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June 7, 2024

Consolidated Financial Results for the Three Months Ended April 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4334
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 Scheduled date to file quarterly securities report: June 13, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the three months ended April 30, 2024 (from February 1, 2024 to April 30, 2024)

(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								
April 30, 2024	833	(17.0)	36	(79.5)	61	(68.0)	40	(71.3)
April 30, 2023	1,004	0.3	176	(27.1)	193	(46.3)	143	(51.7)

Note: Comprehensive income For the three months ended April 30, 2024: ¥44 million (69.2)%
 For the three months ended April 30, 2023: ¥143 million (51.9)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
April 30, 2024	4.88	4.88
April 30, 2023	17.01	16.80

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
April 30, 2024	3,137	2,408	74.2
January 31, 2024	3,253	2,434	72.8

Reference: Equity
 As of April 30, 2024: ¥2,327 million
 As of January 31, 2024: ¥2,367 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2024	—	0.00	—	10.00	10.00
Fiscal year ending January 31, 2025	—				
Fiscal year ending January 31, 2025 (Forecast)		0.00	—	12.00	12.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2024	1,856	(8.7)	110	(32.7)	107	(54.8)	77	(56.4)	9.23
Fiscal year ending January 31, 2025	4,040	(1.1)	397	121.4	397	40.7	333	—	39.65

Note: Revisions to the forecast of cash dividends most recently announced: None

*** Notes**

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

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements:
Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of April 30, 2024	11,096,000 shares
As of January 31, 2024	11,096,000 shares

(ii) Number of treasury shares at the end of the period

As of April 30, 2024	2,692,480 shares
As of January 31, 2024	2,692,480 shares

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

Three months ended April 30, 2024	8,403,520 shares
Three months ended April 30, 2023	8,411,247 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

This summary of financial results includes forward-looking statements such as our forecasts.

These forward-looking statements are based on judgments and assumptions that are based on information currently available to us, and may differ materially from our actual results in the future in light of the uncertainties inherent in judgments and assumptions and the possibility of fluctuations due to future business operations and changes in internal and external conditions.

Please refer to "Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 2 of the accompanying materials for the judgments and assumptions that form the basis for the forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Management's discussion

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

In our group-related entertainment industries, Nintendo's total sales of the Nintendo DS game console in Japan exceeded 33.34 million units. This is the largest number of game consoles sold in Japan in the history of observations. In addition, Nintendo Co., Ltd. announced that it would be unveiled about the successor model of the Nintendo Switch during the current fiscal year. This was the first announcement of a variant in 9 years since Nintendo Switch was released in March 2015. Meanwhile, A Certain major game publisher announced that it expects to book a huge extraordinary loss.

Under such circumstances, our commissioned software "Square Earth is under attack again! EARTH DEFENSE FORCE: WORLD BROTHERS2" (marketer: D3PUBLISHER INC.) was launched on May 23, 2024. In addition, at GAME CREATORS CONFERENCE' 2024, which was held by a large-scale study group for game developers, our development staffs attended and talked in the session of Tales of ARISE – Beyond the Dawn session on April 5, 2024.

In XR business field, we are advancing a number of live projects.

In the Pachinko and Pachislot field, we are outsourcing video development projects for multiple titles.

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

As a result of the above, for the first quarter, net sales were 833 million yen (down 17.0% year on year), ordinary income was 61 million yen (down 68.0% year on year), and profit attributable to owners of parent was 40 million yen (down 71.3% year on year).

Since our Group is a single segment of the digital content business, the disclosure of business results by segment is omitted.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year decreased by 116 million yen from the end of the previous fiscal year to 3.137 billion yen. The main factors were a 182 million yen increase in cash and deposits, a 315 million yen decrease in accounts receivable and contract assets, and a 15 million yen increase in work in process.

Liabilities decreased by 89 million yen from the end of the previous fiscal year to 729 million yen. The main factors were a decrease of 200 million yen in short-term loans payable, an increase of 62 million yen in accounts payable-other, and an increase of 40 million yen in contract liabilities.

