

**Consolidated Financial Results
for the Fiscal Year Ended March 31, 2017 (Japan GAAP)**

May 11, 2017

Company name: SQUARE ENIX HOLDINGS CO., LTD.
Shares traded: Tokyo Stock Exchange, First Section
Company code: 9684
Company URL: <http://www.square-enix.com/eng>
Representative: Yosuke Matsuda, President and Representative Director
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Annual general meeting of shareholders: June 23, 2017 (planned)
Financial report submission: June 26, 2017 (planned)
Cash dividend payment commencement: June 2, 2017 (planned)
Supplementary annual materials prepared: Yes
Annual results presentation held: Yes (for institutional investors and analysts)

(Amounts under one million yen are rounded down)

1. Consolidated Financial Results (April 1, 2016 to March 31, 2017)

(1) Consolidated Financial Results *(Millions of yen and year-on-year changes in percents)*

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	%		%		%		%	
March 31, 2017	256,824	20.0	31,295	20.3	31,128	22.9	20,039	0.8
March 31, 2016	214,101	27.5	26,018	58.4	25,322	49.1	19,884	102.3

Note: FY ended March 31, 2017 Comprehensive income: 18,969 million yen (11.9%)

FY ended March 31, 2016 Comprehensive income: 16,951 million yen (26.2%)

	Earnings per share, basic	Earnings per share, diluted	Return on equity	Ordinary income to total assets	Operating margin
Fiscal year ended	yen		%	%	%
March 31, 2017	164.20	163.92	11.5	13.1	12.2
March 31, 2016	163.04	162.72	12.3	11.4	12.2

Note: FY ended March 31, 2017 Equity in gain (loss) of affiliated companies: - million yen

FY ended March 31, 2016 Equity in gain (loss) of affiliated companies: - million yen

(2) Consolidated Financial Position *(Millions of yen, ratios in percents and per share data)*

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
March 31, 2017	243,859	181,904	74.4	1,485.56
March 31, 2016	232,731	168,783	72.2	1,376.93

Note: Total equity As of March 31, 2017: 181,322 million yen

As of March 31, 2016: 167,965 million yen

(3) Consolidated Statements of Cash Flows *(Millions of yen)*

	From operating activities	From investing activities	From financing activities	Closing cash and cash equivalents
Fiscal year ended	%			yen
March 31, 2017	25,537	(7,164)	(5,807)	127,395
March 31, 2016	20,184	(4,773)	(141)	115,375

2. Dividends

	Dividends per share					Total annual dividend payments	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q	2Q	3Q	4Q	Total			
	yen	yen	yen	yen	Yen	million yen	%	%
Fiscal year ended March 31, 2016	—	10.00	—	38.00	48.00	5,855	29.4	3.9
Fiscal year ended March 31, 2017	—	10.00	—	40.00	50.00	6,102	30.5	3.5
Fiscal year ended March 31, 2018 (projection)	—	10.00	—	30.00 ~38.00	40.00 ~48.00		29.6	

3. Consolidated Forecasts (April 1, 2017 to March 31, 2018)

(Millions of yen, year-on-year changes in percents and per share data)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	%		%		%		%		yen
Fiscal year ending March 31, 2018	240,000	(6.6)	25,000	(20.1)	25,000	(19.7)	16,500	(17.7)	135.20
	~260,000	~1.2	~30,000	~(4.1)	~30,000	~(3.6)	~19,500	~(2.7)	159.78

(Note) Consolidated forecasts for the fiscal year ending March 31, 2018 are indicated in a form of range of figures.

For details, please refer to (4) Consolidated forecasts on page 3 of the Supplemental Information attached herewith.

Notes

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

As of March 31, 2017	122,373,396
As of March 31, 2016	122,299,496
 2. Number of treasury stock:

As of March 31, 2017	316,434
As of March 31, 2016	313,749
 3. Average number of shares during the period (cumulative):

Fiscal year ended March 31, 2017	122,040,225
Fiscal year ended March 31, 2016	121,961,632

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

Supplemental Information – Index

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1. Consolidated Results and Consolidated Financial Position for the Fiscal Year Ended March 31, 2017

(1) Analysis of consolidated business results

The Square Enix group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its business segments of Digital Entertainment, Amusement, Publication and Merchandising. Net sales for the fiscal year ended March 31, 2017 totaled ¥256,824 million (an increase of 20.0% from the prior fiscal year), operating income amounted to ¥31,295 million (an increase of 20.3% from the prior fiscal year) and ordinary income amounted to ¥31,128 million (an increase of 22.9% from the prior fiscal year).

