

Note: This document is a translated version for reference purposes only. Therefore, any discrepancy may occur with the Japanese original version. Please refer to the Japanese version if you find anything unclear. COLOPL, Inc. takes no responsibility for any problems of translation.



Consolidated Financial Results for the Six Months Ended March 31, 2023 (under Japanese GAAP)

May 10, 2023

Name of the Listed Company: COLOPL, Inc.

Listed Stock Exchanges: Tokyo Stock Exchange

Security code: 3668

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

Representative: Takashi Miyamoto, President

Contact: Yoshiaki Harai, Executive Director

Telephone +81-3-6721-7770

Scheduled date to file quarterly securities report:

May 12, 2023

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 Financial Results for the Six Months Ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(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, 2023	15,897	1.5	1,944	(10.4)	1,607	(40.4)	932	(48.3)
March 31, 2022	15,665	(18.9)	2,169	(47.6)	2,696	(51.2)	1,803	(55.0)

Note: Comprehensive income Six months ended March 31, 2023: 627 million yen (down 65.1%)

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

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended		
March 31, 2023	7.27	—
March 31, 2022	14.08	14.06

(Note) Net income per share-fully diluted for the six-months ended March 31, 2023 is not shown in the above table, as there were no residual shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of			
March 31, 2023	80,513	74,683	92.8
September 30, 2022	83,280	76,575	91.9

Reference: Shareholder's equity As of March 31, 2023: 74,677 million yen

As of September 30, 2022: 76,569 million yen

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, 2022	—	0.00	—	20.00	20.00
Fiscal year ending September 30, 2023	—	0.00			
Fiscal year ending September 30, 2023 (forecast)			—	—	—

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

Dividends for the fiscal year ending September 30, 2023, are not yet decided.

3. Consolidated Financial Forecast for the Fiscal Year Ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

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) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Although not a specified subsidiary, Brilliantcrypto, Inc. was established and included in the scope of consolidation during the first quarter of fiscal year.

(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

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Change in accounting policy)" on page 8 of the attached materials.

(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, 2023	130,055,005 shares	As of September 30, 2022	129,984,023 shares
----------------------	--------------------	--------------------------	--------------------

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

As of March 31, 2023	1,778,614 shares	As of September 30, 2022	1,778,544 shares
----------------------	------------------	--------------------------	------------------

(iii) Average number of shares during the period

Six months ended March 31, 2023	128,240,958 shares	Six months ended March 31, 2022	128,090,485 shares
---------------------------------	--------------------	---------------------------------	--------------------

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.

Accompanying Materials - Contents

1. Consolidated Results for the Six Months Ended March 31, 2023	2
(1) Analysis of consolidated business results	2
(2) Analysis of consolidated financial position	2
(3) Qualitative information on consolidated business forecasts	3
2. Quarterly Consolidated Financial Statements and Major Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	5
Quarterly Consolidated Statements of Income	
Second Quarter Consolidated Cumulative Period	5
Consolidated Quarterly Statements of Comprehensive Income	
Second Quarter Consolidated Cumulative Period	6
(3) Quarterly Consolidated Statements of Cash Flows	7
(4) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Changes in significant subsidiaries during the period)	8
(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)	8
(Change in accounting policy)	8
(Segment Information)	9

1. Consolidated Results for the Six Months Ended March 31, 2023

(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, 2023, the Entertainment business has been keeping in mind the need to enhance engagement with users in conjunction with existing titles, while also focusing on developing new titles. The investment and development business has been investing mainly in IT-related and entertainment companies in Japan and overseas.

As a result, consolidated results for the six-month ended March 31, 2023 were net sales of 15,897 million yen (up 1.5% from the same period of the previous fiscal year), operating profit of 1,944 million yen (down 10.4% from the same period of the previous fiscal year), ordinary profit of 1,607 million yen (down 40.4% from the same period of the previous fiscal year), and profit attributable to owners of the parent of 932 million yen (down 48.3% from the same period of the previous fiscal year).

Operating results by segment are as follows.

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, new titles "NEKO GOLF –Anime GOLF–" and "Volzerk: Monsters and Lands Unknown" were released. As for existing titles, "DRAGON QUEST WALK (planning and production: SQUARE ENIX CO., LTD., Development: COLOPL, Inc.)" performed very well and contributed to the Group's consolidated financial results. In original IP titles, the Group has been operating services to increase user engagement, such as holding collaboration events with popular IP for "Shironeko Project" and "Alice Gear Aegis".

