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(Securities Code: 3668)

December 6, 2022

Dear Shareholders,

Takashi Miyamoto
President and Representative Director
COLOPL, Inc.
9-7-2 Akasaka, Minato-ku, Tokyo

Notice of the 14th Ordinary General Meeting of Shareholders

We are pleased to announce the 14th Ordinary General Meeting of Shareholders of COLOPL, Inc. (the “Company”), which will be held as described below.

Pursuant to Article 66, paragraph (1) of the Industrial Competitiveness Enhancement Act and Article 12, paragraph (2) of the Company’s Articles of Incorporation, this General Meeting of Shareholders will be held without a fixed location (virtual only). Shareholders are requested to attend the meeting through our designated website (<https://web.sharely.app/login/colopl-14>).

For information on the necessary environment and procedures for attending the meeting and similar details, please refer to “Instructions for Virtual-Only Shareholders Meetings” on pages 3-5. If you are unable to attend the meeting, or if you are able to attend but are concerned about the possibility of a network failure or similar problem, you may exercise your voting rights ahead of time in writing or via the internet, etc. If you wish to exercise your voting rights ahead of time in writing or via the internet, etc., please examine the accompanying Reference Documents for the General Meeting of Shareholders and review the sections “Exercise of Voting Rights” on pages 6-7, and then exercise your voting rights no later than Thursday, December 22, 2022, at 7:00 p.m.

Details

- 1. Date and Time:** Friday, December 23, 2022, at 10:00 a.m.
 - * You will be able to log in starting at around 9:30 a.m. on the day of the meeting.
 - * In the event it becomes difficult to hold the General Meeting of Shareholders on the above schedule due to a network failure or similar problem, it will be held on the alternate date: Monday, December 26, 2022 at 10:00 a.m. If a decision is made to hold the meeting on the alternate date and time, the new schedule and other information will be posted on the Company’s website (<https://colopl.co.jp/en/ir/stock/shareholders/>).
- 2. How the Meeting will be conducted:**

It will be a General Meeting of Shareholders without a fixed location (virtual only).
Since the event will be held completely online, there will be no venue for shareholders to visit in person.
Please attend via our designated website (<https://web.sharely.app/login/colopl-14>).
For details such as the URL of the website, how to access it, and the procedures required to attend, please refer to “Instructions for Virtual-Only Shareholders Meetings” on pages 3-5.
- 3. Purposes:**

Matters to be reported:

 1. Business Report, Consolidated Financial Statements and Audit Report on the Consolidated Financial Statements by the Financial Auditor and the Audit and Supervisory Committee for the 14th Fiscal Year (from October 1, 2021 to September 30, 2022)
 2. Non-consolidated Financial Statements for the 14th Fiscal Year (from October 1, 2021 to September 30, 2022)

Matters to be resolved:

Proposal 1: Appropriation of Surplus

Proposal 2: Election of Nine (9) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

4. Instructions for Exercising Voting Rights:

- (1) When exercising voting rights in writing

Please indicate your approval or disapproval for each of the proposals on the enclosed voting card, and return it so that it will reach us by 7:00 p.m., Thursday, December 22, 2022.

- (2) When exercising voting rights via the internet, etc.

If you would exercise your voting rights via the internet, etc., please refer to page 7 “Exercise of Voting Rights via the Internet, etc.” described hereafter and complete the procedure by 7:00 p.m., Thursday, December 22, 2022.

5. Matters Decided upon Convocation Notice

- (1) The communication method used to send and receive information during the proceedings of the General Meeting of Shareholders shall be via the internet.

- (2) In the event you exercise your voting rights in advance in writing or via the internet, etc., but then attend the virtual-only General Meeting of Shareholders meeting on the scheduled day via the internet and exercise your voting rights again, only the latest exercise of voting rights at the General Meeting of Shareholders shall be deemed valid, and the prior exercise of voting rights shall be deemed invalid.

In the event you exercise your voting rights in advance and then attend the virtual-only General Meeting of Shareholders meeting on the scheduled day, but we are unable to confirm that you exercised your voting rights on that day, your prior exercise of voting rights shall be deemed valid. In the event you do not exercise your voting rights in advance, and then attend the virtual-only General Meeting of Shareholders meeting on the scheduled day, but we are unable to confirm that you exercised your voting rights on that day, it will be treated as an abstention.

- (3) In the event that the proceedings of the General Meeting of Shareholders are significantly hindered due to a network failure or similar problem, the Chairman of the General Meeting of Shareholders may decide to postpone or continue the General Meeting of Shareholders. A resolution to that effect will be made at the beginning of the General Meeting of Shareholders. If, pursuant to the resolution, the Chairman of the General Meeting of Shareholders decides to postpone or continue the General Meeting of Shareholders, we will promptly notify you of that decision and the date and time of the postponed or resumed meeting on the Company’s website (<https://colopl.co.jp/en/ir/stock/shareholders/>).

Notes:

- * To ensure reliable streaming on the day of the event, we have prepared a manual for specific measures to be taken in the event of network failure. However, depending on your communication environment, shareholders watching the event may experience communication failures such as video and audio disturbances or temporary interruptions in the live stream, and there may be minor time lags in transmission and reception.
- * We are not responsible for any connection failures, delays, or audio problems on the day of the General Meeting of Shareholders caused by problems with the shareholder’s communication environment. Please be understanding in advance.
- * All telecommunications-related expenses for viewing the meeting including equipment, connection charges, and communication fees are to be borne by the shareholder.
- * It is prohibited to provide video, images, audio data, etc. of the meeting to third parties, or to publicly release, reproduce, or duplicate the content, or to tell third parties how to log in to the meeting.
- * Before holding this meeting, the Company will be accepting questions in advance from shareholders via the internet. On the day of the General Meeting of Shareholders, we intend to answer all or part of the questions received from the website for receiving shareholder questions in advance.
- * The website for receiving shareholder questions in advance cannot be used to submit a motion.
- * If any revisions are made to the contents of Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements, the Company will post the altered contents on the Company’s website (<https://colopl.co.jp/en/ir/stock/shareholders/>).

Instructions for Virtual-Only Shareholders Meetings

This General Meeting of Shareholders is a “virtual-only shareholders meeting” to be held only over the internet.

Since there will be no venue for shareholders to visit in person, we ask that you attend the meeting online. Details such as the URL of the website, how to access it, and the procedures required to attend the meeting are as follows. On the day of the General Meeting of Shareholders, you can attend the meeting over the internet from our designated website (<https://web.sharely.app/login/colopl-14>), where you will be able to watch live streamed video, exercise your voting rights, ask questions about agenda items, submit a motion, etc. You may also submit your questions, opinions, etc. prior to the meeting on the same website.

* Please be sure to read the following notes before accessing the website.

1. Date and time of streaming

From Friday, December 23, 2022, at 10:00 a.m.

* In the event it becomes difficult to hold the General Meeting of Shareholders on the above schedule due to a network failure or similar problem, the new schedule and other information will be posted on the Company’s website (<https://colopl.co.jp/en/ir/stock/shareholders/>).

2. How to access

<URL> <https://web.sharely.app/login/colopl-14>

<Required information> Shareholder number, postal code, number of shares held

(i) Please enter the URL above or scan the QR code on the right with a smartphone to access the live streaming page.

* “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

(ii) After connecting to the site, please log in by entering your shareholder number, postal code, and number of shares held, which are written on your voting card, following the on-screen instructions.



* Before mailing your voting card, please make a note of your shareholder number, postal code, and number of shares held.

* If you have any questions, please visit the following web page for frequently asked questions: <https://sharely.zendesk.com/hc/ja/sections/360009585533>

3. How to exercise your voting rights on the scheduled day

After logging in, enter your approval or disapproval from the “Resolutions” button below the viewing screen in accordance with the instructions of the Chairman of the General Meeting of Shareholders.

4. How to ask a question or submit a motion

(1) How to ask questions in advance

We will accept questions in advance during the time frame indicated below. After accessing and logging in to the website as indicated in “2. How to access,” click the “Question” button and enter your question regarding the agenda items of the General Meeting of Shareholders. Please note that comments and questions are limited to 2 questions per person, and the number of characters is limited to 150 characters per question.

<Deadline for receiving shareholder questions in advance>

Monday, December 19, 2022 at 7:00 p.m.

* We cannot respond to comments or questions sent after the deadline.

* We plan to provide explanations, focusing on matters that we believe will be of particular interest to our shareholders on the day of the General Meeting of Shareholders.

* We may not be able to answer all questions, depending on the progress of the General Meeting of Shareholders and the content of the question.

(2) How to ask questions on the scheduled day

After logging in, click the “Question” button at the bottom of the viewing screen and enter your question relating to the agenda items of the General Meeting of Shareholders in accordance with the instructions of the Chairman of the General Meeting of Shareholders. Please note that questions are limited to 2 questions per person, and the number of characters is limited to 150 characters per question.

(3) How to submit a motion

To submit a motion, select the type of motion from the “Motion” button at the bottom of the viewing screen and enter the motion in accordance with the instructions of the Chairman of the General Meeting of Shareholders.

(4) Posting of questions and answers

On the day of the general meeting of shareholders, we may not be able to answer all of the advance questions and same-day questions. In principle, however, all questions, except those unrelated to the agenda items of the General Meeting of Shareholders, and their answers will be posted on the Company’s website after the General Meeting of Shareholders (posting is scheduled for January 2023).

5. Details of the policy on measures concerning failure of the method of communication used to send and receive information in the proceedings of this General Meeting of Shareholders

For this General Meeting of Shareholders, we will use a system with communication failure countermeasures, and for operations on the day of the general meeting of shareholders, we will assign specialized staff capable of dealing with communication failures. In preparation for a case of considerable disruptions to proceedings due to communication failures, at the beginning of the day of the general meeting of shareholders, the Company will consult with the Chairman regarding a discretionary resolution to postpone or continue the General Meeting of Shareholders, and will prepare a manual in advance on how to respond to communication failures.

6. Details of the policy regarding consideration of the interests of shareholders who have difficulties in using the Internet as method of communication for transmitting and receiving information with regard to the proceedings of this General Meeting of Shareholders

Shareholders who wish to exercise their voting rights but have difficulty using the Internet are encouraged to exercise their voting rights in writing in advance.

7. How to attend by proxy

A proxy shareholder holding voting rights of the Company may exercise proxy voting rights. Shareholders who wish to do this are required to submit a document (letter of proxy) authorizing the vote by proxy to the Company prior to the General Meeting of Shareholders by mailing it to the address below. For proxy forms and other necessary information, please see “Inquiries concerning the exercise of voting rights by proxy.”

<Contact for inquiries concerning the exercise of voting rights by proxy>

soukai@colopl.co.jp

<Where to submit proxy-related documents>

Midtown East 6F, 9-7-2 Akasaka, Minato-ku, Tokyo 107-0052

Attn: General Meeting of Shareholders Management Office, COLOPL, Inc.

<Deadline for submission>

No later than Monday, December 19, 2022 at 7:00 p.m.

* Please note that if the required documents do not reach us by the submission deadline, attendance by proxy will not be possible.

* If the submitted documents are incomplete, the proxy delegation may be considered invalid.

<Points to note>

1. In the event you exercise your voting rights in advance in writing or via the internet, etc., but then attend the virtual-only General Meeting of Shareholders meeting on the scheduled day via the internet and exercise your voting rights again, only the latest exercise of voting rights at the General Meeting of Shareholders shall be deemed valid, and the prior exercise of voting rights shall be deemed invalid. In the event you exercise your voting rights in advance and then attend the virtual-only General Meeting of Shareholders meeting on the scheduled day, but we are unable to confirm that you exercised your voting rights on that day, your prior exercise of voting rights shall be deemed valid. In the event you do not exercise your voting rights in advance, and then attend the virtual-only General Meeting of Shareholders meeting on the scheduled day, but we are unable to confirm that you exercised your voting rights on that day, it will be treated as an abstention.
2. The website for receiving shareholder questions in advance cannot be used to submit a motion.
3. To ensure reliable streaming on the day of the event, we have prepared a manual for specific measures to be taken in the event of network failure. However, depending on your communication environment, shareholders watching the event may experience communication failures such as video and audio disturbances or temporary interruptions in the live stream, and there may be minor time lags in transmission and reception.
4. We are not responsible for any connection failures, delays, or audio problems on the day of the General Meeting of Shareholders caused by problems with the shareholder’s communication environment. Please be understanding in advance.

5. All telecommunications-related expenses for viewing the meeting including equipment, connection charges, and communication fees are to be borne by the shareholder.
6. It is prohibited to provide video, images, audio data, etc. of the meeting to third parties, or to publicly release, reproduce, or duplicate the content, or to tell third parties how to log in to the meeting.
7. If you have any other questions about the content delivery system, please visit the following web page for frequently asked questions:
<https://sharely.zendesk.com/hc/ja/sections/360009585533>

[Inquiries concerning how to log in to and use the website on the scheduled day]

Contact: System operating company (Coincheck, Inc.)

Tel: 03-6416-5287

(Date and time for inquiries: Friday, December 23, 2022, from 9:00 a.m. to the end of the General Meeting of Shareholders)

■ Exercise of Voting Rights



■ When exercising voting rights by mail (in writing)

Please indicate your approval or disapproval for each of the proposals and post it to the Company without postage stamp.

- ▶ Deadline: to be received **Thursday, December 22, 2022, at 7:00 p.m.**

Proposal 1

- To mark your approval → Please circle “Approve.”
- To mark your disapproval → Please circle “Reject.”

Proposal 2

- To mark your approval for all candidates → Please circle “Approve.”
- To mark your disapproval for all candidates → Please circle “Reject.”
- To mark your disapproval for certain candidates → Please circle “Approve” and write the number of the candidate(s) you wish to reject.

* When neither “Approve” nor “Reject” is circled on a Proposal, that proposal will be deemed to indicate approval.



■ When exercising voting rights via the internet, etc. * Please refer to next page for details.

Please use a personal computer or smartphone to access the voting website (<https://www.web54.net>). Please enter the “voting code” and “password” printed on the enclosed voting card, and indicate your approval or disapproval for each of the proposals by following the instructions displayed on the screen.

