

# Summary of Financial Results for Fiscal Year Ended December 31, 2022 (Japanese GAAP) (Consolidated)



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*In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.*

February 9, 2023

Name of listed company: KLab Inc. Stock exchange listing: Tokyo Stock Exchange Prime Market  
Securities code: 3656 URL: <https://www.klab.com/en/>  
Representative: [Name] Hidekatsu Morita [Title] Representative Director, President and CEO  
Contact: [Name] Kazuyuki Takata [Title] Senior Managing Director TEL: +81-3-5771-1100  
Scheduled date for annual shareholders meeting: March 24, 2023  
Scheduled filing date for securities report: March 24, 2023  
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)

## 1. Consolidated Operating Performance of FY2022 (January 1, 2022 – December 31, 2022)

### (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	%
FY2022	16,880	(29.4)	(598)	–	(73)	–	(541)	–
FY2021	23,895	(29.6)	(1,105)	–	(1,028)	–	(3,468)	–

Note: Comprehensive income FY2022: (727) million yen –  
FY2021: (3,474) million yen –

	Net income per share	Diluted net income per share	Ratio on equity	Ratio of ordinary income to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
FY2022	(13.97)	–	(4.2)	(0.4)	(3.5)
FY2021	(90.38)	–	(23.6)	(4.9)	(4.6)

Reference: Equity in earnings (losses) of affiliates FY2022: (26) million yen FY2021: 1 million yen

### (2) Consolidated Financial Status

	Total assets	Net assets	Equity Ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	20,859	13,153	62.9	324.42
FY2021	18,707	12,806	68.4	336.84

Reference: Shareholder's Equity FY2022: 13,123 million yen FY2021: 12,796 million yen

### (3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2022	(186)	(1,356)	3,536	6,017
FY2021	(1,278)	(1,929)	(1,044)	(3,816)

## 2. Dividends

	Annual dividends					Total amount of dividends (Total) (Million Yen)	Dividend payout ratio (Consolidated) (%)	Ratio of dividends to net assets (Consolidated) (%)
	End of Q1	End of Q2	End of Q3	Year end	Total			
	Yen	Yen	Yen	Yen	Yen			
FY2021	—	0.00	—	0.00	0.00	—	—	—
FY2022	—	0.00	—	0.00	0.00	—	—	—
FY2023 (Forecast)	—	0.00	—	0.00	0.00		—	

## 3. Consolidated Operating Performance Forecasts for FY2023 (January 1, 2023 – December 31, 2023)

The consolidated operating performance forecasts for FY2023 will not be disclosed. For more information, please refer to “1. Overview of Operating Results, Financial Status, Cash Flows, etc.; (4) Forecasts and Various Factors in the Future” on page 4 of Supporting Information.

### ■ Explanatory Notes

(1) Changes to major subsidiaries during the period: No  
(Changes to specified subsidiaries accompanying changes in scope of consolidation)

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

① Changes to accounting revision of accounting standards:	Yes
② Changes other than ①:	No
③ Changes to accounting estimates:	No
④ Restatements:	No

(3) Number of outstanding shares (common shares)

① Period end outstanding shares (including treasury shares)	FY2022	41,092,200 shares	FY2021	38,631,100 shares
② Period end treasury shares	FY2022	641,531 shares	FY2021	641,500 shares
③ Average outstanding shares during the period	FY2022	38,784,005 shares	FY2021	38,370,270 shares

### [Reference] Summary of Non-Consolidated Operating Performance

#### 1. Non-Consolidated Operating Performance for FY2022 (January 1, 2022 – December 31, 2022)

##### (1) Non-Consolidated Operating Results

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

	Revenue		Operating Income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022	16,426	(29.6)	(696)	—	(388)	—	(774)	—
FY2021	23,339	(30.6)	(1,245)	—	(1,378)	—	(4,233)	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY2022	(19.96)	—
FY2021	(110.32)	—

**(2) Non-Consolidated Financial Status**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	20,413	12,850	62.8	317.01
FY2021	18,271	12,536	68.6	329.72

Reference: Shareholder's Equity

FY2022: 12,823 million yen

FY2021: 12,526 million yen

**■ Note Regarding Review Procedures**

Financial statements are not subject to audits by certified public accountants or audit firms.

**■ Note Regarding Other Special Instructions**

(Method for Obtaining Supplementary Materials on Financial Results)

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

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

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## 1. Overview of Operating Results, Financial Status, Cash Flows, etc.

