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(Securities Code: 3668)
December 6, 2017

Dear Shareholders,

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

Notice of the 9th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 9th 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. 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 21, 2017 in accordance with the instructions given below.

Details

1. **Date and Time:** Friday, December 22, 2017, at 10:00 a.m.
(The reception of the attendees to the meeting 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:**
 1. **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 9th Fiscal Year (from October 1, 2016 to September 30, 2017)
 2. Non-consolidated Financial Statements for the 9th Fiscal Year (from October 1, 2016 to September 30, 2017)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Nine (9) Directors (excluding Directors Who Are Audit and Supervisory Committee Members)
Proposal 3: Election of Three (3) 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 21, 2017, at 7:00 p.m.
- (2) When exercising voting rights via the internet
If you would exercise your voting rights via the internet, please refer to page 3 "Instructions for the Exercise of Voting Rights via the Internet" described hereafter and complete the procedure by 7:00 p.m., Thursday, December 21, 2017.

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 22, 2017, at 10:00 a.m.**
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■ 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 21, 2017, 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.

Proposal 3

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

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



■ When exercising voting rights on the internet
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 21, 2017, at 7:00 p.m.**

Instructions for the Exercise of Voting Rights via the Internet

If you exercise your voting rights via the internet, 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 21, 2017. 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, we will consider the exercise via the internet, to be valid. If voting rights are exercised multiple times via the internet, 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. 7 or more recent version, as web browser
 - (b) Adobe® Reader® ver. 9.0 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 and 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, making a dividend payout ratio of 30% as the guideline consolidated dividend payout ratio, 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: 21.00 yen

Total amount of dividends: 2,639,277,711 yen

(3) Effective date for dividends

December 25, 2017

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

All ten (10) Directors (excluding Directors who are Audit and Supervisory Committee members) will resign at the conclusion of this meeting due to the expiration of their terms of office. In that regard, the Company requests approval for the election of nine (9) Directors (excluding Directors who are Audit and Supervisory Committee members). 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) Mar. 2016 Established Kuma Foundation President (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>	205,000 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>	307,500 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	Ryosuke Ishiwatari (April 24, 1972) <u>Reelection</u>	<p>May 2001 Joined International Creative Marketing (name changed to KANTAR JAPAN INC.)</p> <p>Jan. 2006 Joined Caps Inc.</p> <p>Sep. 2009 Joined NAVIT Co., Ltd.</p> <p>Sep. 2010 Joined COLOPL, Inc.</p> <p>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>	49,600 shares
5	Kazunori Morisaki (November 7, 1976) <u>Reelection</u>	<p>Feb. 2003 Joined SEGA CORPORATION</p> <p>Oct. 2003 Joined Q Entertainment Inc.</p> <p>Mar. 2012 Joined COLOPL, Inc.</p> <p>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>	18,400 shares
6	Kenta Sugai (February 28, 1982) <u>Reelection</u>	<p>Apr. 2000 Joined Fujisetsubi Corporation</p> <p>Dec. 2001 Joined Forum Engineering Inc.</p> <p>Apr. 2005 Joined COMSYS TECHNO Corporation</p> <p>Jan. 2008 Joined forTravel, Inc.</p> <p>Jun. 2010 Joined COLOPL, Inc.</p> <p>Dec. 2016 Executive Director, 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 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>	82,700 shares
7	Shinsuke Ishiwatari (August 30, 1969) <u>Reelection</u>	<p>Apr. 1998 Admitted as Attorney-at-Law</p> <p>Jan. 2001 Established Field-R Law Offices</p> <p>Aug. 2008 Established VASCO DA GAMMA OFFICES Attorney (current position)</p> <p>Jul. 2010 Outside Director, COLOPL, Inc.</p> <p>Mar. 2011 Executive Officer, Cookpad Inc.</p> <p>Jul. 2015 President and CEO, Minnano Wedding Co., Ltd. (current position)</p> <p>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>	49,500 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	Koji Yanagisawa (May 19, 1971) <input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent	<p>Apr. 1995 Joined Fuji Bank, Limited (name changed to Mizuho Bank, Ltd.)</p> <p>May 1999 Joined NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.</p> <p>May 2005 Joined Mizuho Securities Co., Ltd.</p> <p>Feb. 2006 Full-time Statutory Auditor, START TODAY CO.,LTD.</p> <p>Jun. 2008 Director Head of Strategic Planning and Business Administration Division, START TODAY CO.,LTD.</p> <p>Apr. 2009 CFO, START TODAY CO.,LTD.</p> <p>Dec. 2015 Executive Director, COLOPL, Inc. (current position)</p> <p>Apr. 2017 Executive Vice President and CFO, START TODAY CO.,LTD. (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 two years. The Company has submitted notification to the Tokyo Stock Exchange that Mr. Koji Yanagisawa has been designated as an independent director as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent director to continue.</p>	5,000 shares
9	Dai Tamesue (May 3, 1978) <input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent	<p>Apr. 2002 Joined Osaka Gas Co., Ltd.</p> <p>Oct. 2003 Retired from Osaka Gas Co., Ltd. and became an independent professional track and field athlete</p> <p>Mar. 2004 Contracted as an athlete of Asia Partnership Fund</p> <p>Dec. 2007 Established SAMURAI CO., LTD. Representative Director (current position) Director, Wedge Holdings CO., LTD.</p> <p>Aug. 2010 Established Athlete Society President (current position)</p> <p>May 2014 Established Xiborg Co., Ltd. Director (current position)</p> <p>Dec. 2015 Executive 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 two years. The Company has submitted notification to the Tokyo Stock Exchange that Mr. Dai Tamesue has been designated as an independent director as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent director to continue.</p>	—

