

**Consolidated Financial Results
for the Fiscal Year Ended March 31, 2018 (Japan GAAP)**

May 11, 2018

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 22, 2018 (planned)
Financial report submission: June 25, 2018 (planned)
Cash dividend payment commencement: June 4, 2018 (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, 2017 to March 31, 2018)

(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, 2018	250,394 (2.5)	38,176 22.0	36,124 16.0	25,821 28.9
March 31, 2017	256,824 20.0	31,295 20.3	31,128 22.9	20,039 0.8

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

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

	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, 2018	215.33	214.89	13.8	14.3	15.2
March 31, 2017	164.20	163.92	11.5	13.1	12.2

Note: FY ended March 31, 2018 Equity in gain (loss) of affiliated compa - million yen

FY ended March 31, 2017 Equity in gain (loss) of affiliated compa - 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, 2018	259,713	193,359	74.2	1,617.58
March 31, 2017	243,859	181,904	74.4	1,485.56

Note: Total equity As of March 31, 2018: 192,612 million yen

As of March 31, 2017: 181,322 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, 2018	30,638	(8,191)	(15,290)	134,355
March 31, 2017	25,537	(7,164)	(5,807)	127,395

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, 2017	—	10.00	—	40.00	50.00	6,102	30.5	3.5
Fiscal year ended March 31, 2018	—	10.00	—	55.00	65.00	7,739	30.2	4.2
Fiscal year ending March 31, 2019 (projection)	—	10.00	—	43.00	53.00		30.3	

3. Consolidated Forecasts (April 1, 2018 to March 31, 2019)

(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, 2019	270,000	7.8	30,000	(21.4)	30,000	(17.0)	21,000	(18.7)	175.13

(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: No
 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, 2018	122,398,896
As of March 31, 2017	122,373,396
 2. Number of treasury stock:

As of March 31, 2018	3,324,459
As of March 31, 2017	316,434
 3. Average number of shares during the period (cumulative):

Fiscal year ended March 31, 2018	119,912,554
Fiscal year ended March 31, 2017	122,040,225

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, 2018

(1) Analysis of consolidated business results

The Square Enix group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its Digital Entertainment, Amusement, Publication and Merchandising business segments.

Net sales for the fiscal year ended March 31, 2018 totaled ¥250,394 million (a decrease of 2.5% from the prior fiscal year), operating income amounted to ¥38,176 million (an increase of 22.0% from the prior fiscal year), ordinary income amounted to ¥36,124 million (an increase of 16.0% from the prior fiscal year), and profit attributable to owners of parent amounted to ¥25,821 million (an increase of 28.9 % from the prior fiscal year).

A discussion of results by segment for the fiscal year ended March 31, 2018 follows.

- **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.

The fiscal year ended March 31, 2018 saw the launch of "DRAGON QUEST XI: Echoes of an Elusive Age," the latest title in the "DRAGON QUEST" series, and of "FINAL FANTASY XII THE ZODIAC AGE," but a decrease in the number of blockbuster titles resulted in a net sales decline as compared to the prior fiscal year. On the other hand, strong high-margin download sales of previously released catalogue titles such as "NieR: Automata" resulted in an increase in operating income as compared to the prior fiscal year.

In the smart devices and PC browser area, our established lineup of popular games such as "FINAL FANTASY BRAVE EXVIUS," "HOSHI NO DRAGON QUEST," "DRAGON QUEST MONSTERS SUPER LIGHT," and "KINGDOM HEARTS Union X" is continuing to show a strong performance globally, and an increase of royalty income pushed both net sales and operating income up as compared to the prior fiscal year.

In the area of massively multiplayer online role playing games, revenues from the latest expansions of "FINAL FANTASY XIV" and "DRAGON QUEST X" led to an increase in the number of paying subscribers and disk sales, which resulted in an increase of net sales and operating income as compared to the prior fiscal year.

Net sales and operating income in the Digital Entertainment segment totaled ¥191,469 million (a decrease of 3.8% from the prior fiscal year) and ¥43,421 million (an increase of 30.4% 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, 2018, amusement facility operations showed a steady performance, while new amusement machine releases decreased, which led to a decline in this segment's net sales and operating income as compared to the prior fiscal year.

