ANNUAL REPORT 2022
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, 2022 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. Valuation of the 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. Refund liabilities
The Group recognizes refund liabilities 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 through internal funding resources.

Cash and cash equivalents at the end of the year totaled ¥160,622 million, providing sufficient liquidity for the Group to carry on its business operations.

Cash flows in the fiscal year ended March 31, 2022, 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 ¥27,570 million, a decrease of 21.2% from the previous fiscal year. The main factors were profit before income taxes of ¥70,223 million, income taxes paid of ¥26,161 million, an increase of inventories of ¥17,207 million, foreign exchange gain of ¥10,043 million, and depreciation and amortization of ¥7,594 million.

(2) Net cash used in investing activities
Net cash used in investing activities totaled ¥8,124 million, an increase of 22.1% from the previous fiscal year. The main factors were purchases of property and equipment of ¥5,494 million and purchases of intangible assets of ¥2,464 million.

(3) Net cash used in financing activities
Net cash used in financing activities totaled ¥9,343 million, an increase of 40.5% from the previous fiscal year. The main factor was cash dividends paid of ¥9,308 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, 2022

■ Assets

Total Assets

Millions of yen

March 31	2022	2021	Change
	¥380,902	¥336,144	¥44,758

Total assets as of March 31, 2022 amounted to ¥380,902 million, an increase of ¥44,758 million from the previous fiscal year. The main factors contributing to the change were as follows:

Cash and Deposits

Millions of yen

March 31	2022	2021	Change
	¥163,088	¥146,229	¥16,858

Cash and deposits as of March 31, 2022 increased ¥16,858 million, to ¥163,088 million, mainly reflecting an increase in inventories of ¥17,207 million and cash dividends paid of ¥9,308 million, offset by profit before income taxes of ¥70,223 million, among other factors.

Content Production Account

Millions of yen

March 31	2022	2021	Change
	¥96,765	¥78,153	¥18,612

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, 2022, the content production account totaled ¥96,765 million, an increase of ¥18,612 million from the previous fiscal year.

Property and Equipment

Millions of yen

March 31	2022	2021	Change
	¥19,814	¥19,656	¥158

Total property and equipment as of March 31, 2022 amounted to ¥19,814 million, an increase of ¥158 million from the previous fiscal year.

Intangible Assets

Millions of yen

March 31	2022	2021	Change
	¥7,375	¥5,540	¥1,835

Total intangible assets as of March 31, 2022 amounted to ¥7,375 million, an increase of ¥1,835 million from the previous fiscal year.

Investments and Other Assets

Millions of yen

March 31	2022	2021	Change
	¥31,257	¥27,325	¥3,932

Total investments and other assets increased ¥3,932 million, to ¥31,257 million, as of March 31, 2022.

■ Liabilities

Millions of yen

March 31	2022	2021	Change
	¥96,472	¥92,866	¥3,606

As of March 31, 2022, total liabilities amounted to ¥96,472 million, an increase of ¥3,606 million from the previous fiscal year. The main factors contributing to the change were as follows:

Current Liabilities

Millions of yen

March 31	2022	2021	Change
	¥83,800	¥80,345	¥3,455

Total current liabilities increased ¥3,455 million, to ¥83,800 million, as of March 31, 2022. This was mainly due to an increase in notes and accounts payable of ¥3,039 million and an increase in provision for bonuses of ¥3,583 million, offset by a decrease in accrued income taxes of ¥6,151 million.

Non-Current Liabilities

Millions of yen

March 31	2022	2021	Change
	¥12,672	¥12,521	¥151

Total non-current liabilities increased ¥151 million, to ¥12,672 million, as of March 31, 2022. This was mainly due to an increase in net defined benefit liabilities of ¥350 million.

■ Shareholders' Equity/Net Assets

Millions of yen

March 31	2022	2021	Change
Common stock	¥24,039	¥24,039	¥—
Capital surplus	53,880	53,593	287
Retained earnings	221,316	179,722	41,594
Treasury stock	(8,964)	(9,556)	592
Total shareholders' equity	290,272	247,799	42,473
Valuation difference on available-for-sale securities	(24)	59	(83)
Foreign currency translation adjustments	(6,844)	(5,655)	(1,189)
Remeasurements of defined benefit plans	116	160	(44)
Total accumulated other comprehensive income (loss)	(6,752)	(5,435)	(1,317)
Stock acquisition rights	718	762	(44)
Non-controlling interests	191	151	40
Total net assets	¥284,429	¥243,278	¥41,151

As of March 31, 2022, total net assets amounted to ¥284,429 million, up ¥41,151 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 (¥68 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	2022	Composition	2021	Composition	Amount change	Percent change
Net sales	¥365,275	100.0%	¥332,532	100.0%	32,743	9.8%
Gross profit	195,314	53.5%	160,695	48.3%	34,619	21.5%
Reversal of provision for sales returns	—	—%	4,150	1.2%	—	—%
Provision for sales returns	—	—%	5,637	1.7%	—	—%
Net gross profit	195,314	53.5%	159,208	47.9%	36,106	22.7%
Selling, general and administrative expenses	136,053	37.2%	111,982	33.7%	24,071	21.5%
Operating income	¥59,261	16.2%	¥47,226	14.2%	12,035	25.5%

Comparisons by segment with the previous fiscal year are provided on pages 36-38.

Non-Operating Income and Expenses

Millions of yen

Years ended March 31	2022	2021	Change
Non-operating income	¥14,307	¥3,043	¥11,264
Non-operating expenses	2,865	286	2,579

Extraordinary Income and Loss

Millions of yen

Years ended March 31	2022	2021	Change
Extraordinary income	¥730	¥339	¥391
Extraordinary loss	1,212	4,628	(3,416)

Total extraordinary income was ¥730 million, reflecting the recording of ¥353 million in gain on sale of shares of subsidiaries and associates. Total extraordinary loss was ¥1,212 million.

■ **Capital Expenditures and Depreciation and Amortization**

Millions of yen

Years ended March 31	2022	2021	Change
Capital expenditures	¥9,123	¥7,377	¥1,746
Depreciation and amortization	7,594	7,515	79

Capital expenditures for the fiscal year ended March 31, 2022 amounted to ¥9,123 million, an increase of ¥1,746 million from the previous fiscal year.

Depreciation and amortization totaled ¥7,594 million, an increase of ¥79 million from the previous fiscal year, primarily due to an increase in depreciation and amortization in the Amusement segment.

4. Strategic Outlook, Issues Facing Management and Future Direction

The Group aims to create advanced, high-quality content that allows for medium- and long-term growth while maintaining profitability. Nowadays, advancements in the development and popularization of information technology (IT) and network environments have led to increasing consumer demands for contents and services through multi-functional devices and networks. At the same time, the industrial structure of digital entertainment is changing significantly, with the diversification of delivery methods for content as well as changes in the accompanying business models. 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 changes in a timely and flexible manner to become a pioneer in a new era in digital entertainment.

The Group recognizes the need to prioritize the expansion of stable recurring income base 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 income base 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 recurring income base will enable investment in efforts to develop large-scale, innovative content. The recurring income generated from that content will expand the Group’s overall earnings, thereby allowing the Group to achieve sustained growth.