- ▶ Deadline: **Thursday, December 22, 2022, at 7:00 p.m.**

■ Exercise of Voting Rights via the Internet, etc.

Voting website

If you exercise your voting rights via the internet, etc., please use the following voting website designated by the Company.

Exercising your voting rights using a personal computer:

[Voting website] <https://www.web54.net>

Exercising your voting rights using a smartphone:

You can access the voting website without entering the “voting code” and “password” by scanning the “voting website login QR code for smartphone” printed on the enclosed voting card.

In this case, you can exercise your voting rights only once.

* You may exercise your voting rights only once with the method described above.

* “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

Handling of votes

If voting rights are exercised both in writing and via the internet, etc., the vote via the internet, etc. will be considered effective.

If voting rights are exercised multiple times via the internet, etc., the final vote will be considered effective.

If you exercise your voting rights via the internet, etc., please exercise your voting rights no later than Thursday, December 22, 2022, at 7:00 p.m.

| | |
|--|--|
| Inquiries: In case you need instructions to operate your personal computer or smartphone | |
| <ul style="list-style-type: none">In case you need instructions for how to operate your personal computer or smartphone in order to exercise your voting rights on the aforementioned website, please call the following number: | <ul style="list-style-type: none">For other questions relating to shares, please refer to the following: |
| Dedicated number of Stock Transfer Agent Web Support, Sumitomo Mitsui Trust Bank, Limited | Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited |
| Telephone: 0120-652-031 (Toll free within Japan only) | Telephone: 0120-782-031 (Toll free within Japan only) |
| Business hours: 9:00 a.m. to 9:00 p.m. | Business hours: 9:00 a.m. to 5:00 p.m., excluding Saturdays, Sundays and national holidays |

Exercise of voting rights via the electronic voting rights exercise platform (for institutional investors)

Institutional investors may use the electronic voting rights exercise platform operated by ICJ, Inc. to electronically exercise the voting rights for this General Meeting of Shareholders.

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal 1: Appropriation of Surplus

The Company would like to declare appropriation of surplus for the current fiscal year as described below.

Matters regarding year-end dividend

With regard to the earnings distribution, the basic policy of the Company is to pay stable and continuous dividends based on the sound balance sheet while comprehensively taking into account consolidated financial results, DOE (dividend on equity), cash flows and capital efficiency.

In light of the abovementioned policy and future business development, among other things, the Company proposes the year-end dividend for the current fiscal year as follows:

(1) Type of dividend property

Cash

(2) Dividend property allotment to shareholders and total amount thereof

Dividend per common share of the Company: 20.00 yen

Total amount of dividends: 2,564,109,580 yen

(3) Effective date for dividends

December 27, 2022

Proposal 2: Election of Nine (9) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

All ten (10) Directors (excluding Directors who are Audit and Supervisory Committee members) will resign at the conclusion of this meeting due to the expiration of their terms of office.

Accordingly, the Company requests approval for the election of nine (9) Directors (excluding Directors who are Audit and Supervisory Committee members). This proposal was determined by the Board of Directors by reference to deliberations of the Nomination and Compensation Advisory Committee. It was also reviewed by the Audit and Supervisory Committee, but the committee did not find any matters requiring special mention.

The candidates for Directors (excluding Directors who are Audit and Supervisory Committee members) to be elected are as follows:

| No. | Name (Date of birth) | Career summary, positions, areas of responsibility in the Company, and important concurrent positions | Number of the Company's shares held |
|-----|---|---|---|
| 1 | Naruatsu Baba (January 7, 1978) <u>Reelection</u> | <p>Mar. 2003 Joined K Laboratory Co., Ltd. (name changed to KLab Inc.)</p> <p>Apr. 2007 Joined GREE, Inc.</p> <p>Oct. 2008 Established COLOPL, Inc. President and Representative Director</p> <p>Mar. 2016 Established Kuma Foundation President (current position)</p> <p>Dec. 2021 Chairman of the Board, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate He is the founder of the Company and has led growth of the Group as Chairman of the Board and creator since its foundation. He possesses abundant experience and knowledge of service development technology, particularly in relation to mobile content, and he fulfills an extremely important role in deciding and executing technical decisions, management policy and business strategies. We therefore request his reelection as Director as we expect his aforementioned experience and achievements will benefit the decision making of the Company's Board of Directors and contribute to boosting the Company's corporate value.</p> | 61,778,456 shares |
| 2 | Takashi Miyamoto (April 19, 1972) <u>Reelection</u> | <p>Apr. 1995 Joined Meidi-Ya Co., Ltd.</p> <p>Sep. 2001 Joined DigiCube Co., Ltd.</p> <p>Oct. 2003 Joined SoftBank BB Corp.</p> <p>Apr. 2005 Joined Dex Entertainment Inc.</p> <p>Apr. 2008 Established GP Coreedge Inc. Representative Director, President and CEO</p> <p>Apr. 2011 Joined GamePot, Inc. Director and CMO</p> <p>Jul. 2012 Established Coreedge Inc. Representative Director, President and CEO</p> <p>Jun. 2020 Joined COLOPL, Inc.</p> <p>Dec. 2021 President and Representative Director (current position)</p> <p>Reasons for Nomination as Candidate He possesses abundant experience and insight as the person in charge of the marketing divisions and Representative Director, President of group companies of a major company, etc., and has contributed to expansion of the Company's services as President and Representative Director. Accordingly, we request his reelection as Director as we expect his aforementioned experience and accomplishments will benefit the decision making of the Company's Board of Directors and contribute to boosting the Company's corporate value.</p> | 29,586 shares |

| No. | Name (Date of birth) | Career summary, positions, areas of responsibility in the Company, and important concurrent positions | Number of the Company's shares held |
|-----|---|--|---|
| 3 | Yoshiaki Harai (September 28, 1988) <u>Reelection</u> | <p>Mar. 2011 Joined Deloitte Touche Tohmatsu LLC Mar. 2014 Registered as Certified Public Accountant Jan. 2015 Joined COLOPL, Inc. Dec. 2018 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to a high level of expertise in finance and accounting as a certified public accountant, the candidate possesses abundant experience and broad insight in the overall corporate realm, which have been gained from his involvement in M&A, construction of group governance systems, development of the personnel systems, and so forth since joining the Company. Accordingly, we request his reelection as Director as we expect his aforementioned experience and accomplishments will benefit the decision making of the Company's Board of Directors and contribute to boosting the Company's corporate value.</p> | 26,138 shares |
| 4 | Kenta Sugai (February 28, 1982) <u>Reelection</u> | <p>Apr. 2000 Joined Fujisetsubi Corporation Dec. 2001 Joined Forum Engineering Inc. Apr. 2005 Joined COMSYS TECHNO Corporation Jan. 2008 Joined forTravel, Inc. (name changed to Kakaku.com, Inc.) Jun. 2010 Joined COLOPL, Inc. Dec. 2016 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate With his abundant experience mainly in IT and Web services, the candidate has contributed his high technical proficiency to development and operation of nearly all contents since joining the Company. He possesses abundant experience and broad insight in all aspects of the game business. Accordingly, we request his reelection as Director as we expect his aforementioned experience and accomplishments will benefit the decision making of the Company's Board of Directors and contribute to boosting the Company's corporate value.</p> | 144,752 shares |
| 5 | Yu Sakamoto (March 5, 1984) <u>Reelection</u> | <p>Apr. 2009 Joined Konami Digital Entertainment Co., Ltd. Oct. 2013 Joined COLOPL, Inc. Dec. 2020 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to possessing abundant experience and a history of achievements from working at consumer game companies, the candidate possesses abundant experience and broad insight in all aspects of the game business, which have been gained from his involvement as a game creator in the development and operation of a number of mobile games since joining the Company. Accordingly, we request his reelection as Director as we expect his aforementioned experience and accomplishments will benefit the decision making of the Company's Board of Directors and contribute to boosting the Company's corporate value.</p> | 15,263 shares |
| 6 | Yoichi Ikeda (January 18, 1984) <u>Reelection</u> | <p>Apr. 2009 Joined CAPCOM CO., LTD. Dec. 2012 Joined COLOPL, Inc. Dec. 2020 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to possessing abundant experience and a history of achievements from working at consumer game companies, the candidate possesses abundant experience and broad insight into game development, which have been gained from his contribution as an engineer to the development of a number of mobile games since joining the Company. Accordingly, we request his reelection as Director as we expect his aforementioned experience and accomplishments will benefit the decision making of the Company's Board of Directors and contribute to boosting the Company's corporate value.</p> | 13,783 shares |

| No. | Name (Date of birth) | Career summary, positions, areas of responsibility in the Company, and important concurrent positions | Number of the Company's shares held |
|-----|--|---|---|
| 7 | Koji Yanagisawa (May 19, 1971) <input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent | <p>Apr. 1995 Joined Fuji Bank, Limited (name changed to Mizuho Bank, Ltd.)</p> <p>May 1999 Joined NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.</p> <p>May 2005 Joined Mizuho Securities Co., Ltd.</p> <p>Feb. 2006 Full-time Statutory Auditor, Start Today Co., Ltd. (name changed to ZOZO, Inc.)</p> <p>Jun. 2008 Director Head of Strategic Planning and Business Administration Division, Start Today Co., Ltd. (name changed to ZOZO, Inc.)</p> <p>Apr. 2009 CFO, Start Today Co., Ltd. (name changed to ZOZO, Inc.)</p> <p>Dec. 2015 Outside Director, COLOPL, Inc. (current position)</p> <p>Apr. 2017 Executive Vice President and CFO, Start Today Co., Ltd. (name changed to ZOZO, Inc.) (current position)</p> <p>Mar. 2020 External Director, OPT Holding, Inc. (name changed to DIGITAL HOLDINGS, Inc.) (current position)</p> <p>Reasons for Nomination as Candidate for Outside Director and Overview of Expected Role</p> <p>The candidate possesses abundant experience and broad insight as a company manager. We request his reelection as Outside Director as we expect his aforementioned experience and his independent and objective standpoint will enable him to provide advice, suggestions and so forth for ensuring the decision making of management can be carried out suitably and appropriately.</p> <p>Mr. Koji Yanagisawa is currently an Outside Director of the Company, and at the conclusion of this meeting, his tenure as Outside Director will have been seven years.</p> <p>The Company has submitted notification to the Tokyo Stock Exchange that Mr. Koji Yanagisawa has been designated as an independent director as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent director to continue.</p> | 5,000 shares |
| 8 | Dai Tamesue (May 3, 1978) <input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent | <p>Apr. 2002 Joined Osaka Gas Co., Ltd.</p> <p>Oct. 2003 Retired from Osaka Gas Co., Ltd. and became an independent professional track and field athlete</p> <p>Mar. 2004 Contracted as an athlete of Asia Partnership Fund</p> <p>Dec. 2007 Established SAMURAI CO., LTD. (name changed to Deportare Partners Co., Ltd.) Representative Director (current position) Outside Director, Wedge Holdings CO., LTD.</p> <p>Aug. 2010 Established Athlete Society President (current position)</p> <p>May 2014 Established Xiborg Co., Ltd. Director (current position)</p> <p>Dec. 2015 Outside Director, COLOPL, Inc. (current position)</p> <p>Jul. 2018 Established Deportare Partners Co., Ltd. (merged into SAMURAI CO., LTD.) Representative Director</p> <p>Reasons for Nomination as Candidate for Outside Director and Overview of Expected Role</p> <p>The candidate possesses abundant experience and broad insight gained from his activities as an athlete and other social and educational activities. We request his reelection as Outside Director as we expect his aforementioned experience and his independent and objective standpoint will enable him to provide advice and suggestions for ensuring the decision making of management can be carried out suitably and appropriately.</p> <p>Mr. Dai Tamesue is currently an Outside Director of the Company, and at the conclusion of this meeting, his tenure as Outside Director will have been seven years.</p> <p>The Company has submitted notification to the Tokyo Stock Exchange that Mr. Dai Tamesue has been designated as an independent director as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent director to continue.</p> | - |

| No. | Name (Date of birth) | Career summary, positions, areas of responsibility in the Company, and important concurrent positions | Number of the Company's shares held |
|-----|---|---|---|
| 9 | Harold George Meij (December 4, 1963) <input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent | <p>Jan. 1987 Joined Heineken Japan K.K. (name changed to Heineken Kirin K.K.) Assistant General Manager</p> <p>Apr. 1990 Joined Nippon Lever K.K. (name changed to Unilever Japan K.K.) Assistant Brand Manager</p> <p>Apr. 2000 Joined Sunstar Inc. Executive Officer of Oral Care Division</p> <p>Sep. 2006 Executive Vice President & General Manager of Marketing Headquarters, Coca-Cola(Japan)Company, Limited</p> <p>Nov. 2008 Executive Vice President & Chief Customer Officer, Coca-Cola(Japan)Company, Limited</p> <p>Mar. 2014 Management Advisor, TOMY COMPANY, LTD.</p> <p>Jun. 2015 Representative Director, President & CEO, TOMY COMPANY, LTD.</p> <p>May 2018 Director & CSO, Bushiroad Inc. Representative Director, President & CEO, New Japan Pro-Wrestling Co., Ltd.</p> <p>Mar. 2019 Outside Director, Earth Corporation (current position)</p> <p>Nov. 2020 Advisor, Sanrio Company, Ltd. (current position)</p> <p>Mar. 2021 Management Advisory Board Member, Kewpie Corporation (current position)</p> <p>Apr. 2021 Advisor, Panasonic Corporation</p> <p>Apr. 2021 Outside Director, Alinamin Pharmaceutical Co., Ltd. (current position)</p> <p>Dec. 2021 Outside Director, COLOPL, Inc. (current position)</p> <p>Apr. 2022 Outside Director, Panasonic Corporation (current position)</p> <p>Reasons for Nomination as Candidate for Outside Director and Overview of Expected Role</p> <p>The candidate possesses deep insight and experience in management and marketing largely based on his experience serving as the person in charge of marketing and Representative Director in major companies in Japan and abroad. We request his reelection as Outside Director as we expect his aforementioned experience and his independent and objective standpoint will enable him to provide advice, suggestions and so forth for ensuring the decision making of management can be carried out suitably and appropriately.</p> <p>Mr. Harold George Meij is currently an Outside Director of the Company, and at the conclusion of this meeting, his tenure as Outside Director will have been one year.</p> <p>The Company has submitted notification to the Tokyo Stock Exchange that Mr. Harold George Meij has been designated as an independent director as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent director to continue.</p> | - |

- (Notes) 1. No special interest exists between any of the above candidates and the Company.
2. Mr. Naruatsu Baba, Mr. Takashi Miyamoto, Mr. Yoshiaki Harai, Mr. Kenta Sugai, Mr. Yu Sakamoto, Mr. Yoichi Ikeda, Mr. Koji Yanagisawa, Mr. Dai Tamesue and Mr. Harold George Meij are currently Directors of the Company, and their positions, areas of responsibility in the Company, and important concurrent positions are as specified in “4. Company Officers, (1) Directors” of the Business Report.
3. Pursuant to Article 427, paragraph (1) of the Companies Act, the Company has concluded an agreement with Mr. Koji Yanagisawa, Mr. Dai Tamesue and Mr. Harold George Meij to limit their liability for damages as stipulated in Article 423, paragraph (1) of the said act. The limit of liabilities for damages under the relevant agreement is the amounts set forth in laws and regulations. The limitation of liability specified in these agreements is limited to times when the Directors are in good faith and not grossly negligent in performing the duties as Director that cause liability. When their reappointments are approved at this General Meeting of Shareholders, the agreements for the previous term will be continued.
4. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, and the policy covers compensation of damages and litigation expenses incurred by the insured, including the Company's Directors. If each candidate is elected and assumes the office as Director (excluding Directors who are Audit and Supervisory Committee members), each candidate will be included as an insured in the policy. In addition, when the policy is renewed, the Company plans to renew the policy with

the same terms. The contents of the policy are as specified in “4. Company Officers, (3) Overview of the contents of Directors and Officers Liability Insurance Policy” of the Business Report.

