



Consolidated Financial Results
for the Fiscal Year Ended March 31, 2022 (Japan GAAP)

May 13, 2022

Company name: SQUARE ENIX HOLDINGS CO., LTD.
 Shares traded: Tokyo Stock Exchange, Prime Market
 Company code: 9684
 Company URL: <https://www.hd.square-enix.com/eng>
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 Annual general meeting of shareholders: June 23, 2022 (planned)
 Financial report submission: June 24, 2022 (planned)
 Cash dividend payment commencement: June 3, 2022 (planned)
 Supplementary annual materials prepared: Yes
 Annual results presentation held: Yes (for institutional investors and analysts)

(Amounts under one million yen are rounded down)

1. Consolidated Financial Results (April 1, 2021 to March 31, 2022)

(1) Consolidated Financial Results

(Millions of yen and year-on-year changes in percents)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
March 31, 2022	365,275	9.8	59,261	25.5	70,704	41.5	51,013	89.3
March 31, 2021	332,532	27.6	47,226	44.2	49,983	55.7	26,942	26.2

Note. FY ended March 31, 2022 Comprehensive income: 49,735 million yen (83.6%)
 FY ended March 31, 2021 Comprehensive income: 27,088 million yen (31.5%)

Fiscal year ended	Earnings per share, basic	Earnings per share, diluted	Return on equity	Ordinary income to total assets	Operating margin
	yen	yen	%	%	%
March 31, 2022	426.82	425.95	19.4	19.7	16.2
March 31, 2021	225.75	225.18	11.6	15.6	14.2

Note 1. FY ended March 31, 2022 Equity in gain (loss) of affiliated companies: — million yen
 FY ended March 31, 2021 Equity in gain (loss) of affiliated companies: — million yen

2. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and other standards as of the start of the fiscal year ended March 31, 2022 and figures for the year ended March 31, 2022 reflect this change of accounting method.

(2) Consolidated Financial Position

(Millions of yen, ratios in percents and per share data)

As of	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
March 31, 2022	380,902	284,429	74.4	2,370.48
March 31, 2021	336,144	243,278	72.1	2,029.69

Note 1. Total equity As of March 31, 2022: 283,519 million yen
 As of March 31, 2021: 242,364 million yen

2. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and other standards as of the start of the fiscal year ended March 31, 2022 and figures for the year ended March 31, 2022 reflect this change of accounting method.

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	From operating activities	From investing activities	From financing activities	Closing cash and cash equivalents
Fiscal year ended			%	yen
March 31, 2022	27,570	(8,124)	(9,343)	160,622
March 31, 2021	35,000	(6,651)	(6,647)	144,061

Note: The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and other standards as of the start of the fiscal year ended March 31, 2022 and figures for the year ended March 31, 2022 reflect this change of accounting method.

2. Dividends

	Dividends per share					Total annual dividend payments	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q	2Q	3Q	4Q	Total			
Fiscal year ended March 31, 2021	yen	yen	yen	yen	yen	million yen	%	%
	—	10.00	—	68.00	78.00	9,313	34.6	4.0
Fiscal year ended March 31, 2022	—	10.00	—	119.00	129.00	15,428	30.2	5.9
Fiscal year ended March 31, 2023 (projection)	—	—	—	—	—		—	

(Note) Annual dividends for the fiscal year ending March 2023 (Forecast) is yet-to-be determined.

3. Consolidated Forecasts (April 1, 2022 to March 31, 2023)

The Company's consolidated financial forecasts for the fiscal year through March 31, 2023 remain undetermined pending a thorough assessment of the earnings impact of the transaction announced on May 2, 2022 in the release entitled "Execution of Share Transfer Agreement with Change to Subsidiaries (Divestiture of Select Overseas Studios & IP)." The Company will disclose financial forecasts as soon as they are calculable.

Notes

- (1) Significant changes among major subsidiaries during the period: No
- (2) Changes in accounting policies, procedures, and methods of presentation for consolidated financial statements
1. Changes in accounting policies due to revisions to accounting standards: Yes
 2. Changes other than 1.: No
 3. Changes in accounting estimates: Yes
 4. Retrospective restatement: No
- (3) Outstanding shares (common stock)
1. Number of shares issued and outstanding (including treasury stock):

As of March 31, 2022	122,531,596
As of March 31, 2021	122,531,596
 2. Number of treasury stock:

As of March 31, 2022	2,927,230
As of March 31, 2021	3,122,037
 3. Average number of shares during the period (cumulative):

Fiscal year ended March 31, 2022	119,520,217
Fiscal year ended March 31, 2021	119,345,513

Disclaimer: (1) This document is an abridged translation of the Japanese language "Kessan Tanshin" prepared in accordance with the guidelines of the Tokyo Stock Exchange. The Japanese language document shall prevail in the event that any differences or discrepancies exist between this English translation and the original. (2) At the time of disclosure of this document, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Law have not been completed. (3) The forward-looking statements in this document are based upon the information currently available and necessarily include elements that are not entirely predictable. The achievement is not promised. Actual results may differ from the forward-looking statements in this document. (4) For additional information about forecasts, please refer to "Consolidated Forecasts" section on page 4 of the Supplemental Information.

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1. Consolidated Results and Consolidated Financial Position for the Fiscal Year Ended March 31, 2022

(1) Analysis of consolidated business results

The Square Enix group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its business segments of Digital Entertainment, Amusement, Publication and Merchandising. Net sales for the fiscal year ended March 31, 2022 totaled ¥365,275 million (an increase of 9.8% from the prior fiscal year), operating income amounted to ¥59,261 million (an increase of 25.5% from the prior fiscal year). In foreign exchange rates, the weakness of Japanese yen compared to the rate as of the end of last fiscal year has resulted in the booking of a foreign exchange gain amounting to ¥10,489 million. As a result, ordinary income amounted to ¥70,704 million (an increase of 41.5% from the prior fiscal year), and profit attributable to owners of parent amounted to ¥51,013 million (an increase of 89.3% from the prior fiscal year).

A discussion of results by segment for the fiscal year ended March 31, 2022 follows.

●Digital Entertainment

The Digital Entertainment segment consists of planning, development, distribution, and operation of digital entertainment content primarily in the form of game. Digital entertainment content is offered to meet customer lifestyles across a variety of usage environments such as consumer game consoles (including handheld game machines), personal computers and smart devices.

At the HD (High-Definition) Game sub-segment, the fiscal year ended March 31, 2022 saw the release of such titles as "OUTRIDERS," "NieR Replicant ver.1.22474487139...", and "Marvel's Guardians of the Galaxy," but net sales declined versus the previous year, which had seen the launch of such titles as "FINAL FANTASY VII REMAKE" and "Marvel's Avengers."

