Consolidated balance sheets

	Previous fiscal year March 31, 2021	Current fiscal year March 31, 2022	Current fiscal year March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets			
Current assets:			
Cash on hand and in banks (Notes 11 and 13)	71,239	107,262	893,858
Notes and accounts receivable - trade (Note 13)	25,096	−	−
Notes - trade (Note 13)	−	528	4,403
Accounts receivable - trade (Note 13)	−	7,404	61,705
Merchandise and finished goods	2,005	1,378	11,487
Work in progress	897	819	6,826
Raw materials and supplies	850	198	1,651
Work in progress for game software	24,443	31,192	259,940
Other	2,896	2,536	21,134
Allowance for doubtful accounts	(37)	(8)	(68)
Total current assets	127,391	151,312	1,260,939
Fixed assets:			
Tangible fixed assets, net of accumulated depreciation (Note 7(1))			
Buildings and structures, net	10,666	10,485	87,381
Machinery and vehicles, net	11	24	206
Tools, fixtures and furniture, net	1,401	1,977	16,476
Equipment for amusement facilities, net	1,628	2,213	18,444
Land	5,235	5,235	43,629
Leased assets, net (Note 12(1))	1,141	1,112	9,272
Construction in progress	1,230	157	1,310
Total tangible fixed assets	21,316	21,206	176,720
Intangible assets	1,229	1,747	14,558
Investments and other assets			
Investments in securities (Note 14)	589	637	5,308
Claim in bankruptcy and reorganization	19	12	103
Lease deposits (Note 13)	4,140	4,266	35,552
Deferred tax assets (Note 16)	8,089	7,389	61,579
Other	969	819	6,829
Allowance for doubtful accounts	(32)	(25)	(210)
Total investments and other assets	13,775	13,099	109,162
Total fixed assets	36,321	36,053	300,442
Total assets	163,712	187,365	1,561,382

The accompanying notes are an integral part of these financial statements.

Consolidated balance sheets

	Previous fiscal year March 31, 2021 Millions of yen	Current fiscal year March 31, 2022 Millions of yen	Current fiscal year March 31, 2022 Thousands of U.S. dollars
Liabilities			
Current liabilities:			
Notes and accounts payable - trade	2,820	2,325	19,382
Electronically recorded monetary liabilities	882	1,276	10,635
Current portion of long-term borrowings (Notes 13 and 26)	727	626	5,219
Lease obligations (Note 26)	594	501	4,183
Accrued income taxes	6,957	6,010	50,084
Accrued bonuses	4,056	4,014	33,451
Deferred revenue	6,673	8,932	74,439
Other	9,878	7,055	58,792
Total current liabilities	32,590	30,742	256,189
Long-term liabilities:			
Long-term borrowings (Notes 13 and 26)	4,878	4,252	35,437
Lease obligations (Note 26)	630	718	5,987
Deferred tax liabilities (Note 16)	1	20	169
Liabilities for retirement benefits for employees (Note 15)	3,468	3,802	31,689
Asset retirement obligations (Notes 18 and 27)	671	718	5,991
Other	676	634	5,285
Total long-term liabilities	10,327	10,147	84,560
Total liabilities	42,918	40,890	340,750
Net assets			
Shareholders' equity:			
Common stock	33,239	33,239	276,993
Capital surplus	21,329	21,329	177,743
Retained earnings	93,861	117,661	980,510
Treasury stock	(27,461)	(27,464)	(228,867)
Total shareholders' equity	120,967	144,765	1,206,379
Accumulated other comprehensive income:			
Net unrealized gain or loss on securities, net of tax	56	100	836
Cumulative translation adjustments	(10)	1,889	15,747
Accumulated adjustments for retirement benefits	(219)	(279)	(2,331)
Total accumulated other comprehensive income	(173)	1,710	14,252
Total net assets	120,794	146,475	1,220,632
Total liabilities and net assets	163,712	187,365	1,561,382

The accompanying notes are an integral part of these financial statements.

Consolidated statements of income

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales (Note 8(1))	95,308	110,054	917,119
Cost of sales (Note 8(2))	42,567	47,042	392,024
Gross profit	52,741	63,011	525,095
Selling, general and administrative expenses (Notes 8(3) and (4))	18,145	20,101	167,514
Operating income	34,596	42,909	357,581
Non-operating income:			
Interest income	65	40	339
Dividend income	19	20	173
Exchange gains, net	611	716	5,970
Subsidy income	52	–	–
Compensation for damage	130	–	–
Gain on liquidation of subsidiaries	–	761	6,345
Other	155	320	2,668
Total non-operating income:	1,035	1,859	15,497
Non-operating expenses:			
Interest expense	72	49	409
Commission fees	46	–	–
Additionally paid retirement payments	–	197	1,641
Litigation expenses	–	92	767
Loss on liquidation of subsidiaries	452	–	–
Other	214	101	842
Total non-operating expenses	786	439	3,661
Ordinary income	34,845	44,330	369,418
Special losses:			
Loss on sales and/or disposal of fixed assets (Note 8(5))	16	8	66
Total special losses	16	8	66
Net income before income taxes	34,828	44,322	369,351
Income taxes - current	10,084	10,987	91,564
Income taxes - deferred (Note 16)	(179)	780	6,507
Total income taxes	9,905	11,768	98,072
Net income	24,923	32,553	271,278
Net income attributable to owners of the parent	24,923	32,553	271,278

The accompanying notes are an integral part of these financial statements.

