

Translation

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Consolidated Financial Results for the Six Months Ended September 30, 2024 (Based on Japanese GAAP)

November 14, 2024

Company name: FURYU CORPORATION
Stock exchange listing: Tokyo
Stock code: 6238 URL <https://www.furyu.jp/>
Representative: President Takashi Mishima
Inquiries: General Manager of Finance & Accounting Naoki Tani TEL 03(5728)1761
Department
Scheduled date to file Securities Report: November 14, 2024
Scheduled date to commence dividend payments: —
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 for the six months ended September 30, 2024 (from April 1, 2024 to September 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	%
Six months ended September 30, 2024	21,575	2.3	1,305	(46.2)	1,351	(43.1)	899	(43.2)
Six months ended September 30, 2023	21,083	17.2	2,427	53.2	2,374	50.9	1,583	52.7

Note: Comprehensive income Six months ended September 30, 2024 ¥616 million [(65.1)%]
Six months ended September 30, 2023 ¥1,765 million [52.7%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	34.02	—
Six months ended September 30, 2023	59.88	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	27,265	21,490	78.8
As of March 31, 2024	28,346	21,862	77.1

(Reference) Equity As of September 30, 2024 ¥21,490 million
As of March 31, 2024 ¥21,862 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	0.00	—	39.00	39.00
Year ending March 31, 2025	—	0.00			
Year ending March 31, 2025 (Forecast)			—	39.00	39.00

Note: Revisions to the forecasts of cash dividends most recently announced: No

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	43,000	0.5	3,000	(20.4)	3,000	(19.7)	2,000	(19.7)	75.64

Note: Revisions to the forecasts of financial results most recently announced: No

*Notes

(1) Significant changes in the scope of consolidation during the period:

Yes

Newly included: one company (FURYU of America, Inc.) Excluded: None

Note: For details, please see “2. Semi-annual consolidated financial statements and significant notes thereto (4) Notes to semi-annual consolidated financial statements (Notes on change in scope of consolidation or application of the equity method) on page 9 of the attached material.”

(2) Application of special accounting methods for preparing semi-annual consolidated financial statements: Yes

Note: For details, please see “2. Semi-annual consolidated financial statements and significant notes thereto (4) Notes to semi-annual consolidated financial statements (Notes on special accounting methods for preparing semi-annual consolidated financial statements) on page 9 of the attached material.”

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

Note: For details, please see “2. Semi-annual consolidated financial statements and significant notes thereto (4) Notes to semi-annual consolidated financial statements (Notes on changes in accounting policies) on page 9 of the attached material.”

(4) Number of issued shares (common shares)

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

As of September 30, 2024	28,296,000 shares	As of March 31, 2024	28,296,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2024	1,816,925 shares	As of March 31, 2024	1,855,989 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	26,442,348 shares	Six months ended September 30, 2023	26,440,028 shares
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Note: The Company introduced a “Board Benefit Trust-Restricted Stock (BBT-RS)” from the six months ended September 30, 2024, and the Company’s shares held by the Trust are included in the treasury shares deducted in the calculation of the number of treasury shares at the end of the period and the average number of shares during the period (120,000 shares in the six months ended September 30, 2024).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

The forward-looking statements including forecast of financial results contained in these materials are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. As such, they do not constitute the Company’s guarantee that such results would be achieved. Actual financial and other results may differ substantially from the statements herein due to various factors.

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1. Overview of operating results and others

(1) Overview of operating results for the first six months

During the first six months of the current fiscal year (April 1, 2024 to September 30, 2024), the Japanese economy showed its gradual recovery trend, with business sentiment at large companies remaining strong according to the Bank of Japan's *Tankan* survey in September. In addition, according to the Cabinet Office, personal consumption, despite being affected inflation, is on an upward trend, as the employment and income environment improves. On the other hand, while the yen has strengthened significantly due to the change in monetary policies in Japan and the US, the future of the economy remains uncertain due to factors such as the situation in Russia and Ukraine, the prolonged conflict between Israel and Hamas, and growing concerns about the future of the Chinese economy.

