determined while taking into consideration the maximum amount of existing employees’ salary, the general level of remuneration for officers such as data of surveys on the remuneration for officers by external research organizations, earnings of the Company, and the discussions and examinations by the Nominating and Remuneration Committee.

The remuneration for Directors of the Company shall be calculated by combining the remuneration determined for each position, using difference coefficients between positions stipulated by rules of remuneration for officers, and the remuneration calculated in line with short-term corporate earnings and each Director’s contribution to management from medium- to long-term perspectives (calculations based on an eight-grade evaluation), within the limit on remuneration approved at the General Meeting of Shareholders.

The remuneration for an External Director shall be decided by comprehensively taking into consideration the External Director’s contribution to the Company, social status, and circumstances of assuming office.

c. Matters Concerning the Decision on Remuneration, etc.

The final evaluation of each Director and the final decision on the amount of individual remuneration shall be made by the Board of Directors. The Board of Directors shall consult with the Nominating and Remuneration Committee, mainly composed of independent External Directors, about the draft to receive its report, and shall respect the content of the report as much as possible, and make a decision on the amount of individual remuneration.

d. Policies for Timing to Grant and Conditions for Remuneration (Including Policies for the Ratio of Remuneration)

The remuneration for officers shall be monthly fixed monetary remuneration only.

The Board of Directors determined that the remuneration for individual Directors for the fiscal year under review is in line with the policies because when deciding the remuneration for individual Directors, since the Nominating and Remuneration Committee conducts multifaceted examinations on the draft (calculated using the payment table by evaluation and formula stipulated in advance, based on their base amount and evaluation), including the consistency with the deciding policy, the Board of Directors basically respected its report to follow the deciding policy.

The remuneration for officers of the Company is calculated within the limit on remuneration approved at the 9th Annual General Meeting of Shareholders held on June 29, 2015 (within the annual amount of ¥300 million for the remuneration of Directors (of which, within ¥20 million for External Directors) (two External Directors among eight Directors at the time of the resolution), and within the annual amount of ¥30 million for the remuneration of Auditors (three Auditors at the time of the resolution)).

From the perspective of evaluating responsible businesses of individual Directors, while overseeing earnings of the entire Company, the Board of Directors resolved at the meeting held on June 22, 2021 that President Takashi Mishima would be delegated with the final decision on the amount of remuneration for individual Directors until June 2022. In order for the President to exercise such authority appropriately, the Board of Directors determined the deciding method, policy, calculation method and its basis of the remuneration for Directors, consulted with the Nominating and Remuneration Committee, mainly composed of independent External Directors, about the draft, and received its report. The final decisions made since July 2022 on the amount of remuneration for individual Directors were made at meetings of the Board of Directors based on the content of resolutions of the Board of Directors made on June 24, 2022, and calculated within the limit on remuneration approved at the general meeting of shareholders. The decisions were not delegated to Directors or a third party.

Regarding the activities of the Nominating and Remuneration Committee in the fiscal year under review, the Committee held two meetings, and considered the selection of officer candidates and the succession plan, as well as the individual evaluation and remuneration amount of each Director. The Committee then reported on the considered details to the Board of Directors and others as necessary.

The remuneration for Auditors was determined by taking into consideration the allocation of duties and through discussions among the Auditors, within the above-mentioned limit on remuneration approved at the General Meeting of Shareholders.

These measures help clarify the responsibilities of the officers towards the corporate performance and promote their contribution to improving the performance.

(ii) Total Amount of Remuneration by Category of Officers, Total Amount of Remuneration by Type, and Number of Eligible Officers

<table>
<tr><th rowspan="2">Category of officers</th><th rowspan="2">Total amount of remuneration (Thousands of yen)</th><th colspan="4">Total amount of remuneration by type (Thousands of yen)</th><th rowspan="2">Number of eligible officers (Persons)</th></tr>
<tr><th>Fixed remuneration</th><th>Performance-linked remuneration</th><th>Retirement benefits</th><th>Of the amounts at left, non-monetary remuneration</th></tr>
<tr><td>Directors (excluding External Directors)</td><td>116,232</td><td>116,232</td><td>–</td><td>–</td><td>–</td><td>4</td></tr>
<tr><td>Auditors (excluding External Auditors)</td><td>15,204</td><td>15,204</td><td>–</td><td>–</td><td>–</td><td>1</td></tr>
<tr><td>External officers</td><td>19,200</td><td>19,200</td><td>–</td><td>–</td><td>–</td><td>4</td></tr>
</table>

(iii) Total Amount of Remuneration by Officer of Reporting Company

This information is not provided, because there are no persons whose total amount of remuneration is ¥100 million or more.

(iv) Important Employee Salaries for Officers Concurrently Serving as Employees

Not applicable.

(5) Shareholdings

(i) Criteria and Approach for Classifying Investment Shares

The Company classifies investment shares into investment shares held for pure investment and investment shares held for purposes other than pure investment. Investment shares held for pure investment are positioned as those held with the purpose of obtaining surplus dividends and capital gains, and investment shares held for purposes other than pure investment are positioned as those held with the purpose of strengthening relationships with investees or making various proposals to investees in order to pursue operating revenue and improve corporate value.

(ii) Investment Shares Held for Purposes Other Than Pure Investment

A. Methods of examining rationality of the holding policy and the holding, and verification regarding the appropriateness of holding individual issues by the Board of Directors

The Company has a basic policy of not holding investment shares held for purposes other than pure investment unless the significance of holding such shares is recognized. The significance of the holding is recognized when it is determined that the holding contributes to improving corporate value, comprehensively considering the Company’s business policy and prospects for future business development, from a medium- to long-term perspective. Regarding the appropriateness of holding individual issues, we conduct verification in light of the financial and operational conditions of the investee, the business environment surrounding the Company, the relationship between the Company and the investee, and the future prospects for the investee’s business development, as necessary.

B. Number of issues and carrying amount

	Number of issues (Issue name)	Carrying amount (Thousands of yen)
Shares not listed	1	–
Shares other than those not listed	0	–

(Issues whose number of shares increased in the fiscal year under review)

Not applicable.

(Issues whose number of shares decreased in the fiscal year under review)

Not applicable.

C. Number and carrying amount of specified investment shares and deemed holding shares by issue

Not applicable.

(iii) Investment Shares Held for Pure Investment

Not applicable.

V. Financial information

1. Method of preparation of consolidated financial statements and financial statements

(1) The Company has prepared the consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28, 1976).

(2) The Company has prepared the financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59, 1963; hereinafter the “Regulation on Financial Statements”).

In addition, the Company falls under the category of a special company submitting financial statements and has prepared the financial statements in accordance with Article 127 of the Regulation on Financial Statements.

2. Note on independent audit

In accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) and the financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) were audited by Deloitte Touche Tohmatsu LLC.

3. Remarkable efforts to ensure fair presentation of consolidated financial statements

The Company makes remarkable efforts to ensure fair presentation of consolidated financial statements. Specifically, in order to properly comprehend accounting standards and develop a system to appropriately respond to the change of accounting standards, the Company has joined the Financial Accounting Standards Foundation (FASF). In addition, by subscribing to books about accounting standards to obtain various information and participating in training and seminars held by organizations who have professional information, the Company makes efforts to ensure fair presentation of consolidated financial statements.

1. Consolidated financial statements

(1) Consolidated financial statements

(i) Consolidated balance sheet

(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	*1	200,072	*1	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	2,633,617	*2	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

(ii) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*1	34,058,184	*1	36,400,530
Cost of sales	*2	18,093,061	*2	21,265,612
Gross profit		15,965,122		15,134,917
Selling, general and administrative expenses	*3, *4	12,255,390	*3, *4	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	*5	19	*5	74
Total extraordinary income		19		74
Extraordinary losses				
Loss on sale and retirement of non-current assets	*6	4,883	*6	6,452
Impairment losses	*7	14,193	*7	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 statement 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)	–

(iii) Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2021 to 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 under review (From April 1, 2022 to 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

(iv) Consolidated statement 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

Notes

(Notes - Uncertainties of entity's ability to continue as going concern)

Not applicable.

(Notes - Significant accounting policies for preparation of consolidated financial statements)

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: 1

Name of consolidated subsidiary

Olu.Inc.

2. Disclosure about application of equity method

Not applicable.

3. Disclosure about fiscal years of consolidated subsidiaries

Consolidated subsidiary's fiscal year-end is the same as the consolidated balance sheet date.

4. Disclosure of accounting policies

(1) Valuation basis and methods for significant assets

a) Securities

Other securities

Stocks without market quotations

Valuation at cost, with cost mainly determined by the moving average method.

Investments in investment business partnerships (deemed to be securities by Article 2, paragraph (2) of the Financial Instruments and Exchange Act) are stated at the net value of equities based on the most recent financial statements available prepared according to the financial reporting dates specialized in the respective partnership agreement.

b) Derivatives

Stated at fair value.

c) Inventories

Merchandise and finished goods, work in process, and raw materials

Valuation at cost, with cost determined by the first-in first-out method (balance sheet value is calculated by reducing carrying value based on the decline in profitability).

Supplies

Valuation at cost, with cost determined by the last purchase price method.

(2) Depreciation and amortization method of significant depreciable assets

a) Property, plant and equipment (excluding leased assets)

Declining balance method. However, assets for stores are depreciated using the straight-line method.

Useful life of principle assets is as follows:

Buildings and structures: 2-39 years

b) Intangible assets (excluding leased assets)

Straight-line method is applied.

Useful life of principle assets is as follows:

Software: 5 years

c) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.

