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Consolidated Financial Results for the Three Months Ended December 31, 2021 (under Japanese GAAP)

February 9, 2022

Name of the Listed Company: COLOPL, Inc.

Listed Stock Exchanges: Tokyo Stock Exchange

Security code: 3668

URL: <https://colopl.co.jp/en/>

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Scheduled date to file quarterly securities report:

February 14, 2022

Scheduled date to commence dividend payments:

—

Preparation of supplementary material on quarterly financial results:

Yes

Holding of quarterly financial results briefing:

Yes (for institutional investors and analysts)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended December 31, 2021	7,406	(14.1)	758	(44.8)	1,091	(37.3)	677	(45.8)
December 31, 2020	8,625	(23.0)	1,375	(64.4)	1,739	(54.3)	1,249	(53.7)

Note: Comprehensive income Three months ended December 31, 2021: 415 million yen (down 68.9%)

Three months ended December 31, 2020: 1,335 million yen (down 53.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2021	5.29	5.28
December 31, 2020	9.77	9.75

(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter of the current fiscal year. As a result, the figures for the first quarter of the fiscal year ending September 30, 2022 are after the application of the said accounting standards.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	79,129	73,742	93.2
September 30, 2021	80,814	75,751	93.7

Reference: Shareholder's equity As of December 31, 2021: 73,741 million yen

As of September 30, 2021: 75,750 million yen

(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter of the current fiscal year. As a result, the figures for the first quarter of the fiscal year ending September 30, 2022 are after the application of the said accounting standards.

2. Cash dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2021	—	0.00	—	20.00	20.00
Fiscal year ending September 30, 2022	—				
Fiscal year ending September 30, 2022 (forecast)		—	—	—	—

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

Dividends for the fiscal year ending September 30, 2022 are not yet decided.

3. Consolidated Financial Forecast for the Fiscal Year Ending September 30, 2022 (October 1, 2021 to September 30, 2022)

Due to the fact that the business environment surrounding our group is subject to rapid changes in the short term, it is difficult to calculate appropriate and reasonable figures for the outlook of our group's business performance, and therefore we do not disclose our business forecast.

Notes: 1.

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)" on page 7 of the attached materials.
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other than (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatement: None
- (4) Number of issued shares (common shares)
- (i) Total number of shares issued at the end of the period (including treasury shares)

As of December 31, 2021	129,766,034 shares	As of September 30, 2021	129,766,034 shares
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 - (ii) Number of treasury shares at the end of the period

As of December 30, 2021	1,778,544 shares	As of September 30, 2021	1,778,544 shares
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 - (iii) Average number of shares during the period

Three months ended December 30, 2021	127,987,490 shares	Three months ended September 30, 2021	127,832,252 shares
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These quarterly financial results are outside the scope of quarterly review by a certified public accountant or audit firm

Proper use of earnings forecasts, and other special matters

Descriptions and statements concerning estimates and forecasts in this material are judgments and assumptions based on information currently available to the Company. Due to the uncertainties inherent in these judgments and assumptions, as well as changes in business management and internal or external conditions, actual results may differ substantially from predictions, and the Company does not guarantee the certainty of any details regarding these future predictions.

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1. Consolidated Results for the Three-Month Period Ended December 30, 2021

(1) Analysis of consolidated business 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. In the three-month period ended December 30, 2021, the Entertainment business has been keeping in mind the need to enhance engagement with users in conjunction with existing games, while also focusing on releasing new games. The investment and development business has been investing mainly in IT-related and entertainment companies in Japan and overseas.

Meanwhile, although consumption and economic activity continued to be sluggish due to a range of factors such as restrictions on outings and operations in many countries, the impact of the COVID-19 pandemic on the financial results for three-month period ended December 30, 2021 was limited.

As a result, consolidated results for the three-month period ended December 30, 2021 were net sales of ¥7,406 million (down 14.1% from the same period of the prior fiscal year), operating profit of ¥758 million (down 44.8% from the same period of the prior fiscal year), ordinary profit of ¥1,091 million (down 37.3% from the same period of the prior fiscal year), and profit attributable to owners of the parent of ¥677 million (down 45.8% from the same period of the prior fiscal year).

