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# Annual Securities Report

(Report under Article 24, Paragraph 1  
of the Financial Instruments and Exchange Act)

Fiscal year: October 1, 2020

13th term to September 30, 2021

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COLOPL, Inc.

4-20-3 Ebisu, Shibuya-ku, Tokyo

(E27062)



# Contents

	Page
Cover Page	
Part 1. Corporate Information.....	5
I. Company Overview .....	5
1. Trends in Major Management Indicators, Etc.....	5
2. Corporate History .....	7
3. Business Summary .....	8
4. Subsidiaries and Associates .....	10
5. Employees .....	11
II. Business Overview .....	12
1. Management Policy, Management Environment and Challenges to Address .....	12
2. Business Risks.....	15
3. Management’s Analysis of Financial Position, Operating Results and Cash Flows .....	20
4. Important Contracts Etc. Related to Management .....	25
5. Research and Development .....	25
III. Facilities .....	26
1. Overview of Capital Expenditure, Etc. ....	26
2. Major Facilities.....	26
3. Planned Construction and Retirement of Facilities, Etc. ....	26
IV. Information on the Reporting Company .....	27
1. Stock Information .....	27
(1) Total Number of Shares, Etc. ....	27
(2) Information on the Share Acquisition Rights, Etc. ....	28
(3) Moving Strike Convertible Bonds, Etc. ....	30
(4) Changes in Number of Shares Issued and Capital, Etc. ....	30
(5) Shareholders Composition .....	31
(6) Status of Major Shareholders .....	31
(7) Information on Voting Rights.....	33
2. Information on Purchase, etc. of Treasury Shares.....	34
3. Dividend Policy .....	34
4. Corporate Governance .....	35
(1) Overview of Corporate Governance .....	35
(2) Officers .....	40
(3) Audits.....	44
(4) Directors' Compensation, Etc.....	47
(5) Information of Shareholdings .....	49
V. Financial Information.....	51
1. Consolidated Financial Statements .....	52
(1) Consolidated Financial Statements .....	52
(2) Other .....	82
2. Financial Statements, Etc.....	83
(1) Financial Statements .....	83
(2) Details of Major Assets and Liabilities .....	96
(3) Other .....	96
VI. Stock Information of the Reporting Company .....	97
VII. Reference Information on the Reporting Company .....	98
1. Information on Parent Entities of the Reporting Company .....	98
2. Other Reference Information .....	98
Part II. Information Concerning Guarantors of the Reporting Company.....	99
Audit Report	100

## Cover Page

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## Part 1. Corporate Information

### I. Company Overview

#### 1. Trends in Major Management Indicators, Etc.

(1) Consolidated management indicators, etc.

Fiscal term		9th term	10th term	11th term	12th term	13th term
End of fiscal year		September 2017	September 2018	September 2019	September 2020	September 2021
Net sales	(Million yen)	52,246	45,776	38,920	45,128	37,125
Ordinary profit	(Million yen)	12,901	6,097	1,655	11,790	7,843
Profit attributable to owners of parent	(Million yen)	8,691	4,192	1,070	7,977	3,047
Comprehensive income	(Million yen)	9,165	3,770	937	8,461	3,148
Net assets	(Million yen)	69,293	70,625	69,433	75,779	75,751
Total assets	(Million yen)	75,744	77,244	74,740	85,833	80,814
Net assets per share	(Yen)	551.34	555.65	544.53	592.81	591.86
Basic earnings per share	(Yen)	69.32	33.08	8.40	62.45	23.82
Diluted earnings per share	(Yen)	67.80	32.70	8.35	62.22	23.77
Equity ratio	(%)	91.5	91.4	92.9	88.3	93.7
Return on equity	(%)	13.2	6.0	1.5	11.0	4.0
Price-earnings ratio	(Times)	18.73	22.27	212.26	14.38	33.80
Cash flows from operating activities	(Million yen)	4,957	9,421	53	15,010	(3,104)
Cash flows from investing activities	(Million yen)	(4,545)	1,979	(2,768)	(2,640)	(10,588)
Cash flows from financing activities	(Million yen)	(2,018)	(2,518)	(2,118)	(2,780)	(3,200)
Cash and cash equivalents at end of period	(Million yen)	51,409	60,400	55,822	65,308	49,052
Number of employees		1,248	1,283	1,368	1,565	1,449
[Average number of temporary employees, which is not included in the number of employees]	(Persons)	[123]	[129]	[123]	[95]	[60]

(Note) Net sales do not include consumption tax, etc.

## (2) Management indicators, etc. of the company that has submitted the report

Fiscal term	9th term	10th term	11th term	12th term	13th term
End of fiscal year	September 2017	September 2018	September 2019	September 2020	September 2021
Net sales (Million yen)	50,692	43,666	35,880	39,061	27,900
Ordinary profit (Million yen)	14,629	6,422	1,097	11,045	5,616
Profit (Million yen)	8,634	3,145	594	7,346	1,196
Share capital (Million yen)	6,433	6,491	6,510	6,536	6,556
Number of shares outstanding (Shares)	127,457,000	128,882,000	129,288,500	129,607,536	129,766,034
Net assets (Million yen)	71,471	71,483	69,822	75,382	73,566
Total assets (Million yen)	77,547	77,326	74,324	84,270	76,982
Net assets per share (Yen)	568.67	562.40	547.58	589.71	574.79
Dividends per share (Yen)	21.00	17.00	17.00	25.00	20.00
(Interim dividends per share)	(-)	(-)	(-)	(-)	(-)
Basic earnings per share (Yen)	68.86	24.82	4.66	57.51	9.35
Diluted earnings per share (Yen)	67.35	24.53	4.63	57.30	9.33
Equity ratio (%)	92.2	92.4	93.9	89.5	95.6
Return on equity (%)	12.7	4.4	0.8	10.1	1.6
Price-earnings ratio (Times)	18.85	29.69	382.62	15.61	86.10
Dividend payout ratio (%)	30.5	68.5	364.8	43.5	213.9
Number of employees (Persons)	792	840	935	954	885
[Average number of temporary employees, which is not included in the number of employees]	[43]	[43]	[57]	[41]	[8]
Total shareholder return (%)	84.3	49.5	117.4	62.5	57.8
(Comparison index: TOPIX including dividends) (%)	(129.3)	(143.3)	(128.4)	(134.7)	(171.7)
Stock price high (Yen)	1,607	1,318	1,783	1,681	1,054
Stock price low (Yen)	937	650	589	717	761

(Notes) 1. Net sales do not include consumption tax, etc.

2. Dividends per share in the 10th term, 17.00 yen, include commemorative dividends of 5.00 yen per share.

3. The stock price high and stock price low are stock prices on the Tokyo Stock Exchange (First Section).

## 2. Corporate History

In May 2003, Naruatsu Baba, Chairman of the Board of the Company, began providing Colony Life, a game app using the mobile phone's function of sending position information, as a sole proprietorship. Colony Life was improved and renamed Colony Life Plus (Note 1), and was released in May 2005.

In October 2008, COLOPL, Inc. ("the Company") was established to systematically develop Colony Life Plus.

Month and year	Event
October 2008	COLOPL, Inc. established in Kitaueno, Taito-ku, Tokyo with capital of ¥3 million. The Colony Life Plus business acquired from Naruatsu Baba, Chairman of the Board. Operations of Colony Life Plus were transferred to the Company.
February 2009	The head office moves to Ebisunishi, Shibuya-ku, Tokyo.
June 2009	Starts COLOCA (specialty shop), the Company's first collaboration service that sends customers to real stores, in collaboration with Ishidaya Co., Ltd. and three other companies.
November 2009	The head office moves to Ebisuminami, Shibuya-ku, Tokyo. Starts COLOCA (public transport operators) service in collaboration with Kyushu Railway Company (JR Kyushu) as a "Trip around Kyushu location-based game" campaign.
February 2010	Starts Colotabi service in collaboration with a number of tour operators.
September 2010	The head office moves to Ebisuminami, Shibuya-ku, Tokyo.
November 2010	Launches COLOPL+ (Note 2), a location-based game open platform. Launches au one COLOPL+ (Note 3) in alliance with KDDI CORPORATION for mobile phone users of KDDI.
March 2011	Launches a COLOPL Outing Research Lab project for surveys and analyses of people's movements (the project was transferred in July 2021).
April 2011	Forms a capital alliance with KDDI CORPORATION.
June 2011	Holds a COLOPL Bussan Exhibition of specialties nationwide at Tokyu Department Store Kichijoji, bringing together COLOCA member stores.
September 2011	Launches smartphone game brand Kuma the Bear and starts an app dedicated to smartphones.
September 2012	The head office moves to Ebisu, Shibuya-ku, Tokyo.
December 2012	Listed on the Tokyo Stock Exchange Mothers Exchange
March 2013	Acquires Social Game Info Inc. (present gamebiz, Inc.) in September 2020.
July 2013	Overclock Inc. established (liquidated in September 2020)
April 2014	Listed on the First Section of the Tokyo Stock Exchange
December 2014	Acquires Indigo Game Studios, Inc. (absorption-type merger in May 2021).
February 2015	COLOPL NEXT, Inc. (a subsidiary) established
March 2015	COLOPL NEXT No. 1 Fund Investment Partnership established
April 2015	COLOPL.NI, Inc. established (liquidated in February 2017) in California, USA
June 2015	Acquires RealStyle Co., Ltd. (a subsidiary).
September 2015	Acquires Pyramid, Inc. (a subsidiary).
November 2015	360Channel, Inc. (a subsidiary) and Kuma's Musical Band, Inc. (a subsidiary) established
January 2016	COLOPL NEXT No. 2 Fund Investment Partnership established
May 2016	Acquires EIGHTING Co., Ltd. (a subsidiary).
December 2016	COLOPL NEXT No. 3 Fund Investment Partnership established
January 2017	COLOPL NEXT No. 4 Fund Investment Partnership established
April 2017	COLOPL NEXT No. 5 Fund Investment Partnership established
October 2017	COLOPL NEXT No. 6 Fund Investment Partnership established
November 2018	COLOPL NEXT No. 7 Fund Investment Partnership and COLOPL NEXT Listed Shares No. 1 Fund Investment Partnership established
April 2020	Acquires MAGES. Inc. (a subsidiary).
May 2020	Acquires the online game planning and operation business and consultation business of Coreedge Inc.

(Notes) 1. Game app Colony Life Plus was renamed Colony Life in July 2011.

2. COLOPL+, a location-based game open platform, was renamed COLOPL in July 2011.

3. The name of au one COLOPL+ changed to au one COLOPL in July 2011.

### 3. Business Summary

The Group (the Company and its subsidiaries and associates) consists of the Company (COLOPL, Inc.) and 13 consolidated subsidiaries.

The Group's businesses and relationships between its businesses and major Group companies are described below. The Group positioned the Investment and Development Business as one of its main businesses in the fiscal year under review. The details are stated in V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements – Notes (Segment information etc.).

#### (1) Entertainment Business

The Entertainment Business is responsible primarily for the development and operation of games for smartphones. The mainstay games are native apps for smartphones, including Shironeko Project and Quiz RPG Wizard and Black Cat Wiz. The Group plans and develops software for home consoles and PC game software. It also provides contract development of game software that other companies in the industry sell, using the development technology that the Group has developed.

In this way, we provide multiple games having different characteristics, which is one of the features and strengths of the Group.

We release numerous titles each year, producing many hit titles from among them. We aim for an “accumulating sales model” in which layers of sales are piled on top of one another each year.

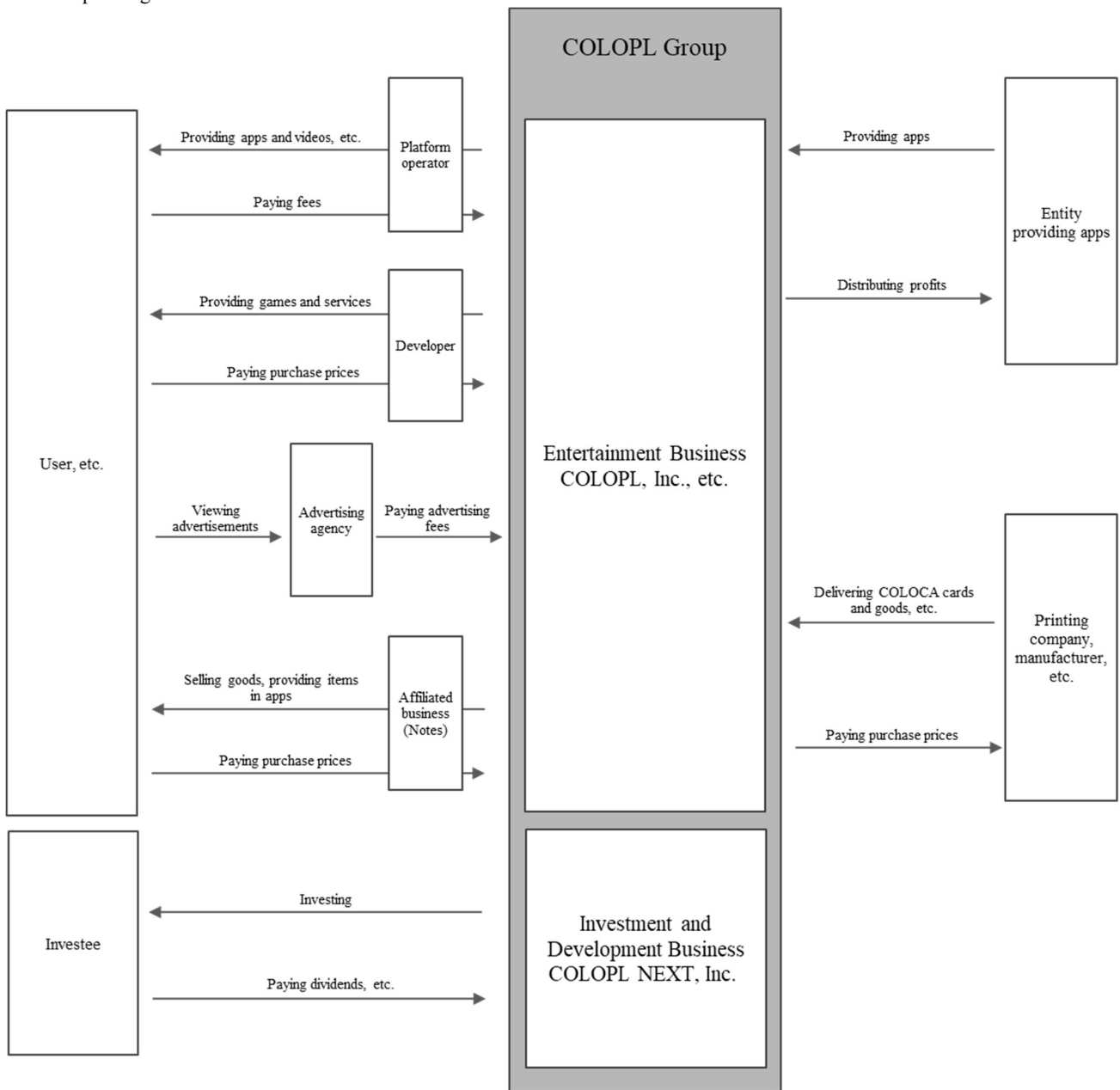
#### (2) Investment and Development Business

In the Investment and Development Business, we aim to build an optimal portfolio by investing in a wide range of domestic and overseas companies, particularly IT companies and entertainment companies, at all stages from the seed stage to the later stage.



The figure below shows the Group's operating structure.

Operating Structure



(Note) The following is major affiliated businesses:

- (1) Shops selling specialties nationwide that collaborate with the Company (COLOCA (specialty shop))
- (2) Public transport (railways, ferries, airlines) operators nationwide that are in alliance with the Company (COLOCA (public transport operators))

#### 4. Subsidiaries and Associates

Name	Address	Share capital or contribution (Million yen)	Main business	Percent of voting rights held by the Company (%)	Relationship
(Consolidated subsidiaries) COLOPL NEXT No. 2 Fund Investment Partnership (Note 3)	Shibuya-ku, Tokyo	1,154	Investment and Development Business	100.00 [0.25]	-
COLOPL NEXT No. 4 Fund Investment Partnership (Note 3)	Shibuya-ku, Tokyo	1,589	Investment and Development Business	100.00 [0.25]	-
COLOPL NEXT No. 7 Fund Investment Partnership (Note 3)	Shibuya-ku, Tokyo	2,049	Investment and Development Business	100.00 [0.04]	-
COLOPL NEXT Listed Shares No. 1 Fund Investment Partnership (Note 3)	Shibuya-ku, Tokyo	2,417	Investment and Development Business	99.95 [0.01]	-
MAGES. Inc. (Note 4)	Minato-ku, Tokyo	295	Entertainment Business	100.00 [-]	Officers serving concurrent positions Loans of funds
Eight other companies					

(Notes) 1. The numbers in parentheses in the column "Percent of voting rights held by the Company" are the percent of voting rights indirectly held.

2. In the Main business column, segment names are entered.

3. They are specified subsidiaries.

4. Net sales (excluding internal net sales between consolidated companies) at MAGES. Inc. exceeds 10% of consolidated net sales.

Major items of profits and losses	(1) Net sales	4,546 million yen
	(2) Ordinary profit (loss)	(152) million yen
	(3) Profit (loss)	(307) million yen
	(4) Net assets (liabilities)	(14) million yen
	(5) Total assets	2,085 million yen

## 5. Employees

(1) On a consolidated basis

As of September 30, 2021

Segment	Number of employees	
Entertainment Business	1,446	[56]
Investment and Development Business	3	[4]
Annual	1,449	[60]

(Note) The number of employees is the number of full-time employees (excluding employees temporarily transferred from the Group and including employees temporarily transferred to the Group). The average number of part-time employees and employees on a short-time contract in the past year, which is not included in the number of employees, is stated in parentheses.

(2) Company that has submitted the report

As of September 30, 2021

Number of employees	Average age	Average length of service (years)	Average annual salary (thousand yen)
885 [8]	33.3	4.2	6,163

As of September 30, 2021

Segment	Number of employees	
Entertainment Business	885	[8]

(Notes) 1. The number of employees is the number of full-time employees (excluding employees temporarily transferred from the Company and including employees temporarily transferred to the Company). The average number of part-time employees and employees on a short-time contract in the past year, which is not included in the number of employees, is stated in the parentheses.

2. Bonuses and non-standard wages are included in the calculation of the average annual salary.

(3) Labor union

No labor unions have been formed. Nevertheless, labor-management relations are stable.

## II. Business Overview

### 1. Management Policy, Management Environment and Challenges to Address

The forward-looking statements below are based on judgments of the Group as of the end of the fiscal year under review.

#### (1) The Company's basic management policy

The Group's mission is "Entertainment in Real Life": Making each day more enjoyable and wonderful through entertainment. To accomplish this mission, the Group has set the vision of delivering "New Experiences" with the latest technology and creative ideas.

The Group's principles are as follows:

##### - Try

We will continue to try achieving innovation using the latest technologies and creative ideas without fearing failure and making necessary changes.

##### - Value

We will create new entertainment and new values with our creative ideas. We will pursue customer's value and will not easily compromise to achieve it.

##### - Believe

Many difficulties come with the creation of new experiences. We will face these difficulties properly and overcome them by believing in ourselves and our team.

#### (2) Target management indicators

Aiming to increase profitability and capital efficiency, the Group pays particular attention to ROE (return on equity) as a management indicator.

#### (3) Business environment and the Company's medium- to long-term management strategies

The Group will implement a diverse portfolio strategy to reduce ups and downs in results and achieve continued stable growth. Focusing on entertainment, and investment and development, we will appropriately allocate resources and diversify investments to expand the portfolio.

##### 1) Entertainment Business

###### (i) Content portfolio strategy

In the Entertainment Business, the Group will endeavor to reach diverse users and stabilize revenue by providing games having multiple motifs in different genres and providing services in multiple entertainment categories other than the game. In the domestic mobile game market, we will continue to consider increasing engagement with users and provide games in a wide range of genres, including highly developed games that core customers are sure to like, sports games that both young people and middle-aged and elderly people will likely prefer, and games using other companies' IP titles, to build an optimal content portfolio.

###### (ii) Regional portfolio strategy

The Group operates in different regions of the world. They are different from each other in values and development stage, among other aspects. They are different in terms of what kinds of entertainment people are interested in and in terms of communications infrastructure and income level. In this way, the Group will seek to reach diverse users and stabilize revenue.

In the overseas mobile game market, we aim to develop operations worldwide by delivering games directly from the Company or commissioning local partners to deliver games or by other methods that are optimal in different regions. We aim to build a more sophisticated geographical area portfolio by bolstering marketing and development systems overseas and ultimately developing and providing unique services according to user characteristics in different regions.

###### (iii) Device portfolio strategy

We will reach diverse users by paying attention to the future possibilities of new devices and platforms that are created one after the other against the backdrop of technological progress and changes in the user environment, and by promptly responding to changing situations. We will thereby seek to stabilize earnings.

We are conducting many different experiments to develop services for HMDs (head mounted displays), which enable users

to experience virtual reality (“VR”), which is seen as having great future potential. We expect the smartphone market to continue to expand and will prepare to respond steadily to this expansion in anticipation of the growth of the VR market, etc., which will provide innovative user experiences.

## 2) Investment and Development Business

In the Investment and Development Business, we aim to build an optimal portfolio by investing in a wide range of domestic and overseas companies, particularly IT companies and entertainment companies, at all stages from the seed stage to the later stage.

## (4) Priority business and financial issues to be addressed

### 1) Enhancing corporate brand value

In order to succeed the vision of the Group, we will need to continue providing services our customers will enjoy and become a company many look upon with fondness. As such, the Group will practice proper information disclosure to stakeholders while conducting proactive PR and CSR activities in order to enhance the Group’s corporate brand value.

### 2) Expanding user numbers and enhancing user engagement

In order to achieve continuous growth for the Group, the Group recognizes the necessity of improving name recognition for the Group and the Group’s services, acquiring new users in an ongoing manner, and expanding user numbers. The Group is working to expand its user base by improving the name recognition of the Group through effective advertising, and by actively engaging in measures aimed at gaining more customers through the development of a diverse range of services.

With the goal of encouraging customers to use the Group’s services for the long-term, we will identify the needs of current users and continue providing high-quality services while using a variety of media to speak with our customers, thereby improving their engagement with us.

### 3) Expanding our portfolio

The overall management strategy of the Group involves executing strategies towards achieving a portfolio that combines businesses supported by different customers and continually investing in new business domains.

In order to achieve our vision “Delivering ‘New Experiences’ with the latest technology and creative ideas,” based on our mission of “‘Entertainment in Real Life’: Making everyday more enjoyable and wonderful through entertainment,” we will work to expand our portfolio by allocating resources and diversifying investments as appropriate, centered on entertainment and investment and development.

### 4) Ensuring service safety and integrity

Some of the services provided by the Group allow users to communicate with each other. To ensure that our customers can use these services without worry, it is essential to ensure service safety and integrity. The Group has established a guideline that lays out our mission to ensure service safety and integrity.

### 5) Stable system operation

As the Group’s applications and platform are web-based, we believe it is necessary to ensure stable system operation and be prompt in resolving issues that arise in order to ensure our customers have a pleasant experience when using our services.

To this end, we strive to acquire the necessary personnel and server equipment needed to ensure stable system operation.

### 6) Services for overseas markets

The Group is planning to continue to actively bring its services to overseas customers by taking advantage of smartphones’ characteristics.

In our pursuit of expanded overseas business and improved profitability, we will be learning user preferences in each region and then developing and providing our own services tailored to regional user characteristics.

### 7) Addressing new technologies

In the industry to which the Group belongs, technological innovation proceeds unabated with the market for related products and services growing alongside. With an eye to achieving continued business expansion amid these market conditions, the Group sees a need to address these various new technologies in a timely manner and take ongoing action.

8) Enhancing internal control system and corporate governance

The Group thinks that in order to aim at further business expansion and increase in the corporate value, it is essential to earn the trust of society. To this end, the Group is working to enhance the internal control system and strengthen corporate governance by developing a sound and transparent control system in addition to ensuring that all officers and employees have a common understanding on business ethics and compliance and fostering a culture where fair and right decisions are made.

9) Ensuring organizational flexibility

The business environment for the entertainment industry surrounding the Group is changing faster than for any other industry, and a rapid response to these changes is critical. To eliminate the factors that compromise flexibility as the organization grows, we will see to ensuring flexibility in decision-making by recruiting and appointing suitable personnel and establishing an organizational structure to support business expansion.

10) Recruiting and developing highly-capable people

For the further business growth, the Group is primarily focused on recruiting and developing people. In order to recruit competent people that resonate with the Group's philosophy and to develop them into people capable of achieving sustainable growth, we will continually improve our recruiting and training programs.