- 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. Ryosuke Ishiwatari, Mr. Kazunori Morisaki, Mr. Kenta Sugai, 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.

Proposal 3: Election of Three (3) Directors Who Are Audit and Supervisory Committee Members

All three (3) Directors who are Audit and Supervisory Committee members will resign at the conclusion of this meeting due to the expiration of their terms of office. Accordingly, the Company requests approval for the election of three (3) Directors who are Audit and Supervisory Committee members. In addition, the consent of the Audit and Supervisory Committee has been obtained for this proposal.

The candidates for 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	Tetsuzo Hasegawa (March 26, 1950) <input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent	<p>Apr. 1973 Joined Daiwa Securities Co. Ltd.</p> <p>Apr. 1999 Joined Daiwa Securities SB Capital Markets Co. Ltd. (name changed to Daiwa Securities Co. Ltd.)</p> <p>Feb. 2004 Director, Daiwa Securities SMBC Principal Investments Co. Ltd.</p> <p>May 2005 Director, CABIN Co. Ltd.</p> <p>Jun. 2005 Director, Daiwa Seiko Co. Ltd. (name changed to GLOBERIDE, Inc.)</p> <p>Oct. 2005 Director, MARUI IMAI Inc.</p> <p>Jun. 2007 Director, Mitsui Mining Co., Ltd. (name changed to NIPPON COKE & ENGINEERING CO., LTD.)</p> <p>Dec. 2007 Chairman and Representative Director, HMV Japan K.K.</p> <p>Jun. 2008 Auditor, Daiwa Sanko Co. Ltd.</p> <p>Auditor, Daiwa Institute of Research Ltd. (name changed to Daiwa Institute of Research Holdings Ltd.)</p> <p>Auditor, Daiwa Pension Consulting Co., Ltd.</p> <p>Oct. 2008 Auditor, Daiwa Institute of Research Business Innovation Ltd.</p> <p>Sep. 2010 Full-time Statutory Auditor, COLOPL, Inc.</p> <p>Dec. 2015 Executive Director (Full-time Audit and Supervisory Committee member), COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate for Outside Director Mr. Tetsuzo Hasegawa worked at financial institutions for many years, and he possesses broad knowledge and considerable experience. Accordingly, we request his reelection as Outside Director as we expect him to serve as a competent Outside Director and to provide advice and checking based on his deep knowledge. Mr. Tetsuzo Hasegawa is currently an Outside Director of the Company, and at the conclusion of this meeting, his tenure as Outside Director will have been two years. The Company has submitted notification to the Tokyo Stock Exchange that Mr. Tetsuzo Hasegawa has been designated as an independent director as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent director to continue.</p>	5,500 shares
2	Ryogo Tsukioka (November 19, 1971) <input type="checkbox"/> Reelection <input type="checkbox"/> Outside	<p>Apr. 1996 Joined Dai Nippon Printing Co., Ltd.</p> <p>Jan. 1999 Joined Zeirishi-Hojin PricewaterhouseCoopers (name changed to PwC Tax Japan)</p> <p>Apr. 2003 Registered as Certified Public Accountant</p> <p>Jul. 2006 Established Tsukioka CPA Office Director (current position)</p> <p>Dec. 2010 Statutory Auditor, COLOPL, Inc.</p> <p>Dec. 2015 Executive Director (Audit and Supervisory Committee member), COLOPL, Inc. (current position)</p> <p>Reasons for Nomination as Candidate for Outside Director Mr. Ryogo Tsukioka has never in the past been involved in the management of a company except as an outside officer. However, he has a high level of expertise as a certified public accountant as well as a thorough knowledge of finance and accounting. Accordingly, we request his reelection as Outside Director as we expect him to serve as a competent Outside Director and to provide advice and checking based on his deep knowledge. Mr. Ryogo Tsukioka is currently an Outside Director of the Company, and at the conclusion of this meeting, his tenure as Outside Director will have been two years.</p>	—

