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November 10, 2023

## Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: Gala Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4777  
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 Scheduled date to file quarterly securities report: November 10, 2023  
 Scheduled date to commence dividend payments: —  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: None

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

### 1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

|                    | Net sales       |       | Operating profit |   | Ordinary profit |   | Profit attributable to owners of parent |   |
|--------------------|-----------------|-------|------------------|---|-----------------|---|---|---|
|                    | Millions of yen | %     | Millions of yen  | % | Millions of yen | % | Millions of yen                         | % |
| Six months ended   |                 |       |                  |   |                 |   |   |   |
| September 30, 2023 | 982             | △45.8 | △111             | — | △78             | — | △71                                     | — |
| September 30, 2022 | 1,810           | 687.0 | 280              | — | 263             | — | 172                                     | — |

Note: Comprehensive income For the six months ended September 30, 2023: △¥36 million [—%]  
 For the six months ended September 30, 2022: ¥363 million [—%]

|                    | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended   | Yen                      | Yen                        |
| September 30, 2023 | △2.84                    | —                          |
| September 30, 2022 | 7.53                     | 6.71                       |

#### (2) Consolidated financial position

|                    | Total assets    | Net assets      | Equity-to-asset ratio | Net assets per share |
|--------------------|-----------------|-----------------|-----------------------|----------------------|
| As of              | Millions of yen | Millions of yen | %                     | Yen                  |
| September 30, 2023 | 3,559           | 2,225           | 49.7                  | 70.64                |
| March 31, 2023     | 3,023           | 2,234           | 60.1                  | 72.63                |

Reference: Equity

As of September 30, 2023: ¥1,768 million  
 As of March 31, 2023: ¥1,818 million

## 2. Cash dividends

|   | Annual dividends per share |                    |                   |                 |       |
|---|----------------------------|--------------------|-------------------|-----------------|-------|
|   | First quarter-end          | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
|   | Yen                        | Yen                | Yen               | Yen             | Yen   |
| Fiscal year ended<br>March 31, 2022                   | —                          | 0.00               | —                 | 0.00            | 0.00  |
| Fiscal year ending<br>December 31, 2023               | —                          | —                  |                   |                 |       |
| Fiscal year ending<br>December 31, 2023<br>(Forecast) |                            |                    | —                 | 0.00            | 0.00  |

Note: Revisions to the forecast of cash dividends most recently announced: None

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 (From April 1, 2023 to December 31, 2023)

Consolidated earnings forecast for the current fiscal year is not stated due to the difficulty of calculating a reasonable earnings forecast. For details, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" of the Additional Information.

\* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: — companies (Company name)

Excluded: — companies (Company name)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) 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

(4) Number of issued shares (common shares)

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

|                          |                   |
|--------------------------|-------------------|
| As of September 30, 2023 | 25,035,700 shares |
| As of March 31, 2023     | 25,035,700 shares |

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

|                          |          |
|--------------------------|----------|
| As of September 30, 2023 | — shares |
| As of March 31, 2023     | — shares |

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

|                                     |                   |
|-------------------------------------|-------------------|
| Six months ended September 30, 2023 | 25,035,700 shares |
| Six months ended September 30, 2022 | 22,979,608 shares |

\* Quarterly financial results reports are exempt from a quarterly review 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 contained 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 information on quarterly financial results)

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

○Additional Information

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

The Company and its consolidated subsidiaries (hereinafter referred to as the "Group") reported a significant decline in consolidated net sales during the six-month period ended September 30, 2023, with consolidated net sales of 982,096 thousand yen (down 45.8% from the same period of the previous fiscal year).

This was mainly due to a decrease in sales of "Flyff Universe," an HTML5 game released in the first quarter of the previous fiscal year, compared to the same quarter of the previous fiscal year.

In addition, cost of sales decreased due to a decrease in channeling fees paid for the HTML5 game business.

Selling, general and administrative expenses decreased mainly due to a decrease in expenses for marketing activities related to "Flyff Universe."

As a result, the Company reported an operating loss of 111,318 thousand yen (operating profit of 280,511 thousand yen for the same period last year), ordinary loss of 78,836 thousand yen (ordinary profit of 263,123 thousand yen for the same period last year), and loss attributable to owners of parent of 71,045 thousand yen (profit attributable to owners of parent of 172,922 thousand yen for the same period last year).