(3) Accounting policy for significant provisions

a) Allowance for doubtful accounts

To provide for credit losses on receivables, allowances equal to the estimated amount of uncollected receivables are recorded for general receivables based on the historical write-off ratio and for specified receivables, such as doubtful receivables, based on a case-by-case determination of collectability.

b) Provision for bonuses

To provide for payment of employees' bonuses, of the estimated amount of bonuses to be paid in the future, the amount estimated to cover the bonus payment for services rendered by employees during the fiscal year is provided.

c) Provision for loss on orders received

To provide for future losses related to orders received, the estimated amount of losses on orders received as of the end of the fiscal year under review is recorded.

(4) Accounting methods for retirement benefits

a) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations,

expected retirement benefits are attributed to the period up to the end of the fiscal year under review on a benefit formula basis.

b) Amortization of actuarial gains and losses

Actuarial gains and losses are amortized by the straight-line method over a period of

a certain number of years (15 years) within the average remaining service years for employees at the time of recognition from the fiscal year following the respective fiscal year of recognition.

(5) Recognition of significant revenues and expenses

Content of the main performance obligation and the typical timing of fulfilling the said performance obligation (typical timing of the recognition of revenue) related to revenue from contracts with customers in the main business of the Company and its consolidated subsidiary are as follows.

(i) Photo Sticker Business

In this business, the Company installs and sells photo sticker equipment at amusement facilities, and sells sticker sheets. Therefore, the Company is obliged to deliver that merchandise based on basic sales contracts with customers. The performance obligation shall be satisfied at the timing of delivery of merchandise. Therefore, the revenue is recognized at the timing of delivery. Among transactions of sales of merchandise and other goods, with respect to that for which receipt from customers and payment to customers are judged to have occurred, the revenue is measured at the net amount after the payment amount is deducted from the total receiving amount from customers.

In addition, with respect to the business of providing a service with photo sticker equipment at directly-managed stores, it is considered that customers acquire control of said merchandise and the performance obligation is satisfied at the time when the said merchandise is handed over to the customers. Therefore, the revenue is recognized at the said timing.

(ii) Content and Media Business

In this business, the Company earns fee revenue mainly by Pictlink and is obliged to provide an image storage service based on the agreement of the Terms of Use with customers. The performance obligation shall be satisfied over a certain period of time, and the revenue shall be recognized over such period.

With respect to the business to sell color contact lenses through EC sites, the Company is obliged to deliver the merchandise based on the agreement of the Terms of Use with customers. In addition, with respect to the business of wholesale color contact lenses, the Company is obliged to deliver the merchandise based on the basic sales agreement with customers. It is considered that customers acquire control of said merchandise and the performance obligation is satisfied at the time when the said merchandise is delivered to the customers. Therefore, the revenue is recognized at the said timing. When coupons and points are delivered to customers as a reward, the corresponding amount shall be deducted from the revenue at the time of their use.

In the programmatic advertising business, with respect to those considered as an agent, the revenue is measured at the net amount after the payment amount to a supplier is deducted from the total receiving amount from customers. The said revenue is recorded as “Other.”

(iii) Character Merchandizing Business

In this business, the Company sells mainly crane game prizes and is obliged to deliver the merchandise based on the basic sales agreement with customers who are the operators. The performance obligation shall be satisfied at the timing of delivery of merchandise. Therefore, the revenue is recorded at the timing of delivery. With respect to export sales, the revenue is recognized at the timing when performance obligation is satisfied based on the agreement of trade terms with customers. The revenue of crane game prize sales business is measured at the net amount after the estimated amount of a rebate or other discount is deducted from the fixed price in the contract.

(iv) Game and Anime Business

This is the segment which includes sales of video game software, sales of items used while playing games and sales of anime videograms as follows.

With respect to the business to sell video game software, the Company is obliged to deliver the merchandise based on the basic sales agreement with customers. The performance obligation shall be satisfied at the timing of delivery of merchandise. Therefore, the revenue is recorded at the timing of delivery. With respect to income by grant of license, the revenue is recognized as it is satisfied at a certain point of time because the license is the right to use the intellectual property.

With respect to sales business of items used while playing games, the Company is obliged to perform based on the agreement of the Terms of Use with customers. The performance obligation for income under this scheme is classified into two categories, consumptive and permanency, according to the specification of sales items. The performance obligation of consumptive items is satisfied at the timing of sales of the items. Therefore, the revenue is recognized at the timing of their sales. Meanwhile, with respect to the performance obligation for income from game charging on permanency items whose performance obligation continues forever, customers' use period of the items is estimated, and the revenue is recognized over the estimated use period. The period of satisfaction of the performance obligation is deemed to be the same period as the estimated service period and is calculated according to the specification of sales items. In addition, with respect to permanency items, the method to calculate the weighted average of service use periods of users is adopted.

With respect to sales business of anime videograms, the Company is obliged to deliver the merchandise based on the basic sales agreement with customers. The performance obligation shall be satisfied at the timing of delivery of merchandise. Therefore, the revenue is recorded at the timing of delivery.

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss.

(7) Accounting methods for significant hedging

a) Accounting methods for hedging

Deferral hedge accounting is applied.

b) Hedging method and hedging object

Hedging method: Forward exchange contracts

Hedging object: Accounts payable - trade

c) Hedging policy

In order to reduce exchange risks, the Company hedges within the scope of targeted obligations.

d) Evaluation method for hedge effectiveness

Comparing

cumulative total values of market fluctuations of both hedging object and hedging method over the period from the beginning time of hedging through effectiveness judgement time, we make a judgement based on the amount of change for both of them.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash on hand, deposits that can be withdrawn anytime, and short-term investments with maturity of three months or less from the acquisition date that are easily cashable and exposed to only minimal risk of fluctuations in value.

(Notes - Significant accounting estimates)

Impairment of non-current assets

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

(Thousands of yen)

	Previous fiscal year	Fiscal year under review
Property, plant and equipment	2,633,617	2,665,613
Intangible assets	554,864	667,939

(2) Other information

In the case of existence of a sign of impairment of assets, the judgement of the necessity or not of recognizing an impairment loss is made based on the future cash flow of the said assets. The smallest unit of assets groups which are identified as a unit to generate cash inflow mostly independent from cash inflow of other assets or assets groups is regarded as a cash flow generation unit, which is a judgement unit regarding the necessity or not of recognizing an impairment loss.

While making judgement on the necessity of recognizing an impairment loss on non-current assets, with respect to impact from COVID-19, it is assumed that the impact will continue to a certain extent also in the next fiscal year depending on the infection status, although movement toward normalization of socio-economic activities on the premise of “with Corona” is making progress, and the accounting estimate is made based on the currently available information which includes future cash flow, discount rate, and long-term growth rate.

There is high uncertainty in those assumptions, and in the case that COVID-19 becomes more serious from now on, it may bring about significant impact on the consolidated financial statements of the next fiscal year.

(Notes - 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.

(Notes - New accounting standards not yet applied)

- “Accounting Standard for Income Taxes - Current” (Corporate Accounting Standard No. 27, October 28, 2022, Accounting Standards Board of Japan)
- “Accounting Standard for Indication of Comprehensive Income” (Corporate Accounting Standard No. 25, October 28, 2022, Accounting Standards Board of Japan)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

In February 2018, Corporate Accounting Standard No. 28, Partial Revision of “Accounting Standard for Tax Effect Accounting,” (hereinafter “Accounting Standard No. 28”) were published, and the transfer of Practical Guidelines for Tax Effect Accounting at the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan was completed.

During the deliberation process, the following two matters were to be examined again after publication of Accounting Standard No. 28, and have been deliberated and published.

- Accounting classification of income tax expense (taxation on other comprehensive income)
- Tax effect on the sale of subsidiaries’ stocks (stocks of subsidiaries or affiliated companies) when group companies taxation is applied

(2) Scheduled date of application

They shall be applied from the beginning of the fiscal year ending March 2025.

(3) Impact from application of the accounting standards

The impact amount from the application of “Accounting Standard for Income Taxes - Current” on consolidated financial statements is currently under evaluation.

(Notes - Changes in presentation)

(Consolidated statement of income)

“Interest income,” which was included in “Other” under “Non-operating income” in the previous fiscal year, has been separately presented from the fiscal year under review. In order to reflect this change in presentation, reclassified figures are shown in the consolidated financial statements of the previous fiscal year.

As a result, ¥195 thousand presented in “Other” under “Non-operating income” in the consolidated statement of income for the previous fiscal year has been reclassified as “Interest income” of ¥6 thousand and “Other” of ¥189 thousand.

(Notes - Changes in accounting estimates)

Not applicable.

(Notes - Consolidated balance sheet)

*1 Pledged assets

Assets pledged as collateral are as follows:

Those pledged assets are deposited according to the Act on Financial Settlements.

(Thousands of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Current assets		
Other (Deposits paid)	30,000	30,000

*2 Accumulated depreciation on property, plant and equipment is as follows:

(Thousands of yen)

Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
5,121,150	5,524,261

(Notes - Consolidated statement of income)

*1 Revenue from contracts with customers

With respect to net sales, revenue from contracts with customers and other revenue are not presented separately. The amount of revenue from contracts with customers is described in “Notes (Notes - Revenue recognition), 1. Breakdown of revenue from contracts with customers” of the consolidated financial statements.

*2 Inventories at the end of the period are represented with figures after wright-down due to declined profitability, and the following loss on valuation of inventories are included in cost of sales.

(Thousands of yen)

Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
35,483	88,624

*3 Among selling, general and administrative expenses, major items and figures are as follows:

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Salaries and bonuses	3,199,714	3,371,090
Retirement benefit expenses	176,751	178,009
Advertising expenses	1,503,207	1,365,910
Processing fees	1,698,611	1,651,737
Outsourcing expenses	1,348,667	1,571,575

*4 Total amount of research and development expenses included in general and administrative expenses

(Thousands of yen)

Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
1,119,571	1,355,371

*5 Descriptions of gain on sale of non-current assets are as follows:

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Tools, furniture and fixtures	19	74
Other	–	0
Total	19	74

*6 Descriptions of loss on sale and retirement of non-current assets are as follows:

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Buildings	633	1,148
Tools, furniture and fixtures	4,244	5,304
Other	6	0
Total	4,883	6,452

*7 Impairment losses

The Group recorded impairment loss on the following asset group.

