



Supplemental Material For FY2023 First Half Financial Results

NJ Holdings Inc.

Tokyo Stock Exchange Standard Market
Code number: 9421

February 10, 2023

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- Major factors that may affect actual results include economic conditions surrounding the Company and its subsidiaries' business areas, social trends, demand trends for products and services offered by the Company and its subsidiaries, price declines due to increased competition, and technological capabilities to meet customers' demands. Factors that may affect business results are not limited to those mentioned above.
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(Note) FY2023 is Fiscal Year Ending June 30, 2023.

I . FY2023 First Half Highlights

1. Consolidated Financial Results

(1) Results Summary

In the first half of the current fiscal year, the deficit widened to nearly the same level as in the same period of the previous year.

	FY2022 1H Jul.-Dec.'21	FY2023 1H Jul.-Dec.'22	Change	(in millions of yen)
Net sales	5,766	4,955	(810)	
Cost of sales	5,074	4,319	(755)	
Gross profit	691	636	(55)	
Selling, general and administrative expenses	949	874	(74)	
Operating profit	(257)	(237)	19	
Ordinary profit	(258)	(243)	15	
Net income before income taxes	(479)	(243)	236	
Profit attributable to owners of parent	(468)	(237)	230	
EBITDA※	(129)	(174)	(43)	•goodwill amortization in this first half is 39mil.

※ Throughout this document, EBITDA is defined by adding back depreciation and goodwill amortization to operating profit.

1. Consolidated Financial Results

(2) Results by Segment

The game business posted a loss close to the previous year. The mobile business fell just short of returning to profitability.

(in millions of yen)

	Net sales			Operating profit		
	FY2022 1H Jul.-Dec'21	FY2023 1H Jul.-Dec'22	Change	FY2022 1H Jul.-Dec'21	FY2023 1H Jul.-Dec'22	Change
Game	4,482	3,913	(569)	(109)	(94)	15
Mobile	1,254	1,009	(245)	27	(4)	(32)
Other※1	33	36	2	16	17	1
Intersegment eliminations and corporate expenses※2	(4)	(2)	1	(118)	(116)	1
goodwill amortization	—	—	—	(73)	(39)	33
Consolidated total	5,766	4,955	(810)	(257)	(237)	19

※1 The Other segment is a business segment not included in the reportable segments.

※2 Corporate expenses are general and administrative expenses that do not belong to any reportable segment.

1. Consolidated Financial Results

(3) Quarterly Net Sales by Segment

Sales remained flat in the game business. Mobile business sales recovered slightly, but sales volume continued to decline YoY.

(in millions of yen)

	Net Sales					
	FY2022				FY2023	
	1Q Jul.-Sep.'21	2Q Oct.-Dec.'21	3Q Jan.-Mar.'22	4Q Apr.-Jun.'22	1Q Jul.-Sep.'22	2Q Oct.-Dec.'22
Game	2,366	2,116	1,863	1,777	1,950	1,962
Mobile	626	628	655	558	447	561
Other※1	16	16	17	17	18	17
Intersegment eliminations	(2)	(1)	(2)	(1)	(1)	(1)
—	—	—	—	—	—	—
Consolidated total	3,006	2,760	2,533	2,352	2,415	2,540

※1 The Other segment is a business segment not included in the reportable segments.

1. Consolidated Financial Results

(4) Quarterly Operating Profit by Segment

The game business again posted a loss for the quarter. Mobile business returned to the black.

(in millions of yen)

	Operating Profit					
	FY2022				FY2023	
	1Q Jul.-Sep.'21	2Q Oct.-Dec.'21	3Q Jan.-Mar.'22	4Q Apr.-Jun.'22	1Q Jul.-Sep.'22	2Q Oct.-Dec.'22
Game	89	(199)	(311)	(187)	2	(96)
Mobile	32	(4)	14	3	(19)	14
Other※1	8	7	6	7	8	9
Intersegment eliminations and corporate expenses※2	(58)	(59)	(53)	(52)	(57)	(59)
goodwill amortization	(36)	(36)	(19)	(20)	(19)	(19)
Consolidated total	35	(292)	(363)	(248)	(86)	(151)

