

Consolidated Financial Summary for the Fiscal Year Ended March 31, 2023 (Japanese Accounting Standards)

May 11, 2023

Avex Inc.

Tokyo Stock Exchange, Prime Market
(URL <https://avex.com/jp/en/>)

Code No: 7860

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Ordinary General Meeting of Shareholders: June 23, 2023

Scheduled date for commencement of dividend payments: June 8, 2023

Scheduled date to submit the Securities Report (*Yukashoken Houkokusho*): June 26, 2023

Supplementary documents for financial results: Yes

Financial results briefing: Yes (briefing for institutional investors and securities analysts planned to be held by video streaming)

Note: All amounts are rounded down to the nearest million yen.

1. Consolidated business results for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

Note: Figures in percentages denote the year-on-year change.

| Year ended | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------|-------------|------|------------------|------|-----------------|------|---|--------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| March 31, 2023 | 121,561 | 23.5 | 3,385 | 31.1 | 4,055 | 72.5 | 2,742 | 198.2 |
| March 31, 2022 | 98,437 | 20.7 | 2,582 | – | 2,351 | – | 919 | (92.8) |

(Note) Comprehensive income Year ended March 31, 2023: ¥2,626 million (3.5%)

Year ended March 31, 2022: ¥2,538 million (-81.8%)

| Year ended | Profit per share | Diluted net income per share | Ratio of net income to shareholders' equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|----------------|------------------|------------------------------|---|--|--|
| | yen | yen | % | % | % |
| March 31, 2023 | 60.80 | – | 4.7 | 3.9 | 2.8 |
| March 31, 2022 | 20.77 | 20.76 | 1.6 | 2.3 | 2.6 |

(Reference) Equity in earnings of affiliates Year ended March 31, 2023: ¥(20) million

Year ended March 31, 2022: ¥(218) million

(2) Consolidated financial position

| As of | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|----------------|--------------|-------------|----------------------------|----------------------|
| | million yen | million yen | % | yen |
| March 31, 2023 | 108,915 | 58,838 | 53.3 | 1,286.29 |
| March 31, 2022 | 97,801 | 60,694 | 59.2 | 1,285.20 |

(Reference) Shareholders' equity As of March 31, 2023: ¥58,074 million

As of March 31, 2022: ¥57,872 million

(3) Consolidated statement of cash flows

| Year ended | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Cash and cash equivalents at end of period |
|----------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| | million yen | million yen | million yen | million yen |
| March 31, 2023 | 9,192 | (3,131) | (2,493) | 48,143 |
| March 31, 2022 | (4,464) | (3,387) | (314) | 44,671 |

2. Status of dividend payments

| Year ended | Annual dividends | | | | | Total dividend payment (annual) | Payout ratio (consolidated) | Dividend on equity (consolidated) |
|---------------------------------------|----------------------|-----------------------|----------------------|-------------|--------|---------------------------------|-----------------------------|-----------------------------------|
| | End of first quarter | End of second quarter | End of third quarter | End of year | Annual | | | |
| March 31, 2022 | – | 25.00 | – | 25.00 | 50.00 | 2,251 | 240.7 | 3.8 |
| March 31, 2023 | – | 25.00 | – | 25.00 | 50.00 | 2,257 | 82.2 | 3.9 |
| Year ending March 31, 2024 (forecast) | – | 25.00 | – | 25.00 | 50.00 | | 112.8 | |

3. Forecasts for consolidated operating results for the year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

Note: Figures in percentages denote the year-on-year change.

| Year ending | Operating profit | | Profit attributable to owners of parent | | Profit per share |
|----------------|------------------|--------|---|--------|------------------|
| | million yen | % | million yen | % | yen |
| March 31, 2024 | 2,000 | (40.9) | 1,100 | (59.9) | 24.38 |

* Notes

- (1) Changes in significant subsidiaries during the term (changes in specified subsidiaries in conjunction with changes in the scope of consolidation): Yes
 New: – company (Company name) –
 Excluded: 1 company (Company name) Avex Broadcasting & Communications Inc