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

Location	Used for	Type of assets	Impairment losses
Shibuya-ku, Tokyo	Business asset	Software	14,193

The Group regards the smallest unit of assets groups which are identified as a unit to generate cash inflow mostly independent from cash inflow of other assets or assets groups as a cash flow generation unit, which is a judgement unit regarding the necessity or not of recognizing an impairment loss.

As a result of examination of future profitability, the book value of the asset group whose profitability declined is reduced to the recoverable amount, and the decreased amount is recorded as impairment losses of extraordinary losses.

The recoverable amount of the asset group is measured with the value in use, and the value in use based on future cash flow is negative. Therefore, the evaluation is made regarding the recoverable amount as zero.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

Location	Used for	Type of assets	Impairment losses
Shibuya-ku, Tokyo	Business asset	Software	4,966

The Group regards the smallest unit of assets groups which are identified as a unit to generate cash inflow mostly independent from cash inflow of other assets or assets

groups as a cash flow generation unit, which is a judgement unit regarding the necessity or not of recognizing an impairment loss.

As a result of examination of future profitability, the book value of the asset group whose profitability declined is reduced to the recoverable amount, and the decreased amount is recorded as impairment losses of extraordinary losses.

The recoverable amount of the asset group is measured with the value in use, and the value in use based on future cash flow is negative. Therefore, the evaluation is made regarding the recoverable amount as zero.

(Notes - Consolidated statement of comprehensive income)

*Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Deferred gains or losses on hedges:		
Amount arising during the period	87,017	45,546
Reclassification adjustments	(31,374)	(209,058)
Before tax effects	55,643	(163,511)
Tax effects	(17,038)	50,067
Deferred gains or losses on hedges	38,605	(113,444)
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the period	15,223	(18,283)
Reclassification adjustments	10,890	9,875
Before tax effects	26,114	(8,407)
Tax effects	(7,990)	2,572
Remeasurements of defined benefit plans, net of tax	18,123	(5,834)
Total of other comprehensive income	56,728	(119,279)

(Notes - Consolidated statement of changes in equity)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Class and total number of issued shares, and class and number of treasury shares

	Number of shares at beginning of the fiscal year under review (shares)	Number of shares increased during the fiscal year under review (shares)	Number of shares decreased during the fiscal year under review (shares)	Number of shares at end of the fiscal year under review (shares)
Issued shares				
Common shares	28,296,000	–	–	28,296,000
Total	28,296,000	–	–	28,296,000
Treasury shares				
Common shares (Note)	935,731	35	–	935,766
Total	935,731	35	–	935,766

Notes: Increase of 35 shares in common shares of treasury shares is due to purchase of shares less than one unit.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
May 13, 2021 Board of Directors Meeting	Common shares	984,969	36	March 31, 2021	June 7, 2021

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
May 12, 2022 Board of Directors Meeting	Common shares	1,422,732	Retained earnings	52	March 31, 2022	June 6, 2022

Note: Dividend per share includes a commemorative dividend of ¥15 for the Company’s 15th anniversary.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Class and total number of issued shares, and class and number of treasury shares

	Number of shares at beginning of the fiscal year under review (shares)	Number of shares increased during the fiscal year under review (shares)	Number of shares decreased during the fiscal year under review (shares)	Number of shares at end of the fiscal year under review (shares)
Issued shares				
Common shares	28,296,000	–	–	28,296,000
Total	28,296,000	–	–	28,296,000
Treasury shares				
Common shares (Note)	935,766	920,200	–	1,855,966
Total	935,766	920,200	–	1,855,966

Notes: Increase of 920,200 shares in common shares of treasury shares is due to purchase of treasury shares based on a resolution of the Board of Directors Meeting.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
May 12, 2022 Board of Directors Meeting	Common shares	1,422,732	52	March 31, 2022	June 6, 2022

Note: Dividend per share includes a commemorative dividend of ¥15 for the Company's 15th anniversary.

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
May 12, 2023 Board of Directors Meeting	Common shares	1,004,721	Retained earnings	38	March 31, 2023	June 5, 2023

(Notes - Consolidated statement of cash flows)

*Reconciliation of cash and cash equivalents at end of period and the related account on the consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Cash and deposits	14,662,406	10,800,352
Cash and cash equivalents	14,662,406	10,800,352

(Notes - Financial instruments)

1. Status of financial instruments

(1) Policy on financial instruments

With respect to fund management, the Group operates mainly with short-term deposits.

(2) Details and risks of financial instruments

Trade receivables such as accounts receivable - trade and electronically recorded monetary claims - operating are exposed to the credit risks of customers.

Investment securities are investments in investment business partnerships and are exposed to fluctuation risks of market price and credit risks.

All of trade liabilities such as accounts payable - trade and electronically recorded obligations - operating entail a due date of payments within one year. Some of them are denominated in foreign currencies and are exposed to exchange fluctuation risks, therefore, they are hedged by using derivatives (forward exchange contracts).

Lease liabilities related to finance lease transactions are aimed at raising funds required for capital investment, and some of them are exposed to fluctuation risks of the interest rate.

With respect to derivatives, the Company deals with forward exchange contracts to hedge exchange fluctuation risks. The method and object of hedging related to hedge accounting, hedging policy, and evaluation method for hedge effectiveness are described in “Notes - Significant accounting policies for preparation of consolidated financial statements, 4. Disclosure of accounting policies, (7) Accounting methods for significant hedging.”

(3) Risk management system for financial instruments

(i) Credit risk (risk related to non-fulfillment of a contract by trade partners) management

With respect to trade receivables, according to the Credit Management Regulations, the Company monitors major trade partners’ status on a regular basis, and manages due dates and remaining balance for each trade partner as well as works to detect early and mitigate any concerns about collection due to the deterioration in their financial positions and other reasons.

(ii) Management of market risks (fluctuation risk of foreign exchange rate and interest rate)

For investment securities, the Company periodically monitors their fair values and the financial positions of issuers (trading partners) to review the holding status on a continual basis while considering business relations with the trading partners.

(iii) Management of liquidity risks associated with funding (risks associated with non-repayment on due date of payment)

The Group makes the department in charge prepare and update funding plans in a timely manner based on reports from the respective divisions as well as strives to secure liquidity on hand to manage liquidity risks.

(4) Supplementary explanation on fair values of financial instruments

In measuring the fair values of financial instruments, variable factors are discounted, and thus fair value may change when different assumptions are employed. In addition, with respect to derivatives, the Company deals with forward exchange contracts in order to hedge foreign exchange fluctuation risks related to foreign currency denominated transactions. The Company made it a policy for the derivatives to deal with transactions based on actual demand and no speculative transactions for trading profit in accordance with the Company’s operation standards.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values, and the differences between them were as follows.

Previous fiscal year (March 31, 2022)

(Thousands of yen)

	Carrying amount	Fair values	Difference
(1) Lease liabilities (Current liabilities)	371,960	384,119	12,159
(2) Lease liabilities (Non-current liabilities)	518	462	(56)
Total liabilities	372,479	384,581	12,102
Derivatives (*3)	78,305	78,305	–

Fiscal year under review (March 31, 2023)

(Thousands of yen)

	Carrying amount	Fair values	Difference
(1) Lease liabilities (Current liabilities)	127,356	131,542	4,186
(2) Lease liabilities (Non-current liabilities)	366	326	(40)
Total liabilities	127,722	131,869	4,146
Derivatives (*3)	(85,206)	(85,206)	–

(*1) Note is omitted for cash, and because deposits, accounts receivable - trade, electronically recorded monetary claims - operating, accounts payable - trade and electronically recorded obligations - operating are settled in a short period of time and their fair values approximate carrying amounts, notes are omitted for those.

(*2) Investment securities on the consolidated balance sheet are investments in investment business partnerships. Therefore, they are recorded with net amount of equity equivalents and are not subject to fair-value disclosure, based on the treatment provided by Article 24-16 of "Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

Carrying amounts in the consolidated balance sheet of the said financial instruments are as follows.

(Thousands of yen)

Category	Previous fiscal year	Fiscal year under review
Investments in investment business partnership	30,098	21,048

(*3) Claims and obligations occurred from derivatives are indicated with net amount.

Note 1. Expected redemption amounts of receivables after the consolidated balance sheet date

Previous fiscal year (March 31, 2022)

(Thousands of yen)

	Due within 1 year	Due after 1 year Within 5 years	Due after 5 years Within 10 years	Over 10 years
Cash and deposits	14,662,406	–	–	–
Accounts receivable - trade	3,980,189	–	–	–
Electronically recorded monetary claims - operating	961,251	–	–	–
Total	19,603,847	–	–	–

Fiscal year under review (March 31, 2023)

(Thousands of yen)

	Due within 1 year	Due after 1 year Within 5 years	Due after 5 years Within 10 years	Over 10 years
Cash and deposits	10,800,352	–	–	–
Accounts receivable - trade	4,250,802	–	–	–
Electronically recorded monetary claims - operating	1,293,139	–	–	–
Total	16,344,294	–	–	–

2. Repayment schedule of lease liabilities after the consolidated balance sheet date

Previous fiscal year (March 31, 2022)

(Thousands of yen)

	Due within 1 year	Due after 1 year Within 2 years	Due after 2 years Within 3 years	Due after 3 years Within 4 years	Due after 4 years Within 5 years	Due after 5 years
Lease liabilities	371,960	151	151	151	63	–
Total	371,960	151	151	151	63	–

Fiscal year under review (March 31, 2023)

(Thousands of yen)

	Due within 1 year	Due after 1 year Within 2 years	Due after 2 years Within 3 years	Due after 3 years Within 4 years	Due after 4 years Within 5 years	Due after 5 years
Lease liabilities	127,356	151	151	63	–	–
Total	127,356	151	151	63	–	–

3. Breakdown by level of fair value of financial instruments

The fair values of financial instruments are categorized into the following three levels in accordance with observability and significance of inputs in the calculation of their fair values.

