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February 13, 2026

Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (Under Japanese GAAP)

Company name: Gala
Listing: Tokyo Stock Exchange
Securities code: 4777
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Scheduled date of annual general meeting of shareholders: March 28, 2026
Scheduled date to commence dividend payments: —
Scheduled date to file annual securities report: March 30, 2026
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

1. Consolidated financial results for the fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

(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	%
December 31, 2025	2,589	10.1	△221	—	△252	—	△532	—
December 31, 2024	2,350	—	△447	—	△358	—	△907	—

Note: Comprehensive income For the fiscal year ended December 31, 2025: △¥810 million [—%]
For the fiscal year ended December 31, 2024: △¥750 million [—%]

	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	%	%	%
December 31, 2025	△18.99	—	△75.3	△6.3	△8.6
December 31, 2024	△33.70	—	△70.7	△9.3	△19.0

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended December 31, 2025: ¥ — million
For the fiscal year ended December 31, 2024: ¥ — 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
December 31, 2025	3,639	1,019	12.2	15.89
December 31, 2024	4,366	1,802	22.2	34.55

Reference: Equity
As of December 31, 2025: ¥445 million
As of December 31, 2024: ¥968 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
December 31, 2025	△86	△117	125	448
December 31, 2024	△298	△1,687	1,576	517

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 December 31, 2024	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended December 31, 2025	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending December 31, 2026 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2026 (from January 1, 2026 to December 31, 2026)

The Group finds it extremely difficult to forecast the financial results due to several factors. In the Smartphone app business, there is a possibility of delays in app development and download delivery, and predicting revenue from app charges after the start of downloads is extremely challenging. Similarly, in the Online game business, forecasting the financial impact of upgrading existing titles is highly complex. In the HTML5 game business, it is challenging to predict whether development will proceed as planned or to estimate billing revenue accurately. Additionally, in the Group's new businesses, including the Cloud-related business, Treehouse resort business, Meta Campus business, and VFX business, profit and loss are highly susceptible to changes in the business environment and other external factors, making it extremely difficult to provide accurate financial forecasts. As a result, the Group has decided to withhold the publication of its financial results forecasts.

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None
Newly included: —
Excluded: —

(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

(3) Number of issued shares (common shares)

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

As of December 31, 2025	28,024,900 shares
As of December 31, 2024	28,024,900 shares

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

As of December 31, 2025	— shares
As of December 31, 2024	— shares

(iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2025	28,024,900 shares
Fiscal year ended December 31, 2024	26,940,898 shares

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

* Proper use of earnings forecasts, and other special matters:

(Disclaimer on forward-looking statements, etc.)

The forward-looking statements 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.

(How to obtain supplementary documents on financial results)

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

○Additional Information

1. Summary of Operating Results

(1) Summary of Current Period Operating Results

During the current fiscal year, the Japanese economy has been gradually recovering, supported by steady personal consumption amid improvements in employment conditions and income levels. However, uncertainties persist due to soaring resource prices and volatile exchange rate fluctuations. Under these circumstances, the Group has been advancing its Online game business, Smartphone app business, HTML5 game business, Meta Campus business, Treehouse resort business, and VFX business with the aim of providing borderless and innovative services to entertain people worldwide.

The Group’s operating results for the current fiscal year recorded consolidated net sales of 2,589,328 thousand yen.

This was primarily due to sales of the HTML5 game “Flyff Universe.” In addition, net sales of ROAD101 Co., Ltd. increased to 451,417 thousand yen compared to the previous fiscal year, as the order backlogs were realized as sales based on the percentage-of-completion method.

Cost of sales amounted to 1,054,842 thousand yen. This was mainly attributable to royalty payments related to “Flyff Universe”, a HTML5 game, and the incurrence of cost of sales associated with the increase in net sales of ROAD101 Co., Ltd.

Selling, general and administrative expenses totaled 1,756,216 thousand yen. The main components were executive compensations of 201,638 thousand yen, salaries and allowances of 273,935 thousand yen, advertising expenses of 245,836 thousand yen, research and development expenses of 174,404 thousand yen, and commission expenses of 239,075 thousand yen.

As for the non-operating income and expenses and extraordinary income and losses, non-operating income included interest income of 22,297 thousand yen, insurance claim income of 10,000 thousand yen, and secondment fee income of 12,040 thousand yen. Non-operating expenses included interest expenses of 38,136 thousand yen, foreign exchange losses of 21,865 thousand yen, and commission expenses of 11,691 thousand yen. Extraordinary income included gain on sales of non-current assets of 8,221 thousand yen, while extraordinary losses included impairment losses of 529,070 thousand yen.

