

**Consolidated Financial Results**  
for the Fiscal Year Ended March 31, 2021 (Japan GAAP)

May 13, 2021

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  
 Contact: Atsushi Matsuda, General Manager, Accounting and Finance Tel (03) 5292-8000  
 Annual general meeting of shareholders: June 25, 2021 (planned)  
 Financial report submission: June 28, 2021 (planned)  
 Cash dividend payment commencement: June 7, 2021 (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, 2020 to March 31, 2021)**

**(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, 2021    | 332,532   | 27.6  | 47,226           | 44.2 | 49,983          | 55.7 | 26,942                                  | 26.2 |
| March 31, 2020    | 260,527   | (4.0) | 32,759           | 33.0 | 32,095          | 12.9 | 21,346                                  | 10.2 |

Note: FY ended March 31, 2021 Comprehensive income: 27,088 million yen (31.5%)  
 FY ended March 31, 2020 Comprehensive income: 20,598 million yen (12.8%)

|                   | 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, 2021    | 225.75                    | 225.18                      | 11.6             | 15.6                            | 14.2             |
| March 31, 2020    | 179.02                    | 178.73                      | 10.0             | 11.0                            | 12.6             |

Note: FY ended March 31, 2021 Equity in gain (loss) of affiliated companies: – million yen  
 FY ended March 31, 2020 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, 2021 | 336,144      | 243,278    | 72.1         | 2,029.69             |
| March 31, 2020 | 302,634      | 221,928    | 73.1         | 1,854.10             |

Note: Total equity As of March 31, 2021: 242,364 million yen  
 As of March 31, 2020: 221,183 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, 2021    | 35,000                    | (6,651)                   | (6,647)                   | 144,061                           |
| March 31, 2020    | 18,005                    | (10,039)                  | (14,048)                  | 121,311                           |

## 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, 2020              | —                   | 10.00 | —   | 44.00 | 54.00 | 6,441                          | 30.2                                 | 3.0                               |
| Fiscal year ended March 31, 2021              | —                   | 10.00 | —   | 68.00 | 78.00 | 9,313                          | 34.6                                 | 4.0                               |
| Fiscal year ended March 31, 2022 (projection) | —                   | 10.00 | —   | 51.00 | 61.00 |                                | 30.3                                 |                                   |

(Note) Total dividends for the fiscal year ended March 31, 2021 included ordinary dividends of 58 yen per share and special dividends of 10 yen per share.

## 3. Consolidated Forecasts (April 1, 2021 to March 31, 2022)

(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, 2022 | 340,000   | 2.2 | 40,000           | (15.3) | 40,000          | (20.0) | 24,000                                  | (10.9) | 201.10             |

(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: Yes

4. Retrospective restatement: No

(3) Outstanding shares (common stock)

1. Number of shares issued and outstanding (including treasury stock):

As of March 31, 2021 122,531,596

As of March 31, 2020 122,531,596

2. Number of treasury stock:

As of March 31, 2021 3,122,037

As of March 31, 2020 3,237,714

3. Average number of shares during the period (cumulative):

Fiscal year ended March 31, 2021 119,345,513

Fiscal year ended March 31, 2020 119,240,331

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.

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## 1. Consolidated Results and Consolidated Financial Position for the Fiscal Year Ended March 31, 2021

### (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, 2021 totaled ¥332,532 million (an increase of 27.6% from the prior fiscal year), operating income amounted to ¥47,226 million (an increase of 44.2% from the prior fiscal year), ordinary income amounted to ¥49,983 million (an increase of 55.7% from the prior fiscal year), and profit attributable to owners of parent amounted to ¥26,942 million (an increase of 26.2% from the prior fiscal year).

A discussion of results by segment for the fiscal year ended March 31, 2021 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.

At the HD (High-Definition) Game sub-segment, the fiscal year ended March 31, 2021 saw the release of major titles including "FINAL FANTASY VII REMAKE" and "Marvel's Avengers," growth in digital sales of catalog titles, and licensing income that resulted in higher net sales than the previous fiscal year.

Net sales declined year on year at the MMO (Massively Multiplayer Online) Game sub-segment due to the release of the "FINAL FANTASY XIV" and "DRAGON QUEST X" expansion packs in the previous fiscal year, but the recurring revenue was solid.

The Games for Smart Devices/PC Browser sub-segment saw net sales rise in comparison to the previous fiscal year, not only because of solid performances from existing titles such as "DRAGON QUEST WALK" and "WAR OF THE VISIONS: FINAL FANTASY BRAVE EXVIUS," but also because of earnings contributions from "DRAGON QUEST TACT," "OCTOPATH TRAVELER: Tairiku no Hasha," and "NieR Re[in]carnation," all of which were launched in the fiscal year ended March 31, 2021.

Net sales and operating income in the Digital Entertainment segment totaled ¥263,909 million (an increase of 39.9% from the prior fiscal year), and ¥50,536 million (an increase of 42.9% 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.

In the fiscal year ended March 31, 2021, the Amusement segment saw a sharp decline in net sales compared to the previous fiscal year and booked an operating loss due to the temporary closure of amusement facilities in Japan during the first quarter of this fiscal year. The closures were designed to combat the spread of COVID-19 in response to the Japanese government's declaration of a state of emergency.

Net sales and operating loss in the Amusement segment totaled ¥34,349 million (a decrease of 24.8% from the prior fiscal year), and ¥1,568 million (operating income of ¥1,480 million in the prior fiscal year).

#### ●Publication

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

Sales in digital formats, including via the "MANGA UP!" comic app and of e-books, rose sharply in the fiscal year ended March 31, 2021. This, combined with brisk sales of printed media, resulted in higher net sales and operating income than in the same period of the previous fiscal year.

Net sales and operating income in the Publication segment totaled ¥26,843 million (an increase of 38.0% from the prior fiscal year) and ¥11,687 million (an increase of 61.2% from the prior fiscal year), respectively.

#### ●Merchandising

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

Brisk sales of character merchandise, soundtracks, and other products based on the Group's own content during the fiscal year ended March 31, 2021 resulted in growth in net sales and operating income versus the same period of the previous fiscal year.