Net sales rose year on year at the MMO (Massively Multiplayer Online) Game sub-segment due not only to a sharp rise in the number of monthly paying subscribers for "FINAL FANTASY XIV," but also to the release of an expansion pack for the title.

The Games for Smart Devices/PC Browser sub-segment saw somewhat weak performances from existing titles, but its net sales rose compared to the previous fiscal year due to the application of revised revenue recognition standards.

Net sales and operating income in the Digital Entertainment segment totaled ¥279,679 million (an increase of 6.0% from the prior fiscal year), and ¥58,960 million (an increase of 16.7% from the prior fiscal year), respectively.

●Amusement

The Amusement segment consists of the operation of amusement facilities and planning, development, and distribution of arcade game machines and related products for amusement facilities.

The Amusement segment was substantially impacted in the fiscal year ended March 31, 2021 by the temporary closure of amusement facilities in Japan, a move undertaken to combat the spread of COVID-19 in response to the Japanese government's declaration of a state of emergency. As such, the segment's net sales were higher in the fiscal year ended March 31, 2022, and it turned to profitability at the operating income line.

Net sales and operating income in the Amusement segment totaled ¥45,882 million (an increase of 33.6% from the prior fiscal year), and ¥2,003 million (operating loss of ¥1,568 million in the prior fiscal year).

●Publication

The Publication segment consists of publication and licensing of comic magazines, comic books, and game-related books.

Net sales and operating income rose year on year in the Publication segment, which saw not only brisk digital sales, but also a solid trend in print media sales, owing in part to the significant popularity of "My Dress-Up Darling."

Net sales and operating income in the Publication segment totaled ¥29,032 million (an increase of 8.2% from the prior fiscal year), and ¥12,222 million (an increase of 4.6% from the prior fiscal year), respectively.

●Merchandising

The Merchandising segment consists of planning, production, distribution, and licensing of derivative products of IPs owned by the Group.

In the Merchandising segment, brisk sales of new character merchandise based on the Group's own content resulted in higher net sales and operating income in the fiscal year ended March 31, 2022 than in the previous fiscal year.

Net sales and operating income in the Merchandising segment totaled ¥14,002 million (an increase of 48.1% from the prior fiscal year), and ¥3,980 million (an increase of 76.9% from the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

●Assets

As of March 31, 2022, total current assets were ¥322,455 million, an increase of 13.7% from the prior fiscal year. This was mainly due to increases in cash and deposits of ¥16,858 million, content production account of ¥18,612 million, notes and accounts receivable of ¥1,932 million, and merchandise and finished goods of ¥857 million.

Total non-current assets were ¥58,447 million, an increase of 11.3% from the prior fiscal year.

As a result, total assets were ¥380,902 million, an increase of 13.3% from the prior fiscal year.

●Liabilities

As of March 31, 2022, total current liabilities were ¥83,800 million, an increase of 4.3% from the prior fiscal year.

Total non-current liabilities were ¥12,672 million, an increase of 1.2% from the prior fiscal year.

As a result, total liabilities were ¥96,472 million, an increase of 3.9% from the prior fiscal year.

●Net assets

As of March 31, 2022, net assets were ¥284,429 million, an increase of 16.9% from the prior fiscal year. This was mainly due to profit attributable to owners of parent of ¥51,013 million and dividend payments of ¥9,315 million.

(3) Consolidated cash flow

As of March 31, 2022, cash and cash equivalents totaled ¥160,622 million, an increase of ¥16,561 million compared to the prior fiscal year. Cash flows during the fiscal year ended March 31, 2022 as well as the principal factors behind these cash flows are described below.

●Cash flows from operating activities

Net cash provided by operating activities during the fiscal year ended March 31, 2022 totaled ¥27,570 million (a decrease of 21.2% from the prior fiscal year).

Profit before income taxes of ¥70,223 million, income taxes paid of ¥26,161 million, an increase of inventories of ¥17,207 million, foreign exchange gains of ¥10,043 million, and depreciation of ¥7,594 million led to the overall provision of cash from operating activities.

●Cash flows from investing activities

Net cash used in investing activities totaled ¥8,124 million (an increase of 22.1% from the prior fiscal year).

The main factors are purchase of property, plant and equipment of ¥5,494 million and purchase of intangible assets of ¥2,464 million.

●Cash flows from financing activities

Net cash used in financing activities totaled ¥9,343 million (an increase of 40.5% from the prior fiscal year).

The main factor is cash dividends paid of ¥9,308 million.

(4) Consolidated forecasts

As detailed in the “Section 3. Management Policy (3) Business landscape” part below, rapid changes are underway globally as customer demands for content and services grow more diverse and sophisticated and the methods and business models by which such content and services are provided also diversify in response.

By developing content in keeping with these environmental changes and diversifying its earnings opportunities, the Group is endeavoring to establish a robust earnings base.

[Impact from the outbreak of the novel coronavirus]

In response to the global outbreak of the novel coronavirus (COVID-19), the Group has placed the utmost priority on the safety of its customers, business partners, and employees, deciding to cancel or postpone its own live events and instituting telework and other measures aimed at preventing the spread of the virus. At the same time, the Group has revised its operational processes and enhanced its IT systems to ensure the continuity of its business. In this way, the Group continues to work to minimize the impact to its business operations.

(5) Basic policy for profit distribution and dividends

The Group strives to enhance its corporate value through sustained growth achieved by undertaking investments in game development and other efforts funded by securing an appropriate level of retained earnings. At the same time, one of management's key policies is to return profits to shareholders. By rewarding shareholders primarily with dividends, the Group works to return profits in a way that strikes the optimal balance between recognizing the level of earnings achieved and providing stable rewards. In determining the amount of its dividend, the Group references a consolidated dividend payout ratio of 30%, making its final decision based upon comprehensive considerations of the balance between investment needs and the distribution of profits. Pending a resolution by the Board of Directors at a meeting scheduled for May 19, 2022, the Group intends to pay a year-end dividend of 119 yen per share for the fiscal year ended March 31, 2022, which, combined with the interim dividend of 10 yen per share, would make for a total annual dividend of 129 yen per share. While the Group intends to maintain its policy on shareholder return based on dividend payment at a consolidated dividend payout ratio of approximately 30% in the fiscal year ending March 31, 2023, it refrains from setting a dividend amount due to the difficulty in calculating earnings forecasts at present.

