ANNUAL REPORT 2021
FINANCIAL SECTION

CONTENTS

The financial statements and notes thereto in this section are the English translation of the Japanese original, which was reconstructed by the Company at its sole discretion from those in the Annual Security Report (*yukashoken hokokusho*).

Management Discussion and Analysis of Operating Results and Financial Position (JPNGAAP)
SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

The following statements are based on management's view on SQUARE ENIX HOLDINGS CO., LTD. (the "Company") as of June 30, 2021 and have not been audited. The following management discussion and analysis also contains forward-looking statements concerning the future performance of the Company. Please read the disclaimer regarding forward-looking statements at the beginning of this Annual Report.

1. Significant Accounting Policies and Assumptions Used in the Estimates

The consolidated financial statements of the Square Enix Group (the "Group") are prepared in accordance with generally accepted accounting principles in Japan (JPNGAAP). In the preparation of these consolidated financial statements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, and expenses have been used. However, amounts obtained based on these estimates and assumptions may differ from actual results. Important accounting policies used in the preparation of the Group's consolidated financial statements are contained in the section titled "Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements," of this report. In particular, judgments used in making estimates in the preparation of the consolidated financial statements are affected by the following accounting policies.

a. Content production account
The Group recognizes the valuation of the content production account to be a significant accounting estimate, as indicated in the section titled "Significant Accounting Estimates" in "Notes to Consolidated Financial Statements (JPNGAAP)."

b. Provision for sales returns
The Group recognizes provision for sales returns to be a significant accounting estimate, as indicated in the section titled "Significant Accounting Estimates" in "Notes to Consolidated Financial Statements (JPNGAAP)."

c. Impact of the novel coronavirus (COVID-19)
The Group performs accounting estimates regarding the impact of COVID-19, as indicated in the section titled "Additional Information" in "Notes to Consolidated Financial Statements (JPNGAAP)." If the impact of the COVID-19 pandemic extends beyond the period estimated by management, the Group may record additional losses.

2. Analysis of Financial Policy, Capital Resources and Liquidity

The Group meets its working capital and capital investment requirements principally through internal funding resources and borrowings.

Cash and cash equivalents at the end of the year totaled ¥144,061 million, providing sufficient liquidity for the Group to carry on its business operations.

Cash flows in the fiscal year ended March 31, 2021, as well as the principal factors behind these cash flows, are described below.

(1) Net cash provided by operating activities
Net cash provided by operating activities totaled ¥35,000 million, an increase of 94.4% from the previous fiscal year. The main factors were profit before income taxes of ¥45,694 million, income taxes paid of ¥16,764 million, and depreciation and amortization of ¥7,515 million offset by an increase in inventories of ¥4,405 million.

(2) Net cash used in investing activities
Net cash used in investing activities totaled ¥6,651 million, a decrease of 33.8% from the previous fiscal year. The main factors were purchases of property and equipment of ¥4,949 million and purchases of intangible assets of ¥1,449 million.

(3) Net cash used in financing activities
Net cash used in financing activities totaled ¥6,647 million, a decrease of 52.7% from the previous fiscal year. The main factor was cash dividends paid of ¥6,437 million.

The Group believes that it will be possible to procure the funds required for working capital and capital investments in the future to maintain growth based on its sound financial standing and ability to generate cash through operating activities.

3. Analysis of Business Performance in the Fiscal Year Ended March 31, 2021

■ Assets

Total Assets

Millions of yen

March 31	2021	2020	Change
	¥336,144	¥302,634	¥33,510

Total assets as of March 31, 2021 amounted to ¥336,144 million, an increase of ¥33,510 million from the previous fiscal year. The main factors contributing to the change were as follows:

Cash and Deposits

Millions of yen

March 31	2021	2020	Change
	¥146,229	¥123,450	¥22,779

Cash and deposits as of March 31, 2021 increased ¥22,779 million, to ¥146,229 million, mainly reflecting an increase in notes and accounts receivable of ¥1,207 million and cash dividends paid of ¥6,437 million, offset by profit before income taxes of ¥45,694 million, among other factors.

Content Production Account

Millions of yen

March 31	2021	2020	Change
	¥78,153	¥71,479	¥6,674

As a rule, content development costs incurred during the period from a title's formal development authorization to its release are capitalized in the content production account. When the title is released, this amount is then recorded as an expense.
The content production account is appropriately revalued in accordance with changes in the business environment.
As of March 31, 2021, the content production account totaled ¥78,153 million, an increase of ¥6,674 million from the previous fiscal year.

Property and Equipment

Millions of yen

March 31	2021	2020	Change
	¥19,656	¥20,547	¥(891)

Total property and equipment as of March 31, 2021 amounted to ¥19,656 million, a decrease of ¥891 million from the previous fiscal year.

Intangible Assets

Millions of yen

March 31	2021	2020	Change
	¥5,540	¥5,387	¥153

Total intangible assets as of March 31, 2021 amounted to ¥5,540 million, an increase of ¥153 million from the previous fiscal year.

Investments and Other Assets

Millions of yen

March 31	2021	2020	Change
	¥27,325	¥25,802	¥1,523

Total investments and other assets increased ¥1,523 million, to ¥27,325 million, as of March 31, 2021.

■ Liabilities

Millions of yen

March 31	2021	2020	Change
	¥92,866	¥80,705	¥12,161

As of March 31, 2021, total liabilities amounted to ¥92,866 million, an increase of ¥12,161 million from the previous fiscal year. The main factors contributing to the change were as follows:

Current Liabilities

Millions of yen

March 31	2021	2020	Change
	¥80,345	¥69,344	¥11,001

Total current liabilities increased ¥11,001 million, to ¥80,345 million, as of March 31, 2021. This was mainly due to an increase in provision for sales returns of ¥1,620 million and an increase in accrued income taxes of ¥4,434 million, offset by a decrease in provision for bonuses of ¥1,105 million.

Non-Current Liabilities

Millions of yen

March 31	2021	2020	Change
	¥12,521	¥11,360	¥1,161

Total non-current liabilities increased ¥1,161million, to ¥12,521 million, as of March 31, 2021. This was mainly due to an increase in deferred tax liabilities of ¥580 million.

■ Shareholders' Equity/Net Assets

Millions of yen

March 31	2021	2020	Change
Common stock	¥24,039	¥24,039	¥—
Capital surplus	53,593	53,388	205
Retained earnings	179,722	159,222	20,500
Treasury stock	(9,556)	(9,900)	344
Total shareholders' equity	247,799	226,750	21,049
Valuation difference on available-for-sale securities	59	(162)	221
Foreign currency translation adjustments	(5,655)	(5,085)	(570)
Remeasurements of defined benefit plans	160	(318)	478
Total accumulated other comprehensive income (loss)	(5,435)	(5,567)	(132)
Stock acquisition rights	762	608	154
Non-controlling interests	151	137	14
Total net assets	¥243,278	¥221,928	¥21,350

As of March 31, 2021, total net assets amounted to ¥243,278 million, up ¥21,350 million from the previous fiscal year-end, mainly due to factors such as the recording of profit attributable to owners of parent offset by payments of year-end dividends (¥44 per share) for the previous fiscal year and interim dividends (¥10 per share) for the fiscal year under review.

■ Consolidated Statement of Income
Net Sales and Operating Income

Millions of yen

Years ended March 31	2021	Composition	2020	Composition	Amount change	Percent change
Net sales	¥332,532	100.0%	¥260,527	100.0%	72,005	27.6%
Gross profit	160,695	48.3%	121,515	46.6%	39,180	32.2%
Reversal of provision for sales returns	4,150	1.2%	9,016	3.5%	(4,866)	(54.0)%
Provision for sales returns	5,637	1.7%	4,257	1.6%	1,380	32.4%
Net gross profit	159,208	47.9%	126,274	48.5%	32,934	26.1%
Selling, general and administrative expenses	111,982	33.7%	93,515	35.9%	18,467	19.7%
Operating income	¥47,226	14.2%	¥32,759	12.6%	14,467	44.2%

Comparisons by segment with the previous fiscal year are provided on pages 34-36.

Non-Operating Income and Expenses

Millions of yen

Years ended March 31	2021	2020	Change
Non-operating income	¥3,043	¥969	¥2,074
Non-operating expenses	286	1,633	(1,347)

Extraordinary Income and Loss

Millions of yen

Years ended March 31	2021	2020	Change
Extraordinary income	¥339	¥9	¥330
Extraordinary loss	4,628	1,311	3,317

Total extraordinary income was ¥339 million, reflecting the recording of ¥335 million in subsidies for employment adjustment. Total extraordinary loss was ¥4,628 million.

■ **Capital Expenditures and Depreciation and Amortization**

Millions of yen

Years ended March 31	2021	2020	Change
Capital expenditures	¥7,377	¥9,657	¥(2,280)
Depreciation and amortization	7,515	7,417	98

Capital expenditures for the fiscal year ended March 31, 2021 amounted to ¥7,377 million, a decrease of ¥2,280 million from the previous fiscal year.

Depreciation and amortization totaled ¥7,515 million, an increase of ¥98 million from the previous fiscal year, primarily due to an increase in depreciation and amortization in the Digital Entertainment segment.

4. Strategic Outlook, Issues Facing Management and Future Direction

Management's key task is to provide advanced, high-quality content and services that allow the Group to grow in the medium and long term while maintaining profitability. Advancements in the development and popularization of information technology (IT) and network environments have been contributing to greater diversification of delivery methods for content as well as changes in the accompanying business models. Not only that, they enable us to provide digital content through multi-function high-performance devices and networks, resulting in a broadening of consumer needs in the area of digital entertainment. On the other hand, users' preferences and their basic attitudes or expectations regarding the consumption of content have changed significantly, as seen in the increasing popularity of live entertainment. Our business area is also expanding to new markets such as Central and South America, the Middle East and South Asia, in addition to existing major markets including Japan, Europe, the United States and East Asia. The Group strives to respond to these business environment changes in a timely and flexible manner, by turning them into opportunities for growth, in order to become a pioneer in a new era in digital entertainment.

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 (MMO) games, 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.

The Group's operating forecast for the fiscal year ending March 31, 2022 is as follows (as of June 30, 2021).

Millions of yen

Years ended/ending March 31	2012 actual	2013 actual	2014 actual	2015 actual	2016 actual	2017 actual	2018 actual	2019 actual	2020 actual	2021 actual	2022 forecast
Net sales	¥127,896	¥147,981	¥155,023	¥167,891	¥214,101	¥256,824	¥250,394	¥271,276	¥260,527	¥332,532	¥340,000
Operating income (loss)	10,713	(6,081)	10,543	16,426	26,018	31,295	38,176	24,635	32,759	47,226	40,000
Ordinary income (loss)	10,297	(4,378)	12,534	16,984	25,322	31,128	36,124	28,415	32,095	49,983	40,000
Profit (loss) attributable to owners of parent	6,060	(13,714)	6,598	9,831	19,884	20,039	25,821	19,373	21,346	26,942	24,000

5. Basic Policy for Profit Distribution and Dividends

The Group has made the return of profits to shareholders one of its most important management tasks. The Group prioritizes investments that will enhance the value of the Group and toward this end maintains internal reserves to finance efforts that include expanding existing businesses, developing new businesses and restructuring business segments. Funds remaining after the allocation of retained earnings are appropriated for dividends, keeping in mind returns to shareholders and seeking an optimal balance of stable returns linked to operating performance. The amount of dividends is determined by setting a consolidated payout ratio target of approximately 30%, comprehensively considering the balance between investments and shareholder returns.