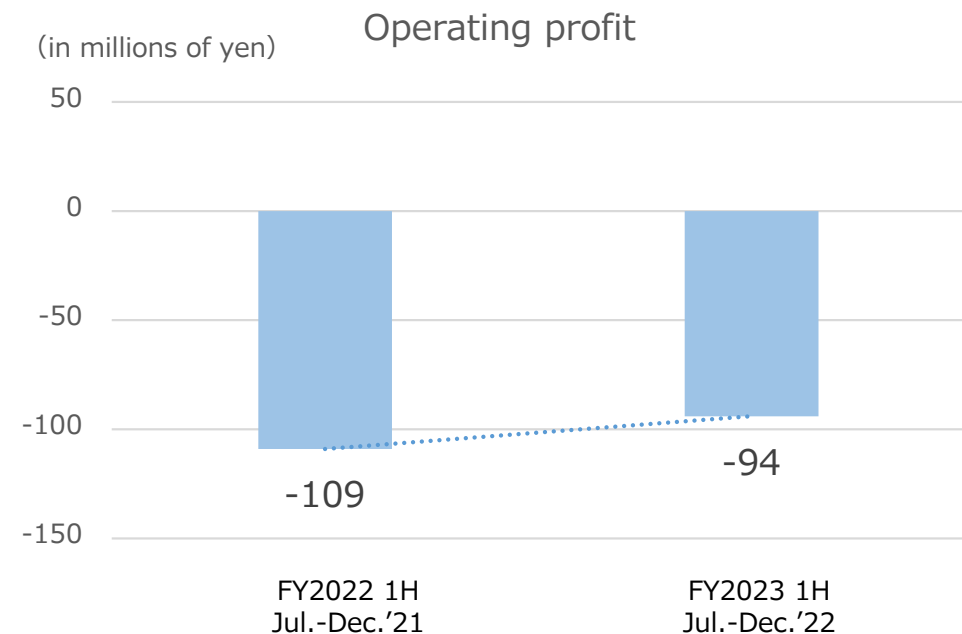
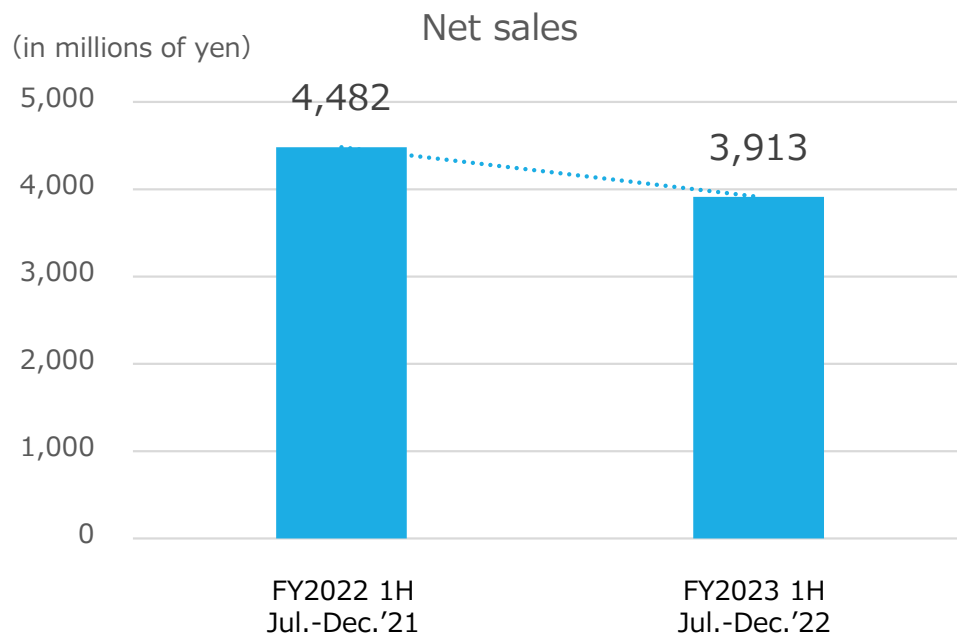
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2. Game Business (1) Overview