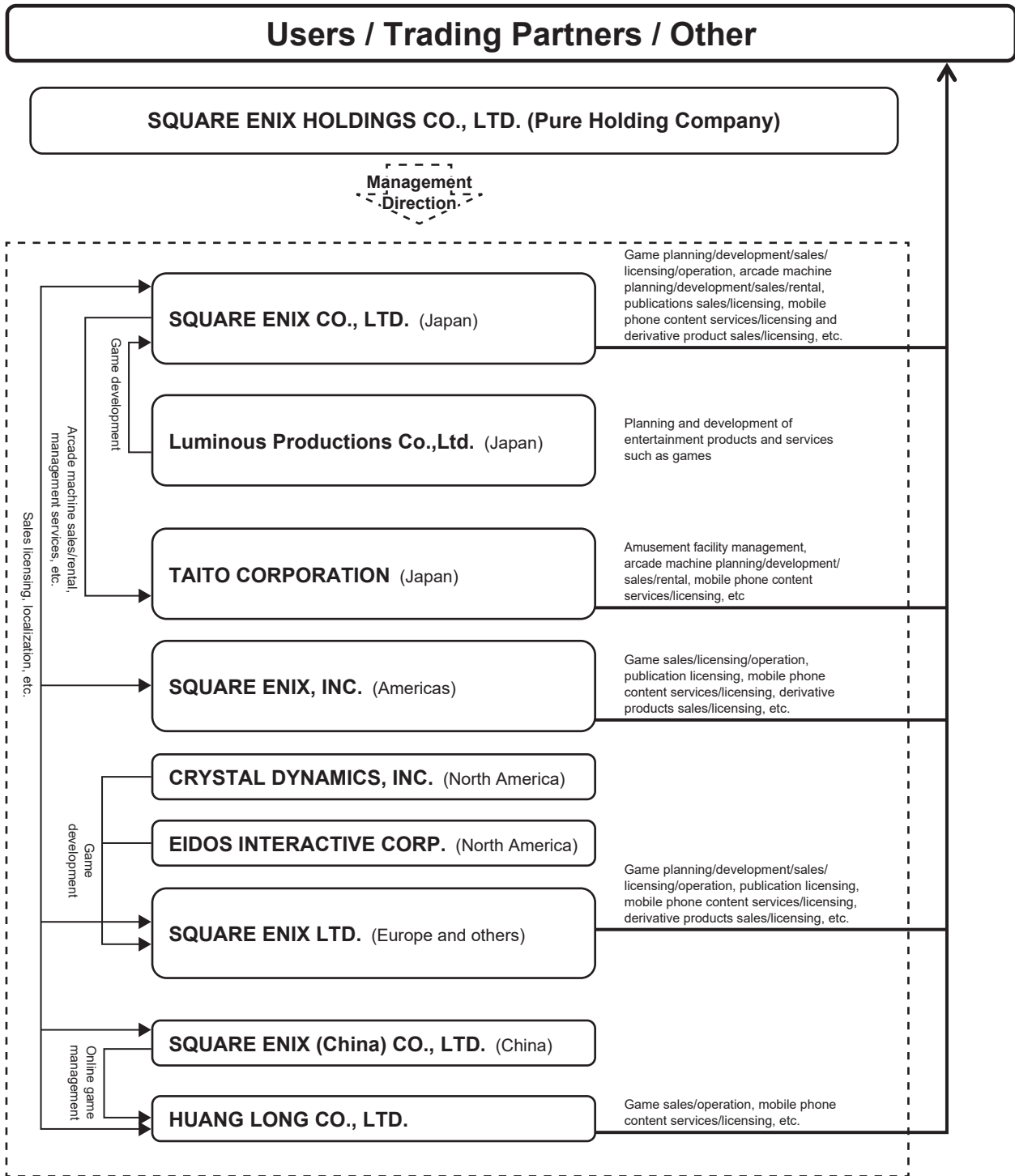
2. The Group's Outline of Operations

The following outline of operations lists the Group's primary business segments and major subsidiaries.
(Consolidated subsidiaries)

Segment	Primary Business Description	Region	Company Name
Digital Entertainment	Plans, develops, distributes, and operates games digital entertainment primarily in the form of computer games	Japan	SQUARE ENIX CO., LTD. TAITO CORPORATION Luminous Productions Co.,Ltd.
		Americas	SQUARE ENIX, INC. CRYSTAL DYNAMICS, INC. EIDOS INTERACTIVE CORP.
		Europe and others	SQUARE ENIX LTD.
		Asia	SQUARE ENIX (China) CO., LTD. HUANG LONG CO., LTD.
Amusement	Operation of amusement facilities and planning, development and distribution of arcade game machines for amusement facilities and related products	Japan	TAITO CORPORATION SQUARE ENIX CO., LTD.
Publication	Comic books, game strategy books, comic magazines, etc.	Japan	SQUARE ENIX CO., LTD.
		Americas	SQUARE ENIX, INC.
		Europe and others	SQUARE ENIX LTD.
Merchandising	Planning, production, distribution and licensing of derivative products of titles owned by the Group	Japan	SQUARE ENIX CO., LTD. TAITO CORPORATION
		Americas	SQUARE ENIX, INC.
		Europe and others	SQUARE ENIX LTD.

(Note) The above table lists major consolidated subsidiaries only.

The Group's Business Diagram:



Note: Above business diagram only includes key consolidated subsidiaries.

3. Management Policy

(1) Management philosophy

“To spread happiness across the globe by providing unforgettable experiences” is the corporate philosophy that guides the Group’s creation and distribution of advanced, high-quality content. The Group endeavors to maximize profits by engaging in efficient management that makes effective use of resources so that it may reward its shareholders and sustain the Group’s own growth and development.

(2) Management strategy

Through the creation of advanced, high-quality content, the Group strives to achieve medium- and long-term growth while maintaining profitability. As IT and telecommunications infrastructure have become more advanced and accessible, customer demand for content and services enabled by multifunctional devices and network connectivity has increased, and the methods and business models for delivering such content have diversified. These trends have ushered in an era of major structural change for the digital entertainment industry. In addition, the geographic scope of the Group’s business is expanding beyond the traditional key markets of Japan, Europe, North America, and East Asia to include Central and South America, the Middle East, and South Asia. The Group will respond to these changes in a timely and flexible manner as it strives to be a pioneer in this new era of digital entertainment.

(3) Business landscape

As a result of digitization and other technological advances, consumer game content is increasingly sold via downloads rather than physical packages. Monetization methods such as free-to-play, microtransactions, and subscriptions have also given rise to a greater diversity of business models outside the confines of traditional one-off sales. As such, the consumer game market continues to grow. A new era is poised to begin as the launch of 5G services accelerates these trends and robust cloud streaming platforms get off the ground.

