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(Securities Code: 3668)
November 30, 2016

Dear Shareholders,

Naruatsu Baba
President and CEO
COLOPL, Inc.
4-20-3 Ebisu, Shibuya-ku, Tokyo

Notice of the 8th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 8th Ordinary General Meeting of Shareholders of COLOPL, Inc. (the "Company"). The meeting will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the internet, etc. Please examine the attached "Reference Documents for the General Meeting of Shareholders" and exercise your voting rights by 7:00 p.m. on Thursday, December 15, 2016 in accordance with the instructions given below.

Details

- 1. Date and Time:** Friday, December 16, 2016, at 10:00 a.m.
(The reception of the attendees to the meeting at the reception desk shall start at 9:00 a.m.)
- 2. Place:** 2F Bellesalle Shibuya First, Sumitomo Fudosan Shibuya First Tower
1-2-20 Higashi, Shibuya-ku, Tokyo
- 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 8th Fiscal Year (from October 1, 2015 to September 30, 2016)
 2. Non-consolidated Financial Statements for the 8th Fiscal Year (from October 1, 2015 to September 30, 2016)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Ten (10) 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 Thursday, December 15, 2016, at 7:00 p.m.
- (2) When exercising voting rights via the internet, etc.
If you would exercise your voting rights via the internet, etc., please refer to page 3 "Instructions for the Exercise of Voting Rights via the Internet, etc." described hereafter and complete the procedure by 7:00 p.m., Thursday, December 15, 2016.

Notes:

- * You are kindly requested to present the enclosed voting card to the receptionist when you attend the meeting.
- * As provided for in Article 16 of the Company's Articles of Incorporation, a proxy shareholder holding voting rights of the Company may attend the general meeting of shareholders. The proxy will be required to present written proof of the appointment.
- * To conserve natural resources, you are kindly requested to bring this notice of convocation with you to the meeting.
- * 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 (<http://colopl.co.jp>).

■ Exercise of Voting Rights

Voting rights are principal rights of shareholders. Please exercise your voting rights. There are three ways to exercise your voting rights as described below.



■ When attending the meeting in person
Please bring the enclosed voting card and submit the card to the receptionist. (A personal seal will not be required.)

- ▶ Date and time of the meeting: Friday, **December 16, 2016, at 10:00 a.m.**
-



■ When exercising voting rights by mail (in writing)
Please indicate your approval or disapproval to each of the proposals and post it to the Company without postage stamp.

- ▶ Deadline: to be received Thursday, **December 15, 2016, 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" or "Reject" is circled on a Proposal, that proposal will be deemed to indicate approval.



■ When exercising voting rights on the internet, etc.
Please use a personal computer or smartphone to access the voting website (<http://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 15, 2016, at 7:00 p.m.**

Instructions for the Exercise of Voting Rights via the Internet, etc.

If you exercise your voting rights via the internet, etc., please read and understand carefully the following matters.

1. Voting website

You can only exercise your voting rights via the internet by accessing and using the Company's designated voting website.
[Voting website] <http://www.web54.net>

2. Handling of votes

- (1) When exercising your voting rights via the internet, please enter the "voting code" and "password" printed on the enclosed voting card. Then indicate your approval or disapproval for each of the proposals by following the instructions displayed on the screen.
- (2) The deadline for voting is 7:00 p.m., Thursday, December 15, 2016. An early exercise of your voting rights would be very much appreciated.
- (3) If your voting rights are exercised both in writing and via the internet, etc., we will consider the exercise via the internet, etc., to be valid. If voting rights are exercised multiple times via the internet, etc., the final vote will be considered effective.
- (4) Any fees to internet service providers and telecommunication carriers (such as access fees, etc.) for the usage of the voting website shall be borne by the shareholders.

3. Handling of password and voting code

- (1) Password is important information to verify whether the person exercising voting rights is a legitimate shareholder. Please maintain the password as strictly confidential in the same manner as a seal or a personal identification number.
- (2) In case you commit more errors than a certain number of tries to input your password, you will not be allowed to use the password. If you would like your password to be reissued, please follow the instruction on the screen for the necessary procedures.
- (3) Voting code indicated on the voting card is valid only for this General Meeting of Shareholders.

4. Conditions relevant to systems

If you exercise your voting rights via the internet, please confirm the following system environment.

- (1) Display monitor with resolution of greater than 800×600 (SVGA)
- (2) Following applications installed
 - (a) Microsoft® Internet Explorer ver. 5.01 SP2 or more recent version, as web browser
 - (b) Adobe® Acrobat® Reader® ver. 4.0 or more recent version or Adobe® Reader® ver. 6.0 or more recent version, as PDF file browser
 - * Microsoft® and Internet Explorer are registered trademarks or trademarks of Microsoft Corporation of the United States, in the United States and other countries.
 - * Adobe® Acrobat® Reader® and Adobe® Reader® are registered trademarks or trademarks of Adobe Systems Incorporated in the United States and other countries.
 - * These software programs are available at the website of each company for free.
 - (c) If the pop-up blocker function is enabled on your web browser or the relevant add-in tool, etc., please disable (or temporarily disable) the function, and enable "Cookies" for the aforementioned website on the privacy settings.
 - (d) If you are not able to access to the aforementioned website, the internet communications are probably limited by a firewall, proxy server or security software settings, etc., so please confirm the relevant settings.
 - (e) You may also vote using the full-browser function of your cellular phone (including smartphones), although it may not be possible to access the website depending on your cellular phone model.

5. In case you need instructions to operate your personal computer, etc.

- (1) In case you need instructions for how to operate your personal computer, etc. in order to exercise your voting rights on the aforementioned website, please call the following number:
Dedicated number of Stock Transfer Agent Web Support, Sumitomo Mitsui Trust Bank, Limited
Telephone: 0120-652-031 (Business hours: 9:00 a.m. to 9:00 p.m.; toll free within Japan only)
- (2) If you have any other inquiries, please use the following contacts:
 - (a) Shareholders with an account at a securities company
For a shareholder who has an account at a securities company, please contact the securities company that handles your transactions.
 - (b) Shareholders who do not have an account at a securities company (shareholders with a special account)
Stock Transfer Agency Operation Center, Sumitomo Mitsui Trust Bank, Limited.
Telephone: 0120-782-031 (Business hours: 9:00 a.m. to 5:00 p.m. excluding Saturdays, Sundays, and public holidays; toll free within Japan only)

6. 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

The Company's basic dividend policy is to maintain stable dividends while securing internal reserves necessary for future business development and strengthening the business structure.

In view of profit situation during the current fiscal year and future business development, among other things, the Company proposes that year-end dividend for the current fiscal year will be paid 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: 17.00 yen

Total amount of dividends: 2,116,989,362 yen

(3) Effective date for dividends

December 19, 2016

Proposal 2: Election of Ten (10) Directors (excluding Directors Who Are Audit and Supervisory Committee Members)