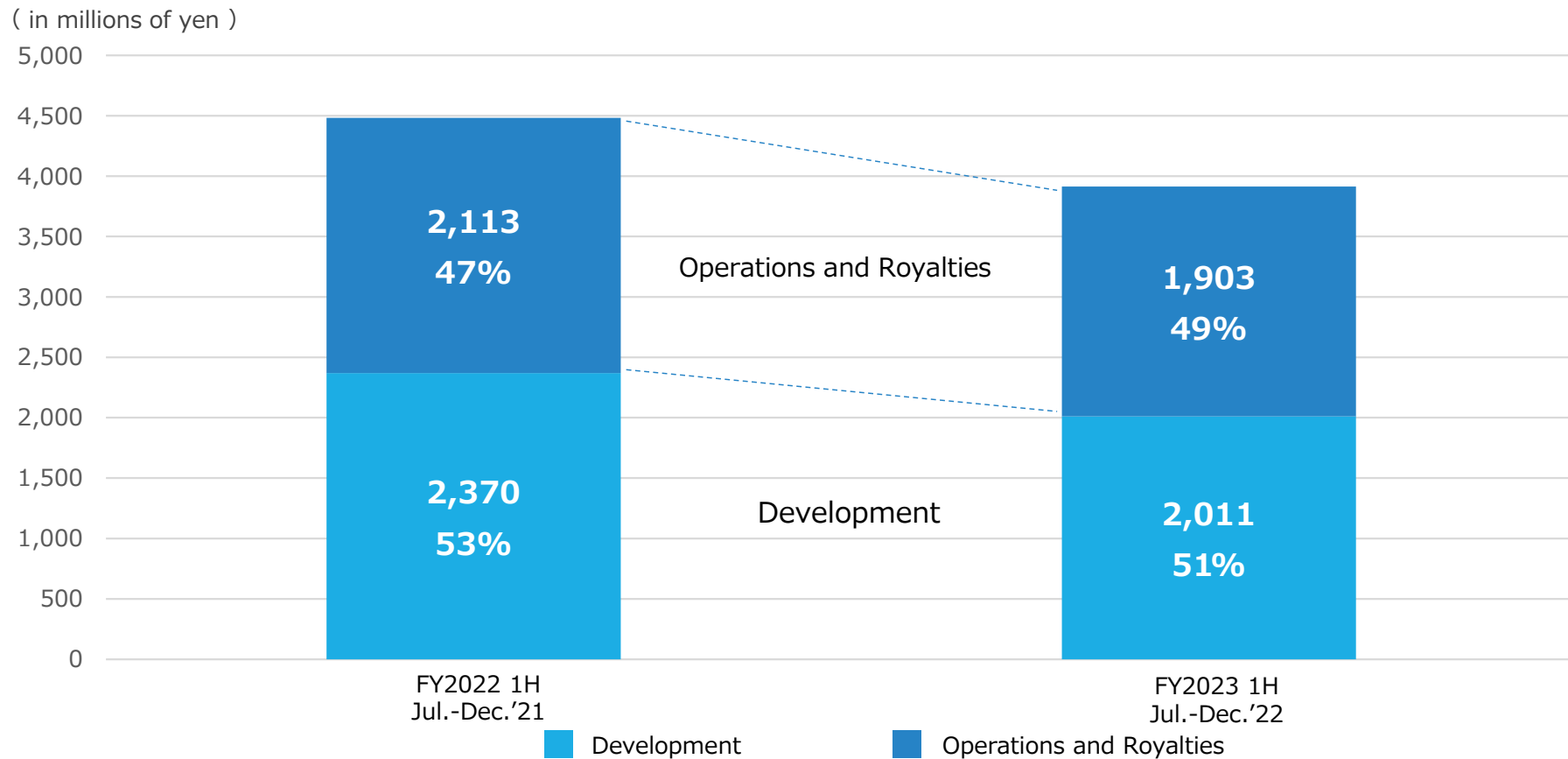
Summary

- In the operation support field, orders for newly released titles were favorable. On the other hand, in the development field, there were many new development projects that were small or completed in a short period of time, which delayed the recovery of the personnel utilization ratio tied to earnings, and the progress ratio declined due to the increase in the total estimated cost of game development.
- As mentioned above, profits increased steadily in the operation support field as orders were received. However, profitability deteriorated due to the significant impact of declining profitability in the development field.



2. Game Business (2) Sales Breakdown

Development sales revenue declined due to a delay in new orders and a lower progress rate resulting from an increase in estimated costs. Operation sales bottomed out due to the contribution of the operation support field.