In the market for games for smart devices, increasingly sophisticated smartphones are making customers demand even richer gaming experiences and enabling greater diversity in game design and business models. Led by the Western and Asian regions, the size of the market also continues to expand globally. Meanwhile, a familiar list of titles continues to dominate the upper end of the smart device game rankings in Japan, and the entrance of Asian players into the Japanese market has intensified competition, reducing the odds of new titles succeeding.

While businesses in the amusement market will undeniably continue to face the risk of substantial impact from the spread of COVID-19, the market is presently in the process of returning to pre-pandemic conditions. The market for online games that can be enjoyed without going to a physical location is growing due to the pandemic.

In the publication market, sales of e-books are showing good growth as sales of traditional print media decline. In addition, earnings opportunities are also expanding in the form of animated, film, and stage adaptations of manga and other content properties.

The current merchandising market enables the Group to offer a wide range of products and services via myriad channels to suit the diverse tastes of our customers. The Group will endeavor to establish stable recurring earnings by satisfying its customers’ diverse needs through a multifaceted and multilayered approach to merchandising that includes not only such derivative products as character goods and game soundtrack music, but also animated and stage adaptations of existing IP (intellectual property), as well as music publishing.

As the above illustrates, structural changes are underway on a global scale in multiple parts of the Group’s operating environment, and the Group is being called on to assess those changes in a timely and accurately fashion and to respond to them with speed and flexibility.

(4) Business and financial challenge calling for priority action

The Group recognizes the need to prioritize the expansion of stable recurring income as a means of creating sustained earnings growth. As the digital entertainment industry undergoes significant structural changes, the Group is being called upon to develop and distribute new content designed to suit diverse customer needs and content distribution methods, which requires significant investment. To date, the Group has primarily worked to stabilize earnings by expanding recurring subscription income from massively multiplayer online games (MMOs), games for smart devices/PC browsers, the Amusement segment, and the Publication segment. Going forward it will further bolster these efforts while also expanding them to other businesses. Establishing a stable earnings base will enable investment in large-scale, innovative content development efforts. The recurring income generated from that content will expand the Group's overall earnings, thereby allowing the Group to achieve sustained earnings growth.

On the distribution front, streaming may accelerate the transition from sales of traditional disks to digital sales, and business models may change through the offering of subscription services, for example. In addition, the overall gaming market may grow as it becomes possible to provide content to emerging regions where traditional home game consoles have not been widely adopted. Meanwhile, on the development front, there is likely to be demand for gaming experiences only possible in a cloud environment and for the development of cloud-native games. The Group will respond flexibly to these changes and work to translate them into future growth. It has identified AI, the cloud, and blockchain games as focus investment areas under its business strategy and will engage in aggressive research and development efforts and investment in these areas.

(5) Objective metrics for assessing achievement of management objectives

The Group recognizes the achievement of income growth backed by profitability as an important management challenge. Through the fiscal year ending March 31, 2024, its management objectives will be to create a business structure capable of consistently generating net sales of 400-500 billion yen and operating income of 60-75 billion yen, as well as to improve the operating profit margin.

4. Basic policy regarding choice of accounting standard

The Group's policy is to prepare its consolidated financial statements in accordance with Japanese Accounting Standards ("Japanese GAAP") in order to enable the comparison of statements between different periods and different entities

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	146,229	163,088
Notes and accounts receivable-trade	43,036	44,968
Merchandise and finished goods	3,829	4,687
Work in progress	212	18
Raw materials and supplies	363	485
Content production account	78,153	96,765
Other	11,987	12,711
Allowance for doubtful accounts	(190)	(268)
Total current assets	283,622	322,455
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,735	18,793
Accumulated depreciation	(12,888)	(13,489)
Buildings and structures (net)	5,847	5,303
Tools, furniture and fixtures	17,716	19,431
Accumulated depreciation	(12,992)	(14,730)
Tools, furniture and fixtures (net)	4,723	4,701
Amusement equipment	17,275	17,008
Accumulated depreciation	(15,459)	(15,379)
Amusement equipment (net)	1,816	1,629
Other	4,116	4,955
Accumulated depreciation	(1,095)	(1,314)
Other (net)	3,021	3,641
Land	3,782	3,782
Construction in progress	465	757
Total property, plant and equipment	19,656	19,814
Intangible assets		
Other	5,540	7,375
Total intangible assets	5,540	7,375
Investments and other assets		
Investment securities	2,537	2,727
Guarantee deposits	9,776	11,028
Net defined benefit asset	477	649
Deferred tax assets	9,630	10,526
Other	4,961	6,384
Allowance for doubtful accounts	(57)	(57)
Total investments and other assets	27,325	31,257
Total non-current assets	52,522	58,447
Total assets	336,144	380,902

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,559	27,598
Income taxes payable	14,593	8,442
Provision for bonuses	2,956	6,539
Provision for sales returns	5,873	—
Refund liabilities	—	5,616
Provision for game arcade closings	231	—
Asset retirement obligations	6	—
Other	32,122	35,602
Total current liabilities	80,345	83,800
Non-current liabilities		
Provision for directors' retirement benefits	52	17
Net defined benefit liability	3,492	3,842
Deferred tax liabilities	1,642	874
Asset retirement obligations	3,715	3,842
Other	3,617	4,094
Total non-current liabilities	12,521	12,672
Total liabilities	92,866	96,472
Net assets		
Shareholders' equity		
Capital stock	24,039	24,039
Capital surplus	53,593	53,880
Retained earnings	179,722	221,316
Treasury stock	(9,556)	(8,964)
Total shareholders' equity	247,799	290,272
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59	(24)
Foreign currency translation adjustment	(5,655)	(6,844)
Remeasurements of defined benefit plans	160	116
Total accumulated other comprehensive income	(5,435)	(6,752)
Subscription rights to shares	762	718
Non-controlling interests	151	191
Total net assets	243,278	284,429
Total liabilities and net assets	336,144	380,902

(2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income
Consolidated Income Statement

