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July 14, 2023

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

Company name: Gunosy Inc.
Listing: Tokyo Stock Exchange
Securities code: 6047
URL: https://gunosy.co.jp/
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Scheduled date of annual general meeting of shareholders: August 25, 2023
Scheduled date to commence dividend payments: –
Scheduled date to file annual securities report: August 28, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

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

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

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2023	8,052	(10.5)	(268)	–	(1,705)	–	(1,150)	–
May 31, 2022	8,998	1.0	412	(42.5)	191	(70.1)	130	(66.1)

Note: Comprehensive income For the fiscal year ended May 31, 2023: ¥(1,110) million [–%]
For the fiscal year ended May 31, 2022: ¥458 million [1.1%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
May 31, 2023	(47.99)	–	(10.2)	(13.2)	(3.3)
May 31, 2022	5.47	5.44	1.1	1.4	4.6

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended May 31, 2023: ¥(1,428) million
For the fiscal year ended May 31, 2022: ¥– million

(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
May 31, 2023	12,324	10,857	87.5	449.24
May 31, 2022	13,518	11,934	87.3	493.56

Reference: Equity
As of May 31, 2023: ¥10,788 million
As of May 31, 2022: ¥11,804 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
May 31, 2023	(433)	604	0	5,100
May 31, 2022	(33)	(4,064)	9	4,947

2. Cash dividends

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

Note: The forecasts of the annual dividends per share for the fiscal year ending May 31, 2024 are currently undetermined.

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2024 (from June 1, 2023 to May 31, 2024)

(Percentages indicate year-on-year changes.)

	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
Fiscal year ending May 31, 2024	7,880	(2.1)	(500)	–	(999)	–	(1,070)	–	(44.57)

*** Notes**

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

Note: Although not a change in specified subsidiaries, Gunosy Capital Pte. Ltd., which was a consolidated subsidiary, was excluded from the scope of consolidation for the current fiscal year due to completion of liquidation. Furthermore, Grill Inc., which was a consolidated subsidiary, was excluded from the scope of consolidation due to the sale of shares held.

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

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

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, refer to "3. Consolidated Financial Statements and Significant Notes Thereto (5) Notes to the Consolidated Financial Statements (Changes in accounting policies)" on page 13 of the attached material.

(3) Number of issued shares (common shares)

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

As of May 31, 2023	24,237,774 shares
As of May 31, 2022	24,237,774 shares

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

As of May 31, 2023	222,444 shares
As of May 31, 2022	320,009 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended May 31, 2023	23,976,325 shares
Fiscal year ended May 31, 2022	23,781,658 shares

Note: The number of treasury shares includes shares of the Company held by the stock-granting ESOP trust account (118,442 shares for the fiscal year ended May 31, 2022, and 99,792 shares for the fiscal year ended May 31, 2023).

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2023	5,633	(16.5)	(376)	–	(387)	–	(665)	–
May 31, 2022	6,750	3.9	(39)	–	(243)	–	(134)	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
May 31, 2023	(27.74)	–
May 31, 2022	(5.66)	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
May 31, 2023	11,075	10,119	90.8	418.53
May 31, 2022	11,826	10,697	89.7	443.65

Reference: Equity
As of May 31, 2023: ¥10,051 million
As of May 31, 2022: ¥10,611 million

2. Non-consolidated earnings forecasts for the fiscal year ending May 31, 2024 (from June 1, 2023 to May 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending May 31, 2024	5,158	(8.4)	(624)	–	(624)	–	(26.02)

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

* Proper use of earnings forecasts, and other special matters

Earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to guarantee achievement. Actual results may differ significantly from forecasts due to a wide range of factors. For assumptions underlying earnings forecasts and notes on the use of forecasts, refer to “1. Overview of Business Results, etc. (4) Future Outlook” on page 4 of the attached material.