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

#### 1) Japan

In the Japan segment, the Company launched the smartphone game application "Rappelz" developed by 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 "Rappelz Universe," an NFT game/blockchain game (\*1) by combining blockchain technology with "Rappelz" and is being prepared for release in the global area. In NFT games/blockchain games, in-game items and other items are "NFT (\*3)ized" using blockchain (\*2), a crypto asset infrastructure technology, and users can convert items and other items obtained in the game into crypto assets and trade them on exchanges and other venues. This will further enhance the appeal of the game and will be the focus of our efforts to monetize the Smartphone app business. We are currently preparing for the release of "Rappelz Universe", but the service launch date has not yet been determined due to the time required to study the legal and tax aspects in Korea for the crypto assets used in the game.

In addition, the Treehouse resort business conducted by consolidated subsidiary Treeful Inc. in Nago City, Okinawa Prefecture is a new resort business that provides guests with a tree house and an aero-house, a building on the ground, as a single set. Treeful Inc. was approved in July 2021 for an "application for a Ryokan business license based on the Ryokan Business Law" and opened the Treehouse Resort in August 2021 as the first tree house resort in Japan that allows guests to stay overnight for a fee.

The concept of the Treehouse Resort is a "sustainable resort" that does not use fossil fuels, but instead uses electricity, and aims to build a sustainable society by generating more solar power than it uses. The Group is committed to finding a growth strategy for the Treehouse resort business to enhance the corporate value of the Group.

In the six-month period ended September 30, 2023, net sales (including internal transactions) decreased compared to the same period of the previous fiscal year due to the impact of changes in the form of contracts in the Cloud-related business made in the previous fiscal year, despite the above-mentioned Treehouse resort business recording net sales.

On the expense side, selling, general and administrative expenses increased mainly due to an increase in directors' compensations, despite a decrease in provision of allowance for doubtful accounts.

As a result, net sales in the Japan segment decreased by 13,937 thousand yen (31.1%) year on year to 30,816 thousand yen (including internal transactions), and segment loss amounted to 190,315 thousand yen (115,475 thousand yen segment loss in the same period last year).

#### 2) Korea

In the Korea segment, sales of the HTML5 game "Flyff Universe" decreased compared to the same quarter of the previous year when significant sales were recorded immediately after its launch in May 2022. The sales decrease was also due to a change in the method of recording sales from publishing sales

as a publisher to license sales based on license fees received, as a result of the change in the type of contract. HTML5 games are highly accessible games that can be played on a variety of devices, including PCs and smartphones, without the need for downloading. Gala Lab Corp. entered into a strategic alliance agreement for the Publishing and Game businesses with BPMG Co., Ltd. and Wemade Connect Co., Ltd. in July 2023 regarding the NFT game/blockchain game "Flyff Universe" that combines the HTML5 game elements of the HTML 5 game "Flyff Universe" with the Play To Earn (P2E)(\*4) elements using blockchain technology. We are currently preparing for the release of the NFT game/blockchain game "Flyff Universe" but the service launch date has not been determined at this time for the same reason as "Rappelz Universe."

In the Smartphone app business, Gala Lab Corp. currently provides the smartphone game application "Flyff Legacy," and consolidated subsidiary Gala Mix Inc. provides the pedometer application "winwalk," the smartphone application "winQuiz," and the smartphone application "Poll Cash." Although we are promoting distribution through multilingual development utilizing our global network, sales (including internal transactions) decreased compared to the same quarter of the previous year.

In the Online game business, the Company provides services for "Flyff Online" and "Rappelz Online," the flagship games of Gala Lab Corp. Currently, the Company is promoting licensing and channeling (\*5) development, but sales (including internal transactions) decreased compared to the same quarter of the previous year.

In addition, as another measure to contribute to earnings of the Group, Gala Lab Corp. has entered into the Metaverse (\*6) campus platform "UVERSE" business (hereinafter referred to as "Meta Campus business") with LG Uplus Corp., a major electronics and telecommunications company in Korea, and Megazone Corporation, one of the largest digital IT companies in Korea. The Meta Campus business develops and builds virtual campuses using the Metaverse Platform, and provides universities and other educational institutions with the Metaverse Platform as a community space for students and a venue for events such as university entrance exam briefings. Gala Lab Corp. will develop the metaverse platform, LG Uplus Corp. will be in charge of attracting schools and marketing, and Megazone Corporation will provide cloud computing and other infrastructure. Currently, we have contracts with several prestigious universities to provide our services.

