

ANNUAL REPORT 2025

FINANCIAL SECTION

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The consolidated financial statements and notes thereto in this section are the English translation of the Japanese original, which was prepared by the Company at its sole discretion, from those in the Annual Securities 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, 2025 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 related to the Digital Entertainment segment

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)."

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 ¥243,610 million, providing sufficient liquidity for the Group to carry on its business operations.

Cash flows in the fiscal year ended March 31, 2025, 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 ¥42,781 million, a decrease of 18.1% from the previous fiscal year. The main factors were profit before income taxes of ¥39,542 million, a decrease of notes and accounts receivable of ¥11,538 million, depreciation and amortization of ¥8,463 million, a decrease of notes and accounts payable of ¥6,610 million, and income taxes paid of ¥10,340 million.

(2) Net cash used in investing activities

Net cash used in investing activities totaled ¥15,114 million, an increase of 14.4% from the previous fiscal year. The main factors were purchases of property and equipment of ¥10,870 million and purchases of intangible assets of ¥1,203 million.

(3) Net cash used in financing activities

Net cash used in financing activities totaled ¥6,600 million, a decrease of 55.4% from the previous fiscal year. The main factor was cash dividends paid of ¥6,719 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, 2025

■ Assets

Total Assets

			Millions of yen
March 31	2025	2024	Change
	¥416,160	¥410,876	¥5,284

Total assets as of March 31, 2025 amounted to ¥416,160 million, an increase of ¥5,284 million from the previous fiscal year. The main factors contributing to the change were as follows:

Cash and Deposits

			Millions of yen
March 31	2025	2024	Change
	¥247,760	¥225,901	¥21,859

Cash and deposits as of March 31, 2025 increased ¥21,859 million, to ¥247,760 million, mainly reflecting a decrease in inventories of ¥1,579 million, cash dividends paid of ¥6,719 million, profit before income taxes of ¥39,542 million, and income taxes paid of ¥10,340 million, among other factors.

Notes and Accounts Receivable

			Millions of yen
March 31	2025	2024	Change
	¥33,175	¥44,683	¥(11,508)

Notes and accounts receivable as of March 31, 2025 amounted to ¥33,175 million, a decrease of ¥11,508 million from the previous fiscal year.

Content Production Account

			Millions of yen
March 31	2025	2024	Change
	¥46,936	¥48,577	¥(1,641)

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, 2025, the content production account totaled ¥46,936 million, a decrease of ¥1,641 million from the previous fiscal year.

Property and Equipment

			Millions of yen
March 31	2025	2024	Change
	¥27,829	¥23,075	¥4,754

Total property and equipment as of March 31, 2025 amounted to ¥27,829 million, an increase of ¥4,754 million from the previous fiscal year.

Intangible Assets

			Millions of yen
March 31	2025	2024	Change
	¥4,895	¥5,881	¥(986)

Total intangible assets as of March 31, 2025 amounted to ¥4,895 million, a decrease of ¥986 million from the previous fiscal year.

Investments and Other Assets

			Millions of yen
March 31	2025	2024	Change
	¥38,919	¥42,698	¥(3,779)

Total investments and other assets decreased ¥3,779 million, to ¥38,919 million, as of March 31, 2025.

■ Liabilities

			Millions of yen
March 31	2025	2024	Change
	¥79,792	¥93,747	¥(13,955)

As of March 31, 2025, total liabilities amounted to ¥79,792 million, a decrease of ¥13,955 million from the previous fiscal year. The main factors contributing to the change were as follows:

Current Liabilities

Millions of yen			
March 31	2025	2024	Change
	¥67,360	¥81,559	¥(14,199)

Total current liabilities decreased ¥14,199 million, to ¥67,360 million, as of March 31, 2025. This was mainly due to decreases in notes and accounts payable of ¥6,944 million and accrued income taxes of ¥4,437 million.

Non-Current Liabilities

Millions of yen			
March 31	2025	2024	Change
	¥12,431	¥12,187	¥244

Total non-current liabilities increased ¥244 million, to ¥12,431 million, as of March 31, 2025.

■ Shareholders' Equity/Net Assets

Millions of yen			
March 31	2025	2024	Change
Common stock	¥24,039	¥24,039	¥—
Capital surplus	54,678	54,368	310
Retained earnings	272,434	254,741	17,693
Treasury stock	(7,452)	(7,876)	424
Total shareholders' equity	343,700	325,272	18,428
Valuation difference on available-for-sale securities	(280)	(305)	25
Foreign currency translation adjustments	(8,503)	(9,038)	535
Remeasurements of defined benefit plans	793	566	227
Total accumulated other comprehensive income (loss)	(7,990)	(8,776)	786
Stock acquisition rights	353	378	(25)
Non-controlling interests	304	255	49
Total net assets	¥336,368	¥317,129	¥19,239

As of March 31, 2025, total net assets amounted to ¥336,368 million, up ¥19,239 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 (¥28 per share) for the previous fiscal year and interim dividends (¥28 per share) for the fiscal year under review.

■ Consolidated Statement of Income
Net Sales and Operating Income

Millions of yen						
Years ended March 31	2025	Composition	2024	Composition	Amount change	Percent change
Net sales	¥324,506	100.0%	¥356,344	100.0%	¥(31,838)	-8.9%
Gross profit	162,665	50.1%	167,369	47.0%	(4,704)	-2.8%
Selling, general and administrative expenses	122,085	37.6%	134,810	37.8%	(12,725)	-9.4%
Operating income	¥40,580	12.5%	¥32,558	9.1%	¥8,022	24.6%

Comparisons by segment with the previous fiscal year are provided on pages 35-36.

Non-Operating Income and Expenses

Millions of yen			
Years ended March 31	2025	2024	Change
Non-operating income	¥4,233	¥11,731	¥(7,498)
Non-operating expenses	3,874	2,748	1,126

Extraordinary Income and Loss

Millions of yen			
Years ended March 31	2025	2024	Change
Extraordinary income	¥51	¥16	¥35
Extraordinary loss	1,447	23,622	(22,175)

Total extraordinary income was ¥51 million, reflecting the recording of ¥40 million in gain on sale of non-current assets. Total extraordinary loss was ¥1,447 million reflecting the recording of ¥1,165 million in loss on retirement of non-current assets.

■ Capital Expenditures and Depreciation and Amortization

Years ended March 31	Millions of yen		
	2025	2024	Change
Capital expenditures	¥13,632	¥12,763	¥869
Depreciation and amortization	8,463	7,557	906

Capital expenditures for the fiscal year ended March 31, 2025 amounted to ¥13,632 million, an increase of ¥869 million from the previous fiscal year.

Depreciation and amortization totaled ¥8,463 million, an increase of ¥906 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 announced a new medium-term business plan (covering the fiscal year ended March 31, 2025 through the fiscal year ending March 31, 2027) entitled “Square Enix Reboots and Awakens ~ A 3-year reboot for long-term growth ~” in May 2024.

The period covered by its previous medium-term business plan (the fiscal year ended March 31, 2022 through the fiscal year ended March 31, 2024) saw some achievements, including a streamlined portfolio enabled by the divestiture of three overseas studios and select IP, the expansion of the MMO sub-segment as part of the Group’s earnings base, the Publication segment’s transition to a phase of stable growth, the Amusement segment’s V-shaped recovery, and the Merchandising segment’s expansion. Meanwhile, the period also highlighted some major challenges, including low profitability at the HD Games (HD) sub-segment, a slowdown in the Games for Smart Devices/PC Browser (SD) sub-segment, insufficient franchise-by-franchise portfolio management, and some gaps in the Group’s management infrastructure.

