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May 12, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
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 Scheduled date of annual general meeting of shareholders: June 24, 2023
 Scheduled date to commence dividend payments: —
 Scheduled date to file annual securities report: June 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	3,207	433.8	437	—	400	—	320	—
March 31, 2022	600	△39.0	△297	—	△220	—	△186	—

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥511 million [—%]
 For the fiscal year ended March 31, 2022: △¥260 million [—%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2023	13.35	12.14	35.8	19.7	13.7
March 31, 2022	△9.77	—	△235.3	△20.7	△49.6

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023: ¥— million
 For the fiscal year ended March 31, 2022: ¥— million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	3,023	2,234	60.1	72.63
March 31, 2022	1,047	438	△2.8	△1.53

Reference: Equity
 As of March 31, 2023: ¥1,818million
 As of March 31, 2022: △¥29 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	546	△271	1,280	1,839
March 31, 2022	△595	62	—	288

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended March 31, 2023	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending March 31, 2024 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

In the Smartphone App business, there is a possibility that the development and download distribution of apps will not proceed as planned. Therefore, it is extremely difficult to predict billing revenues from apps after download distribution has started. In the Online Game business, it is extremely difficult to forecast earnings from upgrades to existing titles. There is also a possibility that the development of the HTML5 Game business will not proceed as planned and it is extremely difficult to predict billing revenues for the business. In addition, for the Group's new businesses, the Cloud-related business, the Treehouse Resort business and Meta Campus business, it is extremely difficult to forecast earnings appropriately as their profit or loss is highly contingent on changes in the environment surrounding the business and other factors. Therefore, we have refrained from announcing earnings forecasts for these businesses.

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

Newly included: —

Excluded: —

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	25,035,700 shares
As of March 31, 2022	19,060,800 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2023	— shares
As of March 31, 2022	— shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	24,004,594 shares
Fiscal year ended March 31, 2022	19,060,800 shares

* Financial results reports are exempt from audits conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters:

(Disclaimer on forward-looking statements, etc.)

The forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Actual results may differ significantly due to various factors.

(How to obtain supplementary documents on financial results)

Supplementary materials on financial results will be posted on the Company's website after the announcement of financial results.

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1. Summary of Operating Results

(1) Summary of Current Period Operating Results

During the consolidated fiscal year under review, the Japanese economy showed a recovery trend in personal consumption due to the easing of restrictions that had been imposed in relation to COVID-19. On the other hand, the future of the Japanese economy remained uncertain due to the prolonged situation in Ukraine and soaring prices. In these circumstances, Gala Inc. (the "Company") and its consolidated subsidiaries (collectively, the "Group") have been promoting new businesses such as the HTML5 Game business and the Meta Campus business in addition to the Online Game business and the Smartphone App business with the aim of becoming the world's No.1 global online community company.

The Group's operating results for the current fiscal year are summarized as follows:

In the current fiscal year, consolidated net sales increased significantly to 3,207,780 thousand yen (up 433.8% from the previous year). This was mainly due to the release of the HTML5 game "Flyff Universe," which led to an increase in sales compared to the previous fiscal year.

The cost of sales increased due to an increase in royalties paid for HTML5 games and channeling fees paid for the Online Game business.

Selling, general and administrative expenses increased compared to the previous fiscal year mainly due to an increase in advertising expenses resulting from an increase in marketing expenses for "Flyff Universe," an increase in value-added tax due to higher sales, and an increase in software amortization.

In addition, a loss on sales of crypto assets of 6,916 thousand yen and a loss on valuation of crypto assets of 58,141 thousand yen were recorded as non-operating expenses. An impairment loss of 138,666 thousand yen was recorded as an extraordinary loss for software that is not expected to be profitable.

As a result, operating profit was 437,919 thousand yen (operating loss of 297,865 thousand yen in the previous fiscal year) and ordinary profit was 400,787 thousand yen (ordinary loss of 220,339 thousand yen in the previous fiscal year), profit attributable to owners of parent was 320,400 thousand yen (loss attributable to owners of parent of 186,142 thousand yen in the previous fiscal year).