Attached Material

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

Regarding the business environment surrounding the Group, smartphones continued to become increasingly common, with the percentage of smartphone users in Japan rising by 3 percentage points compared to the previous year to 77.3% in 2022 (Source: Ministry of Internal Affairs and Communications). In addition, despite the impact of various factors in Japan and overseas such as the resurgence of COVID-19 continuing from 2020, the situation in Ukraine, and surging prices, advertising expenditures recorded their highest levels ever for the full year at 7,102.1 billion yen (104.4% of the previous year's expenditures) in 2022. Even amid these circumstances, strong online advertising expenditures against the backdrop of the digitalization of society are contributing to market growth, with the market growing by 114.3% from the previous fiscal year to 3,091.2 billion yen, an approximately 1-trillion yen increase in just three years, since the market first surpassed 2 trillion yen in 2019 (Dentsu Inc. study).

Under these circumstances, for the existing media business, the Group has focused on improving profitability at Gunosy, and on au Service Today and NewsPass, which are apps hosted collaboratively with KDDI Corporation, to ensure growth through a closer partnership with KDDI. Gunosy is designed to be a news media for the new era that will serve as an infrastructure for society, and initiatives are implemented to enable optimal delivery of "must-know information" with high social value and "want-to-know information" with high personal value. In the current fiscal year, we implemented the increased investment in advertising aimed at the renewed growth of Gunosy decided in the third quarter as planned. By strengthening investment, not only did new users increase as planned, but also our user retention rate improvement policy that we have pursued since the first quarter steadily produced results, succeeding in increasing user numbers compared to the previous quarter. While continuing our investment in Gunosy, we will continue our strict ad examinations, and we are committed to the creation of advertising experiences so that every user can enjoy the news media comfortably.

For new businesses, we continue investing in growth opportunities internally and externally. YOU IN, a brand of tea developed to provide "mood pairing," continued to enjoy strong demand as a gift as well as a strong buying by foreign tourists to Japan in offline sales, confirming demand in the inbound channel. Furthermore, at our equity-method affiliate GaragePreneurs Internet Pvt. Ltd. (GaragePreneurs), in December 2022 we began providing new products in compliance with the Digital Lending Guidelines announced by the Reserve Bank of India (RBI).

Regarding revenues, net sales related to Gunosy Ads amounted to 4,869 million yen for the current fiscal year. Net sales related to ad networks amounted to 629 million yen for the current fiscal year while continuing strict ad examinations.

Regarding expenses, continuing advertising investments for Gunosy's renewed growth resulted in recording advertising expenses of 1,065 million yen (down 21.9% compared with the previous fiscal year), while media costs decreased as a result of a decrease in net sales related to ad networks.

Additionally, while we recorded 1,428 million yen in investment losses through the equity method for our equity-method affiliate GaragePreneurs, with the change in our ownership ratio due to a third-party allocation of newly issued shares on June 2022, we recorded a gain on change in equity of 1,001 million yen.

As a result, for the current fiscal year, net sales decreased by 10.5% from the previous fiscal year to 8,052 million yen, ordinary losses were 1,705 million yen compared to ordinary profit of 191 million in the previous fiscal year, and loss attributable to owners of parent was 1,150 million yen compared to profit attributable to owners of parent of 130 million yen in the previous fiscal year.

The cumulative number of downloads of all Gunosy, NewsPass, and au Service Today in Japan for the current fiscal year increased by 5.13 million from the end of the previous fiscal year to 65.44 million. Moreover, on February 15, 2023, we ended service for LUCRA, one of our apps. As of the conclusion of service, we had reached 75 million downloads for our four apps including LUCRA's cumulative downloads.

Descriptions related to segment information are omitted because the Group has only one major segment, the Media business.

(2) Overview of Financial Position for the Period Under Review

(Assets)

Assets at the end of the current fiscal year decreased by 1,194 million yen from the end of the previous fiscal year to 12,324 million yen. This is mainly attributable to a decrease in cash and deposits (a decrease of 567 million yen from the end of the previous fiscal year), a decrease in accounts receivable - trade (a decrease of 102 million yen from the end of the previous fiscal year), a decrease in investment securities (a decrease of 240 million yen from the end of the previous fiscal year), and a decrease in deferred tax assets (a decrease of 223 million yen from the end of the previous fiscal year).