With the goal of overcoming these challenges and achieving powerful profit creation and further growth from a long-term perspective, the Group positions the three years of its new medium-term business plan as “A 3-year reboot for long-term growth” and intends to execute the following four strategies:

- (1) Enhance productivity by optimizing the development footprint in the Digital Entertainment (DE) segment
- (2) Diversify earnings opportunities by strengthening customer contact points
- (3) Roll out initiatives to create additional foundational stability
- (4) Allocate capital giving consideration to the balance between growth investments and shareholder returns

The Group’s operating forecast for the fiscal year ending March 31, 2026 is as follows (as of June 30, 2025):

Years ended/ending March 31	Millions of yen										
	2016 actual	2017 actual	2018 actual	2019 actual	2020 actual	2021 actual	2022 actual	2023 actual	2024 actual	2025 actual	2026 forecast
Net sales	¥214,101	¥256,824	¥250,394	¥271,276	¥260,527	¥332,532	¥365,275	¥343,267	¥356,344	¥324,506	¥280,000
Operating income (loss)	26,018	31,295	38,176	24,635	32,759	47,226	59,261	44,331	32,558	40,580	41,000
Ordinary income (loss)	25,322	31,128	36,124	28,415	32,095	49,983	70,704	54,709	41,541	40,939	41,000
Profit (loss) attributable to owners of parent	19,884	20,039	25,821	19,373	21,346	26,942	51,013	49,264	14,912	24,414	28,700

5. Basic Policy for Profit Distribution and Dividends

The Company recognizes the enhancement of corporate value and distribution of profits to shareholders as key management undertakings. The amount of dividends is determined by setting a basic policy for consolidated payout ratio of approximately 30%, considering the balance between growth 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, 2025, the Company paid an interim dividend of ¥28 per share and a year-end dividend of ¥101 per share for an annual dividend of ¥129 per share.

The distribution of surplus for the fiscal year ended March 31, 2025 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, 2025 are as follows:

Date of resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
November 8, 2024 Resolution by the Board of Directors	¥3,361	¥28
May 20, 2025 Resolution by the Board of Directors	¥12,130	¥101

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 26, 2025.

(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, the Group expects its game development costs to continue to rise going forward. By engaging in more stringent management of our development efforts and earnings at the level of individual titles, the Group is endeavoring to keep our development costs at an appropriate level. 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.

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 with 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.

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.

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

Business related to the operation of amusement facilities is subject to government control under the Act on Control and Improvement of Amusement Business 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 spread of infectious diseases

In the event of widespread and severe infectious disease outbreak, there is a risk, based on the Group's business domains, that such an event could impact the demand for content and development timelines for new game titles, as well as lead to lower sales at amusement facilities. Such developments may affect the Group's business performance.

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

	Millions of yen	
	2025	2024
Assets		
Current assets		
Cash and deposits	¥247,760	¥225,901
Notes and accounts receivable	*1 33,175	*1 44,683
Merchandise and finished goods	4,840	4,684
Raw materials and supplies	856	1,033
Content production account	46,936	48,577
Other	11,101	14,561
Allowance for doubtful accounts	(155)	(221)
Total current assets	344,515	339,219
Non-current assets		
Property and equipment		
Buildings and structures	29,756	19,598
Accumulated depreciation	(16,308)	(15,135)
Buildings and structures (net)	13,447	4,462
Tools and fixtures	21,213	20,263
Accumulated depreciation	(15,066)	(14,164)
Tools and fixtures (net)	6,147	6,099
Amusement equipment	18,706	18,116
Accumulated depreciation	(16,412)	(15,949)
Amusement equipment (net)	2,294	2,166
Other	3,813	3,858
Accumulated depreciation	(2,432)	(1,988)
Other (net)	1,380	1,869
Land	3,782	3,782
Construction in progress	777	4,695
Total property and equipment	27,829	23,075
Intangible assets		
Other	4,895	5,881
Total intangible assets	4,895	5,881
Investments and other assets		
Investment securities	5,553	4,731
Guarantee deposits	13,286	13,168
Net defined benefit assets	1,877	1,573
Deferred tax assets	12,647	18,687
Other	*2 5,586	*2 4,568
Allowance for doubtful accounts	(32)	(30)
Total investments and other assets	38,919	42,698
Total non-current assets	71,644	71,656
Total assets	¥416,160	¥410,876

The accompanying notes are an integral part of these statements.

	Millions of yen	
	2025	2024
Liabilities		
Current liabilities		
Notes and accounts payable	¥17,439	¥24,384
Accrued income taxes	2,540	6,978
Provision for bonuses	4,977	5,345
Provision for office relocation	1,030	—
Refund liabilities	2,722	4,410
Asset retirement obligations	2,270	9
Other	*3 36,379	*3 40,431
Total current liabilities	67,360	81,559
Non-current liabilities		
Net defined benefit liabilities	4,392	4,311
Deferred tax liabilities	465	1
Asset retirement obligations	5,725	4,902
Provision for office relocation	—	883
Provision for loss on litigation	220	—
Other	1,628	2,089
Total non-current liabilities	12,431	12,187
Total liabilities	79,792	93,747
Net Assets		
Shareholders' equity		
Common stock	24,039	24,039
Capital surplus	54,678	54,368
Retained earnings	272,434	254,741
Treasury stock	(7,452)	(7,876)
Total shareholders' equity	343,700	325,272
Accumulated other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(280)	(305)
Foreign currency translation adjustments	(8,503)	(9,038)
Remeasurements of defined benefit plans	793	566
Total accumulated other comprehensive income (loss)	(7,990)	(8,776)
Stock acquisition rights	353	378
Non-controlling interests	304	255
Total net assets	336,368	317,129
Total liabilities and net assets	¥416,160	¥410,876

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	
	2025	2024
Net sales	*1 ¥324,506	*1 ¥356,344
Cost of sales	*2 161,840	*2 188,975
Gross profit	162,665	167,369
Selling, general and administrative expenses		
Packaging freight charge	3,997	3,837
Advertising expense	14,357	25,108
Sales promotion expense	443	336
Compensation for directors	573	564
Salaries	29,382	27,425
Provision for bonuses	5,171	5,617
Net periodic pension costs	1,134	1,071
Welfare expense	4,655	3,887
Rental expense	5,235	3,174
Commission fee	40,911	47,980
Depreciation and amortization	4,015	3,693
Other	12,206	12,112
Total selling, general and administrative expenses	*3 122,085	*3 134,810
Operating income	40,580	32,558
Non-operating income		
Interest income	2,381	1,550
Dividends received	1,335	0
Foreign exchange gain	—	9,304
Rental income	36	47
Gain on sale of crypto assets	—	341
Miscellaneous income	479	487
Total non-operating income	4,233	11,731
Non-operating expenses		
Interest expenses	243	187
Commission fee	462	452
Foreign exchange loss	1,232	—
Office transfer related expenses	612	1,017
Provision for office relocation expenses	*4 200	*4 883
Business restructuring expenses	650	—
Miscellaneous loss	473	208
Total non-operating expenses	3,874	2,748
Ordinary income	40,939	41,541
Extraordinary income		
Gain on sale of non-current assets	*5 40	—
Gain on sale of investment securities	—	8
Gain on reversal of stock acquisition rights	10	8
Total extraordinary income	51	16
Extraordinary losses		
Loss on sale of non-current assets	*6 17	*6 47
Loss on retirement of non-current assets	*7 1,165	*7 110
Impairment loss	*8 26	*8 5
Loss on valuation of investment securities	17	150
Loss on valuation of shares of subsidiaries and associates	—	1,216
Loss on disposal of content	—	*9 22,087
Provision for loss on litigation	*10 220	—
Other	—	5
Total extraordinary losses	1,447	23,622
Profit before income taxes	39,542	17,935
Income taxes—current	5,440	10,597
Income taxes for prior periods	*11 3,291	—
Income taxes—deferred	6,370	(7,595)
Total income taxes	15,101	3,001
Profit	24,440	14,933
Profit attributable to non-controlling interests	26	21
Profit attributable to owners of parent	¥24,414	¥14,912