The Group's operating results by each segment are summarized as follows:

(i) Japan

In the Japan segment, the Company launched the smartphone game application "Rappelz" developed by a consolidated subsidiary Gala Lab Corp. in the U.S. and Canada in October 2021, but the service was temporarily terminated in November 2022. Currently, "Rappelz" is being renewed as an NFT game/blockchain game (*1) by combining blockchain technology with "Rappelz" and is being prepared for release in the global area. The NFT game/blockchain game is a game in which items in the game are converted to NFT (*3) using blockchain (*2), a crypto asset infrastructure technology, and users can buy and sell items obtained in the game on exchanges and other venues by converting them into crypto assets. The segment will further enhance the appeal of games through these measures and focus on the monetization of the Smartphone App business. The services are scheduled to be launched in the second quarter of the fiscal year ending March 31, 2024 for re-release in Southeast Asia and the United States, and in the third quarter of the fiscal year ending March 31, 2024 for the EU and Taiwan.

In addition, Treeful Inc. became a subsidiary of the Company in the previous fiscal year, and the Company started the Treehouse Resort business as a new business. The Treehouse Resort business is a resort business that provides guests with a set of treehouses and aero-houses, which are buildings on the ground, operated by consolidated subsidiary Treeful Inc. in Nago City, Okinawa Prefecture. Following the approval of the "Application for Ryokan Business License under the Ryokan Business Law" in July 2021, Treeful Inc. opened the Treehouse Resort in August 2021 as the first paid treehouse accommodation provider in Japan.

With the concept of a "Sustainable Resort", the Treehouse Resort aims the establishment of a sustainable society by using electricity instead of fossil fuel and generating solar power larger than actual usage. The Group has found a growth strategy for the Treehouse Resort business and aims to increase its enterprise value.

Net sales (including intersegment transactions) increased from the previous fiscal year, mainly due to the above-mentioned Treehouse Resort business.

On the expense side, selling, general and administrative expenses increased mainly due to an increase in outsourcing expenses related to game operations.

As a result, net sales in the Japan segment increased 944 thousand yen (1.2%) year on year to 77,692 thousand yen (including intersegment transactions), and the segment loss amounted to 229,113 thousand yen (185,479 thousand yen loss in the previous fiscal year).

(ii) Korea

In the Korea segment, the Company launched the HTML5 game "Flyff Universe" in Southeast Asia in May 2022 and in the global area in June 2022. HTML5 games are highly accessible games that can be played from a variety of devices, including PCs and smartphones, with no download required. The cumulative number of registered users for the HTML5 game "Flyff Universe" has steadily increased since its launch, reaching 1 million on July 15, 2022, 1.5 million on October 3, 2022, and 2 million on December 28, 2022. Net sales also increased steadily, recording 2,443,327 thousand yen for the current fiscal year. Currently, we are developing an NFT game/blockchain game "Flyff Universe" that combines the HTML5 game elements of "Flyff Universe" with Play To Earn (P2E) (*4) elements using blockchain technology. The game is scheduled for release in the third quarter of the fiscal year ending March 31, 2024.

In the Smartphone App business, on April 1, 2022, Gala Lab Corp. concluded an agreement with METABORA Co., Ltd. to reacquire the rights to the smartphone game application "Flyff Legacy," to which Gala Lab Corp. had transferred the licensing and operating rights in previous years. As a result, the game will be provided by Gala Lab Corp. In addition, sales of the pedometer application "winwalk" and the smartphone application "winQuiz," both developed by consolidated subsidiary Gala Mix Inc., were favorable due to the distribution of these applications in multiple languages utilizing the company's global network. As a result, sales (including intersegment transactions) increased compared to the previous fiscal year.