- (2) Changes in accounting policies and changes in or restatement of accounting estimates
- | | |
|--|------|
| 1. Changes in accounting policies in conjunction with revisions to accounting standards: | Yes |
| 2. Changes in accounting policies other than 1: | None |
| 3. Changes in accounting estimates: | Yes |
| 4. Restatement: | None |

- (3) Outstanding shares (ordinary shares)
- a. Shares outstanding at end of term (including treasury stock)
- | | |
|-----------------------|-------------------|
| As of March 31, 2023: | 45,558,800 shares |
| As of March 31, 2022: | 45,440,100 shares |
- b. Treasury stock at end of term
- | | |
|--------------------------|----------------|
| As of December 31, 2023: | 410,302 shares |
| As of December 31, 2022: | 410,124 shares |
- c. Average number of shares during term
- | | |
|----------------------------|-------------------|
| Year ended March 31, 2023: | 45,110,898 shares |
| Year ended March 31, 2022: | 44,281,705 shares |

(Reference) Overview of non-consolidated business results

Non-consolidated business results for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

Note: Figures in percentages denote the year-on-year change.

| Year ended | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|----------------|-------------|-------|------------------|--------|-----------------|---|-------------|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| March 31, 2023 | 10,144 | 3.5 | 499 | (44.6) | (153) | – | (885) | – |
| March 31, 2022 | 9,805 | 190.1 | 903 | – | (741) | – | (1,920) | – |

| Year ended | Profit per share | Diluted profit per share |
|----------------|------------------|--------------------------|
| | yen | yen |
| March 31, 2023 | (19.62) | – |
| March 31, 2022 | (43.37) | – |

(2) Non-consolidated financial position

| As of | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|----------------|--------------|-------------|----------------------------|----------------------|
| | million yen | million yen | % | yen |
| March 31, 2023 | 74,722 | 42,791 | 57.3 | 947.80 |
| March 31, 2022 | 70,033 | 45,759 | 65.3 | 1,016.20 |

(Reference) Shareholders' equity
 Year ended March 31, 2023: ¥42,791 million
 Year ended March 31, 2022: ¥45,759 million

* This summary of financial statements is outside the scope of audit procedures by certified public accountants and audit firm.

* Explanation for forecasts of business results and other notes

The forecasts for business results and other forward-looking statements contained in this release are based on data and information that the Group has obtained so far and specific assumptions that the Group judges to be reasonable. Please note, therefore, that the actual results and others may greatly differ from the forecasts due to various factors.

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year under review

(Unit: million yen)

| | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Net sales | 160,126 | 135,469 | 81,527 | 98,437 | 121,561 |
| Cost of sales | 113,820 | 96,375 | 55,908 | 63,209 | 82,574 |
| Gross profit | 46,306 | 39,093 | 25,618 | 35,228 | 38,987 |
| Gross profit margin | 28.9% | 28.9% | 31.4% | 35.8% | 32.1% |
| Personnel expenses | 13,200 | 12,170 | 12,128 | 11,029 | 12,671 |
| Sales promotion and advertising expenses | 9,967 | 8,336 | 6,875 | 7,993 | 8,354 |
| General expenses | 16,048 | 14,553 | 12,893 | 13,622 | 14,576 |
| Total SG&A expenses | 39,216 | 35,060 | 31,897 | 32,645 | 35,602 |
| Operating profit (loss) | 7,089 | 4,033 | (6,278) | 2,582 | 3,385 |
| Operating margin | 4.4% | 3.0% | -% | 2.6% | 2.8% |

During the fiscal year under review, the economic outlook in Japan remained uncertain, with a global increase in the cost of living and exchange rate fluctuations, among other factors, despite signs of a moderate recovery following the significant easing of restrictions on economic activities that had been put in place during the COVID-19 pandemic.

In the entertainment industry, to which the Group belongs, the production of music software, including music videos, was up 4.5% year on year, to 202,349 million yen (January to December 2022; according to a survey by the Recording Industry Association of Japan). Sales of paid music downloads were up 17.3% year on year, to 105,018 million yen (January to December 2022; according to a survey by the Recording Industry Association of Japan). In the video-related market, sales of video software fell 16.1% year on year, to 114,819 million yen (January to December 2022; according to a survey by the Japan Video Software Association). The scale of the digital video distribution market, on the other hand, increased by 7.1% year on year, to 453,000 million yen (January to December 2022; according to a survey by the Digital Content Association of Japan), which is expected to continue to grow.