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	
	2025	2024
Profit	¥24,440	¥14,933
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	24	(307)
Foreign currency translation adjustments	557	(261)
Remeasurements of defined benefit plans	226	258
Other comprehensive income (loss)	*1 808	*1 (310)
Comprehensive income	25,249	14,623
(Breakdown)		
Comprehensive income attributable to owners of parent	25,199	14,590
Comprehensive income attributable to non-controlling interests	¥49	¥32

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

■ 2025

Millions of yen					
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the year	¥24,039	¥54,368	¥254,741	¥(7,876)	¥325,272
Changes during the year					
Dividends from retained earnings			(6,720)		(6,720)
Profit attributable to owners of parent			24,414		24,414
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		309		427	737
Net changes in items other than shareholders' equity					
Total changes during the year	—	309	17,693	424	18,428
Balance at the end of the year	¥24,039	¥54,678	¥272,434	¥(7,452)	¥343,700

Millions of yen							
	Accumulated other comprehensive income (loss)				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)			
Balance at the beginning of the year	¥(305)	¥(9,038)	¥566	¥(8,776)	¥378	¥255	¥317,129
Changes during the year							
Dividends from retained earnings							(6,720)
Profit attributable to owners of parent							24,414
Purchase of treasury stock							(3)
Disposal of treasury stock							737
Net changes in items other than shareholders' equity	24	534	226	785	(24)	49	810
Total changes during the year	24	534	226	785	(24)	49	19,238
Balance at the end of the year	¥(280)	¥(8,503)	¥793	¥(7,990)	¥353	¥304	¥336,368

The accompanying notes are an integral part of these statements.

■ 2024

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	¥54,142	¥255,151	¥(8,587)	¥324,745
Changes during the year					
Dividends from retained earnings			(14,848)		(14,848)
Profit attributable to owners of parent			14,912		14,912
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		226		714	940
Change in mergers between consolidated and non-consolidated subsidiaries			(473)		(473)
Net changes in items other than shareholders' equity					
Total changes during the year	—	226	(409)	710	526
Balance at the end of the year	¥24,039	¥54,368	¥254,741	¥(7,876)	¥325,272

Millions of yen							
Accumulated other comprehensive income (loss)							
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of the year	¥2	¥(8,765)	¥308	¥(8,454)	¥752	¥222	¥317,266
Changes during the year							
Dividends from retained earnings							(14,848)
Profit attributable to owners of parent							14,912
Purchase of treasury stock							(3)
Disposal of treasury stock							940
Change in mergers between consolidated and non-consolidated subsidiaries							(473)
Net changes in items other than shareholders' equity	(307)	(272)	258	(321)	(374)	32	(663)
Total changes during the year	(307)	(272)	258	(321)	(374)	32	(136)
Balance at the end of the year	¥(305)	¥(9,038)	¥566	¥(8,776)	¥378	¥255	¥317,129

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	
	2025	2024
Cash flows from operating activities		
Profit before income taxes	¥39,542	¥17,935
Depreciation and amortization	8,463	7,557
Impairment loss	26	5
Increase (decrease) in allowance for doubtful accounts	(62)	(56)
Increase (decrease) in provision for bonuses	(332)	560
Increase (decrease) in refund liabilities	(1,671)	(1,343)
Increase (decrease) in provision for directors' retirement benefits	—	(7)
Decrease (increase) in net defined benefit assets	(286)	(115)
Increase (decrease) in net defined benefit liabilities	405	150
Interest and dividends income	(3,717)	(1,550)
Interest expenses paid	243	187
Foreign exchange loss (gain)	955	(9,551)
Loss (gain) on sale of crypto assets	21	(341)
Loss on retirement of non-current assets	1,165	113
Loss (gain) on sale of non-current assets	(22)	47
Loss (gain) on valuation of investment securities	17	150
Loss on valuation of shares of subsidiaries and associates	—	1,216
Loss on disposal of content	—	22,087
Decrease (increase) in notes and accounts receivable	11,538	(3,508)
Decrease (increase) in inventories	1,579	18,344
Increase (decrease) in notes and accounts payable	(6,610)	765
Decrease (increase) in other current assets	3,345	1,067
Decrease (increase) in other non-current assets	(16)	199
Increase (decrease) in other current liabilities	(7,877)	4,078
Other, net	511	(480)
Subtotal	47,219	57,510
Interest and dividends income received	3,717	1,556
Interest expenses paid	(154)	(119)
Income taxes paid	(10,340)	(11,398)
Income taxes refund	2,340	4,689
Net cash provided by operating activities	¥42,781	¥52,238
Cash flows from investing activities		
Payments into time deposits	¥(4,044)	¥(2,712)
Proceeds from withdrawal of time deposits	2,882	2,716
Purchases of property and equipment	(10,870)	(9,285)
Proceeds from sale of property and equipment	50	4
Purchases of intangible assets	(1,203)	(1,162)
Purchase of investment securities	(573)	(673)
Payments for investments in capital	(399)	(174)
Purchases of shares of subsidiaries	—	(190)
Purchase of shares of subsidiaries and associates	(918)	—
Proceeds from sale of crypto assets	60	341
Payments for guarantee deposits	(234)	(2,176)
Proceeds from collection of guarantee deposits	100	85
Other, net	34	13
Net cash used in investing activities	¥(15,114)	¥(13,214)
Cash flows from financing activities		
Repayments of lease obligations	¥(359)	¥(292)
Purchase of treasury stock	(3)	(3)
Proceeds from exercise of employee share options	482	347
Cash dividends paid	(6,719)	(14,838)
Net cash used in financing activities	(6,600)	(14,787)
Effect of exchange rate change on cash and cash equivalents	(637)	8,029
Net increase (decrease) in cash and cash equivalents	20,429	32,266
Cash and cash equivalents at the beginning of the year	223,181	190,903
Increase in cash and cash equivalents resulting from merger	—	11
Cash and cash equivalents at end of the year	*1 ¥243,610	*1 ¥223,181

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: 17 companies

Names of principal consolidated subsidiaries

SQUARE ENIX OF AMERICA HOLDINGS, INC.

SQUARE ENIX CO., LTD.

TAITO CORPORATION

SQUARE ENIX, INC.

SQUARE ENIX LTD.

SQUARE ENIX (China) CO., LTD.

SQUARE ENIX (BEIJING) TECH AND TRADING CO., LTD.

(2) Names of principal non-consolidated subsidiaries:

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 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., SQUARE ENIX (BEIJING) TECH AND TRADING 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 loss on litigation

With respect to the litigation currently pending, in order to prepare for losses that may occur in the future, certain consolidated subsidiaries have recognized a provision for estimated losses based on the status of such litigation.

E) Provision for office relocation

The Company has recognized reasonable estimates regarding the costs of office relocation for the opening of the new Shibuya Office for the fiscal year ended March 31, 2025.

(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, the Group adopts a monthly subscription system and determines performance obligations are satisfied over time. Therefore, revenue is recognized over the contract period. 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 is recognized at the point in time upon the receipt of a royalty report for the month in which the licensee records net sales and by determining the point in time the performance obligations are satisfied taking into consideration when such net sales occurred.

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 group tax sharing system

The Company has applied the group tax sharing system.

B) 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, 2025

	Millions of yen	
	As of March 31, 2025	As of March 31, 2024
Loss on valuation of inventories	7,923	14,080
Content production account	46,936	48,577

(2) Other information that would contribute to the users' understanding of the consolidated financial statements

1) Calculation method

The content production account is recorded in cost of sales based on expected sales revenue. 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. The net realizable value is calculated based on future net sales and development costs estimated based on market trends by platform, as well as historical sales results and historical development costs of similar titles. Future net sales and development costs and other factors to be used for making estimates are determined by the Investment Committee and revised as necessary according to the changes in the environment.

2) Major assumptions

Future net sales comprise the average sales price per unit and sales volume (number of disks sold and number of downloads) by platform for HD games and MMO games, and the average charge per user and number of users for devices such as smart devices, which are set as major assumptions.

