1. Overview of operating results

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

i. Consolidated financial statement

Since our founding in line with our corporate philosophy of "The Greatest Leisure for All People", we have worked on increasing shareholder's value based on the twin pillars of growth and profitability.

The initiatives of each business and group company in the fiscal year under review are as follows.

Tsuburaya Productions Co., Ltd. (hereinafter, "TPC"), which is responsible for dynamic promotion of our growth potential, has benefited from the increasing value of *Ultraman* brand globally. As shown in Table 1 below, the merchandising (MD) in the domestic and overseas markets has performed well, and in particular, MD growth in China and other Asian regions has been remarkable, contributing significantly to earnings.

[Table 1: Trends in TPC's MD and licensing revenue] (Unit: millions of yen)

	Current fiscal year (ended March 31, 2022)	Previous fiscal year (ended March 31, 2021)	YoY change
Domestic MD and license revenue	1,386	713	+94.2%
Overseas MD and license revenue	2,087	959	+117.5%
China	1,547	524	+195.3%
Total MD and licensing revenue	3,473	1,673	+107.6%
Imaging business revenue	1,429	1,011	+41.4%

In Digital Frontier Inc. (hereinafter, "DF"), CG video production, mainly by major domestic gaming companies, and VFX video production with Netflix remained firm as in the previous fiscal year.

In FIELDS CORPORATION (hereinafter, "FIELDS"), which is responsible for a central role for our profitability, new machine sales in the fiscal year under review were strong, as shown in table 2 below.

In the PS market, we have emerged from the slump since regulatory amendment/ revised regulations in 2018, and PS machine which meets the expectations of fans centered on pachinko has been highly regarded. As a result, total sales in the market have reached approximately 1,820,000 units, the highest number in the past three years (up 618,000 units YoY). Manufacturers are finally coming out of the slump, and pachinko machines have bounced back while pachislot machines are not far behind.

[Table 2: Trends in FIELDS's sales of new machine]

		Current fiscal year (ended March 31, 2022)	Previous fiscal year (ended March 31, 2021)	YoY change
Pachinko	Sales titles	Six titles	Three titles	-
	Units sold	140,000 units	50,000 units	+90,000 units
Pachislot	Sales titles	Seven titles	Eight titles	-
	Units sold	51,000 units	46,000 units	+5,000 units
Total	Units sold	191,000 units	96,000 units	+95,000 units

The performance of the other group companies also progressed steadily.

Consequently, consolidated results for the fiscal year under review were net sales ¥94,900 million (up 144.6% YoY), operating profit ¥3,444 million (up ¥5,686 million YoY), ordinary profit ¥3,634 million (up ¥5,666 million YoY), and profit attributable to owners of parent ¥2,471 million (up ¥5,923 million YoY).

In the content and digital business, operating profit was ¥1,467 million (up 220.4% YoY), ordinary profit was ¥1,466 million (up 230.3% YoY), and profit was ¥1,060 million (up 475.9% YoY). TPC's non-consolidated results were operating profit of ¥1,272 million (up 238.7% YoY), ordinary profit of ¥1,255 million (up 232.9% YoY), and profit of ¥923 million (up 474.5% YoY).

In the PS business, operating profit was ¥1,750 million (up ¥5,284 million YoY), ordinary profit was ¥1,883 million (up ¥5,779 million YoY), and profit was ¥1,706 million (up ¥6,239 million YoY). Certain differences have arisen between consolidated net sales for the current fiscal year and the results for the previous fiscal year, and between non-consolidated net sales for the current fiscal year and the results for the previous fiscal year. The main factors are indicated in "Changes

in accounting policies (see page 15)" and the above.

ii. Forecasts for the next fiscal year

In TPC, which is responsible for the Group's growth strategy, Netflix *ULTRAMAN* season 2 which was launched globally in April, has been well received and the movie *SHIN ULTRAMAN* is scheduled to be released on May 13. Going forward, we expected to gain broad support of customers and see further increase in the value of *Ultraman*. Domestic and overseas MD is expected to grow, particularly in China. In addition, as triggered by the 2018 U.S. lawsuit winning ruling (finalized in 2020), it will newly focus on developing MD license market in the North America.