Level 1 fair values:	Fair values calculated using the market prices, which are formed on active markets of the assets or liabilities that are the subject of the fair value calculation, from among observable fair value calculation inputs
Level 2 fair values:	Fair values calculated using inputs related to the calculation of fair value other than level 1 inputs, from among observable fair value calculation inputs
Level 3 fair values:	Fair values calculated using inputs related to the calculation of fair value that cannot be observed

When multiple inputs are used that significantly impact the calculation of fair value, the fair value is categorized into the level that is the lowest in the hierarchy of the calculation of fair value from among the levels to which each of those inputs belongs.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Previous fiscal year (March 31, 2022)

Category	Fair values (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Derivatives				
Currency-related	–	78,305	–	78,305
Total assets	–	78,305	–	78,305

Fiscal year under review (March 31, 2023)

Category	Fair values (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Derivatives				
Currency-related	–	85,206	–	85,206
Total liabilities	–	85,206	–	85,206

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

Previous fiscal year (March 31, 2022)

Category	Fair values (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Lease liabilities (Current liabilities)	–	384,119	–	384,119
Lease liabilities (Non-current liabilities)	–	462	–	462
Total liabilities	–	384,581	–	384,581

Fiscal year under review (March 31, 2023)

Category	Fair values (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Lease liabilities (Current liabilities)	–	131,542	–	131,542
Lease liabilities (Non-current liabilities)	–	326	–	326
Total liabilities	–	131,869	–	131,869

Note: Explanation of valuation techniques used in the calculation of fair value and inputs for the calculation of fair value

Derivatives

The fair values of forward exchange contracts are calculated by a present discount value method using observable inputs such as interest rate and foreign exchange rate, and are categorized into fair values of level 2.

Lease liabilities

The fair value of lease liabilities is calculated by a present discount value method based on the total amount of principal and interest and discount rate which is set up taking the remaining period and credit risks of the liabilities into consideration, and is categorized into fair values of level 2.

(Notes - Derivatives)

Derivatives to which hedge accounting is applied

Currency-related

Previous fiscal year (March 31, 2022)

(Thousands of yen)

Accounting methods for hedging	Category of transactions	Main hedging object	Contract amounts	Among contract amounts, longer than 1 year	Fair value
Principle method	Forward exchange contracts Buying position US dollar	Accounts payable - trade	1,338,302	33,046	78,305
Total			1,338,302	33,046	78,305

Fiscal year under review (March 31, 2023)

(Thousands of yen)

Accounting methods for hedging	Category of transactions	Main hedging object	Contract amounts	Among contract amounts, longer than 1 year	Fair value
Principle method	Forward exchange contracts Buying position US dollar	Accounts payable - trade	2,902,605	65,315	(85,206)
Total			2,902,605	65,315	(85,206)

(Notes - Retirement benefits)

1. Overview of retirement benefit plans adopted

The Company has adopted a lump-sum retirement benefit plan and a defined contribution pension plan in accordance with regulations relating to retirement payments.

In addition, a retirement benefit trust has been set up for the lump-sum retirement benefit plan.

2. Defined benefit plans (excluding plans to which the simplified method is applied)

(1) Changes in retirement benefit obligations

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Remaining balance of retirement benefit obligations at beginning of period	999,185	1,099,846
Service cost	143,885	141,941
Interest cost	3,047	4,916
Actuarial gains and losses accrued	(29,933)	(31,620)
Retirement benefits paid	(16,337)	(48,583)
Remaining balance of retirement benefit obligations at end of period	1,099,846	1,166,500

(2) Changes in plan assets

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Remaining balance of plan assets at beginning of period	917,190	919,659
Expected return on plan assets	18,343	18,393
Actuarial gains and losses accrued	(14,710)	(49,903)
Other	(1,164)	–
Remaining balance of plan assets at end of period	919,659	888,149

(3) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liabilities/assets recorded in the consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Retirement benefit obligations of funded plans	1,099,846	1,166,500
Plan assets	(919,659)	(888,149)
Net amount of liabilities and assets recorded in the consolidated balance sheet	180,186	278,350
Retirement benefit liability	180,186	278,350
Net amount of liabilities and assets recorded in the consolidated balance sheet	180,186	278,350

(4) Amounts of retirement benefit expenses and their components

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Service cost	143,885	141,941
Interest cost	3,047	4,916
Expected return on plan assets	(18,343)	(18,393)
Amortization of actuarial gains and losses	10,890	9,875
Retirement benefit expenses relating to defined benefit plans	139,479	138,339

(5) Remeasurements of defined benefit plans, net of tax

The components of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) are as follows:

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Actuarial gains and losses	(26,114)	8,407
Total	(26,114)	8,407

(6) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

(Thousands of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Unrecognized actuarial gains and losses	87,554	95,961
Total	87,554	95,961

(7) Plan assets

(i) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Cash and deposits	1.1%	0.0%
Alternative investments	98.9	100.0
Total	100.0	100.0

Notes: 1 All plan assets are the retirement benefit trust set up for the corporate pension plan.

2 Alternative investments are investments in hedge funds.

(ii) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(8) Actuarial assumptions

Major actuarial assumptions (indicated on a weighted average basis)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Discount rate	0.4%	0.4%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary increase	0.0%	0.0%

3. Defined contribution plans

The Company’s required contribution amount to defined contribution plans was ¥37,272 thousand in the previous fiscal year (from April 1, 2021 to March 31, 2022) and ¥39,669 thousand in the fiscal year under review (from April 1, 2022 to March 31, 2023).

(Notes - Tax effect accounting)

1. Major components of deferred tax assets and liabilities

(Thousands of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Deferred tax assets		
Loss on valuation of inventories	100,675	127,253
Accrued expenses	234,117	198,887
Accrued enterprise tax	60,721	15,466
Allowance for doubtful accounts	8,427	7,274
Excessive depreciation	275,987	282,664
Retirement benefit liability	343,564	375,919
Impairment losses	2,231	–
Research and development expenses	27,723	21,537
Deferred gains or losses on hedges	–	26,090
Other	116,519	275,971
Deferred tax assets subtotal	1,169,967	1,331,066
Valuation allowance	(64,209)	(164,568)
Total deferred tax assets	1,105,758	1,166,498
Deferred tax liabilities		
Investment securities	(22,878)	(24,835)
Deferred gains or losses on hedges	(23,977)	–
Other	(5,421)	(6,041)
Total deferred tax liabilities	(52,277)	(30,877)
Net deferred tax assets	1,053,481	1,135,620

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	0.4	1.0
Inhabitant per capita taxes	0.2	0.3
Changes in valuation allowance	(0.6)	(0.1)
Occurrence of tax loss carryforwards	1.3	2.6
Tax deduction under wage increase promotion tax system	–	(0.8)
Other	(0.2)	(0.2)
Effective rate of income taxes after application of deferred tax accounting	31.7	33.4

(Notes - Business combinations)

Not applicable.

(Notes - Revenue recognition)

1. Breakdown of revenue from contracts with customers

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segments				Total
	Photo Sticker Business	Content and Media Business	Character Merchandizing Business	Game and Anime Business	
Revenue related to photo stickers for amusement facilities	6,502,026				6,502,026
Revenue at company stores	1,074,881				1,074,881
Pictlink charging revenues		6,056,425			6,056,425
Sales revenue of colored contact lenses		1,316,822			1,316,822
Domestic sale revenue of crane game prizes			11,347,124		11,347,124
Overseas sales revenue of goods			1,304,217		1,304,217
High-end hobby revenue			2,182,597		2,182,597
Video game software revenue				1,085,700	1,085,700
Game application revenue				793,450	793,450
Anime-related revenue				1,101,678	1,101,678
Other		951,691	341,565		1,293,257
Revenue from contracts with customers	7,576,908	8,324,940	15,175,504	2,980,830	34,058,184
Sales to external customers	7,576,908	8,324,940	15,175,504	2,980,830	34,058,184

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments				Total
	Photo Sticker Business	Content and Media Business	Character Merchandizing Business	Game and Anime Business	
Revenue related to photo stickers for amusement facilities	7,337,219				7,337,219
Revenue at company stores	1,351,886				1,351,886
Pictlink charging revenues		6,323,720			6,323,720
Sales revenue of colored contact lenses		1,025,743			1,025,743
Domestic sale revenue of crane game prizes			11,563,742		11,563,742
Overseas sales revenue of goods			1,895,757		1,895,757
High-end hobby revenue			2,483,361		2,483,361
Video game software revenue				919,108	919,108
Game application revenue				560,790	560,790
Anime-related revenue				1,314,843	1,314,843
Other		1,219,670	404,684		1,624,354
Revenue from contracts with customers	8,689,105	8,569,135	16,347,545	2,794,743	36,400,530
Sales to external customers	8,689,105	8,569,135	16,347,545	2,794,743	36,400,530

2. Information providing a basis for understanding revenue from contracts with customers

Information providing a basis for understanding revenue is as described in “Notes (Notes - Significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (5) Recognition of significant revenues and expenses.”

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from said contracts, and the amount and timing of revenue from contracts with customers that existed at the end of the fiscal year under review expected to be recognized in the following fiscal year

(1) Remaining balance of contract liabilities

(Thousands of yen)

	Previous fiscal year	Fiscal year under review
Contract liabilities	64,498	349,998

Contract liabilities are advances received from customers before satisfying performance obligation mainly in Pictlink charging business. Contract liabilities are amortized in association with recognition of revenue.

Among revenues recognized in the previous fiscal year, those included in contract liabilities at the beginning of the period were ¥55,699 thousand.