Net sales and operating income in the Amusement segment totaled ¥41,750 million (a decrease of 2.4% from the prior fiscal year) and ¥2,402million (a decrease of 34.5% from the prior fiscal year), respectively.

- Publication

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

During the fiscal year ended March 31, 2018, sales of comic books remained strong. In particular, digital format sales increased as compared to the prior fiscal year.

Net sales and operating income in the Publication segment totaled ¥11,049 million (an increase of 10.0% from the prior fiscal year) and ¥2,470 million (an increase of 1.7% from the prior fiscal year), respectively.

- Merchandising

The Merchandising segment consists of planning, production, distribution, and licensing of products primarily based on Group-owned IP.

The fiscal year ended March 31, 2018 saw solid sales and licensing of character goods and soundtracks based on the Group's own IPs.

Net sales and operating income in the Merchandising segment totaled ¥7,567 million (an increase of 17.3% from the prior fiscal year) and ¥1,888 million (a decrease of 12.2% from the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

- Assets

As of March 31, 2018, total current assets were ¥222,544 million, an increase of 6.5% from the prior fiscal year. This was mainly due to the increase in the content production account of ¥9,619 million.

Fixed assets were ¥37,169 million, an increase of 6.7% from the prior fiscal year.

As a result, total assets were ¥259,713 million, an increase by 6.5%.

- Liabilities

As of March 31, 2018, total current liabilities were ¥58,842 million, an increase of 6.1% from the prior fiscal year.

Non-current liabilities were ¥7,510 million, an increase of 15.4% from the prior fiscal year.

As a result, total liabilities were ¥66,353 million, an increase by 7.1%.

- Net assets

As of March 31, 2018, net assets were ¥193,359 million, an increase of 6.3% from the prior fiscal year. This was mainly due to the profit attributable to owners of parent of ¥25,821 million, dividend payments of ¥6,072 million and the payment for purchase of treasury stock of ¥9,262 million.

(3) Consolidated cash flow

As of March 31, 2018, cash and cash equivalents totaled ¥134,355 million, an increase of ¥6,960 million from the prior fiscal year. Cash flows during the fiscal year ended March 31, 2018 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, 2018 totaled ¥30,638 million (an increase of 20.0% from the prior fiscal year).

Profit before income taxes of ¥35,927 million, depreciation and amortization of ¥5,859 million and an increase in inventories of ¥11,092 million led to the overall provision of cash from operating activities.

- Cash flows from investing activities

Net cash used in investing activities totaled ¥8,191 million (an increase of 14.3% from the prior fiscal year).

The main factors are purchases of property, plant and equipment of ¥6,378 million.

- Cash flows from financing activities

Net cash used in financing activities totaled ¥15,290 million (an increase of 163.3% from the prior fiscal year).

The main factors are the payment for purchase of treasury stock of ¥9,262 million and cash dividends paid of ¥6,068 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.

The Company has decided to change the consolidated forecast from a range method to specific figures in order for the earnings forecast disclosure to be much clearer. The Company does not disclose the first half consolidated forecasts in consideration of the fact that fluctuation in sales, income and loss during a fiscal year has increasingly become larger.

(5) Basic policy for profit distribution and dividends

The Group 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. The Group likewise attaches continued importance to shareholder returns, primarily by means of cash dividend, striving to strike an optimal balance between performance-based payouts and stable returns. The amount of dividends is determined based upon the comprehensive consideration of the balance between investments and shareholder return, using a consolidated payout ratio of approximately 30% as a guide.

The Company's Board of Directors' Meeting to be held on May 17, 2018 will pass a resolution to pay the year-end dividends for fiscal year ended March 31, 2018 of 55 yen per share (together with the interim dividends of 10 yen per share paid in December 2017, the amount of annual dividends will be 65 yen per share).

