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August 14, 2026

Consolidated Financial Results for the Six Months Ended June 30, 2026 (Under Japanese GAAP)

Company name: Gala Inc.
Listing: Tokyo Stock Exchange
Securities code: 4777
URL: https://www.gala.biz
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Scheduled date to file semi-annual securities report: August 14, 2026
Scheduled date to commence dividend payments: —
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 six months ended June 30, 2026 (from January 1, 2026 to June 30, 2026)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2026	1,354	18.4	207	—	239	—	148	—
June 30, 2025	1,144	—	△247	—	△290	—	△186	—

Note: Comprehensive income For the six months ended June 30, 2026: ¥206 million [—%]
For the six months ended June 30, 2025: △¥336 million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2026	5.31	—
June 30, 2025	△6.66	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2026	3,486	1,351	20.0
December 31, 2025	3,639	1,019	12.2

Reference: Equity
As of June 30, 2026: ¥697 million
As of December 31, 2025: ¥445 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2025	—	—	—	—	—
Fiscal year ending December 31, 2026	—	—			
Fiscal year ending December 31, 2026 (Forecast)			—	—	—

Note: Revisions to the forecast of cash dividends most recently announced: None

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. Summary of Operating Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" of the Additional Information.

3. Forecast of consolidated Financial Results for the Fiscal Year Ending December 31, 2026 (From January 1, 2026 to December 31, 2026)

(Percentages indicate changes from the previous period.)

	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 December 31, 2026	—	—	—	—	—	—	—	—	—

Note: Revisions to the forecast of operating results most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: — companies (Company name)
Excluded: 2 companies (Company name) Treeful Inc. and TREEFUL (CAMBODIA) Co., Ltd.

During the current semi-annual period, the Company did not exercise its right to subscribe for new shares in connection with a capital increase through a shareholder allotment conducted by Treeful Inc., a former consolidated subsidiary. As a result, the Company's voting rights ratio decreased, and the Company lost control over Treeful Inc. Accordingly, Treeful Inc. and its subsidiary, TREEFUL (CAMBODIA) Co., Ltd., were excluded from the scope of consolidation.

(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 June 30, 2026	28,024,900 shares
As of December 31, 2025	28,024,900 shares

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

As of June 30, 2026	— shares
As of December 31, 2025	— shares

(iii) Average number of shares outstanding during the period (semi-annual period)

Six months ended June 30, 2026	28,024,900 shares
Six months ended June 30, 2025	28,024,900 shares

* The second quarter (semi-annual) financial results report is not subject to review by certified public accountants or an audit firm.

○Additional Information

1. Summary of Operating Results

(1) Summary of Operating Results for the Current Semi-Annual Period

During the semi-annual period ended June 30, 2026, the Company and its consolidated subsidiaries (collectively, hereinafter referred to as the "Group") recorded consolidated net sales of ¥1,354,517 thousand, representing an 18.4% increase compared to the same semi-annual period of the previous fiscal year. This was mainly due to a significant increase in sales from the HTML5 game business and Smartphone app business in the Korea segment compared to the same semi-annual period of the previous fiscal year.

Cost of sales amounted to ¥382,124 thousand, marking a 15.0% decrease year on year. This decrease was primarily attributable to lower labor and outsourcing costs resulting from reduced operations due to the loss of orders in the VFX business, while royalties related to HTML5 games increased.

Selling, general and administrative expenses totaled ¥765,269 thousand, down 18.7% year on year. This was mainly due to the absence of temporary outsourcing expenses incurred in the same semi-annual period of the previous fiscal year, as well as decreases in taxes and dues and depreciation expenses, while advertising expenses and research and development expenses related to game development at the consolidated subsidiary Gala Lab Corp. increased.

As a result, the Group posted an operating profit of ¥207,123 thousand (compared to an operating loss of ¥247,010 thousand in the same semi-annual period of the previous fiscal year), an ordinary profit of ¥239,197 thousand (compared to an ordinary loss of ¥290,564 thousand), and a profit attributable to owners of parent of ¥148,927 thousand (compared to a loss attributable to owners of parent of ¥186,676 thousand). In connection with the exclusion of the consolidated subsidiaries Treeful Inc. and TREEFUL (CAMBODIA) Co., Ltd. from the scope of consolidation, the Group recognized a gain on change in equity resulting from the capital increase of ¥121,321 thousand as extraordinary income, and accounted for the remaining difference arising from the exclusion of ¥125,696 thousand as an increase in retained earnings. In addition, the Group recorded foreign exchange gains of ¥57,122 thousand as non-operating income, impairment losses of ¥23,581 thousand on assets related to Treeful Inc. and TREEFUL (CAMBODIA) Co., Ltd. as extraordinary losses, and income taxes-deferred of ¥79,993 thousand due to the reversal of deferred tax assets resulting from the utilization of tax loss carryforwards.

