

# SQUARE ENIX®

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Japan GAAP)

May 13, 2019

Company name: SQUARE ENIX HOLDINGS CO., LTD.  
 Shares traded: Tokyo Stock Exchange, First Section  
 Company code: 9684  
 Company URL: <https://www.hd.square-enix.com/eng>  
 Representative: Yosuke Matsuda, President and Representative Director  
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 Annual general meeting of shareholders: June 21, 2019 (planned)  
 Financial report submission: June 24, 2019 (planned)  
 Cash dividend payment commencement: June 3, 2019 (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, 2018 to March 31, 2019)

#### (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, 2019	271,048	8.2	24,531	(35.7)	28,312	(21.6)	18,463	(28.5)
March 31, 2018	250,394	(2.5)	38,176	22.0	36,124	16.0	25,821	28.9

Note: FY ended March 31, 2019 Comprehensive income: 17,356 million yen ((34.7%)  
 FY ended March 31, 2018 Comprehensive income: 26,560 million yen (40.0%)

	Earnings per share, basic	Earnings per share, diluted	Return on equity	Ordinary income to total assets	Operating margin
Fiscal year ended	yen	yen	%	%	%
March 31, 2019	154.93	154.68	9.3	10.5	9.1
March 31, 2018	215.33	214.89	13.8	14.3	15.2

Note: FY ended March 31, 2019 Equity in gain (loss) of affiliated companies: — million yen  
 FY ended March 31, 2018 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, 2019	277,856	203,230	72.9	1,699.34
March 31, 2018	259,713	193,359	74.2	1,617.58

Note: Total equity As of March 31, 2019: 202,573 million yen  
 As of March 31, 2018: 192,612 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, 2019	12,135	(12,875)	(7,656)	127,181
March 31, 2018	30,638	(8,191)	(15,290)	134,355

## 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, 2018	—	10.00	—	55.00	65.00	7,739	30.2	4.2
Fiscal year ended March 31, 2019	—	10.00	—	37.00	47.00	5,602	30.3	2.8
Fiscal year ended March 31, 2020 (projection)	—	10.00	—	33.00	43.00		30.5	

## 3. Consolidated Forecasts (April 1, 2019 to March 31, 2020)

(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, 2020	270,000	(0.4)	24,000	(2.2)	24,000	(15.2)	16,800	(9.0)	140.97

(Note) For details, please refer to (4) Consolidated forecasts on page 4 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, 2019	122,531,596
As of March 31, 2018	122,398,896
  2. Number of treasury stock:
 

As of March 31, 2019	3,324,532
As of March 31, 2018	3,324,459
  3. Average number of shares during the period (cumulative):
 

Fiscal year ended March 31, 2019	119,171,323
Fiscal year ended March 31, 2018	119,912,554

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

## Supplemental Information — Index

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## 1. Consolidated Results and Consolidated Financial Position for the Fiscal Year Ended March 31, 2019

### (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, 2019 totaled ¥271,048 million (an increase of 8.2% from the prior fiscal year), operating income amounted to ¥24,531 million (a decrease of 35.7% from the prior fiscal year), ordinary income amounted to ¥28,312 million (a decrease of 21.6% from the prior fiscal year).

SQUARE ENIX HOLDINGS CO., LTD, ("the Company"), had decided to undertake an in-depth review of the business strategy for a wholly-owned subsidiary Luminous Productions Co., Ltd. This decision has resulted in the booking of an extraordinary loss amounting to ¥3,638 million, primarily reflecting the disposition of the portion of the content production account related to the aforementioned subsidiary. As a result, profit attributable to owners of parent amounted to ¥18,463 million (a decrease of 28.5% from the prior fiscal year).

A discussion of results by segment for the fiscal year ended March 31, 2019 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.

Net sales and operating income in the Digital Entertainment segment totaled ¥204,590 million (an increase of 6.9% from the prior fiscal year), and ¥29,062 million (a decrease of 33.1% from the prior fiscal year), respectively.

The release of such new consumer console titles as "KINGDOM HEARTS III," "SHADOW OF THE TOMB RAIDER," and "JUST CAUSE 4" drove a rise in net sales compared to the prior fiscal year. Operating income meanwhile fell versus the prior fiscal year due to higher costs associated with the release of the new titles.