At the Board of Directors meeting held on September 11, 2023, the Company resolved to underwrite a third-party allotment of new shares to be conducted by ROAD101 Co., Ltd. in Korea and to make the company a subsidiary. On September 14, 2023, the Company acquired shares in the company. Following this acquisition, the Group will start the VFX business as a new business.

VFX stands for visual effects and refers to technology used to achieve screen effects that cannot be seen in reality in movies, TV dramas, etc. The VFX business is a movie and commercial content production business that uses VFX technology.

Since the company's deemed acquisition date is September 30, 2023, only its balance sheet is consolidated for the six-month period ended September 30, 2023, and its financial results are not included in the quarterly consolidated statements of income for the six-month period ended September 30, 2023.

In terms of expenses, selling, general and administrative expenses decreased mainly due to a decrease in expenses for marketing activities related to "Flyff Universe."

As a result, net sales in the Korea segment decreased by 834,134 thousand yen (46.1%) year on year to 975,117 thousand yen (including internal transactions), and segment profit amounted to 87,454 thousand yen (segment profit of 402,533 thousand yen in the same period last year).

(\*1) NFT game/blockchain game is the game in which in-game items are "NFT(\*3)ized" using the blockchain (\*2), a fundamental technology of crypto assets. It is also called as GameFi (a coinage combining the words Game and Decentralized Finance).

(\*2) Blockchain is a method of synchronizing and recording data (such as transaction information) by combining cryptography and multiple computers comprising a distributed network. In this mechanism, transaction data during a certain period is gathered into a block unit and correct records are connected like chains and accumulated while validated among computers.

(\*3) NFT (Non-Fungible Token) is "digital data with an unforgeable certificate of authenticity or proof of ownership". As with crypto assets, it is digital data issued and traded on the blockchain.

(\*4) A blockchain game is called Play To Earn (P2E) if income and points obtained in the game can be changed to crypto

assets and traded on an exchange or other market so that users can earn an income by playing the game.

(\*5) Channeling is a service that enables users to play online games and other games on the game portal site of other companies.

(\*6) Metaverse is a combination term derived from “meta” and “universe” and refers to a 3D virtual space structured on the Internet where massive users can join and act on their own. The users can explore the Metaverse world and communicate with other users by joining the virtual space via their own avatars. The users can also create their own games and monetize them by inviting other users to play the games or create a mechanism in which users can purchase and sell the in-game items as an NFT (\*3) using crypto assets.

## (2) Explanation of Financial Position

The Group's net assets at the end of the current second quarter were 2,225,315 thousand yen, a decrease of 9,455 thousand yen from the end of the previous fiscal year.

Major changes in assets included a 371,058 thousand yen increase in goodwill, a 262,745 thousand yen increase in other property, plant and equipment, net, a 67,946 thousand yen increase in accounts receivable-trade, and a 55,836 thousand yen increase in lease and guarantee deposits, while cash and deposits decreased by 349,762 thousand yen. The increases in goodwill, accounts receivable-trade, and lease and guarantee deposits were mainly due to the inclusion of ROAD101 Co., Ltd. in the scope of consolidation. Other property, plant and equipment, net, increased for the same reason and also due to an increase in construction in progress related to the tree house/aero-house under construction by Treeful Inc. The decrease in cash and deposits was mainly due to the acquisition of shares of a subsidiary resulting in the inclusion of ROAD101 Co., Ltd in the scope of consolidation.

In liabilities, short-term loans payable increased by 244,200 thousand yen, unearned revenue increased by 60,833 thousand yen, and advances received increased by 59,587 thousand yen. The increases in short-term loans payable and advances received were mainly due to the inclusion of ROAD101 Co., Ltd in the scope of consolidation. Unearned revenue increased due to the conclusion of a strategic alliance agreement for the Publishing and Game businesses related to NFT games/blockchain games.