The operating results by reportable segment are as follows:

(i) Japan

In the Japan segment, the Company, as the parent company of the Group, conducts administrative activities related to maintaining its stock exchange listing and other related operations.

With respect to the Treehouse resort business conducted in Nago City, Okinawa Prefecture, and Cambodia by the consolidated subsidiary Treeful Inc. and its subsidiary, TREEFUL (CAMBODIA) Co., Ltd., the Company resolved on April 30, 2026 not to exercise its rights to subscribe for new shares in a capital increase through a shareholder allotment conducted by Treeful Inc., in order to concentrate management resources on its core businesses: the HTML5 game business, Smartphone app business, and Online game business. Following the completion of payment for the capital increase on May 25, 2026, the Company's voting rights ratio decreased from 24.41% to 15.55%, and the Company lost control over both companies. Accordingly, the two companies were excluded from the scope of consolidation as of the end of April 2026, the deemed date of deconsolidation. In connection with the deconsolidation, the Group recognized a gain on change in equity resulting from the capital increase of ¥121,321 thousand as extraordinary income and accounted for the remaining difference arising from the deconsolidation of ¥125,696 thousand as an increase in retained earnings.

Furthermore, at a meeting of the Board of Directors held on July 22, 2026, after the end of the current semi-annual period, the Company resolved to establish Gala Next Inc., a wholly owned subsidiary, in order to promote new businesses, including e-commerce-related and alcoholic beverage sales businesses, in an agile and flexible manner.

On the expense side, selling, general and administrative expenses decreased due to lower depreciation expenses, as impairment losses on the business assets of both companies had already been recognized in the previous fiscal year, as well as the exclusion of both companies from the scope of consolidation.

As a result, net sales in the Japan segment totaled ¥91,200 thousand (including intersegment transactions), an increase of ¥642 thousand (0.7%) compared to the same semi-annual period of the previous fiscal year. The segment loss amounted to ¥116,274 thousand (compared to a segment loss of ¥327,420 thousand in the same semi-annual period of the previous fiscal year), representing a reduction in the amount of loss.

(ii) Korea

In the Korea segment, net sales from the HTML5 game "Flyff Universe," which launched in May 2022, totaled ¥777,208 thousand, representing an increase of ¥241,620 thousand (up 45.1%) compared to the same semi-annual period of the previous fiscal year. Since its global launch in 2022, "Flyff Universe" has surpassed 5 million cumulative users, steadily expanding its user base across regions and languages and establishing a strong brand presence. The annual global event “Flyff Universe World Championship (FWC)” has become a well-established global PvP (Player vs Player) tournament, not only serving as a competitive gaming event but also providing a platform for real-time competition and interaction among users worldwide. For the 2026 tournament scheduled for this year, a total prize pool of $110,000 has been prepared, and qualifying teams will be selected through seasonal preliminaries held throughout the year. The event serves as a key opportunity to expand the game’s potential as an esports platform.

To further expand its service coverage, “Flyff Universe” began service in Korea in April 2025. Additionally, in December 2024, Gala Lab Corp. entered into a publishing agreement with RUIWO TECHNOLOGY, a China-based game publishing company, for distribution in the Chinese market. Subsequently, an open beta test of the Chinese version, “Flyff Universe,” commenced on June 26, 2026, followed by the official launch in the region on July 3, 2026, after the end of the current semi-annual period. Gala Lab Corp. is also developing the framework for an HTML5 game utilizing the IP of Wemade Play Co., Ltd.’s “AniPang.” The Group is focused on developing HTML5 games by combining third-party game IPs with its own HTML5 game development capabilities. As part of these efforts, the official community for the HTML5 MMORPG “Ragnarok Universe” was opened on July 10, 2026, after the end of the current semi-annual period, and an early access test has been underway since July 15, 2026.