Net sales and operating income in the Merchandising segment totaled ¥9,452 million (an increase of 8.2% from the prior fiscal year), and ¥2,249 million (an increase of 120.2% from the prior fiscal year), respectively.

### (2) Analysis of consolidated financial position

#### ●Assets

As of March 31, 2021, total current assets were ¥283,622 million, an increase of 13.0% from the prior fiscal year. This was mainly due to increases in cash and deposits of ¥22,779 million, content production account of ¥6,674 million, and the other on current assets of ¥3,824 million, while merchandise and finished goods decreased by ¥2,020 million.

Total non-current assets were ¥52,522 million, an increase of 1.5% from the prior fiscal year.

As a result, total assets were ¥336,144 million, an increase of 11.1% from the prior fiscal year.

#### ●Liabilities

As of March 31, 2021, total current liabilities were ¥80,345 million, an increase of 15.9% from the prior fiscal year.

Total non-current liabilities were ¥12,521 million, an increase of 10.2% from the prior fiscal year.

As a result, total liabilities were ¥92,866 million, an increase of 15.1% from the prior fiscal year.

#### ●Net assets

As of March 31, 2021, net assets were ¥243,278 million, an increase of 9.6% from the prior fiscal year. This was mainly due to profit attributable to owners of parent of ¥26,942 million and dividend payments of ¥6,442 million.

### (3) Consolidated cash flow

As of March 31, 2021, cash and cash equivalents totaled ¥144,061 million, an increase of ¥22,750 million compared to the prior fiscal year. Cash flows during the fiscal year ended March 31, 2021 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, 2021 totaled ¥35,000 million (an increase of 94.4% from the prior fiscal year).

Profit before income taxes of ¥45,694 million, income taxes paid of ¥16,764 million, depreciation and amortization of ¥7,515 million and an increase of inventories of ¥4,405 million led to the overall provision of cash from operating activities.

#### ●Cash flows from investing activities

Net cash used in investing activities totaled ¥6,651 million (a decrease of 33.8% from the prior fiscal year).

The main factors are purchase of property, plant and equipment of ¥4,949 million and purchase of intangible assets of ¥1,449 million.

#### ●Cash flows from financing activities

Net cash used in financing activities totaled ¥6,647 million (a decrease of 52.7% from the prior fiscal year).

The main factor is cash dividends paid of ¥6,437 million.

### (4) Consolidated forecasts

As detailed in the “Section 3. Management Policy (3) Business landscape” part below, rapid changes are underway globally as customer demands for content and services grow more diverse and sophisticated and the methods and business models by which such content and services are provided also diversify in response.

By developing content in keeping with these environmental changes and diversifying its earnings opportunities, the Group is endeavoring to establish a robust earnings base.

#### [Impact from the outbreak of the novel coronavirus]

In response to the global outbreak of the novel coronavirus (COVID-19), the Group has placed the utmost priority on the safety of its customers, business partners, and employees, deciding to cancel or postpone its own live events and instituting telework and other measures aimed at preventing the spread of the virus. At the same time, the Group has revised its operational processes and enhanced its IT systems to ensure the continuity of its business. In this way, the Group continues to work to minimize the impact to its business operations.

#### (5) Basic policy for profit distribution and dividends

The Group strives to enhance its corporate value through sustained growth achieved by undertaking investments in game development and other efforts funded by securing an appropriate level of retained earnings. At the same time, one of management's key policies is to return profits to shareholders. By rewarding shareholders primarily with dividends, the Group works to return profits in a way that strikes the optimal balance between recognizing the level of earnings achieved and providing stable rewards. In determining the amount of its dividend, the Group references a consolidated dividend payout ratio of 30%, making its final decision based upon comprehensive considerations of the balance between investment needs and the distribution of profits. The consolidated dividend payout ratio of 30% serves as the guideline for shareholder return policy for the fiscal year ended March 31, 2021.

The Group intends to pay a special dividend in recognition of its achievement in the fiscal year ended March 31, 2021 of the earnings targets under its current mid-term plan (net sales of 300-400 billion yen, operating income of 40-50 billion yen). As such, pending a resolution by the Board of Directors at a meeting scheduled for May 21, 2021, the Group intends to pay a year-end dividend of 68 yen per share, the sum of a dividend of 58 yen, which is based on the aforementioned dividend payout ratio, and a special dividend of 10 yen. Combined with the interim dividend of 10 yen per share, this year-end dividend would make for an annual dividend of 78 yen per share.