## 2. Business Risks

Major risks that are related to what is stated primarily in the Business Overview and Financial Status chapters of this Annual Securities Report, which management thinks could significantly affect the financial position, operating results and cash flows of the consolidated companies are as follows. If the level of possibility of a risk materializing, the timing of a risk materializing, or its effects on the Group's financial position, operating results and cash flows if it does materialize are not reasonably foreseeable, they are not specifically stated. The Group believes that it has reduced the level of possibility of the risks materializing to a certain level through its risk management (the identification and evaluation of risk and the development of countermeasures).

The Group is fully aware of the possibility of the risks materializing and will strive to prevent them from materializing and take countermeasures against them if they do materialize. Having said that, we think that what is stated in this section and other sections of this Securities Report need to be taken into consideration before decisions to invest in shares in the Company are made.

The forward-looking statements below are based on judgments of the Group as of the end of the fiscal year under review. Risks that may materialize are not limited to the risks below.

### (1) Strategy and plan

#### 1) Mobile market

The Group expects that the mobile market will continue to grow with a deeper penetration of smartphones and other high-performance terminals.

However, a significant slowdown in growth in the market could adversely affect the Group's businesses and results. Even if the market expands, the Group may not grow at the same pace as the market. The market is not mature, and any rapid change in the market breakdown resulting from the entry into the market of major companies could adversely affect the Group's businesses and results.

#### 2) Competition

The Group provides distinctive services using position information, content-rich, expressive, high-quality game applications and enhanced customer support to increase competition.

Intensifying competition with companies that provide applications using position information on the Internet and for the mobile phone as the Group does and applications dedicated to the smartphone, among other services, and new competitors in the market could adversely affect the Group's businesses and results.

#### 3) Response to technological innovation

The Group operates based on Internet-related technologies. In Internet-related fields, new technologies are developed, and based on them, a series of new services are introduced. They are rapidly changing fields. On the hardware front, smartphones and other high-performance terminals are in widespread use, and a series of new services are being launched on them in response to new technologies.

In this environment, the Group is focusing on recruiting and cultivating engineers, developing creative work environments, and acquiring technologies, knowledge and expertise related particularly to the smartphone.

However, any difficulty in acquiring knowledge and expertise or any delay in the Group's response to technological innovations could lead to a decline in the Group's competitiveness. Responses to new technologies may result in an increase in expenses for additional systems and personnel expenses, among other expenses. In that case, the Group's technological capabilities may decline, which may lead to a decline in the quality of services and competitiveness, which could adversely affect the Group's businesses and results.

#### 4) Services overseas

The Group plans to take advantage of the characteristics of the smartphone and continue to actively offer the Group's services overseas.

However, user preference and laws and regulations overseas are very different from those in Japan, and the Group may not be able to develop operations as expected.

#### 5) Risk related to M&A etc.

The Group will endeavor to expand its size through investments and loans, including M&A, if it thinks they will contribute to increasing growth potential.

When the Group makes investments and loans, including M&A, it makes a detailed preliminary examination of the financial condition and contractual relationships of the target companies and fully examines risks. However, problems that are not detected in the preliminary examination, including contingent liabilities and unrecognized liabilities at target companies, and

progress in business development that is slower than planned could have adverse effects on the Group's businesses and results, including difficulty in recouping invested capital. If new businesses are added to the Group through M&A, etc., risk factors inherent in the new businesses could be added.

6) Risks related to the Investment and Development Business

The Group makes investments in IT-related and entertainment companies in Japan and overseas as part of its growth strategies. When the Group makes investments, it makes a detailed preliminary examination of the target companies, including their financial condition, and fully examines risks. Nevertheless, the businesses of the companies in which the Group does invest may not make progress as planned and investments may not be recouped due to business downturns and trends in share prices, which in turn could adversely affect the Group's businesses and results.

7) Risk of damage to the corporate brand

The Group believes that maintaining and enhancing the value of its corporate brand is important for gaining the trust of users and expanding and using the user base. The Group thus discloses information appropriately to stakeholders and actively conducts PR activities and CSR activities.

However, if the Group experiences the spread of a negative reputations and evaluation, the Group's brand value may decline, which in turn could adversely affect the Group's businesses, results and financial position.

(2) Business operation

1) Planning, development and operation of game applications

The Group plans, develops and operates a variety of game applications and operates platforms. The number of downloads of the Group's game applications and the number of platform members are increasing steadily, and we think we have achieved a certain level of reputation among users. However, the preferences of users of our services change rapidly. Any difficulty in accurately identifying user needs and introducing content that meets the needs for whatever reason may lead to a decline in appeal to users, which in turn could adversely affect the Group's businesses and results.

2) Risks related to systems

The Group's businesses are dependent entirely on communication networks and systems that connect mobile phones, personal computers, and computer systems. Although The Group takes measures, including the development of appropriate security measures, the installation of servers at data centers, etc., and the use of cloud services, systems going down due to unpredictable events, including natural disasters, accidents (including accidents caused by human factors in Japan and overseas), rapid increases in access to the sites operated by the Group, the suspension of power supply to data centers and cloud services, and system failures caused by computer viruses and hacker raids, among other causes, could adversely affect the Group's businesses and results.

Due to these factors, system processing related to sales aggregation may not function as expected, which may affect the Group's financial reporting system.

3) Changes and trends at Apple Inc. and Google Inc.

The game application services exclusively for the smartphone are accounting for an increasing share of sales at the Group, and our dependence on two platformers, Apple Inc. and Google Inc., is increasing.

Changes and trends in the business strategies of the platformers may lead to changes in commission rates and other changes, which could adversely affect the Group's businesses and results.

4) Services involving copyrights

The Group pays royalties to use in game applications characters etc. to which a third party has rights. Significantly lower sales of applications using those characters, etc. than expected and a failure to introduce more influential characters, etc. than those of competitors could adversely affect the Group's businesses and results.

5) Natural disasters, accidents, etc.

In anticipation of natural disasters and accidents, the Group regularly takes backup measures and continuously monitors operating conditions to prevent or avoid trouble. However, major earthquakes and other natural disasters near the business sites of the Group and events that interfere with the Group's business continuity, including damage to the Group's facilities and restricted power supplies, could seriously affect the Group's businesses and results.

Responding to the COVID-19 pandemic, the Group takes preventive measures, including cancellations and postponements of



events organized by the Group and the introduction of working from home, and is developing systems in case of emergency. However, events that will interfere with the Group's business continuity could occur due to the spread of COVID-19 and could significantly affect the Group's businesses and results.

### (3) Organization, governance

#### 1) Human resources

The Group has been operating its own platforms and developing and providing its own content and has been expanding its business domains rapidly. To expand and diversify its operations, the Company will need to increase personnel in certain divisions of the Group, including the technology development, advertising and marketing, and administration divisions.

Failure to make progress in human resource development within the Group or the recruitment of human resources from outside the Group as planned in response to the expansion of its business scale and far more outflows of human resources than expected or outflows of capable human resources could lead to a decline in competitiveness and constraints on the expansion of operations, which in turn could adversely affect the Group's businesses and results.

#### 2) Internal control system

The Group believes that effective corporate governance is indispensable for a sustainable increase in corporate value and thinks that it needs to ensure the appropriateness of business operations and the reliability of financial reporting and strictly comply with laws and regulations based on sound ethics.

Although the Group strives to enhance its internal control system, failure to build an adequate internal control system in response to a rapid expansion of businesses could make proper business operation difficult and adversely affect the Group's businesses and results.

#### 3) Information management system

The Group handles users' e-mail addresses and other important information. It has thus formulated an information security policy and provides training related to information security. The Group has achieved ISO27001 certification and actively enhances its information management system. However, any leaks of important information for whatever reason could lead to compensation for the people affected, a loss of social trust in the Group, and additional expenses for bolstering the information management system, which in turn could adversely affect the Group's businesses and results.

#### 4) Dependence on specific persons

Chairman of the Board and Chief Creator Naruatsu Baba, who is also the founder of the Company, has the technology to develop mobile content and services for the Internet, mobile phone and smartphone and extensive experience and knowledge in these areas. He plays a very important role in making technological decisions and in deciding on and implementing management policies and business strategies.

The Group is making changes in its management system, including the replacement of the president, while promoting information sharing among officers and executives at meetings of the Board of Directors and management meetings, among other meetings, to create a strong management system that is not too dependent on one person.

However, any difficulty in Chairman Baba continuing to work for the Group for any reason could adversely affect the Group's businesses and results.

### (4) Compliance

#### 1) Risk related to the safety and soundness of services

Certain services provided by the Group are based on the assumption that a large number of unspecified individual members communicate with each other independently. To develop sound communities, the Group's terms of use clearly prevent improper use that may lead to social problems. The Group continuously monitors users, etc. and strives to take steps, including requesting users who have violated the terms of use to take corrective action or cancel their membership. To encourage the proper use of services, we continue to take steps to maintain the soundness of our services. We state more clearly appropriate manners and considerations in the use of content. We also intensify monitoring in terms of systems and human resources. We bolster monitoring systems, etc. and increase the number of personnel patrolling the site, etc.

However, it will be difficult to fully monitor members' activities in a service if the number of members of the service increases rapidly. Any trouble caused by inappropriate activities of members could cause the Group to be held legally liable regardless of the terms of use. Even if the Group is not held legally liable, a reputation risk could adversely affect the Group's businesses and results.

As the scale of the business expands, the Group will continue to take measures necessary to maintain and improve the soundness of its services. However, any delay in systems' responses to the expansion or reinforcement of systems, or a greater-

than-expected increase in expenses for responding to the expansion could adversely affect the Group's businesses and results. In the online game industry, some users practice real money trading (RMT) (Note), in which in-game items, etc. are sold on auction sites or by other means. To make games more fun to play, the Group's services have a function by which users can swap in-game items with each other. Nevertheless, a fraction of users sell in-game items on auction sites. The Group's terms of use clearly prohibit RMT. The Group monitors auction sites in a timely manner. The Group's guidelines on safety and soundness clearly state that the Group will take strict measures against violators, including terminating their membership.

However, a large volume of RMT or the expansion of RMT related to the Group may lead to a decline in the reliability of the Group's service, which in turn could adversely affect the Group's businesses and results.

(Note) Real money trading (RMT) is a practice in which characters and items on the Web and in-game virtual currencies, etc. are sold for real money.

## 2) Risks related to intellectual property

The Group strives to obtain intellectual property rights related to the services that it operates. It takes every care not to infringe on the intellectual property rights of third parties.

However, any right of a third party in the business fields where the Group operates could lead to a third party filing a lawsuit claiming damages or seeking an injunction to suspend use, etc. or the payment of a consideration, such as royalties. Any infringement of the Group's intellectual property rights could significantly affect the Group's businesses and results.

## 3) Legal regulations related to the Internet

The Act on the Protection of Personal Information applies to the personal information of users of the services that the Group operates. The Act on Prohibition of Unauthorized Computer Access prohibits the unauthorized use of the IDs and passwords of others. Under the Act on Specified Commercial Transactions and the Act on Regulation of Transmission of Specified Electronic Mail, the Group may be required to display legal matters when it sends advertising e-mails. The Telecommunications Business Act applies to the Group as a telecommunications operator.

The Group provides a social media (Note) function for certain services. Those services are based on the assumption that communication among users is healthy communication and are not Internet dating services defined in the Act on Regulation on Soliciting Children by Using Opposite Sex Introducing Service on Internet. Under the Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People, which came into effect in April 2009, mobile phone operators, etc. are required to provide filtering services. As stated above, the Group continues to make stronger efforts to maintain the soundness of services. In certain smartphone native games, paid virtual currencies are used, and the Payment Services Act applies to those virtual currencies. The Group has been registered with the Kanto Local Finance Bureau and complies with the act and related regulations including the Cabinet Office ordinance.

The Group actively works to comply with these laws. However, any administrative measures against the Group due to violations of the laws under unexpected circumstances or any restrictions on the Group's services resulting from the tightening of the laws or the establishment of new laws and regulations could adversely affect the Group's businesses and results.

(Note) Social media are membership-based, community-based services that facilitate and support interactions between users using e-mails and bulletin boards.

## 4) Legal regulations, etc. related to applications

Some media outlets have raised questions about excessively encouraging a gambling spirit in the mobile internet industry, where the Group operates. In July 2012, the Consumer Affairs Agency presented the view that the charging method known as complete *gacha* (Note) violates the Act against Unjustifiable Premiums and Misleading Representations. The Group has already taken measures in response to that and believes that the view has not had a significant effect on the Group's services. We naturally provide services in compliance with laws and regulations. Nevertheless, as a corporate group that provides services, we think we should voluntarily respond to social demand, which may change, and strive not to impair the health and development of the industry.

Meanwhile, new legal regulations, including changes in the interpretations of existing laws and regulations and the enactment of new laws and regulations due to changes in social conditions could significantly restrict the Group's businesses and adversely affect the Group's businesses and results.

(Note) Complete *gacha* is a system in which the player can obtain a rare item or card by obtaining common items or cards at random to complete a set of common items or cards.

## (5) Other

Dilution of stock value caused by the exercise of share acquisition rights

The Group grants share acquisition rights to officers and employees as incentives. The Group may grant share acquisition

rights to officers and employees as incentives in the future.

If share acquisition rights are exercised, shares in the Group will be issued, which in turn will dilute the value of the shares of existing shareholders and the ratio of the voting rights held by them.

### 3. Management's Analysis of Financial Position, Operating Results and Cash Flows

#### (1) Overview of operating results, etc.

The following is an overview of the operating results and cash flows (hereinafter, "operating results, etc.") of COLOPL, Inc. and its consolidated subsidiaries (hereinafter, "the Group") during the fiscal year under review.

##### 1) Financial condition and operating results

With the Group's mission, "'Entertainment in Real Life': Making everyday more enjoyable and wonderful through entertainment," the Group has been working to enrich people's everyday lives through entertainment. It has been keeping in mind the need to enhance engagement with users in conjunction with existing games, while also focusing on releasing new games. In addition, it positioned the Investment and Development Business as one of its main businesses in the fiscal year under review. The details are stated in V. Financial Information Status, 1. Consolidated Financial Statements Etc., (1) Consolidated Financial Statements – Notes (Additional information).

With respect to the lawsuit concerning a patent infringement raised in December 2017, the Company reached a settlement with the plaintiff on August 4, 2021, and consequently recorded settlement package of ¥3,300 million as an extraordinary loss in the fiscal year under review.

Meanwhile, although consumption and economic activity continued to be sluggish due to a range of factors such as restrictions on outings and movements in many countries, the impact of the COVID-19 pandemic on the financial results for the fiscal year under review was limited.

As a result, consolidated results for the fiscal year under review were net sales of ¥37,125 million (down 17.7% year on year), operating profit of ¥6,320 million (down 48.4% year on year), ordinary profit of ¥7,843 million (down 33.5% year on year), and profit attributable to owners of parent of ¥3,047 million (down 61.8% year on year).

Operating results by business segment are as follows:

Effective from the fiscal year under review, the Company revised its reportable segment structure, analyzing the results for the fiscal year under review based on the revised structure.

##### a. Entertainment Business

The Entertainment Business is responsible primarily for the development and operation of games for smartphones.

In games for smartphones that account for a major portion of sales, the DRAGON QUESTWALK, which is a third company IP title (planning and production: SQUARE ENIX CO., LTD., Development: COLOPL, Inc.), performed well and contributed to the Group's consolidated financial results. In original IP titles, the Group has been operating services to enhance engagement with users by featuring the 7th and 5th anniversaries of the Shironeko Project and Shironeko Tennis, two mainstay titles, since their releases. In addition, it launched the YOU GENERATION service on a full scale in Japan.

As a result, consolidated net sales and operating profit for the fiscal year under review stood at ¥36,953 million and ¥6,447 million, respectively.

##### b. Investment and Development Business

The Group conducts the Investment and Development Business with a focus on investments in IT-related and entertainment companies in particular.

Consolidated net sales and the operating loss for the fiscal year under review stood at ¥171 million and ¥129 million, respectively.

##### 2) Status of cash flows

The balance of cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review decreased ¥16,255 million from the end of the previous fiscal year, to ¥49,052. The status of each of the cash flow segments and contributing factors for changes during the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash used in operating activities during the fiscal year under review stood at ¥3,104 million (compared to ¥15,010 million provided during the previous fiscal year). The cash outflow was mainly due to income taxes paid of ¥4,764 million.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review came to ¥10,588 million (compared to the cash outflow of ¥2,640 million during the previous fiscal year). The major cash outflow reflected payments into time deposits of ¥10,000 million.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was ¥3,200 million, compared to net cash used in

financing activities of ¥2,780 million during the previous fiscal year). The cash outflow was mainly attributable to dividends paid of ¥3,192 million.

3) Results for production, orders received and sales

a. Results of production

The information is omitted because production at the Group is not significant in financial terms.

b. Results of orders received

The information is omitted because orders at the Group is not significant in financial terms.

c. Results of sales

Sales performance by segment for the fiscal year under review is as shown below.

Segment	Amount (million yen)	YoY (%)
Entertainment Business	36,953	—
Investment and Development Business	171	—
Consolidated net sales	37,125	—

(Notes) 1. The consumption tax is not included in the prices above.

2. The Company changed the reportable segments, and the changes are effective from the second quarter of the fiscal year under review. The details are stated in V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements – Notes (Segment information etc.). Consequently, no data are entered in the year-on-year change column.

3. The results of sales by major customer and the ratio of sales by major customer to total sales in the fiscal year are as follows.

Customer	Previous fiscal year (October 1, 2019 to September 30, 2020)		Fiscal year under review (October 1, 2020 to September 30, 2021)	
	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)
SQUARE ENIX Co., Ltd.	15,296	33.9	10,474	28.2
Apple Inc.*	14,139	31.3	10,348	27.9
Google Inc.*	8,608	19.1	6,277	16.9

\* The partners are payment services providers and collect payments from users.

(2) Details of analysis and examination concerning the state of operating results, etc. from the perspective of the management  
The details of understanding, analysis and examination concerning the state of operating results, etc. for the Group from the perspective of the management are as follows.

The forward-looking statements below are based on judgments of the Group as of the end of the fiscal year under review.

1) Significant accounting estimates and the assumptions used for them

The Group prepares its consolidated financial statements based on Generally Accepted Accounting Principles in Japan. To prepare the consolidated financial statements, management needs to choose and apply accounting policies and make estimates that affect the reported amounts and disclosure of assets, liabilities, revenues, and expenses. The management reasonably determines the estimates in consideration of past results and other factors, but actual results may be different from the estimates because of the uncertainties of the estimates.

The important accounting policies are stated in V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements – Notes (Significant matters that serve as the basis for the preparation of consolidated financial statements). Of the accounting estimates used in the preparation of the consolidated financial statements and the assumptions used for the estimates, important estimates and assumptions are stated in V. Financial Information Status, 1. Consolidated Financial Statements Etc., (1) Consolidated Financial Statements – Notes (Significant accounting estimates).

2) Analysis of financial conditions

(Assets)

Total assets at the end of the fiscal year under review decreased ¥5,019 million from the end of the previous fiscal year (¥85,833 million), to ¥80,814 million.

Current assets increased to ¥74,430 million from the end of the previous fiscal year (¥74,180 million). This mainly reflected an increase of ¥7,591 million in operational investment securities due to the reclassification of certain investment securities, which had been posted as non-current assets. This increase more than offset a decrease of ¥6,138 million in cash and deposits.

Non-current assets amounted to ¥6,384 million, decreasing from the end of the previous fiscal year (¥11,653 million). This was primarily attributable to a decrease of ¥4,608 million in investment securities due to the reclassification of certain investment securities into operational investment securities in current assets.

(Liabilities)

Total liabilities at the end of the fiscal year under review decreased ¥4,990 million from the end of the previous fiscal year (¥10,053 million), to ¥5,063 million.

Current liabilities totaled ¥4,922 million, down from ¥9,521 million at the end of the previous fiscal year. This is largely due to a decrease of ¥2,981 million in income taxes payable and a fall of ¥1,384 million in accrued consumption taxes.

Non-current liabilities amounted to ¥141 million, declining from ¥532 million at the end of the previous fiscal year. This mainly reflected a decrease of ¥323 million in asset retirement obligations.

(Net assets)

Net assets at the end of the fiscal year under review totaled ¥75,751 million, down ¥28 million from the end of the previous fiscal year (¥75,779 million). This primarily reflected a decrease of ¥147 million in retained earnings chiefly due to profit attributable to owners of parent and dividends paid.

### 3) Analysis of operating results

#### (Net sales)

Net sales in the fiscal year under review stood at ¥37,125 million, down 17.7% year on year, chiefly reflecting a decrease in sales due to the prolonged distribution periods of certain games.

#### (Cost of sales, gross profit)

Cost of sales came to ¥24,108 million, down 0.7% year on year, chiefly due to a decrease in platform fees. Gross profit was ¥13,016 million, down 37.6% year on year.

#### (Selling, general and administrative expenses, operating profit)

Selling, general and administrative expenses stood at ¥6,695 million, down 22.2% year on year, reflecting the optimization of expenses. The resulting operating profit was ¥6,320 million, down 48.4% year on year.

#### (Non-operating income and expenses and ordinary profit)

Non-operating income amounted to ¥1,947 million, up 267.0% year on year, chiefly due to an increase in gain on sale of investment securities. Non-operating expenses were ¥424 million, down 57.1% year on year, primarily due to a decrease in loss on valuation of investment securities. The resulting ordinary profit was ¥7,843 million, down 33.5% year on year.

#### (Extraordinary income and losses and profit attributable to owners of parent)

Extraordinary losses came to ¥3,591 million, up 321.5% year on year, chiefly reflecting the posting of settlement package. As a result, profit attributable to owners of parent stood at ¥3,047 million, down 61.8% year on year.

### 4) Analysis of cash flows

An overview of cash flows in the fiscal year under review is described in (1) Overview of operating results, etc, 2) Status of cash flows.

### 5) Factors that have a significant impact on operating results

As stated in II. Business Overview, 2. Business Risk, the Group is aware that a variety of risk factors may significantly affect its operating results, including the speed of market growth, competition with competitors, the degree of response to innovation, the ensuring of the soundness of content, network failure, and compliance and internal control systems.

The Group will diversify risk factors that may significantly affect its operating results, curb the materialization of risk, and deal with risks appropriately by expanding its business portfolio, which consists primarily of the Entertainment Business and Investment and Development Business, employing capable people, developing new businesses and attractive services, cooperating with leading companies, expanding overseas, and taking security measures.

### 6) Management's awareness of issues and future policy

As stated in II. Business Overview, 1. Management Policy, Management Environment and Challenges to Address, the management of the Group are aware that they need to address a range of challenges in the challenging environment for the Group to achieve further growth and development.

The Group will identify strategic and organizational challenges and address each challenge appropriately and effectively.

### 7) Capital resources and the liquidity of funds

The Group's operating funds and funds for capital investment are primarily its own funds. Cash and cash equivalents were ¥49,052 million at the end of the fiscal year under review. The Group has adequate resources and liquidity for the future.

### 8) Management policy, management strategies, and objective indicators to determine the achievements of management goals

To increase profitability and capital efficiency, the Group considers ROE (return on equity) as a management indicator. The Group, however, sets no specific numerical targets because the Company's business changes rapidly and calculating future results appropriately and reasonably is difficult. ROE was 4.0% (down 7.0 percentage points year on year) in the fiscal year under review.

The Group believes that to continue to increase ROE, increasing profitability in the core business is important. The Group aims to increase profitability and capital efficiency and, as a result, to continue increasing ROE by releasing new games continually and providing existing games for a long time, thereby increasing sales every fiscal year when new games are released and achieving stable growth in sales and by continuing to pay stable dividends based on a healthy balance sheet in comprehensive

consideration of consolidated results, DOE (dividend on equity ratio), cash flows and capital efficiency.

The Group will release new games, striking a balance between original IP titles and third company IP titles. While the Group uses original IP titles to increase competitiveness over the medium to long term, it will actively take advantage of the profitability and ability to attract customers of third company IP titles. In the existing titles, the Group will operate services to enhance engagement with users through TV commercials, promotions of online video platforms, the manufacturing of goods and real events.