As a result, the Group recorded an operating loss of 221,730 thousand yen, an ordinary loss of 252,959 thousand yen, and loss attributable to owners of parent of 532,297 thousand yen.

The Group’s operating results for each segment are summarized as follows:

(i) Japan

In the Japan segment, the Group is not currently publishing games. Gala Co., Ltd. serves as a head office management function and deploys a localized platform business called "Shoport", where it supports sales of Korean products such as "ROOMPACKER" in Japan.

In addition, the consolidated subsidiary Treeful Inc. operates a Treehouse resort business in Nago City, Okinawa Prefecture. This business offers a standalone treehouse or a combination of a treehouse and a ground-based structure known as an aero house as accommodation for guests. Treeful Inc. obtained permission under the Hotel Business Act in July 2021 and opened a treehouse resort in August 2021 as the first treehouse resort in Japan to offer accommodations for a fee.

In the current fiscal year, the occupancy rate of the Treehouse resort business was lower than initial expectations due to a range of factors, including the impact of rumors of a major earthquake in Japan in July 2025. As a result, the Company determined that uncertainty regarding the recoverability of its investment has increased and recorded an impairment loss.

The concept of the treehouse resort is a "Sustainable Resort," aiming to create a sustainable society by avoiding fossil fuels, using electricity instead, and generating more solar power than consumed. The Group aims to expand the treehouse business beyond Japan to overseas markets, leveraging forest business opportunities to curb deforestation globally. As the first step in overseas expansion of the Treehouse resort business, Treeful Inc. established TREEFUL (CAMBODIA) Co., Ltd. in Cambodia in November 2023. TREEFUL (CAMBODIA) Co., Ltd. is positioned as a sustainable luxury resort hotel, aiming to generate stable revenue through treehouses while fostering coexistence between forests and human society.

In terms of expenses, cost of sales of 8,013 thousand yen and selling, general and administrative expenses of 672,016 thousand yen were recorded. Major components of selling, general and administrative expenses were executive compensations of 112,009 thousand yen and salaries and allowances of 78,502 thousand yen. In addition, impairment losses of 438,017 thousand yen were recorded as extraordinary losses for the Treehouse resort business, since the Company determined that uncertainty regarding the recoverability of its investment has increased, based on the actual occupancy rate.

As a result, net sales in the Japan segment totaled 194,452 thousand yen (including internal transactions) and the segment loss amounted to 485,577 thousand yen.

(ii) Korea

In the Korea segment, net sales of the HTML5 game “Flyff Universe,” which was launched in May 2022, amounted to 1,066,835 thousand yen. With the aim of expanding its service area for "Flyff Universe," Gala Lab Corp. entered into a publishing agreement for the China region with RUIWO TECHNOLOGY, a China-based game publishing company, in December 2024 and obtained formal distribution approval (ISBN) from the Chinese government on October 21, 2025. Preparations for the release in the region are currently underway. HTML5 games offer high accessibility, as they require no downloads and can be played on a variety of devices, including PCs and smartphones. In July 2023, Gala Lab Corp. entered into a strategic partnership agreement on the Publishing and Game businesses with BPMG Co., Ltd. and Wemade Connect Co., Ltd. concerning the NFT/blockchain game "Flyff Universe," which integrates blockchain-based Play-to-Earn (P2E) (*1) elements into the HTML5 game "Flyff Universe." Preparations for the release are ongoing; however, as with "Rappelz Universe", the launch date is currently undetermined.

Additionally, Gala Lab Corp. is currently developing an HTML5 version of the mobile game “AniPang,” which was developed by Wemade Play Co., Ltd. and became a major hit in Korea. The business has expanded to include joint development of Ragnarok, supported by the success of the recognized IP license.

The Group will continue to focus on developing HTML5 games that leverage other companies' notable game IPs together with the Group's HTML5 game development capabilities.

In the Smartphone app business, net sales amounted to 339,216 thousand yen. Currently, Gala Lab Corp. provides the smartphone game app “Flyff Legacy,” while its consolidated subsidiary Gala Mix Inc. offers the pedometer app “winwalk” and the smartphone apps “winQuiz” and “Poll Cash”.