In net assets, foreign currency translation adjustment increased by 23,143 thousand yen and non-controlling interests increased by 40,241 thousand yen, while retained earnings decreased by 71,045 thousand yen. The decrease in retained earnings was due to loss attributable to owners of parent.

## (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

In the Smartphone app business, it is extremely difficult for the Group to predict the possibility of delays in development and download delivery as well as income from app charges after the start of download delivery. In the Online game business, it is extremely difficult for the Group to forecast the financial results of the upgrade of existing titles. In the HTML5 game business, it is extremely difficult to predict the possibility that development will not proceed as planned or the revenues from billing. In addition, for the Group's new businesses, the Cloud-related business, the Treehouse resort business, the Meta Campus business, and the VFX business, it is extremely difficult for the Group to forecast the financial results appropriately as their profit or loss is highly contingent on changes in the environment surrounding the businesses and other factors. Therefore, the Group withholds publication of the forecasts of the financial results.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

|  | Previous fiscal year<br>As of March 31, 2023 | Current second quarter<br>As of September 30, 2023 |
|--|--|--|
| <b>Assets</b>                              |  |  |
| Current assets                             |  |  |
| Cash and deposits                          | 1,839,156                                    | 1,489,393  |
| Accounts receivable - trade                | 259,666                                      | 327,612  |
| Inventories                                | 1,277  | 2,035  |
| Accounts receivable - other                | 2,672  | 12,944   |
| Crypto assets                              | 26,037                                       | 22,858   |
| Prepaid expenses                           | 5,084  | 23,963   |
| Other                                      | 48,105                                       | 28,181   |
| Allowance for doubtful accounts            | △294   | △840   |
| Total current assets                       | 2,181,705                                    | 1,906,148  |
| Non-current assets                         |  |  |
| Property, plant and equipment              |  |  |
| Buildings and structures, net              | 172,883                                      | 172,657  |
| Land                                       | 46,294                                       | 46,294   |
| Other, net                                 | 54,155                                       | 316,901  |
| Total property, plant and equipment        | 273,334                                      | 535,853  |
| Intangible assets                          |  |  |
| Goodwill                                   | 92,846                                       | 463,905  |
| Other                                      | 16,420                                       | 68,035   |
| Total intangible assets                    | 109,267                                      | 531,941  |
| Investments and other assets               |  |  |
| Investment securities                      | 229  | 199  |
| Lease and guarantee deposits               | 10,480                                       | 66,316   |
| Long-term prepaid expenses                 | 175,666                                      | 214,230  |
| Deferred tax assets                        | 272,693                                      | 304,835  |
| Total investments and other assets         | 459,069                                      | 585,581  |
| Total non-current assets                   | 841,671                                      | 1,653,376  |
| Total assets                               | 3,023,377                                    | 3,559,524  |
| <b>Liabilities</b>                         |  |  |
| Current liabilities                        |  |  |
| Accounts payable - trade                   | 18   | 10,350   |
| Short-term loans payable                   | —  | 244,200  |
| Current portion of long-term loans payable | 9,600  | 19,840   |
| Accounts payable - other                   | 159,582                                      | 152,874  |
| Accrued expenses                           | 16,597                                       | 55,274   |
| Advances received                          | 29,815                                       | 89,403   |
| Unearned revenue                           | 68,666                                       | 129,500  |
| Income taxes payable                       | 6,624  | 4,356  |
| Provision for reward                       | 13,251                                       | 20,041   |
| Provision for bonuses                      | 2,543  | 713  |
| Other                                      | 4,900  | 39,494   |
| Total current liabilities                  | 311,600                                      | 766,049  |
| Non-current liabilities                    |  |  |
| Long-term loans payable                    | 31,200                                       | 54,749   |
| Long-term unearned revenue                 | 262,873                                      | 295,127  |
| Deferred tax liabilities                   | 69   | 5,999  |
| Net defined benefit liability              | 182,862                                      | 212,282  |
| Total non-current liabilities              | 477,005                                      | 568,159  |
| Total liabilities                          | 788,605                                      | 1,334,208  |