Reference Composition of the Board of Directors (planned composition at the conclusion of this Ordinary General Meeting of Shareholders)

| Name | | Particular areas that the Company expects | | | | | | | |
|--------------------|--|---|------------------|----------------|--------------------|------------------------|------------------|-----------------|-------------------------------|
| | | Company management | Game development | Technology R&D | Marketing Branding | Finance and accounting | Legal Compliance | Human Resources | Global sense Internationality |
| Naruatsu Baba | – | ● | ● | | | | | | |
| Takashi Miyamoto | – | ● | | | ● | | | | ● |
| Yoshiaki Harai | – | | | | | ● | ● | ● | |
| Kenta Sugai | – | | ● | ● | | | | | |
| Yu Sakamoto | – | | ● | | | | | | |
| Yoichi Ikeda | – | | ● | ● | | | | | |
| Koji Yanagisawa | Outside | | | | | ● | | | |
| Dai Tamesue | Outside | | | | ● | | | | ● |
| Harold George Meij | Outside | ● | | | ● | | | | ● |
| Tetsuzo Hasegawa | Outside/ Audit and Supervisory Committee member | ● | | | | ● | ● | | |
| Ryogo Tsukioka | Outside/ Audit and Supervisory Committee member | | | | | ● | | | |
| Koichiro Iida | Outside/ Audit and Supervisory Committee member | | | | | | ● | | ● |

(Note) The above table does not represent all of the expertise and experience possessed by the candidates.

(Attached materials)

Business Report

(From October 1, 2021 to September 30, 2022)

1. Overview of Corporate Group (the “Group”)

(1) Business progress and results

The Group aims to enrich people’s everyday lives through entertainment, underpinned by its mission of “Entertainment in Real Life”: Making everyday life more enjoyable and wonderful through entertainment.” In the Entertainment Business, we have focused on operating existing games and developing new games with a focus on improving the user’s engagement with them. The Group has conducted the Investment and Development Business with a focus on investments in IT-related and entertainment companies in Japan and abroad in particular.

As a result, net sales for the current fiscal year came to 32,541 million yen (down 12.3% from previous fiscal year) while operating profit was 4,310 million yen (down 31.8% from previous fiscal year), ordinary profit was 5,732 million yen (down 26.9% from previous fiscal year), and profit attributable to owners of parent was 2,414 million yen (down 20.8% from previous fiscal year).

The Company applied the Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review. Details are described in “Notes on Change in Accounting Policy” under “Notes to Consolidated Financial Statements.” Notes to Consolidated Financial Statements will be available on the Company’s website (<https://colopl.co.jp/en/ir/stock/shareholders/>).

Operating results by business segment are as follows:

Effective from the previous fiscal year, the Company revised its reportable segment structure, analyzing the results for the fiscal year under review based on the revised structure.

a. Entertainment Business

The Entertainment Business is responsible primarily for the development and operation of games for smartphones.

In smartphone games, which comprise a large part of sales, DRAGON QUEST WALK (planning and production by SQUARE ENIX CO., LTD. and development by the Company), an IP title from another company, featured the 3rd anniversary during the current fiscal year and contributed to the consolidated results of the Group. In original IP titles, the Group has been operating services to enhance engagement with users by featuring the 8th and 6th anniversaries of the Shironeko Project and Shironeko Tennis, two mainstay titles, since their releases.

As a result, consolidated net sales and operating profit for the fiscal year under review stood at 31,817 million yen and 4,661 million yen, 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.

In the current fiscal year, earnings were generated from sales of operational investment securities in the Group’s investment funds. In addition, impairment losses were recorded for some of the operational investment securities held.

As a result, consolidated net sales and the operating loss stood at 724 million yen and 353 million yen, respectively.

Sales by business segment

(million yen)

| Business segment | Net sales |
|-------------------------------------|-----------|
| Entertainment Business | 31,817 |
| Investment and Development Business | 724 |
| Total | 32,541 |

(2) Capital investments

The total amount of capital investment in the current fiscal year was 1,201 million yen, mainly for the acquisition of equipment associated with the relocation of the head office.

(3) Financing

There are no matters of note.

(4) Significant corporate restructuring, etc.

There are no matters of note.

(5) Issues to address

The major business issues facing the Group are outlined below.

1) Entertainment Business

(i) Expanding user numbers and enhancing user engagement

In order to achieve continuous growth for the Group, the Group recognizes the necessity of improving name recognition for the Group and the Group's services, acquiring new users in an ongoing manner, and expanding user numbers. The Group is working to expand its user base by improving the name recognition of the Group through effective advertising, and by actively engaging in measures aimed at gaining more customers through the development of a diverse range of services.

With the goal of encouraging customers to use the Group's services for the long-term, we will identify the needs of current users and continue providing high-quality games while using a variety of media to speak with our customers, thereby improving their engagement with us.

(ii) Expanding our portfolio

The overall management strategy of the Group involves executing strategies towards achieving a portfolio that combines businesses supported by different customers and continually investing in new business domains.

We are working to expand our portfolio by allocating resources and diversifying investments as appropriate for each kind of content, area, and device, in accordance with the attributes of users, and so forth, not only by providing the single hit title.

(iii) Ensuring service safety and integrity

Some of the services provided by the Group allow users to communicate with each other. To ensure that our customers can use these services without worry, it is essential to ensure service safety and integrity. The Group has established a guideline that lays out our mission to ensure service safety and integrity.

(iv) Stable system operation

As the Group's applications and platform are web-based, we believe it is necessary to ensure stable system operation and be prompt in resolving issues that arise in order to ensure our customers have a pleasant experience when using our services.

To this end, we strive to acquire the necessary personnel and server equipment needed to ensure stable system operation.

(v) Services for overseas markets

The Group is planning to continue to actively bring its services to overseas customers by taking advantage of smartphones' characteristics.

In our pursuit of expanded overseas business and improved profitability, we will be learning user preferences in each region and then developing and providing our own services tailored to regional user characteristics.

(vi) Addressing new technologies

In the industry to which the Group belongs, technological innovation proceeds unabated with the market for related products and services growing alongside. With an eye to achieving continued business expansion amid these market conditions, the Group sees a need to address these various new technologies in a timely manner and take ongoing action.

2) Investment and Development Business

(i) Building quality portfolio

The Group invests in IT-related and entertainment companies, etc. with the aim of contributing stable profits.

Going forward, we will continue to diversify our investments into attractive companies and provide appropriate monitoring and support according to the circumstances of our portfolio companies, thereby supporting enhancement of the value of our portfolio companies and ensuring the soundness of our portfolio.

3) Overall

(i) Enhancing corporate brand value

We believe that enhancing corporate awareness and building up our corporate image are essential for the Group to achieve sustainable growth and enhance corporate value in the medium and long term. As such, the Group will practice proper information disclosure to stakeholders while conducting proactive PR and sustainability initiatives, etc. in order to enhance the Group's corporate brand value.

(ii) Enhancing internal control system and corporate governance

The Group thinks that in order to aim at further business expansion and increase in the corporate value, it is essential to earn the trust of society. To this end, the Group is working to enhance the internal control system and strengthen corporate governance by developing a sound and transparent control system in addition to ensuring that all officers and employees have a common understanding on business ethics and compliance and fostering a culture where fair and right decisions are made.

(iii) Ensuring organizational flexibility

To eliminate the factors that compromise flexibility as the organization grows, we will see to ensuring flexibility in decision-making by recruiting and appointing suitable personnel and establishing an organizational structure to support business expansion.

(iv) Recruiting and developing highly-capable people

For the further business growth, the Group is primarily focused on recruiting and developing people. In order to recruit competent people that resonate with the Group's philosophy and to develop them into people capable of supporting sustainable growth, we will continually improve our recruiting and training programs.

(6) Changes in assets and profit (loss)

1) Changes in assets and profit (loss) of the Corporate Group

(million yen, except for per share amounts)

| Item | The 11th fiscal year ended September 30, 2019 | The 12th fiscal year ended September 30, 2020 | The 13th fiscal year ended September 30, 2021 | The 14th fiscal year ended September 30, 2022 |
|---|---|---|---|---|
| Net sales | 38,920 | 45,128 | 37,125 | 32,541 |
| Ordinary profit | 1,655 | 11,790 | 7,843 | 5,732 |
| Profit attributable to owners of parent | 1,070 | 7,977 | 3,047 | 2,414 |
| Basic earnings per share (yen) | 8.40 | 62.45 | 23.82 | 18.84 |
| Total assets | 74,740 | 85,833 | 80,814 | 83,280 |
| Net assets | 69,433 | 75,779 | 75,751 | 76,575 |
| Net assets per share (yen) | 544.53 | 592.81 | 591.86 | 597.24 |

2) Changes in assets and profit (loss) of the Company

(million yen, except for per share amounts)

| Item | The 11th fiscal year ended September 30, 2019 | The 12th fiscal year ended September 30, 2020 | The 13th fiscal year ended September 30, 2021 | The 14th fiscal year ended September 30, 2022 |
|--------------------------------|---|---|---|---|
| Net sales | 35,880 | 39,061 | 27,900 | 23,775 |
| Ordinary profit | 1,097 | 11,045 | 5,616 | 4,505 |
| Profit | 594 | 7,346 | 1,196 | 1,591 |
| Basic earnings per share (yen) | 4.66 | 57.51 | 9.35 | 12.42 |
| Total assets | 74,324 | 84,270 | 76,982 | 78,839 |
| Net assets | 69,822 | 75,382 | 73,566 | 73,247 |
| Net assets per share (yen) | 547.58 | 589.71 | 574.79 | 571.33 |

(7) Principal subsidiaries

| Name | Total amount of capital contribution (million yen) | Ratio of capital contribution by the Company (%) | Principal business |
|---|--|--|----------------------------|
| COLOPL NEXT No. 2 Fund Investment Partnership | 1,639 | 100.0 (0.25) | Investment and Development |
| COLOPL NEXT No. 4 Fund Investment Partnership | 2,074 | 100.0 (0.25) | Investment and Development |
| COLOPL NEXT No. 7 Fund Investment Partnership | 2,044 | 100.0 (0.04) | Investment and Development |
| COLOPL NEXT No. 8 Fund Investment Partnership | 1,525 | 99.65 (0.64) | Investment and Development |
| COLOPL NEXT Listed Shares No. 1 Fund Investment Partnership | 2,022 | 99.95 (0.01) | Investment and Development |

(Note) The amount shown in parentheses in the ratio of capital contribution by the Company indicates the portion thereof that is the ratio of indirect capital contribution.

(8) Principal business (As of September 30, 2022)

| Segment | Summary of business |
|-------------------------------------|--|
| Entertainment Business | Development and operation of games for smartphones, etc. |
| Investment and Development Business | Investment in IT-related and entertainment companies |

(9) Principal offices (As of September 30, 2022)

| Name | Location |
|-------------|------------------|
| Head office | Minato-ku, Tokyo |

(10) Employees (As of September 30, 2022)

1) Employees of the Corporate Group 1,348 [74] (decrease of 101 [increase of 14] year on year)

(Note) Number of employees is the number of working employees (excluding personnel on loan at outside the Group from the Group and including personnel on loan at the Group from outside the Group). Annual average number of part-time and temporary employees is shown in brackets.

2) Employees of the Company

| Number of employees | Increase (decrease) from previous fiscal year-end | Average age | Average years of service |
|---------------------|---|----------------|--------------------------|
| 780 [4] | (105) | 34.4 years old | 5.1 years |

(Notes) 1. Number of employees is the number of working employees (excluding personnel on loan at outside the Company from the Company and including personnel on loan at the Company from outside the Company). Annual average number of part-time and temporary employees is shown in brackets.

2. The number of employees decreased by 105 compared to the end of the previous fiscal year. This is mainly attributable to voluntary retirements for personal reasons.

(11) Major creditors (As of September 30, 2022)

No items to report.

(12) Other important matters pertaining to the Corporate Group's present condition

No items to report.