In this business environment, with the aim of clarifying the purpose of its corporate activities and the social significance of its presence, the Group defined a new Corporate Philosophy: "Continue to pursue the potential of entertainment." Based on this philosophy, the Group formulated Avex Vision 2027, a medium-term management plan, which was announced in May, 2022. Under the priority strategy: "Seek to discover and develop 'beloved' intellectual property in many different regions and fields," which was set out in the medium-term management plan, the Group stepped up its investment to discover, develop, create and acquire new IP in each business field. In addition to these efforts, the Group succeeded in increasing the number of large live performances in the music business in the wake of the easing of movement restrictions, which had been imposed during the COVID-19 pandemic.

As a result, net sales stood at 121,561 million yen (up 23.5% year on year) while operating profit came to 3,385 million yen (up 31.1% year on year), and profit attributable to owners of parent came to 2,742 million yen (up 198.2% year on year).

Operating results for the main business segments are as follows.

As of the fiscal year under review, the Company has changed the business segments that it lists as its reported segments. Comparisons and analyses for the fiscal year under review are based on the segments after this change.

a) Music Business

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Change |
|-----------------------------|-------------------------------------|-------------------------------------|---------|
| Net sales | 76,529 | 94,139 | 17,610 |
| Cost of sales | 48,488 | 64,332 | 15,843 |
| Gross profit | 28,040 | 29,807 | 1,767 |
| Gross profit margin | 36.6% | 31.7% | (4.9%) |
| Total SG&A expenses | 24,091 | 27,007 | 2,916 |
| Operating profit | 3,949 | 2,800 | (1,148) |
| Operating margin | 5.2% | 3.0% | (2.2%) |
| Sales to external customers | 71,949 | 90,067 | 18,118 |

Net sales stood at 94,139 million yen (up 23.0% year on year), and operating profit came to 2,800 million yen (down 29.1% year on year), mainly reflecting an increase in the number of large live performances.

b) Anime & Visual Content Business

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Change |
|-----------------------------|-------------------------------------|-------------------------------------|--------|
| Net sales | 11,038 | 15,253 | 4,215 |
| Cost of sales | 7,322 | 11,296 | 3,974 |
| Gross profit | 3,716 | 3,957 | 240 |
| Gross profit margin | 33.7% | 25.9% | (7.8%) |
| Total SG&A expenses | 3,024 | 3,347 | 322 |
| Operating profit | 691 | 609 | (81) |
| Operating margin | 6.3% | 4.0% | (2.3%) |
| Sales to external customers | 10,071 | 14,065 | 3,994 |

Net sales stood at 15,253 million yen (up 38.2% year on year) and operating profit came to 609 million yen (down 11.9% year on year), reflecting an increase in sales of movies, etc.

c) Digital Business

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Change |
|-----------------------------|-------------------------------------|-------------------------------------|---------|
| Net sales | 13,682 | 12,379 | (1,302) |
| Cost of sales | 10,885 | 9,374 | (1,511) |
| Gross profit | 2,796 | 3,004 | 208 |
| Gross profit margin | 20.4% | 24.3% | 3.9% |
| Total SG&A expenses | 4,437 | 3,550 | (886) |
| Operating loss | (1,640) | (546) | 1,094 |
| Operating margin | – | – | – |
| Sales to external customers | 13,303 | 11,983 | (1,320) |

Net sales stood at 12,379 million yen (down 9.5% year on year) while the operating loss came to 546 million yen (in comparison with an operating loss of 1,640 million yen in the previous fiscal year). This largely reflected decreases in sales from digital video distribution and fan clubs.

d) Overseas Business

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Change |
|-----------------------------|-------------------------------------|-------------------------------------|--------|
| Net sales | 3,029 | 5,199 | 2,169 |
| Cost of sales | 1,960 | 2,626 | 665 |
| Gross profit | 1,069 | 2,573 | 1,503 |
| Gross profit margin | 35.3% | 49.5% | 14.2% |
| Total SG&A expenses | 1,472 | 2,102 | 630 |
| Operating profit (loss) | (403) | 470 | 873 |
| Operating margin | – | 9.0% | – |
| Sales to external customers | 2,976 | 5,199 | 2,222 |

