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Consolidated Financial Results for the Six Months Ended March 31, 2022 (under Japanese GAAP)

May 11, 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:

May 13, 2022

Scheduled date to commence dividend payments:

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Preparation of supplementary material on quarterly financial results:

Yes

Holding of quarterly financial results briefing:

Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Six Months Ended March 31, 2022

(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	%
Six months ended								
March 31, 2022	15,665	(18.9)	2,169	(47.6)	2,696	(51.2)	1,803	(55.0)
March 31, 2021	19,325	(13.6)	4,135	(44.3)	5,523	(25.4)	4,010	(24.3)

Note: Comprehensive income Six months ended March 31, 2022: 1,796 million yen (down 56.2%)

Six months ended March 31, 2021: 4,103 million yen (down 23.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
March 31, 2022	14.08	14.06
March 31, 2021	31.35	31.27

(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 second 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			
March 31, 2022	81,540	75,187	92.2
September 30, 2021	80,814	75,751	93.7

Reference: Shareholder's equity As of March 31, 2022: 75,186 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 second 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	—	0.00			
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 (4) Notes to Quarterly Consolidated Financial Statements (Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)" on page 8 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 March 31, 2022	129,984,023 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 March 31, 2022	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

Six months ended March 31, 2022	128,090,485 shares	Six months ended March 31, 2021	127,909,953 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 Six Months Ended March 31, 2022

(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 six months ended March 31, 2022, 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.

The impact of the COVID-19 pandemic on the Group's performance on the financial results for six months ended March 31, 2022 was limited.

As a result, consolidated results for the six months ended March 31, 2022 were net sales of ¥15,665 million (down 18.9% from the same period of the prior fiscal year), operating profit of ¥2,169 million (down 47.6% from the same period of the prior fiscal year), ordinary profit of ¥2,696 million (down 51.2% from the same period of the prior fiscal year), and profit attributable to owners of the parent of ¥1,803 million (down 55.0% 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 (4) 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 second 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 thanks to the New Year's event and the 2.5 years anniversary event, contributing to the Group's consolidated results. We also conducted service operations to increase user engagement, including a 9th anniversary event for our original IP titles the Quiz RPG: The World of Mystic Wiz, a 4th anniversary event for Alice Gear Aegis, and a collaboration event with the TV animation "My Hero Academia" for Shironeko Project.

As a result, consolidated net sales and operating profit for the six months ended March 31, 2022 stood at ¥15,346 million and ¥1,972 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.

During the six months ended March 31, 2022, we recorded gains and losses from funds in which the Group has invested in proportion to its ownership interest.

As a result, consolidated net sales and operating profit for the six months ended March 31, 2022 stood at ¥318 million and ¥195 million, respectively.

(2) Analysis of consolidated financial position

(i) Status of Assets, Liabilities and Net assets

(Assets)

Current assets as of March 31, 2022 were ¥74,334 million (down ¥95 million from September 30, 2021). This was mainly due to a decrease in other current assets, despite an increase in operational investment securities.

Non-current assets were ¥7,205 million (up ¥821 million from September 30, 2021). This was mainly due to an increase in property, plant and equipment, which was partially offset by a decrease in investments and other assets.

As a result, total assets were ¥81,540 million (up ¥725 million from September 30, 2021)

(Liabilities)

Current liabilities as of March 31, 2022 were ¥5,594 million (up ¥672 million from September 30, 2021). This was mainly due to an increase in income taxes payable.

In addition, non-current liabilities were ¥758 million (up ¥617 million from September 30, 2021). This was mainly due to an

increase in asset retirement obligations.

As a result, total liabilities were ¥6,353 million (up ¥1,289 million from September 30, 2021).

(Net assets)

Net assets as of March 31, 2022 were ¥75,187 million (down ¥564 million from September 30, 2021). This was mainly due to a decrease in retained earnings resulting from the payment of dividends.

(ii) Status of cash flows

The balance of cash and cash equivalents (hereinafter, “cash”) at the end of the six months ended March 31, 2022 increased ¥168 million from the end of the previous fiscal year, to ¥49,221 million. The status of each of the cash flow segments and contributing factors for changes during the six months ended March 31, 2022 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the six months ended March 31, 2022 stood at ¥3,216 million (compared to ¥402 million provided during the same period of the previous fiscal year). The main cash inflow was ¥2,696 million in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended March 31, 2022 came to ¥914 million (compared to ¥584 million used during the same period of the previous fiscal year). The main cash outflow was ¥1,832 million in purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities during the six months ended March 31, 2022 was ¥2,542 million (compared to ¥3,177 million used during the same period of the previous fiscal year). The main cash outflow was ¥2,556 million in dividends paid.