In the smart devices and PC browser area, many of the titles newly launched in the prior fiscal year and first half of this fiscal year performed below expectations and failed to generate additional revenue on top of that from existing games. A decrease in licensing income also resulted in a year-on-year decline in net sales and operating income.

In the area of massively multiplayer online role-playing games, net sales and operating income decreased compared to the prior fiscal year, which had seen the launch of expansion packages for "FINAL FANTASY XIV" and "DRAGON QUEST X," but recurring subscription revenue remained brisk.

- 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.

Net sales and operating income in the Amusement segment totaled ¥46,243 million (an increase of 10.8% from the prior fiscal year), and ¥1,958 million (a decrease of 18.5% from the prior fiscal year), respectively.

Net sales rose compared to the prior fiscal year thanks to the release of new amusement machines and solid amusement facility operations. Operating income meanwhile fell versus the prior fiscal year due to higher depreciation charges associated with the installation of new machines at amusement facilities.

- Publication

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

Net sales and operating income in the Publication segment totaled ¥14,031 million (an increase of 27.0% from the prior fiscal year) and ¥3,970 million (an increase of 60.7% from the prior fiscal year), respectively.

Sales in digital formats grew sharply while comics in print format were on par with the prior fiscal year. In addition, the MANGA UP! comic app posted an increase in sales, resulting in this segment's higher net sales and operating income year-on-year.

- Merchandising

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

Net sales and operating income in the Merchandising segment totaled ¥7,397 million (a decrease of 2.3% from the prior fiscal year), and ¥932 million (a decrease of 50.6% from the prior fiscal year), respectively.

Net sales and operating income fell versus the prior fiscal year due to a high hurdle set by the release of new merchandise based on key IP a year earlier and to strategic investments aimed at developing new businesses.

## (2) Analysis of consolidated financial position

- Assets

As of March 31, 2019, total current assets were ¥229,888 million, an increase of 6.4% from the prior fiscal year. This was mainly due to increases in notes and accounts receivable of ¥10,999 million and content production account of ¥6,543 million, while cash and deposits decreased by ¥7,316 million.

Total non-current assets were ¥47,968 million, an increase of 10.0% from the prior fiscal year.

As a result, total assets were ¥277,856 million, an increase of 7.0% from the prior fiscal year.

- Liabilities

As of March 31, 2019, total current liabilities were ¥65,906 million, an increase of 12.0% from the prior fiscal year.

Total non-current liabilities were ¥8,719 million, an increase of 16.1% from the prior fiscal year.

As a result, total liabilities were ¥74,626 million, an increase of 12.5% from the prior fiscal year.

- Net assets

As of March 31, 2019, net assets were ¥203,230 million, an increase of 5.1% from the prior fiscal year. This was mainly due to profit attributable to owners of parent of ¥18,463 million and dividend payments of ¥7,741 million.

### (3) Consolidated cash flow

As of March 31, 2019, cash and cash equivalents totaled ¥127,181 million, a decrease of ¥7,173 million compared to the prior fiscal year. Cash flows during the fiscal year ended March 31, 2019 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, 2019 totaled ¥12,135 million (a decrease of 60.4% from the prior fiscal year).

Profit before income taxes of ¥23,028 million, an increase in notes and accounts payable-trade of ¥7,385 million, depreciation and amortization of ¥6,801 million, income tax paid of ¥12,683 million and an increase in notes and accounts receivable-trade of ¥10,649 million led to the overall provision of cash from operating activities.

#### ●Cash flows from investing activities

Net cash used in investing activities totaled ¥12,875 million (an increase of 57.2% from the prior fiscal year). The main factor is purchase of property, plant and equipment of ¥8,450 million.

#### ●Cash flows from financing activities

Net cash used in financing activities totaled ¥7,656 million (a decrease of 49.9% from the prior fiscal year). The main factor is cash dividends paid of ¥7,735 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 sustainable 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.

### (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 dividends, 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, 2019 will pass a resolution to pay the year-end dividends for the fiscal year ended March 31, 2019 of 37 yen per share (together with the interim dividends of 10 yen per share paid in last December, the amount of annual dividends will be 47 yen per share).

