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August 14, 2024

Consolidated Financial Results for the Six Months Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange /
 Securities code: 3350
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 Scheduled date to file semi-annual securities report: August 14, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes/None
 Holding of financial results briefing: Yes/None

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

1. Consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2024	168	40.4	(115)	—	(176)	—	(176)	—
June 30, 2023	120	(53.0)	(264)	—	(140)	—	80	—

Note: Comprehensive income For the six months ended June 30, 2024: (¥176) million [—%]
 For the six months ended June 30, 2023: ¥59 million [—%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2024	(12.75)	—
June 30, 2023	7.89	7.30

(Notes) 1. The amount of diluted net income per share for the current interim consolidated accounting period is not stated because although there are potential shares, an interim net loss per share was recorded.

2. The Company conducted a share consolidation at a ratio of 1 common share for every 10 common shares on August 1, 2024. The interim net loss per share has been calculated assuming that the share consolidation was conducted at the beginning of the previous interim consolidated accounting period.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	3,876	2,316	59.6
December 31, 2023	1,666	1,152	67.8

Reference: Equity
 As of June 30, 2024: ¥2,308 million
 As of December 31, 2023: ¥1,634 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, 2023	–	0.0	–	0.0	0.0
Fiscal year ending December 31, 2024	–	0.0			
Fiscal year ending December 31, 2024 (Forecast)			–	0.0	0.0

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

3. Consolidated earnings forecast for the fiscal year ending December 2024 (January 1, 2024 to December 31, 2024)

The consolidated earnings forecast for the fiscal year ending December 2024 is currently under review. The consolidated earnings forecast will be disclosed as soon as it is finalized.

* **Notes**

- (1) Significant changes in the scope of consolidation during the period: Yes/None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes/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: Yes/None
- (ii) Changes in accounting policies due to other reasons: Yes/None
- (iii) Changes in accounting estimates: Yes/None
- (iv) Restatement: Yes/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, 2024	181,692,187 shares
As of December 31, 2023	114,692,187 shares

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

As of June 30, 2024	22,885 shares
As of December 31, 2023	21,725 shares

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

Six months ended June 30, 2024	138,793,927 shares
Six months ended June 30, 2023	102,599,823 shares

(Note) At the extraordinary general meeting of shareholders held on June 28, 2024, a proposal for a reverse stock split was approved, and as of the effective date of the reverse stock split (August 1, 2024), 10 shares were consolidated into 1 share. As a result, the total number of outstanding shares decreased by 163,522,969 shares.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements contained in this document are based on information currently available to the company and certain assumptions that the company considers reasonable, and actual performance may differ significantly due to various factors.

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1. Qualitative Information on Interim Financial Results

(1) Explanation of Business Performance

During the current interim consolidated accounting period, the economy showed a moderate recovery trend due to improvements in the employment and income environment and an increase in foreign tourists resulting from the depreciation of the yen. However, the outlook remained uncertain due to rising prices and unstable international conditions.

In our hotel business, we have advanced room renovations and implemented new customer acquisition strategies, resulting in increased occupancy rates, which have already contributed to our group's revenue and profit generation.

In other business areas, we decided to purchase Bitcoin from the current interim consolidated accounting period and hold it as part of our financial management strategy in Bitcoin currency.

However, we have not launched new business ventures that could become significant sources of revenue and profit. In this context, although our group achieved a 40.4% increase in net sales compared to the same period of the previous year, we recorded operating expenses that exceeded net sales, resulting in an operating loss.

Additionally, we recorded gains from the sale of investment securities as non-operating income and impairment losses on Bitcoin as non-operating expenses.

As a result, the group's performance during the current interim consolidated accounting period was as follows: net sales of 168 million yen (a 40.4% increase compared to the same period of the previous year), an operating loss of 115 million yen (compared to an operating loss of 264 million yen in the same period of the previous year), an ordinary loss of 176 million yen (compared to an ordinary loss of 140 million yen in the same period of the previous year), and a net loss attributable to owners of the parent company of 176 million yen (compared to a net profit of 80 million yen in the same period of the previous year).

(2) Explanation of Financial Position

At the end of the current interim consolidated accounting period, total assets amounted to 3,876 million yen, an increase of 2,210 million yen compared to the end of the previous consolidated fiscal year.

Current assets were 1,178 million yen, an increase of 579 million yen from the previous consolidated fiscal year. This was mainly due to increases in cash and deposits by 455 million yen and other assets by 129 million yen.

Fixed assets amounted to 2,698 million yen, an increase of 1,631 million yen compared to the previous consolidated fiscal year. This was primarily due to increases in tangible fixed assets by 60 million yen and Bitcoin by 1,567 million yen.