3) Impact on the consolidated financial statements for the fiscal year ending March 31, 2026

While the major assumptions of the average sales price per unit and sales volume by platform for HD games and MMO games and the average charge per user and number of users for devices such as smart devices 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 may have a significant impact on the valuation of the content production account for the fiscal year ending March 31, 2026.

(Refund liabilities related to the Digital Entertainment segment)

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2025

	Millions of yen	
	As of March 31, 2025	As of March 31, 2024
Refund liabilities	2,293	3,882

(2) Other information that would contribute to the users' understanding of the consolidated financial statements

1) Calculation method

At certain overseas 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 rate of future refund to wholesalers and retailers of each game title at the fiscal year-end.

2) Major assumptions

The future refund rate of each game title has been set as a major assumption.

3) Impact on the consolidated financial statements for the fiscal year ending March 31, 2026

While the major assumption of the future refund rate is based on the refund rate for historical sales results and sales at wholesalers and

retailers, 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 may have a significant impact on the refund liabilities for the fiscal year ending March 31, 2026.

Changes in Accounting Policies

(Application of Accounting Standard for Current Income Taxes, etc.)

Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (“ASBJ”) Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”) and other applicable standards have been applied from the beginning of the fiscal year ended March 31, 2025.

The amendment to categories in which current income taxes should be recorded (taxation on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). These changes had no impact on the consolidated financial statements.

Accounting Standards Issued but Not Yet Applied

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Outline:

As part of efforts to make Japanese standards consistent with international standards, the ASBJ has been working to develop accounting standards for leases whereby assets and liabilities for all leases of lessees are recognized, taking into account international accounting standards. As a basic policy, the ASBJ has announced lease accounting standards, etc., that are based on the single accounting model of IFRS 16, but rather than adopting all of the provisions of IFRS 16, they only adopt the main provisions, aiming to make the standards simple and convenient, and to basically eliminate the need for adjustments when the provisions of IFRS 16 are used for non-consolidated financial statements.

As for lessee accounting, with regard to the method of allocating a lessee’s lease expenses, a single accounting model will be applied for all leases, regardless of whether they are finance leases or operating leases, in which depreciation and amortization on right-of-use assets and an amount equivalent to interest on lease liabilities are recorded, similar to IFRS 16.

(2) Effective date:

Effective from the beginning of the fiscal year ending March 31, 2028

(3) Impact of the application of accounting standards and implementation guidance:

The impact of the application of the Accounting Standard for Leases, etc., on the consolidated financial statements is being assessed.

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, a portion of consolidated subsidiaries changed the estimates relating to such restoration costs required at the time of office relocations in consideration of recent inflation and other factors.

Based on these updated estimates, the Company added ¥72 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 decreased by ¥6 million, respectively, for the fiscal year ended March 31, 2025.

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, 2025	As of March 31, 2024
Notes receivable	¥201	¥214
Accounts receivable	32,974	44,468

*2 Investments in non-consolidated subsidiaries and affiliates

	Millions of yen	
	As of March 31, 2025	As of March 31, 2024
Other (investments and other assets)	¥2,082	¥1,169

*3 The amount of contract liabilities among other

	Millions of yen	
	As of March 31, 2025	As of March 31, 2024
Contract liabilities	¥9,837	¥13,657

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, 2025	Fiscal year ended March 31, 2024	
¥7,487	¥14,545	

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

		Millions of yen
Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024	
¥1,782	¥2,058	

*4 The Company has recognized reasonable estimates regarding the costs of office relocation for the opening of the new Shibuya Office for the fiscal year ended March 31, 2025.

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

		Millions of yen	
		Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Buildings and structures		¥11	¥—
Tools and fixtures		8	—
Other		19	—
Total		¥40	¥—

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

		Millions of yen	
		Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Tools and fixtures		¥17	¥47
Total		¥17	¥47

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

		Millions of yen	
		Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Buildings and structures		¥5	¥7
Tools and fixtures		15	23
Amusement equipment		74	77
Intangible assets (Other)		1,071	1
Total		¥1,165	¥110

*8 Impairment loss

In the fiscal year ended March 31, 2025, 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	¥7	
		Other	0	
Kawasaki, Kanagawa	Assets planned for disposal	Buildings and structures	17	
		Tools and fixtures	0	
		Other	2	
Total			¥26	

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, the future use of these assets was deemed uncertain. For this reason, the book value of these idle assets has been written down to the applicable market value. With regard to assets planned for disposal, 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, 2024, the Group posted an impairment loss on the following groups of assets.

				Millions of yen
Location	Usage	Category	Impairment amount	
Aomori, Aomori	Idle assets	Amusement equipment	¥1	
		Other	0	
Fukuoka, Fukuoka	Assets planned for disposal	Buildings and structures	2	
		Tools and fixtures	0	
		Other	1	
Total			¥5	

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, 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.

*9 In light of the myriad changes underway in the environment surrounding the Group, the Board of Directors voted, at a meeting convened on March 27, 2024, to revise the Group's approach to the development of high-definition (HD) games to reflect such objectives as multiplatform development and the strengthening of internal development capabilities. Based on this revised approach, the Group closely examined its development pipeline, performing a project-by-project review of the tenability of maintaining development efforts. The outcome was the termination of development on some key pieces of content in the Digital Entertainment segment that were found to be incompatible with the new development approach. Loss on disposal of content resulted from the termination of these development efforts.

*10 With respect to the litigation currently pending, the Group has recognized a provision for estimated losses based on the status of such litigation. Provision for loss on litigation is included in extraordinary losses.

*11 A consolidated subsidiary has recognized the amount of income taxes for prior periods based on the agreement under the mutual consultation procedure between the UK and Canada regarding transfer pricing.

Notes to Consolidated Statement of Comprehensive Income

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥22	¥(434)
Reclassification adjustments	—	150
Total amount before income taxes and tax-effect	22	(284)
Income taxes and tax-effect	1	(23)
Valuation difference on available-for-sale securities	24	(307)
Foreign currency translation adjustments:		
Exchange differences arising during the year	557	(261)
Reclassification adjustments relating to foreign operations	—	—
Total amount before income taxes and tax-effect	557	(261)
Income taxes and tax-effect	—	—
Foreign currency translation adjustments	557	(261)
Remeasurements of defined benefit plans:		
Defined benefit obligations arising during the year	495	642
Reclassification adjustments relating to defined benefit plans	(152)	(231)
Total amount before income taxes and tax-effect	342	410
Income taxes and tax-effect	(115)	(152)
Remeasurements of defined benefit plans	226	258
Total other comprehensive income (loss)	¥808	¥(310)

Notes to Consolidated Statement of Changes in Net Assets

■ Year ended March 31, 2025

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, 2024	Share increases during the year	Share decreases during the year	Shares as of March 31, 2025
Shares issued and outstanding				
Common stock	122,531	—	—	122,531
Total	122,531	—	—	122,531
Treasury stock				
Common stock ^{1,2}	2,570	0	139	2,431
Total	2,570	0	139	2,431

Notes: 1 The increase of 0 thousand shares of treasury stock was due to the acquisition of fractional shares constituting less than one trading unit.

2 The decrease of 139 thousand shares of treasury stock was due to the delivery of 105 thousand shares due to the exercise of stock acquisition rights as stock options, the delivery of 31 thousand shares as a restricted stock remuneration plan, and the delivery of 2 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, 2025 (Millions of yen)
			As of April 1, 2024	Increase during the year	Decrease during the year	As of March 31, 2025	
Supplying company (parent company)	Stock acquisition rights as stock options	—	—	—	—	—	¥353
	Total	—	—	—	—	—	¥353

3. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 17, 2024 (Board of Directors' Meeting)	Common stock	¥3,358	¥28	March 31, 2024	June 3, 2024
November 8, 2024 (Board of Directors' Meeting)	Common stock	3,361	28	September 30, 2024	December 6, 2024

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

Date of approval	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
May 20, 2025 (Board of Directors' Meeting)	Common stock	¥12,130	Retained earnings	¥101	March 31, 2025	June 5, 2025

■ Year ended March 31, 2024

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

	Shares as of April 1, 2023	Share increases during the year	Share decreases during the year	Shares as of March 31, 2024
Shares issued and outstanding				
Common stock	122,531	—	—	122,531
Total	122,531	—	—	122,531
Treasury stock				
Common stock ^{1,2}	2,803	0	233	2,570
Total	2,803	0	233	2,570

Notes: 1 The increase of 0 thousand shares of treasury stock was due to the acquisition of fractional shares constituting less than one trading unit.