The Group’s operating forecast for the fiscal year ending March 31, 2023 is as follows (as of June 30, 2022).

Millions of yen

Years ended/ending March 31	2013 actual	2014 actual	2015 actual	2016 actual	2017 actual	2018 actual	2019 actual	2020 actual	2021 actual	2022 actual	2023 forecast
Net sales	¥147,981	¥155,023	¥167,891	¥214,101	¥256,824	¥250,394	¥271,276	¥260,527	¥332,532	¥365,275	—
Operating income (loss)	(6,081)	10,543	16,426	26,018	31,295	38,176	24,635	32,759	47,226	59,261	—
Ordinary income (loss)	(4,378)	12,534	16,984	25,322	31,128	36,124	28,415	32,095	49,983	70,704	—
Profit (loss) attributable to owners of parent	(13,714)	6,598	9,831	19,884	20,039	25,821	19,373	21,346	26,942	51,013	—

5. Basic Policy for Profit Distribution and Dividends

The Group strives to enhance its corporate value through sustained growth achieved by undertaking investments in game development and other efforts funded by securing an appropriate level of retained earnings. At the same time, one of management’s key policies is to return profits to shareholders. By rewarding shareholders, primarily with dividends, the Group works to return profits in a way that strikes the optimal balance between recognizing the level of earnings achieved and providing stable rewards. 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, 2022, the Company paid an interim dividend of ¥10 per share and a year-end dividend of ¥119 per share for an annual dividend of ¥129 per share.

The distribution of surplus for the fiscal year ended March 31, 2022 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, 2022 are as follows:

Date of resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
November 5, 2021 Resolution by the Board of Directors	¥1,195	¥10
May 19, 2022 Resolution by the Board of Directors	¥14,232	¥119

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 24, 2022.

(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, in light of the above business environment, is also striving to ensure the optimal allocation of management resources to develop attractive titles that accurately capture customers' needs while at the same time improving profitability. 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. The Group has designated the new growth domains of AI, the cloud, and blockchain games as focused investment areas and will engage in aggressive research and development efforts and investment in these areas.

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

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

The accompanying notes are an integral part of these statements.

Millions of yen

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

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

	2022	2021
Net sales	*1 ¥365,275	¥332,532
Cost of sales	*2 169,960	*2 171,837
Gross profit	195,314	160,695
Reversal of provision for sales returns	—	4,150
Provision for sales returns	—	5,637
Net gross profit	195,314	159,208
Selling, general and administrative expenses		
Packaging freight charge	2,999	2,436
Advertising expense	24,739	28,239
Sales promotion expense	611	673
Compensation for directors	738	771
Salaries	24,228	21,165
Provision for bonuses	6,484	3,368
Net periodic pension costs	1,002	1,205
Welfare expense	3,396	3,051
Rental expense	2,991	2,882
Commission fee	55,391	35,900
Depreciation and amortization	3,153	2,903
Other	10,314	9,384
Total selling, general and administrative expenses	*3 136,053	*3 111,982
Operating income	59,261	47,226
Non-operating income		
Interest income	101	76
Dividends received	0	0
Foreign exchange gain	10,489	2,727
Rental income	33	17
Gain on sale of crypto assets	2,904	—
Miscellaneous income	777	222
Total non-operating income	14,307	3,043
Non-operating expenses		
Interest expenses	150	87
Commission fee	475	19
Loss on investment securities	—	169
Loss on liquidation of content	1,289	—
Loss on retirement of development related assets	862	—
Miscellaneous loss	86	9
Total non-operating expenses	2,865	286
Ordinary income	70,704	49,983
Extraordinary income		
Gain on sale of non-current assets	*4 6	*4 1
Gain on reversal of stock acquisition rights	8	2
Subsidy income related to COVID-19	290	335
Gain on sale of shares of subsidiaries and associates	353	—
Other	72	—
Total extraordinary income	730	339
Extraordinary losses		
Loss on sale of non-current assets	—	*5 18
Loss on retirement of non-current assets	*6 212	*6 316
Impairment loss	*7 109	*7 520
Loss on valuation of investment securities	351	449
Provision for loss on store closings	—	629
Loss on temporary closure	*8 296	*8 2,392
Loss on valuation of shares of subsidiaries and associates	239	251
Other	1	49
Total extraordinary loss	1,212	4,628
Profit before income taxes	70,223	45,694
Income taxes–current	20,511	19,430
Income taxes–deferred	(1,320)	(690)
Total income taxes	19,191	18,740
Profit	51,031	26,954
Profit attributable to non-controlling interests	17	12
Profit attributable to owners of parent	¥51,013	¥26,942

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

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

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

■ 2022

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	¥53,593	¥179,722	¥(9,556)	¥247,799
Cumulative effects of changes in accounting policies			(104)		(104)
Restated balance	24,039	53,593	179,617	(9,556)	247,695
Changes during the year					
Dividends from retained earnings			(9,315)		(9,315)
Profit attributable to owners of parent			51,013		51,013
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		287		600	887
Net changes in items other than shareholders' equity					
Total changes during the year	—	287	41,698	591	42,577
Balance at the end of the year	¥24,039	¥53,880	¥221,316	¥(8,964)	¥290,272

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	¥59	¥(5,655)	¥160	¥(5,435)	¥762	¥151	¥243,278
Cumulative effects of changes in accounting policies							(104)
Restated balance	59	(5,655)	160	(5,435)	762	151	243,174
Changes during the year							
Dividends from retained earnings							(9,315)
Profit attributable to owners of parent							51,013
Purchase of treasury stock							(8)
Disposal of treasury stock							887
Net changes in items other than shareholders' equity	(83)	(1,189)	(43)	(1,317)	(43)	39	(1,321)
Total changes during the year	(83)	(1,189)	(43)	(1,317)	(43)	39	41,255
Balance at the end of the year	¥(24)	¥(6,844)	¥116	¥(6,752)	¥718	¥191	¥284,429

The accompanying notes are an integral part of these statements.

■ 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.