(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 March 31, 2022
Assets		
Current assets		
Cash and deposits	58,871	58,982
Accounts receivable - trade	4,348	—
Accounts receivable - trade, and contract assets	—	4,446
Operational investment securities	7,591	8,844
Inventories	732	645
Other	2,920	1,445
Allowance for doubtful accounts	(34)	(29)
Total current assets	74,430	74,334
Non-current assets		
Property, plant and equipment	484	1,896
Intangible assets	29	26
Investments and other assets	5,870	5,282
Total non-current assets	6,384	7,205
Total assets	80,814	81,540
Liabilities		
Current liabilities		
Accounts payable - other	2,412	2,474
Income taxes payable	292	1,035
Other	2,217	2,083
Total current liabilities	4,922	5,594
Non-current liabilities		
Asset retirement obligations	123	741
Other	17	17
Total non-current liabilities	141	758
Total liabilities	5,063	6,353
Net assets		
Shareholders' equity		
Share capital	6,556	6,587
Capital surplus	6,296	6,328
Retained earnings	67,037	66,417
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	75,245	74,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	461	430
Foreign currency translation adjustment	43	67
Total accumulated other comprehensive income	504	498
Non-controlling interests	1	1
Total net assets	75,751	75,187
Total liabilities and net assets	80,814	81,540

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

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Net sales	19,325	15,665
Cost of sales	12,040	10,632
Gross profit	7,284	5,032
Selling, general and administrative expenses	3,148	2,863
Operating profit	4,135	2,169
Non-operating income		
Foreign exchange gains	196	384
Gain on sale of investment securities	873	307
Gain on investments in investment partnerships	16	—
Gain on investments in derivatives	—	15
Gain on sales of cryptocurrency	542	—
Miscellaneous income	79	105
Total non-operating income	1,707	813
Non-operating expenses		
Loss on valuation of investment securities	51	48
Loss on investments in investment partnerships	—	1
Loss on sale of investment securities	—	229
Loss on investments in derivatives	267	—
Miscellaneous losses	2	6
Total non-operating expenses	320	285
Ordinary profit	5,523	2,696
Profit before income taxes	5,523	2,696
Income taxes	1,510	893
Profit	4,012	1,803
Profit attributable to non-controlling interests	2	0
Profit attributable to owners of parent	4,010	1,803

(Consolidated quarterly statements of comprehensive income)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Profit	4,012	1,803
Other comprehensive income		
Valuation difference on available-for-sale securities	64	(30)
Foreign currency translation adjustment	26	24
Total other comprehensive income	91	(6)
Comprehensive income	4,103	1,796
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,101	1,797
Comprehensive income attributable to non-controlling interests	2	(0)

(Consolidated quarterly statements of cash flows)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,523	2,696
Depreciation	249	269
Increase (decrease) in allowance for doubtful accounts	(36)	(4)
Foreign exchange losses (gains)	(205)	(405)
Decrease (increase) in investment securities for sale	50	(810)
Loss (gain) on sale of investment securities	(873)	(77)
Loss (gain) on valuation of investment securities	51	48
Loss (gain) investments in derivatives	267	(15)
Loss (gain) on sales of cryptocurrency	(542)	—
Decrease (increase) in trade receivables	1,188	256
Decrease (increase) in inventories	(433)	(75)
Increase (decrease) in trade payables	(2)	(25)
Increase (decrease) in accounts payable - other	(174)	10
Increase (decrease) in accrued consumption taxes	(1,387)	(1)
Increase (decrease) in income taxes payable - factor based tax	(97)	69
Increase (decrease) in advances received	719	(172)
Decrease (increase) in prepaid expenses	(126)	(69)
Other, net	(696)	746
Subtotal	3,471	2,440
Interest and dividends received	12	20
Income taxes refund (paid)	(3,082)	755
Net cash provided by (used in) operating activities	402	3,216
Cash flows from investing activities		
Purchase of property, plant and equipment	(85)	(1,005)
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	—	(3)
Purchase of investment securities	(2,482)	(1,832)
Proceeds from sale of investment securities	2,247	1,931
Proceeds from sales of cryptocurrency	758	—
Collection of investment in capital of subsidiaries and affiliates	47	—
Payments of leasehold and guarantee deposits	(929)	(0)
Proceeds from refund of leasehold and guarantee deposits	242	—
Futures settlement (paid)	(256)	4
Other, net	(126)	(8)
Net cash provided by (used in) investing activities	(584)	(914)
Cash flows from financing activities		
Proceeds from issuance of shares	12	13
Dividends paid	(3,189)	(2,556)
Other, net	(0)	—
Net cash provided by (used in) financing activities	(3,177)	(2,542)
Effect of exchange rate change on cash and cash equivalents	221	408
Net increase (decrease) in cash and cash equivalents	(3,137)	168
Cash and cash equivalents at beginning of period	65,308	49,052
Increase in cash and cash equivalents resulting from inclusion of proportionate in consolidation	344	—
Cash and cash equivalents at end of period	62,515	49,221

(4) 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 Second 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 ¥800 million, and consolidated operating profit increased ¥252 million yen in the second 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 of the current fiscal year 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 six months ended March 31, 2021 (October 1, 2020 to March 31, 2021)

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	19,263	61	19,325	—	19,325
Intersegment sales and transfers	—	—	—	—	—
Total	19,263	61	19,325	—	19,325
Operating profit (loss)	4,189	(54)	4,134	1	4,135

(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.

II For the six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)

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	15,346	318	15,665	—	15,665
Intersegment sales and transfers	—	—	—	—	—
Total	15,346	318	15,665	—	15,665
Operating profit	1,972	195	2,168	1	2,169

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

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