

Feb 16, 2024

Company Name Gala Inc.  
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(Code: 4777, Standard Market)  
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**Differences between Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 and the Results of the Previous Fiscal Year, and Differences between Non-consolidated Financial Results and the Results of the Previous Fiscal Year, and the Extraordinary Loss (Loss on Valuation of Advance Payments) in the Non-consolidated Financial Results**

We are pleased to announce the difference between our consolidated financial results for the fiscal year ended December 31, 2023 (April 1, 2023 to December 31, 2023) and the results of the previous year, and the difference between our non-consolidated financial results and the results of the previous year, as well as the extraordinary loss (loss on valuation of advance payments) incurred in our non-consolidated financial results, as follows. The Company has not announced its earnings forecast for the fiscal year ended December 31, 2023.

**1. Difference between Consolidated Results for the Fiscal Year Ended December 31, 2023 and Results for the Previous Fiscal Year**

|  | Net sales       | Operating profit | Ordinary profit | Profit attributable to owners of parent | Basic earnings per share |
|--|-----------------|------------------|-----------------|---|--------------------------|
|  | Millions of yen | Millions of yen  | Millions of yen | Millions of yen                         | Yen                      |
| Results for the previous period (A)<br>Year ended March 31, 2023   | 3,207           | 437              | 400             | 320                                     | 13.35                    |
| Results for the current period (B)<br>Year ended December 31, 2023 | 1,497           | △296             | △262            | △230                                    | △9.20                    |
| Change (B-A)   | △1,709          | △734             | △663            | △550                                    | —                        |
| Percentage change (%)  | —               | —                | —               | —                                       | —                        |

(\*) Due to a change in the fiscal year end, the current fiscal year is a nine-month period from April 1, 2023 to December 31, 2023. Therefore, percentage change from the previous period is not shown.

The previous period was a 12-month period from April 1, 2022 to March 31, 2023.

## 2. Difference between Non-consolidated Results for the Fiscal Year Ended December 31, 2023 and the Results for the Previous Fiscal Year

|  | Net sales       | Operating profit | Ordinary profit | Profit          | Basic earnings per share |
|--|-----------------|------------------|-----------------|-----------------|--------------------------|
|  | Millions of yen | Millions of yen  | Millions of yen | Millions of yen | Yen                      |
| Results for the previous period (A)<br>Year ended March 31, 2023   | 67              | 51               | 69              | 356             | 14.85                    |
| Results for the current period (B)<br>Year ended December 31, 2023 | 35              | △180             | △161            | △217            | △8.69                    |
| Change (B-A)   | △31             | △231             | △230            | △573            | —                        |
| Percentage change (%)  | —               | —                | —               | —               | —                        |

(\*) Due to a change in the fiscal year end, percentage change from the previous year is not shown.

## 3. Reasons for Differences

### (1) Consolidated Results

For the fiscal year ended December 31, 2023, the company posted consolidated net sales of 1,497 million yen, a significant decrease. This was mainly due to a decrease in sales of "Flyff Universe," an HTML5 game released in the previous fiscal year, compared to the previous fiscal year. The main reasons for the decrease in sales of the HTML5 game "Flyff Universe" were the impact of the change in the fiscal year-end, as well as the fact that sales after the service was launched were significant in the previous fiscal year. In addition, sales of "Flyff Universe," an HTML5 game, decreased compared to the previous fiscal year due to a change in the contract format, which changed the method of recording sales from publishing sales as a publisher to license sales based on license fees received.

As for operating profit and ordinary profit, despite the decrease in gross profit due to the decrease in net sales and the increase in directors' compensations and salary allowance mainly in the current period, selling, general and administrative expenses decreased due to the decrease in advertising expenses resulting from the decrease in expenses for marketing activities related to "Flyff Universe". Non-operating income included interest income of 13 million yen, gain on valuation of cryptographic assets of 5 million yen, foreign exchange gains of 9 million yen, and secondment fee income of 7 million yen in the current period, while non-operating expenses included a loss on valuation of cryptographic assets of 58 million yen in the previous period and interest expenses of 4 million yen in the current period, resulting in differences compared to the results in the previous period.

Profit attributable to owners of parent differed from the previous year's results mainly due to an impairment loss of 138 million yen in the previous year and a loss on retirement of non-current assets of 3 million yen in the current year. As a result, the Company reported an operating loss of 296 million yen (operating profit of 437 million yen in the previous year), ordinary loss of 262 million yen (ordinary profit of 400 million yen in the previous year), and loss attributable to owners of the parent of 230 million yen (profit attributable to owners of the parent of 320 million yen in the previous year).

### (2) Non-consolidated Results

Non-consolidated results for the fiscal year ended December 31, 2023, showed a decrease with net sales of 35 million yen. This was mainly due to a decrease in net sales compared to the previous fiscal year due to a change in the type of contract in the cloud-related business in the middle of the previous fiscal year.

As for operating profit and ordinary profit, an increase in selling, general and administrative expenses mainly due to an increase in directors' compensations in the current period and a negative provision of allowance for doubtful accounts in the previous period resulting from a reversal of the allowance for doubtful accounts. In addition, non-operating income differed from the results of the previous period mainly due to the recording of a reversal of allowance for doubtful

accounts of 10 million yen in the previous period and foreign exchange gains of 15 million yen in the current period.

Profit differed from the previous year's results mainly because a reversal of provision for loss on business of subsidiaries and associates of 286 million yen was recorded as extraordinary income in the previous year.

As a result, the Company reported an operating loss of 180 million yen (operating profit of 51 million yen in the previous year), ordinary loss of 161 million yen (ordinary profit of 69 million yen in the previous year), and loss of 217 million yen (profit of 356 million yen in the previous year).

#### **4. Extraordinary Loss (Loss on Valuation of Advance Payments) in Non-consolidated Financial Results**

##### **(1) Extraordinary Loss (Loss on Valuation of Advance Payments)**

The Company, as a publisher of games, recorded a valuation loss of 55 million yen for a portion of advance payments that were recorded in the current fiscal year as a minimum guarantee for the cost of royalties paid to game licensors based on publishing sales, the amount of which is expected to be uncollectible in the future.

#### **5. Forecast of Financial Results for the Fiscal Year Ending December 31, 2024**

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