SQUARE ENIX HOLDINGS CO., LTD, (the "Company") has decided to withdraw from the business of IO INTERACTIVE A/S, a wholly-owned subsidiary of the Company and a Danish corporation. This decision has resulted in booking of extra ordinary loss of ¥4,898 million, including write-down of content production account related to the business, impairment loss of intangible assets and others.

These factors resulted in "Profit attributable to owners of parent" of ¥20,039 million (an increase of 0.8 % from the prior fiscal year).

A discussion of results by segment for the fiscal year ended March 31, 2017 follows.

- Digital Entertainment

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

In the consolidated fiscal year under review, During the fiscal year ended March 31, 2017, major launches of blockbuster series titles such as "FINAL FANTASY XV" and the PlayStation®4 version of "RISE OF THE TOMB RAIDER", on top of strong download sales of previously released catalogue titles, have led to a material increase of net sales and operating income in the area of console games, compared to the prior fiscal year.

In the area of massively multiplayer online role playing games, revenues from operation has been showing steady performance while net sales and operating income declined significantly compared to the prior fiscal year mainly due to the absence of expansion disk releases during the fiscal year ended March 31, 2017.

Net sales and operating income, in the area of content for platforms such as smart devices and PC browser, increased significantly compared to the prior fiscal year primarily thanks to the strong performance of existing major titles of native application games on smartphones such as "FINAL FANTASY BRAVE EXVIUS," "HOSHI NO DRAGON QUEST" and "DRAGON QUEST MONSTERS SUPER LIGHT," coupled with successful overseas expansion of "FINAL FANTASY BRAVE EXVIUS" and "KINGDOM HEARTS Union x."

Net sales and operating income in the Digital Entertainment segment totaled ¥199,016 million (an increase of 25.2% from the prior fiscal year), and ¥33,310 million (an increase of 21.3% from the prior fiscal year), respectively.

- Amusement

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

During the fiscal year ended March 31, 2017, sales of amusement machines such as “Gunslinger Stratos3,” and “Love Live! School idol festival – after school ACTIVITY –” have gained favorable results, and operation of the amusement facilities has been showing steady performance through efficient store management efforts.

Net sales and operating income in the Amusement segment totaled ¥42,757 million (an increase of 3.9% from the prior fiscal year), and ¥3,669 million (a decrease of 8.0% from the prior fiscal year), respectively.

- Publication

The Publication segment consists of publication and licensing of comic magazines, comic books, and game strategy guides.

During the fiscal year ended March 31, 2017, sales of comic books declined while sales of game strategy guides for blockbuster series titles have gained favorable results compared to the prior fiscal year.

Net sales and operating income in the Publication segment totaled ¥10,041 million (an increase of 0.7% from the prior fiscal year) and ¥2,429 million (an increase of 7.1% from the prior fiscal year), respectively.

- Merchandising

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

During the fiscal year ended March 31, 2017, sales and licensing performed steadily thanks to character goods and soundtracks derived from the Group’s own IPs.

Net sales and operating income in the Merchandising segment totaled ¥6,451 million (an increase of 41.9% from the prior fiscal year), and ¥2,150 million (an increase of 41.7% from the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

- Assets

As of March 31, 2017, total current assets were ¥209,038 million, an increase by 7.4% compared to the prior fiscal year. This was mainly due to increase in cash and deposits of ¥12,058 million.

Fixed assets were ¥34,820 million, a decrease by 8.5% compared to the prior fiscal year.

As a result, total assets were ¥243,859 million, an increase by 4.8%.

- Liabilities

As of March 31, 2017, total current liabilities were ¥55,445 million, a decrease by 0.5% compared to the prior fiscal year.

Non-current liabilities were ¥6,510 million, a decrease by 20.7% compared to the prior fiscal year.

As a result, total liabilities were ¥61,955 million, a decrease by 3.1%.

- Net assets

As of March 31, 2017, net assets were ¥181,904 million, an increase by 7.8% compared to the prior fiscal year. This

was mainly due to the profit attributable to owners of parent of ¥20,039 million and dividend payments of ¥5,855 million.

(3) Consolidated cash flow

As of March 31, 2017, cash and cash equivalents totaled ¥127,395 million, an increase of ¥12,019 million compared to the prior fiscal year. Cash flows during the fiscal year ended March 31, 2017 as well as the principal factors behind these cash flows are described below.