2. Status of Shares (As of September 30, 2022)

- (1) Total number of authorized shares 450,000,000 shares
- (2) Total number of issued shares 129,984,023 shares (including 1,778,544 treasury shares)
- (3) Number of shareholders 31,299

(4) Major shareholders

| Shareholder name | Number of shares | Shareholding ratio (%) |
|--|------------------|------------------------|
| Naruatsu Baba | 61,778,456 | 48.19 |
| Custody Bank of Japan, Ltd. (Trust account) | 10,298,700 | 8.03 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 9,187,800 | 7.17 |
| THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.) | 8,457,400 | 6.60 |
| THE BANK OF NEW YORK 133612 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.) | 3,092,100 | 2.41 |
| STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Custody Business Department, Tokyo branch, The Hongkong and Shanghai Banking Corporation Limited) | 970,800 | 0.76 |
| Kuwait Investment Authority (Standing proxy: Citibank, N.A., Tokyo Branch) | 902,969 | 0.70 |
| STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.) | 830,600 | 0.65 |
| BNP PARIBAS SECURITIES SERVICES SYDNEY/ JASDEC/AUSTRALIAN RESIDENTS (Standing proxy: Custody Business Department, Tokyo branch, The Hongkong and Shanghai Banking Corporation Limited) | 731,900 | 0.57 |
| JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.) | 631,874 | 0.49 |

- (Notes) 1. The Company holds 1,778,544 shares of treasury shares and is excluded from the above list of major shareholders.
2. The shareholding ratio is calculated by means of deducting treasury shares.

(5) Shares delivered as consideration for performance of duties to officers of the Company during the current fiscal year

| | Number of shares | Number of recipients |
|---|------------------|----------------------|
| Director (excluding Audit and Supervisory Committee member) (excluding Outside Director) | 72,489 | 6 |

- (Note) Details of the Company's stock compensation are specified in "4. Company Officers, (4) Amount of compensation, etc. to Directors" on page 22.

3. Share Acquisition Rights of the Company

- (1) Share acquisition rights delivered as consideration for performance of duties held by officers of the Company

No items to report.

- (2) Share acquisition rights delivered as consideration for performance of duties to employees, etc. of the Company during the current fiscal year

No items to report.

- (3) Other important matters regarding share acquisition rights

No items to report.

4. Company Officers

(1) Directors

(As of September 30, 2022)

| Position | Name | Areas of responsibility in the Company, and important concurrent positions |
|--|---------------------|--|
| Chairman of the Board | Naruatsu Baba | Chief Creator Nomination and Compensation Advisory Committee member President, Kuma Foundation |
| President and Representative Director | Takashi Miyamoto | Head of Marketing Division Nomination and Compensation Advisory Committee member |
| Executive Director | Yoshiaki Harai | Head of the Corporate Division Head of the HR Division |
| Executive Director | Kenta Sugai | In charge of the Technology Base Division |
| Executive Director | Yu Sakamoto | Head of the Entertainment Division |
| Executive Director | Yoichi Ikeda | Head of the Technology Promotion Division |
| Executive Director | Shinsuke Ishiwatari | Partnered attorney, VASCO DA GAMA OFFICES Director, Kashima Antlers F.C. Co., Ltd. Outside Chairman of the Board of Directors, HyAS & Co. Inc. |
| Executive Director | Koji Yanagisawa | Executive Vice President and CFO, ZOZO, Inc. Outside Director, DIGITAL HOLDINGS, Inc. Nomination and Compensation Advisory Committee member |
| Executive Director | Dai Tamesue | Representative Director, Deportare Partners Co., Ltd. Representative Director, SAMURAI CO., LTD. President, Athlete Society |
| Executive Director | Harold George Meij | Outside Director, Earth Corporation Advisor, Sanrio Company, Ltd. Management Advisory Board Member, Kewpie Corporation Outside Director, Panasonic Corporation Outside Director, Alinamin Pharmaceutical Co., Ltd. |
| Executive Director (Audit and Supervisory Committee member, full-time) | Tetsuzo Hasegawa | Chairman of Nomination and Compensation Advisory Committee |
| Executive Director (Audit and Supervisory Committee member) | Ryogo Tsukioka | Director, Tsukioka CPA Office Nomination and Compensation Advisory Committee member |
| Executive Director (Audit and Supervisory Committee member) | Koichiro Iida | Partnered attorney, Mori Hamada & Matsumoto |

- (Notes) 1. Executive Directors Shinsuke Ishiwatari, Koji Yanagisawa, Dai Tamesue, and Harold George Meij, and Executive Directors (Audit and Supervisory Committee members) Tetsuzo Hasegawa, Ryogo Tsukioka and Koichiro Iida are Outside Directors.
2. Executive Director (Audit and Supervisory Committee member) Tetsuzo Hasegawa worked for many years in the securities industry and has extensive experience as a director and statutory auditor at other companies.
3. Executive Director (Audit and Supervisory Committee member) Ryogo Tsukioka is a certified public accountant and certified tax accountant and has a thorough knowledge of finance and accounting.
4. Executive Director (Audit and Supervisory Committee member) Koichiro Iida is a certified attorney with thorough knowledge of legal matters.
5. The Company has appointed the full-time Audit and Supervisory Committee member to enhance the efficacy of information collection and audits, and strengthen audit and supervision functions.
6. The Company has designated Executive Directors Koji Yanagisawa, Dai Tamesue, and Harold George Meij, and Executive Directors (Audit and Supervisory Committee members) Tetsuzo Hasegawa and Ryogo Tsukioka as independent directors stipulated by the Tokyo Stock Exchange, and has registered them as such at the Exchange.
7. Executive Director Ryosuke Ishiwatari retired from office at the conclusion of the 13th Ordinary General Meeting of Shareholders held on December 17, 2021 due to the expiration of his term of office.

(2) Summary of agreements limiting liability

Pursuant to Article 427, paragraph (1) of the Companies Act, the Company has concluded an agreement with each Outside Director to limit their liability for damages as stipulated in Article 423, paragraph (1) of the said act.

The limit of liabilities for damages under the relevant agreement is the amounts set forth in laws and regulations. The limitation of liability specified in these agreements is limited to times when the Directors are in good faith and not grossly negligent in performing the duties as Director that cause liability.

(3) Overview of the contents of directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company.

1) Scope of insureds

The insurance policy lists all Directors as insured parties, which includes the Company's Directors (including Audit and Supervisory Committee members) and Directors and Audit and Supervisory Committee members of its subsidiaries.

2) Summary of the insurance policy

The insurance policy covers damages and legal costs incurred by the insured parties, as well as in-house investigation expenses and other such outlays, such that may arise in the event that an insured party becomes subject to a claim for damages made due to a wrongful act he or she has committed on the basis of his or her position. In addition, the insurance policy contains safeguards to ensure that an insured party's performance of duties is not compromised in that the policy does not provide coverage for damages and other charges caused by any action of an insured party with full knowledge of its illegality. The Company will bear the entire amount of insurance premiums.

(4) Amount of compensation, etc. to Directors

1) Description of determining compensation, etc. amounts paid to officers and the method of calculating such amount as well as the method of determination thereof

The Company resolved its decision-making policy on determining compensation, etc. for individual Directors at its meeting of the Board of Directors held on February 17, 2021. In this resolution of the Board of Directors, the Board of Directors consulted with the Nomination and Compensation Advisory Committee in advance on the content to be resolved, and received a report from the committee.

In addition, amounts of compensation for individual Directors (excluding Directors who are Audit and Supervisory Committee members) for the current fiscal year are made at the discretion of the Chairman of the Board per resolution of the Board of Directors, on the grounds that it is suitable to have the Chairman of the Board evaluate departments under control of each Director, while taking into account the Company's overall financial results and other such factors. Such authority includes that of calculating amounts of compensation based on decision-making policy on compensation, etc. for Directors, and the Chairman of the Board makes decisions on amounts of compensation for individuals, upon having fully taken into account the report of the Nomination and Compensation Advisory Committee established by the Company on a discretionary basis. The Board of Directors deems that compensation, etc. for individual Directors for the current fiscal year aligns with such decision-making policy, upon having confirmed both that methodology for determining content of compensation, etc. is consistent with such decision-making policy, and that reports from the Nomination and Compensation Advisory Committee have been duly regarded.

The amount of compensation for each Director who is Audit and Supervisory Committee member is determined by consultation of Audit and Supervisory Committee members.

(i) Basic policy on determining compensation, etc.

Basic policy established for determining amounts of compensation, etc. for Directors is as follows.

- Compensation is to be set at amounts that make it possible to secure top talent, taking into account compensation levels of peer companies.
- Compensation is to be commensurate with professional duties and contributions.
- The compensation structure is to help bring about greater corporate value.

(ii) Composition of compensation

The Company's officer compensation consists of fixed compensation and restricted stock compensation. Amounts of such officer compensation are determined upon having comprehensively taken into account consolidated financial results, each Director's professional duties and contribution, and other such factors. Compensation, etc. for Outside Directors and Directors who are Audit and Supervisory Committee members is limited to fixed compensation from the perspective of ensuring their independence.

2) Total amount of compensation, etc. for the current fiscal year

| Classification | Total amount of compensation (million yen) | Total amount of compensation by type (million yen) | | | Number of recipient officers |
|---|--|--|-------------------------------|---------------------------------|------------------------------|
| | | Fixed compensation | Restricted stock compensation | Performance-linked compensation | |
| Director (excluding Audit and Supervisory Committee member) (Outside Director) | 203 (22) | 160 (22) | 43 (-) | - (-) | 11 (4) |
| Director (Audit and Supervisory Committee member) (Outside Director) | 28 (28) | 28 (28) | - (-) | - (-) | 3 (3) |
| Total (Outside Director) | 232 (50) | 188 (50) | 43 (-) | - (-) | 14 (7) |

(Notes) 1. It was resolved at the 13th Ordinary General Meeting of Shareholders held on December 17, 2021, that the maximum amount of compensation to be paid to Directors (excluding Audit and Supervisory Committee members) in total per year shall not exceed 300 million yen (including the amount of not more than 50 million yen annually for Outside Directors). As of conclusion of the General Meeting of Shareholders, there are ten (10) Directors (excluding Audit and Supervisory Committee members), of whom, four (4) are Outside Directors. It was resolved at the 7th Ordinary General Meeting of Shareholders held on December 18, 2015, that the amount of compensation to be paid to Directors (Audit and Supervisory Committee members) in total per year shall not exceed 30 million yen. As of conclusion of the General Meeting of Shareholders, there are three (3) Directors (Audit and Supervisory Committee members), of whom, three (3) are Outside Directors.

In addition, it was resolved at the 11th Ordinary General Meeting of Shareholders held on December 20, 2019, that the total amount of monetary compensation to be paid to Directors (excluding Outside Directors and Audit and Supervisory Committee members) for granting shares with transfer restrictions shall not exceed 300 million yen annually, separately from the aforementioned maximum amount of compensation. As of conclusion of the General Meeting of Shareholders, there are five (5) Directors (excluding Outside Directors and Audit and Supervisory Committee members).

The amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) does not include the portion for salaries paid to those Directors who also serve as employees.

2. The Board of Directors delegates decisions on compensation amounts for each Director (excluding Audit and Supervisory Committee members) to Chairman of the Board Naruatsu Baba. Such decisions have been delegated to him because the Company deems that it is suitable to have the Representative Director evaluate departments under control of each Director, while taking into account the Group's overall financial results and other such factors. The Nomination and Compensation Advisory Committee confirms validity, etc. when it comes to decisions on delegated content.

(5) Outside officers

1) Relationships between the Company and organizations where outside officers hold important concurrent positions

The status of important concurrent positions of outside officers is as specified in "(1) Directors" on page 21. In addition, there is no special relationship between the Company and relevant organizations where outside officers hold concurrent positions.

2) Main activities for the current fiscal year

| Classification | Name | Summary of main activities and duties performed by Outside Directors involving their role expectations |
|---|---------------------|--|
| Executive Director | Shinsuke Ishiwatari | Attended all 17 meetings of the Board of Directors held in the current fiscal year. Provided advice and recommendations from an independent and objective standpoint to ensure the adequacy and appropriateness of decision-making by the management, based on his considerable experience and broad expertise as a corporate manager and attorney. |
| Executive Director | Koji Yanagisawa | Attended all 17 meetings of the Board of Directors held in the current fiscal year. Provided advice and recommendations from an independent and objective standpoint to ensure the adequacy and appropriateness of decision-making by the management, based on his considerable experience and broad expertise as a corporate manager. In addition, attended all two meetings of the Nomination and Compensation Advisory Committee held in the current fiscal year, serving as a member of the committee. Engaged in supervisory functions in the process of selecting the Company's officer candidates and determining officer compensation, etc., from a standpoint of objectivity and neutrality. |
| Executive Director | Dai Tamesue | Attended all 17 meetings of the Board of Directors held in the current fiscal year. Provided advice and recommendations from an independent and objective standpoint to ensure the adequacy and appropriateness of decision-making by the management, based on his considerable experience and broad expertise gained through social and educational activities, especially his activities as an athlete. |
| Executive Director | Harold George Meij | Attended 12 of the 13 meetings of the Board of Directors held after assuming the office on December 17, 2021. Provided advice and recommendations from an independent and objective standpoint to ensure the adequacy and appropriateness of decision-making by the management, based on his considerable experience and broad expertise as an international corporate manager. |
| Executive Director (Audit and Supervisory Committee member) | Tetsuzo Hasegawa | Attended all 17 meetings of the Board of Directors held in the current fiscal year. In addition, attended all 14 meetings of the Audit and Supervisory Committee. Also attended major internal meetings as a full-time Audit and Supervisory Committee member. Made remarks concerning corporate governance and compliance from his experience as an officer at listed companies. Also attended all two meetings of the Nomination and Compensation Advisory Committee held in the current fiscal year, serving as the committee's Chairman. Took on leadership of supervisory functions in the process of selecting the Company's officer candidates and determining officer compensation, etc., from a standpoint of objectivity and neutrality. |
| Executive Director (Audit and Supervisory Committee member) | Ryogo Tsukioka | Attended all 17 meetings of the Board of Directors held in the current fiscal year. In addition, attended all 14 meetings of the Audit and Supervisory Committee. Made remarks concerning accounting, finance, and taxes pertaining to the Company from an expert perspective primarily as a certified public accountant and tax accountant. In addition, attended all two meetings of the Nomination and Compensation Advisory Committee held in the current fiscal year, serving as a member of the committee. Engaged in supervisory functions in the process of selecting the Company's officer candidates and determining officer compensation, etc., from a standpoint of objectivity and neutrality. |
| Executive Director (Audit and Supervisory Committee member) | Koichiro Iida | Attended all 17 meetings of the Board of Directors held in the current fiscal year. In addition, attended all 14 meetings of the Audit and Supervisory Committee. Made remarks concerning legal matters pertaining to the Company, corporate governance, and compliance from an expert perspective primarily as an attorney. |

5. Financial Auditor

(1) Financial auditor's name

Deloitte Touche Tohmatsu LLC

(2) Financial auditor's compensation, etc. for the current fiscal year

| | Amount (million yen) |
|---|----------------------|
| Financial auditor's compensation, etc. for the current fiscal year (Note) | 37 |
| Total money and other economic benefits to be paid to the financial auditor by the Company and its subsidiaries | 37 |

- (Notes) 1. The audit contract between the Company and financial auditor does not clearly distinguish between compensation paid for the audit conducted in accordance with the Companies Act and compensation paid for the audit conducted in accordance with Financial Instruments and Exchange Act. It is practically impossible to make such a distinction. Accordingly, the amount above is the aggregate amount.
2. The Audit and Supervisory Committee, based upon the Practical Guidelines for Cooperation with Financial Auditors released by the Japan Audit & Supervisory Board Members Association, and having obtained necessary materials and having received reports from Directors, accounting-related departments, and the financial auditor regarding auditing performance in the previous fiscal year, conducts confirmation of auditing time and staff allocation plans concerning the auditing plans of the financial auditor, the status of execution of duties by the financial auditor, the grounds for calculation of compensation estimates and other matters, and having investigated these, gives consent to compensation, etc. for the financial auditor in accordance with Article 399, paragraph (1) of the Companies Act.

