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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

February 14, 2025

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Listing: Tokyo
Securities code: 6736
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	7,931	6.2	(169)	-	12	-	17,070	-
December 31, 2023	7,467	(78.4)	218	-	(4,267)	-	(4,145)	-

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥ 8,291 million [-%]
Nine months ended December 31, 2023: ¥ (176) million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	767.00	765.61
December 31, 2023	(186.29)	-

(Note) Diluted earnings per share for the nine months ended December 31, 2023, is not stated because, although there are residual shares, diluted earnings per share is negative.

(2) Consolidated Financial Position en

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	49,674	43,583	87.6
March 31, 2024	46,838	37,259	79.3

(Reference) Equity: As of December 31, 2024: ¥ 43,520 million
As of March 31, 2024: ¥ 37,157 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	40.00	40.00
Fiscal year ending March 31, 2025	-	50.00	-		
Fiscal year ending March 31, 2025 (Forecast)				-	-

(Note) The year-end dividend forecast for the fiscal year ending March 31, 2025 is currently undecided.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit	
	Millions of yen	%	Millions of yen	%
Full year	12,285	22.29	709	126.66

(Note) Revision to the financial results forecast announced most recently: None

The forecast for the fiscal year ending March 31, 2025 may be affected by the conversion of debt instruments recognized in our equity-method affiliate Cellebrite DI Ltd. after January 2025 into shares of Cellebrite.

Due to the difficulty of reasonably estimating the impact of this impact on the Company's investment income (loss) and gain (loss) on change in equity on the Company's results of operations at this time, the Company has not yet determined each step of income below ordinary profit.

* Notes:

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

Newly included: - (Company name:)

Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

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

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

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

December 31, 2024: 24,007,728 shares

March 31, 2024: 24,007,728 shares

2) Number of treasury shares at the end of the period:

December 31, 2024: 1,742,427 shares

March 31, 2024: 1,769,277 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 22,256,021 shares

Nine months ended December 31, 2023: 22,253,162 shares

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements in this document, including financial forecasts, are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to various factors

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2024

(1) Explanation of Operating Results

Forward-looking statements contained in this document are based on judgments of the Group as of December 31, 2024.

<External environment>

The data intelligence market, which our Global Data Intelligence business serves, saw a favorable response to the Case-to-Closure platform of Cellebrite DI Ltd. (hereafter, "Cellebrite"), suggesting that the new InsEYEts digital forensic software have been gaining popularity. Meanwhile, leading-edge digital intelligence tools, such as InsEYEts, are now indispensable solutions and have been adopted by an increasing number of law enforcement agencies and others in Japan as well as overseas.

Regarding the pachinko and pachislot market, one of the markets that our Entertainment-related business serves, smart game machines began being introduced in November 2022, and now there are popular games for these machines. Thus, the demand for such machines, mainly smart pachislot machines, has been increasing. Meanwhile, although there have been signs of recovery from the semiconductor supply crunch due to the global shortage, there are still issues such as the ongoing upsurge of raw material prices and a decrease in number of pachinko parlors. The future of the market thus remains uncertain.

Although games were established as enjoyable home entertainment during the COVID-19 pandemic, now that other leisure consumption has also recovered, we can see a slight contraction trend in the game content market in developed countries. Furthermore, the market has been increasingly competitive as the number of games released has been increasing in an accelerated manner because the technological advancement has made it possible for a single person to develop video game with a single PC.

In the IoT market, one of the markets that our New IT-related business serves, demand for monitoring and control systems that can access from remote locations to alleviate labor shortages and improve productivity is increasing, and the industrial network device "Rooster" capable of stably operating for a long period of time, which is the Company's strength, has been widely installed. Furthermore, migration from 3G to LTE (4G) is smoothly ongoing as communication carriers are scheduled to successively terminate 3G services by March 2026. While the crunch in overall semiconductor supply is easing, component prices are continuing to soar, which may have impacts on the supply of products of the Company and its profits, and the impacts remain uncertain at present.

The market environments of some of the Group's core businesses are uncertain as described above. Against this backdrop, the Group will work to establish new core products and services in line with the current social trend of moving towards utilization of leading-edge technologies, such as IoT, AR, and AI for further improvement of the Group's business performance.