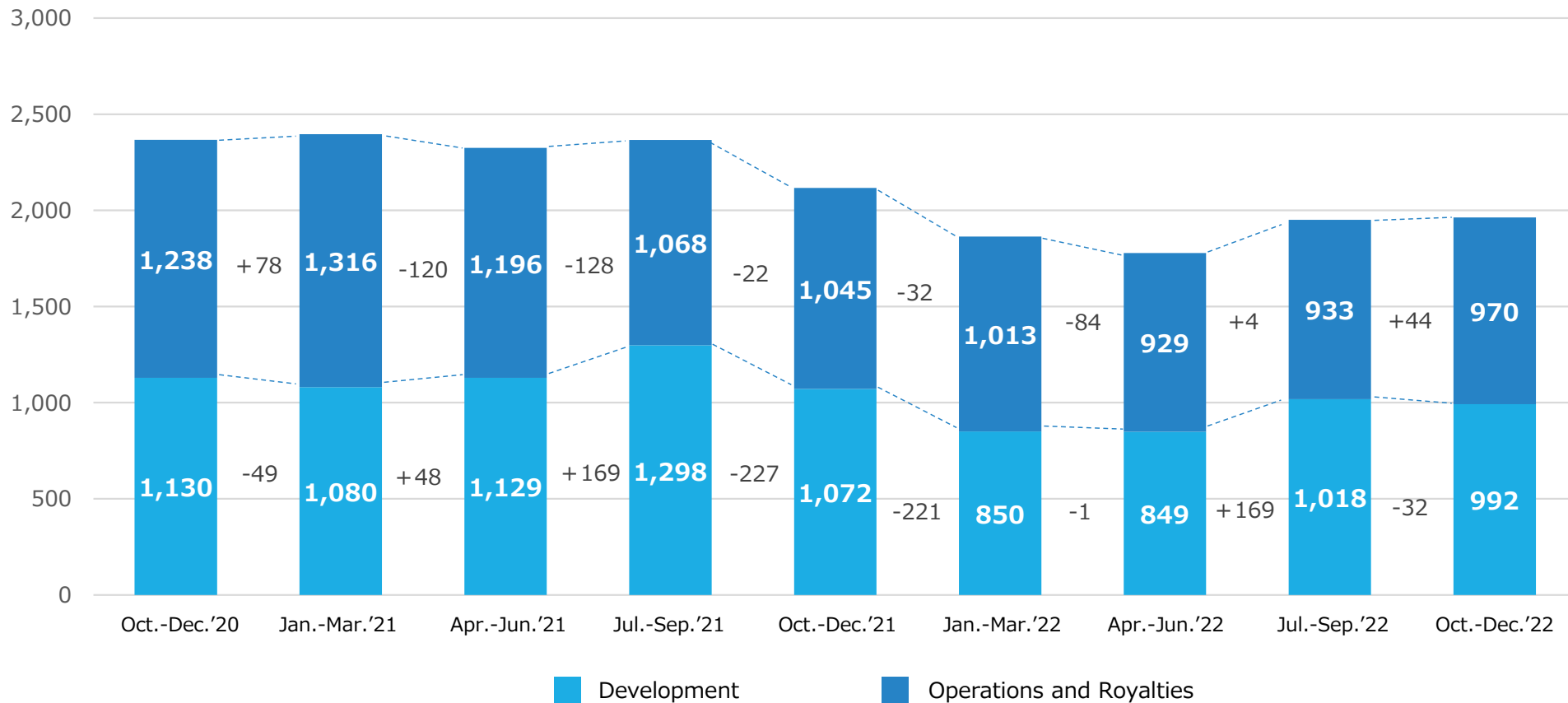
- ※Operation sales include sales that involve development, such as version upgrades after delivery and release.
- ※The breakdown of operation sales and royalties is not disclosed.
- ※Development sales cover sales up to the time of delivery and release. It also includes sales of other games, such as dispatch services.

2. Game Business

(3) Quarterly Sales Breakdown

Operating revenues increased slightly from the current fiscal year due to the contribution of the operation support field.

