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12/10/2024

Consolidated Financial Results for the Nine Months Ended October 31, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4334
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: None

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

1. Consolidated financial results for the nine months ended October 31, 2024 (from February 1, 2024 to October 31, 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	%
Nine months ended								
October 31, 2024	2,554	(17.5)	130	(46.0)	154	(56.3)	108	—
October 31, 2023	3,095	(2.8)	241	(69.4)	354	(63.6)	(1,328)	—

Note: Comprehensive income For the nine months ended October 31, 2024: ¥112 million —%
 For the nine months ended October 31, 2023: ¥(1,327) million —%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
October 31, 2024	12.91	—
October 31, 2023	(158.17)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
October 31, 2024	3,133	2,500	76.7
January 31, 2024	3,253	2,434	72.8

Reference: Equity
 As of October 31, 2024: ¥2,401 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	—	0.00	—		
Fiscal year ending January 31, 2025 (Forecast)				10.00	10.00

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
Fiscal year ending January 31, 2025	3,392	(17.0)	110	(38.3)	113	(59.7)	68	—	8.12

Note: Revisions to the forecast of earnings most recently announced: None

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: None

Excluded: 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 October 31, 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 October 31, 2024	2,677,480 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)

Nine months ended October 31, 2024	8,407,352 shares
Nine months ended October 31, 2023	8,398,885 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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 and Other Forecasts" 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 for the Period under Review

(1) Explanation of Results of Operations

During the first 3 quarters of the fiscal year under review, the Japanese economy is expected to continue to recover moderately, supported partly by the effects of various policies, amid an improvement in the employment and income situation. Nevertheless, the downturn in overseas economies is a risk of downward pressure on the Japanese economy, as seen in the continued high interest rate levels in Europe and the United States and the impact of the continued stagnation of the real estate market in China. In addition, it is necessary to pay careful attention to the effects of inflation, future policy developments in the United States, developments in the Middle East, and changes in financial and capital markets. Furthermore, in the entertainment industry related to our group, major game manufacturers reported significantly lower sales and profits compared with the previous year.

In this circumstances, we participated in the Tokyo Game Show 2024 held at the Makuhari Messe International Conference Center in September 2024. We exhibited our works in the business meeting area and conducted business negotiations with many domestic and overseas companies. In terms of our consignment software, “DOUBLE DRAGON REVIVE” (Arc System Works Co., Ltd.), which we have been participating in the development, had been exhibited at the show. “DOUBLE DRAGON REVIVE” is scheduled to be released by the end of 2025.

In XR business field, “Project SEKAI 4th Anniversary Thanksgiving Festival” sponsored by SEGA CORPORATION and Colorful Palette Inc., held in Yokohama BUNTAI on September 27 and 28, 2024,. In this project, we were in charge of real-time CG production for virtual singers using our proprietary technological ALiS ZERO ®. Also we participated in the production and distribution of real-time live at “CONNECT LIVE 4th ANNIVERSARY Brilliant Stage” held on October 6, 2024.

In the pachinko and Pachislot field, development is proceeding steadily as the Group continues to contract with video development projects for multiple titles.

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

As a result of the above, for the first 3 quarters under review, net sales were 2,554 million yen (down 17.5% year on year), ordinary income was 154 million yen (down 56.3% year on year), and profit attributable to owners of parent was 108 million yen (loss attributable to owners of parent was 1,328 million yen in the same period of the previous fiscal year).

Since our Group is a single segment of the Digital Contents Business, the disclosure of business results by segment is omitted.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year decreased by 120 million yen from the end of the previous fiscal year to 3,133 million yen. The main factors were a 238 million yen increase in cash and deposits and a 326 million yen decrease in accounts receivable and contract assets.

Liabilities decreased by 186 million yen from the end of the previous fiscal year to 632 million yen. This was mainly due to a decrease of 300 million yen in short-term loans payable.

Net assets increased 66 million yen from the end of the previous fiscal year to 2,500 million yen. This was mainly due to quarterly profit attributable to owners of parent of 108 million yen, dividends of surplus of 84 million yen, and an increase in subscription rights to shares of 31 million yen.

(3) Explanation of Consolidated Earnings and Other Forecasts

The full-year earnings forecast has not changed from the earnings forecast announced on September 10, 2024, the financial results for the second quarter (interim) of the fiscal year ending January 31, 2025.

