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Notice Concerning Partial Revision to the Financial Results for FY2023 (Japanese GAAP) (Consolidated)

KLab Inc. (the "Company") has announced that there were corrections to the "Summary of Financial Results for Fiscal Year Ended December 31, 2023 (Japanese GAAP) (Consolidated)" released on February 8, 2024. Also, there were corrections in the numerical data, so the Company will also send the corrected numerical data.

Notes

1. Reason for Revision

As there has been a delay in collection of some of our receivables from business partners and the prospects for collection of these receivables are uncertain, the Company has decided to add an allowance for doubtful accounts of 90,886 thousand yen to selling, general and administrative expenses.

The above corrections were made as a result of discussions with the auditing firm and re-evaluation during the financial statement audit process following the release of the financial results.

2. Details of Revision

Due to the wide range of corrections, the full text after the corrections is attached. In addition, corrections are underlined.

2. Dividends

	Annual dividends					Total amount of dividends (Total) (Million Yen)	Dividend payout ratio (Consolidated) (%)	Ratio of dividends to net assets (Consolidated) (%)
	End of Q1	End of Q2	End of Q3	Year end	Total			
	Yen	Yen	Yen	Yen	Yen			
FY2022	—	0.00	—	0.00	0.00	—	—	—
FY2023	—	0.00	—	0.00	0.00	—	—	—
FY2024 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated Operating Performance Forecasts for FY2024 (January 1, 2024 – December 31, 2024)

The consolidated operating performance forecasts for FY2024 will not be disclosed. For more information, please refer to “1. Overview of Operating Results, Financial Status, Cash Flows, etc.; (4) Forecasts and Various Factors in the Future” on page 4 of Supporting Information.

■ Explanatory Notes

(1) Changes to major subsidiaries during FY2023: No
(Changes to specified subsidiaries accompanying changes in scope of consolidation)

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

① Changes to accounting policies due to revision of accounting standards: Yes

② Changes other than ①: No

③ Changes to accounting estimates: No

④ Restatements: No

(3) Number of outstanding shares (common shares)

① Period end outstanding shares (including treasury shares)	FY2023	41,092,200 shares	FY2022	41,092,200 shares
② Period end treasury shares	FY2023	641,531 shares	FY2022	641,531 shares
③ Average outstanding shares during the period	FY2023	40,450,669 shares	FY2022	38,784,005 shares

[Reference] Summary of Non-Consolidated Operating Performance

1. Non-Consolidated Operating Performance for FY2023 (January 1, 2023 – December 31, 2023)

(1) Non-Consolidated Operating Results

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

	Revenue		Operating Income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023	10,028	(38.9)	(1,400)	—	(853)	—	(1,693)	—
FY2022	16,426	(29.6)	(696)	—	(388)	—	(774)	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY2023	(41.86)	—
FY2022	(19.96)	—

(2) Non-Consolidated Financial Status

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2023	<u>17,543</u>	<u>11,358</u>	<u>64.6</u>	<u>280.19</u>
FY2022	20,413	12,850	62.8	317.01

Reference: Shareholder's Equity

FY2023: 11,333 million yen

FY2022: 12,823 million yen

- Financial statements are not subject to audits by certified public accountants or audit firms.
- Other special instructions
(Method of obtaining supplementary materials on quarterly financial results)
For an overview of the financial results, please refer to the quarterly financial results presentation slides posted on the Company website.
<https://www.klab.com/en/ir/library/presentations/>

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

(1) Overview of Operating Results for the Period

(in thousands of yen)

	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year	Difference (%)
Revenue	16,880,927	10,717,075	(36.5)
Operating Income	(598,112)	<u>(1,218,681)</u>	—
Ordinary Income	(73,471)	<u>(852,680)</u>	—
Net Income Before Income Taxes	(422,511)	<u>(1,658,747)</u>	—
Profit Attributable to Owners of Parent	(541,922)	<u>(1,819,661)</u>	—

The Company Group business revolves around the planning, development, and operation of mobile online games that utilize IPs such as manga and anime.

