



February 14, 2022

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year 2022 [Japanese standards] (Consolidated)

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 Stock exchange listing Tokyo
 Securities code 7803 URL: <https://bushiroad.co.jp/>
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 Scheduled date to file Quarterly Securities Report February 14, 2022
 Scheduled date to commence dividend payments N/A
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results of the second quarter of FY2022 (July 1, 2021 – December 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
2Q of FY2022	19,574	-	1,703	-	2,581	-	1,837	-
2Q of FY2021	18,026	3.4	158	-92.9	162	-92.8	-191	-

(Note) Comprehensive income 2Q of FY2022: 1,784 million yen [-%]
 2Q of FY2021: -178 million yen [-%]

	Net profit per share	Diluted net profit per share
	yen	yen
2Q of FY2022	57.70	53.41
2Q of FY2021	-5.93	-

(Notes) 1. The Company has since FY2021 changed its fiscal year end from July 31 to June 30, and unified the whole Group's fiscal year end as June 30. With this change, the previous and current second quarter fiscal periods were different: previous period was from August 1, 2020 to January 31, 2021, and current period was from July 1, 2021 to December 31, 2021. Therefore, year-on-year quarterly increase/decrease (%) are not given.

2. The Company carried out share splitting to split one share into two shares, on October 1, 2021. Net profit per share and diluted net profit per share are calculated assuming that such share splitting was carried out at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
2Q of FY2022	42,020	13,122	29.8
FY2021	37,515	13,894	35.3

(Reference) Shareholders equity 2Q of FY2022: 12,511 million yen
 FY2021: 13,241 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
FY2021	-	0.00	-	0.00	0.00
FY2022	-	0.00	-	-	-
FY2022 (forecasts)	-	-	-	0.00	0.00

(Note) Revisions to dividend forecasts published most recently: No

The Company has since FY2021 (previous term) changed its fiscal year end from July 31 to June 30. Therefore, for FY2021 being a transitional period, the Company set its record dates of interim dividend and year-end dividend as January 31 and June 30, respectively.

3. Consolidated performance forecasts for FY2022 (July 1, 2021 – June 30, 2022)

(Percentages indicate year-on-year increase/decrease)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-term	38,700	-	2,200	-	3,100	-	2,200	-	68.27

(Notes) 1. Revisions to performance forecasts published most recently: No

2. The Company has since FY2021 changed its fiscal year end from July 31 to June 30, and unified the whole Group's fiscal year end as June 30. The previous consolidated fiscal year was a transitional period for changing fiscal year end, and its term was irregularly 11 months from August 1, 2020 to June 30, 2021. Therefore, year-on-year increase/decrease (%) are not given.

3. The Company carried out share splitting to split one share into two shares, on October 1, 2021. Forecast of net profit per share for FY2022 was calculated taking effects of such share splitting into account.

***Notes**

- (1) Changes in significant subsidiaries during the current quarter consolidated cumulative period (changes in specified subsidiaries resulting in the change in scope of consolidation) : No
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- ① Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- ② Changes in accounting policies due to other reasons: No
- ③ Changes in accounting estimates: No
- ④ Restatement of prior period financial statements: No

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

- ① Total number of issued shares at the end of the period (including treasury stock)

2Q of FY2022:	33,250,800 shares	FY2021:	33,038,800 shares
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- ② Number of treasury stock at the end of the period

2Q of FY2022:	1,659,752 shares	FY2021:	361,052 shares
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- ③ Average number of shares during the period (quarterly cumulative)

2Q of FY2022:	31,854,571 shares	2Q of FY2021:	32,307,454 shares
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(Note) The Company carried out share splitting to split one share into two shares, on October 1, 2021. "Total number of issued shares at the end of the period", "Number of treasury stock at the end of the period", and "Average number of shares during the period" were calculated assuming that such share splitting had been carried out at the beginning of the previous consolidated fiscal year.

* Quarterly summary of financial results is not included in a quarterly review by a certified public accountant or an auditing firm.

* Explanation regarding appropriate use of the earnings forecast and other special notes

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors.