## 2. The Group's Outline of Operations

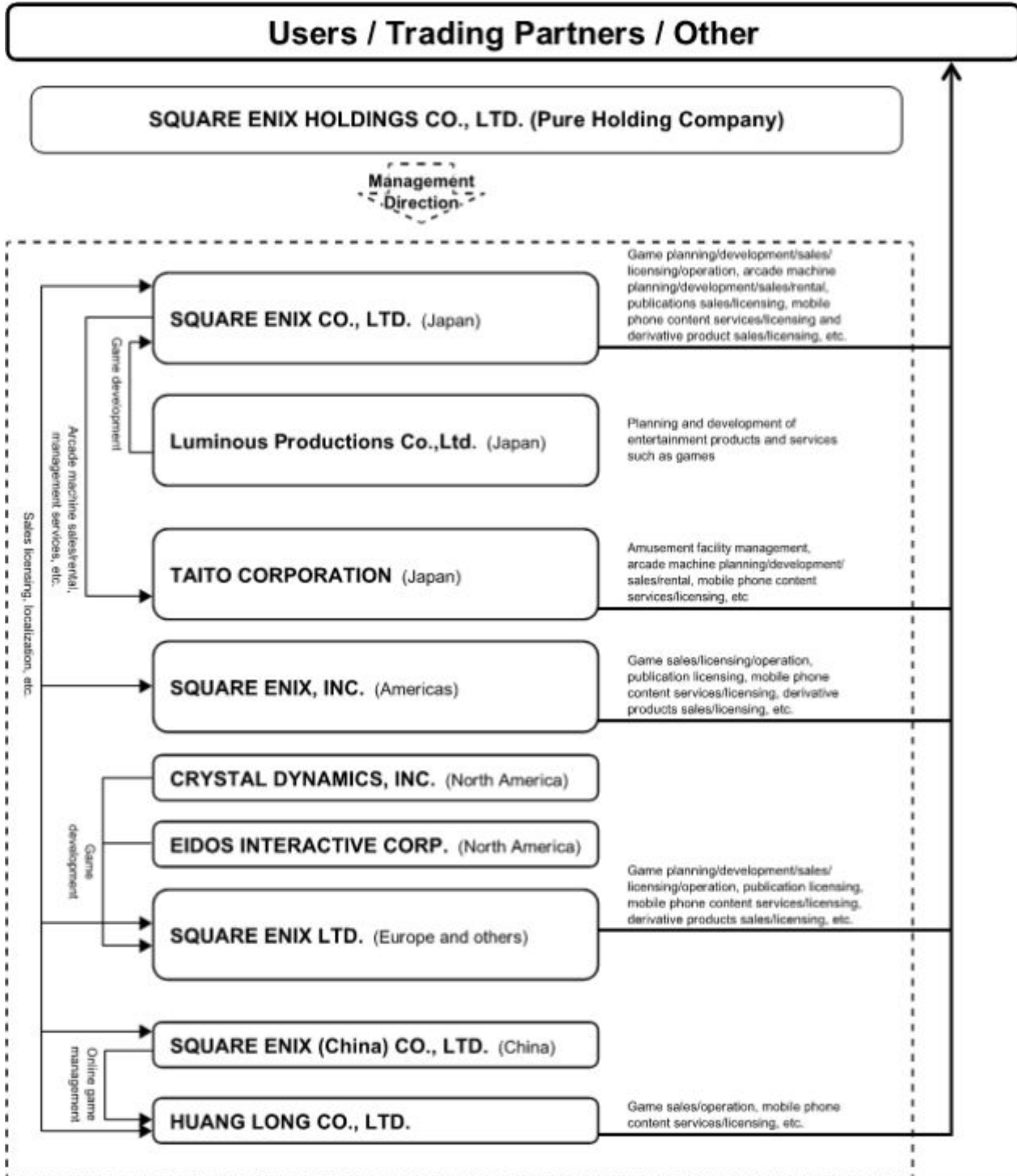
The following outline of operations lists the Group's primary business segments and major subsidiaries.  
(Consolidated subsidiaries)

| 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.<br>TAITO CORPORATION<br>Luminous Productions Co.,Ltd. |
|                       |  | Americas          | SQUARE ENIX, INC.<br>CRYSTAL DYNAMICS, INC.<br>EIDOS INTERACTIVE CORP.      |
|                       |  | Europe and others | SQUARE ENIX LTD.  |
|                       |  | Asia              | SQUARE ENIX (China) CO., LTD.<br>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<br>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.<br>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

“To spread happiness across the globe by providing unforgettable experiences” is the corporate philosophy that guides the Group’s creation and distribution of advanced, high-quality content. The Group endeavors to maximize profits by engaging in efficient management that makes effective use of resources so that it may reward its shareholders and sustain the Group’s own growth and development.

#### (2) Management strategy

Through the creation of advanced, high-quality content, the Group strives to achieve medium- and long-term growth while maintaining profitability. As IT and telecommunications infrastructure have become more advanced and accessible, customer demand for content and services enabled by multifunctional devices and network connectivity has increased, and the methods and business models for delivering such content have diversified. These trends have ushered in an era of major structural change for the digital entertainment industry. In addition, the geographic scope of the Group’s business is expanding beyond the traditional key markets of Japan, Europe, North America, and East Asia to include Central and South America, the Middle East, and South Asia. The Group will respond to these changes in a timely and flexible manner as it strives to be a pioneer in this new era of digital entertainment.

#### (3) Business landscape

The market for software for consumer game consoles looks poised for further expansion due to the launch of multiple streaming services as well as the release of next-generation HD game consoles. In addition, business models are diversifying as monetization methods such as free-to-play, microtransactions, and subscriptions also spread in the software market for HD game consoles. A new era is likely to begin going forward as the launch of 5G services accelerates these trends and robust cloud streaming platforms get off the ground.

In the market for games for smart devices, increasingly sophisticated smartphones are making customers demand even richer gaming experiences and enabling greater diversity in game design and business models. Led by the Western and Asian regions, the size of the market also continues to expand globally. Meanwhile, a familiar list of titles continues to dominate the upper end of the smart device game rankings in Japan, and the entrance of Asian players into the Japanese market has intensified competition, reducing the odds of new titles succeeding.

The amusement market continues to face a harsh operating environment given the direct impact it sustains from the COVID-19 pandemic.

In the publication market, sales of e-books are showing good growth as sales of traditional print media decline. In addition, earnings opportunities are also expanding in the form of animated, film, and stage adaptations of manga and other content properties.

The current merchandising market enables the Group to offer a wide range of products and services via myriad channels to suit the diverse tastes of our customers. The Group will endeavor to establish stable recurring earnings by satisfying its customers’ diverse needs through a multifaceted and multilayered approach to merchandising that includes not only such derivative products as character goods and game soundtrack music, but also animated and stage adaptations of existing IP (intellectual property), as well as music publishing.

As the above illustrates, structural changes are underway on a global scale in multiple parts of the Group’s operating environment, and the Group is being called on to assess those changes in a timely and accurately fashion and to respond to them with speed and flexibility.

#### (4) Business and financial challenge calling for priority action

The Group recognizes the need to prioritize the expansion of stable recurring income as a means of creating sustained earnings growth. As the digital entertainment industry undergoes significant structural changes, the Group is being called upon to develop and distribute new content designed to suit diverse customer needs and content distribution methods, which requires significant investment. To date, the Group has primarily worked to stabilize earnings by expanding recurring subscription income from massively multiplayer online games (MMOs), games for smart devices/PC browsers, the Amusement segment, and the Publication segment. Going forward it will further bolster these efforts while also expanding them to other businesses. Establishing a stable earnings base will enable investment in large-scale, innovative content development efforts. The recurring income generated from that content will expand the Group's overall earnings, thereby allowing the Group to achieve sustained earnings growth.