All nine (9) Directors (excluding Directors who are Audit and Supervisory Committee members) will resign at the conclusion of this General Meeting of Shareholders due to the expiration of their terms of office. Accordingly, the Company requests the approval for the election of ten (10) Directors (excluding Directors who are Audit and Supervisory Committee members), which constitutes an increase of one (1) Director for the purpose of enhancement of management structure. This proposal was 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.) Apr. 2007 Joined GREE, Inc. Oct. 2008 Established COLOPL, Inc. President and CEO (current position)</p> <p>Reasons for Nomination as Candidate As its founder, the candidate is the Company's pillar of inspiration and he demonstrates strong leadership. 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, achievements, leadership and so forth will benefit the decision making of the Company's Board of Directors and contribute to boosting the Company's corporate value.</p>	61,775,200 shares
2	Masahiko Tsuchiya (June 28, 1961) <u>Reelection</u>	<p>Apr. 1997 Joined ACCESS Co., Ltd. Oct. 2001 Joined K Laboratory Co., Ltd. (name changed to KLab Inc.) Jun. 2008 Statutory Auditor, Mi Cafeto Co., Ltd. Aug. 2008 Director, iWaveDesign, Inc. Jan. 2010 Joined COLOPL, Inc. Jul. 2010 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate The candidate possesses abundant experience and broad insight relating to finance, accounting, internal control, and so forth from his involvement in corporate management at business operating companies. 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>	145,000 shares
3	Jun Hasebe (November 9, 1965) <u>Reelection</u>	<p>Apr. 1990 Joined Daiwa Securities Co., Ltd. Jul. 2000 Joined Daiwa Institute of Research Ltd. Aug. 2009 Transferred to Financial Research Center, Daiwa Securities SMBC Co., Ltd. (name changed to Daiwa Securities Co., Ltd.) Jul. 2010 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to gaining a specialist knowledge and possessing a wealth of practical experience from his time working at a financial institution, the candidate possesses abundant experience and broad insight in the overall corporate realm from his involvement in strategy formulation, IR, M&A, financial strategies, 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>	154,500 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
4	Shohei Yoshioka (April 29, 1978) <u>Reelection</u>	<p>Jul. 2002 Joined Yahoo Japan Corporation Oct. 2006 Joined GREE, Inc. Aug. 2007 Joined Information Services International-Dentsu, Ltd. Jun. 2010 Joined COLOPL, Inc. Apr. 2011 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to possessing abundant experience and achievements from working at IT and mobile-game companies, the candidate possesses abundant experience and broad insight in domestic and overseas game development having been in charge of game development divisions, internal company infrastructure, and overseas businesses 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>	10,500 shares
5	Ryosuke Ishiwatari (April 24, 1972) <u>Reelection</u>	<p>May 2001 Joined International Creative Marketing (name changed to KANTAR JAPAN INC.) Jan. 2006 Joined Caps Inc. Sep. 2009 Joined NAVIT Co., Ltd. Sep. 2010 Joined COLOPL, Inc. Dec. 2014 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to possessing abundant experience and achievements from working at marketing and IT companies, the candidate possesses abundant experience and broad insight in all aspects of the game business from his management of game businesses, notably sports 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>	30,100 shares
6	Kazunori Morisaki (November 7, 1976) <u>Reelection</u>	<p>Feb. 2003 Joined SEGA CORPORATION Oct. 2003 Joined Q Entertainment Inc. Mar. 2012 Joined COLOPL, Inc. Dec. 2014 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to possessing abundant experience and achievements from working at consumer game companies, the candidate possesses abundant experience and broad insight in all aspects of the game business from his work in management of the native game business and VR game business 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>	12,400 shares
7	Kenta Sugai (February 28, 1982) <u>New candidate</u>	<p>Apr. 2000 Joined Fujisetsubi Corporation Dec. 2001 Joined Forum Engineering Inc. Apr. 2005 Joined COMSYS TECHNO Corporation Jan. 2008 Joined forTravel, Inc. Jun. 2010 Joined COLOPL, Inc. Jan. 2015 General Manager of Fourth Studio, Service Division, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to his abundant experience mainly in IT and Web services, since joining the Company, the candidate has contributed high technical proficiency in development and operation of nearly all contents, providing him with abundant experience and broad insight in all aspects of the game business. Accordingly, we request his election 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>	43,500 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
8	Shinsuke Ishiwatari (August 30, 1969) <u>Reelection</u>	<p>Apr. 1998 Admitted as Attorney-at-Law Jan. 2001 Established Field-R Law Offices Aug. 2008 Established VASCO DA GAMMA OFFICES Attorney (current position) Jul. 2010 Outside Director, COLOPL, Inc. Mar. 2011 Executive Officer, Cookpad Inc. Jul. 2015 President and CEO, Minnano Wedding Co., Ltd. (current position) Dec. 2015 Executive Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate In addition to possessing abundant experience and insight as a manager in the Internet industry, the candidate possesses sophisticated character and specialist legal knowledge acquired as an attorney-at-law. 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>	—
9	Koji Yanagisawa (May 19, 1971) <u>Reelection</u> <u>Outside</u>	<p>Apr. 1995 Joined Fuji Bank, Limited (name changed to Mizuho Bank, Ltd.) May 1999 Joined NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc. May 2005 Joined Mizuho Securities Co., Ltd. Feb. 2006 Full-time Statutory Auditor, START TODAY CO.,LTD. Jun. 2008 Director Head of Strategic Planning and Business Administration Division, START TODAY CO.,LTD. Apr. 2009 CFO, START TODAY CO.,LTD. (current position) Dec. 2015 Outside Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate for Outside Director 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 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. 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 one year. 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.</p>	—
10	Dai Tamesue (May 3, 1978) <u>Reelection</u> <u>Outside</u>	<p>Apr. 2002 Joined Osaka Gas Co., Ltd. Oct. 2003 Retired from Osaka Gas Co., Ltd. and became an independent professional track and field athlete Mar. 2004 Contracted as an athlete of Asia Partnership Fund Dec. 2007 Established SAMURAI CO., LTD. Representative Director (current position) Director, Wedge Holdings CO., LTD. Aug. 2010 Established Athlete Society President (current position) May 2014 Established Xiborg Co., Ltd. Director (current position) Dec. 2015 Outside Director, COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate for Outside Director The candidate possesses abundant experience and broad insight 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 objective standpoint will enable him to provide advice and suggestions for ensuring the decision making of management can be carried out suitably and appropriately. 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 one year. 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.</p>	—

- Notes:
1. No special interest exists between any of the above candidates and the Company.
 2. Mr. Naruatsu Baba, Mr. Masahiko Tsuchiya, Mr. Jun Hasebe, Mr. Shohei Yoshioka, Mr. Ryosuke Ishiwatari, Mr. Kazunori Morisaki, Mr. Shinsuke Ishiwatari, Mr. Koji Yanagisawa and Mr. Dai Tamesue 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. Shinsuke Ishiwatari, Mr. Koji Yanagisawa and Mr. Dai Tamesue 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 without knowledge 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.

(Attached materials)

Business Report

(From October 1, 2015 to September 30, 2016)

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

(1) Business progress and results

The Japanese economy maintained a mild upswing during the current fiscal year, on the back of the government’s economic policy and Bank of Japan’s monetary easing policy. Meanwhile, the future outlook for the economy remains uncertain, reflecting such factors as the issue concerning the United Kingdom’s decision to leave the European Union and downside economic risks in emerging and resource-rich countries.

Concerning the industry surrounding the Group, the Communications Usage Trend Survey in 2015 by the Ministry of Internal Affairs and Communications found that the individual ownership percentage of smartphones in Japan as of December 31, 2015 was 53.1%, up 8.4 percentage points from the previous year, exceeding 50% for the first time as a result of its ongoing proliferation. In addition, according to the survey conducted by The Goldman Sachs Group, Inc., the world market for the VR (Virtual Reality) device, much anticipated as a next-generation device, and related services is expected to reach 80 billion dollars by 2025.

For existing games for smartphones, the Group focused on improving the user’s engagement with existing games, while for new games efforts were made to invest in and launch new products. At the same time, the Group has been promoting its efforts on services for HMD (Head Mounted Display) devices that realize VR through a range of development tests.

Online game applications comprise a large part of sales, and game launches during the current fiscal year were Battle Girl High School in Taiwan, Hong Kong and Macau, and J.LEAGUE PUNICON SOCCER, Dragon Project and White Cat Tennis in Japan. Furthermore, existing titles such as White Cat Project, launched two fiscal years before as well as Battle Girl High School and Tokyo Casino Project, launched in the previous fiscal year, also contributed to sales expansion.