Consolidated statements of comprehensive income

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income	24,923	32,553	271,278
Other comprehensive income (Note 9)			
Net unrealized gain or loss on securities, net of tax	163	43	364
Cumulative translation adjustments	1,295	1,900	15,838
Adjustments for retirement benefits	17	(60)	(503)
Total other comprehensive income	1,476	1,883	15,699
Comprehensive income	26,400	34,437	286,978
Comprehensive income attributable to:			
Owners of the parent	26,400	34,437	286,978
Non-controlling interests	–	–	–

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2020	33,239	21,329	74,275	(27,458)	101,385
Changes of items during the current fiscal year					
Cash dividends (Note 10(1))			(5,337)		(5,337)
Net income attributable to owners of the parent			24,923		24,923
Repurchase of treasury stock				(3)	(3)
Disposal of treasury stock					–
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	–	–	19,586	(3)	19,582
Balance as of March 31, 2020	33,239	21,329	93,861	(27,461)	120,967

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2020	(106)	(1,306)	(237)	(1,650)	99,735
Changes of items during the previous fiscal year					
Cash dividends (Note 10(1))					(5,337)
Net income attributable to owners of the parent					24,923
Repurchase of treasury stock					(3)
Disposal of treasury stock					–
Net changes of items other than shareholders' equity	163	1,295	17	1,476	1,476
Total changes of items during the current fiscal year	163	1,295	17	1,476	21,058
Balance as of March 31, 2020	56	(10)	(219)	(173)	120,794

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	33,239	21,329	93,861	(27,461)	120,967
Changes of items during the current fiscal year					
Cash dividends (Note 10(2))			(8,753)		(8,753)
Net income attributable to owners of the parent			32,553		32,553
Repurchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	–	0	23,799	(2)	23,797
Balance as of March 31, 2021	33,239	21,329	117,661	(27,464)	144,765

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2021	56	(10)	(219)	(173)	120,794
Changes of items during the fiscal year					
Cash dividends (Note 10(2))					(8,753)
Net income attributable to owners of the parent					32,553
Repurchase of treasury stock					(2)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	43	1,900	(60)	1,883	1,883
Total changes of items during the current fiscal year	43	1,900	(60)	1,883	25,681
Balance as of March 31, 2021	100	1,889	(279)	1,710	146,475

(Thousands of U.S. dollars)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	276,993	177,742	782,176	(228,848)	1,008,064
Changes of items during the fiscal year					
Cash dividends (Note 10(2))			(72,945)		(72,945)
Net income attributable to owners of the parent			271,278		271,278
Repurchase of treasury stock				(18)	(18)
Disposal of treasury stock		1		0	1
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	1	198,333	(18)	198,315
Balance as of March 31, 2021	276,993	177,743	980,510	(228,867)	1,206,379

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2021	471	(90)	(1,827)	(1,446)	1,006,617
Changes of items during the fiscal year					
Cash dividends (Note 10(2))					(72,945)
Net income attributable to owners of the parent					271,278
Repurchase of treasury stock					(18)
Disposal of treasury stock					1
Net changes of items other than shareholders' equity	364	15,838	(503)	15,699	15,699
Total changes of items during the fiscal year	364	15,838	(503)	15,699	214,014
Balance as of March 31, 2021	836	15,747	(2,331)	14,252	1,220,632

The accompanying notes are an integral part of these financial statements.

Consolidated statements of cash flows

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities:			
Net income before income taxes	34,828	44,322	369,351
Depreciation and amortization	2,791	3,385	28,209
Increase (decrease) in allowance for doubtful accounts	5	(36)	(306)
Increase (decrease) in accrued bonuses	912	(68)	(569)
Increase (decrease) in liabilities for retirement benefits for employees	281	247	2,062
Interest and dividend income	(85)	(61)	(513)
Interest expense	72	49	409
Exchange (gain) loss, net	(37)	(265)	(2,212)
Loss on sales and/or disposal of fixed assets	16	8	66
Decrease (increase) in accounts receivable - trade	(9,028)	17,208	143,404
Decrease (increase) in inventories	(997)	1,383	11,527
Decrease (increase) in work in progress for game software	(3,213)	(6,744)	(56,205)
Increase (decrease) in notes and accounts payable - trade	(2,233)	(180)	(1,501)
Increase (decrease) in deferred revenue	(1,077)	2,008	16,734
Other	527	(3,160)	(26,337)
Subtotal	22,761	58,094	484,119
Interest and dividends received	99	58	487
Interest paid	(72)	(49)	(411)
Income taxes paid	(8,162)	(11,155)	(92,964)
Net cash provided by operating activities	14,625	46,947	391,230
Cash flows from investing activities:			
Payments into time deposits	(13,742)	(21,297)	(177,478)
Proceeds from withdrawal of time deposits	12,660	17,980	149,833
Payments for acquisitions of tangible fixed assets	(2,305)	(2,950)	(24,583)
Proceeds from sales of tangible fixed assets	1	2	16
Payments for acquisitions of intangible assets	(817)	(1,117)	(9,312)
Payments for purchase of investments in securities	(15)	(16)	(134)
Payments for other investing activities	(51)	(240)	(2,005)
Proceeds from other investing activities	37	213	1,781
Net cash used in investing activities	(4,233)	(7,426)	(61,883)
Cash flows from financing activities:			
Proceeds from long-term borrowings	3,000	–	–
Repayments of long-term borrowings	(4,129)	(727)	(6,065)
Repayments of lease obligations	(500)	(504)	(4,203)
Payments for repurchase of treasury stock	(3)	(2)	(17)
Dividends paid by parent company	(5,331)	(8,745)	(72,881)
Net cash used in financing activities	(6,965)	(9,980)	(83,167)
Effect of exchange rate changes on cash and cash equivalents	944	2,050	17,087
Net change in cash and cash equivalents	4,371	31,592	263,267
Cash and cash equivalents at beginning of year	59,672	64,043	533,698
Cash and cash equivalents at end of year (Note 11)	64,043	95,635	796,965

The accompanying notes are an integral part of these financial statements.

1. Major policies in preparing the consolidated financial statements:

The accompanying consolidated financial statements of CAPCOM CO., LTD. (the “Company”) and its subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Financial Instruments and Exchange Act.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of translation into U.S. dollars, it is rounded down to the nearest 1 thousand U.S. dollars).