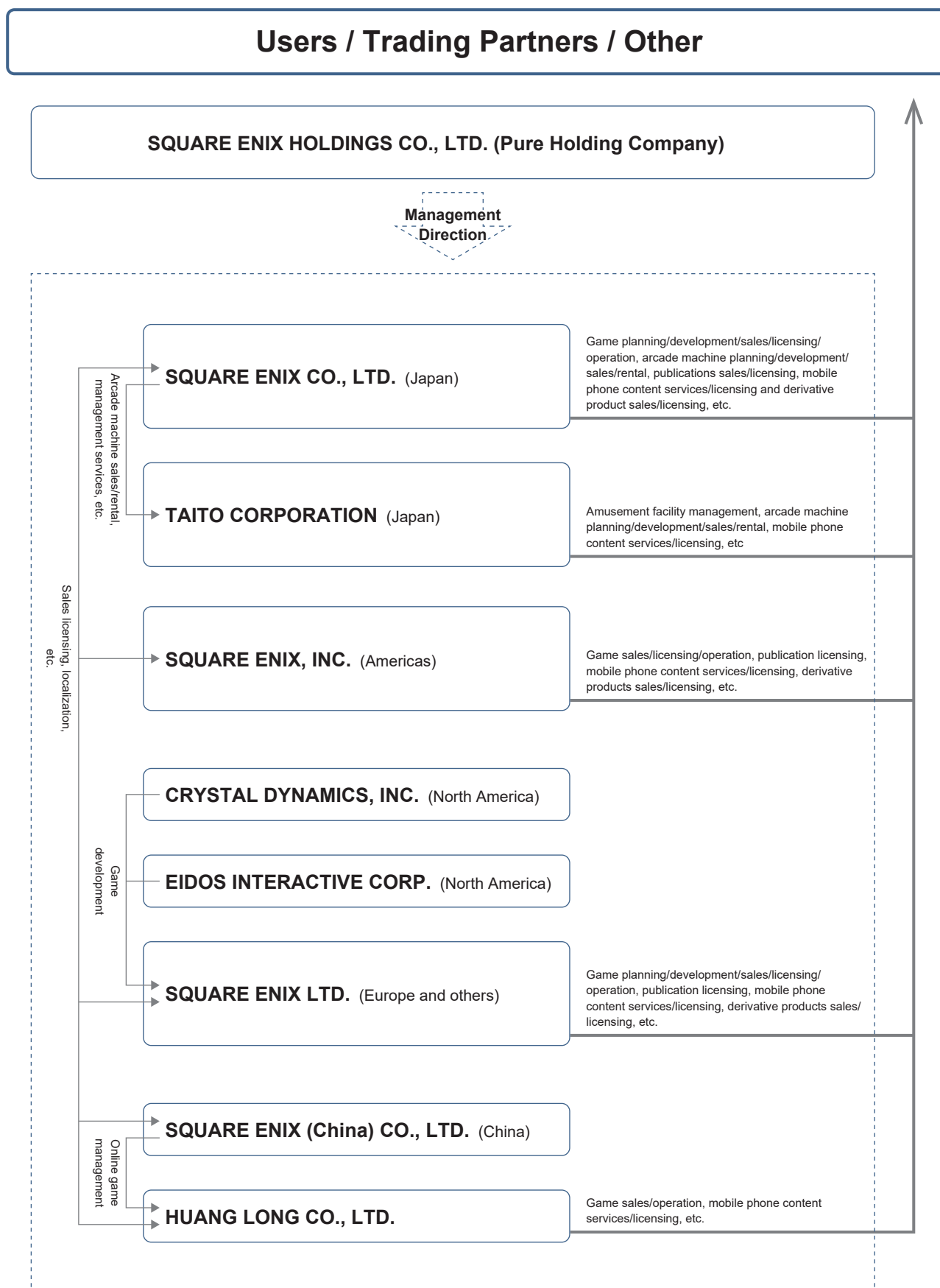
## 2. The Group's Outline of Operations

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
		Americas	SQUARE ENIX, INC. CRYSTAL DYNAMICS, INC. EIDOS INTERACTIVE CORP.
		Europe and others	SQUARE ENIX LTD.
		Asia	SQUARE ENIX (China) CO., LTD. HUANG LONG CO., LTD.
Amusement	Operation of amusement facilities and planning, development and distribution of arcade game machines for amusement facilities and related products	Japan	TAITO CORPORATION SQUARE ENIX CO., LTD.
Publication	Comic books, game strategy books, comic magazines, etc.	Japan	SQUARE ENIX CO., LTD.
		Americas	SQUARE ENIX, INC.
		Europe and others	SQUARE ENIX LTD.
Merchandising	Planning, production, distribution and licensing of derivative products of titles owned by the Group	Japan	SQUARE ENIX CO., LTD. TAITO CORPORATION
		Americas	SQUARE ENIX, INC.
		Europe and others	SQUARE ENIX LTD.