During the current consolidated fiscal year, while striving to maintain business performance through stable operation of existing titles, the Company focused on developing new titles that will support future business growth. In addition, as a business investment in growth fields, the Company worked on the development of new casual games and blockchain games.

Regarding existing titles, in addition to strong revenue of event materials for *BLEACH Brave Souls*, the TV anime broadcast that began in October 2022 contributed to the acquisition of new and returning users, remained stable throughout the year. In addition, revenue for *Utano☆Princesama Shining Live* exceeded the previous year's pace due to revenue of products that meet the needs of core users. On the other hand, despite efforts to improve the game balance in order to recover various KPIs for *Captain Tsubasa: Dream Team*, revenue was weak.

Although the release date for new titles under development was delayed from the expected release date, the Company expanded the area of open beta testing and focused on checking KPIs and developing to further improve numbers.

Regarding casual games, the Company subsidiary GlobalGear has been releasing new casual games at a high pace of about one title per month, and multiple titles have been hits, resulting in stable advertising revenue. Furthermore, the Company worked to diversify its revenue sources by releasing an operated-type casual game that utilizes an IP as a joint development with Global Gear, and also generating billing revenue.

As a result, revenue amounted to 10,717,075 thousand yen (a decrease of 36.5% from the previous fiscal year).

In terms of expenses, the Company continued to review the personnel structure for operations and detailed group-wide costs, and strove to control costs, but profits also declined due to a decline in revenue, resulting in an operating loss of 1,218,681 thousand yen (operating loss was 598,112 thousand yen in the previous fiscal year).

In addition, due to the fact that the Company recorded foreign exchange gains of 239,844 thousand yen and cryptocurrency valuation gains of 206,915 thousand yen in the settlement and valuation of foreign currency denominated receivables and payables held by the Company Group, etc., the ordinary loss was 852,680 thousand yen (ordinary loss was 73,471 thousand yen in the previous fiscal year).

In addition, due to the fact that the Company recorded impairment losses on software assets related to *Is It Wrong to Try to Pick Up Girls in a Dungeon?: Battle Chronicle* in the fourth quarter, etc., extraordinary losses amounted to 841,066 thousand yen, and net loss attributable to owners of parent amounted to 1,819,661 thousand yen (net loss attributable to owners of parent was 541,922 thousand yen in the previous fiscal year).

(2) Overview of Financial Status for the Period

Status of Assets, Liabilities and Net Assets

Assets

Total assets at the end of FY2023 were 17,754,928 thousand yen (a decrease of 3,104,859 thousand yen when compared to the end of the previous fiscal year). This was mainly due to a decrease in cash and deposits of 3,806,232 thousand yen, while software in progress increased by 1,799,188 thousand yen.

Liabilities

Total liabilities at the end of FY2023 were 6,045,632 thousand yen (a decrease of 1,660,598 thousand

yen when compared to the end of the previous fiscal year). This was mainly due to a decrease in short-term loans payable of 1,000,000 thousand yen and a decrease in accounts payable of 688,592 thousand yen.

Net assets

Net assets at the end of FY2023 were 11,709,295 thousand yen (a decrease of 1,444,261 thousand yen when compared to the end of the previous fiscal year). This was mainly due to a decrease in retained earnings of 1,819,661 thousand yen due to the recording of a loss attributable to owners of parent.

(3) Overview of Cash Flows for the period

Cash and cash equivalents (“net cash”) at the end of FY2023 were 2,211,236 thousand yen (a decrease of 3,806,232 thousand yen when compared to the end of the previous fiscal year).

The following is the status of cash flows at the end of FY2023 and the underlying factors.

Cash flows from operating activities

Net cash used in operating activities was 1,533,812 thousand yen (this amount was 186,966 thousand yen in the previous fiscal year). This was mainly due to a decrease in funds resulting from a net loss before taxes of 1,658,747 thousand yen.

Cash flows from investing activities

Net cash used in investing activities was 2,332,911 thousand yen (this amount was 1,356,560 thousand yen in the previous fiscal year). This was mainly due to a decrease in funds due to expenditures of 2,823,402 thousand yen for the acquisition of intangible assets.