It is the Company's basic policy for profit distribution to pay dividends from retained earnings twice a year (interim dividends and year-end dividends), and for the fiscal year ended March 31, 2021, the Company paid an interim dividend of ¥10 per share and a year-end dividend of ¥68 per share for an annual dividend of ¥78 per share.

The distribution of surplus for the fiscal year ended March 31, 2021 is determined at the shareholders' meeting or by the Company's Board of Directors for year-end dividends, and by the Board of Directors for interim dividends.

The Company has set forth in its Articles of Incorporation that it may, pursuant to Article 454 of the Companies Act, pay interim dividends, with the record date of September 30 of each year, upon resolution of the Board of Directors.

In addition, the Company has set forth in its Articles of Incorporation that it may, pursuant to Article 459 of the Companies Act, pay dividends from surplus upon resolution of the Board of Directors.

The dividends from surplus for the fiscal year ended March 31, 2021 are as follows:

Date of resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
November 6, 2020 Resolution by the Board of Directors	¥1,193	¥10
May 21, 2021 Resolution by the Board of Directors	¥8,119	¥68

6. Risk Factors

Management recognizes the items listed below as major risk factors that could materially affect the financial position, operating results, and cash flows of the consolidated companies, among the items related to the business overview, accounting status, and other matters stated in the Annual Report.

Forward-looking statements in the Annual Report are in accordance with the management's judgment as of June 28, 2021.

(1) Risks related to business activities

1) Higher game development costs

Advances in performance and functionality are enabling more diverse and sophisticated content experiences on consumer game consoles, PCs, smartphones, and other platforms for which the Company provides games. This trend is gaining momentum with each passing year, and since the Company needs to provide content that keeps pace, its game development costs are on the rise. With the releases of next-generation consumer game consoles, game development costs are likely to remain high, going forward. By engaging in more stringent management of development efforts and earnings at the level of individual titles, and by undertaking aggressive marketing and promotional initiatives, the Group is endeavoring to keep its development costs at an appropriate level, while also expanding sales. However, the Group's business performance may be impacted if the Group were to sell fewer units than initially anticipated, and therefore be unable to sufficiently recoup development costs.

The Group enriches its game portfolio and hedges its risk by creating an optimum mix of AAA and smaller titles. In addition, it is striving to improve the profitability of its HD games by expanding post-launch sales (especially via digital downloads), seizing the additional earnings opportunities presented by the GaaS (Games as a Service) model, and otherwise creating a diverse base of recurring income. Moreover, the Group is working to stabilize earnings across its businesses by creating a diverse monetization base of recurring income from its massively multiplayer online (MMO) games, and smart device and PC browser games, as well as the Amusement and Publication segments.

2) The Group's ability to respond to changing customer tastes and increasingly diverse business models

Major structural changes are underway in the digital entertainment industry as high-speed telecommunications infrastructure becomes more advanced and widely available, and streaming and other cloud-based content delivery methods result in more diverse means and business models by which to provide content. The Group's business performance may be impacted if the Group were to be unable to respond to such changes in an appropriate and timely manner.

In order to respond to the diverse needs of customers, the Group not only offers its existing intellectual property (IP) via all of its business segments (i.e., Digital Entertainment, Amusement, Publication, and Merchandising), but also leverages it in new business domains such as live entertainment and e-commerce. By doing so, the Group expands its customer base and enhances customer engagement, thereby maximizing earnings.

3) Securing human resources to execute the Group's growth strategies concentrating on the creation of new content and services and the promotion of global businesses

The Group's business environment is undergoing major changes. In order to respond to such environmental changes in an appropriate and timely manner, securing talented human resources is crucial. The Group's business performance may be impacted if its efforts to secure the necessary human resources were unable to keep pace.

In the Group's view, recruiting talented human resources and enabling each to display their utmost abilities in an optimal manner fuels sustained growth. For this reason, the Group is striving to create an attractive corporate culture, maintain competitive compensation, and operate an employee evaluation system that is fair and equitable.

4) The Group's international business operations

Regarding the Group's international business operations, a variety of factors that are present in the countries and regions in which the Group operates may affect its business performance. Such factors include market trends, the political situation, economic climate, laws and regulations, and social conditions.

(2) Risks related to the economic environment

1) Changes in the economic environment

In the event of a harsh downturn in the economy resulting in a decline in consumer demand, consumer spending for the Group's products and services in the entertainment field may fall. Such circumstances may affect the Group's business performance.

2) Exchange rate fluctuations

The Group includes consolidated subsidiaries located in North America, Europe and Asia. The risk of foreign exchange loss has been reduced as foreign currency gained by those subsidiaries is expended for settlement or reinvestment in the applicable countries. However, sales, expenses, assets, liabilities, and net assets of foreign subsidiaries are converted into Japanese yen amounts in the consolidated financial statements. Consequently, exchange rates may affect the Group's business performance if they fluctuate beyond management forecasts.

(3) Risks related to laws and regulations and litigation

1) Information and network systems

The Group appropriately develops and manages the information and network systems that are required to execute its businesses and operations. However, operations could be disrupted as a result of system failures and operational errors, which, in turn, could result in the Group incurring opportunity losses and additional expenses.

In addition, the Group has developed, operated, and managed solid preventive and defensive measures against so-called security incidents, including cyberattacks against, or unauthorized access to the systems, as well as infections by computer viruses. However, in the event that a security incident occurs that cannot be prevented by the above measures, the execution of its businesses or operations could be disrupted, and the Group could incur opportunity losses and additional expenses. The Group could also suffer a loss in the Group's social credibility as a result of leakage of trade secrets, including the personal information of the Group's customers and employees, to third parties, as well as the occurrence of additional expenses.

2) Management of personal information
In conjunction with the enactment of the Personal Information Protection Act, along with the General Data Protection Regulation in the EU, the Group has established a rigorous internal system for the management of personal information, in addition to conducting training on the protection of personal information, as necessary, for its directors, audit & supervisory board members and employees. However, in the event that a security incident, as described in "1) Information and network systems" above, occurs, and personal information is leaked to third parties, the Group's business performance may be affected.

3) Entertainment industry laws
The operation of amusement facilities is subject to government control under the Law for Proper Control of Entertainment and Amusement Businesses and other related laws and regulations. These laws and regulations include an approval and licensing system for the opening and operation of amusement facilities, restrictions on business hours, age restrictions, area regulations on outlet openings, and regulations concerning facility structures, interiors, lighting and noise. The Group operates its facilities legally and appropriately in strict compliance with these laws and regulations. However, if these laws and regulations were to be reinforced, the Group's business performance may be affected.

4) Litigation and other claims
The Group has established a code of conduct, of which its officers and employees are made thoroughly aware, that includes legal and regulatory compliance as well as respect for the rights of third parties. However, in the course of its business development in the global arena, the Group is inevitably open to the risk of becoming a party of dispute. Should any litigation in which the Group is named as a defendant or other such legal procedures be initiated, despite the Group's efforts for an early settlement under conditions that are favorable to the Group, the outcome thereof may affect the Group's business performance.

(4) Risks related to disasters, etc.
1) Accidents and disasters
The Group periodically carries out accident prevention checks, facility inspections, development of its evacuation guidance capabilities, and appropriate regular disaster-readiness and evacuation drills in order to minimize the impact of earthquakes and other major natural disasters, fires, blackouts, system and network failures, terrorist attacks, outbreaks of infectious diseases, and other accidents and disasters. However, should devastating accidents or disasters occur, the Group's business performance may be affected.

2) Impact from the outbreak of the novel coronavirus
In response to the global outbreak of the novel coronavirus, 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 manner, the Group is continuing to work to create a business operation system built around the work-from-home concept.

However, the future outlook of the global economy is expected to remain unclear as a result of the coronavirus pandemic. Risks to the Group's business domains include the impact on content demand, the impact on the development schedule for new titles, and diminished sales from amusement facility operations. Such developments may affect the Group's business performance.

Consolidated Balance Sheet (JPNGAAP)
SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31

Millions of yen

	2021	2020
Assets		
Current assets		
Cash and deposits	¥146,229	¥123,450
Notes and accounts receivable	43,036	41,474
Merchandise and finished goods	3,829	5,850
Work in progress	212	206
Raw materials and supplies	363	433
Content production account	78,153	71,479
Other	11,987	8,163
Allowance for doubtful accounts	(190)	(161)
Total current assets	283,622	250,896
Non-current assets		
Property and equipment		
Buildings and structures	18,735	18,341
Accumulated depreciation	(12,888)	(11,603)
Buildings and structures (net)	5,847	6,738
Tools and fixtures	17,716	15,943
Accumulated depreciation	(12,992)	(11,112)
Tools and fixtures (net)	4,723	4,830
Amusement equipment	17,275	17,529
Accumulated depreciation	(15,459)	(15,420)
Amusement equipment (net)	1,816	2,108
Other	4,116	3,425
Accumulated depreciation	(1,095)	(484)
Other (net)	3,021	2,940
Land	3,782	3,782
Construction in progress	465	147
Total property and equipment	19,656	20,547
Intangible assets		
Other	5,540	5,387
Total intangible assets	5,540	5,387
Investments and other assets		
Investment securities	2,537	2,308
Guarantee deposits	9,776	10,612
Net defined benefit assets	477	—
Deferred tax assets	9,630	8,731
Other	*1 4,961	*1 4,238
Allowance for doubtful accounts	(57)	(88)
Total investments and other assets	27,325	25,802
Total non-current assets	52,522	51,737
Total assets	¥336,144	¥302,634

The accompanying notes are an integral part of these statements.