(How to obtain materials for quarterly financial results briefing)

Video streaming will be provided on the Company's website (scheduled on February 16, 2022, Wednesday, after 15:30 (JST)).

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1. Qualitative Information regarding the Current Quarter

(1) Descriptions regarding operating results

It should be noted that descriptions concerning the future in the text are based on judgement of the Company as of the end of the current quarter consolidated fiscal period.

“Partial amendments to the articles of incorporation” was approved at the 14th regular shareholders meeting on October 27, 2020. So the Company has changed its fiscal year end from July 31 to June 30, and unified the whole Group’s fiscal year end as June 30. With this change, the previous and current second quarter consolidated fiscal/cumulative periods were different: previous second quarter period was from November 1, 2020 to January 31, 2021 and its cumulative period was from August 1, 2020 to January 31, 2021; current second quarter period was from October 1, 2021 to December 31, 2021 and its cumulative period was from July 1, 2021 to December 31, 2021. Therefore, year-on-year comparison of operating results and cash flow status is omitted.

Japan’s economy has experienced price increases due to various rising material prices besides persistent new coronavirus infection impact during the current second quarter consolidated cumulative period. Although the spread of the coronavirus was relatively contained as the vaccination progressed, the appearance of a new variant caused concern for a rebound of the infection spread making the outlook unclear. Under these circumstances, our Group endeavored to maximize our entertainment activities with multiple events held with risk avoidance measures against the spread of infection. Moreover, overseas sales of Bushiroad International Pte. Ltd. grew exponentially during the current period. Also, subsidy income is recorded as non-operating profit reflecting the subsidy obtained through such programs as J-LODlive.

As a result, operating results of the current second quarter consolidated cumulative period were as follows: Net sales of 19,574,540,000 yen; Operating profit of 1,703,134,000 yen; Ordinary profit of 2,581,447,000 yen; and Net quarterly profit attributable to owners of parent of 1,837,966,000 yen.

Operating results of individual business segments are as follows. Meanwhile, segmental net sales include sales to external customers.

1. Digital IP business

Digital IP business segment has four departments: TCG (Trading Card Games) Dept., Games Dept., MD (Merchandising) Dept., and Media Dept. Former MOG (Mobile Online Games) Dept. has been renamed to Games Dept. since the first quarter consolidated fiscal period.

(1) TCG Dept.

A strong performance has been maintained following the first quarter which registered record-high sales in terms of quarterly performance. Notably, overseas sales such as shipment of English version products is growing exponentially.

Regarding “CARDFIGHT!! VANGUARD”, Season 2 of the TV animation “CARDFIGHT!! VANGUARD overDress” was aired from October through December, 2021 leading to a strong sales of the animation-related product “Kakusei suru Tenrin.” In addition, starting with the “Tenth anniversary VANGUARD WGP (world grand prix)” held at Bellesalle Shinjuku Grand from December 25 and 26, 2021, ten national conventions were conducted across Japan.

With respect to “Weiss Schwarz” and “Rebirth for you”, a large-scale real event called “Weiss Schwarz & Rebirth for you presents Hololive Production Festival” was held in October 2021 attracting 3,931 visitors in total. In relation to “Weiss Schwarz”, many large IP products were released including booster pack “Marvel” and “Love Live! Superstar!!.” Regarding English version “Weiss Schwarz”, “The Quintessential Quintuplets (Gotobun no Hanayome)”, which is the English version of “Weiss Schwarz” registered a record sales. With the English-version-only title “RWBY (Rubi)” achieving a same level, both English and Japanese versions fared well.

Additionally, in a new development, we released a new TCG called “Shadowverse EVOLVE” created in collaboration with Cygames, Inc.

(2) Games Dept.

The current second quarter consolidated cumulative period saw strong sales as it was an anniversary year for “D4DJ Groovy Mix”, “The Prince of Tennis II RisingBeat”, and “VANGUARD ZERO.”