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

Millions of yen

	2022	2021
Cash flows from operating activities		
Profit before income taxes	¥70,223	¥45,694
Depreciation and amortization	7,594	7,515
Impairment loss	109	520
Increase (decrease) in allowance for doubtful accounts	60	(5)
Increase (decrease) in provision for bonuses	3,271	(1,081)
Increase (decrease) in provision for sales returns	—	1,486
Increase (decrease) in refund liabilities	(761)	—
Increase (decrease) in provision for directors' retirement benefits	(34)	—
Increase (decrease) in provision for loss on store closings	(172)	148
Decrease (increase) in net defined benefit assets	(152)	134
Increase (decrease) in net defined benefit liabilities	268	391
Interest and dividends income	(102)	(76)
Subsidy income related to COVID-19	(290)	(335)
Interest expenses paid	150	87
Foreign exchange loss (gain)	(10,043)	(1,860)
Loss (gain) on sale of shares of subsidiaries and associates	(353)	—
Loss (gain) on sale of crypto assets	(2,904)	—
Loss on retirement of non-current assets	212	316
Gain on sale of non-current assets	(6)	(1)
Loss on sale of non-current assets	—	18
Loss (gain) on valuation of investment securities	351	449
Loss on valuation of shares of subsidiaries and associates	239	251
Decrease (increase) in notes and accounts receivable	1,332	(1,207)
Decrease (increase) in inventories	(17,207)	(4,405)
Increase (decrease) in notes and accounts payable	2,641	(835)
Decrease (increase) in other current assets	(575)	(3,477)
Decrease (increase) in other non-current assets	56	(1,016)
Increase (decrease) in other current liabilities	(508)	6,765
Other, net	(321)	290
Subtotal	53,077	49,768
Interest and dividends income received	102	76
Interest expenses paid	(150)	(87)
Subsidy income related to COVID-19 received	290	335
Income taxes paid	(26,161)	(16,764)
Income taxes refund	412	1,672
Net cash provided by operating activities	¥27,570	¥35,000
Cash flows from investing activities		
Payments into time deposits	¥(3,449)	¥(3,284)
Proceeds from withdrawal of time deposits	3,449	3,284
Purchases of property and equipment	(5,494)	(4,949)
Proceeds from sales of property and equipment	7	1
Purchases of intangible assets	(2,464)	(1,449)
Purchase of investment securities	(640)	(527)
Proceeds from investment securities	697	—
Payments for investments in capital	(1,306)	(144)
Purchases of shares of subsidiaries	(687)	(161)
Proceeds from sale of shares of subsidiaries and associates	382	—
Proceeds from sale of crypto assets	2,904	—
Payments for guarantee deposits	(2,059)	(31)
Proceeds from collection of guarantee deposits	527	622
Other, net	7	(11)
Net cash used in investing activities	(8,124)	(6,651)
Cash flows from financing activities		
Repayments of lease obligations	(671)	(623)
Purchase of treasury stock	(8)	(18)
Proceeds from exercise of employee share options	599	425
Cash dividends paid	(9,308)	(6,437)
Other, net	46	5
Net cash used in financing activities	(9,343)	(6,647)
Effect of exchange rate change on cash and cash equivalents	6,458	1,049
Net increase (decrease) in cash and cash equivalents	16,561	22,750
Cash and cash equivalents at the beginning of the year	144,061	121,311
Cash and cash equivalents at end of the year	*1 ¥160,622	*1 ¥144,061

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 other than securities without market prices:
Market value, 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 without market prices:
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 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.

D) 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) Accounting for significant revenue and expenses:
The Group applies the following five-step approach to recognize revenue.
Step 1: Identify contracts with customers.
Step 2: Identify performance obligations in contracts.
Step 3: Calculate transaction prices.
Step 4: Allocate transaction prices to performance obligations in contracts.
Step 5: Recognize revenue when or as performance obligations are satisfied.
In cases where the Group does not assume the major responsibility for providing the services or does not have discretion in setting prices, revenue is recognized on a net basis.
The Group is engaged in business activities globally in its reporting segments of Digital Entertainment, Amusement, Publication,

and Merchandising.

A) Digital Entertainment

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

In the HD (High-Definition) Game sub-segment, games are distributed through disk and digital media. In the MMO (Massively Multiplayer Online) Game sub-segment, games are distributed through disk and digital media as well as through the operation of recurring subscriptions and other methods. As for content for smart devices, PC browsers, and other platforms, digital content is distributed by using microtransactions and other methods. In addition, the Group receives licensing income from customers associated with game streaming rights and other licenses.

For disk and digital media whose performance obligations can be determined to have been satisfied at the time of delivery to customers, revenue is recognized at a certain point in time. If there are any undelivered elements to customers, the estimated selling price of such undelivered elements is calculated and the amount equivalent to such selling price is recognized as revenue based on the status of delivery. In the domestic distribution of disk media, the Group recognizes revenue at the time of shipment, if the goods are delivered to the customer in a normal period of time from the date of shipment. For recurring subscriptions, revenue is recognized over the period in which the game content is provided. In microtransactions, performance obligations are determined to be satisfied when the customer, the user, uses the in-game item and the Group provides services prescribed for each item. Accordingly, revenue is recognized based upon the estimated period over which the customer will use the item. In terms of licensing income from customers associated with game streaming rights and other licenses, depending on the nature of the promise to provide the license to customers, if the customer has the right to access the intellectual property throughout the license period, revenue is recognized over a certain period, while, if the customer has the right to use the intellectual property at the point at which the license is granted, revenue is recognized at a certain point in time. However, notwithstanding the above, revenue from royalties based on net sales or the volume of use is recognized at the point in time when the latter of the following two events occurs or as the latter of the following two events occurs.

(i) When the customer records net sales relating to the license of intellectual property or when the customer uses the license of intellectual property

(ii) When the performance obligation to which a part or all royalties based on net sales or volume of use have been allocated is satisfied (or partially satisfied)

In the overseas distribution of disk media, the amount is calculated as the consideration promised in the contract with the customer, from which the estimated amount of future refunds is deducted.

Consideration for these transactions is received within one year after the fulfillment of the performance obligation and does not include a significant financing component.

B) Amusement

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

In the operation of amusement facilities, each time a customer plays a game, the performance obligation is determined to have been satisfied and revenue is recognized at a certain point in time. In the distribution of arcade game machines and related products for amusement facilities, the performance obligation is determined to have been satisfied when the goods are delivered to the customer and revenue is recognized at a certain point in time. The Group recognizes revenue at the time of shipment, if the goods are delivered to the customer in a normal period of time from the date of shipment.

Consideration for these transactions is received within one year after the fulfillment of the performance obligation and thus does not include a significant financing component.

C) Publication

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

The Group distributes comic magazines, comic books, and game-related books through paper and digital media. In addition, the Group receives licensing income from customers associated with the licensing of publishing and other rights.

For paper and digital media, performance obligations are determined to have been satisfied at the time of delivery to customers, and revenue is recognized at a certain point in time. In terms of licensing income from customers associated with the licensing of publishing and other rights, depending on the nature of the promise to provide the license to customers, if the customer has the right to access the intellectual property throughout the license period, revenue is recognized over a certain period: while, if the customer has the right to use the intellectual property at the point at which the license is granted, revenue is recognized at a certain point in time.

Additionally, the amount of revenue is calculated as the consideration promised in the contract with the customer, from which the estimated amount of future refunds is deducted.

Consideration for these transactions is received within one year after the fulfillment of the performance obligation and thus does not include a significant financing component.

D) Merchandising

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

In the distribution of the IP derivative products, such as character merchandise, performance obligations are determined to have been satisfied at the time of delivery to customers, and revenue is recognized at a certain point in time. In the domestic distribution of merchandise, the Group recognizes revenue at the time of shipment, if the goods are delivered to the customer in a normal period of time from the date of shipment.

The Group's IP derivative products, such as music and video merchandise, are distributed through disk and digital media. For such merchandise, performance obligations are determined to have been satisfied at the time of delivery to customers, and revenue is recognized at a certain point in time. In the domestic distribution of disk media, the Group recognizes revenue at the time of shipment, if the goods are delivered to the customer in a normal period of time from the date of shipment.

In terms of licensing income from customers associated with licensing of derivative products utilizing IP, depending on the nature of the promise to provide the license to customers, if the customer has the right to access the intellectual property throughout the license period, revenue is recognized over a certain period, while, if the customer has the right to use the intellectual property at the point at which the license is granted, revenue is recognized at a certain point in time.