Millions of yen

	2021	2020
Liabilities		
Current liabilities		
Notes and accounts payable	¥24,559	¥25,537
Accrued income taxes	14,593	10,159
Provision for bonuses	2,956	4,061
Provision for sales returns	5,873	4,253
Provision for loss on store closings	231	43
Asset retirement obligations	6	3
Other	32,122	25,285
Total current liabilities	80,345	69,344
Non-current liabilities		
Provision for directors' retirement benefits	52	52
Provision for loss on store closings	—	40
Net defined benefit liabilities	3,492	3,214
Deferred tax liabilities	1,642	1,062
Asset retirement obligations	3,715	3,291
Other	3,617	3,698
Total non-current liabilities	12,521	11,360
Total liabilities	92,866	80,705
Net Assets		
Shareholders' equity		
Common stock	24,039	24,039
Capital surplus	53,593	53,388
Retained earnings	179,722	159,222
Treasury stock	(9,556)	(9,900)
Total shareholders' equity	247,799	226,750
Accumulated other comprehensive income (loss)		
Valuation difference on available-for-sale securities	59	(162)
Foreign currency translation adjustments	(5,655)	(5,085)
Remeasurements of defined benefit plans	160	(318)
Total accumulated other comprehensive income (loss)	(5,435)	(5,567)
Stock acquisition rights	762	608
Non-controlling interests	151	137
Total net assets	243,278	221,928
Total liabilities and net assets	¥336,144	¥302,634

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income (JPNGAAP)
SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2021	2020
Net sales	¥332,532	¥260,527
Cost of sales	*1 171,837	*1 139,012
Gross profit	160,695	121,515
Reversal of provision for sales returns	4,150	9,016
Provision for sales returns	5,637	4,257
Net gross profit	159,208	126,274
Selling, general and administrative expenses		
Packaging freight charge	2,436	2,304
Advertising expense	28,239	21,006
Sales promotion expense	673	159
Compensation for directors	771	497
Salaries	21,165	18,901
Provision for bonuses	3,368	4,005
Net periodic pension costs	1,205	1,021
Welfare expense	3,051	2,835
Rental expense	2,882	2,919
Commission fee	35,900	28,377
Depreciation and amortization	2,903	2,725
Other	9,384	8,762
Total selling, general and administrative expenses	*2 111,982	*2 93,515
Operating income	47,226	32,759
Non-operating income		
Interest income	76	363
Dividends received	0	0
Foreign exchange gain	2,727	—
Rental income	17	36
Gain on forgiveness of payable for group tax	152	370
Miscellaneous income	70	198
Total non-operating income	3,043	969
Non-operating expenses		
Interest expenses	87	135
Commission fee	19	5
Loss on investments in securities	169	127
Foreign exchange losses	—	1,173
Miscellaneous loss	9	191
Total non-operating expenses	286	1,633
Ordinary income	49,983	32,095
Extraordinary income		
Gain on sale of non-current assets	*3 1	*3 2
Gain on reversal of stock acquisition rights	2	7
Subsidies for employment adjustment	335	—
Total extraordinary income	339	9
Extraordinary losses		
Loss on sale of non-current assets	*4 18	—
Loss on retirement of non-current assets	*5 316	*5 130
Impairment loss	*6 520	*6 367
Provision for loss on store closings	629	117
Loss on temporary closure	*7 2,392	*7 141
Loss on event cancellations	*8 47	*8 544
Other	702	9
Total extraordinary loss	4,628	1,311
Profit before income taxes	45,694	30,793
Income taxes–current	19,430	10,581
Income taxes–deferred	(690)	(1,136)
Total income taxes	18,740	9,444
Profit	26,954	21,348
Profit attributable to non-controlling interests	12	1
Profit attributable to owners of parent	¥26,942	¥21,346

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income (JPNGAAP)
SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2021	2020
Profit	¥26,954	¥21,348
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	222	(279)
Foreign currency translation adjustments	(567)	(438)
Remeasurements of defined benefit plans	478	(33)
Other comprehensive income (loss)	*1 133	*1 (750)
Comprehensive income	27,088	20,598
(Breakdown)		
Comprehensive income attributable to owners of parent	27,074	20,600
Comprehensive income (loss) attributable to non-controlling interests	¥14	¥(2)

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets (JPNGAAP)
SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

■ 2021

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	¥24,039	¥53,388	¥159,222	¥(9,900)	¥226,750
Changes during the year					
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
Net changes in items other than shareholders' equity					
Total changes during the year	—	204	20,499	344	21,049
Balance at the end of the year	¥24,039	¥53,593	¥179,722	¥(9,556)	¥247,799

Millions of yen

	Accumulated other comprehensive income (loss)						
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of the year	¥(162)	¥(5,085)	¥(318)	¥(5,567)	¥608	¥137	¥221,928
Changes during the year							
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 in items other than shareholders' equity	222	(569)	478	131	154	14	300
Total changes during the year	222	(569)	478	131	154	14	21,350
Balance at the end of the year	¥59	¥(5,655)	¥160	¥(5,435)	¥762	¥151	¥243,278

The accompanying notes are an integral part of these statements.

■ 2020

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	¥24,039	¥53,281	¥143,451	¥(10,162)	¥210,610
Changes during the year					
Dividends from retained earnings			(5,602)		(5,602)
Profit attributable to owners of parent			21,346		21,346
Purchase of treasury stock				(9)	(9)
Disposal of treasury stock		107		271	378
Change in scope of consolidation			27		27
Net changes in items other than shareholders' equity					
Total changes during the year	—	107	15,771	261	16,140
Balance at the end of the year	¥24,039	¥53,388	¥159,222	¥(9,900)	¥226,750

Millions of yen

	Accumulated other comprehensive income (loss)						
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of the year	¥116	¥(4,651)	¥(285)	¥(4,820)	¥517	¥139	¥206,445
Changes during the year							
Dividends from retained earnings							(5,602)
Profit attributable to owners of parent							21,346
Purchase of treasury stock							(9)
Disposal of treasury stock							378
Change in scope of consolidation							27
Net changes in items other than shareholders' equity	(279)	(433)	(33)	(746)	90	(2)	(657)
Total changes during the year	(279)	(433)	(33)	(746)	90	(2)	15,482
Balance at the end of the year	¥(162)	¥(5,085)	¥(318)	¥(5,567)	¥608	¥137	¥221,928

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows (JPNGAAP)
SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2021	2020
Cash flows from operating activities		
Profit before income taxes	¥45,694	¥30,793
Depreciation and amortization	7,515	7,417
Impairment loss	520	367
Increase (decrease) in allowance for doubtful accounts	(5)	(73)
Increase (decrease) in provision for bonuses	(1,081)	780
Increase (decrease) in provision for sales returns	1,486	(4,759)
Increase (decrease) in provision for loss on store closings	148	36
Decrease (increase) in net defined benefit assets	134	96
Increase (decrease) in net defined benefit liabilities	391	271
Interest and dividends income	(76)	(363)
Subsidies for employment adjustment	(335)	—
Interest expenses paid	87	135
Foreign exchange loss (gain)	(1,860)	665
Loss on retirement of non-current assets	316	130
Gain on sale of non-current assets	(1)	(2)
Loss on sale of non-current assets	18	—
Decrease (increase) in notes and accounts receivable	(1,207)	(1,195)
Decrease (increase) in inventories	(4,405)	(22,632)
Increase (decrease) in notes and accounts payable	(835)	1,581
Decrease (increase) in other current assets	(3,477)	(614)
Decrease (increase) in other non-current assets	(1,016)	1,298
Increase (decrease) in other current liabilities	6,765	3,585
Other, net	990	270
Subtotal	49,768	17,791
Interest and dividends income received	76	363
Interest expenses paid	(87)	(142)
Subsidies for employment adjustment received	335	—
Income taxes paid	(16,764)	(2,538)
Income taxes refund	1,672	2,530
Net cash provided by operating activities	¥35,000	¥18,005
Cash flows from investing activities		
Payments into time deposits	¥(3,284)	¥(5,141)
Proceeds from withdrawal of time deposits	3,284	5,220
Purchases of property and equipment	(4,949)	(5,827)
Proceeds from sales of property and equipment	1	2
Purchases of intangible assets	(1,449)	(1,587)
Purchase of investment securities	(527)	(1,612)
Purchases of shares of subsidiaries	(161)	(85)
Payments for guarantee deposits	(31)	(433)
Proceeds from collection of guarantee deposits	622	193
Other, net	(156)	(767)
Net cash used in investing activities	(6,651)	(10,039)
Cash flows from financing activities		
Repayments of short-term borrowings	—	(8,525)
Repayments of lease obligations	(623)	(485)
Purchase of treasury stock	(18)	(9)
Proceeds from exercise of employee share options	425	293
Cash dividends paid	(6,437)	(5,599)
Other, net	5	276
Net cash used in financing activities	(6,647)	(14,048)
Effect of exchange rate change on cash and cash equivalents	1,049	(479)
Net increase (decrease) in cash and cash equivalents	22,750	(6,562)
Cash and cash equivalents at the beginning of the year	121,311	127,181
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	691
Cash and cash equivalents at end of the year	*1 ¥144,061	*1 ¥121,311

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements (JPNGAAP)
SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries

Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 20 companies
Names of principal consolidated subsidiaries
SQUARE ENIX OF AMERICA HOLDINGS, INC.
SQUARE ENIX CO., LTD.
TAITO CORPORATION
Luminous Productions Co., Ltd.
SQUARE ENIX, INC.
SQUARE ENIX LTD.
SQUARE ENIX (China) CO., LTD.
CRYSTAL DYNAMICS, INC.
EIDOS INTERACTIVE CORP.

(2) Names of principal non-consolidated subsidiaries:
Tokyo RPG Factory Co., Ltd.
SQUARE ENIX Business Support, CO., LTD.
SQUARE ENIX AI & ARTS Alchemy Co., Ltd.
SQUARE ENIX PRIVATE LIMITED

(Rationale for the exclusion of subsidiaries from the scope of consolidation)
Non-consolidated subsidiaries conduct operations that are relatively small in scale. The total amounts of the non-consolidated subsidiaries' assets, sales, profit (corresponding to the share), and retained earnings (corresponding to the share) are deemed to have an immaterial effect on the Company's financial performance and consolidated financial statements.

2. Application of the Equity Method of Accounting

(1) There are no non-consolidated subsidiaries or affiliates that are accounted for under the equity method.

(2) Non-consolidated subsidiaries that were not accounted for under the equity method, including Tokyo RPG Factory Co., Ltd., SQUARE ENIX Business Support, CO., LTD., SQUARE ENIX AI & ARTS Alchemy Co., Ltd. and SQUARE ENIX PRIVATE LIMITED, as well as affiliated companies, were excluded from the scope of application of the equity method because the impact on profit (corresponding to the share) and retained earnings (corresponding to the share) was insignificant to the consolidated financial statements overall.

3. Fiscal Year-End of Consolidated Subsidiaries

Among the Company's consolidated subsidiaries, the fiscal years of SQUARE ENIX (China) CO., LTD. and HUANG LONG CO., LTD. end on December 31.

In the preparation of the accompanying consolidated financial statements, such financial statements that have a December 31 fiscal year-end have been used. Significant transactions between the fiscal year-end and the consolidated balance sheet date of March 31 are reconciled for consolidation.

4. Summary of Significant Accounting Policies

(1) Standards and valuation methods for major assets:
A) Investment securities
Other investment securities
Securities for which fair values are available:
Market value, determined by the quoted market price as of the balance sheet date, with unrealized gains and losses reported as a separate component of net assets at a net-of-tax amount, and cost of sales determined by the moving-average method
Securities for which fair values are unavailable:
Stated at cost determined by the moving-average method
As for investments in investment limited partnerships and similar partnerships, which are deemed to be investment securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act, the net amount equivalent to equity is recorded based on the financial results available as of the financial reporting date stipulated in the partnership agreement.

B) Derivatives
Stated at fair value

C) Inventories
Manufactured goods, merchandise:
Mainly stated at cost, determined by the monthly average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values) and the moving-average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

However, amusement equipment is stated at cost, determined by the identified cost method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

Content production account:
Stated at cost, determined by the identified cost method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).
Raw materials, unfinished goods:
Stated at cost, determined by the moving-average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).
Supplies:
Stated at the last purchase price.