(Thousands of yen)

|   | Previous fiscal year<br>As of March 31, 2023 | Current second quarter<br>As of September 30, 2023 |
|---|--|--|
| Net assets  |  |  |
| Shareholders' equity                                  |  |  |
| Capital stock   | 4,213,860                                    | 4,213,860  |
| Capital surplus                                       | 2,859,465                                    | 2,857,691  |
| Retained earnings                                     | △4,890,961                                   | △4,962,006   |
| Total shareholders' equity                            | 2,182,364                                    | 2,109,545  |
| Accumulated other comprehensive income                |  |  |
| Valuation difference on available-for-sale securities | 158  | 137  |
| Foreign currency translation adjustment               | △364,278                                     | △341,134   |
| Total accumulated other comprehensive income          | △364,120                                     | △340,997   |
| Share acquisition rights                              | 29,438                                       | 29,438   |
| Non-controlling interests                             | 387,088                                      | 427,330  |
| Total net assets                                      | 2,234,771                                    | 2,225,315  |
| Total liabilities and net assets                      | 3,023,377                                    | 3,559,524  |

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income  
Quarterly Consolidated Statement of Income  
(For the Six-month Period)

(Thousands of yen)

|  | Six-month period<br>ended September 30, 2022 | Six-month period<br>ended September 30, 2023 |
|--|--|--|
| Net sales  | 1,810,757                                    | 982,096                                      |
| Cost of sales                                    | 624,485                                      | 309,871                                      |
| Gross profit                                     | 1,186,271                                    | 672,225                                      |
| Selling, general and administrative expenses     | 905,760                                      | 783,544                                      |
| Operating profit (loss)                          | 280,511                                      | △111,318                                     |
| Non-operating income                             |  |  |
| Interest income                                  | 1,255  | 7,416  |
| Foreign exchange gains                           | 36,414                                       | 24,107                                       |
| Other  | 7,557  | 6,507  |
| Total non-operating income                       | 45,227                                       | 38,031                                       |
| Non-operating expenses                           |  |  |
| Interest expenses                                | 73   | 59   |
| Loss on sales of crypto assets                   | 6,850  | —  |
| Loss on valuation of crypto assets               | 54,977                                       | 5,014  |
| Other  | 714  | 475  |
| Total non-operating expenses                     | 62,615                                       | 5,548  |
| Ordinary profit (loss)                           | 263,123                                      | △78,836                                      |
| Extraordinary income                             |  |  |
| Gain on reversal of share acquisition rights     | 2,270  | —  |
| Total extraordinary income                       | 2,270  | —  |
| Extraordinary losses                             |  |  |
| Loss on retirement of non-current assets         | 4,196  | —  |
| Total extraordinary losses                       | 4,196  | —  |
| Profit (loss) before income taxes                | 261,197                                      | △78,836                                      |
| Income taxes - current                           | 4,051  | 2,763  |
| Income taxes - deferred                          | —  | △11,355                                      |
| Total income taxes                               | 4,051  | △8,592                                       |
| Profit (loss)                                    | 257,146                                      | △70,244                                      |
| Profit attributable to non-controlling interests | 84,224                                       | 801  |
| Profit (loss) attributable to owners of parent   | 172,922                                      | △71,045                                      |

Quarterly Consolidated Statement of Comprehensive Income  
(For the Six-month Period)

(Thousands of yen)

|  | Six-month period<br>ended September 30, 2022 | Six-month period<br>ended September 30, 2023 |
|--|--|--|
| Profit (loss)  | 257,146                                      | △70,244                                      |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | △31  | △20  |
| Foreign currency translation adjustment                        | △7,865                                       | 33,598                                       |
| Total other comprehensive income                               | △7,897                                       | 33,577                                       |
| Comprehensive income   | 249,248                                      | △36,666                                      |
| (Comprehensive income attributable to)                         |  |  |
| Comprehensive income attributable to owners of parent          | 279,696                                      | △47,922                                      |
| Comprehensive income attributable to non-controlling interests | △30,447                                      | 11,256                                       |