(Liabilities)

Liabilities at the end of the current fiscal year decreased by 116 million yen from the end of the previous fiscal year to 1,466 million yen. This is mainly attributable to a decrease in accounts payable - trade (a decrease of 216 million yen from the end of the previous fiscal year) and an increase in advances received (an increase of 118 million yen from the end of the previous fiscal year).

(Net assets)

Net assets at the end of the current fiscal year decreased by 1,077 million yen from the end of the previous fiscal year to 10,857 million yen. This is mainly attributable to a decrease in retained earnings (a decrease of 1,231 million from the end of the previous fiscal year) and a decrease in treasury shares (a decrease of 156 million yen from the end of the previous fiscal year).

(3) Overview of Cash Flows for the Period Under Review

Cash and cash equivalents (hereinafter referred to as "capital") for the current fiscal year increased by 152 million yen from the previous fiscal year to 5,100 million yen. The following describes the situation of the current fiscal year details for each type of cash flow.

(Cash flows from operating activities)

Capital used by operating activities during the current fiscal year amounted to 433 million yen (compared with 33 million yen used during the previous fiscal year). This is mainly attributable to recording loss before income taxes of 851 million, a decrease in trade payables of 203 million yen, and an increase in advances received of 120 million.

(Cash flows from investing activities)

Capital provided by investing activities during the current fiscal year amounted to 604 million yen (compared with 4,064 million yen used during the previous fiscal year). This is mainly attributable to payments into time deposits of 891 million yen, proceeds from withdrawal of time deposits of 1,816 million yen, and purchase of investment securities of 323 million yen.

(Cash flows from financing activities)

Capital provided by financing activities during the current fiscal year amounted to 0 million yen (compared with 9 million yen provided during the previous fiscal year). This is mainly attributable to proceeds from disposal of treasury shares of 16 million yen.

(Reference) Changes in indicators related to cash flows

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Equity ratio (%)	77.7	84.8	85.0	87.3	87.5
Equity ratio based on fair value (%)	323.5	170.1	169.2	151.4	119.6
Interest-bearing debt to cash flows ratio (Years)	–	–	–	–	–
Interest coverage ratio (Times)	16,675.3	–	3,487.3	–	–

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on fair value: Total market value of shares / Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debts / Cash flows

Interest coverage ratio: Cash flows / Interest paid

(Notes) 1. The indicators were calculated using consolidated financial figures.

2. The total market value of shares was calculated based on the number of shares outstanding, excluding treasury shares.

3. In the description above, "Cash flows" represent cash flows from operating activities.

4. Interest-bearing debts include all debts recorded on the Consolidated Balance Sheets for which interest is paid. Interest paid is the interest expenses paid shown on the Consolidated Statements of Cash Flows.

5. The interest coverage ratio was not calculated for the fiscal years ended May 31, 2020 and 2022, as the cash flows from operating activities were negative. Furthermore, as there was no interest paid from the interest coverage ratio (times) for the fiscal year ended May 31, 2023, it has not been provided.

(4) Future Outlook

For the fiscal year ended May 31, 2023, while gauging trends in COVID-19 and other macro-environmental factors, based on improvements in the user retention rate and advertising revenues, from the third quarter we expanded investment in advertising for Gunosy's renewed growth. In the fiscal year ending May 31, 2024, we will run our business with a policy of strengthening investment in advertising. However, given the overall uncertainty in the macroenvironment including increasing geopolitical risks and the resulting fluctuations in the financial markets, we will expand investment while carefully considering our investment results.