Among revenues recognized in the fiscal year under review, those included in contract liabilities at the beginning of the period were ¥58,634 thousand.

(2) Transaction prices allocated to remaining performance obligations

Because initially expected contract periods are one year or less, description about those contracts is omitted.

(Notes - Segment information)

Segment information

1. Description 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 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 video game software and social games designed for digital content platforms as well as planning and production of anime 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 for the operating segments that are reportable is mostly the same as described in “Notes - Significant accounting policies for preparation of 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

Previous fiscal year (From April 1, 2021 to 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 statement of income.

Fiscal year under review (From April 1, 2022 to 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 statement of income.

Related information

Previous fiscal year (From April 1, 2021 to 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 statement 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 account for at least 10% of net sales in the consolidated statement of income.

Fiscal year under review (From April 1, 2022 to 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 statement 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 account for at least 10% of net sales in the consolidated statement of income.

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

Previous fiscal year (From April 1, 2021 to 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 under review (From April 1, 2022 to 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.

Notes - Related parties

Not applicable.

(Notes - Per share information)

(Yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to 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 dilutive shares.

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

	Previous fiscal year (March 31, 2022)	Fiscal year under review (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.

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to 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.

(v) Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Not applicable.

Annexed consolidated detailed schedule of borrowings

Category	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%)	Payment due
Current portion of lease liabilities	371,960	127,356	3.4	–
Lease liabilities (excluding current portion)	518	366	1.0	From 2024 to 2026
Total	372,479	127,722	–	–

Notes: 1. Average interest rate represents weighted average interest rate with respect to the ending balance of lease liabilities.

2. The repayment schedule of lease liabilities (excluding current portion) within five years after the consolidated balance sheet date is as follows:

(Thousands of yen)

	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Lease liabilities	151	151	63	–

Annexed Consolidated Detailed Schedule of Asset Retirement Obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information is omitted because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2023 were not more than 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2023, respectively.

(2) Other Information

Quarterly information for the fiscal year ended March 31, 2023

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year under review
Net sales (Thousands of yen)	8,142,259	17,987,848	27,339,044	36,400,530
Profit before income taxes (Thousands of yen)	639,123	1,570,280	2,119,864	2,168,438
Profit attributable to owners of parent (Thousands of yen)	416,228	1,036,545	1,400,298	1,443,560
Earnings per share (yen)	15.21	37.98	51.72	53.62

Accounting period	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (Yen)	15.21	22.78	13.65	1.64

2. Financial statements

(1) Financial statements

(i) Balance sheet

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	14,327,176	10,676,183
Accounts receivable - trade	3,958,614	4,227,719
Electronically recorded monetary claims - operating	961,251	1,293,139
Merchandise and finished goods	1,655,320	1,850,601
Work in process	30,095	21,106
Raw materials and supplies	298,343	512,118
Advance payments to suppliers	838,817	1,254,732
Prepaid expenses	271,648	274,273
Accounts receivable - other	453,766	326,202
Other	* 200,072	* 233,943
Allowance for doubtful accounts	(7,371)	(5,422)
Total current assets	22,987,735	20,664,599
Non-current assets		
Property, plant and equipment		
Buildings, net	169,120	189,196
Tools, furniture and fixtures, net	134,577	159,271
Leased assets, net	2,204,596	2,243,704
Other, net	113,035	63,221
Total property, plant and equipment	2,621,328	2,655,394
Intangible assets		
Software	262,472	297,071
Other	280,733	357,203
Total intangible assets	543,205	654,275
Investments and other assets		
Investment securities	30,098	21,048
Shares of subsidiaries and associates	50,000	50,000
Long-term loans receivable from subsidiaries and associates	500,000	500,000
Distressed receivables	20,150	18,332
Long-term prepaid expenses	37,184	61,268
Leasehold and guarantee deposits	432,887	502,471
Deferred tax assets	1,023,356	1,106,256
Other	10,975	10,975
Allowance for doubtful accounts	(20,150)	(18,332)
Total investments and other assets	2,084,502	2,252,020
Total non-current assets	5,249,036	5,561,690
Total assets	28,236,772	26,226,289

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	848,932	729,349
Electronically recorded obligations - operating	1,575,446	1,565,204
Lease liabilities	371,808	127,204
Accounts payable - other	728,840	701,078
Accrued expenses	1,340,494	1,429,747
Income taxes payable	1,110,000	100,000
Accrued consumption taxes	216,196	56,071
Contract liabilities	64,498	349,998
Provision for loss on orders received	–	182,815
Other	408,801	224,811
Total current liabilities	6,665,019	5,466,281
Non-current liabilities		
Provision for retirement benefits	92,632	182,389
Other	6,629	6,629
Total non-current liabilities	99,262	189,019
Total liabilities	6,764,281	5,655,301
Net assets		
Shareholders’ equity		
Share capital	1,639,216	1,639,216
Capital surplus		
Legal capital surplus	1,639,216	1,639,216
Total capital surplus	1,639,216	1,639,216
Retained earnings		
Other retained earnings		
Retained earnings brought forward	19,140,115	19,352,041
Total retained earnings	19,140,115	19,352,041
Treasury shares	(1,000,385)	(2,000,368)
Total shareholders’ equity	21,418,162	20,630,105
Valuation and translation adjustments		
Deferred gains or losses on hedges	54,328	(59,116)
Total valuation and translation adjustments	54,328	(59,116)
Total net assets	21,472,490	20,570,988
Total liabilities and net assets	28,236,772	26,226,289

(ii) Statement of income

(Thousands of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales		33,978,079		36,121,909
Cost of sales		18,043,390		21,126,530
Gross profit		15,934,689		14,995,378
Selling, general and administrative expenses	*1, *2	12,065,326	*1, *2	12,677,813
Operating profit		3,869,362		2,317,565
Non-operating income				
Interest income	*2	1,879	*2	2,504
Foreign exchange gains		–		33,033
Gain on adjustment of other 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	*2	2,588	*2	4,635
Total non-operating income		42,875		63,065
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		3,871,150		2,367,367
Extraordinary income				
Gain on sale of non-current assets	*3	19	*3	74
Total extraordinary income		19		74
Extraordinary losses				
Loss on sale and retirement of non-current assets	*4	4,883	*4	6,452
Impairment losses		14,193		4,966
Total extraordinary losses		19,077		11,418
Profit before income taxes		3,852,092		2,356,024
Income taxes - current		1,399,390		754,198
Income taxes - deferred		(228,396)		(32,832)
Total income taxes		1,170,993		721,365
Profit		2,681,099		1,634,658

(iii) Statement of changes in equity

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	1,639,216	1,639,216	1,639,216	17,470,810	17,470,810	(1,000,345)	19,748,896
Cumulative effects of changes in accounting policies				(26,824)	(26,824)		(26,824)
Restated balance	1,639,216	1,639,216	1,639,216	17,443,986	17,443,986	(1,000,345)	19,722,072
Changes during period							
Dividends of surplus				(984,969)	(984,969)		(984,969)
Profit				2,681,099	2,681,099		2,681,099
Purchase of treasury shares						(39)	(39)
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	1,696,129	1,696,129	(39)	1,696,089
Balance at end of period	1,639,216	1,639,216	1,639,216	19,140,115	19,140,115	(1,000,385)	21,418,162

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	15,722	15,722	19,764,619
Cumulative effects of changes in accounting policies			(26,824)
Restated balance	15,722	15,722	19,737,795
Changes during period			
Dividends of surplus			(984,969)
Profit			2,681,099
Purchase of treasury shares			(39)
Net changes in items other than shareholders' equity	38,605	38,605	38,605
Total changes during period	38,605	38,605	1,734,695
Balance at end of period	54,328	54,328	21,472,490

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	1,639,216	1,639,216	1,639,216	19,140,115	19,140,115	(1,000,385)	21,418,162
Changes during period							
Dividends of surplus				(1,422,732)	(1,422,732)		(1,422,732)
Profit				1,634,658	1,634,658		1,634,658
Purchase of treasury shares						(999,983)	(999,983)
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	211,926	211,926	(999,983)	(788,057)
Balance at end of period	1,639,216	1,639,216	1,639,216	19,352,041	19,352,041	(2,000,368)	20,630,105

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	54,328	54,328	21,472,490
Changes during period			
Dividends of surplus			(1,422,732)
Profit			1,634,658
Purchase of treasury shares			(999,983)
Net changes in items other than shareholders' equity	(113,444)	(113,444)	(113,444)
Total changes during period	(113,444)	(113,444)	(901,501)
Balance at end of period	(59,116)	(59,116)	20,570,988

Notes

(Notes - Significant accounting policies)

1. Valuation basis and methods for securities

(1) Other securities

Stocks without market quotations

Valuation at cost, with cost mainly determined by the moving average method.

Investments in investment business partnerships (deemed to be securities by Article 2, paragraph (2) of the Financial Instruments and Exchange Act) are stated at the net value of equities based on the most recent financial statements available prepared according to the financial reporting dates specialized in the respective partnership agreement.

2. Valuation basis and methods for derivatives

(1) Derivatives

Stated at fair value.

3. Valuation basis and methods for inventories

(1) Merchandise and finished goods, work in process, and raw materials

Valuation at cost, with cost determined by the first-in first-out method (balance sheet value is calculated by reducing carrying value based on the decline in profitability).

(2) Supplies

Valuation at cost, with cost determined by the last purchase price method.

4. Accounting method for depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Assets for stores: Straight-line method.

Other than the above: Declining balance method.

Useful life of principle assets is as follows:

Buildings: 2-39 years

Tools, furniture and fixtures: 2-15 years

(2) Intangible assets

Straight-line method is applied.

Useful life of principle assets is as follows:

Software: 5 years

(3) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.

5. Accounting policy for translation of foreign currency assets and liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the balance sheet date, and translation differences are accounted for as profit or loss.