Under these circumstances, with the Group's corporate philosophy "Create quality entertainment that brings happiness and fulfillment to people," the Group focused on expanding the Photo Sticker Business, diversifying monetization utilizing the customer base, which is young women, and selling products using character IPs (intellectual properties), and took steps to implement our "Medium-term Vision," as the fiscal year ending March 31, 2028 is the last year of the term.

As a consequence, regarding the operating results for the six months ended September 30, 2024, the Group saw net sales of ¥21,575 million (102.3% of the same period of the previous fiscal year), operating profit of ¥1,305 million (53.8% of the same period of the previous fiscal year), ordinary profit of ¥1,351 million (56.9% of the same period of the previous fiscal year), and profit attributable to owners of parent of ¥899 million (56.8% of the same period of the previous fiscal year).

Operating results by segment are as follows:

(SEKAIKAN Business)

In the SEKAIKAN Business, we continued to focus on acquiring many IPs of classic characters, popular manga works, world-famous games, etc. and producing merchandise thereof, and sales have remained steady.

Furthermore, as our products are manufactured mainly in China and the manufacturing costs are settled in the US dollar, currency rate volatility affects profits, so the Company implements appropriate policies to mitigate the extent of this impact.

Sales of Amusement Prizes expanded favorably, as a result of the expansion of the crane game market and the commercialization of several popular IPs, as well as the boost from inbound demand.

Turning to products for overseas merchandise, an improvement regarding orders from the major markets of China and the US resulted in sales growth. We focused on expanding new sales channels and acquiring merchandising rights for overseas markets, and in September we opened an official flagship store on the Chinese e-commerce site "TMALL."

For high-end hobby items, we promoted the commercialization of popular IPs with an emphasis on profitability, and focused on sales promotion using the "FURYU HOBBY MALL," a hobby e-commerce site.

As a result, for the six months ended September 30, 2024, the SEKAIKAN Business saw net sales of ¥12,436 million (106.3% of the same period of the previous fiscal year), and an operating profit of ¥915 million (86.1% of the same period of the previous fiscal year).

(GIRLS Trend Business)

In the Photo Sticker Business, in order to meet the changes to the external environment characterized by diversification of lifestyles and consumer needs that were brought about by the COVID-19 pandemic, we introduced new models of photo sticker machines that users can experience "+α value" compared to previous ones and carried out sales promotion measures to expand the number of users, such as by implementing collaboration with classic popular characters. In July, we collaborated with

the 2.5D idol group “Strawberry Prince,” and in September we released the machine called “Luvholi,” which is dedicated to “supporting one’s favorite” activities. However, the play count in the six months ended September 30, 2024 totaled 14.91 million, down from 16.41 million in the same period of the previous fiscal year.

For the photo sticker image acquisition and viewing service “PiCTLINK,” the number of paying members, which we consider an important KPI for the service, was 1.39 million as of the end of September 2024, down from 1.47 million at the end of September 2023, in spite of measures to strengthen the inflow of new members in order to maintain the membership scale. As a strategy to further grow this service, we released the “PiCTLINK photos” photo storage application in the previous fiscal year, and we are working to control the withdrawal rate in order to expand the number of users of the service going forward.

As a result, for the six months ended September 30, 2024, the GIRLS Trend Business saw net sales of ¥7,151 million (94.4% of the same period of the previous fiscal year), and an operating profit of ¥1,758 million (76.0% of the same period of the previous fiscal year).

(FURYU New Business)

In the home video game software business, we released a new title, “REYNATIS,” in July. Combining with sales of downloadable versions of existing titles, sales of the business exceeded those of the previous fiscal year.

In the game application business, we worked to increase sales of “Stellarium of the Fragile Star,” which we commenced distribution in April, by implementing various measures to promote the appeal of the game, such as selling merchandise.

