

colopl

FY Sep.2019 1Q Results 2019.2.6

FY2019 1Q

Oct2018-Dec2018

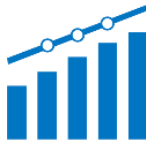


01 Overview of Results

02 Status of Services

03 Topics

Views and forecasts contained in this document are based on COLOPL's assessment as of the time this document was created, and do not in any way guarantee the accuracy of the information.
Please be advised that the actual results or outcome may significantly differ from the views and forecasts expressed herein due to changes in various factors.
Data for 2Q ended September 30, 2012 and earlier consist of figures managed internally by COLOPL.



Overview of Results

1Q FY Sep. 2019 Highlights（Oct2018-Dec2019）

Sales fell into the red due to costs related to the 10th anniversary of our founding. New titles will be diligently prepared looking toward the second half.

Business Results

- Existing titles remained stable. The new title, “Bakuretsu Monster,” faced an uphill battle.
- Sales fell into the red due to a decrease in sales and an increase in costs resulting from upfront investment.

Cost

- Advertising costs remained at the same level as in 4Q of the previous year due to implementation of the 10th anniversary measures (approx. 1.6B).
- External contracting costs increased due to the active development of new titles (+24.9% QoQ).

KPI

- Remained at the same level as in 3Q of the previous year, similar to QAU and ARPQU, although it was a reaction to the anniversary events.
- ARPQU for FY2018, including “Alice Gear Aegis,” increased.