However, due to the ongoing extreme competition and excessive competitors in the mobile online game market, Games Dept. as a whole had been languishing including “D_CIDE TRAUMEREI” released on September 30, 2021.

(3) MD Dept.

The capsule toys business boosted the sales basis bringing it back to near its pre-COVID-19 pandemic level. An original brand of capsule toy “TAMA-KYU” is growing as the mainstay while “Kiritai Majanhi”, “Office Hanko (seal) vol.4”, a popular series, and “Sauna Kit” which is a collaborated product with “Want to go to a sauna” were hot topics on TV and SNS media. In addition, goods related to “Genshin” and “The Quintessential Quintuplets” that are external IP contributed significantly.

(4) Media Dept.

Distribution revenue for the production committee of the animation “BanG Dream!” and books and electronic books published by Bushiroad Media Co., Ltd. expanded. At the same time, “Man-Baito Aozorayoiki” a series on the COMIC BUSHIROAD WEB

was nominated for the 5th MANGA WE WANT TO SEE ANIMATED RANKING conducted by AmineJapan. Also, on October 27, 2021, Bushiroad Move Co., Ltd. announced to set up a new business of "Bushiroad Card" which is a credit card business.

These operations resulted in Net sales of 14,820,231,000 yen and Segment profit of 1,812,403,000 yen for the Digital IP segment.

2. Live IP business

Live IP business segment has two departments: Music Dept. and Sports Dept.

(1) Music Dept.

During the current second quarter consolidated cumulative period, several live events were conducted including: "Edelstein" of Roselia held at Nagoya Century Hall, and Photon Maiden "1st LIVE First Contact" and "ARGONAVIS LIVE 2021 COVER FESTIVAL" held at Zepp Yokohama. In addition, sales from packages and streaming delivery were strong making the overall performance of Bushiroad Music steady.

On the other hand, Hikosen Theater Company which performs mask musical ended up in a poor result due to a number of cancellations and limitations based on voluntary criteria of associations of kindergartens and nurseries.

(2) Sports Dept.

New Japan Pro-Wrestling held "G1 CLIMAX31" from September to October, 2021. As a result, sales of tickets, goods, and contents such as "New Japan Pro-Wrestling World" streaming delivery and "New Japan Collection" application software were better than the first quarter consolidated fiscal period.

Regarding "STARDOM", a women's pro-wrestling brand, two games are conducted that contributed substantially to the sales enabling Bushiroad Fight Co., Ltd. to achieve two consecutive record net sales for the quarterly period.

Those were: "10th Anniversary GRAND FINAL OSAKA DREAM CINDERELLA 2021- Osaka Mecha STARDOM" held at the Osaka-Jo Hall on October 9, 2021 and "STARDOM DREAM QUEENDOM 2021" held at the Ryogoku Kokugikan on December 29, 2021.

These operations resulted in Net sales of 4,754,308,000 yen and Segment loss of 102,404,000 yen for the Live IP segment.

(2) Descriptions regarding financial position

(Assets)

Total assets was 42,020,272,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 4,504,922,000 yen as compared to the end of the previous consolidated fiscal year. This is mainly due to increases in cash and deposits by 1,703,001,000 yen, accounts receivable - trade by 831,559,000 yen, buildings and structures (net) by 719,054,000 yen, and land by 815,366,000 yen, respectively

(Liabilities)

Total liabilities was 28,898,173,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 5,277,307,000 yen as compared to the end of the previous consolidated fiscal year. This is mainly due to increase in accounts payable - trade by 1,008,733,000 yen, income taxes payable by 722,563,000 yen, current portion of long-term loans payable by 559,065,000 yen, and long-term loans payable by 1,780,779,000 yen.

(Net assets)

Net assets was 13,122,098,000 yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 772,384,000 yen as compared to the end of the previous consolidated fiscal year. This is mainly due to increase in retained earnings by 1,181,208,000 yen from the recording of net quarterly profit attributable to owners of parent, etc., one hand, and increase in treasury stock by 1,999,897,000 yen because of purchase of treasury stock and decrease in retained earnings at the beginning of the current period by 656,758,000 yen because of the application of the Accounting Standard for Revenue Recognition, etc., on the other.