Consideration for these transactions is received within one year after the fulfillment of the performance obligation and thus does not include a significant financing component.

(6) 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.

(7) 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.

(8) Additional accounting policies used to prepare consolidated financial statements:
A) Application of consolidated taxation system
The Company has applied the consolidated taxation system.

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

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

C) 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, 2022

Millions of yen

	As of March 31, 2022	As of March 31, 2021
Loss on valuation of inventories	3,838	5,525
Content production account	96,765	78,153

(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 and development budget are decided by the Investment Committee and revised as necessary according to the changes in the environment. 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, 2023
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, 2023.

(Refund liabilities)
(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

Millions of yen

	As of March 31, 2022	As of March 31, 2021
Provision for sales returns	—	5,489
Refund liabilities	5,088	—

(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, refund liabilities are 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, 2023
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 refund liabilities for the fiscal year ending March 31, 2023.

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

Changes resulting from the application of the Accounting Standard for Revenue Recognition and other standards are described below.

(Sales of Digital Content)
Previously, regarding certain revenue from digital content through third-party platforms, the Company had recognized as revenue at a net amount after deducting platform commissions from the amount received from the customer. The Company now recognizes revenue at the total amount received from the customer.

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

(Provisions for Sales Returns)
Previously, in anticipation of returns of publications, game software, and other products, the Company posted estimated losses under "Provision for sales returns" and "Reversal of provision for sales returns." The Company now changed to a method that does not recognize net sales and the amount equivalent to cost of sales for products that are expected to be returned. In addition, regarding the "Provision for sales returns" previously recognized under "Current liabilities," the Company now recognizes the provision for sales returns as "Refund liabilities" under "Current liabilities" and as "Other" under "Current assets." Additionally, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the consolidated financial statements for the fiscal year ended March 31, 2021 have not been reclassified using the new presentation method.

In applying the Accounting Standard for Revenue Recognition and other standards, the Company has complied with the transitional treatment set forth in Article 84 proviso of the standard. As such, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022, has been added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022, and the application of the new accounting policy commenced at that point.

The result is a ¥22,271 million increase in net sales; a ¥363 million decrease in cost of sales; and a ¥21,541 million increase in selling, general and administrative expenses for the fiscal year ended March 31, 2022. As a result of the adjustment of sales returns above, operating income, ordinary income, and profit before income taxes for the fiscal year ended March 31, 2022 increased by ¥79 million, respectively. In addition, retained earnings at the beginning of the fiscal year ended March 31, 2022 declined by ¥104 million.

The impact on per share information has been stated in the relevant section.

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

(Application of Accounting Standard for Fair Value Measurement)
The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter "Accounting Standard for Fair Value Measurement") and other standards as of the beginning of the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has elected to apply the new accounting policies set by the Accounting Standard for Fair Value Measurement prospectively. This has no effect on the consolidated financial statements. Additionally, the Company has determined to provide a breakdown and other matters relating to the fair value of financial instruments by level in the "Notes Regarding Financial Instruments." However, in accordance with the transitional treatment set forth in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the description relating to the fiscal year ended March 31, 2021 is not presented in these notes.

Accounting Standards Issued but Not Yet Applied
(Implementation Guidance on Accounting Standard for Fair Value Measurement)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(1) Outline:
The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) was revised on June 17, 2021. When the implementation guidance was first announced on July 4, 2019, as the review of "fair value measurement of investment

trusts" was considered to take a certain period of time for deliberation with related parties and as the notes on fair values of "investments in partnerships for which an amount equivalent to the equity interest is recorded on the balance sheet at a net amount" required a certain review, the implementation guidance mentioned that those reviews would be implemented for approximately one year after the announcement of the "Accounting Standard for Fair Value Measurement." Now those points for review were amended and the revised implementation guidance was announced.

(2) Effective date:
Effective from the beginning of the fiscal year ending March 31, 2023

(3) Impact of the application of accounting standards and implementation guidance:
The impact of the application of the Implementation Guidance on Accounting Standard for Fair Value Measurement on the consolidated financial statements is being assessed.

Change in the Method of Presentation

(Consolidated Statement of Income)
Gain on forgiveness of payable for group tax under non-operating income was presented separately for the fiscal year ended March 31, 2021, but is included in miscellaneous income for the fiscal year ended March 31, 2022, 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, 2021 have been reclassified.

Consequently, ¥152 million in gain on forgiveness of payable for group tax under non-operating income in the consolidated statement of income for the fiscal year ended March 31, 2021 has been reclassified as miscellaneous income.

Subsidies for employment adjustment was presented as a major expense item under extraordinary income for the fiscal year ended March 31, 2021, but to clarify the presentation and to better reflect the actual conditions, the name of the item was changed to subsidy income related to COVID-19 from the fiscal year ended March 31, 2022.

Loss on valuation of investment securities and loss on valuation of shares of subsidiaries and associates were included in other under extraordinary losses for the fiscal year ended March 31, 2021, but are presented separately from the fiscal year ended March 31, 2022, 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, 2021 have been reclassified.

Consequently, ¥702 million in other under extraordinary losses in the consolidated statement of income for the fiscal year ended March 31, 2021 has been reclassified as ¥449 million in loss on valuation of investment securities, ¥251 million in loss on valuation of shares of subsidiaries and associates, and ¥2 million in other.

Loss on event cancellations under extraordinary losses was presented separately for the fiscal year ended March 31, 2021, but is included in other for the fiscal year ended March 31, 2022, 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, 2021 have been reclassified.

Consequently, ¥47 million in loss on event cancellations under extraordinary losses in the consolidated statement of income for the fiscal year ended March 31, 2021 has been reclassified as other.

(Consolidated Statement of Cash Flows)
Subsidies for employment adjustment was presented as a major expense item under cash flows from operating activities for the fiscal year ended March 31, 2021, but to clarify the presentation and to better reflect the actual conditions, the name of the item was changed to subsidy income related to COVID-19 from the fiscal year ended March 31, 2022.

Subsidies for employment adjustment received was presented as a major expense item under cash flows from operating activities for the fiscal year ended March 31, 2021, but to clarify the presentation and to better reflect the actual conditions, the name of the item was changed to subsidy income related to COVID-19 received from the fiscal year ended March 31, 2022.

Loss (gain) on valuation of investment securities and loss on valuation of shares of subsidiaries and associates were included in other, net under cash flows from operating activities for the fiscal year ended March 31, 2021, but are presented separately from the fiscal year ended March 31, 2022, 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, 2021 have been reclassified.

Consequently, ¥990 million in other, net under cash flows from operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2021 has been reclassified as ¥449 million in loss (gain) on valuation of investment securities, ¥251 million in loss on valuation of shares of subsidiaries and associates, and ¥290 million in other, net.

Payments for investments in capital was included in other, net under cash flows from investing activities for the fiscal year ended March 31, 2021, but is presented separately from the fiscal year ended March 31, 2022, due to an increase in its monetary significance. To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified.

Consequently, ¥(156) million in other, net under cash flows from investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2021 has been reclassified as ¥(144) million in payments for investments in capital and ¥(11) million in other, net.