(3) Policy regarding determination of termination or nonrenewal of appointment of financial auditor

In the event that there is an obstacle to the execution of duties by the financial auditor, or when otherwise deeming the action necessary, the Audit and Supervisory Committee will determine the content of an agenda to be proposed to the General Meeting of Shareholders concerning the termination or nonrenewal of appointment of the financial auditor. In addition, when the matters prescribed in the items in Article 340, paragraph (1) of the Companies Act are applicable to the financial auditor, the Audit and Supervisory Committee will terminate the financial auditor by a unanimous consent of the Audit and Supervisory Committee members.

(4) Summary of agreements limiting liability

Pursuant to Article 427, paragraph (1) of the Companies Act, the Company has established provisions of the Articles of Incorporation allowing the conclusion of an agreement to limit the liability for damages as stipulated in Article 423, paragraph (1) of the said act. However, the Company has not concluded an agreement limiting liability with the financial auditor.

6. Overview of the Systems to Ensure that Business is Conducted Properly and Operating Status of Relevant System

In accordance with the Companies Act and Regulation for Enforcement of the Companies Act, the Company has established basic policy for the improvement of internal control system, as basic policy for the improvement of systems to ensure that business is conducted properly including the below.

- (1) Systems to ensure that the performance of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation
 - 1) Directors and employees of the Company will perform their duties with awareness of compliance and in accordance with laws and regulations, the Articles of Incorporation, internal regulations, etc.
 - 2) The Company will cooperate with attorneys, the police, etc. against anti-social forces that threaten the order and safety of civil society, and will respond to these in an organized manner with a resolute attitude.
 - 3) In order to satisfy legality according to laws and regulations and validity according to management judgment, the Board of Directors will perform supervision of decisions in executing business and supervision of the duties of Directors.
 - 4) The Audit and Supervisory Committee will exercise the authority stipulated by laws and regulations and will audit the performance of duties by Directors.
 - 5) The Company will establish contact desks for consultation on corporate ethics and for internal whistle-blowing, and will construct mechanisms for the early detection and the correction of actual or possible violations of laws and regulations, the Articles of Incorporation, and internal regulations, etc. (hereafter referred to as “public whistle-blowing system”).
 - 6) Violations of laws and regulations by Directors or employees will be subject to punishment by a disciplinary panel, in accordance with the rules of employment, etc.
 - 7) The Company will establish administrative authority, will clarify responsibilities and authority, and will establish systems for execution in each department.
 - 8) The Company will prepare and operate a variety of necessary approval systems, internal regulations, manuals, etc., and will make these known.
 - 9) The Company will establish a manager responsible for personal information management, and will construct and operate personal information protection systems centered on the said manager. The Company will also establish a secretariat under the direction of the said manager, and will strive to continuously improve the proper protection of personal information.
- (2) Matters related to the preservation and management of information concerning the performance of duties by Directors
 - 1) The Company will establish document management regulations and, following the provisions of the relevant regulations, etc., will appropriately preserve and manage important documents (including electromagnetic recordings) that contain information concerning the performance of duties by Directors, such as the minutes of important meetings.
 - 2) The Company will establish information management regulations and will protect and manage information assets.
- (3) Regulations concerning management of risk of loss and other systems
 - 1) Directors will ascertain the various risks that accompany the business of the Group as a whole, and, with recognition of the importance of performing risk management in an integrated manner, will strive to ascertain, evaluate, and manage these risks.
 - 2) The Company will prepare for unforeseeable events such as disasters, accidents, and system failures, and will formulate business continuity plans.

- (4) Systems to ensure that the duties of Directors are performed efficiently
 - 1) The Board of Directors will operate in accordance with the Articles of Incorporation and the Regulations for the Board of Directors, and will convene regularly every month or as required.
 - 2) Directors will carry out close exchanges of ideas, and, by working to share information, will execute their work with efficiency, agility, and speed.
 - 3) In order to ensure that the duties of Directors are performed efficiently, the Company will establish organizational regulations, regulations concerning the division of duties, and regulations concerning systems for approvals.
- (5) Systems to ensure that business is conducted properly in the corporate group consisting of the Company and subsidiaries
 - 1) The Company will strive to construct compliance systems for the Group as a whole, based on its management philosophy.
 - 2) The Company will perform necessary management in accordance with conditions in each subsidiary and based on Regulations for the Management of Subsidiaries and Associates. The Company will also mandate regular reporting on each subsidiary's sales performance, financial condition, and other important information.
 - 3) The Company will regularly review the institutional design and business execution systems of subsidiaries, taking into account their business, scale, and positioning within the Group, and will perform supervision to ensure the construction of systems by which business is performed efficiently.
 - 4) The Company will audit the business of each subsidiary as necessary.
- (6) Matters concerning relevant employees when the Audit and Supervisory Committee has requested the assignment of employees to assist in the duties of Audit and Supervisory Committee members
 - 1) The Audit and Supervisory Committee may ask the Board of Directors to assign employees that will follow the orders and instructions of the Audit and Supervisory Committee (hereafter referred to as "assistants to the Audit and Supervisory Committee").
 - 2) Personnel transfers, personal evaluations, and disciplinary actions involving an assistant to the Audit and Supervisory Committee require the prior consent of the Audit and Supervisory Committee.
 - 3) When receiving direction from the Audit and Supervisory Committee concerning their work, assistants to the Audit and Supervisory Committee will prepare a system for following the orders and instructions exclusively.
- (7) Systems for reporting to the Audit and Supervisory Committee by Directors and employees of the Company and subsidiaries
 - 1) The Directors and employees of the Company and subsidiaries will report to the Audit and Supervisory Committee without delay concerning legal matters, as well as matters that may have significant effects on the Company, matters resolved in important conference bodies, the status of public whistle-blowing systems and internal audits, etc.
 - 2) At the request of the Audit and Supervisory Committee, the Directors and employees of the Company and subsidiaries will report promptly on the status of business execution, etc.
 - 3) The Company will prohibit disadvantageous treatment of Directors and employees of the Company and subsidiaries for reason of having engaged in reporting to the Audit and Supervisory Committee in accordance with the previous two paragraphs, and will make the fact of this matter thoroughly known to the Directors and employees of the Company and subsidiaries.

- (8) Policies concerning procedures for the handling of expenses or debts arising from the performance of the duties of the Audit and Supervisory Committee members, and advance payment or reimbursement of expenses

When Audit and Supervisory Committee members have requested advance payment of expenses necessary for the performance of their duties, the Company will promptly handle the expenses or debts.

- (9) Other systems to ensure that audits by the Audit and Supervisory Committee are carried out effectively

- 1) The Audit and Supervisory Committee will regularly engage in exchanges of opinion with the Representative Director. The Audit and Supervisory Committee will also conduct hearings with Directors and important employees of the Company as necessary.
- 2) In addition to the Board of Directors meetings, the Audit and Supervisory Committee will attend management meetings and other important meetings as necessary.
- 3) The Audit and Supervisory Committee will engage in exchanges of opinion with an auditing firm as necessary.
- 4) The Audit and Supervisory Committee may independently obtain the aid of attorneys, certified public accountants, and other experts as necessary.
- 5) The Audit and Supervisory Committee will regularly engage in exchanges of opinion with the General Manager of the Internal Audit Office and work to strengthen cooperation.

An overview of the operating status of systems to ensure that the Company's business is conducted properly during the current fiscal year is as follows.

- (1) Internal control systems overall

Through operational audits and internal control audits by the Internal Audit Office, the Company performs maintenance, evaluates operating status, and implements improvements with regard to internal control systems overall.

Under the above system, the Company also performs "Effectiveness Evaluation of Internal Controls for Financial Reporting," in accordance with the Financial Instruments and Exchange Act. During the current fiscal year, no significant deficiencies or defects calling for disclosure were detected.

- (2) Compliance

In order to inspect and strengthen legal compliance systems, the Company has established a department responsible for the promotion of compliance, in accordance with the Company's "Basic Policies on Compliance" and "Compliance Regulations." The Company is also strengthening its initiatives by establishing a Compliance Information Desk in it with the aim of preventing acts that violate compliance, and, in the event that such an act occurs, conducting prompt assessment of the facts and responding appropriately.

- (3) Risk management

The Company has established the "Risk Countermeasure Committee" headed by the President and Representative Director as Chairman for the purpose of conducting integrated prevention of diverse risks involving the Group, and, in the event that such a risk materializes, conducting prompt and apt response.

- (4) Business management of subsidiaries

With regard to the business management of subsidiaries, the Corporate Planning Division of the Company performs preparation and supervision of business management systems, has established "Regulations for the Management of Subsidiaries and Associates" and the "Table of Common Administrative Authority to the Subsidiaries," and is preparing a system to receive prior approvals and reports from subsidiaries. The Company also receives monthly reports from subsidiaries on financial and other status, and reports these as appropriate to the Board of Directors of the Company.

- (5) Performance of duties by Directors

In accordance with the Regulations for the Board of Directors, the Company convenes Board of Directors meetings once per month in principle, and, in addition to conducting resolutions on matters prescribed by laws and regulations or the Articles of Incorporation or matters of business significance, performs supervision of the performance of duties by Directors. The Company also elects Outside Directors and is strengthening functions for supervision by the Board of Directors of the performance of duties by Directors of the Company.

In the current fiscal year, the Board of Directors convened 17 times.

(6) Audit and Supervisory Committee

Through attendance by the Audit and Supervisory Committee members in meetings of the Board of Directors, attendance by the full-time Audit and Supervisory Committee member in management meetings and other important meetings, and interview with the Directors and important employees, the Audit and Supervisory Committee performs checks of the Company's maintenance and operating status of internal control, and provides counsel for the purpose of more sound management systems and efficient operation.

The Audit and Supervisory Committee also conducts appropriate exchanges of information with the financial auditor and the Internal Audit Office and other organizations involved in internal control, maintaining cooperation and ensuring the effectiveness of audits.

7. Basic Policy on Control of Stock Company

As of the present, the Company has not expressly established related basic policies or anti-takeover measures.

At the same time, the Company believes that there is a need for appropriate response to large-volume stock acquisitions that do not contribute to the corporate value of the Group or to the common interest of shareholders, and will give serious consideration to the matter while carefully watching social trends and the preparation of legal systems.

8. Policy on Determination of Dividends from Surplus and Others

With regard to the earnings distribution, the basic policy of the Company is to pay stable and continuous dividends based on the sound balance sheet while comprehensively taking into account consolidated financial results, DOE (dividend on equity), cash flows and capital efficiency.

In accordance with the above, and taking into account performance during the current fiscal year and factors including the internal reserves necessary for future business expansion and the strengthening of the Company's business structure, the Company plans to pay an ordinary dividend of 20 yen per share for the current fiscal year.

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(Note) Monetary amounts and number of shares in this Business Report are shown rounded down to the nearest unit.

## Consolidated Financial Statements

(October 1, 2021 to September 30, 2022)

### Consolidated Balance Sheet

(As of September 30, 2022)

(million yen)

| Assets                                                |               | Liabilities                                           |               |
|-------------------------------------------------------|---------------|-------------------------------------------------------|---------------|
| <b>Current assets</b>                                 | <b>77,917</b> | <b>Current liabilities</b>                            | <b>5,694</b>  |
| Cash and deposits                                     | 60,330        | Accounts payable - trade                              | 68            |
| Accounts receivable - trade, and contract assets      | 4,910         | Accounts payable - other                              | 2,239         |
| Operational investment securities                     | 10,334        | Accrued expenses                                      | 602           |
| Merchandise                                           | 106           | Income taxes payable                                  | 1,923         |
| Work in process                                       | 419           | Accrued consumption taxes                             | 100           |
| Supplies                                              | 5             | Advances received                                     | 452           |
| Advance payments                                      | 431           | Deposits received                                     | 231           |
| Prepaid expenses                                      | 460           | Other                                                 | 75            |
| Other                                                 | 939           | <b>Non-current liabilities</b>                        | <b>1,011</b>  |
| Allowance for doubtful accounts                       | (21)          | Asset retirement obligations                          | 727           |
| <b>Non-current assets</b>                             | <b>5,363</b>  | Deferred tax liabilities                              | 259           |
| <b>Property, plant and equipment</b>                  | <b>1,837</b>  | Other                                                 | 23            |
| Buildings and structures                              | 1,681         | <b>Total liabilities</b>                              | <b>6,705</b>  |
| Tools, furniture and fixtures                         | 154           | <b>Net assets</b>                                     |               |
| Construction in progress                              | 1             | <b>Shareholders' equity</b>                           | <b>75,299</b> |
| <b>Intangible assets</b>                              | <b>21</b>     | Share capital                                         | 6,587         |
| Software                                              | 21            | Capital surplus                                       | 6,328         |
| <b>Investments and other assets</b>                   | <b>3,503</b>  | Retained earnings                                     | 67,028        |
| Investment securities                                 | 1,473         | Treasury shares                                       | (4,645)       |
| Shares of subsidiaries and associates                 | 3             | <b>Accumulated other comprehensive income</b>         | <b>1,269</b>  |
| Investments in capital of subsidiaries and associates | 20            | Valuation difference on available-for-sale securities | 1,083         |
| Leasehold and guarantee deposits                      | 1,717         | Foreign currency translation adjustment               | 186           |
| Deferred tax assets                                   | 133           | <b>Non-controlling interests</b>                      | <b>6</b>      |
| Other                                                 | 162           | <b>Total net assets</b>                               | <b>76,575</b> |
| Allowance for doubtful accounts                       | (6)           | <b>Total liabilities and net assets</b>               | <b>83,280</b> |
| <b>Total assets</b>                                   | <b>83,280</b> |                                                       |               |

(Note) Figures less than one million yen are rounded down to the nearest million.