(3) Cash flow status

Cash and cash equivalents (hereinafter, "business fund") at the end of the current second quarter consolidated fiscal period was 23,162,128,000 yen (increase by 715,679,000 yen from the end of the previous consolidated fiscal year).

Each cash flow status and factors thereof in the current second quarter consolidated cumulative period are as follows.

(Cash flows from operating activities)

Business fund provided by operating activities was 3,118,884,000 yen. Main sources of income were net quarterly profit before adjustment for taxes, etc. of 2,581,447,000 yen, increase in notes and accounts payable-trade of 991,896,000 yen, and subsidy received of 730,347,000 yen; and main source of spending was increase in notes and accounts receivable-trade of 811,071,000 yen.

(Cash flows from investing activities)

Business fund used for investment activities was 2,868,828,000 yen. Main source of spending was purchase of non-current assets of 1,846,635,000 yen

(Cash flows from financing activities)

Business fund provided by financial activities was 378,047,000 yen. Main source of income was long-term loans payable of 4,295,000,000 yen; and main source of spending was purchase of treasury stock of 2,022,341,000 yen.

(4) Descriptions regarding future prospects such as consolidated performance forecasts

The current second quarter consolidated cumulative period has maintained the strong performance following the first quarter consolidated cumulative period during which TCG Department that boasts high rate of return among the Digital IP segment achieved record sales for a quarterly period. In addition, since we properly controlled selling and administration expenses (mainly advertising) and registered non-operating subsidy income of 790,091,000 yen from J-LODlive, etc., progress rates towards the full-year consolidated operating results estimation had advanced favorably during the second quarter consolidated cumulative period: 50.6% for net sales, 77.4% for operating profit, 83.3% for ordinary profit, and 83.5% for net profit attributable to owners of parent.

For the third quarter and onward, it is expected that TCG Dept. including its overseas operation, would continue to show successful results, and also control over SG&A expenses such as advertising expenses shall be sustained as well. Although the outlook for the Live IP segment is quite unclear due to such factors as the expanding application of the quasi-state of emergency across the nation following the rebound of infection spread caused by a new variant corona virus since January 2022, our published forecast of consolidated operating results is unaffected at this moment because profits from large-scale events in both Music Department and Sports Department are estimated conservatively

Incidentally, change in accounting policy (accounting standard for revenue recognition, etc.) has been made from the current period. The profit margin is expected to decrease from the third quarter consolidated fiscal period due to a temporary impact on net sales and profit of an anticipated increase in mobile online games (“LoveLive! School idol festival ALL STARS” and “New Japan Pro-Wrestling STRONG SPIRITS”) published by our game department.

(Note) Performance forecasts are based on currently available information. Actual performance may differ from these forecasts due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous consolidated fiscal year (June. 30, 2021)	Current second quarter consolidated fiscal period (December 31, 2021)
Assets		
Current assets		
Cash and deposits	24,460,498	26,163,500
Notes and accounts receivable - trade	4,182,952	5,014,511
Merchandise and finished goods	821,171	1,008,673
Work in process	2,375,969	2,093,796
Supplies	59,569	66,132
Other	2,209,970	2,377,992
Allowance for doubtful accounts	-29,902	-54,086
Total current assets	34,080,229	36,670,520
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	427,805	1,146,859
Tools, furniture and fixture (net)	86,254	78,059
Vehicles (net)	34,958	28,227
Land	316,281	1,131,647
Leased assets	16,995	12,691
Other, net	47,563	177,190
Total property, plant and equipment	929,858	2,574,676
Intangible assets		
Software	81,592	126,514
Software in progress	25,243	1,000
Goodwill	180,831	161,654
Other	180,628	118,793
Total intangible assets	468,295	407,962
Investments and other assets		
Investment securities	1,140,370	1,152,602
Long-term loans receivable	48,167	45,710
Deferred tax assets	417,859	737,979
Other	450,379	455,208
Allowance for doubtful accounts	-31,246	-30,148
Total investment and other assets	2,025,531	2,361,352
Total non-current assets	3,423,686	5,343,991
Deferred assets		
Stock issuance cost	11,433	5,760
Total deferred assets	11,433	5,760
Total assets	37,515,349	42,020,272