As for services for HMD devices, the Group launched VR games for Oculus Rift such as Fly to KUMA, VR Tennis Online and STEEL COMBAT as well as VR games for HTC Vive such as Dig 4 Destruction and Fly to KUMA MAKER.

As a result, net sales for the current fiscal year came to 84,730,446 thousand yen while operating income was 31,855,328 thousand yen, ordinary income was 31,272,842 thousand yen, and profit attributable to owners of parent was 20,710,713 thousand yen.

As the Group’s business consists only of the mobile service business, statement of segment information is omitted because of lack of its materiality as information to be disclosed.

Sales by business segment

(thousand yen)

Business segment	Net sales
Mobile service business	84,730,446
Total	84,730,446

(Notes) 1. Consumption taxes are not included in the above amounts.

2. The Group’s business consists only of the mobile service business.

(2) Capital investments

There are no matters of note.

(3) Financing

There are no matters of note.

(4) Significant corporate restructuring, etc.

The Company acquired common shares of Eighting Co., Ltd. through tender offers on May 10, 2016 and July 6, 2016, and the aforementioned company became the Company’s subsidiary. Furthermore, on August 12, 2016, the aforementioned company became a wholly owned subsidiary through the execution of a share exchange with the aforementioned company.

(5) Issues to address

The major business issues facing the Group are outlined below.

1) Enhancing corporate brand value

In order to succeed the vision of the Group, we will need to continue providing services our customers will enjoy and become a company many look upon with fondness. As such, the Group will practice proper information disclosure to stakeholders while conducting proactive PR and CSR activities in order to enhance the Group's corporate brand value.

2) 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.

3) 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.

In order to achieve our management vision of "continually creating new kinds of entertainment loved by many, no matter how times change," 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 provision of the single hit title but also addressing to various aspects such as user attributes.

4) 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.

5) Stable system administration

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.

6) 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 services tailored to regional user characteristics.

7) Addressing new technologies

In the industry to which the Group belongs, technological innovation proceeds unabated. Recent years have seen adoption rates for smartphones and tablet devices rise both globally and domestically, 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.

8) Enhancing internal control system

To fulfill its expectation for even greater business growth in the future, the Group is focused on enhancing a group-wide internal control system that will support future business growth.

9) Ensuring organizational flexibility

The business environment for the entertainment industry surrounding the Group is changing faster than for any other industry, and a rapid response to these changes is critical. 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.

10) 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 vision and to develop them into people capable of achieving 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

(thousand yen, except for per share amounts)

Item	The 5th fiscal year ended September 30, 2013	The 6th fiscal year ended September 30, 2014	The 7th fiscal year ended September 30, 2015	The 8th fiscal year ended September 30, 2016
Net sales	–	–	–	84,730,446
Ordinary income	–	–	–	31,272,842
Profit	–	–	–	20,710,713
Basic earnings per share (yen)	–	–	–	166.92
Total assets	–	–	–	72,301,375
Net assets	–	–	–	62,149,243
Net assets per share (yen)	–	–	–	499.07

(Note) The Company started to prepare consolidated financial statements from the 8th fiscal year.

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

(thousand yen, except for per share amounts)

Item	The 5th fiscal year ended September 30, 2013	The 6th fiscal year ended September 30, 2014	The 7th fiscal year ended September 30, 2015	The 8th fiscal year ended September 30, 2016
Net sales	16,767,114	53,575,065	72,395,855	84,009,811
Ordinary income	5,787,285	23,556,399	32,363,066	33,042,485
Profit	3,156,683	13,024,690	19,436,469	22,400,447
Basic earnings per share (yen)	27.20	107.65	157.70	180.54
Total assets	13,762,876	48,012,575	59,260,329	74,416,085
Net assets	7,876,544	30,284,524	43,594,333	64,384,725
Net assets per share (yen)	66.54	245.07	354.50	517.02

(Note) The Company split its shares by 5 for 1, effective June 1, 2013 and by 3 for 1, effective October 1, 2013. Therefore, the basic earnings per share and net assets per share for the 5th fiscal year were calculated on the assumption that the share split was implemented at the beginning of the 5th fiscal year.

(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	3,140	100.0 (0.25)	Investment

(Note) The amount shown in brackets 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, 2016)

Segment	Summary of business
Mobile service business	Development and administration of mobile device applications, etc., and sales promotion business modeled on linking the real world.

(9) Principal offices (As of September 30, 2016)

Name	Location
Head office	Shibuya-ku, Tokyo

(10) Employees (As of September 30, 2016)

1) Employees of the Corporate Group 1,181(99)

- (Notes) 1. 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. As the Group's business consists only of the mobile service business, statement by segments is omitted.
3. As the Group started to provide Employees of the Corporate Group from the current fiscal year, no comparison with the previous fiscal year has been made.

2) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average years of service
773 [44]	153	31.0 years old	2.0 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 grew by 153 people compared to the end of the previous fiscal year. This was primarily due to aggressive hiring necessitated by business growth.

(11) Major creditors (As of September 30, 2016)

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, 2016)

- (1) Total number of authorized shares 450,000,000 shares
- (2) Total number of issued shares 126,305,000 shares (including 1,776,214 treasury shares)
- (3) Number of shareholders 40,989

(4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio (%)
Naruatsu Baba	61,775,200	49.61
Japan Trustee Services Bank, Ltd. (Trust account)	10,530,100	8.46
KDDI CORPORATION	2,550,000	2.05
The Master Trust Bank of Japan, Ltd. (Trust account)	1,981,000	1.59
Kotaro Chiba	1,955,200	1.57
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	1,746,959	1.40
CBNY—ORBIS SICAV (Standing proxy: Citibank Japan Ltd.)	1,411,900	1.13
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	1,204,881	0.97
JP MORGAN CHASE BANK 380634 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	1,150,625	0.92
HSBC—FUND SERVICES, SPARX ASSET MANAGEMENT CO LTD (Standing proxy: Custody Business Department, Tokyo branch, The Hongkong and Shanghai Banking Corporation Limited)	977,700	0.79

- (Notes) 1. The Company holds 1,776,214 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.

3. Subscription Rights to Shares of the Company

(1) Subscription rights to shares delivered as consideration for performance of duties held by officers of the Company
(As of September 30, 2016)

	1st series subscription rights to shares	2nd series subscription rights to shares
Issuance resolution date	April 19, 2010	August 18, 2010
Classification	Director (excluding Audit and Supervisory Committee member) (Note 1)	Director (excluding Audit and Supervisory Committee member) (Note 1)
Number of holders	1	2
Number of subscription rights to shares	78	104
Number of shares to be issued upon exercise of subscription rights to shares (Note 4)	117,000	156,000
Class of shares to be issued upon exercise of subscription rights to shares	Common shares	Common shares
Issue price per subscription right to shares	Without contribution	Without contribution
Exercise price per share upon exercise of subscription rights to shares (Note 4)	52 yen	52 yen
Exercise period of subscription rights to shares	From April 21, 2012 to April 20, 2020	From August 26, 2012 to August 25, 2020
Conditions for exercise of subscription rights to shares	(Note 2)	(Note 2)

	3rd series subscription rights to shares	4th series subscription rights to shares
Issuance resolution date	December 27, 2010	December 27, 2010
Classification	Director (excluding Audit and Supervisory Committee member) (Note 1)	Director (Audit and Supervisory Committee member)
Number of holders	2	1
Number of subscription rights to shares	43	16
Number of shares to be issued upon exercise of subscription rights to shares (Note 4)	64,500	24,000
Class of shares to be issued upon exercise of subscription rights to shares	Common shares	Common shares
Issue price per subscription right to shares	Without contribution	Without contribution
Exercise price per share upon exercise of subscription rights to shares (Note 4)	94 yen	94 yen
Exercise period of subscription rights to shares	From December 28, 2012 to December 27, 2020	From December 28, 2012 to December 27, 2020
Conditions for exercise of subscription rights to shares	(Note 2)	(Note 3)

	5th series subscription rights to shares	6th series subscription rights to shares
Issuance resolution date	May 16, 2012	December 20, 2013
Classification	Director (excluding Audit and Supervisory Committee member) (Note 1)	Director (excluding Audit and Supervisory Committee member) (Note 1)
Number of holders	6	6
Number of subscription rights to shares	1,258	2,517
Number of shares to be issued upon exercise of subscription rights to shares (Note 4)	1,887,000	251,700
Class of shares to be issued upon exercise of subscription rights to shares	Common shares	Common shares
Issue price per subscription right to shares	Without contribution	100 yen
Exercise price per share upon exercise of subscription rights to shares (Note 4)	94 yen	2,910 yen
Exercise period of subscription rights to shares	From May 17, 2014 to May 16, 2022	From January 1, 2016 to January 22, 2022
Conditions for exercise of subscription rights to shares	(Note 2)	(Note 5)

(Notes) 1. This does not include Outside Directors.

