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November 11, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: Gala Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4777
 URL: <http://www.gala.jp>
 Representative: Satoru Kikugawa, Representative Director and Group CEO
 Inquiries: Yuki Okamoto, Director and CFO
 Telephone: +81-03-6822-6669
 Scheduled date to file quarterly securities report: November 11, 2022
 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, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	1,810	687.0	280	—	263	—	172	—
September 30, 2021	230	△23.2	△251	—	△281	—	△267	—

Note: Comprehensive income For the six months ended September 30, 2022: ¥363 million [—%]
 For the six months ended September 30, 2021: △¥281 million [—%]

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2022	7.53	6.71
September 30, 2021	△14.04	—

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2022	2,860	1,968	56.3	64.33
March 31, 2022	1,047	438	△2.8	△1.53

Reference: Equity
 As of September 30, 2022: ¥ 1,609 million
 As of March 31, 2022: △¥ 29 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2022	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		0.00	—	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 March 31, 2023 (From April 1, 2022 to March 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, 2022	25,016,800 shares
As of March 31, 2022	19,060,800 shares

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

As of September 30, 2022	— shares
As of March 31, 2022	— shares

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

Six months ended September 30, 2022	22,979,608 shares
Six months ended September 30, 2021	19,060,800 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Cautionary Statement Regarding Forward-Looking Statements)

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.

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

As for the operating results of Gala Inc. (the "Company") and its consolidated subsidiaries (collectively, the "Group"), the Group's net sales for the six-month period ended September 30, 2022 have significantly increased to 1,810,757 thousand yen (687.0% increase year-on-year).

The year-on-year sales increase was mainly due to the launch of "Flyff Universe", an HTML5 game.

Cost of sales has increased due to increases in royalty fees paid in relation to the HTML5 game and channeling fees paid for the Online game business.

Selling, general and administrative expenses have increased year-on-year mainly due to increases in advertising expenses led by strengthened marketing activities for "Flyff Universe", value-added tax resulting from sales growth and software amortization expenses.

As a result, the Group achieved a positive operating profit, ordinary profit and a profit attributable to owners of parent, recording an operating profit of 280,511 thousand yen (operating loss of 251,164 thousand yen in the previous same period), an ordinary profit of 263,123 thousand yen (ordinary loss of 281,121 thousand yen in the previous same period), and a profit attributable to owners of parent of 172,922 thousand yen (loss attributable to owners of parent of 267,536 thousand yen in the previous same period).

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

1) Japan

In October 2021, the Japan segment started offering "Rappelz", a smartphone game app developed by Gala Lab Corp., a consolidated subsidiary of the Company, in the US and Canada. The segment is currently preparing for the renewal and global release of "Rappelz" as an NFT game/blockchain game (*1) by incorporating blockchain technology. In the NFT games/blockchain games, in-game items are "converted to NFT (*3)" by the blockchain (*2), a fundamental technology of crypto assets, and users can change the items obtained in the game to crypto assets that can be traded on an exchange or other markets. The segment will further enhance the appeal of games through these measures and focus on the monetization of the Smartphone app business. The start of the service is expected to be in the third quarter of the fiscal year ending March 2023 for re-release in the US and the fourth quarter of the same fiscal year for release in the EU and Taiwan.

The Group has also launched the Treehouse resort business as a new business since Treeful Inc. has become a subsidiary of the Company in the previous fiscal year. The Treehouse resort business is a resort business in Nago City, Okinawa operated by Treeful Inc., a consolidated subsidiary of the Company. The business offers a combination of Treehouse and Aerohouse built on the ground as one set to the guests. Treeful Inc. is licensed for the business of operation of an inn according to the Hotel Business Act since July 2021 and opened the Treehouse Resort in August 2021 as the first paid treehouse accommodation provider in Japan.

With the concept of a "Sustainable Resort", the Treehouse Resort aims the establishment of a sustainable society by using electricity instead of fossil fuel and generating solar power larger than actual usage. The Group has found a growth strategy for the Treehouse resort business and aims to increase its enterprise value.