2 The decrease of 233 thousand shares of treasury stock was due to the delivery of 213 thousand shares due to the exercise of stock acquisition rights as stock options, the delivery of 17 thousand shares as a restricted stock remuneration plan, and the delivery of 2 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, 2024 (Millions of yen)
			As of April 1, 2023	Increase during the year	Decrease during the year	As of March 31, 2024	
Supplying company (parent company)	Stock acquisition rights as stock options	—	—	—	—	—	¥378
	Total	—	—	—	—	—	¥378

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 18, 2023 (Board of Directors' Meeting)	Common stock	¥13,649	¥114	March 31, 2023	June 5, 2023
November 7, 2023 (Board of Directors' Meeting)	Common stock	1,199	10	September 30, 2023	December 5, 2023

(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 17, 2024 (Board of Directors' Meeting)	Common stock	¥3,358	Retained earnings	¥28	March 31, 2024	June 3, 2024

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, 2025	Fiscal year ended March 31, 2024
Cash and deposits	¥247,760	¥225,901
Time deposits with maturity periods over three months	(4,149)	(2,720)
Cash and cash equivalents	¥243,610	¥223,181

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

Future lease payments for non-cancellable operating lease transactions

	Millions of yen	
	As of March 31, 2025	As of March 31, 2024
Within 1 year	¥3,053	¥3,053
More than 1 year	14,247	17,300
Total	¥17,300	¥20,353

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. The Group avoids the settlement liquidity risk associated with notes and accounts payable, and accrued income taxes 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.

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, 2025 and 2024, the estimated fair value, and the difference between these amounts are as follows.

■ As of March 31, 2025

	Millions of yen		
Assets:	Book value	Fair value	Difference
(1) Investment securities	¥704	¥704	¥—
(2) Guarantee deposits	13,286	12,587	(699)

(*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, 2025	As of March 31, 2024
Unlisted shares	¥929	¥650

(*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 not included. The value of these financial instruments presented on the consolidated balance sheet is as follows.

	Millions of yen	
Item	As of March 31, 2025	As of March 31, 2024
Investments in investment limited partnerships	¥3,919	¥3,399

■ As of March 31, 2024

	Millions of yen		
Assets:	Book value	Fair value	Difference
(1) Investment securities	¥682	¥682	¥—
(2) Guarantee deposits	13,168	12,688	(479)

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

■ As of March 31, 2025

	Millions of yen			
	Within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years
Deposits	¥245,065	¥—	¥—	¥—
Notes receivable	201	—	—	—
Accounts receivable	32,974	—	—	—
Guarantee deposits	5,934	5,737	1,596	17
Total	¥284,175	¥5,737	¥1,596	¥17

■ As of March 31, 2024

	Millions of yen			
	Within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years
Deposits	¥223,274	¥—	¥—	¥—
Notes receivable	214	—	—	—
Accounts receivable	44,468	—	—	—
Guarantee deposits	6,079	1,819	5,249	19
Total	¥274,037	¥1,819	¥5,249	¥19

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, 2025

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	¥704	—	—	¥704
Total assets	¥704	—	—	¥704

■ As of March 31, 2024

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	¥682	—	—	¥682
Total assets	¥682	—	—	¥682

(2) Financial instruments other than those presented at fair value on the consolidated balance sheet

■ As of March 31, 2025

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	¥12,587	—	¥12,587
Total assets	—	¥12,587	—	¥12,587

■ As of March 31, 2024

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	¥12,688	—	¥12,688
Total assets	—	¥12,688	—	¥12,688

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

■ As of March 31, 2025

		Millions of yen		
	Type	Book value	Acquisition cost	Difference
	(1) Stocks	¥64	¥31	¥33
	(2) Bonds			
	a. Government bonds and municipal bonds	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	64	31	33
	(1) Stocks	639	952	(312)
	(2) Bonds			
	a. Government bonds and municipal bonds	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	639	952	(312)
Total		¥704	¥984	¥(279)

■ As of March 31, 2024

		Millions of yen		
	Type	Book value	Acquisition cost	Difference
	(1) Stocks	¥69	¥13	¥56
	(2) Bonds			
	a. Government bonds and municipal bonds	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	69	13	56
	(1) Stocks	612	971	(358)
	(2) Bonds			
	a. Government bonds and municipal bonds	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	612	971	(358)
Total		¥682	¥984	¥(302)

4. Securities sold during the year

■ Year ended March 31, 2025

		Millions of yen		
Type	Sales proceeds	Total gain on sale	Total loss on sale	
(1) Stocks	¥—	¥—	¥—	¥—
(2) Bonds				
a. Government bonds and municipal bonds	—	—	—	—
b. Corporate bonds	—	—	—	—
c. Other	—	—	—	—
(3) Other	—	—	—	—
Total	¥—	¥—	¥—	¥—

■ Year ended March 31, 2024

		Millions of yen		
Type	Sales proceeds	Total gain on sale	Total loss on sale	
(1) Stocks	¥14	¥8	¥—	¥—
(2) Bonds				
a. Government bonds and municipal bonds	—	—	—	—
b. Corporate bonds	—	—	—	—
c. Other	—	—	—	—
(3) Other	—	—	—	—
Total	¥14	¥8	¥—	¥—

5. Impairment losses on securities

■ Year ended March 31, 2025

Impairment loss of ¥17 million was posted on securities (¥17 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, 2024**

Impairment loss of ¥150 million was posted on securities (¥150 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.

Derivative Transactions

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

Currency derivatives

■ **Year ended March 31, 2025**

Not applicable

■ **Year ended March 31, 2024**

Not applicable

2. Derivative transactions for which hedge accounting has been applied

■ **Year ended March 31, 2025**

Not applicable

■ **Year ended March 31, 2024**

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, 2025	Fiscal year ended March 31, 2024
Balance of retirement benefit obligations at the beginning of the year	¥12,505	¥12,513
Service cost	789	715
Interest cost	113	88
Actuarial (gains) losses arising during the year	(688)	(182)
Retirement benefits paid	(716)	(629)
Balance of retirement benefit obligations at the end of the year	¥12,003	¥12,505

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Balance of plan assets at the beginning of the year	¥9,767	¥9,400
Expected return on plan assets	141	135
Actuarial gains (losses) arising during the year	(193)	460
Employer contribution	234	239
Retirement benefits paid	(461)	(467)
Balance of plan assets at the end of the year	¥9,488	¥9,767

(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, 2025	Fiscal year ended March 31, 2024
Retirement benefit obligation for funded plans	¥7,611	¥8,194
Plan assets	(9,488)	(9,767)
	(1,877)	(1,573)
Retirement benefit obligation for unfunded plans	4,392	4,311
Net defined benefit liabilities and assets recorded in the consolidated balance sheet	2,514	2,737
Net defined benefit liabilities	4,392	4,311
Net defined benefit assets	1,877	1,573
Net defined benefit liabilities and assets recorded in the consolidated balance sheet	¥2,514	¥2,737

(4) Components of net periodic pension costs

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Service cost	¥789	¥715
Interest cost	113	88
Expected return on plan assets	(141)	(135)
Amortization of net actuarial (gains) losses	(152)	(231)
Net periodic pension costs relating to defined benefit plan	¥608	¥436

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

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Actuarial gains (losses)	¥342	¥410
Total	¥342	¥410

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

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2024
Unrecognized actuarial gains (losses)	¥(1,212)	¥(870)
Total	¥(1,212)	¥(870)

(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, 2025	As of March 31, 2024
Bonds	37	28
Stocks	18	22
General accounts	35	34
Cash and deposits	5	4
Others	5	12
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, 2025 and 2024, 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, 2025	As of March 31, 2024
Discount rate	1.442 to 1.897	0.722 to 1.266
Long-term expected rate of return on plan assets	1.500	1.500
Expected salary increase rate	3.660	—

3. Defined contribution plan:

The required contributions for the defined contribution plan by the Company and its consolidated subsidiaries were ¥952 million and ¥1,013 million for the years ended March 31, 2025 and 2024, respectively.