Net sales stood at 5,199 million yen (up 71.6% year on year) while operating profit came to 470 million yen (in comparison with an operating loss of 403 million yen in the previous fiscal year), mainly due to large events held overseas.

e) Other Businesses

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Change |
|-----------------------------|-------------------------------------|-------------------------------------|--------|
| Net sales | 1,387 | 821 | (566) |
| Cost of sales | 1,181 | 621 | (560) |
| Gross profit | 205 | 200 | (5) |
| Gross profit margin | 14.8% | 24.4% | 9.6% |
| Total SG&A expenses | 225 | 159 | (65) |
| Operating profit (loss) | (19) | 40 | 59 |
| Operating margin | – | 4.9% | – |
| Sales to external customers | 136 | 246 | 109 |

Net sales stood at 821 million yen (down 40.8% year on year) while operating profit came to 40 million yen (in comparison with an operating loss of 19 million yen in the previous fiscal year.)

(2) Overview of financial position for the fiscal year under review

At the end of the consolidated fiscal year under review, total assets increased by 11,113 million yen compared to the end of the previous consolidated fiscal year, to 108,915 million yen. This was chiefly attributable to increases of 8,351 million yen in notes and accounts receivable - trade, 3,472 million yen in cash and deposits and 1,133 million yen in accounts receivable - other, which more than offset a decrease of 2,374 million yen in programs and work in process. Liabilities increased by 12,969 million yen from the end of the previous consolidated fiscal year, to 50,076 million yen. This was primarily due to increases of 9,627 million yen in accounts payable - other, 1,864 million yen in other current liabilities and 1,218 million yen in income taxes payable.

Net assets decreased 1,855 million yen from the end of the previous consolidated fiscal year, to 58,838 million yen. This was chiefly attributable to a decline of 2,057 million yen in non-controlling interests.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter “cash”) at the end of the consolidated fiscal year under review was 48,143 million yen (44,671 million yen at the end of the previous fiscal year).

Net cash provided by operating activities stood at 9,192 million yen (outflow of 4,464 million yen a year earlier). This mainly reflected an increase in cash due to an increase of 11,955 million yen in accounts payable - other, profit before income taxes of 4,651 million yen, a decrease of 2,346 million yen in depreciation and a decrease of 1,181 million yen in inventories, which more than offset a decrease in cash due to an increase of 10,300 million yen in notes and accounts receivable - other and gain on sale of investment securities of 1,390 million yen.

Net cash used in investing activities was 3,131 million yen (outflow of 3,387 million yen a year earlier). This was mainly due to a decrease in cash due to 2,452 million yen in the purchase of intangible assets and 1,131 million yen in the purchase of property, plant and equipment, which offset an increase in cash due to 1,498 million yen in proceeds from sales of investment securities.

Net cash used in financing activities stood at 2,493 million yen (outflow of 314 million yen a year earlier). This was mainly due to a decrease in cash attributable to dividends paid of 2,254 million yen.

(Reference) Trends in cash flow indices

| | Year ended March 31, 2019 | Year ended March 31, 2020 | Year ended March 31, 2021 | Year ended March 31, 2022 | Year ended March 31, 2023 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Shareholders' equity ratio (%) | 38.6 | 38.2 | 52.6 | 59.2 | 53.3 |
| Shareholders' equity ratio at market base (%) | 50.8 | 30.7 | 53.9 | 61.4 | 62.1 |
| Debt to cash flow ratio (%) | 1.7 | (5.9) | (0.0) | (0.0) | 0.0 |
| Interest coverage ratio | 152.2 | (54.3) | (72.2) | (444.4) | 859.2 |

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio at market base: Market capitalization/Total assets

Debt to cash flow ratio: Interest-bearing liabilities/Operating cash flows

Interest coverage ratio: Operating cash flow/Interest payments

Notes: 1. All indices are calculated based on consolidated figures.