2. The Group's Outline of Operations

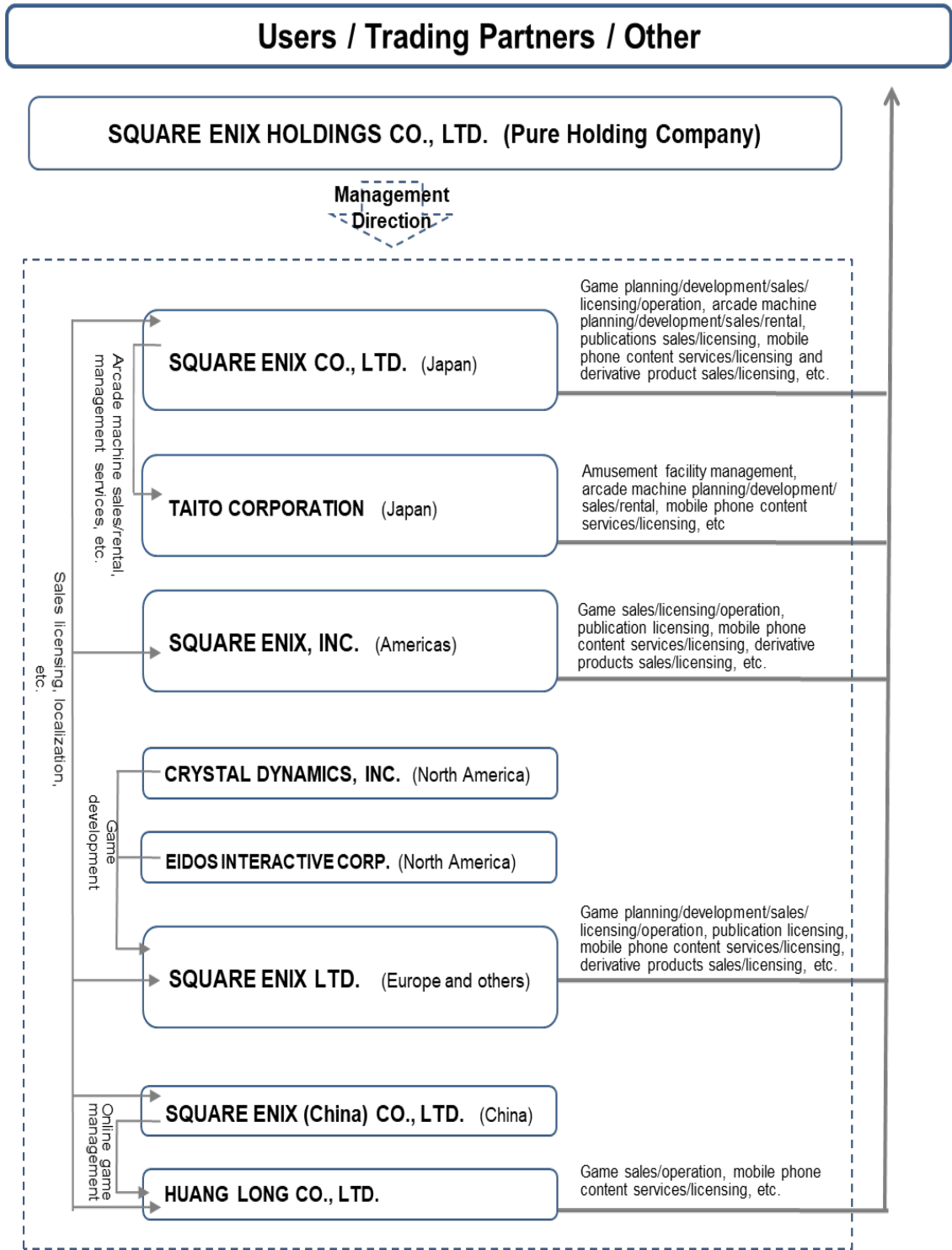
The following outline of operations lists the Group's primary business segments and major subsidiaries.

(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 contents 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 structural transformation. This has been driven by factors such as increased consumer needs for contents and services accessible over multi-function devices and networks, and the diversification of content delivery methods 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 major existing 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 recruits and develops human resources capable of supporting that goal.