In the Online game business, the Company continues to provide services for Gala Lab Corp.’s flagship games “Flyff Online” and “Rappelz Online,” and net sales amounted to 558,286 thousand yen. The Company is currently promoting licensing and channeling (*2) initiatives. In October 2024, Gala Lab Corp. entered into a licensing agreement with BEST KIRIN GLOBAL, a Chinese game company, for “Flyff Online” in Taiwan, Hong Kong, and Macao regions, and signed a publishing agreement on November 20, 2025. The Group will continue to work on expanding the regions in which it provides services.

In addition, as another measure to increase revenue, the Group focuses on the Meta Campus Business, a metaverse (*3) campus platform project called “UVERSE,” which Gala Lab Corp. is promoting in collaboration with LG Uplus Corp., a major Korean telecommunications company, and Megazone Corporation, Korea’s largest digital IT company. The Meta Campus Business involves developing and building virtual campuses using a metaverse platform, providing educational institutions such as universities with community spaces for students and venues for events such as university admission briefings. Gala Lab Corp. is responsible for developing the metaverse platform, LG Uplus Corp. handles school recruitment and marketing, and Megazone Corporation provides cloud computing and other infrastructure. The service is currently offered to several prominent universities; however, net sales in the Meta Campus business were 30,174 thousand yen due to low order volume.

The VFX business, operated by consolidated subsidiary ROAD101 Co., Ltd., recorded net sales of 343,052 thousand yen.

VFX stands for "visual effects" and refers to technologies used to create visual effects in films, TV dramas, and other media that cannot be achieved in real life. The VFX business involves producing movies, commercials, and other content using VFX technology. As of the end of September 2025, the Company recorded an impairment loss on certain non-current assets held by ROAD101 Co., Ltd., following the execution of a restructuring that included workforce reductions.

On the expense side, cost of sales of 1,072,810 thousand yen and selling, general and administrative expenses of 1,178,262 thousand yen were recorded. Major components of selling, general and administrative expenses were executive compensations of 89,628 thousand yen, salaries and allowances of 190,380 thousand yen, commission expenses of 241,901 thousand yen, and research and development expenses of 211,012 thousand yen. Commission expenses were primarily related to outsourcing fees for game development.

As a result, net sales in the Korea segment totaled 2,497,995 thousand yen (including internal transactions) and segment profit amounted to 246,923 thousand yen.

(*1) Play-to-Earn (P2E) is a system in which revenue or points earned in blockchain games can be converted into cryptocurrency and traded on exchanges. This system, where players can earn income while playing games, is referred to as "Play-to-Earn" (P2E).

(*2) Channeling refers to a service that allows online games and similar content to be playable on other companies' game portal sites.

(*3) Metaverse is a coined term combining "meta" (meaning beyond) and "universe." It refers to a 3D virtual space on the internet where large numbers of participants can engage and freely interact. Users enter the virtual space via avatars, which act as their digital personas, allowing them to explore the world and communicate with other users. Additionally, the metaverse enables users to create their own games, share them with other users, and monetize them. It also facilitates the trading of in-game items as NFTs between users using cryptocurrency.

Sales by business are as follows:

	For the fiscal year ended December 31, 2024 (January 1, 2024 to December 31, 2024)		For the fiscal year ended December 31, 2025 (January 1, 2025 to December 31, 2025)	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)
Online game business	413,856	17.6	558,286	21.6
Smartphone app business	313,782	13.4	339,216	13.1
HTML5 game business	1,170,177	49.8	1,066,835	41.2
Meta Campus business	243,495	10.4	30,174	1.2
VFX business	112,317	4.8	343,052	13.3
Other businesses	97,279	4.1	251,762	9.7
Total	2,350,908	100.0	2,589,328	100.0

(Note) In the breakdown of sales by business, amounts less than one thousand yen are rounded down.

(2) Summary of Current Period Financial Positions

(a) Assets

Current assets decreased by 19.2% from the end of the previous fiscal year to 1,243,270 thousand yen. This was mainly due to decreases of 175,000 thousand yen in short-term loans receivable and 142,973 thousand yen in other current assets. The decrease in other current assets was primarily attributable to a decrease in consumption taxes refund receivable.