As a result, consolidated net sales and operating profit for the six months ended March 31, 2023 stood at 15,434 million yen (up 0.6% from the same period of the previous fiscal year) and 2,150 million yen (up 9.1% from the same period of the previous fiscal year), 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.

The Group's funds generated income from the sale of operational investment securities for the six-months ended March 31, 2023. In addition, impairment losses were recorded on a portion of operational investment securities held.

As a result, consolidated net sales and operating loss for the six months ended March 31, 2023 stood at 462 million yen (up 45.1% from the same period of the previous fiscal year) and 207 million yen (operating profit of 195 million yen in the same period of the previous fiscal year), respectively.

(2) Analysis of consolidated financial position

(i) Status of Assets, Liabilities and Net assets

(Assets)

Current assets as of March 31, 2023 were 74,069 million yen (down 3,848 million yen from September 30, 2022). This was mainly due to a decrease in cash and deposits and operational investment securities.

Non-current assets were 6,444 million yen (up 1,081 million yen from September 30, 2022). This was mainly due to an increase in investments and other assets.

As a result, total assets were 80,513 million yen (down 2,767 million yen from September 30, 2022).

(Liabilities)

Current liabilities as of March 31, 2023 were 4,931 million yen (down 762 million yen from September 30, 2022). This was mainly due to a decrease in income taxes payable.

In addition, non-current liabilities were 899 million yen (down 111 million yen from September 30, 2022). This was mainly due to a decrease in other non-current liabilities.

As a result, total liabilities were 5,830 million yen (down 874 million yen from September 30, 2022).

(Net assets)

Net assets as of March 31, 2023 were 74,683 million yen (down 1,892 million yen from September 30, 2022). 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, 2023 increased 6,854 million yen from the end of the previous fiscal year, to 57,768 million yen.

The status of each of the cash flow segments and contributing factors for changes during the six months ended March 31, 2023 are as follows.

(Cash flows from operating activities)

Net cash increased by 949 million yen in operating activities during the six months ended March 31, 2023 (compared to an increase of 3,216 million yen during the same period of the previous fiscal year). The main cash inflow was 1,607 million yen in proceeds from withdrawal of time deposits.

(Cash flows from investing activities)

Net cash increased by 8,903 million yen in investing activities during the six months ended March 31, 2023 (compared to a decrease of 914 million yen during the same period of the previous fiscal year). The main cash inflow was 10,000 million yen in refund of time deposits.

(Cash flows from financing activities)

Net cash decreased by 2,559 million yen in financing activities during the six months ended March 31, 2023 (compared to a decrease of 2,542 million yen during the same period of the previous fiscal year). The main cash outflow was 2,559 million yen 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

(million yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	60,330	57,543
Accounts receivable - trade, and contract assets	4,910	5,090
Operational investment securities	10,334	9,486
Inventories	532	556
Other	1,832	1,414
Allowance for doubtful accounts	(21)	(21)
Total current assets	77,917	74,069
Non-current assets		
Property, plant and equipment	1,837	1,774
Intangible assets	21	22
Investments and other assets		
Other	3,510	4,653
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	3,503	4,647
Total non-current assets	5,363	6,444
Total assets	83,280	80,513
Liabilities		
Current liabilities		
Accounts payable - other	2,239	2,199
Income taxes payable	1,923	761
Other	1,531	1,970
Total current liabilities	5,694	4,931
Non-current liabilities		
Asset retirement obligations	727	729
Other	283	169
Total non-current liabilities	1,011	899
Total liabilities	6,705	5,830
Net assets		
Shareholders' equity		
Share capital	6,587	6,610
Capital surplus	6,328	6,350
Retained earnings	67,028	65,397
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	75,299	73,712
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,083	755
Foreign currency translation adjustment	186	209
Total accumulated other comprehensive income	1,269	964
Non-controlling interests	6	6
Total net assets	76,575	74,683
Total liabilities and net assets	83,280	80,513

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Second Quarter Consolidated Cumulative Period)