2. Market capitalization = Closing share price at fiscal year end × Outstanding shares at fiscal year end (after deducting treasury stock)

3. Operating cash flow: Cash flow from operating activities in the consolidated cash flow statement

4. Interest-bearing liabilities: All interest-bearing liabilities that are booked on the consolidated balance sheet and for which interest has been paid

5. Interest payments: Interest payments from the consolidated cash flow statement

(4) Future outlook

Regarding forecasts for consolidated business results, the Group expects operating profit of 2,000 million yen and profit attributable to owners of parent of 1,100 million yen.

(5) Business and other risks**a) Occurrence of disasters**

The Group's artists, talent, creators, and employees are active in the provision of entertainment services throughout Japan. For this reason, the occurrence of natural disasters such as earthquakes, tsunami, typhoons and floods, and the spread of infectious diseases such as COVID-19 coronavirus have the possibility of impacting the Group's business performance due to the cancelation of large-scale live performances and events, and the suspension of content production activities.

b) Trends in major titles, artists and talents

The Group has been making the most of rights in a range of businesses, irrespective of whether such rights are owned by the Group internally as a content holder or whether they are obtained through collaboration with artists and/or other client companies. Consequently, the Group's business performance can be affected by whether or not the Group has any hit artists and hit content, and by the popularity of major artists and talents and growth of new artists and talent.

c) Operations in overseas markets

Our overseas businesses have been developing in Asia where significant growth is expected in the future and other regions all over the world. In the event that an unexpected incident occurs in any of the overseas markets due to a change in political or economic conditions or legal or regulatory elements, disadvantageous taxes, or social disorder caused by terrorist attack, war, or the like, it is possible that our overseas operations and performance may be affected.

d) Response to technical innovations

Although the Group is pursuing the possibilities of new businesses utilizing technology, there is an undeniable possibility of the occurrence of risks due to sudden changes in the business environment (such as due to technical innovations and the emergence of competitors) or other difficult-to-predict problems which may become apparent later in the process of executing these businesses, and these risks may impact the Group's business performance.

e) Impairment loss

When market values of the assets held by the Group decrease significantly, or business profitability deteriorates, an impairment loss in noncurrent assets may be recorded by applying impairment accounting, which would affect the Group's businesses and financial position.

f) Dependency on the specific corporate manager

Chairman, Masato Matsuura, one of the founders of Avex and a large shareholder, has been playing an important role in formulating and determining Group management strategies and establishing contracts with important business partners and artists. In the event that Mr. Matsuura leaves the Group for any reason, the business and performance of the Group may be affected.

2. Basic Approach to the Selection of Accounting Standards

The Group's policy is to prepare its consolidated financial statements in accordance with Japanese accounting standards for the time being, to facilitate comparisons between periods and comparisons between companies.

The Group will address the issue of adoption of International Financial Reporting Standards (IFRS) as appropriate, taking into consideration conditions both inside and outside of Japan.

3. Consolidated Financial Statements and Key Notes**(1) Consolidated Balance Sheets**

(Unit: million yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---------------------------------------|----------------------|----------------------|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 44,671 | 48,143 |
| Notes and accounts receivable - trade | 13,855 | 22,206 |
| Merchandise and finished goods | 1,058 | 1,172 |
| Programs and works in progress | 5,175 | 2,801 |
| Raw materials and supplies | 301 | 221 |
| Advance payments - trade | 1,433 | 1,110 |
| Prepaid expenses | 1,264 | 1,516 |
| Advance royalty payments | 1,298 | 2,020 |
| Accounts receivable - other | 4,329 | 5,463 |
| Other | 2,110 | 1,909 |
| Allowance for doubtful accounts | (172) | (350) |
| Total current assets | 75,326 | 86,217 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 1,945 | 2,110 |
| Land | 1,548 | 1,548 |
| Other, net | 860 | 892 |
| Total property, plant and equipment | 4,354 | 4,551 |
| Intangible assets | 4,156 | 3,505 |
| Investments and other assets | | |
| Investment securities | 8,564 | 9,228 |
| Deferred tax assets | 3,777 | 3,979 |
| Other | 1,813 | 1,486 |
| Allowance for doubtful accounts | (191) | (54) |
| Total investments and other assets | 13,964 | 14,640 |
| Total non-current assets | 22,475 | 22,697 |
| Total assets | 97,801 | 108,915 |