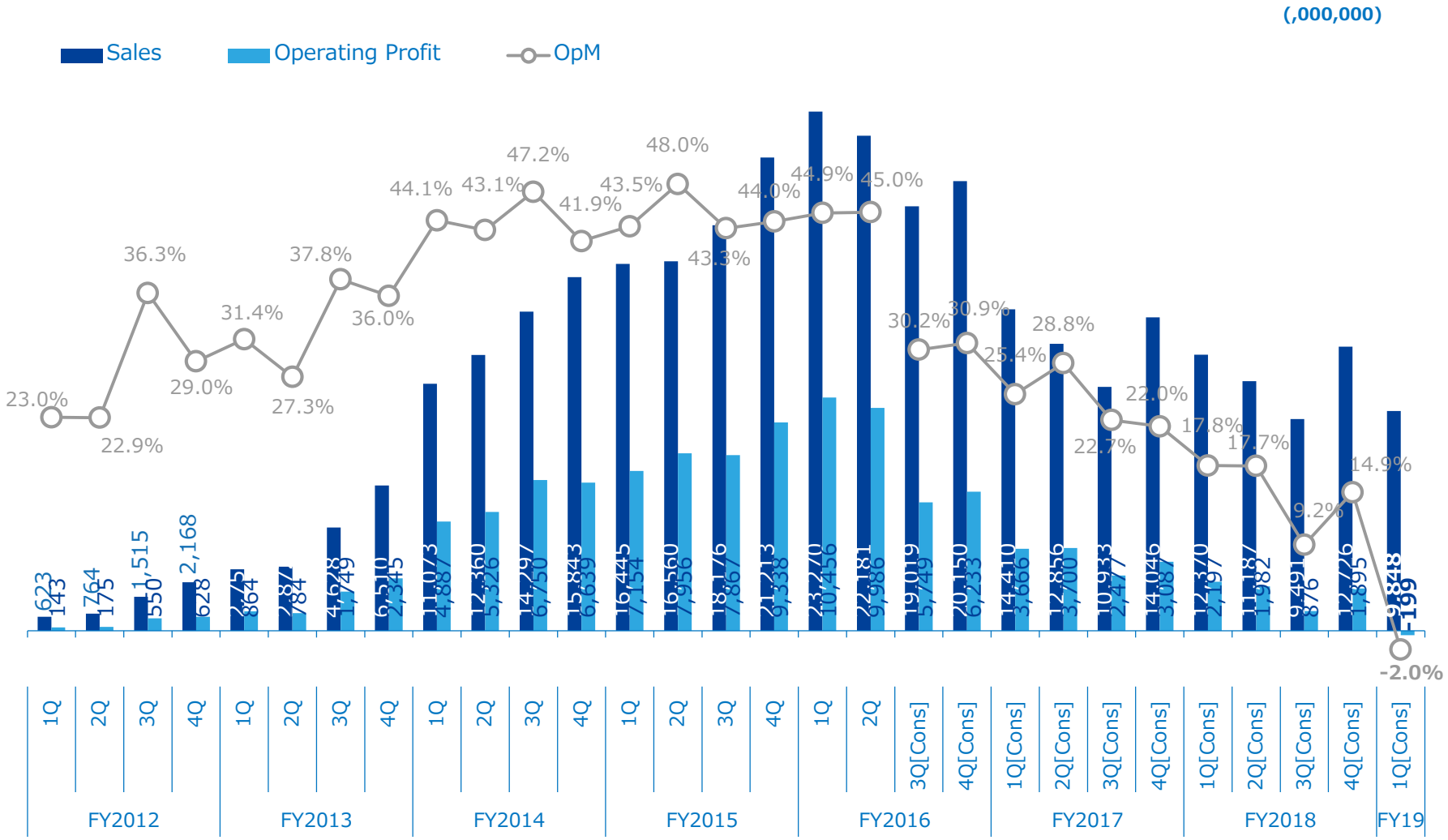
TOPICs

- The new title for FY2019, “Project Babel,” was released.
- Regarding the pipeline, titles of focus were carefully selected.

※QAU is obtained by combining the number of users who launched the app at least once after 7 days of its DL date within this quarter.
※ARPQU is obtained by dividing the quarterly sales by QAU. Please be cautious that the sales disclosed is quarterly sales, not monthly sales.

Revenue Transition (YoY)

Sales **¥9.8**B (YoY: ▲20.4%), Operating profit **¥▲0.19**B (YoY: Fell into the red)



Profit and Loss（QoQ）

Costs related to the 10th anniversary were added temporarily.

(,000,000)	【Cons】 **1Q FY Sep. 2019 (Oct-Dec 2018)**	【Cons】 1Q FY Sep. 2018 (Oct-Dec 2017)	YoY	【Cons】 4Q FY Sep. 2018 (Jul-Sep 2018)	QoQ
Sales	**9,848**	12,370	-20.4%	12,726	-22.6%
Gross Profit	**2,936**	4,933	-40.5%	4,932	-40.5%
Margin	**29.8%**	39.9%	-10.1pt	38.8%	-8.9pt
SGA	**3,135**	2,735	+14.6%	3,037	+3.2%
Operating Profit	**-199**	2,197	-	1,895	-
Margin	**-2.0%**	17.8%	-19.8pt	14.9%	-16.9pt
Current Profit	**-418**	2,212	-	1,497	-
Pre-Tax Profit	**-418**	2,062	-	1,298	-
Net Profit	**-376**	1,352	-	1,139	-

※Please note some rounding variances in calculations

Expense Transition

Advertising costs and other expenses related to the 10th anniversary and external contracting costs due to new title development increased YoY.