In the Online Game business, the licensing and channeling (*5) development is underway, and with the termination of the licensing agreement with METABORA Co, Ltd. for Gala Lab Corp.'s flagship games "Flyff Online" and "Rappelz Online," Gala Lab Corp. has entered into a channeling agreement with BPMG Co., Ltd. on April 1, 2022. As a result, the company providing games in major areas (publishers) was changed from the licensee to Gala Lab Corp. and the method of recording sales was changed from license sales based on license fees received to publishing sales as a publisher, resulting in an increase in publishing sales. However, sales (including intersegment transactions) decreased compared to the previous fiscal year due to the one-time sales associated with the termination of the license agreement in the previous fiscal year.

In the licensing development a Taiwanese game provider, Digeam Co., Ltd. has been providing the service of "Rappelz Online" since July, 2020 and "Flyff Online" since June, 2021. These services are provided in multiple languages by utilizing our global network, which is one of our strengths.

Furthermore, as another measure to contribute to earnings, the Group will promote the blockchain-related business, which is expected to expand in the market scale in the future, as its core business. As one of such blockchain-related businesses, Gala Lab Corp. concluded in September 2022 a basic agreement and in December 2022 a business alliance agreement with LG Uplus Corp., a major electronics and telecommunications company in South Korea, and Megazone Corporation, one of the largest digital IT companies in South Korea, for a business alliance for the Metaverse (*6) Campus platform business (the "Meta Campus business"). The Meta Campus business will develop and build a virtual campus using the Metaverse platform, and provide educational institutions such as universities with the Metaverse platform as a community space for students and as a venue for events such as entrance exam information sessions. Gala Lab Corp. will be in charge of developing the Metaverse platform, LG Uplus Corp. will be in charge of attracting schools and marketing, and Megazone Corporation will be in charge of providing cloud computing and other infrastructure.

In addition, we will also proceed with the development under the agreement that Gala Lab Corp. signed in April 2021 with METABORA Co., Ltd. and South Korean entertainment company Barunson Co., Ltd. regarding the development of the games offered within the blockchain-based Metaverse platform, "Flyff World for Metaverse" and "Rappelz World for Metaverse" (the "Metaverse Project"). In the Metaverse Project, Barunson Co., Ltd. will develop, provide, and operate the Metaverse platform, which enables the use of the crypto asset "BORA" within the Metaverse, METABORA Co., Ltd. will be responsible for blockchain technology development and technical support, and Gala Lab Corp. will use the IP of the PC online games "Flyff Online" and "Rappelz Online" to develop the games "Flyff World for Metaverse" and "Rappelz World for Metaverse" to be offered in the Metaverse platform and will be also responsible for their contents creation and service operation.

In terms of expenses, selling, general and administrative expenses increased mainly due to an increase in advertising expenses resulting from an increase in expenses for marketing activities related to "Flyff Universe," an increase in value-added taxes in line with higher sales, and an increase in software amortization expenses.

As a result, sales in the Korea segment increased by 2,632,974 thousand yen (460.4%) year-on-year to 3,204,859 thousand yen (including intersegment transactions), and segment income amounted to 681,187 thousand yen (98,993 thousand yen loss in the previous fiscal year).

(*1) NFT games/blockchain games are games in which in-game items are "NFT-ized" using blockchain (*2), a crypto asset infrastructure technology. It is also referred to as GameFi (a combination of Game and Decentralized Finance).

(*2) Blockchain is a method of synchronously recording transaction information and other data by combining cryptographic technology with multiple computers that make up a decentralized network. The data of transactions over a certain period of time is compiled into blocks, which are verified by computers to accumulate correct records in a chain-like manner.

(*3) NFT (Non-Fungible Token) refers to "digital data with a certificate of authenticity and ownership that cannot be forged" and, like crypto assets, is digital data issued and traded on the blockchain.

(*4) Blockchain games are called Play To Earn (P2E) if income or points earned in the blockchain games can be converted into crypto assets and traded on exchanges, etc.

(*5) Channeling is a service that allows users to play online games on other companies' game portals.