(2) Method of depreciation and amortization for major assets:
A) Property and equipment (excluding leased assets and right-of-use assets)
Property and equipment of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method.
However, regarding buildings (excluding building fixtures) acquired on or after April 1, 1998, and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016, the straight-line method is applied. Overseas consolidated subsidiaries also use the straight-line method. The estimated useful lives of major assets are as follows:

Buildings and structures	2–60 years
Tools and fixtures	2–20 years
Amusement equipment	3–5 years

B) Intangible assets (excluding leased assets and right-of-use assets)
Amortized using the straight-line method. Software used in-house is amortized using the straight-line method based on an internal estimate of its useful life (three to five years).

C) Leased assets
Leased assets under finance lease transactions that do not transfer ownership:
Depreciation for leased assets is computed under the straight-line method over the lease term with no residual value.

D) Right-of-use assets
Depreciation for right-of-use assets is computed under the straight-line method over the lease term with no residual value.

(3) Accounting for allowances and provisions:
A) Allowance for doubtful accounts
An allowance for doubtful accounts provides for possible losses on defaults of receivables. The allowance is made up of two components: the estimated credit loss on doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates.

B) Provision for bonuses
A provision for bonuses is provided for payments to employees of the Company and certain consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

C) Provision for sales returns
At certain consolidated subsidiaries, provisions are provided for losses on the return of published materials, at an amount calculated based on historical experience prior to this fiscal year and provisions are provided for losses on the return of game software and other, comprising an estimated amount of future losses assessed based on the probability of the return by each game title, etc.

D) Provision for loss on store closings
For closures of game arcades, etc., that have been determined at certain consolidated subsidiaries, a provision is provided at an amount in line with reasonable estimates of future losses on such closures.

E) Provision for directors' retirement benefits
At the Company, a provision for directors' retirement benefits is provided to adequately cover the costs of directors' retirement benefits, which are accounted for on an accrual basis in accordance with internal policy.

(4) Accounting treatment methods for retirement benefits:
A) Periodic attribution method for projected retirement benefits
In the calculation of retirement benefit obligations, the Company and certain consolidated subsidiaries apply the benefit formula basis in attributing projected benefits to the service period until the end of this fiscal year.

B) Amortization method of actuarial gains and losses and prior service costs
Unrecognized actuarial differences are fully amortized in the year following the year in which they occur. At certain consolidated subsidiaries, amortization for each fiscal year is made using the straight-line method over a certain period (five years) within the average remaining service period of eligible employees when the differences are recognized, commencing from the year following the year in which they occur.
Unrecognized prior service costs are amortized over a certain period (one year or five years) within the average remaining service period of eligible employees.

(5) Translation of foreign currency transactions and accounts:
All monetary assets and liabilities of the Company and its overseas consolidated subsidiaries denominated in foreign currencies are translated at the balance sheet date at the year-end rates. The resulting translation gains or losses are credited or charged to income. All assets and liabilities of overseas consolidated subsidiaries are translated as of the balance sheet date at the year-end rates, and all income and expense accounts are translated at the average rates for their respective periods. The resulting translation adjustments are recorded in net assets as foreign currency translation adjustments and are included in non-controlling interests.

(6) Scope of cash and cash equivalents in the consolidated statement of cash flows:
Cash and cash equivalents in the consolidated statement of cash flows comprises cash on hand, bank deposits that may be withdrawn on demand and short-term investments with an original maturity of three months or less and with minimal risk of fluctuations in value.

(7) Additional accounting policies used to prepare consolidated financial statements:
A) Accounting treatment of consumption taxes and local consumption taxes
Statements of income items are presented exclusive of consumption taxes and local consumption taxes. Non-deductible consumption taxes charged on assets and local consumption taxes are recognized as expenses for the year when the related transactions have occurred.

B) Application of consolidated taxation system
The Company has applied the consolidated taxation system.

C) Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
For the items covered under the transition to the group tax sharing system established under the Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020), as well as under the review of the non-consolidated taxation system in association with the aforementioned transition, the Company and some of its domestic consolidated subsidiaries have opted not to apply the provisions of Section 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018), but to instead apply the provisions of the Income Tax Act before the amendment, to the amounts of deferred tax assets and deferred tax liabilities, in accordance with Section 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39, March 31, 2020).

D) Treatment of significant expenses
The content production account is recorded in cost of sales based on expected sales revenue.

Significant Accounting Estimates
(Valuation of the content production account)
(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021
Loss on valuation of inventories of ¥5,525 million and content production account of ¥78,153 million

(2) Other information that would contribute to the users' understanding of the consolidated financial statements
1) Calculation method
For each development project, if, at the end of the fiscal year, the net realizable value based on the expected selling price at the time of future sales is determined to be less than the book value of the content production account, a loss on valuation of inventories is recorded.

2) Major assumptions
For each development project, future net sales and development expenses based on historical sales results and historical development expenses with similar titles, as well as various factors such as market trends, are set as major assumptions. Future net sales comprise the average sales price per unit and sales volume (number of disks sold and number of downloads) for HD games and MMO games, and the average charge per user and number of users for devices such as smart devices.

3) Impact on the consolidated financial statements for the fiscal year ending March 31, 2022
While the major assumptions of future net sales and development expenses are based on historical results, etc., these estimates have a high level of uncertainty, given that they are impacted by demand and the market conditions at the time of release. Fluctuations in net realizable value based on the expected selling price at the time of future sales, in conjunction with changes in future net sales and development expenses may have a significant impact on the valuation of the content production account for the fiscal year ending March 31, 2022.

(Provision for sales returns)
(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021
Provision for sales returns of ¥5,489 million

(2) Other information that would contribute to the users' understanding of the consolidated financial statements
1) Calculation method
At certain consolidated subsidiaries of the Group, a provision for sales returns is recorded to prepare for losses due to the return of game software, etc., at an amount calculated based on the estimated amount of future losses for each game title. The estimated amount of future losses is calculated based on the market consumption ratio of each game title at the fiscal year-end.

2) Major assumptions
The market consumption ratio, calculated based on the historical sales results for each game title, has been set as a major assumption.

3) Impact on the consolidated financial statements for the fiscal year ending March 31, 2022
While the major assumption of the market consumption ratio is based on historical results, etc., these estimates have a high level of uncertainty, given that they are impacted by future demand and the market environments, etc. Fluctuations in the estimated amount of future losses for each game title, in conjunction with changes in the market consumption ratio may have a significant impact on the

provision for sales returns for the fiscal year ending March 31, 2022.

Accounting Standards Issued but Not Yet Applied
(Accounting standards for revenue recognition)
“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020),
“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) and
“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline:
The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition, and they issued “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by the FASB) in May 2014. Considering that the application of IFRS 15 is effective from the fiscal year beginning on or after January 1, 2018 and the application of Topic 606 is effective from fiscal years beginning after December 15, 2017, the comprehensive accounting standard for revenue recognition was developed by the ASBJ and issued together with its implementation guidance.

A basic policy in developing the accounting standard for revenue recognition by the ASBJ was to incorporate the basic principles of IFRS 15 as a starting point, from the viewpoint of comparability between financial statements, one of the benefits of consistency with IFRS 15. In addition, alternative accounting treatments are provided without impairing comparability for common business practices in Japan.

(2) Effective date:
Effective from the beginning of the fiscal year ending March 31, 2022

(3) Impact of the application of accounting standard and implementation guidance:
The impact of the application of accounting standard and implementation guidance on the consolidated financial statements is being assessed.

(Accounting standards for fair value measurement)
“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019),
“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019),
“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019),
“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) and
“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline:
The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have issued detailed guidance consisting of approximately the same contents, on fair value measurement (IFRS 13 - Fair Value Measurement in International Financial Reporting Standards (IFRS); Topic 820 - Fair Value Measurement in the Accounting Standards Codification of the Generally Accepted Accounting Principles). In light of this situation, mainly in regard to guidance and disclosure on the fair value of financial instruments, the ASBJ has taken measures to ensure that the Japanese standards are consistent with international accounting standards, and issued the Accounting Standard for Fair Value Measurement, etc.

As a basic policy for the development of accounting standards for fair value measurement, the ASBJ, from the viewpoint of enhancing comparability between the financial statements of corporations in Japan and overseas through the use of a unified measurement method, has decided to basically adopt all of the provisions of IFRS 13. In addition, in consideration of the practices, etc. that have been used in Japan until now, it was decided that other treatment will be defined for individual items, insofar as it does not significantly impair such comparability.

(2) Effective date:
Effective from the beginning of the fiscal year ending March 31, 2022

(3) Impact of the application of accounting standards and implementation guidance:
The impact of the application of accounting standards and implementation guidance on the consolidated financial statements is currently undetermined.

Change in the Method of Presentation
(Consolidated Statement of Income)
Outsourcing service income under non-operating income was presented separately for the fiscal year ended March 31, 2020, but is included in miscellaneous income for the fiscal year ended March 31, 2021, due to a decrease in its monetary significance. To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified.

Consequently, ¥104 million in outsourcing service income in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as miscellaneous income.

Office transfer-related expenses under non-operating expenses was presented separately for the fiscal year ended March 31, 2020, but is included in miscellaneous loss for the fiscal year ended March 31, 2021, due to a decrease in its monetary significance. To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified.

Consequently, ¥155 million in office transfer-related expenses in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as miscellaneous loss.

Provision for loss on store closings and loss on temporary closure were included in other under extraordinary losses for the fiscal year ended March 31, 2020, but are presented separately for the fiscal year ended March 31, 2021, due to increases in their monetary significance. To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified.

Consequently, ¥268 million in other under extraordinary losses in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as ¥117 million in provision for loss on store closings, ¥141 million in loss on temporary closure, and ¥9 million in other.

(Application of "Accounting Standard for Disclosure of Accounting Estimates")
The Company has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements from the fiscal year ended March 31, 2021. Information on significant accounting estimates is included in the notes to the consolidated financial statements. However, comparative information for the fiscal year ended March 31, 2020 is not disclosed, in accordance with the transitional treatment prescribed in the proviso of Paragraph 11 of ASBJ No. 31.

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 for offices at the headquarters and amusement facility arcades, certain consolidated subsidiaries changed the estimates relating to such restoration costs, because it became possible to make more precise estimates through obtaining new information such as recent actual restoration costs.

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 decreased by ¥308 million, respectively, for the fiscal year ended March 31, 2021.

Additional Information
(Principles of accounting treatment and procedures adopted when the related accounting standards, etc. are not clear)
In line with the application of "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020), to the consolidated financial statements from the fiscal year ended March 31, 2021, the Company has disclosed the principles of the accounting treatments and procedures that have been applied in cases where the related accounting standards, etc. are not clear.

(Impact of the outbreak of the novel coronavirus (COVID-19) on accounting estimates)
In the fiscal year ended March 31, 2021, the Amusement segment was asked to temporarily close or shorten the business hours of operation of amusement facilities by certain municipal governments, in conjunction with the declaration of a state of emergency by the Japanese government. In compliance with this request, certain facilities closed temporarily or shortened their business hours. Moreover, the COVID-19 pandemic has not yet been contained, and the prospects for an economic recovery remain uncertain.