In addition, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards have been applied from the beginning of the first quarter of the current fiscal year. For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies) (Application of accounting standard for revenue recognition)".

Operating results by segment are as follows.

The classification of reporting segments was changed from the second quarter of the previous fiscal year, and the analysis for the first quarter of the current fiscal year is based on the classification after the change.

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 QUEST WALK, 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 addition, we began distributing the Japanese and overseas versions of Tales of Luminaria (distributed by BANDAI NAMCO Entertainment Inc.), which was jointly developed with BANDAI NAMCO Entertainment Inc. In original IP titles, the Group has been operating services to increase user engagement, such as holding collaboration events with EVANGELION for our mainstay title "Shiroko Project" and with STEINS;GATE for "Alice Gear Aegis".

As a result, consolidated net sales and operating profit for the first quarter of the current fiscal year stood at ¥7,395 million and ¥798 million, respectively.

b. Investment development business

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

As a result, consolidated net sales and operating loss for the first quarter of the current fiscal year stood at ¥11 million and ¥39 million, respectively.

(2) Analysis of consolidated financial position

(Assets)

Current assets as of December 30, 2021 were ¥72,858 million (down ¥1,571 million from September 30, 2021). This was mainly due to a decrease in cash and deposits.

Non-current assets were ¥6,271 million (down ¥113 million from September 30, 2021). This was mainly due to a decrease in investments and other assets.

As a result, total assets were ¥79,129 million (down ¥1,685 million from September 30, 2021)

(Liabilities)

Current liabilities as of December 30, 2021 were ¥5,245 million (up ¥323 million from September 30, 2021). This was due to an increase in income taxes payable and other current liabilities, despite a decrease in accounts payable-other.

In addition, non-current liabilities were ¥141 million (up ¥0 million from September 30, 2021).

As a result, total liabilities were ¥5,386 million (up ¥323 million from September 30, 2021).

(Net assets)

Net assets as of December 30, 2021 were ¥73,742 million (down ¥2,008 million from September 30, 2021). This was mainly due to a decrease in retained earnings resulting from the payment of dividends.

(3) Qualitative information on consolidated business forecasts

Given significant short-term changes in the business environment surrounding the Group, the Company has difficulties in calculating the Group's earnings forecasts properly and reasonably, and therefore refrains from disclosing financial forecasts.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	58,871	57,650
Accounts receivable - trade	4,348	—
Accounts receivable - trade, and contract assets	—	3,981
Operational investment securities	7,591	7,592
Inventories	732	544
Other	2,920	3,118
Allowance for doubtful accounts	(34)	(29)
Total current assets	74,430	72,858
Non-current assets		
Property, plant and equipment	484	643
Intangible assets	29	27
Investments and other assets	5,870	5,600
Total non-current assets	6,384	6,271
Total assets	80,814	79,129
Liabilities		
Current liabilities		
Accounts payable - other	2,412	1,844
Income taxes payable	292	541
Other	2,217	2,859
Total current liabilities	4,922	5,245
Non-current liabilities		
Asset retirement obligations	123	123
Other	17	17
Total non-current liabilities	141	141
Total liabilities	5,063	5,386
Net assets		
Shareholders' equity		
Share capital	6,556	6,556
Capital surplus	6,296	6,296
Retained earnings	67,037	65,291
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	75,245	73,499
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	461	229
Foreign currency translation adjustment	43	13
Total accumulated other comprehensive income	504	242
Non-controlling interests	1	1
Total net assets	75,751	73,742
Total liabilities and net assets	80,814	79,129

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Consolidated quarterly statements of income)