Fiscal year	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net sales (million yen)	38,920	45,128	37,125
Operating profit (million yen)	2,952	12,250	6,320
ROE (Ratio of profit to equity) (%)	1.5	11.0	4.0



#### 4. Important Contracts Etc. Related to Management

(1) Contract with the operator of the platform for applications for smartphones and tablets

Name of counterparty	Location of counterparty	Name on contract	Term of contract	Description of contract
Apple Inc.	United States	Apple Developer Program License Agreement	1 year (renewed automatically every year)	Agreement on the delivery and sale of applications for iOS terminals
Google Inc.	United States	Google Play Developer Sales and Distribution Agreement	Unspecified	Agreement on the delivery and sale of applications for Android terminals

#### 5. Research and Development

The Group's vision is "Delivering 'New Experiences' with the latest technology and creative ideas." To realize this vision, the Group actively promotes research and development activities in its Entertainment Business.

The Group are conducting, in particular, many different experiments to develop services for HMDs (head mounted displays), which enable VR (virtual reality), which is seen as having great future potential. Anticipating the expansion of the market for VR, which will provide innovative user experiences, the Group makes preparations steadily to achieve growth, taking advantage of the growth of the market.

The Group also develops new titles and conducts research on new technologies to provide a new user experience.

In the consolidated fiscal year under review total research and development expenses were ¥3,396 million.

### III. Facilities

#### 1. Overview of Capital Expenditure, Etc.

Capital expenditures in the consolidated fiscal year under review were 313 million yen. A significant share of capital expenditures is accounted for by expenditures for equipment for internal use in the Entertainment Business.

#### 2. Major Facilities

Major facilities at the Group are as shown below.

Company submitting the report

As of September 30, 2021

Business site (Location)	Segment	Facilities	Book value (million yen)				Number of employees
			Buildings and structures	Tools, furniture and fixtures	Software	Annual	
Head Office Shibuya-ku, Tokyo	Entertainment Business	Business Facilities	282	101	26	409	885 [8]

(Notes) 1. The amounts do not include consumption tax.

2. The number in parentheses in the Number of employees column is the average number of part-time workers and non-regular employees in the past year.

3. The buildings of the business site above are leased. The book value is the value of the facilities attached to buildings and asset retirement obligations.

#### 3. Planned Construction and Retirement of Facilities, Etc.

Not applicable.

#### IV. Information on the Reporting Company

##### 1. Stock Information

###### (1) Total Number of Shares, Etc.

###### 1) Total number of shares

Type	Number of authorized shares
Common shares	450,000,000
Total	450,000,000

###### 2) Shares issued

Type	Number of shares issued at the end of the fiscal year (shares) (September 30, 2021)	Number of shares issued as of the filing date (shares) December 20, 2021	Stock exchange where the Company is listed	Details
Common shares	129,766,034	129,766,034	Tokyo Stock Exchange First Section	The number of shares per one unit of shares is 100 shares.
Total	129,766,034	129,766,034	—	—

(Note) The figures in the “Number of shares issued as of the filing date” column do not include the number of shares issued upon the exercise of share acquisition rights between December 1, 2021 and the filing date of this Annual Securities Report.

(2) Information on the Share Acquisition Rights, Etc.

1) Stock options

Share acquisition rights issued in accordance with the Companies Act are as follows.

Fifth series of share acquisition rights (resolved at the extraordinary general meeting of shareholders held on May 16, 2012)

Date of resolution	May 16, 2012
Classification and number of persons to whom rights are granted	Four Directors of the Company 85 employees of the Company
Number of share acquisition rights*	200
Number of share acquisition rights that are the Company's own share options	-
Class, feature, and number of shares underlying the share acquisition rights* (Notes 1 and 6)	Common stock, 300,000
Amount to be paid upon exercise of share acquisition rights* (Notes 2 and 6)	94 yen per share
Exercise period of new share subscription rights* (Note 3)	From May 17, 2014 to May 16, 2022
Share issue price and amount incorporated into capital if shares are issued upon exercise of share acquisition rights* (Note 6)	Issue price: 94 yen Amount incorporated into capital: 47 yen
Conditions for the exercise of stock acquisition rights*	(Note 4)
Matters regarding transfer of share acquisition rights*	Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Company.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

\* The information is as of the end of the fiscal year under review (September 30, 2021). Because the information as of November 30, 2021 is mostly the same as that as of September 30, 2021, the information as of November 30, 2021 is omitted.

(Notes) 1. The number of shares underlying a share acquisition right is one.

If the Company conducts a share split or the consolidation of shares, the number of shares to be acquired upon exercise of share acquisition rights shall be adjusted based on the calculation formula below. However, such adjustment shall be made only for the number of shares to be acquired upon exercise of share acquisition rights that are not yet exercised at the relevant time among the share acquisition rights, and if any fraction of less than one share arises as a result of the adjustment, it shall be rounded down.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

If the Company merges with another company or conducts the company split or if the Company recognizes that an adjustment is necessary for the number of shares to be acquired upon exercise of share acquisition rights in a manner equivalent to these cases, the Company may adjust the number of shares to be acquired upon exercise of share acquisition rights to a reasonable extent.

2. If either of the events described in 1) and 2) below occurs after the date of allotment, the amount to be paid shall be adjusted as described below. Any fraction of less than one yen that has arisen as a result of adjustment shall be rounded up.

1) In cases where the Company conducts a split or consolidation of its common shares

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

2) In cases where the Company issues new shares or disposes of treasury shares at a price less than the market value

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Share price per share before issuance of new shares}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

“Number of shares outstanding” in the formula above is the number of shares issued of the Company minus the total number of treasury shares held by the Company. If the Company disposes of treasury shares, “Number of shares newly

issued” shall be replaced with “Number of treasury shares disposed of,” and “Share price before issuance of new shares” shall be replaced with “Share price before disposition.”

- 3) If any unavoidable circumstance that requires adjustment of the Exercise Price arises, such as cases in which the Company decreases capital, merges or conducts the company split, the Company shall, to a reasonable extent, adjust the Exercise Price, taking into consideration the terms and conditions for the capital decrease, the merger or the company split, etc.
3. If the final date of application for exercise of share acquisition rights is a non-business day, the business day immediately preceding that day shall be the final date of application.
4. Conditions for exercise of share acquisition rights
  - 1) A holder of share acquisition rights is required to be a Director or an employee of the Company or a subsidiary of the Company at the time of exercise of share acquisition rights.
  - 2) The share acquisition rights may be exercised only if the stock of the Company is listed on a domestic stock exchange.
  - 3) If there are any grounds for the Company to acquire share acquisition rights set out in the procedures for issuing new share acquisition rights, a holder of share acquisition rights may not exercise the share acquisition rights. However, this does not apply if the Board of Directors approves the exercise.
  - 4) If a holder of share acquisition rights is dead, the share acquisition rights may not be inherited.
  - 5) A share acquisition right may not be partially exercised.
  - 6) Other conditions for exercising the share acquisition rights shall be provided for in an agreement on the allotment of share acquisition rights to be separately concluded between the Company and the holders of the share acquisition rights.
5. Matters regarding grant of share acquisition rights accompanying reorganization

If the Company is involved in a merger (limited to a merger where the Company is acquired), a share exchange, or a share transfer (hereinafter collectively referred to as “reorganization”), share acquisition rights of the reorganized company shall be delivered to the holders of the share acquisition rights for subscription that remain immediately before the effective date of the reorganization (the date of application for registration of incorporation in the case of a consolidation-type reorganization) in exchange for the termination of the share acquisition rights for subscription only if the delivery of share acquisition rights of a stock company set out in Article 236, Paragraph 1, Item 8 (a), (d), or (e) is provided for in an agreement or a plan related to the reorganization.
6. The Company split its common stock a hundred shares for one on September 13, 2012, split its common stock five shares for one on June 1, 2013, and executed a 3-for-1 stock split on October 1, 2013. As a result, the number of shares underlying a share acquisition right is 1,500. The number of shares underlying the share acquisition rights, the amount to be paid upon exercise of share acquisition rights, and the share issue price and amount incorporated into capital if shares are issued upon exercise of share acquisition rights in the table above are figures after the adjustment.

2) Shareholder right plans

Not applicable.

3) Other share acquisition plans, etc.

Not applicable.

(3) Moving Strike Convertible Bonds, Etc.

Not applicable.

(4) Changes in Number of Shares Issued and Capital, Etc.

Date	Changes in number of shares issued (shares)	Balance of number of shares issued (shares)	Change in capital (million yen)	Balance of capital (million yen)	Change in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
October 1, 2016 - September 30, 2017 (Note 1)	1,152,000	127,457,000	48	6,433	48	6,429
October 1, 2017 - September 30, 2018 (Note 1)	1,425,000	128,882,000	58	6,491	58	6,488
October 1, 2018 - September 30, 2019 (Note 1)	406,500	129,288,500	19	6,510	19	6,507
January 17, 2020 (Note 2)	19,036	129,307,536	12	6,522	11	6,519
October 1, 2019 to September 30, 2020 (Note 1)	300,000	129,607,536	13	6,536	13	6,533
January 15, 2021 (Note 3)	26,498	129,634,034	13	6,550	13	6,546
October 1, 2020 to September 30, 2021 (Note 1)	132,000	129,766,034	6	6,556	6	6,553

(Notes) 1. These are increases due to the exercise of share acquisition rights.

2. This is an increase due to the issuance of new shares as restricted stock compensation.

Issue price: 1,261 yen

Amount capitalized as common shares: 631 yen

Allottee: Four Directors

3. This is an increase due to the issuance of new shares as restricted stock compensation.

Issue price: 1,019 yen

Amount capitalized as common shares: 510 yen

Allottee: Five Directors

## (5) Shareholders Composition

As of September 30, 2021

Classification	Status of shares (one unit is 100 shares)								Number of shares less than one unit (shares)
	Government and local governments	Financial institutions	Financial instruments business operators	Other companies	Foreign corporations and individuals		Individuals, etc.	Total	
					Other than individuals	Individuals			
Number of shareholders	–	26	29	153	158	83	28,156	28,605	–
Number of shares held (unit)	–	190,253	23,238	7,642	213,240	634	862,074	1,297,081	57,934
Ratio of the number of shares held (%)	–	14.67	1.79	0.59	16.44	0.05	66.46	100.00	–

(Note) Of 1,778,544 treasury shares, 17,785 units are included in the “Individuals and others” column, while 44 shares are included in the “Number of shares less than one unit” column.

## (6) Status of Major Shareholders

As of September 30, 2021

Name	Address	Share ownership (shares)	Ratio of the number of shares owned to the number of shares issued (excluding treasury shares) (%)
Naruatsu Baba	Shibuya-ku, Tokyo	61,776,976	48.27
Custody Bank of Japan, Ltd. (Trust account)	8-12-1, Harumi, Chuo-ku, Tokyo	9,700,500	7.58
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY10286, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	8,524,000	6.66
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	7,496,800	5.86
THE BANK OF NEW YORK 133612 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	RUE MONTOYERSTRAAT 46, 1000 BRUSSELS, BELGIUM (2-15-1, Konan, Minato-ku, Tokyo)	3,068,100	2.40
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Custody Business Department, Tokyo branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	951,200	0.74
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	793,200	0.62
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	776,600	0.61
BNP PARIBAS SECURITIES SERVICES SYDNEY/ JASDEC/AUSTRALIAN RESIDENTS (Standing proxy: Custody Business Department, Tokyo branch, The Hongkong and Shanghai Banking Corporation Limited)	60 CASTLEREAGH ST SYDNEY NSW 2000 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	736,700	0.58
Kuwait Investment Authority (Standing proxy: Citibank N.A., Tokyo Branch)	MINISTRIES COMPLEX ALMURQAB AREA KUWAIT KW 13001 (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	642,300	0.50
Total	–	94,466,376	73.81

(Notes) 1. The ratio of the number of shares held to the number of shares issued (excluding treasury stock) is rounded to the second decimal place.

2. The number of shares held is based on names on the shareholder register because the Company cannot determine the number of shares related to the trust business of trust banks, etc.
3. A large-volume holdings report (change report) that was made available for public inspection on July 6, 2021 states that Baillie Gifford & Co and its co-owner Baillie Gifford Overseas Limited own the shares shown below as of July 1, 2021. However, because the Company has not been able to confirm the number of shares actually held by them as of September 30, 2021, they have not been included in the major shareholders above.

The following is what is stated in the large-volume holdings report.

Name	Address	Number of shares held (shares)	Shareholding ratio
Baillie Gifford & Co	Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, Scotland	11,592,100	8.93
Baillie Gifford Overseas Limited	Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, Scotland	4,722,500	3.64
Total	–	16,314,600	12.57



## (7) Information on Voting Rights

## 1) Outstanding shares

As of September 30, 2021

Classification	Number of shares (shares)	Number of voting rights	Details
Non-voting shares	–	–	–
Shares with restricted voting right (treasury shares, etc.)	–	–	–
Shares with restricted voting right (others)	–	–	–
Shares with full voting right (treasury shares, etc.)	(Treasury stock) Common shares 1,778,500	–	The number of shares per one unit of shares is 100 shares.
Shares with full voting right (others)	Common shares 127,929,600	1,279,296	Ditto
Shares less than one unit	Common shares 57,934	–	–
Number of shares outstanding	129,766,034	–	–
Total number of voting rights	–	1,279,296	–

(Note) The column showing the shares of less than one unit contains 44 treasury stock owned by the Company.

## 2) Treasury stock, etc.

As of September 30, 2021

Name of shareholder	Address of shareholder	Number of shares held under the shareholder's name (shares)	Number of shares held under other shareholders' names (shares)	Total number of shares held (shares)	Ratio of number of shares held to number of outstanding shares (%)
(Treasury stock) COLOPL, Inc.	4-20-3 Ebisu, Shibuya-ku, Tokyo	1,778,500	–	1,778,500	1.37
Total	–	1,778,500	–	1,778,500	1.37

(Note) The treasury stock above does not include 44 shares of less than one unit.

## 2. Information on Purchase, etc. of Treasury Shares

Class of shares, etc.: Acquisition of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition of Treasury Shares by Resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Shares by Resolution of the Board of Directors

Not applicable.

(3) Acquisition of Treasury Shares Not Based on Resolution of the General Meeting of Shareholders or Resolution of the Board of Directors

Classification	Number of shares (shares)	Total value (million yen)
Treasury shares acquired during the fiscal year under review	285	0
Treasury shares acquired during this period	—	—

(Note) The number of treasury shares held during this period does not include the number of shares less than one unit acquired between December 1, 2021 and the date of submission of this Report.

(4) Disposition and Holding of Acquired Treasury Shares

Classification	Fiscal year under review		This period	
	Number of shares (shares)	Total disposition amount (million yen)	Number of shares (shares)	Total disposition amount (million yen)
Acquired treasury shares that were offered to subscribers	—	—	—	—
Acquired treasury shares that have been cancelled	—	—	—	—
Treasury shares acquired in relation to mergers, share exchanges, stock issuance, and transfers related to company splits	—	—	—	—
Other (sale due to demand for the sale of shares less than one unit)	—	—	—	—
Number of treasury shares held	1,778,544	—	1,778,544	—

(Note) The number of treasury shares held during this period does not include the number of shares less than one unit acquired between December 1, 2021 and the date of submission of this Report.

## 3. Dividend Policy

Management Meeting With regard to the earnings distribution, the basic policy of the Company is to pay stable and continuous dividends based on a sound balance sheet while comprehensively taking into account consolidated financial results, DOE (dividend on equity), cash flows and capital efficiency.

The basic policy includes paying dividends once a year, year-end dividends. The Articles of Incorporation stipulates that the Company may pay interim dividends once a year. The General Meeting of Shareholders makes decisions on year-end dividends, and the Board of Directors makes decisions on interim dividends.

Considering the basic policy on profit distribution above, the Company will pay common dividends of 20.00 yen per common share for the fiscal year under review.

Dividends of surplus for the current business year are as shown below.

Date of resolution	Total amount of dividends (million yen)	Dividend per share (yen)
December 17, 2021 Annual general meeting of shareholders	2,559	20.00

#### 4. Corporate Governance

##### (1) Overview of corporate governance

###### 1) Corporate governance policy

The Company’s basic approach to corporate governance is to engage in fair, logical and speedy decision-making on the basis of collaborative creation with shareholders, users, employees, business partners, local communities, and other stakeholders for the purpose of enhancing corporate value.

The Company has a basic policy of seeking to balance decision-making, business execution and management oversight functions to support appropriate management decisions and business execution by the President and Representative Director.

###### 2) Overview of the corporate governance structure and reasons for its adoption

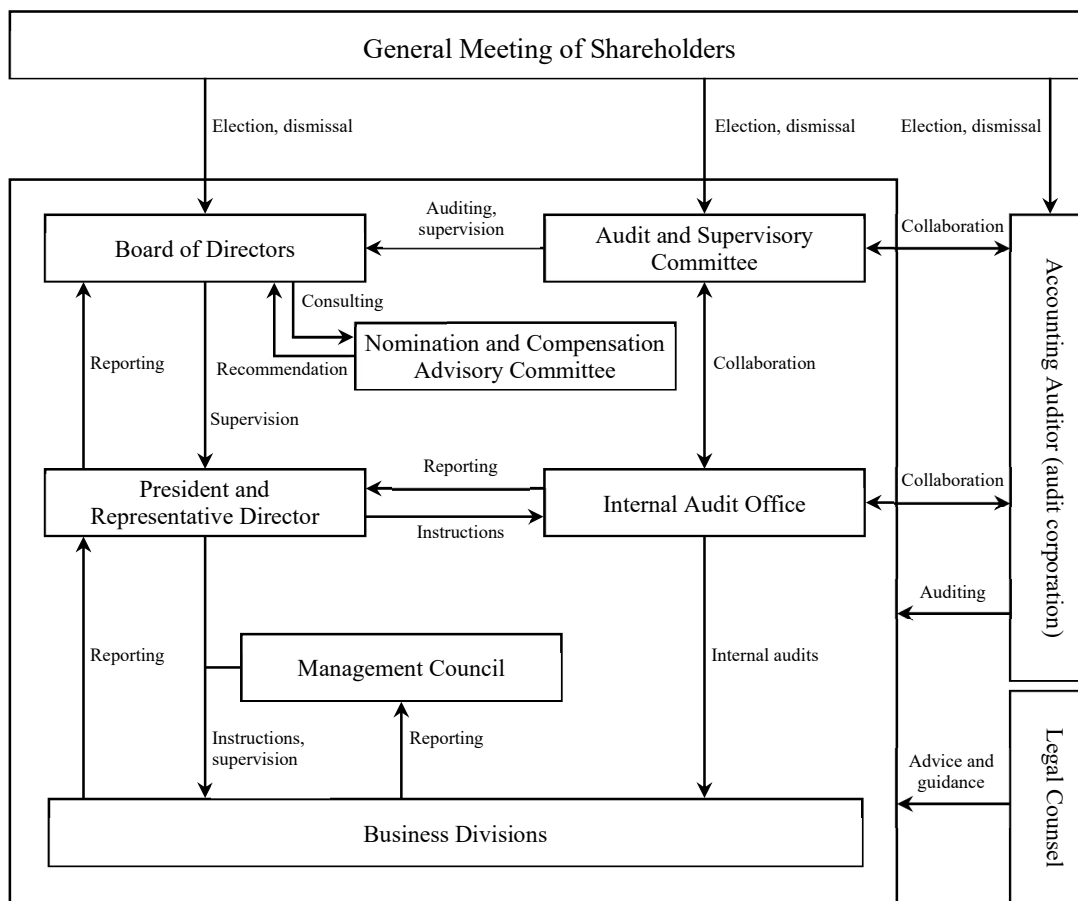
###### (i) Overview of the corporate governance structure

COLOPL, Inc. is a company with an Audit and Supervisory Committee. All three Audit and Supervisory Committee members are Outside Directors. They are a former officer at other companies, a certified public accountant and certified tax accountant, and an attorney. Each has extensive practical experience and expertise.

Seven Directors are Outside Directors under the Companies Act on the date of submission of this report.

Since the industry in which the Company operates is still in its growth stage and competition with other companies is fierce, it is necessary to expeditiously execute business strategy. At the same time, the Company has adopted this governance system in the interest of ensuring management transparency and soundness to earn public trust.

The corporate governance system of the Company is illustrated in the figure below.



i) Board of Directors

The Company's Board of Directors consists of two representative directors, eight directors who are not Audit and Supervisory Committee members, and three directors who are Audit and Supervisory Committee members, making 13 directors in total. President and Representative Director Takashi Miyamoto serves as chairperson of the Board. Four of the Directors who are not Audit and Supervisory Committee members and three of the Directors who are Audit and Supervisory Committee members are outside directors under the Companies Act as of the date of submission of this report. The members are as stated in (2) Officers. To ensure efficient, speedy decision-making, the Board of Directors holds regular meetings once a month and extraordinary meetings as necessary. The Board of Directors functions as a management decision-making and supervisory body pursuant to the Articles of Incorporation, laws and regulations.

ii) Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of three members, all of whom are directors, and is chaired by Director Tetsuzo Hasegawa, who is a full-time Audit and Supervisory Committee member. All of the members are outside directors, one of whom is a certified public accountant and tax accountant, and another of whom is an attorney-at-law. The members are as stated in (2) Officers. The directors who are Audit and Supervisory Committee members attend meetings of the Board of Directors and other internal meetings to express opinions about the directors' performance of duties as appropriate. The directors who are Audit and Supervisory Committee members conduct audits based on an audit plan, and the Audit and Supervisory Committee holds meetings once a month, along with extraordinary meetings as necessary. The Audit and Supervisory Committee members share information necessary for auditing by periodically holding meetings with the Internal Audit Office and accounting auditor.

The Company elects a substitute for a Director and Audit and Supervisory Committee member in case there is a vacancy among the Directors who are Audit and Supervisory Committee members required by laws and regulations. The substitute for a Director and Audit and Supervisory Committee member is as stated in (2) Officers.

iii) Management Council

The Company seeks to ensure management transparency by holding meetings of the Management Council once a week in principle, where important decisions other than matters for resolution by the Board of Directors and reporting matters from business divisions are introduced and discussed.

Chairperson: President and Representative Director Takashi Miyamoto

Members: Director Yoshiaki Harai, Director Kenta Sugai, Director Yu Sakamoto, Director Yoichi Ikeda, Full-time Audit and Supervisory Committee member & Outside Director Tetsuzo Hasegawa, and employees that officers etc. consider necessary to facilitate meetings

iv) Nomination and Compensation Advisory Committee

To ensure objectivity and transparency in the process of nominating Directors and determining compensation for them and to strengthen the corporate governance system, the Company has established the Nomination and Compensation Advisory Committee. The committee submits reports on draft plans about the selection and dismissal of Directors, the Directors' compensation system, and the distribution of compensation to each Director, among other matters.

Chairperson: Full-time Audit and Supervisory Committee member & Outside Director Tetsuzo Hasegawa

Members: Chairman of the Board and Representative Director Naruatsu Baba, Director Yoshiaki Harai, Audit and Supervisory Committee member & Outside Director Ryogo Tsukioka, and Audit and Supervisory Committee member & Outside Director Koichiro Iida

(ii) Reasons for adoption of the corporate governance structure

Since the industry in which the Company operates is still in its growth stage and competition with other companies is fierce, it is necessary to expeditiously execute business strategy. At the same time, the Company has adopted this governance system in the interest of ensuring management transparency and soundness to earn public trust.

### 3) Other matters related to corporate governance

#### (i) Status of development of internal control system

To ensure transparency and fairness in its business management, COLOPL has established a basic policy and regulations related to internal controls and created a system for internal controls. With these initiatives, the Company seeks to make sure that its operations are fully fair and transparent. In addition, COLOPL implements internal audits performed by the Internal Audit Office to confirm that the system for internal controls is functioning effectively.

Under the Companies Act and the Ordinance for Enforcement of the Companies Act, COLOPL has developed its basic policy on the establishment of an internal control system, which is described below, to ensure the appropriateness of its operations.

#### i) System to ensure that execution of duties by Directors and employees conform to laws, regulations, and the Articles of Incorporation

- (1) At the Company, the Directors and employees will perform their duties in consideration of compliance with laws and regulations, the Articles of Incorporation, and internal regulations, etc.
- (2) The Company will systematically deal with anti-social forces that threaten the order and safety of civil society, adopting a resolute attitude in cooperation with attorneys and the police, etc.
- (3) The Board of Directors will make decisions on business execution and supervise the Directors' performance of their duties to ensure legality under laws and regulations and adequacy based on management decisions.
- (4) The Audit and Supervisory Committee will exercise authority under laws and regulations and audit the Directors' performance of duties.
- (5) The Company will provide a point of contact for consultation on corporate ethics and whistle-blowing and build a system to early detect and correct violations of laws and regulations, the Articles of Incorporation, and internal regulations, etc. and acts that are at risk of violating them (hereinafter "public whistle-blowing system").
- (6) Violations of laws and regulations by Directors and employees will be subject to punishment imposed by the disciplinary panel, under the rules of employment, etc.
- (7) The Company will establish administrative authority to make clear responsibilities and authority and establish a system for business execution in each department.
- (8) The Company will establish necessary authorization systems and prepare internal regulations and manuals, etc., make them known internally, and use them.
- (9) The Company will designate the personal information management officer and build a personal information protection system centered around the officer. The Company will establish a secretariate under the direction of the officer to protect personal information properly and continue to improve the protection.