HTML5 games offer high accessibility, as they require no downloads and can be played on various devices, including PCs and smartphones. In July 2023, Gala Lab Corp. entered into a strategic partnership agreement with BPMG Co., Ltd. and Wemade Connect Co., Ltd. for the Publishing and Game businesses of the NFT/blockchain version of “Flyff Universe,” which combines the features of the HTML5 game “Flyff Universe” with Play-to-Earn (P2E) (*5) elements using blockchain technology. Preparations for release are currently underway; however, the launch date of the NFT/blockchain game “Flyff Universe” remains undetermined due to the time required for legal and tax reviews in Korea concerning the crypto assets used in the game.

In the Smartphone app business, net sales amounted to ¥238,177 thousand, an increase of ¥75,914 thousand (up 46.8%) year on year. The smartphone game app “Rappelz,” developed by Gala Lab Corp., was launched in the U.S. and Canada in October 2021 but temporarily suspended in November 2022. It is currently being revamped as the NFT/blockchain game (*2) “Rappelz Universe” by incorporating blockchain technology, with preparations underway for a global release. In NFT/blockchain games, in-game items and other assets are converted into NFTs (*4) using blockchain technology (*3), the fundamental technology underlying crypto assets, allowing users to convert items obtained in the game into crypto assets and trade them on exchanges and other platforms. The Group intends to further enhance the appeal of the game and focus on monetizing its Game business. However, the launch date remains undetermined due to the time required for legal and tax reviews in Korea concerning the crypto assets used in the game. In addition to the smartphone game app “Flyff Legacy,” Gala Lab Corp. launched the new Flyff mobile game “Flyff: Reunite” in China in June 2025. Meanwhile, consolidated subsidiary Gala Mix Inc. offers the pedometer app “winwalk” and the smartphone apps “winQuiz” and “Poll Cash.” The Group will continue to expand multilingual distribution through its global network.

In the Online game business, Gala Lab Corp. offers its core titles “Flyff Online” and “Rappelz Online,” which together recorded net sales of ¥280,024 thousand, an increase of ¥35,809 thousand (up 14.7%) year on year. Gala Lab Corp. is actively pursuing licensing and channeling (*6) opportunities for “Flyff Online” and began service in Taiwan, Hong Kong, and Macau in June 2025. “Rappelz Online” also officially launched in Taiwan, Hong Kong, and Macau on June 22, 2026.

On the other hand, the Meta Campus business, a metaverse (*1) campus platform project called “UVERSE” jointly undertaken by Gala Lab Corp., LG Uplus Corp. (a major Korean telecommunications company), and Megazone Corporation (Korea’s largest digital IT company), recorded net sales of ¥7,956 thousand, a decrease of ¥8,356 thousand (down 51.2%) year on year. This business involves developing and operating virtual campuses via a metaverse platform to provide educational institutions, including universities, with community spaces for students and venues for university admissions briefings and other events. Under this initiative, Gala Lab Corp. is responsible for developing the metaverse platform, LG Uplus Corp. handles school outreach and marketing, and Megazone Corporation provides cloud and other infrastructure. Services are currently being offered to several major universities.

The VFX business operated by consolidated subsidiary ROAD101 Co., Ltd. recorded no net sales during the current semi-annual period (compared to net sales of ¥101,509 thousand in the same semi-annual period of the previous fiscal year), as structural changes in the video production market resulting from the recent rapid emergence of generative AI video technology have made it extremely difficult to secure orders using conventional VFX methods. VFX, short for “visual effects,” refers to techniques used in visual media such as movies and television dramas to create effects that cannot be achieved in real life. The VFX business involves the production of films, commercials, and other content using VFX technologies. The company currently has no employees and faces extreme difficulty in continuing its business, and its business activities have effectively stalled. Based on its previous achievements in video production, the company is considering transitioning its business toward the production of short-form dramas using generative AI and the provision of a distribution platform for such content.

On the expense side, although advertising expenses increased as a result of strengthened marketing activities, selling, general and administrative expenses decreased due to the absence of temporary expenses incurred in the same semi-annual period of the previous fiscal year and lower expenses resulting from the loss of orders in the VFX business.

As a result, the Korea segment recorded net sales of ¥1,315,441 thousand (including intersegment transactions), an increase of ¥215,037 thousand (up 19.5%) year on year, and a segment profit of ¥306,930 thousand (compared to a segment profit of ¥80,317 thousand in the same semi-annual period of the previous fiscal year).

(*1) 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 (*4) between users using cryptocurrency.