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	332,532	365,275
Cost of sales	*1 171,837	*1 169,960
Gross profit	160,695	195,314
Reversal of provision for sales returns	4,150	—
Provision for sales returns	5,637	—
Gross profit-net	159,208	195,314
Selling, general and administrative expenses		
Packing and transportation expenses	2,436	2,999
Advertising expenses	28,239	24,739
Promotion expenses	673	611
Directors' compensations	771	738
Salaries and allowances	21,165	24,228
Provision for bonuses	3,368	6,484
Retirement benefit expenses	1,205	1,002
Welfare expenses	3,051	3,396
Rent expenses	2,882	2,991
Commission fee	35,900	55,391
Depreciation	2,903	3,153
Other	9,384	10,314
Total selling, general and administrative expenses	*2 111,982	*2 136,053
Operating income	47,226	59,261
Non-operating income		
Interest income	76	101
Dividend income	0	0
Foreign exchange gains	2,727	10,489
Rent income	17	33
Gain on sale of crypto assets	—	2,904
Miscellaneous income	222	777
Total non-operating income	3,043	14,307
Non-operating expenses		
Interest expenses	87	150
Commission fee	19	475
Loss on investments in securities	169	—
Loss on liquidation of content	—	1,289
Loss on retirement of development related assets	—	862
Miscellaneous loss	9	86
Total non-operating expenses	286	2,865
Ordinary income	49,983	70,704

Consolidated Income Statement

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Extraordinary income		
Gain on sales of non-current assets	*3 1	*3 6
Gain on reversal of subscription rights to shares	2	8
Subsidy income related to COVID-19	335	290
Gain on sale of shares of subsidiaries and associates	—	353
Other	—	72
Total extraordinary income	339	730
Extraordinary losses		
Loss on sales of non-current assets	*4 18	—
Loss on retirement of non-current assets	*5 316	*5 212
Impairment loss	*6 520	*6 109
Loss on valuation of investment securities	449	351
Provision for loss on store closings	629	—
Loss on temporary closure	*7 2,392	*7 296
Loss on valuation of shares of subsidiaries and associates	251	239
Other	49	1
Total extraordinary losses	4,628	1,212
Profit before income taxes	45,694	70,223
Income taxes-current	19,430	20,511
Income taxes-deferred	(690)	(1,320)
Total income taxes	18,740	19,191
Profit	26,954	51,031
Profit attributable to non-controlling interests	12	17
Profit attributable to owners of parent	26,942	51,013

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	26,954	51,031
Other comprehensive income		
Valuation difference on available-for-sale securities	222	(83)
Foreign currency translation adjustment	(567)	(1,167)
Remeasurements of defined benefit plans	478	(43)
Total other comprehensive income	133	(1,295)
Comprehensive income	27,088	49,735
(Breakdown)		
Comprehensive income attributable to owners of parent	27,074	49,696
Comprehensive income attributable to non-controlling interests	14	39

(3) Consolidated Statements of Changes in Net Assets
Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	24,039	53,388	159,222	(9,900)	226,750
Changes during the period					
Dividends from retained earnings			(6,442)		(6,442)
Profit attributable to owners of parent			26,942		26,942
Purchase of treasury stock				(18)	(18)
Disposal of treasury stock		204		363	567
Change in scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes during the period	—	204	20,499	344	21,049
Balance at the end of current period	24,039	53,593	179,722	(9,556)	247,799

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	(162)	(5,085)	(318)	(5,567)	608	137	221,928
Changes during the period							
Dividends from retained earnings							(6,442)
Profit attributable to owners of parent							26,942
Purchase of treasury stock							(18)
Disposal of treasury stock							567
Net changes of items other than shareholders' equity	222	(569)	478	131	154	14	300
Total changes during the period	222	(569)	478	131	154	14	21,350
Balance at the end of current period	59	(5,655)	160	(5,435)	762	151	243,278

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	24,039	53,593	179,722	(9,556)	247,799
Cumulative effects of changes in accounting policies			(104)		(104)
Restated balance	24,039	53,593	179,617	(9,556)	247,695
Changes during the period					
Dividends from retained earnings			(9,315)		(9,315)
Profit attributable to owners of parent			51,013		51,013
Purchase of treasury stock				(8)	(8)
Restricted share-based compensation		(27)		62	34
Disposal of treasury stock		315		537	853
Net changes of items other than shareholders' equity					
Total changes during the period	—	287	41,698	591	42,577
Balance at the end of current period	24,039	53,880	221,316	(8,964)	290,272

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available -for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	59	(5,655)	160	(5,435)	762	151	243,278
Cumulative effects of changes in accounting policies							(104)
Restated balance	59	(5,655)	160	(5,435)	762	151	243,174
Changes during the period							
Dividends from retained earnings							(9,315)
Profit attributable to owners of parent							51,013
Purchase of treasury stock							(8)
Restricted share-based compensation							34
Disposal of treasury stock							853
Net changes of items other than shareholders' equity	(83)	(1,189)	(43)	(1,317)	(43)	39	(1,321)
Total changes during the period	(83)	(1,189)	(43)	(1,317)	(43)	39	41,255
Balance at the end of current period	(24)	(6,844)	116	(6,752)	718	191	284,429

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	45,694	70,223
Depreciation	7,515	7,594
Impairment loss	520	109
Increase (decrease) in allowance for doubtful accounts	(5)	60
Increase (decrease) in provision for bonuses	(1,081)	3,271
Increase (decrease) in provision for sales returns	1,486	—
Increase (decrease) in refund liabilities	—	(761)
Increase (decrease) in provision for directors' retirement benefits	—	(34)
Increase (decrease) in provision for loss on store closings	148	(172)
Decrease (increase) in net defined benefit asset	134	(152)
Increase (decrease) in net defined benefit liability	391	268
Interest and dividend income	(76)	(102)
Subsidy income related to COVID-19	(335)	(290)
Interest expenses	87	150
Foreign exchange losses (gains)	(1,860)	(10,043)
Loss (gain) on sale of shares of subsidiaries and associates	—	(353)
Loss (gain) on sale of crypto assets	—	(2,904)
Loss on retirement of non-current assets	316	212
Gain on sales of non-current assets	(1)	(6)
Loss on sale of non-current assets	18	—
Loss (gain) on valuation of investment securities	449	351
Loss on valuation of shares of subsidiaries and associates	251	239
Decrease (increase) in trade receivables	(1,207)	1,332
Decrease (increase) in inventories	(4,405)	(17,207)
Increase (decrease) in trade payables	(835)	2,641
Decrease (increase) in other current assets	(3,477)	(575)
Decrease (increase) in other non-current assets	(1,016)	56
Increase (decrease) in other current liabilities	6,765	(508)
Other, net	290	(321)
Subtotal	49,768	53,077
Interest and dividend income received	76	102
Interest expenses paid	(87)	(150)
Subsidy income related to COVID-19 received	335	290
Income taxes paid	(16,764)	(26,161)
Income taxes refund	1,672	412
Net cash provided by (used in) operating activities	35,000	27,570