(*6) Metaverse is a synthetic word made up of meta (meaning "super") and universe, and it is a multi-player 3D virtual space built on the Internet in which multiple people can participate and act freely. Users can explore the world and communicate with other users by entering the virtual space through their alter egos, called avatars. In addition, users can create their own games and monetize them by letting other users play them, and users can build a system that allows them to buy and sell in-game items and other items as NFT (*3) with other users using crypto assets.

Sales by business segment are as follows:

	For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)		For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)
Online Game business	371,970	61.9	359,466	11.2
Smartphone App business	113,086	18.8	255,330	8.0
HTML5 Game business	—	—	2,443,327	76.2
Meta Campus business	—	—	50,356	1.6
Other business	115,901	19.3	99,299	3.0
Total	600,958	100.0	3,207,780	100.0

(Note) In the breakdown of sales by business segment, amounts less than one thousand yen are rounded down.

(2) Summary of Current Period Financial Positions

(a) Assets

Current assets increased by 336.1% from the end of the previous fiscal year to 2,181,705 thousand yen. This was mainly due to an increase of 1,550,222 thousand yen in cash and deposits and an increase of 196,141 thousand yen in accounts receivable - trade, while crypto assets decreased by 100,167 thousand yen. The increase in cash and deposits was mainly due to the payment received for shares issued through a third-party allotment as resolved at the Company's Board of Directors meeting held on May 13, 2022, and the payment received for the exercise of the 6th series of share acquisition rights. Accounts receivable - trade increased mainly due to an increase in sales resulting from the launch of the "Flyff Universe" HTML5 game service. Crypto assets decreased due to realization through sales and revaluation.

Non-current assets increased by 53.8% from the end of the previous fiscal year to 841,671 thousand yen. This was mainly due to a 20,672 thousand yen increase in buildings and structures (net) and a 10,742 thousand yen increase in construction in progress at Treeful Inc. and a 272,693 thousand yen increase in deferred tax assets at Gala Lab Corp.

As a result, total assets increased by 188.6% from the end of the previous fiscal year to 3,023,377 thousand yen.

(b) Liabilities

Current liabilities increased by 62.8% from the end of the previous fiscal year to 311,600 thousand yen. This was mainly due to a 38,181 thousand yen increase in accounts payable - other and a 68,666 thousand yen increase in unearned revenue. The increase in accounts payable - other was mainly due to higher marketing and server costs. The increase in unearned revenue was mainly due to new license fees recorded.

Non-current liabilities increased by 14.2% from the end of the previous fiscal year to 477,005 thousand yen. This was mainly due to an increase of 72,437 thousand yen in long-term unearned revenue. The increase in long-term unearned revenue was mainly due to new license fees recorded.

As a result, total liabilities increased by 29.4% from the end of the previous fiscal year to 788,605 thousand yen.

(c) Net Assets

Net assets increased by 409.7% from the end of the previous fiscal year to 2,234,771 thousand yen. This was mainly due to increases of 682,774 thousand yen in capital stock and capital surplus, respectively, and 320,400 thousand yen in retained earnings, while share acquisition rights decreased by 80,589 thousand yen. Capital stock and capital surplus increased due to the issuance of shares through a third-party allotment resolved at the Company's Board of Directors meeting held on May 13, 2022 and the exercise of the 6th series of share acquisition rights. Share acquisition rights decreased mainly due to the exercise of share acquisition rights. The increase in retained earnings was due to the recording of profit attributable to owners of parent.

(3) Summary of Current Period Cash Flows

Cash and cash equivalents at the end of the current fiscal year increased by 1,550,222 thousand yen from the end of the previous fiscal year to 1,839,156 thousand yen.