Cash flows from financing activities

Net cash used in financing activities was 66,936 thousand yen (this amount was 3,536,052 thousand yen in the previous fiscal year). This was mainly due to an increase in funds due to proceeds from long-term loans of 2,000,000 thousand yen, but a decrease in funds due to expenditures of 1,328,936 thousand yen for repayment of long-term loans and a decrease in short-term loans of 1,000,000 thousand yen.

[Reference] Changes in Cash Flow Indicators

	FY2019	FY2020	FY2021	FY2022	FY2023
Equity ratio	65.3%	70.5%	68.4%	62.9%	<u>64.3%</u>
Equity ratio on market value basis	130.8%	146.9%	100.7%	83.8%	<u>65.4%</u>
Cash flow to interest-bearing debt ratio	1.29	0.44	—	—	—
Interest coverage ratio	270.4	893.0	—	—	—

Equity ratio: Shareholders' equity ÷ Total assets

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

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

Interest coverage ratio: Cash flows ÷ Interest expense

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

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

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

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

(Note 5) Cash flow to interest-bearing debt ratio and interest coverage ratio for FY2021, FY2022, and FY2023 are not stated because operating cash flow was negative.

(4) Forecasts and Various Factors in the Future

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

In addition, the Company will continue to invest in the IP business field such as casual games, blockchain games, and overseas game development support models, and aim to further expand its scale by diversifying revenue sources.

In FY2024, the Company will prioritize the release of *EA SPORTS FC™ TACTICAL*, which it is working on with Electronic Arts Inc., while also focusing on new development of two other title projects planned in the mid-term management plan.

In terms of earnings forecasts, although it is expected that *EA SPORTS FC™ TACTICAL*, which is scheduled to be released within 2024, will make a major contribution to earnings, no detailed release date has been announced at this time. Furthermore, as this is the largest project ever, it would be difficult to present a reasonable and reliable performance forecast, the Company will not disclose the results for FY2024.

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

2. Rationale Behind the Choice of Accounting Standards

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

3. Consolidated Financial Statements and Related Notes

(1) Consolidated Balance Sheets

(In thousands of yen)

	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)	FY2023 (Jan. 1, 2023 – Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	6,017,468	2,211,236
Accounts receivable	1,768,227	1,395,920
Prepaid expenses	1,343,831	1,219,110
Refundable income taxes	10,274	—
Other	1,232,466	671,324
Allowance for doubtful accounts	(28,649)	<u>(133,285)</u>
Total current assets	10,343,618	<u>5,364,306</u>
Non-current assets		
Property, plant, and equipment		
Buildings	226,652	208,056
Accumulated depreciation	(161,392)	(159,379)
Buildings, net	65,259	48,677
Other	743,158	726,023
Accumulated depreciation	(592,207)	(618,599)
Other, net	150,950	107,424
Total property, plant, and equipment	216,210	156,101
Intangible assets		
Goodwill	733,161	644,293
Software	55,620	39,386
Software in progress	4,023,684	5,822,872
Other	672	3,969
Total intangible assets	4,813,138	6,510,522
Investments and other assets		
Investment securities	2,963,597	3,238,380
Capital investment	1,023,623	968,630
Deferred tax assets	837,095	781,300
Other	662,503	735,684
Total investments and other assets	5,486,820	5,723,997
Total non-current assets	10,516,169	12,390,621
Total assets	20,859,788	<u>17,754,928</u>

(In thousands of yen)