- Cash flows from operating activities

Net cash provided by operating activities during the fiscal year ended March 31, 2017 totaled ¥25,537 million (an increase of 26.5% compared to the prior fiscal year).

Profit before income taxes of ¥25,846 million, depreciation and amortization of ¥6,270 million, and a decrease in inventories of ¥4,257 million led to the overall provision of cash from operating activities.

- Cash flows from investing activities

Net cash used in investing activities totaled ¥7,164 million (an increase of 50.1% compared to the prior fiscal year).

Main factors are purchase of property, plant and equipment of ¥5,785 million and purchase of intangible asset of ¥851 million.

- Cash flows from financing activities

Net cash used in financing activities totaled ¥5,807 million (net cash used in financing activities of ¥141 million in the prior fiscal year).

Main factor is cash dividends paid of ¥5,849 million.

(4) Consolidated forecasts

The business environment surrounding the Group is in the midst of major changes, where consumer needs for content suitable to smart devices such as smartphones and tablet PCs are rapidly expanding, while the console game markets in North America and Europe are increasingly getting competitive and oligopolistic. The Group is focusing all efforts to achieve growth coupled with profits on a solid revenue foundation through introduction of flexible content development conforming to the ever-changing environment as well as diversification of profit opportunities.

Given the environmental changes described above, it is expected that the consolidated forecasts for financial results will fluctuate ever-larger. The Company, therefore, has made consolidated forecasts in a range of forecasted figures in lieu of specific figures.

(5) Basic policy for profit distribution and dividends

The Company recognizes the return of profits to shareholders as one of its most important management tasks. The Group maintains internal reserves to place priority on investments that will enhance the value of the Group. Such

investments will be made in order to increase the Group's value through expansion of existing businesses, new business development, and reform of the business structure. With retaining an appropriate amount of internal reserves, the Company attaches continued importance to the shareholder returns, primarily by means of cash dividend, in an optimal balance between the performance-based payout and the stable returns. The amount of dividends is determined upon the comprehensive consideration of the balance of the investments and the return of profits to shareholders, using consolidated payout ratio of approximately 30% as a guide.

The Company's Board of Directors' Meeting to be held on May 17, 2017 will pass a resolution to pay the year-end dividends for fiscal year ended March 31, 2017 of 40 yen per share (together with the interim dividends of 10 yen per share paid in last December, the amount of annual dividends will be 50 yen per share).