Non-current assets decreased by 15.2% from the end of the previous fiscal year to 2,396,173 thousand yen. This was mainly due to an increase of 217,756 thousand yen in investment securities, partially offset by decreases of 523,294 thousand yen in property, plant and equipment, 41,609 thousand yen in intangible assets, and 34,978 thousand yen in deferred tax assets. The decreases in property, plant and equipment and intangible assets were mainly due to the recognition of impairment losses.

As a result, total assets decreased by 16.6% from the end of the previous fiscal year to 3,639,444 thousand yen.

(b) Liabilities

Current liabilities increased by 0.9% from the end of the previous fiscal year to 2,013,416 thousand yen. This was mainly due to an increase of 128,884 thousand yen in short-term loans payable, partially offset by a decrease of 95,183 thousand yen in unearned revenue. The increase in short-term loans payable was primarily attributable to borrowings for property acquisition.

Non-current liabilities increased by 6.6% from the end of the previous fiscal year to 606,221 thousand yen. This was mainly due to an increase of 45,176 thousand yen in long-term unearned revenue. The increase in long-term unearned revenue was primarily due to the recognition of new license fees.

As a result, total liabilities increased by 2.2% from the end of the previous fiscal year to 2,619,638 thousand yen.

(c) Net Assets

Net assets decreased by 43.4% from the end of the previous fiscal year to 1,019,806 thousand yen. This was mainly due to a decrease of 532,297 thousand yen in retained earnings and a decrease of 259,883 thousand yen in non-controlling interests. The decrease in retained earnings was due to the recording of a loss attributable to owners of parent, and the decrease in non-controlling interests was due to the recording of a loss attributable to non-controlling interests.

(3) Summary of Current Period Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the current fiscal year amounted to 448,211 thousand yen.

(a) Cash Flows from Operating Activities

Net cash used in operating activities totaled 86,206 thousand yen (298,865 thousand yen in the previous fiscal year). This was mainly due to cash inflows from impairment losses of 529,070 thousand yen, depreciation of 140,281 thousand yen, and a decrease in consumption taxes refund receivable of 91,744 thousand yen, as well as cash outflows from a loss before income taxes of 780,468 thousand yen and a decrease in unearned revenue of 96,943 thousand yen.

(b) Cash Flows from Investing Activities

Net cash used in investing activities totaled 117,003 thousand yen (1,687,749 thousand yen in the previous fiscal year). The main cash inflows included a decrease in short-term loans receivable of 175,000 thousand yen, while the main cash outflows included purchase of investment securities of 210,000 thousand yen and purchase of property, plant and equipment of 86,941 thousand yen.

(c) Cash Flows from Financing Activities

Net cash provided by financing activities amounted to 125,500 thousand yen (1,576,628 thousand yen in the previous fiscal year). This was mainly due to cash inflows from an increase in short-term loans payable of 116,984 thousand yen.

(4) Significant Events or Conditions Affecting the Going Concern Assumption

The Group recorded operating losses and losses attributable to owners of parent in the previous fiscal year and the current fiscal year, and there exist events or conditions that raise significant doubts about the assumption of a going concern.

The primary reasons for recording losses were as follows: In the previous fiscal year, in addition to the Company's recording of management costs as an operating holding company, the VFX business of ROAD101 Co., Ltd., which became a consolidated subsidiary in October 2023, was still in the process of establishing a revenue base, and Treeful Inc. made upfront investments in connection with the expansion of lodging facilities. The recognition of expenses related to financial statement corrections and impairment losses on goodwill also had a certain impact. In the current fiscal year, impairment losses were recorded for non-current assets at ROAD101 Co., Ltd. (90,426 thousand yen) in relation to structural reforms involving a workforce reduction and at Treeful Inc. (438,017 thousand yen) as a result of examining the recoverability of its Okinawa business. In addition to these impairment losses, upfront expenses incurred at Treeful Cambodia also contributed to the losses, along with other factors.

In order to resolve this situation, the Group has implemented the following measures: With respect to ROAD101 Co., Ltd., the impairment process of non-current assets has been completed, and the Group has established a structure to minimize further expansion of losses through personnel reductions and other measures. As for Treeful Inc., after recording impairment losses on assets, the Group is proceeding with discussions including the possibility of excluding it from the scope of consolidation from the perspective of optimizing management resources. The Group has revised the previously stated plan to expand lodging facilities based on the reassessment of the market environment and profitability. In the next fiscal year, the Group will continue strengthening expense management, reviewing its business portfolio, and optimizing personnel allocation and operating structures to maximize the effects of structural reforms.