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, the Company and 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.

Based on these updated estimates, the Company added ¥193 million to its asset retirement obligation balance.

As a result, compared with the amounts that would have been recognized under the previous estimates, operating income, ordinary income and profit before income taxes increased by ¥3 million, respectively, for the fiscal year ended March 31, 2022.

Additional Information

(Impact of the outbreak of the novel coronavirus (COVID-19) on accounting estimates)

In the fiscal year ended March 31, 2022, 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.

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 The amount of receivables from contracts with customers among notes and accounts receivable

Millions of yen

	As of March 31, 2022	As of March 31, 2021
Notes receivable	¥271	¥134
Accounts receivable	44,696	42,901

*2 Investments in non-consolidated subsidiaries and affiliates

Millions of yen

	As of March 31, 2022	As of March 31, 2021
Other (investments and other assets)	¥1,923	¥1,504

*3 The amount of contract liabilities among other

Millions of yen

	As of March 31, 2022	As of March 31, 2021
Contract liabilities	¥13,648	¥—

Notes to Consolidated Statement of Income

*1 Revenues from contracts with customers

Net sales are not stated as revenue from contracts with customers separately from other revenue. The amount of revenue from contracts with customers is stated in “Notes to Consolidated Financial Statements (Revenue Recognition) 1. Disaggregation of revenue from contracts with customers.”

*2 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, 2022	Fiscal year ended March 31, 2021
¥3,622	¥5,836

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

Millions of yen

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

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

Millions of yen

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

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

Millions of yen

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

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

Millions of yen

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

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

Millions of yen

Location	Usage	Category	Impairment amount
Shinjuku-ku, Tokyo	Idle assets	Amusement equipment	¥72
		Other	0
Shinjuku-ku, Tokyo	Assets planned for disposal	Amusement equipment	7
Taito-ku, Tokyo, Kanazawa-shi, Ishikawa	Stores	Buildings and structures	17
		Tools and fixtures	2
		Other	3
Shinjuku-ku, Tokyo	Arcade game machines development and distribution division	Tools and fixtures	0
		Other	6
Total			¥109

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.

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.

*8 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.

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, 2022	Fiscal year ended March 31, 2021
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥(118)	¥(128)
Reclassification adjustments	—	449
Total amount before tax-effect	(118)	320
Tax-effect	34	(98)
Valuation difference on available-for-sale securities	(83)	222
Foreign currency translation adjustments:		
Exchange differences arising during the year	(1,167)	(567)
Reclassification adjustments relating to foreign operations	—	—
Total amount before tax-effect	(1,167)	(567)
Tax-effect	—	—
Foreign currency translation adjustments	(1,167)	(567)
Remeasurements of defined benefit plans:		
Defined benefit obligations arising during the year	54	445
Reclassification adjustments relating to defined benefit plans	(115)	280
Total amount before tax-effect	(61)	725
Tax-effect	18	(246)
Remeasurements of defined benefit plans	(43)	478
Total other comprehensive income (loss)	¥(1,295)	¥133

Notes to Consolidated Statement of Changes in Net Assets

■Year ended March 31, 2022

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, 2021	Share increases during the year	Share decreases during the year	Shares as of March 31, 2022
Shares issued and outstanding				
Common stock	122,531	—	—	122,531
Total	122,531	—	—	122,531
Treasury stock				
Common stock1, 2	3,122	1	196	2,927
Total	3,122	1	196	2,927

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 196 thousand shares of treasury stock was due to the delivery of 166 thousand shares due to the exercise of stock acquisition rights as stock options, the delivery of 20 thousand shares as a restricted stock remuneration plan, and the delivery of 9 thousand shares as a post-delivery-type stock remuneration plan.

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, 2022 (Millions of yen)
			As of April 1, 2021	Increase during the year	Decrease during the year	As of March 31, 2022	
Supplying company (parent company)	Stock acquisition rights as stock options	—	—	—	—	—	¥718
	Total	—	—	—	—	—	¥718

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 21, 2021 (Board of Directors' Meeting)	Common stock	¥8,119	¥68	March 31, 2021	June 7, 2021
November 5, 2021 (Board of Directors' Meeting)	Common stock	1,195	10	September 30, 2021	December 6, 2021

Note: Dividends per share of ¥68 approved in the Board of Directors' Meeting held on May 21, 2021, include a special dividend of ¥10.

(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 19, 2022 (Board of Directors' Meeting)	Common stock	¥14,232	Retained earnings	¥119	March 31, 2022	June 3, 2022

■**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: As of April 1, 2020	Increase during the year	Decrease during the year	As of March 31, 2021	Balance as of March 31, 2021 (Millions of yen)
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.

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, 2022	Fiscal year ended March 31, 2021
Cash and deposits	¥163,088	¥146,229
Time deposits with maturity periods over three months	(2,465)	(2,167)
Cash and cash equivalents	¥160,622	¥144,061

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
Since variable factors are included in the calculation of the fair value of financial instruments, 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, 2022 and 2021, the estimated fair value and the difference between these amounts are as follows.

■ **As of March 31, 2022**

Millions of yen

Assets:	Book value	Fair value	Difference
(1) Investment securities	¥251	¥251	¥—
(2) Guarantee deposits	11,028	10,774	(253)
Total assets	¥219,067	¥218,814	¥(253)

(*1) "Cash and deposits," "notes receivable," "accounts receivable," "notes and accounts payable," and "accrued income taxes" are omitted, as they are cash and their fair value approximates book value, since they are settled on a short-term basis.

(*2) Securities without market prices are not included in "(1) Investment securities." The value of these financial instruments presented on the consolidated balance sheet is as follows

Millions of yen

Item	As of March 31, 2022
Unlisted shares	¥66

(*3) Investments in partnerships and other quasi-entities for which an amount equivalent to the equity interest is recorded on the balance sheet on a net amount are omitted. The value of these financial instruments presented on the consolidated balance sheet is as follows.

Millions of yen

Item	As of March 31, 2022
Investments in investment limited partnerships	¥2,408

■ **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	¥—

(*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) The following financial instruments 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. The value of these financial instruments presented on the consolidated balance sheet is as follows.

Millions of yen

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

Note: 1. Planned redemption amounts subsequent to the consolidated balance sheet date for monetary claims

Millions of yen

	As of March 31, 2022				As of March 31, 2021			
	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	¥161,055	¥—	¥—	¥—	¥144,268	¥—	¥—	¥—
Notes receivable	271	—	—	—	134	—	—	—
Accounts receivable	44,696	—	—	—	42,901	—	—	—
Guarantee deposits	4,117	3,549	3,360	—	4,890	774	4,110	—
Total	¥210,141	¥3,549	¥3,360	¥—	¥192,195	¥774	¥4,110	¥—

3. Breakdown and other matters relating to the fair value of financial instruments by level
The Company classifies the fair value of financial instruments into the following three levels, according to the observability and materiality of the inputs used to measure fair value.
Level 1 fair value: Fair value measured using the (unadjusted) quoted market prices of same assets or liabilities in active markets
Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than the inputs of level 1
Level 3 fair value: Fair value measured using material unobservable inputs

When multiple inputs that have a significant impact on the measurement of fair value are used, fair value is classified into the level with the lowest priority in the measurement of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments presented at fair value on the consolidated balance sheet
As of March 31, 2022

Millions of yen

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Stocks	251	—	—	251
Total assets	251	—	—	251

(2) Financial instruments other than those presented at fair value on the consolidated balance sheet
As of March 31, 2022

Millions of yen

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	10,774	—	10,774
Total assets	—	10,774	—	10,774

Note: Description of valuation method used for and inputs related to the measurement of fair value
Investment securities
Listed stocks are measured using the quoted market price. Since listed stocks are traded in active markets, their fair value is classified into level 1 fair value.
Guarantee deposits
The fair value of guarantee deposits is measured using the present value discounted by the interest rate corresponding to the period until the deposit is returned and counterparty credit risk, and accordingly is classified into level 2 fair value.