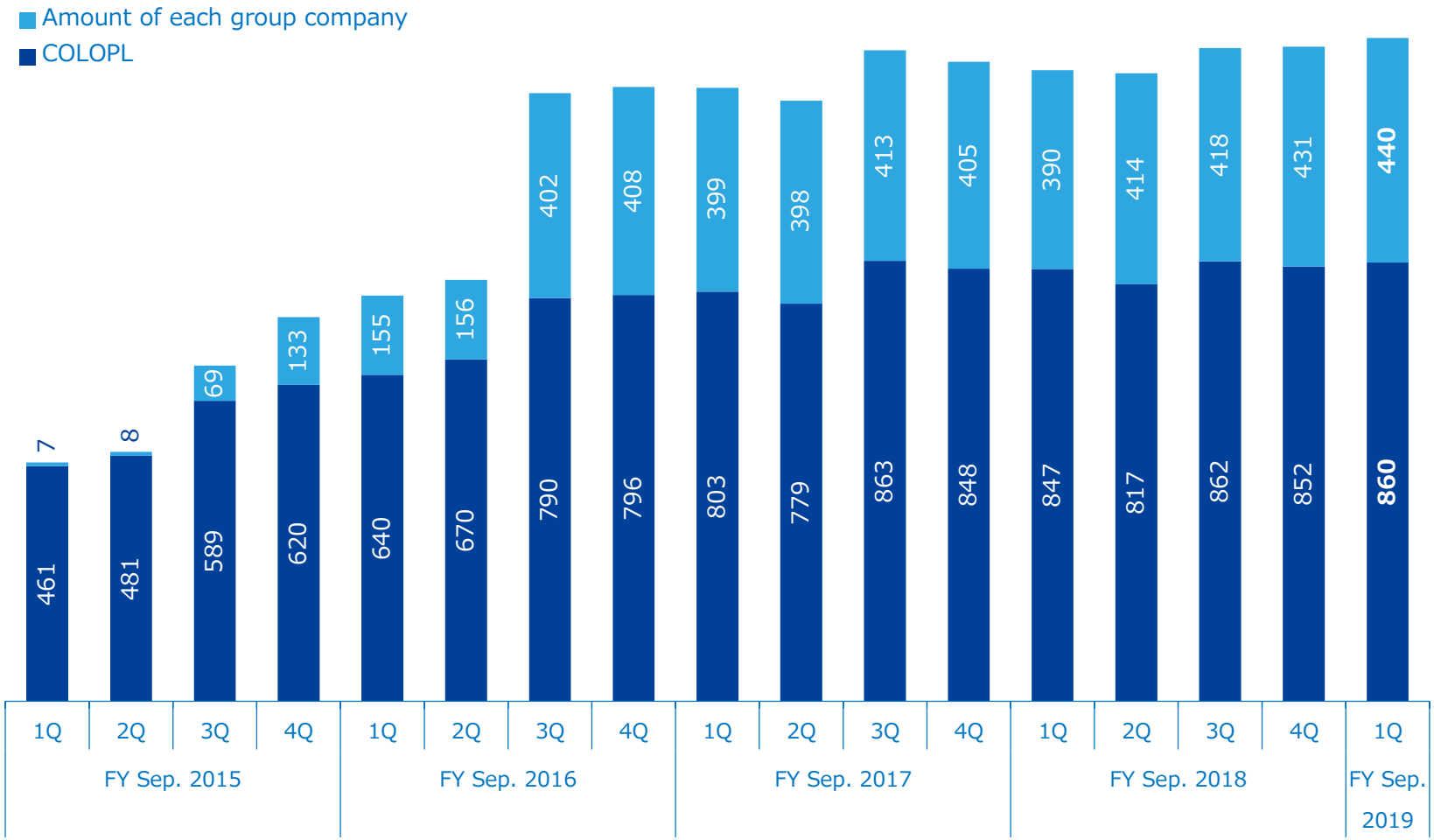
Cost (,000,000) Sales ratio (%)	【Cons】 **1Q FY Sep. 2019** **(Oct-Dec 2018)**	【Cons】 1Q FY Sep. 2018 (Oct-Dec 2017)	YoY	【Cons】 4Q FY Sep. 2018 (Jul-Sep 2018)	QoQ	Comments
PF & Payments	**2,725**	3,465	-21.4%	3,470	-21.5%	Usage fees and charges to be paid to platform operators. The percentage of sales remains at around 28%.
	27.7%	28.0%	-0.3pt	27.3%	+0.4pt	
Royalties	**309**	521	-40.7%	359	-13.9%	This is a change in sales in conjunction with sales of related titles.
	3.1%	4.2%	-1.1pt	2.8%	+0.3pt	
Employment	**2,200**	2,010	+9.5%	2,273	-3.2%	Remained almost at the same level QoQ
	22.3%	16.2%	+6.1pt	17.9%	+4.5pt	
Office	**410**	408	+0.5%	409	+0.2%	There were also no changes in floors and no great changes in expenses QoQ.
	4.2%	3.3%	+0.9pt	3.2%	+0.9pt	
iDC related	**388**	622	-37.6%	406	-4.4%	The revision of the server configuration (AWS → GCP) was still effective.
	3.9%	5.0%	-1.1pt	3.2%	+0.7pt	
Advertisement	**1,670**	1,402	+19.1%	1,671	-0.1%	Although CM advertisements placed for existing titles decreased QoQ, the percentage of sales increased due to festival expenses.
	17.0%	11.3%	+5.6pt	13.1%	+3.8pt	
Outsourcing	**1,002**	554	+80.9%	802	+24.9%	Cost increased greatly YoY in proportion to the increase in titles under development.
	10.2%	4.5%	+5.7pt	6.3%	+3.9pt	
Recruitment	**82**	70	+17.1%	95	-13.7%	Both the actual expenses and the percentage of sales remained almost unchanged.
	0.8%	0.6%	+0.3pt	0.7%	+0.1pt	
Others	**1,262**	1,121	+12.6%	1,346	-6.2%	Inventory adjustment costs decreased QoQ due to an increase in externally contracted projects by group companies that were in progress at the end of the term.
	12.8%	9.1%	+3.8pt	10.6%	+2.2pt	

※Please note some rounding variances in calculations

Workforce Transition

There was no significant change in the number of employees. In April (Q3), 61 new graduates will join.

Number of employees at the end of the term



※Executives and temporary employees are not included.
※Group company means a company where COLOPL holds more than 50% of outstanding shares.

Balance Sheet

Our financial base remained stable. Amortization of goodwill is planned to be completed in 2Q of FY2019.