#### ii) Matters regarding the retention and management of information relating to the execution of duties by Directors

- (1) The Company will establish document management regulations and properly save and manage important documents (including electromagnetic recordings) related to the performance of duties of the Directors, including the minutes of important meetings, under the regulations, etc.
- (2) The Company will establish information management regulations to protect and manage information assets.

#### iii) Regulations concerning management of the risk of loss and other relevant systems

- (1) The Directors will identify a range of risks related to the entire Group's business. They will recognize the importance of integrated risk management and strive to identify, evaluate and manage them.
- (2) The Company will formulate business continuity plans in anticipation of unforeseeable events, such as disasters, accidents, and system failures.

#### iv) System for ensuring Directors' efficient performance of their duties

- (1) The meetings of the Board of Directors will be held monthly and facilitated under the Articles of Incorporation and the Regulations for the Board of Directors. Extraordinary meetings will be held as needed.
- (2) The Directors will closely exchange opinions and share information to perform their duties efficiently and promptly and with agility.
- (3) The Company will establish organizational regulations, regulations for the division of duties, and internal approval regulations for the Directors to perform their duties efficiently.

- v) System to ensure appropriateness of operations in the group consisting of the Company and Its subsidiaries
- (1) The Company will work to build a compliance system in the entire Group under its management philosophy.
  - (2) The Company will manage the subsidiaries as needed according to the situation of each subsidiary under the Regulations for the Management of Subsidiaries and Associates. The Company will require each subsidiary to regularly report their operating results and financial position and other important information.
  - (3) The Company will regularly review each subsidiary's organizational design and business execution system, taking into account their business, scale and position in the Group and will supervise them for them to build a system to execute operations efficiently.
  - (4) The Company will audit the business of each subsidiary as needed.

vi) Matters related to employees who are requested by the Audit and Supervisory Committee to help the committee perform its duties

- (1) The Audit and Supervisory Committee may request the Board of Directors to assign employees who will follow the orders and instructions of the committee (hereinafter "Assistants to the Audit and Supervisory Committee").
- (2) Changes in the Assistants to the Audit and Supervisory Committee, the evaluation of them, and disciplinary actions against them require prior consent of the Audit and Supervisory Committee.
- (3) The Company will build a system where the Assistants to the Audit and Supervisory Committee will follow the orders and instructions if they receive orders or instructions from the committee about their work.

vii) System for the Directors and employees of the Company and its subsidiaries to report to the Audit and Supervisory Committee

- (1) The Directors and employees of the Company and its subsidiaries will report without delay to the Audit and Supervisory Committee legal matters, matters that may have significant effects on the Company, matters resolved in important meetings, matters related to the public whistle-blowing system, and the status of internal audits, etc.
- (2) The Directors and employees of the Company and its subsidiaries will report promptly the status of business execution, etc. to the Audit and Supervisory Committee at its request.
- (3) The Company will prohibit any disadvantageous treatment of Directors and employees because of their reports to the Audit and Supervisory Committee under the preceding two paragraphs. The Company will make the prohibition known to the Directors and employees of the Company and its subsidiaries.

viii) Policy on procedures for the handling of expenses and liabilities generated from the the Audit and Supervisory Committee members' performance of their duties and the advance payment and reimbursement of expenses

If Audit and Supervisory Committee members request the advance payment of expenses necessary for the performance of their duties, the Company will promptly handle expenses or liabilities.

ix) Other systems to ensure effective auditing by the Audit and Supervisory Committee

- (1) The Audit and Supervisory Committee regularly exchange opinions with the Representative Director and interviews Directors and important employees as needed.
- (2) Members of the Audit and Supervisory Committee attend meetings of the Board of Directors and management meetings and other important meetings as needed.
- (3) The Audit and Supervisory Committee exchanges opinions with the auditing firm as needed.
- (4) The Audit and Supervisory Committee can independently receive help from attorneys, certified public accountants, and other experts as needed.
- (5) The Audit and Supervisory Committee regularly exchange opinions with the General Manager of the Internal Audit Office to strengthen their cooperation.

(ii) Status of improvement of risk management system

The Risk Countermeasure Committee is in charge of the Company's risk management system under the risk management rules. The Committee members designated by the Chairman of the Risk Countermeasure Committee collect and share information in cooperation with the business departments to detect risks early and prevent them from materializing.

4) Outline of liability limitation agreement

The Company has signed agreements with the Directors (excluding those who are executive directors, etc.) and Outside Directors to limit their liability for damages under Paragraph 1, Article 423 of the Companies Act, pursuant to Paragraph 1,

Article 427 of the Companies Act. The maximum amount of their liability for damages under the agreements is the amount provided for under the law. The liability limitation applies only if the Director performs their duties that have caused the liability in good faith and without gross negligence.

5) Overview of the contents of the directors and officers liability insurance policy

The Company has concluded an agreement on liability insurance for officers, etc. provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company.

(i) Scope of the insured

The insured are Directors (including those who are Audit and Supervisory Committee members) of the Company and Directors and Statutory Auditors of subsidiaries. All the Directors are insured by the liability insurance for officers, etc.

(ii) Outline of the content of the insurance agreement

If damages are claimed due to unjust acts on the part of the insured using their position, the damages incurred by the insured, court costs, internal investigation costs, etc. are subject to compensation under the agreement on liability insurance. Damages, etc. caused by an act that the insured have done, aware that the act is in a violation of law, shall not be subject to compensation, so that the properness of the execution of duties of the insured will not be impaired. The Company pays all insurance premiums.

6) Number of Directors set out in the Articles of Incorporation

The Articles of Incorporation stipulates that the number of the Directors (excluding the Directors who are Audit and Supervisory Committee members) shall be 11 maximum. The Articles of Incorporation stipulate that the number of Directors who are Audit and Supervisory Committee members shall be five maximum.

7) Resolutions for the election of Directors (excluding Directors who are members of the Audit and Supervisory Committee) and Directors who are members of the Audit and Supervisory Committee

The Company stipulates in its Articles of Incorporation that resolutions for the election of Directors and Audit and Supervisory Committee members shall be passed by a majority of the shareholders present at the meeting where shareholders holding one third or more of the voting rights of the shareholders entitled to vote are present.

The Articles of Incorporation of the Company stipulate that no cumulative voting shall be used to pass resolutions for the election of the Directors.

8) Interim dividend

The Articles of Incorporation of the Company stipulate that the Company may, by a resolution of the Board of Directors, pay interim dividends with a record date of March 31 of each year, pursuant to Article 454, Paragraph 5 of the Companies Act. The aim is to enable flexibility in regard to return of profit to shareholders.

9) Requirement for special resolutions of general shareholders meetings

To facilitate general meetings of shareholders, the Company stipulates in its Articles of Incorporation that special resolutions provided for in Article 309, Paragraph 2 of the Companies Act shall be passed at the general meeting of shareholders by a majority of two-thirds or more of the shareholders present at the meeting where shareholders holding one third or more of the voting rights of the shareholders entitled to vote are present.

10) Purchase of treasury shares

Under Article 165, Paragraph 2 of the Companies Act, the Articles of Incorporation stipulate that the Company may purchase treasury shares by resolution of the Board of Directors. The purpose of the purchase of treasury shares is to promptly respond to changes in the business environment and implement a flexible and active financial strategy.

## (2) Officers

## 1) Directors and Audit and Supervisory Board Members

Men: 13 persons, Women: – person (Women's percentage to total number of officers: –%)

Job title	Name	Date of birth	Career profile	Term	Number of shares owned (shares)
Chairman of the Board	Naruatsu Baba	January 7, 1978	<p>Mar. 2003 Joined K Laboratory Co., Ltd. (name changed to KLab Inc.)</p> <p>Apr. 2007 Joined GREE, Inc.</p> <p>Oct. 2008 Established COLOPL, Inc. President and Representative Director</p> <p>Mar. 2016 Established Kuma Foundation President (current position)</p> <p>Dec. 2021 Chairman and Representative Director, COLOPL, Inc. (current position)</p>	(Note 1)	61,776,976
President and Representative Director Head of Marketing Division	Takashi Miyamoto	April 19, 1972	<p>Apr. 1995 Joined Meidi-Ya Co., Ltd.</p> <p>Sep. 2001 Joined DigiCube Co., Ltd.</p> <p>Oct. 2003 Joined SoftBank BB Corp.</p> <p>Apr. 2005 Joined Dex Entertainment Inc.</p> <p>Apr. 2008 Established GP Coreedge Inc. Representative Director, President and CEO</p> <p>Apr. 2011 Joined GamePot, Inc. Director and CMO</p> <p>Jul. 2012 Established Coreedge Inc. Representative Director, President and CEO</p> <p>Jun. 2020 Joined COLOPL, Inc. General Manager of Marketing Communications Division</p> <p>Sep. 2020 Head of Marketing Division (current position)</p> <p>Dec. 2021 President and Representative Director (current position)</p>	(Note 1)	-
Executive Director Head of Corporate Division Head of HR Division	Yoshiaki Harai	September 28, 1988	<p>Mar. 2011 Joined Deloitte Touche Tohmatsu LLC</p> <p>Mar. 2014 Registered as Certified Public Accountant</p> <p>Jan. 2015 Joined COLOPL, Inc.</p> <p>Oct. 2016 General Manager of Corporate Planning Division</p> <p>Aug. 2017 General Manager of Accounting Division</p> <p>Jan. 2018 Executive Officer</p> <p>Dec. 2018 Executive Director (current position)</p> <p>Sep. 2019 Head of Corporate Division and Head of HR Division (current positions)</p>	(Note 1)	14,603
Executive Director Executive Director in charge of the Technology Base Division	Kenta Sugai	February 28, 1982	<p>Apr. 2000 Joined Fujisetsubi Corporation</p> <p>Dec. 2001 Joined Forum Engineering Inc.</p> <p>Apr. 2005 Joined COMSYS TECHNO Corporation</p> <p>Jan. 2008 Joined forTravel, Inc. (name changed to Kakaku.com, Inc.)</p> <p>Jun. 2010 Joined COLOPL, Inc.</p> <p>Jan. 2015 General Manager of Fourth Studio, Service Division</p> <p>Dec. 2016 Executive Director (current position)</p> <p>Sep. 2019 Head of Technology Management Division</p>	(Note 1)	134,396
Executive Director Head of Entertainment Division	Yu Sakamoto	March 5, 1984	<p>Apr. 2009 Joined Konami Digital Entertainment Co., Ltd.</p> <p>Oct. 2013 Joined COLOPL, Inc.</p> <p>Jan. 2018 Executive Officer and Deputy Head of Entertainment Division</p> <p>Mar. 2019 Head of Entertainment Division (current position)</p> <p>Dec. 2020 Executive Director (current position)</p>	(Note 1)	4,907
Executive Director Head of Technology Promotion Division	Yoichi Ikeda	January 18, 1984	<p>Apr. 2009 Joined CAPCOM CO., LTD.</p> <p>Dec. 2012 Joined COLOPL, Inc.</p> <p>Jan. 2019 Deputy Head of Creative Division</p> <p>Sep. 2019 Deputy Head of Entertainment Division</p> <p>Dec. 2020 Executive Director (current position)</p> <p>Dec. 2021 Head of Technology Promotion Division (current position)</p>	(Note 1)	4,907



Job title	Name	Date of birth	Career profile	Term	Number of shares owned (shares)
Executive Director	Shinsuke Ishiwatari	August 30, 1969	<p>Apr. 1998 Admitted as an attorney-at-law</p> <p>Jan. 2001 Established Field-R Law Offices</p> <p>Aug. 2008 Established VASCO DA GAMA OFFICES Partner attorney (current position)</p> <p>Jul. 2010 Outside Director, COLOPL, Inc.</p> <p>Mar. 2011 Executive Officer, Cookpad Inc.</p> <p>Jul. 2015 President and CEO, Minnano Wedding Co., Ltd.</p> <p>Dec. 2015 Executive Director, COLOPL, Inc.</p> <p>Oct. 2018 Director, Kufu Company Inc. (name changed to Kufu Intermediate Holding Company Inc.)</p> <p>Aug. 2019 Director, Kashima Antlers F.C. Co., Ltd. (current position)</p> <p>Jul. 2021 Chairman of the Board of Directors, HyAS &amp; Co. Inc. (current position)</p> <p>Dec. 2021 Outside Director, COLOPL, Inc. (current position)</p>	(Note 1)	99,000
Executive Director	Koji Yanagisawa	May 19, 1971	<p>Apr. 1995 Joined Fuji Bank, Limited (present Mizuho Bank, Ltd.)</p> <p>May 1999 Joined NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.</p> <p>May 2005 Joined Mizuho Securities Co., Ltd.</p> <p>Feb. 2006 Full-time Statutory Auditor, Start Today Co., Ltd. (name changed to ZOZO, Inc.)</p> <p>Jun. 2008 Director Head of Strategic Planning and Business Administration Division, Start Today Co., Ltd. (name changed to ZOZO, Inc.)</p> <p>Apr. 2009 CFO, Start Today Co., Ltd. (name changed to ZOZO, Inc.)</p> <p>Dec. 2015 Outside Director, COLOPL, Inc. (current position)</p> <p>Apr. 2017 Executive Vice President and CFO, Start Today Co., Ltd. (name changed to ZOZO, Inc.) (current position)</p> <p>Mar. 2020 External Director, OPT Holdings, Inc. (name changed to DIGITAL HOLDINGS, Inc.) (current position)</p>	(Note 1)	5,000
Executive Director	Dai Tamesue	May 3, 1978	<p>Apr. 2002 Joined Osaka Gas Co., Ltd.</p> <p>Oct. 2003 Left Osaka Gas and becomes an independent professional track and field athlete</p> <p>Mar. 2004 Contracted as an athlete of Asia Partnership Fund</p> <p>Dec. 2007 Established SAMURAI CO., LTD. Representative Director (current position)</p> <p>Director, Wedge Holdings CO., LTD.</p> <p>Aug. 2010 Established Athlete Society. President (current position)</p> <p>May 2014 Established Xiborg Co., Ltd. Director (current position)</p> <p>Dec. 2015 Outside Director, COLOPL, Inc. (current position)</p> <p>Jul. 2018 Established Deportare Partners Co., Ltd. Representative Director (current position)</p>	(Note 1)	-
Executive Director	Harold George Meij	December 4, 1963	<p>Jan. 1987 Joined Heineken Japan K.K. (name changed to Heineken Kirin K.K.) Assistant General Manager</p> <p>Apr. 1990 Joined Nippon Lever K.K. (name changed to Unilever Japan K.K.) Assistant Brand Manager</p> <p>Apr. 2000 Joined Sunstar Inc. Executive Officer of Oral Care Division</p> <p>Sep. 2006 Executive Vice President &amp; General Manager of Marketing Headquarters, Coca-Cola (Japan) Company, Limited</p> <p>Nov. 2008 Executive Vice President &amp; Chief Customer Officer, Coca-Cola (Japan) Company, Limited</p> <p>Mar. 2014 Management Advisor, TOMY COMPANY, LTD.</p> <p>Jun. 2015 Representative Director, President &amp; CEO, TOMY COMPANY, LTD.</p> <p>May 2018 Director &amp; CSO, Bushiroad Inc. Representative Director, President &amp; CEO, New Japan Pro-Wrestling Co., Ltd.</p> <p>Mar. 2019 Outside Director, Earth Corporation (current position)</p> <p>Nov. 2020 Advisor, Sanrio Company, Ltd. (current position)</p> <p>Mar. 2021 Advisor, Panasonic Corporation (current position)</p> <p>Apr. 2021 Outside Director, Alinamin Pharmaceutical Co., Ltd. (current position)</p> <p>Dec. 2021 Outside Director, COLOPL, Inc. (current position)</p>	(Note 1)	-

Job title	Name	Date of birth	Career profile	Term	Number of shares owned (shares)
Executive Director Audit and Supervisory Committee member	Tetsuzo Hasegawa	March 26, 1950	Apr. 1973 Apr. 1999 Feb. 2004 May 2005 Jun. 2005 Oct. 2005 Jun. 2007 Dec. 2007 Jun. 2008 Oct. 2008 Sep. 2010 Dec. 2015 Joined Daiwa Securities Co. Ltd. Joined Daiwa Securities SB Capital Markets Co. Ltd. Director, Daiwa Securities SMBC Principal Investments Co. Ltd. Director, CABIN Co. Ltd. Director, Daiwa Seiko Co. Ltd. (name changed to GLOBERIDE, Inc.) Director, MARUI IMAI Inc. Director, Mitsui Mining Co., Ltd. (name changed to NIPPON COKE & ENGINEERING CO., LTD.) Chairman and Representative Director, HMV Japan K.K. Auditor, Daiwa Sank Co. Ltd. Auditor, Daiwa Institute of Research Ltd. (name changed to Daiwa Institute of Research Holdings Ltd.) Auditor, Daiwa Pension Consulting Co., Ltd. Auditor, Daiwa Institute of Research Business Innovation Ltd. Full-time Statutory Auditor, COLOPL, Inc. Outside Director (Full-time Audit and Supervisory Committee member), COLOPL, Inc. (current position)	(Note 2)	25,000
Executive Director Audit and Supervisory Committee member	Ryogo Tsukioka	November 19, 1971	Apr. 1996 Jan. 1999 Apr. 2003 Jul. 2006 Dec. 2010 Dec. 2015 Joined Dai Nippon Printing Co., Ltd. Joined Zeirishi-Hojin PricewaterhouseCoopers (name changed to PwC Tax Japan) Registered as Certified Public Accountant Established Tsukioka CPA Office Director (current position) Statutory Auditor, COLOPL, Inc. Outside Director (Audit and Supervisory Committee member), COLOPL, Inc. (current position)	(Note 2)	-
Executive Director Audit and Supervisory Committee member	Koichiro Iida	October 15, 1971	Apr. 1996 Jun. 2005 Dec. 2011 Oct. 2013 Jun. 2014 Jul. 2015 Aug. 2015 Dec. 2015 Dec. 2016 Jul. 2017 Oct. 2018 Oct. 2020 Jul. 2021 Admitted as an attorney-at-law Joined Mori Sogo (name changed to Mori Hamada & Matsumoto) (current position) Registered as an attorney-at-law in California, U.S. Statutory Auditor, COLOPL, Inc. Corporate Auditor, HEROZ, Inc. Auditor, Sansan, Inc. Statutory Auditor, Minnano Wedding Co., Ltd. (present anymarry Co., Ltd.) Outside Director (Audit & Supervisory Committee member), Sansan, Inc. Outside Director (Audit and Supervisory Committee member), COLOPL, Inc. (current position) Alternative Dispute Resolution Committee Member, Alternative Dispute Resolution Committee of National Consumer Affairs Center of Japan (current position) Director (Audit and Supervisory Committee member), HEROZ, Inc. Outside Director (Audit and Supervisory Committee member), Kufu Company Inc. (present Kufu Intermediate Holding Company Inc.) Auditor, STADIUM Co., Ltd. (current position) Outside Director, HyAS & Co. Inc. (current position)	(Note 2)	-
Total					62,064,789

- (Notes) 1. The term expires at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within one (1) year after the conclusion of the Ordinary General Meeting of Shareholders held on December 17, 2021.
2. The term expires at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within two (2) years after the conclusion of the Ordinary General Meeting of Shareholders held on December 17, 2021.
3. The members of the Audit and Supervisory Committee of the Company are as follows:  
Chairperson: Tetsuzo Hasegawa; Members: Ryogo Tsukioka, Koichiro Iida  
Tetsuzo Hasegawa is a full-time member of the Audit and Supervisory Committee. The Company appoints a full-time member of the Audit and Supervisory Committee to gather information, increase the effectiveness of audits, and strengthen the auditing and supervisory functions.

4. Executive Directors Tetsuzo Hasegawa, Ryogo Tsukioka, Koichiro Iida, Shinsuke Ishiwatari, Koji Yanagisawa, Dai Tamesue, Harold George Meij, are Outside Directors.
5. If the number of Directors who are Audit and Supervisory Committee members falls below the number stipulated by laws and regulations, the Company elected Hiroshi Sato as a substitute Director who is an Audit and Supervisory Committee member provided for in Article 329, Paragraph 3 of the Companies Act in the Ordinary General Meeting of Shareholders held on December 17, 2021.

The career history of the substitute for a Director who is an Audit and Supervisory Committee Member is as follows.

Name	Date of birth	Career profile	Number of shares owned (shares)
Hiroshi Sato	September 4, 1978	Jan. 2009 Joins Meisei Audit Corporation (name changed to HLB Meisei LLC) Jan. 2012 Joins Broadmedia Studios Corporation Mar. 2015 Joins Gakkyusha co., Ltd. Jul. 2016 General Manager of Finance Department, Gakkyusha co., Ltd. Auditor, inter-edu.com Co., Ltd. Jun. 2018 Joins COLOPL, Inc. Jan. 2019 General Manager of Internal Audit Office (current position)	-

## 2) Information about Outside Officers

Four of the Directors who are not Audit and Supervisory Committee members and three of the Directors who are Audit and Supervisory Committee members are outside directors under the Companies Act as of the date of submission of this report. To establish effective corporate governance by bringing in outside perspectives, the Company expects the Outside Directors to provide objective and neutral advice and to supervise the Executive Directors' performance of their duties using their extensive experience and deep insight into financing, accounting and law as professionals. The Company's criteria for selecting Outside Directors are expertise and experience suitable for the aforementioned purpose and no concerns about independence in terms of relationships with the Company and the Representative Directors and other Executive Directors. Outside Director Shinsuke Ishiwatari has extensive experience and broad knowledge as a corporate executive and legal expertise as an attorney-at-law.

Outside Director Koji Yanagisawa has extensive experience and broad knowledge as a corporate executive.

Outside Director Dai Tamesue has extensive experience and broad knowledge that he has gained as an athlete and in his social and educational activities.

Outside Director Harold George Meij has a deep insight into and experience in management and marketing.

Outside Director Tetsuzo Hasegawa, who is an Audit and Supervisory Committee member, has experience of working in the securities industry for a long time and has extensive experience as a director or an auditor at other companies. He participates in monthly meetings of the Board of Directors and extraordinary meetings of the Board of Directors that are held as needed, among other internal meetings. He actively supervises business execution and gives advice from an objective perspective.

Outside Director Ryogo Tsukioka, who is an Audit and Supervisory Committee member, has expert knowledge about accounting and tax as a certified public accountant and a tax accountant.

Outside Director Koichiro Iida, who is an Audit and Supervisory Committee member, has legal expertise as an attorney-at-law.

Outside Directors Ryogo Tsukioka and Koichiro Iida, who are Audit and Supervisory Committee members, participate in monthly meetings of the Board of Directors. They actively supervise business execution and give advice from an objective perspective.

Outside Director Shinsuke Ishiwatari holds 99,000 shares in the Company. Outside Director Koji Yanagisawa holds 5,000 shares in the Company. Outside Director Tetsuzo Hasegawa, who is an Audit and Supervisory Committee member, holds 25,000 shares in the Company.

The Outside Directors have no other special stake in the Company.

## 3) Relationships between supervision or audits by Outside Officers and internal audits, audits by the Audit and Supervisory Committee and accounting audits, and relationships between Outside Directors and the internal control division

The Outside Directors exchange opinions with the Board of Directors, the Audit and Supervisory Committee, and the Executive Directors and cooperate in audits by the Audit and Supervisory Committee, internal audits, and accounting audits. The Outside Directors supervise and audit the building and operation of internal control systems.

### (3) Audits

#### 1) Audits by the Audit and Supervisory Committee

##### (i) Members of Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three Outside Directors, Tetsuzo Hasegawa, Ryogo Tsukioka and Koichiro Iida. Director Tetsuzo Hasegawa, full-time Audit and Supervisory Committee member, is chairperson. The Company appoints Directors who are Audit and Supervisory Committee members who have knowledge about not only accounting but also finance, tax, law, intellectual property, etc. in consideration of its situation. The members of the Audit and Supervisory Committee and the accounting auditor cooperate with each other to carry out audits properly. They hold meetings about accounting regularly and as necessary.

##### (ii) Number of meetings of the Audit and Supervisory Committee, attendance of the members, and agenda

The Company held 13 meetings of the Audit and Supervisory Committee in the fiscal year under review. The attendance of each member of the committee was as shown below.