### (1) Overview of Operating Results for the Period

(in thousands of yen)

	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year	Difference (%)
Revenue	23,895,272	16,880,927	(29.4)
Operating Income	(1,105,613)	(598,112)	—
Ordinary Income	(1,028,304)	(73,471)	—
Net Income Before Income Taxes	(2,673,471)	(422,511)	—
Profit Attributable to Owners of Parent	(3,468,020)	(541,922)	—

The results for the current consolidated fiscal year were revenue of 16,880,927 thousand yen (a decrease of 29.4% from the previous fiscal year) and operating loss of 598,112 thousand yen (operating loss of 1,105,613 thousand yen in the previous fiscal year).

In the consolidated fiscal year under review *BLEACH Brave Souls* performed well throughout the year, and long-term titles such as *Utano☆Princesama Shining Live* and *Love Live! School Idol Festival* were stable.

On the other hand, revenue declined from the previous fiscal year due to a decline in the number of operated titles resulting from the transfer and withdrawal of titles that suffered from poor business performance, in addition to the poor performance from *Captain Tsubasa: Dream Team*.

In terms of expenses, the operating loss narrowed from the previous fiscal year as a result of ongoing reviews of the personnel structure for operations and detailed group-wide expenses, and efforts to control costs to transform the Company into a profitable structure.

In addition, foreign exchange gains of 380,044 thousand yen were recorded in the settlement of foreign currency-denominated credits and debts owned by the Company Group and the revaluation based on the exchange rate at the end of the fiscal year, due to the trend of yen depreciation worldwide during the fiscal year under review, ordinary loss was 73,471 thousand yen (ordinary loss of 1,028,304 thousand yen in the previous fiscal year).

In addition, in the second quarter, an impairment loss of 410,029 thousand yen was recorded for the software assets of *Lapis Re:LiGHTs ~Kono Sekai no Idol wa Maho ga Tsukaeru~*.

As a result, the loss attributable to owners of parent was 541,922 thousand yen (loss attributable to owners of parent was 3,468,020 thousand yen in the previous fiscal year).

The revenue analysis of the major game titles is as follows.

#### *BLEACH Brave Souls*

*BLEACH*, which is the subject of this work, is a sword battle action manga that is very popular not only in Japan, but also overseas.

During the fiscal year under review, revenue was strong throughout the year both domestically and internationally, and revenue exceeded the previous year level as a result of the active implementation of measures centered on the excitement of the new anime broadcast that began in October.

#### *Captain Tsubasa: Dream Team*

*Captain Tsubasa*, which is the subject of this work, has been translated into 20 languages not only in Japan but also around the world since the manga series began in 1981, and is a very popular work loved by soccer fans of all generations.

During the fiscal year under review, revenue of various products were sluggish and sales remained weak despite the introduction of products and event measures in conjunction with the holding of world-class soccer events.

### (2) Overview of Financial Status for the Period

#### Status of Assets, Liabilities and Net Assets

##### Assets

Total assets at the end of FY2022 were 20,859,788 thousand yen (an increase of 2,152,275 thousand yen when compared to the end of the previous fiscal year). This was mainly due to a decrease of 936,120 thousand yen in securities and a decrease of 564,070 thousand yen in software, while there was an

increase of 2,200,490 thousand yen in cash and deposits and an increase of 2,578,803 thousand yen in software in progress.

### **Liabilities**

Total liabilities at the end of FY2022 were 7,706,230 thousand yen (an increase of 1,805,272 thousand yen when compared to the end of the previous fiscal year). This was mainly due to an increase of 1,000,000 thousand yen in short-term debt, an increase of 528,881 thousand yen in long-term debt to be repaid within one year, and an increase of 973,531 thousand yen in long-term debt, while accounts payable decreased by 601,030 thousand yen.

### **Net assets**

Net assets at the end of FY2022 were 13,153,557 thousand yen (an increase of 347,003 thousand yen when compared to the end of the previous fiscal year). This was mainly due to a decrease in retained earnings of 493,573 thousand yen due to the recording of a loss attributable to owners of parent, and an increase of 500,477 thousand yen in both capital stock and capital surplus due to the exercise of the 18th stock acquisition rights.

## **(3) Overview of Cash Flows for the period**

Cash and cash equivalents (“net cash”) at the end of FY2022 were 2,200,490 thousand yen (an increase of 6,017,468 thousand yen when compared to the end of the previous fiscal year).