(in millions of yen)

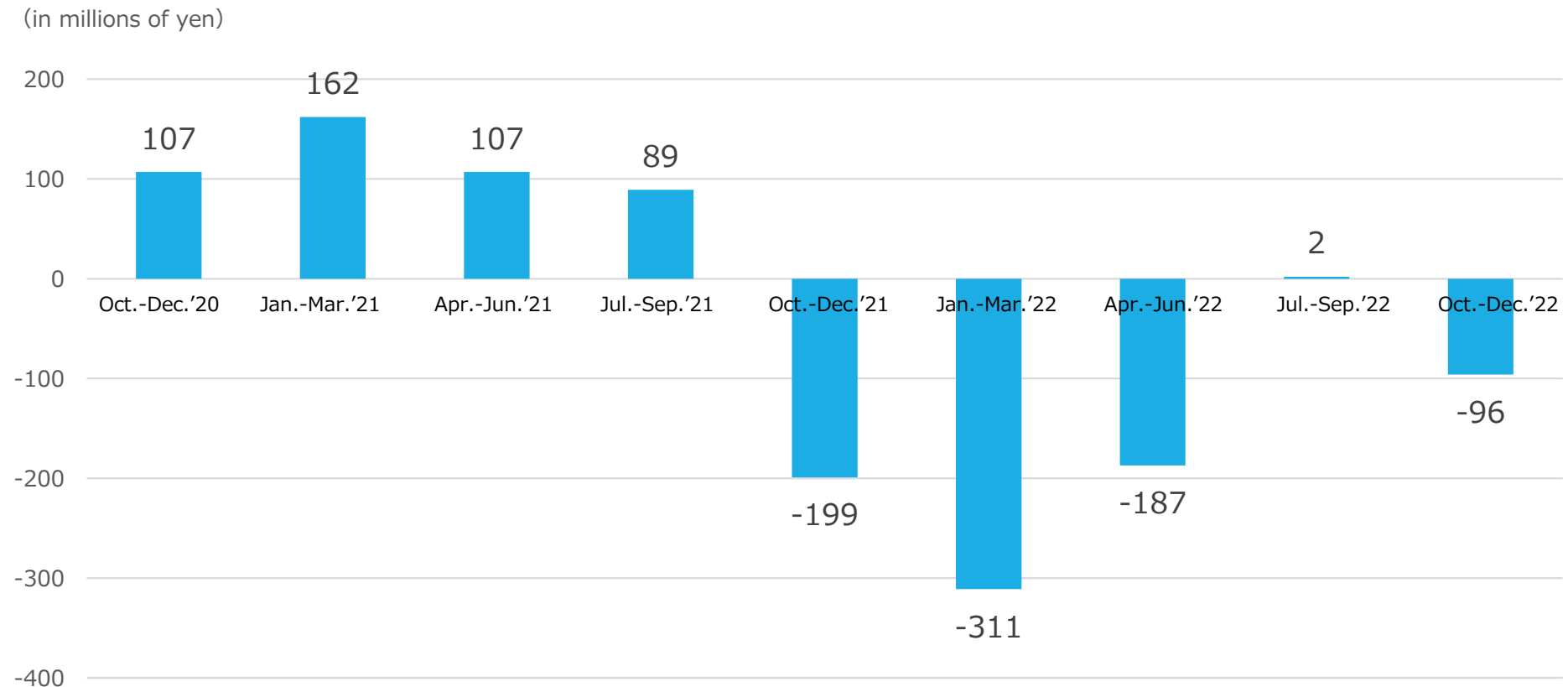


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2. Game Business

(4) Quarterly Operating Profit

Improvement in business performance stalled due to an increase in the total estimated cost of development projects.



※The breakdown of operating income by development and operation is not disclosed.

2. Game Business

(5) Other Information

Number of current developments, etc.

■ Number of projects under development※1

- console type※2 ※3 (console, PC) 3 (±0 from Nov. 11, 2022)
- mobile app type※2 ※4 (mobile phone, PC) 2 (-1 from Nov. 11, 2022)

■ 開発・運営体制の状況

- employees※5 794 (+3 from Sep. 30, 2022)
(-3 from Jun. 30, 2022)

※1 as of February 10, 2023. It does not indicate the number of titles that will be completed within this fiscal year.

※2 Multi-platform title counts as one. Small titles are not counted.

※3 Download sales and additional content are also included in the console type.

