

Summary of Financial Results for Second Quarter of Fiscal Year Ended December 31, 2021 (Japanese GAAP) (Consolidated)



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August 5, 2021

Name of listed company: KLab Inc. Stock exchange listing: Tokyo Stock Exchange First Section
 Securities code: 3656 URL: <https://www.klab.com/en/>
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 Scheduled filing date for securities report: August 5, 2021
 Scheduled date for dividends payment: -
 Supplementary information for quarterly results: Yes <https://www.klab.com/en/ir/library/>
 Information meeting for quarterly financial report: Yes *Institutional investors and analysts only

(Amounts of less than one million yen are rounded down unless otherwise stated.)

1. Consolidated Operating Performance for First Half of FY2021 (January 1, 2021 – June 30, 2021)

(1) Consolidated Operating Results (year-to-date)

(% represents rate of increase or decrease over same period of previous fiscal year)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half of FY2021	12,337	(22.6)	(842)	—	(818)	—	(1,705)	—
First half of FY2020	15,948	7.7	753	(42.2)	568	(52.8)	16	(98.0)

Note: Comprehensive income First half of FY2021: (1,737) million yen —%
 First half of FY2020: (254) million yen —%

	Net income per share	Diluted net income per share
	Yen	Yen
First half of FY2021	(44.29)	—
First half of FY2020	0.42	0.42

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First half of FY2021	21,012	14,735	70.1
FY2020	23,491	16,584	70.5

Reference: Shareholders' equity First half of FY2021: 14,725 million yen FY2020: 16,572 million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year End	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	—	0.00	—	0.00	0.00
FY2021	—	0.00			
FY2021 (Forecast)			—	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Operating Performance Forecasts for FY2021 (January 1, 2021 – December 31, 2021)

(% represents rate of increase or decrease over previous fiscal year)

Fiscal Year	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	27,000	(20.5)	(500)	(123.3)	(300)	(119.2)	(1,300)	(269.5)	(33.71)
	~32,000	~(5.8)	~1,800	~(16.3)	~2,000	~27.8	~200	~(73.9)	~5.19

Note: Revisions to the most recently disclosed business performance forecast: Yes

■ Explanatory Notes

(1) Changes to major subsidiaries during the first half of FY2021: None

(2) Changes to accounting principles or treatment: Yes

Note: Refer to “1. Consolidated Financial Statements and Related Notes” in section “(3) Notes Related to Consolidated Financial Statements (Adoption of special accounting treatment)” on page 5 of Supporting Information.

(3) Changes to accounting policies, estimates, and restatements

① Changes to accounting revision of accounting standards: None

② Changes other than ①: None

③ Changes to accounting estimates: None

④ Restatements: None

(4) Number of outstanding shares (common shares)

① Period end outstanding shares (including treasury shares)	First half of FY2021	38,623,300 shares	FY2020	38,475,100 shares
② Period end treasury shares	First half of FY2021	286,600 shares	FY2020	—
③ Average outstanding shares during the period	First half of FY2021	38,512,315 shares	First half of FY2020	38,111,054 shares

■ Note Regarding Quarterly Review Procedures

Quarterly financial results summaries are not subject to quarterly review procedures.

■ Note Regarding the Appropriate Usage of Forecasts and Other Special Instructions

(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.

(Method of Obtaining Supplementary Materials on Quarterly Financial Results)

For an overview of results, please refer to the quarterly financial results materials posted on the Company website.

<https://www.klab.com/en/ir/library/presentations/>

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1. Consolidated Financial Statements and Related Notes
(1) Consolidated Balance Sheets

(In thousands of yen)

