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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

July 29, 2024

Company name: KOEI TECMO HOLDINGS CO., LTD.

Listing: Tokyo

Securities code: 3635

URL: <https://www.koeitecmo.co.jp/>

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

President & CEO (Representative Director)
Director, Senior Executive Officer & CFO

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(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	%
Three months ended June 30, 2024	17,607	(3.8)	5,723	(23.8)	18,703	27.3	13,638	29.2
June 30, 2023	18,297	(1.9)	7,506	(35.6)	14,687	61.6	10,552	56.3

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 19,202 million [11.6%]
Three months ended June 30, 2023: ¥ 17,200 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	43.18	40.50
June 30, 2023	33.46	31.24

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2024	255,675	177,753	69.2	560.38
March 31, 2024	245,802	175,552	71.1	553.59

(Reference) Equity: As of June 30, 2024: ¥ 176,990 million
As of March 31, 2024: ¥ 174,844 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	-	54.00	54.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		0.00	-	48.00	48.00

(Note) Revision to the forecast for dividends announced most recently: None

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		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	38,000	(4.3)	8,000	(42.3)	13,000	(44.0)	10,000	(40.5)	31.68
Full year	90,000	6.4	30,000	5.3	40,000	(12.6)	30,000	(11.2)	95.04

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

* 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: None
- 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):

June 30, 2024: 336,096,924 shares
March 31, 2024: 336,096,924 shares

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

June 30, 2024: 20,259,382 shares
March 31, 2024: 20,258,636 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 315,838,106 shares
Three months ended June 30, 2023: 315,383,426 shares

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

(Translated)

Qualitative Information on Financial Results

Analysis of Operating Results

During the first quarter of the current fiscal year, the global economy is expected to continue picking up despite continued high interest rates in United States and downside risks to the economy in China.

In the fiscal year under review, the final year of the Third Medium-Term Management Plan, the company has adopted the "Create and Develop Global IP" as its management policy and is implementing various measures. To expand the Company's lineup of titles, "AAA Studio" was established. In order to achieve medium- to long-term growth, we will continue to build a system that enables us to release large-scale titles on a continuous basis.

In the first quarter, the sales of console sector are mainly from repeat sales such as "Rise of the Ronin". The revenue from mobile sector is composed by the existing titles.

While new smartphone titles contributed in previous year, there were no new titles delivered in the quarter, resulting in a year-on-year decline in sales. The costs increased due to an increase in the number of mobile titles operating in-house, resulting in a year-on-year decline in operating profit.

As a result, net sales were 17,607 million yen (down 3.8% year on year), operating income was 5,723 million yen (down 23.8% year on year), ordinary income was 18,703 million yen (up 27.3% year on year), and net income attributable to owners of parent was 13,638 million yen (up 29.2 % year on year). Ordinary income and net income achieved record highs for the first quarter.

Segment information is as follows:

<Entertainment Segment> Sales 16,581 million yen, Profit 5,701 million yen

"Kou Shibusawa" brand ran the campaign, which collaborates with the our IP "Samurai Warriors", to celebrate 1.5 years anniversary of "Nobunaga's Ambition: Hadou".

"ω-Force" brand have announced new title "DYNASTY WARRIORS: ORIGINS" (PS5, Xbox Series X|S, Steam), would be launched in 2025. And, we have launched the third downloadable contents of "Fate/Samurai Remnant" in June.

"Team NINJA" brand focused on the repeat sales of "Rise of the Ronin*", which has launched in March 2024.

"Gust" brand announced the new title "FAIRY TAIL 2" (PS5, PS4, Nintendo Switch, Steam) would be coming in this winter. "Atelier Resleriana: Forgotten Alchemy and the Polar Night Liberator" shows solid performance.

"midas" brand, for the location information game "Nobunaga's Ambition: Shutsujin" currently available, held collaborative events with local festivals.

"Ruby Party" brand and "AAA Studio" are focusing on the development of new titles.