(,000,000)	【Cons】 Dec-2017	【Cons】 Dec-2017	YoY	【Cons】 Sep-2018	QoQ
Current Assets	**65,418**	63,026	+3.8%	67,792	-3.5%
Cash Equivalent	**59,984**	52,514	+14.2%	60,400	-0.7%
Non-Current assets	**8,820**	13,432	-34.3%	9,451	-6.7%
Goodwill	**148**	742	-80.1%	296	-50.0%
Gross Assets	**74,239**	76,459	-2.9%	77,244	-3.9%
Current Liability	**5,686**	7,678	-25.9%	6,096	-6.7%
Fixed Liability	**523**	515	+1.6%	522	+0.2%
Net Asssets	**68,029**	68,266	-0.3%	70,625	-3.7%
Capital	**6,492**	6,460	+0.5%	6,491	+0.0%

※Please note some rounding variances in calculations
※Our current and non-current assets in and before 3Q of FY Sept. 2018 are retroactively adjusted due to changes in the accounting system.



Status of Services

Sales Model

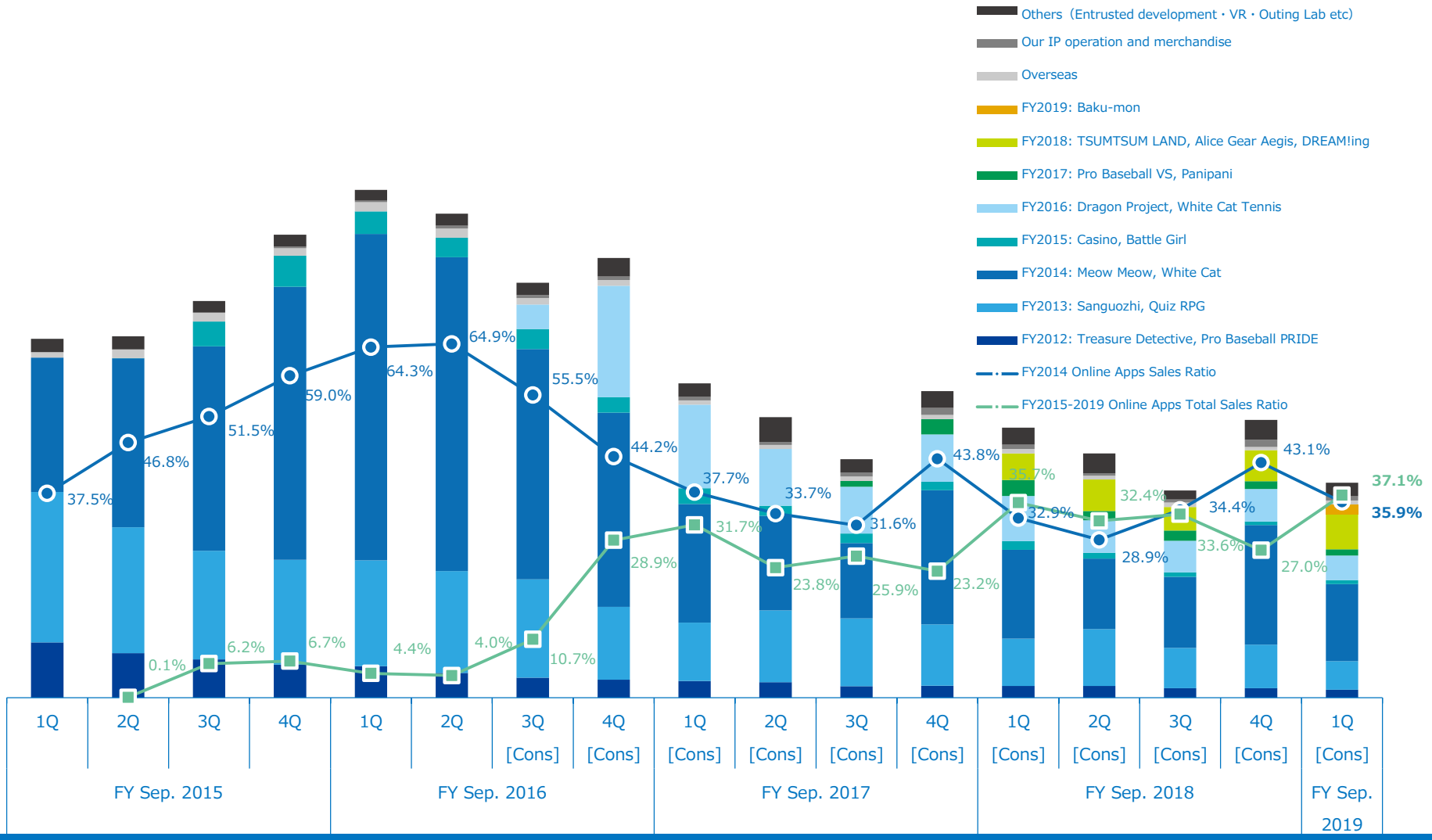
We focus on consecutively launching new apps and operating existing apps on a long-term basis. This approach enables us to accumulate sales for each release year like the stack of layers in a ‘mille-feuille’.



Sales are
stacked one year on top of another.