6. Accounting policy for allowances and provisions

(1) Allowance for doubtful accounts

To prepare for credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(2) Provision for retirement benefits

To prepare for retirement benefits of employees, the provision is recorded based on an estimated amount of retirement benefit liabilities and the plan assets at the end of the fiscal year under review. The Company has also set up a retirement benefit trust.

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year under review on a benefit formula basis.

(ii) Amortization method of actuarial gains and losses

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (15 years) within an average remaining service period of employees when incurred, from the fiscal year following the accrual of each gain or loss.

(3) Provision for loss on orders received

To provide for future losses related to orders received, the estimated amount of losses on orders received as of the end of the fiscal year under review is recorded.

7. Recognition of revenues and expenses

Description of the main performance obligation and the typical timing of fulfilling the said performance obligation (typical timing of the recognition of revenue) related to revenue from contracts with customers in the main business of the Company are as follows.

(i) Photo Sticker Business

In this business, the Company installs and sells photo sticker equipment at amusement facilities, and sells sticker sheets. Therefore, the Company is obliged to deliver that merchandise based on basic sales contracts with customers. The performance obligation shall be satisfied at the timing of delivery of merchandise. Therefore, the revenue is recognized at the timing of delivery. Among transactions of sales of merchandise and other goods, with respect to that for which receipt from customers and payment to customers are judged to have occurred, the revenue is measured at the net amount after the payment amount is deducted from the total receiving amount from customers.

In addition, with respect to the business of providing a service with photo sticker equipment at directly-managed stores, it is considered that customers acquire control of said merchandise and the performance obligation is satisfied at the time when the said merchandise is handed over to the customers. Therefore, the revenue is recognized at the said timing.

(ii) Content and Media Business

In this business, the Company earns fee revenue mainly by Pictlink and is obliged to provide an image storage service based on the agreement of the Terms of Use with customers. The performance obligation shall be satisfied over a certain period of time, and the revenue shall be recognized over such period.

With respect to the business to sell color contact lenses through EC sites, the Company is obliged to deliver the merchandise based on the agreement of the Terms of Use with customers. In addition, with respect to the business of wholesale color contact lenses, the Company is obliged to deliver the merchandise based on the basic sales agreement with customers. It is considered that customers acquire control of said merchandise and the performance obligation is satisfied at the time when the said merchandise is delivered to the customers. Therefore, the revenue is recognized at the said timing. When coupons and points are delivered to customers as a reward, the corresponding amount shall be deducted from the revenue at the time of their use.

In the programmatic advertising business, with respect to those considered as an agent, the revenue is measured at the net amount after the payment amount to a supplier is deducted from the total receiving amount from customers. The said revenue is recorded as “Other.”

(iii) Character Merchandizing Business

In this business, the Company sells mainly crane game prizes and is obliged to deliver the merchandise based on the basic sales agreement with customers who are the operators. The performance obligation shall be satisfied at the timing of delivery of merchandise. Therefore, the revenue is recorded at the timing of delivery. With respect to export sales, the revenue is recognized at the timing when performance obligation is satisfied based on the agreement of trade terms with customers. The revenue of crane game prize sales business is measured at the net amount after the estimated amount of a rebate or other discount is deducted from the fixed price in the contract.

(iv) Game and Anime Business

This is the segment which includes sales of video game software, sales of items used while playing games and sales of anime videograms as follows.

With respect to the business to sell video game software, the Company is obliged to deliver the merchandise based on the basic sales agreement with customers. The performance obligation shall be satisfied at the timing of delivery of merchandise. Therefore, the revenue is recorded at the timing of delivery. With respect to income by grant of license, the revenue is recognized as it is satisfied at a certain point of time because the license is the right to use the intellectual property.

With respect to sales business of items used while playing games, the Company is obliged to perform based on the agreement of the Terms of Use with customers. The performance obligation for income under this scheme is classified into two categories, consumptive and permanency, according to the specification of sales items. The performance obligation of consumptive items is satisfied at the timing of sales of the items. Therefore, the revenue is recognized at the timing of their sales. Meanwhile, with respect to the performance obligation for income from game charging on permanency items whose performance obligation continues forever, customers’ use period of the items is estimated, and the revenue is recognized over the estimated use period. The period of satisfaction of the performance obligation is deemed to be the same period as the estimated service period and is calculated according to the specification of sales items. In addition, with respect to permanency items, the method to calculate the weighted average of service use periods of users is adopted.

With respect to sales business of anime videograms, the Company is obliged to deliver the merchandise based on the basic sales agreement with customers. The performance obligation shall be satisfied at the timing of delivery of merchandise. Therefore, the revenue is recorded at the timing of delivery.

8. Accounting methods for hedging

(1) Accounting methods for hedging

Deferral hedge accounting is applied.

(2) Hedging method and hedging object

Hedging method: Forward exchange contracts

Hedging object: Accounts payable - trade

(3) Hedging policy

In order to reduce exchange risks, the Company hedges within the scope of targeted obligations.

(4) Evaluation method for hedge effectiveness

Comparing cumulative total values of market fluctuations of both hedging object and hedging method over the period from the beginning time of hedging through effectiveness judgement time, we make a judgement based on the amount of change in both of them.

(Notes - Significant accounting estimates)

Impairment of non-current assets

(i) Amount recorded in the financial statements for the fiscal year under review

(Thousands of yen)

	Previous fiscal year	Fiscal year under review
Property, plant and equipment	2,621,328	2,655,394
Intangible assets	543,205	654,275

(ii) Other information

In the case of existence of a sign of impairment of assets, the judgement of the necessity or not of recognizing an impairment loss is made based on the future cash flow of the said assets. The smallest unit of assets groups which are identified as a unit to generate cash inflow mostly independent from cash inflow of other assets or assets groups is regarded as a cash flow generation unit, which is a judgement unit regarding the necessity or not of recognizing an impairment loss.

While making judgement on the necessity of recognizing an impairment loss on non-current assets, with respect to impact from COVID-19, it is assumed that the impact will continue to a certain extent also in the next fiscal year depending on the infection status, although movement toward normalization of socio-economic activities on the premise of "with Corona" is making progress, and the accounting estimate is made based on the currently available information which includes future cash flow, discount rate, and long-term growth rate.

There is high uncertainty in those assumptions, and in the case that COVID-19 becomes more serious from now on, it may bring about significant impact on the financial statements of the next fiscal year.

(Notes - 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.

(Notes - Changes in presentation)

(Statement of income)

"Interest income," which was included in "Other" under "Non-operating income" in the previous fiscal year, has been separately presented from the fiscal year under review. In order to reflect this change in presentation, reclassified figures are shown in the financial statements of the previous fiscal year.

As a result, ¥4,468 thousand presented in “Other” under “Non-operating income” in the statement of income for the previous fiscal year has been reclassified as “Interest income” of ¥1,879 thousand and “Other” of ¥2,588 thousand.

(Notes - Balance sheet)

*Pledged assets

Assets pledged as collateral are as follows:

Those pledged assets are deposited according to the Act on Financial Settlements.

(Thousands of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Current assets		
Other (Deposits paid)	30,000	30,000

(Notes - Statement of income)

*1 Approximate proportions of selling expenses were 58% in the previous fiscal year and 59% in the fiscal year under review, and approximate proportions of general and administrative expenses were 42% in the previous fiscal year and 41% in the fiscal year under review.

Among selling, general and administrative expenses, major items and figures are as follows:

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Remuneration for directors (and other officers)	148,738	150,636
Salaries and bonuses	3,168,002	3,311,177
Advertising expenses	1,451,058	1,221,596
Processing fees	1,662,335	1,622,386
Outsourcing expenses	1,343,701	1,567,777
Depreciation	146,064	141,397
Research and development expenses	1,113,349	1,345,148

(Notes - Changes in presentation)

“Research and development expenses” are presented as a major item from the fiscal year under review because its importance has increased. In order to reflect this change in presentation, these expenses are shown as a major item also in the previous fiscal year.

*2 Items related to transactions with affiliated companies are included as follows:

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Transaction volume of operating transactions		
Selling, general and administrative expenses	6,588	20,672

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Transaction volume of non-operating transactions		
Non-operating income	4,276	4,900

*3 Descriptions of gain on sale of non-current assets are as follows:

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Tools, furniture and fixtures	19	74
Other	–	0
Total	19	74

*4 Descriptions of loss on sale and retirement of non-current assets are as follows:

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Buildings	633	1,148
Tools, furniture and fixtures	4,244	5,304
Other	6	0
Total	4,883	6,452

(Notes - Securities)

Previous fiscal year (March 31, 2022)

Subsidiary’s shares (Carrying amount of subsidiary’s shares: ¥50,000 thousand) are not described because there is no market value.

Fiscal year under review (March 31, 2023)

Subsidiary’s shares (Carrying amount of subsidiary’s shares: ¥50,000 thousand) are not described because there is no market value.

(Notes - Tax effect accounting)

1. Major components of deferred tax assets and liabilities

(Thousands of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Deferred tax assets		
Loss on valuation of inventories	98,033	124,611
Accrued expenses	234,117	198,887
Accrued enterprise tax	60,721	15,466
Allowance for doubtful accounts	8,427	7,273
Excessive depreciation	275,987	282,664
Research and development expenses	27,723	21,537
Provision for retirement benefits	313,440	346,555
Deferred gains or losses on hedges	–	26,090
Other	118,485	171,943
Deferred tax assets subtotal	1,136,936	1,195,032
Valuation allowance	(61,301)	(57,898)
Total deferred tax assets	1,075,634	1,137,133
Deferred tax liabilities		
Investment securities	(22,878)	(24,835)
Deferred gains or losses on hedges	(23,977)	–
Other	(5,421)	(6,041)
Total deferred tax liabilities	(52,277)	(30,877)
Net deferred tax assets	1,023,356	1,106,256

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

The note is omitted because differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting are not more than 5/100 of the statutory effective tax rate.

