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Quarterly Securities Report

(14th business term of the second quarter)

COLOPL, Inc.

(E27062)

Quarterly Securities Report

This document is an output and printout of the quarterly report submitted using the Electronic Data Processing System for Disclosure (EDINET) stipulated in Article 27-30-2 of the Financial Instruments and Exchange Act, with a table of contents and pages.

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Quarterly Accounting Period: 14th business term of the second quarter (From January 1, 2022 to March 31, 2022)

Company: Kabushiki Kaisha COLOPL

Company name in English: COLOPL, Inc.

Name and title of representative: Takashi Miyamoto, President and Representative Director

Address of head office: 9-7-2 Akasaka, Minato-ku, Tokyo
(Note) The head office (4-20-3 Ebisu, Shibuya-ku, Tokyo) has been relocated to the
above address since February 1, 2022.

Phone number: 03-6721-7770

Contact person: Yoshiaki Harai, Executive Director and Head of the Corporate Division

Contact address: 9-7-2 Akasaka, Minato-ku, Tokyo
(Note) The head office (4-20-3 Ebisu, Shibuya-ku, Tokyo) has been relocated to the
above address since February 1, 2022.

Phone number: 03-6721-7770

Contact person: Yoshiaki Harai, Executive Director and Head of the Corporate Division

Place for public inspection: Tokyo Stock Exchange, Inc.
(2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

Part 1. Corporate Information

I. Company Overview

1. Trends in Major Management Indicators, Etc.

Fiscal term		13th term Second Quarter Consolidated Cumulative period	14th term Second Quarter Consolidated Cumulative period	13th period
Accounting period		October 1, 2020 to March 31, 2021	October 1, 2021 to March 31, 2022	October 1, 2020 to September 30, 2021
Net sales	(¥ million)	19,325	15,665	37,125
Ordinary profit	(¥ million)	5,523	2,696	7,843
Profit attributable to owners of parent	(¥ million)	4,010	1,803	3,047
Comprehensive income	(¥ million)	4,103	1,796	3,148
Net assets	(¥ million)	76,727	75,187	75,751
Total assets	(¥ million)	83,737	81,540	80,814
Basic earnings per share	(¥)	31.35	14.08	23.82
Diluted earnings per share	(¥)	31.27	14.06	23.77
Equity ratio	(%)	91.6	92.2	93.7
Cash flows from operating activities	(¥ million)	402	3,216	(3,104)
Cash flows from investing activities	(¥ million)	(584)	(914)	(10,588)
Cash flows from financing activities	(¥ million)	(3,177)	(2,542)	(3,200)
Cash and cash equivalents at end of period	(¥ million)	62,515	49,221	49,052

Fiscal term		13th term Second Quarter Consolidated period	14th term Second Quarter Consolidated period
Accounting period		January 1, 2021 to March 31, 2021	January 1, 2022 to March 31, 2022
Net income per share	(¥)	21.57	8.79

(Notes) 1. Since the Company prepares quarterly consolidated financial statements, changes in major management indices of the submitting company are not shown.

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current consolidated fiscal year, and the key management indicators, etc. for the second quarter of the current consolidated fiscal year are those after the application of the said accounting standard, etc. For details, please refer to "IV. Financial Information 1. Quarterly Consolidated Financial Statements Notes (Change in accounting policy) (Application of accounting standard for revenue recognition)".

2. Business Summary

During the second quarter of the current fiscal year, there have been no significant changes in the businesses operated by the Group (the Company and its affiliated companies). There were also no changes in the major affiliated companies.

II. Business Overview

1. Business Risks

During the second quarter of the current fiscal year, there were no occurrences of matters related to the status of business and accounting described in this quarterly report that may have a significant impact on investor decisions, or significant changes to the "Business Risks" described in the securities report for the previous fiscal year.

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

The forward-looking statements in this document are based on judgments made as of the end of the current quarter.