In the animation business, sales of products related to the third season of the TV animation show “LAID-BACK CAMP,” which began airing in April, have been very strong and have contributed greatly to sales.

In the colored contact lens business, we are working to increase customer inflow and repeat customers by implementing sales promotion campaigns on our e-commerce site “Mew contact” and our sites on external e-commerce platforms, as well as introducing FURYU original products.

As a result, for the six months ended September 30, 2024, the FURYU New Business saw net sales of ¥1,986 million (110.3% of the same period of the previous fiscal year), and an operating loss of ¥270 million (an operating loss of ¥153 million in the same period of the previous fiscal year).

(2) Overview of financial position for the first six months

As of September 30, 2024, total assets were ¥27,265 million, liabilities were ¥5,774 million, and net assets were ¥21,490 million. The equity ratio was 78.8%.

(Assets)

Assets stood at ¥27,265 million, a decrease of ¥1,081 million from the end of the previous fiscal year. This is mainly due to a decrease in notes and accounts receivable - trade of ¥343 million, a decrease in electronically recorded monetary claims - operating of ¥727 million, and a decrease in “other” in current assets of ¥399 million, despite an increase in inventories of ¥388 million.

(Liabilities)

Liabilities stood at ¥5,774 million, a decrease of ¥709 million from the end of the previous fiscal year. This is mainly due to a decrease in income taxes payable of ¥451 million, a decrease in provision for loss on orders received of ¥193 million, and a decrease in “other” in current liabilities of ¥109 million.

(Net assets)

Net assets stood at ¥21,490 million, a decrease of ¥372 million from the end of the previous fiscal year. This is mainly due to an increase in retained earnings of ¥899 million resulting from the recording of profit attributable to owners of parent, despite a decrease in retained earnings of ¥1,031 million as result of dividends paid and a decrease in deferred gains or losses on hedges of ¥277 million.

(3) Analysis of cash flows for the first six months

Cash and cash equivalents as of September 30, 2024 amounted to ¥11,306 million, down by ¥183 million, compared to the end of the previous fiscal year. This was the result of ¥2,021 million provided by operating activities, ¥1,160 million used in investing activities, and ¥1,033 million used in financing activities.

(Cash flows from operating activities)

In operating activities, profit before income taxes amounted to ¥1,351 million and depreciation amounted to ¥1,084 million. In addition, there were a decrease in trade receivables of ¥1,071 million, an increase in inventories of ¥388 million, a decrease in accounts payable - other of ¥164 million, and income taxes paid of ¥891 million. As a result, net cash provided by operating activities was ¥2,021 million, compared with ¥1,816 million provided in the six months ended September 30, 2023.

(Cash flows from investing activities)

In investing activities, there were outflows of ¥865 million due to purchase of property, plant and equipment and ¥313 million due to purchase of intangible assets. As a result, net cash used in investing activities was ¥1,160 million, compared with ¥933 million used in the six months ended September 30, 2023.

(Cash flows from financing activities)

In financing activities, there was ¥871 million in proceeds from sale and leaseback transactions, ¥874 million due to repayments of lease liabilities, and ¥1,031 million due to dividends paid. As a result, net cash used in financing activities was ¥1,033 million, compared with ¥1,006 million used in the six months ended September 30, 2023.

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

There is no change to the consolidated financial results forecasts announced on May 14, 2024.