The following is the status of cash flows at the end of FY2022 and the underlying factors.

### **Cash flows from operating activities**

Net cash used in operating activities was 186,966 thousand yen (this amount was 1,278,629 thousand yen in the previous fiscal year). This was mainly due to an increase in funds due to a decrease of 489,828 thousand yen in trade receivables, but a decrease in funds due to income before income taxes of 422,511 thousand yen and a decrease in trade payables of 594,497 thousand yen.

### **Cash flows from investing activities**

Net cash used in investing activities was 1,356,560 thousand yen (this amount was 1,929,551 thousand yen in the previous fiscal year). This was mainly due to a cash increase of 1,095,000 thousand yen from proceeds from the sale and redemption of securities, while a cash decrease of 2,650,064 thousand yen from the purchase of intangible fixed assets.

### **Cash flows from financing activities**

Net cash used in financing activities was 3,536,052 thousand yen (this amount was 1,044,820 thousand yen in the previous fiscal year). This was mainly due to an increase in funds from long-term debt of 2,600,000 thousand yen.

### **[Reference] Changes in Cash Flow Indicators**

	FY2018	FY2019	FY2020	FY2021	FY2022
Equity ratio	75.1%	65.3%	70.5%	68.4%	62.9%
Equity ratio on market value basis	161.1%	130.8%	146.9%	100.7%	83.8%
Cash flow to interest-bearing debt ratio	0.00	1.29	0.44	—	—
Interest coverage ratio	5,617.2	270.4	893.0	—	—

Equity ratio: Shareholders' equity ÷ Total assets

Equity ratio on market value basis: Market capitalization ÷ Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities ÷ Cash flows

Interest coverage ratio: Cash flows ÷ Interest expense

(Note 1) Each indicator is calculated using consolidated financial figures.

(Note 2) Market capitalization is calculated based on the number of outstanding shares, excluding treasury shares.

(Note 3) Operating cash flows are used for cash flows.

(Note 4) Interest-bearing debt covers all liabilities on the balance sheet for which interest is paid.

(Note 5) Cash flow to interest-bearing debt ratio and interest coverage ratio for the current consolidated fiscal year are not stated because operating cash flow was negative.

#### **(4) Forecasts and Various Factors in the Future**

The Company Group will continue to promote business operations centered on the game and game-related businesses. In particular, in the Game Business, in addition to maintaining the top line through stable operation of existing titles, the Company will strive to create hit titles utilizing IP, which has high global popularity and enthusiasm, with the aim of achieving business growth in the mid- to long-term.

Furthermore, in the future, the Company will work to create new entertainment content using blockchain technology and grow it as the second pillar of business, aiming to further expand the corporate scale..

The performance forecasts for FY2023 will remain undisclosed.

In the past, we have adopted a range-based full-year earnings forecast disclosure in light of the fact that earnings fluctuate greatly depending on the degree of hits of new titles and the status of existing titles, but in recent years the speed of change in the environment surrounding the game business is more pronounced than ever before, making it difficult to accurately predict the trends of game titles even in a short period of time.

Furthermore, in FY20/23, the Company plans to release the title co-developed with Electronic Arts Inc., which is expected to make a significant contribution to earnings. Moreover, the Company believes that it is difficult to present reliable performance forecasts.

It is the Company policy to promptly disclose any estimations that become possible based on future progress.

## **2. Rationale Behind the Choice of Accounting Standards**

With regard to the timing for introducing the International Financial Reporting Standards (IFRS), the Company is closely monitoring the adoption trend in Japan, and its future adoption has yet to be determined.

### 3. Consolidated Financial Statements and Related Notes

#### (1) Consolidated Balance Sheets

(In thousands of yen)

