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Notice Concerning Revision of Earnings Forecast for FY2021

KLab Inc. (the "Company") has announced that it has revised the earnings forecast in the second quarter of the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021), which was announced on May 13, 2021 as follows.

Notes

Revision of Fiscal Year Earnings Forecast

FY2021 Earnings Forecast (January 1, 2021 to December 31, 2021)

(Million Yen)

	Revenue	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Net Income Per Share (yen)
Previous Projection (A)	27,000 ~ 32,000	(500) ~ 1,800	(300) ~ 2,000	(1,300) ~ 200	(33.71) ~ 5.19
Adjusted Projection (B)	25,500 ~ 28,500	(1,600) ~ 1,000	(1,500) ~ 1,100	(2,000) ~ 20	(52.17) ~ 0.52
Amount of Increase / Decrease (B – A)	(1,500) ~ (3,500)	(1,100) ~ (800)	(1,200) ~ (900)	(700) ~ (180)	
Rate of Increase / Decrease (%)	(5.6%) ~ (10.9%)	—	—	—	
(Reference) Earnings in Previous Fiscal Year	33,952	2,149	1,564	767	20.08

[Reason for Revision]

In the second quarter of the fiscal year under review, the revenue from content slowed down for several titles and there was weak performance. In particular, the revenue for *Love Live! School Idol Festival ALL STARS*, which posted significantly lower than expected revenue in the first quarter, did not recover in the second quarter of the fiscal year under review. In addition, the extent of the decline in revenue of *BLEACH Brave Souls* exceeded expectations.

In consideration of the possibility that the deterioration in each title will continue in the third quarter and beyond, the Company has decided to revise the earnings forecast. However, as a factor behind the deterioration, there is a possibility

that this was a temporary phenomenon, such as the hesitation to make purchases prior to large scale events, so the Company has set a range assuming that it will be a recovery trend in the future.

From the third quarter onward, the Company expects revenue to increase due to the implementation of anniversary campaigns for several titles, including *BLEACH Brave Souls*, *Love Live! School Idol Festival ALL STARS*, and *Captain Tsubasa: Dream Team*. The Company also expects a contribution to earnings from the release of *Lapis Re:LiGHTs*, which is currently under development.

Each profit segment will decrease due to a decline in revenue, but there will be a decrease in expenses currently being calculated due to the cost reductions in progress.

At this time, it is difficult to accurately forecast the degree of hits for new titles and revenue trends for existing titles, so the Company will continue to disclose earnings forecasts based on a range format.

For the results and financial status of the second quarter of the period ended December 2021, please refer to the "Summary of Financial Results for Second Quarter of Fiscal Year Ended December 31, 2021 (Japanese GAAP) (Consolidated)" released today.

[Basis for Earnings Forecast After Revision]

(Revenue)

- The Company expects one new title of *Lapis Re:LiGHTs* for this term.
- The range is set in consideration of the revenue life cycle of existing titles and the degree of hits for new titles (including overseas expansion for existing titles).
- The upper/lower limit of the range is set at what to expect if the new titles perform well/poorly and existing titles decline significantly/insignificantly.
- Due to a conservative stance, the non-consolidated business for casual games is not being factored into revenue.

(Expenses)

- Increase in operating costs (labor, outsourcing/subcontracting, and depreciation) associated with new title releases.
- Increase in labor and recruitment-related costs due to an increased employee count.
- Decrease in expenses due to an increase in the transfer of development-related costs to software assets as a result of the full-scale development of new titles scheduled to be released from FY2022 onward.
- Continuing from the previous fiscal year, expenses (transportation expenses, entertainment expenses, welfare expenses, etc.) due to COVID-19 have not been consumed.
- Cost reductions currently under consideration are set based on large to small scale expectations.

(Other)

- There was an impairment loss recorded of 1,540 million yen in the first quarter of the fiscal year under review.
- GlobalGear Co. Ltd., which became a consolidated subsidiary from April 12 is expected to be on the same scale as the previous fiscal year.

(Notes on Forward-Looking Statements)

The earnings forecast and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual results may differ materially from these forecasts for a number of reasons.