

Translation

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

November 14, 2023

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 Stock code: 6238 URL <https://www.furyu.jp/>
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 Scheduled date to file Quarterly Securities Report: November 14, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 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	%
Six months ended September 30, 2023	21,083	17.2	2,427	53.2	2,374	50.9	1,583	52.7
Six months ended September 30, 2022	17,987	7.5	1,584	(41.0)	1,574	(41.6)	1,036	(44.3)

Note: Comprehensive income Six months ended September 30, 2023 ¥1,765 million [52.7%]
 Six months ended September 30, 2022 ¥1,156 million [(38.1)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	59.88	—
Six months ended September 30, 2022	37.98	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	28,094	20,913	74.4
As of March 31, 2023	25,932	20,152	77.7

(Reference) Equity As of September 30, 2023 ¥20,913 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	—	0.00			
Year ending March 31, 2024 (Forecast)			—	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	42,000	15.4	3,300	54.6	3,300	51.4	2,300	59.3	86.99

Note: Revisions to the forecasts of financial results most recently announced: Yes

*Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 (4) Notes to quarterly consolidated financial statements (Application of special accounting methods for preparing quarterly consolidated financial statements) on page 9 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 September 30, 2023	28,296,000 shares	As of March 31, 2023	28,296,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2023	1,855,989 shares	As of March 31, 2023	1,855,966 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	26,440,028 shares	Six months ended September 30, 2022	27,292,186 shares
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* 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.

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

(1) Explanation regarding operating results

During the first six months of the current fiscal year (April 1, 2023 to September 30, 2023), the Japanese economy underwent further normalization of socioeconomic activities following the reclassification of COVID-19 to a Class 5 infectious disease, bringing with it the relaxation of activity restrictions and the resumption of movement of people. The pickup in consumer activity has grown more pronounced as a result of an increase in the number of foreign tourists due to the easing of restrictions on entry from overseas, and boosted by the recovery in inbound demand. On the other hand, there remained uncertainties about future economic trends, such as the continuing depreciation of the yen due to the interest rate differential compared with the European countries 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 six months ended September 30, 2023, the Group saw net sales of ¥21,083 million (117.2% of the same period of the previous fiscal year), operating profit of ¥2,427 million (153.2% of the same period of the previous fiscal year), ordinary profit of ¥2,374 million (150.9% of the same period of the previous fiscal year), and profit attributable to owners of parent of ¥1,583 million (152.7% 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 (4) 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.

Sales of crane game prizes expanded significantly, despite the impact of soaring purchase costs due to the weak yen, as a result of the expansion of the crane game market and the commercialization of several popular IPs, in addition to the recovery in inbound demand mentioned above.

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

We are providing a wider variety of high-priced hobby products sold through "FURYU HOBBY MALL," a hobby e-commerce site opened in March 2023. Product sales were also strong, resulting in higher sales than the previous year, and profits have also remained steady.

As a result, for the six months ended September 30, 2023, the Group saw net sales of ¥11,704 million (146.5% of the same period of the previous fiscal year), and an operating profit of ¥1,063 million (338.7% 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 events to convert images taken with the print sticker machines into AI portraits. Under these circumstances, the play count in the six months ended September 30, 2023 reached 16.41 million (16.47 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, continued to show a gradual recovery and reached 1.47 million as of September 30, 2023 (1.45 million as of September 30, 2022) due to a combination of seasonal factors such as increased playing frequency during summer vacation. As a strategy to further grow this service, we released the “PiCTLINK photos” photo storage service for premium members in May, and are making preparations to expand the service to all members.

As a result, for the six months ended September 30, 2023, the Group saw net sales of ¥7,578 million (103.3% of the same period of the previous fiscal year), and an operating profit of ¥2,314 million (111.3% of the same period of the previous fiscal year).

(FURYU New Business)

In the home video game software business, sales of the new title, “CRYMACHINA” released in July were strong, and together with downloadable versions of existing titles and overseas sales, drove this business.

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 base expansion.

In the anime business, in addition to strong Blu-ray and DVD sales of last year’s hit movie “LAID-BACK CAMP” and related products of the same series, distribution of the new TV animation “Masamune-kun’s Revenge R” contributed significantly to sales.

In the colored contact lens business, we will continue to implement sales promotion measures on our e-commerce site “Mew contact,” which was renovated last year, while also continuing to improve customer convenience of the site to increase customer inflow.

In the programmatic advertising business, sales declined from the previous year due to a decrease in orders received from existing clients, but the Group is striving to improve profitability by focusing on sales activities to acquire new clients.

As a result, for the six months ended September 30, 2023, the Group saw net sales of ¥1,800 million (67.7% of the same period of the previous fiscal year), and an operating loss of ¥153 million (an operating loss of ¥21 million in the same period of the previous fiscal year).