Consequently, the Company has made accounting estimates including whether to record impairment losses on non-current assets associated with the affected amusement facilities, the recoverability of deferred tax assets, and other matters, based on the assumption that the impact of COVID-19 will continue for some time.

Notes to Consolidated Balance Sheet
*1 Investments in non-consolidated subsidiaries and affiliates

Millions of yen

	As of March 31, 2021	As of March 31, 2020
Other (investments and other assets)	¥1,504	¥1,611

Notes to Consolidated Statement of Income
*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, 2020
¥5,836	¥7,940

*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, 2020
¥4,002	¥2,224

*3 Breakdown of gain on sale of non-current assets

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Buildings and structures	¥1	¥—
Tools and fixtures	—	2
Total	¥1	¥2

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

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Buildings and structures	¥6	¥—
Tools and fixtures	12	—
Total	¥18	¥—

*5 Breakdown of loss on retirement of non-current assets

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Buildings and structures	¥45	¥2
Tools and fixtures	22	13
Amusement equipment	248	100
Other	0	14
Total	¥316	¥130

*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 and fixtures	50
		Amusement equipment	3
		Other	56
Shinjuku-ku, Tokyo, Funabashi-shi	Stores	Buildings and structures	102
		Tools and fixtures	1
		Other	6
Total			¥520

In the Amusement business 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 market value. With regard to assets planned for disposal and assets at stores, 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 primarily on a reasonable assumption of market price.

In the fiscal year ended March 31, 2020, 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	¥129
		Other	1
Shinjuku-ku, Tokyo	Assets planned for disposal	Buildings and structures	8
		Amusement equipment	2
Toshima-ku, Tokyo, Kawasaki-shi, Asahi-shi	Stores	Buildings and structures	50
		Tools and fixtures	7
		Other	5
Shinjuku-ku, Tokyo	Arcade game machines development and distribution division	Buildings and structures	10
		Tools and fixtures	17
		Other	134
Total			¥367

In the Amusement business 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 market value. With regard to assets planned for disposal, assets at stores, and assets of the arcade game machines development and distribution division, 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 primarily on a reasonable assumption of market price.

*7 Loss on temporary closure

The Group posted a loss on temporary closure, which consisted of fixed expenses incurred during the temporary closure of amusement facilities in the Amusement segment and development studios in the Digital Entertainment segment, to prevent the spread of COVID-19 as an extraordinary loss.

*8 Loss on event cancellations

The Group posted a loss on event cancellations as an extraordinary loss due to the cancellation and postponement of various events to prevent the spread of COVID-19.

Notes to Consolidated Statement of Comprehensive Income

*1 Reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss)

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥(128)	¥(403)
Reclassification adjustments	449	—
Total amount before tax-effect	320	(403)
Tax-effect	(98)	123
Valuation difference on available-for-sale securities	222	(279)
Foreign currency translation adjustments:		
Exchange differences arising during the year	(567)	(445)
Reclassification adjustments relating to foreign operations	—	7
Total amount before tax-effect	(567)	(438)
Tax-effect	—	—
Foreign currency translation adjustments	(567)	(438)
Remeasurements of defined benefit plans:		
Defined benefit obligations arising during the year	445	(278)
Reclassification adjustments relating to defined benefit plans	280	230
Total amount before tax-effect	725	(47)
Tax-effect	(246)	14
Remeasurements of defined benefit plans	478	(33)
Total other comprehensive income (loss)	¥133	¥(750)

Notes to Consolidated Statement of Changes in Net Assets

■**Year ended March 31, 2021**

1. Type and number of shares issued and outstanding, and type and number of shares of treasury stock

Thousands of shares

	Shares as of April 1, 2020	Share increases during the year	Share decreases during the year	Shares as of March 31, 2021
Shares issued and outstanding				
Common stock	122,531	—	—	122,531
Total	122,531	—	—	122,531
Treasury stock				
Common stock[1, 2]	3,237	3	118	3,122
Total	3,237	3	118	3,122

Notes: 1 The increase of 3 thousand shares of treasury stock was due to the acquisition of fractional shares constituting less than one trading unit.

2 The decrease of 118 thousand shares of treasury stock was due to the delivery of 111 thousand shares due to the exercise of stock acquisition rights as stock options, the delivery of 7 thousand shares as a post-delivery type stock remuneration plan, and the sale of 0 thousand fractional shares constituting less than one trading unit.

2. Stock options and the Company's stock options

Category	Details of stock options	Type of shares issuable for the exercise of stock options	Number of shares allocated for the purpose of stock options				Balance as of March 31, 2021 (Millions of yen)
			As of April 1, 2020	Increase during the year	Decrease during the year	As of March 31, 2021	
Supplying company (parent company)	Stock acquisition rights as stock options	—	—	—	—	—	¥762
	Total	—	—	—	—	—	¥762

3. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 20, 2020 (Board of Directors' Meeting)	Common stock	¥5,248	¥44	March 31, 2020	June 4, 2020
November 6, 2020 (Board of Directors' Meeting)	Common stock	1,193	10	September 30, 2020	December 4, 2020

(2) Dividends with a record date during this fiscal year, but whose effective date falls in the following fiscal year

Date of approval	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
May 21, 2021 (Board of Directors' Meeting)	Common stock	¥8,119	Retained earnings	¥68	March 31, 2021	June 7, 2021

Note: Dividends per share of ¥68 includes a special dividend of ¥10.

■**Year ended March 31, 2020**

1. Type and number of shares issued and outstanding, and type and number of shares of treasury stock

Thousands of shares

	Shares as of April 1, 2019	Share increases during the year	Share decreases during the year	Shares as of March 31, 2020
Shares issued and outstanding				
Common stock	122,531	—	—	122,531
Total	122,531	—	—	122,531
Treasury stock				
Common stock[1, 2]	3,324	1	88	3,237
Total	3,324	1	88	3,237

Notes: 1 The increase of 1 thousand shares of treasury stock was due to the acquisition of fractional shares constituting less than one trading unit.

2 The decrease of 88 thousand shares of treasury stock was due to the delivery of 86 thousand shares due to the exercise of stock acquisition rights as stock options, the delivery of 2 thousand shares as a post-delivery type stock remuneration plan, and the sale of 0 thousand fractional shares constituting less than one trading unit.

2. Stock options and the Company's stock options

Category	Details of stock options	Type of shares issuable for the exercise of stock options	Number of shares allocated for the purpose of stock options				Balance as of March 31, 2020 (Millions of yen)
			As of April 1, 2019	Increase during the year	Decrease during the year	As of March 31, 2020	
Supplying company (parent company)	Stock acquisition rights as stock options	—	—	—	—	—	¥608
	Total	—	—	—	—	—	¥608

3. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 17, 2019 (Board of Directors' Meeting)	Common stock	¥4,410	¥37	March 31, 2019	June 3, 2019
November 7, 2019 (Board of Directors' Meeting)	Common stock	1,192	10	September 30, 2019	December 4, 2019

(2) Dividends with a record date during this fiscal year, but whose effective date falls in the following fiscal year

Date of approval	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
May 20, 2020 (Board of Directors' Meeting)	Common stock	¥5,248	Retained earnings	¥44	March 31, 2020	June 4, 2020

Notes to Consolidated Statement of Cash Flows

*1 A reconciliation of cash and cash equivalents in the consolidated statement of cash flows to the corresponding amount disclosed in the consolidated balance sheet is as follows:

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Cash and deposits	¥146,229	¥123,450
Time deposits with maturity periods over three months	(2,167)	(2,138)
Cash and cash equivalents	¥144,061	¥121,311

Lease Transactions

1. Finance lease transactions
Finance lease transactions that do not transfer ownership
(1) Type of leased assets
Server facilities (tools and fixtures) in the Digital Entertainment business and amusement facilities in the Amusement business (buildings and structures, tools and fixtures and amusement equipment)

(2) Depreciation method for leased assets
Please see the following sections: "Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements; 4. Summary of Significant Accounting Policies; (2) Method of depreciation and amortization for major assets."

2. Operating lease transactions
Not applicable

3. Right-of-use assets
(1) Type of right-of-use assets
Mainly offices for rental purposes

(2) Depreciation method for leased assets
Please see the following sections: "Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements; 4. Summary of Significant Accounting Policies; (2) Method of depreciation and amortization for major assets."

Notes Regarding Financial Instruments

1. Matters concerning financial instruments

(1) Policies regarding financial instruments

With regard to the management of funds, the Group only utilizes financial instruments with low market risk, such as deposits. With regard to fund procurement, the Group utilizes borrowings from financial institutions. Forward-exchange transactions are carried out within the amount of foreign currency-denominated transactions conducted by the Group. It is the Group's policy not to engage in derivative transactions for speculative purposes.

(2) Types of financial instruments held, risks associated with these financial instruments and the risk management system

The Group is exposed to customer credit risk through notes and accounts receivable, which are trade receivables. The Group endeavors to reduce this risk by managing the outstanding balance and due date for each transaction in accordance with internal rules at each Group company for sales management. Owing to the Group's global business operations, a portion of its notes and accounts receivable are denominated in foreign currencies, which are exposed to exchange rate fluctuation risk. Although the Group, in principle, does not engage in derivative transactions, for the purpose of hedging against the risk of future fluctuations in foreign exchange rates, it enters into forward foreign exchange contracts from time to time. Although forward foreign exchange contracts involve exposure to exchange rate fluctuation risk, each counterparty to these transactions is, without exception, a highly creditworthy bank. Hence, the Group judges that credit risk through counterparty breach of contract (counterparty risk) is negligible. With regard to forward foreign exchange transactions, all risk is centrally managed by the accounting division under the approval of a representative director and the director assigned to oversee accounting and finance matters.

Investment securities mainly comprise stock market listed shares and investments in investment limited partners. Although stock market listed shares are exposed to market price fluctuation risk, fair values are monitored and regularly reported to the Board of Directors.

With regard to investments in investment limited partners, financial results are obtained and monitored as well as regularly reported to the Board of Directors.

Guarantee deposits consist of deposits required to be furnished by the Group when it enters into real estate leases relating to the Group's headquarters, other offices and amusement arcade facilities. Although these deposits involve exposure to counterparty credit risk, for the headquarters and other offices, and for amusement arcades, the general affairs division and the sales division, respectively, confirm the creditworthiness of the lessors through regular contact. In addition, the accounting division checks with each of these divisions on the situation at the end of each fiscal year.

Notes and accounts payable are defined as those trade payables due within one year. Short-term loans are used to meet short-term working capital requirements. The Group avoids the settlement liquidity risk associated with short-term payables, including notes and accounts payable, accrued corporate taxes and short-term loans, through the monthly review of its funding plan and other methods. Although foreign currency-denominated trade payables involve exposure to exchange rate fluctuations, the Group reduces this risk through similar methods to those used to manage the risk associated with foreign currency-denominated trade receivables. The Group is exposed to interest rate fluctuation through short-term loans. The Group, however, is able to respond flexibly to interest rate fluctuations since the borrowing periods are short.