(Unit: million yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| (Liabilities) | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 2,556 | 3,434 |
| Current portion of long-term loans payable | 7 | 3 |
| Accounts payable - other | 16,052 | 25,679 |
| Accrued royalties | 7,016 | 6,660 |
| Income taxes payable | 264 | 1,482 |
| Refund liabilities | 2,446 | 2,168 |
| Advances received | 3,543 | 3,032 |
| Provision for bonuses | 575 | 884 |
| Provision for contingent loss | 95 | – |
| Other | 2,893 | 4,757 |
| Total current liabilities | 35,451 | 48,104 |
| Non-current liabilities | | |
| Long-term borrowings | 9 | 6 |
| Liabilities for retirement benefits | 350 | 529 |
| Other | 1,295 | 1,436 |
| Total non-current liabilities | 1,655 | 1,972 |
| Total liabilities | 37,106 | 50,076 |
| (Net assets) | | |
| Shareholders' equity | | |
| Share capital | 4,521 | 4,599 |
| Capital surplus | 5,422 | 5,526 |
| Retained earnings | 45,924 | 46,343 |
| Treasury shares | (590) | (590) |
| Total shareholders' equity | 55,278 | 55,878 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,750 | 2,538 |
| Foreign currency translation adjustment | (160) | (182) |
| Remeasurements of defined benefit plans | 4 | (160) |
| Total of accumulated other comprehensive income | 2,593 | 2,195 |
| Non-controlling interests | 2,822 | 764 |
| Total net assets | 60,694 | 58,838 |
| Total liabilities and net assets | 97,801 | 108,915 |

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated statements of income)

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 98,437 | 121,561 |
| Cost of sales | 63,209 | 82,574 |
| Gross profit | 35,228 | 38,987 |
| Selling, general and administrative expenses | | |
| Advertising expenses | 6,719 | 6,599 |
| Promotion expenses | 1,273 | 1,754 |
| Provision of allowance for doubtful accounts | (38) | 27 |
| Employees' salaries and bonuses | 7,135 | 7,620 |
| Provision for bonuses | 575 | 900 |
| Retirement benefit expenses | 93 | 253 |
| Depreciation | 910 | 926 |
| Commission fee | 5,853 | 6,637 |
| Other | 10,123 | 10,880 |
| Total selling, general and administrative expenses | 32,645 | 35,602 |
| Operating profit | 2,582 | 3,385 |
| Non-operating income | | |
| Interest income | 19 | 18 |
| Dividend income | 16 | 8 |
| Gain on valuation of investment securities | – | 822 |
| Other | 100 | 122 |
| Total non-operating income | 136 | 972 |
| Non-operating expenses | | |
| Interest expenses | 11 | 9 |
| Share of loss of entities accounted for using equity method | 218 | 20 |
| Foreign exchange losses | 8 | 146 |
| Loss on valuation of cryptocurrencies | – | 70 |
| Commission fee | 18 | 16 |
| Loss on investments in partnership | 13 | – |
| Other | 98 | 38 |
| Total non-operating expenses | 368 | 301 |
| Ordinary profit | 2,351 | 4,055 |
| Extraordinary income | | |
| Gain on sales of investment securities | 88 | 1,390 |
| Reversal of provision for contingent loss | 62 | 50 |
| Gain on reversal of share acquisition rights | 114 | – |
| Subsidies for employment adjustment | 41 | – |
| Other | 19 | 225 |
| Total extraordinary income | 326 | 1,666 |

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------------------------------------|-------------------------------------|
| Extraordinary losses | | |
| Impairment loss | 174 | 851 |
| Loss on disaster | 233 | – |
| Loss on valuation of investment securities | 10 | 87 |
| Other | 27 | 131 |
| Total extraordinary losses | 446 | 1,070 |
| Income before income taxes | 2,231 | 4,651 |
| Income taxes - current | 512 | 1,813 |
| Income taxes - deferred | 636 | (186) |
| Total income taxes | 1,148 | 1,626 |
| Profit | 1,082 | 3,024 |
| Profit attributable to non-controlling interests | 162 | 281 |
| Profit attributable to owners of parent | 919 | 2,742 |

(Consolidated statements of comprehensive income)