	FY2020 (Dec. 31, 2020)	Second quarter of FY2021 (Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	8,115,782	5,097,215
Notes and trade accounts receivable	3,184,076	2,906,108
Operating investment securities	502,575	1,552,460
Other	1,931,018	2,258,483
Allowance for doubtful accounts	(5,899)	(19,292)
Total current assets	13,727,552	11,794,975
Non-current assets		
Property, plant, and equipment	274,281	320,492
Intangible assets		
Software	2,105,810	43,954
Software in progress	546,388	977,956
Goodwill	116,305	973,823
Other	672	672
Total intangible assets	2,769,176	1,996,406
Investments and other assets		
Investment securities	3,745,543	3,168,618
Other	2,976,455	3,759,778
Allowance for doubtful accounts	(1,528)	(28,196)
Total investments and other assets	6,720,469	6,900,199
Total non-current assets	9,763,928	9,217,099
Total assets	23,491,480	21,012,074
Liabilities		
Current liabilities		
Accounts payable - trade	2,407,474	2,080,840
Long-term debt to be repaid within one year	741,768	652,888
Provision for bonuses	129,286	135,465
Other	2,624,519	2,387,945
Total current liabilities	5,903,048	5,257,138
Non-current liabilities		
Long-term debt	1,003,832	699,608
Other	—	320,000
Total non-current liabilities	1,003,832	1,019,608
Total liabilities	6,906,880	6,276,746
Net assets		
Shareholders' equity		
Capital stock	4,909,815	4,955,101
Capital surplus	4,659,365	4,704,650
Retained earnings	6,790,349	5,084,814
Treasury shares	—	(200,985)
Total shareholders' equity	16,359,531	14,543,580
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	179,288	170,121
Foreign currency translation	33,960	11,434
Total accumulated other comprehensive income	213,249	181,555
Subscription rights to shares	11,819	10,190
Total net assets	16,584,600	14,735,327
Total liabilities and net assets	23,491,480	21,012,074

(2) Consolidated Statements of Income and Comprehensive Income

(In thousands of yen)

	First half of FY2020 (Jan. 1, 2020 – Jun. 30, 2020)	First half of FY2021 (Jan. 1, 2021 – Jun. 30, 2021)
Revenue	15,948,765	12,337,254
Cost of sales	12,875,930	11,407,323
Gross profit	3,072,834	929,931
Selling, general, and administrative expenses	2,319,245	1,772,175
Operating income (loss)	753,589	(842,244)
Non-operating income		
Interest income	14,551	18,125
Dividend income	25,547	23,583
Investment gain using equity method	—	10,906
Other	33,773	22,249
Total non-operating income	73,873	74,865
Non-operating expenses		
Interest expense	2,644	2,238
Investment loss using equity method	7,715	—
Loss on investments in partnerships	—	13,444
Foreign exchange losses	243,517	10,808
Allowance for doubtful accounts	—	23,256
Other	5,583	1,843
Total non-operating expenses	259,461	51,590
Ordinary income (loss)	568,001	(818,970)
Extraordinary income		
Gain on sale of non-current assets	—	2,475
Gain on sale of investment securities	—	31,130
Other	1,013	650
Total extraordinary income	1,013	34,257
Extraordinary losses		
Impairment loss	498,871	1,540,574
Other	875	427
Total extraordinary losses	499,747	1,541,001
Income before income taxes	69,267	(2,325,714)
Income taxes	113,513	(620,180)
Net income (loss)	(44,246)	(1,705,534)
Income (loss) before non-controlling interests	(60,360)	—
Profit (loss) attributable to owners of parent	16,113	(1,705,534)

Consolidated Statement of Comprehensive Income

(In thousands of yen)

	First half of FY2020 (Jan. 1, 2020 – Jun. 30, 2020)	First half of FY2021 (Jan. 1, 2021 – Jun. 30, 2021)
Net income (loss)	(44,246)	(1,705,534)
Other comprehensive income		
Valuation on difference on available-for-sale securities	(227,862)	(7,968)
Foreign currency translation adjustment	37,881	(22,526)
Equity amount of affiliates using equity method	(19,940)	(1,198)
Total other comprehensive income	(209,921)	(31,693)
Comprehensive income	(254,168)	(1,737,228)
(Breakdown)		
Comprehensive income attributable to owners of parent	(193,413)	(1,737,228)
Comprehensive income attributable to non-controlling interests	(60,754)	—

(3) Notes Related to Consolidated Financial Statements

(Notes related to ongoing concern assumptions)

Not applicable

(Notes in case of significant change in shareholders' equity)