In terms of derivative transactions, the Group mainly uses forward foreign exchange contracts as hedging instruments in order to hedge the risk of fluctuations in foreign exchange rates relating primarily to business transactions denominated in foreign currencies.

(3) Supplementary information regarding the fair value, and others, of financial instruments

The fair value of financial instruments includes amounts based on market prices as well as those calculated using an appropriate formula when there is no applicable market price. Since variable factors are included in the calculation of such fair values, the adoption of different assumptions may lead to changes in these fair value amounts.

2. Fair value of financial instruments

With regard to financial instruments held by the Company and its consolidated subsidiaries, the values presented on the consolidated balance sheet as of March 31, 2021 and 2020, the estimated fair value and the difference between these amounts are as follows. Items for which fair value is difficult to estimate are not included in the following table (Note 2).

■As of March 31, 2021

Millions of yen

Assets:	Book value	Fair value	Difference
(1) Cash and deposits	¥146,229	¥146,229	¥—
(2) Notes and accounts receivable	43,036		
Allowance for doubtful accounts	(190)		
Notes and accounts receivable, net	42,845	42,845	—
(3) Investment securities	370	370	—
(4) Guarantee deposits	9,776	9,621	(154)
Total assets	199,221	199,066	(154)
Liabilities:			
(1) Notes and accounts payable	24,559	24,559	—
(2) Accrued income taxes	14,593	14,593	—
Total liabilities	¥39,153	¥39,153	¥—

■**As of March 31, 2020**

Millions of yen

Assets:	Book value	Fair value	Difference
(1) Cash and deposits	¥123,450	¥123,450	¥—
(2) Notes and accounts receivable	41,474		
Allowance for doubtful accounts	(161)		
Notes and accounts receivable, net	41,313	41,313	—
(3) Investment securities	498	498	—
(4) Guarantee deposits	10,612	10,472	(140)
Total assets	175,874	175,734	(140)
Liabilities:			
(1) Notes and accounts payable	25,537	25,537	—
(2) Accrued income taxes	10,159	10,159	—
Total liabilities	¥35,697	¥35,697	¥—

Notes: 1 Matters concerning the methods for estimating fair value of financial instruments, and securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable

Since these items are settled on a short-term basis, book value is used on the assumption that fair value is principally equivalent to book value.

(3) Investment securities

Investment securities comprise stock market listed shares, and fair value is the stock market trading price. For information relating to each of the holding purposes of securities, please refer to the note titled “Securities.”

(4) Guarantee deposits

The fair values of these items are the net present value, which has been discounted at a rate that appropriately reflects the length of time the deposits are expected to be held for and the credit risk of the deposit holder.

Liabilities

(1) Notes and accounts payable and (2) Accrued income taxes

Since these items are settled on a short-term basis, book value is used on the assumption that fair value is principally equivalent to book value.

Derivative transactions

Please refer to the information on “Derivative Transactions.”

2 Financial instruments for which it is extremely difficult to estimate fair value

Millions of yen

Item	As of March 31, 2021	As of March 31, 2020
Unlisted shares	¥331	¥71
Investments in investment limited partnerships	1,836	1,738

These items are not included in “(3) Investment securities” above, owing to the recognition of their lack of market prices and the extreme difficulty in estimating fair value.

3 Planned redemption amounts subsequent to the consolidated balance sheet date for monetary claims

Millions of yen

	As of March 31, 2021				As of March 31, 2020			
	Within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years	Within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years
Deposits	¥144,268	¥—	¥—	¥—	¥121,672	¥—	¥—	¥—
Notes and accounts receivable	43,036	—	—	—	41,474	—	—	—
Guarantee deposits	4,890	774	4,110	—	5,315	3,806	1,490	—
Total	¥192,195	¥774	¥4,110	¥—	¥168,462	¥3,806	¥1,490	¥—

Securities

1. Held-for-sale securities
Not applicable

2. Held-to-maturity securities
Not applicable

3. Available-for-sale securities

Millions of yen

		As of March 31, 2021			As of March 31, 2020		
	Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Stocks	¥96	¥31	¥65	¥61	¥13	¥48
	(2) Bonds						
	a. Government bonds and municipal bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Subtotal	96	31	65	61	13	48
Securities with acquisition cost exceeding book value	(1) Stocks	273	273	—	437	740	(303)
	(2) Bonds						
	a. Government bonds and municipal bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Subtotal	273	273	—	437	740	(303)
Total		¥370	¥304	¥65	¥498	¥754	¥(255)

4. Securities sold during the year
Not applicable

Derivative Transactions

1. Derivative transactions for which hedge accounting has not been applied

Currency derivatives

■ **Year ended March 31, 2021**

Not applicable

■ **Year ended March 31, 2020**

Not applicable

2. Derivative transactions for which hedge accounting has been applied

■ **Year ended March 31, 2021**

Not applicable

■ **Year ended March 31, 2020**

Not applicable

Employees' Retirement Benefits

1. Overview of employees' retirement benefit plans:

The Company and certain of its domestic consolidated subsidiaries have a lump-sum retirement payment plan and defined contribution retirement pension plans, in accordance with their internal bylaws. Certain of the Company's domestic consolidated subsidiaries adopted defined benefit corporate pension plans in addition to the above plans.

Certain of the Company's overseas subsidiaries adopted defined contribution retirement pension plans.

2. Defined benefit plan:

(1) Reconciliation between the beginning and ending balances of retirement benefit obligations

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Balance of retirement benefit obligations at the beginning of the year	¥12,557	¥12,417
Service cost	662	625
Interest cost	23	17
Actuarial (gains) losses arising during the year	(18)	92
Retirement benefits paid	(417)	(595)
Balance of retirement benefit obligations at the end of the year	¥12,807	¥12,557

(2) Reconciliation between the beginning and ending balances of plan assets

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Balance of plan assets at the beginning of the year	¥9,342	¥9,618
Expected return on plan assets	135	139
Actuarial gains (losses) arising during the year	426	(185)
Employer contribution	246	248
Retirement benefits paid	(358)	(477)
Balance of plan assets at the end of the year	¥9,791	¥9,342

(3) Reconciliation between the ending balances of retirement benefit obligations and plan assets, and net defined benefit liabilities and assets recorded in the consolidated balance sheet

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Retirement benefit obligation for funded plans	¥9,314	¥9,345
Plan assets	(9,791)	(9,342)
	(477)	3
Retirement benefit obligation for unfunded plans	3,492	3,211
Net defined benefit liabilities and assets recorded in the consolidated balance sheet	3,015	3,214
Net defined benefit liabilities	3,492	3,214
Net defined benefit assets	477	—
Net defined benefit liabilities and assets recorded in the consolidated balance sheet	¥3,015	¥3,214

(4) Components of net periodic pension costs

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Service cost	¥662	¥625
Interest cost	23	17
Expected return on plan assets	(135)	(139)
Amortization of net actuarial (gains) losses	280	230
Net periodic pension costs relating to defined benefit plan	¥831	¥733

(5) Remeasurements of defined benefit plans in other comprehensive income

The following items (prior to adjustments for tax effect) have been recorded as components of remeasurements of defined benefit plans.

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Actuarial gains (losses)	¥725	¥(47)
Total	¥725	¥(47)

(6) Remeasurements of defined benefit plans in accumulated other comprehensive income

The following items (prior to adjustments for tax effect) have been recorded as components of remeasurements of defined benefit plans.

Millions of yen

	As of March 31, 2021	As of March 31, 2020
Unrecognized actuarial gains (losses)	¥(241)	¥483
Total	¥(241)	¥483

(7) Plan assets

1) Main components of plan assets

The percentages of plan assets by major asset class to total plan assets are as follows:

Percent

	As of March 31, 2021	As of March 31, 2020
Bonds	38	40
Stocks	14	10
General accounts	33	34
Cash and deposits	4	5
Others	11	11
Total	100	100

Note: Total plan assets include 3% and 4% of the retirement benefit trust plan, which has been established for the corporate pension plan, for the years ended March 31, 2021 and 2020, respectively.

2) Method of determining the long-term expected rate of return

The long-term expected rate of return on plan assets is determined by taking into account the current and expected allocation of plan assets, and the long-term return rates, which are expected currently and in the future based on the various assets that comprise the plan assets.

(8) Assumptions used to determine actuarial gains or losses

Major (weighted-average) assumptions used to determine actuarial gains or losses

Percent

	As of March 31, 2021	As of March 31, 2020
Discount rate	0.129 to 0.331	0.129 to 0.331
Long-term expected rate of return on plan assets	1.500	1.500

3. Defined contribution plan:

The required contributions for the defined contribution plan by the Company and its consolidated subsidiaries were ¥954 million and ¥764 million for the years ended March 31, 2021 and 2020, respectively.

Stock Options

1. Expense items and amounts during the fiscal year related to stock options:

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Selling, general and administrative expenses	¥247	¥171

2. Amounts recorded as gains due to vested stock options unexercised by employees:

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Reversal of stock acquisition rights	¥2	¥7

3. Details, scale of and changes in stock options:

(1) Details of stock options

	2008 stock options	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2014 stock options	2015 stock options
Category of grantees	Company directors	Company directors	Company directors	Company directors	Company directors	Company directors	Company directors
Number of grantees	5	5	5	5	5	6	6
Number of stock options	19,800 shares of common stock	57,000 shares of common stock	77,000 shares of common stock	87,000 shares of common stock	67,000 shares of common stock	16,000 shares of common stock	21,000 shares of common stock
Date granted	August 21, 2008	October 21, 2009	August 23, 2010	July 21, 2011	July 26, 2012	September 25, 2014	July 16, 2015
Conditions for vesting of interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interest	No conditions have been set for vesting interests	No conditions have been set for vesting interests
Service period	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established
Rights exercise period	August 22, 2008 to August 21, 2028	October 22, 2009 to October 21, 2029	August 24, 2010 to August 23, 2030	July 22, 2011 to July 21, 2031	July 27, 2012 to July 26, 2032	September 26, 2014 to September 25, 2034	July 17, 2015 to July 16, 2035

	2015 stock options	2016 stock options	2016 stock options	2017 stock options	2017 stock options	2018 stock options	2018 stock options
Category of grantees	Company employees, and directors and employees of the Company's subsidiaries	Company directors	Company employees, and directors and employees of the Company's subsidiaries	Company directors	Company employees, and directors and employees of the Company's subsidiaries	Company directors (excluding directors who are Audit & Supervisory Committee members)	Directors and employees of the Company's subsidiaries
Number of grantees	18	6	21	6	23	5	24
Number of stock options	122,000 shares of common stock	21,000 shares of common stock	116,000 shares of common stock	21,000 shares of common stock	179,000 shares of common stock	11,700 shares of common stock	126,300 shares of common stock
Date granted	July 16, 2015	July 20, 2016	July 20, 2016	July 19, 2017	August 30, 2017	August 30, 2018	August 30, 2018
Conditions for vesting of interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests
Service period	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established
Rights exercise period	June 25, 2017 to June 24, 2020	July 21, 2016 to July 20, 2036	June 25, 2018 to June 24, 2021	July 20, 2017 to July 19, 2037	August 5, 2019 to August 4, 2022	August 31, 2018 to August 30, 2038	August 8, 2020 to August 7, 2023

	2019 stock options	2019 stock options	2020 stock options	2020 stock options
Category of grantees	Company directors (excluding directors who are Audit & Supervisory Committee members)	Directors and employees of the Company's subsidiaries	Company directors (excluding directors who are Audit & Supervisory Committee members)	Directors and employees of the Company's subsidiaries
Number of grantees	5	22	6	22
Number of stock options	18,100 shares of common stock	190,100 shares of common stock	22,700 shares of common stock	97,000 shares of common stock
Date granted	July 17, 2019	July 17, 2019	July 20, 2020	July 20, 2020
Conditions for vesting of interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests
Service period	No service period established	No service period established	No service period established	No service period established
Rights exercise period	July 18, 2019 to July 17, 2039	June 22, 2021 to June 21, 2024	July 21, 2020 to July 20, 2040	June 25, 2022 to June 24, 2025

Note: The number of stock options described is the number of shares after conversion.