(Thousand yen)

	Previous consolidated fiscal year (June 30, 2021)	Current second quarter consolidated fiscal period (December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	3,607,556	4,616,289
Accounts payable - other	888,987	1,081,307
Income taxes payable	209,392	931,956
Short-term loans payable	80,000	60,000
Current portion of long-term loans payable	4,083,348	4,642,413
Provision for bonuses	85,854	85,776
Other	731,225	1,757,953
Total current liabilities	9,686,365	13,175,697
Non-current liabilities		
Long-term loans payable	8,680,963	10,461,742
Convertible bond-type bonds with subscription rights to shares	5,000,000	5,000,000
Provision for directors' retirement benefits	59,496	67,207
Liabilities on retirement benefits	75,592	79,794
Deferred tax liabilities	92,035	89,307
Other	26,414	24,424
Total non-current liabilities	13,934,501	15,722,475
Total liabilities	23,620,866	28,898,173
Net assets		
Shareholders' equity		
Capital stock	3,165,648	3,218,748
Capital surplus	3,102,418	3,155,518
Retained earnings	7,057,633	8,238,841
Treasury stock	-324,679	-2,324,576
Total shareholders' equity	13,001,021	12,288,532
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	123,151	24,808
Foreign currency translation adjustment	117,418	197,884
Total accumulated other comprehensive income	240,570	222,693
Non-controlling interests	652,890	610,872
Total net assets	13,894,482	13,122,098
Total liabilities and net assets	37,515,349	42,020,272

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

(Quarterly Consolidated Statements of Income)

(For the second quarter consolidated cumulative period)

(Thousand yen)

	Previous second quarter consolidated cumulative period (Aug. 1, 2020 – Jan. 31, 2021)	Current second quarter consolidated cumulative period (July 1, 2021 – Dec. 31, 2021)
Net sales	18,026,394	19,574,540
Cost of sales	11,400,582	12,562,661
Gross profit	6,625,812	7,011,879
Selling, general and administrative expenses	6,466,983	5,308,744
Operating profit	158,829	1,703,134
Non-operating profit		
Interest and dividends income	8,887	10,466
Share of profit of entities accounted for using equity method	—	29,779
Foreign exchange gains	23,326	85,348
Subsidy income	46,914	790,091
Other	11,713	22,554
Total non-operating profit	90,841	938,240
Non-operating expenses		
Interest expenses	30,324	28,309
Share of loss of entities accounted for using equity method	33,206	—
Amortization of stock issuance cost	5,673	5,673
Bond issuance cost	14,816	—
Share repurchase cost	—	22,444
Other	2,839	3,500
Total non-operating expenses	86,859	59,927
Ordinary profit	162,810	2,581,447
Extraordinary losses		
Loss on valuation of investment securities	2,609	—
Impairment loss	214,339	—
Total extraordinary losses	216,949	—
Net profit (loss) before income taxes and minority interests	-54,139	2,581,447
Income taxes	116,478	779,942
Net profit (loss)	-170,617	1,801,505
Net profit (loss) attributable to non-controlling shareholders	20,914	-36,461
Net profit (loss) attributable to owners of parent	-191,532	1,837,966

(Quarterly Consolidated Statements of Income)

(For the second quarter consolidated cumulative period)

(Thousand yen)

	Previous second quarter consolidated cumulative period (Aug. 1, 2020 – Jan. 31, 2021)	Current second quarter consolidated cumulative period (July 1, 2021 – Dec. 31, 2021)
Net profit (loss)	-170,617	1,801,505
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	-5,499	-98,342
Foreign currency translation adjustment	-2,221	80,340
Share of other comprehensive income of associates accounted for using equity method	—	672
Total other comprehensive income	-7,720	-17,330
Comprehensive income (loss)	-178,338	1,784,174
(detail)		
Comprehensive income (loss) attributable to owners of parent	-199,253	1,820,089
Comprehensive income (loss) attributable to non-controlling interests	20,914	-35,914