First half of FY2020 (January 1, 2020 – June 30, 2020)

1. Matters concerning dividends

Not applicable

2. Significant change in shareholders' equity

In accordance with a resolution approved at a meeting of the Board of Directors held on April 22, 2020, the Company disposed of 125,100 shares of treasury stock as restricted stock compensation. Capital surplus decreased by 10,248 thousand yen, retained earnings decreased by 126,858 thousand yen, and treasury stock decreased by 222,924 thousand yen during the first half of the fiscal year under review. As a result, capital surplus was 4,595,724 thousand yen, retained earnings was 6,116,588 thousand yen, and treasury stock was 9,051 thousand yen at the end of the first half of the fiscal year under review.

First half of FY2021 (January 1, 2021 – June 30, 2021)

1. Matters concerning dividends

Not applicable

2. Significant change in shareholders' equity

In accordance with a resolution approved at a meeting of the Board of Directors held on February 19, 2021, the Company acquired 286,600 shares of treasury stock. Treasury stock increased by 200,985 thousand yen. As a result, treasury stock was 200,985 thousand yen during the first half of the fiscal year under review.

(Adoption of special accounting treatment)

The effective tax rate is rationally estimated using the accounting for income taxes and includes the before tax net income from the consolidated financial results at the end of the first half of the fiscal year under review, which is multiplied against the applicable effective tax rate when calculating tax expenses. However, the statutory tax rate shall be used in cases where the applicable effective tax rate cannot be rationally estimated for calculating tax expenses.

(Segment information)

[Segment information]

I. First half of FY2020 (January 1, 2020 – June 30, 2020)

1. Pertaining to Revenue and Profit or Loss

(In thousands of yen)

	Reported Segment	Other (Note 1)	Amount Listed on Consolidated Statement of Income (Note 2)
	Game Business		
Revenue:			
Revenue from External Customers	15,824,065	124,700	15,948,765
Intersegment Internal Revenue or Account Transfer Amount	—	—	—
Total	15,824,065	124,700	15,948,765
Segment income (loss)	3,033,906	38,928	3,072,834

Notes:

1. "Other" refers to the business segment of research & consulting business, venture capital business, and other businesses not included in the "Reported Segment."

2. "Segment Profit" has not been adjusted as it is the same as the gross profit in the consolidated statements of income.

2. Pertaining to Impairment Loss on Non-Current Assets and Goodwill by Reportable Segment

(Significant impairment loss on non-current assets)

In the "research & consulting segment, which is included in the "Other" segment, the Company determined that the excess earning power originally anticipated was no longer expected after considering the progress toward the initial business plan and the outlook for future performance, and recorded an impairment loss of goodwill. The amount of impairment loss on goodwill recorded as a result of this event was 498,871 thousand yen for the second quarter of the fiscal year under review.

(Significant changes in the amount of goodwill)

There is an impairment loss of goodwill in the "Other" segment under the "research & consulting business" as noted in the "Significant impairment loss on non-current assets" above.

II. First half of FY2021 (January 1, 2021 – June 30, 2021)

1. Pertaining to Revenue and Profit or Loss

(In thousands of yen)

	Reported Segment	Other (Note 1)	Amount Listed on Consolidated Statement of Income (Note 2)
	Game Business		
Revenue:			
Revenue from External Customers	12,128,230	209,023	12,337,254
Intersegment Internal Revenue or Account Transfer Amount	—	—	—
Total	12,128,230	209,023	12,337,254
Segment income (loss)	811,897	118,033	929,931

Notes:

1. "Other" refers to the business segment of research & consulting business, and other businesses not included in the "Reported Segment."

2. "Segment Profit" has not been adjusted as it is the same as the gross profit in the consolidated statements of income.

2. Pertaining to Impairment Loss on Non-Current Assets and Goodwill by Reportable Segment

(Significant changes in the amount of goodwill)

The "Game Business" includes GlobalGear Co., Ltd. which is within the range of consolidated reporting through the acquisition of all shares. The increase in goodwill due to this event was 888,680 thousand yen at the end of the first half of the fiscal year under review.