## (3) Consolidated Statement of Cash Flows

(Thousands of yen)

|  | Six-month period<br>ended September 30, 2022 | Six-month period<br>ended September 30, 2023 |
|--|--|--|
| Cash flows from operating activities   |  |  |
| Profit (loss) before income taxes  | 261,197                                      | △78,836                                      |
| Depreciation   | 45,714                                       | 13,616                                       |
| Amortization of goodwill   | 7,631  | 7,631  |
| Increase (decrease) in allowance for doubtful accounts   | △130   | 11   |
| Increase (decrease) in provision for bonuses   | 781  | △1,830                                       |
| Increase (decrease) in provision for reward  | 10,153                                       | 5,553  |
| Increase (decrease) in net defined benefit liability   | 12,256                                       | 14,668                                       |
| Interest and dividend income   | △1,255                                       | △7,416                                       |
| Interest expenses  | 73   | 59   |
| Loss (gain) on sales of crypto assets  | 6,850  | —  |
| Loss (gain) on valuation of crypto assets  | 54,977                                       | 5,014  |
| Gain on reversal of share acquisition rights   | △2,270                                       | —  |
| Loss on retirement of property, plant and equipment  | 4,196  | —  |
| Decrease (increase) in notes and accounts receivable - trade                                   | △232,641                                     | △45,967                                      |
| Decrease (increase) in inventories   | 207  | △757   |
| Decrease (increase) in prepaid expenses  | △1,529                                       | △16,593                                      |
| Decrease (increase) in long-term prepaid expenses  | 1,268  | △12,037                                      |
| Increase (decrease) in notes and accounts payable - trade                                      | △294   | △4   |
| Increase (decrease) in accounts payable - other  | 114,520                                      | △41,676                                      |
| Increase (decrease) in advances received   | △14,303                                      | 14,556                                       |
| Increase (decrease) in unearned revenue  | 68,666                                       | 53,500                                       |
| Increase (decrease) in long-term unearned revenue  | 102,799                                      | 11,009                                       |
| Other  | △27,549                                      | 45,493                                       |
| Subtotal   | 411,320                                      | △34,008                                      |
| Interest and dividend income received  | 1,255  | 7,416  |
| Interest expenses paid   | △74  | △60  |
| Income taxes refund  | 75   | 600  |
| Income taxes paid  | △4,839                                       | △6,697                                       |
| Cash flows from operating activities   | 407,738                                      | △32,749                                      |
| Cash flows from investing activities   |  |  |
| Purchase of property, plant and equipment  | △33,048                                      | △135,287                                     |
| Purchase of intangible assets  | △217,117                                     | △4,280                                       |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | —  | △223,133                                     |
| Payments for guarantee deposits  | —  | △4,280                                       |
| Proceeds from collection of guarantee deposits   | —  | 32   |
| Cash flows from investing activities   | △250,166                                     | △366,949                                     |
| Cash flows from financing activities   |  |  |
| Repayments of long-term loans payable  | △2,400                                       | △4,800                                       |
| 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           | 1,098,223                                    | —  |
| Proceeds from share issuance to non-controlling shareholders                                   | —  | 4,863  |
| Cash flows from financing activities   | 1,281,080                                    | 63   |
| Effect of exchange rate change on cash and cash equivalents                                    | △7,186                                       | 49,872                                       |
| Net increase (decrease) in cash and cash equivalents   | 1,431,466                                    | △349,762                                     |
| Cash and cash equivalents at beginning of period   | 288,934                                      | 1,839,156                                    |
| Cash and cash equivalents at end of period   | 1,720,400                                    | 1,489,393                                    |

(4) Notes to the Quarterly Consolidated Financial Statements  
 (Notes on Going Concern Assumptions)  
 Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)  
 Not applicable.

(Changes in Significant Subsidiaries During the Period)  
 Not applicable.

Although not applicable to changes in specified subsidiaries, ROAD101 Co., Ltd. was included in the scope of consolidation during the current second quarter due to the acquisition of its shares, making it a subsidiary.

(Segment Information)

I For the six-month period ended September 30, 2022

1. Information on the Amount of Net Sales and Profit (loss) and Disaggregated Information on Revenues by Reportable Segment