	FY2021 (Jan. 1, 2021 – Dec. 31, 2021)	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	3,816,978	6,017,468
Accounts receivable	2,259,169	1,768,227
Securities	936,120	—
Prepaid expenses	1,141,289	1,343,831
Refundable income taxes	189,013	10,274
Other	1,581,792	1,232,466
Allowance for doubtful accounts	(8553)	(28,649)
Total current assets	9,895,809	10,343,618
Non-current assets		
Property, plant, and equipment		
Buildings	261,532	226,652
Accumulated depreciation	(159,226)	(61,392)
Buildings, net	102,305	65,259
Other	766,428	743,158
Accumulated depreciation	(543,438)	(592,207)
Other, net	222,990	150,950
Total property, plant, and equipment	325,296	216,210
Intangible assets		
Goodwill	822,029	733,161
Software	619,691	55,620
Software in progress	1,444,880	4,023,684
Other	672	672
Total intangible assets	2,887,274	4,813,138
Investments and other assets		
Investment securities	3,234,012	2,893,484
Deferred tax assets	755,675	837,095
Other	1,621,346	1,756,240
Allowance for doubtful accounts	(11,901)	—
Total investments and other assets	5,599,131	5,486,820
Total non-current assets	8,811,702	10,516,169
Total assets	18,707,512	20,859,788



(In thousands of yen)

	FY2021 (Jan. 1, 2021 – Dec. 31, 2021)	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	1,916,692	1,315,661
Long-term debt	—	1,000,000
Long-term debt to be repaid within one year	541,788	1,070,669
Advance payments	1,506,190	1,573,756
Provision for bonuses	132,521	134,106
Other	1,021,722	936,461
<b>Total current liabilities</b>	<b>5,118,914</b>	<b>6,030,655</b>
Non-current liabilities		
Long-term debt	462,044	1,435,575
Other	320,000	240,000
<b>Total non-current liabilities</b>	<b>782,044</b>	<b>1,675,575</b>
<b>Total liabilities</b>	<b>5,900,958</b>	<b>7,706,230</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,957,479	5,457,956
Capital surplus	4,707,029	5,212,506
Retained earnings	3,322,329	2,828,756
Treasury stock	(397,362)	(397,377)
<b>Total shareholders' equity</b>	<b>12,589,476</b>	<b>13,101,841</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	240,027	262,246
Foreign currency translation adjustment	(33,033)	(240,894)
<b>Total accumulated other comprehensive income</b>	<b>206,994</b>	<b>21,351</b>
Subscription rights to shares	10,083	30,364
<b>Total net assets</b>	<b>12,806,554</b>	<b>13,153,557</b>
<b>Total liabilities and net assets</b>	<b>18,707,512</b>	<b>20,859,788</b>

**(2) Consolidated Statements of Income and Comprehensive Income**  
**Consolidated Statements of Income**  
**Fiscal Year Consolidated Cumulative Period**

(In thousands of yen)

	FY2021 (Jan. 1, 2021 – Dec. 31, 2021)	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)
Revenue	23,895,272	16,880,927
Cost of sales	21,175,399	13,857,997
Gross profit	2,719,873	3,022,929
Selling, general and administrative expenses	3,825,486	3,621,042
Operating income (loss)	(1,105,613)	(598,112)
Non-operating income		
Interest income	2,061	4,445
Interest on securities	28,548	11,367
Dividend income	41,552	53,936
Foreign exchange gains	—	380,044
Other	140,165	149,517
Total non-operating income	212,328	599,310
Non-operating expenses		
Interest expense	3,899	13,969
Equity in losses of affiliates	—	26,427
Foreign exchange losses	84,088	—
Commission paid	1,563	26,760
Other	45,468	7,511
Total non-operating expenses	135,019	74,668
Ordinary income (loss)	(1,028,304)	(73,471)
Extraordinary income		
Gain on sale of non-current assets	2,048	—
Gain on sale of investment securities	31,130	201,210
Other	718	7,421
Total extraordinary income	33,898	208,632
Extraordinary losses		
Impairment loss	1,648,181	438,883
Gain on sale of shares of subsidiaries and affiliates	—	67,943
Other	30,883	50,845
Total extraordinary losses	1,679,064	557,672
Net income (loss) before income taxes	(2,673,471)	(422,511)
Income taxes - current	248,307	210,637
Income taxes - deferred	546,240	(91,226)
Total income taxes	794,548	119,411
Net income (loss)	(3,468,020)	(541,922)
Profit (loss) attributable to owners of parent	(3,468,020)	(541,922)

**Consolidated Statement of Comprehensive Income**  
**Fiscal Year Consolidated Cumulative Period**

(In thousands of yen)

	FY2021 (Jan. 1, 2021 – Dec. 31, 2021)	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)
Net income (loss)	(3,468,020)	(541,922)
Other comprehensive income		
Valuation difference on available-for-sale securities	63,352	24,375
Foreign currency translation adjustment	(66,993)	(207,861)
Share of other comprehensive income of entities accounted for using equity method	(2,614)	(2,156)
Total other comprehensive income	(6,255)	(185,642)
Comprehensive income	(3,474,275)	(727,565)
(Breakdown)		
Comprehensive income attributable to owners of parent	(3,474,275)	(727,565)

