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Consolidated Financial Results for the Nine Months Ended June 30, 2024 (under Japanese GAAP)

August 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 commence dividend payments: —
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Nine Months Ended June 30, 2024 (from October 1, 2023 to June 30, 2024)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	million yen	%	million yen	%	million yen	%	million yen	%
June 30, 2024	18,318	(18.5)	(773)	—	237	(88.8)	(491)	—
June 30, 2023	22,483	(2.6)	1,980	(32.8)	2,122	(47.7)	1,244	(55.1)

(Note) Comprehensive income Nine months ended June 30, 2024: (549) million yen (—%)
Nine months ended June 30, 2023: 1,421 million yen (down 55.2%)

	Basic earnings per share	Diluted earnings per share
Nine months ended	yen	yen
June 30, 2024	(3.83)	—
June 30, 2023	9.70	—

(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	%
June 30, 2024	80,989	73,159	90.3
September 30, 2023	81,695	76,234	93.3

Reference: Shareholder's equity As of June 30, 2024: 73,149 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 (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) Significant changes in the scope of consolidation during the period: Yes

Newly consolidated: 2 companies (Company name) Colopl Next Korea, Inc., Digital Gemstone Fund 1

Excluded: 1 company (Company name) COLOPL NEXT Listed Shares No. 1 Fund Investment Partnership

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Significant Changes in the scope of consolidation during the period)" on page 7 of the attached materials.

(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 June 30, 2024	130,144,640 shares	As of September 30, 2023	130,055,005 shares

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

As of June 30, 2024	1,778,754 shares	As of September 30, 2023	1,778,684 shares

(iii) Average number of shares during the period

Nine months ended June 30, 2024	128,336,047 shares	Nine months ended June 30, 2023	128,252,769 shares

Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

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 Nine Months Ended June 30, 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 nine months ended June 30, 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 nine months ended June 30, 2024 were Net sales of 18,318 million yen (down 18.5% from the same period of the previous fiscal year), Operating loss of 773 million yen (Operating profit of 1,980 million yen in the same period of the previous fiscal year), Ordinary profit of 237 million yen (down 88.8% from the same period of the previous fiscal year), and Loss attributable to owners of parent of 491 million yen (Profit attributable to owners of the parent 1,244 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, "DRAGON QUEST WALK (planning and production: SQUARE ENIX CO., LTD., development: COLOPL, Inc.)" continued to drive consolidated performance. In original IP titles, "Shironeko Project," "Quiz RPG: The World of Mystic Wiz" and "Alice Gear Aegis" held collaboration events with popular IPs. Although the Group focused on operating services to increase user engagement, sales of existing titles declined. In addition, some titles were discontinued.

The PC version of the new blockchain game "Brilliantcrypto" was released and the Initial Exchange Offering (IEO) (Note) of "Brilliantcrypto Token (BRIL)", a cryptocurrency that can be used in the game, was conducted. The funds raised through the IEO will be gradually recognized in Net sales as BRIL is used in the game, but upfront development and marketing costs and one-time costs associated with the IEO have been incurred.

As a result, consolidated Net sales and Operating loss for the nine months ended June 30, 2024 stood at 17,892 million yen (down 18.6% from the same period of the previous fiscal year) and 618 million yen (Operating profit of 2,319 million yen in the same period of the previous fiscal year), respectively.

(Note) Initial Exchange Offering (IEO) is a mechanism whereby cryptocurrency exchanges take the initiative in screening projects and conducting public offerings and distribution of cryptocurrency in accordance with Japanese domestic laws and regulations.

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 nine months ended June 30, 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 nine months ended June 30, 2024 stood at 426 million yen (down 13.8% from the same period of the previous fiscal year) and 157 million yen (Operating loss of 341 million yen in the same period of the previous fiscal year), respectively.

(2) Analysis of consolidated financial position

(Assets)

Current assets as of June 30, 2024 were 69,120 million yen (down 5,769 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 11,869 million yen (up 5,063 million yen from September 30, 2023). This was mainly due to an increase in Investments and other assets.

As a result, Total assets were 80,989 million yen (down 705 million yen from September 30, 2023).

(Liabilities)

Current liabilities as of June 30, 2024 were 5,698 million yen (up 1,370 million yen from September 30, 2023). This was mainly due to an increase in Other current liabilities.

In addition, Non-current liabilities were 2,131 million yen (up 998 million yen from September 30, 2023). This was mainly due to an increase in Long-term borrowings.