The Group will continue to prepare for the coming popularity of cloud gaming that the spread of 5G is likely to inspire. Cloud gaming has the potential to change distribution as streaming accelerates the shift away from traditional disks to more digital sales and evolves business models, including by giving rise to more subscription-based services. It could additionally spur growth in the gaming market as a whole by making it possible to provide content to emerging regions where game consoles have not been prevalent. Cloud gaming will meanwhile dictate that the industry devise gaming experiences unique to the cloud environment and develop cloud-native games. The Group will endeavor to respond flexibly to these changes so that they may fuel future growth.

#### (5) Objective metrics for assessing achievement of management objectives

The Group recognizes the achievement of income growth backed by profitability as an important management challenge. Over the next three years, its management objectives will be to create a business structure capable of consistently generating net sales of 400-500 billion yen and operating income of 60-75 billion yen, and to improve the operating profit margin.

#### 4. Basic policy regarding choice of accounting standard

The Group's policy is to prepare its consolidated financial statements in accordance with Japanese Accounting Standards ("Japanese GAAP") in order to enable the comparison of statements between different periods and different entities

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

|  | As of March 31, 2020 | As of March 31, 2021 |
|--|----------------------|----------------------|
| <b>Assets</b>                              |                      |                      |
| Current assets                             |                      |                      |
| Cash and deposits                          | 123,450              | 146,229              |
| Notes and accounts receivable-trade        | 41,474               | 43,036               |
| Merchandise and finished goods             | 5,850                | 3,829                |
| Work in progress                           | 206                  | 212                  |
| Raw materials and supplies                 | 433                  | 363                  |
| Content production account                 | 71,479               | 78,153               |
| Other                                      | 8,163                | 11,987               |
| Allowance for doubtful accounts            | (161)                | (190)                |
| <b>Total current assets</b>                | <b>250,896</b>       | <b>283,622</b>       |
| Non-current assets                         |                      |                      |
| Property, plant and equipment              |                      |                      |
| Buildings and structures                   | 18,341               | 18,735               |
| Accumulated depreciation                   | (11,603)             | (12,888)             |
| Buildings and structures (net)             | 6,738                | 5,847                |
| Tools, furniture and fixtures              | 15,943               | 17,716               |
| Accumulated depreciation                   | (11,112)             | (12,992)             |
| Tools, furniture and fixtures (net)        | 4,830                | 4,723                |
| Amusement equipment                        | 17,529               | 17,275               |
| Accumulated depreciation                   | (15,420)             | (15,459)             |
| Amusement equipment (net)                  | 2,108                | 1,816                |
| Other                                      | 3,425                | 4,116                |
| Accumulated depreciation                   | (484)                | (1,095)              |
| Other (net)                                | 2,940                | 3,021                |
| Land                                       | 3,782                | 3,782                |
| Construction in progress                   | 147                  | 465                  |
| <b>Total property, plant and equipment</b> | <b>20,547</b>        | <b>19,656</b>        |
| Intangible assets                          |                      |                      |
| Other                                      | 5,387                | 5,540                |
| <b>Total intangible assets</b>             | <b>5,387</b>         | <b>5,540</b>         |
| Investments and other assets               |                      |                      |
| Investment securities                      | 2,308                | 2,537                |
| Guarantee deposits                         | 10,612               | 9,776                |
| Net defined benefit asset                  | —                    | 477                  |
| Deferred tax assets                        | 8,731                | 9,630                |
| Other                                      | 4,238                | 4,961                |
| Allowance for doubtful accounts            | (88)                 | (57)                 |
| <b>Total investments and other assets</b>  | <b>25,802</b>        | <b>27,325</b>        |
| <b>Total non-current assets</b>            | <b>51,737</b>        | <b>52,522</b>        |
| <b>Total assets</b>                        | <b>302,634</b>       | <b>336,144</b>       |

As of March 31, 2020 As of March 31, 2021

| Liabilities   |         |         |
|---|---------|---------|
| Current liabilities                                   |         |         |
| Notes and accounts payable-trade                      | 25,537  | 24,559  |
| Income taxes payable                                  | 10,159  | 14,593  |
| Provision for bonuses                                 | 4,061   | 2,956   |
| Provision for sales returns                           | 4,253   | 5,873   |
| Provision for game arcade closings                    | 43      | 231     |
| Asset retirement obligations                          | 3       | 6       |
| Other   | 25,285  | 32,122  |
| Total current liabilities                             | 69,344  | 80,345  |
| Non-current liabilities                               |         |         |
| Provision for directors' retirement benefits          | 52      | 52      |
| Provision for loss on game arcade closings            | 40      | —       |
| Net defined benefit liability                         | 3,214   | 3,492   |
| Deferred tax liabilities                              | 1,062   | 1,642   |
| Asset retirement obligations                          | 3,291   | 3,715   |
| Other   | 3,698   | 3,617   |
| Total non-current liabilities                         | 11,360  | 12,521  |
| Total liabilities                                     | 80,705  | 92,866  |
| Net assets  |         |         |
| Shareholders' equity                                  |         |         |
| Capital stock   | 24,039  | 24,039  |
| Capital surplus                                       | 53,388  | 53,593  |
| Retained earnings                                     | 159,222 | 179,722 |
| Treasury stock  | (9,900) | (9,556) |
| Total shareholders' equity                            | 226,750 | 247,799 |
| Accumulated other comprehensive income                |         |         |
| Valuation difference on available-for-sale securities | (162)   | 59      |
| Foreign currency translation adjustment               | (5,085) | (5,655) |
| Remeasurements of defined benefit plans               | (318)   | 160     |
| Total accumulated other comprehensive income          | (5,567) | (5,435) |
| Subscription rights to shares                         | 608     | 762     |
| Non-controlling interests                             | 137     | 151     |
| Total net assets                                      | 221,928 | 243,278 |
| Total liabilities and net assets                      | 302,634 | 336,144 |