Name	Number of meetings attended
Tetsuzo Hasegawa	13
Ryogo Tsukioka	13
Koichiro Iida	13

The agendas included resolutions on audit plans, audit reports, and the appointment of an auditing firm, the sharing of the agendas of important meetings attended by the full-time Audit and Supervisory Committee member, internal audit reports, whistleblowing reports and investigation results, and discussions about internal control issues.

##### (iii) Activities of the Audit and Supervisory Committee

The members of the Audit and Supervisory Committee participated in important meetings, received reports from Directors and employees, etc. about their performance of their duties, requested explanations as necessary, and investigated the operations and property of the Company in cooperation with the Company's internal audit division and other divisions responsible for internal control, in accordance with the audit policies and division of duties determined by the committee. The committee members communicated and exchanged information with the subsidiaries' Directors and Auditors and received business reports as needed.

They monitored and verified whether the accounting auditor maintained its independence and carried out its audits appropriately, received reports from the accounting auditor regarding the execution of its duties and, where necessary, requested explanations. They also received notification from the accounting auditor to the effect that "systems to ensure that duties are executed appropriately" (the matters listed in each item of Article 131 of the Regulation on Corporate Accounting) had been established in accordance with Quality Control Standards for Auditing (Business Accounting Council, October 28, 2005) and where necessary requested explanations.

Based on those activities, the Audit and Supervisory Committee regularly gives its opinions to Directors who are not members of the committee.

##### (iv) Activities of full-time Audit and Supervisory Committee member

In addition to the activities described in (iii) Activities of the Audit and Supervisory Committee, the full-time Audit and Supervisory Committee member engages in the following activities:

- He participates in meetings of the Board of Directors and other meetings that are related to important decision making and compliance at the Company, including meetings of the Management Council and Risk Countermeasure Committee, and expresses opinions as necessary.
- He peruses important documents for approval to make sure that decisions are made properly under the internal rules.
- He individually interviews the President, other Directors and important employees, shares views on management issues and business risks, and exchanges opinions.
- He visits subsidiaries and carries out audits and interviews with Directors and other personnel to make sure that the Group's internal control system works effectively.
- As the Chairperson of the Nomination and Compensation Advisory Committee, he participates in the meetings with the two other members of the Audit and Supervisory Committee and expresses opinions about the selection of Director candidates at the Company and compensation for officers.

#### 2) Internal audits

The Internal Audit Office carries out internal audits at the Company. Three staff members of the office are responsible for

internal audits. The Internal Audit Office carries out internal audits to ensure the effectiveness and efficiency of operations in accordance with internal audit plans approved by the President and Representative Director. The office reports the results of audits to the President and Representative Director and points out operations that should be improved to the business divisions audited. The office examines improvements checks later.

The Internal Audit Office regularly holds meetings with the Audit and Supervisory Committee and the accounting auditor to share information necessary for audits.

### 3) Accounting audits

#### (i) Name of audit corporation

Deloitte Touche Tohmatsu LLC

#### (ii) Continuous audit period

12 years

#### (iii) Certified public accountants who carried out the audit

Designated Unlimited Liability Partner, Engagement Partner Hajime Seishi

Designated Unlimited Liability Partner, Engagement Partner Hiroyuki Ito

#### (iv) Assistants for audits

Five certified public accountants

Five other assistants

#### (v) Policy and reasons for selection of audit corporation

The Company selects auditing firms, comprehensively considering their expertise, independence, and whether they ensure the quality of audits appropriately, among other factors as an accounting auditor suitable for the Group's business type and business scale.

The Company believes that Deloitte Touche Tohmatsu LLC has a system that enables it to carry out accounting audits for the Company appropriately and properly.

The Audit and Supervisory Committee will work out a proposal to dismiss or not to reappoint the accounting auditor to the General Meeting of Shareholders, if the committee decides there are any problems in the accounting auditor's performance of its duties or any need for making the proposal. The Auditor and Supervisory Committee will dismiss the accounting auditor with the consent of all the committee members if the accounting auditor falls under any item of Article 340, Paragraph 1 of the Companies Act.

#### (vi) Evaluation of audit corporation by Audit and Supervisory Committee

The Audit and Supervisory Committee decides whether the accounting auditor maintains the quality of audits and carries out audits properly by monitoring and examining whether the accounting auditor maintains its independence and carries out audits as professionals and requesting explanations about the independence of the accounting auditor and other matters related to its performance of its duties. As a result of the evaluation, the Audit and Supervisory Committee has decided that Deloitte Touche Tohmatsu LLC carries out audits properly.

### 4) Audit fees

#### (i) Fees paid to certified public accountants, etc.

Classification	Previous fiscal year		Fiscal year under review	
	Compensation based on audit and attestation service (million yen)	Compensation based on non-audit service (million yen)	Compensation based on audit and attestation service (million yen)	Compensation based on non-audit service (million yen)
Company submitting the securities report	34	-	38	2
Consolidated subsidiaries	-	-	-	-
Total	34	-	38	2

Non-audit service at the Company in the fiscal year under review is advisory service related to the application of revenue recognition criteria, etc.

(ii) Fees to the network (Deloitte Touche Tohmatsu LLC) to which the certified public accountants for audits belong  
Not applicable.

(iii) Details of other major fees for audit and attestation services  
Not applicable.

(iv) Policy on determination of audit fees

The Company has not formulated any policy to determine audit fees to certified public accountants for audits. The Company determines audit fees after it examines the adequacy of audit plans submitted from the accounting auditor and the basis of the calculation of estimates of fees and decides that the fees are reasonable.

(v) Reasons why the Audit and Supervisory Committee consented to the fees, etc. of the accounting auditor

Taking into consideration the practical guidelines for cooperation with accounting auditors published by the Japan Audit and Supervisory Board Members Association, the Audit and Supervisory Committee obtained the necessary materials and reports about the audit in the previous fiscal year from the Directors, departments related to accounting, and the accounting auditor, and examined the auditing time and personnel arrangements in the auditing plan, the performance of accounting audits, and the basis of calculation of estimates of fees, among other matters. As a result, the committee has given consent to fees, etc. to the accounting auditor under Article 399, Paragraph 1 of the Companies Act.

#### (4) Directors' Compensation, Etc.

##### 1) Details and methods of determination for director compensation amounts and their calculation

The respective upper limits are set on the compensation, etc. of directors (excluding directors who are Audit and Supervisory Committee members) and directors who are Audit and Supervisory Committee members through resolution of the General Meeting of Shareholders.

To ensure objectivity and transparency in the process of nominating Directors and determining compensation and to strengthen the corporate governance system, the Company has established a Nomination and Compensation Advisory Committee as a non-mandatory advisory body of the Board of Directors. Items to deliberate at Nomination and Compensation Advisory meetings are as follows:

1. Draft policy to determine compensation etc. for each Director
2. Draft policy on compensation etc. for each Director
3. Basic policies, etc. needed to resolve the items above
4. Creation of policies to elect and dismiss Directors
5. Draft proposals of election and dismissal of Directors
6. Other items associated with the above that the Board of Directors considers necessary

The activities of the Nomination and Compensation Advisory Committee chiefly in the process of determining Directors' compensation, etc., during the fiscal year under review are as follows.

Date of activity	Name	Activities
June 16, 2021	Nomination and Compensation Advisory Committee	Deliberation over the nomination of Directors and compensation for them
August 18, 2021	Nomination and Compensation Advisory Committee	Deliberations on director compensation system
September 22, 2021	Nomination and Compensation Advisory Committee	Deliberations regarding individual compensation of directors
December 17, 2021	Board of Directors	Discretionary resolution regarding individual compensation of directors

At a meeting of the Board of Directors held on February 17, 2021, the Board resolved to adopt the policy on determining compensation etc. for individual Directors. The Board of Directors has consulted the Nomination and Compensation Advisory Committee on the resolution and received recommendations from the Committee.

The amount of compensation for individual Directors (excluding Directors who are Audit and Supervisory Committee members) is left to the discretion of the President and Representative Director by resolution of the Board of Directors because the Representative Director is appropriate for evaluating the departments that each Director is responsible for while taking the overall results of the Company into consideration. The President and Representative Director fully considers the recommendations of the Nomination and Compensation Advisory Committee, which is voluntarily established by the Company, to determine the amount of compensation for individual Directors, which is a calculation based on the policy for determining Directors' compensation, etc.

The amounts of compensation for directors who are Audit and Supervisory Committee members are determined through deliberations among Audit and Supervisory Committee members.

For the fiscal year under review, the Board of Directors entrusted decisions on the amount of compensation for each Director (excluding Audit and Supervisory Committee members) to President and Representative Director Naruatsu Baba, and President Baba determined the amount of compensation for each Director. The Board of Directors has ascertained that the method for determining compensation, etc. for each Director for the fiscal year under review is consistent with the policy to determine compensation and that the reports of the Nomination and Compensation Advisory Committee have been respected. The Board of Directors has determined that the compensation, etc. for each Director is in line with the policy.

##### (i) Basic policy regarding determination of compensation, etc.

The Board of Directors has established basic policies to determine Directors' compensation, etc. as stated below in consideration of the recommendations of the Nomination and Compensation Advisory Committee.

1. Compensation capable of securing talented individuals, taking into account the standards of other companies in the same industry
2. Compensation corresponding to directors' responsibilities and contributions
3. Compensation system that encourages directors to work to improve corporate value

(ii) Structure of compensation

The compensation of the Company's directors consists of fixed compensation and restricted stock-based compensation, the amounts of which are determined by comprehensively considering factors that include the consolidated business results and the duties and contributions of each director.

The date of resolution of the General Meeting of Shareholders about fixed compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) was December 17, 2021. The resolution says that fixed compensation paid to the Directors shall not exceed ¥300 million per year (¥50 million of which is for Outside Directors. The fixed compensation does not include the salaries that the Directors who are also employees receive as employees. The number of Directors [excluding Directors who are Audit and Supervisory Committee members] shall not exceed 11 under the Articles of Incorporation and was 10 as of the date of submission of this securities reports). The date of resolution of the General Meeting of Shareholders about fixed compensation for Directors who are Audit and Supervisory Committee members was December 18, 2015. The resolution says that the fixed compensation paid to the Directors who are Audit and Supervisory Committee members shall not exceed ¥30 million per year (The number of Directors who are Audit and Supervisory Committee members shall not exceed five under the Articles of Incorporation and was three three as of the date of submission of this securities report).

The resolution date of the General Meeting of Shareholders relating to a restricted stock compensation plan was December 20, 2019. The amount of monetary compensation paid to directors (excluding outside directors and directors who are Audit and Supervisory Committee members) as restricted stock compensation shall not exceed ¥300 million per year.

To ensure the independence of the Outside Directors and the Directors who are Audit and Supervisory Committee members, their compensation consists only of fixed compensation.

2) Total remuneration, etc., total amounts of each type of remuneration, and the number of eligible officers for each classification of officers

Classification	Total amount of compensation, etc. (million yen)	Compensation, etc. by type (million yen)				Number of eligible officers
		Fixed compensation	Restricted stock compensation	Performance-based remuneration	Non-monetary compensation, etc. of the compensation at left	
Directors (excluding those who are Audit and Supervisory Committee members) (excluding Outside Directors)	148	122	26	-	-	7
Directors (Audit and Supervisory Committee members) (excluding Outside Directors)	-	-	-	-	-	-
Outside Directors	37	37	-	-	-	5

3) Compensation, etc. for each officer of the Company that submits this report

The information is omitted because no officers receive compensation, etc. of ¥100 million or more.

4) Important matters among the salaries of employees who concurrently serve as officers

Not applicable.



(5) Information of Shareholdings

1) Classification of investment shares

The Company classifies investment shares into two categories: investment shares held for purely investment purposes, which are held solely for the purpose of making a profit from changes in share prices or dividends related to the shares, and investment shares held for reasons other than purely investment purposes (strategic shareholdings).

2) Investment shares held for purposes other than pure investment

(i) Policy for shareholding, method for examining the rationality of shareholding, and the examination of whether holding shares of individual stocks is appropriate or not

The Company's policy is to acquire shares of publicly listed companies for strategic purposes only when it can be reasonably explained that the shares are strongly tied to business, such as a capital and business alliance, and that such alliance proceeds more smoothly as a result of the holding of shares.

After the acquisition of shares, the Board of Directors periodically examines the effectiveness of the alliance, taking into account any change in the appraised value of the shares held.

(ii) Number of shares and balance sheet amount

	Number of shares (stock)	Total consolidated balance sheet amount (million yen)
Unlisted shares	-	-
Shares other than unlisted stocks	1	191

(Stocks for which the number of shares increased in the fiscal year under review)

	Number of shares (stock)	Total acquisition cost related to increases in shares (million yen)	Reason for increase in number of shares
Unlisted shares	-	-	-
Shares other than unlisted stocks	-	-	-

(Stocks for which the number of shares decreased in the fiscal year under review)

	Number of shares (stock)	Total sale value related to decreases in shares (million yen)
Unlisted shares	-	-
Shares other than unlisted stocks	-	-

(iii) Number and balance sheet amount of specified investment shares and deemed shareholdings for each stock held and other information

Specified investment shares

	Fiscal year under review	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for an increase in the number of shares	Shareholding by the Company
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (million yen)	Balance sheet amount (million yen)		
adish Co., Ltd.	125,800	125,800	Maintaining and strengthening business relationships	No
	191	371		

(Note) It is difficult to state the effects of shareholdings quantitatively. We examine the purpose of shareholdings, the economic rationality, and the status of transactions to determine the effects.

3) Investment shares held for purely investment purposes

Classification	Fiscal year under review		Previous fiscal year	
	Number of shares (stock)	Total consolidated balance sheet amount (million yen)	Number of shares (stock)	Total consolidated balance sheet amount (million yen)
Unlisted shares	7	1,266	8	947
Shares other than unlisted stocks	-	-	-	-

Classification	Fiscal year under review		
	Total dividends received (million yen)	Gain/loss on sales (million yen)	Valuation gain/loss (million yen)
Unlisted shares	-	0	(Note)
Shares other than unlisted stocks	-	387	-

(Note) The valuation gain/loss of unlisted stocks is not entered because they do not have any market prices and determining their market values are very difficult.

## V. Financial Information

### 1. Method of Preparation of Consolidated Financial Statements and Non-consolidated Financial Statements

- (1) The consolidated financial statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in compliance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the “Ordinance on Non-Consolidated Financial Statements”).

Because the Company is classified as a company that prepares its financial statements pursuant to special provisions, the non-consolidated financial statements are prepared as provided in Article 127 of the Ordinance on Non-Consolidated Financial Statements.

### 2. Audit Certification

The Company’s consolidated financial statements for the consolidated fiscal year (from October 1, 2020 to September 30, 2021) and the non-consolidated financial statements for the fiscal year (from October 1, 2020 to September 31, 2021) were audited by Deloitte Touche Tohmatsu LLC under Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

### 3. Specific Efforts to Secure the Appropriateness of the Consolidated Financial Statements, etc.

The Company has undertaken specific measures to secure the appropriateness of its consolidated financial statements, etc. Specifically, the Company has become a member of the Financial Accounting Standards Foundation (FASF) to properly understand accounting standards, etc. and develop systems that enable it to properly respond to changes in accounting standards, etc. The Company actively participates in training and seminars provided by organization that has specialized information, including the Financial Accounting Standards Foundation (FASF).

# 1. Consolidated Financial Statements

## (1) Consolidated Financial Statements

### 1) Consolidated Balance Sheet

(Million yen)

	Previous fiscal year (September 30, 2020)	Fiscal year under review (September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	65,009	58,871
Accounts receivable - trade	6,977	4,348
Operational investment securities	–	7,591
Merchandise	63	37
Work in process	890	690
Supplies	3	4
Advance payments	243	276
Prepaid expenses	360	357
Other	694	2,286
Allowance for doubtful accounts	(62)	(34)
<b>Total current assets</b>	<b>74,180</b>	<b>74,430</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,268	1,101
Accumulated depreciation and impairment	(735)	(786)
Buildings and structures, net	532	315
Tools, furniture and fixtures	688	700
Accumulated depreciation and impairment	(541)	(572)
Tools, furniture and fixtures, net	146	128
Construction in progress	–	40
<b>Total property, plant and equipment</b>	<b>679</b>	<b>484</b>
Intangible assets		
Software	43	29
Other	251	–
<b>Total intangible assets</b>	<b>294</b>	<b>29</b>
Investments and other assets		
Investment securities	6,953	2,344
Shares of subsidiaries and associates	3	3
Investments in capital of subsidiaries and associates	462	50
Leasehold and guarantee deposits	*1 1,487	*1 2,132
Deferred tax assets	1,620	1,253
Other	152	87
<b>Total investments and other assets</b>	<b>10,679</b>	<b>5,870</b>
<b>Total non-current assets</b>	<b>11,653</b>	<b>6,384</b>
<b>Total assets</b>	<b>85,833</b>	<b>80,814</b>

(Million yen)

	Previous fiscal year (September 30, 2020)	Fiscal year under review (September 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	22	50
Accounts payable - other	3,255	2,412
Accrued expenses	190	244
Income taxes payable	3,273	292
Accrued consumption taxes	1,537	152
Advances received	514	850
Deposits received	192	415
Other	535	502
Total current liabilities	9,521	4,922
Non-current liabilities		
Asset retirement obligations	446	123
Other	85	17
Total non-current liabilities	532	141
Total liabilities	10,053	5,063
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,536	6,556
Capital surplus	6,295	6,296
Retained earnings	67,185	67,037
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	75,373	75,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	404	461
Foreign currency translation adjustment	-	43
Total accumulated other comprehensive income	404	504
Non-controlling interests	1	1
Total net assets	75,779	75,751
Total liabilities and net assets	85,833	80,814

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

## Consolidated statements of income

(Million Yen)

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
Net sales	45,128	37,125
Cost of sales	*2 24,275	*2 24,108
Gross profit	20,853	13,016
Selling, general and administrative expenses	*1, *2 8,602	*1, *2 6,695
Operating profit	12,250	6,320
Non-operating income		
Interest income	46	16
Interest income on securities	8	2
Foreign exchange gains	–	246
Gain on investments in investment partnerships	9	12
Gain on sale of investment securities	192	995
Gain on sale of cryptocurrency	–	542
Gain on valuation of cryptocurrency	188	–
Miscellaneous income	85	130
Total non-operating income	530	1,947
Non-operating expenses		
Foreign exchange losses	108	–
Loss on valuation of investment securities	662	51
Loss on investments in derivatives	148	358
Miscellaneous losses	71	14
Total non-operating expenses	991	424
Ordinary profit	11,790	7,843
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	0	–
Total extraordinary income	0	–
Extraordinary losses		
Impairment losses	*3 852	*3 291
Settlement package	–	*4 3,300
Total extraordinary losses	852	3,591
Profit before income taxes	10,938	4,251
Income taxes - current	3,375	944
Income taxes - deferred	(414)	258
Total income taxes	2,960	1,203
Profit	7,977	3,048
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	7,977	3,047

Consolidated Statement of Comprehensive Income

(Million Yen)

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
Profit	7,977	3,048
Other comprehensive income		
Valuation difference on available-for-sale securities	484	56
Foreign currency translation adjustment	–	43
Total other comprehensive income	*1 484	*1 99
Comprehensive income	8,461	3,148
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,461	3,147
Comprehensive income attributable to non-controlling interests	0	0

3) Consolidated Statement of Changes in Equity

Previous fiscal year (October 1, 2019 to September 30, 2020)

(Million Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,510	6,269	61,376	(4,644)	69,511
Changes during period					
Issuance of new shares - exercise of share acquisition rights	13	13			27
Issuance of new shares - restricted stock compensation	12	11			24
Dividends of surplus			(2,167)		(2,167)
Purchase of treasury shares				(0)	(0)
Profit attributable to owners of parent			7,977		7,977
Net changes in items other than shareholders' equity					
Total changes during period	25	25	5,809	(0)	5,861
Balance at end of period	6,536	6,295	67,185	(4,645)	75,373

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(79)	(79)	0	69,433
Changes during period				
Issuance of new shares - exercise of share acquisition rights				27
Issuance of new shares - restricted stock compensation				24
Dividends of surplus				(2,167)
Purchase of treasury shares				(0)
Profit attributable to owners of parent				7,977
Net changes in items other than shareholders' equity	483	483	0	484
Total changes during period	483	483	0	6,345
Balance at end of period	404	404	1	75,779



Fiscal year under review (October 1, 2020 to September 30, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,536	6,295	67,185	(4,645)	75,373
Changes during period					
Issuance of new shares - exercise of share acquisition rights	6	6			12
Issuance of new shares - restricted stock compensation	13	13			27
Dividends of surplus			(3,195)		(3,195)
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries		(18)			(18)
Profit attributable to owners of parent			3,047		3,047
Net changes in items other than shareholders' equity					
Total changes during period	19	0	(147)	(0)	(127)
Balance at end of period	6,556	6,296	67,037	(4,645)	75,245

	Accumulated other comprehensive income			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 period	404	-	404	1	75,779
Changes during period					
Issuance of new shares - exercise of share acquisition rights					12
Issuance of new shares - restricted stock compensation					27
Dividends of surplus					(3,195)
Purchase of treasury shares					(0)
Purchase of shares of consolidated subsidiaries					(18)
Profit attributable to owners of parent					3,047
Net changes in items other than shareholders' equity	56	43	99	(0)	99
Total changes during period	56	43	99	(0)	(28)
Balance at end of period	461	43	504	1	75,751

## 4) Consolidated Statements of Cash Flows

(Million yen)

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	10,938	4,251
Depreciation	508	515
Amortization of goodwill	141	–
Increase (decrease) in allowance for doubtful accounts	8	(28)
Foreign exchange losses (gains)	103	(257)
Impairment losses	852	291
Decrease (increase) in investment securities for sale	–	(1,773)
Loss (gain) on sale of investment securities	(192)	(995)
Loss (gain) on valuation of investment securities	662	51
Loss (gain) on valuation of derivatives	148	358
Loss (gain) on valuation of cryptocurrency	(188)	–
Loss (gain) on sales of cryptocurrency	–	(542)
Settlement package	–	3,300
Decrease (increase) in trade receivables	135	2,629
Decrease (increase) in inventories	20	224
Increase (decrease) in trade payables	(0)	27
Increase (decrease) in accounts payable - other	(413)	(827)
Increase (decrease) in accrued consumption taxes	1,430	(1,384)
Increase (decrease) in income taxes payable - factor based tax	139	(168)
Increase (decrease) in advances received	(381)	335
Decrease (increase) in prepaid expenses	130	29
Other, net	705	(1,111)
Subtotal	14,747	4,927
Interest and dividends received	74	31
Interest paid	(7)	–
Settlement package paid	–	(3,300)
Income taxes refund (paid)	196	(4,764)
Net cash provided by (used in) operating activities	15,010	(3,104)

(Million yen)

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
<b>Cash flows from investing activities</b>		
Payments into time deposits	–	(10,000)
Purchase of property, plant and equipment	(93)	(160)
Proceeds from sale of property, plant and equipment	718	0
Purchase of intangible assets	(8)	(29)
Purchase of investment securities	(3,697)	(3,747)
Proceeds from sale of investment securities	2,207	3,647
Proceeds from sales of cryptocurrency	–	758
Purchase of shares of subsidiaries and associates in change in scope of consolidation	*2 (1,234)	–
Proceeds from sale of shares of subsidiaries and associates in change in scope of consolidation	28	–
Payments for investments in capital of subsidiaries and associates	(344)	–
Collection of investment in capital of subsidiaries and affiliates	10	65
Payments of leasehold and guarantee deposits	(5)	(929)
Proceeds from refund of leasehold and guarantee deposits	146	285
Proceeds from (payments for) futures settlement	(166)	(338)
Other, net	(201)	(140)
Net cash provided by (used in) investing activities	(2,640)	(10,588)
<b>Cash flows from financing activities</b>		
Repayments of short-term borrowings	(554)	–
Repayments of long-term borrowings	(90)	–
Proceeds from issuance of shares	27	12
Dividends paid	(2,162)	(3,192)
Purchase of shares of subsidiaries and associates that do not result in change in scope of consolidation	–	(20)
Other, net	(1)	(0)
Net cash provided by (used in) financing activities	(2,780)	(3,200)
Effect of exchange rate change on cash and cash equivalents	(103)	294
Net increase (decrease) in cash and cash equivalents	9,486	(16,599)
Cash and cash equivalents at beginning of period	55,822	65,308
Increase in cash and cash equivalents resulting from proportional consolidation	–	344
Cash and cash equivalents at end of period	*1 65,308	*1 49,052

## Notes

(Significant matters that serve as the basis for the preparation of consolidated financial statements)

### 1. Scope of consolidation

#### (1) Number of consolidated subsidiaries: 13

Names of consolidated subsidiaries:

Colopl Next, Inc.