Sales Transition by Release Period (Cons)

White Cat Project finished its anniversary event, and its percentage of sales returned to a balance with the group of apps released after White Cat Project.



※Sales of smartphone app titles operated by COLOPL's group companies under outsourcing contracts from COLOPL are divided among fiscal years.

Sales Transition by Release Period (Cons)

Sales of FY2018 titles, including “Alice Gear Aegis,” increased gradually.

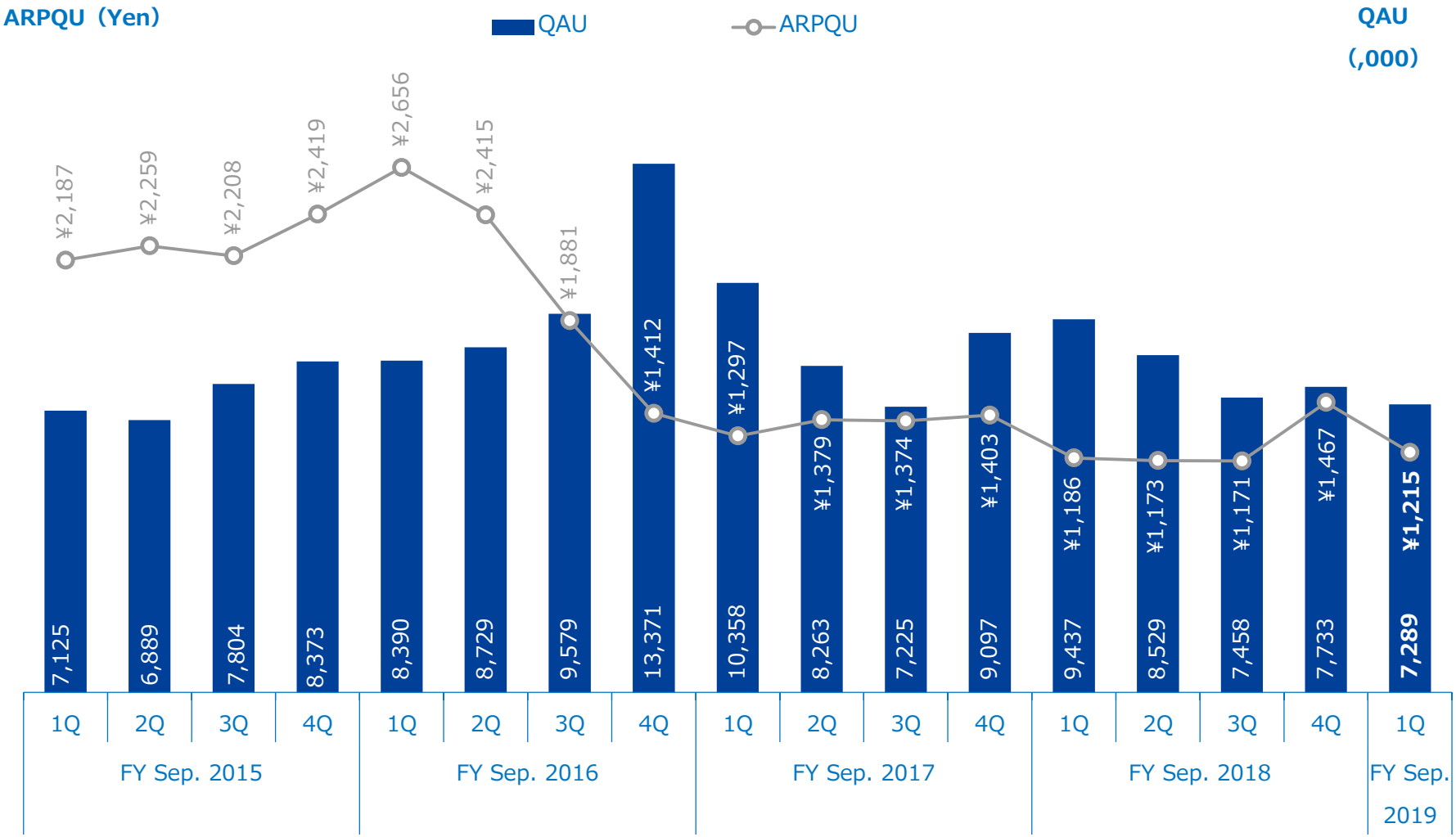
(,000,000)	FY Sep.2018				FY Sep.2019
	1Q	2Q	3Q	4Q	1Q
FY Sep. 2012 Online Apps	530	534	429	436	365
FY Sep. 2013 Online Apps	2,170	2,605	1,844	1,987	1,301
FY Sep. 2014 Online Apps	4,072	3,237	3,267	5,481	3,533
FY Sep. 2015 Online Apps	400	262	196	167	184
FY Sep. 2016 Online Apps	2,070	1,491	1,446	1,492	1,123
FY Sep. 2017 Online Apps	733	428	477	357	291
FY Sep. 2018 Online Apps	1,215	1,445	1,071	1,419	1,589
FY Sep. 2019 Online Apps	-	-	-	-	465
Overseas	207	165	214	152	176
Our IP operation and merchandise	193	119	138	327	196
Others（Entrusted development・VR・Outing Lab etc)	775	898	404	903	619
Total（Cons)	12,370	11,187	9,491	12,726	9,848