Net sales of the segment (including inter-segment transactions) increased year-on-year mainly due to sales from the aforementioned Treehouse resort business.

As for the expenses, selling, general and administrative expenses increased mainly due to increases in allowance for doubtful accounts and outsourcing expenses.

As a result, net sales of the Japan segment (including inter-segment transactions) increased by 14,478 thousand yen or 47.8% year-on-year to 44,754 thousand yen and the segment recorded a loss of 115,475 thousand yen (loss of 78,006 thousand yen in the previous same period).

2) Korea

The Korea segment started offering an HTML5 game "Flyff Universe" in Southeast Asia in May 2022 and in the global area in June 2022. HTML5 games are highly accessible games that enable users to play the games on various devices including PCs and smartphones without downloading. The cumulative number of registered users of the HTML5 game "Flyff Universe" has increased steadily since its service

release and achieved 1 million users on July 15, 2022 and 1.5 million users on October 3, 2022. Net sales have also increased steadily and the net sales for the six-month period ended September 30, 2022 amounted to 1,450,231 thousand yen. The segment is currently developing an NFT game/blockchain game "Flyff Universe" which combines the element of the HTML5 game of "Flyff Universe" and the element of Play To Earn (P2E) (*4) using the blockchain technology, aiming at its release in the fourth quarter of the fiscal year ending March 2023.

In the Smartphone app business, Gala Lab Corp. entered into an agreement with METABORA Co., Ltd. on April 1, 2022 to reacquire the right to the "Flyff Legacy" smartphone game app. Gala Lab Corp. transferred the license and operational rights to the app in the past fiscal year. Following the reacquisition, Gala Lab Corp. has become a provider of the game. In September 2022, Digeam Co., Ltd., a game service provider in Taiwan, started offering the smartphone game app "Rappelz". In addition, the "winwalk" pedometer app and "winQuiz" smartphone app, each developed by Gala Mix Inc., a consolidated subsidiary of the Company, have been deployed in multiple languages using the Company's global network and contributed to the stable sales trend. As a result, net sales of the segment (including inter-segment transactions) increased year-on-year.

In the Online game business, the segment proceeded with the license deployment and channeling (*5) deployment. As for Gala Lab Corp.'s major games "Flyff Online" and "Rappelz Online", Gala Lab Corp. has entered into a channeling agreement with BPMG Co., Ltd. on April 1, 2022, following the expiration of a license agreement with METABORA Co., Ltd. According to the contract change, a publisher of the games in the major areas has been changed from a licensee to Gala Lab Corp. and therefore the revenue recognition method has been changed from license sales based on license fees received to publishing sales as a publisher. As a result, net sales of the segment (including inter-segment transactions) increased year-on-year.

As for the license deployment, Digeam Co., Ltd., a game service provider in Taiwan, has been offering a service of "Flyff Online" since June 2021 which is a multilingual service provision leveraging the Company's strong global network.

As another measure to increase revenue, the Group will focus on Blockchain-related business as a major business since its market scale is expected to expand in the future. In September 2022, Gala Lab Corp. signed a letter of intent to establish a business alliance for the metaverse (*6) campus platform business (the "Meta School business") with LG Uplus Corp., a major Korean telecommunication company, and Megazone Corporation, one of the largest Korean digital IT companies. The Meta School business is positioned as a Blockchain-related business. It will develop and establish virtual campuses on metaverse platforms and provide the metaverse platforms to educational institutions including universities as a community space for students or a place of events such as information sessions for entrance examinations to the university. Operation of the business is allocated to each company and Gala Lab Corp. develops metaverse platforms, LG Uplus Corp. attracts schools and provides marketing, and Megazone Corporation provides infrastructures such as clouds.