These forecasts are based on information currently available to the Company, and actual results are based on changes in business conditions and 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 October 31, 2024
Assets		
Current assets		
Cash and deposits	1,183,933	1,422,277
Trade receivables and contract asset	1,115,386	788,734
Merchandise	0	-
Work in process	11,172	24,264
Prepaid expenses	34,031	39,249
Other	49,303	24,788
Allowance for doubtful accounts	(235)	(198)
Total current assets	2,393,592	2,299,116
Non-current assets		
Property, plant and equipment	34,690	38,382
Intangible assets	1,701	7,092
Investments and other assets		
Investment securities	404,815	411,646
Other	520,868	479,156
Allowance for doubtful accounts	(102,052)	(102,052)
Total investments and other assets	823,632	788,750
Total non-current assets	860,024	834,226
Total assets	3,253,617	3,133,342
Liabilities		
Current liabilities		
Short-term borrowings	300,000	-
Accounts payable - other	239,961	246,261
Income taxes payable	9,557	32,825
Contract liabilities	77	308
Provision for bonuses	92,639	131,982
Provision for loss on orders received	2,700	-
Other	50,037	93,468
Total current liabilities	694,972	504,845
Non-current liabilities		
Long-term accounts payable - other	200	200
Retirement benefit liability	123,886	127,341
Other	250	250
Total non-current liabilities	124,336	127,791
Total liabilities	819,308	632,637
Net assets		
Shareholders' equity		
Share capital	412,902	412,902
Capital surplus	510,822	511,590
Retained earnings	2,437,623	2,462,113
Treasury shares	(1,060,229)	(1,054,323)
Total shareholders' equity	2,301,118	2,332,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,949	69,687
Total accumulated other comprehensive income	65,949	69,687
Share acquisition rights	67,239	98,734
Total net assets	2,434,308	2,500,705
Total liabilities and net assets	3,253,617	3,133,342

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly consolidated statement of income)
(Consolidated Cumulative Third Quarter)

(Thousands of yen)

	Nine months ended October 31, 2023	Nine months ended October 31, 2024
Net sales	3,095,221	2,554,224
Cost of sales	2,066,459	1,880,022
Gross profit	1,028,761	674,201
Selling, general and administrative expenses	787,430	543,965
Operating profit	241,331	130,235
Non-operating income		
Interest income	8,550	5,339
Dividend income	1,357	1,799
Foreign exchange gains	101,396	19,635
Other	4,998	6,251
Total non-operating income	116,302	33,025
Non-operating expenses		
Interest expenses	197	146
Commission for purchase of treasury shares	499	-
Commitment fees	2,683	8,381
Total non-operating expenses	3,380	8,528
Ordinary profit	354,253	154,733
Extraordinary income		
Gain on reversal of share acquisition rights	4,600	8,546
Total extraordinary income	4,600	8,546
Extraordinary losses		
Impairment losses	1,655,267	-
Total extraordinary losses	1,655,267	-
Profit (loss) before income taxes	(1,296,414)	163,280
Income taxes	32,022	54,754
Profit (loss)	(1,328,436)	108,525
Profit (loss) attributable to owners of parent	(1,328,436)	108,525

(Quarterly consolidated statement of comprehensive income)
(Consolidated Cumulative Third Quarter)

(Thousands of yen)

	Nine months ended October 31, 2023	Nine months ended October 31, 2024
Profit (loss)	(1,328,436)	108,525
Other comprehensive income		
Valuation difference on available-for-sale securities	1,155	3,737
Total other comprehensive income	1,155	3,737
Comprehensive income	(1,327,280)	112,262
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,327,280)	112,262
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 consolidated fiscal year including the third 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.

(Notes to Quarterly Consolidated Statements of Cash Flows)

The quarterly consolidated statements of cash flows for the third quarter of the current fiscal year have not been prepared. The third quarter

Depreciation and amortization expense (including amortization expense related to intangible assets) related to the consolidated cumulative period is as follows:

	First 3rd quarter of previous fiscal year (February 1, 2023 To October 31, 2023)	First 3rd quarter of fiscal year under review (February 1, 2024 To October 31, 2024)
Depreciation	46,594 thousand yen	6,855 thousand yen

(Notes on Segment Information)

[Segment Information]

Third Quarter (February 1, 2023 to October 31, 2023) and Third Quarter (February 1, 2024 to October 31, 2024)

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