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------------------------------------|-------------------------------------|
| Profit | 1,082 | 3,024 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,612 | (213) |
| Foreign currency translation adjustment | (41) | (21) |
| Remeasurements of defined benefit plans, net of tax | (123) | (152) |
| Share of other comprehensive income of associates accounted for using equity method | 8 | (10) |
| Total other comprehensive income | 1,456 | (398) |
| Comprehensive income | 2,538 | 2,626 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 2,375 | 2,344 |
| Comprehensive income attributable to non-controlling interests | 162 | 281 |

(3) Consolidated statements of changes in shareholders' equity

Fiscal year ended March 31, 2022

(Unit: million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of the fiscal year | 4,443 | 5,171 | 50,209 | (5,655) | 54,168 |
| Cumulative effects of changes in accounting policies | | | (21) | | (21) |
| Restated balance | 4,443 | 5,171 | 50,188 | (5,655) | 54,147 |
| Changes of items during the period | | | | | |
| Issuance of new shares | 78 | 78 | | | 156 |
| Dividends from surplus | | | (5,101) | | (5,101) |
| Profit attributable to owners of parent | | | 919 | | 919 |
| Purchase of treasury stock | | | | (0) | (0) |
| Disposal of treasury stock | | 172 | | 5,065 | 5,238 |
| Change in scope of consolidation | | | (64) | | (64) |
| Change of scope of equity method | | | (17) | | (17) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | - |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | 78 | 251 | (4,263) | 5,065 | 1,130 |
| Balance at end of the fiscal year | 4,521 | 5,422 | 45,924 | (590) | 55,278 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|---|-------------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total of accumulated other comprehensive income | | | |
| Balance at beginning of the fiscal year | 1,120 | 0 | (119) | 135 | 1,137 | 119 | 2,914 | 58,339 |
| Cumulative effects of changes in accounting policies | | | | | | | | (21) |
| Restated balance | 1,120 | 0 | (119) | 135 | 1,137 | 119 | 2,914 | 58,318 |
| Changes of items during the period | | | | | | | | |
| Issuance of new shares | | | | | | | | 156 |
| Dividends from surplus | | | | | | | | (5,101) |
| Profit attributable to owners of parent | | | | | | | | 919 |
| Purchase of treasury stock | | | | | | | | (0) |
| Disposal of treasury stock | | | | | | | | 5,238 |
| Change in scope of consolidation | | | | | | | | (64) |
| Change of scope of equity method | | | | | | | | (17) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | - |
| Net changes of items other than shareholders' equity | 1,629 | (0) | (41) | (131) | 1,456 | (119) | (91) | 1,244 |
| Total changes of items during the period | 1,629 | (0) | (41) | (131) | 1,456 | (119) | (91) | 2,375 |
| Balance at end of the fiscal year | 2,750 | - | (160) | 4 | 2,593 | - | 2,822 | 60,694 |

Fiscal year ended March 31, 2023

(Unit: million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of the fiscal year | 4,521 | 5,422 | 45,924 | (590) | 55,278 |
| Cumulative effects of changes in accounting policies | | | | | - |
| Restated balance | 4,521 | 5,422 | 45,924 | (590) | 55,278 |
| Changes of items during the period | | | | | |
| Issuance of new shares | 77 | 77 | | | 155 |
| Dividends from surplus | | | (2,254) | | (2,254) |
| Profit attributable to owners of parent | | | 2,742 | | 2,742 |
| Purchase of treasury stock | | | | (0) | (0) |
| Disposal of treasury stock | | | | | - |
| Change in scope of consolidation | | | (37) | | (37) |
| Change of scope of equity method | | | (32) | | (32) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 26 | | | 26 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | 77 | 104 | 418 | (0) | 600 |
| Balance at end of the fiscal year | 4,599 | 5,526 | 46,343 | (590) | 55,878 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|---|-------------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total of accumulated other comprehensive income | | | |
| Balance at beginning of the fiscal year | 2,750 | - | (160) | 4 | 2,593 | - | 2,822 | 60,694 |
| Cumulative effects of changes in accounting policies | | | | | | | | - |
| Restated balance | 2,750 | - | (160) | 4 | 2,593 | - | 2,822 | 60,694 |
| Changes of items during the period | | | | | | | | |
| Issuance of new shares | | | | | | | | 155 |
| Dividends from surplus | | | | | | | | (2,254) |
| Profit attributable to owners of parent | | | | | | | | 2,742 |
| Purchase of treasury stock | | | | | | | | 0 |
| Disposal of treasury stock | | | | | | | | - |
| Change in scope of consolidation | | | | | | | | (37) |
| Change of scope of equity method | | | | | | | | (32) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | 26 |
| Net changes of items other than shareholders' equity | (211) | - | (21) | (164) | (398) | - | (2,057) | (2,455) |
| Total changes of items during the period | (211) | - | (21) | (164) | (398) | - | (2,057) | (1,855) |
| Balance at end of the fiscal year | 2,538 | - | (182) | (160) | 2,195 | - | 764 | 58,838 |