2. The conditions for the exercise of subscription rights to shares are as follows.

- (1) The holders of subscription rights to shares must be either Directors or employees of the Company or its subsidiaries at the time rights are exercised.
- (2) The holders of subscription rights to shares may only exercise rights when the Company's shares are listed on the securities exchanges in Japan.
- (3) Subscription rights to shares may not be exercised in case of an event that the Company needs to acquire shares for reasons provided for in the issuance guidelines for subscription rights to shares. This does not apply when acknowledged otherwise by a meeting of the Company's Board of Directors.
- (4) When a holder of subscription rights to shares dies, his/her rights may not be inherited.
- (5) Any fraction of a subscription right to shares smaller than one may not be exercised.
- (6) Other conditions concerning the exercise of subscription rights to shares shall be governed by agreements on the allotment of subscription rights to shares entered into separately between the Company and the holders of subscription rights to shares.

3. The conditions for the exercise of subscription rights to shares are as follows.

- (1) The holders of subscription rights to shares must be either Statutory Auditors or Directors of the Company or its subsidiaries at the time rights are exercised.
- (2) The holders of subscription rights to shares may only exercise rights when the Company's shares are listed on the securities exchanges in Japan.
- (3) Subscription rights to shares may not be exercised in case of an event that the Company needs to acquire shares for reasons provided for in the issuance guidelines for subscription rights to shares. This does not apply when acknowledged otherwise by a meeting of the Company's Board of Directors.
- (4) When a holder of subscription rights to shares dies, his/her rights may not be inherited.
- (5) Any fraction of a subscription right to shares smaller than one may not be exercised.
- (6) Other conditions concerning the exercise of subscription rights to shares shall be governed by agreements on the allotment of subscription rights to shares entered into separately between the Company and the holders of subscription rights to shares.

4. The Company split its shares of common stock by 100 for 1, effective September 13, 2012, by 5 for 1, effective June 1, 2013, and by 3 for 1, effective October 1, 2013. Consequently, the number of shares to be issued upon exercise of subscription rights to shares for the 1st through 5th series as of the end of the current fiscal year shall be 1,500 shares. The "number of shares to be issued upon exercise of subscription rights to shares" and "exercise price per share upon exercise of subscription rights to shares" in the above table are adjusted figures.

5. The conditions for the exercise of subscription rights to shares are as follows.

- (1) The holders of subscription rights to shares may exercise subscription rights to shares only when the amount of EBITDA (the amount equivalent to the sum of income before income taxes indicated on statements of income and depreciation, amortization of goodwill, and interest expenses paid on loans and bonds indicated on statements of cash flows. When preparing consolidated financial statements, EBITDA is the amount equivalent to the sum of income before income taxes indicated on consolidated statements of income and depreciation, amortization of goodwill, and interest expenses paid on loans and bonds indicated on consolidated statements of cash flows.) calculated in annual securities reports for one of the fiscal years between that ended September 30, 2015 and that ending September 30, 2019 submitted by the Company in accordance with the Financial Instruments and Exchange Act exceeds 50.0 billion yen even once. When, for example, the application of International Financial Reporting Standards result in important changes being made to matters that should be referenced, indices that should be referenced will be provided for separately at meetings of the Board of Directors. However, no subscription rights to shares may be exercised when

the EBITDA for one of the fiscal years between that ended September 30, 2015 and that ending September 30, 2019 is below 10.0 billion yen.

- (2) The holders of subscription rights to shares must be Directors, Statutory Auditors, or employees of the Company or the Company's subsidiaries and associates at the time rights are exercised. This does not apply in cases of resignation due to term expiration, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
- (3) Subscription rights to shares may not be exercised by inheritors of subscription rights to shares.
- (4) Subscription rights to shares may not be exercised when doing so would result in the total number of the Company's issued shares exceeding the number of authorized shares at the time rights are exercised.
- (5) Any fraction of a subscription right to shares smaller than one may not be exercised.

- (2) Subscription rights to shares 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 subscription rights to shares

No items to report.

4. Company Officers

- (1) Directors

(As of September 30, 2016)

Position	Name	Areas of responsibility in the Company, and important concurrent positions
President and CEO	Naruatsu Baba	In charge of the Human Resources Department and Next Generation Department
Director	Masahiko Tsuchiya	General Manager of Internal Audit Office
Director	Jun Hasebe	General Manager of Corporate Division
Director	Shohei Yoshioka	General Manager of Cyber Security Department, in charge of the System Administration Department and overseas business
Director	Ryosuke Ishiwatari	General Manager of Service Division
Director	Kazunori Morisaki	General Manager of Kuma the Bear Division
Director	Shinsuke Ishiwatari	Partnered attorney, VASCO DA GAMA OFFICES President and CEO, Minnano Wedding Co., Ltd.
Director	Koji Yanagisawa	CFO, START TODAY CO.,LTD.
Director	Dai Tamesue	Representative Director SAMURAI CO., LTD. President, Athlete Society Director, Xiborg Co., Ltd.
Director (Audit and Supervisory Committee member, full-time)	Tetsuzo Hasegawa	
Director (Audit and Supervisory Committee member)	Ryogo Tsukioka	Director, Tsukioka CPA Office
Director (Audit and Supervisory Committee member)	Koichiro Iida	Partnered attorney, Mori Hamada & Matsumoto Auditor, Minnano Wedding Co., Ltd.

- (Notes) 1. Directors Koji Yanagisawa and Dai Tamesue, and Directors (Audit and Supervisory Committee members) Tetsuzo Hasegawa, Ryogo Tsukioka and Koichiro Iida are Outside Directors.
2. Director Kotaro Chiba retired from office due to resignation on July 1, 2016.
 3. 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.
 4. 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.
 5. Director (Audit and Supervisory Committee member) Koichiro Iida is a certified attorney with thorough knowledge of legal matters.

6. 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.
7. The Company has designated Directors Koji Yanagisawa and Dai Tamesue, and Director (Audit and Supervisory Committee member) Tetsuzo Hasegawa as independent directors stipulated by the Tokyo Stock Exchange, and has registered them as such at the Exchange.

(2) Summary of agreements limiting liability

Pursuant to Article 427, paragraph 1 of the Companies Act, the Company concludes an agreement with Director Shinsuke Ishiwatari and 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 without knowledge and not grossly negligent in performing the duties as Director that cause liability.