RealStyle Co., Ltd.

Pyramid, Inc.

360Channel, Inc.

COLOPL NEXT No. 2 Fund Investment Partnership

COLOPL NEXT No. 3 Fund Investment Partnership

COLOPL NEXT No. 4 Fund Investment Partnership

COLOPL NEXT No. 5 Fund Investment Partnership

COLOPL NEXT No. 6 Fund Investment Partnership

COLOPL NEXT No. 7 Fund Investment Partnership

COLOPL NEXT Listed Shares No. 1 Fund Investment Partnership

EIGHTING Co., Ltd.

MAGES. Inc.

Indigo Game Studios, Inc. is excluded from the scope of consolidation because absorption-type merger of this company was conducted in the current fiscal year.

#### (2) Number of non-consolidated subsidiaries: 2

Non-consolidated subsidiaries

Kuma's Musical Band, Inc. and another company

Unconsolidated subsidiaries are small in size, and their total assets, net sales, profit or loss (amount corresponding to the Company's equity position), retained earnings (amount corresponding to the Company's equity position) and other indicators have immaterial effect on the Company's consolidated financial statements. In addition, they are not material as a whole. Therefore, they are not included in the scope of consolidation.

### 2. Matters related to the application of the equity method

#### (1) Non-consolidated subsidiaries and affiliates to which the equity method applies

Not applicable.

#### (2) Non-consolidated subsidiaries and affiliates to which the equity method does not apply

Number of affiliates to which the equity method does not apply: 6

Affiliates to which the equity method does not apply

Kuma's Musical Band, Inc. and five other companies

The Next Unicorn Fund and Colopl Next-Rael Fund were excluded from the scope of the equity method since these funds are accounted for using the gross method (assets, liabilities, revenue and expenses of the funds are recorded in proportion to the Group's investment equity ratio).

Kuma's Musical Band, Inc. and three other companies are excluded from the scope of the equity method since such exclusion has immaterial effect on the Company's consolidated financial statements in terms of profit or loss (amount corresponding to the Company's equity position), retained earnings (amount corresponding to the Company's equity position) and other indicators, and they are not material as a whole.

### 3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end dates of all consolidated subsidiaries coincide with the consolidated balance sheet date.

### 4. Notes Regarding Accounting Policies

#### (1) Standards and evaluation methods for significant assets

##### 1) Securities

Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

- Stated at cost determined by the moving-average method
    - Other securities (including operational investment securities)
      - With market quotations
        - Stated based on the market price, etc. on the consolidated balance sheet date
        - (Unrealized gains and losses are excluded from income and reported in a separate component of net assets.
        - The cost of sales is calculated using the moving-average method.)
      - Without market quotations
        - Stated at cost using the moving-average method
  - 2) Derivatives
    - Stated at fair value
  - 3) Inventories
    - Merchandise
      - Stated at cost using the moving-average method (determined based on the method of writing down book value in accordance with decreased profitability of assets)
    - Work in process
      - Stated at cost determined by the identified cost method (determined based on the method of writing down book value in accordance with decreased profitability of assets)
    - Supplies
      - Stated at cost determined by the last cost method (determined based on the method of writing down book value in accordance with decreased profitability of assets)
- (2) Accounting for cryptocurrency
- Valuation of cryptocurrency at end of period
    - If there is an active market
      - Stated based on the market price, etc. on the consolidated balance sheet date (The cost of sales is calculated using the gross average method.)
- (3) Depreciation & amortization method for significant depreciable assets
- 1) Property, plant and equipment
    - Declining balance method
      - The straight-line method is used for buildings (excluding facilities attached to buildings) and the facilities attached to buildings and structures on or after April 1, 2016.
      - The estimated useful lives of assets are principally as follows:
        - Buildings and structures: 2-22 years
        - Tools, furniture and fixtures: 2 to 20 years
  - 2) Intangible assets (excluding goodwill)
    - Straight-line method
      - Software for internal use: three to five years
      - Other: five years
- (4) Accounting for significant allowances and reserves
- Allowance for doubtful accounts
    - For loss caused by uncollectible debt, an estimated amount of irrecoverable debt is provided as an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables, and based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.
- (5) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen
- Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss.
  - Assets and liabilities of foreign associates are translated into Japanese yen at the spot rate of foreign exchange as of the end of the fiscal term of each company. Revenues and expenses of them are translated into Japanese yen at the average rate during the term of each company. The resulting exchange differences have been recorded as foreign currency translation adjustment in net assets.

(6) Accounting procedures related to investments in capital for the investment partnership

In conjunction with accounting procedures related to investments in capital for the investment partnership managed and operated by the Group, the Company provides the investment partnership's assets, liabilities, revenues and expenses in proportion to the Group's investment ratio.

(7) Amortization of goodwill and amortization period

Goodwill is amortized within five years using the straight-line method.

(8) Scope of cash in the consolidated statements of cash flows

Cash and cash equivalents are composed of cash on hand, deposits that can be withdrawn at any time and short-term investments that are readily convertible into cash and face only slight risks of fluctuation in value with redemption due dates arriving within three months from the acquisition date.

(9) Other significant matters for the preparation of consolidated financial statements

Accounting for consumption tax: The tax-exclusion method is applied for consumption tax and local consumption tax.

(Significant accounting estimates)

(Deferred tax assets)

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

Deferred tax assets: ¥1,253 million

(2) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recorded for future deductible temporary difference for which it is considered that taxable income based on a future profit plan can be secured sufficiently and that it has recoverability.

Since recoverability of deferred tax assets relies on an estimate of future taxable income, if any change occurs in conditions and assumptions on which the estimate is based, the amounts of deferred tax assets and income taxes - deferred may be affected significantly in the consolidated financial statements for the following fiscal year.

In the estimation of a future profit plan, the Company refers to past records and uses the gradual decrease ratio of net sales of existing games and net sales after service launch of new games to make estimates.

(Accounting standards issued but not yet adopted)

1. Accounting Standard for Revenue Recognition and other standards

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published "Revenue from Contracts with Customers" in May 2014 (IFRS 15 in IASB and Topic 606 in FASB). Given that IFRS 15 and Topic 606 would apply from the business year starting on or after January 1, 2018, and after December 15, 2017, respectively, the Accounting Standards Board of Japan (ASBJ) developed comprehensive accounting standards for revenue recognition, which were published together with the implementation guidance.

The basic policy of ASBJ for the development of accounting standards for revenue recognition states that establishment of accounting standards starts with the incorporation of the basic principles of IFRS 15 in view of comparability among financial statements as one of the benefits of encouraging consistency with IFRS 15 and that if there are items that should give consideration to practices conducted in Japan, alternative treatment will be added to the extent not impairing the comparability.

(2) Scheduled date of application

The Company and its consolidated subsidiaries will apply the accounting standard from the beginning of the consolidated fiscal year ending September 30, 2022.

### (3) Impact of applying the Accounting Standard and other standards

The financial impact of applying the Accounting Standard for Revenue Recognition and other standards on the consolidated financial statements is currently assessed.

## 2. Accounting standard for fair value measurement

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

### (1) Overview

Given that the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have separately published guidance for fair value measurement consisting of nearly the same details (IFRS 13 “Fair Value Measurement” in the International Financial Reporting Standards (IFRS) and the Accounting Standards Codification Topic 820 “Fair Value Measurements and Disclosures” of the US Generally Accepted Accounting Principles), the Accounting Standards Board of Japan (ASBJ) has published the Accounting Standard for Fair Value Measurement and other standards in an effort to establish the consistency of Japanese standards with international accounting standards primarily for guidance and disclosure about fair value of financial instruments.

The basic policy of ASBJ for the development of the Accounting Standard for Fair Value Measurement states that, in principle, all provisions of IFRS 13 are adopted to improve the comparability of financial statements among domestic and overseas companies using uniform calculation methods and that the treatment of individual items is determined within a range not significantly impairing the comparability among financial statements, taking into account business practices that have been conducted in Japan.

### (2) Scheduled date of application

The Company and its consolidated subsidiaries will apply the accounting standard from the beginning of the consolidated fiscal year ending September 30, 2022.

### (3) Impact of applying the Accounting Standard and other standards

The impact of applying the Accounting Standard for Fair Value Measurement and other standards on the consolidated financial statements is not yet determined.

## (Changes in presentation method)

### (Application of the Accounting Standard for Disclosure of Accounting Estimates)

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.31, March 31, 2020) is applied from the consolidated financial statements as of the end of the fiscal year under review. Accounting estimates are described in notes to consolidated financial statements.

Pursuant to the proviso of paragraph 11 of the Accounting Standard, which sets out a transitional rule, notes do not describe accounting estimates in the previous fiscal year.

## (Additional information)

### (Operational investment securities and investments in investment partnership)

The Company decided to advance the Investment and Development Business as one of its main businesses pursuant to a resolution passed at meeting of the Board of Directors held on March 17, 2021.

Consequently, it posted securities for investment, which had been treated as “investment securities” in the non-current assets section, as “operational investment securities” in the current assets section of the consolidated balance sheet. In addition, starting with transactions on March 17, 2021, it adopted a method in which gain (loss) related to the said securities, which had been posted as non-operating income (loss), is included in “net sales” and the “cost of sales” on the consolidated statement of income. Also, in conjunction with accounting procedures related to investments in capital for the investment partnership managed and operated by the Group, the Company adopted a method in which the investment partnership’s assets, liabilities, revenues and expenses are posted in proportion to the Group’s investment ratio.

As a result of these steps including the reclassification of securities for investment, which had been traditionally posted as “investment securities,” to “operational investment securities,” ¥7,591 million was posted as “operational investment securities,” which also contributed to an increase in “cash and deposits” by ¥525 million.

Net sales, the cost of sales and selling, general and administrative expenses increased ¥171 million, ¥190 million and ¥16 million, respectively, while operating profit decreased ¥35 million on the consolidated statement of income.

In addition, ¥(1,773) million was posted as decrease (increase) in investment securities for sale, ¥344 million was posted as an increase in cash and cash equivalents resulting from proportional consolidation on the consolidated statement of cash flows.

These arrangements and changes, however, have no impact on ordinary profit or profit before income taxes.

(Notes to consolidated balance sheet)

\*1 Assets pledged collateral

The assets below are deposited under the Act on Financial Settlements.

	As of September 30, 2020	As of September 30, 2021
Leasehold and guarantee deposits	¥473 million	¥473 million
Total	473	473

2. Contingent liability

As of September 30, 2020

Litigation was filed against the Company for patent infringement on December 22, 2017. The Company read the complaint on January 9, 2018.

(1) Cause and background of the litigation

Nintendo Co., Ltd. (“Nintendo”) said in September 2016 that a game of the Company infringed a patent of Nintendo. For more than a year since then, the Company explained carefully and in good faith that it did not infringe the patent of Nintendo.

However, Nintendo did not accept the view of the Company and filed the litigation.

(2) Entity that filed the litigation

Name: Nintendo Co., Ltd.

Address: 11-1 Hokotate-cho, Kamitoba, Minami-ku, Kyoto

Representative: Representative Director and President, Shuntaro Furukawa

(3) Lawsuit

1) Description of lawsuit

A claim for damages caused by patent infringement

Nintendo filed suit for patent infringement and seeks an injunction to block the Company from producing, using, and providing using telecommunications lines White Cat Project, the app of the Company.

2) Purpose of lawsuit and the amount of damages

Damages of ¥4,400 million plus delay damages

App that an injunction is sought to block the use of: White Cat Project

(4) Future Outlook

The Company believes that its game has not infringed Nintendo’s patent at all and will continue to argue the legitimacy of its view.

As of September 30, 2021

Not applicable.



(Consolidated statements of income)

\*1. The major items of selling, general and administrative expenses and the amounts are as follows.

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
Advertising expenses	¥2,325 million	¥2,155 million
Salaries and allowances	1,527	1,504
Outsourcing expenses	949	672
Provision of allowance for doubtful accounts	6	8
Depreciation	285	134

\*2. Total research and development costs included in selling, general and administrative expenses as well as manufacturing costs

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
	¥3,402 million	¥3,396 million

\*3. Impairment losses

The Group posted impairment losses as shown below.

Previous fiscal year (October 1, 2019 to September 30, 2020)

(1) Assets on which impairment losses were recognized

Use	Type	Amount	Location
Business assets	Buildings and structures	¥18 million	Chiyoda-ku, Tokyo
	Tools, furniture and fixtures	¥1 million	
	Software	¥16 million	
Other assets	Goodwill	¥541 million	Minato-ku, Tokyo (MAGES. Inc.)
	Other under intangible assets	¥274 million	

(2) Grouping method

At the Group, assets are grouped into asset groups. Idle assets are grouped into individual properties. In the grouping of business assets, management accounting categories in each of which income and expenditures are determined continually are taken into consideration. Goodwill is grouped according to companies to which it belongs.

(3) Background of recognizing impairment loss

At MAGES.Inc., the business plan was reviewed in circumstances where the effects of COVID-19 were uncertain and the end of the pandemic was not in sight. The review revealed that initially expected earnings cannot be achieved. The book values of assets were thus written down to recoverable amounts, and impairment losses were recognized.

(4) Method of calculating a recoverable amount

The recoverable amount is measured by value in use. The value in use is calculated by discounting future cash flow by 11.0%.

Fiscal year under review (October 1, 2020 to September 30, 2021)

(1) Assets on which impairment losses were recognized

Use	Type	Amount	Location
Shared assets	Buildings and structures	¥33 million	Minato-ku, Tokyo (MAGES. Inc.)
	Tools, furniture and fixtures	¥7 million	
	Construction in progress	¥10 million	
	Software	¥28 million	
	Investments and other assets	¥15 million	
Other assets	Other under intangible assets	¥195 million	

(2) Grouping method

At the Group, assets are grouped into asset groups. Idle assets are grouped into individual properties. In the grouping of business assets, management accounting categories in each of which income and expenditures are determined continually are taken into consideration. The head office, etc. are assets for common use.

(3) Background of recognizing impairment loss

At MAGES.Inc., the business plan was reviewed in circumstances where the effects of COVID-19 were uncertain and the end of the pandemic was not in sight. The review revealed that initially expected earnings cannot be achieved. The book values of assets were thus written down to recoverable amounts, and impairment losses were recognized.

(4) Method of calculating a recoverable amount

The recoverable amount is measured by value in use. Because no future cash flow, based on which the value in use is calculated, is expected, the recoverable amount is valued at zero.

\*4. Settlement package

Fiscal year under review (October 1, 2020 to September 30, 2021)

Nintendo Co., Ltd. filed litigation about patent infringement related to White Cat Project (“Litigation”) against the Company on December 22, 2017. The Company agreed on a settlement with Nintendo on August 4, 2021. Following the settlement, the Company posted a Litigation settlement as a settlement package of ¥3,300 million, including future licensing fees, which is paid to Nintendo, in extraordinary losses.

(Notes to consolidated statements of comprehensive income)

\*1 Reclassification adjustment and tax effect related to other comprehensive income

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
Valuation difference on available-for-sale securities:		
Amount arisen in fiscal year under review	¥804 million	¥992 million
Reclassification adjustment	(106)	(911)
Before tax effect adjustment	698	80
Tax effect	(214)	(24)
Valuation difference on available-for-sale securities	484	56
Foreign currency translation adjustment:		
Amount arisen in fiscal year under review	-	43
Total other comprehensive income	484	99

(Consolidated statement of changes in equity)

Previous fiscal year (October 1, 2019 to September 30, 2020)

1. Type and number of shares issued and treasury shares

	Number of shares at the beginning of the consolidated fiscal year under review	Increase in number of shares during the consolidated fiscal year under review	Decrease in number of shares during the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Number of shares issued				
Common shares	129,288,500	319,036	–	129,607,536
Annual	129,288,500	319,036	–	129,607,536
Treasury shares				
Common shares	1,778,039	220	–	1,778,259
Annual	1,778,039	220	–	1,778,259

- (Notes) 1. An increase of 300,000 in the number of common shares issued is attributable to the exercise of share acquisition rights.  
2. An increase of 19,036 in the number of common shares issued is attributable to the granting of restricted stock compensation.  
3. An increase of 220 in the number of shares of common treasury stock is attributable to the purchase of odd-lot shares.

2. Matters concerning subscription rights to shares

Not applicable.

3. Matters related to dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
December 20, 2019 Annual general meeting of shareholders	Common shares	2,167	17.00	September 30, 2019	December 23, 2019

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution)	Class of shares	Total amount of dividends (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
December 18, 2020 Annual general meeting of shareholders	Common shares	3,195	Retained earnings	25.00	September 30, 2020	December 21, 2020

Fiscal year under review (October 1, 2020 to September 30, 2021)

1. Type and number of shares issued and treasury shares

	Number of shares at the beginning of the consolidated fiscal year under review	Increase in number of shares during the consolidated fiscal year under review	Decrease in number of shares during the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Number of shares issued				
Common shares	129,607,536	158,498	–	129,766,034
Annual	129,607,536	158,498	–	129,766,034
Treasury shares				
Common shares	1,778,259	285	–	1,778,544
Annual	1,778,259	285	–	1,778,544

- (Notes) 1. An increase of 132,000 in the number of common shares issued is attributable to the exercise of share acquisition rights.  
 2. An increase of 26,498 in the number of common shares issued is attributable to the granting of restricted stock compensation.  
 3. An increase of 285 in the number of shares of common treasury stock is attributable to the purchase of odd-lot shares.

2. Matters concerning subscription rights to shares

Not applicable.

3. Matters related to dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
December 18, 2020 Annual general meeting of shareholders	Common shares	3,195	25.00	September 30, 2020	December 21, 2020

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution)	Class of shares	Total amount of dividends (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
December 17, 2021 Annual general meeting of shareholders	Common shares	2,559	Retained earnings	20.00	September 30, 2021	December 20, 2021

(Notes to consolidated statements of cash flows)

\*1. Year-end balance of cash and cash equivalents and the relationship with the amounts of items listed in the Consolidated Balance Sheet

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
Cash and deposits	¥65,009 million	¥58,871 million
Time deposits whose deposit period is more than three months	–	(10,000)
Deposits paid (“Other” in current assets)	299	181
Cash and cash equivalents	65,308	49,052

\*2. Breakdown of the assets and liabilities of a company that has become a new consolidated subsidiary through the purchase of shares

Previous fiscal year (October 1, 2019 to September 30, 2020)

Below is a breakdown of the assets and liabilities of MAGES. Inc. (“MAGES.”) when MAGES. was consolidated through the purchase of shares and the relationships between the acquisition cost of shares and the acquisition cost (net amount).

Current assets	¥1,345 million
Non-current assets	1,079
Goodwill	601
Current liabilities	(1,170)
Non-current liabilities	(355)
Acquisition cost of shares in MAGES.	1,500
Cash and cash equivalents at MAGES.	(265)
Difference: Cost of the acquisition of MAGES.	(1,234)

Fiscal year under review (October 1, 2020 to September 30, 2021)

Not applicable.

(Lease transactions)

Operating lease transactions

Noncancelable future operating lease payments

(Million yen)

	As of September 30, 2020	As of September 30, 2021
Within a year	–	418
More than a year	–	3,123
Annual	–	3,541

(Financial instruments)

1. Matters relating to status of financial instruments

(1) Policy for handling financial instruments

The Group principally covers its financial needs with internally generated funds. Funds are mainly managed through short-term deposits, etc.

Derivative transactions (equity index future contracts) are managed by taking into account the market risks and positions in the listed stock market.

(2) Details of financial instruments and associated risks

Accounts receivable - trade, which are operating receivables, are exposed to credit risks of customers.

Operational investment securities and investment securities mainly consist of shares and bonds, etc., each of which are exposed to the issuer's credit risk, the risk of interest rate fluctuations and the risk of market price fluctuations.

Shares of subsidiaries and associates, and investments in capital of subsidiaries and associates are not exposed to the risk of market price fluctuations, since these securities are not measured at fair value.

Accounts payable - other and income taxes payable, which are operating payables, mostly become due for settlement or payment within one year.

Monetary receivables and payables denominated in foreign currencies and securities denominated in foreign currencies are exposed to the risk of foreign exchange rate fluctuations.

Derivative transactions are exposed to the risk of fluctuations in equity indices.

(3) Management system for risks associated with financial instruments

(i) Management of credit risk (such as risk associated with nonfulfillment of contracts by business partners)

For operating receivables, the Group has sales staff to periodically monitor the status of major business partners and manage due dates and balances for each business partner in accordance with internal regulations and other rules, while striving to quickly notice and mitigate any concerns on the collection of claims that might be caused by a business partner's deteriorated financial conditions, etc.

(ii) Management of market price fluctuation risk

The Group strives to periodically obtain fair values, equity indices and other information to mitigate risks.

(iii) Management of foreign currency risk (fluctuation risk from foreign exchange)

For monetary receivables and payables denominated in foreign currencies and securities denominated in foreign currencies, exchange fluctuations are monitored.

(4) Supplementary explanation regarding fair values of financial instruments

Fair values of financial instruments include theoretical values that are reasonably calculated. Because these calculations are based on certain assumptions, applying different assumptions may result in different fair values.

2. Matters related to the market prices of financial instruments, etc.

Amounts on consolidated balance sheet, fair values, and differences between them are as follows.

Financial instruments whose fair values are deemed to be extremely difficult to determine are not included in the following table (please refer to Note 2).

As of September 30, 2020

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	65,009	65,009	–
(2) Accounts receivable – trade	6,977		
Allowance for doubtful accounts (*1)	(62)		
Accounts receivable - trade, net	6,915	6,915	–
(3) Investment securities	2,323	2,323	–
Total assets	74,247	74,247	–
(1) Accounts payable - other	3,255	3,255	–
(2) Income taxes payable	3,273	3,273	–
Total liabilities	6,528	6,528	–
Derivative transactions (*2)	[22]	[22]	–

(\*1) Allowance for doubtful accounts related to accounts receivable - trade is deducted.

(\*2) Net credits/liabilities that arise from derivative transactions are indicated as net amounts, and the amounts of items for which net liabilities are recognized in total are indicated in parentheses.

As of September 30, 2021

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	58,871	58,871	–
(2) Accounts receivable – trade	4,348		
Allowance for doubtful accounts (*1)	(34)		
Accounts receivable - trade, net	4,314	4,314	–
(3) Investment securities	2,344	2,344	–
Total assets	65,529	65,529	–
(1) Accounts payable - other	2,412	2,412	–
(2) Income taxes payable	292	292	–
Total liabilities	2,704	2,704	–
Derivative transactions (*2)	15	15	–

(\*1) Allowance for doubtful accounts related to accounts receivable - trade is deducted.

(\*2) Net credits/liabilities that arise from derivative transactions are indicated as net amounts, and the amounts of items for which net liabilities are recognized in total are indicated in parentheses.

(Notes) 1. Matters relating to methods of fair value measurement of financial instruments and derivative transactions

Assets

(1) Cash and deposits, (2) Accounts receivable – trade

Because these are settled in a short period of time and their fair values approximate book values, the Group deems their book values to be the fair values.

(3) Investment securities

The fair value of shares is based on the prices quoted by stock exchanges.

Liabilities

(1) Accounts payable – other, (2) Income taxes payable

Because these are settled in a short period of time and their fair values approximate book values, the Group deems their book values to be the fair values.

Derivative transaction

The fair value of derivative transactions is based on the prices indicated by the financial institutions with which the Company has transactions.

2. Financial instruments whose market value is extremely difficult to estimate

(Million yen)

Classification	As of September 30, 2020	As of September 30, 2021
Operational investment securities (unlisted socks, etc.)	–	7,591
Investment securities (unlisted stocks, etc.)	4,629	0
Shares of subsidiaries and associates (unlisted stocks)	3	3
Investments in capital of subsidiaries and associates	462	50

Because these instruments have no market price and thus their fair values are deemed to be extremely difficult to determine, they are not subject to disclosure of fair values.

3. Amount of money claims to be redeemed after consolidated closing date

As of September 30, 2020

	Within a year (million yen)	More than a year, within five years (million yen)	More than five years, within 10 years (million yen)	More than 10 years (million yen)
Cash and deposits	65,009	–	–	–
Accounts receivable – trade	6,977	–	–	–
Annual	71,986	–	–	–

As of September 30, 2021

	Within a year (million yen)	More than a year, within five years (million yen)	More than five years, within 10 years (million yen)	More than 10 years (million yen)
Cash and deposits	58,871	–	–	–
Accounts receivable – trade	4,348	–	–	–
Annual	63,219	–	–	–



## (Securities)

## 1. Available-for-sale securities

As of September 30, 2020

	Type	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Difference (million yen)
Other securities whose book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	2,104	1,386	717
	Subtotal	2,104	1,386	717
Other securities whose book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	219	226	(7)
	Subtotal	219	226	(7)
Annual		2,323	1,612	710

(Note) Unlisted stocks, etc. (whose amount recorded in the consolidated balance sheet is ¥4,629 million) do not have market prices and their market values are very difficult to determine. They are thus not included in the available-for-sale securities in the table above.