The rate of ¥120 to U.S.$1.00, the approximate current rate of exchange prevailing on March 31, 2022, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Summary of significant accounting policies:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and its 11 majority owned subsidiaries (the “Companies”) at the relevant balance sheet date. All significant intercompany transactions and accounts have been eliminated.

The investments in 20% to 50% owned companies (affiliated companies) are, with minor exceptions, accounted for under the equity method.

The 11 subsidiaries are as follows:

CAPCOM U.S.A., INC. (U.S.A.)

CE EUROPE LTD. (U.K.)

CAPCOM ENTERTAINMENT GERMANY GmbH (Germany)

CAPCOM ENTERTAINMENT FRANCE SAS (France)

CAPCOM SINGAPORE PTE. Ltd. (Singapore)

CAPCOM ASIA CO., LTD. (Hong Kong)

CAPCOM TAIWAN CO., LTD. (Taiwan)

CAPCOM MAINTENANCE SERVICE CO., LTD. (Japan)

K2 CO., LTD. (Japan)

ENTERRISE CO., LTD. (Japan)

ADELION CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

STREET FIGHTER FILM, LLC (U.S.A.)

BEELINE INTERACTIVE, INC. has been excluded from the scope of consolidation due to their liquidation during the current fiscal year.

(2) Investments in securities

Available-for-sale securities
The securities other than shares that do not have a market value are stated at fair value at the end of fiscal year. Net unrealized gains or losses on these securities are inserted directly into net assets and the cost of securities sold is determined based on the average cost of all such securities held at the time of sale. Shares that do not have a market value are stated at cost based on the gross average method.

(3) Inventories (“Merchandise and finished goods,” “Work in progress,” “Raw materials and supplies”) and “Work in progress for game software”

Inventories are stated at the acquisition cost, determined principally by the moving average cost method. Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

Work in progress for game software, including development costs incurred by subcontractors for game machines, is stated at accumulated cost on a specific project basis. Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

(4) Tangible fixed assets, except for leased assets

The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful life of the respetcive assets, except for buildings (excluding facilities attached to buildings) for which depreciation is computed using the straight-line method. For facilities attached to buildings and structures acquired on or after April 1, 2016, the straight-line method is applied. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Equipment for amusement facilities	3-20 years

(5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method.

(6) Leased assets

Leases that do not transfer ownership of the leased assets to the lessee

Depreciation of such leased assets is computed by the straight-line method with the lease term regarded as useful life and the residual value at zero. If there is a contract on guaranteed residual value for the lease, such guaranteed residual value is used as the accounting residual one.
The foreign subsidiaries have adopted International Financial Reporting Standards No. 16 “Leases” ("IFRS 16"). IFRS 16 requires lessees to present all the leases as assets and liabilities on the balance sheet in principle and depreciate right-of-use assets using the straight-line method. Furthermore, leases under IFRS 16 are classified as finance leases in "Note 12. Accounting for leases".

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end. This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Attributing retirement benefits to service periods and amortizing liabilities unrealized in profit or loss

In calculating projected benefit obligations, attributing retirement benefits to service periods is based on benefit formula method. Actuarial net gains or losses are amortized over 13 to 14 years, commencing from the following year in which they arise.

(10) Significant revenue and cost recognition

①Content of major performance obligations at major business segments and ordinary point of time of revenue recognition

a. Digital content business
Digital content business develops and distributes video and mobile games for consumers.

(Package sales and Digital download sales)
Ordinarily, revenue will be recognized at a point of delivered if the Company can judge that the performance obligation is satisfied when customers obtain control of that items which can be used in that game software title and items in its contents at delivering them.

(Free download contents)
Major updating or other similar events after the release date are planned for some game software titles with online features among those which the Company sold to customers. Such events include the release of game content items which customers can play free of charge, and these releases are announced to and anticipated by customers.
The Company assumes that it has an obligation to release these free download content items (Free DLCs) in future to customers. Therefore, the Company identifies distinct performance obligations for the “Full Game,” which becomes available for playing on the release date, and “Free DLCs,” which are additionally provided after the release date through major updating or other similar events, and allocates the transaction price of a game software title sold to customers to the Full Game and Free DLCs, based on their stand-alone selling prices. In addition, Free DLCs for those yet to be released are not recognized as revenue at the end of consolidated fiscal year. But the stand-alone selling prices of Full Game and Free DLCs were not directly observable. Therefore, the Company selected game software titles with charged downloadable content items, etc. (Charged DLCs, etc.) similar to the applicable game software titles by considering the game genres, details of the Full Game and DLCs, and distribution methods, and calculates the average ratio of the selling prices of Charged DLCs, etc to the total of the selling prices of the Full Game and Charged DLCs, etc. (selling price ratio). The Company determined the transaction price of Free DLCs by multiplying the selling price of game software sold by the Company to customers by the selling price ratio.
The Company assumes that performance obligation is satisfied when Free DLC is provided to customers and made them available to play. Therefore, revenue from Free DLCs for those yet to be provided is deferred, recognized as sales over the planned period of Free DLC distribution after the date of provision based on the fact that it is released.

(Licensing-related sales)
The Company, as the copyrights holder of game software which was developed and productized, grants the right of delivery or the right of material use by entering into license agreements with customers. The non-returnable contract revenue and minimum guarantee revenue in this licensing-related revenue is recognized at a one-time point, if the Company can judge that our performance obligation is satisfied when customers obtain control of the license at the point of granting it.
Additionally, revenue related to royalties based on sales are calculated by customers' sales as basis, revenue is recognized at a one-point which is judged our satisfaction of performance obligation by considering the time of revenue.