**(3) Consolidated Statements of Changes in Equity**

FY2021 (January 1, 2021 - December 31, 2021)

(In thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	4,909,815	4,659,365	6,790,349	—	16,359,531
Cumulative effect of change in accounting policy					
Balance at beginning of current period with changes in accounting policies	4,909,815	4,659,365	6,790,349		16,359,531
Changes of items during period					
Issuance of new shares	47,663	47,663			95,326
Profit (loss) attributable to owners of parent			(3,468,020)		(3,468,020)
Acquisition of treasury stock				(397,362)	(397,362)
Capital increase of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during period	47,663	47,663	(3,468,020)	(397,362)	(3,770,055)
Balance at end of current period	4,957,479	4,707,029	3,322,329	(397,362)	12,589,476

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	179,288	33,960	213,249	11,819	16,584,600
Cumulative effect of change in accounting policy					
Balance at beginning of current period with changes in accounting policies	179,288	33,960	213,249	11,819	16,584,600
Changes of items during period					
Issuance of new shares					95,326
Profit (loss) attributable to owners of parent					(3,468,020)
Acquisition of treasury stock					(397,362)
Capital increase of consolidated subsidiaries					—
Net changes of items other than shareholders' equity	60,738	(66,993)	(6,255)	(1,735)	(7,990)
Total changes of items during period	60,738	(66,993)	(6,255)	(1,735)	(3,778,045)
Balance at end of current period	240,027	(33,033)	206,994	10,083	12,806,554

**FY2022 (January 1, 2022 - December 31, 2022)**

(In thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	4,957,479	4,707,029	3,322,329	(397,362)	12,589,476
Cumulative effect of change in accounting policy			48,349		48,349
Balance at beginning of current period with changes in accounting policies	4,957,479	4,707,029	3,370,678	(397,362)	12,637,825
Changes of items during period					
Issuance of new shares	500,477	500,477			1,000,954
Profit (loss) attributable to owners of parent			(541,922)		(541,922)
Acquisition of treasury stock				(15)	(15)
Capital increase of consolidated subsidiaries		4,999			4,999
Net changes of items other than shareholders' equity					
Total changes of items during period	500,477	505,477	(541,922)	(15)	464,015
Balance at end of current period	5,457,956	5,212,506	2,828,756	(397,377)	13,101,841

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	240,027	(33,033)	206,994	10,083	12,806,554
Cumulative effect of change in accounting policy					48,349
Balance at beginning of current period with changes in accounting policies	240,027	(33,033)	206,994	10,083	12,854,903
Changes of items during period					
Issuance of new shares					1,000,954
Profit (loss) attributable to owners of parent					(541,922)
Acquisition of treasury stock					(15)
Capital increase of consolidated subsidiaries					4,999
Net changes of items other than shareholders' equity	22,219	(207,861)	(185,642)	20,280	(165,361)
Total changes of items during period	22,219	(207,861)	(185,642)	20,280	298,654
Balance at end of current period	262,246	(240,894)	21,351	30,364	13,153,557

#### (4) Consolidated Statements of Cash Flows

(In thousands of yen)