(million yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Net sales	15,665	15,897
Cost of sales	10,632	10,653
Gross profit	5,032	5,244
Selling, general and administrative expenses	2,863	3,299
Operating profit	2,169	1,944
Non-operating income		
Interest income	17	78
Foreign exchange gains	384	—
Gain on sale of investment securities	307	225
Gain on investments in derivatives	15	—
Miscellaneous income	88	25
Total non-operating income	813	328
Non-operating expenses		
Foreign exchange losses	—	462
Loss on valuation of investment securities	48	—
Loss on sale of investment securities	229	54
Loss on investments in investment partnerships	1	1
Loss on investments in derivatives	—	144
Miscellaneous losses	6	2
Total non-operating expenses	285	665
Ordinary profit	2,696	1,607
Profit before income taxes	2,696	1,607
Income taxes	893	675
Profit	1,803	932
Profit (loss) attributable to non-controlling interests	0	(0)
Profit attributable to owners of parent	1,803	932

(Consolidated Quarterly Statements of Comprehensive Income)
(Second Quarter Consolidated Cumulative Period)

(million yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Profit	1,803	932
Other comprehensive income		
Valuation difference on available-for-sale securities	(30)	(328)
Foreign currency translation adjustment	24	22
Total other comprehensive income	(6)	(305)
Comprehensive income	1,796	627
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,797	627
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Quarterly Consolidated Statements of Cash Flows

(million yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,696	1,607
Depreciation	269	151
Increase (decrease) in allowance for doubtful accounts	(4)	0
Foreign exchange losses (gains)	(405)	487
Decrease (increase) in investment securities for sale	(810)	295
Loss (gain) on sale of investment securities	(77)	(170)
Loss (gain) on valuation of investment securities	48	—
Loss (gain) investments in derivatives	(15)	144
Decrease (increase) in trade receivables	256	(180)
Decrease (increase) in inventories	(75)	(24)
Increase (decrease) in trade payables	(25)	4
Increase (decrease) in accounts payable - other	10	(41)
Increase (decrease) in accrued consumption taxes	(1)	175
Increase (decrease) in income taxes payable - factor based tax	69	(57)
Increase (decrease) in advances received	(172)	318
Decrease (increase) in prepaid expenses	(69)	122
Other, net	746	(241)
Subtotal	2,440	2,593
Interest and dividends received	20	92
Income taxes refund (paid)	755	(1,737)
Net cash provided by (used in) operating activities	3,216	949
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	10,000
Purchase of property, plant and equipment	(1,005)	(28)
Proceeds from sale of property, plant and equipment	0	—
Purchase of intangible assets	(3)	(5)
Purchase of investment securities	(1,832)	(2,640)
Proceeds from sale of investment securities	1,931	1,906
Purchase of shares of subsidiaries and associates	—	(209)
Payments of leasehold and guarantee deposits	(0)	—
Proceeds from refund of leasehold and guarantee deposits	—	0
Futures settlement (paid)	4	(115)
Other, net	(8)	(3)
Net cash provided by (used in) investing activities	(914)	8,903
Cash flows from financing activities		
Proceeds from issuance of shares	13	—
Dividends paid	(2,556)	(2,559)
Other, net	—	(0)
Net cash provided by (used in) financing activities	(2,542)	(2,559)
Effect of exchange rate change on cash and cash equivalents	408	(439)
Net increase (decrease) in cash and cash equivalents	168	6,854
Cash and cash equivalents at beginning of period	49,052	50,914
Cash and cash equivalents at end of period	49,221	57,768

(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.

(Changes in significant subsidiaries during the period)

Although not a specified subsidiary, Brilliantcrypto, Inc. was established and included in the scope of consolidation during the first quarter of fiscal year.

(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)

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Accounting Standards Application policy"), etc. since the beginning of the first quarter of the fiscal year under review. It was decided that the new accounting policies prescribed in the Fair Value Measurement Accounting Standards Application policy, etc. continued to be adopted in accordance with the Paragraph 27-2 of the Fair Value Measurement Accounting Standards Application policy. These changes had no material effect on quarterly consolidated financial statements.

(Segment Information)

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

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	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.

II For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)

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	15,434	462	15,897	—	15,897
Intersegment sales and transfers	—	—	—	—	—
Total	15,434	462	15,897	—	15,897
Operating profit (loss)	2,150	(207)	1,943	1	1,944

(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.