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Consolidated Financial Results for the Six Months Ended March 31, 2024 (under Japanese GAAP)

May 8, 2024

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, 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 Six Months Ended March 31, 2024 (from October 1, 2023 to March 31, 2024)

(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, 2024	12,714	(20.0)	273	(85.9)	727	(54.8)	120	(87.1)
March 31, 2023	15,897	1.5	1,944	(10.4)	1,607	(40.4)	932	(48.3)

(Note) Comprehensive income Six months ended March 31, 2024: (31) million yen (—%)

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

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
March 31, 2024	0.94	—
March 31, 2023	7.27	—

(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	%
March 31, 2024	81,111	73,674	90.8
September 30, 2023	81,695	76,234	93.3

Reference: Shareholder's equity As of March 31, 2024: 73,667 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	—	0.00			
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): Yes
Excluded: 1 company (COLOPL NEXT Listed Shares No. 1 Fund Investment Partnership)
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 (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: 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 March 31, 2024	130,144,640 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 March 31, 2024	1,778,719 shares	As of September 30, 2023	1,778,684 shares
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(iii) Average number of shares during the period

Six months ended March 31, 2024	128,321,127 shares	Six months ended March 31, 2023	128,240,958 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, 2024

(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, 2024, 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 months ended March 31, 2024 were net sales of 12,714 million yen (down 20.0% from the same period of the previous fiscal year), operating profit of 273 million yen (down 85.9% from the same period of the previous fiscal year), ordinary profit of 727 million yen (down 54.8% from the same period of the previous fiscal year), and profit attributable to owners of the parent of 120 million yen (down 87.1% 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, "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" and "Travel Jimano Nyanko (tentative)". In addition to the decrease in sales due to the diminishing sales of existing titles, there were upfront expenses for the blockchain business, which is expected to be released soon.

As a result, consolidated net sales and operating profit for the six months ended March 31, 2024 stood at 12,344 million yen (down 20.0% from the same period of the previous fiscal year) and 389 million yen (down 81.9% 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, 2024. 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, 2024 stood at 369 million yen (down 20.0% from the same period of the previous fiscal year) and 116 million yen (operating loss of 207 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, 2024 were 72,015 million yen (down 2,874 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 9,095 million yen (up 2,290 million yen from September 30, 2023). This was mainly due to an increase in Investments and other assets.

As a result, total assets were 81,111 million yen (down 583 million yen from September 30, 2023).

(Liabilities)

Current liabilities as of March 31, 2024 were 5,131 million yen (up 804 million yen from September 30, 2023). This was mainly due to an increase in Other current liabilities.

In addition, Non-current liabilities were 2,304 million yen (up 1,171 million yen from September 30, 2023). This was mainly due to an increase in Long-term borrowings.

As a result, total liabilities were 7,436 million yen (up 1,975 million yen from September 30, 2023).

(Net assets)

Net assets as of March 31, 2024 were 73,674 million yen (down 2,559 million yen from September 30, 2023). 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 at the end of the six months ended March 31, 2024 decreased 1,321 million yen from the end of the previous fiscal year, to 56,845 million yen.

The status of each of the cash flow segments and contributing factors for changes during the six months ended March 31, 2024 are as follows.

(Cash flows from operating activities)

Net cash increased by 1,544 million yen in operating activities during the six months ended March 31, 2024 (compared to an increase of 949 million yen during the same period of the previous fiscal year). The main cash inflow was 944 million yen decrease in trade receivables.

(Cash flows from investing activities)

Net cash decreased by 2,646 million yen in investing activities during the six months ended March 31, 2024 (compared to an increase of 8,903 million yen during the same period of the previous fiscal year). The main cash outflow was 2,941 million yen in purchase of investment securities.

(Cash flows from financing activities)

Net cash decreased by 562 million yen in financing activities during the six months ended March 31, 2024 (compared to a decrease of 2,559 million yen during the same period of the previous fiscal year). The main cash outflow was 2,565 million yen in dividends paid, and inflow was 2,000 million yen in proceeds from long-term borrowings.

(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 March 31, 2024
Assets		
Current assets		
Cash and deposits	57,960	56,840
Accounts receivable - trade, and contract assets	4,733	3,802
Operational investment securities	9,908	9,697
Inventories	442	568
Other	1,864	1,116
Allowance for doubtful accounts	(21)	(10)
Total current assets	74,889	72,015
Non-current assets		
Property, plant and equipment	1,780	1,795
Intangible assets	20	13
Investments and other assets		
Other	5,004	7,297
Allowance for doubtful accounts	(0)	(11)
Total investments and other assets	5,004	7,286
Total non-current assets	6,805	9,095
Total assets	81,695	81,111
Liabilities		
Current liabilities		
Accounts payable - other	2,226	2,134
Income taxes payable	380	679
Other	1,720	2,317
Total current liabilities	4,327	5,131
Non-current liabilities		
Long-term borrowings	—	1,333
Asset retirement obligations	745	782
Other	387	189
Total non-current liabilities	1,133	2,304
Total liabilities	5,460	7,436
Net assets		
Shareholders' equity		
Share capital	6,610	6,635
Capital surplus	6,350	6,373
Retained earnings	66,358	63,900
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	74,673	72,264
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,206	1,026
Foreign currency translation adjustment	348	376
Total accumulated other comprehensive income	1,555	1,402
Non-controlling interests	5	7
Total net assets	76,234	73,674
Total liabilities and net assets	81,695	81,111