No.	Name (Date of birth)	Career summary, positions, areas of responsibility in the Company, and important concurrent positions	Number of the Company's shares held
3	Koichiro Iida (October 15, 1971) <u>Reelection</u> <u>Outside</u>	<p>Apr. 1996 Admitted as Attorney-at-Law Joined Mori Sogo (name changed to Mori Hamada & Matsumoto) (current position)</p> <p>Jun. 2005 Admitted as Attorney-at-Law of California, U.S.</p> <p>Dec. 2011 Statutory Auditor, COLOPL, Inc.</p> <p>Oct. 2013 Corporate Auditor, HEROZ, Inc.</p> <p>Jul. 2015 Statutory Auditor, Minnano Wedding Co., Ltd. (current position)</p> <p>Dec. 2015 Executive Director (Audit and Supervisory Committee member), COLOPL, Inc. (current position)</p> <p>Jul. 2017 Director (Audit and Supervisory Committee member), HEROZ, Inc. (current position)</p> <p>Reasons for Nomination as Candidate for Outside Director Mr. Koichiro Iida has never in the past been involved in the management of a company except as an outside officer. However, he has a high level of expertise as an attorney-at-law as well as long-term experience with regard to corporate legal affairs. Accordingly, we request his reelection as Outside Director as we expect him to serve as a competent Outside Director and to provide advice and checking based on his deep knowledge. Mr. Koichiro Iida is currently an Outside Director of the Company, and at the conclusion of this meeting, his tenure as Outside Director will have been two years.</p>	—

- Notes:
1. No special interest exists between any of the above candidates and the Company.
 2. Mr. Tetsuzo Hasegawa, Mr. Ryogo Tsukioka and Mr. Koichiro Iida have been Statutory Auditors of the Company in the past.
 3. Pursuant to Article 427, paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Tetsuzo Hasegawa, Mr. Ryogo Tsukioka and Mr. Koichiro Iida 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, 2016 to September 30, 2017)

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 the effects of such factors as growing uncertainty in the global economy due to the change of the United States government, and fluctuations in the financial and capital markets.

Concerning the industry surrounding the Group, Smartphone Game Market in Japan: Key Research Findings 2016 by Yano Research Institute Ltd. shows that the smartphone game market in Japan is expected to reach 960 billion yen, or 101.6% on a year-to-year comparison, in fiscal year 2017, continuing stable growth. In addition, according to the survey conducted by The Goldman Sachs Group, Inc., the world market for the VR (Virtual Reality) hardware and software is expected to reach 59 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 introduce 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 Dragon Project and Tokyo Casino Project overseas, and Pro Baseball Versus and PaniPani – Parallelnix Pandoranight in Japan. Furthermore, with regard to existing titles such as Quiz RPG: The World of Mystic Wiz and White Cat Project, the Group operated services to increase user engagement by implementing promotions in TV commercials and on online video platforms as well as real events including collaborative cafés.

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

As a result, net sales for the current fiscal year came to 52,246 million yen (down 38.3% from previous fiscal year) while operating profit was 12,932 million yen (down 59.4% from previous fiscal year), ordinary profit was 12,901 million yen (down 58.7% from previous fiscal year), and profit attributable to owners of parent was 8,691 million yen (down 58.0% from previous fiscal year).

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

Business segment	Net sales
Mobile service business	52,246
Total	52,246

(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.

There are no matters of note.

(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

(million yen, except for per share amounts)

Item	The 6th fiscal year ended September 30, 2014	The 7th fiscal year ended September 30, 2015	The 8th fiscal year ended September 30, 2016	The 9th fiscal year ended September 30, 2017
Net sales	–	–	84,730	52,246
Ordinary profit	–	–	31,272	12,901
Profit attributable to owners of parent	–	–	20,710	8,691
Basic earnings per share (yen)	–	–	166.92	69.32
Total assets	–	–	72,301	75,744
Net assets	–	–	62,149	69,293
Net assets per share (yen)	–	–	499.07	551.34

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

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

(million yen, except for per share amounts)

Item	The 6th fiscal year ended September 30, 2014	The 7th fiscal year ended September 30, 2015	The 8th fiscal year ended September 30, 2016	The 9th fiscal year ended September 30, 2017
Net sales	53,575	72,395	84,009	50,692
Ordinary profit	23,556	32,363	33,042	14,629
Profit	13,024	19,436	22,400	8,634
Basic earnings per share (yen)	107.65	157.70	180.54	68.86
Total assets	48,012	59,260	74,416	77,547
Net assets	30,284	43,594	64,384	71,471
Net assets per share (yen)	245.07	354.50	517.02	568.67

(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	3,541	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, 2017)

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, 2017)

Name	Location
Head office	Shibuya-ku, Tokyo

(10) Employees (As of September 30, 2017)

1) Employees of the Corporate Group 1,248 [123] (increase of 67 [24] year on year)

(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.

2) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average years of service
792 [43]	19	30.5 years old	2.4 years

(Note) 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.

(11) Major creditors (As of September 30, 2017)

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, 2017)

(1) Total number of authorized shares 450,000,000 shares

(2) Total number of issued shares 127,457,000 shares (including 1,777,109 treasury shares)

(3) Number of shareholders 38,179

(4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio (%)
Naruatsu Baba	61,775,200	49.15
Japan Trustee Services Bank, Ltd. (Trust account)	9,730,600	7.74
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT (Standing proxy: Citibank Japan Ltd.)	3,038,000	2.42
KDDI CORPORATION	2,550,000	2.03
JP MORGAN CHASE BANK 380634 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	2,084,700	1.66
Kotaro Chiba	1,455,200	1.16
The Master Trust Bank of Japan, Ltd. (Trust account)	1,435,600	1.14
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,195,300	0.95
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	1,181,729	0.94
HSBC—FUND SERVICES, SPARX ASSET MANAGEMENT CO LTD (Standing proxy: Custody Business Department, Tokyo branch, The Hongkong and Shanghai Banking Corporation Limited)	1,030,000	0.82

(Notes) 1. The Company holds 1,777,109 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, 2017)

	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	40	52
Number of shares to be issued upon exercise of subscription rights to shares (Note 4)	60,000	78,000
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	3	1
Number of subscription rights to shares	27	16
Number of shares to be issued upon exercise of subscription rights to shares (Note 4)	40,500	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	7	7
Number of subscription rights to shares	1,050	2,772
Number of shares to be issued upon exercise of subscription rights to shares (Note 4)	1,575,000	277,200
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. There are no subscription rights to shares owned by 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, 2017)

Position	Name	Areas of responsibility in the Company, and important concurrent positions
President and CEO	Naruatsu Baba	In charge of the Human Resources Division President, Kuma Foundation
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	Kenta Sugai	General Manager of Creative Division
Director	Shinsuke Ishiwatari	Partnered attorney, VASCO DA GAMA OFFICES President and CEO, Minnano Wedding Co., Ltd.
Director	Koji Yanagisawa	Executive Vice President and 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. Director (Audit and Supervisory Committee member), HEROZ, Inc.

- (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 (Audit and Supervisory Committee member) Tetsuzo Hasegawa worked for many years in the securities industry and has extensive experience as a director and statutory auditor at other companies.
 3. Director (Audit and Supervisory Committee member) Ryogo Tsukioka is a certified public accountant and certified tax accountant and has a thorough knowledge of finance and accounting.
 4. Director (Audit and Supervisory Committee member) Koichiro Iida is a certified attorney with thorough knowledge of legal matters.

5. The Company has appointed the full-time Audit and Supervisory Committee member to enhance the efficacy of information collection and audits, and strengthen audit and supervision functions.
6. The Company has designated 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

Classification	Number of payees	Amount of remuneration (million yen)
Director (excluding Audit and Supervisory Committee member) (Outside Director)	10 (2)	235 (10)
Director (Audit and Supervisory Committee member) (Outside Director)	3 (3)	25 (25)
Total (Outside officers)	13 (5)	260 (35)

(Notes) 1. Figures shown in total columns represent the number of persons actually paid.

2. 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 million yen (including the amount of no more than 20 million yen annually for Outside Directors) and 30 million 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) Outside officers

- 1) Relationships between the Company and organizations where outside officers hold important concurrent positions
 - Director Koji Yanagisawa is the Executive Vice President and 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 each of the organizations where Mr. Tamesue holds concurrent positions.
 - 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, an Auditor at Minnano Wedding Co., Ltd. and a Director (Audit and Supervisory Committee member) of HEROZ, Inc. There is no special relationship between the Company and each of the organizations where Mr. Iida holds concurrent positions.

2) Main activities for the current fiscal year

Classification	Name	Main activities
Director	Koji Yanagisawa	Attended 17 of the 18 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.
Director	Dai Tamesue	Attended 17 of the 18 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.
Director (Audit and Supervisory Committee member)	Tetsuzo Hasegawa	Attended all 18 meetings of the Board of Directors held in the current fiscal year. In addition, attended all 13 meetings of the Audit and Supervisory Committee. Also attended major internal meetings as a full-time Audit and Supervisory Committee member. Made remarks concerning corporate governance and compliance from his experience as an officer at listed companies.
Director (Audit and Supervisory Committee member)	Ryogo Tsukioka	Attended all 18 meetings of the Board of Directors held in the current fiscal year. In addition, attended all 13 meetings of the Audit and Supervisory Committee. Made remarks concerning accounting, finance, and taxes pertaining to the Company from an expert perspective primarily as a certified public accountant and tax accountant.
Director (Audit and Supervisory Committee member)	Koichiro Iida	Attended 17 of the 18 meetings of the Board of Directors held in the current fiscal year. In addition, attended 12 of the 13 meetings of the Audit and Supervisory Committee. Made remarks concerning legal matters pertaining to the Company, corporate governance, and compliance from an expert perspective primarily as an attorney.