<Competitive advantages>

In the Global Data Intelligence business, the Company served law enforcement agencies who deal with tech-savvy criminals (criminal organizations) as well as explosive increases in digital evidence. More specifically, the Company has provided them with state-of-the-art digital intelligence tools, as well as training and services over the years, to enhance the productivity of investigation resources. The next-generation solution "InsEYEts," which was released in January 2024, combines the advanced extraction of "Premium" with next-generation "UFED", as an all-in digital forensic solution that encompasses the functions of "Physical Analyzer (including reader)", "Cloud" and "Commander", contributing to a significant reduction in the work time of investigation agencies. In the Japanese market, full-scale deliveries began in April 2024. Additionally, in August 2024, the Company entered into a strategic partnership agreement for sales with TRM Labs, a US leading blockchain intelligence company. This agreement covers sales in Japan. The Company will make proactive efforts to sell products from the US company TRM Labs, which has an abundance of experience in having their products adopted by organizations, such as law enforcement agencies, regulatory agencies, tax agencies, and crypto asset exchanges, in the United States, Central and South America, Europe, and the Asia Pacific Region.

In the game machine business of our Entertainment-related business, the Company specializes in certain business fields and customers to establish strong trustful relationships and step up our expressive and technical abilities in the specific areas. This enables us to execute development of contents highly attractive as products, as well as development of high-quality control boards, thus allowing the Company to enhance our competitive advantages.

In the game content business, the Company internally handles all phases, from development to operation, of console games and mobile games under the famous "Shanghai" brand. This enables us to maintain cost-efficient profits over a long term. Furthermore, having a number of intellectual properties (IPs) in the genre of retro games, which is regaining popularity mainly in the European and American market, the Company has the prospect of further profit expansion through effective utilization of the IPs.

In the New IT-related business, the Company's efforts center on the following: to maintain technological competitive advantages by establishing strong trustful relationships with our partners such as individual communication carriers and system integrators, and acquiring patents related to migration from 3G to LTE (4G) networks based on technologies accumulated over many years; and to further reinforce our competitiveness by developing products with keywords being 5G and edge AI. "Rooster", an industrial network device, supports dual SIM and is capable of making a system redundant using different communication carriers. This device automatically detects a failure in a communication carrier network and switches from the main network to the sub-network, thereby eliminating the effects of network communication failures and enabling uninterrupted operation of remote monitoring and control, and data collection. Thus, sales of "Rooster" have been growing steadily.

In the IoT field, a problem is to alleviate increasing operational management burdens of a large number of IoT devices installed in remote locations as they move from the introduction to operational phase. To address this issue, the Company's device management service called "SunDMS" enables alive monitoring and centralized control of "Rooster", enabling remote and secure operational management. As a result, on-site maintenance costs such as personnel, operational adjustments, and travel time can be cut down, and the operational burden can be greatly reduced. The Company is also developing "SunDMS-Insight". This makes it possible to collect, control, and visualize any device or network data, such as "OKUDAKE Sensor" and Programmable Logic Controllers (PLCs). In the future, BI/AI will be used for aggregation, analysis, and detection to improve the efficiency and security of remote operational management in the IoT field, thereby securing a competitive advantage.

<Management initiatives>

The Group has reviewed its existing business strategies, and has formulated the new Medium-Term Management Plan, which covers three years starting from the fiscal year ending March 2025, with an aim of establishing its future growth base. The quantitative targets for the fiscal year ending March 2027, the last fiscal year covered by the new Medium-Term Management Plan, are net sales of ¥19,200 million and operating profit of ¥2,100 million.

Furthermore, the medium- to long-term management targets after the new Medium-Term Management Plan period have been set to net sales of ¥50,000 million and an operating profit margin of 15% in pursuit of the sustainable growth and corporate value enhancement of the Group.

To achieve the above goals, the Group has set up specific strategic themes: 1) Improving its earning power in existing businesses; 2) Creating new growth drivers; and 3) Establishing management base to support business. Under these themes, the following business development is being planned for individual business divisions.

The Global Data Intelligence business will aspire for contributing to global human safety and security and provide products, solutions, and services that are needed to achieve that goal. Specifically, the Company will strengthen its sales activities based on up-selling and cross-selling and reduce the churn rate so as to expand stock businesses, that is, to acquire stable profit opportunities.

Furthermore, as an initiative related to "creating new growth driver," aiming for providing new digital tool solutions not limited to the digital forensics field, the Company will advance its search for products with high added value by leveraging the networks it has developed to date, such as one in Israel.