	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)	FY2023 (Jan. 1, 2023 – Dec. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable	1,315,661	627,069
Long-term loans	1,000,000	—
Long-term loans to be repaid within one year	1,070,669	1,366,676
Income taxes payable	135,473	106,066
Advance payments	1,573,756	1,055,308
Provision for bonuses	134,106	128,641
Other	800,988	791,239
Total current liabilities	<u>6,030,655</u>	<u>4,075,000</u>
Non-current liabilities		
Long-term loans	1,435,575	1,810,632
Other	240,000	160,000
Total non-current liabilities	<u>1,675,575</u>	<u>1,970,632</u>
Total liabilities	<u>7,706,230</u>	<u>6,045,632</u>
Net assets		
Shareholders' equity		
Capital stock	5,457,956	5,457,956
Capital surplus	5,212,506	5,212,506
Retained earnings	2,828,756	<u>1,009,094</u>
Treasury stock	(397,377)	(397,377)
Total shareholders' equity	<u>13,101,841</u>	<u>11,282,179</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	262,246	465,821
Foreign currency translation adjustment	(240,894)	(332,383)
Total accumulated other comprehensive income	<u>21,351</u>	<u>133,437</u>
Subscription rights to shares	30,364	289,401
Non-controlling interests	—	4,276
Total net assets	<u>13,153,557</u>	<u>11,709,295</u>
Total liabilities and net assets	<u>20,859,788</u>	<u>17,754,928</u>

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

(In thousands of yen)

	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)	FY2023 (Jan. 1, 2023 – Dec. 31, 2023)
Revenue	16,880,927	10,717,075
Cost of sales	13,857,997	8,963,066
Gross profit	3,022,929	1,754,008
Selling, general and administrative expenses	3,621,042	<u>2,972,690</u>
Operating income (loss)	(598,112)	<u>(1,218,681)</u>
Non-operating income		
Interest income	4,445	11,353
Interest on securities	11,367	10,246
Dividend income	53,936	55,203
Investment gains using equity method	—	7,001
Foreign exchange gains	380,044	239,844
Crypto asset valuation gains	—	206,915
Other	149,517	13,596
Total non-operating income	599,310	544,160
Non-operating expenses		
Interest expense	13,969	35,921
Commission paid	26,760	69,012
Investment losses using equity method	26,427	—
Investment partnership operating loss	—	59,285
Other	7,511	13,940
Total non-operating expenses	74,668	178,159
Ordinary income (loss)	(73,471)	<u>(852,680)</u>
Extraordinary income		
Gain on sale of investment securities	201,210	32,036
Other	7,421	2,962
Total extraordinary income	208,632	34,999
Extraordinary loss		
Impairment loss	438,883	839,513
Gain on sale of shares of subsidiaries and affiliates	67,943	—
Other	50,845	1,553
Total extraordinary losses	557,672	841,066
Net income (loss) before income taxes	(422,511)	<u>(1,658,747)</u>
Income taxes - current	210,637	192,021
Income taxes - deferred	(91,226)	(34,050)
Total income taxes	119,411	157,971
Net income (loss)	(541,922)	<u>(1,816,719)</u>
Profit (loss) attributable to non-controlling interests	—	2,942
Profit (loss) attributable to owners of parent	(541,922)	<u>(1,819,661)</u>

Consolidated Statements of Comprehensive Income
Fiscal Year Consolidated Cumulative Period

(In thousands of yen)

	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)	FY2023 (Jan. 1, 2023 – Dec. 31, 2023)
Net income (loss)	(541,922)	<u>(1,816,719)</u>
Other comprehensive income		
Valuation difference on other securities	24,375	206,069
Foreign currency translation adjustment	(207,861)	(90,154)
Amount equivalent to equity in affiliates using equity method	(2,156)	(2,494)
Comprehensive income	(185,642)	113,420
Comprehensive income	<u>(727,565)</u>	<u>(1,703,298)</u>
(Breakdown)		
Comprehensive income attributable to owners of parent	(727,565)	<u>(1,707,575)</u>
Comprehensive income attributable to non-controlling interests	—	4,276

(3) Consolidated Statements of Changes in Equity

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

(In thousands of yen)

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

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

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

(In thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,457,956	5,212,506	2,828,756	(397,377)	13,101,841
Cumulative effect of change in accounting policy					—
Balance at beginning of current period with changes in accounting policies	5,457,956	5,212,506	2,828,756	(397,377)	13,101,841
Changes of items during period					
Issuance of new shares					—
Profit (loss) attributable to owners of parent			<u>(1,819,661)</u>		<u>(1,819,661)</u>
Acquisition of treasury stock					—
Capital increase of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	<u>(1,819,661)</u>	—	<u>(1,819,661)</u>
Balance at end of current period	5,457,956	5,212,506	<u>1,009,094</u>	(397,377)	<u>11,282,179</u>