For IP businesses, "Three Kingdoms Tactics", which is the title we licensed out to the partner, continued contributing to our performance. Also, the number of downloads exceeded the 100 million worldwide.

*Published by Sony Interactive Entertainment.

<Amusement segment> Sales 757 million yen, Profit 15 million yen

For Amusement facilities, existing stores enjoyed good sales. For SP business, we are continuously working on development of the LCD software.

<Real estate segment> Sales 280 million yen, Profit 65 million yen

KT Zepp Yokohama, a live house type hall, maintained a high occupancy rate.

<Others> Sales 78 million yen, Loss 58 million yen

Fund management expenses were incurred in the venture capital business.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	11,702	15,936
Accounts receivable - trade, and contract assets	15,041	10,900
Securities	58,393	59,063
Merchandise and finished goods	50	60
Work in process	104	34
Raw materials and supplies	100	93
Other	7,561	7,777
Allowance for doubtful accounts	(1)	(1)
Total current assets	92,951	93,864
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,760	19,665
Land	14,624	14,624
Construction in progress	366	502
Other, net	1,725	2,111
Total property, plant and equipment	36,477	36,903
Intangible assets		
Other	231	223
Total intangible assets	231	223
Investments and other assets		
Investment securities	106,590	115,539
Deferred tax assets	933	175
Retirement benefit asset	4,466	4,634
Other	4,833	5,078
Allowance for doubtful accounts	(681)	(744)
Total investments and other assets	116,141	124,683
Total non-current assets	152,851	161,810
Total assets	245,802	255,675

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,046	1,378
Short-term borrowings	-	9,000
Current portion of convertible-bond-type bonds with share acquisition rights	46,536	46,335
Accounts payable - other	7,459	7,691
Income taxes payable	6,538	3,549
Provision for bonuses	1,730	830
Provision for bonuses for directors (and other officers)	259	78
Other	5,358	5,470
Total current liabilities	68,928	74,334
Non-current liabilities		
Deferred tax liabilities	391	2,446
Other	930	1,141
Total non-current liabilities	1,322	3,587
Total liabilities	70,250	77,921
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	27,428	27,428
Retained earnings	163,070	159,654
Treasury shares	(37,765)	(37,766)
Total shareholders' equity	167,733	164,316
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,157	8,754
Revaluation reserve for land	(3,115)	(3,115)
Foreign currency translation adjustment	4,792	5,784
Remeasurements of defined benefit plans	1,275	1,250
Total accumulated other comprehensive income	7,110	12,673
Share acquisition rights	707	763
Total net assets	175,552	177,753
Total liabilities and net assets	245,802	255,675

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	18,297	17,607
Cost of sales	6,297	6,840
Gross profit	11,999	10,766
Selling, general and administrative expenses	4,492	5,043
Operating profit	7,506	5,723
Non-operating income		
Interest income	2,953	4,917
Dividend income	196	273
Gain on sale of investment securities	4,871	850
Gain on redemption of securities	-	1,649
Gain on valuation of derivatives	2,842	5,883
Foreign exchange gains	593	209
Other	30	9
Total non-operating income	11,489	13,792
Non-operating expenses		
Loss on valuation of investment securities	448	348
Loss on sale of investment securities	3,742	0
Loss on redemption of securities	-	61
Loss on valuation of derivatives	38	316
Other	78	85
Total non-operating expenses	4,308	812
Ordinary profit	14,687	18,703
Profit before income taxes	14,687	18,703
Income taxes - current	3,487	4,634
Income taxes - deferred	647	430
Total income taxes	4,135	5,065
Profit	10,552	13,638
Profit attributable to owners of parent	10,552	13,638

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

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	10,552	13,638
Other comprehensive income		
Valuation difference on available-for-sale securities	5,596	4,597
Foreign currency translation adjustment	1,047	991
Remeasurements of defined benefit plans, net of tax	4	(25)
Total other comprehensive income	6,648	5,563
Comprehensive income	17,200	19,202
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,200	19,202