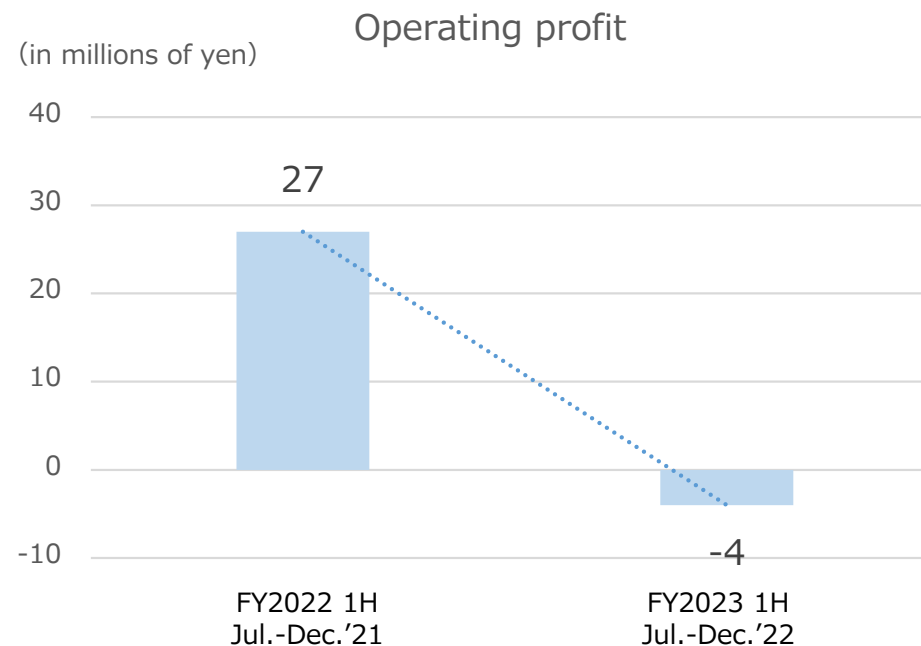
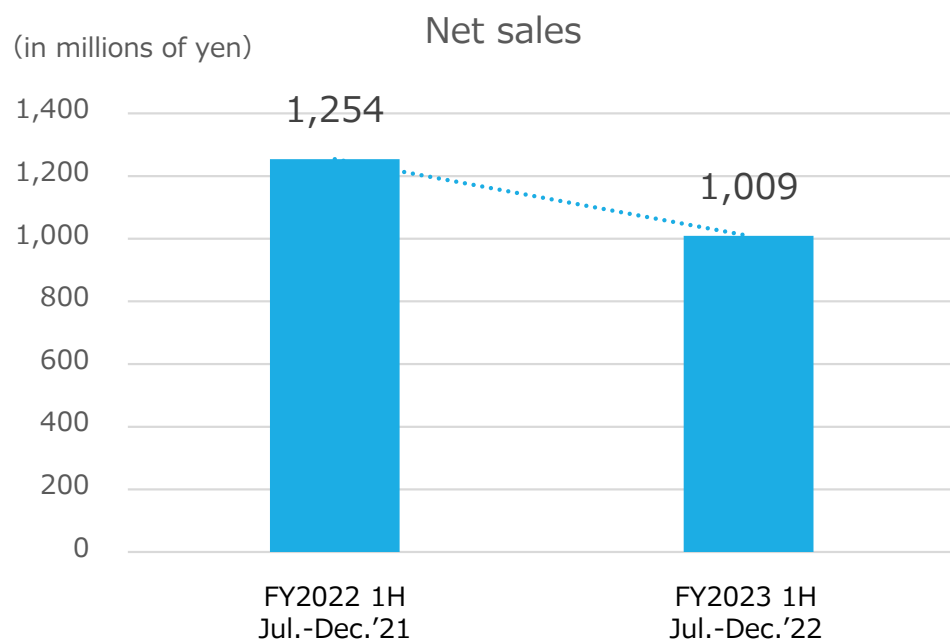
※4 including the free-to-play type.

※5 as of December 31, 2022 (including some fixed-term contract workers.)