Based on these conditions, while strengthening investment in advertising for the renewed growth of Gunosy in the coming fiscal year, the Group will continue to work to improve our user retention rate and profitability per user. Additionally, for au Service Today, run jointly with KDDI Corporation, and NewsPass, the Group will focus on improving products to increase adoption by au users. For Game8 Inc., a consolidated subsidiary, while continuing stable operations of game8.jp, which is a game strategy media, the Company will create drivers for growth by developing overseas businesses and other new businesses. Regarding our equity-method affiliate GaragePreneurs Internet Pvt. Ltd. (GaragePreneurs), since we began releasing new products in compliance with the Digital Lending Guidelines announced by the Reserve Bank of India (RBI) in December 2022, we have run our business with a goal of renewed growth. The Company will continue to make efforts, such as assigning Directors from the Company, to maximize the corporate value of GaragePreneurs and strengthen the partnership with the Company. Furthermore, to achieve non-linear growth, the Company will continue investments and M&A for external start-ups with great potential, while developing new businesses, such as YOU IN, a D2C brand.

Regarding the consolidated financial results forecast for the fiscal year ending May 31, 2024, based on the business factors outlined above, net sales are projected to be 7,880 million yen (a decrease of 2.1% from the previous fiscal year), operating loss to be 500 million yen (compared with an operating loss of 268 million yen in the previous fiscal year), ordinary loss to be 999 million yen (compared with an ordinary loss of 1,705 million yen for the previous fiscal year), and loss attributable to owners of parent to be 1,070 million yen (compared with a loss attributable to owners of parent of 1,150 million in the previous fiscal year).

To make a financial results forecast for the fiscal year ending May 31, 2024, the numbers of downloads, net sales, and expenses for the existing business areas are determined as follows:

(a) Number of downloads

The number of new downloads is calculated based on some factors, such as advertising expenses to be spent, actual past cost per download (Advertising expenses / Number of new downloads), and an expected decrease in the download rate. The financial results forecast is made based on the assumption that the cumulative number of downloads of all Gunosy, NewsPass, and au Service Today will reach 69.93 million at the end of the fiscal year ending May 31, 2024.

(b) Net sales

Net sales related to Gunosy Ads are calculated based on past performance and other factors, such as the number of downloads, the retention rate of users who downloaded apps, and the profitability of retained users. Net sales related to ad networks are calculated based on past performance and other factors. Net sales related to other media are also calculated based on past performance and other factors.

(c) Cost of sales

The calculation is based on labor costs calculated from the human resource plan and actual past costs, such as server costs.

(d) Selling, general and administrative expenses

The calculation takes into account advertising expenses of 1,189 million yen will be required for the fiscal year ending May 31, 2024, to achieve the expected number of downloads described above, as well as other factors including amortization of goodwill, labor costs calculated from the human resource plan, and actual past costs, such as rent expenses on buildings and other factors.

2. Basic Stance Concerning Choice of Accounting Standards

The Group prepares its consolidated financial statements using Japanese GAAP. Carefully observing the trend of introducing International Financial Reporting Standards (IFRS) in the future, the Group will make efforts to establish a system to appropriately adapt to trends.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	6,492	5,925
Accounts receivable - trade	772	669
Other	612	677
Total current assets	7,877	7,272
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15	8
Other, net	10	4
Total property, plant and equipment	26	12
Intangible assets		
Goodwill	63	40
Other	50	0
Total intangible assets	114	40
Investments and other assets		
Investment securities	5,180	4,940
Deferred tax assets	241	18
Other	76	39
Total investments and other assets	5,499	4,998
Total non-current assets	5,641	5,051
Total assets	13,518	12,324