In addition, the segment will proceed with the development of "Flyff World for Metaverse" and "Rappelz World for Metaverse" offered on the blockchain-based metaverse platform in accordance with the development agreement (the "Metaverse project") concluded in April 2021 among Gala Lab Corp., METABORA Co., Ltd. and Barunson Co., Ltd., a Korean entertainment company. In the Metaverse project, Barunson Co., Ltd. develops, offers and operates the metaverse platform that enables crypto assets "BORA" to be used in the metaverse and METABORA Co., Ltd. develops and supports the blockchain technology. Gala Lab Corp. is responsible for the development, content creation and service operation of the games offered on the metaverse platform, "Flyff World for Metaverse" and "Rappelz World for Metaverse", using the IP of PC online games "Flyff Online" and "Rappelz Online".

As for expenses, selling, general and administrative expenses have increased mainly due to increases in advertising expenses led by strengthened marketing activities for "Flyff Universe", value-added tax resulting from sales growth and software amortization expenses.

As a result, net sales of the Korea segment (including inter-segment transactions) increased by 1,595,758 thousand yen or 747.4% year-on-year to 1,809,252 thousand yen and the segment recorded a profit of 402,533 thousand yen (loss of 166,984 thousand yen in the previous same period).

- (*1) NFT game/blockchain game is the game in which in-game items are "converted to NFT" 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 Positions

The Group's net assets at the end of the current second quarter amounted to 1,968,899 thousand yen, an increase of 1,530,459 thousand yen from the end of the previous fiscal year.

Major fluctuations in assets were increases in cash and deposits by 1,431,466 thousand yen, accounts receivable - trade by 228,076 thousand yen, software by 176,609 thousand yen and a decrease in crypto assets by 98,118 thousand yen. Cash and deposits increased mainly due to cash receipt for a third-party allotment of new shares under the resolution of the Company's Board of Directors held on May 13, 2022 and cash receipt from the exercise of the 6th series of share acquisition rights. Accounts receivable - trade increased mainly due to the service release of the HTML5 game "Flyff Universe" and software increased by reacquisition of the right to the "Flyff Legacy" smartphone app. Crypto assets decreased by realization through sales and revaluation at the end of the first quarter.

As for liabilities, accounts payable - other and long-term unearned revenue increased by 111,120 thousand yen and 101,000 thousand yen, respectively. Accounts payable - other increased mainly due to an increase in server costs and long-term unearned revenue increased mainly due to contract amounts arising from the channeling agreements of "Flyff Legacy", "Flyff Online" and "Rappelz Online".

As for net assets, capital stock and capital surplus each increased by 679,662 thousand yen and retained earnings increased by 172,922 thousand yen while share acquisition rights decreased by 78,115 thousand yen. Increases in capital stock and capital surplus were mainly due to a third-party allotment of new shares under the resolution of the Company's Board of Directors held on May 13, 2022 and the exercise of the 6th series of share acquisition rights. A decrease in share acquisition rights was mainly due to the exercise of the right.

(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 VR business, and the Treehouse resort 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)

	FY2022 As of March 31, 2022	2 nd Quarter of FY2023 As of September 30, 2022
Assets		
Current assets		
Cash and deposits	288,934	1,720,400
Accounts receivable - trade	63,524	291,600
Inventories	1,954	1,746
Accounts receivable - other	6,882	4,185
Crypto assets	126,205	28,086
Prepaid expenses	3,546	5,051
Other	9,592	74,326
Allowance for doubtful accounts	△398	△270
Total current assets	500,241	2,125,126
Non-current assets		
Property, plant and equipment		
Buildings, net	152,211	147,014
Land	46,294	46,294
Other, net	45,463	70,675
Total property, plant and equipment	243,969	263,984
Intangible assets		
Goodwill	108,109	100,478
Software	10,190	186,800
Other	898	825
Total intangible assets	119,198	288,103
Investments and other assets		
Investment securities	279	29,802
Lease and guarantee deposits	10,271	10,271
Long-term prepaid expenses	173,698	172,429
Total investments and other assets	184,249	182,935
Total non-current assets	547,417	735,022
Total assets	1,047,658	2,860,149
Liabilities		
Current liabilities		
Accounts payable-trade	571	276
Current portion of long-term loans payable	—	9,600
Accounts payable - other	121,401	232,522
Accrued expenses	13,140	9,878
Advances received	43,827	29,802
Unearned revenue	—	67,333
Income taxes payable	2,140	1,535
Provision for reward	—	9,956
Provision for bonuses	1,814	2,595
Other	8,539	8,960
Total current liabilities	191,434	372,461
Non-current liabilities		
Long-term loans payable	48,000	36,000
Long-term unearned revenue	190,435	291,435
Deferred tax liabilities	85	71
Net defined benefit liability	179,263	191,281
Total non-current liabilities	417,783	518,788
Total liabilities	609,218	891,249

