

Translation

Notice: This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Based on Japanese GAAP)

August 10, 2023

Company name: FURYU CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 6238 URL <https://www.furyu.jp/>
 Representative: President Takashi Mishima
 General Manager of Finance & Accounting
 Inquiries: Naoki Tani TEL 03(5728)1761
 Department
 Scheduled date to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

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

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	9,974	22.5	1,315	93.4	1,262	97.6	840	101.8
Three months ended June 30, 2022	8,142	1.8	679	(42.9)	639	(45.8)	416	(48.8)

Note: Comprehensive income Three months ended June 30, 2023 ¥981 million [92.8%]
 Three months ended June 30, 2022 ¥509 million [(37.3)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	31.77	—
Three months ended June 30, 2022	15.21	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	25,608	20,129	78.6
As of March 31, 2023	25,932	20,152	77.7

(Reference) Equity As of June 30, 2023 ¥20,129 million
 As of March 31, 2023 ¥20,152 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	0.00	—	38.00	38.00
Year ending March 31, 2024	—				
Year ending March 31, 2024 (Forecast)		0.00	—	38.00	38.00

Note: Revisions to the forecasts of cash dividends most recently announced: No

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

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

Note: Revisions to the forecasts of financial results most recently announced: No

*Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023

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

No

- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

Note: For details, please see “2. Quarterly consolidated financial statements and significant notes thereto (3) Notes to quarterly consolidated financial statements (Application of special accounting methods for preparing quarterly consolidated financial statements) on page 8 of the attached material.”

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

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

No

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

- (4) Number of issued shares (common shares)

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

As of June 30, 2023	28,296,000 shares	As of March 31, 2023	28,296,000 shares
---------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of June 30, 2023	1,855,966 shares	As of March 31, 2023	1,855,966 shares
---------------------	------------------	----------------------	------------------

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

Three months ended June 30, 2023	26,440,034 shares	Three months ended June 30, 2022	27,360,234 shares
----------------------------------	-------------------	----------------------------------	-------------------

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

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

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

[Attached Material]**Index**

1. Qualitative information regarding financial results for the first three months.....	2
(1) Explanation regarding operating results.....	2
(2) Explanation regarding financial position.....	3
(3) Explanation regarding consolidated financial results forecasts and other forward-looking statements	4
2. Quarterly consolidated financial statements and significant notes thereto	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statement of income (cumulative) and quarterly consolidated statement of comprehensive income (cumulative).....	6
Quarterly consolidated statement of income (cumulative).....	6
Quarterly consolidated statement of comprehensive income (cumulative).....	7
(3) Notes to quarterly consolidated financial statements	8
(Notes on premise of going concern)	8
(Notes when there are significant changes in amounts of equity)	8
(Application of special accounting methods for preparing quarterly consolidated financial statements).....	8
(Segment information)	9

1. Qualitative information regarding financial results for the first three months

(1) Explanation regarding operating results

During the first quarter of the current fiscal year (April 1, 2023 to June 30, 2023), the Japanese economy underwent normalization of socioeconomic activities that entered a new phase under the “live with COVID” policy following the reclassification of COVID-19 as a Class 5 infectious disease, and the resulting trend of recovery in personal consumption grew more pronounced. On the other hand, there remained uncertainties about the future economic trends, such as the continuing depreciation of the yen due to the interest rate differential compared with countries of Europe and North America and the soaring prices of energy and raw materials due to the prolonged conflict between Russia and Ukraine.

Under these circumstances, with the Group’s corporate philosophy “Create quality entertainment that brings happiness and fulfillment to people,” the Group focused on expanding the Photo Sticker Business, diversifying monetization utilizing the customer base, which is young women, and selling products using character IPs (intellectual properties), and took steps to implement our “Medium-term Vision” with the fiscal year ending March 31, 2024 marking the first year of that vision.

As a result, regarding the operating results for the three months ended June 30, 2023, the Group saw net sales of ¥9,974 million (122.5% of the same period of the previous fiscal year), operating profit of ¥1,315 million (193.4% of the same period of the previous fiscal year), ordinary profit of ¥1,262 million (197.6% of the same period of the previous fiscal year), and profit attributable to owners of parent of ¥840 million (201.8% of the same period of the previous fiscal year).

Operating results by segment are as follows:

Effective from the first quarter of the current fiscal year, the Company changed the classification of its reportable segments. Year-on-year comparisons are based on figures for the same period of the previous fiscal year which have been reclassified to reflect the new segment classifications. For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto (3) Notes to quarterly consolidated financial statements (Segment information) 3. Disclosure of changes, etc. in reportable segments.”

(Sekaikan Business)

In the Sekaikan Business, we continued to focus on acquiring many IP rights to classic characters, popular manga works, world-famous games, etc. and producing merchandise thereof.

Our products are mainly manufactured in China. As the manufacturing costs were settled in the US dollar, profits continued to be affected by the weak yen.