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

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|--|-------------------------------------|-------------------------------------|
| Net sales  | 260,527                             | 332,532                             |
| Cost of sales                                      | *1 139,012                          | *1 171,837                          |
| Gross profit                                       | 121,515                             | 160,695                             |
| Reversal of provision for sales returns            | 9,016                               | 4,150                               |
| Provision for sales returns                        | 4,257                               | 5,637                               |
| Gross profit-net                                   | 126,274                             | 159,208                             |
| Selling, general and administrative expenses       |                                     |                                     |
| Packing and transportation expenses                | 2,304                               | 2,436                               |
| Advertising expenses                               | 21,006                              | 28,239                              |
| Promotion expenses                                 | 159                                 | 673                                 |
| Directors' compensations                           | 497                                 | 771                                 |
| Salaries and allowances                            | 18,901                              | 21,165                              |
| Provision for bonuses                              | 4,005                               | 3,368                               |
| Retirement benefit expenses                        | 1,021                               | 1,205                               |
| Welfare expenses                                   | 2,835                               | 3,051                               |
| Rent expenses                                      | 2,919                               | 2,882                               |
| Commission fee                                     | 28,377                              | 35,900                              |
| Depreciation                                       | 2,725                               | 2,903                               |
| Other  | 8,762                               | 9,384                               |
| Total selling, general and administrative expenses | *2 93,515                           | *2 111,982                          |
| Operating income                                   | 32,759                              | 47,226                              |
| Non-operating income                               |                                     |                                     |
| Interest income                                    | 363                                 | 76                                  |
| Dividend income                                    | 0                                   | 0                                   |
| Foreign exchange gains                             | —                                   | 2,727                               |
| Rent income  | 36                                  | 17                                  |
| Gain on forgiveness of payable for group tax       | 370                                 | 152                                 |
| Miscellaneous income                               | 198                                 | 70                                  |
| Total non-operating income                         | 969                                 | 3,043                               |
| Non-operating expenses                             |                                     |                                     |
| Interest expenses                                  | 135                                 | 87                                  |
| Commission fee                                     | 5                                   | 19                                  |
| Loss on investments in securities                  | 127                                 | 169                                 |
| Foreign exchange losses                            | 1,173                               | —                                   |
| Miscellaneous loss                                 | 191                                 | 9                                   |
| Total non-operating expenses                       | 1,633                               | 286                                 |
| Ordinary income                                    | 32,095                              | 49,983                              |

## Consolidated Income Statement

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|---|-------------------------------------|-------------------------------------|
| Extraordinary income                              |                                     |                                     |
| Gain on sales of non-current assets               | *3 2                                | *3 1                                |
| Gain on reversal of subscription rights to shares | 7                                   | 2                                   |
| Subsidies for employment adjustment               | —                                   | 335                                 |
| Total extraordinary income                        | 9                                   | 339                                 |
| Extraordinary losses                              |                                     |                                     |
| Loss on sales of non-current assets               | —                                   | *4 18                               |
| Loss on retirement of non-current assets          | *5 130                              | *5 316                              |
| Impairment loss                                   | *6 367                              | *6 520                              |
| Provision for loss on store closings              | 117                                 | 629                                 |
| Loss on temporary closure                         | *7 141                              | *7 2,392                            |
| Loss on event cancellations                       | *8 544                              | *8 47                               |
| Other   | 9                                   | 702                                 |
| Total extraordinary losses                        | 1,311                               | 4,628                               |
| Profit before income taxes                        | 30,793                              | 45,694                              |
| Income taxes-current                              | 10,581                              | 19,430                              |
| Income taxes-deferred                             | (1,136)                             | (690)                               |
| Total income taxes                                | 9,444                               | 18,740                              |
| Profit  | 21,348                              | 26,954                              |
| Profit attributable to non-controlling interests  | 1                                   | 12                                  |
| Profit attributable to owners of parent           | 21,346                              | 26,942                              |

## Consolidated Statement of Comprehensive Income

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|--|-------------------------------------|-------------------------------------|
| Profit   | 21,348                              | 26,954                              |
| Other comprehensive income                                     |                                     |                                     |
| Valuation difference on available-for-sale securities          | (279)                               | 222                                 |
| Foreign currency translation adjustment                        | (438)                               | (567)                               |
| Remeasurements of defined benefit plans                        | (33)                                | 478                                 |
| Total other comprehensive income                               | (750)                               | 133                                 |
| Comprehensive income   | 20,598                              | 27,088                              |
| (Breakdown)  |                                     |                                     |
| Comprehensive income attributable to owners of parent          | 20,600                              | 27,074                              |
| Comprehensive income attributable to non-controlling interests | (2)                                 | 14                                  |



## (3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2020

(Millions of yen)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period           | 24,039               | 53,281          | 143,451           | (10,162)       | 210,610                    |
| Changes during the period                            |                      |                 |                   |                |                            |
| Dividends from retained earnings                     |                      |                 | (5,602)           |                | (5,602)                    |
| Profit attributable to owners of parent              |                      |                 | 21,346            |                | 21,346                     |
| Purchase of treasury stock                           |                      |                 |                   | (9)            | (9)                        |
| Disposal of treasury stock                           |                      | 107             |                   | 271            | 378                        |
| Change in scope of consolidation                     |                      |                 | 27                |                | 27                         |
| Net changes of items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes during the period                      | —                    | 107             | 15,771            | 261            | 16,140                     |
| Balance at the end of current period                 | 24,039               | 53,388          | 159,222           | (9,900)        | 226,750                    |

|  | 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           | 116   | (4,651)                                 | (285)                                   | (4,820)                                      | 517                           | 139                       | 206,445          |
| Changes during the period                            |   |   |   |  |                               |                           |                  |
| Dividends from retained earnings                     |   |   |   |  |                               |                           | (5,602)          |
| Profit attributable to owners of parent              |   |   |   |  |                               |                           | 21,346           |
| Purchase of treasury stock                           |   |   |   |  |                               |                           | (9)              |
| Disposal of treasury stock                           |   |   |   |  |                               |                           | 378              |
| Change in scope of consolidation                     |   |   |   |  |                               |                           | 27               |
| Net changes of items other than shareholders' equity | (279)   | (433)                                   | (33)                                    | (746)  | 90                            | (2)                       | (657)            |
| Total changes during the period                      | (279)   | (433)                                   | (33)                                    | (746)  | 90                            | (2)                       | 15,482           |
| Balance at the end of current period                 | (162)   | (5,085)                                 | (318)                                   | (5,567)                                      | 608                           | 137                       | 221,928          |