Net assets decreased 26 million yen from the end of the previous fiscal year to 2.408 billion yen. This was mainly due to quarterly profit attributable to owners of parent of 40 million yen, dividends of surplus of 84 million yen, and an increase in subscription rights to shares of 13 million yen.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

There are no revisions to the full-year earnings forecasts from those announced in the Financial Results for the Fiscal Year Ended January 2024 (announced on March 8, 2024).

Earnings forecasts are forward-looking statements based on currently available information. Actual results may differ from forecasts due to changes in business conditions or other factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of January 31, 2024	As of April 30, 2024
Assets		
Current assets		
Cash and deposits	1,183,933	1,366,470
Trade receivables and contract asset	1,115,386	800,059
Merchandise	0	-
Work in process	11,172	26,541
Prepaid expenses	34,031	42,308
Other	49,303	38,867
Allowance for doubtful accounts	(235)	(294)
Total current assets	2,393,592	2,273,953
Non-current assets		
Property, plant and equipment	34,690	35,195
Intangible assets	1,701	1,600
Investments and other assets		
Investment securities	404,815	409,912
Other	520,868	518,955
Allowance for doubtful accounts	(102,052)	(102,052)
Total investments and other assets	823,632	826,815
Total non-current assets	860,024	863,611
Total assets	3,253,617	3,137,565
Liabilities		
Current liabilities		
Short-term borrowings	300,000	100,000
Accounts payable - other	239,961	302,805
Income taxes payable	9,557	16,566
Contract liabilities	77	40,767
Provision for bonuses	92,639	52,383
Provision for loss on orders received	2,700	-
Other	50,037	90,699
Total current liabilities	694,972	603,221
Non-current liabilities		
Long-term accounts payable - other	200	200
Retirement benefit liability	123,886	125,806
Other	250	250
Total non-current liabilities	124,336	126,256
Total liabilities	819,308	729,477
Net assets		
Shareholders' equity		
Share capital	412,902	412,902
Capital surplus	510,822	510,822
Retained earnings	2,437,623	2,394,576
Treasury shares	(1,060,229)	(1,060,229)
Total shareholders' equity	2,301,118	2,258,071
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,949	69,152
Total accumulated other comprehensive income	65,949	69,152
Share acquisition rights	67,239	80,864
Total net assets	2,434,308	2,408,087
Total liabilities and net assets	3,253,617	3,137,565

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly consolidated statement of income)

(First Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Three months ended April 30, 2023	Three months ended April 30, 2024
Net sales	1,004,406	833,326
Cost of sales	657,101	606,747
Gross profit	347,304	226,579
Selling, general and administrative expenses	170,566	190,307
Operating profit	176,737	36,271
Non-operating income		
Interest income	3,959	1,705
Dividend income	-	2
Foreign exchange gains	12,426	23,097
Other	745	814
Total non-operating income	17,131	25,620
Non-operating expenses		
Interest expenses	74	125
Commission for purchase of treasury shares	499	-
Total non-operating expenses	574	125
Ordinary profit	193,294	61,765
Profit before income taxes	193,294	61,765
Income taxes	50,259	20,777
Profit	143,034	40,987
Profit attributable to owners of parent	143,034	40,987

(Quarterly consolidated statement of comprehensive income)

(First Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Three months ended April 30, 2023	Three months ended April 30, 2024
Profit	143,034	40,987
Other comprehensive income		
Valuation difference on available-for-sale securities	640	3,202
Total other comprehensive income	640	3,202
Comprehensive income	143,675	44,190
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	143,675	44,190
Comprehensive income attributable to non-controlling interests	-	-

(3)Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to profit before income taxes for the fiscal year including the first quarter under review, and multiplying profit before income taxes by this estimated effective tax rate. However, if the calculation of tax expense using the estimated effective tax rate results in a significantly irrational outcome, the Company uses the statutory tax rate.

(Segment Information)

[Segment Information]

Previous first quarter (from February 1, 2023 to April 30, 2023) and current first quarter (from February 1, 2024 to April 30, 2024)

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