(Thousands of yen)

	FY2022 As of March 31, 2022	2 nd Quarter of FY2023 As of September 30, 2022
Net assets		
Shareholders' equity		
Capital stock	3,531,085	4,210,748
Capital surplus	2,176,690	2,856,353
Retained earnings	△5,211,361	△5,038,439
Total shareholders' equity	496,414	2,028,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	192	161
Foreign currency translation adjustment	△525,793	△418,986
Total accumulated other comprehensive income	△525,600	△418,825
Share acquisition rights	110,027	31,912
Non-controlling interests	357,597	327,149
Total net assets	438,439	1,968,899
Total liabilities and net assets	1,047,658	2,860,149

(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 ended September 30, 2021	Six-month period ended September 30, 2022
Net sales	230,094	1,810,757
Cost of sales	59,782	624,485
Gross profit	170,312	1,186,2713
Selling, general and administrative expenses	421,476	905,760
Operating profit (loss)	△251,164	280,511
Non-operating income		
Interest income	362	1,255
Foreign exchange gains	229	36,414
Other	971	7,557
Total non-operating income	1,563	45,227
Non-operating expenses		
Interest expenses	74	73
Loss on sales of crypto assets	—	6,850
Loss on valuation of crypto assets	31,235	54,977
Other	209	714
Total non-operating expenses	31,520	62,615
Ordinary profit (loss)	△281,121	263,123
Extraordinary income		
Gain on reversal of share acquisition rights	2,129	2,270
Total extraordinary income	2,129	2,270
Extraordinary losses		
Loss on retirement of non-current assets	—	4,196
Total extraordinary losses	—	4,196
Profit (loss) before income taxes	△278,991	261,197
Income taxes - current	9,247	4,051
Total income taxes	9,247	4,051
Profit (loss)	△288,239	257,146
Profit (loss) attributable to non-controlling interests	△20,702	84,224
Profit (loss) attributable to owners of parent	△267,536	172,922

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

(Thousands of yen)

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Profit (loss)	△288,239	257,146
Other comprehensive income		
Valuation difference on available-for-sale securities	△20	△31
Foreign currency translation adjustment	7,140	106,806
Total other comprehensive income	7,119	106,774
Comprehensive income	106,774	363,921
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	△260,259	394,368
Comprehensive income attributable to non-controlling interests	△20,859	△30,447