The Company receives each consideration approximately within 3 months after our performance obligations are performed, and significant financing components are not included.

b. Arcade operations business
Arcade operations business operates amusement stores which install amusement equipment, revenue from the contract with customers is product sales and services provided by amusement equipments, and is recognized at a point of providing to the customers.

The Company receives each consideration approximately within 3 months after our performance obligations are performed, and significant financing components are not included.

c. Amusement equipment business
Amusement equipment business manufactures pachinko gambling machines, etc. to be distributed to arcade operators and pachinko parlors. Its revenue is recognized at a one-time point, if the Company can judge that performance obligation is satisfied at the point of delivery our products to customers.

The Company receives each consideration approximately within 3 months after our performance obligations are performed, and significant financing components are not included.

d. Other business
Other business operates Character licensing-related sales, and others.
The Company, as the copyrights holder of game software and these characters which was developed and productized, grants the right of delivery or the right of material use by entering into license agreements with customers.
The non-returnable contract revenue and minimum guarantee revenue in these licensing-related revenue is recognized at a one-time point, if the Company can judge that our performance obligation is satisfied when customers obtains control of the license at the point of granting it.
Additionally, revenue related to royalties based on sales are calculated by customers' sales as basis, revenue is recognized at a one-point which is judged our satisfaction of performance obligation by considering the time of revenue.

The Company receives each consideration approximately within 3 months after our performance obligation was performed, and significant financing component is not included.

② Cost of game software production

Game software is produced by a combination of software functioning as program and multi-game content such as images and sound data. Since the Company consider both software and content as nonseparable, the primary economic value is based on content. Overall, the cost of game software is booked as work in progress for game software when commercialization has been authorized at the Company. The cost of production capitalized as assets is booked as cost of sales based on expected sales revenue.

(11) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

3. Significant accounting estimates

(1) Revenue recognition of free download contents

① Deferred revenue of free download contents on the consolidated financial statement for the current fiscal year

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Deferred revenue in the consolidated balance sheet	6,673	8,932	74,439
Deferred revenue provided to free download contents yet to be released at the end of the current fiscal year	6,385	8,792	73,271

② Information on significant accounting estimates for identified items
a. Estimate calculation method b. Major assumption for estimation
It is the same as the content described in "Note 2. Summary of significant accounting policies (10) Significant revenue and cost recognition ① Content of major performance obligations at major business segments and ordinary point of time of revenue recognition".

c . The impact on the consolidated financial statement for the next fiscal year
The amount stated on the consolidated balance sheet for the current fiscal year will be recognized as sales in the next fiscal year.

(2) Valuation of work in progress for game software

① Work in progress for game software stated on the consolidated financial statement for the current fiscal year

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Work in progress for game software in the consolidated balance sheet	24,443	31,192	259,940
Work in progress for titles that could have a significant impact on the consolidated financial statement for the next fiscal year	4,774	9,048	75,407

② Information on significant accounting estimates
a. Estimate calculation method
Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amount. For game software titles yet to be released, the Company reduces the carrying amounts to the net selling price, which is reasonably estimated by deducting the estimated additional development costs and the estimated direct selling expenses from the planned sales revenue, in the case that the carrying amounts for game software exceed the net selling price. For released game software titles, in the case that the actual sales revenue is significantly below the plan continuously or remarkable decline in revenue is expected, the Company reviews the planned sales revenue and reasonably review the net selling price, which is calculated by deducting the estimated additional development cost and the estimated direct selling expenses from the reviewed planned sales revenue, and then reduces the carrying amounts to the renewed net selling price.

b. Major assumptions for estimation
The number of units sold and the selling price, which are the basis for the estimates of the planned sales revenue were judged by management subjectively based on the forecast of console markets and user's purchase trends, among others, and by referring to the reputation of previous and similar titles, price strategies, and method for distribution to customers, among others.

c. Impact on the consolidated financial statement for the next fiscal year
The Company considers that the elements used for the major assumptions to calculate work in progress for game software are reasonable. However, in the case of market shifts and unexpected changes in economic and business preconditions, there is a possibility that the carrying amount of work in progress for game software for the next fiscal year might be affected. As the margin of safety ratio (financial indicator to measure how far the planned sales revenue exceeds the break even sales) for the titles described in "① Work in progress for game software stated on the consolidated financial statement for the current fiscal year" is around 28% on average (around 20% on average in the previous fiscal year), there is a possibility of a reduction in the carrying amount for work in progress for game software if the margin of safety ratio for the titles in question is below 28%.

4. Change in accounting principles

(1) Application of Accounting Standards related to Revenue Recognition

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31,2020; hereinafter, "Accounting Standard for Revenue Recognition") has been applied from the beginning of the current fiscal year. In accordance with the Accounting Standard for Revenue Recognition, when control of a promised good and/or service is transferred to the customer, revenue will be recognized for the amount expected to be received in exchange for the good and/or service. As a result, revenue from licensing-related business, which does not require reversion, was previously recognized at the time the contract was signed; from the beginning of the current fiscal year, in the case the nature of the contract to grant the license to customers is treated as the right to access the intellectual property over the duration of the license, revenue is recognized over a certain period of time, and in the case it is treated as the right to use the intellectual property at the time the license is granted, revenue is recognized at a one-time point.

When applying the Accounting Standard for Revenue Recognition, the Company complies with the transitional treatment stipulated in Article 84 of the Standard. The cumulative impact of retroactively applying the new accounting principle prior to the beginning of the current fiscal year is added or subtracted to the retained earnings at the beginning of the current fiscal year and the new accounting principle is applied from the beginning balance.

Due to the application of Accounting Standard for Revenue Recognition, “Notes and accounts receivable – trade,” which was included in “Current assets” in the consolidated balance sheets for the previous fiscal year, has been divided into “Notes receivable – trade” and “accounts receivable – trade” from the current fiscal year.

In accordance with transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

As a result, the impact of these changes on the consolidated financial statements in this fiscal year is minor, and there is no effect on the beginning balance of retained earnings.