(3) Quarterly Consolidated Cash Flow Statements

(Thousand yen)

	Previous second quarter consolidated cumulative period (Aug. 1, 2020 – Jan. 31, 2021)	Current second quarter consolidated cumulative period (July 1, 2021 – Dec. 31, 2021)
Cash flows from operating activities		
Net profit (loss) before income taxes and minority interests	-54,139	2,581,447
Depreciation	269,104	267,670
Impairment loss	214,339	—
Amortization of goodwill	23,280	19,177
Increase (decrease) in allowance for doubtful accounts	-10,259	23,086
Increase (decrease) in reserve for bonuses	-3,051	-529
Increase (decrease) in liabilities for retirement benefits	3,706	4,202
Interest and dividends income	-8,887	-10,466
Interest expenses	30,324	28,309
Equity in (earnings) losses of affiliates	33,206	-29,779
Subsidy income	-46,914	-790,091
Loss (gain) on valuation of investment securities	2,609	—
Decrease (increase) in notes and accounts receivable-trade	-7,560	-811,071
Decrease (increase) in inventories	-648,083	93,174
Increase (decrease) in notes and accounts payable-trade	392,201	991,896
Other	-492,445	-250,753
Subtotal	-302,568	2,116,271
Interest and dividends income received	32,677	10,857
Interest expenses paid	-28,300	-25,807
Subsidies income received	46,914	730,347
Income taxes paid	-655,077	-171,368
Income tax refund received	23,288	458,584
Cash flows from operating activities	-883,066	3,118,884
Cash flows from investing activities		
Payments into time deposits	-1,225,407	-3,143,921
Proceeds from withdrawal of time deposits	1,354,293	2,219,185
Purchase of non-current assets	-265,014	-1,846,635
Purchase of investment securities	—	-100,800
Collection of loans receivable	2,191	2,570
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-28,641	—
Other	36,669	772
Cash flows from investing activities	-125,909	-2,868,828
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	—	-20,000
Proceeds from long-term loans payable	2,700,000	4,295,000
Repayments of long-term loans payable	-1,855,402	-1,955,156
Proceeds from issuance of bonds with subscription rights to shares	4,985,183	—
Proceeds from issuance of common stock	5,100	106,200
Purchase of treasury stock	—	-2,022,341
Other	-23,816	-25,654
Cash flows from financing activities	5,811,065	378,047
Effect of exchange rate change on cash and cash equivalents	17,201	87,575
Net increase (decrease) in cash and cash equivalents	4,819,291	715,679
Cash and cash equivalents at beginning of period	20,152,398	22,446,449
Cash and cash equivalents at 2Q end	24,971,689	23,162,128

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

The Company purchased its treasury stock of 1,298,700 shares, based on the decision taken at its board meeting held on August 13, 2021. Consequently, its treasury stock increased by 1,999,897,000 yen during the current first quarter consolidated cumulative period, and it was worth 2,324,576,000 yen at the end of the current second quarter consolidated cumulative period.

(Application of Special Accounting Methods to the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

Tax expenses are calculated by multiplying the net profit before income taxes by a reasonably evaluated effective tax rate on the net profit before income taxes for the consolidated fiscal year including the current second quarter consolidated fiscal period.

(Change in Accounting Principles)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No. 29 of March 31, 2020), etc. since the beginning of the first quarter consolidated fiscal period, and decided to recognize as its revenue an amount which could be received in exchange of a promised good or service upon transfer of control over such good or service to a customer. Accordingly, the Company made some changes as described below.

