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## Summary of Non-Consolidated Financial Results for the Fiscal Year Ended August 31, 2023 (Based on Japanese GAAP)

October 13, 2023

Company name:	and factory, inc	
Stock exchange listing:	Tokyo	
Stock code:	7035	URL <a href="https://andfactory.co.jp/">https://andfactory.co.jp/</a>
Representative:	Rinji Aoki, President and Representative Director	
Contact:	Tomoki Hasumi, Director	Phone: +81-3-6712-7646
Scheduled date of General Meeting of Shareholders:		November 28, 2023
Scheduled date to file annual securities report:		November 29, 2023
Scheduled date to commence dividend payments:		—
Preparation of supplementary material on annual financial results:		Yes
Holding of annual financial results meeting:		No

(Amounts less than one million yen are rounded down.)

1. Non-Consolidated financial results for the Fiscal Year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)

(1) Non-consolidated operating results (cumulative) Percentages indicate year-on-year changes.

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended August 31, 2023	2,979	5.1	146	121.1	113	—	79	—
Fiscal Year ended August 31, 2022	2,833	(6.9)	66	—	(144)	—	(350)	—

  

	Earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal Year ended August 31, 2023	7.25	7.25	9.6	2.2	4.9
Fiscal Year ended August 31, 2022	(35.57)	—	(49.1)	(2.8)	2.3

Notes: Although dilutive shares exist, diluted earnings per share are not stated as earnings per share were negative.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2023	5,275	1,120	21.2	99.51
As of August 31, 2022	4,855	540	11.1	54.91

(Reference) Equity capital: August 31, 2023: ¥1,120 million August 31, 2022: ¥540 million

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year ended August 31, 2023	(71)	131	385	925
Fiscal Year ended August 31, 2022	(32)	69	(332)	479

## 2. Cash dividends

	Annual dividends per share					Total dividends	Payout ratio	Net assets dividend ratio
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended August 31, 2022	—	0.00	—	0.00	0.00	—	—	—
Year ending August 31, 2023	—	0.00	—	0.00	0.00	—	—	—
Year ending August 31, 2024 (Forecast)	—	0.00	—	0.00	0.00		—	

## 3. Forecast of non-consolidated financial results for the year ending August 31, 2024 (From September 1, 2023 to August 31, 2024)

Percentages indicate year-on-year changes.

	Net sales		Operating income		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,300	10.8	41	(71.9)	0	(99.8)	118	48.9	10.79

### Notes

#### (1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: Yes

Restatement of prior period financial statements: No

Notes: For details, please refer to "3. Non-Consolidated Financial Statements and Notes (5) Notes to the Non-Consolidated Financial Statements (Changes in Accounting Policies and Changes in Accounting estimates)" on page 12 of the attachments to this summary.

#### (2) Number of issued shares (common stock)

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

As of August 31, 2023	11,261,970 shares	As of August 31, 2022	9,853,520 shares
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Number of treasury shares at the end of the period

As of August 31, 2023	257 shares	As of August 31, 2022	257 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal year ended August 31, 2023	10,991,599 shares	Fiscal year ended August 31, 2022	9,850,876 shares
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Notes: This financial report is exempt from the review.

Explanation about appropriate usage of business forecasts and other special notes:

The forecasts above are based on the judgments made on the basis of currently available information. Forecasts therefore include risks and uncertainties.

Actual results may differ significantly from projections due to a variety of factors. For information regarding the assumptions underlying the Company's earnings forecast and cautionary notes concerning the use of the forecast, please refer to "1. Overview of Operating Performance (4) Outlook " on page 5 of the attachments to this summary.

(Method of obtaining supplementary financial results materials)

The financial results briefing materials will be posted on the Company's website.

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## 1. Overview of Operating Performance

### (1) Overview of Business Results.

The e-book market (the Company's main business category) continued to grow, according to the eBook Marketing Report 2023 by Impress Research Institute. According to this report, the e-book market had a value of ¥602.6 billion in fiscal 2022, up 9.4% from ¥551 billion in the previous year. Comics accounted for 86.3% of the total, or ¥519.9 billion. The same institute's reports for the previous year, "e-book Marketing Report 2021," showed that comics accounted for 84.6% of the e-book market size, indicating that the comics market is growing.

The actual figure exceeded this forecast. By fiscal 2027, the institute forecasts that the e-publishing market (including e-books) will grow by approximately 1.3 times larger of fiscal 2022, to ¥806.6 billion.