(4) Consolidated statements of cash flows

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------------------------------------|-------------------------------------|
| Cash flow from operating activities | | |
| Income before income taxes | 2,231 | 4,651 |
| Depreciation | 2,170 | 2,346 |
| Impairment loss | 174 | 851 |
| Loss on disaster | 233 | – |
| Increase (decrease) in provision for bonuses | 72 | 316 |
| Increase (decrease) in provision for contingent loss | (130) | (95) |
| Increase (decrease) in net defined benefit liability | (214) | (36) |
| Interest and dividend income | (36) | (27) |
| Interest expenses | 11 | 9 |
| Loss (gain) on sales of investment securities | (88) | (1,390) |
| Equity in (earnings) losses of affiliates | 218 | 20 |
| Gain on reversal of subscription rights to shares | (114) | – |
| Loss (gain) on valuation of investment securities | 10 | (734) |
| Share-based compensation expenses | 142 | 156 |
| Decrease (increase) in notes and accounts receivable - trade | 295 | (10,300) |
| Decrease (increase) in inventories | (215) | 1,181 |
| Decrease (increase) in advance payments | (211) | 248 |
| Decrease (increase) in advance royalty payments | 658 | (637) |
| Increase (decrease) in notes and accounts payable - trade | 1,057 | 868 |
| Decrease (increase) in accounts receivable - other | 1,923 | (832) |
| Increase (decrease) in accounts payable - other | (2,885) | 11,955 |
| Increase (decrease) in accrued royalties | (685) | (211) |
| Increase (decrease) in advances received | 870 | (513) |
| Increase (decrease) in refund liabilities | (446) | (277) |
| Other | (3,168) | 1,694 |
| Subtotal | 1,876 | 9,243 |
| Interest and dividends income received | 53 | 45 |
| Interest expenses paid | (10) | (10) |
| Income taxes refund | 46 | 514 |
| Income taxes paid | (6,430) | (600) |
| Net cash provided by (used in) operating activities | (4,464) | 9,192 |

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|-------------------------------------|-------------------------------------|
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (659) | (1,131) |
| Purchase of intangible assets | (2,297) | (2,452) |
| Purchase of investment securities | (424) | (391) |
| Proceeds from sales of investment securities | 99 | 1,498 |
| Payments for lease and guarantee deposits | (729) | (48) |
| Proceeds from collection of lease and guarantee deposit | 41 | 29 |
| Payments for sale of shares of subsidiaries resulting in change in scope of consolidation | – | (646) |
| Other | 582 | 10 |
| Net cash provided by (used in) investing activities | (3,387) | (3,131) |
| Cash flow from financing activities | | |
| Repayment of long-term loans payable | (54) | (7) |
| Repayment of lease obligations | (41) | (58) |
| Purchase of treasury stock | (0) | (0) |
| Proceeds from disposal of treasury stock | 5,208 | – |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | – | (65) |
| Cash dividends paid | (5,094) | (2,254) |
| Dividends paid to non-controlling interests | (331) | (106) |
| Net cash provided by (used in) financing activities | (314) | (2,493) |
| Effect of exchange rate change on cash and cash equivalents | 183 | (95) |
| Net increase (decrease) in cash and cash equivalents | (7,983) | 3,472 |
| Cash and cash equivalents at beginning of period | 52,654 | 44,671 |
| Cash and cash equivalents at end of period | 44,671 | 48,143 |