Securities
1. Held-for-sale securities
Not applicable

2. Held-to-maturity securities
Not applicable

3. Available-for-sale securities

Millions of yen

	Type	As of March 31, 2022 Book value	Acquisition cost	Difference	As of March 31, 2021 Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Stocks	¥77	¥31	¥45	¥96	¥31	¥65
	(2) Bonds						
	a. Government bonds and municipal bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Subtotal	77	31	45	96	31	65
Securities with acquisition cost exceeding book value	(1) Stocks	174	273	(99)	273	273	—
	(2) Bonds						
	a. Government bonds and municipal bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Subtotal	174	273	(99)	273	273	—
Total		¥251	¥304	¥(53)	¥370	¥304	¥65

4. Securities sold during the year
Not applicable

5. Impairment losses on securities
■ **Year ended March 31, 2022**
Impairment loss of ¥351 million was posted on securities (¥351 million for shares under available-for-sale securities).

Impairment loss is recorded for all securities whose fair value at the end of the fiscal year has fallen 50% or more compared to the acquisition cost, and for securities whose fair value has fallen by around 30 to 50%, impairment loss is recorded, in the amount deemed necessary by taking into account such factors as recoverability.

■ **Year ended March 31, 2021**
Not applicable

Derivative Transactions
1. Derivative transactions for which hedge accounting has not been applied
Currency derivatives
■ **Year ended March 31, 2022**
Not applicable

■ **Year ended March 31, 2021**
Not applicable

2. Derivative transactions for which hedge accounting has been applied
■ **Year ended March 31, 2022**
Not applicable

■ **Year ended March 31, 2021**
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, 2022	Fiscal year ended March 31, 2021
Balance of retirement benefit obligations at the beginning of the year	¥12,807	¥12,557
Service cost	690	662
Interest cost	36	23
Actuarial (gains) losses arising during the year	(83)	(18)
Retirement benefits paid	(639)	(417)
Balance of retirement benefit obligations at the end of the year	¥12,811	¥12,807

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

Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Balance of plan assets at the beginning of the year	¥9,791	¥9,342
Expected return on plan assets	141	135
Actuarial gains (losses) arising during the year	(28)	426
Employer contribution	237	246
Retirement benefits paid	(523)	(358)
Balance of plan assets at the end of the year	¥9,618	¥9,791

(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, 2022	Fiscal year ended March 31, 2021
Retirement benefit obligation for funded plans	¥8,968	¥9,314
Plan assets	(9,618)	(9,791)
	(649)	(477)
Retirement benefit obligation for unfunded plans	3,842	3,492
Net defined benefit liabilities and assets recorded in the consolidated balance sheet	3,193	3,015
Net defined benefit liabilities	3,842	3,492
Net defined benefit assets	649	477
Net defined benefit liabilities and assets recorded in the consolidated balance sheet	¥3,193	¥3,015

(4) Components of net periodic pension costs

Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Service cost	¥690	¥662
Interest cost	36	23
Expected return on plan assets	(141)	(135)
Amortization of net actuarial (gains) losses	(115)	280
Net periodic pension costs relating to defined benefit plan	¥469	¥831

(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, 2022	Fiscal year ended March 31, 2021
Actuarial gains (losses)	¥(61)	¥725
Total	¥(61)	¥725

(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, 2022	As of March 31, 2021
Unrecognized actuarial gains (losses)	¥(180)	¥(241)
Total	¥(180)	¥(241)

(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, 2022	As of March 31, 2021
Bonds	35	38
Stocks	15	14
General accounts	34	33
Cash and deposits	4	4
Others	12	11
Total	100	100

Note: Total plan assets include 3% and 3% of the retirement benefit trust plan, which has been established for the corporate pension plan, for the years ended March 31, 2022 and 2021, 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, 2022	As of March 31, 2021
Discount rate	0.298 to 0.569	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 ¥1,107 million and ¥954 million for the years ended March 31, 2022 and 2021, respectively.

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

Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Selling, general and administrative expenses	¥111	¥247

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

Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Reversal of stock acquisition rights	¥8	¥2

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

	2016 stock options	2016 stock options	2017 stock options	2017 stock options	2018 stock options	2018 stock options	2019 stock options
Category of grantees	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	Company directors (excluding directors who are Audit & Supervisory Committee members)
Number of grantees	6	21	6	23	5	24	5
Number of stock options	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	18,100 shares of common stock
Date granted	July 20, 2016	July 20, 2016	July 19, 2017	August 30, 2017	August 30, 2018	August 30, 2018	July 17, 2019
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	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	July 18, 2019 to July 17, 2039

	2019 stock options	2020 stock options	2020 stock options	2021 stock options
Category of grantees	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	Company employees, and directors and employees of the Company's subsidiaries
Number of grantees	22	6	22	23
Number of stock options	190,100 shares of common stock	22,700 shares of common stock	97,000 shares of common stock	113,100 shares of common stock
Date granted	July 17, 2019	July 20, 2020	July 20, 2020	July 14, 2021
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	June 22, 2021 to June 21, 2024	July 21, 2020 to July 20, 2040	June 25, 2022 to June 24, 2025	June 26, 2023 to June 25, 2026

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	2016 stock options	2016 stock options	2017 stock options
Before vesting (shares)										
March 31, 2021	—	—	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—	—
Unvested balance	—	—	—	—	—	—	—	—	—	—
After vesting (shares)										
March 31, 2021	3,700	11,000	16,000	16,000	16,000	8,000	11,000	11,000	25,800	11,000
Vested	—	—	—	—	—	—	—	—	—	—
Exercised	600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	25,800	1,000
Forfeited	—	—	—	—	—	—	—	—	—	—
Balance unexercised	3,100	10,000	15,000	15,000	15,000	7,000	10,000	10,000	—	10,000

	2017 stock options	2018 stock options	2018 stock options	2019 stock options	2019 stock options	2020 stock options	2020 stock options	2021 stock options
Before vesting (shares)								
March 31, 2021	—	—	—	—	185,300	—	97,000	—
Granted	—	—	—	—	—	—	—	113,100
Forfeited	—	—	—	—	—	—	7,500	8,800
Vested	—	—	—	—	185,300	—	—	—
Unvested balance	—	—	—	—	—	—	89,500	104,300
After vesting (shares)								
March 31, 2021	77,400	11,700	102,400	18,100	—	22,700	—	—
Vested	—	—	—	—	185,300	—	—	—
Exercised	37,500	700	18,500	1,100	73,900	600	—	—
Forfeited	—	—	10,300	—	—	—	—	—
Balance unexercised	39,900	11,000	73,600	17,000	111,400	22,100	—	—