In the Entertainment-related business, as an initiative related to "improving our earning power in existing businesses," the Company will focus on promoting measures such as increasing the number of newly developed

games in the game machine business, as well as developing new IPs and promoting overseas marketing in the game business.

The New IT-related business will seek ways to shift from the conventional hardware-based business to a solution business that covers IoT and video solutions, as well as collection, control, visualization, and analysis of data on Rooster and networks. Furthermore, it will strive to shift into the field of intelligence to be capable of, for example, advanced data processing of device data on a network using AI.

Meanwhile, the Company created the R&D Department in October 2022 by combining the Marketing Department and Technology Development to improve its earning power. In consideration of the Company's future business development, the R&D Department has already started technological development in AI, information security, and healthcare fields under its immediate theme of moving forward with data businesses. Additionally, in research and development, the Company is aiming to develop differentiated products by conducting joint research with a university that owns a technological seed.

<Overview of products and services>

In the Global Data Intelligence business, the Company is moving forward with providing products, services, and support related to threat intelligence and active cyber defense in addition to Cellebrite's digital intelligence products that have been conventionally sold in Japan. Aiming to expand sales of "Cybersixgill" as a new product that can search for usually invisible information on the dark web, we are making active efforts including showcasing the product at an exhibition for industrial sectors.

Furthermore, the Company sells a crypto asset trade analyzing tool available from TRM Labs, after showcasing it at occasions such as exhibitions, the Company has been receiving a lot of inquiries on the tool against the backdrop of an increase in crimes of fraudulently using crypto assets. To accelerate the adoption of this tool in Japan, the Company will proactively work on sales activities.

In the game machine business of the Entertainment-related business, the Company works as a contractor responsible for all phases of content development for pachinko and pachislot games, including planning, designing, video production, and programming, as well as all phases related to control boards from designing to manufacturing. In addition, leveraging on its know-how in content development, the Company also offer smartphone applications simulating real pachinko and pachislot machines to contribute to the operation of real pachinko and pachislot machines in the market and raise awareness of contents.

In the game content business, several plans utilizing IPs related to retro games are now underway. "Ikki Unite" was released for Nintendo Switch™ on April 18, 2024. In addition, a package version of Nintendo Switch™ software "Ikki Unite" that allows 16 players to play it was released on September 19, 2024. Thereafter, download and package versions of "Clock Tower Rewind" were released in Japan and Asia on October 31, 2024, followed by the official release of "Ark of Charon", an all-new product for Steam (PC), on November 7, 2024. Download and package versions of "Gimmick!2" were also released in Japan and Asia on December 19, 2024.

In the New IT-related business, several major beverage vendors adopted strategic products of the Company for beverage vending machines," A330" and "A900", in order to reduce management costs and improve operational efficiency, including product replenishment, and more than 500,000 units have already been introduced. Our router products such as "Rooster" are promoted as products differentiated from those of other companies with the emphasis on features of network redundancy and linkage with the device management service "SunDMS", and have been producing steady sales. Aiming to further expand its businesses, the Company has released an edge computer named "LBX8110" in September 2023, where AI image analysis can be implemented. Serving the Company as a new product in the new IoT field, this edge computer offers new solutions based on the AI technologies such as image analysis. Lastly, our sensor device "OKUDAKE Sensor" has entered the full-scale introduction phase for HACCP-based temperature management or predictive maintenance based on acceleration (vibration) sensor. Furthermore, in September 2024, the Company released "Rooster Camera Solution", a product that combines a mobile network with a video security function, saving the users' trouble of communication line construction and network security and enabling easy remote monitoring.

<Overview of the consolidated statements of income>

The Group posted consolidated net sales of ¥7,931 million (up 6.2% year-on-year) as its efforts to reinforce its strategies for the existing businesses were successful taken in line with the new Medium-Term Management Plan from the fiscal year ending March 2025. Although net sales grew, gross profit, indicative of the added value created by the Group, was affected by factors such as soaring raw material prices. Gross profit was ¥2,082 million (down 5.8% year-on-year), and the gross profit margin was 26.3% (down by 3.3 points year-on-year).