5. Financial Auditor

(1) Financial auditor's name

Deloitte Touche Tohmatsu LLC

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

	Amount (million yen)
Financial auditor's compensation, etc. for the current fiscal year (Note)	25
Total money and other economic benefits to be paid to the financial auditor by the Company and its subsidiaries	25

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

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

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

(4) Summary of agreements limiting liability

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

6. 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.
 - 7) The Company will establish administrative authority, will clarify responsibilities and authority, and will establish systems for execution in each department.
 - 8) The Company will prepare and operate various approval systems, internal regulations, manuals, etc., and will make these known.
 - 9) The Company will establish a manager responsible for personal information management, and will construct and operate personal information protection systems centered on the said manager. The Company will also establish a secretariat under the direction of the said manager, and will strive to continuously improve the proper protection of personal information.
- (2) Matters related to the preservation and management of information concerning the performance of duties by Directors
 - 1) The Company will establish document management regulations and, following the provisions of the relevant regulations, etc., will appropriately preserve and manage important documents (including electromagnetic recordings) that contain information concerning the performance of duties by Directors, such as the minutes of important meetings.
 - 2) The Company will establish information management regulations and will protect and manage information assets.
- (3) Regulations concerning management of risk of loss and other systems

- 1) Directors will ascertain the various risks that accompany the business of the Group as a whole, and, with recognition of the importance of performing risk management in an integrated manner, will strive to ascertain, evaluate, and manage these risks.
 - 2) The Company will prepare for unforeseeable events such as disasters, accidents, and system failures, and will formulate business continuity plans.
- (4) Systems to ensure that the duties of Directors are performed efficiently
- 1) The Board of Directors will operate in accordance with the Articles of Incorporation and the Regulations for the Board of Directors, and will convene regularly every month or as required.
 - 2) Directors will carry out close exchanges of ideas, and, by working to share information, will execute their work with efficiency, agility, and speed.
 - 3) In order to ensure that the duties of Directors are performed efficiently, the Company will establish organizational regulations, regulations concerning the division of duties, and regulations concerning systems for approvals.
- (5) Systems to ensure that business is conducted properly in the corporate group consisting of the Company and subsidiaries
- 1) The Company will strive to construct compliance systems for the Group as a whole, based on its management philosophy.
 - 2) The Company will perform necessary management in accordance with conditions in each subsidiary and based on Regulations for the Management of Subsidiaries and 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.
- (6) Matters concerning relevant employees when the Audit and Supervisory Committee has requested the assignment of employees to assist in the duties of Audit and Supervisory Committee members
- 1) The Audit and Supervisory Committee may ask the Board of Directors to assign employees that will follow the orders and instructions of the Audit and Supervisory Committee (hereafter referred to as "assistants to the Audit and Supervisory Committee").
 - 2) Personnel transfers, personal evaluations, and disciplinary actions involving an assistant to the Audit and Supervisory Committee require the prior consent of the Audit and Supervisory Committee.
 - 3) When receiving direction from the Audit and Supervisory Committee concerning their work, assistants to the Audit and Supervisory Committee will prepare a system for following the orders and instructions exclusively.
- (7) Systems for reporting to the Audit and Supervisory Committee by Directors and employees of the Company and subsidiaries
- 1) The Directors and employees of the Company and subsidiaries will report to the Audit and Supervisory Committee without delay concerning legal matters, as well as matters that may have significant effects on the Company, matters resolved in important conference bodies, the status of public whistle-blowing systems and internal audits, etc.
 - 2) At the request of the Audit and Supervisory Committee, the Directors and employees of the Company and subsidiaries will report promptly on the status of business execution, etc.
 - 3) The Company will prohibit disadvantageous treatment of Directors and employees of the Company and subsidiaries for reason of having engaged in reporting to the Audit and Supervisory Committee in accordance with

the previous two paragraphs, and will make the fact of this matter thoroughly known to the Directors and employees of the Company and subsidiaries.

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

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

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

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

- (1) Internal control systems overall

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

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

- (2) Compliance

In order to inspect and strengthen legal compliance systems, the Company has established a department responsible for the promotion of compliance, in accordance with the Company's "Basic Policies on Compliance" and "Compliance Regulations." The Company is also strengthening its initiatives by establishing a Compliance Information Desk 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 Corporate Planning Department 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 18 times.