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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	129,364	136,785
Notes and accounts receivable-trade	26,053	24,383
Merchandise and finished goods	2,820	3,233
Work in progress	11	3
Raw materials and supplies	302	253
Content production account	34,548	44,167
Deferred tax assets	7,029	6,443
Other	9,222	7,486
Allowance for doubtful accounts	(314)	(212)
Total current assets	209,038	222,544
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,777	15,657
Accumulated depreciation	(9,365)	(9,993)
Buildings and structures (net)	5,412	5,663
Tools, furniture and fixtures	13,694	14,021
Accumulated depreciation	(10,626)	(9,855)
Tools, furniture and fixtures (net)	3,067	4,165
Amusement equipment	16,247	16,910
Accumulated depreciation	(14,455)	(14,588)
Amusement equipment (net)	1,792	2,322
Other	181	177
Accumulated depreciation	(79)	(115)
Other (net)	101	62
Land	3,798	3,795
Construction in progress	62	50
Total property, plant and equipment	14,234	16,060
Intangible assets		
Other	4,735	4,559
Total intangible assets	4,735	4,559
Investments and other assets		
Investment securities	780	154
Guarantee deposits	9,204	9,879
Net defined benefit asset	120	155
Deferred tax assets	2,572	2,458
Other	3,394	3,965
Allowance for doubtful accounts	(222)	(63)
Total investments and other assets	15,850	16,549
Total non-current assets	34,820	37,169
Total assets	243,859	259,713

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,220	14,848
Short-term loans payable	8,437	8,931
Income taxes payable	1,665	9,162
Provision for bonuses	2,358	3,246
Provision for sales returns	6,197	3,985
Provision for game arcade closings	64	58
Asset retirement obligations	17	—
Other	22,482	18,610
Total current liabilities	55,445	58,842
Non-current liabilities		
Provision for directors' retirement benefits	88	88
Provision for loss on game arcade closings	83	41
Net defined benefit liability	2,546	2,676
Deferred tax liabilities	573	896
Asset retirement obligations	2,450	2,812
Other	767	994
Total non-current liabilities	6,510	7,510
Total liabilities	61,955	66,353
Net assets		
Shareholders' equity		
Capital stock	23,828	23,868
Capital surplus	53,067	53,107
Retained earnings	109,764	129,513
Treasury stock	(897)	(10,159)
Total shareholders' equity	185,763	196,330
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	364	89
Foreign currency translation adjustment	(4,640)	(3,674)
Remeasurements of defined benefit plans	(165)	(132)
Total accumulated other comprehensive income	(4,440)	(3,718)
Subscription rights to shares	453	603
Non-controlling interests	128	144
Total net assets	181,904	193,359
Total liabilities and net assets	243,859	259,713

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

(Millions of yen)

	Fiscal year ended	
	March 31, 2017	March 31, 2018
Net sales	256,824	250,394
Cost of sales	*1 141,123	*1 129,519
Gross profit	115,701	120,874
Reversal of provision for sales returns	3,227	6,118
Provision for sales returns	6,014	4,139
Gross profit-net	112,914	122,854
Selling, general and administrative expenses		
Packing and transportation expenses	1,726	1,874
Advertising expenses	25,541	22,585
Promotion expenses	74	86
Provision of allowance for doubtful accounts	12	—
Directors' compensations	557	773
Salaries and allowances	14,618	15,242
Provision for bonuses	2,492	3,740
Retirement benefit expenses	678	534
Welfare expenses	2,161	2,522
Rent expenses	2,100	2,306
Commission fee	21,554	23,539
Depreciation	2,272	2,495
Other	7,825	8,976
Total selling, general and administrative expenses	*2 81,618	*2 84,677
Operating income	31,295	38,176
Non-operating income		
Interest income	75	107
Dividend income	9	14
Rent income	16	35
Reversal of allowance for doubtful accounts	2	161
Subsidy income	33	126
Gain on forgiveness of payable for group tax	62	31
Miscellaneous income	93	281
Total non-operating income	293	757
Non-operating expenses		
Interest expenses	52	84
Commission fee	6	10
Office transfer related expenses	31	152
Foreign exchange losses	358	2,477
Miscellaneous loss	11	83
Total non-operating expenses	459	2,809
Ordinary income	31,128	36,124

Consolidated Income Statement

(Millions of yen)