The impact on per share information is described in "Note 23. Per share information".

In accordance with the transitional treatment stipulated in Article 89-3 of the Accounting Standard for Revenue Recognition, a note of revenue recognition for the consolidated financial statements for the previous fiscal year is not described.

(2) Application of Accounting Standards related to Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the current fiscal year. In accordance with transitional treatment stipulated in Article 19 of Accounting Standards for Fair Value Measurement and in Article of 44-2 in Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policy under Accounting Standards for Fair Value Measurement will be applied in the future.

There is no impact on the consolidated financial statements in this fiscal year.

In addition, matters regarding the breakdown of financial instruments by each fair value level is stated in Note 13. Financial instruments. In accordance with the trasitional treatment stipulated in Article 7-4 of Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), the note relating to the consolidated financial statements for the previous fiscal year is not described.

5. Unapplied accounting standards, etc., to be applied to foreign subsidiaries

(1) Leases (US GAAP ASU 2016-02)

(i) Overview

This accounting standard requires the lessee to present assets and liabilities for all leases in principle.

(ii) Effective date

To be adopted from the beginning of the fiscal year ending March 31 2023

(iii) Effects of application of the Guidance

The impact is now under examination.

6. Additional information

(Accounting Estimates taking into account the impact of the new coronavirus infection spreading)

Due to the impact of the new coronavirous infection spreading, the Companies have reviewed the working system, improved the working environment in the office, and changed the opening hours or temporarily closed in some amusement stores of Arcade Operations business in order to continue the business. Under the assumtion that the impact of the spread of infectious disease would be contained in 2022, the Companies reflected this assumption in the accounting estimates on accounting treatments such as realizabilities of deferred tax assets, etc. It may negatively affect the Companies' business results and financial positions if the convergence of the new coronavirus is delayed.

7. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year March 31, 2021	Current fiscal year March 31, 2022	Current fiscal year March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	23,573	24,897	207,477

(Note) The above balances include the accumulated impairment loss on tangible fixed assets.

(2) The contract liability incurred by contracts with customers in "other" of current liabilities is described in "Note 20. Revenue recognition (3) Relationship between satisfaction of performance obligation based on contracts with customers and cashflow from these contracts, information about estimated amount of revenue and its period to be recognized after next consolidated fiscal year considering from existing contracts with customers as of current consolidated fiscal year ① Balance of contract liability".

(3) Overdraft agreements and credit line agreements

The Company has entered into overdraft agreements for the purpose of efficient and sustainable financing and improving the efficiency of funds operations and the Company's financial flexibility.

	Previous fiscal year March 31, 2021	Current fiscal year March 31, 2022	Current fiscal year March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of overdraft limit and credit line	6,700	6,700	55,833
Borrowings	-	-	-
Unexercised balance	6,700	6,700	55,833

8. Notes to consolidated statements of income

(1) Revenue from contracts with customers
For sales, revenue from contracts with customers and other revenues are not separately listed. Revenue from contracts with customers is described in "Note 20. Revenue recognition (1) Break-down information of revenue from contracts with customers".

(2) The amount of book value reduction based on a decline in profitability including in "Cost of Sales"

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	943	840	7,007

(3) Major items and the amounts under "Selling, general and administrative expenses"

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	2,684	2,884	24,039
Promotion expenses	493	656	5,467
Salaries for directors and employees	4,717	4,856	40,473
Provision for accrued bonuses	1,662	1,749	14,578

(4) Research and development expenses included in general and administrative expenses

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1,461	1,877	15,646

(5) The breakdown of "Loss on sales and/or disposal of fixed assets"

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	2	2	20
Machinery and vehicles	-	(1)	(16)
Tools, fixtures and furniture	(0)	5	44
Equipment for amusement facilities	13	0	4
Software	0	1	14
Total	16	8	66

9. Notes to consolidated statements of comprehensive income

Amount of recycling and income tax effect associated with other comprehensive income

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net unrealized gain or loss on securities			
Amount arising during the fiscal year	163	43	364
Amount of recycling	-	-	-
Net gain before the effect of income taxes	163	43	364
Effect of income taxes	-	-	-
Net unrealized gain or loss on securities, net of tax	163	43	364
Cumulative translation adjustment			
Amount arising during the fiscal year	937	2,555	21,294
Amount of recycling	357	(654)	(5,456)
Adjustments for cumulative translation adjustment	1,295	1,900	15,838
Adjustments for retirement benefits			
Amount arising during the fiscal year	(17)	(131)	(1,097)
Amount of recycling	43	44	372
Net gain before the effect of income taxes	25	(87)	(725)
Effect of income taxes	(7)	26	221
Adjustments for retirement benefits, net of tax	17	(60)	(503)
Total other comprehensive income	1,476	1,883	15,699

10. Notes to consolidated statements of changes in net assets

(1) Previous fiscal year (April 1, 2020 to March 31, 2021)

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2020	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2021
Common stock (thousand shares)	135,446	-	-	135,446

(Note) There was no increase or decrease in the current fiscal year.

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2020	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2021
Common stock (thousand shares)	28,695	0	-	28,696

(Note) The increase was due to purchases of less-than-one-unit shares. 0 thousand shares

③ Dividend

(i) Amount of dividends paid

Resolution	Type of shares	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2020	Common stock	¥2,668 million	25	March 31, 2020	June 18, 2020
Board of Directors' meeting held on October 29, 2020	Common stock	¥2,668 million	25	September 30, 2020	November 13, 2020

(ii) Dividends whose effective date was to be after the end of current fiscal year and record date was included in the current fiscal year.

Resolution	Type of shares	Source of dividends	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 22, 2021	Common stock	Retained earnings	¥4,910 million	46	March 31, 2021	June 23, 2021

(Note) With an effective date of April 1, 2021, the Company performed a 2-for-1 split of its common stock. The above dividend per share is the amount before the stock split.

