

July 27, 2023

To whom it may concern

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Notice of Recording of Operating Expenses and Extraordinary Losses at a Consolidated Subsidiary, Revision of Full-Year Earnings Forecasts, and Revision of Dividend Forecasts

In the first quarter of the fiscal year ending March 31, 2024, we have recorded operating expenses and extraordinary losses. In consideration of the first quarter results and future outlook, we have revised our full-year consolidated earnings forecast and dividend forecast for the fiscal year ending March 31, 2024, as follows.

Notice

1. Operating expenses and extraordinary losses of consolidated subsidiaries and their details

On this 27th day of July 2023, studiorex Co., Ltd. (Headquarters: Shinagawa-ku, Tokyo; President: Sumito Kasuda) has decided to close the smartphone game application *DACHIMEN DENSETSU G*, released in the first quarter of the current fiscal year due to lower-than-expected sales. In due course, impairment losses and related costs arising in the future were recorded to assets from the said game application.

Based on the above, in the first quarter of the fiscal year ending March 31, 2024, the Company recorded 20 million yen as operating expenses and 416 million yen as impairment loss on software as an extraordinary loss.

2. Revision of Earnings Forecasts

(1) Revision of consolidated earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Per share Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	15,000	2,000	1,900	1,100	38.59
Revised forecast (B)	11,500	500	450	0	0.00
Increase (Decrease) (B-A)	-3,500	-1,500	-1,450	-1,100	
Increase (Decrease) (%)	-23.3	-75.0	-76.3	-	
(Reference) Results for the previous period (Fiscal year ending March 31, 2023)	10,800	2,281	2,192	1,159	40.70

(2) Reason for revision

For the fiscal year ending March 31, 2024, we aimed to secure long-term stable earnings from titles in operation in the game business, to achieve sales growth through steady hits of three newly released titles, and to diversify and layer revenue sources, with the aim of achieving continuous sales growth and business expansion in the future.

However, with sales of new mobile game titles released in the first quarter faring worse than expected, and sales of some existing operational titles falling below expectations, the Company has decided to change its future policy and implement countermeasures, such as reviewing the strategy for all mobile game titles under development, reducing company-wide costs, and revising investment plans.

Looking ahead, we aim to improve the profit-and-loss situation as soon as possible and achieve our full-

year forecast through the contribution of new titles to be released in the latter half of the second half of the fiscal year.

The details of the revision of the earnings forecast are as follows.

Net sales were revised downward due to lower-than-expected sales of *DACHIMEN DENSETSU G*, a new title by a subsidiary released in the first quarter of the current fiscal year, and in relation to *Wizardry Variants Daphne*, a new in-house distributed title under development. The revision was due to the postponement of the release date of *Wizardry Variants Daphne*, as a result of additional development and a review of marketing plans. The contribution to net sales from new self-distributed titles, including *DACHIMEN DENSETSU G* and *Wizardry Variants Daphne*, has been revised from 4,929 million yen as initially projected to 1,784 million yen.

Operating income and ordinary income were revised downward due to a decrease in profit from new in-house distribution titles and a decrease in profit from some existing titles under operation, despite the revision of advertising expenses from 1,341 million yen to 906 million yen and R&D expenses from 951 million yen to 567 million yen as a result of cost reductions and a review of investment plans. The revision was due to a decrease in profits expected from new self-distributed titles and a decrease in profits from some existing titles under operation.

Net income attributable to owners of the parent company has been revised due to a decrease in operating income and ordinary income, an extraordinary loss of 416 million yen as described in "1. Recording and Details of Operating Expenses and Extraordinary Losses at Consolidated Subsidiaries" above, and a decrease in tax expenses.

(Note) The above forecasts are based on information available as of the date of publication of this document, and actual results may differ from these forecasts due to various factors.

Revision of Dividend Forecast

(1) Revision of dividend forecast for the fiscal year ending March 31, 2024

	Annual dividend (yen)		
	End of 2nd quarter	End of period	Total
Previous Forecast	0.00 yen	5.00 yen	5.00 yen
Revised Forecast	0.00 yen	undecided	undecided
Actual results for the current fiscal year			
Actual results for the previous period (Fiscal year ending March 31, 2023)	0.00 yen	5.00 yen	5.00 yen

(2) Reason for revision

The Company recognizes that returning profits to shareholders is one of its most important management issues, and decides on the level of profit distribution after careful consideration of trends in operating results and financial condition, as well as the status and future plans for R&D investments and other activities.

For the fiscal year ending March 31, 2024, as described in "2. Revision of Earnings Forecast," new titles released in the first quarter of the current fiscal year fell below expectations, and some existing titles under operation also fell below expectations. As a result, our profit-and-loss situation has worsened, and we have revised our full-year earnings forecast.

The year-end dividend forecast for the current fiscal year is undecided at this time and will be announced again after careful consideration of the level of profit distribution based on the progress of company-wide cost reduction and review of investment plans, as well as the trends in business performance and financial conditions.