	Fiscal year ended	Fiscal year ended
	March 31, 2017	March 31, 2018
Extraordinary income		
Gain on sales of non-current assets	*3 4	*3 9
Gain on sales of investment securities	—	351
Gain on reversal of subscription rights to shares	20	2
Foreign currency gain on subsidiary liquidation	105	—
Gain on reversal of debts	82	—
Other	90	5
Total extraordinary income	302	368
Extraordinary losses		
Loss on sales of non-current assets	—	*4 18
Loss on retirement of non-current assets	*5 210	*5 131
Impairment loss	*6 437	*6 40
Loss on sales of shares of subsidiaries and associates	—	371
Loss on liquidation of subsidiaries and associates	*7 4,898	—
Other	37	4
Total extraordinary losses	5,584	565
Profit before income taxes	25,846	35,927
Income taxes-current	5,331	9,216
Income taxes-deferred	472	878
Total income taxes	5,804	10,094
Profit	20,042	25,832
Profit attributable to non-controlling interests	3	11
Profit attributable to owners of parent	20,039	25,821

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended	Fiscal year ended
	March 31, 2017	March 31, 2018
Profit	20,042	25,832
Other comprehensive income		
Valuation difference on available-for-sale securities	23	(275)
Foreign currency translation adjustment	(1,539)	970
Remeasurements of defined benefit plans	442	32
Total other comprehensive income	(1,073)	727
Comprehensive income	18,969	26,560
(Breakdown)		
Comprehensive income attributable to owners of parent	19,072	26,544
Comprehensive income attributable to non-controlling interests	(103)	16

(3) Consolidated Statements of Changes in Net Assets
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

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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	25,846	35,927
Depreciation	6,270	5,859
Impairment loss	862	40
Increase (decrease) in allowance for doubtful accounts	169	(251)
Increase (decrease) in provision for bonuses	(224)	1,096
Increase (decrease) in provision for sales returns	2,905	(1,979)
Increase (decrease) in provision for directors' retirement benefits	(63)	—
Increase (decrease) in provision for loss on game arcade closings	(53)	(48)
Decrease (increase) in net defined benefit asset	7	(64)
Increase (decrease) in net defined benefit liability	291	205
Interest and dividend income	(84)	(121)
Interest expenses	52	84
Foreign exchange losses (gains)	(964)	2,940
Loss (gain) on sales of investment securities	—	(351)
Loss (gain) on sales of shares of subsidiaries and associates	—	371
Loss on retirement of non-current assets	210	131
Gain on sales of non-current assets	(4)	(9)
Loss on sales of non-current assets	—	18
Decrease (increase) in notes and accounts receivable-trade	(4,882)	1,128
Decrease (increase) in inventories	4,257	(11,092)
Increase (decrease) in notes and accounts payable-trade	3,283	523
Decrease (increase) in other current assets	410	1,994
Decrease (increase) in other non-current assets	(187)	(531)
Increase (decrease) in other current liabilities	881	(3,648)
Other, net	(2,215)	874
Subtotal	36,769	33,098
Interest and dividend income received	89	121
Interest expenses paid	(54)	(84)
Income taxes paid	(11,311)	(5,213)
Income taxes refund	45	2,717
Net cash provided by (used in) operating activities	25,537	30,638

(Millions of yen)

	Fiscal year ended	Fiscal year ended
	March 31, 2017	March 31, 2018
Cash flows from investing activities		
Payments into time deposits	(4,461)	(4,539)
Proceeds from withdrawal of time deposits	4,113	4,157
Proceeds from sales of investment securities	—	642
Purchase of property, plant and equipment	(5,785)	(6,378)
Proceeds from sales of property, plant and equipment	6	9
Purchase of intangible assets	(851)	(858)
Purchase of shares of subsidiaries	(100)	(210)
Proceeds from liquidation of subsidiaries	69	5
Payments for guarantee deposits	(324)	(1,204)
Proceeds from collection of guarantee deposits	223	431
Other, net	(54)	(247)
Net cash provided by (used in) investing activities	(7,164)	(8,191)
Cash flows from financing activities		
Proceeds from issuance of common shares	124	64
Purchase of treasury shares	(8)	(9,262)
Cash dividends paid	(5,849)	(6,068)
Other, net	(74)	(23)
Net cash provided by (used in) financing activities	(5,807)	(15,290)
Effect of exchange rate change on cash and cash equivalents	(534)	(196)
Net increase (decrease) in cash and cash equivalents	12,030	6,960
Cash and cash equivalents at beginning of period	115,375	127,395
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(11)	—
Cash and cash equivalents at end of period	127,395	134,355