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(3,284)	(3,449)
Proceeds from withdrawal of time deposits	3,284	3,449
Purchase of property, plant and equipment	(4,949)	(5,494)
Proceeds from sales of property, plant and equipment	1	7
Purchase of intangible assets	(1,449)	(2,464)
Purchase of investment securities	(527)	(640)
Proceeds from investments in securities	—	697
Payments for investments in capital	(144)	(1,306)
Purchase of shares of subsidiaries	(161)	(687)
Proceeds from sale of shares of subsidiaries and associates	—	382
Proceeds from sale of crypto assets	—	2,904
Payments for guarantee deposits	(31)	(2,059)
Proceeds from collection of guarantee deposits	622	527
Other, net	(11)	7
Net cash provided by (used in) investing activities	(6,651)	(8,124)
Cash flows from financing activities		
Repayments of lease obligations	(623)	(671)
Purchase of treasury shares	(18)	(8)
Proceeds from exercise of share options	425	599
Cash dividends paid	(6,437)	(9,308)
Other, net	5	46
Net cash provided by (used in) financing activities	(6,647)	(9,343)
Effect of exchange rate change on cash and cash equivalents	1,049	6,458
Net increase (decrease) in cash and cash equivalents	22,750	16,561
Cash and cash equivalents at beginning of period	121,311	144,061
Cash and cash equivalents at end of period	144,061	160,622

(5) Notes to Consolidated Financial Statements

(Note regarding going concern assumptions)

None

(Changes in accounting policies)

(Application of accounting standards for revenue recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and other standards as of the start of the fiscal year ended March 31, 2022. The Company now recognizes revenue as the amount expected to be received in exchange for promised goods or services when control of sold goods or services is transferred to the customer. Changes resulting from the application of the Accounting Standard for Revenue Recognition and other standards are described below.

(Sales of Digital Content)

Previously, as regards some revenue from digital content derived via third-party platforms, the Company had recognized as revenue the net amount arrived at by deducting platform commissions from the amount received from the customer. The Company now recognizes as revenue the total amount of the consideration received from the customer.

(Microtransactions)

Previously, the Company had recognized the microtransaction portion of digital content revenue at the point that the customer derived an in-game item from the transaction. The Company now recognizes the revenue based upon the estimated period over which the customer will use the item.

(Provisions for Sales Returns)

Previously, in anticipation of returns of publications, game software, and other products, the Company posted estimated losses under "Provision for sales returns" and "Reversal of provision for sales returns." The Company now changed to a method that does not recognize the net sales and the amount equivalent to cost of sales for products that are expected to be returned. In addition, as regards the "Provision for sales returns" previously recognized under "Current liabilities," the Company now recognizes the provision for sales returns as "Refund liabilities" under "Current liabilities" and as "Other" under "Current assets."

In applying the Accounting Standard for Revenue Recognition and other standards, the Company has complied with the transitional treatment set forth in the Article 84 proviso of the standard. As such, the cumulative effect of retroactively applying the new accounting policy prior to the start of the fiscal year ended March 31, 2022, has been added to or subtracted from beginning retained earnings, and the application of the new accounting policy starts from that point. The result is a ¥22,271 million increase to net sales; a ¥363 million decrease to cost of sales; a ¥21,541 million increase to selling, general and administrative expenses; As a result of the adjustment of sales returns above, a ¥79 million increase to operating income, ordinary income, and profit before income taxes for the fiscal year ended March 31, 2022. In addition, beginning retained earnings declined by ¥104 million.

In accordance with the transitional treatment set forth in paragraph 89-3 of the Accounting Standard for Revenue Recognition, the information on disaggregation of revenue from contracts with customers for the fiscal year ended March 31, 2021 is not stated.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019; hereinafter "Accounting Standard for Fair Value Measurement") and other standards as of the start of the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Article 19 of the Accounting Standard for Fair Value Measurement" and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), the Company has decided to apply the new accounting policies set for by the Accounting Standard for Fair Value Measurement into the future. This has no effect on the quarterly consolidated financial statements.

(Changes in Accounting Estimates)

(Changes in Estimates of Asset Retirement Obligations)

With respect to asset retirement obligations recognized for restoration costs based on real estate lease contracts, the Company and a portion of its consolidated subsidiaries changed the estimates relating to such restoration costs required at the time of head office relocations and game arcade closures by obtaining new information such as actual recent restoration costs. Based on these updated estimates, the Company added 193 million yen to its asset retirement obligation balance. As a result, compared with the amounts that would have been recognized under the previous estimates, operating income, ordinary income, and profit before income taxes each increased by 3 million for the fiscal year ended March 31, 2022.

(Additional Information)

(Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system)

The Company and its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the fiscal year ending March 31, 2023. However, the group have calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before amended based on the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No.39, March 31, 2020) instead of applying the provision on Paragraph 44 of " Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in "Act for Partial Amendment of the Income Tax Act, etc."(Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

Effective from the start of the fiscal year ending March 31, 2023, the Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group tax sharing system is applied.

(Notes to Consolidated Income Statement)

* 1 Inventories at fiscal year-end are stated after writing down based on the decrease in profitability.

The following amount is included within cost of sales as loss on valuation of inventories.

(Millions of yen)

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
5,836	3,622

* 2 Selling, general and administrative expenses include research and development expenses

(Millions of yen)

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
4,002	5,104

* 3 Breakdown of gain on sale of property and equipment

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	1	6
Tools, furniture and fixtures	—	0
Total	1	6

* 4 Breakdown of loss on sales of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	6	—
Tools, furniture and fixtures	12	—
Total	18	—

* 5 Breakdown of loss on disposal of property and equipment

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	45	0
Tools, furniture and fixtures	22	14
Amusement equipment	248	38
Other	0	159
Total	316	212

* 6 Impairment loss

In the fiscal year ended March 31, 2021, the Group posted an impairment loss on the following groups of assets.

(Millions of yen)

Location	Usage	Category	Impairment amount
Shinjuku-ku, Tokyo	Idle assets	Amusement equipment	32
		Other	0
Shinjuku-ku, Tokyo	Assets planned for disposal	Buildings and Structures	266
		Tools, furniture and fixtures	50
		Amusement equipment	3
		Other	56
Shinjuku-ku, Tokyo Funabashi, Chiba	Game arcade	Buildings and Structures	102
		Tools, furniture and fixtures	1
		Other	6
Total			520

In the amusement segment, each captive outlet and each division including rented outlets, franchise outlets and amusement equipment production and sales, is classified as one asset-grouping unit. Idle assets that are not used for operational purposes and assets planned for disposal are classified individually.