(a) Cash Flows from Operating Activities

Net cash provided by operating activities amounted to 546,151 thousand yen (595,893 thousand yen net cash used in the previous fiscal year). This was mainly due to cash inflows from profit before income taxes of 260,195 thousand yen, depreciation of 93,295 thousand yen, impairment loss of 138,666 thousand yen, increase in unearned revenue of 69,333 thousand yen, increase in long-term unearned revenue of 68,529 thousand yen, and loss on valuation of crypto assets of 58,141 thousand yen, and cash outflows from an increase in notes and accounts receivable - trade of 196,862 thousand yen. The increases in unearned revenue and long-term unearned revenue were mainly due to the recording of new license fees. The loss on valuation of crypto assets was mainly due to the revaluation of the crypto asset "BORA", acquired by the Company's consolidated subsidiary Gala Lab Corp., at the market price as of the end of the current fiscal year.

(b) Cash Flows from Investing Activities

Net cash used in investing activities totaled 271,136 thousand yen (62,311 thousand yen net cash provided in the previous fiscal year). The main cash outflows were 219,638 thousand yen for the purchase of intangible assets and 51,492 thousand yen for the purchase of property, plant and equipment. The purchase of intangible assets was mainly due to the reacquisition of rights to the "Flyff Legacy" smartphone application, and purchase of property, plant and equipment was mainly due to the construction of treehouses at Treeful Inc.

(c) Cash Flows from Financing Activities

Net cash provided by financing activities amounted to 1,280,029 thousand yen (nil in the previous fiscal year). The main cash inflows were proceeds from issuance of shares resulting from exercise of share acquisition rights of 1,101,973 thousand yen and proceeds from issuance of common shares of 180,025 thousand yen.

2. Basic Approach to Selection of Accounting Standards

The Group prepares its consolidated financial statements in accordance with Japanese GAAP. The Group intends to consider the application of International Financial Reporting Standards (IFRS) in light of various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Assets		
Current assets		
Cash and deposits	288,934	1,839,156
Accounts receivable – trade	63,524	259,666
Inventories	1,954	1,277
Accounts receivable – other	6,882	2,672
Prepaid expenses	3,546	5,084
Crypto assets	126,205	26,037
Other	9,592	48,105
Allowance for doubtful accounts	△398	△294
Total current assets	500,241	2,181,705
Non-current assets		
Property, plant and equipment		
Buildings and structures	158,654	188,462
Accumulated depreciation	△6,443	△15,578
Buildings and structures, net	152,211	172,883
Machinery, equipment and vehicles	11,025	11,025
Accumulated depreciation	△3,041	△4,776
Machinery, equipment and vehicles, net	7,984	6,249
Tools, furniture and fixtures	30,271	36,409
Accumulated depreciation	△18,022	△24,475
Tools, furniture and fixtures, net	12,249	11,934
Land	46,294	46,294
Construction in progress	25,228	35,971
Total property, plant and equipment	243,969	273,334
Intangible assets		
Goodwill	108,109	92,846
Other	11,089	16,420
Total intangible assets	119,198	109,267
Investments and other assets		
Investment securities	279	229
Lease and guarantee deposits	10,271	10,480
Long-term prepaid expenses	173,698	175,666
Deferred tax assets	—	272,693
Total investments and other assets	184,249	459,069
Total non-current assets	547,417	841,671
Total assets	1,047,658	3,023,377

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	571	18
Current portion of long-term loans payable	—	9,600
Accounts payable - other	121,401	159,582
Accrued expenses	13,140	16,597
Advances received	43,827	29,815
Unearned revenue	—	68,666
Income taxes payable	2,140	6,624
Provision for reward	—	13,251
Provision for bonuses	1,814	2,543
Other	8,539	4,900
Total current liabilities	191,434	311,600
Non-current liabilities		
Long-term loans payable	48,000	31,200
Long-term unearned revenue	190,435	262,873
Deferred tax liabilities	85	69
Net defined benefit liability	179,263	182,862
Total non-current liabilities	417,783	477,005
Total liabilities	609,218	788,605
Total liabilities		
Shareholders' equity		
Capital stock	3,531,085	4,213,860
Capital surplus	2,176,690	2,859,465
Retained earnings	△5,211,361	△4,890,961
Total shareholders' equity	496,414	2,182,364
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	192	158
Foreign currency translation adjustment	△525,793	△364,278
Total accumulated other comprehensive income	△525,600	△364,120
Share acquisition rights	110,027	29,438
Non-controlling interests	357,597	387,088
Total net assets	438,439	2,234,771
Total liabilities and net assets	1,047,658	3,023,377