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	2016 stock options	2016 stock options	2017 stock options
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥3,290	¥1
Average share price at exercise	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,755	5,350
Fair market value on grant date	3,171	2,107	1,464	1,312	948	2,041	2,864	2,843	896	3,187

	2017 stock options	2018 stock options	2018 stock options	2019 stock options	2019 stock options	2020 stock options	2020 stock options	2021 stock options
Exercise price	¥3,820	¥1	¥5,205	¥1	¥3,720	¥1	¥5,760	¥6,426
Average share price at exercise	6,477	5,350	6,558	5,350	6,311	5,350	—	—
Fair market value on grant date	761	4,206	789	3,157	714	5,243	1,375	1,154

4. Method of estimating the fair value of stock options:
The fair value of the 2021 stock options granted during the fiscal year ended March 31, 2022 was estimated using the following method.
(1) Method of valuation: Black-Scholes option pricing model
(2) Main assumptions:

	2021 stock options
Expected share price volatility[1]	41.3%
Expected life[2]	3.5 years
Expected dividend yield[3]	1.44%
Risk-free interest rate[4]	(0.14)%

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 2021 stock options, this was calculated based on the actual dividend applicable to the fiscal year ended March 31, 2021.
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.

6. Amount and corresponding account item for shares to be delivered without consideration to directors as compensation, etc. as part of the pre-delivery-type stock remuneration plan

Millions of yen

	Fiscal year ended March 31, 2022
Expense for stock-based compensation in selling, general and administrative expenses	83

7. For the transaction involving shares to be delivered without consideration to directors as compensation, etc., details, size and change in pre-delivery-type stock remuneration plan
(1) Details of pre-delivery-type stock remuneration plan

	Restricted stock granted on July 21, 2021
Category and number of grantees	Five Company directors (excluding directors who are Audit & Supervisory Committee members)
Type and number of shares granted	20,511 shares of common stock
Grant date	July 21, 2021
Restricted period	From July 21, 2021 (date of allocation) until the date that a director (excluding a director who is an Audit & Supervisory Committee member) loses his or her position as a Company director (Note that the restrictions remain in effect if a director should lose and be simultaneously reappointed to the position.)
Conditions for lifting the restrictions	Upon the completion of the restricted period, the Company will lift the restrictions on all allocated stocks, contingent upon the eligible director having remained continuously in the position of a Company director from the date of the Company's Annual Shareholders' Meeting immediately prior to the allocation date of the allocated stocks until the date of the Company's Annual Shareholders' Meeting held the following year (the "Service Provision Period"). However, should the eligible director lose his or her position as a Company director prior to the completion of the Service Provision Period for reasons that the Company's Board of Directors recognizes to be legitimate such as demise, upon the completion of the restricted period, the Company will lift the restrictions on the allocated stocks, in a number derived by dividing by 12 the number of months from the month following the month in which the Service Provision Period commenced to the month in which the eligible director lost his or her position as a Company director and then multiplying the result by the number of the allocated stocks (However, if the calculation results in a fraction of less than one share, it shall be rounded down to the nearest integer.).

(2) Size and change in pre-delivery-type stock remuneration plan
1) Number of shares

	Restricted stock granted on July 21, 2021
As of March 31, 2021 (shares)	—
Stock granted (shares)	20,511
Stock forfeited (shares)	—
Stock vested (shares)	—
Unvested balance (shares)	20,511

2) Price information

	Restricted stock granted on July 21, 2021
Fair valuation on grant date (yen)	5,460

(3) Method of estimating fair valuation
The fair valuation is the closing price for the Company's common shares on the Tokyo Stock Exchange (TSE) on the business day prior to the day of the Board of Directors' resolution related to grant of the restricted stock (June 24, 2021).

(4) Method of estimating the number of restricted stock for which restrictions to be lifted
For the pre-delivery-type stock remuneration plan, the Company has basically adopted the method of only reflecting the actual number of shares acquired without consideration because it is difficult to reasonably estimate the number of shares that will be acquired without consideration in the future.

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

Millions of yen

	As of March 31, 2022	As of March 31, 2021
Deferred tax assets		
Tax loss carried forward (Note 1)	¥24,189	¥15,727
Enterprise tax payable	600	1,007
Business office tax payable	47	47
Provision for bonuses	1,088	574
Accrued expenses	1,617	1,723
Provision for sales returns	—	268
Refund liabilities	327	—
Loss on write-offs of content production account	2,539	2,848
Loss on inventory revaluation	415	383
Net defined benefit liabilities	1,102	1,002
Provision for directors' retirement benefits	10	25
Expense for stock-based compensation	255	244
Non-deductible depreciation expense of property and equipment	1,076	715
Asset retirement obligations	1,193	1,180
Impairment loss	258	262
Loss on evaluation of investment securities	1,127	941
Non-deductible portion of allowance for doubtful accounts	87	48
Non-deductible portion of excess expenses on lump-sum depreciable assets	89	80
Provision for loss on store closings	8	80
Tax credits	1,409	699
Other	332	267
Total gross deferred tax assets	37,779	28,129
Valuation allowance for net operating loss carryforwards (Note 1)	(22,843)	(14,365)
Valuation allowance for aggregate deductible temporary differences	(3,640)	(3,461)
Total valuation allowance	(26,483)	(17,826)
Total deferred tax assets	11,295	10,302
Deferred tax liabilities		
Accrued expenses and other cost calculation details	(290)	(221)
Non-current assets	(1,351)	(1,608)
Tax effects from intangible non-current assets relating to business combinations	—	(478)
Other	(2)	(5)
Total deferred tax liabilities	(1,643)	(2,314)
Balance: Net deferred tax assets	¥9,651	¥7,988

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, 2022**

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)	¥235	¥—	¥23,954	¥24,189
Valuation allowance	—	—	(22,843)	(22,843)
Deferred tax assets	235	—	1,110	1,345

■ **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

(*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, 2022	As of March 31, 2021
Statutory tax rate	30.62%	30.62%
(Adjustments)		
Entertainment expense and others excluded from deductible expenses	0.03	0.03
Dividends received and others excluded from gross revenue	(0.00)	(0.09)
Capital gains on stocks of specified subsidiaries excluded from gross revenue	(1.25)	—
Valuation allowance	2.74	12.66
Taxation on a per capita basis for inhabitants' tax	0.12	0.18
Special deduction for income growth	—	(0.57)
Tax credit for R&D expenses	(3.89)	(4.06)
Reduction of deferred tax assets and liabilities at fiscal year-end due to changes in corporate tax rate	(0.17)	0.11
Differences in tax rate from the parent company's statutory tax rate	0.02	1.86
Other	(0.89)	0.27
Effective tax rate	27.33	41.01

Business Combinations

■ **Year ended March 31, 2022**

Not applicable

■ **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 (0.175)% and 0.640%.

c) Changes to aggregate asset retirement obligations

Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Beginning balance	¥3,722	¥3,295
Increase due to procurement of property and equipment	69	39
Increase due to changes in estimates	193	421
Accretion expense	8	6
Decrease due to fulfillment of asset retirement obligations	(147)	(40)
Other changes	(3)	—
Ending balance	¥3,842	¥3,722

Matters Relating to Real Estate Leases, Etc.
■ Year ended March 31, 2022
Not applicable

■ Year ended March 31, 2021
Not applicable

(Revenue Recognition)
1. Disaggregation of revenue from contracts with customers
Disaggregation of revenue from contracts with customers is disclosed in "Notes to Consolidated Financial Statements (Segment Information)."