Stock Options

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Selling, general and administrative expenses	¥89	¥83

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Reversal of stock acquisition rights	¥10	¥8

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

(1) Details of stock options

	2018 stock options	2019 stock options	2019 stock options	2020 stock options	2020 stock options	2021 stock options	2022 stock options
Category of grantees	Company directors (excluding directors who are Audit & Supervisory Committee members)	Company directors (excluding directors who are Audit & Supervisory Committee members)	Directors and employees of the Company's subsidiaries	Company directors (excluding directors who are Audit & Supervisory Committee members)	Directors and employees of the Company's subsidiaries	Company employees, and directors and employees of the Company's subsidiaries	Company employees, and directors and employees of the Company's subsidiaries
Number of grantees	5	5	22	6	22	23	14
Number of stock options	11,700 shares of common stock	18,100 shares of common stock	190,100 shares of common stock	22,700 shares of common stock	97,000 shares of common stock	113,100 shares of common stock	60,100 shares of common stock
Date granted	August 30, 2018	July 17, 2019	July 17, 2019	July 20, 2020	July 20, 2020	July 14, 2021	July 12, 2022
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	August 31, 2018 to August 30, 2038	July 18, 2019 to July 17, 2039	June 22, 2021 to June 21, 2024	July 21, 2020 to July 20, 2040	June 25, 2022 to June 24, 2025	June 26, 2023 to June 25, 2026	June 24, 2024 to June 23, 2027

	2023 stock options	2024 stock options
Category of grantees	Company employees, and directors and employees of the Company's subsidiaries	Company employees, and directors and employees of the Company's subsidiaries
Number of grantees	13	18
Number of stock options	42,800 shares of common stock	135,300 shares of common stock
Date granted	July 12, 2023	July 10, 2024
Conditions for vesting of 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
Rights exercise period	June 24, 2025 to June 23, 2028	June 22, 2026 to June 21, 2029

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

	2018 stock options	2019 stock options	2019 stock options	2020 stock options	2020 stock options	2021 stock options	2022 stock options	2023 stock options	2024 stock options
Before vesting (shares)									
March 31, 2024	—	—	—	—	—	—	60,100	42,800	—
Granted	—	—	—	—	—	—	—	—	135,300
Forfeited	—	—	—	—	—	—	—	1,700	—
Vested	—	—	—	—	—	—	60,100	—	—
Unvested balance	—	—	—	—	—	—	—	41,100	135,300
After vesting (shares)									
March 31, 2024	700	1,100	62,400	1,200	79,700	98,100	—	—	—
Vested	—	—	—	—	—	—	60,100	—	—
Exercised	—	—	62,400	—	41,400	800	1,100	—	—
Forfeited	—	—	—	—	3,800	1,800	2,100	—	—
Balance unexercised	700	1,100	—	1,200	34,500	95,500	56,900	—	—

2) Price information

	2018 stock options	2019 stock options	2019 stock options	2020 stock options	2020 stock options	2021 stock options	2022 stock options	2023 stock options	2024 stock options	Yen
Exercise price	¥1	¥1	¥3,720	¥1	¥5,760	¥6,426	¥6,220	¥6,727	¥5,880	
Average share price at exercise	—	—	4,748	—	6,972	7,176	7,176	—	—	
Fair market value on grant date	4,206	3,157	714	5,243	1,375	1,154	1,572	1,368	869	

4. Method of estimating the fair value of stock options:

The fair value of the 2024 stock options granted during the fiscal year ended March 31, 2025 was estimated using the following method.

(1) Method of valuation: Black-Scholes option pricing model

(2) Main assumptions:

	2024 stock options
Expected share price volatility ¹	34.9%
Expected life ²	3.5 years
Expected dividend yield ³	0.78%
Risk-free interest rate ⁴	0.44%

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 2024 stock options, this was calculated based on the actual dividend applicable to the fiscal year ended March 31, 2024.

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, 2025	Fiscal year ended March 31, 2024
Expense for stock-based compensation in selling, general and administrative expenses	140	132

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	Restricted stock granted on July 19, 2022	Restricted stock granted on July 21, 2023
Category and number of grantees	Five Company directors (excluding directors who are Audit & Supervisory Committee members)	Nine Company directors (excluding directors who are Audit & Supervisory Committee members)	Six Company directors (excluding directors who are Audit & Supervisory Committee members)
Type and number of shares granted	20,511 shares of common stock	23,750 shares of common stock	17,941 shares of common stock
Grant date	July 21, 2021	July 19, 2022	July 21, 2023
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.)	From July 19, 2022 (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.)	From July 21, 2023 (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.).		

	Restricted stock granted on July 18, 2024
Category and number of grantees	Seven Company directors (excluding directors who are Audit & Supervisory Committee members)
Type and number of shares granted	31,793 shares of common stock
Grant date	July 18, 2024
Restricted period	From July 18, 2024 (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 or expiration of term of office, on the day the position is lost, 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.). In addition, if, after the Service Provision Period, the eligible director loses his or her position as a Company director for reasons that the Company's Board of Directors recognizes to be legitimate such as demise or expiration of term of office, by the time immediately after three months have passed since the end of the fiscal year in which the allocation date of the allocated stocks falls, the Company will lift the restrictions on all allocated stocks held by the eligible director on the day the position is lost.

(2) Size and change in pre-delivery-type stock remuneration plan

1) Number of shares

	Restricted stock granted on July 21, 2021	Restricted stock granted on July 19, 2022	Restricted stock granted on July 21, 2023	Restricted stock granted on July 18, 2024
As of March 31, 2024 (shares)	1,098	6,023	17,941	—
Stock granted (shares)	—	—	—	31,793
Stock forfeited (shares)	—	—	—	—
Stock vested (shares)	—	—	—	—
Unvested balance (shares)	1,098	6,023	17,941	31,793

2) Price information

	Restricted stock granted on July 21, 2021	Restricted stock granted on July 19, 2022	Restricted stock granted on July 21, 2023	Restricted stock granted on July 18, 2024
Fair valuation on grant date (yen)	5,460	5,980	7,192	4,530

(3) Method of estimating fair valuation

The fair valuation of the restricted stock granted during the fiscal year ended March 31, 2025 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 20, 2024).

(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, 2025	As of March 31, 2024
Deferred tax assets		
Tax loss carried forward (Note 1)	¥15,979	¥31,522
Enterprise tax payable	251	448
Business office tax payable	59	51
Provision for bonuses	1,194	1,215
Accrued expenses	4,093	2,836
Refund liabilities	313	351
Loss on write-offs of content production account	4,989	11,304
Loss on inventory revaluation	299	515
Net defined benefit liabilities	1,048	824
Expense for stock-based compensation	202	150
Non-deductible depreciation expense of property and equipment	1,028	1,280
Asset retirement obligations	2,545	1,549
Impairment loss	227	238
Loss on evaluation of investment securities	1,271	1,100
Non-deductible portion of allowance for doubtful accounts	53	65
Non-deductible portion of excess expenses on lump-sum depreciable assets	153	97
Tax credits	47	113
Other	919	889
Total gross deferred tax assets	34,678	54,557
Valuation allowance for net operating loss carryforwards (Note 1)	(15,163)	(30,419)
Valuation allowance for aggregate deductible temporary differences	(4,897)	(4,397)
Total valuation allowance	(20,060)	(34,816)
Total deferred tax assets	14,617	19,740
Deferred tax liabilities		
Accrued expenses and other cost calculation details	(325)	(442)
Tax effect on retained earnings of overseas consolidated subsidiaries	(465)	—
Non-current assets	(1,541)	(607)
Other	(103)	(3)
Total deferred tax liabilities	(2,436)	(1,054)
Balance: Net deferred tax assets	¥12,181	¥18,686

Note: 1. The main reason for the significant change in the amount deducted from gross deferred tax assets (valuation allowance) is due to a decrease caused by the finalization of net operating loss carryforwards at some overseas consolidated subsidiaries.