(Notes - Business combinations)

Not applicable.

(Notes - Revenue recognition)

The note is omitted because the information providing a basis for understanding revenue from contracts with customers is described in “Notes (Notes - Revenue recognition)” of the consolidated financial statements.

(Subsequent events)

Not applicable.

(iv) Annexed detailed schedules

Annexed detailed schedule of property, plant and equipment and intangible assets

(Thousands of yen)

Category	Type of assets	Balance at beginning of period	Increase in fiscal year under review	Decrease in fiscal year under review	Depreciation in fiscal year under review	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	169,120	76,158	1,148	54,933	189,196	379,790
	Tools, furniture and fixtures	134,577	109,480	6,548	78,237	159,271	579,121
	Leased assets	2,204,596	1,455,519	18,805	1,397,605	2,243,704	3,154,598
	Other	113,035	414,183	251,148	212,849	63,221	1,407,198
	Total property, plant and equipment	2,621,328	2,055,342	277,650	1,743,626	2,655,394	5,520,708
Intangible assets	Software	262,472	366,258	4,966 [4,966]	326,693	297,071	–
	Other	280,733	453,023	372,065	4,487	357,203	–
	Total intangible assets	543,205	819,281	377,031 [4,966]	331,180	654,275	–

Notes:
1. Among increase of non-current assets in the fiscal year under review, major items are as follows:
   Leased assets (photo sticker equipment pertaining to commissioning installation) ¥1,455,519 thousand
2. A recorded amount of impairment loss is indicated in parentheses in the "Decrease in fiscal year under review" column as an included figure.

Annexed detailed schedule of provisions

(Thousands of yen)

Account item	Balance at beginning of period	Increase in fiscal year under review	Decrease in fiscal year under review	Balance at end of period
Allowance for doubtful accounts	27,521	5,422	9,188	23,755
Provision for loss on orders received	–	182,815	–	182,815

(2) Components of major assets and liabilities

The description is omitted because the consolidated financial statements are prepared.

(3) Other Information

Not applicable.

VI. Outline of share-related administration of reporting company

<table>
<tr><td>Fiscal year</td><td>From April 1 to March 31 of the next year</td></tr>
<tr><td>Annual general meeting of shareholders</td><td>In June</td></tr>
<tr><td>Record date</td><td>March 31</td></tr>
<tr><td>Record date for dividends of surplus</td><td>September 30
March 31</td></tr>
<tr><td>Number of shares constituting one unit</td><td>100</td></tr>
<tr><td>Purchase of shares less than one unit (Note)</td><td></td></tr>
<tr><td>Handled at</td><td>(Special Account)
Mizuho Trust & Banking Co., Ltd. (3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo)
Stock Transfer Agency, Head Office</td></tr>
<tr><td>Shareholder register administrator</td><td>(Special Account)
Mizuho Trust & Banking Co., Ltd. (3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo)</td></tr>
<tr><td>Agent</td><td>–</td></tr>
<tr><td>Charge</td><td>Free</td></tr>
<tr><td>Method of giving public notice</td><td>The Company shall give a public notice as an electronic public notice, provided that if there are any unavoidable circumstances, such as an accident preventing an electronic public notice, the Company shall put it in the Nikkei newspaper.
The URL on which the Company gives a public notice is as follows.
https://www.furyu.jp/ (in Japanese)</td></tr>
<tr><td>Benefits for shareholders</td><td>Outline of shareholder benefit program
1. Eligible shareholders
A shareholder who holds not less than 1 unit of the Company’s shares (100 shares) and is registered or recorded in the shareholder register as of the last day of March.
2. Description of shareholder benefit program
A shareholder will be given “shareholder benefit points” according to the number of shares which it holds. A shareholder may select its preferable item from among gourmet food products, tickets for entertainment and so on, on the Company’s site exclusively for shareholders by using the shareholder benefit points.
Shareholder benefit points may be carried forward (only once) only when a shareholder is registered or recorded in the shareholder register consecutively twice or more with the same shareholder number as of March 31 of the next fiscal year.
<table>
<tr><th>Number of shares held</th><th>Number of shareholder benefit points to be given</th></tr>
<tr><td>500 to 999</td><td>5,000</td></tr>
<tr><td>1,000 or more</td><td>10,000</td></tr>
</table>
</td></tr>
</table>

Note: A shareholder of the Company may not exercise any rights other than the following in connection with shares less than one unit which it holds:

(1) The rights set forth in the items of Article 189, paragraph (2) of the Companies Act;

(2) The right to make a request under the provisions of Article 166, paragraph (1) of the said Act; and

(3) The right to be allotted shares for subscription or share acquisition rights for subscription according to the number of shares which the shareholder holds.

VII. Reference information of reporting company

1. Information about parent of reporting company

   The Company has no parent company, etc., prescribed in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

   The Company has submitted the following documents during the period from the start date of the fiscal year under review to the filing date of the annual securities report.

   (1) Annual securities report and attached documents as well as confirmations

   Those for the 16th fiscal year (from April 1, 2021 to March 31, 2022) were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022

   (2) Internal control report and attached documents

   Those were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022

   (3) Quarterly securities report and confirmations

   Those for the 1st quarter of the 17th fiscal year (from April 1, 2022 to June 30, 2022) were submitted to the Director-General of the Kanto Local Finance Bureau on August 12, 2022

   Those for the 2nd quarter of the 17th fiscal year (from July 1, 2022 to September 30, 2022) were submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2022

   Those for the 3rd quarter of the 17th fiscal year (from October 1, 2022 to December 31, 2022) were submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2023

   (4) Current report

   That was submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2022

   It is a current report under Article 19, paragraph (2), item (ix)-2 (Result of voting rights exercised at a shareholders meeting) of the Cabinet Office Order on Disclosure of Corporate Affairs.

   (5) Share buyback reports

   That for the period from August 1 to 31, 2022 was submitted to the Director-General of the Kanto Local Finance Bureau on September 15, 2022

   That for the period from September 1 to 30, 2022 was submitted to the Director-General of the Kanto Local Finance Bureau on October 14, 2022

   That for the period from October 1 to 31, 2022 was submitted to the Director-General of the Kanto Local Finance Bureau on November 15, 2022

   That for the period from November 1 to 30, 2022 was submitted to the Director-General of the Kanto Local Finance Bureau on December 15, 2022

   That for the period from December 1 to 31, 2022 was submitted to the Director-General of the Kanto Local Finance Bureau on January 13, 2023

Part II. Information about reporting company's guarantor

Not applicable.

Independent Auditor's Audit Report and Internal Control Audit Report

June 23, 2023

FURYU Corporation

To the Board of Directors

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated Engagement Partner and Partner	Certified Public Accountant	Michiyuki Yamamoto
Designated Engagement Partner and Partner	Certified Public Accountant	Yuichiro Koga

Audit of Financial Statements

Audit Opinions

To make an audit certificate under the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of FURYU Corporation for the fiscal year from April 1, 2022 to March 31, 2023, which are listed in "Financial information" and consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, notes - significant accounting policies for preparation of consolidated financial statements, notes for other matters and annexed consolidated detailed schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial condition of FURYU Corporation and its consolidated subsidiary as of March 31, 2023 as well as their economic performance and cash flows for the fiscal year ended on the said date in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinions

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in "Responsibilities of the Auditor in the Audit of the Consolidated Financial Statements." In accordance with the provisions of the Code of Professional Ethics in Japan, we are independent of the Company and its consolidated subsidiary, and we have fulfilled our other ethical responsibilities as the auditor. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters mean those which the Auditor found especially significant as a professional expert in auditing the consolidated financial statements for the fiscal year under review. Key audit matters are those which the Auditor considered in the process of auditing the whole consolidated financial statements and in forming audit opinions, and we do not express opinions individually on those matters.

<table>
<tr><td colspan="2">Pictlink charging revenues</td></tr>
<tr><td>Description of key audit matters and reasons for decision</td><td>Auditor’s response</td></tr>
<tr><td>As stated in Notes (Notes - Revenue recognition), FURYU Corporation (hereinafter the “Company”) had net sales of ¥8,569,135 thousand in the Content and Media Business in the fiscal year under review. Revenues in the Content and Media Business include those of ¥6,323,720 thousand from Pictlink charging revenues, which account for 17.4% of net sales in the consolidated statement of income. Moreover, the segment profit ratio of the Content and Media Business is high at 38.4%, in which Pictlink charging revenues are core and significant ones.

Pictlink is a service for users to view and acquire the data of images photographed by photo sticker machines. A user may acquire free of charge one of images which he/she has photographed and may acquire the data of the images without limitation when he/she becomes a paying member. Pictlink charging revenues consist of monthly charges from those paying members.

The amount of net sales from Pictlink charging revenues is fixed based on monthly charges collected by mobile network carriers, which are stated in notices of those charges (hereinafter “Notices”) downloaded from the servers of those carriers. As it takes one or two months to obtain the Notices, it is roughly estimated each month by ascertaining the number of paying members from the Company’s member database. Therefore, annual Pictlink charging revenues consist of the fixed amount of those for ten or eleven months and the amount of roughly estimated ones for the most recent one or two months before the end of the term. It is necessary to consider a roughly estimated amount as it is calculated based on the Company’s member database.

We have found that the amount of net sales from Pictlink charging revenues falls within a key audit matter as it is of great significance and part of the net sales is roughly estimated based on the Company’s member database.</td><td>We mainly went through the following procedures for the key audit matters.

(1) Procedure for member database
● We evaluated the effectiveness of general control by viewing the status of giving the right to access important data and files in connection with the member database and of giving approval for direct corrections to the database, in cooperation with IT experts among us.
● We evaluated the effectiveness of the development and operation of checking the member database against the member information list of mobile network carriers entrusted with monthly collection, which is an internal control to guarantee the accuracy of the number of paying members in the database.