(*2) NFT/blockchain games refer to games in which in-game items are converted into NFTs using blockchain technology (*3), fundamental technology for cryptocurrencies. These are also referred to as GameFi (a coined term combining "Game" and "Decentralized Finance").

(*3) Blockchain is a method of recording transaction information and other data by synchronizing it across multiple computers that form a decentralized network, utilizing cryptographic technology. Transaction data is grouped into units called blocks, which are verified by computers and linked together like a chain to create an accurate and immutable record.

(*4) NFT (Non-Fungible Token) refers to digital data with a "tamper-proof certificate of authenticity and ownership." Similar to cryptocurrencies, NFTs are issued and traded on a blockchain as digital data.

(*5) 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).

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

(2) Summary of Financial Positions of the Current Semi-Annual Period

As of the end of the current semi-annual period, the Group's total assets amounted to ¥3,486,583 thousand, a decrease of ¥152,861 thousand from the end of the previous fiscal year.

Major changes in assets included an increase of ¥308,550 thousand in accounts receivable–trade, while long-term prepaid expenses decreased by ¥182,104 thousand, deferred tax assets by ¥84,875 thousand, accounts receivable–other by ¥46,405 thousand, cash and deposits by ¥44,604 thousand, and land by ¥41,665 thousand. The increase in accounts receivable–trade was primarily attributable to higher net sales from the HTML5 game "Flyff Universe," while the decrease in land resulted from the exclusion of Treeful Inc. and TREEFUL (CAMBODIA) Co., Ltd. from the scope of consolidation.

Total liabilities amounted to ¥2,135,089 thousand, a decrease of ¥484,548 thousand from the end of the previous fiscal year. Major changes included an increase of ¥26,712 thousand in unearned revenue, while short-term loans payable decreased by ¥178,990 thousand, accounts payable–trade by ¥90,057 thousand, long-term loans payable (including the current portion) by ¥84,779 thousand, and long-term unearned revenue by ¥198,474 thousand. The decreases in short-term and long-term loans payable were primarily attributable to the repayment of borrowings, while the decrease in accounts payable–trade was mainly due to the loss of orders in the VFX business.

Net assets increased by ¥331,687 thousand from the end of the previous fiscal year to ¥1,351,493 thousand. The principal factors were the recording of profit attributable to owners of parent of ¥148,927 thousand, an increase in retained earnings of ¥125,696 thousand resulting from the change in the scope of consolidation, and an increase in non-controlling interests of ¥79,436 thousand, partially offset by a decrease of ¥22,363 thousand in foreign currency translation adjustment. In addition, as a result of the reduction in capital and the appropriation to cover accumulated losses effective March 31, 2026, capital stock decreased by ¥4,391,482 thousand to ¥100,000 thousand.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

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 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.

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

The Group recorded operating losses and losses attributable to owners of parent for the fiscal years ended December 31, 2024 and December 31, 2025. Accordingly, events or conditions exist that may cast significant doubt on the Group's ability to continue as a going concern.

The principal reasons for the operating losses and losses attributable to owners of parent were as follows: the Company recorded operating losses due to management costs incurred in its capacity as an operating holding company; consolidated subsidiary ROAD101 Co., Ltd. recorded operating losses in its VFX business because of a sharp deterioration in market conditions and the resulting stagnation in orders; and Treeful Inc. recorded operating losses while still in the process of implementing its plan to expand its accommodation facilities through the construction of treehouses and aero houses. In addition to the above, in the fiscal year ended December 31, 2024, the Group recorded ¥252,719 thousand in expenses related to the restatement of financial statements following the submission of correction reports on November 12, 2024, as well as ¥397,491 thousand in impairment losses on goodwill. In the fiscal year ended December 31, 2025, the Group also recorded impairment losses on business assets held by Treeful Inc. and other companies.

The Group has implemented the following measures to resolve this situation.

In light of the drastic changes in the business environment, ROAD101 Co., Ltd. is considering a fundamental restructuring of its operations, including whether to continue the business, as well as a transition from conventional VFX production to content production and distribution platform services. In addition, Treeful Inc. and TREEFUL (CAMBODIA) Co., Ltd. were excluded from the scope of consolidation at the end of April 2026, thereby improving the efficiency of the Group's management through the separation of unprofitable businesses. As a result of these measures, the Group recorded operating profit of ¥207,123 thousand and profit attributable to owners of parent of ¥148,927 thousand for the current semi-annual period. Furthermore, cash and deposits amounted to ¥699,576 thousand as of the end of the current semi-annual period, and there are no concerns regarding the Group's cash flows. Nevertheless, as the sustainability of the effects of the changes in the scope of consolidation and other measures must be assessed based on full-year operating results, the Group recognizes that events or conditions that may cast significant doubt on its ability to continue as a going concern still exist. However, in light of the implementation status of the measures described above, the Group has determined that no material uncertainty exists regarding its ability to continue as a going concern.