	FY2021 (Jan. 1, 2021 – Dec. 31, 2021)	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	(2,673,471)	(422,511)
Depreciation	663,885	286,150
Amortization of goodwill	84,544	88,868
Impairment loss	1,648,181	438,883
Loss (gain) on valuation of investment securities	29,999	49,639
Increase (decrease) in the amount of the allowance for doubtful accounts	18,317	(11,805)
Increase (decrease) in the amount of the allowance for bonuses	3,235	1,584
Interest income	(2,061)	(4,445)
Dividend income	(41,552)	(53,936)
Interest on securities	(28,548)	(11,367)
Interest expense	3,899	13,969
Foreign exchange loss (gain)	(170,667)	(461,398)
Loss (gain) of investment using the equity method	(1,450)	26,427
Loss (gain) on sale of shares of subsidiaries and affiliates	—	67,943
Loss (gain) on sale of non-current assets	(2,039)	—
Decrease (increase) in inventory assets	174	(91,224)
Loss (gain) on sale of investment securities	(31,130)	(201,210)
Decrease (increase) in notes and accounts receivable - trade	972,256	489,828
Decrease (increase) in advance payments	(57,042)	47,533
Decrease (increase) in prepaid expenses	(38,290)	(203,180)
Decrease (increase) in accounts receivable - other	(423,825)	401,678
Decrease (increase) in consumption taxes payable	(139,287)	(22,943)
Decrease (increase) in temporary payments	(113,691)	113,691
Increase (decrease) in long-term prepaid expenses	25,583	31,089
Decrease (increase) in notes and accounts payable - trade	(493,460)	(594,497)
Increase (decrease) in accounts payable - other	(198,940)	(228,285)
Increase (decrease) in advance payments	242,087	86,812
Increase (decrease) in income taxes payable (taxation based on size)	(35,886)	(126,081)
Increase (decrease) in deposits	33,292	28,771
Other	(81,727)	1,757
Subtotal	(807,618)	(258,257)
Interest and dividend income received	78,134	68,500
Interest income	(3,822)	(15,000)
Income taxes refunded (paid)	(545,322)	17,790
Net cash provided by (used in) operating activities	(1,278,629)	(186,966)
<b>Cash flows from investing activities</b>		
Expenditures for acquisition of securities	(1,104,445)	(155,999)
Income for sale and redemption of securities	675,510	1,095,000
Expenditures for acquisition of intangible fixed assets	(1,448,452)	(2,650,064)
Income from sale of investment securities	612,443	546,775
Expenditures for the acquisition of subsidiary shares due to changes in the scope of consolidation	(513,552)	—
Expenditures for payment of investments	(98,018)	(204,890)
Other	(53,036)	12,617
Cash flows from investing activities	(1,929,551)	(1,356,560)

Cash flows from financing activities		
Increase (decrease) in short-term debt	—	1,000,000
Income from long-term debt	—	2,600,000
Expenditures for long-term debt repayment	(741,768)	(1,097,588)
Income from exercise of stock options	94,310	992,309
Other	(397,362)	41,331
Cash flows from financing activities	(1,044,820)	3,536,052
Cash and equivalents conversion changes	64,197	207,964
Cash and equivalents increase (decrease)	(4,188,804)	2,200,490
Cash and equivalents (starting balance)	8,005,782	3,816,978
Cash and equivalents (ending balance)	3,816,978	6,017,468

## (5) Notes Related to Consolidated Financial Statements

(Notes Related to Ongoing Concern Assumptions)

Not applicable.

(Change in Accounting Policy)

[Application of Accounting Standards for Revenue Recognition]

The Accounting Standard for Revenue Recognition, Etc. (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") and other standards are applied from the beginning of the first quarter of the fiscal year under review to recognize revenue when the control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

As a result, revenue from paying users was previously recognized when users consume the payable currency in the game and exchange it for an item. However, depending on the nature of the items consumed and obtained by users, the period of use of the payable currency has been estimated and revenue is recognized based on the estimated period of use. In addition, for some of the transactions in which licenses are granted, revenue was previously recognized at the amount of the invoice when the invoice was issued under the contract. However, if the nature of the commitment to grant licenses to customers is the right to use the intellectual property at the time the license is granted, the Company will change to a one-time method for recognizing revenue.

The Company follows the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition with respect to the application of Accounting Standards for Revenue Recognition. The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year under review is added to or subtracted from retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policy is applied from the balance at the beginning of the current consolidated fiscal year.

As a result, for the current consolidated fiscal year, revenue decreased by 71,172 thousand yen, operating loss increased by 71,172 thousand yen, ordinary loss increased by 60,401 thousand yen, and net loss before income taxes increased by 60,401 thousand yen. In addition, the balance of retained earnings at the beginning of the current fiscal year increased by 48,349 thousand yen.

In the consolidated cash flow statement for the current consolidated fiscal year, loss before income taxes increased by 60,401 thousand yen.

Due to the cumulative impact reflected in net assets at the beginning of the current consolidated fiscal year, the balance of retained earnings at the beginning of the consolidated statements of changes in equity increased by 48,349 thousand yen.

The impact on per share information is described in the relevant section.

In accordance with the transitional treatment stipulated in paragraph 89-3 of the Accounting Standard for Revenue Recognition, information disaggregating revenue from contracts with customers for the previous fiscal year is not included.