(2) Current fiscal year (April 1, 2021 to March 31, 2022)

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2021	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2022
Common stock (thousand shares)	135,446	135,446	-	270,892

(Note) 1. With an effective date of April 1, 2021, the Company performed a 2-for-1 split of its common stock.
2. The increase was due to the stock split. 135,446 thousand shares

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2021	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2022
Common stock (thousand shares)	28,696	28,697	0	57,393

(Note) 1. With an effective date of April 1, 2021, the Company performed a 2-for-1 split of its common stoc
2. The increase was due to the stock split. 28,696 thousand shares
3. The increase was due to purchases of less-than-one-unit shares. 0 thousand shares
4. The decrease was due to sales of less-than-one-unit shares. 0 thousand shares

③ Dividend

(i) Amount of dividends paid

Resolution	Type of shares	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 22, 2021	Common stock	¥4,910 million	46	March 31, 2021	June 23, 2021
Board of Directors' meeting held on October 28, 2021	Common stock	¥3,842 million	18	September 30, 2021	November 12, 2021

Resolution	Type of shares	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 22, 2021	Common stock	$40,920 thousand	0.38	March 31, 2021	June 23, 2021
Board of Directors' meeting held on October 28, 2021	Common stock	$32,024 thousand	0.15	September 30, 2021	November 12, 2021

(Note) With an effective date of April 1, 2021, the Company performed a 2-for-1 stock split of its common stock. The dividend per share resolved by General shareholders' meeting held on June 22, 2021 is the amount before the stock split.

(ii) Dividends whose effective date was to be after the end of current fiscal year and record date was included in the current fiscal year.

Resolution	Type of shares	Source of dividends	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 23, 2022	Common stock	Retained earnings	¥5,977 million	28	March 31, 2022	June 24, 2022

Resolution	Type of shares	Source of dividends	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 23, 2022	Common stock	Retained earnings	$49,816 thousand	0.23	March 31, 2022	June 24, 2022

11. Notes to consolidated statements of cash flows

Cash and cash equivalents at end of year

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	71,239	107,262	893,858
Time deposits with maturities over three months	(7,196)	(11,627)	(96,892)
Cash and cash equivalents	64,043	95,635	796,965

12. Accounting for leases
(Lessee)

(1) Capital leases

Capital leases which do not transfer ownership of the leased assets to the lessee

・ Leased assets:
  Tangible fixed assets
  Major assets are equipment for amusement facilities for the "Arcade operations" segment and office rent for some subsidiaries.
・ Depreciation method:
  Stated in "Note 2. Summary of significant accounting policies (6) Leased assets."

(2) Operating leases

① Future lease payments

	Previous fiscal year March 31, 2021	Current fiscal year March 31, 2022	Current fiscal year March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	389	433	3,612
Due over one year	1,279	992	8,267
Total	1,669	1,425	11,880

13. Financial instruments

(1) Conditions of financial instruments

① Management policy
The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration. The Companies raise funds through borrowings from financial institutions, such as banks, etc. The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and interest fluctuation rate risk and do not enter into derivative financial instruments for speculative purposes.

② Financial instruments, risks, and risk management
Notes - trade and accounts receivable - trade are exposed to the credit risk of customers. To minimize the risk, the Companies regularly monitor the credit status of major customers as well as perform due date control and balance control for each customer according to the importance of the business in accordance with credit exposure management rules.

Lease deposits are mainly related to lease agreements, which are exposed to the credit risk of lessors. The Companies make the best effort to understand the credit conditions of the lessors when the Companies start transactions with the lessors and renew the agreements, or timely in other situations.

The investments in securities the Company holds consist mainly of listed equity securities of its business partners. These securities are exposed to stock price volatility risk. To minimize such risk, the Company states the fair value of these securities on a quarterly basis to report it to the Board of Directors' meeting.

As for notes and accounts payable - trade and electronically recorded monetary liabilities, due date of payment is within one year.
Long-term borrowings (including "current portion of long-term borrowings") are mainly for normal operating activities and capital investments.
Notes and accounts payable - trade, electronically recorded monetary liabilities and borrowings are exposed to liquidity risk.
The Companies minimize such risk by forecasting cash flows on a monthly basis.

(2) Fair value of financial instruments
The carrying value on the consolidated balance sheets, fair value and any differences between the two were as follows:

① Previous fiscal year (March 31, 2021)　(Millions of yen)

	Carrying value	Fair value	Difference
Lease deposits	4,140	4,138	(1)
Total	4,140	4,138	(1)
Long-term borrowings (*2)	5,606	5,615	9
Total	5,606	5,615	9

(*1) The notes for cash on hand and in banks, notes and accounts receivable - trade, notes and accounts payable - trade and electoronically recorded monetary liabilities are omitted since they are cash or settled in the short term and the fair values approximate the book values.

(*2) Long-term borrowings due within one year are included.

② Current fiscal year (March 31, 2022)　(Millions of yen)

	Carrying value	Fair value	Difference
Lease deposits	4,266	4,256	(9)
Total	4,266	4,256	(9)
Long-term borrowings (*2)	4,878	4,883	4
Total	4,878	4,883	4

(Thousands of U.S. dollars)

	Carrying value	Fair value	Difference
Lease deposits	35,552	35,472	(79)
Total	35,552	35,472	(79)
Long-term borrowings (*2)	40,656	40,692	35
Total	40,656	40,692	35

(*1) The notes for cash on hand and in banks, notes - trade, accounts receivable - trade, notes and accounts payable - trade and electoronically recorded monetary liabilities are omitted since they are cash or settled in the short term and the fair values approximate the book values.

(*2) Long-term borrowings due within one year are included.