2. The Group's Outline of Operations

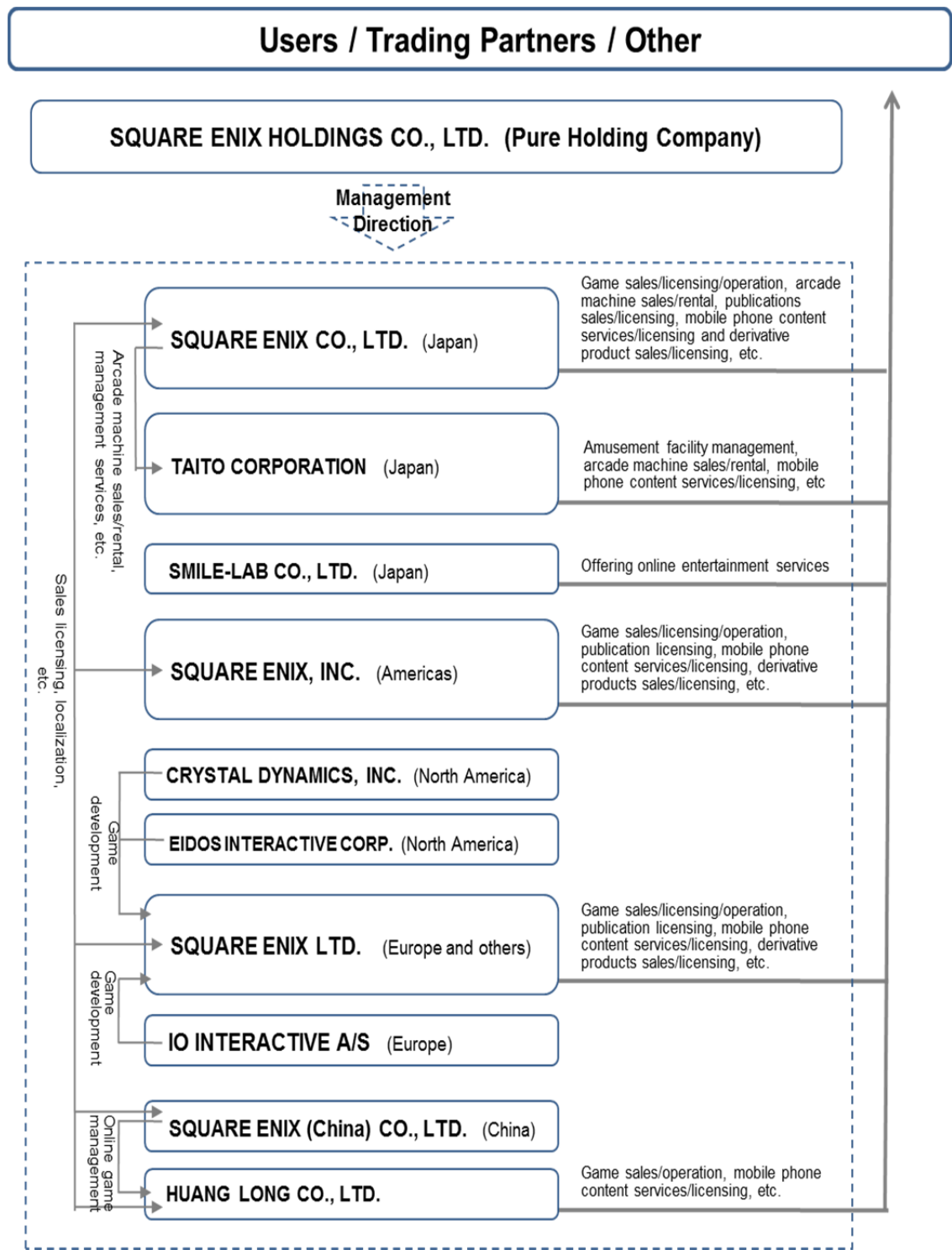
The following outline of operations lists the Group's primary business segments and major subsidiaries.

(Consolidated subsidiaries)

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

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

The Group's Business Diagram:



Note: Above business diagram only includes key consolidated subsidiaries.

3. Management Policy

(1) Management philosophy

With the corporate philosophy "*To spread happiness across the globe by providing unforgettable experiences,*" the Group offers advanced, high-quality content and services. The Group strives to reward shareholders by maximizing profit based on efficient use of resources in generation of sustained business development and growth.

(2) Management targets

The Group recognizes the utmost importance of achieving growth underpinned by profitability. The Group pursues near-term targets of achieving (i) net sales of ¥300-400 billion, and (ii) operating profit of ¥40-50 billion, respectively, in the medium run.

(3) Medium- and long-term management strategy

Management's key task is to create advanced, high-quality content and services that allow the Group to grow in the medium- and long-term while maintaining profitability. As the development and popularization of information technology (IT) and network environments rapidly advance, the Group anticipates a major transformation in the structure of the digital entertainment industry. The Group believes that this will be driven by factors such as increased consumer needs in the area of network-compliant entertainment and growing access to a diverse range of content by users of multi-function devices. The Group strives to respond to these changes, and has adopted a medium- and long-term management strategy that focuses on pioneering a new era in digital entertainment.

(4) Issues facing management

In order to achieve the Group's medium- and long-term strategy, it is imperative to expand its global business and meet customers' diverse needs for entertainment content/services. It is critically important that the Group acquires and develops ideally suited human resources to that end.

4. Basic policy regarding choice of accounting standard

The Group will continue to produce its consolidated financial statements on the basis of the Japanese GAAP with consideration for comparability of financial statements of different periods and comparability with other companies. The Group will proceed examination on introduction of International Financial Reporting Standards in light of domestic and international circumstances from now on.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	117,306	129,364
Notes and accounts receivable-trade	21,487	26,053
Merchandise and finished goods	2,428	2,820
Work in progress	109	11
Raw materials and supplies	233	302
Content production account	41,419	34,548
Deferred tax assets	6,561	7,029
Other	5,275	9,222
Allowance for doubtful accounts	(143)	(314)
Total current assets	194,679	209,038
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,779	14,777
Accumulated depreciation	(8,654)	(9,365)
Buildings and structures (net)	5,124	5,412
Tools, furniture and fixtures	13,312	13,694
Accumulated depreciation	(10,047)	(10,626)
Tools, furniture and fixtures (net)	3,265	3,067
Amusement equipment	15,457	16,247
Accumulated depreciation	(14,012)	(14,455)
Amusement equipment (net)	1,445	1,792
Other	101	181
Accumulated depreciation	(47)	(79)
Other (net)	54	101
Land	3,798	3,798
Construction in progress	61	62
Total property, plant and equipment	13,748	14,234
Intangible assets		
Other	6,447	4,735
Total intangible assets	6,447	4,735
Investments and other assets		
Investment securities	749	780
Guarantee deposits	9,173	9,204
Net defined benefit asset	—	120
Deferred tax assets	4,972	2,572
Other	3,185	3,394
Allowance for doubtful accounts	(224)	(222)
Total investments and other assets	17,856	15,850
Total non-current assets	38,052	34,820
Total assets	232,731	243,859