3. Mobile Business (1) Overview

Summary

- Sales: As the number of visitors continued to fall below the previous year's level, sales volume fell short of the plan despite efforts to hold events to attract customers.
- Operating profit: Profitability is on a recovery trend due to efforts to increase profit per customer, including efforts to propose more convenient and reliable use of smartphones, as well as efforts to strengthen after-sales service, but was not enough to recoup the loss in the first quarter.



4. Recent Topics

(1) Game

- October 27, 2022
- 『StarOcean6 THE DIVINE FORCE』
released (developed by tri-Ace Inc.)
[PS5、PS4、Xbox Series X|S、Xbox One、Steam]



© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.
Developed by tri-Ace Inc. CHARACTER DESIGN : akiman

4. Recent Topics

(2) Game

■ August 25, 2022

- Presented at CEDEC 2022

「The Road to QA Automation for Efficient 3D Action Game Development: A Journey of a Thousand Miles Begins With a Single Step」

(Tech Flag Corporation)

■ August 28, 2022

- Opened a booth at the 5th Working Kids Adventure, a work experience event

We provided an opportunity to experience game development at the Shiroy-shi Shiroy Community Center. We will support and cooperate with activities that support the future of children in the community.

(Game Studio Inc.)

■ December 19, 2022

- Released "Labyrinth", a strategic simulation battle game for smartphones

We have started representing game titles developed and marketed by PLAYDEK, INC. in Japan. We translate and localize the products for sale in Japan.

(Wit One Inc.)

4. Recent Topics (2) Mobile

- September 1, 2022
 - Opened “PiPoPark Hatanodai” in Tokyo.
(NEPRO CREATE Co., Ltd.)



II. Forecasts for FY2023

1. Forecasts for FY2023

- We have revised our full-year earnings forecasts as follows in the "Notice of Revision of Earnings Forecasts" dated February 10, 2023.

In the game business, results in the development field have been below projections. However, profits in the operation support field have been steadily increasing. We will still aim to return to profitability by partially compensating for the decline in profits in the development field.

(in millions of yen)

	FY2023 Previous Forecast Jul.'22-Jun.'23	FY2023 New Forecast Jul.'22-Jun.'23	Change	(Reference) FY2022 Results Jul.'21-Jun.'22
Net sales	10,710	10,470	△240	11,652
Operating profit	160	15	△145	△869
Ordinary profit	150	5	△145	△865
Profit attributable to owners of parent	70	△ 95	△160	△1,231
EBITDA※	320	145	△175	652

※ Throughout this document, EBITDA is defined by adding back depreciation and goodwill amortization to operating profit.

III. Company Profile

1. Company Profile

(1) Basic Information and History

■ Basic Information

Date of Establishment: December 11, 1991

Head Office Address: 7F, Shibakoen First Building, 3-8-2 Shiba, Minato-ku, Tokyo 105-0014, Japan

Capital: JPY592,845,020 (as of June 30, 2022)

Number of Employees: consolidated 943 (as of December 31, 2022. It includes 63 average temporary employees)

Fiscal Year End: June 30

■ History

- Dec. 1991 Established as 株式会社新都市科学研究所.
- Nov. 1995 Started mobile communications business (now mobile business).
- Mar. 1997 Company name changed to Nepro Japan Co., Ltd.
- Jul. 2000 Started suburban cell phone store business (now PiPoPark).
- Apr. 2006 Listed on JASDAQ stock exchange.
- Sep. 2011 Mobile & Game Studio (now Game Studio Inc.) becomes a consolidated subsidiary.
- Apr. 2014 Transitioned to holding company structure.
- Dec. 2014 docomo shop business transferred to ranet Co.,Ltd.
- Mar. 2015 tri-Ace Inc. becomes a consolidated subsidiary.
- Sep. 2015 TOTEC Corporation becomes a consolidated subsidiary.
- Dec. 2015 Company name changed to NJ Holdings Inc.
- Jun. 2017 Acquisition of Boom's business.
- Dec. 2017 Established Wit One Inc., a game operation/customer support company.
- Jul. 2018 Transfer of a portion of TOTEC's stock to DELTA Holdings.
- Oct. 2018 Wit One acquired ISAO's game operational business.
- Jun. 2019 Changed fiscal year end from March to June.
- Nov. 2019 Merger of three companies, Wit One, Boom and NJ One.
- Mar. 2020 Wit One Okinawa joined our group.
- Jul. 2020 Tech Flag Corporation was established.
- Apr. 2022 Moved to the Tokyo Stock Exchange Standard Market due to the revision of the market classification.