Although the profitability of crane game prizes was on a downward trend due to soaring purchasing costs resulting from the weak yen, the sales expanded significantly as a result of the synergy between expansion of the crane game market and our merchandise production with several popular IPs.

Turning to products for overseas merchandise, orders in the major markets of China and the US were sluggish with declining sales.

As for high-end hobby items, we launched “FURYU HOBBY MALL” in March 2023, an e-commerce site for hobby items, expanding variation in our product lineup to include middle-end items in addition to the traditional high-end items. Sales exceeded the previous year due to strong product orders received.

As a result, for the three months ended June 30, 2023, the Group saw net sales of ¥5,572 million (150.4% of the same period of the previous fiscal year), and an operating profit of ¥726 million (316.7% of the same period of the previous fiscal year).

(Girls' Trend Business)

In the Photo Sticker Business, lifestyle changes brought about by the COVID-19 pandemic affected consumer behavior, and the play count did not recover to pre-COVID levels yet. Amid these difficult market conditions, we implemented sales promotions to attract new customers, such as tie-ins based on a theme of “supporting one’s favorite” popular characters with a view to recovering the play count, and the introduction of machines selling “authentic horror experiences.” In addition, a new model, “MY PALETTE” was launched in June. Under these circumstances, the play count in the three months ended June 30, 2023 reached 7.67 million (7.66 million in the same period of the previous fiscal year).

Turning to the photo sticker image acquisition and viewing service “Pictlink,” the number of paying members, which we consider an important KPI for the service, was on a gradual uptrend despite a temporary decline from the end of March 2023 as a result of seasonal factors, reaching 1.45 million at the end of June 2023 (1.43 million at the end of June 2022). As a strategy to further grow this service, we released the “PiCTLINK photos” photo storage service for premium members in May, and will expand the number of eligible members in stages.

As a result, for the three months ended June 30, 2023, the Group saw net sales of ¥3,617 million (107.5% of the same period of the previous fiscal year), and an operating profit of ¥1,072 million (114.5% of the same period of the previous fiscal year).

(FURYU New Business)

In the home video game software business, we focused on downloadable versions of existing titles and overseas sales to generate earnings. We also conducted promotions for the new title “CRYMACHINA,” to be released in July.

In the game application business, due to the shrinking market for romance simulation games designed for women, which is the Company’s business area, we are ending service for some titles, while developing new titles for future customer expansion.

In the animation business, Blu-ray and DVD sales of last year’s hit movie “LAID-BACK CAMP” were strong. Products related to the series also made a significant contribution to sales, and the series continues to grow as a key title.

In the colored contact lens business, we conducted a campaign to mark the third anniversary of the launch of our private-label brand “BELLSiQUE,” alongside other activities. In addition, through renewal of our e-commerce site “Mew contact” last year, we aimed to improve the site’s convenience for customers, and we continue efforts to increase customer inflow.

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

As a result, for the three months ended June 30, 2023, the Group saw net sales of ¥785 million (73.3% of the same period of the previous fiscal year), and an operating loss of ¥81 million (an operating loss of ¥96 million in the same period of the previous fiscal year).

(2) Explanation regarding financial position

As of June 30, 2023, total assets were ¥25,608 million, liabilities were ¥5,478 million, and net assets were ¥20,129 million. The equity ratio was 78.6%.

(Assets)

Assets stood at ¥25,608 million, a decrease of ¥323 million from the end of the previous fiscal year. This is mainly due to a decrease in cash and deposits of ¥1,035 million and a decrease in property, plant and equipment of ¥329 million, despite an increase in inventories of ¥974 million.

(Liabilities)

Liabilities stood at ¥5,478 million, a decrease of ¥300 million from the end of the previous fiscal year. This is mainly due to a decrease in electronically recorded obligations - operating of ¥452 million and a decrease in provision for loss on orders received of ¥81 million, despite an increase in income taxes payable of ¥337 million.

(Net assets)

Net assets stood at ¥20,129 million, a decrease of ¥22 million from the end of the previous fiscal year. This is mainly due to a decrease in retained earnings of ¥1,004 million as result of dividends paid, despite an increase in retained earnings of ¥840 million resulting from the recording of profit attributable to owners of parent.

(3) Explanation regarding consolidated financial results forecasts and other forward-looking statements