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

The Group's Business Diagram:



Note: Above business diagram only includes key consolidated subsidiaries.



### 3. Management Policy

#### (1) Management philosophy

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 establishing the business structure to achieve (i) net sales of ¥300-400 billion, and (ii) operating profit of ¥40-50 billion, respectively and stably.

#### (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. Due to advancements in the development and popularization of information technology and network environments, the digital entertainment industry is currently experiencing a major transformation in its structure. This has been driven by factors such as increased consumer needs in the area of digital-compliant entertainment with multi-function devices and networks, and the diversification of methods for the delivery of content as well as the accompanying business models. Our business area is also expanding to new markets such as Central and South America, the Middle East and South Asia, in addition to existing major markets including Japan, Europe, the United States and East Asia. The Group strives to respond to these changes, and become a pioneer in 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 human resources optimally suited 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, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	136,785	129,468
Notes and accounts receivable-trade	24,383	35,382
Merchandise and finished goods	3,233	4,484
Work in progress	3	5
Raw materials and supplies	253	330
Content production account	44,167	50,711
Other	7,486	9,770
Allowance for doubtful accounts	(212)	(265)
<b>Total current assets</b>	<b>216,100</b>	<b>229,888</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,657	17,179
Accumulated depreciation	(9,993)	(10,663)
Buildings and structures (net)	5,663	6,515
Tools, furniture and fixtures	14,021	14,759
Accumulated depreciation	(9,855)	(10,065)
Tools, furniture and fixtures (net)	4,165	4,693
Amusement equipment	16,910	17,435
Accumulated depreciation	(14,588)	(14,790)
Amusement equipment (net)	2,322	2,645
Other	177	184
Accumulated depreciation	(115)	(115)
Other (net)	62	68
Land	3,795	3,782
Construction in progress	50	183
<b>Total property, plant and equipment</b>	<b>16,060</b>	<b>17,889</b>
Intangible assets		
Other	4,559	5,105
<b>Total intangible assets</b>	<b>4,559</b>	<b>5,105</b>
Investments and other assets		
Investment securities	154	1,226
Guarantee deposits	9,879	10,373
Net defined benefit asset	155	93
Deferred tax assets	8,902	7,922
Other	3,965	5,418
Allowance for doubtful accounts	(63)	(61)
<b>Total investments and other assets</b>	<b>22,993</b>	<b>24,974</b>
<b>Total non-current assets</b>	<b>43,612</b>	<b>47,968</b>
<b>Total assets</b>	<b>259,713</b>	<b>277,856</b>

(Millions of yen)

As of March 31, 2018 As of March 31, 2019

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,848	22,050
Short-term loans payable	8,931	8,685
Income taxes payable	9,162	1,694
Provision for bonuses	3,246	3,273
Provision for sales returns	3,985	9,178
Provision for game arcade closings	58	49
Asset retirement obligations	—	5
Other	18,610	20,968
<b>Total current liabilities</b>	<b>58,842</b>	<b>65,906</b>
Non-current liabilities		
Provision for directors' retirement benefits	88	52
Provision for loss on game arcade closings	41	—
Net defined benefit liability	2,676	2,893
Deferred tax liabilities	896	1,383
Asset retirement obligations	2,812	3,132
Other	994	1,257
<b>Total non-current liabilities</b>	<b>7,510</b>	<b>8,719</b>
<b>Total liabilities</b>	<b>66,353</b>	<b>74,626</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,868	24,039
Capital surplus	53,107	53,281
Retained earnings	129,513	140,235
Treasury stock	(10,159)	(10,162)
<b>Total shareholders' equity</b>	<b>196,330</b>	<b>207,394</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89	116
Foreign currency translation adjustment	(3,674)	(4,651)
Remeasurements of defined benefit plans	(132)	(285)
<b>Total accumulated other comprehensive income</b>	<b>(3,718)</b>	<b>(4,820)</b>
Subscription rights to shares	603	517
Non-controlling interests	144	139
<b>Total net assets</b>	<b>193,359</b>	<b>203,230</b>
<b>Total liabilities and net assets</b>	<b>259,713</b>	<b>277,856</b>