	Accumulated other comprehensive income			Subscription rights to shares	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	262,246	(240,894)	21,351	30,364	—	13,153,557
Cumulative effect of change in accounting policy						—
Balance at beginning of current period with changes in accounting policies	262,246	(240,894)	21,351	30,364	—	13,153,557
Changes of items during period						
Issuance of new shares						—
Profit (loss) attributable to owners of parent						<u>(1,819,661)</u>
Acquisition of treasury stock						—
Capital increase of consolidated subsidiaries						—
Net changes of items other than shareholders' equity	203,574	(91,488)	112,086	259,037	4,276	375,400
Total changes of items during period	203,574	(91,488)	112,086	259,037	4,276	<u>(1,444,261)</u>
Balance at end of current period	465,821	(332,383)	133,437	289,401	4,276	<u>11,709,295</u>

(4) Consolidated Statements of Cash Flows

(In thousands of yen)

	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)	FY2023 (Jan. 1, 2023 – Dec. 31, 2023)
Cash flows from operating activities		
Income (loss) before income taxes	(422,511)	<u>(1,658,747)</u>
Depreciation	286,150	327,897
Impairment loss	438,883	839,513
Loss (gain) on valuation of investment securities	49,639	—
Increase (decrease) in the amount of the allowance for doubtful accounts	(11,805)	<u>104,635</u>
Increase (decrease) in the amount of the allowance for bonuses	1,584	(5,465)
Interest income	(4,445)	(11,353)
Dividend income	(53,936)	(55,203)
Interest on securities	(11,367)	(10,246)
Interest expense	13,969	35,921
Foreign exchange loss (gain)	(461,398)	(165,302)
Crypto asset valuation loss (gain)	—	(206,915)
Loss (gain) of investment using the equity method	26,427	(7,001)
Loss (gain) on sale of shares of subsidiaries and affiliates	67,943	—
Loss (gain) on sale of investment securities	(201,210)	(32,036)
Decrease (increase) in notes and accounts receivable	489,828	378,387
Decrease (increase) in advance payments	(203,180)	125,134
Decrease (increase) in notes and accounts payable	(594,497)	(689,539)
Increase (decrease) in advance payments	86,812	(518,455)
Other	244,856	108,231
Subtotal	<u>(258,257)</u>	<u>(1,440,546)</u>
Interest and dividend income received	68,500	75,414
Interest income	(15,000)	(33,744)
Income taxes refunded (paid)	17,790	(134,935)
Net cash used in operating activities	<u>(186,966)</u>	<u>(1,533,812)</u>
Cash flows from investing activities		
Expenditures for acquisition of securities	(155,999)	—
Income for sale and redemption of securities	1,095,000	—
Expenditures for acquisition of intangible fixed assets	(2,650,064)	(2,823,402)
Income from collection of leasehold and security deposits	125,332	523,012
Expenditures for payment of investments	(204,890)	—
Other	434,060	(32,521)
Cash flows from investing activities	<u>(1,356,560)</u>	<u>(2,332,911)</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	1,000,000	(1,000,000)
Income from long-term loans	2,600,000	2,000,000
Expenses from repayment of long-term loans payable	(1,097,588)	(1,328,936)
Income from issuance of subscription rights by exercise	992,309	—
Income from issuance of subscription rights	36,347	262,000
Other	4,984	—
Cash flows from financing activities	<u>3,536,052</u>	<u>(66,936)</u>
Cash and equivalents conversion changes	207,964	127,427
Cash and equivalents increase (decrease)	2,200,490	(3,806,232)
Cash and equivalents (starting balance)	3,816,978	6,017,468
Cash and equivalents (ending balance)	<u>6,017,468</u>	<u>2,211,236</u>

(5) Notes Related to Consolidated Financial Statements

(Notes Related to Ongoing Concern Assumptions)

Not applicable.

(Change in Accounting Policy)

[Application of Implementation Guidance on Accounting Standard for Fair Value Measurement]

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the "Implementation Guidance on Accounting Standard for Fair Value Measurement") has been applied from the beginning of the first quarter of the fiscal year under review, and in accordance with the transitional treatment stipulated in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied in the future. There is no impact on the quarterly consolidated financial statements.

