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To All

Corporate Name YUKE'S Co., Ltd.

(Code: 4334 TSE Standard Market)

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Notice of Recording of Extraordinary Losses and Revisions to Earnings and Dividend Forecasts

In the third quarter of the fiscal year ended January 2024, we posted extraordinary losses (impairment losses) as follows. We also announced that we will revise our earnings forecasts and year-end dividend forecasts for the fiscal year ending January 2024 (from February 1, 2023 to January 31, 2024) announced on March 10, 2023.

Notation

1. Recording of extraordinary losses

DC DUAL FORCE, a digital card game developed in the publishing business in January 2021, began open beta testing on July 15, 2023 after refining its game design several times.

However, it was discovered that there were more defects than anticipated from the start of the open beta test, and as a result of focusing on improving the quality of software quickly, most of the defects were corrected, so on August 31, we released them on our own website, and on October 18, we also released additional software on the gaming platform Steam, Epic Games Store.

After the release, we added weekly comics for monthly paying users and added card sets for each event, which resulted in a large number of new defects. Therefore, we held several discussions with development companies in the U.S. about countermeasures, and we also invested personnel in countermeasures on the Japanese side. While defects have been resolved, DAU (Daily Active Users (number of users per day) and sales have been significantly below expectations, and title management has suffered a significant loss. Advertising has been conducted on a small scale while measuring cost-effectiveness and optimizing advertising. However, since the number of times advertising is displayed per day (approximately 2 million to 3 million times) and the number of clicks (10,000 to 20,000 times) is significantly different from the estimated cost of acquiring users per user, the cost-effectiveness of additional advertising costs is unlikely, and we have no choice but to determine that we are profitable in a short period of time and that the recovery of initial development costs in the future is highly unlikely. Accordingly, in order to stop further losses at an early stage, the Company decided to immediately consider future services and record impairment losses on related assets.

For the reasons stated above, the Board of Directors resolved to record an extraordinary loss of 1.655 billion yen due to the impairment loss on assets related to DC DUAL FORCE.

2. Revisions to the consolidated results forecast for the fiscal year ending January 2, 2024 (February 1, 2023-January 31, 2024)

(Millions of yen, %)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Per share Profit
Previously announced outlook (A)	7,923	1,615	1,622	1,192	141.47 yen
Current revised outlook (B)	4,153	179	283	(1,425)	(169.73) yen
C h a n g e (B - A)	(3,769)	(1,436)	(1,338)	(2,618)	-
C h a n g e (%)	(47.6)	(88.9)	(82.5)	(219.5)	-
(R e f e r e n c e) Previous fiscal year (ended January 31, 2023)	4,299	948	1,092	883	103.40 yen

3. Reasons for revision of forecast

In the third quarter of Fiscal Year 2024, we revised the above full-year forecast for Fiscal Year 2024 announced on March 10, 2023, as a result of recording the special loss described in "1. Recording of special loss" above, reflecting the decline in sales and profits expected in the publishing business, and the revision of sales and profits and exchange rates in other businesses.

4. Revision to dividend forecasts, etc.

Revisions to the year-end dividend forecast for the fiscal year ending January 2024

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Previous forecast (out March 10, 2023)	-	0 yen	-	42 yen	42 yen
Revised forecast	-	-	-	10 yen	10 yen
Results for the fiscal year under review	-	0 yen	-		
Results for the previous fiscal year (Year ended January 31, 2023)	-	0 yen	-	30 yen	30 yen

5. Reason for the Dividend Forecast Revision

Returning profits to shareholders is one of our most important management priorities. Our basic policy is to return profits to shareholders in accordance with business performance while maintaining stable dividends, while taking into account future business development and internal reserves that take into account the characteristics of our business.

The dividend payout ratio will be determined based on a 30% consolidated dividend payout ratio. The annual dividend payout ratio is set at a minimum of 10 yen per share, except in cases where the Company's business results are significantly weak due to drastic changes in the business environment.

Based on this policy, we regret to inform our shareholders, but we will revise the year-end dividend forecast for the fiscal year ending January 2024 from 42 yen to 10 yen.

6. Management Responsibility

In order to take the revisions to the full-year earnings forecast and the status of business performance seriously, and to clarify management responsibilities, the Company decided to voluntarily return a portion of the monthly remuneration to officers as follows.

Target: President, Executive Director, Audit & Supervisory Board Member

Reduction rate: Voluntary return of 50% to 10% of monthly compensation

Period covered: November 2023 to January 2024 (3 months)

7. Prevention of recurrence

Annual investment amounts in the Publishing business will be capped at each fiscal year for the foreseeable future, taking into account the Company-wide annual operating income forecast excluding the Publishing business. In addition, the Investment Committee, which is newly established mainly by the Corporate Planning Office, monitors development progress and thoroughly manages forecasts for each project. In addition, we will strengthen the Quality Assurance Division to ensure software quality so that risks can be minimized.

8. Organizational Structure Changes

In the Publishing business, we will conduct a fundamental review of our organizational structure. At the same time, we will develop game software and pachinko/pachislot machines on a consignment basis, and in XR and other businesses, we will formulate management strategies that emphasize growth potential and thoroughly manage costs on a company-wide basis.

※The above forecasts are forward-looking statements based on information available at the time of publication, and are subject to uncertainty. Actual results may differ from the above forecasts due to changes in business conditions and other factors.

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