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	637	421
Accounts payable - other	297	325
Income taxes payable	73	42
Advances received	348	466
Provision for point card certificates	7	0
Provision for share awards	13	9
Other	185	172
Total current liabilities	1,563	1,438
Non-current liabilities		
Provision for share awards	3	9
Deferred tax liabilities	16	19
Total non-current liabilities	20	28
Total liabilities	1,583	1,466
Net assets		
Shareholders' equity		
Share capital	4,099	4,099
Capital surplus	4,099	4,099
Retained earnings	3,709	2,478
Treasury shares	(463)	(307)
Total shareholders' equity	11,444	10,369
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47	16
Deferred gains or losses on hedges	55	90
Foreign currency translation adjustment	257	311
Total accumulated other comprehensive income	360	419
Share acquisition rights	86	68
Non-controlling interests	43	–
Total net assets	11,934	10,857
Total liabilities and net assets	13,518	12,324

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

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Net sales	8,998	8,052
Cost of sales	5,007	4,945
Gross profit	3,991	3,106
Selling, general and administrative expenses	3,578	3,375
Operating profit (loss)	412	(268)
Non-operating income		
Interest income	0	19
Foreign exchange gains	23	12
Other	1	4
Total non-operating income	24	35
Non-operating expenses		
Interest expenses	0	–
Commission expenses	13	15
Idle asset expenses	204	–
Loss on investments in investment partnerships	21	23
Share of loss of entities accounted for using equity method	–	1,428
Other	5	4
Total non-operating expenses	245	1,473
Ordinary profit (loss)	191	(1,705)
Extraordinary income		
Gain on sale of investment securities	80	9
Gain on change in equity	–	1,001
Gain on reversal of share acquisition rights	10	18
Other	–	14
Total extraordinary income	91	1,042
Extraordinary losses		
Impairment losses	–	65
Loss on valuation of investment securities	50	111
Loss on sale of shares of subsidiaries and associates	–	11
Total extraordinary losses	50	188
Profit (loss) before income taxes	232	(851)
Income taxes - current	171	93
Income taxes - deferred	(76)	224
Total income taxes	95	317
Profit (loss)	137	(1,169)
Profit (loss) attributable to non-controlling interests	6	(18)
Profit (loss) attributable to owners of parent	130	(1,150)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Profit (loss)	137	(1,169)
Other comprehensive income		
Valuation difference on available-for-sale securities	24	(30)
Deferred gains or losses on hedges	55	35
Foreign currency translation adjustment	(14)	(1)
Share of other comprehensive income of entities accounted for using equity method	255	55
Total other comprehensive income	321	59
Comprehensive income	458	(1,110)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	451	(1,091)
Comprehensive income attributable to non-controlling interests	6	(18)

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended May 31, 2022

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	4,094	4,094	3,659	(602)	11,245	23	–	15	38	83	36	11,404
Changes during period												
Issuance of new shares - exercise of share acquisition rights	5	5			10							10
Profit attributable to owners of parent			130		130							130
Disposal of treasury shares			(79)	138	59							59
Net changes in items other than shareholders' equity						24	55	241	321	2		331
Total changes during period	5	5	50	138	199	24	55	241	321	2	6	530
Balance at end of period	4,099	4,099	3,709	(463)	11,444	47	55	257	360	86	43	11,934

For the fiscal year ended May 31, 2023

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	4,099	4,099	3,709	(463)	11,444	47	55	257	360	86	43	11,934
Changes during period												
Loss attributable to owners of parent			(1,150)		(1,150)							(1,150)
Purchase of treasury shares				(0)	(0)							(0)
Disposal of treasury shares			(80)	156	75							75
Net changes in items other than shareholders' equity						(30)	35	54	59	(17)	(43)	(2)
Total changes during period	–	–	(1,231)	156	(1,075)	(30)	35	54	59	(17)	(43)	(1,077)
Balance at end of period	4,099	4,099	2,478	(307)	10,369	16	90	311	419	68	–	10,857