(1) Financial condition and operating results

1) 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. 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 "IV. Financial Information 1. Quarterly Consolidated Financial Statements Notes (Change in accounting policy) (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 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) Consolidated financial position

(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.

(2) 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) Priority business and financial issues to be addressed

During the second quarter of the current fiscal year, there were no significant changes in the business and financial issues that the Group needs to address on a priority basis.

(4) Research and Development

The total amount of research and development expenses for the second quarter of the current consolidated fiscal year was ¥996 million.

There were no significant changes in the status of the Group's research and development activities during the second quarter of the current consolidated fiscal year.

3.Important Contracts Etc. Related to Management

During the second quarter of the current consolidated fiscal year, there were no decisions or conclusions of important management contracts.

III. 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) Number of Shares Issued

Type	Number of shares issued at the end of the second year (shares) (March 31, 2022)	Number of shares issued as of the filing date (shares) (May 13, 2022)	Stock exchange where the Company is listed	Details
Common shares	129,984,023	129,984,023	Tokyo Stock Exchange First Section (As of March 31, 2022) Tokyo Stock Exchange Prime Market (As of date of filing)	The number of shares per one unit of shares is 100 shares.
Total	129,984,023	129,984,023	—	—

(Note) 1. 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 May 1, 2022 and the filing date of this Quarterly Securities Report.

2. The Company was listed on the the Tokyo Stock Exchange First Section, but due to the revision of the market classification of the Tokyo Stock Exchange as of April 4, 2022, the name of the financial instruments exchange on which the Company was listed after that date is the Tokyo Stock Exchange Prime Market.

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

1) Stock options

Not applicable.

2) 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)	Balance of capital (¥ million)	Change in legal capital surplus (¥ million)	Balance of legal capital surplus (¥ million)
January 1, 2022 - March 31, 2022 (Notes) 1,2	217,989	129,984,023	31	6,587	31	6,584

(Notes) 1. The total number of issued shares increased by 145,500 shares, and capital stock and capital reserve increased by ¥6 million each due to the exercise of stock acquisition rights.

2. As a result of the issuance of new shares of restricted stock compensation with a payment date of January 14, 2022, the total number of issued shares increased by 72,489 shares, and capital stock and capital reserve increased by ¥24 million each.

Issue price ¥676

Capitalized amount ¥338

(5) Status of Major Shareholders

As of March 31, 2022

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	61,778,456	48.19
Custody Bank of Japan, Ltd. (Trust account)	8-12-1, Harumi, Chuo-ku, Tokyo	9,810,200	7.65
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)	8,559,000	6.68
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	8,403,900	6.56
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	2.39
KUWAIT INVESTMENT AUTHORITY (Standing proxy: Direct Custody Clearing Operations of Citibank, N.A., Tokyo Branch)	MINISTRIES COMPLEX ALMURQAB AREA KUWAIT KW 13001 (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	1,136,300	0.89
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)	947,000	0.74
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)	874,700	0.68
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	P. O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	748,371	0.58
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)	718,600	0.56
Total	—	96,044,627	74.91

(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.

(6) Information on Voting Rights

1) Number of Shares Issued

As of March 31, 2022

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 128,146,700	1,281,467	Ditto
Shares less than one unit	Common shares 58,823	–	–
Number of shares outstanding	129,984,023	–	–
Total number of voting rights	–	1,281,467	–

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

2) Treasury Shares, Etc

As of March 31, 2022

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.	9-7-2 Akasaka, Minato-ku, Tokyo	1,778,500	–	1,778,500	1.37
Total	–	1,778,500	–	1,778,500	1.37

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

(2) Officers

Not applicable.

IV. Financial Information

Method of Preparation of Quarterly Consolidated Financial Statements

The Company's quarterly consolidated financial statements are prepared in accordance with the "Regulations Concerning Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64, 2007).