In this business environment, the Company pursues a mission to make people's lives more fulfilling by bringing a little "something extra" to their daily lives. In the Apps business, the Company has focused mainly on expanding earnings from smartphone manga apps developed in collaboration with large publishers.

In the fiscal year ended August 31, 2023, in the Apps business segment, advertising revenue in the Company's mainstay manga apps business was down, reflecting lower advertising ARPU (\*1) stemming from deterioration in the advertising market. However, sales from in-app purchases increased, driven by robust performance of apps with high in-app purchase rates and of popular titles. In the entertainment business fortune-telling performed well, and both net sales and operating income for the Apps business as a whole landed higher than in the same period of the previous year.

In the RET business, the occupancy rate of "&AND HOSTEL" is gradually recovering as the number of foreign guests is increasing due to the easing of immigration restrictions, and the average unit price has recovered to the level before the COVID-19 pandemic. On the other hand, both net sales and operating income decreased compared to the same period of the previous year due to temporary consulting income recorded in the same period of the previous year.

As a result of these activities, in the fiscal year ended August 31, 2023, the Company generated net sales of ¥2,979,047 thousand (up 5.1% year on year), an operating income of ¥146,093 thousand (up 121.1% year-on-year), an ordinary income of ¥113,671 thousand (ordinary loss of ¥144,147 thousand in the previous fiscal year), and a net income of ¥79,670 thousand (net income of ¥350,379 thousand in the previous fiscal year).

The following is a breakdown of the business results by segment.

#### (Apps business)

In the fiscal year ended August 31, 2023, the seven manga apps operated in collaboration with publishers and Amutus Corporation, attracted a steady stream of new users, thanks to efficient advertising expenditures and aggressive campaigns.

In addition, measures taken to encourage existing users to continue to use the apps have resulted in the retention of users, and MAUs (\*2) have remained at a high level.

Advertising revenue fell on a downtrend in advertising ARPU amid widespread deterioration in the advertising market caused by the COVID-19 pandemic. However, sales from in-app purchases increased, driven by the release of popular content and the robust performance of titles with high in-app purchase rates.

Further, the Company received proceeds from initial development fees for developing new services and additional functions for existing manga apps, which also boosted sales.

As a result, in the fiscal year ended August 31, 2023, sales in the Apps segment were ¥2,928,420 thousand (up 8.8% year on year). Segment profit came to ¥556,510 thousand (up 4.4% year on year).

\*1 The average amount of revenue generated per person

\*2 The number of people who use an app at least once in a month

Of the smartphone apps the Company operates in the Apps business, the following table outlines average MAUs by quarter for the manga apps.

(Thousands of people)

Year	Average MAUs	Year	Average MAUs
May 31, 2017	310	August 31, 2020	9,940
August 31, 2017	650	November 30,2020	10,260
November 30, 2017	1,080	February 28,2021	10,540
February 28, 2018	1,500	May 31, 2021	10,560
May 31, 2018	2,040	August 31, 2021	11,010
August 31, 2018	2,380	November 30,2021	10,460
November 30, 2018	2,790	February 28,2022	10,440
February 28, 2019	3,620	May 31, 2022	11,210
May 31, 2019	4,300	August 31, 2022	11,520
August 31, 2019	5,320	November 30,2022	11,290
November 30, 2019	6,410	February 28,2023	11,050
February 29, 2020	7,200	May 31, 2023	11,400
May 31, 2020	9,060	August 31, 2023	11,610

Note: the average MAUs shown above are quarterly averages.

(RET business)

In the fiscal year ended August 31, 2023, occupancy rates for the &AND HOSTEL smart hostels operated by the Company recovered on an increase in reservations from foreign guests, helped in part by the impact of easing restrictions on immigration. The Company also adjusted agreements associated with some &AND HOSTEL locations, which drove up sales generated from such locations while lowering expenses.

On the other hand, real estate-related sales and other revenues decreased in both sales and operating income compared to the same period of the previous year due to a decrease in real estate rental income as a result of the termination of some lease contracts.

Consequently, in the fiscal year ended August 31, 2023, sales in the RET business came to ¥50,627 thousand (down 63.1% year on year), with a segment loss of ¥68,006 thousand (loss of ¥54,109 thousand in the previous fiscal year).