(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, 2023	Six months ended March 31, 2024
Net sales	15,897	12,714
Cost of sales	10,653	9,255
Gross profit	5,244	3,458
Selling, general and administrative expenses	3,299	3,184
Operating profit	1,944	273
Non-operating income		
Interest income	78	160
Foreign exchange gains	—	79
Gain on sale of investment securities	225	226
Gain on investments in investment partnerships	—	15
Gain on investments in derivatives	—	17
Miscellaneous income	25	45
Total non-operating income	328	544
Non-operating expenses		
Foreign exchange losses	462	—
Loss on valuation of investment securities	—	54
Loss on sale of investment securities	54	21
Loss on investments in derivatives	144	—
Miscellaneous losses	3	15
Total non-operating expenses	665	91
Ordinary profit	1,607	727
Extraordinary losses		
Impairment losses	—	29
Total extraordinary losses	—	29
Profit before income taxes	1,607	697
Income taxes	675	576
Profit	932	121
Profit (loss) attributable to non-controlling interests	(0)	0
Profit attributable to owners of parent	932	120

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

(million yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Profit	932	121
Other comprehensive income		
Valuation difference on available-for-sale securities	(328)	(180)
Foreign currency translation adjustment	22	27
Total other comprehensive income	(305)	(152)
Comprehensive income	627	(31)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	627	(31)
Comprehensive income attributable to non-controlling interests	(0)	0

(3) Quarterly Consolidated Statements of Cash Flows

(million yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,607	697
Depreciation	151	127
Impairment losses	—	29
Increase (decrease) in allowance for doubtful accounts	0	0
Foreign exchange losses (gains)	487	(80)
Decrease (increase) in operational investment securities	295	194
Loss (gain) on sale of investment securities	(170)	(204)
Loss (gain) on valuation of investment securities	—	54
Loss (gain) investments in derivatives	144	(17)
Decrease (increase) in trade receivables	(180)	944
Decrease (increase) in inventories	(24)	(125)
Increase (decrease) in trade payables	4	(67)
Increase (decrease) in accounts payable - other	(41)	(90)
Increase (decrease) in accrued consumption taxes	175	(38)
Increase (decrease) in income taxes payable - factor based tax	(57)	(9)
Increase (decrease) in advances received	318	45
Decrease (increase) in prepaid expenses	122	117
Other, net	(241)	73
Subtotal	2,593	1,649
Interest and dividends received	92	168
Interest paid	—	(1)
Income taxes refund (paid)	(1,737)	(272)
Net cash provided by (used in) operating activities	949	1,544
Cash flows from investing activities		
Payments into time deposits	—	(1,412)
Proceeds from withdrawal of time deposits	10,000	—
Purchase of property, plant and equipment	(28)	(101)
Purchase of intangible assets	(5)	(5)
Purchase of investment securities	(2,640)	(2,941)
Proceeds from sale of investment securities	1,906	1,736
Purchase of shares of subsidiaries and associates	(209)	—
Payments of leasehold and guarantee deposits	—	(0)
Proceeds from refund of leasehold and guarantee deposits	0	3
Futures settlement (paid)	(115)	25
Other, net	(3)	47
Net cash provided by (used in) investing activities	8,903	(2,646)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	2,000
Dividends paid	(2,559)	(2,565)
Other, net	(0)	2
Net cash provided by (used in) financing activities	(2,559)	(562)
Effect of exchange rate change on cash and cash equivalents	(439)	159
Net increase (decrease) in cash and cash equivalents	6,854	(1,505)
Cash and cash equivalents at beginning of period	50,914	58,167
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	184
Cash and cash equivalents at end of period	57,768	56,845

(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)

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.

During the second quarter of the consolidated fiscal year under review, COLOPL NEXT Listed Shares No. 1 Fund Investment Partnership has been removed from the scope of consolidation, as a result of the completion of its liquidation process.

(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 of the consolidated fiscal year under review, and multiplying quarterly income before income taxes by the estimated effective tax rate.

(Segment Information)

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

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.

II For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)

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	12,344	369	12,714	—	12,714
Intersegment sales and transfers	—	—	—	—	—
Total	12,344	369	12,714	—	12,714
Operating profit (loss)	389	(116)	272	1	273

(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.