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	250,394	271,048
Cost of sales	*1 129,519	*1 146,820
Gross profit	120,874	124,228
Reversal of provision for sales returns	6,118	4,152
Provision for sales returns	4,139	9,185
Gross profit-net	122,854	119,195
Selling, general and administrative expenses		
Packing and transportation expenses	1,874	2,062
Advertising expenses	22,585	29,460
Promotion expenses	86	120
Directors' compensations	773	470
Salaries and allowances	15,242	17,396
Provision for bonuses	3,740	3,433
Retirement benefit expenses	534	692
Welfare expenses	2,522	2,642
Rent expenses	2,306	2,699
Commission fee	23,539	24,664
Depreciation	2,495	2,410
Other	8,976	8,610
Total selling, general and administrative expenses	*2 84,677	*2 94,663
Operating income	38,176	24,531
Non-operating income		
Interest income	107	167
Dividend income	14	0
Foreign exchange gains	—	3,459
Rent income	35	72
Reversal of allowance for doubtful accounts	161	8
Subsidy income	126	7
Gain on forgiveness of payable for group tax	31	37
Miscellaneous income	281	246
Total non-operating income	757	3,999
Non-operating expenses		
Interest expenses	84	107
Commission fee	10	5
Loss on investments in securities	—	40
Office transfer related expenses	152	65
Foreign exchange losses	2,477	—
Miscellaneous loss	83	0
Total non-operating expenses	2,809	219
Ordinary income	36,124	28,312

## Consolidated Income Statement

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Extraordinary income</b>		
Gain on sales of non-current assets	*3 9	*3 15
Gain on sales of investment securities	351	0
Gain on reversal of subscription rights to shares	2	—
Gain on liquidation of subsidiaries	5	8
<b>Total extraordinary income</b>	<b>368</b>	<b>23</b>
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	*4 18	—
Loss on retirement of non-current assets	*5 131	*5 198
Impairment loss	*6 40	*6 368
Loss on valuation of shares of subsidiaries and associates	—	680
Loss on sales of shares of subsidiaries and associates	371	—
Loss on disposal of content	—	*7 3,638
Other	4	422
<b>Total extraordinary losses</b>	<b>565</b>	<b>5,307</b>
<b>Profit before income taxes</b>	<b>35,927</b>	<b>23,028</b>
Income taxes-current	9,216	2,968
Income taxes-deferred	878	1,590
<b>Total income taxes</b>	<b>10,094</b>	<b>4,559</b>
<b>Profit</b>	<b>25,832</b>	<b>18,468</b>
Profit attributable to non-controlling interests	11	4
<b>Profit attributable to owners of parent</b>	<b>25,821</b>	<b>18,463</b>

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	25,832	18,468
Other comprehensive income		
Valuation difference on available-for-sale securities	(275)	27
Foreign currency translation adjustment	970	(986)
Remeasurements of defined benefit plans	32	(153)
Total other comprehensive income	727	(1,112)
Comprehensive income	26,560	17,356
(Breakdown)		
Comprehensive income attributable to owners of parent	26,544	17,360
Comprehensive income attributable to non-controlling interests	16	(4)

(3) Consolidated Statements of Changes in Net Assets  
Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,828	53,067	109,764	(897)	185,763
Changes during the period					
Issuance of new shares	40	40			80
Dividends from retained earnings			(6,072)		(6,072)
Profit attributable to owners of parent			25,821		25,821
Purchase of treasury stock				(9,262)	(9,262)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during the period	40	40	19,748	(9,261)	10,566
Balance at the end of current period	23,868	53,107	129,513	(10,159)	196,330