As a result, Total liabilities were 7,829 million yen (up 2,369 million yen from September 30, 2023).

(Net assets)

Net assets as of June 30, 2024 were 73,159 million yen (down 3,075 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 June 30, 2024
Assets		
Current assets		
Cash and deposits	57,960	52,786
Accounts receivable - trade, and contract assets	4,733	3,340
Operational investment securities	9,908	10,297
Inventories	442	619
Other	1,864	2,085
Allowance for doubtful accounts	(21)	(10)
Total current assets	74,889	69,120
Non-current assets		
Property, plant and equipment	1,780	1,758
Intangible assets	20	12
Investments and other assets		
Other	5,004	10,109
Allowance for doubtful accounts	(0)	(11)
Total investments and other assets	5,004	10,098
Total non-current assets	6,805	11,869
Total assets	81,695	80,989
Liabilities		
Current liabilities		
Accounts payable - other	2,226	1,551
Income taxes payable	380	186
Other	1,720	3,960
Total current liabilities	4,327	5,698
Non-current liabilities		
Long-term borrowings	―	1,166
Asset retirement obligations	745	783
Other	387	181
Total non-current liabilities	1,133	2,131
Total liabilities	5,460	7,829
Net assets		
Shareholders' equity		
Share capital	6,610	6,635
Capital surplus	6,350	6,373
Retained earnings	66,358	63,288
Treasury shares	(4,645)	(4,645)
Total shareholders' equity	74,673	71,652
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,206	1,057
Foreign currency translation adjustment	348	439
Total accumulated other comprehensive income	1,555	1,497
Non-controlling interests	5	10
Total net assets	76,234	73,159
Total liabilities and net assets	81,695	80,989

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Third Quarter Consolidated Cumulative Period)

(million yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Net sales	22,483	18,318
Cost of sales	15,722	13,789
Gross profit	6,760	4,529
Selling, general and administrative expenses	4,780	5,303
Operating profit (loss)	1,980	(773)
Non-operating income		
Interest income	146	252
Foreign exchange gains	75	541
Gain on sale of investment securities	292	236
Gain on investments in derivatives	—	17
Miscellaneous income	49	60
Total non-operating income	563	1,109
Non-operating expenses		
Loss on valuation of investment securities	—	54
Loss on sale of investment securities	89	23
Loss on investments in derivatives	324	—
Miscellaneous losses	6	20
Total non-operating expenses	420	98
Ordinary profit	2,122	237
Extraordinary losses		
Impairment losses	—	38
Total extraordinary losses	—	38
Profit before income taxes	2,122	198
Income taxes	878	690
Profit (loss)	1,244	(491)
Loss attributable to non-controlling interests	(0)	(0)
Profit (loss) attributable to owners of parent	1,244	(491)

(Quarterly Consolidated Statements of Comprehensive Income)

(Third Quarter Consolidated Cumulative Period)

(million yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Profit (loss)	1,244	(491)
Other comprehensive income		
Valuation difference on available-for-sale securities	99	(148)
Foreign currency translation adjustment	77	90
Total other comprehensive income	176	(58)
Comprehensive income	1,421	(549)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,421	(549)
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.

(Significant changes in the scope of consolidation 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. In addition, during the third quarter of the consolidated fiscal year under review, Digital Gemstone Fund 1 was included in the scope of consolidation.

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 third quarter under review, and multiplying quarterly income before income taxes by the estimated effective tax rate.

(Notes on Quarterly Consolidated Statements of Cash Flows)

We have not prepared a quarterly consolidated cash flow statement for the third quarter consolidated cumulative period. Depreciation expenses for the third quarter consolidated cumulative period (including Depreciation expenses for Intangible fixed assets excluding Goodwill) are as follows.

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Depreciation	247 million yen	187 million yen

(Notes on Segment Information etc.)

Segment Information

I For the nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)

Information on Net sales and Profit 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	21,988	494	22,483	—	22,483
Intersegment sales and transfers	—	—	—	—	—
Total	21,988	494	22,483	—	22,483
Operating profit (loss)	2,319	(341)	1,978	1	1,980

(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 nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)

Information on Net sales and Profit 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	17,892	426	18,318	—	18,318
Intersegment sales and transfers	—	—	—	—	—
Total	17,892	426	18,318	—	18,318
Operating profit (loss)	(618)	(157)	(775)	1	(773)

(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.