2. Basic information for understanding revenue from contracts with customers
Basic information for understanding revenue from contracts with customers is disclosed in "Notes to Consolidated Financial Statements (Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements) 4. Summary of Significant Accounting Policies (5) Accounting for significant revenue and expenses."

3. Information on the relationship between the fulfillment of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenues from contracts with customers existing as of the end of the fiscal year under review, which are expected to be recognized in and after the following fiscal year

(1) Balance of receivables from contracts with customers and contract liabilities
The breakdown of receivables from contracts with customers and contract liabilities is as follows.

Millions of yen

	Fiscal year ended March 31, 2022
Receivables from contracts with customers (balance at the beginning of the fiscal year)	45,207
Receivables from contracts with customers (balance at the end of the fiscal year)	44,968
Contract liabilities (balance at the beginning of the fiscal year)	10,773
Contract liabilities (balance at the end of the fiscal year)	13,648

Contract liabilities are advances received from customers and remaining performance obligation relating to microtransactions, and advances received on licensing income from customers relating to game streaming rights and other licenses.

The amount of the balance of contract liabilities at the beginning of the fiscal year included in the amount of revenues recognized during the fiscal year under review was ¥10,773 million.

(2) Transaction price allocated to the remaining performance obligations
The Group is not engaged in any significant transactions whose individual contract period exceeds one year. Additionally, there are no significant amounts in the consideration from contracts with customers that are not included in the transaction price.

Segment Information
[Segment Information]
■ Year ended March 31, 2022
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 disaggregated revenue disclosures by reporting segment

Millions of yen

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

Notes: 1 (1) Segment adjustments (¥17,905 million) include unallocated corporate operating expenses (¥18,204 million).
(2) Unallocated assets amounting to ¥191,487 million are included in the ¥190,929 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and deposits).
(3) The ¥1,018 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.
(4) The ¥2,149 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.
3 Disaggregated revenue disclosures are distinguished between Domestic and Overseas.

4. Matters related to changes in reportable segments, etc.
As described in "Changes in Accounting Policies," the Accounting Standard for Revenue Recognition and other standards have been applied and the accounting method regarding revenue recognition has been changed, effective from the beginning of the fiscal year ended March 31, 2022. Therefore, the method of calculating segment income has also changed. As a result, the amounts for the fiscal year ended March 31, 2022 are as follows.
(Digital Entertainment segment)
Net sales increased by ¥21,725 million and operating income increased by ¥69 million.
(Publication segment)
Net sales increased by ¥587 million and operating income decreased by ¥3 million.
(Amusement segment)
Net sales decreased by ¥41 million and operating income increased by ¥13 million.

■ 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.

[Related Information]

■ Year ended March 31, 2022

1. Information by product or service
This information is identical to that of segment information and has therefore been omitted.

2. Information by geographical area
(1) Sales

Millions of yen

Japan	North America	Europe	Asia	Total
¥224,965	¥81,046	¥40,112	¥19,150	¥365,275

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
¥12,629	¥4,385	¥2,377	¥422	¥19,814

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, 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.

[Information related to impairment losses on non-current assets in each reporting segment]

■ Year ended March 31, 2022

Millions of yen

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

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

■ 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.

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

■ Year ended March 31, 2022

Not applicable

■ Year ended March 31, 2021

Not applicable

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

■ Year ended March 31, 2022

Not applicable

■ Year ended March 31, 2021

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, 2022

Not applicable

■ Year ended March 31, 2021

Not applicable

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, 2022

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	—	¥ —
	Hirokazu Nishikado	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥23	—	¥ —
	Yuu Miyake	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥11	—	¥ —
	Tetsu Yamada	—	—	Director of subsidiary	(Held) Direct 0.00 Indirect —	—	Exercising of stock options (Note 1)	¥17	—	¥ —
	Philip Timo Rogers	—	—	Director of subsidiary	(Held) Direct — Indirect —	—	Contribution in-kind of the monetary compensation claim (Note 2)	¥41	—	¥ —

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, 2022 was pursuant to the resolutions of the Board of Directors on June 24, 2016, on August 4, 2017, on August 7, 2018 and on June 21, 2019. "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, 2022.

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, 2022 was pursuant to the resolutions of the Board of the Directors on August 7, 2018, on July 30, 2019 and on July 30, 2020. "Amount of transactions" represents the amount obtained by multiplication of the number of shares granted in the fiscal year ended March 31, 2022 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, 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 on 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.

Per Share Information

Yen

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

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

Millions of yen

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

Note: As described in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and has complied with the transitional treatment set forth in Article 84 proviso of the standard. As a result, for the fiscal year ended March 31, 2022, net assets per share decreased by ¥0.38 while earnings per share and diluted earnings per share increased by ¥0.49, respectively.

Significant Subsequent Events

(Transfer of subsidiary shares)

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

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

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

(1) Reasons for the share transfer

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

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

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

(2) Name of share transfer counterparty

Embracer Group AB

(3) Date of share transfer

Between July and September 2022 (tentative)

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

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

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

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

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

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

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

(6) Name of reporting segment in which relevant subsidiaries were included
Digital Entertainment segment

(Issuance of stock acquisition rights pursuant to a resolution of the Board of Directors held on June 23, 2022)
In accordance with Articles 236, 238, and 240 of the Companies Act, the Company resolved at the Board of Directors meeting held on June 23, 2022, 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, 2021 (Millions of yen)	Balance as of March 31, 2022 (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	808	832	—	—
Long-term borrowings (excluding the amount due for repayment within one year)	—	—	—	—
Lease obligations (excluding the amount due for repayment within one year)	2,973	3,504	—	May 2024 to September 2032
Other interest-bearing liabilities	—	—	—	—
Total	¥3,782	¥4,337	—	—

Notes: 1 The average interest rate shown is the weighted average interest rate on the balance of borrowings as of March 31, 2022.
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, 2022 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	¥837	¥875	¥712	¥496

[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, 2021 to June 30, 2021	2Q April 1, 2021 to September 30, 2021	3Q April 1, 2021 to December 31, 2021	4Q April 1, 2021 to March 31, 2022
Net sales	¥88,604	¥168,917	¥273,627	¥365,275
Profit before income taxes	17,703	31,685	54,678	70,223
Profit attributable to owners of parent	12,655	22,991	39,844	51,013
Earnings per share (yen)	105.98	192.48	333.44	426.82

Quarterly	1Q April 1, 2021 to June 30, 2021	2Q July 1, 2021 to September 30, 2021	3Q October 1, 2021 to December 31, 2021	4Q January 1, 2022 to March 31, 2022
Earnings per share (yen)	¥105.98	¥86.50	¥140.93	¥93.39