**Consolidated Statement of Income**  
(From October 1, 2021 to September 30, 2022)

(million yen)

| Description                                           | Amount |               |
|-------------------------------------------------------|--------|---------------|
| <b>Net sales</b>                                      |        | <b>32,541</b> |
| <b>Cost of sales</b>                                  |        | <b>22,704</b> |
| <b>Gross profit</b>                                   |        | <b>9,836</b>  |
| <b>Selling, general and administrative expenses</b>   |        | <b>5,526</b>  |
| <b>Operating profit</b>                               |        | <b>4,310</b>  |
| <b>Non-operating income</b>                           |        |               |
| Interest income                                       | 55     |               |
| Foreign exchange gains                                | 1,204  |               |
| Gain on sale of investment securities                 | 428    |               |
| Gain on investments in derivatives                    | 37     |               |
| Miscellaneous income                                  | 133    | 1,860         |
| <b>Non-operating expenses</b>                         |        |               |
| Loss on valuation of investment securities            | 48     |               |
| Loss on sale of investment securities                 | 361    |               |
| Loss on investments in investment partnerships        | 2      |               |
| Miscellaneous losses                                  | 26     | 438           |
| <b>Ordinary profit</b>                                |        | <b>5,732</b>  |
| <b>Profit before income taxes</b>                     |        | <b>5,732</b>  |
| Income taxes - current                                | 2,232  |               |
| Income taxes - deferred                               | 1,085  | 3,318         |
| <b>Profit</b>                                         |        | <b>2,414</b>  |
| <b>Loss attributable to non-controlling interests</b> |        | <b>(0)</b>    |
| <b>Profit attributable to owners of parent</b>        |        | <b>2,414</b>  |

(Note) Figures less than one million yen are rounded down to the nearest million.

## Consolidated Statement of Changes in Equity

(From October 1, 2021 to September 30, 2022)

(million yen)

|                                                               | Shareholders' equity |                 |                   |                 |                            |
|---------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                               | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                                | 6,556                | 6,296           | 67,037            | (4,645)         | 75,245                     |
| Cumulative effects of changes in accounting policies          |                      |                 | 135               |                 | 135                        |
| Restated balance                                              | 6,556                | 6,296           | 67,173            | (4,645)         | 75,381                     |
| Changes during period                                         |                      |                 |                   |                 |                            |
| Issuance of new shares - exercise of share acquisition rights | 6                    | 6               |                   |                 | 13                         |
| Issuance of new shares - restricted stock compensation        | 24                   | 24              |                   |                 | 49                         |
| Dividends of surplus                                          |                      |                 | (2,559)           |                 | (2,559)                    |
| Profit attributable to owners of parent                       |                      |                 | 2,414             |                 | 2,414                      |
| Net changes in items other than shareholders' equity          |                      |                 |                   |                 |                            |
| Total changes during period                                   | 31                   | 31              | (145)             | -               | (82)                       |
| Balance at end of period                                      | 6,587                | 6,328           | 67,028            | (4,645)         | 75,299                     |

|                                                               | Accumulated other comprehensive income                |                                         |                                              | Non-controlling interests | Total net assets |
|---------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------|------------------|
|                                                               | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of period                                | 461                                                   | 43                                      | 504                                          | 1                         | 75,751           |
| Cumulative effects of changes in accounting policies          |                                                       |                                         |                                              |                           | 135              |
| Restated balance                                              | 461                                                   | 43                                      | 504                                          | 1                         | 75,887           |
| Changes during period                                         |                                                       |                                         |                                              |                           |                  |
| Issuance of new shares - exercise of share acquisition rights |                                                       |                                         |                                              |                           | 13               |
| Issuance of new shares - restricted stock compensation        |                                                       |                                         |                                              |                           | 49               |
| Dividends of surplus                                          |                                                       |                                         |                                              |                           | (2,559)          |
| Profit attributable to owners of parent                       |                                                       |                                         |                                              |                           | 2,414            |
| Net changes in items other than shareholders' equity          | 622                                                   | 142                                     | 765                                          | 5                         | 770              |
| Total changes during period                                   | 622                                                   | 142                                     | 765                                          | 5                         | 688              |
| Balance at end of period                                      | 1,083                                                 | 186                                     | 1,269                                        | 6                         | 76,575           |

(Note) Figures less than one million yen are rounded down to the nearest million.

## Notes to Consolidated Financial Statements

### Notes on Significant Basic Matters for the Preparation of Consolidated Financial Statements

#### 1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 14

Names of consolidated subsidiaries:

COLOPL NEXT, Inc.

RealStyle Co., Ltd.

Pyramid, Inc.

360Channel, Inc.

COLOPL NEXT No. 2 Fund Investment Partnership

COLOPL NEXT No. 3 Fund Investment Partnership

COLOPL NEXT No. 4 Fund Investment Partnership

COLOPL NEXT No. 5 Fund Investment Partnership

COLOPL NEXT No. 6 Fund Investment Partnership

COLOPL NEXT No. 7 Fund Investment Partnership

COLOPL NEXT No. 8 Fund Investment Partnership

COLOPL NEXT Listed Shares No. 1 Fund Investment Partnership

Eighting Co., Ltd.

MAGES., Inc.

In the current fiscal year, the Group established COLOPL NEXT No. 8 Fund Investment Partnership and newly included it in the scope of consolidation.

- (2) Number of unconsolidated subsidiaries: 2

Names of principal unconsolidated subsidiaries:

Kuma's Musical Band Inc. and one other company

Unconsolidated subsidiaries are small in size, and their total assets, net sales, profit or loss (amount corresponding to the Company's equity position), retained earnings (amount corresponding to the Company's equity position) and other indicators have immaterial effect on the Company's consolidated financial statements. In addition, they are not material as a whole. Therefore, they are not included in the scope of consolidation.

#### 2. Application of equity method

- (1) Associates accounted for by the equity method

No items to report.

- (2) Unconsolidated subsidiaries or associates not accounted for by the equity method

Number of companies not accounted for by the equity method: 6

Names of companies not accounted for by the equity method:

Kuma's Musical Band Inc. and five other companies

The Next Unicorn Fund and Colopl Next-Rael Fund were excluded from the scope of the equity method since these funds are accounted for using the gross method (assets, liabilities, revenue and expenses of the funds are recorded in proportion to the Group's investment equity ratio). Kuma's Musical Band Inc. and three other companies are excluded from the scope of the equity method since such exclusion has immaterial effect on the Company's consolidated financial statements in terms of profit or loss (amount corresponding to the Company's equity position), retained earnings (amount corresponding to the Company's equity position) and other indicators, and they are not material as a whole.

#### 3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end dates of all consolidated subsidiaries coincide with the consolidated balance sheet date.

#### 4. Accounting policies

##### (1) Standards and methods for valuation of significant assets

###### 1) Securities

Shares of subsidiaries and associates, and investments in capital of subsidiaries and associates  
Stated at cost using the moving-average method

Available-for-sale securities (including operational investment securities)

Securities other than shares, etc. with no market price

Stated based on the market price, etc. (Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Shares, etc. with no market price

Stated mainly at cost using the moving-average method

###### 2) Derivatives

Stated at fair value

###### 3) Inventories

Merchandise

Stated at cost using the moving-average method (determined based on the method of writing down book value in accordance with decreased profitability of assets)

Work in process

Stated at cost determined by the identified cost method (determined based on the method of writing down book value in accordance with decreased profitability of assets)

Supplies

Stated at cost determined by the last cost method (determined based on the method of writing down book value in accordance with decreased profitability of assets)

##### (2) Depreciation & amortization method for significant depreciable assets

###### 1) Property, plant and equipment

The declining-balance method is applied.

However, facilities attached to buildings and structures acquired on or after April 1, 2016, and buildings (excluding facilities attached to buildings) are computed using the straight-line method.

The main economic useful lives are as follows:

|                               |               |
|-------------------------------|---------------|
| Buildings and structures      | 5 to 18 years |
| Tools, furniture and fixtures | 2 to 20 years |

###### 2) Intangible assets

The straight-line method is applied.

|                           |              |
|---------------------------|--------------|
| Software for internal use | 3 to 5 years |
| Other                     | 5 years      |

##### (3) Standards for recognition of significant reserves

Allowance for doubtful accounts

For loss caused by uncollectible debt, an estimated amount of irrecoverable debt is provided as an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables, and based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

(4) Standards for recognition of significant revenues and expenses

The Group recognizes revenues based on the following five-step model.

- |         |                                                                               |
|---------|-------------------------------------------------------------------------------|
| Step 1: | Identify the contract(s) with a customer                                      |
| Step 2: | Identify the performance obligations in the contract                          |
| Step 3: | Determine the transaction price                                               |
| Step 4: | Allocate the transaction price to the performance obligations in the contract |
| Step 5: | Recognize revenue when (or as) the entity satisfies a performance obligation  |

Revenue recognition standards for each main revenue classification are as follows. The amounts of consideration promised are generally received within one year and do not include significant financing components.

1) Revenue from user charges

The Group offers smartphone games. While providing games to users for free, the Group provides the items used in these games for value. For these services, the Group judges that its performance obligations are satisfied when providing the services set forth for each item while users, or its customers, play games using the items obtained by consuming their currency in value. Therefore, the Group estimates the usage period of customers and recognizes revenue over such usage periods.

2) Revenue from revenue sharing

The Group collaborates with other companies to develop and operate smartphone games. For these services, the Group judges that its performance obligations are satisfied when it provides services such as development and operations to its client companies. Therefore, the Group recognizes revenue upon completion of relevant service provisions. In addition, the Group measures the consideration received from customers according to the amount of user charges.

(5) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss. Assets and liabilities of foreign associates are translated into Japanese yen at the spot rate of foreign exchange as of the end of the fiscal term of each company. Revenues and expenses of them are translated into Japanese yen at the average rate during the term of each company. The resulting exchange differences have been recorded as foreign currency translation adjustment in net assets.

(6) Accounting procedures related to investments in capital for the investment partnership

In conjunction with accounting procedures related to investments in capital for the investment partnership managed and operated by the Group, the Company provides the investment partnership's assets, liabilities, revenues and expenses in proportion to the Group's investment ratio.

### Notes on Change in Accounting Policy

(1) Application of Accounting Standard for Revenue Recognition

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. since the beginning of the fiscal year under review and recognizes revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services and at the time when control over the promised goods or services is transferred to a customer. The principal changes resulting from the above are as follows.

(Revenue from user charges related to games for smartphones)

Previously, the Group had recognized revenues at the point where users consumed onerous currency and exchanged it for items used in games. The Group made a switch to the method of estimating the period for using items obtained through the consumption of onerous currency and recognizing revenues in accordance with their estimated period of use.

(Revenue from made-to-order software development on order based on contracts)

Previously, the Group had recognized revenues at the point of acceptance inspection. The Group made a switch to the method of recognizing revenues over a certain period.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the fiscal year under review are

adjusted in retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from this initial balance. As a result, consolidated net sales increased 69 million yen, and consolidated operating profit decreased 11 million yen in the fiscal year under review. The balance of retained earnings at the beginning of the fiscal year under review increased 135 million yen.

Because the cumulative effect was reflected in net assets as of the beginning of the fiscal year under review, retained earnings of the consolidated statement of changes in equity as of the beginning of the fiscal year under review increased by 135 million yen.

With the application of the Revenue Recognition Accounting Standard, The Group included accounts receivable – trade, which had been stated under current assets in the consolidated balance sheet for the previous fiscal year, in accounts receivable - trade, and contract assets from the fiscal year under review.

(2) Application of Accounting Standard for Fair Value Measurement, Etc.

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. since the beginning of the fiscal year under review. It was decided that the new accounting policies prescribed in the Fair Value Measurement Accounting Standard, etc. would continue to be adopted in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

The Group had previously adopted acquisition values as balance sheet values for investments and the like in financial instruments other than shares, such as the convertible bonds with share acquisition rights and share acquisition rights of unlisted investment targets. With the application of the new accounting policies, the Company switched to the method of adopting market values as balance sheet values from the beginning of the fiscal year under review. In addition, the Company adopted accounting in the method of directly posting emerged valuation differences to net assets.

These changes had no material effect on consolidated financial statements.

**Notes on Accounting Estimates**

(Recoverability of deferred tax assets)

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

Deferred tax assets 133 million yen

(2) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recorded for future deductible temporary difference for which it is considered that taxable income based on a future profit plan can be secured sufficiently and that it has recoverability.

Since recoverability of deferred tax assets relies on an estimate of future taxable income, if any change occurs in conditions and assumptions on which the estimate is based, the amounts of deferred tax assets and income taxes - deferred may be affected significantly in the consolidated financial statements for the following fiscal year.

In the estimation of a future profit plan, The Group refers to past records and uses the gradual decrease ratio of net sales of existing games and net sales after service launch of new games to make estimates.