For these factors, we expect revenue from the imaging business to be ¥2,200 million and MD license revenue to be ¥5,000 million.

DF is expected to make stable earnings, with steady orders for domestic video projects and others.

Furthermore, the creation of massive new markets using metaverse and other virtual spaces as well as NFT has been drawing attention in recent years. In response to this business opportunity, we will work to develop digital domain businesses by combining IP, CG/ digital technologies, and other technologies possessed by TPC and DF.

For these reasons, in the content and digital business for the next fiscal year, we forecast net sales of ¥10,800 million (up ¥1,694 million YoY) and operating profit of ¥2,000 million (up ¥532 million YoY).

In the PS business for the next fiscal year, we expect it to be the year we enable to bring PS machine that satisfy the PS machines that satisfy pachinko halls and fans into the marketplace, and are preparing a lineup to increase unit sales. In the marketplace, there are some concerns about materials procurement. However, we plan to sell about 220,000 new machines in total in the next fiscal year, including seven titles for pachinko machines and eight titles for pachislot machines.

We will also expand our digital communications business, which supports PS machine industry. Revenues from these businesses are expected to be ¥2,000 million due to the strengthening of services such as a media for halls *PS Information Station*, *Optimize*, a web advertising distribution to support for attracting customers to pachinko halls, and *Net-pachi.com*, a media for fans. In August, we plan to launch *Pachinko.com*, a website for used machine distribution that aims to revitalize the market for the industry.

Therefore, net sales of the PS business for the next fiscal year is expected to be ¥85,000 million (up ¥1,284 million YoY) and operating profit is expected to be ¥2,500 million (up ¥749 million YoY).

For the above factors, we plan to increase our consolidated performance by ¥98,000 million (up 3.3% YoY), ¥4,000 million (up 16.1% YoY) for operating profit, ¥4,000 million (up 10.1% YoY) for ordinary profit, and ¥3,000 million (up 21.4% YoY) for profit attributable to owners of parent in the fiscal year ending March 31, 2023.

<Announcement of medium-term management plan>

Details of the medium-term management plan, including various measures for the next fiscal year, will be announced at the upcoming briefing for institutional investors and analysts scheduled for May 11, 2022, and will be posted on our website (https://www.fields.biz/ir/e/) promptly thereafter.

iii. Basic policy on profit distribution and dividends for the fiscal year under review and the next fiscal year

We regard the enhancement of corporate value as an important management issue, and our basic policy is to pay dividends in an appropriate manner in line with profits. On the other hand, we believe that prioritizing securing investment funds to increase earnings and stabilizing our financial base from a medium-to-long-term perspective in response to rapid changes in the business climate will lead to the greatest shareholder return, including future enhancement of corporate value.

For the fiscal year under review, the year-end dividend will be ¥20 per share, which will be discussed at the 34th Annual General Meeting of Shareholders to be held on June 22, 2022.

The dividend forecast for the next fiscal year will be ¥20 per share (year-end).

(Notes) 1. All figures in this report are based on our estimates.

2. Merchandise names in this report are trademarks or registered trademarks of each company.

3. The results of Contents and digital and PS businesses are calculated by considering the elimination of intra-group transactions from the simple sum of the figures within the respective businesses.

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

	End of current fiscal year (As of the end of March 2022)	End of the previous fiscal year (As of the end of March 2021)	YoY change
Total assets	¥70,001 million	¥52,370 million	¥ 17,630 million
Total liabilities	¥38,449 million	¥21,927 million	¥ 16,522 million
Total net assets	¥31,551 million	¥30,443 million	¥ 1,108 million

(Assets)

Current assets increased by ¥17,551 million from the end of the previous fiscal year to ¥56,698 million. This was mainly due to an increase in trade receivables.

Property, plant and equipment increased by ¥266 million from the end of the previous fiscal year to ¥4,538 million. This was mainly due to an increase in land.