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	△278,991	261,197
Depreciation	5,848	45,714
Amortization of goodwill	6,359	7,631
Increase (decrease) in allowance for doubtful accounts	25	△130
Increase (decrease) in provision for bonuses	—	781
Increase (decrease) in reward allowance	—	10,153
Increase (decrease) in net defined benefit liability	18,096	12,256
Interest and dividend income	△362	△1,255
Interest expenses	74	73
Loss (gain) on sales of crypto assets	—	6,850
Loss (gain) on valuation of crypto assets	31,235	54,977
Gain on reversal of share acquisition rights	△2,129	△2,270
Loss on retirement of property, plant and equipment	—	4,196
Decrease (increase) in notes and accounts receivable - trade	△3,009	△232,641
Decrease (increase) in inventories	△1,165	207
Decrease (increase) in prepaid expenses	10,846	△1,529
Decrease (increase) in long-term prepaid expenses	876	1,268
Increase (decrease) in notes and accounts payable - trade	0	△294
Increase (decrease) in accounts payable - other	△29,831	114,520
Increase (decrease) in advances received	17,575	△14,303
Increase (decrease) in unearned revenue	—	68,666
Increase (decrease) in long-term unearned revenue	△41,213	102,799
Other	△128,221	△27,549
Subtotal	△393,985	411,320
Interest and dividend income received	362	1,255
Interest expenses paid	△86	△74
Income taxes refund	79	75
Income taxes paid	△10,138	△4,839
Cash flows from operating activities	△403,768	407,738
Cash flows from investing activities		
Purchase of property, plant and equipment	△14,554	△33,048
Purchase of intangible assets	△9,839	△217,117
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	113,504	—
Cash flows from investing activities	89,110	△250,166
Cash flows from financing activities		
Repayments of long-term loans payable	—	△2,400
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
Cash flows from financing activities	—	1,281,080
Effect of exchange rate change on cash and cash equivalents	△6,817	△7,186
Net increase (decrease) in cash and cash equivalents	△321,475	1,431,466
Cash and cash equivalents at beginning of period	825,375	288,934
Cash and cash equivalents at end of period	503,899	1,720,400

(4) Notes on the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

On May 30, 2022, the Company received payment for a third-party allotment of new shares from Megazone Cloud Corporation and Satoru Kikugawa. In addition, all of the 6th series of share acquisition rights and part of the 15th and 16th series of share acquisition rights were issued new shares upon exercise of the rights. As a result, capital stock and capital surplus increased by 679,662 thousand yen and 679,662 thousand yen respectively during the current second quarter, resulting in a total of 4,210,748 thousand yen in capital stock and 2,350,317 thousand yen in capital surplus as of the end of the current second quarter.

(Segment Information)

I Information on net sales and profit (loss), assets, liabilities and other items by reportable segment

1. For the Six-Month Period Ended September 30, 2021

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in quarterly consolidated financial statements (Note 2)
	Japan	Korea	Total		
Net sales					
Online game business	—	152,788	152,788	—	152,788
Smartphone app business	—	39,336	39,336	—	39,336
Other business	18,585	19,385	37,970	—	37,970
Revenue from contracts with customers	18,585	211,509	230,094	—	230,094
Net sales to external customers	11,690	211,509	230,094	—	230,094
Intersegment net sales and transfer	11,690	1,984	13,674	△13,674	—
Total	30,275	213,493	243,769	△13,674	230,094
Segment loss	△78,006	△166,984	△244,990	△6,173	△251,164

(Note 1) Adjustment of segment loss of △6,173 thousand yen consists of elimination of inter-segment transactions of 185 thousand yen and amortization of goodwill of △6,359 thousand yen.

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

2. Information on Assets by Reportable Segment

In the first quarter, the Company acquired shares of Treefull Inc. and made it a subsidiary, and thus included it in the scope of consolidation.

As a result, the amount of assets in the "Japan" segment increased by 469,058 thousand yen in the current second quarter compared to the end of the previous fiscal year.

II Information on net sales and profit (loss), assets, liabilities and other items by reportable segment

1. For the six-month period ended September 30, 2022

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in quarterly consolidated financial statements (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 business	17,863	13,427	31,290	—	31,290
Revenue from contracts with customers	19,332	1,791,425	1,810,757	—	1,810,757
Net sales to external customers	19,332	1,791,425	1,810,757	—	1,810,757
Intersegment net sales and transfer	25,422	17,827	43,249	△43,249	—
Total	44,754	1,809,252	1,854,006	△43,249	△43,249
Segment profit (loss)	△115,475	402,533	287,058	△6,547	280,511

(Note 1) The segment loss adjustment of △6,547 thousand yen consists of elimination of intersegment transactions of 1,084 thousand yen and 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 current 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.