- FY2012 : Treasure Detective, Pro Baseball PRIDE(1 other discontinued apps)
- FY2013 : Quiz RPG, Sanguozhi (3 other discontinued apps)
- FY2014 : Meow Meow, White Cat (4 other discontinued app)
- FY2015 : Casino Project, Battle Girl High School (1 other discontinued app)
- FY2016 : Dragon Project, White Cat Tennis (1 other discontinued app)
- FY2017 : Pro Baseball VS, PaniPani
- FY2018 : TSUM TSUM LAND, Alice Gear Aegis, DREAM!ing
- FY2019 : Bakuretsu Monster

※Please note some rounding variances in calculations
※For overseas, sales are calculated in gross revenue (includes PF fee) for direct operation and net revenue (R/S fee) for local partner business model.
※Sales of smartphone app titles operated by COLOPL’s group companies under outsourcing contracts from COLOPL are divided among fiscal years.

KPI Transition for Domestic Apps QAU×ARPQU

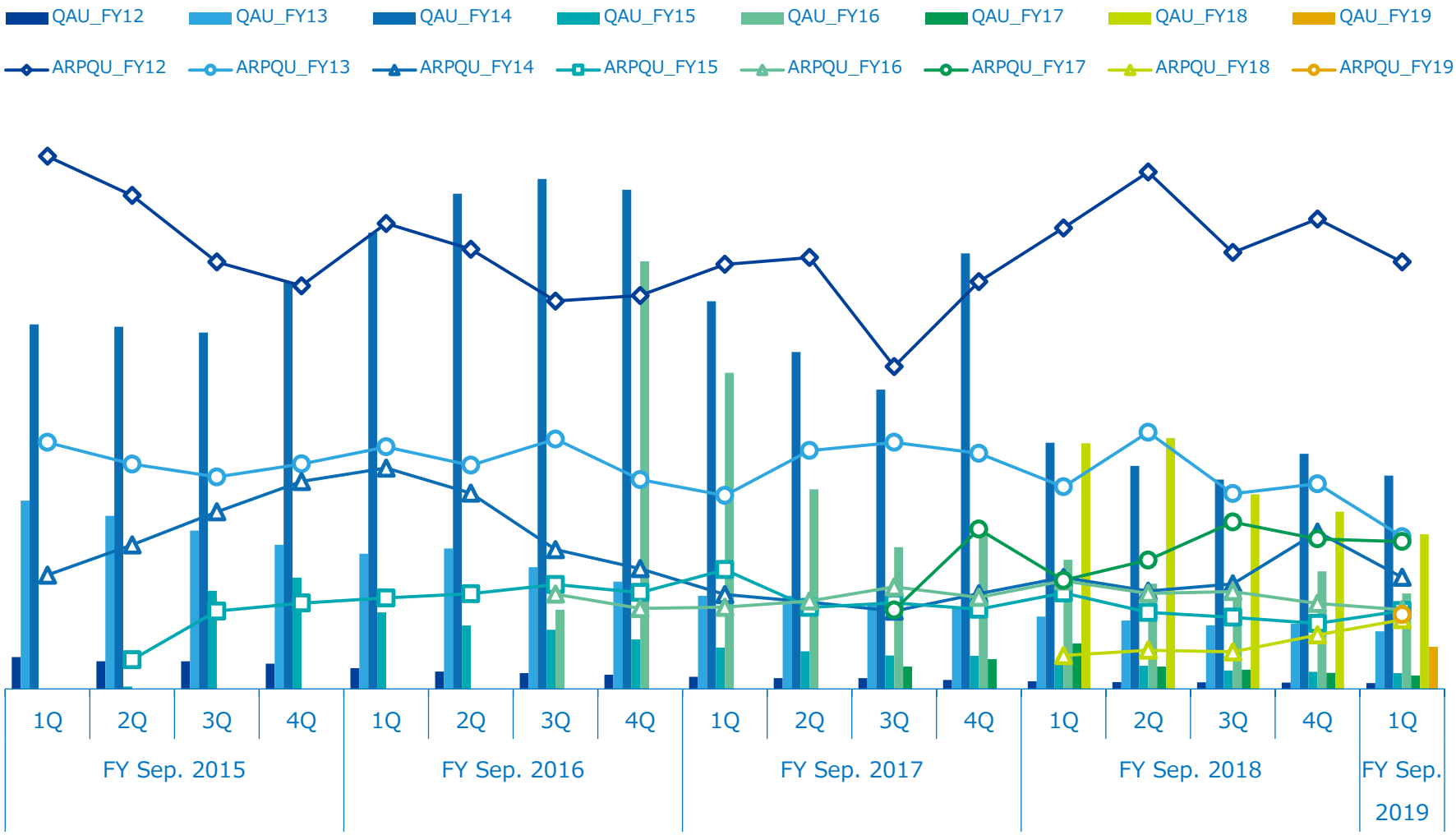
Although overheating caused by anniversary events was eased, both QAU and ARPQU were at the same level as in 3Q of the previous year.