Meanwhile, net sales of the HTML5 game “Flyff Universe,” which was launched in May 2022, have remained steady and continued to contribute as a stable revenue base. In addition, cash and deposits at the end of the current fiscal year amounted to 744,181 thousand yen. Although cash on hand has decreased compared to the end of the previous fiscal year, this was due to investments and structural reform costs in accordance with the plan, and expenses are expected to decrease going forward. Therefore, the Group has determined that there are no material concerns regarding cash flows for the next year.

Based on the above, the Group has secured sufficient funds to continue business operations, and taking into consideration the progress of the measures implemented, the Group has determined that there was no material uncertainty regarding its ability to continue as a going concern.

The effects of impairment losses and other matters related to the above events have been appropriately reflected in the consolidated financial statements.

2. Basic Approach to Selection of Accounting Standards

The Group prepares its consolidated financial statements in accordance with Japanese GAAP. The Group intends to consider the application of International Financial Reporting Standards (IFRS) in light of various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year As of December 31, 2024	Current fiscal year As of December 31, 2025
Assets		
Current assets		
Cash and deposits	807,059	744,181
Accounts receivable – trade	242,770	331,594
Inventories	4,267	4,379
Accounts receivable – other	32,499	76,476
Prepaid expenses	44,180	8,516
Short-term loans receivable	175,000	—
Cryptocurrencies	47,778	35,059
Other	187,188	44,214
Allowance for doubtful accounts	△1,098	△1,152
Total current assets	1,539,645	1,243,270
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,304,874	944,720
Accumulated depreciation	△44,234	△68,230
Buildings and structures, net	1,260,639	876,490
Machinery, equipment and vehicles	241,160	—
Accumulated depreciation	△177,397	—
Machinery, equipment and vehicles, net	63,763	—
Tools, furniture and fixtures	201,306	29,796
Accumulated depreciation	△146,384	△18,310
Tools, furniture and fixtures, net	54,922	11,486
Land	732,316	727,686
Construction in progress	27,316	—
Total property, plant and equipment	2,138,958	1,615,663
Intangible assets	42,201	591
Investments and other assets		
Investment securities	243	218,000
Lease and guarantee deposits	25,506	9,160
Long-term prepaid expenses	217,872	185,899
Deferred tax assets	401,686	366,708
Other	85	149
Total investments and other assets	645,394	779,918
Total non-current assets	2,826,554	2,396,173
Total assets	4,366,200	3,639,444

(Thousands of yen)

	Previous fiscal year As of December 31, 2024	Current fiscal year As of December 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	3,378	93,250
Short-term loans payable	1,229,266	1,358,150
Current portion of long-term loans payable	19,205	29,669
Accounts payable - other	198,282	193,010
Accrued expenses	54,430	34,691
Advances received	178,511	114,049
Unearned revenue	99,000	3,816
Income taxes payable	17,822	9,911
Provision for reward	36,011	47,195
Provision for bonuses	266	168
Provision for contract losses	23,386	―
Provision for penalty	64,950	―
Other	70,404	129,503
Total current liabilities	1,994,916	2,013,416
Non-current liabilities		
Long-term loans payable	99,480	69,969
Long-term unearned revenue	212,907	258,083
Deferred tax liabilities	4,820	―
Net defined benefit liability	249,940	259,420
Other	1,567	18,748
Total non-current liabilities	568,715	606,221
Total liabilities	2,563,631	2,619,638
Total liabilities		
Shareholders' equity		
Capital stock	4,491,482	4,491,482
Capital surplus	2,868,426	2,868,426
Retained earnings	△6,044,132	△6,576,430
Total shareholders' equity	1,315,776	783,478
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	167	―
Foreign currency translation adjustment	△347,757	△338,170
Total accumulated other comprehensive income	△347,589	△338,170
Share acquisition rights	8	8
Non-controlling interests	834,373	574,489
Total net assets	1,802,568	1,019,806
Total liabilities and net assets	4,366,200	3,639,444

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

(Consolidated Statement of Income)

(Thousands of yen)