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Net sales	8,625	7,406
Cost of sales	5,663	5,290
Gross profit	2,962	2,116
Selling, general and administrative expenses	1,586	1,357
Operating profit	1,375	758
Non-operating income		
Foreign exchange gains	—	130
Gain on sale of investment securities	313	234
Gain on investments in investment partnerships	17	—
Gain on valuation of cryptocurrency	270	—
Gain on investments in derivatives	—	13
Miscellaneous income	49	58
Total non-operating income	651	436
Non-operating expenses		
Foreign exchange losses	99	—
Loss on valuation of investment securities	51	48
Loss on sale of investment securities	—	48
Loss on investments in investment partnerships	—	0
Loss on investments in derivatives	135	—
Miscellaneous losses	0	6
Total non-operating expenses	287	103
Ordinary profit	1,739	1,091
Profit before income taxes	1,739	1,091
Income taxes	488	414
Profit	1,251	677
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	1,249	677

(Consolidated quarterly statements of comprehensive income)

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit	1,251	677
Other comprehensive income		
Valuation difference on available-for-sale securities	84	(231)
Foreign currency translation adjustment	—	(30)
Total other comprehensive income	84	(261)
Comprehensive income	1,335	415
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,333	415
Comprehensive income attributable to non-controlling interests	1	(0)

(3) Notes to Quarterly Consolidated Financial Statements

(Note on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

Calculation of tax expense

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the consolidated fiscal year, including the first quarter under review, and multiplying quarterly income before income taxes by the estimated effective tax rate.

(Change in accounting policy)

(Application of accounting standard for revenue recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. since the beginning of the first quarter under review and recognizes revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services is transferred to a customer. The principal changes resulting from the above are as follows.

(Revenue from user charges related to games for smartphones)

Previously, the Company had recognized revenues at the point where users consumed onerous currency and exchanged it for items used in games. The Company made a switch to the method of estimating the period for using items obtained through the consumption of onerous currency and recognizing revenues in accordance with their estimated period of use.

(Revenue from made-to-order software development on order based on contracts)

Previously, the Company had recognized revenues at the point of acceptance inspection. The Company made a switch to the method of recognizing revenues over a certain period of time.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the first quarter under review are adjusted in retained earnings at the beginning of the first quarter under review, and the new accounting policy is applied from this initial balance. As a result, consolidated net sales increased ¥569 million, and consolidated operating profit rose ¥137 million yen in the first quarter under review. The balance of retained earnings at the beginning of the period increased ¥135 million.

With the application of the Revenue Recognition Accounting Standard, the Company included accounts receivable - trade, which had been stated under current assets in the consolidated balance sheet for the previous fiscal year, in accounts receivable - trade and contract assets from the first quarter under review. Pursuant to the transitional provisions in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company did not reclassify balance sheet amounts for the previous fiscal year according to a new presentation. Moreover, in accordance with the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information that decomposes revenue from contracts with customers for the first quarter of the previous fiscal year is not stated.

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. since the beginning of the first quarter under review. It was decided that the new accounting policies prescribed in the Fair Value Measurement Accounting Standard, etc. continued to be adopted in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

The Company had previously adopted acquisition values as balance sheet values for investments and the like in financial instruments other than shares, such as the convertible bonds with share acquisition rights and share acquisition rights of unlisted investment targets. With the application of the new accounting policies, the Company switched to the method of adopting market values as balance sheet values from the first quarter under review. In addition, the Company adopted accounting in the method of directly posting emerged valuation differences to net assets.

These changes had no material effect on quarterly consolidated financial statements.

(Segment Information)

I For the three months ended December 31, 2020 (October 1, 2020 to December 31, 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.

II For the three months ended December 31, 2021 (October 1, 2021 to December 31, 2021)

1. Information on net sales and income or loss by reportable segment

(Million Yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Entertainment Business	Investment and Development Business	Total		
Net sales					
Sales to external customers	7,395	11	7,406	—	7,406
Intersegment sales and transfers	—	—	—	—	—
Total	7,395	11	7,406	—	7,406
Operating profit (loss)	798	(39)	758	0	758

(Note) 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.

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

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, starting from the second quarter of the previous fiscal year under review.

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