Consolidated net sales

Segment	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year change in percent (%)
Global Data Intelligence	740	878	18.7
Entertainment-related	4,544	4,481	(1.4)
New IT-related	2,195	2,587	17.9
Adjustment	(13)	(16)	-
Total	7,467	7,931	6.2

Gross profit

Segment	Nine months ended December 31,2023 (Millions of yen)	Nine months ended December 31,2024 (Millions of yen)	Year-on-year change in percent (%)
Global Data Intelligence	173	223	28.5
Entertainment-related	1,308	1,113	(14.9)
New IT-related	716	729	1.8
Adjustment	13	16	-
Total	2,211	2,082	(5.8)

Gross profit margin

Segment	Nine months ended December 31,2023 (%)	Nine months ended December 31,2024 (%)
Global Data Intelligence	23.4	25.4
Entertainment-related	28.8	24.8
New IT-related	32.6	28.2
Total	29.6	26.3

<Overview of selling, general and administrative expenses>

Consolidated selling, general and administrative expenses came to 2,252 million (up 13.0% year-on-year). This is mainly due to an increase in expenses for strengthening sales force and the corporate functions for the future increased.

Selling, general and administrative expenses

Segment	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year change in percent (%)
Global Data Intelligence	81	111	36.6
Entertainment-related	728	691	(5.0)
New IT-related	552	593	7.5
Adjustment	631	854	-
Total	1,993	2,252	13.0

Research and development expenses

Segment	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year change in percent (%)
Global Data Intelligence	-	0	-
Entertainment-related	488	420	(13.9)
New IT-related	187	184	(1.6)
Adjustment	106	102	-
Total	782	706	(9.6)

<Overview of operating profit (loss)>

The Group posted operating loss of ¥169 million (operating profit of ¥218 million for the nine months ended December 31, 2023) on a consolidated basis. This is because of an increase in selling, general and administrative expenses

Operating profit (loss)

Segment	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year change in percent (%)
Global Data Intelligence	91	111	21.2
Entertainment-related	593	438	(26.1)
New IT-related	164	135	(17.4)
Adjustment	(631)	(854)	-
Total	218	(169)	-

<Overview of ordinary profit and profit attributable to owners of parent>

The Group posted ordinary profit of ¥12 million (ordinary loss of ¥4,267 million for the nine months ended December 31, 2023) on a consolidated basis. This is mainly attributable to a year-on-year rebound from the previous period for which it recognized loss on valuation of derivatives in Cellebrite and recorded share of loss of entities accounted for using equity method, amounting to ¥4,498 million. The Group posted profit attributable to owners of parent of ¥17,070 million (loss attributable to owners of parent of ¥4,145 million for the nine months ended December 31, 2023). This is mainly due to gain on change in equity of ¥17,560 million reported under extraordinary income mainly because net assets of Cellebrite increased following the satisfaction of conditions for debt instruments in Cellebrite.

<Overview of individual segments>

[Global Data Intelligence business]

	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year change in amount (Millions of yen)	Year-on-year change in percent (%)
Net sales	740	878	138	18.7
Segment profit	91	111	19	21.2

Net sales and profit for the Global Data Intelligence business both increased year-on-year mainly due to an increase in the amount of orders in the subscription business.

[Entertainment-related business]

	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year change in amount (Millions of yen)	Year-on-year change in percent (%)
Net sales	4,544	4,481	(63)	(1.4)
Segment profit	593	438	(155)	(26.1)

Net sales and profit for the game machine business both decreased year-on-year due to a decrease in the shipment volume of game machine-related parts.

[New IT-related business]

	Nine months ended December 31, 2023 (Millions of yen)	Nine months ended December 31, 2024 (Millions of yen)	Year-on-year change in amount (Millions of yen)	Year-on-year change in percent (%)
Net sales	2,195	2,587	392	17.9
Segment profit	164	135	(28)	(17.4)

While net sales for the M2M business increased due to strong sales, profit decreased despite the increase in sales year-on-year due to reasons such as soaring raw material prices and increased expenses for the enhancement of the operational base.

(2) Explanation of Financial Position

(i) State of assets, liabilities, and net assets

(Assets)

Total assets stood at ¥49,674 million, an increase of ¥2,836 million from the end of the previous fiscal year.

Current assets stood at ¥18,177 million, a decrease of ¥5,271 million from the end of the previous fiscal year. The main factor for decrease was a decrease of ¥8,000 million in money held in trust. The main factor for increase was an increase of ¥2,473 million in cash and deposits.