Intangible assets decreased by ¥146 million from the end of the previous fiscal year to ¥2,482 million. This was mainly due to a decrease in goodwill.

Investments and other assets decreased by ¥40 million from the end of the previous fiscal year to ¥6,282 million. This was mainly due to a decrease in leasehold and guarantee deposits.

Consequently, assets increased by ¥17,630 million from the end of the previous fiscal year to ¥70,001 million.

(Liabilities)

Current liabilities increased by ¥16,968 million from the end of the previous fiscal year to ¥27,864 million. This was mainly due to an increase in trade payables.

Non-current liabilities decreased by ¥446 million from the end of the previous fiscal year to ¥10,584 million. This was mainly due to a decrease in long-term borrowings.

Consequently, liabilities increased by ¥16,522 million from the end of the previous fiscal year to ¥38,449 million.

(Net assets)

Net assets increased by ¥1,108 million from the end of the previous fiscal year to ¥31,551 million. This was mainly due to an increase in retained earnings and an increase in non-controlling interests.

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

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year under review increased by ¥7,793 million from the end of the previous fiscal year to ¥32,304 million.

Cash flows for the fiscal year under review are summarized as follows:

	Current period (Year ended March 31, 2022)	Previous period (Year ended March 31, 2021)	YoY change
Cash flows from operating activities	¥7,980 million	¥3,692 million	¥ 4,287 million
Cash flows from investing activities	¥ (1,586) million	¥ (1,072) million	¥ (513) million
Cash flows from financing activities	¥ 1,385 million	¥ (2,835) million	¥ 4,220 million

(Cash flows from operating activities)

Net cash provided by operating activities was ¥7,980 million (¥3,692 million provided in the same period of the previous fiscal year). This was mainly due to a profit before income taxes of ¥3,941 million, an increase in trade payables of ¥9,433 million, an increase in trade receivables of ¥7,644 million, a decrease in inventories of ¥864 million, a depreciation of ¥737 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,586 million (¥1,072 million used in the same period of the previous fiscal year). This was mainly due to payments for investments in capital of ¥1,475 million, purchase of non-current assets of ¥1,187 million, proceeds from sale of shares of subsidiaries and associates of ¥502 million, and proceeds from sale of investment securities of ¥492 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥1,385 million (¥2,835 million used in the same period of the previous fiscal year). This was mainly due to proceeds from long-term borrowings of ¥4,858 million, repayments of long-term borrowings of ¥4,063 million, an increase in short-term borrowings of ¥946 million, and payments of dividends of ¥322 million.

(Reference) Trends in cash flow-related indicators

	FY2017	FY2018	FY2019	FY2020	FY2021
Shareholders' equity ratio	48.4%	50.8%	52.6%	56.9%	43.4%
Shareholders' equity ratio based on market value	53.4%	35.6%	14.7%	35.6%	41.6%
Cash flow to interest-bearing liabilities ratio	-	7.1 years	-	3.0 years	1.6 years
Interest coverage ratio	-	28.6 times	-	40.7 times	102.5 times

Shareholders' equity ratio: shareholders' equity/ total assets

Shareholders' equity ratio based on market value: market capitalization (closing share price at the end of the period)/ total assets

Cash flow to interest-bearing liabilities ratio: interest-bearing liabilities/ operating cash flow

Interest coverage ratio: operating cash flow/ interest expenses

(Notes)
1. All figures are calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of shares outstanding excluding treasury shares.
3. Interest-bearing liabilities covers all liabilities that pay interest out of liabilities recorded in the consolidated balance sheet.
4. Cash flow to interest-bearing liabilities ratio and interest coverage ratio are not stated when operating cash flow is negative.

2. Basic policy regarding selection of accounting standards

The Group considers the financial statements prepared in accordance with Japanese GAAP to be appropriate for the purpose of presenting the status of the Company's current business. With regard to the application of IFRS, we intend to respond appropriately, taking into account various domestic and overseas circumstances.