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Thousands of yen)

	For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net sales	600,958	3,207,780
Cost of sales	128,525	1,077,263
Gross profit	472,432	2,130,517
Selling, general and administrative expenses	770,298	1,692,598
Operating profit (loss)	△297,865	437,919
Non-operating income		
Interest income	464	4,774
Gain on sales of crypto assets	24,925	—
Gain on valuation of crypto assets	24,979	—
Foreign exchange gains	25,981	8,991
Secondment fee income	—	7,458
Other	2,086	8,246
Total non-operating income	78,438	29,470
Non-operating expenses		
Interest expenses	148	139
Loss on sales of crypto assets	—	6,916
Loss on valuation of crypto assets	—	58,141
Other	763	1,404
Total non-operating expenses	912	66,602
Ordinary profit (loss)	△220,339	400,787
Extraordinary income		
Gain on reversal of share acquisition rights	2,129	2,270
Total extraordinary income	2,129	2,270
Extraordinary losses		
Impairment loss	424	138,666
Loss on retirement of non-current assets	—	4,196
Total extraordinary losses	424	142,862
Profit (loss) before income taxes	△218,633	260,195
Income taxes - current	12,339	9,845
Income taxes - deferred	—	△275,340
Total income taxes	12,339	△265,495
Profit (loss)	△230,972	525,690
Profit (loss) attributable to non-controlling interests	△44,829	205,289
Profit (loss) attributable to owners of parent	△186,142	320,400

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Profit (loss)	△230,972	525,690
Other comprehensive income		
Valuation difference on available-for-sale securities	△84	△34
Foreign currency translation adjustment	△29,924	△14,283
Total other comprehensive income	△30,008	△14,318
Comprehensive income	△260,981	511,371
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	△216,600	481,880
Comprehensive income attributable to non-controlling interests	△44,380	29,491

(3) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	3,531,085	2,176,690	△5,025,218	682,557
Changes of items during period				
Loss attributable to owners of parent			△186,142	△186,142
Net changes of items other than shareholders' equity				—
Total changes of items during period	—	—	△186,142	△186,142
Balance at end of current period	3,531,085	2,176,690	△5,211,361	496,414

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	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	277	△495,419	△495,142	112,148	4,246	303,810
Changes of items during period						
Loss attributable to owners of parent			—			△186,142
Net changes of items other than shareholders' equity	△84	△30,373	△30,458	△2,120	353,351	320,771
Total changes of items during period	△84	△30,373	△30,458	△2,120	353,351	134,629
Balance at end of current period	192	△525,793	△525,600	110,027	357,597	438,439

For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	3,531,085	2,176,690	△5,211,361	496,414
Changes of items during period				
Issuance of new shares	90,012	90,012		180,025
Issuance of new shares - exercise of share acquisition rights	592,761	592,761		1,185,523
Profit attributable to owners of parent			320,400	320,400
Net changes of items other than shareholders' equity				—
Total changes of items during period	682,774	682,774	320,400	1,685,949
Balance at end of current period	4,213,860	2,859,465	△4,890,961	2,182,364

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	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	192	△525,793	△525,600	110,027	357,597	438,439
Changes of items during period						
Issuance of new shares			—			180,025
Issuance of new shares - exercise of share acquisition rights			—			1,185,523
Profit attributable to owners of parent			—			320,400
Net changes of items other than shareholders' equity	△34	161,514	161,480	△80,589	29,491	110,381
Total changes of items during period	△34	161,514	161,480	△80,589	29,491	1,796,331
Balance at end of current period	158	△364,278	△364,120	29,438	387,088	2,234,771