Non-current assets stood at ¥31,496 million, an increase of ¥8,107 million from the end of the previous fiscal year. The main factor for increase was an increase of ¥17,686 million in shares of subsidiaries and associates. The main factor for decrease was a decrease of ¥9,944 million in investment securities.

(Liabilities)

Total liabilities stood at ¥6,091 million, a decrease of ¥3,487 million from the end of the previous fiscal year.

Current liabilities stood at ¥5,807 million, an increase of ¥902 million from the end of the previous fiscal year. The main factor for increase was an increase of ¥1,296 million in short-term borrowings. The main factor for decrease was a decrease of ¥709 million in notes and accounts payable - trade.

Non-current liabilities stood at ¥283 million, a decrease of ¥4,390 million from the end of the previous fiscal year. The main factor for decrease was a decrease of ¥4,359 million in deferred tax liabilities.

(Net assets)

Total net assets stood at ¥43,583 million, an increase of ¥6,324 million from the end of the previous fiscal year. The main factor for increase was an increase of ¥15,067 million in retained earnings. The main factor for decrease was a decrease of ¥9,007 million in valuation difference on available-for-sale securities.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	1,732,014	4,205,287
Money held in trust	14,200,000	6,200,000
Notes and accounts receivable - trade	1,812,896	1,669,187
Accounts receivable	86,655	247,139
Finished goods	744,912	850,311
Work in process	447,404	516,906
Raw materials	3,711,585	3,583,120
Other	714,601	906,351
Allowance for doubtful accounts	(499)	(399)
Total current assets	23,449,570	18,177,905
Non-current assets		
Property, plant and equipment		
Land	949,043	949,043
Other, net	630,967	725,426
Total property, plant and equipment	1,580,010	1,674,469
Intangible assets		
Goodwill	457,630	489,013
Other	229,538	205,364
Total intangible assets	687,169	694,378
Investments and other assets		
Investment securities	20,663,685	10,719,646
Deferred tax assets	1,297	154,059
Shares of subsidiaries and associates	1,000	17,687,992
Other	455,714	566,262
Total investments and other assets	21,121,697	29,127,961
Total non-current assets	23,388,877	31,496,809
Total assets	46,838,448	49,674,714

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,989,206	1,280,151
Short-term borrowings	1,095,392	2,392,280
Current portion of long-term borrowings	37,445	36,504
Accrued expenses	246,421	261,703
Income taxes payable	361,112	1,406
Advances received	63,373	234,019
Contract liabilities	891,842	1,134,783
Provision for bonuses	149,664	126,742
Other	70,553	340,007
Total current liabilities	4,905,012	5,807,598
Non-current liabilities		
Long-term borrowings	257,366	228,976
Deferred tax liabilities	4,372,346	12,913
Deferred tax liabilities for land revaluation	9,920	9,920
Retirement benefit liability	10,741	11,780
Other	23,670	20,073
Total non-current liabilities	4,674,045	283,663
Total liabilities	9,579,057	6,091,261
Net assets		
Shareholders' equity		
Share capital	2,097,606	2,097,606
Capital surplus	3,316,731	3,335,651
Retained earnings	26,543,187	41,610,816
Treasury shares	(3,643,498)	(3,588,277)
Total shareholders' equity	28,314,026	43,455,796
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,269,293	262,159
Deferred gains or losses on hedges	-	(6,837)
Revaluation reserve for land	(434,203)	(434,203)
Foreign currency translation adjustment	8,197	243,127
Total accumulated other comprehensive income	8,843,288	64,247
Share award rights	24,012	19,619
Share acquisition rights	78,064	43,789
Total net assets	37,259,391	43,583,453
Total liabilities and net assets	46,838,448	49,674,714

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	7,467,638	7,931,148
Cost of sales	5,256,054	5,848,397
Gross profit	2,211,584	2,082,751
Selling, general and administrative expenses	1,993,106	2,252,301
Operating profit (loss)	218,477	(169,550)
Non-operating income		
Interest and dividend income	46,866	224,377
Other	26,744	5,005
Total non-operating income	73,610	229,383
Non-operating expenses		
Interest expenses	2,993	15,578
Foreign exchange losses	22,021	20,370
Share of loss of entities accounted for using equity method	4,498,420	-
Commission for purchase of treasury shares	22,704	-
Commission expenses	10,171	10,744
Other	2,897	839
Total non-operating expenses	4,559,207	47,531
Ordinary profit (loss)	(4,267,119)	12,300
Extraordinary income		
Gain on sale of non-current assets	0	2,330
Gain on change in equity	-	17,560,330
Gain on reversal of share acquisition rights	1,029	17,362
Total extraordinary income	1,030	17,580,024
Extraordinary losses		
Loss on liquidation of subsidiaries	6,165	-
Impairment losses	-	26,717
Other	368	43
Total extraordinary losses	6,534	26,760
Profit (loss) before income taxes	(4,272,623)	17,565,563
Income taxes - current	270,863	1,067,855
Income taxes - deferred	(398,051)	(572,654)
Total income taxes	(127,187)	495,200
Profit (loss)	(4,145,435)	17,070,363
Profit (loss) attributable to owners of parent	(4,145,435)	17,070,363