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,671	14,220
Short-term loans payable	9,722	8,437
Income taxes payable	5,726	1,665
Provision for bonuses	2,672	2,358
Provision for sales returns	3,334	6,197
Provision for game arcade closings	75	64
Asset retirement obligations	5	17
Other	19,529	22,482
Total current liabilities	55,737	55,445
Non-current liabilities		
Provision for directors' retirement benefits	162	88
Provision for loss on game arcade closings	127	83
Net defined benefit liability	2,747	2,546
Deferred tax liabilities	2,153	573
Asset retirement obligations	2,355	2,450
Other	665	767
Total non-current liabilities	8,210	6,510
Total liabilities	63,948	61,955
Net assets		
Shareholders' equity		
Capital stock	23,753	23,828
Capital surplus	52,993	53,067
Retained earnings	95,581	109,764
Treasury stock	(888)	(897)
Total shareholders' equity	171,439	185,763
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	341	364
Foreign currency translation adjustment	(3,207)	(4,640)
Remeasurements of defined benefit plans	(607)	(165)
Total accumulated other comprehensive income	(3,474)	(4,440)
Subscription rights to shares	374	453
Non-controlling interests	443	128
Total net assets	168,783	181,904
Total liabilities and net assets	232,731	243,859

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

(Millions of yen)

	Fiscal year ended	Fiscal year ended
	March 31, 2016	March 31, 2017
Net sales	214,101	256,824
Cost of sales	115,316	141,123
Gross profit	98,784	115,701
Reversal of provision for sales returns	4,867	3,227
Provision for sales returns	3,534	6,014
Gross profit-net	100,116	112,914
Selling, general and administrative expenses		
Packing and transportation expenses	1,751	1,726
Advertising expenses	20,270	25,541
Promotion expenses	66	74
Provision of allowance for doubtful accounts	54	12
Directors' compensations	565	557
Salaries and allowances	14,465	14,618
Provision for bonuses	2,916	2,492
Retirement benefit expenses	539	678
Provision for directors' retirement benefits	10	—
Welfare expenses	2,092	2,161
Rent expenses	2,118	2,100
Commission fee	18,996	21,554
Depreciation	2,476	2,272
Other	7,772	7,825
Total selling, general and administrative expenses	74,097	81,618
Operating income	26,018	31,295
Non-operating income		
Interest income	85	75
Dividend income	9	9
Rent income	16	16
Reversal of allowance for doubtful accounts	213	2
Subsidy income	495	33
Gain on forgiveness of payable for group tax	—	62
Miscellaneous income	158	93
Total non-operating income	980	293
Non-operating expenses		
Interest expenses	67	52
Commission fee	14	6
Office transfer related expenses	44	31
Foreign exchange losses	1,545	358
Miscellaneous loss	4	11
Total non-operating expenses	1,676	459
Ordinary income	25,322	31,128

Consolidated Income Statement

(Millions of yen)

	Fiscal year ended	Fiscal year ended
	March 31, 2016	March 31, 2017
Extraordinary income		
Gain on sales of non-current assets	18	4
Gain on sales of investment securities	1	—
Gain on reversal of subscription rights to shares	19	20
Gain on liquidation of subsidiaries	—	69
Foreign currency gain on subsidiary liquidation	—	105
Gain on reversal of debts	—	82
Other	—	20
Total extraordinary income	40	302
Extraordinary losses		
Loss on sales of non-current assets	36	—
Loss on retirement of non-current assets	194	210
Impairment loss	1,961	437
Provision for loss on game arcade closings	15	—
Loss on liquidation of subsidiaries and associates	—	4,898
Loss on valuation of shares of subsidiaries and associates	1,702	0
Other	14	37
Total extraordinary losses	3,925	5,584
Profit before income taxes	21,436	25,846
Income taxes-current	6,690	5,331
Income taxes-deferred	(5,146)	472
Total income taxes	1,544	5,804
Profit	19,892	20,042
Profit attributable to non-controlling interests	8	3
Profit attributable to owners of parent	19,884	20,039