We believe that our company is unique in the Bitcoin sector within Japan's capital market and will present the account titles in our consolidated financial statements as "Bitcoin" rather than as "cryptocurrency."

Total liabilities were 1,560 million yen, an increase of 1,046 million yen compared to the end of the previous consolidated fiscal year. This was mainly due to increases in current liabilities by 1,041 million yen and fixed liabilities by 4 million yen.

Total net assets amounted to 2,316 million yen, an increase of 1,164 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to the recording of a net loss attributable to owners of the parent company of 176 million yen, while capital stock and capital surplus increased by 677 million yen each, due to the exercise of the 9th series of stock acquisition rights during the current interim consolidated accounting period.

(3) Explanation of Cash Flows

During the current interim consolidated accounting period, cash and cash equivalents (hereinafter referred to as "funds") increased by 455 million yen from 553 million yen at the end of the previous consolidated fiscal year, resulting in a total of 1,008 million yen.

The status and factors of each cash flow during the current interim consolidated accounting period are as follows:

(Cash Flow from Operating Activities)

The funds spent from operating activities were 54 million yen (compared to 295 million yen spent in the same period of the previous year). The main factors were a pre-tax net loss of 176 million yen, depreciation expenses of 8 million yen, a Bitcoin impairment loss of 59 million yen, and a foreign exchange loss of 3 million yen.

(Cash Flow from Investing Activities)

The funds spent from investing activities were 1,830 million yen (compared to 1,500 million yen gained

in the same period of the previous year). The main factors were expenditures of 5 million yen for the acquisition of investment securities, income of 6 million yen from the sale of investment securities, expenditures of 68 million yen for the acquisition of tangible fixed assets, expenditures of 1,642 million yen for the acquisition of Bitcoin, and expenditures of 6 million yen for the payment of deposits and guarantee money.

(Cash Flow from Financing Activities)

The funds obtained from financing activities were 2,341 million yen (compared to 1,200 million yen spent in the same period of the previous year). The main factors were income of 1,000 million yen from the issuance of corporate bonds and income of 1,340 million yen from the issuance of shares.

(4) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

As for the consolidated business forecast for the fiscal year ending December 2024, it is currently under review and not provided here. We plan to disclose the forecast promptly once it has been calculated.

2. Interim Consolidated Financial Statements and Notes

(1) Interim Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (December 31, 2023)	Current interim consolidated accounting period (June 30, 2024)
Assets		
Current assets		
Cash on hand and in banks	553,175	1,008,780
Accounts receivable	23,306	17,531
Other	28,998	158,184
Allowance for doubtful accounts	(6,067)	(6,067)
Total current assets	599,412	1,178,428
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	95,168	125,896
Land	866,619	866,619
Other, net	13,200	42,485
Total property, plant and equipment	974,988	1,035,001
Investments and other assets		
Bitcoins	-	1,567,275
Other	531,809	535,815
Allowance for doubtful accounts	(440,073)	(440,073)
Total investments and other assets	91,736	1,663,017
Total fixed assets	1,066,724	2,698,019
Total assets	1,666,137	3,876,447

(Unit: thousand yen)

	Previous consolidated fiscal year (December 31, 2023)	Current interim consolidated accounting period (June 30, 2024)
Liabilities		
Current liabilities		
Current portion of bonds	-	1,000,000
Accrued income taxes	19,558	18,943
Other	358,566	400,751
Total current liabilities	378,125	1,419,695
Fixed liabilities		
Long-term debt	130,501	133,075
Liabilities for retirement benefits	5,423	7,482
Total long-term liabilities	135,924	140,558
Total liabilities	514,049	1,560,253
Total net assets		
Capital stock		
Capital stock	575,000	677,705
Capital surplus	(2,512,667)	(1,711,389)
Retained earnings	3,207,328	3,481,779
Treasury stock	(139,463)	(139,533)
Total shareholders' equity	1,130,197	2,308,562
Subscribed warrants	21,890	7,632
Total net assets	1,152,087	2,316,194
Total liabilities and net assets	1,666,137	3,876,447

(2) Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income
(Interim Consolidated Statements of Income)
(Interim Consolidated Accounting Period)

(Unit: thousand yen)