(Other business)

Until the previous fiscal year, the Company had been considering planning and other activities in the entertainment area using new technologies, etc. that did not belong to any other segment, but decided not to continue such activities in the current fiscal year due to the lack of prospects for securing profits.

In the fiscal year ended August 31, 2023, Other businesses reported sales of ¥0 (down 100% year on year) and segment losses of ¥628 thousand (loss of ¥38,454 thousand in the previous year).

## (2) Overview of Financial Condition

### (Assets)

As of August 31, 2023, total assets amounted to ¥5,275,373 thousand, up ¥419,975 thousand from the end of August 31, 2022.

This was primarily due to decreases of ¥195,125 thousand in lease and guarantee deposits, on the other hand increases ¥446,232 thousand in cash and deposits, ¥49,720 thousand in work in process, and ¥33,830 thousand in advances paid.

### (Liabilities)

Total liabilities amounted to ¥4,154,707 thousand as of August 31, 2023, down ¥159,695 thousand from August 31, 2022.

This mainly reflected a decrease of ¥179,534 thousand in allowance for cancellation loss, long-term loans payable (including current portion of long-term loans payable) ¥52,136 thousand and short-term loans payable ¥60,000 thousand.

### (Net assets)

As of August 31, 2023, net assets totaled ¥1,120,665 thousand, up ¥579,670 thousand from August 31, 2022. This was mainly due to increases of ¥249,999 thousand in share capital and ¥249,999 thousand in capital surplus from the allocation of new shares to a third party—SEPTENI HOLDINGS CO., LTD., as well as ¥79,670 thousand increase in retained earnings.

The equity ratio came to 21.2% (compared with 11.1% as of August 31, 2022).

## (3) Overview of Cash Flows

As of August 31, 2023, cash and cash equivalents amounted to ¥925,363 thousand, up ¥446,232 thousand from August 31, 2022

The status of each cash flow and their factors are as follows.

### (Cash flows from operating activities)

In the fiscal year ended August 31, 2023, net cash used in operating activities was ¥71,012 thousand, compared with ¥32,058 thousand used in these activities in the fiscal year ended August 31, 2022. This was mainly due to income before income taxes of ¥80,914 thousand, an increase in accounts payable-other of ¥68,702 thousand, and depreciation of ¥54,785 thousand, while cancellation penalty payments of ¥162,455 thousand and an increase in accounts receivable-other of ¥65,290 thousand were posted.

### (Cash flows from investing activities)

Net cash provided by investing activities in the fiscal year ended August 31, 2023, amounted to ¥131,669 thousand, compared with ¥69,401 thousand used in these activities in the fiscal year ended August 31, 2022. This was mainly due to an expenditure of ¥47,042 thousand for the acquisition of intangible fixed assets and an income of ¥196,645 thousand from the collection of lease and guarantee deposits.

### (Cash flows from financing activities)

Net cash used in financing activities in the fiscal year ended August 31, 2023, amounted to ¥385,575 thousand, compared with ¥332,938 thousand used in these activities in the fiscal year ended August 31, 2022. This was mainly due to proceeds from long-term borrowings payable of ¥225,000 thousand and proceeds from issuance of stock of ¥497,711 thousand, while there was repayment of long-term borrowing payable of ¥277,136 thousand.

#### (4) Outlook

The Company's areas of operation are characterized by rapid technological innovation. In addition, the market environment is changing swiftly due to a new influx of companies anticipating market growth.

To further expand its field of business and achieve growth and development, the Company's management team recognizes the need to address various issues in its fast-changing business environment. We aim to maximize corporate value by continuing to develop high-value services and invest aggressively in growth initiatives and sustaining efforts to achieve growth and profitability.

From the fiscal year ending August 31, 2024, we will continue to secure profits in the existing manga business, expand the scope of business through further growth of the entertainment and RET businesses, and improve profitability by creating new businesses.

We own real estate for sale, and will continue to promote the sale of such properties as one of our key management issues. For the fiscal year ending August 31, 2024, due to the relaxation of immigration restrictions and other factors, we expect inbound demand to recover further. Accordingly, we will seize appropriate opportunities to sell properties.

In the Apps segment, the existing manga apps, which are approaching maturity, will move into a phase of steadily generating profits. We will balance business operations between the growth of the manga apps themselves and investment in new businesses.