(Note 1) Redemption schedule for monetary assets with maturity dates subsequent to the consolidated balance sheets date

(1) Previous fiscal year (March 31, 2021) (Millions of yen)

	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2026	April 1, 2026 to March 31, 2031	April 1, 2031 and thereafter
Cash on hand and in banks	71,239	-	-	-
Notes and accounts receivable - trade	25,096	-	-	-
Lease deposits	1,098	2,435	602	3
Total	97,435	2,435	602	3

(2) Current fiscal year (March 31, 2022) (Millions of yen)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2027	April 1, 2027 to March 31, 2032	April 1, 2032 and thereafter
Cash on hand and in banks	107,262	-	-	-
Notes - trade	528	-	-	-
Accounts receivable - trade	7,404	-	-	-
Lease deposits	1,063	2,337	861	3
Total	116,260	2,337	861	3

(Thousands of U.S. dollars)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2027	April 1, 2027 to March 31, 2032	April 1, 2032 and thereafter
Cash on hand and in banks	893,858	-	-	-
Notes - trade	4,403	-	-	-
Accounts receivable - trade	61,705	-	-	-
Lease deposits	8,866	19,480	7,176	28
Total	968,833	19,480	7,176	28

(Note 2) Repayment schedule for current portion of long-term and long-term borrowings with maturity dates subsequent to the consolidated balance sheets date

(1) Previous fiscal year (March 31, 2021) (Millions of yen)

	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 and thereafter
Long-term borrowings (*)	727	626	3,626	626	-	-
Total	727	626	3,626	626	-	-

(*) Long-term borrowings due within one year are included.

(2) Current fiscal year (March 31, 2022) (Millions of yen)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 and thereafter
Long-term borrowings (*)	626	3,626	626	-	-	-
Total	626	3,626	626	-	-	-

(Thousands of U.S. dollars)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 and thereafter
Long-term borrowings (*)	5,219	30,219	5,217	-	-	-
Total	5,219	30,219	5,217	-	-	-

(*) Long-term borrowings due within one year are included.

(3) Matters regarding the breakdown of financial instruments by each fair value level

Fair values of financial instruments are categorized into three levels as below on the basis of the observability and the materiality of the valuation inputs used in the fair value measurements.

Fair values of Level 1 : Fair values measured by quoted prices of the assets or liabilities being measured which are given in active markets among observable valuation inputs

Fair values of Level 2 : Fair values measured by observable valuation inputs other than inputs included within Level 1

Fair values of Level 3 : Fair values measured by unobservable valuation inputs

When several inputs that have significant impacts on the fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for the fair value measurement among the levels in which each of the inputs belongs.

Financial instruments other than financial instruments recorded at fair value on the consolidated balance sheet

Current fiscal year (March 31, 2022) (Millions of yen)

	Fair Value			
Classification	Level 1	Level 2	Level 3	Total
Lease deposits	-	4,256	-	4,256
Total	-	4,256	-	4,256
Long-term borrowings (*)	-	4,883	-	4,883
Total	-	4,883	-	4,883

(Thousands of U.S. dollars)

	Fair Value			
Classification	Level 1	Level 2	Level 3	Total
Lease deposits	-	35,472	-	35,472
Total	-	35,472	-	35,472
Long-term borrowings (*)	-	40,692	-	40,692
Total	-	40,692	-	40,692

(*) Long-term borrowings due within one year are included.

(Note) Explanation of valuation techniques and valuation inputs used in the fair value measurements

Lease deposits

The fair value of lease deposits is calculated by discounting the yield of the national government bonds based on a payback period and classified as fair values of level 2.

Long-term borrowings

The fair value of long-term borrowings is calculated by discounted cash-flow method based on total amount of principle and interest, average life of debts, and interest rate taking credit risk into account. It is classified as fair values of level 2.

14. Investments in securities

(1) Available-for-sale securities with a readily determinable fair value

① Previous fiscal year (March 31, 2021) (Millions of yen)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Equity securities	341	283	58
Bonds	-	-	-
Others	-	-	-
Subtotal	341	283	58
Securities with book value not exceeding acquisition cost			
Equity securities	212	214	(1)
Bonds	-	-	-
Others	-	-	-
Subtotal	212	214	(1)
Total	554	497	56

② Current fiscal year (March 31, 2022) (Millions of yen)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Equity securities	418	283	135
Bonds	-	-	-
Others	-	-	-
Subtotal	418	283	135
Securities with book value not exceeding acquisition cost			
Equity securities	195	230	(35)
Bonds	-	-	-
Others	-	-	-
Subtotal	195	230	(35)
Total	614	513	100

(Thousands of U.S. dollars)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Equity securities	3,490	2,360	1,129
Bonds	-	-	-
Others	-	-	-
Subtotal	3,490	2,360	1,129
Securities with book value not exceeding acquisition cost			
Equity securities	1,626	1,919	(292)
Bonds	-	-	-
Others	-	-	-
Subtotal	1,626	1,919	(292)
Total	5,117	4,280	836

(2) Investments in securities sold during the fiscal year

① Previous fiscal year (April 1, 2020 to March 31, 2021)
Not applicable

② Current fiscal year (April 1, 2021 to March 31, 2022)
Not applicable

15. Retirement benefits for employees

(1) Summary of retirement benefit plans

The Company and its subsidiaries have unfunded benefit plans (retirement lump sum grants) and defined contribution plans (defined contribution pension scheme) to be applied to retirement benefits for employees. Some subsidiaries account for retirement lump sum plans using the simplified method to calculate liabilities for retirement benefits for employees and retirement costs.