	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	364	(4,640)	(165)	(4,440)	453	128	181,904
Changes during the period							
Issuance of new shares							80
Dividends from retained earnings							(6,072)
Profit attributable to owners of parent							25,821
Purchase of treasury stock							(9,262)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	(275)	965	32	722	150	16	889
Total changes during the period	(275)	965	32	722	150	16	11,455
Balance at the end of current period	89	(3,674)	(132)	(3,718)	603	144	193,359

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,868	53,107	129,513	(10,159)	196,330
Changes during the period					
Issuance of new shares	171	171			343
Dividends from retained earnings			(7,741)		(7,741)
Profit attributable to owners of parent			18,463		18,463
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		1		5	7
Net changes of items other than shareholders' equity					
Total changes during the period	171	173	10,722	(3)	11,064
Balance at the end of current period	24,039	53,281	140,235	(10,162)	207,394

	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	89	(3,674)	(132)	(3,718)	603	144	193,359
Changes during the period							
Issuance of new shares							343
Dividends from retained earnings							(7,741)
Profit attributable to owners of parent							18,463
Purchase of treasury stock							(8)
Disposal of treasury stock							7
Net changes of items other than shareholders' equity	27	(977)	(153)	(1,102)	(86)	(4)	(1,194)
Total changes during the period	27	(977)	(153)	(1,102)	(86)	(4)	9,870
Balance at the end of current period	116	(4,651)	(285)	(4,820)	517	139	203,230



## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	35,927	23,028
Depreciation	5,859	6,801
Impairment loss	40	368
Increase (decrease) in allowance for doubtful accounts	(251)	44
Increase (decrease) in provision for bonuses	1,096	(36)
Increase (decrease) in provision for sales returns	(1,979)	5,032
Increase (decrease) in provision for directors' retirement benefits	—	(35)
Increase (decrease) in provision for loss on game arcade closings	(48)	(50)
Decrease (increase) in net defined benefit asset	(64)	(44)
Increase (decrease) in net defined benefit liability	205	96
Interest and dividend income	(121)	(167)
Interest expenses	84	107
Foreign exchange losses (gains)	2,940	(4,072)
Loss (gain) on sales of investment securities	(351)	(0)
Loss (gain) on sales of shares of subsidiaries and associates	371	—
Loss on retirement of non-current assets	131	198
Gain on sales of non-current assets	(9)	(15)
Loss on sales of non-current assets	18	—
Loss on valuation of shares of subsidiaries and associates	—	680
Decrease (increase) in notes and accounts receivable-trade	1,128	(10,649)
Decrease (increase) in inventories	(11,092)	(6,860)
Increase (decrease) in notes and accounts payable-trade	523	7,385
Decrease (increase) in other current assets	1,994	(2,307)
Decrease (increase) in other non-current assets	(531)	(659)
Increase (decrease) in other current liabilities	(3,648)	2,079
Other, net	874	1,065
Subtotal	33,098	21,988
Interest and dividend income received	121	167
Interest expenses paid	(84)	(106)
Income taxes paid	(5,213)	(12,683)
Income taxes refund	2,717	2,768
Net cash provided by (used in) operating activities	30,638	12,135

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Cash flows from investing activities</b>		
Payments into time deposits	(4,539)	(3,993)
Proceeds from withdrawal of time deposits	4,157	3,976
Purchase of property, plant and equipment	(6,378)	(8,450)
Proceeds from sales of property, plant and equipment	9	15
Purchase of intangible assets	(858)	(1,190)
Purchase of investment securities	—	(1,074)
Proceeds from sales of investment securities	642	0
Purchase of shares of subsidiaries	(210)	(380)
Proceeds from liquidation of subsidiaries	5	8
Purchase of shares of subsidiaries and associates	—	(294)
Purchase of bonds of subsidiaries and associates	—	(697)
Payments for guarantee deposits	(1,204)	(760)
Proceeds from collection of guarantee deposits	431	208
Other, net	(247)	(244)
Net cash provided by (used in) investing activities	(8,191)	(12,875)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common shares	64	106
Purchase of treasury shares	(9,262)	(8)
Proceeds from exercise of share options	—	5
Cash dividends paid	(6,068)	(7,735)
Other, net	(23)	(23)
Net cash provided by (used in) financing activities	(15,290)	(7,656)
Effect of exchange rate change on cash and cash equivalents	(196)	1,221
Net increase (decrease) in cash and cash equivalents	6,960	(7,173)
Cash and cash equivalents at beginning of period	127,395	134,355
Cash and cash equivalents at end of period	134,355	127,181