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	11,489,282	11,312,147
Notes and accounts receivable - trade	4,232,502	3,888,505
Electronically recorded monetary claims - operating	1,853,170	1,126,148
Inventories	3,069,715	3,458,309
Other	2,499,261	2,099,887
Allowance for doubtful accounts	(1,152)	(856)
Total current assets	23,142,780	21,884,141
Non-current assets		
Property, plant and equipment	2,633,603	2,579,491
Intangible assets	807,641	919,911
Investments and other assets		
Other	1,775,676	1,894,794
Allowance for doubtful accounts	(13,325)	(13,305)
Total investments and other assets	1,762,350	1,881,488
Total non-current assets	5,203,595	5,380,892
Total assets	28,346,375	27,265,033
Liabilities		
Current liabilities		
Accounts payable - trade	778,609	773,444
Electronically recorded obligations - operating	695,539	708,213
Income taxes payable	964,180	512,967
Provision for loss on orders received	272,914	79,168
Other	3,499,363	3,390,225
Total current liabilities	6,210,607	5,464,019
Non-current liabilities		
Retirement benefit liability	266,310	303,873
Other	6,845	6,769
Total non-current liabilities	273,155	310,642
Total liabilities	6,483,762	5,774,661
Net assets		
Shareholders' equity		
Share capital	1,639,216	1,639,216
Capital surplus	1,614,716	1,614,716
Retained earnings	20,511,058	20,370,812
Treasury shares	(2,000,402)	(1,949,562)
Total shareholders' equity	21,764,587	21,675,182
Accumulated other comprehensive income		
Deferred gains or losses on hedges	75,554	(202,038)
Foreign currency translation adjustment	—	(6,380)
Remeasurements of defined benefit plans	22,470	23,607
Total accumulated other comprehensive income	98,025	(184,810)
Total net assets	21,862,612	21,490,371
Total liabilities and net assets	28,346,375	27,265,033

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income**Semi-annual consolidated statement of income**

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	21,083,070	21,575,361
Cost of sales	12,345,685	13,025,051
Gross profit	8,737,385	8,550,310
Selling, general and administrative expenses	6,309,453	7,244,588
Operating profit	2,427,931	1,305,722
Non-operating income		
Interest income	4	36
Subsidy income	534	881
Foreign exchange gains	–	39,612
Gain on investments in investment partnerships	5,177	8,138
Other	1,637	732
Total non-operating income	7,355	49,401
Non-operating expenses		
Interest expenses	103	568
Foreign exchange losses	60,547	–
Compensation expenses	–	2,879
Other	63	159
Total non-operating expenses	60,713	3,607
Ordinary profit	2,374,573	1,351,515
Extraordinary income		
Gain on sale of non-current assets	29	2
Total extraordinary income	29	2
Extraordinary losses		
Loss on sale and retirement of non-current assets	0	156
Total extraordinary losses	0	156
Profit before income taxes	2,374,603	1,351,362
Income taxes	791,450	451,757
Profit	1,583,152	899,605
Profit attributable to owners of parent	1,583,152	899,605

Semi-annual consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,583,152	899,605
Other comprehensive income		
Deferred gains or losses on hedges	178,586	(277,593)
Foreign currency translation adjustment	—	(6,380)
Remeasurements of defined benefit plans, net of tax	3,849	1,137
Total other comprehensive income	182,436	(282,835)
Comprehensive income	1,765,589	616,769
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,765,589	616,769

(3) Semi-annual consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,374,603	1,351,362
Depreciation	954,445	1,084,486
Increase (decrease) in allowance for doubtful accounts	(4,037)	(316)
Increase (decrease) in retirement benefit liability	48,955	38,700
Interest and dividend income	(4)	(36)
Interest expenses	103	568
Foreign exchange losses (gains)	(5,559)	4,633
Loss (gain) on sale and retirement of non-current assets	(29)	153
Decrease (increase) in trade receivables	(693,544)	1,071,019
Decrease (increase) in inventories	(1,295,993)	(388,593)
Decrease (increase) in accounts receivable - other	(42,458)	(1,450)
Decrease (increase) in advance payments to suppliers	(44,032)	241,778
Increase (decrease) in trade payables	341,066	7,509
Increase (decrease) in accounts payable - other	41,810	(164,938)
Increase (decrease) in accrued expenses	(101,655)	(13,584)
Other, net	309,152	(305,168)
Subtotal	1,882,821	2,926,124
Interest and dividends received	4	36
Interest paid	(103)	(568)
Income taxes paid	(73,279)	(891,763)
Income taxes refund	7,043	—
Cancellation penalty paid	—	(11,845)
Net cash provided by (used in) operating activities	1,816,486	2,021,984
Cash flows from investing activities		
Purchase of property, plant and equipment	(635,724)	(865,890)
Proceeds from sale of property, plant and equipment	30	5
Purchase of intangible assets	(240,006)	(313,444)
Payments of guarantee deposits	(66,156)	(1,649)
Other, net	8,644	20,780
Net cash provided by (used in) investing activities	(933,213)	(1,160,198)
Cash flows from financing activities		
Proceeds from sale and leaseback transactions	653,196	871,323
Repayments of lease liabilities	(655,290)	(874,031)
Dividends paid	(1,004,721)	(1,031,160)
Purchase of treasury shares	(34)	(38)
Net cash provided by (used in) financing activities	(1,006,849)	(1,033,907)
Effect of exchange rate change on cash and cash equivalents	5,559	(11,013)
Net increase (decrease) in cash and cash equivalents	(118,017)	(183,135)
Cash and cash equivalents at beginning of period	10,800,352	11,489,282
Cash and cash equivalents at end of period	10,682,335	11,306,147