Furthermore, we will seek to expand into new areas in the manga business. Specifically, we will work with large publishers to develop new businesses that utilize IP and consider developing systems to improve the efficiency of information management. We will also collaborate with shared point service providers to establish a business model that allows users to read manga using a point system, with the aim of securing new earnings sources in addition to revenue from advertising and in-app purchases.

We will also focus on expanding earnings in the entertainment business, which includes "uraraca" and "Hoshi Hitomi's Fortune Telling". In particular, for fortune-telling services, which have been performing steadily since their launch, we aim to further grow existing services through proactive advertising and other investments, and to expand the business scale by developing new services in the fortune-telling area.

In the RET segment, which operates &AND HOSTEL lodging facilities, we will seize the recovery in inbound demand as an opportunity to implement various measures that will contribute to improving occupancy rates and increasing room rates.

In light of these plans, for the fiscal year ending August 31, 2024, we forecast net sales of ¥3,300 million (up 10.8% year on year), operating income of ¥41 million (down 71.9% year on year), an ordinary loss of ¥0 million (ordinary profit of ¥113 million in the fiscal year ended August 31, 2023), and net income of ¥118 million (up 48.9% year on year).

These forecasts are based on information available to management as of the date of this announcement. Actual performance may vary substantially from these forecasts for a variety of reasons.

## 2. Fundamental Perspective on the Selection of Financial Standards

We plan to prepare our financial statements according to Japanese GAAP for the foreseeable future to enable comparison of the financial statements between fiscal years.

With regard to the application of IFRS, we will respond appropriately after giving due consideration to various circumstances in Japan and overseas.

### 3. Non-Consolidated Financial Statements

#### (1) Non-Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2022	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	479,131	925,363
Accounts receivable–trade	524,777	547,279
Work in process	-	49,720
Real estate for sale	3,118,940	3,109,620
Advances paid	196,779	230,609
Other	37,932	132,980
Allowance for doubtful accounts	(12,347)	(17,627)
Total current assets	4,345,213	4,977,946
Non-current assets		
Property, plant and equipment		
Buildings	11,640	11,640
Machinery and equipment	64,646	69,124
Tools, furniture and fixtures	(46,546)	(54,457)
Accumulated depreciation	29,740	26,307
Total property, plant and equipment		
Intangible assets	55,317	38,022
Software	18,375	18,873
Software in progress	73,692	56,896
Total intangible assets		
Investments and other assets	165,607	165,607
Investment securities	-	2,536
Leasehold and guarantee deposits	237,773	42,648
Other	3,369	3,429
Total investments and other assets	406,750	214,222
Total non-current assets	510,184	297,426
Total assets	4,855,398	5,275,373



(Thousands of yen)

	As of August 31, 2022	As of August 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	100,073	120,035
Short-term borrowings	265,000	205,000
Current portion of long-term borrowings	277,136	677,136
Accounts payable–other	514,051	580,747
Income taxes payable	13,051	11,933
Provision for bonuses	304	21,144
Provision for bonuses for directors (and other officers)	-	7,770
Provision for shareholder benefit program	36,464	6,983
Provision for loss on cancellation	179,534	-
Other	45,036	95,798
<b>Total current liabilities</b>	<b>1,430,651</b>	<b>1,726,547</b>
Non-current liabilities		
Long-term borrowings	2,877,206	2,425,070
Long-term guarantee deposits	6,545	100
Long-term accounts payable - other	-	2,989
<b>Total non-current liabilities</b>	<b>2,883,751</b>	<b>2,428,159</b>
<b>Total liabilities</b>	<b>4,314,402</b>	<b>4,154,707</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	551,819	801,818
Capital surplus		
Legal capital surplus	550,460	800,460
<b>Total capital surplus</b>	<b>550,460</b>	<b>800,460</b>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(560,710)	(481,040)
<b>Total retained earnings</b>	<b>(560,710)</b>	<b>(481,040)</b>
Treasury shares	(572)	(572)
<b>Total shareholders' equity</b>	<b>540,995</b>	<b>1,120,665</b>
<b>Total net assets</b>	<b>540,995</b>	<b>1,120,665</b>
<b>Total liabilities and net assets</b>	<b>4,855,398</b>	<b>5,275,373</b>