(Thousands of yen)

|  | Reportable segment |           |           | Adjustment<br>(Note 1) | Amount recorded in<br>quarterly consolidated<br>statements of income<br>(Note 2) |
|--|--------------------|-----------|-----------|------------------------|--|
|  | Japan              | Korea     | Total     |                        |  |
| Net sales                                |                    |           |           |                        |  |
| Online game business                     | —                  | 180,771   | 180,771   | —                      | 180,771  |
| Smartphone app business                  | 1,469              | 146,995   | 148,464   | —                      | 148,464  |
| HTML5 game business                      | —                  | 1,450,231 | 1,450,231 | —                      | 1,450,231  |
| Other businesses                         | 17,863             | 13,427    | 31,290    | —                      | 31,290   |
| Revenue from contracts<br>with customers | 19,332             | 1,791,425 | 1,810,757 | —                      | 1,810,757  |
| Net sales to external<br>customers       | 19,332             | 1,791,425 | 1,810,757 | —                      | 1,810,757  |
| Intersegment net<br>sales and transfer   | 25,422             | 17,827    | 43,249    | △43,249                | —  |
| Total                                    | 44,754             | 1,809,252 | 1,854,006 | △43,249                | 1,810,757  |
| Segment profit (loss)                    | △115,475           | 402,533   | 287,058   | △6,547                 | 280,511  |

(Note 1) The segment profit (loss) adjustment of △6,547 thousand yen consists of the elimination of intersegment transactions of 1,084 thousand yen and the amortization of goodwill of △7,631 thousand yen

(Note 2) Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

2. Information on Assets by Reportable Segment

During the first quarter, cash and deposits increased due to the allocation of new shares to a third party and the exercise of share acquisition rights. In addition, accounts receivable increased mainly due to the launch of the HTML5 game, "Flyff Universe", and software increased due to the reacquisition of the rights to "Flyff Legacy".

As a result, the amount of assets in the "Japan" and "Korea" segments increased by 1,146,635 thousand yen and 725,361 thousand yen, respectively, in the current second quarter compared to the end of the previous fiscal year.

## II For the six-month period ended September 30, 2023

### 1. Information on the Amount of Net Sales and Profit (loss) and Disaggregated Information on Revenues by Reportable Segment

(Thousands of yen)

|  | Reportable segment |         |           | Adjustment<br>(Note 1) | Amount recorded in<br>quarterly consolidated<br>statements of income<br>(Note 2) |
|--|--------------------|---------|-----------|------------------------|--|
|  | Japan              | Korea   | Total     |                        |  |
| Net sales                                |                    |         |           |                        |  |
| Online game business                     | —                  | 157,702 | 157,702   | —                      | 157,702  |
| Smartphone app business                  | —                  | 112,993 | 112,993   | —                      | 112,993  |
| HTML5 game business                      | —                  | 576,971 | 576,971   | —                      | 576,971  |
| Meta Campus business                     | —                  | 112,350 | 112,350   | —                      | 112,350  |
| Other businesses                         | 17,792             | 4,286   | 22,078    | —                      | 22,078   |
| Revenue from contracts<br>with customers | 17,792             | 964,304 | 982,096   | —                      | 982,096  |
| Net sales to external<br>customers       | 17,792             | 964,304 | 982,096   | —                      | 982,096  |
| Intersegment net<br>sales and transfer   | 13,024             | 10,812  | 23,837    | △23,837                | —  |
| Total                                    | 30,816             | 975,117 | 1,005,934 | △23,837                | 982,096  |
| Segment profit (loss)                    | △190,315           | 87,454  | △102,861  | △8,457                 | △111,318   |

(Note 1) The segment profit (loss) adjustment of △8,457 thousand yen consists of the elimination of intersegment transactions of △826 thousand yen and the amortization of goodwill of △7,631 thousand yen.

(Note 2) The segment profit (loss) is adjusted with operating loss in the quarterly consolidated statements of income.

### 2. Information on Assets by Reportable Segment

During the current second quarter, ROAD101 Co., Ltd. became a subsidiary through the Company's acquisition of its shares, resulting in an increase mainly in cash and deposits and property, plant and equipment of the company.

As a result, compared to the end of the previous fiscal year, assets in the "Japan" segment decreased by 544,212 thousand yen and assets in the "Korea" segment increased by 730,278 thousand yen in the current second quarter.

### 3. Information on Impairment Loss on Fixed Assets and Goodwill by Reportable Segment (Significant changes in the amount of goodwill)

In the "Korea" segment, ROAD101 Co., Ltd. was included in the scope of consolidation during the current second quarter due to the acquisition of its shares, making it a subsidiary. The increase in goodwill due to this event was 378,689 thousand yen in the six-month period ended September 30, 2023.