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	232	(851)
Depreciation	28	22
Impairment losses	–	65
Amortization of goodwill	23	23
Foreign exchange losses (gains)	(27)	(145)
Interest income	(0)	(19)
Interest expenses	0	–
Loss (gain) on sale of investment securities	(80)	(9)
Loss (gain) on valuation of investment securities	50	111
Share of loss (profit) of entities accounted for using equity method	–	1,428
Loss (gain) on change in equity	–	(1,001)
Decrease (increase) in trade receivables	103	72
Increase (decrease) in trade payables	(172)	(203)
Increase (decrease) in accounts payable - other	(47)	49
Decrease (increase) in prepaid expenses	38	(111)
Increase (decrease) in advances received	(1)	120
Increase (decrease) in provision for share awards	15	20
Other, net	104	104
Subtotal	266	(322)
Interest and dividends received	0	19
Interest paid	(0)	–
Income taxes paid	(299)	(129)
Net cash provided by (used in) operating activities	(33)	(433)
Cash flows from investing activities		
Payments into time deposits	(1,545)	(891)
Proceeds from withdrawal of time deposits	–	1,816
Purchase of investment securities	(2,938)	(323)
Proceeds from sale of investment securities	233	29
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(33)
Payments of leasehold and guarantee deposits	(5)	–
Proceeds from refund of leasehold and guarantee deposits	201	0
Other, net	(10)	6
Net cash provided by (used in) investing activities	(4,064)	604
Cash flows from financing activities		
Proceeds from short-term borrowings	1,000	–
Repayments of short-term borrowings	(1,000)	–
Proceeds from disposal of treasury shares	12	16
Proceeds from issuance of shares	9	–
Other, net	(12)	(15)
Net cash provided by (used in) financing activities	9	0
Effect of exchange rate change on cash and cash equivalents	83	(18)
Net increase (decrease) in cash and cash equivalents	(4,004)	152
Cash and cash equivalents at beginning of period	8,952	4,947
Cash and cash equivalents at end of period	4,947	5,100

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021, hereinafter "Accounting Standard for Fair Value Measurement Implementation Guidance") from the beginning of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement Implementation Guidance prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Accounting Standard for Fair Value Measurement Implementation Guidance. These changes to our accounting policy do not affect our Consolidated Financial Statements.

(Changes in presentation)

(Consolidated Statements of Cash Flows)

For the previous fiscal year, "Foreign exchange losses (gains)" was included in "Other, net" under "Cash flows from operating activities." The Company decided to present it separately starting from the current fiscal year because its financial importance increased. To reflect the presentation change, a reclassification is made to the consolidated financial statements for the previous fiscal year.

As a result, on the Consolidated Statements of Cash Flows for the previous fiscal year, the amount of 76 million yen recorded in "Other, net" under "Cash flows from operating activities" is reclassified into "Foreign exchange losses (gains)" under "Cash flows from operating activities" with an amount of (27) million yen and "Other, net" with an amount of 104 million yen.

For the previous fiscal year, "Purchase of property, plant and equipment" under "Cash flows from investing activities" was presented separately. However, as it has decreased in financial importance, in the current fiscal year it has been included in "Other, net" under "Cash flows from investing activities." To reflect the presentation change, a reclassification is made to the consolidated financial statements for the previous fiscal year.

As a result, on the Consolidated Statements of Cash Flows for the previous fiscal year, the amount of (10) million yen recorded in "Purchase of property, plant and equipment" under "Cash flows from investing activities" and the (0) million yen recorded in "Other, net" have been reclassified into "Other, net" with an amount of (10) million yen.

(Additional information)

(Making GaragePreneurs Internet Pvt. Ltd. an equity-method affiliate through a share acquisition)

Regarding the compulsory convertible debentures of GaragePreneurs Internet Pvt. Ltd. owned by the Company and its subsidiaries, in December 2021, following their conversion, the Company acquired compulsory convertible preference shares issued by (GaragePreneurs), and with the additional acquisition of compulsory convertible preference shares on February 4, 2022, the Company and its subsidiaries came to own 17.77% of the voting rights in GaragePreneurs. With this acquisition of shares and assigning of Directors from the Company, GaragePreneurs became an equity-method affiliate of the Company.

An overview of GaragePreneurs is provided below.