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended	Fiscal year ended
	March 31, 2016	March 31, 2017
Profit	19,892	20,042
Other comprehensive income		
Valuation difference on available-for-sale securities	(277)	23
Foreign currency translation adjustment	(1,956)	(1,539)
Remeasurements of defined benefit plans	(707)	442
Total other comprehensive income	(2,941)	(1,073)
Comprehensive income	16,951	18,969
(Breakdown)		
Comprehensive income attributable to owners of parent	16,984	19,072
Comprehensive income attributable to non-controlling interests	(33)	(103)

(3) Consolidated Statements of Changes in Net Assets
Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,680	52,920	79,355	(876)	155,079
Changes during the period					
Issuance of new shares	72	72			145
Dividends from retained earnings			(3,658)		(3,658)
Profit attributable to owners of parent			19,884		19,884
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during the period	72	72	16,226	(11)	16,359
Balance at the end of current period	23,753	52,993	95,581	(888)	171,439

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	618	(1,292)	99	(574)	327	482	155,314
Changes during the period							
Issuance of new shares							145
Dividends from retained earnings							(3,658)
Profit attributable to owners of parent							19,884
Purchase of treasury stock							(11)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	(277)	(1,915)	(707)	(2,899)	47	(38)	(2,890)
Total changes during the period	(277)	(1,915)	(707)	(2,899)	47	(38)	13,468
Balance at the end of current period	341	(3,207)	(607)	(3,474)	374	443	168,783

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,753	52,993	95,581	(888)	171,439
Changes during the period					
Issuance of new shares	74	74			149
Dividends from retained earnings			(5,855)		(5,855)
Profit attributable to owners of parent			20,039		20,039
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during the period	74	74	14,183	(8)	14,323
Balance at the end of current period	23,828	53,067	109,764	(897)	185,763

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	341	(3,207)	(607)	(3,474)	374	443	168,783
Changes during the period							
Issuance of new shares							149
Dividends from retained earnings							(5,855)
Profit attributable to owners of parent							20,039
Purchase of treasury stock							(8)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	23	(1,432)	442	(966)	78	(315)	(1,203)
Total changes during the period	23	(1,432)	442	(966)	78	(315)	13,120
Balance at the end of current period	364	(4,640)	(165)	(4,440)	453	128	181,904

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	21,436	25,846
Depreciation	6,317	6,270
Impairment loss	1,961	862
Increase (decrease) in allowance for doubtful accounts	(169)	169
Increase (decrease) in provision for bonuses	1,138	(224)
Increase (decrease) in provision for sales returns	(1,332)	2,905
Increase (decrease) in provision for directors' retirement benefits	10	(63)
Increase (decrease) in provision for loss on game arcade closings	(328)	(53)
Decrease (increase) in net defined benefit asset	—	7
Increase (decrease) in net defined benefit liability	(476)	291
Interest and dividend income	(95)	(84)
Interest expenses	67	52
Foreign exchange losses (gains)	1,749	(964)
Loss (gain) on sales of investment securities	(1)	—
Loss on retirement of non-current assets	194	210
Gain on sales of non-current assets	(18)	(4)
Loss on sales of non-current assets	36	—
Loss on valuation of shares of subsidiaries and associates	1,702	0
Decrease (increase) in notes and accounts receivable-trade	(910)	(4,882)
Decrease (increase) in inventories	(7,630)	4,257
Increase (decrease) in notes and accounts payable-trade	2,735	3,283
Decrease (increase) in other current assets	(552)	410
Decrease (increase) in other non-current assets	(527)	(187)
Increase (decrease) in other current liabilities	320	881
Other, net	210	(2,215)
Subtotal	25,838	36,769
Interest and dividend income received	95	89
Interest expenses paid	(65)	(54)
Income taxes paid	(6,213)	(11,311)
Income taxes refund	530	45
Net cash provided by (used in) operating activities	20,184	25,537