**Notes to Consolidated Balance Sheet**

(1) Amounts of receivables and contract assets from contracts with customers, out of “accounts receivable - trade, and contract assets”

|                             |                          |
|-----------------------------|--------------------------|
| Accounts receivable - trade | 4,490 million yen        |
| Contract assets             | 420 million yen          |
| <u>Total</u>                | <u>4,910 million yen</u> |

(2) Assets offered as collateral, etc.

|                                  |                 |
|----------------------------------|-----------------|
| Leasehold and guarantee deposits | 473 million yen |
|----------------------------------|-----------------|

(Note) The above assets are held in trust in accordance with the Act on Settlement of Funds.

(3) Accumulated depreciation and accumulated impairment losses of property, plant and equipment

|                               |                        |
|-------------------------------|------------------------|
| Buildings and structures      | 413 million yen        |
| Tools, furniture and fixtures | 547 million yen        |
| <u>Total</u>                  | <u>961 million yen</u> |

## Notes to Consolidated Statement of Changes in Equity

### (1) Type and total number of issued shares

(Unit: shares)

| Type of shares | Number of shares as of October 1, 2021 | Increase | Decrease | Number of shares as of September 30, 2022 |
|----------------|----------------------------------------|----------|----------|-------------------------------------------|
| Common shares  | 129,766,034                            | 217,989  | –        | 129,984,023                               |

(Major cause for the change)

|                                                            |                |
|------------------------------------------------------------|----------------|
| Increase due to exercise of share acquisition rights       | 145,500 shares |
| Increase due to allotment of restricted stock compensation | 72,489 shares  |

### (2) Type and number of treasury shares

(Unit: shares)

| Type of shares | Number of shares as of October 1, 2021 | Increase | Decrease | Number of shares as of September 30, 2022 |
|----------------|----------------------------------------|----------|----------|-------------------------------------------|
| Common shares  | 1,778,544                              | –        | –        | 1,778,544                                 |

### (3) Dividends of surplus

#### 1) Dividends paid

| Resolution                                                    | Type of shares | Source of dividend | Total dividends (million yen) | Dividend per share (yen) | Record date        | Effective date    |
|---------------------------------------------------------------|----------------|--------------------|-------------------------------|--------------------------|--------------------|-------------------|
| Ordinary General Meeting of Shareholders on December 17, 2021 | Common shares  | Retained earnings  | 2,559                         | 20.00                    | September 30, 2021 | December 20, 2021 |

#### 2) Dividends whose record date is during the current fiscal year but whose effective date is after the end of the current fiscal year

To be placed on the agenda of the Ordinary General Meeting of Shareholders on December 23, 2022, as follows:

| Resolution                                                    | Type of shares | Source of dividend | Total dividends (million yen) | Dividend per share (yen) | Record date        | Effective date    |
|---------------------------------------------------------------|----------------|--------------------|-------------------------------|--------------------------|--------------------|-------------------|
| Ordinary General Meeting of Shareholders on December 23, 2022 | Common shares  | Retained earnings  | 2,564                         | 20.00                    | September 30, 2022 | December 27, 2022 |

## Notes on Financial Instruments

### (1) Matters relating to status of financial instruments

#### 1) Policy for handling financial instruments

The Group principally covers its financial needs with internally generated funds. Funds are mainly managed through short-term deposits, etc.

Derivative transactions (equity index future contracts) are managed by taking into account the market risks and positions in the listed stock market.

#### 2) Details of financial instruments and associated risks

Accounts receivable - trade, which are operating receivables, are exposed to credit risks of customers.

Operational investment securities and investment securities mainly consist of shares and bonds, etc., each of which are exposed to the issuer's credit risk, the risk of interest rate fluctuations and the risk of market price fluctuations.

Shares of subsidiaries and associates, and investments in capital of subsidiaries and associates are not exposed to the risk of market price fluctuations, since these securities are not measured at fair value.

Accounts payable - other and income taxes payable, which are operating payables, mostly become due for settlement or payment within one year.

Monetary receivables and payables denominated in foreign currencies and securities denominated in foreign currencies are exposed to the risk of foreign exchange rate fluctuations.

Derivative transactions are exposed to the risk of fluctuations in equity indices.

- 3) Management system for risks associated with financial instruments
- a. Management of credit risk (such as risk associated with nonfulfillment of contracts by business partners)  
For operating receivables, the Group has sales staff to periodically monitor the status of major business partners and manage due dates and balances for each business partner in accordance with internal regulations and other rules, while striving to quickly notice and mitigate any concerns on the collection of claims that might be caused by a business partner's deteriorated financial conditions, etc.
  - b. Management of market price fluctuation risk  
The Group strives to periodically obtain fair values, equity indices and other information to mitigate risks.
  - c. Management of foreign currency risk (fluctuation risk from foreign exchange)  
For monetary receivables and payables denominated in foreign currencies and securities denominated in foreign currencies, exchange fluctuations are monitored.
- 4) Supplementary explanation regarding fair values of financial instruments  
Fair values of financial instruments include theoretical values that are reasonably calculated. Because these calculations are based on certain assumptions, applying different assumptions may result in different fair values.

(2) Matters relating to fair values of financial instruments

Amounts on consolidated balance sheet, fair values, and differences between them are as follows.

(million yen)

|                                       | Amounts on consolidated balance sheet | Fair values | Differences |
|---------------------------------------|---------------------------------------|-------------|-------------|
| (1) Operational investment securities | 301                                   | 301         | —           |
| (2) Investment securities             | 1,473                                 | 1,473       | —           |
| Total assets                          | 1,774                                 | 1,774       | —           |

- (Notes) 1. Notes on cash are omitted. "Deposits," "accounts receivable - trade, and contract assets," "accounts payable - other," "income taxes payable," and derivatives transactions are omitted, because they comprise short-term instruments whose carrying amount approximates their fair value.
2. Consolidated balance sheet amounts of shares, etc. with no market price  
Shares, etc. with no market price are not included in "(1) Operational investment securities" or "(2) Investment securities."

(million yen)

| Classification                                            | Amounts on consolidated balance sheet |
|-----------------------------------------------------------|---------------------------------------|
| Operational investment securities (Unlisted stocks, etc.) | 10,033                                |
| Investment securities (Unlisted stocks, etc.)             | 0                                     |
| Shares of subsidiaries and associates (Unlisted stocks)   | 3                                     |
| Investments in capital of subsidiaries and associates (*) | 20                                    |

- (\*) "Investments in partnerships" included in "investments in capital of subsidiaries and associates" are not subject to disclosure of fair value in accordance with paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(3) Fair value information by appropriate classification within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

- Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement
- Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs
- Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

1) Financial instruments recognized at fair value on the consolidated balance sheet

(million yen)

| Classification                    | Fair values |         |         | Total |
|-----------------------------------|-------------|---------|---------|-------|
|                                   | Level 1     | Level 2 | Level 3 |       |
| Operational investment securities | 111         | 190     | –       | 301   |
| Investment securities             |             |         |         |       |
| Available-for-sale securities     | 1,473       | –       | –       | 1,473 |
| Total assets                      | 1,584       | 190     | –       | 1,774 |

2) Financial instruments other than those recognized at fair value on the consolidated balance sheet

No items to report.

(Note) A description of the valuation techniques and inputs used in the fair value measurements

Operational investment securities

The fair value of listed shares is based on the prices quoted by stock exchanges. As listed shares are traded in active markets, their fair value is classified as Level 1.

As the quoted prices of unlisted shares, etc. in active markets are unavailable, they are measured based on a certain valuation technique using observable inputs and classified as Level 2.

Investment securities

The fair value of listed shares is based on the prices quoted by stock exchanges. As listed shares are traded in active markets, their fair value is classified as Level 1.

**Notes on Revenue Recognition**

(1) Information that decomposes revenue from contracts with customers

(million yen)

|                                       | Reportable segments    |                            | Total  |
|---------------------------------------|------------------------|----------------------------|--------|
|                                       | Entertainment Business | Investment and Development |        |
| Revenue from user charges             | 14,195                 | –                          | 14,195 |
| Revenue from revenue sharing          | 9,917                  | –                          | 9,917  |
| Other (Note 1)                        | 7,704                  | 46                         | 7,750  |
| Revenue from contracts with customers | 31,817                 | 46                         | 31,863 |
| Other revenue (Note 2)                | –                      | 678                        | 678    |
| Revenues from external customers      | 31,817                 | 724                        | 32,541 |

- (Notes) 1. Other includes revenue from made-to-order software development on order based on contracts.  
2. Other revenue mainly consists of revenue relating to investments in capital of investment limited partnerships or other similar partnerships in accordance with the ASBJ Statement No. 10 “Accounting Standard for Financial Instruments.”

(2) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as presented in “Notes on Significant Basic Matters for the Preparation of Consolidated Financial Statements, 4. Accounting policies, (4) Standards for recognition of significant revenues and expenses.”

(3) Information for understanding the amount of revenue of the current fiscal year and the next fiscal year and beyond

1) Balance of contract assets and contract liabilities, etc.

(million yen)

|                                                               | Amount |
|---------------------------------------------------------------|--------|
| Receivables from contracts with customers (beginning balance) | 4,348  |
| Receivables from contracts with customers (ending balance)    | 4,490  |
| Contract assets (beginning balance)                           | 265    |
| Contract assets (ending balance)                              | 420    |
| Advances received (beginning balance)                         | 873    |
| Advances received (ending balance)                            | 452    |

Contract assets consist of the unclaimed portion of “accounts receivable - trade” relating to the revenue recognized based on progress measurement for made-to-order software development.

Advances received include advances received relating to user charges. Out of the revenue recognized in the fiscal year under review, the amounts of the items included in the balance of advances received as of the beginning of the fiscal year are immaterial.

In the fiscal year under review, the amounts of revenue recognized for performance obligations satisfied (or partially satisfied) during past periods are immaterial.

2) Transaction price allocated to the remaining performance obligations

As the Group does not have material transactions whose period of an individual contract exceeds one year, it applies the practical expedient and omits the information related to remaining performance obligations.

#### **Notes on Per Share Information**

|                              |            |
|------------------------------|------------|
| (1) Net assets per share     | 597.24 yen |
| (2) Basic earnings per share | 18.84 yen  |

#### **Notes on Significant Subsequent Events**

No items to report.

## Non-consolidated Financial Statements

(October 1, 2021 to September 30, 2022)

### Non-consolidated Balance Sheet

(As of September 30, 2022)

(million yen)

| Assets                                                      |               | Liabilities                                           |                |
|-------------------------------------------------------------|---------------|-------------------------------------------------------|----------------|
| <b>Current assets</b>                                       | <b>60,748</b> | <b>Current liabilities</b>                            | <b>4,608</b>   |
| Cash and deposits                                           | 54,951        | Accounts payable - other                              | 1,780          |
| Accounts receivable - trade, and contract assets            | 3,574         | Accrued expenses                                      | 530            |
| Operational investment securities                           | 1,420         | Income taxes payable                                  | 1,715          |
| Supplies                                                    | 5             | Accrued consumption taxes                             | 52             |
| Advance payments                                            | 414           | Advances received                                     | 422            |
| Prepaid expenses                                            | 323           | Deposits received                                     | 93             |
| Other                                                       | 58            | Other                                                 | 14             |
| Allowance for doubtful accounts                             | (0)           | <b>Non-current liabilities</b>                        | <b>983</b>     |
| <b>Non-current assets</b>                                   | <b>18,090</b> | Asset retirement obligations                          | 655            |
| <b>Property, plant and equipment</b>                        | <b>1,767</b>  | Deferred tax liabilities                              | 327            |
| Buildings and structures                                    | 1,649         | <b>Total liabilities</b>                              | <b>5,591</b>   |
| Tools, furniture and fixtures                               | 117           | <b>Net assets</b>                                     |                |
| <b>Intangible assets</b>                                    | <b>19</b>     | <b>Shareholders' equity</b>                           | <b>72,208</b>  |
| Software                                                    | 19            | <b>Share capital</b>                                  | <b>6,587</b>   |
| <b>Investments and other assets</b>                         | <b>16,303</b> | <b>Capital surplus</b>                                | <b>6,584</b>   |
| Investment securities                                       | 127           | Legal capital surplus                                 | 6,584          |
| Shares of subsidiaries and associates                       | 2,708         | <b>Retained earnings</b>                              | <b>63,681</b>  |
| Investments in capital of subsidiaries and associates       | 12,038        | Other retained earnings                               | 63,681         |
| Long-term loans receivable from subsidiaries and associates | 2,055         | Retained earnings brought forward                     | 63,681         |
| Leasehold and guarantee deposits                            | 1,398         | <b>Treasury shares</b>                                | <b>(4,645)</b> |
| Allowance for doubtful accounts                             | (2,025)       | <b>Valuation and translation adjustments</b>          | <b>1,038</b>   |
|                                                             |               | Valuation difference on available-for-sale securities | 1,038          |
|                                                             |               | <b>Total net assets</b>                               | <b>73,247</b>  |
| <b>Total assets</b>                                         | <b>78,839</b> | <b>Total liabilities and net assets</b>               | <b>78,839</b>  |

(Note) Figures less than one million yen are rounded down to the nearest million.

**Non-consolidated Statement of Income**  
(From October 1, 2021 to September 30, 2022)

(million yen)

| Description                                         | Amount |               |
|-----------------------------------------------------|--------|---------------|
| <b>Net sales</b>                                    |        | <b>23,775</b> |
| <b>Cost of sales</b>                                |        | <b>15,822</b> |
| <b>Gross profit</b>                                 |        | <b>7,953</b>  |
| <b>Selling, general and administrative expenses</b> |        | <b>4,094</b>  |
| <b>Operating profit</b>                             |        | <b>3,859</b>  |
| <b>Non-operating income</b>                         |        |               |
| Interest income                                     | 68     |               |
| Foreign exchange gains                              | 1,066  |               |
| Gain on investments in investment partnerships      | 7      |               |
| Miscellaneous income                                | 100    | 1,242         |
| <b>Non-operating expenses</b>                       |        |               |
| Loss on valuation of investment securities          | 64     |               |
| Loss on investments in investment partnerships      | 2      |               |
| Provision of allowance for doubtful accounts        | 400    |               |
| Bad debts expenses                                  | 130    | 596           |
| <b>Ordinary profit</b>                              |        | <b>4,505</b>  |
| <b>Profit before income taxes</b>                   |        | <b>4,505</b>  |
| Income taxes - current                              | 1,876  |               |
| Income taxes - deferred                             | 1,036  | 2,913         |
| <b>Profit</b>                                       |        | <b>1,591</b>  |

(Note) Figures less than one million yen are rounded down to the nearest million.