	Previous Interim Consolidated Accounting Period (From: January 1, 2023 To: June 30, 2023)	Current Interim Consolidated Accounting Period (From: January 1, 2024 To: June 30, 2024)
Net sales	120,021	168,494
Cost of sales	22,141	34,552
Gross profit	97,879	133,941
Selling, general and administrative expenses	362,769	249,909
Operating loss (-)	(264,889)	(115,967)
Non-operating income		
Interest income	4	2
Profit on currency exchange	134,285	-
Gain on sales of investment securities	-	854
Other	9,089	1,072
Total non-operating income	143,379	1,929
Non-operating expenses		
Interest expense	18,540	41
Bitcoin valuation loss	-	59,369
Other	1	3,052
Total non-operating expenses	18,542	62,463
Ordinary loss (loss)	(140,052)	(176,500)
Extraordinary income		
Gain on sales of fixed assets	254,754	-
Gain on reversal of subscription rights to shares	4,632	-
Total extraordinary income	259,387	-
Extraordinary loss		
Loss on disposal of fixed assets	180	-
Loss on sales of fixed assets	37,571	-
Total extraordinary loss	37,751	-
Income (loss) before income taxes and minority interests	81,582	(176,500)
Income taxes	609	475
Net income (loss)	80,973	(176,975)
Net income (loss) attributable to owners of the parent	80,973	(176,975)

(Interim Consolidated Statements of Comprehensive Income)

(Interim Consolidated Accounting Period)

(Unit: thousand yen)

	Previous Interim Consolidated Accounting Period (From: January 1, 2023 To: June 30, 2023)	Current Interim Consolidated Accounting Period (From: January 1, 2024 To: June 30, 2024)
Net income (loss)	80,973	(176,975)
Other comprehensive income		
Foreign currency translation adjustments	(21,914)	-
Total other comprehensive income	(21,914)	-
Interim comprehensive income	59,058	(176,975)
(Breakdown)		
Comprehensive income attributable to owners of the parent	59,058	(176,975)

(3) Interim Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Previous Interim Consolidated Accounting Period (From: January 1, 2023 To: June 30, 2023)	Current Interim Consolidated Accounting Period (From: January 1, 2024 To: June 30, 2024)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	81,582	(176,500)
Depreciation and amortization	27,009	8,262
Amortization of long-term prepaid expenses	8,252	-
Loss (gain) on sales of investment securities	-	(854)
Bitcoin valuation loss (gain)	-	59,369
Interest and dividend income	(4)	(102)
Foreign exchange losses (gains)	(134,285)	3,052
Gain on reversal of subscription rights to shares	(4,632)	-
Loss (gain) on sales of fixed assets	(217,183)	-
interest expense	18,540	41
Decrease (increase) in trade receivables	5,861	5,774
(Increase) decrease in inventories	973	163
Increase (decrease) in liabilities for retirement benefits	(828)	2,059
Other	(47,735)	44,981
Subtotal	(262,448)	(53,752)
Interest and dividends received	4	102
Interest payments	(32,975)	-
Income taxes paid	(35)	(1,090)
Cash flows from operating activities	(295,455)	(54,739)
Cash flows from investing activities		
Payments for purchase of investment securities	(198,420)	(5,503)
Proceeds from sales of investment securities	-	6,357
Payments for purchase of property, plant and equipment	(77,099)	(68,276)
Payments for acquisition of bitcoin	-	(1,642,612)
Proceeds from the sale of bitcoin	-	16,087
Proceeds from sales of property, plant and equipment	1,799,364	-
Payments for acquisition of intangible assets	(21,430)	-
Payments for short-term loans receivable	(1,800)	-
Payment for lease and guarantee deposits	-	(6,455)
Other	-	(130,335)
Cash flows from investing activities	1,500,614	(1,830,737)
Cash flows from financing activities		
Repayment of short-term loans payable	(501,887)	-
Repayment of long-term debt	(2,072,658)	-
Proceeds from issuance of bonds	200,000	1,000,000
Proceeds from issuance of stock	1,150,000	1,340,000
Proceeds from issuance of stock acquisition rights	23,690	-
Payments for purchase of treasury stock	(27)	(69)
Other	-	1,152
Cash flows from financing activities	(1,200,882)	2,341,082
Effect of exchange rate changes on cash and cash equivalents	639	-

Net increase (decrease) in cash and cash equivalents	4,916	455,605
Cash and cash equivalents at beginning of year	207,260	553,175
Cash and cash equivalents at end of period	212,177	1,008,780

(4) Notes to Interim Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Our group has been working to improve our financial position by restructuring unprofitable hotels and affiliates that have been a burden on management. Additionally, by securing funds during the current consolidated accounting period, we have maintained sufficient financial liquidity to support the going concern assumption. However, we have consistently recorded operating losses, ordinary losses, and negative operating cash flow in past fiscal years, and have also recorded losses in each of those during the current interim consolidated accounting period. As a result of this situation, and under the accounting rule, the Company expresses the existence of some uncertainties regarding the premise of a going concern. To address these issues, our group is implementing the following measures to resolve or improve the situation.