(1) Name	GaragePreneurs Internet Pvt. Ltd.
(2) Business	Digital credit business
(3) Start of the application of the equity method	March 31, 2022
(4) Ratio of voting rights after share acquisition	17.77%

(1) Period for the financial results of investee companies included in the Consolidated Statements of Income for the current fiscal year

The closing date for GaragePreneurs, our investee company, is the final day of March, two months different from our consolidated closing date.

Because the start date of the application of the equity method for GaragePreneurs is March 31, 2022, in the Consolidated Statements of Income for the current fiscal year, financial results for the investee company from April 1, 2022 to March 31, 2023 are included in share of profit (loss) of entities accounted for using equity method.

(2) Overview of accounting processes implemented

(a) Historic costs and breakdown for investee company

(Millions of yen)

Acquisition consideration	Cash	3,556
Expenses directly required for acquisition	Advisory fees, etc.	27
Historic costs		3,584

(b) Amount, reason for incurrence, amortization method, and amortization period for the goodwill included in the investment securities that was incurred

(i) Amount of goodwill included in the investment securities that was incurred

229 million yen

Furthermore, based on reasonable information that could be acquired when preparing the consolidated financial statements at the end of the previous fiscal year, we conducted provisional accounting processes for the distribution of the historic costs, and these accounting processes have been made permanent in the current fiscal year.

(ii) Reason for incurrence

Goodwill incurred due to the excess earning power expected in future business years.

(iii) Amortization method and amortization period

Straight-line method over eight years

(c) Money allocated to intangible fixed assets aside from the goodwill included in the investment securities that was incurred

Money allocated to intangible fixed assets aside from goodwill totals 729 million yen.

(Related to the Consolidated Statement of Income)

Impairment losses

The Group recorded impairment losses on the following asset groups.

Current fiscal year (June 1, 2022 to May 31, 2023)

(Millions of yen)

Location	Use	Type	Amount
Shibuya-ku, Tokyo	Business assets	Buildings and structures	0
		Property, plant and equipment (other)	1
		Intangible fixed assets (other)	32
		Investments and other assets (other)	30
Total			65

(a) History leading to the recognition of amortization losses

With revisions to the Company's business plan, as the estimation period for the remaining useful life of our main assets, as a result of comparing future cash flow based on the business plan with the book value of fixed assets, because future cash flow fell below book value, we have depreciated the book value to the recoverable value and recorded the amortization loss on the amount of the reduction in question as an extraordinary loss.

(b) Method for asset grouping

The Group conducts assets grouping using the minimum unit created by mostly independent cash flows based on the main business categories.

(c) Calculation method for the recoverable value

The recoverable value is measured using the utility value, and the recoverable value is calculated as zero as no future cash flow is expected.

(Segment information, etc.)

[Segment information]

Segment information is omitted because the Group has only one major segment, the Media business.

[Related information]

For the fiscal year ended May 31, 2022

1. Information by product and service

   Omitted because net sales to outside customers in the single product/service category account for more than 90% of net sales on the Consolidated Statements of Income.

2. Information by geographical area

   (1) Net sales

   Omitted because net sales to outside customers in Japan account for more than 90% of net sales on the Consolidated Statements of Income.

   (2) Property, plant and equipment

   There is no relevant information because there are no property, plant and equipment owned outside Japan.

3. Information by major customer

Customer name	Net sales (Million yen)	Related segment
Google LLC	942	Media business

For the fiscal year ended May 31, 2023

1. Information by product and service

   Omitted because net sales to outside customers in the single product/service category account for more than 90% of net sales on the Consolidated Statements of Income.

2. Information by geographical area

   (1) Net sales

   Omitted because net sales to outside customers in Japan account for more than 90% of net sales on the Consolidated Statements of Income.

   (2) Property, plant and equipment

   There is no relevant information because there are no property, plant and equipment owned outside Japan.

3. Information by major customer

Customer name	Net sales (Million yen)	Related segment
KDDI Corporation	823	Media business

[Information about impairment losses on non-current assets by reportable segment]

For the fiscal year ended May 31, 2022

There is no relevant information.