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

■ As of March 31, 2025

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)	¥—	¥99	¥15,880	¥15,979
Valuation allowance	—	—	(15,163)	(15,163)
Deferred tax assets	—	99	716	815

■ As of March 31, 2024

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)	¥57	¥323	¥31,141	¥31,522
Valuation allowance	—	—	(30,419)	(30,419)
Deferred tax assets	57	323	722	1,103

(*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, 2025	As of March 31, 2024
Statutory tax rate	30.62%	30.62%
(Adjustments)		
Valuation allowance	3.69	3.75
Special deduction for income tax due to increase in employees' salary and other benefits	(0.86)	(4.09)
Tax credit for R&D expenses	(3.23)	(18.90)
Increase in deferred tax assets and liabilities at fiscal year-end due to changes in corporate tax rate	(0.74)	—
Income taxes for prior periods	8.32	—
Differences in tax rate from the parent company's statutory tax rate	(0.06)	(0.07)
Other	0.45	5.43
Effective tax rate	38.19	16.74

(Change in the Method of Presentation)

Entertainment expense and others excluded from deductible expenses, dividends received and others excluded from gross revenue, and taxation on a per capita basis for inhabitants' tax, which were presented separately for the fiscal year ended March 31, 2024, are included in other for the fiscal year ended March 31, 2025 due to a decrease in significance. To reflect this change in the presentation method, information for the fiscal year ended March 31, 2024 have been reclassified.

As a result, 0.28% presented under entertainment expense and others excluded from deductible expenses, (0.00)% presented under dividends received and others excluded from gross revenue, and 0.47% presented under taxation on a per capita basis for inhabitants' tax for the fiscal year ended March 31, 2024, have been reclassified as 5.43% under other.

3. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates, etc.

On March 31, 2025, the Act on Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025) was passed by the Japanese National Diet, and a special defense corporation tax will be levied from fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities relating to temporary differences expected to be resolved from the fiscal year beginning on April 1, 2026 are calculated based on a statutory tax rate that was changed from 30.62% to 31.52%.

As a result of this change, the amount of deferred tax assets (amount after deducting deferred tax liabilities) for the fiscal year ended March 31, 2025 increased ¥282 million, while remeasurements of defined benefit plans, income taxes—deferred, and valuation difference on available-for-sale securities decreased ¥10 million, ¥292 million, and ¥0 million, respectively.

4. Accounting treatment of corporate tax, local corporation tax, and tax effects

The Company and its domestic consolidated subsidiaries have applied the group tax sharing system and the Company's accounting for and disclosure of corporate tax, local corporation tax, and tax effects is in compliance with the Practical Solution on Accounting and Disclosure under the Group Tax Sharing System (Practical Solution No. 42 of August 12, 2021).

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 1 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 3 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 1.410%.

c) Changes to aggregate asset retirement obligations

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	¥4,912	¥4,424
Increase due to procurement of property and equipment	3,015	36
Increase due to changes in estimates	72	508
Accretion expense	13	0
Decrease due to fulfillment of asset retirement obligations	(16)	(58)
Ending balance	¥7,996	¥4,912

Matters Relating to Real Estate Leases, Etc.

■ Year ended March 31, 2025

Not applicable

■ Year ended March 31, 2024

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, 2025	Fiscal year ended March 31, 2024
Receivables from contracts with customers (balance at the beginning of the fiscal year)	¥44,683	¥39,908
Receivables from contracts with customers (balance at the end of the fiscal year)	33,175	44,683
Contract liabilities (balance at the beginning of the fiscal year)	13,657	15,370
Contract liabilities (balance at the end of the fiscal year)	9,837	13,657

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 balance of contract liabilities at the beginning of the fiscal year included in revenue recognized during the fiscal year ended March 31, 2024 was ¥15,370 million. In addition, for the previous fiscal year, there was no revenue recognized from performance obligations satisfied in previous periods.

The balance of contract liabilities at the beginning of the fiscal year included in revenue recognized during the fiscal year under review was ¥11,172 million. In addition, for the fiscal year under review, there was no revenue recognized from performance obligations satisfied in previous periods.

(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, 2025

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

	Reporting segments					Adjustment (Note 1)	Millions of yen Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Net sales							
Domestic	¥109,519	¥67,904	¥28,355	¥9,146	¥214,924	—	¥214,924
Overseas	96,943	1,974	2,353	8,239	109,510	—	109,510
Revenue from contracts with customers	206,463	69,878	30,708	17,385	324,435	—	324,435
Other revenue	70	—	—	—	70	—	70
Sales to outside customers	206,533	69,878	30,708	17,385	324,506	—	324,506
Intersegment sales	3	1,337	43	1,682	3,066	(3,066)	—
Total	206,536	71,215	30,752	19,067	327,573	(3,066)	324,506
Segment operating income	¥33,867	¥7,846	¥10,977	¥6,067	¥58,759	¥(18,179)	¥40,580
Segment assets	¥81,419	¥26,813	¥9,617	¥2,470	¥120,321	¥295,838	¥416,160
Other items							
Depreciation and amortization	2,751	3,097	54	24	5,928	2,535	8,463
Increases in property and equipment and intangible assets	1,189	4,424	17	6	5,638	7,993	13,632

Notes: 1 (1) Segment adjustments (¥18,179 million) include unallocated corporate operating expenses (¥18,226 million).

(2) Unallocated assets amounting to ¥295,843 million are included in the ¥295,838 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and deposits).

(3) The ¥2,535 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.

(4) The ¥7,993 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.

■ Year ended March 31, 2024

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

	Reporting segments					Adjustment (Note 1)	Millions of yen
	Digital Entertainment	Amusement	Publication	Merchandising	Total		Consolidated total (Note 2)
Net sales							
Domestic	¥130,525	¥58,926	¥28,823	¥8,070	¥226,345	—	¥226,345
Overseas	117,509	1,315	2,148	8,958	129,932	—	129,932
Revenue from contracts with customers	248,034	60,242	30,972	17,028	356,278	—	356,278
Other revenue	65	—	—	—	65	—	65
Sales to outside customers	248,100	60,242	30,972	17,028	356,344	—	356,344
Intersegment sales	9	1,326	116	1,896	3,348	(3,348)	—
Total	248,109	61,569	31,089	18,924	359,693	(3,348)	356,344
Segment operating income	¥25,468	¥7,566	¥11,984	¥5,658	¥50,678	¥(18,119)	¥32,558
Segment assets	¥98,659	¥25,342	¥9,792	¥2,505	¥136,299	¥274,576	¥410,876
Other items							
Depreciation and amortization	2,491	2,620	39	22	5,173	2,383	7,557
Increases in property and equipment and intangible assets	3,194	3,628	35	3	6,861	5,901	12,763

Notes: 1 (1) Segment adjustments (¥18,119 million) include unallocated corporate operating expenses (¥18,178 million).

(2) Unallocated assets amounting to ¥274,598 million are included in the ¥274,576 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and deposits).

(3) The ¥2,383 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.

(4) The ¥5,901 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.