(i) Development of New Businesses in the Bitcoin-Related Field

We plan to increase our Bitcoin holdings and use a portion of them for yield-generating activities. Additionally, we aim to drive income and profit by advancing our previously announced initiatives, such as Bitcoin Magazine and Bitcoin for Corporations.

(ii) Stabilization of Performance and Finances through the Hotel Business and Exploration of New Ventures

Regarding our hotel business, we are continuing operations only at the Gotanda property. For the Gotanda property, we have been renovating rooms and implementing new customer acquisition strategies, which have led to increased occupancy rates and contributed to our group's revenue and profit generation. We are working to enhance the added value of the hotel business through capital investments related to Bitcoin, ensuring it remains a core business capable of consistently generating stable revenue and profit.

Additionally, we continue to explore new business opportunities that can secure profits, striving to achieve operational profitability. In light of the above situation, we plan to stabilize our financial base by securing operating profit through hotel business operations while exploring new business ventures that can become significant sources of revenue and profit.

(iii) Cost Reduction

Our group continuously reviews selling, general, and administrative expenses and implements thorough cost reduction measures. We also enforce rigorous cost management to prevent unnecessary expenses from increasing due to new business ventures.

We closely monitor company conditions, such as sales and costs, and implement necessary measures promptly.

(iv) Implementation of Capital Strategies

While exploring the development of new businesses that can become pillars of revenue and profit, we aim to improve our financial foundation by stabilizing the hotel business and considering new fundraising methods, including capital increases and loans. During the current interim consolidated accounting period, we secured 1,340 million yen in cash and deposits through the exercise of stock acquisition rights (9th series) issued on December 28, 2022, and 1,000 million yen through the issuance of the 2nd series of unsecured corporate bonds (with a guarantee) on June 28, 2024.

Although our financial foundation remains stable, we will continue to strengthen it by securing business funds. We are also considering new fundraising methods, including additional capital increases and loans, and have resolved to conduct a free allocation of the 11th series of unlisted stock acquisition rights on August 6, 2024. For details, please refer to (Significant Subsequent Events) III. Issuance of the 11th Series of Stock Acquisition Rights.

The interim consolidated financial statements have been prepared on the assumption of a going concern and do not reflect the effects of uncertainty related to the going concern assumption.

(Changes in Accounting Policies)

There are no applicable items.

(Notes on Significant Changes in Shareholders' Equity)

Reduction of Capital Stock and Disposal of Surplus

At the Board of Directors meeting held on September 26, 2023, our company resolved to propose "Reduction of Capital Stock and Disposal of Surplus" at the Extraordinary General Meeting of Shareholders scheduled for December 1, 2023. This proposal was approved at the said Extraordinary General Meeting. The reduction of capital stock became effective on January 12, 2024, upon the completion of creditor protection procedures.

(1) Purpose of Reduction of Capital Stock and Disposal of Surplus

The purpose is to cover deficits and improve financial soundness, as well as to achieve agile and flexible capital policies

(2) Details of Reduction of Capital Stock and Disposal of Surplus

(i) Amount of Capital Stock to be Reduced

The purpose is to cover deficits and improve financial soundness, as well as to achieve agile and flexible capital policies

(ii) Method of Reduction of Capital Stock

The amount of capital stock reduced by 575,000 thousand yen was transferred to other capital surplus.

(iii) Effective Date of Reduction of Capital Stock

January 12, 2024 (as per registration)

(iv) Amount of Other Capital Surplus Generated by Reduction of Capital Stock

575,000 thousand yen

(v) Amount Transferred to Retained Earnings to Cover Deficits

On the effective date, 451,427 thousand yen of other capital surplus was transferred to retained earnings brought forward for the purpose of covering deficits

Exercise of the 9th Series of Stock Acquisition Rights

(1) On April 8, 2024, the Company transferred all of the Stock Acquisition Rights (335,000 units) held by EVO FUND and a portion of the Stock Acquisition Rights (132,500 units) held by MMXX Ventures Limited to 9 persons (2 corporations and 7 individuals), and all 9 persons acquired the All of these 9 persons received payment for the acquired SARs on the same day by exercising their SARs.

As a result, common stock and capital surplus increased by 472,876 thousand yen each.

(2) On April 22, 2024, the Company received payment from MMXX Ventures Limited upon exercise of 85,713 SARs held by the Company.

As a result, common stock and capital surplus increased by 86,698 thousand yen each.

(3) On June 10, 2024, the Company received payment from MMXX Ventures Limited upon exercise of 116,787 SARs held by the Company.