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※ARPQU is obtained by dividing the quarterly sales by QAU. Please be cautious that the sales disclosed is quarterly sales, not monthly sales.

QAU×ARPQU Transition by Release Period

FY2014 titles maintained a level exceeding that of 3Q in the previous year, before the anniversary. For FY2018 titles, ARPQU increased.

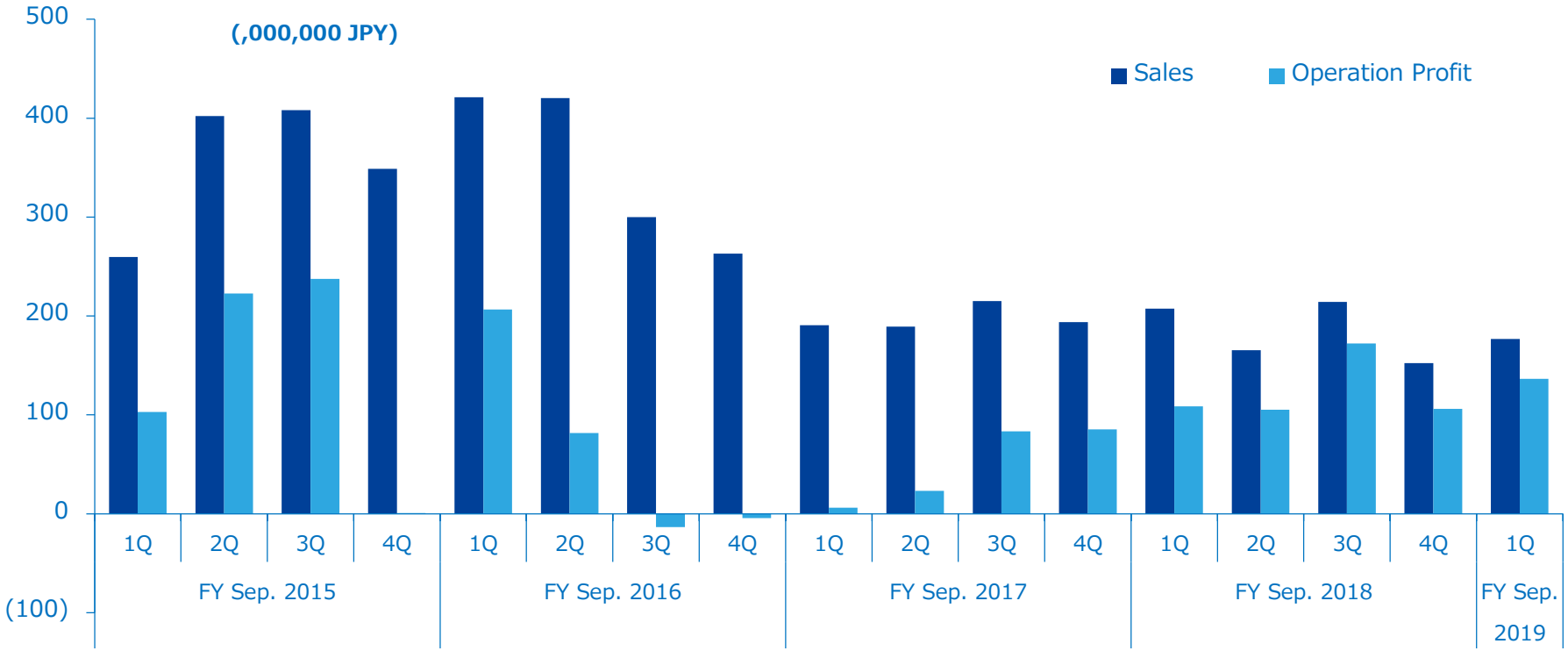


Oversea Expansion Direct Operation & Local Partner Strategy results

Operating profits increased due to a temporal increase in sales that is unaccompanied by costs.