- With respect to mobile online games published by the Company for games business, previously revenues were recognized at the time when customers purchased any amount of in-game currencies, whereas currently the method to recognize revenues has been amended as recognizing them based on the period during which quotations are available for items exchanged by customers using in-game currencies.
- With respect to contract monies not required to be refunded in providing licenses mainly in the media business, previously revenues were recognized at the time of executing such contracts, whereas currently the method to recognize revenues has been amended as: 1) recognizing them over a certain period if the nature of promise in conjunction with giving the license to the customer constitutes rights to access to relevant intellectual properties for the licensed period; or 2) recognizing them at a point of time if such nature of promise constitutes rights to use relevant intellectual properties at the time giving the license to the customer.
- With respect to some of transactions mainly in media business and music business, previously total prices received from customers were recognized as revenues, whereas currently for transactions in which the role of the Group in providing goods or services to customers corresponds to the one as an agent, revenues are recognized as net amount remaining after deducting the amount to be paid to the transaction partner from the amount received from the customer.
- With respect to transactions for which returning of products is foreseeable at the time of selling them mainly in music business, TCG business and MD business, revenues are not recognized at the time of sales, but in accordance with the rules concerning variable consideration, refund liabilities are recognized as contra-revenues in terms of such part of foreseeable return.

With respect to applying the Accounting Standard for Revenue Recognition, etc., the Company follows the provisional treatment as set forth in the note to Section 84 of the Accounting Standard for Revenue Recognition, and has applied the new accounting policy to the balance at the beginning of the first quarter consolidated fiscal period and onward, where any amount, which could be affected cumulatively by assuming that the new accounting policy was applied retrospectively to the period prior to the beginning of the first quarter consolidated fiscal period, is added to or subtracted from the retained earnings at the beginning of that period. However, upon applying the method as set forth in Section 86 of the Accounting Standard for Revenue Recognition, the Company has not applied the new accounting policy retrospectively to contracts whose earnings were almost entirely recognized in accordance with the previous treatment before the beginning of the first quarter consolidated fiscal period. In addition, upon applying Note (1) to Section 86 of the Accounting Standard for Revenue Recognition, with respect to contract changes made before the beginning of the current first quarter consolidated fiscal period, relevant accounting was carried out based on the contract conditions on which every such changes were reflected, and the amounts affected cumulatively by such accounting have been added to or subtracted from the retained earnings at the beginning of the first quarter consolidated fiscal period.

As a result, in the current second quarter consolidated cumulative period, Net sales decreased by 1,091,974,000 yen, Sales cost decreased by 805,846,000 yen, and each of Operating profit, Ordinary profit and Net profit before income taxes and minority interests decreased by 286,127,000 yen. Also, balance of retained earnings at the beginning of the current period decreased by 656,758,000 yen. Meanwhile, in accordance with the provisional treatment as set forth in Section 89-2 of the Accounting Standard for Revenue Recognition, no interchange in line with the new presentation method was done for the previous consolidated fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Applying the "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Guidance No. 30 of July 4, 2019), etc. since the beginning of the first quarter consolidated fiscal period, and in accordance with Section 19 of the Accounting Standard for Fair Value Measurement and Section 44-2 of the "Accounting Standard for Financial Instruments" (Accounting

Standards Board of Japan Guidance No. 10 of July 4, 2019), the Company decided to apply the new accounting policies as set forth in the Accounting Standard for Fair Value Measurement, etc. now and in the future. Meanwhile, this change has no effect on the profit/loss and financial position of the current second quarter consolidated fiscal/cumulative period.

(Segment Information, etc.)

(Segment Information)

I Previous second quarter consolidated cumulative period (Aug. 1, 2020 – Jan. 31, 2021)

1. Information on net sales and profit/loss of each reportable segment

(Thousand yen)

	Reportable segments			Adjustment (Note 1)	Amount allocated to the quarterly consolidated P/L statement (Note 2)
	Digital IP business	Live IP business	Total		
Net sales					
Sales to external customers	13,359,110	4,667,284	18,026,394	—	18,026,394
Inter-segment sales or transfer	217,849	255,068	472,917	-472,917	—
Total	13,576,959	4,922,353	18,499,312	-472,917	18,026,394
Segment profit	27,864	124,453	152,317	6,511	158,829

Notes: 1. Adjustment on the segment profit of 6,551,000 yen equals to adjustment of inventories.