For the fiscal year ended May 31, 2023

Segment information is omitted because the Group has only one major segment, the Media business. Furthermore, amortization losses were 65 million yen in the current fiscal year.

[Information about amortization amount and unamortized balance of goodwill by reportable segment]

For the fiscal year ended May 31, 2022

Segment information is omitted because the Group has only one major segment, the Media business.

For the fiscal year ended May 31, 2023

Segment information is omitted because the Group has only one major segment, the Media business.

[Information about gain on bargain purchase by reportable segment]

There is no relevant information.

(Per share information)

(Yen)

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Net assets per share	493.56	449.24
Basic earnings (loss) per share	5.47	(47.99)
Diluted earnings per share	5.44	–

(Notes) 1. Regarding diluted earnings per share in the current fiscal year, while there are residual shares, they are not provided as there were diluted losses per share.

2. In the calculation of net assets per share, the Company's shares that are recorded as treasury shares under the shareholders' equity and held by the stock-granting ESOP trust account are included in treasury shares that are excluded from the total number of outstanding shares at the end of the period. In the calculation of basic earnings (loss) per share and diluted earnings per share, they are included in treasury shares that are excluded when calculating the average number of shares during the period.

3. In the calculation of net assets per share, the number of the treasury shares excluded from the total number of outstanding shares at the end of the period is 118,442 shares for the previous fiscal year and 99,792 shares for the current fiscal year. In the calculation of basic earnings (loss) per share and diluted earnings per share, the number of the treasury shares excluded from the average number of shares during the period is 124,677 shares for the previous fiscal year and 109,735 shares for the current fiscal year.

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

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Basic earnings (loss) per share		
Profit (loss) attributable to owners of parent (Million yen)	130	(1,150)
Amount not attributed to common shareholders (Million yen)	–	–
Profit (loss) attributable to owners of parent related to common shares (Million yen)	130	(1,150)
Average number of shares of common shares outstanding during the period (Shares)	23,781,658	23,976,325
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Million yen)	–	–
Increase in number of shares of common shares (Shares)	127,308	–
(Share acquisition rights) (Shares)	(127,308)	(–)

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	7th share acquisition rights 48,000 units (48,000 common shares) Issued on July 29, 2016 9th share acquisition rights 1,600 units (1,600 common shares) Issued on July 29, 2019 10th share acquisition rights 14,100 units (14,100 common shares) Issued on September 14, 2020 11th share acquisition rights 123,200 units (123,200 common shares) Issued on June 2, 2021 12th share acquisition rights 17,000 units (17,000 common shares) Issued on September 30, 2021 13th share acquisition rights 23,000 units (23,000 common shares) Issued on May 2, 2022	7th share acquisition rights 30,000 units (30,000 common shares) Issued on July 29, 2016 9th share acquisition rights 1,600 units (1,600 common shares) Issued on July 29, 2019 10th share acquisition rights 8,700 units (8,700 common shares) Issued on September 14, 2020 11th share acquisition rights 82,900 units (82,900 common shares) Issued on June 2, 2021 12th share acquisition rights 8,000 units (8,000 common shares) Issued on September 30, 2021 13th share acquisition rights 23,000 units (23,000 common shares) Issued on May 2, 2022 14th share acquisition rights 31,800 units (31,800 common shares) Issued on June 29, 2022

4. The basis for calculating net assets per share is as follows:

	As of May 31, 2022	As of May 31, 2023
Total net assets (Million yen)	11,934	10,857
Amount deducted from total net assets (Million yen)	129	68
(Share acquisition rights) (Million yen)	(86)	(68)
(Non-controlling interests) (Million yen)	(43)	(–)
Year-end net assets related to common shares (Million yen)	11,804	10,788
Number of common shares at year-end used to calculate net assets per share (Shares)	23,917,765	24,015,330

(Significant subsequent events)

There is no relevant information.