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Notice Concerning Recording of Gain on Sale of Investment Securities and Extraordinary Loss (Loss on Valuation of Investment Securities and Impairment Loss) and Revision of Consolidated Earnings Forecast for FY2024

KLab Inc. ("the Company") has announced that in addition to recording gain on sale of investment securities as non-operating income and extraordinary income, it also expects to record extraordinary loss in the fourth quarter consolidated financial period of the fiscal year ended December 2024.

Additionally, based on recent performance trends, the Company has revised its full-year consolidated earnings forecast for the fiscal year ended December 2024, which was previously undisclosed as follows.

Notes

1. Recording of Gain on Sale of Investment Securities

(1) Reason for sale of investment securities

In order to carry out stable business operations, the Company will leverage the investment securities it holds.

(2) Overview of sale of investment securities

① Sale of shares: 3 securities held by the Company

② Period of occurrence for gain on sale of investment securities: fourth quarter financial period of the fiscal year ended December 2024

③ Gain on sale of investment securities: 302 million yen (non-operating income of 55 million yen, extraordinary gain of 246 million yen)

2. Recording of Extraordinary Loss

(1) Recording of Impairment Loss on Investment Securities

After considering the financial condition and future outlook of the issuing companies for a portion of the investment securities the Company holds, it has conservatively evaluated the future asset value. As a result, the Company plans to impair these investment securities and record an impairment loss of 860 million yen as an extraordinary loss in the fourth quarter of the fiscal year ended December 2024.

(2) Recording of Impairment Loss on Software

After careful consideration of the future recoverability for a portion of the non-current assets (software) used in the game business, the Company expects to record an impairment loss of 121 million yen for the entire book value of this software as an extraordinary loss in the fourth quarter of the fiscal year ended December 2024.

3. Revision of Earnings Forecast

(1) Revised Earnings Forecast

(in Millions of Yen)

	Revenue	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Net Income Per Share (Yen)
Results for Previous Fiscal Year (A) (Ended Dec. 31, 2023)	10,717	(1,218)	(852)	(1,819)	(44.98)
Earnings Forecast (A) (Ended Dec. 31, 2024)	8,300	(1,400)	(1,400)	(2,800)	—
Amount of Increase / Decrease (B - A)	(2,417)	(181)	(547)	(980)	
Rate of Increase / Decrease	(22.6%)	—	—	—	

(2) Reason for Difference

During this consolidated fiscal year, while prioritizing the release of new titles, the Company has simultaneously worked on measures to curb the decline of long-term titles, explore new revenue sources, and reform its cost structure with a view to achieving early profitability.

Regarding revenue, the existing title *Captain Tsubasa: Dream Team* showed certain effects from the measures to curb the decline that has been continuously implemented since 2023, resulting in revenue exceeding the previous year. Additionally, the Company accumulated revenue through a support model that assists in the gamification of Japanese IPs and IP collaborations, which are in high demand by overseas game companies. However, this was not enough to cover the decline in revenue from other existing titles and titles that have ended service, leading to a forecasted decrease in revenue compared to the previous fiscal year.

As for operating profit, the Company has worked to improve profitability by reviewing its personnel structure and restraining recruitment, as well as thoroughly controlling costs and striving to reduce expenses. However, this was not sufficient to cover the decrease in profit due to the decline in revenue.

Furthermore, the net profit attributable to the parent company's shareholders is expected to widen the deficit from the previous fiscal year due to the inclusion of the details described in "2. Recording of Extraordinary Loss."