(2) Scale of and changes in stock options

With respect to stock options outstanding at this fiscal year-end, the number of stock options and the status of their exercise to shares of common stock are indicated below:

1) Number of stock options

	2008 stock options	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2014 stock options	2015 stock options	2015 stock options	2016 stock options	2016 stock options
Before vesting (shares)										
March 31, 2020	—	—	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—	—
Unvested balance	—	—	—	—	—	—	—	—	—	—
After vesting (shares)										
March 31, 2020	3,700	11,000	16,000	16,000	16,000	8,000	11,000	2,400	11,000	69,400
Vested	—	—	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—	—	43,600
Forfeited	—	—	—	—	—	—	—	2,400	—	—
Balance unexercised	3,700	11,000	16,000	16,000	16,000	8,000	11,000	—	11,000	25,800

	2017 stock options	2017 stock options	2018 stock options	2018 stock options	2019 stock options	2019 stock options	2020 stock options	2020 stock options
Before vesting (shares)								
March 31, 2020	—	—	—	123,100	—	190,100	—	—
Granted	—	—	—	—	—	—	22,700	97,000
Forfeited	—	—	—	3,100	—	4,800	—	—
Vested	—	—	—	120,000	—	—	22,700	—
Unvested balance	—	—	—	—	—	185,300	—	97,000
After vesting (shares)								
March 31, 2020	11,000	127,300	11,700	—	18,100	—	—	—
Vested	—	—	—	120,000	—	—	22,700	—
Exercised	—	49,900	—	17,600	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Balance unexercised	11,000	77,400	11,700	102,400	18,100	—	22,700	—

2) Price information

Yen

	2008 stock options	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2014 stock options	2015 stock options	2015 stock options	2016 stock options	2016 stock options
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥3,150	¥1	¥3,290
Average share price at exercise	—	—	—	—	—	—	—	—	—	6,623
Fair market value on grant date	3,171	2,107	1,464	1,312	948	2,041	2,864	885	2,843	896

	2017 stock options	2017 stock options	2018 stock options	2018 stock options	2019 stock options	2019 stock options	2020 stock options	2020 stock options
Exercise price	¥1	¥3,820	¥1	¥5,205	¥1	¥3,720	¥1	¥5,760
Average share price at exercise	—	6,155	—	6,834	—	—	—	—
Fair market value on grant date	3,187	761	4,206	789	3,157	714	5,243	1,375

4. Method of estimating the fair value of stock options:
The fair value of the 2020 stock options granted during the fiscal year ended March 31, 2021 was estimated using the following method.
(1) Method of valuation: Black-Scholes option pricing model
(2) Main assumptions:

	2020 stock options	2020 stock options
Expected share price volatility[1]	37.0%	36.0%
Expected life[2]	10.0 years	3.4 years
Expected dividend yield[3]	0.94%	0.94%
Risk-free interest rate[4]	0.02%	(0.16)%

Notes: 1 This was calculated based on historical share price data prior to the grant date over a period equivalent to the expected life.
2 Owing to insufficient accumulated data, it is difficult to determine an appropriate estimate. Consequently, the midpoint of the available exercise period has been used as the estimated life.
3 For the 2020 stock options, this was calculated based on the actual dividend applicable to the fiscal year ended March 31, 2020.
4 This was determined based on the yield of government bonds corresponding to the expected life of the options.

5. Method of estimating the number of vested stock options:
In principle, owing to the difficulty of appropriately estimating the forfeited number of stock options for future periods, estimation of the vested number is based on actual forfeitures in prior periods.

Tax Effect Accounting

1. Significant components of deferred tax assets and liabilities are summarized as follows:

Millions of yen

	As of March 31, 2021	As of March 31, 2020
Deferred tax assets		
Tax loss carried forward (Note 1)	¥15,727	¥11,250
Enterprise tax payable	1,007	527
Business office tax payable	47	45
Provision for bonuses	574	730
Accrued expenses	1,723	1,385
Provision for sales returns	268	293
Loss on write-offs of content production account	2,848	2,547
Loss on inventory revaluation	383	794
Net defined benefit liabilities	1,002	1,129
Provision for directors' retirement benefits	25	26
Expense for stock-based compensation	244	194
Non-deductible depreciation expense of property and equipment	715	582
Asset retirement obligations	1,180	1,040
Impairment loss	262	356
Loss on evaluation of investments in securities	941	797
Non-deductible portion of allowance for doubtful accounts	48	38
Non-deductible portion of excess expenses on lump-sum depreciable assets	80	75
Provision for loss on store closings	80	28
Tax credits	699	18
Other	267	272
Total gross deferred tax assets	28,129	22,137
Valuation allowance for net operating loss carryforwards (Note 1)	(14,365)	(9,635)
Valuation allowance for aggregate deductible temporary differences	(3,461)	(3,079)
Total valuation allowance	(17,826)	(12,715)
Total deferred tax assets	10,302	9,422
Deferred tax liabilities		
Accrued expenses and other cost calculation details	(221)	(120)
Non-current assets	(1,608)	(1,100)
Tax effects from intangible non-current assets relating to business combinations	(478)	(512)
Other	(5)	(18)
Total deferred tax liabilities	(2,314)	(1,753)
Balance: Net deferred tax assets	¥7,988	¥7,668

Note: 1. The main reason for the changes in the amount deducted from gross deferred tax assets (valuation allowance) is due to an increase in net operating loss carryforwards.

Note: 2. A breakdown of net operating loss carryforwards and valuation allowance by expiry date is as follows:

■ **As of March 31, 2021**

Millions of yen

	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years	Total
Net operating loss carryforwards (*1)	¥372	¥—	¥15,354	¥15,727
Valuation allowance	—	—	(14,365)	(14,365)
Deferred tax assets	372	—	989	1,362

■ **As of March 31, 2020**

Millions of yen

	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years	Total
Net operating loss carryforwards (*1)	¥92	¥547	¥10,610	¥11,250
Valuation allowance	—	(81)	(9,554)	(9,635)
Deferred tax assets	92	466	1,056	1,615

(*1) The amounts are determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

2. A reconciliation of the statutory tax rate and the effective tax rate is as follows:

	As of March 31, 2021	As of March 31, 2020
Statutory tax rate	30.62%	30.62%
(Adjustments)		
Permanent differences relating to entertainment expense and others excluded from non-taxable expenses	0.03	0.13
Permanent differences relating to dividends received and others excluded from non-taxable expenses	(0.09)	(0.39)
Valuation allowance	12.66	9.15
Taxation on a per capita basis for inhabitants' tax	0.18	0.27
Special deduction for income growth	(0.57)	(0.83)
Tax credit for R&D expenses	(4.06)	(7.14)
Reduction of deferred tax assets and liabilities at fiscal year-end due to changes in corporate tax rate	0.11	(0.10)
Differences in tax rate from the parent company's statutory tax rate	1.86	0.57
Other	0.27	(1.61)
Effective tax rate	41.01	30.67

Business Combinations
■ Year ended March 31, 2021
Not applicable

Asset Retirement Obligations
Balance Sheet Amount for Asset Retirement Obligations
a) Summary of applicable asset retirement obligations
Asset retirement obligations include the duty of restoration arising from contractual requirements set forth in real estate leases for buildings, including offices at the headquarters, as well as amusement facility arcades.

b) Assumptions used in calculating applicable asset retirement obligations
Asset retirement obligations on buildings, including offices at the headquarters, are based on estimated useful life, generally ranging between 3 and 15 years, and a discount rate generally set between 0.000% and 2.147%.

For amusement facility arcades, asset retirement obligations are based on estimated useful life, generally ranging between 2 and 15 years, as estimated based on the average operating period for arcades that have been closed (10 years) and the lease term, and a discount rate between (0.275)% and 1.355%.

c) Changes to aggregate asset retirement obligations

Millions of yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Beginning balance	¥3,295	¥3,137
Increase due to procurement of property and equipment	39	159
Increase due to changes in estimates	421	18
Accretion expense	6	7
Decrease due to fulfillment of asset retirement obligations	(40)	(27)
Other changes	—	—
Ending balance	¥3,722	¥3,295

Matters Relating to Real Estate Leases, Etc.
■ Year ended March 31, 2021
Not applicable

■ Year ended March 31, 2020
Not applicable

Segment Information
[Segment Information]
■ Year ended March 31, 2021
1. Outline of reporting segments
The Company's reporting segments are business units for which abstracted financial data is available and periodically reviewed by the Board of Directors to determine resource allocation and to evaluate business performance.

In a rapidly evolving business environment, the Company seeks to provide high-quality entertainment content and services through a variety of environments to match customer lifestyles.

Accordingly, the Company maintains four business segments, each dedicated to a particular entertainment content and service format: (1) the "Digital Entertainment" segment, for interactive digital content for game consoles (including handheld game machines), personal computers and smartphones; (2) the "Amusement" segment, for amusement facility operation as well as the sale and rental of arcade game machines; (3) the "Publication" segment, for publication and licensing of comic magazines, comic books and game-related books; and (4) the "Merchandising" segment, for planning, production, distribution and licensing of derivative products. These are the Company'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 (loss), assets and other items by reporting segment

Millions of yen

	Reporting segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
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 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 operating expenses (¥15,949 million).
(2) Unallocated assets amounting to ¥170,583 million are included in the ¥169,841 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and deposits).
(3) The ¥895 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.
(4) The ¥1,749 million adjustment to increases in property and equipment and intangible assets is associated with unallocated assets that do not belong to any reporting segment.
2 Segment operating income (loss) corresponds to operating income on the Consolidated Statement of Income.

■ Year ended March 31, 2020

1. Outline of reporting segments
The Company's reporting segments are business units for which abstracted financial data is available and periodically reviewed by the Board of Directors to determine resource allocation and to evaluate business performance.

In a rapidly evolving business environment, the Company seeks to provide high-quality entertainment content and services through a variety of environments to match customer lifestyles.