2. Semi-Annual Consolidated Financial Statements and Principal Notes

(1) Semi-Annual Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year As of December 31, 2025	Current semi-annual period As of June 30, 2026
Assets		
Current assets		
Cash and deposits	744,181	699,576
Accounts receivable – trade	331,594	640,145
Inventories	4,379	—
Accounts receivable – other	76,476	30,070
Prepaid expenses	8,516	10,809
Cryptocurrencies	35,059	18,775
Other	44,214	37,102
Allowance for doubtful accounts	△1,152	△1,122
Total current assets	1,243,270	1,435,357
Non-current assets		
Property, plant and equipment		
Buildings, net	876,490	852,488
Land	727,686	686,021
Other, net	11,486	9,086
Total property, plant and equipment	1,615,663	1,547,596
Intangible assets		
Other	591	142
Total intangible assets	591	142
Investments and other assets		
Investment securities	218,000	210,000
Lease and guarantee deposits	9,160	7,858
Long-term prepaid expenses	185,899	3,794
Deferred tax assets	366,708	281,833
Other	149	—
Total investments and other assets	779,918	503,486
Total non-current assets	2,396,173	2,051,225
Total assets	3,639,444	3,486,583
Liabilities		
Current liabilities		
Accounts payable – trade	93,250	3,192
Short-term loans payable	1,358,150	1,179,160
Current portion of long-term loans payable	29,669	10,196
Accounts payable – other	193,010	196,818
Accrued expenses	34,691	31,618
Advances received	114,049	89,278
Unearned revenue	3,816	30,528
Income taxes payable	9,911	7,282
Provision for reward	47,195	56,621
Provision for bonuses	168	—
Other	129,503	181,586
Total current liabilities	2,013,416	1,786,283
Non-current liabilities		
Long-term loans payable	69,969	4,662
Long-term unearned revenue	258,083	59,608
Net defined benefit liability	259,420	266,474
Other	18,748	18,060
Total non-current liabilities	606,221	348,805
Total liabilities	2,619,638	2,135,089

(Thousands of yen)

	Previous fiscal year As of December 31, 2025	Current semi-annual period As of June 30, 2026
Net assets		
Shareholders’ equity		
Capital stock	4,491,482	100,000
Capital surplus	2,868,426	—
Retained earnings	△6,576,430	958,102
Total shareholders’ equity	783,478	1,058,102
Accumulated other comprehensive income		
Foreign currency translation adjustment	△338,170	△360,534
Total accumulated other comprehensive income	△338,170	△360,534
Share acquisition rights	8	—
Non-controlling interests	574,489	653,925
Total net assets	1,019,806	1,351,493
Total liabilities and net assets	3,639,444	3,486,583

(2) Semi-Annual Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Semi-Annual Consolidated Statement of Income)

(Thousands of yen)

	Six-month period ended June 30, 2025 (From January 1, 2025 to June 30, 2025)	Six-month period ended June 30, 2026 (From January 1, 2026 to June 30, 2026)
Net sales	1,144,069	1,354,517
Cost of sales	449,316	382,124
Gross profit	694,752	972,392
Selling, general and administrative expenses	941,762	765,269
Operating profit (loss)	△247,010	207,123
Non-operating income		
Interest income	10,756	4,885
Foreign exchange gains	—	57,122
Insurance proceeds	10,000	6,020
Secondment fee received	6,020	—
Other	3,097	4,328
Total non-operating income	29,873	72,356
Non-operating expenses		
Interest expenses	18,382	24,871
Commission expenses	7,363	—
Loss on valuation of cryptocurrencies	14,942	15,283
Foreign exchange losses	32,658	—
Other	80	127
Total non-operating expenses	73,427	40,282
Ordinary profit (loss)	△290,564	239,197
Extraordinary income		
Gain on sale of non-current assets	555	—
Gain on change in equity	—	121,321
Total extraordinary income	555	121,321
Extraordinary losses		
Loss on sales of non-current assets	6,994	—
Loss on retirement of non-current assets	0	—
Impairment losses	—	23,581
Total extraordinary losses	6,994	23,581
Profit (loss) before income taxes	△297,003	336,937
Income taxes – current	6,277	5,583
Income taxes – deferred	24,647	79,993
Total income taxes	30,925	85,576
Profit (loss)	△327,929	251,360
Profit (loss) attributable to non-controlling interests	△141,252	102,433
Profit (loss) attributable to owners of parent	△186,676	148,927