[Related Information]**■ Year ended March 31, 2025**

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	
	Of which, the U.S.				
¥214,995	¥67,779	¥63,719	¥24,405	¥17,326	¥324,506

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	
¥25,115	¥585	¥1,973	¥154	¥27,829	

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, 2024

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	
	Of which, the U.S.				
¥226,411	¥81,008	¥76,558	¥32,032	¥16,892	¥356,344

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	
¥19,552	¥1,034	¥2,284	¥204	¥23,075	

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, 2025**

						Millions of yen
	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated	Total
Impairment losses	¥—	¥26	¥—	¥—	¥—	¥26

■ Year ended March 31, 2024

						Millions of yen
	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated	Total
Impairment losses	¥—	¥5	¥—	¥—	¥0	¥5

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, 2025**

Not applicable

■ Year ended March 31, 2024

Not applicable

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

■ Year ended March 31, 2025

Not applicable

■ Year ended March 31, 2024

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, 2025

Not applicable

■ Year ended March 31, 2024

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, 2025

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	Yoshinori Kitase	—	—	Director of the Company and Director of subsidiary	(Held) Direct	0.01	Exercising of stock options (Note)	¥23	—	¥—
				Indirect	—					
	Yosuke Saito	—	—	Director of subsidiary	(Held) Direct	—	Exercising of stock options (Note)	¥101	—	¥—
					Indirect	—				
	Katsuyoshi Matsuura	—	—	Director of subsidiary	(Held) Direct	—	Exercising of stock options (Note)	¥11	—	¥—
					Indirect	—				
	Yuu Miyake	—	—	Director of the Company and Director of subsidiary	(Held) Direct	0.01	Exercising of stock options (Note)	¥20	—	¥—
					Indirect	—				
	Naoki Yoshida	—	—	Director of subsidiary	(Held) Direct	—	Exercising of stock options (Note)	¥101	—	¥—
					Indirect	—				
	Michihiro Sasaki	—	—	Audit & supervisory board member of subsidiary	(Held) Direct	0.00	Exercising of stock options (Note)	¥11	—	¥—
					Indirect	—				

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

Note: The exercise of stock acquisition rights as stock options during the fiscal year ended March 31, 2025 was pursuant to the resolutions of the Board of Directors on June 21, 2019 and on June 24, 2020.

“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, 2025.

■ Year ended March 31, 2024

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	Yoshinori Kitase	—	—	Director of the Company and Director of subsidiary	(Held) Direct	0.01	Exercising of stock options (Note)	¥47	—	¥—
				Indirect	—					
	Yosuke Saito	—	—	Director of subsidiary	(Held) Direct	—	Exercising of stock options (Note)	¥53	—	¥—
					Indirect	—				
	Yuu Miyake	—	—	Director of the Company and Director of subsidiary	(Held) Direct	0.01	Exercising of stock options (Note)	¥11	—	¥—
				Indirect	—					
	Naoki Yoshida	—	—	Director of subsidiary	(Held) Direct	—	Exercising of stock options (Note)	¥53	—	¥—
					Indirect	—				
	Michihiro Sasaki	—	—	Audit & supervisory board member of subsidiary	(Held) Direct	0.00	Exercising of stock options (Note)	¥11	—	¥—
				Indirect	—					

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

Note: The exercise of stock acquisition rights as stock options during the fiscal year ended March 31, 2024 was pursuant to the resolutions of the Board of Directors 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, 2024.

Per Share Information

	Yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Net assets per share	¥2,795.25	¥2,638.33
Earnings per share	203.38	124.37
Diluted earnings per share	203.37	124.30

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Earnings per share:		
Profit attributable to owners of parent	¥24,414	¥14,912
Profit not available to common shareholders	—	—
Profit attributable to common shareholders of parent	24,414	14,912
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	120,039	119,902
Diluted earnings per share:		
Adjustments to profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (thousands of shares)	7	71
[Number of shares reserved for the purpose of new share issuances for exercise of share subscription rights]	[7]	[71]

Summary of residual securities that do not dilute the Company's earnings per share	Issuance of July 2020 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 24, 2020: 34,500 shares	Issuance of July 2021 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 25, 2021: 98,100 shares
	Issuance of July 2021 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 25, 2021: 95,500 shares	Issuance of July 2022 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 23, 2022: 60,100 shares
	Issuance of July 2022 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 23, 2022: 56,900 shares	Issuance of July 2023 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 23, 2023: 42,800 shares
	Issuance of July 2023 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 23, 2023: 41,100 shares	
	Issuance of July 2024 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 21, 2024: 135,300 shares	

Significant Subsequent Events

(Stock split and amendment to the Articles of Incorporation in connection with the stock split)

Based on the resolution of the Board of Directors meeting held on May 14, 2025, the Company will implement a stock split and partially amend its Articles of Incorporation in connection with the stock split, effective October 1, 2025.

1. Stock split

(1) Purpose of stock split

The Company plans to conduct a stock split to lower the minimum investment unit for the purposes of increasing the liquidity of the Company's stock and expanding the investor base.

(2) Overview of stock split

(i) Method of stock split

The Company's common stock owned by shareholders whose names appear on the register of shareholders as of the close of the record date of September 30, 2025, will be split into three shares per one share.

(ii) Increase in number of shares resulting from the stock split

Total number of issued shares before stock split:	122,531,596 shares
Increase in number of shares from stock split:	245,063,192 shares
Total number of issued shares after stock split:	367,594,788 shares
Total number of authorized shares after stock split:	1,320,000,000 shares

(iii) Schedule of stock split

Public notice of record date (planned): September 12, 2025

Record date: September 30, 2025

Effective date: October 1, 2025

(iv) Effect on per-share information

Per-share information assuming that the stock split was conducted at the beginning of the previous fiscal year is as follows.

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Net assets per share (yen)	931.75	879.44
Earnings per share (yen)	67.79	41.46
Diluted earnings per share (yen)	67.79	41.43

2. Partial amendment to Articles of Incorporation

(1) Reason for amendment

In line with the stock split, the Company intends to amend its Articles of Incorporation via Board of Directors' resolution in accordance with Article 184, Paragraph 2 of the Companies Act, with the amendment to take effect on October 1, 2025.

(2) Details of amendment

Below are the details of the amendment.

(The amended portion is underlined)

Current Articles of Incorporation	Proposed amendment
Article 6. Total Number of Authorized Shares The total number of shares authorized to be issued by the Company shall be <u>440,000,000 shares</u> .	Article 6. Total Number of Authorized Shares The total number of shares authorized to be issued by the Company shall be <u>1,320,000,000 shares</u> .

(3) Schedule of amendment

Date of Board of Directors' resolution: May 14, 2025

Effective date: October 1, 2025

(Issuance of stock acquisition rights as stock options)

Based on the delegated resolution at the Board of Directors meeting, the Representative Director of the Company decided to issue stock acquisition rights as stock options to employees of the Company, as well as directors and employees of the Company's subsidiaries, pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act on June 25, 2025.

**Supplementary Schedule
[Borrowings]**

Category	Balance as of April 1, 2024 (Millions of yen)	Balance as of March 31, 2025 (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	615	468	—	—
Long-term borrowings (excluding the amount due for repayment within one year)	—	—	—	—
Lease obligations (excluding the amount due for repayment within one year)	1,540	1,075	—	April 2026 to November 2029
Other interest-bearing liabilities	—	—	—	—
Total	¥2,155	¥1,544	—	—

- Notes: 1 The average interest rate shown is the weighted average interest rate on the balance of borrowings as of March 31, 2025.
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, 2025 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	¥360	¥336	¥300	¥77

[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]

Semi-annual Financial Information

	Millions of yen	
	April 1, 2024 to September 30, 2024	April 1, 2024 to March 31, 2025
Net sales	¥157,591	¥324,506
Profit before income taxes	17,688	39,542
Profit attributable to owners of parent	11,750	24,414
Earnings per share (yen)	97.91	203.38