## Non-Consolidated Statements of Income

### (2) Non-Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Net sales	2,833,435	2,979,047
Cost of sales	1,207,903	1,217,694
Gross profit	1,625,531	1,761,353
Selling, general and administrative expenses	1,559,451	1,615,259
Operating profit	66,079	146,093
Non-operating income		
Interest income	7	13
Subsidy income	893	4,217
Other	1,339	86
Total non-operating income	2,241	4,317
Non-operating expenses		
Interest expenses	29,987	31,556
Rent	173,165	-
Other	9,314	5,183
Total non-operating expenses	212,468	36,739
Ordinary profit (loss)	(144,147)	113,671
Extraordinary income		
Gain on sale of businesses	0	-
Gain on sale of non-current assets	-	265
Gain on sale of investment securities	10,020	-
Gain on reversal of share acquisition rights	1,114	-
Total extraordinary income	11,134	265
Extraordinary losses		
Provision for loss on cancellation	179,534	-
Loss on sale of non-current assets	-	12,593
Impairment losses	964	20,428
Loss on retirement of non-current assets	1,399	0
Loss on valuation of investment securities	31,688	-
Total extraordinary losses	213,586	33,022
Profit (loss) before income taxes	(346,599)	80,914
Income taxes - current	3,779	3,780
Income taxes - deferred	-	(2,536)
Total income taxes	3,779	1,244
Profit (loss)	(350,379)	79,670

## (3) Non-Consolidated Statements of Changes in Equity

Fiscal year ended August 31, 2022 (September 1, 2021, to August 31, 2022)

(Thousands of yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings				
Balance at beginning of period	549,720	548,361	548,361	(210,331)	(210,331)	(572)	887,177	1,114	888,292
Changes during period									
Issuance of new shares	2,098	2,098	2,098				4,197		4,197
Profit (loss)				(350,379)	(350,379)		(350,379)		(350,379)
Net changes of items other than shareholders' equity							-	(1,114)	(1,114)
Total changes during period	2,098	2,098	2,098	(350,379)	(350,379)	-	(346,181)	(1,114)	(347,296)
Balance at end of period	551,819	550,460	550,460	(560,710)	(560,710)	(572)	540,995	-	540,995

Fiscal year ended August 31, 2023 (September 1, 2022, to August 31, 2023)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
Balance at beginning of period	551,819	550,460	550,460	(560,710)	(560,710)	(572)	540,995	540,995
Changes during period								
Issuance of new shares	249,999	249,999	249,999				499,999	499,999
Profit (loss)				79,670	79,670		79,670	79,670
Total changes during period	249,999	249,999	249,999	79,670	79,670	-	579,670	579,670
Balance at end of period	801,818	800,460	800,460	(481,040)	(481,040)	(572)	1,120,665	1,120,665

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

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(346,599)	80,914
Depreciation	67,965	54,785
Impairment losses	964	20,428
Loss (gain) on sale of non-current assets	-	12,327
Loss on retirement of non-current assets	1,399	0
Share issuance costs	-	2,288
Loss (gain) on sale of businesses	(0)	-
Loss (gain) on sale of investment securities	(10,020)	-
Loss (gain) on valuation of investment securities	31,688	-
Increase (decrease) in allowance for doubtful accounts	2,517	5,280
Increase (decrease) in provision for bonuses	304	20,840
Increase (decrease) in provision for bonuses for directors (and other officers)	-	7,770
Increase (decrease) in provision for shareholder benefit program	680	(29,481)
Increase (decrease) in provision for provision for loss on cancellation	179,534	-
Interest income	(7)	(13)
Subsidy income	(893)	(4,217)
Interest expenses	29,987	31,556
Rent	173,165	-
Decrease (increase) in trade receivables	17,642	(22,502)
Decrease (increase) in accounts receivable - other	13,016	(65,290)
Decrease (increase) in inventories	2,410	(49,912)
Decrease (increase) in prepaid expenses	(2,250)	(28,394)
Decrease (increase) in advances paid	31,281	(33,830)
Increase (decrease) in trade payables	(21,022)	19,962
Increase (decrease) in accounts payable - other	66,997	68,702
Increase (decrease) in accrued consumption taxes	(47,984)	7,172
Other, net	3,534	41,546
Subtotal	194,312	139,934
Cancellation penalty paid	-	(162,455)
Interest and dividends received	7	13
Interest paid	(29,833)	(33,039)
Subsidies received	893	5,393
Rent paid	(185,579)	(17,079)
Business restructuring cost paid	(8,079)	-
Income taxes paid	(3,779)	(3,780)
Net cash provided by (used in) operating activities	(32,058)	(71,012)