(Semi-Annual Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Six-month period ended June 30, 2025 (From January 1, 2025 to June 30, 2025)	Six-month period ended June 30, 2026 (From January 1, 2026 to June 30, 2026)
Profit (loss)	△327,929	251,360
Other comprehensive income		
Valuation difference on available-for-sale securities	△2	—
Foreign currency translation adjustment	△8,499	△45,360
Other comprehensive income	△8,501	△45,360
Comprehensive income	△336,431	206,000
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	△191,764	126,563
Comprehensive income attributable to non-controlling interests	△144,667	79,436

(3) Semi-Annual Consolidated Statement of Cash Flows

(Thousands of yen)

	Six-month period ended June 30, 2025 (From January 1, 2025 to June 30, 2025)	Six-month period ended June 30, 2026 (From January 1, 2026 to June 30, 2026)
Cash flows from operating activities		
Profit (loss) before income taxes	△297,003	336,937
Depreciation	74,984	37,876
Impairment losses	—	23,581
Increase (decrease) in allowance for doubtful accounts	3	10
Increase (decrease) in provision for rewards	5,885	11,370
Increase (decrease) in provision for bonuses	15	400
Increase (decrease) in provision for loss on contracts	△22,520	—
Increase (decrease) in net defined benefit liability	11,847	16,534
Interest and dividend income	△10,769	△4,885
Interest expenses	18,382	24,871
Loss (gain) on valuation of cryptocurrencies	14,942	15,283
Loss (gain) on sales of property, plant, and equipment	6,438	—
Loss on retirement of property, plant, and equipment	0	—
Loss (gain) on change in equity	—	△121,321
Decrease (increase) in notes and accounts receivable - trade	△278,031	△361,857
Decrease (increase) in inventories	548	△67
Decrease (increase) in consumption taxes refund receivable	107,540	14,170
Decrease (increase) in prepaid expenses	22,500	△2,922
Decrease (increase) in long-term prepaid expenses	1,502	△3,867
Increase (decrease) in notes and accounts payable - trade	△112	△87,804
Increase (decrease) in accounts payable - other	143,123	21,257
Increase (decrease) in advances received	112,251	9,824
Increase (decrease) in unearned revenue	△92,445	27,363
Increase (decrease) in long-term unearned revenue	11,258	△10,115
Other	136,631	35,116
Subtotal	△33,026	△18,242
Interest and dividend received	6,629	4,019
Interest paid	△19,867	△17,685
Income taxes refunded	4,949	10,209
Income taxes paid	△11,890	△7,965
Payment of penalty	△64,950	—
Cash flows from operating activities	△118,156	△29,664
Cash flows from investing activities		
Payments into time deposits	△2,032	△1,982
Purchase of property, plant, and equipment	△56,081	△24,386
Proceeds from sales of property, plant, and equipment	558	271
Decrease (increase) in short-term loans receivable	△30,000	—
Payments for guarantee deposits	△1,017	△1,198
Proceeds from collection of guarantee deposits	11,008	1,748
Cash flows from investing activities	△77,564	△25,547
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	41,998	33,048
Repayments of long-term loans payable	△8,858	△8,720
Proceeds from share issuance to non-controlling shareholders	27,455	—
Cash flows from financing activities	60,595	24,328
Effect of exchange rate change on cash and cash equivalents	△10,181	△8,914
Net increase (decrease) in cash and cash equivalents	△145,307	△39,798
Cash and cash equivalents at beginning of period	517,293	448,211
Decrease in cash and cash equivalents resulting from deconsolidation	—	△17,151
Cash and cash equivalents at end of period	371,986	391,262

(4) Notes to the Semi-Annual Consolidated Financial Statements

(Changes in the scope of consolidation or application of the equity method)

(1) Significant changes in the scope of consolidation

During the current semi-annual period, the Company did not exercise its rights to subscribe for new shares in a capital increase through a shareholder allotment conducted by Treeful Inc., which was a consolidated subsidiary. As a result, the Company's voting rights ratio decreased, and the Company lost control over Treeful Inc. Accordingly, Treeful Inc. and its subsidiary, TREEFUL (CAMBODIA) Co., Ltd., were excluded from the scope of consolidation.