There is no change to the consolidated financial results forecasts announced on May 12, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	10,800,352	9,764,384
Notes and accounts receivable - trade	4,250,802	4,204,649
Electronically recorded monetary claims - operating	1,293,139	1,294,986
Inventories	2,422,466	3,396,615
Other	2,099,819	2,216,609
Allowance for doubtful accounts	(5,422)	(1,398)
Total current assets	20,861,156	20,875,846
Non-current assets		
Property, plant and equipment	2,665,613	2,335,909
Intangible assets	667,939	732,647
Investments and other assets		
Other	1,755,785	1,682,590
Allowance for doubtful accounts	(18,332)	(18,332)
Total investments and other assets	1,737,452	1,664,257
Total non-current assets	5,071,005	4,732,814
Total assets	25,932,162	25,608,661
Liabilities		
Current liabilities		
Accounts payable - trade	734,435	951,661
Electronically recorded obligations - operating	1,565,204	1,112,739
Income taxes payable	100,180	438,053
Provision for bonuses	—	259,677
Provision for loss on orders received	182,815	101,071
Other	2,911,638	2,306,887
Total current liabilities	5,494,273	5,170,090
Non-current liabilities		
Retirement benefit liability	278,350	301,870
Other	6,996	6,958
Total non-current liabilities	285,347	308,829
Total liabilities	5,779,620	5,478,919
Net assets		
Shareholders' equity		
Share capital	1,639,216	1,639,216
Capital surplus	1,614,716	1,614,716
Retained earnings	19,024,692	18,860,012
Treasury shares	(2,000,368)	(2,000,368)
Total shareholders' equity	20,278,255	20,113,575
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(59,116)	80,838
Remeasurements of defined benefit plans	(66,597)	(64,672)
Total accumulated other comprehensive income	(125,713)	16,166
Total net assets	20,152,541	20,129,741
Total liabilities and net assets	25,932,162	25,608,661

(2) Quarterly consolidated statement of income (cumulative) and quarterly consolidated statement of comprehensive income (cumulative)**Quarterly consolidated statement of income (cumulative)**

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	8,142,259	9,974,917
Cost of sales	4,270,019	5,633,609
Gross profit	3,872,240	4,341,308
Selling, general and administrative expenses	3,192,311	3,026,137
Operating profit	679,928	1,315,171
Non-operating income		
Subsidy income	21	509
Subsidy income	5,196	–
Other	30	43
Total non-operating income	5,247	553
Non-operating expenses		
Interest expenses	108	94
Foreign exchange losses	45,943	52,649
Other	–	62
Total non-operating expenses	46,052	52,806
Ordinary profit	639,123	1,262,918
Extraordinary losses		
Loss on sale and retirement of non-current assets	–	0
Total extraordinary losses	–	0
Profit before income taxes	639,123	1,262,918
Income taxes	222,895	422,876
Profit	416,228	840,041
Profit attributable to owners of parent	416,228	840,041

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	416,228	840,041
Other comprehensive income		
Deferred gains or losses on hedges	91,293	139,955
Remeasurements of defined benefit plans, net of tax	1,713	1,924
Total other comprehensive income	93,006	141,880
Comprehensive income	509,234	981,921
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	509,234	981,921

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Application of special accounting methods for preparing quarterly consolidated financial statements)

(Calculation of income tax expense)

Income tax expense is calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year including the first quarter under review, and multiplying quarterly profit before income taxes by this estimated effective tax rate.

(Segment information)

[Segment information]

I Three months ended June 30, 2022

1. Information on amounts of net sales and profit or loss by reportable segment

(Thousands of yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Sekaikan Business	Girls' Trend Business	FURYU New Business	Total		
Net sales						
Sales to external customers	3,705,646	3,365,760	1,070,852	8,142,259	—	8,142,259
Inter-segment sales or transfers	—	—	—	—	—	—
Total	3,705,646	3,365,760	1,070,852	8,142,259	—	8,142,259
Segment profit (loss)	229,334	936,589	(96,536)	1,069,388	(389,460)	679,928

Notes: 1. The adjustment amount of negative ¥389,460 thousand for segment profit or loss includes ¥600 thousand in inter-segment transactions, and negative ¥390,060 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.

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

2. Information about impairment loss of non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses of non-current assets)

Not applicable.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

II Three months ended June 30, 2023

1. Information on amounts of net sales and profit or loss by reportable segment

(Thousands of yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Sekaikan Business	Girls' Trend Business	FURYU New Business	Total		
Net sales						
Sales to external customers	5,572,129	3,617,680	785,106	9,974,917	—	9,974,917
Inter-segment sales or transfers	—	—	—	—	—	—
Total	5,572,129	3,617,680	785,106	9,974,917	—	9,974,917
Segment profit (loss)	726,383	1,072,470	(81,772)	1,717,081	(401,910)	1,315,171

Notes: 1. The adjustment amount of negative ¥401,910 thousand for segment profit or loss includes ¥780 thousand in inter-segment transactions, and negative ¥402,690 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.

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

2. Information about impairment loss of non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses of non-current assets)

Not applicable.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

3. Disclosure of changes, etc. in reportable segments

From the first quarter of the current fiscal year, with the aim of further corporate growth and enhancement of corporate value, we changed our management structure to a business-model oriented one in order to achieve our “Medium-Term Vision,” with the fiscal year ending March 31, 2024 marking the first year of that vision. Reportable segments were changed in line with this, from the previous four segments, “Photo Sticker,” “Content and Media,” “Character Merchandizing,” and “Game and Anime” to three segments, “Sekaikan Business,” “Girls’ Trend Business,” and “FURYU New Business.”

Segment information for the first quarter of the previous fiscal year is stated based on the segment classifications after this change.