As of September 30, 2021

	Type	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Difference (million yen)
Other securities whose book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	2,019	1,447	572
	Subtotal	2,019	1,447	572
Other securities whose book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	324	342	(17)
	Subtotal	324	342	(17)
Annual		2,344	1,789	554

(Note) Unlisted stocks, etc. (operational investment securities and investment securities recorded in the consolidated balance sheet are ¥7,591 million and ¥0 million, respectively) do not have market prices and their market values are very difficult to determine. They are thus not included in the available-for-sale securities in the table above.

## 2. Available-for-sale securities that were sold

Previous fiscal year (October 1, 2019 to September 30, 2020)

Type	Sale price (million yen)	Total profit on sale (million yen)	Total loss on sale (million yen)
(1) Stocks	1,951	192	—
Annual	1,951	192	—

Fiscal year under review (October 1, 2020 to September 30, 2021)

Type	Sale price (million yen)	Total profit on sale (million yen)	Total loss on sale (million yen)
(1) Stocks	3,604	996	—
Annual	3,604	996	—

### 3. Securities on which impairment losses were posted

Previous fiscal year (October 1, 2019 to September 30, 2020)

The Company posted an impairment loss of ¥662 million on available-for-sale securities in the fiscal year under review. If the actual values of securities whose market prices are very difficult to determine falls significantly due to a decline in the financial position, the Company posts impairment losses in consideration of recoverability, etc.

Fiscal year under review (October 1, 2020 to September 30, 2021)

The Company posted an impairment loss of ¥196 million on available-for-sale securities in the fiscal year under review. If the actual values of securities whose market prices are very difficult to determine falls significantly due to a decline in the financial position, the Company posts impairment losses in consideration of recoverability, etc.

#### (Retirement benefits)

Previous fiscal year (October 1, 2019 to September 30, 2020)

##### 1. Outline of the retirement benefits system

The Company has adopted a defined contribution plan to provide retirement benefits.

##### 2. Retirement benefit expenses related to the defined contribution plan

The required contribution, etc. to the defined contribution plan was ¥20 million.

Fiscal year under review (October 1, 2020 to September 30, 2021)

##### 1. Outline of the retirement benefits system

The Company has adopted a defined contribution plan to provide retirement benefits.

##### 2. Retirement benefit expenses related to the defined contribution plan

The required contribution, etc. to the defined contribution plan was ¥34 million.

#### (Stock options)

##### 1. Expense reported and account

Not applicable.

##### 2. Description of stock options, their scale and changes

###### (1) Description of stock options

	2012 Fifth series of share acquisition rights
Category and number of persons subject to grants	Four Directors of the Company 85 employees of the Company
Number of stock options granted by class of shares (Notes 1 and 2)	Common stock 5,655,000 shares
Grant date	May 31, 2012
Conditions for vesting rights	Being a Director or an employee of the Company or a subsidiary of the Company when exercising their rights
Length of service	No length of service is set out.
Exercise period (Note 3)	From May 17, 2014 to May 16, 2022

(Notes) 1. The number of stock options is converted to the number of shares.

2. The Company executed a 100-for-1 stock split on September 13, 2012, a 5-for-1 stock split on June 1, 2013 and a 3-for-1 stock split on October 1, 2013. Those stock splits are taken into consideration in calculating the number of shares.

3. Those who are eligible for the stock options may exercise their rights only if they meet certain requirements set out in an agreement between the Company and them.

(2) Scale of stock options and related changes

The stock options below are those that existed in the fiscal year under review. The number of stock options has been converted to the number of shares.

1) Number of stock options

	2012 Fifth series of share acquisition rights
Before vesting (shares)	
End of previous year	–
Granted	–
Forfeited	–
Vested	–
Yet to be vested	–
After vesting (shares)	
End of previous year	432,000
Vested	–
Rights exercised	132,000
Forfeited	–
Yet to be exercised	300,000

2) Unit price information

	2012 Fifth series of share acquisition rights
Exercise price (yen)	94
Average stock price when exercised (yen)	913
Fair unit value on the date of grant (yen)	–

(Note) The Company executed a 100-for-1 stock split on September 13, 2012, a 5-for-1 stock split on June 1, 2013 and a 3-for-1 stock split on October 1, 2013. Those stock splits are taken into consideration in calculating the exercise price.

3. Method for estimating the fair unit value of stock options granted in the fiscal year under review

Not applicable.

4. Method for estimating the number of stock options vested

It is basically difficult to reasonably estimate the number of stock options to be forfeited, and only the actual number of stock options forfeited is reflected.

5. Total intrinsic value at the end of the fiscal year under review and total intrinsic value of stock options exercised in the fiscal year under review at the time of exercise if they are calculated based on the intrinsic value of the unit

(1) Total intrinsic value at the end of the fiscal year under review ¥213 million

(2) Total intrinsic value of stock options exercised in the fiscal year under review at the time of exercise ¥108 million

(Tax effect accounting)

1. Breakdown of key factors contributing to deferred tax assets and deferred tax liabilities

	As of September 30, 2020	As of September 30, 2021
Deferred tax assets		
Denial of accrued enterprise tax	¥199 million	¥24 million
Denial of accrued bonuses	207	185
Asset retirement obligations	190	171
Non-deductible depreciation expenses	43	71
Excess depreciation of lump-sum depreciable assets	15	10
Excess amortization of software	93	220
Loss on valuation of investment securities	1,145	1,121
Losses carried forward (Note 1)	1,470	1,332
Expenses related to purchase of shares of subsidiaries and associates	86	86
Other	296	198
Subtotal of deferred tax assets	3,749	3,422
Valuation allowance related to tax losses carried forward (Note 1)	(1,390)	(1,225)
Valuation allowance related to deductible temporary differences	(493)	(661)
Valuation allowance subtotal	(1,883)	(1,886)
Total deferred tax assets	1,865	1,536
Deferred tax liabilities		
Refundable enterprise tax	-	(34)
Removal expenses for asset retirement obligations	(72)	(43)
Intangible assets identified through business combinations	(77)	-
Other	(179)	(203)
Total deferred tax liabilities	(329)	(282)
Net deferred tax assets	1,536	1,253

(Note 1) Tax losses carried forward and the related deferred tax assets allocated to each fiscal year when carryforwards expired.

As of September 30, 2020

	Within a year (million yen)	More than one year, within two years (million yen)	More than two years, within three years (million yen)	More than three years, within four years (million yen)	More than four years, within five years (million yen)	More than five years (million yen)	Total (million yen)
Tax losses carried forward (*1)	-	-	-	37	112	1,320	1,470
Valuation allowance	-	-	-	(22)	(112)	(1,255)	(1,390)
Deferred tax assets	-	-	-	15	-	65	(*2) 80

As of September 30, 2021

	Within a year (million yen)	More than one year, within two years (million yen)	More than two years, within three years (million yen)	More than three years, within four years (million yen)	More than four years, within five years (million yen)	More than five years (million yen)	Total (million yen)
Tax losses carried forward (*1)	24	50	61	107	186	901	1,332
Valuation allowance	(11)	(50)	(61)	(107)	(92)	(901)	(1,225)
Deferred tax assets	12	–	–	–	94	–	(*2) 106

(\*1) The tax losses carried forward is an amount obtained by multiplying the effective statutory tax rate.

(\*2) Taxable income is expected and tax losses carried forward are assumed to be recoverable.

2. Major factors for the difference between statutory tax rate and effective income tax rate after the application of tax effect accounting

	As of September 30, 2020	As of September 30, 2021
Statutory tax rate	30.62%	30.62%
(Adjustment)		
Tax credits for experimentation and research expenses, etc.	(4.27)	(3.69)
Tax credits related to taxation for wage increases and productivity improvement	(0.52)	–
Amortization of goodwill	0.15	–
Losses carried forward at consolidated subsidiaries	(1.18)	(3.07)
Change in valuation allowance	(0.05)	4.10
Impairment losses	1.51	–
Other, net	0.81	0.33
Percentage of effective income tax rate after the application of tax effect accounting	27.07	28.29

(Asset retirement obligations)

The asset retirement obligations posted in the consolidated balance sheets

(1) Outline of the asset retirement obligations

Obligations of restoration under real estate lease contracts related to the head office building, etc.

(2) Method of calculating asset retirement obligations

The period of use is estimated to be five to 18 years from the acquisition. The discount rate is 0.038% to 1.251%. The amount of asset retirement obligations is calculated based on those assumptions.

(3) Change in total asset retirement obligations during the consolidated fiscal year under review

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
Balance at beginning of period	¥520 million	¥618 million
Increase due to new consolidation	80	–
Adjustment due to passage of time	17	39
Increase due to changes in estimates	–	50
Change due to fulfillment of asset retirement obligations	–	(148)
Balance at end of period	618	560

4. Change in estimates of asset retirement obligations

During the fiscal year under review, the Group obtained new information associated with its decision to relocate the head office and changed estimates of restoration costs related to asset retirement obligations under real estate lease contracts. An increase resulting from the change in estimates, ¥50 million, was added to asset retirement obligations.

(Segment information, etc.)

Segment information

1. Summary of reporting segments

The Group's reportable segments are the Company's constituent units for which separate financial information is available and periodic reviews are performed by the Board of Directors to determine the allocation of management resources and evaluate financial results.

The Company, which consists of business-based segments, treats two business, namely the Entertainment Business and the Investment and Development Business, as reportable businesses. The Entertainment Business is responsible primarily for the development and operation of games for smartphones. The Investment and Development Business is conducted with a focus on investment in IT-related and entertainment companies in particular.

(Matters concerning changes in the reportable segment)

To advance the Investment and Development Business as one of its main businesses, the Company reclassified the Investment and Development Business as an independent business unit and included it in the reportable segment.

In addition, it renamed the Mobile Service Business as the Entertainment Business.

2. Method used to calculate sales, income (loss), assets, liabilities and other items by reportable segment

The accounting method of the reported business segments complies with the accounting policy adopted for preparing consolidated financial statements.

The profit of each reportable segment is presented on an operating profit basis.

Intersegment transactions and transfers are based on prevailing market prices.

3. Information regarding sales, income (loss), assets, liabilities and other items of each reportable segment

Previous fiscal year (October 1, 2019 to September 30, 2020)

The Group's reportable business was only the Mobile Service Business, whose importance was low from the perspective of information disclosure. Therefore, the Company omitted the disclosure of segment information.

Fiscal year under review (October 1, 2020 to September 30, 2021)

	Reportable Segment			Adjustment (Note 1)	Amounts in consolidated financial statements (Note 2)
	Entertainment Business	Investment and Development Business	Total		
Net sales					
Sales to external customers	36,953	171	37,125	–	37,125
Intersegment sales or transfers	–	–	–	–	–
Total	36,953	171	37,125	–	37,125
Operating profit (loss)	6,447	(129)	6,318	2	6,320
Other items					
Depreciation	515	–	515	–	515

(Notes) 1. An adjustment in the segment profit (loss) area represents the deduction of intersegment transactions.

2. Segment profit (loss) has been adjusted to be consistent with the operating profit reported in the consolidated statements of income.

3. Segment assets and liabilities have not been included because they are not subject to periodic reviews performed to decide the allocation of management resources and evaluate financial results.

## Related information

Previous fiscal year (October 1, 2019 to September 30, 2020)

### 1. Information by product/service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statement of income.

### 2. Information by region

#### (1) Net sales

The information is omitted because sales to external customers in Japan exceeded 90% of net sales in the consolidated statements of income.

#### (2) Property, plant and equipment

The information is omitted because the amount of property, plant and equipment in Japan exceeded 90% of the amount of property, plant and equipment in the consolidated balance sheets.

### 3. Information by major customer

Customer name	Net sales (million yen)	Related reportable segment
SQUARE ENIX CO., LTD.	15,296	Entertainment Business
Apple Inc.*	14,139	Entertainment Business
Google Inc.*	8,608	Entertainment Business

\* The partners are payment services providers and collect payments from users.

Fiscal year under review (October 1, 2020 to September 30, 2021)

### 1. Information by product/service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statement of income.

### 2. Information by region

#### (1) Net sales

The information is omitted because sales to external customers in Japan exceeded 90% of net sales in the consolidated statements of income.

#### (2) Property, plant and equipment

The information is omitted because the amount of property, plant and equipment in Japan exceeded 90% of the amount of property, plant and equipment in the consolidated balance sheets.

### 3. Information by major customer

Customer name	Net sales (million yen)	Related reportable segment
SQUARE ENIX CO., LTD.	10,474	Entertainment Business
Apple Inc.*	10,348	Entertainment Business
Google Inc.*	6,277	Entertainment Business

\* The partners are payment services providers and collect payments from users.

## Information on impairment losses for non-current assets in reportable segments

Previous fiscal year (October 1, 2019 to September 30, 2020)

The Group has only one reportable segment, the Mobile Service Business. Information by segment is thus not very important and omitted.

An impairment loss of ¥852 million yen was posted in the previous fiscal year.

Fiscal year under review (October 1, 2020 to September 30, 2021)

(Million yen)

	Entertainment Business	Investment and Development Business	Company-wide/eliminations	Total
Impairment losses	291	–	–	291

Amortization of goodwill and unamortized balance by reporting segment

Previous fiscal year (October 1, 2019 to September 30, 2020)

The Group has only one reportable segment, the Mobile Service Business. Information by segment is thus not very important and omitted.

Fiscal year under review (October 1, 2020 to September 30, 2021)

Not applicable.

Gain on bargain purchase by reporting segment

Not applicable.

Related party information

Previous fiscal year (October 1, 2019 to September 30, 2020)

Major affiliated companies

Type	Company	Location	Common stock or capital contribution (million yen)	Business or occupation	Percentage of voting rights held (%)	Relationship with related party	Transactions	Transaction value (million yen)	Item	Balance at end of period (million yen)
Company where a subsidiary's officers and their close relatives hold majority voting rights	CHIYOMARU STUDIO Inc.	Minato-ku, Tokyo	10	Planning and production of games	–	Financial support	Repayment of funds (Note 2)	500	–	–
							Payment of interest (Note 2)	0	–	–
							Payment of royalties (Note 3)	19	Accounts payable - other	4

(Notes) 1. Transaction value does not include consumption taxes, and the balance at end of period includes consumption taxes.

2. Interest rates on the lending of funds are determined rationally, taking the market interest rate into consideration.

3. Royalties are determined under licensing agreements whose terms and conditions are standard ones.

Fiscal year under review (October 1, 2020 to September 30, 2021)

Major affiliated companies

Type	Company	Location	Common stock or capital contribution (million yen)	Business or occupation	Percentage of voting rights held (%)	Relationship with related party	Transactions	Transaction value (million yen)	Item	Balance at end of period (million yen)
Company where a subsidiary's officers and their close relatives hold majority voting rights	CHIYOMARU STUDIO Inc.	Minato-ku, Tokyo	10	Planning and production of games	–	Payment of royalties	Payment of royalties (Note 2)	23	Accounts payable - other	1

(Notes) 1. Transaction value does not include consumption taxes, and the balance at end of period includes consumption taxes.

2. Royalties are determined under licensing agreements whose terms and conditions are standard ones.



(Per share information)

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
Net assets per share	¥592.81	¥591.86
Basic earnings per share	¥62.45	¥23.82
Diluted earnings per share	¥62.22	¥23.77

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

	As of September 30, 2020	As of September 30, 2021
Total net assets (million yen)	75,779	75,751
Amount deducted from the total net assets (million yen)	1	1
(Non-controlling interests included (million yen))	1	1
Net assets related to common shares at end of period (million yen)	75,778	75,750
Number of common shares at the end of the fiscal year used for the calculation of net assets per share (shares)	127,829,277	127,987,490

2. The basis for calculating basic earnings per share and earnings per share fully diluted is as follows.

	Previous fiscal year (October 1, 2019 to September 30, 2020)	Fiscal year under review (October 1, 2020 to September 30, 2021)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	7,977	3,047
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent pertaining to common shares (million yen)	7,977	3,047
Average number of shares during the period (shares)	127,741,940	127,948,756
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (million yen)	–	–
Increase in the number of common shares (shares)	469,265	296,571
(Share acquisition rights included in the above (shares))	[469,265]	[296,571]
Overview of potentially dilutive shares not included in the calculation of earning per share fully diluted due to the absence of dilutive effects	–	–

(Significant subsequent events)

Not applicable.

#### 5) Consolidated supplemental schedules

##### Schedule of asset retirement obligations

Asset retirement obligations at the beginning and end of the fiscal year under review were one hundredth or less of the sum of liabilities and net assets at the beginning and end of the fiscal year under review. A schedule of asset retirement obligations is thus omitted under Article 92-2 of the Regulations on Consolidated Financial Statements.

(2) Other

Quarterly information in the fiscal year under review

(Year to date)	First quarter	Second quarter	Third quarter	Fiscal year under review
Net sales (million yen)	8,625	19,325	27,420	37,125
Profit (loss) before income taxes (million yen)	1,739	5,523	3,534	4,251
Profit (loss) attributable to owners of parent (million yen)	1,249	4,010	2,553	3,047
Profit (loss) per share (yen)	9.77	31.35	19.96	23.82

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share (yen)	9.77	21.57	(11.38)	3.86

## 2. Financial Statements, Etc.

### (1) Financial Statements

#### 1) Balance Sheet

(Million yen)

	As of September 30, 2020	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	61,232	53,615
Accounts receivable	*2 6,052	*2 3,586
Operational investment securities	–	1,266
Merchandise	24	–
Work in process	88	29
Supplies	3	4
Advance payments	232	258
Prepaid expenses	261	191
Other	*2 36	*2 2,052
Allowance for doubtful accounts	(0)	(0)
<b>Total current assets</b>	<b>67,932</b>	<b>61,005</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	904	769
Accumulated depreciation and impairment	(467)	(487)
Buildings and structures, net	436	282
Tools, furniture and fixtures	343	386
Accumulated depreciation and impairment	(249)	(285)
Tools, furniture and fixtures, net	94	101
Construction in progress	–	40
<b>Total property, plant and equipment</b>	<b>531</b>	<b>424</b>
Intangible assets		
Software	35	26
<b>Total intangible assets</b>	<b>35</b>	<b>26</b>
Investments and other assets		
Investment securities	1,318	191
Shares of subsidiaries and associates	3,214	2,708
Investments in capital of subsidiaries and associates	7,681	9,702
Long-term loans receivable from subsidiaries and associates	3,010	2,855
Long-term prepaid expenses	36	–
Leasehold and guarantee deposits	*1 1,168	*1 1,813
Deferred tax assets	1,394	967
Other	37	–
Allowance for doubtful accounts	(2,089)	(2,712)
<b>Total investments and other assets</b>	<b>15,770</b>	<b>15,526</b>
<b>Total non-current assets</b>	<b>16,337</b>	<b>15,976</b>
<b>Total assets</b>	<b>84,270</b>	<b>76,982</b>

(Million yen)

	As of September 30, 2020	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	22	–
Accounts payable - other	*2 2,920	*2 1,959
Accrued expenses	126	163
Income taxes payable	3,119	36
Accrued consumption taxes	1,306	–
Advances received	477	483
Deposits received	41	281
Asset retirement obligations	171	437
Other	*2 357	*2 17
Total current liabilities	8,544	3,379
Non-current liabilities		
Asset retirement obligations	342	36
Total non-current liabilities	342	36
Total liabilities	8,887	3,415
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,536	6,556
Capital surplus		
Legal capital surplus	6,533	6,553
Total capital surplus	6,533	6,553
Retained earnings		
Other retained earnings		
Retained earnings brought forward	66,706	64,664
Total retained earnings	66,706	64,664
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	75,131	73,129
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	250	437
Total valuation and translation adjustments, etc.	250	437
Total net assets	75,382	73,566
<b>Total liabilities and net assets</b>	<b>84,270</b>	<b>76,982</b>

## 2) Statement of Income

(Million yen)

	Previous fiscal year (From October 1, 2019 to September 30, 2020)	Fiscal year under review (From October 1, 2020 to September 30, 2021)
Net sales	*1 39,061	*1 27,900
Cost of sales	*1 20,368	*1 17,226
Gross profit	18,693	10,673
Selling, general and administrative expenses	*1, *2 7,071	*1, *2 5,094
Operating profit	11,622	5,578
Non-operating income		
Interest income	*1 80	*1 52
Dividend income	*1 190	–
Foreign exchange gains	–	228
Gain on investments in investment partnerships	–	593
Gain on sale of investment securities	85	387
Miscellaneous income	*1 69	*1 48
Total non-operating income	425	1,311
Non-operating expenses		
Foreign exchange losses	97	–
Loss on investments in investment partnerships	177	86
Loss on valuation of investment securities	291	195
Provision of allowance for doubtful accounts	401	895
Miscellaneous losses	*1 34	*1 96
Total non-operating expenses	1,002	1,273
Ordinary profit	11,045	5,616
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	40	–
Reversal of allowance for doubtful accounts	449	272
Total extraordinary income	489	272
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	1,262	502
Settlement package	–	3,300
Other	24	–
Total extraordinary losses	1,287	3,802
Profit before income taxes	10,247	2,086
Income taxes - current	3,154	556
Income taxes - deferred	(253)	333
Total income taxes	2,901	890
Profit	7,346	1,196

Cost of Sales Statement

Classification	Note number	Previous fiscal year (From October 1, 2019 to September 30, 2020)		Fiscal year under review (From October 1, 2020 to September 30, 2021)	
		Amount (million yen)	Percentage	Amount (million yen)	Percentage
I. Labor cost	*1	4,820	23.9	4,865	29.0
II. Expenses		15,329	76.1	11,929	71.0
Total manufacturing cost during period		20,150	100.0	16,795	100.0
Inventories at beginning of period		36		24	
Work in process inventory at beginning of period		–		88	
Investment and Development cost of sales		–		353	
Cost of purchased goods		294		13	
Annual		20,481		17,276	
Inventories at end of period		24		–	
Work in process inventory at end of period		88		29	
Decrease resulting from absorption-type demerger		–		19	
Cost of sales		20,368		17,226	

(Notes) \*1. Major items in expenses

Item	Previous fiscal year (From October 1, 2019 to September 30, 2020)	Fiscal year under review (From October 1, 2020 to September 30, 2021)
Platform fees	¥6,875 million	¥5,072 million
Outsourcing expenses	4,100	3,568
Server-related expenses	1,369	1,268
Royalties	623	243
Rent expenses on land and buildings	757	610

2. Costing Method

Job-order costing based on actual costs is employed.

### 3) Statement of Changes in Equity

Previous fiscal year (From October 1, 2019 to September 30, 2020)

(Million yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of period	6,510	6,507	6,507	61,527	61,527	(4,644)	69,901
Changes during period							
Issuance of new shares - exercise of share acquisition rights	13	13	13				27
Issuance of new shares - restricted stock compensation	12	11	11				24
Dividends of surplus				(2,167)	(2,167)		(2,167)
Profit				7,346	7,346		7,346
Purchase of treasury shares						(0)	(0)
Net changes in items other than shareholders' equity							
Total changes during period	25	25	25	5,178	5,178	(0)	5,230
Balance at end of period	6,536	6,533	6,533	66,706	66,706	(4,645)	75,131

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments, etc.	
Balance at beginning of period	(78)	(78)	69,822
Changes during period			
Issuance of new shares - exercise of share acquisition rights			27
Issuance of new shares - restricted stock compensation			24
Dividends of surplus			(2,167)
Profit			7,346
Purchase of treasury shares			(0)
Net changes in items other than shareholders' equity	329	329	329
Total changes during period	329	329	5,560
Balance at end of period	250	250	75,382

Fiscal year under review (October 1, 2020 to September 30, 2021)

(Million yen)

	Shareholders' equity						Total shareholders' equity
	Share capital	Capital surplus		Retained earnings		Treasury shares	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of period	6,536	6,533	6,533	66,706	66,706	(4,645)	75,131
Changes during period							
Issuance of new shares - exercise of share acquisition rights	6	6	6				12
Issuance of new shares - restricted stock compensation	13	13	13				27
Dividends of surplus				(3,195)	(3,195)		(3,195)
Profit				1,196	1,196		1,196
Decrease by corporate division – split-off type				(42)	(42)		(42)
Purchase of treasury shares						(0)	(0)
Net changes in items other than shareholders' equity							
Total changes during period	19	19	19	(2,041)	(2,041)	(0)	(2,002)
Balance at end of period	6,556	6,553	6,553	64,664	64,664	(4,645)	73,129

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments, etc.	
Balance at beginning of period	250	250	75,382
Changes during period			
Issuance of new shares - exercise of share acquisition rights			12
Issuance of new shares - restricted stock compensation			27
Dividends of surplus			(3,195)
Profit			1,196
Decrease by corporate division – split-off type			(42)
Purchase of treasury shares			(0)
Net changes in items other than shareholders' equity	186	186	186
Total changes during period	186	186	(1,816)
Balance at end of period	437	437	73,566



## Notes

### (Significant accounting policies)

#### 1. Standards and methods for valuation of securities

##### (1) Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

Stated at cost using the moving-average method

##### (2) Other securities (including operational investment securities)

###### 1) With market quotations

Stated based on the market price, etc. on the balance sheet date (Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

###### 2) Without market quotations

Stated at cost using the moving-average method.