2. Segment profit has been aligned with the operating profit presented on the Quarterly Consolidated Statements of Income.

2. Information on impairment loss of non-current assets or goodwill, etc., for each reportable segment

(Important impairment loss on non-current assets)

The Digital IP segment booked an impairment loss of 214,339,000 yen.

(Significant changes in amount of goodwill)

A significant change in the amount of goodwill occurred by booking an impairment loss on goodwill at the Digital IP segment. The treatment reduced the amount of the goodwill by 179,439,000 yen.

It should be noted that the description in the above section, (Important impairment loss on non-current assets) includes the goodwill impairment.

(Material profit from negative goodwill)

Not applicable

II Current second quarter consolidated cumulative period (July. 1, 2021 – Dec. 31, 2021)

1. Information on net sales and profit/loss of each reportable segment

(Thousand yen)

	Reportable segments			Adjustment (Note 1)	Amount allocated to the quarterly consolidated P/L statement (Note 2)
	Digital IP business	Live IP business	Total		
Net sales					
Sales to external customers	14,820,231	4,754,284	19,574,540	—	19,574,540
Inter-segment sales or transfer	306,053	272,189	578,243	-578,243	—
Total	15,126,285	5,026,498	20,152,783	-578,243	19,574,540
Segment profit (loss)	1,812,403	-102,404	1,709,998	-6,864	1,703,134

Notes: 1. Adjusted segment profit (loss) of 6,864,000 yen equals to adjusted inventories.

2. Segment profit (loss) has been aligned with the operating profit presented on the Quarterly Consolidated Statements of Income.

2. Matters relating to changes in reportable segments, etc.

As described under “Change in Accounting Principles”, because the Accounting Standard for Revenue Recognition has been applied and the accounting method regarding revenue recognition has been changed since the beginning of the current first quarter consolidated fiscal period, the calculation method for profit or loss of reportable segments has been changed accordingly.

With these changes, as compared to the previous methods, in the “Digital IP business” segment, net sales for the current second quarter consolidated cumulative period decreased by 1,001,665,000 yen and segment profit decreased by 285,132,000 yen; and in the “Live IP business” segment, net sales decreased by 90,308,000 yen and segment loss increased by 994,000 yen.

3. Information on impairment loss of non-current assets or goodwill, etc., for each reportable segment

(Important impairment loss on non-current assets)

Not applicable

(Significant changes in amount of goodwill)

Not applicable

(Material profit from negative goodwill)

Not applicable

(Per share data)

Net profit (loss) per share, Diluted net profit per share, and calculation bases thereof are as follows.

	Previous second quarter consolidated cumulative period (Aug. 1, 2020 – Jan. 31, 2021)	Current second quarter consolidated cumulative period (Jul. 1, 2021– Dec. 31, 2021)
Net profit (loss) per share	-5.93 yen	57.70 yen
(calculation bases)		
Net profit (loss) attributable to owners of parent	-191,532,000 yen	1,837,966,000 yen
Amount not attributable to common shareholders	—	—
Net profit (loss) attributable to owners of parent applicable to common shares	-191,532,000 yen	1,837,966,000 yen
Average number of common shares outstanding during the period	32,307,454 shares	31,854,571 shares
Diluted net profit per share	—	53.41 yen
(calculation bases)		
Adjusted net profit (loss) attributable to owners of parent	—	—
Increased number of common shares	—	2,558,259 shares
(number of shares with subscription rights)	—	(2,558,259 shares)
Summary of residual securities with any significant change since the end of the previous consolidated fiscal year, among those not included in calculating diluted quarterly net profit per share, because of having no dilution effect	—	—

(Notes) 1. Diluted profit per share is not disclosed for the previous second quarter consolidated cumulative period because, although there were residual securities, in fact net loss per share was posted.

2. The Company carried out share splitting to split one share into two shares, on October 1, 2021. Net quarterly profit (loss) per share and diluted quarterly profit per share are calculated assuming that such share splitting was carried out at the beginning of the previous FY.