1. Company Profile

(2) Our Business and Main Group Companies



※ Wit One Okinawa joined our group in March 2020.

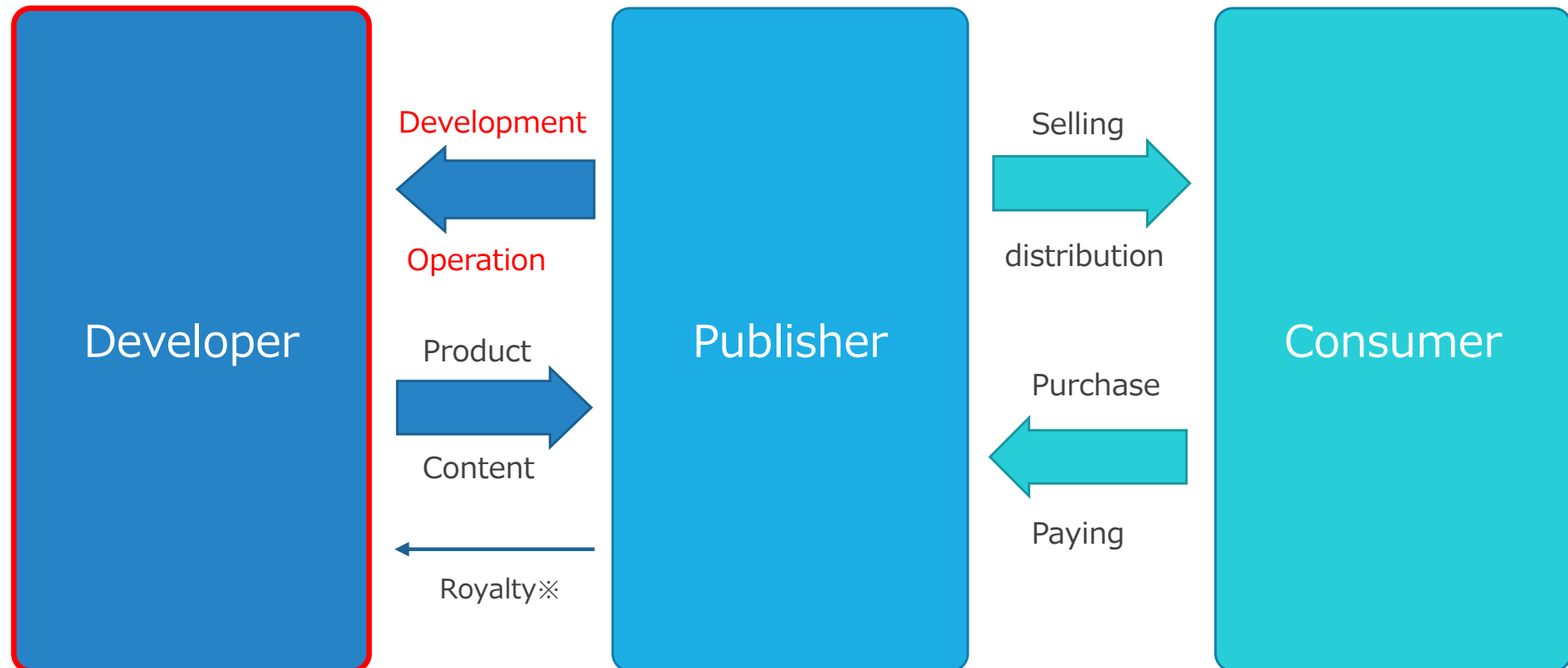
※ Tech Flag Corporation was established in July 2020 to strengthen the Group's technological collaboration and promote productivity improvement.

2. Game Business

(1) The Main Field of Our Game Business

- Our game business consists mainly of contracted development, post-launch operations and customer support.

Our business



* Sales and other conditions may need to be met for royalty accrual.

2. Game Business

(2) Services for mobile app games

- Scope of each company's business in mobile app games

Planning and Development	Post-launch Operations			
	Event planning Development of additional content	Monitoring user voice and app behavior	User support Web site/SNS KPI Analysis	Localization Translation Market Analysis
				
				
				

Contact details

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Investor Relations Office

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