(3) Amount of remuneration to Directors and Statutory Auditors

Classification	Number of payees	Amount of remuneration (thousand yen)
Director (excluding Audit and Supervisory Committee member) (Outside Director)	10 (3)	278,958 (9,875)
Director (Audit and Supervisory Committee member) (Outside Director)	3 (3)	18,749 (18,749)
Statutory Auditor (Outside Statutory Auditor)	3 (3)	5,100 (5,100)
Total (Outside officers)	13 (6)	302,808 (33,724)

- (Notes)
1. The above includes Directors and Statutory Auditors who retired from office in the fiscal year under review. The Company transitioned from a company with a board of statutory auditors to a company with an audit and supervisory committee on December 18, 2015.
 2. Figures shown in total columns represent the number of persons actually paid.
 3. It was resolved at the 7th Ordinary General Meeting of Shareholders, held on December 18, 2015, that the maximum amount of remuneration to be paid to Directors (excluding Audit and Supervisory Committee members) and to Directors (Audit and Supervisory Committee members) in total per year shall not exceed 300,000 thousand yen (including the amount of no more than 20,000 thousand yen annually for Outside Directors) and 30,000 thousand yen, respectively. The amount of remuneration 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.
 4. It was resolved at the 4th Ordinary General Meeting of Shareholders, held on December 19, 2012, that the maximum amount of remuneration to be paid to Statutory Auditors in total per year shall not exceed 25,000 thousand yen.

(4) Outside officers

- 1) Relationships between the Company and organizations where outside officers hold important concurrent positions
 - Director Koji Yanagisawa is the CFO of START TODAY CO.,LTD. There is no special relationship between the Company and the organization where Mr. Yanagisawa holds a concurrent position.
 - Director Dai Tamesue is Representative Director of SAMURAI CO., LTD., the President of Athlete Society and Director of Xiborg Co., Ltd. There is no special relationship between the Company and the organization where Mr. Tamesue holds a concurrent position.
 - Director (Audit and Supervisory Committee member) Ryogo Tsukioka is the Director of the Tsukioka CPA Office. There is no special relationship between the Company and the organization where Mr. Tsukioka holds a concurrent position.
 - Director (Audit and Supervisory Committee member) Koichiro Iida is a partnered attorney at Mori Hamada & Matsumoto and an Auditor at Minnano Wedding Co., Ltd. There is no special relationship between the Company and organizations where Mr. Iida holds concurrent positions.

2) Main activities for the current fiscal year

Classification	Name	Main activities
Director	Koji Yanagisawa	Attended 12 of the 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. The number of meetings of the Board of Directors held after assumption of this position as Director is 13.
Director	Dai Tamesue	Attended 12 of the 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. The number of meetings of the Board of Directors held after assumption of this position as Director is 13.
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 four meetings of the Board of Statutory Auditors held before a transition by the Company to a company with an audit and supervisory committee and all 11 meetings of the Audit and Supervisory Committee held after the transition. 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.
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 four meetings of the Board of Statutory Auditors held before a transition by the Company to a company with an audit and supervisory committee and all 11 meetings of the Audit and Supervisory Committee held after the transition. Made remarks concerning accounting, finance, and taxes pertaining to the Company from an expert perspective primarily as a certified public accountant and tax accountant.
Director (Audit and Supervisory Committee member)	Koichiro Iida	Attended 14 of the 17 meetings of the Board of Directors held in the current fiscal year. In addition, attended all four meetings of the Board of Statutory Auditors held before a transition by the Company to a company with an audit and supervisory committee and eight of the 11 meetings of the Audit and Supervisory Committee held after the transition. 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 (thousand yen)
Financial auditor's compensation, etc. for the current fiscal year (Note)	23,500
Total money and other economic benefits to be paid to the financial auditor by the Company and its subsidiaries	36,000

- (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) Non-audit operation

The Company pays a consideration to the financial auditor for financial due diligence work, which constitutes work not prescribed in Article 2, paragraph 1 of the Certified Public Accountants Act.

(4) 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.

(5) 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. Systems to Ensure that Business is Conducted Properly and Operating Status of Relevant System

In accordance with the Companies Act and Ordinances for the 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 law 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.

(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 the performance of duties by employees conforms to laws and regulations and the Articles of Incorporation of the Company
 - 1) The Company will establish administrative authority, will clarify responsibilities and authority, and will establish systems for execution in each department.
 - 2) The Company will prepare and operate various approval systems, internal regulations, manuals, etc., and will make these known.
 - 3) 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.
- (6) 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 Affiliates. 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.
- (7) 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.
- (8) 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.
- (9) 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.

- (10) 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.

Effective December 18, 2015, the Company made the transition from a company with a board of statutory auditors to a company with audit and supervisory committee. The information presented in "(6) Audit and Supervisory Committee" below states an overview of the operating status after the transition. However, a similar system for statutory auditors had been established and was in operation before the transition.

(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 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 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 President’s Office of the Company performs preparation and supervision of business management systems, has established “Regulations for the Management of Subsidiaries” and “Affiliates 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 law 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 in meetings of the Board of Directors, attendance by the full-time Audit and Supervisory Committee members in management meetings and other important meetings, and interview the Directors and important employees, the Audit and Supervisory Committee perform checks of the Company’s maintenance and operating status of internal control, and provide counsel for the purpose of more sound management systems and efficient operation.

The Audit and Supervisory Committee also conduct 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 continue to pay dividend, while also securing the internal reserves necessary for future business expansion and the strengthening of the Company’s business structure.

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 a dividend of 17 yen per common share of the Company’s stock for the current fiscal year.

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

Consolidated Financial Statements

(October 1, 2015 to September 30, 2016)

Consolidated Balance Sheet

(As of September 30, 2016)

(thousand yen)

Assets		Liabilities	
Current assets	61,757,898	Current liabilities	9,728,703
Cash and deposits	52,556,846	Accounts payable - trade	43,972
Accounts receivable - trade	7,600,495	Accounts payable - other	4,559,195
Merchandise	112,374	Accrued expenses	161,780
Work in process	154,888	Income taxes payable	3,776,381
Supplies	3,839	Accrued consumption taxes	260,229
Advance payments - other	360,773	Advances received	862,791
Prepaid expenses	484,474	Deposits received	52,646
Deferred tax assets	450,189	Other	11,705
Other	87,000	Non-current liabilities	423,427
Allowance for doubtful accounts	(52,984)	Asset retirement obligations	416,641
Non-current assets	10,543,476	Other	6,786
Property, plant and equipment	1,378,512	Total liabilities	10,152,131
Buildings	609,643	Net assets	
Tools, furniture and fixtures	148,037	Shareholders' equity	62,147,717
Land	148,094	Capital stock	6,384,952
Construction in progress	472,736	Capital surplus	6,143,944
Intangible assets	2,043,898	Retained earnings	54,261,682
Goodwill	1,968,399	Treasury shares	(4,642,861)
Software	74,762	Accumulated other comprehensive income	743
Other	736	Valuation difference on available-for-sale securities	743
Investments and other assets	7,121,065	Subscription rights to shares	783
Investment securities	3,878,664	Total net assets	62,149,243
Shares of subsidiaries and associates	1,055,998	Total liabilities and net assets	72,301,375
Investments in capital of subsidiaries and associates	184,099		
Lease and guarantee deposits	1,441,046		
Deferred tax assets	558,048		
Other	3,209		
Total assets	72,301,375		

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

Consolidated Statement of Income
(October 1, 2015 to September 30, 2016)

(thousand yen)

Description	Amount	
Net sales		84,730,446
Cost of sales		37,442,281
Gross profit		47,288,164
Selling, general and administrative expenses		15,432,836
Operating income		31,855,328
Non-operating income		
Interest income	14,857	
Interest on securities	13,133	
Miscellaneous income	6,440	34,431
Non-operating expenses		
Foreign exchange losses	596,821	
Miscellaneous loss	20,095	616,917
Ordinary income		31,272,842
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	511,345	511,345
Profit before income taxes		30,761,496
Income taxes - current	9,961,547	
Income taxes - deferred	135,132	10,096,680
Profit		20,664,816
Loss attributable to non-controlling interests		(45,896)
Profit attributable to owners of parent		20,710,713

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

Consolidated Statement of Changes in Equity

(October 1, 2015 to September 30, 2016)

(thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,328,780	6,325,581	35,631,705	(5,000,453)	43,285,613
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	56,172	56,172			112,344
Dividends of surplus			(1,967,569)		(1,967,569)
Purchase of treasury shares				(514)	(514)
Changes by share exchanges		(113,165)		358,105	244,939
Purchase of share of consolidated subsidiaries treasury stock		(45)			(45)
Purchase of shares of consolidated subsidiaries		(237,762)			(237,762)
Transfer of loss on disposal of treasury shares		113,165	(113,165)		-
Profit attributable to owners of parent			20,710,713		20,710,713
Net changes of items other than shareholders' equity					
Total changes of items during period	56,172	(181,636)	18,629,977	357,591	18,862,104
Balance at end of current period	6,384,952	6,143,944	54,261,682	(4,642,861)	62,147,717

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	(103)	(103)	884	43,286,394
Changes of items during period				
Issuance of new shares - exercise of subscription rights to shares				112,344
Dividends of surplus				(1,967,569)
Purchase of treasury shares				(514)
Changes by share exchanges				244,939
Purchase of share of consolidated subsidiaries treasury stock				(45)
Purchase of shares of consolidated subsidiaries				(237,762)
Transfer of loss on disposal of treasury shares				-
Profit attributable to owners of parent				20,710,713
Net changes of items other than shareholders' equity	846	846	(101)	745
Total changes of items during period	846	846	(101)	18,862,849
Balance at end of current period	743	743	783	62,149,243

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

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: 7
Names of consolidated subsidiaries:
Indigo Game Studios, Inc.
COLOPL NEXT, Inc.
RealStyle Co., Ltd.
Pyramid, Inc.
360Channel, Inc.
COLOPL NEXT No. 2 Fund Investment Partnership
Eighting Co., Ltd.

Above seven companies were newly included in the scope of consolidation from the current fiscal year due to their increase in materiality.

- (2) Number of unconsolidated subsidiaries: 5
Names of unconsolidated subsidiaries:
COLOPL NI, Inc. and four other companies

Unconsolidated subsidiaries are small in size, and their total assets, net sales, profit or loss attributable to owners of parent (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: 7
Names of companies not accounted for by the equity method:
COLOPL NI, Inc. and six other companies

These seven 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 attributable to owners of parent (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. The balance sheet date of Pyramid, Inc. has changed to September 30 from March 31.

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

With market quotations

Stated based on the market price, etc. on the balance sheet date

(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.)

Without market quotations

Stated at cost using the moving-average method

2) 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

Mainly 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 acquired on or after April 1, 2016, are computed using the straight-line method.

The main economic useful lives are as follows:

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

2) Intangible assets (excluding goodwill)

The straight-line method is applied.

Software for provision of services using the web	3 years	(Useful lives as internally determined)
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Other	5 years
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(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) Method and period for amortization of goodwill

Goodwill is amortized by the straight-line method over three years.

(5) Other significant matters for the preparation of consolidated financial statements

Accounting for consumption taxes

The tax-exclusion method is applied for consumption tax and local consumption tax.

Change in Accounting Policy

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact of this change on profit or loss is immaterial.

Notes to Consolidated Balance Sheet

(1) Assets offered as collateral, etc.

Lease and guarantee deposits 473,231 thousand yen
 (Note) The above assets are held in trust in accordance with the Act on Settlement of Funds.

(2) Accumulated depreciation of property, plant and equipment

Buildings	188,866 thousand yen
Tools, furniture and fixtures	255,662 thousand yen
Total	444,529 thousand yen

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, 2015	Increase	Decrease	Number of shares as of September 30, 2016
Common shares	124,886,000	1,419,000	–	126,305,000

(Major cause for the change)

Increase due to exercise of subscription rights to shares 1,419,000 shares

(2) Type and number of treasury shares

(Unit: shares)

Type of shares	Number of shares as of October 1, 2015	Increase	Decrease	Number of shares as of September 30, 2016
Common shares	1,912,890	315	136,991	1,776,214

(Major cause for the change)

Increase due to purchase of shares less than one unit 315 shares
 Decrease due to share exchange 136,991 shares

(3) Dividends of surplus

1) Dividends paid

Resolution	Type of shares	Source of dividend	Total dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on December 18, 2015	Common shares	Retained earnings	1,967,569	16.00	September 30, 2015	December 21, 2015

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 16, 2016, as follows:

Resolution	Type of shares	Source of dividend	Total dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on December 16, 2016	Common shares	Retained earnings	2,116,989	17.00	September 30, 2016	December 19, 2016

(4) Type and number of shares to be issued upon the exercise of the subscription rights to shares as of the balance sheet date (excluding subscription rights to shares for which the first day of the exercise period has not yet arrived)

Common shares 4,710,300 shares

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.

2) Details of financial instruments and associated risks

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

Government bonds, which are included in investment securities, are exposed to the risk of market price fluctuations.

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

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

The Group uses derivatives in managing funds through deposits linked to the yen-dollar exchange rate. Other monetary receivables and payables denominated in foreign currencies are also exposed to the risk of foreign exchange rate fluctuations.

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 and other information to mitigate risks.

c. Management of foreign currency risk (fluctuation risk from foreign exchange, interest and others)

Derivative transactions are conducted within the limits of the resolution of the Board of Directors, and the monthly performance is reported at the Board of Directors meeting. For monetary receivables and payables denominated in foreign currencies, exchange fluctuations are monitored and reported at a monthly meeting of the Board of Directors.

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.

Financial instruments whose fair values are deemed to be extremely difficult to determine are not included in the following table (Refer to Note 3).

			(thousand yen)
	Amounts on consolidated balance sheet	Fair values	Differences
(1) Cash and deposits	52,556,846	52,556,846	-
(2) Accounts receivable - trade	7,600,495		
Allowance for doubtful accounts (Note 1)	(52,984)		
Accounts receivable - trade, net	7,547,511	7,547,511	-
(3) Investment securities	136,579	136,579	-
Total assets	60,240,937	60,240,937	-
(1) Accounts payable - other	4,559,195	4,559,195	-
(2) Income taxes payable	3,776,381	3,776,381	-
Total liabilities	8,335,577	8,335,577	-

(Notes) 1. Allowance for doubtful accounts on accounts receivable - trade has been deducted.

2. Methods of fair value measurement of financial instruments

Assets

(1) Cash and deposits, (2) Accounts receivable - trade

Because these are settled in a short period of time and their fair values approximate book values, the Group deems their book values to be the fair values.

(3) Investment securities

Fair values of bonds are assessed based on statistical data provided by the Japan Securities Dealers Association.

Liabilities

(1) Accounts payable - other, (2) Income taxes payable

Because these are settled in a short period of time and their fair values approximate book values, the Group deems their book values to be the fair values.

3. Financial instruments whose fair values are deemed to be extremely difficult to determine

	(thousand yen)
Classification	Amounts on consolidated balance sheet
Investment securities (Unlisted stocks)	3,742,084
Shares of subsidiaries and associates (Unlisted stocks)	1,055,998
Investments in capital of subsidiaries and associates	184,099

Because these instruments have no market price and thus their fair values are deemed to be extremely difficult to determine, they are not subject to disclosure of fair values.

Notes on Per Share Information

(1) Net assets per share	499.07 yen
(2) Basic earnings per share	166.92 yen

Notes on Significant Subsequent Events

No items to report.

Other Notes

Business combinations, etc.

1. Business combination through acquisition

(1) Summary of business combination

1) Name and summary of business of acquired entity

Name of acquired entity: Eighting Co., Ltd.

Summary of business: Planning, development and operation of various game content

2) Main reason for carrying out business combination
 The business combination was carried out because the Company and Eighting Co., Ltd. offer mutually synergistic benefits for each other's business, and it has been judged that the corporate value for the Group can be improved by broadly and deeply fusing together the management resources, such as the knowhow and technology that both companies have accumulated since their respective establishment.