With regard to idle assets presented in the table above, market value had fallen substantially below book value and the future use of these assets was deemed uncertain. For these reasons, the book value of these idle assets has been written down to the applicable recoverable value. With regard to assets planned for disposal and game arcades, future recovery of the investment amount has been deemed uncertain and their book value has been written down to the applicable recoverable value. Note that calculation of recoverable amounts is measured by net realizable value. Net realizable value is based on a reasonable assumption of market price.

In the fiscal year ended March 31, 2022, the Group posted an impairment loss on the following groups of assets.

(Millions of yen)			
Location	Usage	Category	Impairment amount
Shinjuku-ku, Tokyo	Idle assets	Amusement equipment	72
		Other	0
Shinjuku-ku, Tokyo	Assets planned for disposal	Amusement equipment	7
Taito-ku, Tokyo Kanazawa, Ishikawa	Game arcade	Buildings and Structures	17
		Tools, furniture and fixtures	2
		Other	3
Shinjuku-ku, Tokyo	Development, and distribution of arcade game machines	Tools, furniture and fixtures	0
		Other	6
Total			109

In the amusement segment, each captive outlet and each division including rented outlets, franchise outlets and amusement equipment production and sales, is classified as one asset-grouping unit. Idle assets that are not used for operational purposes and assets planned for disposal are classified individually.

With regard to idle assets presented in the table above, market value had fallen substantially below book value and the future use of these assets was deemed uncertain. For these reasons, the book value of these idle assets has been written down to the applicable recoverable value. With regard to assets planned for disposal, game arcades, and development, and distribution of arcade game machines, future recovery of the investment amount has been deemed uncertain and their book value has been written down to the applicable recoverable value. Note that calculation of recoverable amounts is measured by net realizable value. Net realizable value is based on a reasonable assumption of market price.

*7 Loss on temporary closure

The Group posted an extraordinary loss due to fixed expenses incurred during the temporary closure of game arcades in the Amusement segment and development studios in the Digital Entertainment segment, to prevent the spread of COVID-19 pandemic.

(Segment Information)

[Segment Information]

■ Year ended March 31, 2021

1. Outline of reporting segments

"The Group's reporting segments are business units for which discrete financial data is available and periodically reviewed by the Board of Directors in the determination of resource allocation as well as the evaluation of business performance.

To this end, the Group offers entertainment content and services in a variety of forms including: (1) interactive digital content for game consoles (including handheld game machines), personal computers and smartphones in the "Digital Entertainment" segment; (2) amusement facility operation as well as the sales and rental of arcade game machines in the "Amusement" segment; (3) publication of comic books, game strategy books and comic magazines in the "Publication" segment; and (4) planning, production, distribution and licensing of derivative products in the "Merchandising" segment. These four classifications serve as the Group's reporting segments.

2. Calculating reporting segment sales, income (loss), assets and other items

Accounting treatment methods applied to financial results of reporting segments are the same as those used in the preparation of the Company's consolidated financial statements. Reporting segment income corresponds to operating income. Intersegment sales are based on prevailing prices in the market for the content and/or services provided.

3. Information on sales and income by reporting segment

(Millions of yen)

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1) Sales to outside customers	263,900	33,163	26,825	8,642	332,532	—	332,532
(2) Intersegment sales	9	1,185	17	810	2,023	(2,023)	—
Total	263,909	34,349	26,843	9,452	334,555	(2,023)	332,532
Segment operating income (loss)	50,536	(1,568)	11,687	2,249	62,904	(15,678)	47,226
Segment assets	134,110	21,920	8,631	1,639	166,302	169,841	336,144
Other items							
Depreciation and amortization	3,609	2,921	43	43	6,619	895	7,515
Increases in property, plant and equipment and intangible assets	2,963	2,522	7	135	5,627	1,749	7,377

Notes: 1. (1) Segment adjustments (¥15,678 million) include unallocated corporate general and administrative expenses (¥15,949 million).

(2) Segment assets adjustment of ¥169,841 million includes unallocated assets of ¥170,583 million. These assets mainly consist of surplus funds (including cash and deposits).

(3) Depreciation and amortization adjustment of ¥895 million relates to unallocated corporate assets.

(4) The adjustment increase of ¥1,749 million in property, plant and equipment and intangible assets relates to unallocated corporate assets.

2. Segment operating income (loss) is adjusted in operating income on the consolidated income statement.

■ Year ended March 31, 2022

1. Outline of reporting segments

"The Group's reporting segments are business units for which discrete financial data is available and periodically reviewed by the Board of Directors in the determination of resource allocation as well as the evaluation of business performance.

To this end, the Group offers entertainment content and services in a variety of forms including: (1) interactive digital content for game consoles (including handheld game machines), personal computers and smartphones in the "Digital Entertainment" segment; (2) amusement facility operation as well as the sales and rental of arcade game machines in the "Amusement" segment; (3) publication and licensing of comic magazines, comic books, and game-related books in the "Publication" segment; and (4) planning, production, distribution and licensing of derivative products in the "Merchandising" segment. These four classifications serve as the Group's reporting segments.

2. Calculating reporting segment sales, income (loss), assets and other items

Accounting treatment methods applied to financial results of reporting segments are the same as those used in the preparation of the Company's consolidated financial statements. Reporting segment income corresponds to operating income. Intersegment sales are based on prevailing prices in the market for the content and/or services provided.

3. Information on sales, income or loss, assets and other items disaggregated revenue disclosures by reporting segment

(Millions of yen)

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
Domestic	147,151	43,605	27,690	6,517	224,965	—	224,965
Overseas	132,503	293	1,180	6,331	140,309	—	140,309
Revenue from contracts with customers	279,655	43,899	28,871	12,849	365,275	—	365,275
Other revenue	—	—	—	—	—	—	—
(1) Sales to outside customers	279,655	43,899	28,871	12,849	365,275	—	365,275
(2) Intersegment sales	24	1,983	161	1,152	3,322	(3,322)	—
Total	279,679	45,882	29,032	14,002	368,597	(3,322)	365,275
Segment operating income	58,960	2,003	12,222	3,980	77,166	(17,905)	59,261
Segment assets	156,663	22,334	9,294	1,679	189,973	190,929	380,902
Other items							
Depreciation and amortization	3,075	3,232	191	76	6,575	1,018	7,594
Increases in property, plant and equipment and intangible assets	4,247	2,593	130	2	6,974	2,149	9,123

Notes: 1. (1) Segment adjustments (¥17,905 million) include unallocated corporate general and administrative expenses (¥18,204 million).

(2) Segment assets adjustment of ¥190,929 million includes unallocated assets of ¥191,487 million. These assets mainly consist of surplus funds (including cash and deposits).