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
Net sales	2,350,908	2,589,328
Cost of sales	942,234	1,054,842
Gross profit	1,408,674	1,534,485
Selling, general and administrative expenses	1,856,470	1,756,216
Operating loss	△447,796	△221,730
Non-operating income		
Interest income	37,866	22,297
Gain on sales of cryptocurrencies	9,173	—
Gain on valuation of cryptocurrencies	6,167	—
Foreign exchange gains	39,899	—
Secondment fee income	12,040	12,040
Insurance claim income	—	10,000
Other	6,351	10,210
Total non-operating income	111,498	54,548
Non-operating expenses		
Interest expenses	18,628	38,136
Commission expenses	2,960	11,691
Loss on valuation of cryptocurrencies	—	12,677
Foreign exchange losses	—	21,865
Other	202	1,405
Total non-operating expenses	21,791	85,777
Ordinary loss	△358,089	△252,959
Extraordinary income		
Gain on sales of non-current assets	5	8,221
Gain on sales of investment securities	—	401
Gain on reversal of share acquisition rights	24,198	—
Total extraordinary income	24,204	8,623
Extraordinary losses		
Loss on sales of non-current assets	441	7,061
Loss on retirement of non-current assets	24,881	0
Impairment losses	401,098	529,070
Provision for penalty	64,950	—
Listing agreement violation penalty	20,000	—
Total extraordinary losses	511,371	536,132
Loss before income taxes	△845,255	△780,468
Income taxes - current	6,545	15,509
Income taxes - deferred	△117,244	26,397
Total income taxes	△110,699	41,907
Loss	△734,556	△822,376
Profit (loss) attributable to non-controlling interests	173,423	△290,079
Loss attributable to owners of parent	△907,980	△532,297

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
Loss	△734,556	△822,376
Other comprehensive income		
Valuation difference on available-for-sale securities	△4	△167
Foreign currency translation adjustment	△15,584	12,326
Total other comprehensive income	△15,589	12,159
Comprehensive income	△750,146	△810,217
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	△920,246	△522,878
Comprehensive income attributable to non-controlling interests	170,100	△287,339

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (January 1, 2024 to December 31, 2024)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	4,213,860	2,857,838	△5,136,152	1,935,546
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights	277,621	277,621		555,243
Loss attributable to owners of parent			△907,980	△907,980
Change in ownership interest of parent due to transactions with non-controlling interests		△267,034		△267,034
Net changes of items other than shareholders' equity				—
Total changes of items during period	277,621	10,587	△907,980	△619,770
Balance at end of current period	4,491,482	2,868,426	△6,044,132	1,315,776

	Accumulated other comprehensive income			Share acquisition rights	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	172	△335,496	△335,323	29,438	384,894	2,014,555
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights			—			555,243
Loss attributable to owners of parent			—			△907,980
Change in ownership interest of parent due to transactions with non-controlling interests			—			△267,034
Net changes of items other than shareholders' equity	△4	△12,261	△12,266	△29,429	449,478	407,783
Total changes of items during period	△4	△12,261	△12,266	△29,429	449,478	△211,987
Balance at end of current period	167	△347,757	△347,589	8	834,373	1,802,568

Current fiscal year (January 1, 2025 to December 31, 2025)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	4,491,482	2,868,426	△6,044,132	1,315,776
Changes of items during period				
Loss attributable to owners of parent			△532,297	△532,297
Net changes of items other than shareholders' equity				—
Total changes of items during period	—	—	△532,297	△532,297
Balance at end of current period	4,491,482	2,868,426	△6,576,430	783,478

	Accumulated other comprehensive income			Share acquisition rights	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	167	△347,757	△347,589	8	834,373	1,802,568
Changes of items during period						
Loss attributable to owners of parent			—			△532,297
Net changes of items other than shareholders' equity	△167	9,586	9,419	—	△259,883	△250,464
Total changes of items during period	△167	9,586	9,419	—	△259,883	△782,762
Balance at end of current period	—	△338,170	△338,170	8	574,489	1,019,806