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: ¥ million)

	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	*1 732	*1 645
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	*2 5,870	*2 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

Quarterly Consolidated Statements of Income

(Unit: ¥ million)

	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

(3) Quarterly Consolidated Statements of Comprehensive Income

(Unit: ¥ million)

	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)

Quarterly Consolidated Statements of Cash Flows

(Unit: ¥ million)

	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

Notes

(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 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 second 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.

(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.

(Notes to Quarterly Consolidated Balance Sheet)

*1 Inventories consist of the following.

	Previous fiscal year (September 30, 2021)	The second quarter of the current fiscal year (March 31, 2022)
Merchandise	¥37 million	¥30 million
Work in process	¥690 million	¥609 million
Supplies	¥4 million	¥5 million

*2 Assets pledged collateral

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

	Previous fiscal year (September 30, 2021)	The second quarter of the current fiscal year (March 31, 2022)
Investments and other assets	¥473 million	¥473 million

(Notes to Quarterly Consolidated Statements of Income)

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

	For the six months ended March 31, 2021 (October 1, 2020 to March 31, 2021)	For the six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Salaries and allowances	¥769 million	¥661 million
Advertising expenses	¥762 million	¥623 million

(Notes to Quarterly Consolidated Statements of Cash Flows)

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

	For the six months ended March 31, 2021 (October 1, 2020 to March 31, 2021)	For the six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Cash and deposits	¥62,383 million	¥58,982 million
Time deposits whose deposit period is more than three months	¥- million	¥(10,000) million
Deposits paid (“Other” in current assets)	¥131 million	¥238 million
Cash and cash equivalents	¥62,515 million	¥49,221 million

(Shareholders' equity, etc.)

I. Six months ended March 31, 2021 (October 1, 2020 to March 31, 2021)

Dividends paid

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

II. Six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)

Dividends paid

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

(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

(Unit: ¥ million)

	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 or transfers	—	—	—	—	—
Total	19,263	61	19,325	—	19,325
Segment profit (loss)	4,189	(54)	4,134	1	4,135

(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.

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

(Unit: ¥ million)

	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 or transfers	—	—	—	—	—
Total	15,346	318	15,665	—	15,665
Segment profit	1,972	195	2,168	1	2,169

(Notes) 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.

(Revenue Recognition)

Six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)

(Unit: ¥ million)

	Reportable Segment		Total
	Entertainment Business	Investment and Development Business	
Revenue from user charges	6,821	—	6,821
Income from revenue sharing	5,046	—	5,046
Other (Note) 1	3,477	22	3,500
Revenue from contracts with customers	15,346	22	15,368
Other income (Note) 2	—	296	296
Net sales to external customers	15,346	318	15,665

(Notes) 1. Other includes Revenue from made-to-order software development on order based on contracts.

2. Other income mainly consists of income related to investments in limited liability investment partnerships and similar partnerships in accordance with ASBJ Statement No. 10, "Accounting Standard for Financial Instruments".

(Per share information)

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

Item	Six months ended March 31, 2021	Six months ended March 31, 2022
(1) Net assets per share	¥31.35	¥14.08
(Basis for calculation)		
Profit attributable to owners of parent (¥ million)	4,010	1,803
Amount not attributable to common shareholders (¥ million)	—	—
Profit attributable to owners of parent pertaining to common shares (¥ million)	4,010	1,803
Average number of shares during the period (shares)	127,909,953	128,090,485
(2) Diluted earnings per share	¥31.27	¥14.06
(Basis for calculation)		
Adjustments to profit attributable to owners of parent (¥ million)	—	—
Increase in the number of common shares (shares)	327,539	201,928
Summary of latent shares not included in the calculation of diluted net income per share due to the absence of dilutive effects, but for which there have been significant changes since the end of the previous fiscal year	—	—

(Significant subsequent events)

Not applicable.

2.Other

Not applicable.

Part 2. Information Concerning Guarantors of the Reporting Company

Not applicable.