(2) Explanation regarding financial position

As of September 30, 2023, total assets were ¥28,094 million, liabilities were ¥7,181 million, and net assets were ¥20,913 million. The equity ratio was 74.4%.

(Assets)

Assets stood at ¥28,094 million, an increase of ¥2,162 million from the end of the previous fiscal year. This is mainly due to an increase in notes and accounts receivable - trade of ¥110 million, an increase in electronically recorded monetary claims - operating of ¥583 million, an increase in inventories of ¥1,295 million, and an increase in “other” in current assets of ¥420 million, despite a decrease in cash and deposits of ¥118 million and a decrease in property, plant and equipment of ¥183 million.

(Liabilities)

Liabilities stood at ¥7,181 million, an increase of ¥1,401 million from the end of the previous fiscal year. This is mainly due to an increase in accounts payable - trade of ¥429 million, an increase in income taxes payable of ¥737 million, and an increase in “other” in current liabilities of ¥267 million, despite a decrease in electronically recorded obligations - operating of ¥88 million.

(Net assets)

Net assets stood at ¥20,913 million, an increase of ¥760 million from the end of the previous fiscal year. This is mainly due to an increase in retained earnings of ¥1,583 million resulting from the recording of profit attributable to owners of parent, despite a decrease in retained earnings of ¥1,004 million as result of dividends paid.

(3) Analysis of cash flows

Cash and cash equivalents as of September 30, 2023 amounted to ¥10,682 million, down by ¥118 million, compared to the end of the previous fiscal year. This was the result of ¥1,816 million provided by operating activities, ¥933 million used in investing activities, and ¥1,006 million used in financing activities.

(Cash flows from operating activities)

In operating activities, profit before income taxes amounted to ¥2,374 million and depreciation amounted to ¥954 million. In addition, there were an increase in trade receivables of ¥693 million, an increase in inventories of ¥1,295 million, and an increase in trade payables of ¥341 million. As a result, net cash provided by operating activities was ¥1,816 million, compared with ¥204 million used in the six months ended September 30, 2022.

(Cash flows from investing activities)

In investing activities, there were outflows of ¥635 million due to purchase of property, plant and equipment, ¥240 million due to purchase of intangible assets, and ¥66 million due to payments of guarantee deposits. As a result, net cash used in investing activities was ¥933 million, compared with ¥957 million used in the six months ended September 30, 2022.

(Cash flows from financing activities)

In financing activities, there was ¥653 million in proceeds from sale and leaseback transactions, ¥655 million due to repayments of lease liabilities, and ¥1,004 million due to dividends paid. As a result, net cash used in financing activities was ¥1,006 million, compared with ¥1,929 million used in the six months ended September 30, 2022.

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

The consolidated financial results forecasts have been revised as described in the “Notice of Revision of Full-year Consolidated Financial Results Forecasts” released on November 14, 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	10,800,352	10,682,335
Notes and accounts receivable - trade	4,250,802	4,360,807
Electronically recorded monetary claims - operating	1,293,139	1,876,678
Inventories	2,422,466	3,718,460
Other	2,099,819	2,520,288
Allowance for doubtful accounts	(5,422)	(1,385)
Total current assets	20,861,156	23,157,183
Non-current assets		
Property, plant and equipment	2,665,613	2,482,527
Intangible assets	667,939	743,985
Investments and other assets		
Other	1,755,785	1,729,354
Allowance for doubtful accounts	(18,332)	(18,332)
Total investments and other assets	1,737,452	1,711,021
Total non-current assets	5,071,005	4,937,534
Total assets	25,932,162	28,094,718
Liabilities		
Current liabilities		
Accounts payable - trade	734,435	1,164,081
Electronically recorded obligations - operating	1,565,204	1,476,625
Income taxes payable	100,180	837,318
Provision for loss on orders received	182,815	193,752
Other	2,911,638	3,179,187
Total current liabilities	5,494,273	6,850,965
Non-current liabilities		
Retirement benefit liability	278,350	323,456
Other	6,996	6,920
Total non-current liabilities	285,347	330,377
Total liabilities	5,779,620	7,181,342
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	19,603,123
Treasury shares	(2,000,368)	(2,000,402)
Total shareholders' equity	20,278,255	20,856,652
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(59,116)	119,470
Remeasurements of defined benefit plans	(66,597)	(62,747)
Total accumulated other comprehensive income	(125,713)	56,722
Total net assets	20,152,541	20,913,375
Total liabilities and net assets	25,932,162	28,094,718