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	△218,633	260,195
Depreciation	14,816	93,295
Impairment loss	424	138,666
Amortization of goodwill	13,990	15,262
Increase (decrease) in allowance for doubtful accounts	130	△111
Increase (decrease) in provision for reward	—	13,380
Increase (decrease) in provision for bonuses	1,814	729
Increase (decrease) in net defined benefit liability	△50,353	50
Interest and dividend income	△484	△4,787
Interest expenses	148	139
Loss (gain) on sales of crypto assets	△24,925	6,916
Loss (gain) on valuation of crypto assets	△24,979	58,141
Gain on reversal of share acquisition rights	△2,129	△2,270
Loss on retirement of property, plant and equipment	—	4,196
Decrease (increase) in notes and accounts receivable - trade	△11,641	△196,862
Decrease (increase) in inventories	△1,954	676
Decrease (increase) in prepaid expenses	10,972	△1,504
Decrease (increase) in long-term prepaid expenses	1,635	1,442
Increase (decrease) in notes and accounts payable - trade	429	△553
Increase (decrease) in accounts payable - other	18,928	32,676
Increase (decrease) in advances received	1,719	△16,268
Increase (decrease) in unearned revenue	△95,555	69,333
Increase (decrease) in long-term unearned revenue	△72,636	68,529
Other	△145,397	7,207
Subtotal	△583,682	548,482
Interest and dividend income received	484	4,787
Interest expenses paid	△136	△141
Income taxes refund	79	76
Income taxes paid	△12,638	△7,053
Cash flows from operating activities	△595,893	546,151
Cash flows from investing activities		
Purchase of property, plant and equipment	△41,353	△51,492
Purchase of intangible assets	△9,839	△219,638
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	113,504	—
Payments for guarantee deposits	—	△5
Cash flows from investing activities	62,311	△271,136
Cash flows from financing activities		
Repayments of long-term loans payable	—	△7,200
Proceeds from issuance of common shares	—	180,025
Proceeds from issuance of share acquisition rights	—	5,231
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	1,101,973
Cash flows from financing activities	—	1,280,029
Effect of exchange rate change on cash and cash equivalents	△2,859	△4,822
Net increase (decrease) in cash and cash equivalents	△536,441	1,550,222
Cash and cash equivalents at beginning of period	825,375	288,934
Cash and cash equivalents at end of period	288,934	1,839,156

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Segment Information)

1. Overview of the reportable segment

The reportable segments of the Group are components for which separate financial information is available, and which the Group's chief executive officer (representative director) regularly reviews to determine the allocation of management resources and evaluate their performance.

The Group's major business is Internet-related business and each of the Japan and Korea areas is managed by a local entity in the area. Each local entity is an independent management unit and carries out business operations according to the comprehensive plans developed for services provided in each area.

Therefore, the Group is comprised of the geographic segment based on the service structure and has two reportable segments of Japan and Korea. The Group's major businesses of each reportable segment are summarized as follows:

Japan: Smartphone App Publishing and Licensing businesses, Cloud-related business and Treehouse Resort business

Korea: Online Game Publishing, Development and Licensing businesses, Smartphone App Publishing, Operation, Development and Licensing businesses, HTML5 Game Publishing and Development businesses and Meta Campus Development business

2. Calculation method of net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting treatment for the reported business segments is in accordance with those applied in preparing the consolidated financial statements.

The profit (loss) of the reportable segment is the amount based on operating profit (loss).

Inter-segment revenues and transfers are based on the actual market price.

3. Information on net sales and profit (loss), assets, liabilities and other items by reportable segment and information on disaggregated revenue

For the fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Japan	Korea	Total	Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
Net sales					
Online Game business	—	371,970	371,970	—	371,970
Smartphone App business	14,261	98,825	113,086	—	113,086
Other businesses	41,190	74,711	115,901	—	115,901
Revenue from contracts with customers	55,451	545,507	600,958	—	600,958
Net sales to external customers	55,451	545,507	600,958	—	600,958
Intersegment net sales and transfer	21,296	26,378	47,674	△47,674	—
Total	76,747	571,885	648,633	△47,674	600,958
Segment loss	△185,479	△98,993	△284,473	△13,391	△297,865
Segment assets	634,762	421,059	1,055,821	△8,163	1,047,658
Other items					
Depreciation	12,447	2,369	14,816	—	14,816
Amortization of goodwill	—	—	—	13,990	13,990
Increase in property, plant and equipment and intangible assets	40,529	10,663	51,192	—	51,192