(Thousands of yen)

	For the fiscal year Ended August 31, 2022	For the fiscal year ended August 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,975)	(9,770)
Purchase of intangible assets	(28,605)	(47,042)
Proceeds from sale of intangible assets	-	1,000
Payments of leasehold and guarantee deposits	(165)	(3,000)
Proceeds from refund of leasehold and guarantee deposits	42,570	196,645
Proceeds from sale of property, plant and equipment	-	283
Proceeds from sale of investment securities	70,020	-
Proceeds from sale of businesses	0	-
Other, net	(2,441)	(6,445)
Net cash provided by (used in) investing activities	69,401	131,669
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(60,000)	(60,000)
Proceeds from long-term borrowings	-	225,000
Repayments of long-term borrowings	(277,136)	(277,136)
Proceeds from issuance of shares	-	497,711
Proceeds from exercise of employee share options	4,197	-
Net cash provided by (used in) financing activities	(332,938)	385,575
Net increase (decrease) in cash and cash equivalents	(295,595)	446,232
Cash and cash equivalents at beginning of period	774,726	479,131
Cash and cash equivalents at end of period	479,131	925,363

## (5) Notes to the Non-Consolidated Financial Statements

(Notes Related to the Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the quarter under review, the Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the “Fair Value Measurement Implementation Guidance”). In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Company has opted to apply the new accounting policy specified in the Fair Value Measurement Implementation Guidance prospectively.

This change has no impact on the quarterly financial statements.

(Changes in accounting estimates)

(Change in useful life)

In the fiscal year ended August 31, 2023, the Company decided to terminate the business alliance agreement (entered into on October 11, 2019) for the Mecha Comic app. As a result, the useful life of the software, which had been used for a shorter period than initially planned, has been shortened. This change will be applied prospectively.

As a result, in the fiscal year under review, gross profit, operating income, ordinary profit, and profit before income taxes each decreased by ¥5,043 thousand, compared with those based on the previous useful life.

(Segment Information, etc.)

[Segment Information]

## 1. Overview of reportable segments

### (1) Method of determining reportable segments

The Company's reportable segments are those constituent units for which separate financial information is available, and which the Board of Directors regularly examines to determine the allocation of management resources and assess performance.

We have established independent reportable segments, as the segments handle products with different characteristics and have different earnings and financial structures and sales strategies.

### (2) Categories of products and services belonging to the reportable segments

The Apps business mainly involves the development and operation of smartphone apps. We also sell mobile ad space within these apps.

In the RET business, we engage mainly in the planning and development of the &AND HOSTEL brand of smart hostels, the development and operation of the SUMUTORE photography studio platform site, and consulting services for rental properties.

## 2. Methods for determining amounts of sales, profits or losses, assets, and other items for individual reportable segments

Methods of accounting treatment for reportable business segments are generally the same as the methods of accounting treatment used in preparing the financial statements. Profit from reportable segments is based on operating income or operating losses.

## 3. Information related to sales, profits or losses, assets, liabilities and other items for each reportable segment

Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022)

(Thousands of yen)

	Reportable segments			Other (Note)	Total
	APPs	RET	Total		
Net Sales					
Manga apps	2,240,181	—	2,240,181	—	2,240,181
Fortune	400,709	—	400,709	—	400,709
&AND HOSTEL	—	33,434	33,434	—	33,434
RET	—	26,741	26,741	—	26,741
Other	49,664	1,923	51,587	5,635	57,223
Revenue from contracts with customers	2,690,555	62,099	2,752,655	5,635	2,758,290
Other revenue	—	75,144	75,144	—	75,144
Sales to external customers	2,690,555	137,243	2,827,799	5,635	2,833,435
Intersegment sales or transfer	—	—	—	—	—
Total	2,690,555	137,243	2,827,799	5,635	2,833,435
Segment profit (loss)	532,824	(54,109)	478,714	(38,454)	440,259
Segment assets	797,496	3,144,097	3,941,593	1,385	3,942,979
Other items					
Depreciation	30,054	30,121	60,175	140	60,316
Increase in property, plant and equipment and intangible assets	27,519	—	27,519	—	27,519

Note:1. The "Other" category, a business segment not included in the reportable segments, mainly involves the internet advertising agency business.