(6) **Audit and Supervisory Committee**

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

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

7. Basic Policy on Control of Stock Company

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

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

8. Policy on Determination of Dividends from Surplus and Others

With regard to the earnings distribution, the basic policy of the Company is to continue to pay dividend, making a dividend payout ratio of 30% as the guideline consolidated dividend payout ratio, 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 21 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, 2016 to September 30, 2017)

Consolidated Balance Sheet

(As of September 30, 2017)

(million yen)

Assets		Liabilities	
Current assets	62,327	Current liabilities	5,923
Cash and deposits	51,409	Accounts payable - trade	29
Accounts receivable - trade	6,589	Accounts payable - other	4,473
Merchandise	170	Accrued expenses	219
Work in process	207	Income taxes payable	45
Supplies	3	Accrued consumption taxes	48
Advance payments - other	268	Advances received	979
Prepaid expenses	615	Deposits received	111
Deferred tax assets	24	Other	15
Other	3,059	Non-current liabilities	528
Allowance for doubtful accounts	(21)	Asset retirement obligations	519
Non-current assets	13,417	Other	8
Property, plant and equipment	1,929	Total liabilities	6,451
Buildings	1,572	Net assets	
Tools, furniture and fixtures	204	Shareholders' equity	68,816
Land	149	Capital stock	6,433
Construction in progress	3	Capital surplus	6,192
Intangible assets	942	Retained earnings	60,835
Goodwill	890	Treasury shares	(4,643)
Software	52	Accumulated other comprehensive income	475
Investments and other assets	10,545	Valuation difference on available-for-sale securities	475
Investment securities	7,018	Subscription rights to shares	0
Shares of subsidiaries and associates	866	Total net assets	69,293
Investments in capital of subsidiaries and associates	820	Total liabilities and net assets	75,744
Lease and guarantee deposits	1,508		
Deferred tax assets	327		
Other	3		
Total assets	75,744		

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

Consolidated Statement of Income
(October 1, 2016 to September 30, 2017)

(million yen)

Description	Amount	
Net sales		52,246
Cost of sales		28,449
Gross profit		23,796
Selling, general and administrative expenses		10,864
Operating profit		12,932
Non-operating income		
Interest income	12	
Interest on securities	19	
Foreign exchange gains	433	
Miscellaneous income	73	538
Non-operating expenses		
Loss on valuation of investment securities	516	
Miscellaneous loss	52	568
Ordinary profit		12,901
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	349	349
Profit before income taxes		12,551
Income taxes - current	3,411	
Income taxes - deferred	449	3,860
Profit		8,691
Profit attributable to owners of parent		8,691

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

Consolidated Statement of Changes in Equity

(October 1, 2016 to September 30, 2017)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,384	6,143	54,261	(4,642)	62,147
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	48	48			96
Dividends of surplus			(2,116)		(2,116)
Purchase of treasury shares				(1)	(1)
Profit attributable to owners of parent			8,691		8,691
Net changes of items other than shareholders' equity					
Total changes of items during period	48	48	6,574	(1)	6,669
Balance at end of current period	6,433	6,192	60,835	(4,643)	68,816

	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	0	0	0	62,149
Changes of items during period				
Issuance of new shares - exercise of subscription rights to shares				96
Dividends of surplus				(2,116)
Purchase of treasury shares				(1)
Profit attributable to owners of parent				8,691
Net changes of items other than shareholders' equity	474	474	(0)	474
Total changes of items during period	474	474	(0)	7,143
Balance at end of current period	475	475	0	69,293

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

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 8
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
COLOPL NEXT No. 4 Fund Investment Partnership
Eighting Co., Ltd.

In the current fiscal year, the Group established COLOPL NEXT No. 4 Fund Investment Partnership and newly included it in the scope of consolidation.

- (2) Number of unconsolidated subsidiaries: 6
Names of unconsolidated subsidiaries:
Social Info Inc. and five 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: 8
Names of companies not accounted for by the equity method:
Social Info Inc. and seven other companies

These eight 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.

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, buildings and 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 39 years
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Tools, furniture and fixtures	2 to 20 years
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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.

Additional Information

Application of Guidance on Recoverability of Deferred Tax Assets

The Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

Notes to Consolidated Balance Sheet

(1) Assets offered as collateral, etc.