(Notes) 1. Figures are adjusted as follows:

- (1) Adjustment of segment loss of △13,391 thousand yen consists of elimination of intersegment transactions of 598 thousand yen and amortization of goodwill of △13,990 thousand yen.
- (2) Adjustment of segment assets of △8,163 thousand yen consists of elimination of intersegment receivables and payables of △305,450 thousand yen, adjustment of allowance for doubtful accounts of 189,177 thousand yen, and goodwill of 108,109 thousand yen.

2. Segment loss is adjusted with operating loss in the consolidated financial statements.

For the fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Japan	Korea	Total	Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
Net sales					
Online Game business	—	359,466	359,466	—	359,466
Smartphone App business	1,635	253,694	255,330	—	255,330
HTML5 Game business	—	2,443,327	2,443,327	—	2,443,327
Meta Campus business	—	50,356	50,356	—	50,356
Other businesses	31,771	67,527	99,299	—	99,299
Revenue from contracts with customers	33,407	3,174,373	3,207,780	—	3,207,780
Net sales to external customers	33,407	3,174,373	3,207,780	—	3,207,780
Intersegment net sales and transfer	44,284	30,486	74,771	△74,771	—
Total	77,692	3,204,859	3,282,551	△74,771	3,207,780
Segment profit (loss)	△229,113	681,187	452,073	△14,154	437,919
Segment assets	1,883,441	1,374,528	3,257,969	△234,592	3,023,377
Other items					
Depreciation	15,187	78,108	93,295	—	93,295
Amortization of goodwill	—	—	—	15,262	15,262
Increase in property, plant and equipment and intangible assets	49,014	222,116	271,131	—	271,131

(Notes) 1. Figures are adjusted as follows:

- (1) Adjustment of segment profit (loss) of △14,154 thousand yen consists of elimination of intersegment transactions of 1,108 thousand yen and amortization of goodwill of △15,262 thousand yen.
 - (2) Adjustment of segment assets of △234,592 thousand yen consists of elimination of intersegment receivables and payables of △327,439 thousand yen and goodwill of 92,846 thousand yen.
2. Segment profit (loss) is adjusted with operating profit in the consolidated financial statements.

(Per Share Information)

	For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net assets per share	△1.53 yen	72.63 yen
Basic earnings (loss) per share	△9.77 yen	13.35 yen
Diluted earnings per share	Diluted earnings per share are not presented since earnings per share were negative although potential shares exist.	12.14 yen

(Notes) 1. The basis for the calculation of net assets per share is as follows:

	For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Total net assets (Thousands of yen)	438,439	2,234,771
Amount deducted from the total net assets (Thousands of yen)	467,625	416,527
(Share acquisition rights (Thousands of yen))	(110,027)	(29,438)
(Non-controlling interests (Thousands of yen))	(357,597)	(387,088)
Amount of net assets related to common stock as of the end of the fiscal year (Thousands of yen)	△29,185	1,818,244
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (Shares)	19,060,800	25,035,700

2. The basis for the calculation of earnings (loss) per share and diluted earnings per share is as follows:

	For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
(1) Earnings (loss) per share		
Profit (loss) attributable to owners of parent (Thousands of yen)	△186,142	320,400
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit (loss) related to common stock attributable to owners of parent (Thousands of yen)	△186,142	320,400
Average number of shares of common stock outstanding during the fiscal year (Shares)	19,060,800	24,004,594
(2) Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousands of yen)	—	—
Increase in common stock (Shares)	—	2,395,725
(Share acquisition rights (Shares))	(—)	(2,395,725)
Potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	—	—

(Significant Subsequent Events)

Not applicable.