(5) Notes to Consolidated Financial Statements

(Note regarding going concern assumptions)

None

(Changes in accounting policy)

Effective from the beginning of the fiscal year ending March 31, 2019, at foreign subsidiaries and affiliates that apply US GAAP, ASC 606, "Revenue from Contracts with Customers" has been adopted, while at other foreign subsidiaries and affiliates, IFRS 15, "Revenue from Contracts with Customers" has been adopted. As a result, there is no impact to the consolidated financial statements for the fiscal year ended March 31, 2019.

(Additional information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc)

Effective from the beginning of the fiscal year ending March 31, 2019, the Group has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Guidance No.28 of February 16, 2018)." As a result, deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under non-current liabilities.

(Notes to Consolidated Income Statement)

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

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

		(Millions of yen)
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	6,245	2,908

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

		(Millions of yen)
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	1,243	2,008

\*3 Breakdown of gain on sale of property and equipment

		(Millions of yen)
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Tools, furniture and fixtures	9	15

\*4 Breakdown of loss on sale of property and equipment

		(Millions of yen)
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Buildings, structures and land	14	—
Tools, furniture and fixtures	3	—
Other	0	—
Total	18	—

\*5 Breakdown of loss on disposal of property and equipment

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Buildings and structures	11	23
Tools, furniture and fixtures	18	18
Amusement equipment	98	156
Other	3	0
Total	131	198

\*6 Impairment loss

In the fiscal year ended March 31, 2018, the Group posted an impairment loss on the following groups of assets.

(Millions of yen)			
Location	Usage	Category	Impairment amount
Shinjuku-ku, Tokyo	Idle assets	Amusement equipment	32
Shinjuku-ku, Tokyo	Idle assets	Other (Intangible assets)	1
Shinjuku-ku, Tokyo	Assets planned for disposal	Amusement equipment	6
Total			40

In the Amusement business segment, each division, including captive outlets, rented outlets, franchise outlets and amusement equipment production and sales, is classified as one asset-grouping unit. In other business segments, classification of asset groups is carried out based on the relationships between businesses. Idle assets that are not used for operational purposes and assets planned for disposal are classified individually, separately from those mentioned above.

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

In the fiscal year ended March 31, 2019, 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	55	
		Other	0	
Shinjuku-ku, Tokyo	Assets planned for disposal	Amusement equipment	40	
		Buildings and Structures	2	
Miyazaki, Miyazaki Prefecture, Osaka, Osaka Prefecture	Game arcade	Buildings and Structures	174	
		Tools, furniture and fixtures	35	
		Other	24	
Atsugi, Kanagawa Prefecture	Amusement equipment maintenance services division	Buildings and Structures	9	
		Tools, furniture and fixtures	7	
		Land	13	
		Other	4	
Total			368	

Impairment loss of 170million yen other than those above is included in loss on disposal of content

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

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

#### \*7 Loss on disposal of content

In the fiscal year ended March 31, 2019, the Group posted a loss on disposal of content of an extraordinary loss due to the in-depth review of the business strategy for Luminous Productions Co., Ltd., a wholly-owned subsidiary. The loss comprises ¥3,425 million in loss on disposal of content production, ¥170 million in impairment loss on intangible assets and ¥41 million in other expenses.

In the above, the impairment of intangible assets was as follows:

				Millions of yen
Location	Usage	Category	Impairment amount	
Shinjuku-ku, Tokyo	Other	Other	170	

For intangible assets, asset values were reassessed, taking into account changes in the market environment, and book values were subsequently written down to the applicable recoverable values. Note that calculation of recoverable amounts is measured by value in use. Value in use is estimated to be zero because the carrying value of these assets may not be recoverable.