Accordingly, the Company maintains four business segments, each dedicated to a particular entertainment content and service format: (1) the "Digital Entertainment" segment, for interactive digital content for game consoles (including handheld game machines), personal computers and smartphones; (2) the "Amusement" segment, for amusement facility operation as well as the sale and rental of arcade game machines; (3) the "Publication" segment, for publication and licensing of comic magazines, comic books and game-related books; and (4) the "Merchandising" segment, for planning, production, distribution and licensing of derivative products. These are the Company'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 (loss), assets and other items by reporting segment

Millions of yen

	Reporting segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Net sales							
(1) Sales to outside customers	¥188,640	¥44,832	¥19,393	¥7,660	¥260,527	¥—	¥260,527
(2) Intersegment sales	47	840	58	1,076	2,023	(2,023)	—
Total	188,687	45,673	19,452	8,737	262,550	(2,023)	260,527
Segment operating income	¥35,357	¥1,480	¥7,250	¥1,021	¥45,110	¥(12,351)	¥32,759
Segment assets	¥126,471	¥25,765	¥7,271	¥2,057	¥161,566	¥141,067	¥302,634
Other items							
Depreciation and amortization	3,386	3,092	43	64	6,587	829	7,417
Increases in property and equipment and intangible assets	4,397	3,818	11	38	8,266	1,391	9,657

Notes: 1 (1) Segment adjustments (¥12,351 million) include unallocated corporate operating expenses (¥12,420 million).
(2) Unallocated assets amounting to ¥141,467 million are included in the ¥141,067 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and deposits).
(3) The ¥829 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.
(4) The ¥1,391 million adjustment to increases in property and equipment and intangible assets is associated with unallocated assets that do not belong to any reporting segment.
2 Segment operating income corresponds to operating income on the Consolidated Statement of Income.

[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	Total
¥224,339	¥67,980	¥26,039	¥14,173	¥332,532

Note: 1 Sales are grouped by country or region, based on customer location.

(2) Property and equipment

Millions of yen

Japan	North America	Europe	Asia	Total
¥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, 2020

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	Total
¥198,479	¥37,209	¥15,262	¥9,576	¥260,527

Note: 1 Sales are grouped by country or region, based on customer location.

(2) Property and equipment

Millions of yen

Japan	North America	Europe	Asia	Total
¥14,892	¥3,756	¥1,837	¥61	¥20,547

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 non-current assets in each reporting segment]
■ Year ended March 31, 2021

Millions of yen

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

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

■ Year ended March 31, 2020

Millions of yen

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	¥—	¥366	¥—	¥—	¥1	¥367

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
Not applicable

■ Year ended March 31, 2020
Not applicable

[Information related to gain on negative goodwill in each reporting segment]
■ Year ended March 31, 2021
Not applicable

■ Year ended March 31, 2020
Not applicable

[Related party transactions]
Transaction between the consolidated financial statement-submitting company and related parties
1. Non-consolidated subsidiaries and affiliates of the consolidated financial statement-submitting company

■ Year ended March 31, 2021
Not applicable

■ Year ended March 31, 2020

Type	Name	Location	Capital (Millions of yen)	Business description or occupation	Ratio of voting rights held (%)		Relationship with related parties	Transaction	Amount of transactions (Millions of yen)	Account item	Year-end balance (Millions of yen)
Non-consolidated subsidiaries	Luminous Productions Co., Ltd. (Note 1)	Shinjuku-ku Tokyo	¥5	Development of games	(Holding) Direct Indirect	 100 —	Concurrent appointment of officers, and provision of loans	Forgiveness of payable for group tax (Notes 1, 2)	¥204	Payables	¥ —
	STUDIO ISTOLIA CO., LTD.	Shinjuku-ku Tokyo	¥0	Development of games	(Holding) Direct Indirect	 100 —	Concurrent appointment of officers	Forgiveness of payable for group tax (Note 2)	¥165	Payables	¥ —

Terms and conditions of transactions and/or decision-making policy, etc.
Notes: 1 Luminous Productions Co., Ltd. has been included in the scope of consolidation from the fiscal year ended March 31, 2020, due to its increased materiality, changing its status from a non-consolidated subsidiary to a consolidated subsidiary. The above figure represents transactions conducted during the period in which Luminous Productions Co., Ltd. was operating as a non-consolidated subsidiary.
2 The amount of income taxes to be paid under consolidated taxation is determined based on consultations.

2. The consolidated financial statement-submitting company and directors and audit & supervisory board members and the principal shareholders (individuals only) of related parties, etc.

■ Year ended March 31, 2021

Type	Name	Location	Capital (Millions of yen)	Business description or occupation	Ratio of voting rights held (%)	Relationship with related parties	Transaction	Amount of transactions (Millions of yen)	Account item	Year-end balance (Millions of yen)
Director and close relatives	Tsuneto Okuno	—	—	Director of subsidiary and audit & supervisory board member of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥11	—	¥—
	Yoshinori Kitase	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥33	—	¥—
	Yosuke Saito	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Exercising of stock options (Note 1)	¥23	—	¥—
	Hirokazu Nishikado	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Exercising of stock options (Note 1)	¥23	—	¥—
	Shinji Hashimoto	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥23	—	¥—
	Katsuyoshi Matsuura	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Exercising of stock options (Note 1)	¥16	—	¥—
	Yuu Miyake	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥11	—	¥—
	Naoki Yoshida	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Exercising of stock options (Note 1)	¥45	—	¥—
	Koichi Ishii	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Exercising of stock options (Note 1)	¥11	—	¥—
	Tetsu Yamada	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥11	—	¥—
	Michihiro Sasaki	—	—	Audit & supervisory board member of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥11	—	¥—
	Philip Timo Rogers	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Contribution in-kind of the monetary compensation claim (Note 2)	¥33	—	¥—

Terms and conditions of transactions and/or decision-making policy, etc.

Notes: 1 The exercise of stock acquisition rights as stock options during the fiscal year ended March 31, 2021 was pursuant to the resolutions of the Board of Directors on June 24, 2016, on August 4, 2017 and on August 7, 2018.
“Amount of transactions” represents amounts calculated by multiplying cash payments by the number of shares granted due to the exercise of stock acquisition rights as stock options during the fiscal year ended March 31, 2021.

2 The contribution in-kind of the monetary compensation claim of the post-delivery type stock remuneration plan (service-based) during the fiscal year ended March 31, 2021 was pursuant to the resolutions of the Board of the Directors on August 7, 2018 and July 30, 2019.
“Amount of transactions” represents the amount obtained by multiplication of the number of shares granted in the fiscal year ended March 31, 2021 due to the contribution in-kind of the monetary compensation claim of post-delivery type stock remuneration plan (service-based), by the fair value of said shares.

■Year ended March 31, 2020

Type	Name	Location	Capital (Millions of yen)	Business description or occupation	Ratio of voting rights held (%)	Relationship with related parties	Transaction	Amount of transactions (Millions of yen)	Account item	Year-end balance (Millions of yen)
Director and close relatives	Tsuneto Okuno	—	—	Director of subsidiary and audit & supervisory board member of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note)	¥11	—	¥ —
	Yoshinori Kitase	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note)	¥11	—	¥ —
	Yosuke Saito	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note)	¥11	—	¥ —
	Michihiro Sasaki	—	—	Director of subsidiary and audit & supervisory board member of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note)	¥11	—	¥ —
	Hirokazu Nishikado	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Exercising of stock options (Note)	¥11	—	¥ —
	Shinji Hashimoto	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note)	¥11	—	¥ —
	Naoki Yoshida	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Exercising of stock options (Note)	¥11	—	¥ —
	Kazuharu Watanabe	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Exercising of stock options (Note)	¥24	—	¥ —

Terms and conditions of transactions and/or decision-making policy, etc.

Note: The exercise of stock acquisition rights as stock options during the year ended March 31, 2020 was pursuant to the resolutions of the Board of Directors on June 24, 2015, on June 24, 2016 and on August 4, 2017.
"Amount of transactions" represents amounts calculated by multiplying cash payments by the number of shares granted due to the exercise of stock acquisition rights as stock options during the fiscal year ended March 31, 2020.

Per Share Information

Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Net assets per share	¥2,029.69	¥1,854.10
Earnings per share	225.75	179.02
Diluted earnings per share	225.18	178.73

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, 2020
Earnings per share:		
Profit attributable to owners of parent	¥26,942	¥21,346
Profit not available to common shareholders	—	—
Profit attributable to common shareholders of parent	26,942	21,346
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	119,345	119,240
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	197
[Number of shares reserved for the purpose of new share issuances for exercise of share subscription rights]	[301]	[197]
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 August 2018 stock acquisition rights, pursuant to a resolution of the Board of Directors on August 7, 2018: 123,100 shares

Significant Subsequent Events

Issuance of stock acquisition rights pursuant to a resolution of the Board of Directors held on June 25, 2021

In accordance with Articles 236, 238, and 240 of the Companies Act, the Company resolved at the Board of Directors meeting held on June 25, 2021, to issue stock acquisition rights as stock options to employees of the Company and directors and employees of the Company's subsidiaries, as part of their remuneration.

Supplementary Schedule

[Borrowings]

Category	Balance as of April 1, 2020 (Millions of yen)	Balance as of March 31, 2021 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term loans	¥—	¥—	—	—
Long-term borrowings due for repayment within one year	—	—	—	—
Lease obligations due for repayment within one year	747	808	—	—
Long-term borrowings (excluding the amount due for repayment within one year)	—	—	—	—
Lease obligations (excluding the amount due for repayment within one year)	3,049	2,973	—	July 2022 to September 2029
Other interest-bearing liabilities	—	—	—	—
Total	¥3,796	¥3,782	—	—

Notes: 1 The average interest rate shown is the weighted average interest rate on the balance of borrowings as of March 31, 2021.
2 Average interest rates for lease obligations are omitted because lease obligations include assumed interest amounts.
3 Lease obligations (due for repayment within one year) are included in other of current liabilities, and lease obligations (excluding due for repayment within one year) are included in other of non-current liabilities.
4 Scheduled repayment amounts during five years subsequent to March 31, 2021 for lease obligations (excluding the amount due for repayment within one year) are as follows:

Millions of yen

	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years
Lease obligations	¥624	¥540	¥566	¥471

[Asset retirement obligations]

Information on asset retirement obligations has been omitted as the disclosure was included in the notes to the consolidated financial statements as provided in Article 15-23 of Regulations for Consolidated Financial Statements.

[Other]

Quarterly Financial Information

Millions of yen

Cumulative period	1Q April 1, 2020 to June 30, 2020	2Q April 1, 2020 to September 30, 2020	3Q April 1, 2020 to December 31, 2020	4Q April 1, 2020 to March 31, 2021
Net sales	¥87,054	¥172,731	¥253,643	¥332,532
Profit before income taxes	21,669	28,205	35,389	45,694
Profit attributable to owners of parent	14,372	16,047	18,371	26,942
Earnings per share (yen)	120.47	134.49	153.96	225.75

Quarterly	1Q April 1, 2020 to June 30, 2020	2Q July 1, 2020 to September 30, 2020	3Q October 1, 2020 to December 31, 2020	4Q January 1, 2021 to March 31, 2021
Earnings per share (yen)	¥120.47	¥14.04	¥19.47	¥71.79