(2) Procedure for amount of net sales from Pictlink charging revenues
● We went through the following analytical procedures as risk assessment procedures.
• We considered the consistency of monthly changes in the number of paying members with those in the past as the number of paying members fluctuates at the time of bringing out a new model or in a long vacation of schools.
• We considered the consistency of the amount calculated by multiplying the number of paying members by a monthly charge (a unit price per member) with the amount of revenues recorded.
● We checked the fixed amount of Pictlink charging revenues against the amount of monthly charges in the Notices in considering the fixed amount. Moreover, we used Notices downloaded directly from the servers of mobile network carriers in the presence of the Auditor on a sample basis.
● We went through the following procedures in considering the roughly estimated amount recorded.
• We evaluated the method of calculating the roughly estimated amount recorded from the deviation rate between the roughly estimated amount recorded in the term and the fixed amount based on the Notices.
• We considered the consistency of the number of paying members that was used in the rough estimation with that in the member database.</td></tr>
</table>

Other Information

Other information contains the information included in the annual securities report except for the consolidated financial statements and the financial statements as well as audit reports thereon. Management is responsible for preparing and disclosing the other information. Auditors and the Board of Auditors are responsible for monitoring the execution of duties by Directors in the development and operation of the reporting process for the other information.

The scope of our opinion on the consolidated financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibilities for the audit of the consolidated financial statements is to read through the other information, and in doing so, consider whether there are material differences between the other information and the consolidated financial statements or our knowledge acquired during the audit. This responsibility also includes paying attention to whether there are any other indications of material errors in the other information besides such material differences.

If we determine, based on the audit work performed, that there are material errors in the other information, we are required to report those facts.

We have no matters to report regarding the other information.

Responsibilities of Management, Auditors and the Board of Auditors for the Consolidated Financial Statements

Management is responsible for preparing and fairly presenting the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control that is deemed necessary by management in order to prepare and fairly present the consolidated financial statements that are free of material misstatement due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the ability to continue as a going concern, and disclosing, as applicable, matters regarding the going concern in accordance with accounting principles generally accepted in Japan.

Auditors and the Board of Auditors are responsible for monitoring the execution of duties by Directors in the development and operation of the financial reporting process.

Responsibilities of the Auditor in the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit to conduct the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Moreover, design and perform audit procedures in response to those risks of material misstatement. The selection and application of audit procedures depend on the auditor's judgement. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the consolidated financial statements to express an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the validity of related notes.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether there are material uncertainties regarding events or situations that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements, or if the notes to the consolidated financial statements are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes are in accordance with accounting principles generally accepted in Japan, as well as the presentation, structure and content of

the consolidated financial statements, including the related notes, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieve fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiary to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Auditors and the Board of Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by audit standards.

We also provide Auditors and the Board of Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

We designate, of matters about which we talked with Auditors and the Board of Auditors, those which we found especially significant in auditing the consolidated financial statements for the fiscal year under review as key audit matters and state them in an audit report. However, if announcing those matters is prohibited by laws and regulations, or if we find that we should not report the matters as it is reasonably expected that a disadvantage arising from reporting the matters in an audit report will be more than the public interest, though extremely limited, we do not state the matters.

<Audit of Internal Control>

Audit Opinions

To make an audit certificate under the provisions of Article 193-2, paragraph (2) of the Financial Instruments and Exchange Act, we have audited the internal control report by FURYU Corporation as of March 31, 2023.

In our opinion, the above internal control report, in which FURYU Corporation presents its opinion that the internal control related to financial reporting as of March 31, 2023 is effective, presents fairly, in all material respects, the results of the evaluation of the internal control related to financial reporting, in accordance with the criteria for evaluating internal control related to financial reporting that are generally accepted in Japan.

Basis for Audit Opinions

We conducted our audit of internal control in accordance with standards for audit of internal control related to financial reporting that are generally accepted in Japan. Our responsibilities under those standards are further described in “Responsibilities of the Auditor in the Audit of Internal Control.” In accordance with the provisions of the Code of Professional Ethics in Japan, we are independent of the Company and its consolidated subsidiary, and we have fulfilled our other ethical responsibilities as the auditor. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of Management, Auditors and the Board of Auditors for the Internal Control Report

Management is responsible for developing and operating internal control related to financial reporting and for drawing up and fairly presenting an internal control report in accordance with criteria for evaluating internal control related to financial reporting that are generally accepted in Japan.

Auditors and the Board of Auditors are responsible for observing and verifying the development and operation of internal control related to financial reporting.

Moreover, there is a possibility that internal control related to financial reporting may not prevent or find any false entry in financial reporting completely.

Responsibilities of Auditor for the Audit of Internal Control

Our responsibilities are to obtain reasonable assurance about whether or not an internal control report includes any significant misstatements, based on an internal control audit conducted by us, and to express our opinion about the internal control report from an independent point of view in an internal control audit report.

In accordance with standards for audit of internal control related to financial reporting that are generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit to conduct the following:

- Go through a procedure for audit to obtain audit evidence for the results of evaluation of internal control related to financial reporting in an internal control report. Procedures for an internal control audit are chosen and applied based on the importance of influence on the reliability of financial reporting, on the Auditor's own responsibility;
- Consider entries in an internal control report as a whole, including entries made by the management regarding the scope and results of and procedure for evaluation of internal control related to financial reporting;
- Obtain sufficient and appropriate audit evidence for the results of evaluation of internal control related to financial reporting in an internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to Auditors and the Board of Auditors the planned scope and time of an internal control audit, the results of the internal control audit conducted, any significant deficiencies in internal control that we identify during our audit, corrections to those deficiencies and other matters required by standards for audit of internal control.

We also provide Auditors and the Board of Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partner do not have any interest in the Company and its consolidated subsidiary which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The original of the above audit report is separately kept by the Company (the reporting company of the annual securities report).

2. The XBRL data are not covered by the audit.

Independent Auditor's Audit Report

June 23, 2023

FURYU Corporation

To the Board of Directors

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated Engagement Partner and Partner	Certified Public Accountant	Michiyuki Yamamoto
Designated Engagement Partner and Partner	Certified Public Accountant	Yuichiro Koga

Audit Opinions

To make an audit certificate under the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, we have audited the financial statements for the 17th fiscal year from April 1, 2022 to March 31, 2023 of FURYU Corporation, which are listed in "Financial information" and consist of the balance sheet, statement of income, statement of changes in equity, notes - significant accounting policies, notes for other matters and annexed detailed schedules.

In our opinion, the above financial statements present fairly, in all material respects, the financial condition of FURYU Corporation as of March 31, 2023 and the economic performance for the fiscal year ended on the said date in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinions

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in "Responsibilities of the Auditor in the Audit of the Financial Statements." In accordance with the provisions of the Code of Professional Ethics in Japan, we are independent of the Company, and we have fulfilled our other ethical responsibilities as the auditor. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters mean those which the Auditor found especially significant as a professional expert in auditing the financial statements for the fiscal year under review. The key audit matters are those which the Auditors considered in the process of auditing the whole financial statements and in forming audit opinions, and we do not provide opinions on those matters individually.

Pictlink Charging Revenues

Matters concerning Pictlink charging revenues are omitted as those are the same as key audit matters (Pictlink charging revenue) stated in the audit report on the consolidated financial statements.

Other Information

Other information contains the information included in the annual securities report except for the consolidated financial statements and the financial statements as well as audit reports thereon. Management is responsible for preparing and disclosing the other information. Auditors and the Board of Auditors are responsible for monitoring the execution of duties by Directors in the development and operation of the reporting process for the other information.

The scope of our opinion on the financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibility for the audit of the financial statements is to read through the other information, and in doing so, consider whether there are material differences between the other information and the financial statements or our knowledge acquired during the audit. This responsibility also includes paying attention to whether there are any other indications of material errors in the other information besides such material differences.

If we determine, based on the audit work performed, that there are material errors in the other information, we are required to report those facts.

We have no matters to report regarding the other information.

Responsibilities of Management, Auditors and the Board of Auditors for the Financial Statements

Management is responsible for preparing and fairly presenting the financial statements in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control that is deemed necessary by management in order to prepare and fairly present the financial statements that are free of material misstatement due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements with the assumption of the ability to continue as a going concern, and disclosing, as applicable, matters regarding the going concern in accordance with accounting principles generally accepted in Japan.

Auditors and the Board of Auditors are responsible for monitoring the execution of duties by Directors in the development and operation of the financial reporting process.

Responsibilities of the Auditor in the Audit of the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion on the financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit to conduct the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Moreover, design and perform audit procedures in response to those risks of material misstatement. The selection and application of audit procedures depend on the auditor’s judgement. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the financial statements to express an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the validity of related notes.
- Conclude on the appropriateness of management’s use of the going concern basis for preparing the financial statements and, based on the audit evidence obtained, whether there are material uncertainties regarding events or situations that may cast significant doubt on the entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related notes to the financial statements, or if the notes to the financial statements are inadequate, to express a qualified opinion with exceptions on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluate whether the presentation of the financial statements and the notes are in accordance with accounting principles generally accepted in Japan, as well as the presentation, structure and content of the financial statements, including the related notes, and whether the financial statements represent the underlying transactions and accounting events in a manner that achieve fair presentation.

We communicate with Auditors and the Board of Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by audit standards.

We also provide Auditors and the Board of Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

We designate, of matters about which we talked with Auditors and the Board of Auditors, those which we found especially significant in auditing the financial statements for the fiscal year under review as key audit matters and state them in an audit report. However, if announcing those matters is prohibited by laws and regulations, or if we find that we should not report the matters as it is reasonably expected that a disadvantage arising from reporting the matters in an audit report will be more than the public interest, though extremely limited, we do not state the matters.

Interests Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partner do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The original of the above audit report is separately kept by the Company (the reporting company of the annual securities report).

2. The XBRL data are not covered by the audit.