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit (loss)	(4,145,435)	17,070,363
Other comprehensive income		
Valuation difference on available-for-sale securities	2,920,650	(9,037,432)
Foreign currency translation adjustment	18,520	131,730
Share of other comprehensive income of entities accounted for using equity method	1,029,900	126,661
Total other comprehensive income	3,969,070	(8,779,040)
Comprehensive income	(176,365)	8,291,322
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(176,365)	8,291,322

(3) Notes on Quarterly Consolidated Financial Statements

(Notes regarding assumption of going concern)

Not applicable

(Notes if there are significant changes in the amount of shareholders' equity)

Not applicable

(Changes in accounting policies)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereafter, “Revised Accounting Standard 2022”) and other standards from the beginning of the three months ended June 30, 2024.

Regarding the revisions to the classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment stipulated in the proviso to paragraph 20-3 of Revised Accounting Standard 2022 and the transitional treatment stipulated in the proviso to paragraph 65-2 (2) of the Guidance on Accounting for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereafter, “Revised Guidance 2022”). The adoption of this accounting standard has no impact on the quarterly consolidated financial statements.

Furthermore, the Company has applied Revised Guidance 2022 from the beginning of the three months ended June 30, 2024, regarding the revisions to the treatment in consolidated financial statements of gains or losses arising from the sale of shares in subsidiaries, etc. between consolidated companies when they are deferred for tax purposes. The Company has applied this change in accounting policy retrospectively, and has adjusted the quarterly consolidated financial statements for the nine months ended December 31, 2023 and the consolidated financial statements for the previous fiscal year accordingly. This change in accounting policy has no impact on the quarterly consolidated financial statements for the nine months ended December 31, 2023 and the consolidated financial statements for the previous fiscal year.

(Additional information)

(Debt instruments in Cellebrite)

Cellebrite, which is the Company's associate accounted for using equity method, assessed certain restricted shares and warrant liabilities, both of which it inherited from TWC Tech Holdings II Corp. (hereafter, "TWC Corp."), at fair value and recognized them as liabilities based on the price adjustment clause in the merger agreement signed on August 30, 2021 when it was listed on the NASDAQ market in the United States of America.

(1) Price adjustment clauses based on the merger agreement

As consideration adjustment after the closing of the transaction, if the volume weighted average price (VWAP) of Cellebrite's share exceeds USD 12.5, USD 15 and USD 17.5 for 20 days out of any 30 days within five years from the closing date, every time each condition is satisfied, Cellebrite will issue 5,000,000 shares respectively (up to 15,000,000 shares) for the shareholders at the time of closing, including the Company, according to their holding ratios. Also, if change of control which is defined in the merger agreement takes place in the same period, 15,000,000 shares will be issued at the timing of occurrence of the event.

The conditions of USD 12.5, USD 15, and USD 17.5 were met on August 14, 2024, September 13, 2024, and November 1, 2024, respectively.

(2) Restricted shares

Cellebrite has inherited restricted shares for TWC Corp.'s sponsors. If Cellebrite's volume weighted average price (VWAP) exceeds USD 12.5 and USD 15 for 20 days out of any 30 days within seven years from the closing date, rights on 3,000,000 shares will be vested, respectively. When it exceeds USD 30, rights on 1,500,000 shares will be vested. Also, if change of control which is defined in the merger agreement takes place in the same period, 7,500,000 shares will be issued at the timing of occurrence of the event.

The conditions of USD 12.5 and USD 15 were met on August 14, 2024 and September 13, 2024, respectively.