(5) Notes to Consolidated Financial Statements

(Note regarding going concern assumptions)

None

(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, 2017	Fiscal year ended March 31, 2018
6,921	6,245

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

(Millions of yen)

Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
1,395	1,243

*3 Breakdown of gain on sale of property and equipment

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Tools, furniture and fixtures	4	9
Total	4	9

*4 Breakdown of loss on sale of property and equipment

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
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, 2017	Fiscal year ended March 31, 2018
Buildings and structures	3	11
Tools, furniture and fixtures	37	18
Amusement equipment	169	98
Other	0	3
Total	210	131

*6 Impairment loss

In the fiscal year ended March 31, 2017, 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	80
		Other (Intangible assets)	0
Shinjuku-ku, Tokyo	Assets planned for disposal	Amusement equipment	1
Fukuoka, Fukuoka Prefecture	Assets planned for disposal	Buildings	3
United Kingdom	Other	Other (Intangible assets)	351
Total			437

Impairment loss of 424million yen other than those above is included in loss on liquidation of subsidiaries and associates

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 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. 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 either by net realizable value or by value in use. Net realizable value is based on a reasonable assumption of market price, and value in use is estimated to be zero because the carrying value of these assets may not be recoverable.

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 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 on a reasonable assumption of market price.

*7 Loss on liquidation of subsidiaries and associates

In the fiscal year ended March 31, 2017, the Group posted a loss on liquidation of subsidiaries and associates of an extra ordinary loss due to the decision to withdraw from the business of IO INTERACTIVE A/S. This includes a ¥3,335 million loss on write-down of content production, a ¥424 million loss on impairment of intangible assets, a 717 million of loss on redundancies, a ¥421 million of other losses.

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

			Millions of yen
Location	Usage	Category	Impairment amount
United Kingdom	Other	Other (Intangible assets)	424

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, 2017

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

	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	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.

■ 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

	Reporting Segments					(Millions of yen)	
	Digital Entertainment	Amusement	Publication	Merchandising	Total	Adjustment (Note 1)	Consolidated total (Note 2)
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	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.

[Related Information]

■ Year ended March 31, 2017

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	Total
	168,546	48,541	30,732	9,003	256,824

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

(2) Property and equipment

	Japan	North America	Europe	Asia and others	Total
	12,546	1,039	576	72	14,234

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, 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	Total
	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	Total
	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.

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

■ Year ended March 31, 2017

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	775	86	—	—	0	862

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

■ Year ended March 31, 2018

	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.

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

■ Year ended March 31, 2017

None

■ Year ended March 31, 2018

None

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

■ Year ended March 31, 2017

None

■ Year ended March 31, 2018

None

(Per Share Information)

	(yen)	
	Fiscal year ended	Fiscal year ended
	March 31, 2017	March 31, 2018
Net assets per share	¥1,485.56	¥1,617.58
Earnings per share	164.20	215.33
Diluted earnings per share	163.92	214.89

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

	(Millions of yen)	
	Fiscal year ended	Fiscal year ended
	March 31, 2017	March 31, 2018
Earnings per share:		
Profit attributable to owners of parent	¥20,039	¥25,821
Income not available to common shareholders	—	—
Profit attributable to owners of parent available to common shareholders	20,039	25,821
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	122,040	119,912
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)	214	247
(Number of shares reserved for the purpose of new share issuances for exercise of share subscription rights)	(214)	(247)
Summary of residual securities that do not dilute the Company's earnings per share	Issuance of July 2015 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 24, 2015: 82,000 shares Issuance of July 2016 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 24, 2016: 106,000 shares	Issuance of August 2017 stock acquisition rights, pursuant to a resolution of the Board of Directors on August 4, 2017: 179,000 shares

(Significant Subsequent Events)

None