(2) Significant changes in the scope of application of the equity method

Not applicable.

(Notes on Segment Information)

[Segment Information]

I Six-month period ended June 30, 2025 (From January 1, 2025 to June 30, 2025)

1. Information on the amount of net sales and profit (loss) and disaggregated information on revenue

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in semi-annual consolidated statements of income (Note 2)
	Japan	Korea	Total		
Net sales					
Online game business	－	244,214	244,214	－	244,214
Smartphone app business	－	162,262	162,262	－	162,262
HTML5 game business	－	535,588	535,588	－	535,588
Meta Campus business	－	16,313	16,313	－	16,313
VFX business	－	101,509	101,509	－	101,509
Other businesses	46,734	37,446	84,180	－	84,180
Revenue from contracts with customers	46,734	1,097,335	1,144,069	－	1,144,069
Net sales to external customers	46,734	1,097,335	1,144,069	－	1,144,069
Intersegment net sales and transfer	43,823	3,068	46,892	△46,892	－
Total	90,558	1,100,404	1,190,962	△46,892	1,144,069
Segment profit or loss	△327,420	80,317	△247,102	92	△247,010

(Note 1) The segment profit (loss) adjustment of ¥92 thousand represents the elimination of intersegment transactions.

(Note 2) Segment profit (loss) is adjusted with operating loss in the semi-annual consolidated statement of income.

2. Information on assets by reportable segment

Not applicable.

3. Information on impairment losses of non-current assets, goodwill, etc. by reportable segment

Not applicable

II Six-month period ended June 30, 2026 (From January 1, 2026 to June 30, 2026)

1. Information on the amount of net sales and profit (loss) and disaggregated information on revenue

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in semi-annual consolidated statements of income (Note 2)
	Japan	Korea	Total		
Net sales					
Online game business	―	280,024	280,024	―	280,024
Smartphone app business	―	238,177	238,177	―	238,177
HTML5 game business	―	777,208	777,208	―	777,208
Meta Campus business	―	7,956	7,956	―	7,956
VFX business	―	―	―	―	―
Other businesses	40,873	10,277	51,150	―	51,150
Revenue from contracts with customers	40,873	1,313,644	1,354,517	―	1,354,517
Net sales to external customers	40,873	1,313,644	1,354,517	―	1,354,517
Intersegment net sales and transfer	50,327	1,797	52,124	△52,124	―
Total	91,200	1,315,441	1,406,642	△52,124	1,354,517
Segment profit or loss	△116,274	306,930	190,655	16,467	207,123

(Note 1) The segment profit (loss) adjustment of ¥16,467 thousand represents the elimination of intersegment transactions.

(Note 2) Segment profit (loss) is adjusted with the operating profit in the semi-annual consolidated statement of income.

2. Information on assets by reportable segment

Not applicable.

3. Information on impairment losses of non-current assets, goodwill, etc. by reportable segment

(Significant impairment losses on non-current assets)

In the "Japan" segment, an impairment loss on non-current assets was recorded. The amount of the impairment loss recorded during the current semi-annual period was ¥23,581 thousand.

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

Based on a resolution of the Board of Directors held on February 9, 2026, the reduction of capital became effective on March 31, 2026. As a result, during the current semi-annual period, capital stock decreased by ¥4,391,482 thousand, capital reserve decreased by ¥2,631,051 thousand, and other capital surplus increased by ¥7,022,533 thousand. The entire amount of other capital surplus was then transferred to retained earnings brought forward and applied to eliminate the accumulated deficit.
As a result, capital stock amounted to ¥100,000 thousand as of the end of the current semi-annual period.
In addition, during the current semi-annual period, Treeful Inc. and TREEFUL (CAMBODIA) Co., Ltd., which had been consolidated subsidiaries of the Company, were excluded from the scope of consolidation. Accordingly, the Group recognized a gain on change in equity resulting from the capital increase of ¥121,321 thousand as extraordinary income, and the remaining difference arising from their exclusion from consolidation, amounting to ¥125,696 thousand, was accounted for as an increase in retained earnings.

(Notes on Going Concern Assumptions)

Not applicable.