Fiscal year ended March 31, 2021

(Millions of yen)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period           | 24,039               | 53,388          | 159,222           | (9,900)        | 226,750                    |
| Changes during the period                            |                      |                 |                   |                |                            |
| Dividends from retained earnings                     |                      |                 | (6,442)           |                | (6,442)                    |
| Profit attributable to owners of parent              |                      |                 | 26,942            |                | 26,942                     |
| Purchase of treasury stock                           |                      |                 |                   | (18)           | (18)                       |
| Disposal of treasury stock                           |                      | 204             |                   | 363            | 567                        |
| Change in scope of consolidation                     |                      |                 |                   |                |                            |
| Net changes of items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes during the period                      | —                    | 204             | 20,499            | 344            | 21,049                     |
| Balance at the end of current period                 | 24,039               | 53,593          | 179,722           | (9,556)        | 247,799                    |

|  | 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           | (162)   | (5,085)                                 | (318)                                   | (5,567)                                      | 608                           | 137                       | 221,928          |
| Changes during the period                            |   |   |   |  |                               |                           |                  |
| Dividends from retained earnings                     |   |   |   |  |                               |                           | (6,442)          |
| Profit attributable to owners of parent              |   |   |   |  |                               |                           | 26,942           |
| Purchase of treasury stock                           |   |   |   |  |                               |                           | (18)             |
| Disposal of treasury stock                           |   |   |   |  |                               |                           | 567              |
| Change in scope of consolidation                     |   |   |   |  |                               |                           | —                |
| Net changes of items other than shareholders' equity | 222   | (569)                                   | 478                                     | 131  | 154                           | 14                        | 300              |
| Total changes during the period                      | 222   | (569)                                   | 478                                     | 131  | 154                           | 14                        | 21,350           |
| Balance at the end of current period                 | 59  | (5,655)                                 | 160                                     | (5,435)                                      | 762                           | 151                       | 243,278          |

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities                        |                                     |                                     |
| Profit before income taxes                                  | 30,793                              | 45,694                              |
| Depreciation  | 7,417                               | 7,515                               |
| Impairment loss   | 367                                 | 520                                 |
| Increase (decrease) in allowance for doubtful accounts      | (73)                                | (5)                                 |
| Increase (decrease) in provision for bonuses                | 780                                 | (1,081)                             |
| Increase (decrease) in provision for sales returns          | (4,759)                             | 1,486                               |
| Increase (decrease) in provision for loss on store closings | 36                                  | 148                                 |
| Decrease (increase) in net defined benefit asset            | 96                                  | 134                                 |
| Increase (decrease) in net defined benefit liability        | 271                                 | 391                                 |
| Interest and dividend income                                | (363)                               | (76)                                |
| Subsidies for employment adjustment                         | —                                   | (335)                               |
| Interest expenses   | 135                                 | 87                                  |
| Foreign exchange losses (gains)                             | 665                                 | (1,860)                             |
| Loss on retirement of non-current assets                    | 130                                 | 316                                 |
| Gain on sales of non-current assets                         | (2)                                 | (1)                                 |
| Loss on sale of non-current assets                          | —                                   | 18                                  |
| Decrease (increase) in notes and accounts receivable-trade  | (1,195)                             | (1,207)                             |
| Decrease (increase) in inventories                          | (22,632)                            | (4,405)                             |
| Increase (decrease) in notes and accounts payable-trade     | 1,581                               | (835)                               |
| Decrease (increase) in other current assets                 | (614)                               | (3,477)                             |
| Decrease (increase) in other non-current assets             | 1,298                               | (1,016)                             |
| Increase (decrease) in other current liabilities            | 3,585                               | 6,765                               |
| Other, net  | 270                                 | 990                                 |
| Subtotal  | 17,791                              | 49,768                              |
| Interest and dividend income received                       | 363                                 | 76                                  |
| Interest expenses paid                                      | (142)                               | (87)                                |
| Subsidies for employment adjustment received                | —                                   | 335                                 |
| Income taxes paid   | (2,538)                             | (16,764)                            |
| Income taxes refund   | 2,530                               | 1,672                               |
| Net cash provided by (used in) operating activities         | 18,005                              | 35,000                              |

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|--|-------------------------------------|-------------------------------------|
| <b>Cash flows from investing activities</b>  |                                     |                                     |
| Payments into time deposits  | (5,141)                             | (3,284)                             |
| Proceeds from withdrawal of time deposits  | 5,220                               | 3,284                               |
| Purchase of property, plant and equipment  | (5,827)                             | (4,949)                             |
| Proceeds from sales of property, plant and equipment   | 2                                   | 1                                   |
| Purchase of intangible assets  | (1,587)                             | (1,449)                             |
| Purchase of investment securities  | (1,612)                             | (527)                               |
| Purchase of shares of subsidiaries   | (85)                                | (161)                               |
| Payments for guarantee deposits  | (433)                               | (31)                                |
| Proceeds from collection of guarantee deposits   | 193                                 | 622                                 |
| Other, net   | (767)                               | (156)                               |
| Net cash provided by (used in) investing activities  | (10,039)                            | (6,651)                             |
| <b>Cash flows from financing activities</b>  |                                     |                                     |
| Repayments of short-term borrowings  | (8,525)                             | —                                   |
| Repayments of lease obligations  | (485)                               | (623)                               |
| Purchase of treasury shares  | (9)                                 | (18)                                |
| Proceeds from exercise of share options  | 293                                 | 425                                 |
| Cash dividends paid  | (5,599)                             | (6,437)                             |
| Other, net   | 276                                 | 5                                   |
| Net cash provided by (used in) financing activities  | (14,048)                            | (6,647)                             |
| Effect of exchange rate change on cash and cash equivalents                                      | (479)                               | 1,049                               |
| Net increase (decrease) in cash and cash equivalents   | (6,562)                             | 22,750                              |
| Cash and cash equivalents at beginning of period   | 127,181                             | 121,311                             |
| Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation | 691                                 | —                                   |
| Cash and cash equivalents at end of period   | 121,311                             | 144,061                             |