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
Cash flows from operating activities		
Loss before income taxes	△845,255	△780,468
Depreciation	108,585	140,281
Impairment losses	401,098	529,070
Amortization of goodwill	53,131	―
Increase (decrease) in allowance for doubtful accounts	267	43
Increase (decrease) in provision for reward	16,379	10,452
Increase (decrease) in provision for bonuses	△554	△98
Increase (decrease) in provision for contract losses	24,036	△22,737
Increase (decrease) in net defined benefit liability	29,612	7,223
Interest and dividend income	△37,866	△22,314
Interest expenses	18,628	38,137
Loss (gain) on sales of cryptocurrencies	△9,173	―
Loss (gain) on valuation of cryptocurrencies	△6,167	12,677
Loss (gain) on sales of investment securities	―	△401
Loss (gain) on sales of property, plant and equipment	435	△1,159
Loss on retirement of property, plant and equipment	24,881	0
Gain on reversal of share acquisition rights	△24,198	―
Provision for penalty	64,950	―
Listing agreement violation penalty	20,000	―
Decrease (increase) in notes and accounts receivable – trade	15,793	△83,606
Decrease (increase) in inventories	△531	△111
Decrease (increase) in consumption taxes refund receivable	△107,094	91,744
Decrease (increase) in prepaid expenses	△15,700	34,747
Decrease (increase) in long-term prepaid expenses	△13,857	2,176
Increase (decrease) in notes and accounts payable – trade	117	86,541
Increase (decrease) in accounts payable - other	45,041	△2,213
Increase (decrease) in advances received	117,046	△64,239
Increase (decrease) in unearned revenue	△39,856	△96,943
Increase (decrease) in long-term unearned revenue	△43,828	41,722
Other	△109,240	74,984
Subtotal	△313,319	△4,490
Interest and dividend received	39,192	27,398
Interest paid	△19,879	△37,400
Income taxes refunded	1,509	4,996
Income taxes paid	△6,369	△11,760
Payments of penalty	―	△64,950
Cash flows from operating activities	△298,865	△86,206
Cash flows from investing activities		
Payments into time deposits	△262,090	△10,183
Proceeds from withdrawal of time deposits	416,207	―
Purchase of property, plant and equipment	△1,708,841	△86,941
Proceeds from sales of property, plant and equipment	558	8,224
Purchase of intangible assets	△2,319	―
Purchase of investment securities	―	△210,000
Proceeds from sales of investment securities	―	403
Decrease (increase) in short-term loans receivable	△175,000	175,000
Payments for guarantee deposits	△85	△4,009
Proceeds from collection of guarantee deposits	43,821	10,502
Cash flows from investing activities	△1,687,749	△117,003
Cash flows from financing activities		

Increase (decrease) in short-term loans payable	959,266	116,984
Proceeds from long-term loans payable	68,000	—
Repayments of long-term loans payable	△16,117	△18,938
Proceeds from issuance of shares resulting from exercise of share acquisition rights	550,012	—
Proceeds from share issuance to non-controlling shareholders	15,467	27,455
Cash flows from financing activities	1,576,628	125,500
Effect of exchange rate change on cash and cash equivalents	△5,348	8,627
Net increase (decrease) in cash and cash equivalents	△415,334	△69,082
Cash and cash equivalents at beginning of period	932,628	517,293
Cash and cash equivalents at end of period	517,293	448,211

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Changes in Accounting Policies)

The Group has implemented the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised October 28, 2022), "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, revised October 28, 2022), and the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised October 28, 2022) from the beginning of the current fiscal year. The implementation of the standards and the guidance had no impact on the consolidated financial statements.

(Notes on Segment Information)

1． Overview of the reportable segment

The reportable segments of the Group are components for which separate financial information is available, and which the Group’s chief executive officer (representative director) regularly reviews to determine the allocation of management resources and evaluate their performance.

The Group’s major business is Internet-related business and each of the Japan and Korea areas is managed by a local entity in the area. Each local entity is an independent management unit and carries out business operations according to the comprehensive plans developed for services provided in each area.

Therefore, the Group is comprised of the geographic segment based on the service structure and has two reportable segments of Japan and Korea. The Group’s major businesses of each reportable segment are summarized as follows:

Japan: Smartphone app publishing and licensing businesses, Cloud-related business, and Treehouse resort business

Korea: Online game publishing, development and licensing businesses, Smartphone app publishing, operation, development and licensing businesses, HTML5 game publishing and development businesses, Meta Campus development business, and VFX business.

2． Calculation method of net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting treatment for the reported business segments is generally the same as those described in “Significant matters forming the basis for preparation of the consolidated financial statements.”

The profit (loss) of the reportable segment is the amount based on operating profit (loss)

Inter-segment revenues and transfers are based on the actual market price.