2. Information related to losses on the impairment of fixed assets or goodwill for each reportable segment  
(Significant impairment losses related to fixed assets)

Not applicable

Fiscal year ended August 31, 2023(from September 1, 2022 to August 31, 2023)

(Thousands of yen)

	Reportable segments			Other (Note)	Total
	APPs	RET	Total		
Net Sales					
Manga apps	2,287,991	—	2,287,991	—	2,287,991
Fortune	606,650	—	606,650	—	606,650
&AND HOSTEL	—	11,651	11,651	—	11,651
RET	—	13,362	13,362	—	13,362
Other	33,777	906	34,683	—	34,683
Revenue from contracts with customers	2,928,420	25,920	2,954,341	—	2,954,341
Other revenue	—	24,706	24,706	—	24,706
Sales to external customers	2,928,420	50,627	2,979,047	—	2,979,047
Intersegment sales or transfer	—	—	—	—	—
Total	2,928,420	50,627	2,979,047	—	2,979,047
Segment profit (loss)	556,510	(68,006)	488,504	(628)	487,875
Segment assets	1,071,823	3,163,339	4,235,162	303	4,235,465
Other items					
Depreciation	38,202	10,004	48,206	—	48,206
Increase in property, plant and equipment and intangible assets	51,962	—	51,962	—	51,962

Note: The “Other” category, a business segment not included in the reportable segments, mainly involves businesses related to the entertainment field using new technologies.

2: Information related to losses on the impairment of fixed assets or goodwill for each reportable segment  
(Significant impairment losses related to fixed assets)

In “Apps business” of the total software held by the Company, for software from which profit originally estimated could no longer be expected, the Company reduced the book value of the software to the recoverable amount and recognized the amount of the reduction as an impairment loss.

The amount of the impairment loss recorded was ¥20,428 thousand.

4. Total amounts for reportable segments and the main reasons for discrepancies between these values and figures stated in the non-consolidated financial statements (matters related to the adjustment of discrepancies)

(Thousands of yen)

Net sales	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Subtotal for reportable segments	2,827,799	2,979,047
Sales from “Other” businesses (loss)	5,635	—
Net sales in the financial statements	2,833,435	2,979,047

(Thousands of yen)

Income	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Subtotal for reportable segments	478,714	488,504
Income (losses) from “Other” businesses	(38,454)	(628)
Company-wide expenses (Note)	(374,180)	(341,782)
Operating income (losses) in the financial statements	66,079	146,093

Note: Company-wide expenses are mainly general and administrative expenses not attributable to reportable segments.



(Thousands of yen)

Assets	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Subtotal for reportable segments	3,941,593	4,235,465
Assets categorized as “Other”	1,385	303
Company-wide assets (Note)	912,418	1,039,907
Total assets in the financial statements	4,855,398	5,275,676

Note: Company-wide assets are mainly cash and deposits not attributable to reportable segments.

(Thousands of yen)

Other items	Subtotal for reportable segments		Other		Adjustment		Amount presented in the financial statements	
	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Depreciation	60,175	48,206	140	—	7,649	6,579	67,965	54,785
Increase in property, plant and equipment and intangible assets	27,519	51,962	—	—	12,351	10,617	39,870	62,579

Note: Adjustments to increases in property, plant and equipment and intangible assets are mainly the costs of acquiring headquarters buildings and software not attributable to reportable segments.

(Equity-Method Gains and Losses.)

Not applicable

## (Per-Share Information)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Net assets per share	¥54.91	¥99.51
Basic earnings (losses) per share	(¥35.57)	¥7.25
Diluted net income per share	—	¥7.25

Notes: 1. Although dilutive shares exist, diluted earnings per share are not calculated for the fiscal year ended August 31, 2022, as the Company recorded a loss for the year.

2. The basis for calculating basic earnings (losses) per share is as follows.

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Basic earnings (losses) per share		
Profit (loss) (thousands of yen)		
Amount not attributable to common shareholders (thousands of yen)	(350,379)	79,670
Profit (loss) attributable to common shareholders (thousands of yen)	—	—
Average number of shares of common stock during the period (shares)	(350,379)	79,670
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	9,850,876	10,991,599
Diluted net income per share		
(Basis for calculation)		
Net income adjustment (thousands of yen)	—	—
Increase in common stock (shares)	—	2,752
Of which, stock acquisition rights (shares)	(—)	(2,752)
Summary of potential stock not included in the calculation of diluted net income per share due to the absence of dilutive effects	—	—

## (Significant Subsequent Events)

Not applicable