3) Date of business combination
 May 10, 2016 (deemed acquisition date: April 1, 2016)

4) Legal form of business combination
 Acquisition of shares

5) Name of entity after business combination
 No change.

6) Voting rights acquired
 92.47%

7) Main grounds for determining the acquiring entity
 The Company acquired shares using cash as the type of consideration.

(2) Period of operating results of acquired entity included in consolidated financial statements
 From April 1, 2016 to September 30, 2016

(3) Acquisition cost of the acquired entity and breakdown of acquisition cost by type of consideration

Consideration for acquisition	Cash	2,053,205 thousand yen
Acquisition cost		2,053,205 thousand yen

(4) Details and amount of main acquisition-related costs
 Due diligence costs, etc. 169,078 thousand yen

(5) Amount of goodwill recognized, reason for recognition, and method and period for amortization of goodwill

1) Amount of goodwill recognized
 1,780,976 thousand yen

2) Reason for recognition
 The amount of the acquisition cost exceeds the Company's equity ownership portion in the net assets of the acquired entity and the amount of that excess is recognized as goodwill.

3) Method and period for amortization of goodwill
 Straight-line method over three years

(6) Amounts of assets acquired and liabilities assumed on the day of the business combination and the principal breakdown

Current assets	734,375 thousand yen
Non-current assets	219,324 thousand yen
Total assets	953,699 thousand yen
Current liabilities	464,250 thousand yen
Non-current liabilities	161,973 thousand yen
Total liabilities	626,224 thousand yen

2. Transactions under common control, etc.

The Company and Eighting Co., Ltd. carried out a share exchange with an effective date of August 12, 2016, to make the Company the wholly owning parent company resulting from the share exchange and Eighting Co., Ltd. the wholly owned subsidiary resulting from the share exchange.

(1) Summary of transaction

1) Name and summary of business of entity involved in business combination

Name: Eighting Co., Ltd.

Summary of business: Planning, development and operation of various game content

2) Date of business combination

August 12, 2016

3) Legal form of business combination

Share exchange whereby the Company is the wholly owning parent company resulting from the share exchange and Eighting Co., Ltd. is the wholly owned subsidiary resulting from the share exchange.

4) Name of entity after business combination

No change.

5) Other matters concerning summary of transaction

Please see “2) Main reason for carrying out business combination” in 1. (1) above for the purpose of this share exchange.

(2) Summary of accounting implemented

The transaction was accounted for as transactions with non-controlling shareholders categorized under transactions under common control, etc. in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

(3) Matters concerning additional purchase of shares of subsidiary

1) Acquisition cost and breakdown of acquisition cost by type of consideration

Consideration for acquisition	Common share of the Company	244,939 thousand yen
Acquisition cost		244,939 thousand yen

2) Type of shares, share exchange ratio and number of shares delivered

	The Company (Wholly owning parent company resulting from share exchange)	Eighting Co., Ltd. (Wholly owned subsidiary resulting from share exchange)
Share allotment ratio in share exchange	1	0.35
Number of shares delivered in share exchange	Common share of the Company: 136,991 shares	

3) Method used to calculate share exchange ratio

To ensure fairness and appropriateness in calculating the share exchange ratio, the share exchange ratio used in the share exchange was decided after negotiation and deliberation between both companies. It is based on the calculation results of a third-party entity that does not have any relationships of interest with the Company or Eighting Co., Ltd.

Non-consolidated Financial Statements

(October 1, 2015 to September 30, 2016)

Non-consolidated Balance Sheet

(As of September 30, 2016)

(thousand yen)

Assets		Liabilities	
Current assets	60,150,614	Current liabilities	9,626,228
Cash and deposits	51,130,872	Accounts payable - trade	43,972
Accounts receivable - trade	7,426,867	Accounts payable - other	4,628,569
Merchandise	112,374	Accrued expenses	103,977
Supplies	3,839	Income taxes payable	3,767,835
Advance payments - other	360,423	Accrued consumption taxes	226,008
Prepaid expenses	447,997	Advances received	808,791
Short-term loans receivable from subsidiaries and associates	118,084	Deposits received	36,795
Deferred tax assets	450,189	Other	10,277
Other	100,447	Non-current liabilities	405,131
Allowance for doubtful accounts	(480)	Asset retirement obligations	405,131
Non-current assets	14,265,470	Total liabilities	10,031,359
Property, plant and equipment	1,297,380	Net assets	
Buildings	569,488	Shareholders' equity	64,383,199
Tools, furniture and fixtures	107,059	Capital stock	6,384,952
Land	148,094	Capital surplus	6,381,753
Construction in progress	472,736	Legal capital surplus	6,381,753
Intangible assets	59,532	Retained earnings	56,259,355
Software	59,532	Other retained earnings	56,259,355
Investments and other assets	12,908,557	Retained earnings brought forward	56,259,355
Investment securities	877,772	Treasury shares	(4,642,861)
Shares of subsidiaries and associates	4,861,585	Valuation and translation adjustments	743
Bonds of subsidiaries and associates	191,100	Valuation difference on available-for-sale securities	743
Investments in capital of subsidiaries and associates	3,310,986	Subscription rights to shares	783
Long-term loans receivable from subsidiaries and associates	1,915,000	Total net assets	64,384,725
Lease and guarantee deposits	1,245,837	Total liabilities and net assets	74,416,085
Deferred tax assets	506,276		
Total assets	74,416,085		

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

Non-consolidated Statement of Income
(October 1, 2015 to September 30, 2016)

(thousand yen)

Description	Amount	
Net sales		84,009,811
Cost of sales		36,347,974
Gross profit		47,661,837
Selling, general and administrative expenses		14,027,258
Operating income		33,634,578
Non-operating income		
Interest income	35,712	
Interest on securities	10,017	
Miscellaneous income	7,580	53,310
Non-operating expenses		
Foreign exchange losses	524,160	
Loss on investments in partnership	121,242	645,403
Ordinary income		33,042,485
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	511,345	511,345
Profit before income taxes		32,531,139
Income taxes - current	9,957,961	
Income taxes - deferred	172,731	10,130,692
Profit		22,400,447

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

Non-consolidated Statement of Changes in Equity

(October 1, 2015 to September 30, 2016)

(thousand yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Treasury shares
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
Balance at beginning of current period	6,328,780	6,325,581	6,325,581	35,939,644	35,939,644	(5,000,453)
Changes of items during period						
Issuance of new shares - exercise of subscription rights to shares	56,172	56,172	56,172			
Dividends of surplus				(1,967,569)	(1,967,569)	
Profit				22,400,447	22,400,447	
Purchase of treasury shares						(514)
Changes by share exchanges				(113,165)	(113,165)	358,105
Net changes of items other than shareholders' equity						
Total changes of items during period	56,172	56,172	56,172	20,319,711	20,319,711	357,591
Balance at end of current period	6,384,952	6,381,753	6,381,753	56,259,355	56,259,355	(4,642,861)

	Shareholders' equity	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	43,593,552	(103)	(103)	884	43,594,333
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	112,344				112,344
Dividends of surplus	(1,967,569)				(1,967,569)
Profit	22,400,447				22,400,447
Purchase of treasury shares	(514)				(514)
Changes by share exchanges	244,939				244,939
Net changes of items other than shareholders' equity		846	846	(101)	745
Total changes of items during period	20,789,646	846	846	(101)	20,790,392
Balance at end of current period	64,383,199	743	743	783	64,384,725

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

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, bonds 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
With market quotations
Stated based on the market price, etc. on the balance sheet date
(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.)

Without market quotations
Stated at cost using the moving-average method

(2) Standards and methods for valuation of inventories

- 1) Merchandise
Stated at cost using the moving-average method (non-consolidated balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).
- 2) Supplies
Mainly 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 acquired on or after April 1, 2016, are computed using the straight-line method.
The main economic useful lives are as follows:

Buildings	8 to 18 years
Tools, furniture and fixtures	2 to 15 years
- 2) Intangible assets
The straight-line method is applied.