As a result, capital stock and capital surplus increased by 118,130 thousand yen each.

As a result, capital stock and capital surplus increased by 102,705 thousand yen and 801,277 thousand yen, respectively, during the current interim consolidated accounting period.

(Notes to Interim Consolidated Balance Sheet)

Bitcoin is the only crypto asset held by the Company, and is therefore presented under this account name.

(Notes to Interim Consolidated Statements of Income)

The major items and amounts of selling, general and administrative expenses are as follows

	Previous Interim Consolidated Accounting Period (From: January 1, 2023 To: June 30, 2023)	Current Interim Consolidated Accounting Period (From: January 1, 2024 To: June 30, 2024)
salary supplement	57,084 thousand yen	36,202 thousand yen
Depreciation and amortization	27,009 thousand yen	8,262 thousand yen
expenses for rent of space, land, etc.	55,580 thousand yen	19,017 thousand yen

(Notes to Interim Consolidated Statements of Cash Flows)

* Reconciliation of cash and cash equivalents at the end of the interim period to the accounts reported in the interim consolidated balance sheets is made as follows: * Cash and cash equivalents at the end of the interim period

	Previous Interim Consolidated Accounting Period (From: January 1, 2023 To: June 30, 2023)	Current Interim Consolidated Accounting Period (From: January 1, 2024 To: June 30, 2024)
Cash and bank deposits	212,177 thousand yen	1,008,780 thousand yen
Time deposits with maturities longer than three months	-	-
Cash and cash equivalents	212,177 thousand yen	1,008,780 thousand yen

(Notes to Segment Information)

Segment information

I Interim period ended June 30, 2023 (January 1, 2023 through June 30, 2023)

1. Information on sales and profit or loss by reportable segment and decomposition of earnings

(Unit: thousand yen)						
	Reportable Segment		Other (Note 1)	total amount	Adjustment (Note 2)	Amount recorded in interim consolidated statements of income (Note 3)
	Hotel Business	Total				
Net sales						
Revenue from contracts with customers	120,021	120,021	-	120,021	-	120,021
Sales to external customers	120,021	120,021	-	120,021	-	120,021
Intersegment sales and transfers	-	-	-	-	-	-
Total	120,021	120,021	-	120,021	-	120,021
Segment loss (-)	(195,825)	(195,825)	(12,685)	(208,510)	(56,379)	(264,889)

(Note) 1. "Other" is a business segment not included in the reportable segments and includes Web3 and Metaverse-related business, etc.

2. Adjustment of segment loss refers to corporate expenses that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Segment loss is adjusted with operating loss in the interim consolidated statements of income.

2. Matters related to changes in reportable segments, etc.

The Group previously had a single segment of "Hotel Business," but with the launch of the new Web3 and Metaverse-related businesses, and in light of the growing importance of these areas in the future, effective from the first quarter of the current fiscal year, the reporting segment has been changed to "Hotel Business" and Web3 and Metaverse-related businesses, etc. have been changed to "Other. In light of the growing importance of this area, the Company has changed its reportable segment to "Hotel Business" and Web3 and Metaverse-related business, etc. to "Other.

3. Information on Impairment Loss on Fixed Assets and Goodwill by Reportable Segment
Not applicable.

II Current interim consolidated accounting period (January 1, 2024 to June 30, 2024)

1. Information on sales and profit or loss by reportable segment and decomposition of earnings

(Unit: thousand yen)						
	Reportable Segment		Other (Note 1)	total amount	Adjustment (Note 2)	Amount recorded in interim consolidated statements of income (Note 3)
	Hotel Business	Total				
Net sales						
Revenue from contracts with customers	168,494	168,494	-	168,494	-	168,494
Sales to external customers	168,494	168,494	-	168,494	-	168,494
Intersegment sales and transfers	-	-	-	-	-	-
Total	168,494	168,494	-	168,494	-	168,494
Segment loss (-)	(38,126)	(38,126)	(1,805)	(39,932)	(76,034)	(115,967)

(Note) 1. "Other" is a business segment not included in the reportable segments and includes Bitcoin business, Web3-related business, etc.

2. Adjustment of segment loss refers to corporate expenses that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Segment loss is adjusted with operating loss in the interim consolidated statements of income.

2. Matters related to changes in reportable segments, etc.

The Group previously included the "hotel business" and Web3 and Metaverse-related businesses, etc., in "Others," but effective from the interim period under review, the bitcoin business is included in the "Others" reportable segment.

3. Information on Impairment Loss on Fixed Assets and Goodwill by Reportable Segment
Not applicable.