3. Information on net sales and profit (loss), assets, liabilities and other items by reportable segment and information on disaggregated revenue

Previous fiscal year (From January 1, 2024 to December 31, 2024)

(Thousands of yen)

	Japan	Korea	Total	Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
Net sales					
Online game business	—	413,856	413,856	—	413,856
Smartphone app business	—	313,782	313,782	—	313,782
HTML5 game business	—	1,170,177	1,170,177	—	1,170,177
Meta Campus business	—	243,495	243,495	—	243,495
VFX business	—	112,317	112,317	—	112,317
Other businesses	60,576	36,703	97,279	—	97,279
Revenue from contracts with customers	60,576	2,290,332	2,350,908	—	2,350,908
Net sales to external customers	60,576	2,290,332	2,350,908	—	2,350,908
Intersegment net sales and transfer	33,997	19,530	53,528	△53,528	—
Total	94,574	2,309,862	2,404,436	△53,528	2,350,908
Segment profit (loss)	△620,859	227,930	△392,928	△54,867	△447,796
Segment assets	2,883,930	2,524,906	5,408,837	△1,042,637	4,366,200
Other items					
Depreciation	34,715	73,870	108,585	—	108,585
Amortization of goodwill	—	—	—	53,131	53,131
Increase in property, plant and equipment and intangible assets	1,621,973	89,187	1,711,160	—	1,711,160

(Notes) 1. Figures are adjusted as follows:

(1) Adjustment of segment profit (loss) of △54,867 thousand yen consists of elimination of intersegment transactions of △1,736 thousand yen and amortization of goodwill of △53,131 thousand yen.

(2) Adjustment of segment assets of △1,042,637 thousand yen consists of elimination of inter-segment receivables and payables.

2. Segment profit (loss) is adjusted with operating profit in the consolidated financial statements.

Current fiscal year (From January 1, 2025 to December 31, 2025)

(Thousands of yen)

	Japan	Korea	Total	Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
Net sales					
Online game business	—	558,286	558,286	—	558,286
Smartphone app business	—	339,216	339,216	—	339,216
HTML5 game business	—	1,066,835	1,066,835	—	1,066,835
Meta Campus business	—	30,174	30,174	—	30,174
VFX business	—	343,052	343,052	—	343,052
Other businesses	101,982	149,779	251,762	—	251,762
Revenue from contracts with customers	101,982	2,487,345	2,589,328	—	2,589,328
Net sales to external customers	101,982	2,487,345	2,589,328	—	2,589,328
Intersegment net sales and transfer	92,469	10,650	103,119	△103,119	—
Total	194,452	2,497,995	2,692,447	△103,119	2,589,328
Segment profit (loss)	△485,577	246,923	△238,653	16,923	△221,730
Segment assets	1,942,122	2,411,012	4,353,134	△713,690	3,639,444
Other items					
Depreciation	63,040	77,240	140,281	—	140,281
Amortization of goodwill	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	55,248	32,386	87,634	—	87,634

(Notes) 1. Figures are adjusted as follows:

(1) Adjustment of segment profit (loss) of 16,923 thousand yen consists of elimination of intersegment transactions of 16,923 thousand yen.

(2) Adjustment of segment assets of △713,690 thousand yen consists of elimination of intersegment receivables and payables.

2. Segment profit (loss) is adjusted with operating loss in the consolidated financial statements.

(Notes on Per Share Information)

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
Net assets per share	34.55 yen	15.89 yen
Basic loss per share	△33.70 yen	△18.99 yen
Diluted earnings per share	Diluted earnings per share are not presented since earnings per share were negative although potential shares exist.	Diluted earnings per share are not presented since earnings per share were negative and no potential shares exist.

(Notes) 1. The basis for the calculation of net assets per share is as follows:

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Total net assets (Thousands of yen)	1,802,568	1,019,806
Amount deducted from the total net assets (Thousands of yen)	834,382	574,498
(Share acquisition rights (Thousands of yen))	(8)	(8)
(Non-controlling interests (Thousands of yen))	(834,373)	(574,489)
Amount of net assets related to common stock as of the end of the period (Thousands of yen)	968,186	445,307
Number of shares of common stock used in the calculation of net assets per share (Shares)	28,024,900	28,024,900

2. The basis for the calculation of loss per share is as follows:

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
Basic loss per share		
Loss attributable to owners of parent (Thousands of yen)	△907,980	△532,297
Amount not attributable to common shareholders (Thousands of yen)	—	—
Loss related to common stock attributable to owners of parent (Thousands of yen)	△907,980	△532,297
Average number of shares of common stock outstanding during the period (Shares)	26,940,898	28,024,900

(Notes on Significant Subsequent Events)

Not applicable.