(Segment Information and Other Information)

[Segment Information]

1. Overview of Reported Segments

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

The Company Group reportable segments are the "Game Business," which provides mobile online games, and the "Blockchain-related Business," which develops and distributes products that utilize blockchain technology, crypto assets, and NFTs.

Starting from the current consolidated fiscal year, the "Blockchain-related business," which was previously included in "Other," has been changed to be listed as a reportable segment due to its increased quantitative importance.

In addition, the segment information for the previous consolidated fiscal year has been prepared based on the category after the change and is described in the previous consolidated fiscal year under "3. Pertaining to Revenue, Income or Loss, Assets, Liabilities and Other Items."

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

Reported Segment

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

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

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

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

(In thousands of yen)

	Reported Segment			Other (Note 1)	Amount Listed on Consolidated Statement of Income (Note 2)
	Game Business	Blockchain-related Business	Total		
Revenue					
Income from Paid Users	14,640,715	—	14,640,715	—	14,640,715
Other	1,846,389	—	1,846,389	393,821	2,240,211
Revenue from Contracts with Customers	16,487,105	—	16,487,105	393,821	16,880,927
Other Income	—	—	—	—	—
Revenue from External Customers	16,487,105	—	16,487,105	393,821	16,880,927
Intersegment Internal Revenue or Account Transfer Amount	—	—	—	—	—
Total	16,487,105	—	16,487,105	393,821	16,880,927
Segment Profit (Loss)	3,109,351	(110,884)	2,998,466	24,462	3,022,929
Other Items Depreciation Expense	234,198	721	234,920	9,675	244,595

Notes:

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

FY2023 (January 1, 2023 - December 31, 2023)

(In thousands of yen)

	Reported Segment			Other (Note 1)	Amount Listed on Consolidated Statement of Income (Note 2)
	Game Business	Blockchain-related Business	Total		
Revenue					
Income from Paid Users	8,126,112	—	8,126,112	—	8,126,112
Other	1,969,522	341,055	2,310,578	280,383	2,590,962
Revenue from Contracts with Customers	10,095,635	341,055	10,436,691	280,383	10,717,075
Other Income	—	—	—	—	—
Revenue from External Customers	10,095,635	341,055	10,436,691	280,383	10,717,075
Intersegment Internal Revenue or Account Transfer Amount	—	—	—	—	—
Total	10,095,635	341,055	10,436,691	280,383	10,717,075
Segment Profit	1,438,212	247,668	1,685,880	68,128	1,754,008
Other Items Depreciation Expense	291,679	482	292,162	1,051	293,213

Notes:

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

(Per Share Data)

	FY2022 (Jan. 1, 2022 – Dec. 31, 2022)	FY2023 (Jan. 1, 2023 – Dec. 31, 2023)
Net assets per share	324.42 yen	<u>282.21 yen</u>
Net loss per share	13.97 yen	<u>44.98 yen</u>

Notes:

1. Diluted net income per share is not stated because there is a net loss per share despite the presence of issuable shares.
2. The basis for calculating net loss per share is as follows.

Item	FY2022 (Jan. 1, 2022– Dec. 31, 2022)	FY2023 (Jan. 1, 2023 – Dec. 31, 2023)
Net loss per share		
Loss attributable to owners of parent (in thousands of yen)	541,922	<u>1,819,661</u>
Amount not available to common shareholders (in thousands of yen)	—	—
Loss attributable to owners of parent attributable for common shares (in thousands of yen)	541,922	<u>1,819,661</u>
Average common shares during period (shares)	38,784,005	40,450,669

(Significant Subsequent Events)

(Change in Consolidated Subsidiary)

The Company has decided to transfer some of the shares of its consolidated subsidiary, BLOCKSMITH&Co. and will conclude a share transfer agreement.

For further details, please refer to the "Notice Concerning Change in Consolidated Subsidiary (BLOCKSMITH&Co.)" announced today (February 8, 2024).