(5) Notes to Consolidated Financial Statements

(Note regarding going concern assumptions)

None

(Changes in Accounting Estimates)

(Changes in Estimates of Asset Retirement Obligations)

With respect to asset retirement obligations recognized for restoration costs based on real estate lease contracts, the Company's consolidated subsidiaries changed the estimates relating to such restoration costs required at the time of moving the head office and the closing of game arcades, through obtaining new information such as recent actual restoration costs. As a result, compared with the amounts that would have been recognized under the previous estimates, operating income, ordinary income and profit before income taxes decreased by ¥308 million, respectively, for the fiscal year ended March 31, 2021.

(Additional Information)

(Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system)

SQUARE ENIX HOLDINGS CO., LTD. and domestic subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before amended based on the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 39, March 31, 2020) instead of applying the provision on Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in "Act for Partial Amendment of the Income Tax Act, etc."(Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

(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, 2020 | Fiscal year ended March 31, 2021 |
|----------------------------------|----------------------------------|
| 7,940                            | 5,836                            |

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

(Millions of yen)

| Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|----------------------------------|----------------------------------|
| 2,224                            | 4,002                            |

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

(Millions of yen)

|                               | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|-------------------------------|----------------------------------|----------------------------------|
| Buildings and structures      | —                                | 1                                |
| Tools, furniture and fixtures | 2                                | —                                |
| Total                         | 2                                | 1                                |

\*4 Breakdown of loss on sales of non-current assets

(Millions of yen)

|                               | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|-------------------------------|----------------------------------|----------------------------------|
| Buildings and structures      | —                                | 6                                |
| Tools, furniture and fixtures | —                                | 12                               |
| Total                         | —                                | 18                               |

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

(Millions of yen)

|                               | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|-------------------------------|----------------------------------|----------------------------------|
| Buildings and structures      | 2                                | 45                               |
| Tools, furniture and fixtures | 13                               | 22                               |
| Amusement equipment           | 100                              | 248                              |
| Other                         | 14                               | 0                                |
| Total                         | 130                              | 316                              |

\*6 Impairment loss

In the fiscal year ended March 31, 2020, 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           | 129               |
|   |  | Other                         | 1                 |
| Shinjuku-ku, Tokyo  | Assets planned for disposal                          | Buildings and Structures      | 8                 |
|   |  | Amusement equipment           | 2                 |
| Toshima-ku, Tokyo,<br>Kawasaki, Kanagawa, Asahi,<br>Chiba | Game arcade  | Buildings and Structures      | 50                |
|   |  | Tools, furniture and fixtures | 7                 |
|   |  | Other                         | 5                 |
| Shinjuku-ku, Tokyo  | Amusement equipment<br>maintenance services division | Buildings and Structures      | 10                |
|   |  | Tools, furniture and fixtures | 17                |
|   |  | Other                         | 134               |
| Total   |  |                               | 367               |

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, assets of game arcades and amusement equipment maintenance services division, future recovery of the investment amount has been deemed uncertain and their book value has been written down to the applicable recoverable value. Note that calculation of recoverable amounts is measured by net realizable value. Net realizable value is based on a reasonable assumption of market price.

In the fiscal year ended March 31, 2021, the Group posted an impairment loss on the following groups of assets.

(Millions of yen)

| Location                               | Usage                       | Category                      | Impairment amount |
|--|-----------------------------|-------------------------------|-------------------|
| Shinjuku-ku, Tokyo                     | Idle assets                 | Amusement equipment           | 32                |
|  |                             | Other                         | 0                 |
| Shinjuku-ku, Tokyo                     | Assets planned for disposal | Buildings and Structures      | 266               |
|  |                             | Tools, furniture and fixtures | 50                |
|  |                             | Amusement equipment           | 3                 |
|  |                             | Other                         | 56                |
| Shinjuku-ku, Tokyo<br>Funabashi, Chiba | Game arcade                 | Buildings and Structures      | 102               |
|  |                             | Tools, furniture and fixtures | 1                 |
|  |                             | Other                         | 6                 |
| Total                                  |                             |                               | 520               |

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 and game arcades, 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 temporary closure

The Group posted an extraordinary loss due to fixed expenses incurred during the temporary closure of game arcades in the Amusement segment and development studios in the Digital Entertainment segment, to prevent the spread of COVID-19 pandemic.

\*8 Loss on event cancellations

The Group posted a loss on event cancellations of an extraordinary loss due to the cancellation and postponement of various events to prevent the spread of COVID-19 pandemic.

(Segment Information)

[Segment Information]

■ Year ended March 31, 2020

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<br>(Note 1) | Consolidated<br>total (Note 2) |
|--|--------------------------|-----------|-------------|---------------|---------|------------------------|--------------------------------|
|  | Digital<br>Entertainment | Amusement | Publication | Merchandising | Total   |                        |                                |
| Sales and operating income   |                          |           |             |               |         |                        |                                |
| Net sales  |                          |           |             |               |         |                        |                                |
| (1) Sales to outside customers   | 188,640                  | 44,832    | 19,393      | 7,660         | 260,527 | —                      | 260,527                        |
| (2) Intersegment sales   | 47                       | 840       | 58          | 1,076         | 2,023   | (2,023)                | —                              |
| Total  | 188,687                  | 45,673    | 19,452      | 8,737         | 262,550 | (2,023)                | 260,527                        |
| Segment operating income   | 35,357                   | 1,480     | 7,250       | 1,021         | 45,110  | (12,351)               | 32,759                         |
| Segment assets   | 126,471                  | 25,765    | 7,271       | 2,057         | 161,566 | 141,067                | 302,634                        |
| Other items  |                          |           |             |               |         |                        |                                |
| Depreciation and amortization  | 3,386                    | 3,092     | 43          | 64            | 6,587   | 829                    | 7,417                          |
| Increases in property, plant<br>and equipment and intangible<br>assets | 4,397                    | 3,818     | 11          | 38            | 8,266   | 1,391                  | 9,657                          |

Notes: 1. (1) Segment adjustments (¥12,351 million) include unallocated corporate general and administrative expenses (¥12,420 million).