(Segment Information)

[Segment Information]

■ Year ended March 31, 2018

1. Outline of reporting segments

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

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

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

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

3. Information on sales and income by reporting segment

(Millions of yen)

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1) Sales to outside customers	191,454	41,716	11,001	6,221	250,394	—	250,394
(2) Intersegment sales	14	33	47	1,346	1,442	(1,442)	—
Total	191,469	41,750	11,049	7,567	251,837	(1,442)	250,394
Segment operating income	43,421	2,402	2,470	1,888	50,183	(12,006)	38,176
Segment assets	79,178	23,011	4,389	1,610	108,190	151,523	259,713
Other items							
Depreciation and amortization	2,657	2,423	36	31	5,149	709	5,859
Increases in property, plant and equipment and intangible assets	2,890	3,783	11	9	6,694	1,273	7,967

Notes: 1. (1) Segment adjustments (¥12,006 million) include unallocated corporate general and administrative expenses (¥12,048 million).

(2) Segment assets adjustment of ¥151,523 million includes unallocated assets of ¥151,759 million. These assets mainly consist of surplus funds (including cash and deposits).

(3) Depreciation and amortization adjustment of ¥709 million relates to unallocated corporate assets.

(4) The adjustment increase of ¥1,273 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.

■ Year ended March 31, 2019

1. Outline of reporting segments

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

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

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

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

3. Information on sales and income by reporting segment

(Millions of yen)

	Reporting Segments				Total	Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising			
Sales and operating income							
Net sales							
(1) Sales to outside customers	204,572	46,066	14,000	6,409	271,048	—	271,048
(2) Intersegment sales	17	177	30	987	1,213	(1,213)	—
Total	204,590	46,243	14,031	7,397	272,262	(1,213)	271,048
Segment operating income	29,062	1,958	3,970	932	35,924	(11,393)	24,531
Segment assets	98,113	24,931	5,361	1,777	130,184	147,672	277,856
Other items							
Depreciation and amortization	2,777	3,223	39	36	6,076	725	6,801
Increases in property, plant and equipment and intangible assets	3,342	4,387	18	51	7,800	1,781	9,581

Notes: 1. (1) Segment adjustments (¥11,393 million) include unallocated corporate general and administrative expenses (¥11,447 million).

(2) Segment assets adjustment of ¥147,672 million includes unallocated assets of ¥147,896 million. These assets mainly consist of surplus funds (including cash and deposits).

(3) Depreciation and amortization adjustment of ¥725 million relates to unallocated corporate assets.

(4) The adjustment increase of ¥1,781 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.

[Related Information]

■ Year ended March 31, 2018

1.Information by product or service

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

2.Information by geographical area

(1) Sales

	Japan	North America	Europe	Asia and others	(Millions of yen) Total
Consolidated sales	175,786	44,632	21,802	8,172	250,394

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

(2) Property and equipment

	Japan	North America	Europe	Asia and others	(Millions of yen) Total
Property and equipment	14,116	1,414	438	90	16,060

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, 2019

1.Information by product or service

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

2.Information by geographical area

(1) Sales

	Japan	North America	Europe	Asia and others	(Millions of yen) Total
Consolidated sales	166,786	58,201	32,400	13,660	271,048

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

(2) Property and equipment

	Japan	North America	Europe	Asia and others	(Millions of yen) Total
Property and equipment	14,907	2,444	460	76	17,889

3. Information by major customer

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



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

■ Year ended March 31, 2018

(Millions of yen)

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	—	38	—	—	1	40

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

■ Year ended March 31, 2019

(Millions of yen)

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	—	368	—	—	0	368

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, 2018

None

■ Year ended March 31, 2019

None

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

■ Year ended March 31, 2018

None

■ Year ended March 31, 2019

None

(Per Share Information)

	(yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	1,617.58	1,699.34
Earnings per share	215.33	154.93
Diluted earnings per share	214.89	154.68

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

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Earnings per share:		
Profit attributable to owners of parent	25,821	18,463
Income not available to common shareholders	—	—
Profit attributable to owners of parent available to common shareholders	25,821	18,463
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	119,912	119,171
Adjustments to profit used to calculate diluted earnings per share:		
Adjustments to profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (thousands of shares)	247	197
(Number of shares reserved for the purpose of new share issuances for exercise of share subscription rights)	(247)	(197)
Summary of residual securities that do not dilute the Company's earnings per share	'Issuance of August 2017 stock acquisition rights, pursuant to a resolution of the Board of Directors on August 4, 2017: 179,000 shares	'Issuance of August 2018 stock acquisition rights, pursuant to a resolution of the Board of Directors on August 7, 2018: 124,200 shares

(Significant Subsequent Events)

None