Lease and guarantee deposits 473 million 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	306 million yen
Tools, furniture and fixtures	286 million yen
Total	592 million 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, 2016	Increase	Decrease	Number of shares as of September 30, 2017
Common shares	126,305,000	1,152,000	–	127,457,000

(Major cause for the change)

Increase due to exercise of subscription rights to shares 1,152,000 shares

(2) Type and number of treasury shares

(Unit: shares)

Type of shares	Number of shares as of October 1, 2016	Increase	Decrease	Number of shares as of September 30, 2017
Common shares	1,776,214	895	–	1,777,109

(Major cause for the change)

Increase due to purchase of shares less than one unit 895 shares

(3) Dividends of surplus

1) Dividends paid

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

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 22, 2017, as follows:

Resolution	Type of shares	Source of dividend	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on December 22, 2017	Common shares	Retained earnings	2,639	21.00	September 30, 2017	December 25, 2017

(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 3,431,300 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.

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

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

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

Monetary receivables and payables denominated in foreign currencies are 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)

For monetary receivables and payables denominated in foreign currencies, exchange fluctuations are monitored.

4) Supplementary explanation regarding fair values of financial instruments

Fair values of financial instruments include theoretical values that are reasonably calculated. Because these calculations are based on certain assumptions, applying different assumptions may result in different fair values.

(2) Matters relating to fair values of financial instruments

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

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

		(million yen)	
	Amounts on consolidated balance sheet	Fair values	Differences
(1) Cash and deposits	51,409	51,409	-
(2) Accounts receivable - trade	6,589		
Allowance for doubtful accounts (Note 1)	(21)		
Accounts receivable - trade, net	6,568	6,568	-
(3) Investment securities	2,743	2,743	-
Total assets	60,720	60,720	-
(1) Accounts payable - other	4,473	4,473	-
(2) Income taxes payable	45	45	-
Total liabilities	4,518	4,518	-

(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

	(million yen)
Classification	Amounts on consolidated balance sheet
Investment securities (Unlisted stocks)	4,275
Shares of subsidiaries and associates (Unlisted stocks)	866
Investments in capital of subsidiaries and associates	820

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	551.34 yen
(2) Basic earnings per share	69.32 yen

Notes on Significant Subsequent Events

No items to report.

Other Notes

Amounts for items presented in the consolidated financial statements and other matters were previously shown in units of thousand yen. However, the units were changed to show these amounts in units of million yen from the current fiscal year.

Non-consolidated Financial Statements

(October 1, 2016 to September 30, 2017)

Non-consolidated Balance Sheet

(As of September 30, 2017)

(million yen)

Assets		Liabilities	
Current assets	60,287	Current liabilities	5,572
Cash and deposits	49,646	Accounts payable - trade	29
Accounts receivable - trade	6,495	Accounts payable - other	4,475
Merchandise	170	Accrued expenses	160
Supplies	3	Advances received	805
Advance payments - other	268	Deposits received	87
Prepaid expenses	573	Other	14
Deferred tax assets	20	Non-current liabilities	503
Other	3,108	Asset retirement obligations	503
Allowance for doubtful accounts	(0)		
Non-current assets	17,260	Total liabilities	6,076
Property, plant and equipment	1,828	Net assets	
Buildings	1,509	Shareholders' equity	70,995
Tools, furniture and fixtures	166	Capital stock	6,433
Land	149	Capital surplus	6,429
Construction in progress	3	Legal capital surplus	6,429
Intangible assets	41	Retained earnings	62,776
Software	41	Other retained earnings	62,776
Investments and other assets	15,390	Retained earnings brought forward	62,776
Investment securities	3,604	Treasury shares	(4,643)
Shares of subsidiaries and associates	4,136	Valuation and translation adjustments	475
Bonds of subsidiaries and associates	61	Valuation difference on available-for-sale securities	475
Investments in capital of subsidiaries and associates	4,347	Subscription rights to shares	0
Long-term loans receivable from subsidiaries and associates	2,893		
Lease and guarantee deposits	1,319	Total net assets	71,471
Deferred tax assets	1,082	Total liabilities and net assets	77,547
Other	42		
Allowance for doubtful accounts	(2,097)		
Total assets	77,547		

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

Non-consolidated Statement of Income
(October 1, 2016 to September 30, 2017)

(million yen)

Description	Amount	
Net sales		50,692
Cost of sales		26,985
Gross profit		23,706
Selling, general and administrative expenses		8,940
Operating profit		14,766
Non-operating income		
Interest income	57	
Interest on securities	5	
Foreign exchange gains	412	
Miscellaneous income	21	497
Non-operating expenses		
Loss on investments in partnership	425	
Loss on valuation of investment securities	167	
Miscellaneous loss	42	634
Ordinary profit		14,629
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	885	
Provision of allowance for doubtful accounts	2,097	2,982
Profit before income taxes		11,647
Income taxes - current	3,368	
Income taxes - deferred	(355)	3,012
Profit		8,634

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

Non-consolidated Statement of Changes in Equity
(October 1, 2016 to September 30, 2017)