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Payments into time deposits	(1,671)	(4,461)
Proceeds from withdrawal of time deposits	1,153	4,113
Proceeds from sales of investment securities	1	—
Purchase of property, plant and equipment	(4,053)	(5,785)
Proceeds from sales of property, plant and equipment	200	6
Purchase of intangible assets	(461)	(851)
Purchase of shares of subsidiaries	(330)	(100)
Proceeds from liquidation of subsidiaries	—	69
Payments for guarantee deposits	(398)	(324)
Proceeds from collection of guarantee deposits	992	223
Other, net	(206)	(54)
Net cash provided by (used in) investing activities	(4,773)	(7,164)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,428	—
Proceeds from issuance of common shares	121	124
Purchase of treasury shares	(11)	(8)
Cash dividends paid	(3,654)	(5,849)
Other, net	(24)	(74)
Net cash provided by (used in) financing activities	(141)	(5,807)
Effect of exchange rate change on cash and cash equivalents	(3,041)	(534)
Net increase (decrease) in cash and cash equivalents	12,228	12,030
Cash and cash equivalents at beginning of period	103,147	115,375
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(11)
Cash and cash equivalents at end of period	115,375	127,395

(5) Notes to Consolidated Financial Statements

(Changes in accounting policy)

(Application of accounting standard for business)

Effective from the beginning of the fiscal year ended March 31, 2017, the Group has adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No.32, June 17, 2016), with the revision of the Corporation Tax Act. Consequently, the Group has changed the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 from declining-balance method to straight-line method.

There is minimal impact to the consolidated financial statements for the fiscal year ended March 31, 2017.

(Additional information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the beginning of the fiscal year ended March 31, 2017, the Group has adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

(Segment Information)

1. Outline of reporting segments

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

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

2. Information on sales and income by reporting segment

Fiscal Year Ended March 31, 2016

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1)Sales to outside customers	158,964	41,135	9,919	4,081	214,101	—	214,101
(2)Intersegment sales	0	0	50	466	517	(517)	—
Total	158,964	41,135	9,970	4,547	214,618	(517)	214,101
Segment operating income	27,456	3,988	2,267	1,517	35,230	(9,212)	26,018
Segment assets	74,221	15,821	4,128	681	94,852	137,879	232,731
Other items							
Depreciation and amortization	3,514	2,203	89	15	5,823	494	6,317
Increases in property, plant and equipment and intangible	1,221	2,810	9	18	4,060	1,812	5,872

Notes: 1. (1) Segment adjustments (¥9,212 million) include unallocated corporate general and administrative expenses (¥9,253 million).

(2) Segment assets adjustment of ¥137,879 million includes unallocated assets of ¥138,131 million. These assets mainly consist of surplus funds (including cash and deposits).

(3) Depreciation and amortization adjustment of ¥494 million relates to unallocated corporate assets.

(4) The adjustment increase of ¥1,812 million in property, plant and equipment and intangible assets relates to unallocated corporate assets.

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

Fiscal Year Ended March 31, 2017

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1)Sales to outside customers	199,016	42,747	9,974	5,085	256,824	—	256,824
(2)Intersegment sales	—	10	66	1,366	1,442	(1,442)	—
Total	199,016	42,757	10,041	6,451	258,266	(1,442)	256,824
Segment operating income	33,310	3,669	2,429	2,150	41,559	(10,264)	31,295
Segment assets	73,220	20,745	4,025	952	98,944	144,915	243,859
Other items							
Depreciation and amortization	2,796	2,685	87	18	5,587	683	6,270
Increases in property, plant and equipment and intangible	2,479	3,669	5	37	6,192	769	6,962

Notes: 1. (1) Segment adjustments (¥10,264 million) include unallocated corporate general and administrative expenses (¥10,297 million).

(2) Segment assets adjustment of ¥144,915 million includes unallocated assets of ¥145,132 million. These assets mainly consist of surplus funds (including cash and deposits).

(3) Depreciation and amortization adjustment of ¥683 million relates to unallocated corporate assets.

(4) The adjustment increase of ¥769 million in property, plant and equipment and intangible assets relates to unallocated corporate assets.

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

3. Information on sales by region

Fiscal Year Ended March 31, 2016

	Japan	North America	Europe	Asia and others	Total
Consolidated sales	151,160	28,977	26,572	7,390	214,101

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

Fiscal Year Ended March 31, 2017

	Japan	North America	Europe	Asia and others	Total
Consolidated sales	168,546	48,541	30,732	9,003	256,824

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