(2) Segment assets adjustment of ¥141,067 million includes unallocated assets of ¥141,467 million. These assets mainly consist of surplus funds (including cash and deposits).

(3) Depreciation and amortization adjustment of ¥829 million relates to unallocated corporate assets.

(4) The adjustment increase of ¥1,391 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, 2021

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<br>(Note 1) | Consolidated<br>total (Note 2) |
|--|--------------------------|-----------|-------------|---------------|---------|------------------------|--------------------------------|
|  | Digital<br>Entertainment | Amusement | Publication | Merchandising |         |                        |                                |
| Sales and operating income   |                          |           |             |               |         |                        |                                |
| Net sales  |                          |           |             |               |         |                        |                                |
| (1) Sales to outside customers   | 263,900                  | 33,163    | 26,825      | 8,642         | 332,532 | —                      | 332,532                        |
| (2) Intersegment sales   | 9                        | 1,185     | 17          | 810           | 2,023   | (2,023)                | —                              |
| Total  | 263,909                  | 34,349    | 26,843      | 9,452         | 334,555 | (2,023)                | 332,532                        |
| Segment operating<br>income(loss)                                      | 50,536                   | (1,568)   | 11,687      | 2,249         | 62,904  | (15,678)               | 47,226                         |
| Segment assets   | 134,110                  | 21,920    | 8,631       | 1,639         | 166,302 | 169,841                | 336,144                        |
| Other items  |                          |           |             |               |         |                        |                                |
| Depreciation and amortization  | 3,609                    | 2,921     | 43          | 43            | 6,619   | 895                    | 7,515                          |
| Increases in property, plant<br>and equipment and intangible<br>assets | 2,963                    | 2,522     | 7           | 135           | 5,627   | 1,749                  | 7,377                          |

Notes: 1. (1) Segment adjustments (¥15,678 million) include unallocated corporate general and administrative expenses (¥15,949 million).

(2) Segment assets adjustment of ¥169,841 million includes unallocated assets of ¥170,583 million. These assets mainly consist of surplus funds (including cash and deposits).

(3) Depreciation and amortization adjustment of ¥895 million relates to unallocated corporate assets.

(4) The adjustment increase of ¥1,749 million in property, plant and equipment and intangible assets relates to unallocated corporate assets.

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

[Related Information]

■ Year ended March 31, 2020

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)<br>Total |
|--------------------|---------|---------------|--------|-----------------|----------------------------|
| Consolidated sales | 198,479 | 37,209        | 15,262 | 9,576           | 260,527                    |

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)<br>Total |
|------------------------|--------|---------------|--------|-----------------|----------------------------|
| Property and equipment | 14,892 | 3,756         | 1,837  | 61              | 20,547                     |

3. Information by major customer

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

■ Year ended March 31, 2021

1.Information by product or service

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

2.Information by geographical area

(1) Sales

|                    | Japan   | North America | Europe | Asia and others | (Millions of yen)<br>Total |
|--------------------|---------|---------------|--------|-----------------|----------------------------|
| Consolidated sales | 224,339 | 67,980        | 26,039 | 14,173          | 332,532                    |

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)<br>Total |
|------------------------|--------|---------------|--------|-----------------|----------------------------|
| Property and equipment | 13,446 | 4,414         | 1,754  | 41              | 19,656                     |

3. Information by major customer

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

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

■ Year ended March 31, 2020

(Millions of yen)

|                   | Digital<br>Entertainment | Amusement | Publication | Merchandising | Eliminations or<br>unallocated<br>(Note) | Total |
|-------------------|--------------------------|-----------|-------------|---------------|--|-------|
| Impairment losses | —                        | 366       | —           | —             | 1  | 367   |

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

■ Year ended March 31, 2021

(Millions of yen)

|                   | Digital<br>Entertainment | Amusement | Publication | Merchandising | Eliminations or<br>unallocated<br>(Note) | Total |
|-------------------|--------------------------|-----------|-------------|---------------|--|-------|
| Impairment losses | —                        | 520       | —           | —             | 0  | 520   |

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

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

■ Year ended March 31, 2020

None

■ Year ended March 31, 2021

None

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

■ Year ended March 31, 2020

None

■ Year ended March 31, 2021

None

(Per Share Information)

(yen)

|                            | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2021 |
|----------------------------|-------------------------------------|-------------------------------------|
| Net assets per share       | 1,854.10                            | 2,029.69                            |
| Earnings per share         | 179.02                              | 225.75                              |
| Diluted earnings per share | 178.73                              | 225.18                              |

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

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2020   | Fiscal year ended<br>March 31, 2021   |
|--|---|---|
| Earnings per share:  |   |   |
| Profit attributable to owners of parent  | 21,346  | 26,942  |
| Income not available to common shareholders  | —   | —   |
| Profit attributable to owners of parent available to common shareholders                                     | 21,346  | 26,942  |
| Average number of shares of common stock outstanding during the fiscal year (thousands of shares)            | 119,240   | 119,345   |
| 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)                                       | 197   | 301   |
| (Number of shares reserved for the purpose of new share issuances for exercise of share subscription rights) | (197)   | (301)   |
| Summary of residual securities that do not dilute the Company's earnings per share                           | 'Issuance of August 2018 stock acquisition rights, pursuant to a resolution of the Board of Directors on August 7, 2018: 123,100 shares | 'Issuance of July 2020 stock acquisition rights, pursuant to a resolution of the Board of Directors on June 24, 2020: 97,000 shares |

(Significant Subsequent Events)

None.