## Non-consolidated Statement of Changes in Equity

(From October 1, 2021 to September 30, 2022)

(million yen)

|                                                               | Shareholders' equity |                       |                       |                         |                         |                 |
|---------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------|
|                                                               | Share capital        | Capital surplus       |                       | Retained earnings       |                         | Treasury shares |
|                                                               |                      | Legal capital surplus | Total capital surplus | Other retained earnings | Total retained earnings |                 |
| Balance at beginning of period                                | 6,556                | 6,553                 | 6,553                 | 64,664                  | 64,664                  | (4,645)         |
| Cumulative effects of changes in accounting policies          |                      |                       |                       | (15)                    | (15)                    |                 |
| Restated balance                                              | 6,556                | 6,553                 | 6,553                 | 64,649                  | 64,649                  | (4,645)         |
| Changes during period                                         |                      |                       |                       |                         |                         |                 |
| Issuance of new shares - exercise of share acquisition rights | 6                    | 6                     | 6                     |                         |                         |                 |
| Issuance of new shares - restricted stock compensation        | 24                   | 24                    | 24                    |                         |                         |                 |
| Dividends of surplus                                          |                      |                       |                       | (2,559)                 | (2,559)                 |                 |
| Profit                                                        |                      |                       |                       | 1,591                   | 1,591                   |                 |
| Net changes in items other than shareholders' equity          |                      |                       |                       |                         |                         |                 |
| Total changes during period                                   | 31                   | 31                    | 31                    | (967)                   | (967)                   | -               |
| Balance at end of period                                      | 6,587                | 6,584                 | 6,584                 | 63,681                  | 63,681                  | (4,645)         |

|                                                               | Shareholders' equity       | Valuation and translation adjustments                 |                                             | Total net assets |
|---------------------------------------------------------------|----------------------------|-------------------------------------------------------|---------------------------------------------|------------------|
|                                                               | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                  |
| Balance at beginning of period                                | 73,129                     | 437                                                   | 437                                         | 73,566           |
| Cumulative effects of changes in accounting policies          | (15)                       |                                                       |                                             | (15)             |
| Restated balance                                              | 73,113                     | 437                                                   | 437                                         | 73,550           |
| Changes during period                                         |                            |                                                       |                                             |                  |
| Issuance of new shares - exercise of share acquisition rights | 13                         |                                                       |                                             | 13               |
| Issuance of new shares - restricted stock compensation        | 49                         |                                                       |                                             | 49               |
| Dividends of surplus                                          | (2,559)                    |                                                       |                                             | (2,559)          |
| Profit                                                        | 1,591                      |                                                       |                                             | 1,591            |
| Net changes in items other than shareholders' equity          |                            | 601                                                   | 601                                         | 601              |
| Total changes during period                                   | (905)                      | 601                                                   | 601                                         | (303)            |
| Balance at end of period                                      | 72,208                     | 1,038                                                 | 1,038                                       | 73,247           |

(Note) Figures less than one million yen are rounded down to the nearest million.

## Notes to Non-Consolidated Financial Statements

### Notes on Significant Accounting Policies

#### (1) Standards and methods for valuation of securities

- 1) Shares of subsidiaries and associates, and investments in capital of subsidiaries and associates  
Stated at cost using the moving-average method
- 2) Available-for-sale securities (including operational investment securities)  
Securities other than shares, etc. with no market price  
Stated based on the market price, etc. (Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)  
  
Shares, etc. with no market price  
Stated mainly at cost using the moving-average method

#### (2) Standards and methods for valuation of inventories

##### Merchandise

Stated at cost using the moving-average method (determined based on the method of writing down book value in accordance with decreased profitability of assets)

##### Work in process

Stated at cost determined by the identified cost method (determined based on the method of writing down book value in accordance with decreased profitability of assets)

##### Supplies

Stated at cost determined by the last cost method (non-consolidated balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets)

#### (3) Depreciation & amortization method for non-current assets

##### 1) Property, plant and equipment

The declining-balance method is applied.

However, facilities attached to buildings and structures acquired on or after April 1, 2016, and buildings (excluding facilities attached to buildings) are computed using the straight-line method.

The main economic useful lives are as follows:

|                               |               |
|-------------------------------|---------------|
| Buildings and structures      | 5 to 18 years |
| Tools, furniture and fixtures | 2 to 10 years |

##### 2) Intangible assets

The straight-line method is applied.

|                           |         |
|---------------------------|---------|
| Software for internal use | 5 years |
|---------------------------|---------|

#### (4) Standards for recognition of reserves

##### Allowance for doubtful accounts

For loss caused by uncollectible debt, an estimated amount of irrecoverable debt is provided as an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables, and based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

#### (5) Standards for recognition of significant revenues and expenses

The Company recognizes revenues based on the following five-step model.

|         |                                                                               |
|---------|-------------------------------------------------------------------------------|
| Step 1: | Identify the contract(s) with a customer                                      |
| Step 2: | Identify the performance obligations in the contract                          |
| Step 3: | Determine the transaction price                                               |
| Step 4: | Allocate the transaction price to the performance obligations in the contract |
| Step 5: | Recognize revenue when (or as) the entity satisfies a performance obligation  |

Revenue recognition standards for each main revenue classification are as follows. The amounts of consideration promised are generally received within one year and do not include significant financing components.

1) Revenue from user charges

The Company offers smartphone games. While providing games to users for free, the Company provides the items used in these games for value. For these services, the Company judges that its performance obligations are satisfied when providing the services set forth for each item while users, or its customers, play games using the items obtained by consuming their currency in value. Therefore, the Company estimates the usage period of customers and recognizes revenue over such usage periods.

2) Revenue from revenue sharing

The Company collaborates with other companies to develop and operate smartphone games. For these services, the Company judges that its performance obligations are satisfied when it provides services such as development and operations to its client companies. Therefore, the Company recognizes revenue upon completion of relevant service provisions. In addition, the Company measures the consideration received from customers according to the amount of user charges.

(6) Accounting policy for translation of foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the balance sheet date, and translation differences are accounted for as profit or loss.

### Notes on Change in Accounting Policy

(1) Application of Accounting Standard for Revenue Recognition

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. since the beginning of the fiscal year under review and recognizes revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services and at the time when control over the promised goods or services is transferred to a customer. The principal changes resulting from the above are as follows.

(Revenue from user charges related to games for smartphones)

Previously, the Company had recognized revenues at the point where users consumed onerous currency and exchanged it for items used in games. The Company made a switch to the method of estimating the period for using items obtained through the consumption of onerous currency and recognizing revenues in accordance with their estimated period of use.

(Revenue from made-to-order software development on order based on contracts)

Previously, the Company had recognized revenues at the point of acceptance inspection. The Company made a switch to the method of recognizing revenues over a certain period.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the fiscal year under review are adjusted in retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from this initial balance. As a result, net sales increased 4 million yen, and operating profit increased 4 million yen in the fiscal year under review. The balance of retained earnings at the beginning of the fiscal year under review decreased by 15 million yen.

Because the cumulative effect was reflected in net assets as of the beginning of the fiscal year under review, retained earnings of the non-consolidated statement of changes in equity as of the beginning of the fiscal year under review decreased by 15 million yen.

With the application of the Revenue Recognition Accounting Standard, the Company included accounts receivable – trade, which had been stated under current assets in the non-consolidated balance sheet for the previous fiscal year, in accounts receivable - trade, and contract assets from the fiscal year under review.

(2) Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. since the beginning of the fiscal year under review. It was decided that the new accounting policies prescribed in the Fair Value Measurement Accounting Standard, etc. would continue to be adopted in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

These changes had no material effect on financial statements.

## Notes on Accounting Estimates

(Recoverability of deferred tax assets)

- (1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review  
Details are specified in “Notes on Tax Effect Accounting.”

- (2) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recorded for future deductible temporary difference for which it is considered that taxable income based on a future profit plan can be secured sufficiently and that it has recoverability.

Since recoverability of deferred tax assets relies on an estimate of future taxable income, if any change occurs in conditions and assumptions on which the estimate is based, the amounts of deferred tax assets and income taxes - deferred may be affected significantly in the financial statements for the following fiscal year.

In the estimation of a future profit plan, the Company refers to past records and uses the gradual decrease ratio of net sales of existing games and net sales after service launch of new games to make estimates.

## Notes to Non-Consolidated Balance Sheet

- (1) Amounts of receivables and contract assets from contracts with customers, out of “accounts receivable - trade, and contract assets”

|                             |                          |
|-----------------------------|--------------------------|
| Accounts receivable - trade | 3,574 million yen        |
| Contract assets             | – million yen            |
| <u>Total</u>                | <u>3,574 million yen</u> |

- (2) Assets offered as collateral, etc.

|                                  |                 |
|----------------------------------|-----------------|
| Leasehold and guarantee deposits | 473 million yen |
|----------------------------------|-----------------|

(Note) The above assets are held in trust in accordance with the Act on Settlement of Funds.

- (3) Accumulated depreciation of property, plant and equipment

|                               |                        |
|-------------------------------|------------------------|
| Buildings and structures      | 90 million yen         |
| Tools, furniture and fixtures | 245 million yen        |
| <u>Total</u>                  | <u>336 million yen</u> |

- (4) Monetary receivables from and payables to subsidiaries and associates (excluding accounting items presented separately)

|                                 |                 |
|---------------------------------|-----------------|
| Short-term monetary receivables | 33 million yen  |
| Short-term monetary payables    | 162 million yen |

## Notes to Non-Consolidated Statement of Income

### Transactions with subsidiaries and associates

#### Operating transactions

|                                                |                   |
|------------------------------------------------|-------------------|
| Net sales                                      | 8 million yen     |
| Cost of sales                                  | 1,955 million yen |
| Selling, general and administrative expenses   | 58 million yen    |
| Transactions other than operating transactions | 153 million yen   |

## Notes to Non-Consolidated Statement of Changes in Equity

### Type and number of treasury shares

(Unit: shares)

| Type of shares | Number of shares as of October 1, 2021 | Increase | Decrease | Number of shares as of September 30, 2022 |
|----------------|----------------------------------------|----------|----------|-------------------------------------------|
| Common shares  | 1,778,544                              | -        | -        | 1,778,544                                 |

## Notes on Tax Effect Accounting

### Major causes for accrual of deferred tax assets and deferred tax liabilities

(million yen)

#### Deferred tax assets:

|                                                                           |         |
|---------------------------------------------------------------------------|---------|
| Accrued enterprise taxes, currently not deductible                        | 95      |
| Accrued bonuses, currently not deductible                                 | 106     |
| Allowance for doubtful accounts, currently not deductible                 | 630     |
| Bad debts expenses, currently not deductible                              | 2       |
| Loss on debt forgiveness for subsidiaries, currently not deductible       | 403     |
| Asset retirement obligations                                              | 200     |
| Amount exceeding the limit of depreciation of lump-sum depreciable assets | 8       |
| Loss on investments in investment partnerships                            | 1,200   |
| Loss on valuation of investment securities                                | 248     |
| Loss on valuation of shares of subsidiaries and associates                | 967     |
| Other                                                                     | 197     |
| Subtotal deferred tax assets                                              | 4,061   |
| Valuation allowance for deductible temporary differences                  | (3,678) |
| Subtotal valuation allowance                                              | (3,678) |
| Total deferred tax assets                                                 | 382     |

#### Deferred tax liabilities:

|                                                                |       |
|----------------------------------------------------------------|-------|
| Retirement costs corresponding to asset retirement obligations | (182) |
| Other                                                          | (527) |
| Total deferred tax liabilities                                 | (710) |
| Net deferred tax liabilities                                   | (327) |

## Notes on Related Party Transactions

Subsidiaries and associates, etc.

| Attribute  | Name of company                               | Percentage of voting rights owning or owned       | Relationship                                  | Content of transaction           | Transaction amount (million yen) | Account title                                               | Balance as of September 30, 2022 (million yen) |
|------------|-----------------------------------------------|---------------------------------------------------|-----------------------------------------------|----------------------------------|----------------------------------|-------------------------------------------------------------|------------------------------------------------|
| Subsidiary | RealStyle Co., Ltd.                           | Directly owning 100.0%                            | Debt waiver<br>Interlocking of officers       | Debt forgiveness (Note 1)        | 1,218                            | —                                                           | —                                              |
| Subsidiary | MAGES., Inc.                                  | Directly owning 100.0%                            | Financial support<br>Interlocking of officers | Lending of funds (Notes 2, 3)    | 400                              | Long-term loans receivable from subsidiaries and associates | 1,700                                          |
|            |                                               |                                                   |                                               | Receipt of interest (Notes 2, 3) | 12                               | Other under investments and other assets                    | —                                              |
| Subsidiary | COLOPL NEXT No. 8 Fund Investment Partnership | Directly owning 99.01%<br>Indirectly owning 0.87% | Business investment                           | Payment of capital investment    | 1,550                            | —                                                           | —                                              |

- (Notes) 1. This item falls under the debt forgiveness of loans to RealStyle Co., Ltd. Accordingly, the Company reversed the allowance for doubtful accounts that had been recorded until the previous fiscal year, and recorded bad debts expenses of 130 million yen.
2. For loans, etc. to the above subsidiaries, allowance for doubtful accounts were recorded at a total of 1,700 million yen.
3. The interest rates of loans are rationally decided by taking into account market interest rates.

## Notes on Revenue Recognition

Useful information in understanding revenue from contracts with customers is omitted as the same details are presented in “Notes on Revenue Recognition” in the Notes to Consolidated Financial Statements.

## Notes on Per Share Information

- (1) Net assets per share 571.33 yen
- (2) Basic earnings per share 12.42 yen

## Notes on Significant Subsequent Events

No items to report.