(3) Warrant liabilities

Cellebrite has inherited the warrant liabilities (publicly offered warrant liability and privately offered warrant liability) issued by TWC Corp. under the merger agreement with the latter. Holders of the warrant liabilities have rights to purchase shares of Cellebrite at the price of USD 11.5 per share on and after September 29, 2021. The warrant liabilities will expire upon either of five years after the closing date, redemption by Cellebrite based on certain requirements, or Cellebrite's liquidation.

The redemption of all of the warrant liabilities was completed on September 16, 2024.

(Segment information, etc.)

[Segment information]

I. Nine months ended December 31, 2023 (April 1 to December 31, 2023)

1. Information on net sales and profit (loss) for each reportable segment and information on the disaggregation of revenue

(Thousands of yen)

	Global Data Intelligence business	Entertain-ment-related business	New IT-related business	Total	Adjusted amount (Note 1)	Amount on quarterly consolidated statements of income (Note 2)
Sales						
Goods transferred at a point in time	59,420	4,531,659	2,160,017	6,751,098	-	6,751,098
Goods transferred over time	681,227	-	35,312	716,539	-	716,539
Revenue from contracts with customers	740,647	4,531,659	2,195,330	7,467,638	-	7,467,638
Revenue from external customers	740,647	4,531,659	2,195,330	7,467,638	-	7,467,638
Transactions with other segments	-	13,020	-	13,020	(13,020)	-
Total	740,647	4,544,680	2,195,330	7,480,658	(13,020)	7,467,638
Segment profit	91,768	593,526	164,196	849,491	(631,013)	218,477

(Notes) 1. Adjusted amount for segment profit of ¥(631,013) thousand includes company-wide expenses not allocated to each reportable segment of ¥(631,013) thousand. The company-wide expenses mainly consist of selling, general and administrative expenses not attributable to reportable segments.

2. Segment profit has been adjusted with operating profit on the quarterly consolidated statements of income.

2. Information on assets for each reportable segment

In the nine months ended December 31, 2023, segment assets of the Global Data Intelligence business decreased by ¥3,720,140 thousand as the Company reported share of loss of entities accounted for using equity method regarding Cellebrite, which is the Company's associate accounted for using equity method.

II. Nine months ended December 31, 2024 (April 1 to December 31, 2024)

1. Information on net sales and profit (loss) for each reportable segment and information on the disaggregation of revenue

(Thousands of yen)

	Global Data Intelligence business	Entertain-ment-related business	New IT-related business	Total	Adjusted amount (Note 1)	Amount on quarterly consolidated statements of income (Note 2)
Sales						
Goods transferred at a point in time	86,240	4,464,310	2,124,169	6,674,720	-	6,674,720
Goods transferred over time	792,715	-	463,712	1,256,427	-	1,256,427
Revenue from contracts with customers	878,956	4,464,310	2,587,881	7,931,148	-	7,931,148
Revenue from external customers	878,956	4,464,310	2,587,881	7,931,148	-	7,931,148
Transactions with other segments	-	16,907	-	16,907	(16,907)	-
Total	878,956	4,481,218	2,587,881	7,948,056	(16,907)	7,931,148
Segment profit	111,224	438,464	135,643	685,331	(854,882)	(169,550)

(Notes) 1. Adjusted amount for segment profit of ¥(854,882) thousand includes elimination of intersegment transactions of ¥185 thousand and company-wide expenses not allocated to each reportable segment of ¥(855,067) thousand. The company-wide expenses mainly consist of selling, general and administrative expenses not attributable to reportable segments.

2. Segment profit has been adjusted with operating loss on the quarterly consolidated statements of income.

2. Information on assets for each reportable segment

In the nine months ended December 31, 2024, segment assets of the Global Data Intelligence business increased by ¥17,740,927 thousand due mainly to the recording of gain on change in equity related to Cellebrite, which is the Company's associate accounted for using equity method.

(Notes on quarterly consolidated statement of cash flows)

No quarterly consolidated statement of cash flows has been prepared for the nine months ended December 31, 2024.

Depreciation (including amortization of intangible assets excluding goodwill and customer-related assets), amortization of goodwill, and customer-related assets for the nine months ended December 31 are as follows:

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation	¥181,861 thousand	¥180,818 thousand
Amortization of goodwill	¥40,582 thousand	¥51,353 thousand
Amortization of customer-related assets	¥6,987 thousand	¥8,841 thousand

(Significant subsequent events)

Not applicable