#### 2. Standards and methods for valuation of inventories

##### Merchandise

Stated at cost using the moving-average method (determined based on the method of writing down book value in accordance with decreased profitability of assets)

##### Work in process

Stated at cost determined by the identified cost method (determined based on the method of writing down book value in accordance with decreased profitability of assets)

##### Supplies

Stated at cost determined by the last cost method (non-consolidated balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets)

#### 3. Depreciation & amortization method for non-current assets

##### (1) Property, plant and equipment

The declining-balance method is applied.

However, facilities attached to buildings and structures acquired on or after April 1, 2016, and buildings (excluding facilities attached to buildings) are computed using the straight-line method.

The main economic useful lives are as follows:

Buildings and structures: three to 22 years

Tools, furniture and fixtures: two to 10 years

##### (2) Intangible assets

The straight-line method is applied.

Software for internal use: five years

#### 4. Standards for reporting allowances

##### Allowance for doubtful accounts

For loss caused by uncollectible debt, an estimated amount of irrecoverable debt is provided as an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables, and based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

#### 5. Accounting for investments in investment partnerships

Net amounts in proportion to the Group's share in the investment partnership's capital are recorded.

#### 6. Other significant basic matters for the preparation of non-consolidated financial statements

##### Accounting for consumption tax

The tax-exclusion method is applied for consumption tax and local consumption tax.

(Significant accounting estimates)

(Deferred tax assets)

(1) Amounts recorded in the financial statements for the fiscal year under review  
Deferred tax assets: ¥967 million

(2) Information about important accounting estimates related to items identified

The information is omitted because it is stated in the note (important accounting estimates) to the consolidated financial statements.

(Changes in methods of presentation)

(Adoption of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company applies Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued on March 31, 2020) to the year-end financial statements for the fiscal year under review and includes notes on accounting estimates for the financial statements.

Pursuant to the proviso of paragraph 11 of the Accounting Standard, which sets out a transitional rule, notes do not describe accounting estimates in the previous fiscal year.

(Additional information)

(Operational investment securities)

The Company decided to advance the Investment and Development Business as one of its main businesses pursuant to a resolution passed at meeting of the Board of Directors held on March 17, 2021.

Consequently, it posted securities for investment, which had been treated as “investment securities” in the non-current assets section, as “operational investment securities” in the current assets section of the balance sheet. In addition, starting with transactions on March 17, 2021, it adopted a method in which gain (loss) related to the said securities, which had been posted as non-operating income (loss), is included in “net sales” and the “cost of sales” on the statement of income.

As a result of these steps including the reclassification of securities for investment, which had been traditionally posted as “investment securities,” as “operational investment securities,” ¥1,266 million was posted at the end of the fiscal year under review.

Net sales, the cost of sales and selling, general and administrative expenses increased ¥0 million, ¥353 million and ¥10 million, respectively, while operating profit decreased ¥364 million on the statement of income.

The change did not have any effects on ordinary profit and profit before income taxes.

(Matters related to balance sheet)

\*1 Assets pledged as collateral

The assets below are deposited under the Act on Financial Settlements.

	Previous fiscal year (As of September 30, 2020)	Fiscal year under review (As of September 30, 2021)
Leasehold and guarantee deposits	¥473 million	¥473 million

\*2. Assets and liabilities in connection with subsidiaries and associates

In addition to the accounts presented separately, the following accounts are included in other accounts.

	Previous fiscal year (As of September 30, 2020)	Fiscal year under review (As of September 30, 2021)
Short-term monetary claims	¥35 million	¥36 million
Short-term monetary obligations	327	127

3. Contingent liabilities

Previous fiscal year (As of September 30, 2020)

Litigation was filed against the Company for patent infringement on December 22, 2017. The Company read the complaint on January 9, 2018.

(1) Cause and background of the litigation

Nintendo Co., Ltd. ("Nintendo") said in September 2016 that a game of the Company infringed a patent of Nintendo. For more than a year since then, the Company explained carefully and in good faith that it did not infringe the patent of Nintendo.

However, Nintendo did not accept the view of the Company and filed the litigation.

(2) Entity that filed the litigation

Name: Nintendo Co., Ltd.

Address: 11-1 Hokotate-cho, Kamitoba, Minami-ku, Kyoto

Representative: Representative Director and President, Shuntaro Furukawa

(3) Lawsuit

1) Description of lawsuit

A claim for damages caused by patent infringement

Nintendo filed suit for patent infringement and seeks an injunction to block the Company from producing, using, and providing using telecommunications lines White Cat Project, the app of the Company.

2) Purpose of lawsuit and the amount of damages

Damages of ¥4,400 million plus delay damages

App that an injunction is sought to block the use of: White Cat Project

(4) Future Outlook

The Company believes that its game has not infringed Nintendo's patent at all and will insist on the legitimacy of its view.

Fiscal year under review (As of September 30, 2021)

Not applicable.

(Statements of income)

\*1. Volume of transactions with subsidiaries and associates

	Previous fiscal year (From October 1, 2019 to September 30, 2020)	Fiscal year under review (From October 1, 2020 to September 30, 2021)
Volume of trade arising from business transactions		
Net sales	¥0 million	¥21 million
Cost of sales	2,818	2,394
Selling, general and administrative expenses	29	58
Non-business transactions	267	137

\*2. Of selling, general and administrative expenses, major items, and their amounts and percentages are as shown below.

	Previous fiscal year (From October 1, 2019 to September 30, 2020)	Fiscal year under review (From October 1, 2020 to September 30, 2021)
Advertising expenses	¥2,273 million	¥2,037 million
Salaries and allowances	1,230	1,112
Outsourcing expenses	855	575
Depreciation	60	54
Provision of allowance for doubtful accounts	0	(0)
Approximate percentages		
Selling expenses	40%	42%
General and administrative expenses	60%	58%

(Securities)

1. Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

Shares of subsidiaries and associates and investments in capital of subsidiaries and associates have not market prices, and it is very difficult to determine their market values. The Group thus does not state their amounts. (Shares of subsidiaries and associates and investments in capital of subsidiaries and associates posted in the balance sheet for the fiscal year under review are ¥2,708 million and ¥9,702 million, respectively. Shares of subsidiaries and associates and investments in capital of subsidiaries and associates posted in the balance sheet for the previous fiscal year are ¥3,214 million and ¥7,681 million, respectively.)

(Tax effect accounting)

1. Breakdown of key factors contributing to deferred tax assets and deferred tax liabilities

	Previous fiscal year (As of September 30, 2020)	Fiscal year under review (As of September 30, 2021)
(Deferred tax assets)		
Accrued enterprise tax, currently not deductible	¥184 million	¥– million
Accrued bonuses, currently not deductible	139	116
Allowance for doubtful accounts, currently not deductible	668	861
Bad debts expenses, currently not deductible	2	2
Asset retirement obligations	157	145
Amount exceeding the limit of depreciation of lump-sum depreciable assets	6	4
Loss on investments in partnership	968	955
Loss on valuation of investment securities	183	228
Loss on valuation of shares of subsidiaries and associates	814	967
Other	175	106
Subtotal deferred tax assets	3,301	3,388
Valuation allowance related for deductible temporary differences	(1,666)	(2,081)
Subtotal valuation allowance	(1,666)	(2,081)
Total deferred tax assets	1,634	1,307
(Deferred tax liabilities)		
Enterprise tax refund receivable	–	(34)
Retirement costs corresponding to asset retirement obligations	(60)	(42)
Other	(179)	(261)
Total deferred tax liabilities	(240)	(339)
Net deferred tax assets	1,394	967

2. Major factors for the difference between statutory tax rate and effective income tax rate after the application of tax effect accounting

	Previous fiscal year (As of September 30, 2020)	Fiscal year under review (As of September 30, 2021)
Statutory tax rate	30.62%	30.62%
(Adjustment)		
Tax credits for experimentation and research expenses, etc.	(4.50)	(6.95)
Tax credits related to taxation for wage increases and productivity improvement	(0.56)	–

	Previous fiscal year (As of September 30, 2020)	Fiscal year under review (As of September 30, 2021)
Change in valuation allowance	3.60	19.81
Other, net	(0.85)	(0.82)
Percentage of effective income tax rate after the application of tax effect accounting	28.31	42.66

(Significant subsequent events)

Not applicable.

4) Supplementary schedules

Itemized account of property, plant and equipment, etc.

Asset type	Balance at beginning of period (million yen)	Increase during period (million yen)	Decrease during period (million yen)	Balance at end of period (million yen)	Accumulated depreciation and accumulated impairment losses, or accumulated amortization at end of period (million yen)	Depreciation or amortization during period (million yen)	Balance at end of period (million yen)
Property, plant and equipment							
Buildings and structures	904	126	261	769	487	253	282
Tools, furniture and fixtures	343	86	43	386	285	67	101
Construction in progress	–	40	–	40	–	–	40
Total property, plant and equipment	1,247	254	305	1,196	772	320	424
Intangible assets							
Software	134	4	4	134	108	9	26
Total intangible assets	134	4	4	134	108	9	26

(Notes) 1. The balance at beginning of period and the balance at end of period are stated based on acquisition values.

2. Major increases during the period are as follows:

Buildings and structures	Posting of asset retirement obligations related to the head office	¥91 million
Tools, furniture and fixtures	Equipment for internal use	¥72 million
Construction in progress	Expenses related to renovation at offices that Group companies will move into	¥40 million
Software	Acquisition of software for internal use	¥4 million

3. Major decreases during the current period are as follows:

Buildings and structures	Reversal of asset retirement obligations associated with restoration when vacating part of the head office	¥144 million
Tools, furniture and fixtures	Retirement of fixtures for internal use	¥43 million
Software	Transfer of software for internal use	¥4 million

Itemized account of allowances

Classification	Balance at beginning of period (million yen)	Increase during period (million yen)	Decrease during period (reversal for the purpose of the allowance) (million yen)	Decrease during period (other) (million yen)	Balance at end of period (million yen)
Allowance for doubtful accounts	2,089	895	0	272	2,712

(Note) The amount in the “Decrease during period (other)” field is mainly the repayment amount and the amount of a reversal of doubtful accounts.

(2) Details of Major Assets and Liabilities

The presentation of this information is omitted due to the ongoing preparation of consolidated financial statements.

(3) Other

Not applicable.



## VI. Stock Information of the Reporting Company

Fiscal year	October 1 to September 30
Annual general meeting of shareholders	Within three months of the day following the end of each business year
Record date	September 30
Record date for distribution of dividends of surplus	March 31 September 30
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	—
Administrator of the register of shareholders	—
Forward office	—
Purchasing and selling fee	—
Method of public notice	Notices will be posted electronically. <a href="https://colopl.co.jp">https://colopl.co.jp</a> In the event of a contingency that makes online public notice impossible or in any other unavoidable circumstances, public notices shall be published in the Nihon Keizai Shimbun.
Special benefit for shareholders	Not applicable.

(Note) Under the Company's Articles of Incorporation, a shareholder of shares less than one unit may not exercise rights other than the following rights:

- (1) The rights specified in the items of Article 189-2 of the Companies Act
- (2) The right to make a claim as specified in Article 166-1 of the Companies Act
- (3) The right to receive an allotment of shares for subscription and an allotment of share acquisition rights according to the number of shares held by shareholders

## Section VII. Reference Information on the Reporting Company

### 1. Information on Parent Entities of the Reporting Company

The Company does not have a Parent Company, etc. as specified in Article 24-7 (1) of the Financial Instruments and Exchange Act.

### 2. Other Reference Information

The Company submitted the following documents between the first day of the fiscal year under review and the day of submitting the securities report.

(1) Annual Securities Report and documents attached, and Confirmation Letter

For the 12th fiscal year (October 1, 2019 to September 30, 2020) Submitted to the Director-General of Kanto Local Finance Bureau on December 21, 2020

(2) Internal Control Report and accompanying documents

Submitted to the Director-General of Kanto Local Finance Bureau on December 21, 2020

(3) Quarterly Report and Confirmation Letter

For the first quarter of the 13th fiscal year (October 1, 2020 to December 31, 2020) Submitted to the Director-General of Kanto Local Finance Bureau on February 10, 2021

For the second quarter of the 13<sup>th</sup> fiscal year (January 1, 2021 to March 31, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on May 12, 2021

For the third quarter of the 13th fiscal year (April 1, 2021 to June 30, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on August 12, 2021

(4) Extraordinary Report

An extraordinary report pursuant to the provisions of Item (ix)-2 (result of exercising voting rights at the general meeting of shareholders), Paragraph (2), Article 19 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of Kanto Local Finance Bureau on December 21, 2020

An extraordinary report pursuant to the provisions of Items (vi) and (xii) (settlement of a suit, and occurrence of an event that may have serious effects on the financial position, operating results and cash flow status), Paragraph (2), Article 19 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of Kanto Local Finance Bureau on August 12, 2021

An extraordinary report pursuant to the provisions of Item (iv) (change in major shareholders), Paragraph (2), Article 19 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of Kanto Local Finance Bureau on August 31, 2021

Part II. Information Concerning Guarantors of the Reporting Company

Not applicable.

# Independent Auditors' Audit Report and Internal Control Audit Report

December 17, 2021

COLOPL, Inc.

To the Board of Directors

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated Limited Liability Partner Managing Partner	Certified Public Accountant	Seishi Hajime (seal or signature)
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Designated Limited Liability Partner Managing Partner	Certified Public Accountant	Hiroyuki Ito (seal or signature)
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## Audit of Financial Statements

### Auditor's Opinion

To conduct audit certification as prescribed in the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of COLOPL, Inc. for the consolidated fiscal year from October 1, 2020 to September 30, 2021 included in the Financial Information, namely, the consolidated balance sheet, the consolidated statements of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, significant matters that serve as a basis for the preparation of consolidated financial statements, other notes and consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of COLOPL, Inc. and its consolidated subsidiaries as of September 30, 2021, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles for consolidated financial statements generally accepted in Japan.

### Basis for Auditor's Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the professional ethical regulations that are applicable in Japan, and we have fulfilled our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter - Accounting treatments for Investment and Development Business

As stated in Additional Information, the Company resolved to advance the Investment and Development Business as one of its main businesses. Consequently, it posted part of "investment securities," which had been previously recorded in the non-current assets section, in "operational investment securities" under current assets as securities for investment. Consequently, it posted part of "investment securities," which had been previously recorded in the non-current assets section, in "operational investment securities" under current assets as securities for investment and included a gain (loss) related to the said securities, which had been posted as non-operating income (loss), in "net sales" and the "cost of sales." Also, in conjunction with accounting procedures related to investments in capital for the investment partnership managed and operated by the Group, the Company adopted a method in which the investment partnership's assets, liabilities, revenues and expenses are posted in proportion to the Group's investment ratio.

That does not affect our opinions.

### Major Considerations in Auditing

The major considerations in auditing are matters that the auditor as a professional considers particularly important in the audit of the consolidated financial statements for the consolidated fiscal year under review. The major considerations in auditing are matters that the auditor took into consideration in the process of auditing consolidated financial statements as a whole and the formation of the auditor's opinions. The auditor does not express any opinions about individual matters.

Revenue recognition related to the distribution of game apps for smartphones	
Major considerations in auditing and reasons why they are major considerations	Audit procedures
<p>As stated in the segment information, net sales in the Entertainment Business stood at ¥36,953 million, which accounts for 99.5% of consolidated net sales.</p> <p>A major part of net sales in the Entertainment Business is revenue from the distribution of game apps for smartphones primarily through stores, such as App Store and Google Play. Specifically, game app users are charged for in-game currency, and amounts of in-game currency used (consumed) are posted as sales.</p> <p>Charges for and consumption of in-game currency, basic information about sales of game apps, are composed of a large number of daily small amount transactions, which are recorded in in-house online app systems. The company extracts daily data on charging for and consumption of in-game currency from online app systems. Based on the information, increases in advances received and net sales (decreases in advances received) are entered into the accounting system.</p> <p>In-game currency consumption data, which are used for posting net sales, are dependent on automated application controls and IT general controls that support the application controls. Thus any failure of the aggregation process of the online app systems to work as expected and the resulting errors are likely to have a wide range of effects on the financial statements and have significant effects on profits in light of the importance of consumption data in financial terms.</p> <p>We have thus decided that revenue recognition related to the distribution of game apps is a major consideration in auditing.</p>	<p>To examine revenue recognition related to the distribution of game apps, we have performed mainly the following procedures:</p> <p>(Examination of the reliability of online app systems)</p> <ul style="list-style-type: none"> <li>- We have examined the adequacy of records in online app systems on charging users for in-game currency and their consumption of in-game currency by conducting testing in the presence of our IT experts in the production environment.</li> <li>- We have examined the adequacy of accumulated charging data and consumption data on in-game currency by checking the data against data extracted by IT experts.</li> <li>- To check whether the reliability of the abovementioned IT application controls is ensured, we have assessed the effectiveness of IT general controls, including access control and the control of program development changes, for the system through observation and the inspection of documents.</li> </ul> <p>(Examination of figures entered into the accounting system)</p> <ul style="list-style-type: none"> <li>- We have checked increases in advances received posted based on charging data for users against payment notices from platform operators, including Apple Inc. and Google Inc.</li> <li>- We have checked net sales (decreases in advances received) posted based on consumption data for users against consumption data outputted from online app systems.</li> <li>- We have confirmed that the balance of advances received were equal to the balance on online app systems.</li> <li>- We have analyzed changes in charging data and consumption data. When we identified apps for which consumption was remarkably larger than the charges, we determined factors for the gap and examined rationality. We have also checked the consumption data, which are the basis of the posting of net sales (decreases in advances received), against consumption data outputted from backup data that are closer to users, are not usually used for financial reporting, and are less likely to be falsified.</li> </ul>

#### Responsibilities of Management and Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and appropriate presentation of consolidated financial statements in accordance with the generally accepted accounting principles of Japan. Such responsibilities include the establishment and implementation of internal control that management determines is necessary for the preparation and appropriate presentation of consolidated financial statements that are free of any material misstatements due to frauds or errors.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with generally accepted accounting principles of Japan. The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as below:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. These audit procedures are selected and performed, depending on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to assess the risk and design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. The Auditor's conclusions are based on audit evidence obtained on or before the auditor's report date, but the risk remains that the company is unable to survive as a going concern due to matters or circumstances in the future.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with auditing standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We define those matters discussed with the Audit and Supervisory Committee which are deemed particularly important in the audit of the consolidated financial statements for the consolidated fiscal year under review as key issues of the audit and state them in the auditor's report. However, we do not state the matters in the case where publication of these matters is prohibited by laws, ordinances or suchlike or in the very rare case that we judge that they should not be reported on the grounds of reasonably expected disadvantages from the reporting in the auditor's report that would exceed the public interest.

#### Internal Control Audit

##### Auditor's Opinion

To provide audit certification as provided for in Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of COLOPL, Inc. dated September 30, 2021.

We consider that the aforementioned internal control report, in which COLOPL, Inc. indicates that effective internal control is maintained pertaining to financial reporting as of September 30, 2021, properly reflects the evaluation results of internal control over financial reporting in all important respects, in compliance with internal control evaluation standards for financial reporting that are generally considered fair and reasonable in Japan.

##### Basis for Auditor's Opinion

We have conducted the internal control audit in accordance with internal control audit standards over internal reporting that are generally considered fair and reasonable in Japan. Our responsibilities under the auditing standards for internal control over financial reporting are further described in the "Auditor's Responsibilities for the Audit of Internal Control" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the professional ethical regulations that are applicable in Japan, and we have fulfilled our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Responsibilities of Management and the Audit and Supervisory Committee for the Internal Control Report

Management is responsible for the establishment and implementation of internal control as it pertains to financial reporting, as well as the preparation and appropriate presentation of internal control reports, in accordance with internal control evaluation standards over

financial reporting that are considered generally fair and reasonable in Japan.

The Audit and Supervisory Committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

It may not be possible, however, to fully prevent or identify the presentation of misstatements due to internal control over financial reporting.

#### Auditor's Responsibilities for the Audit of Internal Control

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of internal control and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as below:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and result of the assessments that management presents.
- Obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of our audit of internal control, the results thereof, material weaknesses in internal control identified during our audit of internal control, and those that were remediated.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Conflicts of Interest

There is no conflict of interest between the Company and its consolidated subsidiaries and us or its engagement partners which should be disclosed under the provisions of the Certified Public Accountants Act.

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(Notes) 1. The above is an electronic copy of what is described in the original auditor's report kept by us (a company that submits securities reports), separately.

2. XBRL data are not within the scope of audits.

## Independent Auditors' Report

December 17, 2021

COLOPL, Inc.

To the Board of Directors

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated Limited Liability Partner Managing Partner	Certified Public Accountant	Seishi Hajime (seal or signature)
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Designated Limited Liability Partner Managing Partner	Certified Public Accountant	Hiroyuki Ito (seal or signature)
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### Auditor's Opinion

To conduct the audit certification as prescribed in the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we audited the financial statements of COLOPL, Inc. for the 13th fiscal year starting from October 1, 2020 to September 30, 2021 included in the Status of Accounting, namely, the balance sheet, the statements of income, the statement of changes in equity, significant accounting policies, other notes and the supplementary schedules.

We consider that the aforementioned financial statements properly reflect the financial position of COLOPL, Inc. as of September 30, 2021, and its financial results in the fiscal year that ended on the same day, in all important respects, in compliance with accounting standards that are generally considered fair and reasonable in Japan.

### Basis for Auditor's Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter - Accounting treatment for Investment and Development Business

As stated in Additional Information, the Company resolved to advance the Investment and Development Business as one of its main businesses. Consequently, it posted part of "investment securities," which had been previously recorded in the non-current assets section, in "operational investment securities" under current assets as securities for investment and included a gain (loss) related to the said securities, which had been posted as non-operating income (loss), in "net sales" and the "cost of sales."

That does not affect our opinions.

### Major Considerations in Auditing

Key issues of the audit mean issues that the auditor deems particularly important from the perspective of a professional specialist in auditing financial statements for the fiscal year under review. The major considerations in auditing are matters that we take into consideration in the process of the audit of the entire financial statements and the formation of our opinions. We do not express any opinions about such matters separately.

#### Revenue recognition related to the distribution of game apps for smartphones

The description is omitted because it is the same as that of the major considerations in auditing (revenue recognition related to the distribution of game apps for smartphones) included in the auditor's report on the consolidated financial statements.

### Responsibilities of Management and Audit and Supervisory Committee for the Financial Statements

Management is responsible for the preparation and appropriate presentation of financial statements in accordance with the Generally Accepted Accounting Principles of Japan. Such responsibilities include the establishment and implementation of internal control that management determines is necessary for the preparation and appropriate presentation of financial statements that are free of any material



misstatements due to frauds or errors.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the Generally Accepted Accounting Principles of Japan. The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as below:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. These audit procedures are selected and performed, depending on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We do not audit financial statements to express an opinion on the effectiveness of internal control. Nevertheless, to implement risk assessments, we examine internal control as it pertains to the preparation and appropriate presentation of financial statements, thereby ensuring that an appropriate audit procedure program is formulated depending on situations.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. The Auditor's conclusions are based on audit evidence obtained on or before the auditor's report date, but the risk remains that the company is unable to survive as a going concern due to matters or circumstances in the future.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with auditing standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We define those matters discussed with the Audit and Supervisory Committee which are deemed particularly important in the audit of the financial statements for the fiscal year under review as key issues of the audit and state them in the auditor's report. However, we do not state the matters in the case where publication of these matters is prohibited by laws, ordinances or suchlike or in the very rare case that we judge that they should not be reported on the grounds of reasonably expected disadvantages from the reporting in the auditor's report that would exceed the public interest.

#### Conflicts of Interest

Neither we nor our engagement partners have any interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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- (Notes) 1. The above is an electronic copy of what is described in the original auditor's report kept by us (a company that submits securities reports), separately.
2. XBRL data are not within the scope of audits.