Software for provision of services using the web	3 years (Useful lives as internally determined)
Other	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) Other significant basic matters for the preparation of non-consolidated financial statements

Accounting for consumption taxes

The tax-exclusion method is applied for consumption tax and local consumption tax.

Change in Accounting Policy

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact of this change on profit or loss is immaterial.

Notes to Non-consolidated Balance Sheet

(1) Assets offered as collateral, etc.

Lease and guarantee deposits	473,231 thousand yen
(Note) The above assets are held in trust in accordance with the Act on Settlement of Funds.	

(2) Accumulated depreciation of property, plant and equipment

Buildings	146,398 thousand yen
Tools, furniture and fixtures	157,196 thousand yen
<u>Total</u>	<u>303,594 thousand yen</u>

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

Short-term monetary receivables	69,702 thousand yen
Short-term monetary payables	191,341 thousand yen

Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates

Operating transactions	
Net sales	22,325 thousand yen
Cost of sales	1,092,202 thousand yen
Selling, general and administrative expenses	17,082 thousand yen
Transactions other than operating transactions	31,781 thousand 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, 2015	Increase	Decrease	Number of shares as of September 30, 2016
Common shares	1,912,890	315	136,991	1,776,214

(Major cause for the change)

Increase due to purchase of shares less than one unit	315 shares
Decrease due to share exchange	136,991 shares

Notes on Tax Effect Accounting

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

(thousand yen)

Deferred tax assets:

Accrued enterprise taxes, currently not deductible	301,777
Accrued bonuses, currently not deductible	105,656
Bad debts expenses, currently not deductible	2,620
Rents not qualifying for deduction	22,029
Asset retirement obligations	125,023
Amount exceeding the limit of tax depreciation	1,985
Amount exceeding the limit of depreciation of lump-sum depreciable assets	30,807
Amount exceeding the limit of software amortization	288,621
Asset adjustment account	12,060
Loss on valuation of shares of subsidiaries and associates	157,801
Other	6,045
Total deferred tax assets	<u>1,054,428</u>

Deferred tax liabilities:

Retirement costs corresponding to asset retirement obligations	97,634
Other	327
Total deferred tax liabilities	<u>97,962</u>
Net deferred tax assets	<u>956,465</u>

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 (thousand yen)	Account title	Balance as of September 30, 2016 (thousand yen)
Subsidiary	360Channel, Inc.	Directly owning 100.0%	Interlocking of officers	Underwriting of capital investment (Note 1)	700,000	-	-
Subsidiary	COLOPL NEXT No. 2 Fund Investment Partnership	Directly owning 99.75% Indirectly owning 0.25%	Business investment	Payment of capital investment (Note 2)	3,247,229	-	-

- (Notes) 1. Investment of funds in the company at the time of its establishment.
2. Payment of capital investment by means of a capital call based on a partnership agreement.

Notes on Per Share Information

- (1) Net assets per share 517.02 yen
(2) Basic earnings per share 180.54 yen

Notes on Significant Subsequent Events

No items to report.

Other Notes

Business combinations, etc.

Notes to this item are omitted because the details are identical to the content presented in “Other Notes—Business combinations, etc.” in the Notes to Consolidated Financial Statements.

(English translation)

Certified copy of Financial Auditor's audit report on the Consolidated Financial Statements

Independent Auditor's Report

November 9, 2016

To the Board of Directors
COLOPL, Inc.

Deloitte Touche Tohmatsu LLC

Toru Nakatsuka, CPA
Designated Unlimited Liability Partner,
Engagement Partner
Kunikazu Awashima, CPA
Designated Unlimited Liability Partner,
Engagement Partner

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements, of COLOPL, Inc. (the "Company") for the fiscal year from October 1, 2015 to September 30, 2016.

The responsibility of management concerning the consolidated financial statements, etc.

The responsibility of management is to prepare consolidated financial statements in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

The responsibility of independent auditors

Our responsibility is to express an opinion independently on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the consolidated financial statements, due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of consolidated financial statements, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Audit opinion

In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the corporate group comprised of COLOPL, Inc. and its subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

(English translation)

Certified copy of Financial Auditor's audit report on the Non-consolidated Financial Statements

Independent Auditor's Report

November 9, 2016

To the Board of Directors
COLOPL, Inc.

Deloitte Touche Tohmatsu LLC

Toru Nakatsuka, CPA
Designated Unlimited Liability Partner,
Engagement Partner
Kunikazu Awashima, CPA
Designated Unlimited Liability Partner,
Engagement Partner

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements, and the supplementary schedules of COLOPL, Inc. (the "Company") for the 8th fiscal term from October 1, 2015 to September 30, 2016.

The responsibility of management concerning the non-consolidated financial statements, etc.

The responsibility of management is to prepare non-consolidated financial statements and the supplementary schedules in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of non-consolidated financial statements, and the supplementary schedules, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

The responsibility of independent auditors

Our responsibility is to express an opinion independently on the non-consolidated financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and the supplementary schedules are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the non-consolidated financial statements, and the supplementary schedules, due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of non-consolidated financial statements, and the supplementary schedules, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Audit opinion

In our opinion, the above non-consolidated financial statements and the supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements and the supplementary schedules, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

(English translation)

Certified copy of the audit report of the Audit and Supervisory Committee

Audit Report

The Audit and Supervisory Committee audited the execution of duties by Directors for the 8th fiscal term from October 1, 2015 to September 30, 2016. We hereby report the methods and results as follows.

1. Auditing methods and details of such methods

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, paragraph 1, item 1 (b) and (c) of the Companies Act and the status of the system being developed pursuant to such resolutions (internal control system), the Audit and Supervisory Committee periodically received reports from the Directors, employees and other personnel concerning the establishment and management of such system, sought explanations as necessary, and expressed opinions, and carried out audits according to the following method:

- 1) The Audit and Supervisory Committee worked in coordination with the respective company internal audit division and other divisions with jurisdiction over internal control, received reports from Directors and employees regarding performance of their duties at important meetings, sought explanations as necessary, examined important authorized documents, and studied the operations and financial positions at the Company based on the auditing policies determined by the Audit and Supervisory Committee and the allocation of duties, etc. With respect to subsidiaries, we communicated and exchanged information with Directors, Statutory Auditors, and other relevant personnel of the subsidiaries, and received business report from the subsidiaries as necessary.
- 2) In addition to monitoring and verifying whether the financial auditor kept its independent position and whether it performed proper audit, the Committee received reports from the financial auditor concerning the performance of its duties, and requested additional explanation as necessary. Moreover, we were informed of the arrangement of the “System for ensuring that the duties are performed appropriately” (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005)) from the financial auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business report and supplementary schedules thereto, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements) and the supplementary schedules thereto and the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements), for the fiscal term ended September 30, 2016.

2. Results of audit

(1) Results of audit of business report and other relevant documents

- 1) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- 2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company.
- 3) The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control and the execution of duties by Directors.

(2) Results of audit of the non-consolidated financial statements and supplementary schedules

The auditing methods and results of the financial auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of audit of consolidated financial statements

The auditing methods and results of the financial auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

November 15, 2016

Audit and Supervisory Committee, COLOPL, Inc.

Full-time Audit and Supervisory Committee member
Audit and Supervisory Committee member
Audit and Supervisory Committee member

Tetsuzo Hasegawa
Ryogo Tsukioka
Koichiro Iida

(Note) Audit and Supervisory Committee members Mr. Tetsuzo Hasegawa, Mr. Ryogo Tsukioka and Mr. Koichiro Iida are Outside Directors provided for in Article 2, item 15 and Article 331, paragraph 6 of the Companies Act.