”Alice Gear Aegis“ was released in Taiwan, Hong Kong and Macao in January.



※ For overseas, sales are calculated in gross revenue (includes PF fee) for direct operation and net revenue (R/S fee) for local partner business model.



Topics

Status of IP deployment / utilization

We aim to achieve a balanced IP strategy, securing licensed IP capable of effectively generating immediate sales, while steadily developing original sources for medium- to long-term competitiveness.

Promotion of in-house IP

Animation

- White Cat Project was decided to be animated on TV. Broadcasting is planned to start in 2020, at the same time as the launch of the Nintendo Switch™ version of White Cat Project. This will be the third animation project, following “Battle Girl High School” and “Meow Meow Star Acres.”



The 10th anniversary of our founding

- **“COLOPL Fes 2018”** was held at Tokyo Big Sight for two days in December, with free entry.
- **Corporate TV commercials**, which assembled Colopl IPs, were broadcast.

Promotion of in-house IP

String of collaborations involving various titles

Intermittently achieved collaborations with external IP titles, which increased new users and catered to the needs of existing users, effective for improving loyalty.







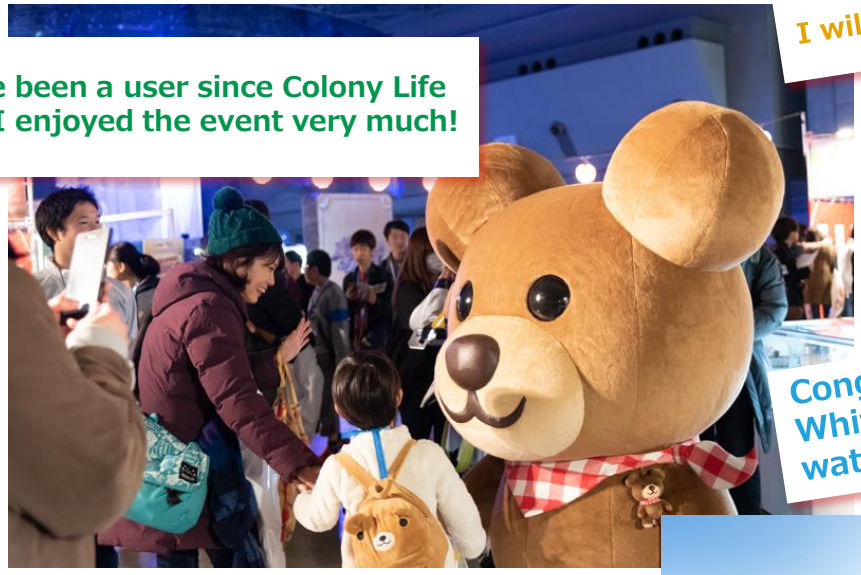






コロプラフェス2018

Gratitude at the 10th anniversary event for all users



I've been a user since Colony Life so I enjoyed the event very much!

I will continue to support you.



Congratulations on the anime version of White Cat Project. I am looking forward to watching it!





The event was so crowded that it was difficult to keep standing in line, but I enjoyed it very much!



The event was awesome. Thank you for a lot of information and goods!



The two-day event was full of exciting features and I had a lot of nice encounters!

The live dialogue recording of Mareless was the greatest! (〃ω〃)

※Comments from users are partial excerpts from social media.

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Pipeline（Online Apps）

The “Project Babel” RPG, produced by impressive creators, launched.
Titles to be released in FY2019 and FY2020 onwards were carefully selected from the perspective of development resources and profitability.

FY18	FY19	FY20～
3 Apps (3)	5 Apps (1)	4 Apps

Our IP titles　Other companies’ IP titles



The scenario was developed by Kazushige Nojima, who worked on Final Fantasy VII and others, with sound by Hitoshi Sakimoto, who worked on Final Fantasy XII and others.

©Disney
※The above chart shows an image based on our internal plan. The internal plan may be revised significantly depending on the situation.
※Number in the parentheses indicates the number of released titles.

Review of 1Q and 2Q

【Review of 1Q】

- Existing titles remained stable.
- New titles, including “Bakuretsu Monster,” are in a tough situation.
- Sales of “Alice Gear Aegis” has increased steadily thanks to steady operation by a group company.
- Costs for the 10th anniversary were added temporarily. External contracting costs increased due to new title development.

【2Q】

- “Black Cat” will commemorate the 6th anniversary.
- Advertising costs estimated before the release of new titles will be approx. 0.8B, targeting anniversary promotions of existing titles.
- Considering the allocation of development resources and balance with external contracting costs, new titles were carefully selected to be developed.
  Focus will continue on the development of derived versions of our IPs and titles of other companies’ IPs, in addition to offering a new way of playing games.



Thank you!