(4) Notes to semi-annual consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on change in scope of consolidation or application of the equity method)

(Significant changes in scope of consolidation)

From the first six months of the current fiscal year, the newly established FURYU of America, Inc. is included in the scope of consolidation.

(Notes on special accounting methods for preparing semi-annual consolidated financial statements)

(Calculation of income tax expense)

Income tax expense is calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year including the six months under review, and multiplying semi-annual profit before income taxes by this estimated effective tax rate.

(Notes on changes in accounting policies)

(Application of the “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations)

The Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”) effective from beginning of the six months ended September 30, 2024.

Revisions to categories for recording current income taxes (taxes on other comprehensive income) conform to the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso of paragraph 65-2 (2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policy has no impact on the semi-annual consolidated financial statements.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Notes on segment information)

[Segment information]

I Six months ended September 30, 2023

1. Information on amounts of net sales and profit or loss by reportable segment

(Thousands of yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded in the semi-annual consolidated statement of income (Note 2)
	SEKAIKAN Business	GIRLS Trend Business	FURYU New Business	Total		
Net sales						
Sales to external customers	11,704,176	7,578,646	1,800,247	21,083,070	—	21,083,070
Inter-segment sales or transfers	—	—	—	—	—	—
Total	11,704,176	7,578,646	1,800,247	21,083,070	—	21,083,070
Segment profit (loss)	1,063,675	2,314,739	(153,663)	3,224,751	(796,819)	2,427,931

Notes: 1. The adjustment amount of negative ¥796,819 thousand for segment profit or loss includes ¥1,920 thousand in inter-segment transactions, and negative ¥798,739 thousand in corporate expenses that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. Segment profit (loss) was adjusted to operating profit in the semi-annual consolidated statement of income.

2. Information about impairment loss of non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses of non-current assets)

Not applicable.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

II Six months ended September 30, 2024

1. Information on amounts of net sales and profit or loss by reportable segment

(Thousands of yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded in the semi-annual consolidated statement of income (Note 2)
	SEKAIKAN Business	GIRLS Trend Business	FURYU New Business	Total		
Net sales						
Sales to external customers	12,436,864	7,151,938	1,986,558	21,575,361	—	21,575,361
Inter-segment sales or transfers	—	—	—	—	—	—
Total	12,436,864	7,151,938	1,986,558	21,575,361	—	21,575,361
Segment profit (loss)	915,657	1,758,768	(270,205)	2,404,220	(1,098,498)	1,305,722

Notes: 1. The adjustment amount of negative ¥1,098,498 thousand for segment profit or loss includes ¥3,600 thousand in inter-segment transactions, and negative ¥1,102,098 thousand in corporate expenses that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. Segment profit (loss) was adjusted to operating profit in the semi-annual consolidated statement of income.

2. Information about impairment loss of non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses of non-current assets)

Not applicable.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.