(million yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Treasury shares
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at beginning of current period	6,384	6,381	6,381	56,259	56,259	(4,642)
Changes of items during period						
Issuance of new shares - exercise of subscription rights to shares	48	48	48			
Dividends of surplus				(2,116)	(2,116)	
Profit				8,634	8,634	
Purchase of treasury shares						(1)
Net changes of items other than shareholders' equity						
Total changes of items during period	48	48	48	6,517	6,517	(1)
Balance at end of current period	6,433	6,429	6,429	62,776	62,776	(4,643)

	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	64,383	0	0	0	64,384
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	96				96
Dividends of surplus	(2,116)				(2,116)
Profit	8,634				8,634
Purchase of treasury shares	(1)				(1)
Net changes of items other than shareholders' equity		474	474	(0)	474
Total changes of items during period	6,612	474	474	(0)	7,086
Balance at end of current period	70,995	475	475	0	71,471

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

Notes to Non-consolidated Financial Statements

Notes on Significant Accounting Policies

(1) Standards and methods for valuation of securities

- 1) Shares of subsidiaries and associates, 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, buildings and 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	3 to 39 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.

Additional Information

Application of Guidance on Recoverability of Deferred Tax Assets

The Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

Notes to Non-consolidated Balance Sheet

(1) Assets offered as collateral, etc.

Lease and guarantee deposits	473 million 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	268 million yen
Tools, furniture and fixtures	157 million yen
<hr/> Total	<hr/> 426 million yen

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

Short-term monetary receivables	96 million yen
Short-term monetary payables	247 million yen

Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates

Operating transactions

Net sales	7 million yen
Cost of sales	1,800 million yen
Selling, general and administrative expenses	52 million yen
Transactions other than operating transactions	90 million yen

Notes to Non-consolidated Statement of Changes in Equity

Type and number of treasury shares

(Unit: shares)

Type of shares	Number of shares as of October 1, 2016	Increase	Decrease	Number of shares as of September 30, 2017
Common shares	1,776,214	895	—	1,777,109

(Major cause for the change)

Increase due to purchase of shares less than one unit 895 shares

Notes on Tax Effect Accounting

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

(million yen)

Deferred tax assets:

Accrued bonuses, currently not deductible	124
Allowance for doubtful accounts, currently not deductible	642
Bad debts expenses, currently not deductible	2
Asset retirement obligations	154
Amount exceeding the limit of tax depreciation	4
Amount exceeding the limit of depreciation of lump-sum depreciable assets	23
Amount exceeding the limit of software amortization	176
Loss on valuation of shares of subsidiaries and associates	271
Other	16
Total deferred tax assets	<u>1,415</u>

Deferred tax liabilities:

Enterprise tax refund receivable	(122)
Retirement costs corresponding to asset retirement obligations	(111)
Other	(78)
Total deferred tax liabilities	<u>(312)</u>
Net deferred tax assets	<u>1,103</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 (million yen)	Account title	Balance as of September 30, 2017 (million yen)
Subsidiary	RealStyle Co., Ltd.	Directly owning 95.0%	Financial support Interlocking of officers	Lending of funds (Notes 1, 2)	280	Long-term loans receivable from subsidiaries and associates	850
				Receipt of interest (Notes 1, 2)	12	Other under investments and other assets	22
Subsidiary	Pyramid, Inc.	Directly owning 97.5%	Financial support Interlocking of officers	Lending of funds (Notes 1, 2)	650	Long-term loans receivable from subsidiaries and associates	1,143
				Receipt of interest (Notes 1, 2)	14	Other under investments and other assets	20

(Notes) 1. For loans, etc. to the above subsidiaries, allowance for doubtful accounts were recorded at a total of 2,035 million yen.

2. The interest rates of loans are rationally decided by taking into account market interest rates.

Notes on Per Share Information

(1) Net assets per share	568.67 yen
(2) Basic earnings per share	68.86 yen

Notes on Significant Subsequent Events

No items to report.

Other Notes

Amounts for items presented in the consolidated financial statements and other matters were previously shown in units of thousand yen. However, the units were changed to show these amounts in units of million yen from the current fiscal year.

(English translation)

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

Independent Auditor's Report

November 8, 2017

To the Board of Directors
COLOPL, Inc.

Deloitte Touche Tohmatsu LLC

Hajime Seishi, CPA
Designated Unlimited Liability Partner,
Engagement Partner
Hiroyuki Ito, 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, 2016 to September 30, 2017.

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 8, 2017

To the Board of Directors
COLOPL, Inc.

Deloitte Touche Tohmatsu LLC

Hajime Seishi, CPA
Designated Unlimited Liability Partner,
Engagement Partner
Hiroyuki Ito, 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 9th fiscal term from October 1, 2016 to September 30, 2017.

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 9th fiscal term from October 1, 2016 to September 30, 2017. 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, 2017.

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 21, 2017

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.