[Application of Accounting Standards Pertaining to Estimation of Market Value]

The Accounting Standard for Fair Value Measurement, Etc. (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Fair Value Measurement") and other standards have been applied from the beginning of the first quarter of the fiscal year under review, and in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement will be applied in the future. There is no impact on the quarterly consolidated financial statements.

(Segment and Other Information)

[Segment Information]

### 1. Overview of Reported Segments

The "Reported Segment" for the Company Group provides segregated financial information of segregated business units and is subject to regular assessment by the Board of Directors to allocate management resources and to evaluate operating results.

The only "Reported Segment" by the Company Group is the "Game Business" that provides mobile online games.



## 2. Calculation Method of Revenue, Income or Loss, Assets, Liabilities and Other Items for Each

### Reported Segment

The accounting method used for reported business segments is generally the same accounting method used in preparing the consolidated balance statements.

The business segment income is the figure based on gross profit.

As stated in “(Changes in Accounting Policy)”, the Company applied The Accounting Standard for Revenue Recognition, Etc. from the consolidated financial statements for the current consolidated fiscal year and changed the method of accounting for revenue recognition. Therefore, the method of calculating profit or loss for business segments has been changed in the same manner.

As a result of this change, compared to the previous method, “Revenue” for the “Game Business” for the current consolidated fiscal year decreased by 71,172 thousand yen, and “Segment Profit” decreased by 71,172 thousand yen.

## 3. Pertaining to Revenue, Income or Loss, Assets, Liabilities and Other Items

### FY2021 (January 1, 2021 - December 31, 2021)

(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	23,564,309	330,963	23,895,272
Intersegment Internal Revenue or Account Transfer Amount	—	—	—
Total	23,564,309	330,963	23,895,272
Segment Profit	2,569,647	150,226	2,719,873
Other Items			
Depreciation and Amortization	634,317	8,602	642,920

Notes:

1. “Other Businesses” refers to the Research & Consulting Business, and Other Businesses not included in the “Reported Segment” above.
2. “Segment Profit” has not been adjusted as it is the same as the gross profit in the consolidated statements of income.
3. The amount of segment assets and liabilities are omitted as they are not subject to regular assessment for allocating administrative resources and evaluating performance.

### FY2022 (January 1, 2022 - December 31, 2022)

(In thousands of yen)

	Reported Segment	Other (Note 1)	Amount Listed on Consolidated Statement of Income (Note 2)
	Game Business		
Revenue			
Income from Paid Users	14,640,715	—	14,640,715
Other	1,846,389	393,821	2,240,211
Revenue Generated from Contracts with Customers	16,487,105	393,821	16,880,927
Other Income	—	—	—

Revenue from External Customers	16,487,105	393,821	16,880,927
Intersegment Internal Revenue or Account Transfer Amount	—	—	—
Total	16,487,105	393,821	16,880,927
Segment Profit (Loss)	3,109,351	(86,422)	3,022,929
Other Items Depreciation and Amortization	234,198	10,397	244,595

Notes:

1. "Other Businesses" refers to the Research & Consulting Business, and Other Businesses not included in the "Reported Segment" above.
2. "Segment Profit (Loss)" has not been adjusted as it is the same as the gross profit in the consolidated statements of income.
3. The amount of segment assets and liabilities are omitted as they are not subject to regular assessment for allocating administrative resources and evaluating performance.

(Per Share Data)

	FY2021 (Jan. 1, 2021 – Dec. 31, 2021)	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)
Net assets per share	336.84 yen	324.42 yen
Net loss per share	90.38 yen	13.97 yen

Notes:

1. Diluted net income per share is not stated because there is a net loss per share despite the presence of issuable shares.
2. As stated in "Changes in Accounting Policy," "Accounting Standards for Revenue Recognition," etc. are applied. As a result, net assets per share for the current consolidated fiscal year decreased by 0.30 yen and net loss per share increased by 1.56 yen.
3. The basis for calculating net loss per share is as follows.

Item	FY2021 (Jan. 1, 2021– Dec. 31, 2021)	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)
Net loss per share		
Loss attributable to owners of parent (in thousands of yen)	3,468,020	541,922
Amount not available to common shareholders (in thousands of yen)	—	—
Loss attributable to owners of parent attributable for common shares (in thousands of yen)	3,468,020	541,922
Average common shares during period (shares)	38,370,270	38,784,005

(Significant Subsequent Events)

Not applicable.