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

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	17,987,848	21,083,070
Cost of sales	9,864,662	12,345,685
Gross profit	8,123,186	8,737,385
Selling, general and administrative expenses	6,538,285	6,309,453
Operating profit	1,584,900	2,427,931
Non-operating income		
Interest income	3	4
Subsidy income	21	534
Subsidy income	5,196	–
Gain on investments in investment partnerships	8,318	5,177
Gain on liquidation of lease and guarantee deposits	9,909	–
Other	166	1,637
Total non-operating income	23,614	7,355
Non-operating expenses		
Interest expenses	108	103
Foreign exchange losses	34,335	60,547
Other	53	63
Total non-operating expenses	34,497	60,713
Ordinary profit	1,574,016	2,374,573
Extraordinary income		
Gain on sale of non-current assets	74	29
Total extraordinary income	74	29
Extraordinary losses		
Loss on sale and retirement of non-current assets	3,811	0
Total extraordinary losses	3,811	0
Profit before income taxes	1,570,280	2,374,603
Income taxes	533,735	791,450
Profit	1,036,545	1,583,152
Profit attributable to owners of parent	1,036,545	1,583,152

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	1,036,545	1,583,152
Other comprehensive income		
Deferred gains or losses on hedges	116,200	178,586
Remeasurements of defined benefit plans, net of tax	3,426	3,849
Total other comprehensive income	119,626	182,436
Comprehensive income	1,156,172	1,765,589
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,156,172	1,765,589

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,570,280	2,374,603
Depreciation	1,124,337	954,445
Increase (decrease) in allowance for doubtful accounts	725	(4,037)
Increase (decrease) in retirement benefit liability	48,238	48,955
Interest and dividend income	(3)	(4)
Interest expenses	108	103
Foreign exchange losses (gains)	(3,373)	(5,559)
Loss (gain) on sale and retirement of non-current assets	3,736	(29)
Decrease (increase) in trade receivables	(123,453)	(693,544)
Decrease (increase) in inventories	(899,757)	(1,295,993)
Decrease (increase) in accounts receivable - other	23,303	(42,458)
Decrease (increase) in advance payments to suppliers	(287,419)	(44,032)
Increase (decrease) in trade payables	13,724	341,066
Increase (decrease) in accounts payable - other	(136,498)	41,810
Increase (decrease) in accrued expenses	366,721	(101,655)
Other, net	(871,142)	309,152
Subtotal	829,525	1,882,821
Interest and dividends received	3	4
Interest paid	(108)	(103)
Income taxes paid	(1,033,704)	(73,279)
Income taxes refund	—	7,043
Net cash provided by (used in) operating activities	(204,284)	1,816,486
Cash flows from investing activities		
Purchase of property, plant and equipment	(741,686)	(635,724)
Proceeds from sale of property, plant and equipment	704	30
Purchase of intangible assets	(208,650)	(240,006)
Payments of guarantee deposits	(23,690)	(66,156)
Other, net	16,269	8,644
Net cash provided by (used in) investing activities	(957,053)	(933,213)
Cash flows from financing activities		
Proceeds from sale and leaseback transactions	1,004,306	653,196
Repayments of lease liabilities	(1,013,636)	(655,290)
Dividends paid	(1,422,732)	(1,004,721)
Purchase of treasury shares	(497,069)	(34)
Net cash provided by (used in) financing activities	(1,929,131)	(1,006,849)
Effect of exchange rate change on cash and cash equivalents	3,373	5,559
Net increase (decrease) in cash and cash equivalents	(3,087,094)	(118,017)
Cash and cash equivalents at beginning of period	14,662,406	10,800,352
Cash and cash equivalents at end of period	11,575,311	10,682,335

(4) 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 second quarter under review, and multiplying quarterly profit before income taxes by this estimated effective tax rate.

(Segment information)

[Segment information]

I Six months ended September 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	7,991,900	7,336,302	2,659,646	17,987,848	—	17,987,848
Inter-segment sales or transfers	—	—	—	—	—	—
Total	7,991,900	7,336,302	2,659,646	17,987,848	—	17,987,848
Segment profit (loss)	314,055	2,079,943	(21,424)	2,372,574	(787,674)	1,584,900

Notes: 1. The adjustment amount of negative ¥787,674 thousand for segment profit or loss includes ¥1,200 thousand in inter-segment transactions, and negative ¥788,874 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 Six months ended September 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	11,704,176	7,578,646	1,800,247	21,083,070	—	21,083,070
Inter-segment sales or transfers	—	—	—	—	—	—
Total	11,704,176	7,578,646	1,800,247	21,083,070	—	21,083,070
Segment profit (loss)	1,063,675	2,314,739	(153,663)	3,224,751	(796,819)	2,427,931

Notes: 1. The adjustment amount of negative ¥796,819 thousand for segment profit or loss includes ¥1,920 thousand in inter-segment transactions, and negative ¥798,739 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 six months ended September 30, 2022 is stated based on the segment classifications after this change.