(3) Depreciation and amortization adjustment of ¥1,018 million relates to unallocated corporate assets.

(4) The adjustment increase of ¥2,149 million in property, plant and equipment, and intangible assets relates to unallocated corporate assets.

2. Segment operating income is adjusted in operating income on the consolidated income statement.

3. Disaggregated revenue disclosures are distinguished between Domestic and Overseas.

4. Matters related to changes in reportable segments, etc.

As described in “Changes in accounting policies”, the accounting policy regarding revenue recognition has been changed, effective from the start of the fiscal year ended March 31, 2022.

Therefore, we have similarly changed the measuring method of segment income.

As a result, the amounts for the fiscal year ended March, 2022 are as follows.

(Digital Entertainment segment)

Net sales increased by ¥21,725 million and operating income increased by ¥69 million.

(Publication segment)

Net sales increased by ¥587 million and operating income decreased by ¥3 million.

(Amusement segment)

Net sales decreased by ¥41 million and operating income increased by ¥13 million.

[Related Information]

■ Year ended March 31, 2021

1. Information by product or service

This information is identical to that of segment information and has therefore been omitted.

2. Information by geographical area

(1) Sales

(Millions of yen)

	Japan	North America	Europe	Asia and others	Total
Consolidated sales	224,339	67,980	26,039	14,173	332,532

Note: The classification of geographic segments is based on location of customer.

(2) Property and equipment

(Millions of yen)

	Japan	North America	Europe	Asia and others	Total
Property and equipment	13,446	4,414	1,754	41	19,656

3. Information by major customer

This information has been omitted because all sales to major customers account for less than 10% of the net sales amount shown on the Consolidated Statement of Income.

■ Year ended March 31, 2022

1. Information by product or service

This information is identical to that of segment information and has therefore been omitted.

2. Information by geographical area

(1) Sales

	Japan	North America	Europe	Asia and others	Total
Consolidated sales	224,965	81,046	40,112	19,150	365,275

(Millions of yen)

Note: The classification of geographic segments is based on location of customer.

(2) Property and equipment

	Japan	North America	Europe	Asia and others	Total
Property and equipment	12,629	4,385	2,377	422	19,814

(Millions of yen)

3. Information by major customer

This information has been omitted because all sales to major customers account for less than 10% of the net sales amount shown on the Consolidated Statement of Income.

[Information related to impairment losses on property and equipment in each reporting segment]

■ Year ended March 31, 2021

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	—	520	—	—	0	520

(Millions of yen)

Note: The amount for "Eliminations or unallocated" is related mainly to impairment losses on telephone subscription rights.

■ Year ended March 31, 2022

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	—	109	—	—	0	109

(Millions of yen)

Note: The amount for "Eliminations or unallocated" is related mainly to impairment losses on telephone subscription rights.

[Information related to amortization of goodwill and the unamortized balance in each reporting segment]

■ Year ended March 31, 2021

None

■ Year ended March 31, 2022

None

[Information related to gain on negative goodwill in each reporting segment]

■ Year ended March 31, 2021

None

■ Year ended March 31, 2022

None

(Per Share Information)

(yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	2,029.69	2,370.48
Earnings per share	225.75	426.82
Diluted earnings per share	225.18	425.95

Note: The basis for calculating earnings per share and diluted earnings per share is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Earnings per share:		
Profit attributable to owners of parent	26,942	51,013
Income not available to common shareholders	—	—
Profit attributable to owners of parent available to common shareholders	26,942	51,013
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	119,345	119,520
Adjustments to profit used to calculate diluted earnings per share:		
Adjustments to profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (thousands of shares)	301	244
(Number of shares reserved for the purpose of new share issuances for exercise of share subscription rights)	(301)	(244)
Summary of residual securities that do not dilute the Company's earnings per share	'Issuance of July 2020 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 24, 2020: 97,000 shares	'Issuance of July 2021 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 25, 2021: 104,300 shares

(Significant Subsequent Events)

(Transfer of subsidiary shares)

On May 2, 2022, the Company concluded a share transfer agreement with Sweden-based Embracer Group AB concerning the sale of select Group overseas studios and intellectual property.

The primary assets to be divested are studios such as CRYSTAL DYNAMICS, INC. and EIDOS INTERACTIVE CORP., which are owned by Group subsidiaries, and select intellectual property, including the TOMB RAIDER, Deus Ex, Thief, and Legacy of Kain franchises.

The Company's Board of Directors voted at its April 27, 2022 meeting to entrust all decision-making authority on the matter to Representative Director Yosuke Matsuda.

(1) Reasons for the share transfer

The objective of the transaction is to enable the Company to more efficiently allocate its resources and to accelerate the growth of its core businesses and the launch of new businesses as it addresses the major changes underway in the global business environment. The move is in keeping with the policy of business structure optimization that the Company set forth under the medium-term business strategy unveiled on May 13, 2021.

In other words, the transaction will allow the Company to revisit the Group's business portfolio, engage in even greater selection and concentration in the digital entertainment business domain, and achieve further growth, while also enabling it to pursue investments in fields such as blockchain, AI, and the cloud and to accelerate the launch of new businesses.

It is based on the above policy that the Company has decided to transfer all the shares in studios including CRYSTAL DYNAMICS, INC. and EIDOS INTERACTIVE CORP., as well as select intellectual property, to Embracer Group AB.

(2) Name of share transfer counterparty

Embracer Group AB

(3) Name of share transfer counterparty

Between July and September 2022 (tentative)

(4) Names and businesses of relevant subsidiaries, relationships with the Company

Name	CRYSTAL DYNAMICS, INC.
Businesses	Planning and development of entertainment products
Relationship	The firm plans and develops content published by a Group subsidiary.

Name	EIDOS INTERACTIVE CORP.
Businesses	Planning and development of entertainment products
Relationship	The firm plans and develops content published by a Group subsidiary.

(5) Shares to be transferred, transfer price, gains or losses from transfer, and post-transfer share ownership

Name	CRYSTAL DYNAMICS, INC.
Shares to be transferred	100,000 shares (Voting rights: 100%)
Post-transfer share ownership	- shares (Voting rights: -%)

Name	EIDOS INTERACTIVE CORP.
Shares to be transferred	620,000 shares (Voting rights: 100%)
Post-transfer share ownership	- shares (Voting rights: -%)

*The price of the transfer is 300 million US dollars. The Company is currently assessing how the transaction might impact its consolidated earnings for the fiscal year ending March 31, 2023.

(5) Name of reporting segment in which relevant subsidiaries were included

Digital Entertainment segment