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Consolidated Financial Results for the Three Months Ended December 31, 2023 (under Japanese GAAP)

February 7, 2024

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:

February 13, 2024

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 three months ended December 31, 2023 (from October 1, 2023 to December 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	%
Three months ended December 31, 2023	5,629	(20.8)	(414)	—	(461)	—	(519)	—
December 31, 2022	7,108	(4.0)	11	(98.5)	(442)	—	(413)	—

Note: Comprehensive income Three months ended December 31, 2023: (908) million yen (—%)

Three months ended December 31, 2022: (745) million yen (—%)

	Basic earnings per share	Diluted earnings per share
Three months ended	yen	yen
December 31, 2023	(4.05)	—
December 31, 2022	(3.23)	—

(Note) Diluted earnings per share is not shown in the above table, as there were no residual shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
December 31, 2023	77,567	72,745	93.8
September 30, 2023	81,695	76,234	93.3

Reference: Shareholder's equity As of December 31, 2023: 72,740 million yen

As of September 30, 2023: 76,229 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, 2023	—	0.00	—	20.00	20.00
Fiscal year ending September 30, 2024	—				
Fiscal year ending September 30, 2024 (forecast)		—	—	—	—

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

Dividends for the fiscal year ending September 30, 2024 are not yet decided.

3. Consolidated Financial Forecast for the Fiscal Year Ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

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, Colopl Next Korea, Inc. was included in the scope of consolidation from the first quarter of the consolidated fiscal year under review due to its increased importance.
- (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: None
 - (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, 2023	130,055,005 shares	As of September 30, 2023	130,055,005 shares
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(ii) Number of treasury shares at the end of the period

As of December 31, 2023	1,778,684 shares	As of September 30, 2023	1,778,684 shares
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(iii) Average number of shares during the period

Three months ended December 31, 2023	128,276,321 shares	Three months ended December 31, 2022	128,205,479 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-Months Period Ended December 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 three-months period ended December 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 three-months period ended December 31, 2023 were Net sales of 5,629 million yen (down 20.8% from the same period of the previous fiscal year), Operating loss of 414 million yen (Operating profit of 11 million yen in the same period of the previous fiscal year), Ordinary loss of 461 million yen (Ordinary profit of 442 million yen in the same period of the previous fiscal year), and Loss attributable to owners of the parent of 519 million yen (Loss attributable to owners of the parent 413 million yen in 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, "DRAGON QUEST WALK" (planning and production: SQUARE ENIX CO., LTD., Development: COLOPL, Inc.) remained steady 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".

As a result, consolidated Net sales and Operating loss for the three-month period ended December 31, 2023 stood at 5,596 million yen (down 20.8% from the same period of the previous fiscal year) and 345 million yen (Operating profit of 233 million yen in the same period of the previous fiscal year).

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.

The Group's funds generated income from the sale of operational investment securities for the three-months period ended December 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 three-months period ended December 31, 2023 stood at 32 million yen (down 20.6% from the same period of the previous fiscal year), and 70 million yen (Operating loss of 222 million yen in the same period of the previous fiscal year).

(2) Analysis of consolidated financial position

(Assets)

Current assets as of December 31, 2023 were 70,472 million yen (down 4,417 million yen from September 30, 2023). This was mainly due to a decrease in Cash and deposits and Accounts receivable - trade, and contract assets.

Non-current assets were 7,095 million yen (up 290 million yen from September 30, 2023). This was mainly due to an increase in Investments and other assets.

As a result, Total assets were 77,567 million yen (down 4,127 million yen from September 30, 2023).

(Liabilities)

Current liabilities as of December 31, 2023 were 3,864 million yen (down 463 million yen from September 30, 2023). This was due to a decrease in Accounts payable - other.

In addition, Non-current liabilities were 958 million yen (down 174 million yen from September 30, 2023). This was due to a decrease in Other non-current liabilities.

As a result, total liabilities were 4,822 million yen (down 637 million yen from September 30, 2023).

(Net assets)

Net assets as of December 31, 2023 were 72,745 million yen (down 3,489 million yen from September 30, 2023). 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

(million yen)

	As of September 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	57,960	55,792
Accounts receivable - trade, and contract assets	4,733	3,400
Operational investment securities	9,908	9,343
Inventories	442	495
Other	1,864	1,460
Allowance for doubtful accounts	(21)	(21)
Total current assets	74,889	70,472
Non-current assets		
Property, plant and equipment	1,780	1,821
Intangible assets	20	22
Investments and other assets		
Other	5,004	5,251
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	5,004	5,251
Total non-current assets	6,805	7,095
Total assets	81,695	77,567
Liabilities		
Current liabilities		
Accounts payable - other	2,226	1,580
Income taxes payable	380	109
Other	1,720	2,173
Total current liabilities	4,327	3,864
Non-current liabilities		
Asset retirement obligations	745	746
Other	387	212
Total non-current liabilities	1,133	958
Total liabilities	5,460	4,822
Net assets		
Shareholders' equity		
Share capital	6,610	6,610
Capital surplus	6,350	6,348
Retained earnings	66,358	63,260
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	74,673	71,573
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,206	801
Foreign currency translation adjustment	348	364
Total accumulated other comprehensive income	1,555	1,166
Non-controlling interests	5	5
Total net assets	76,234	72,745
Total liabilities and net assets	81,695	77,567

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

(million yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Net sales	7,108	5,629
Cost of sales	5,134	4,464
Gross profit	1,973	1,164
Selling, general and administrative expenses	1,961	1,578
Operating profit (loss)	11	(414)
Non-operating income		
Interest income	28	80
Gain on sale of investment securities	77	213
Gain on investments in derivatives	—	17
Miscellaneous income	10	27
Total non-operating income	116	339
Non-operating expenses		
Foreign exchange losses	507	352
Loss on sale of investment securities	31	18
Loss on investments in derivatives	29	—
Miscellaneous losses	2	14
Total non-operating expenses	570	385
Ordinary loss	(442)	(461)
Loss before income taxes	(442)	(461)
Income taxes	(29)	57
Loss	(413)	(519)
Profit (loss) attributable to non-controlling interests	(0)	0
Loss attributable to owners of parent	(413)	(519)

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

(million yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Loss	(413)	(519)
Other comprehensive income		
Valuation difference on available-for-sale securities	(334)	(404)
Foreign currency translation adjustment	3	15
Total other comprehensive income	(331)	(388)
Comprehensive income	(745)	(908)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(744)	(908)
Comprehensive income attributable to non-controlling interests	(0)	(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.

(Changes in significant subsidiaries during the period)

Colopl Next Korea, Inc. was included in the scope of consolidation from the first quarter of the consolidated fiscal year under review due to its increased importance.

(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.

(Segment Information)

I For the three months ended December 31, 2022 (October 1, 2022 to December 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	7,067	40	7,108	—	7,108
Intersegment sales and transfers	—	—	—	—	—
Total	7,067	40	7,108	—	7,108
Operating profit (loss)	233	(222)	11	0	11

(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 three months ended December 31, 2023 (October 1, 2023 to December 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	5,596	32	5,629	—	5,629
Intersegment sales and transfers	—	—	—	—	—
Total	5,596	32	5,629	—	5,629
Operating profit (loss)	(345)	(70)	(415)	0	(414)

(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 loss reported in the consolidated statements of income.