(2) Defined benefit plans (excluding plans using the simplified method)

① Change in projected benefit obligations

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	3,194	3,447	28,727
Service costs	283	303	2,532
Interest costs	16	17	146
Actuarial gain or loss incurred	17	131	1,097
Payment of retirement benefits	(64)	(115)	(963)
Projected benefit obligations at end of year	3,447	3,784	31,539

② Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	Previous fiscal year March 31, 2021	Current fiscal year March 31, 2022	Current fiscal year March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plans	3,447	3,784	31,539
Net balance presented in the consolidated balance sheet	3,447	3,784	31,539
Liabilities for retirement benefits for employees	3,447	3,784	31,539
Net balance presented in the consolidated balance sheet	3,447	3,784	31,539

③ Breakdown of retirement and pension cost

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Service costs	283	303	2,532
Interest costs	16	17	146
Amortization of actuarial differences	43	44	372
Net periodic benefit costs	343	366	3,050

(Note) In addition to the above costs, additionally paid retirement payments ¥197 million ($1,641 thousand) is recorded on the consolidated financial statement for the current fiscal year.

④ Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits before the effect of income taxes was as follows.

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Actuarial differences	25	(87)	(725)
Total	25	(87)	(725)

⑤ Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits before the effect of income taxes was as follows.

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial differences	315	402	3,354
Total	315	402	3,354

⑥ Actuarial assumption

Major actuarial assumption (on weighted average)

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022
Discount rate	0.6%	0.6%

(3) Defined benefit plans using the simplified method

① Change in projected benefit obligations

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	18	20	174
Service costs	2	3	31
Payment of retirement benefits	-	(6)	(56)
Projected benefit obligations at end of year	20	17	149

② Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	March 31, 2021	March 31, 2022	March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plans	20	17	149
Net balance presented in the consolidated balance sheet	20	17	149
Liabilities for retirement benefits for employees	20	17	149
Net balance presented in the consolidated balance sheet	20	17	149

③ Retirement and pension cost

Retirement and pension costs for plans using the simplified method were ¥2 million for the previous fiscal year and ¥3 million ($31 thousand) for the current fiscal year.

(4) Defined contribution plans

The Companies contributed ¥328 million for the previous fiscal year and ¥342 million ($2,852 thousand) for the current fiscal year to their defined contribution plans.

16. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year March 31, 2021	Current fiscal year March 31, 2022	Current fiscal year March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Accrued bonuses	1,189	1,189	9,911
Liabilities for retirement benefits for employees	1,058	1,160	9,671
Accrued retirement benefits for directors	103	103	861
Inventories	2,781	3,404	28,371
Unearned revenue	152	77	641
Investments in subsidiaries and affiliated companies	151	151	1,265
Tax loss carryforwards in the subsidiaries	1,737	610	5,089
Tax credits carryforwards in the subsidiaries	199	161	1,347
Depreciation and amortization	128	165	1,379
Deferred revenue	1,188	74	622
Other	1,152	1,776	14,807
Subtotal	9,844	8,876	73,970
Valuation allowance for tax loss carryforwards (Note)	(566)	(297)	(2,480)
Valuation allowance for deductible temporary differences	(1,000)	(932)	(7,773)
Total valuation allowance	(1,566)	(1,230)	(10,254)
Total deferred tax assets	8,277	7,645	63,716
(Deferred tax liabilities)			
Other	(189)	(276)	(2,306)
Total deferred tax liabilities	(189)	(276)	(2,306)
Net deferred tax assets	8,088	7,369	61,409

(Note) Tax loss carryforwards and deferred tax assets by expiration period

Previous fiscal year (March 31, 2021) (Millions of yen)

	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 and thereafter	Total
Tax loss carryforwards (a)	-	-	-	20	-	1,716	1,737
Valuation allowance	-	-	-	-	-	(566)	(566)
Net deferred tax assets	-	-	-	20	-	1,149	(b) 1,170

(a) Above tax loss carryforwards were calculated by multiplying the statutory tax rate.

(b) For tax loss carryforwards of ¥1,737 million (amount multiplied by the statutory tax rate), deferred tax assets of ¥1,170 million were presented. Deferred tax assets of ¥1,170 million were expected to be recoverable for a portion of the tax loss carryforwards of ¥1,397 million incurred by CAPCOM U.S.A., INC., which arose in relation to adjustments of transfer price taxation system.

Current fiscal year (March 31, 2022) (Millions of yen)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 and thereafter	Total
Tax loss carryforwards (a)	-	-	-	-	-	610	610
Valuation allowance	-	-	-	-	-	(297)	(297)
Net deferred tax assets	-	-	-	-	-	313	(b) 313

(Thousands of U.S. dollars)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 and thereafter	Total
Tax loss carryforwards (a)	-	-	-	-	-	5,089	5,089
Valuation allowance	-	-	-	-	-	(2,480)	(2,480)
Net deferred tax assets	-	-	-	-	-	2,608	(b) 2,608

(a) Above tax loss carryforwards were calculated by multiplying the statutory tax rate.

(b) For tax loss carryforwards of ¥610 million ($5,089 thousand) (amount multiplied by the statutory tax rate), deferred tax assets of ¥313 million ($2,608 thousand) were presented. Deferred tax assets of ¥313 million ($2,608 thousand) were expected to be recoverable for a portion of the tax loss carryforwards of ¥601 million ($5,015 thousand) incurred by CAPCOM U.S.A., INC., which arose in relation to adjustments of transfer price taxation system.

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year March 31, 2021	Current fiscal year March 31, 2022
	(Unit : %)	(Unit : %)
Statutory income tax rate	30.5	30.5
(Reconciliation)		
Change in valuation allowance	0.1	(1.5)
Tax credit	(1.3)	(1.0)
Different tax rates applied to foreign subsidiaries	(0.8)	(0.9)
Permanent difference (meals and entertainment, etc.)	0.5	0.2
Unappropriated retained earnings of foreign subsidiaries	0.1	0.1
Tax adjustments resulting from consolidation elimination entries, etc.	(0.2)	(0.1)
Others	(0.4)	(0.7)
Effective income tax rate	28.4	26.6

17. Corporate combinations, etc.

(Transactions under common control)

At a meeting of the Board of Directors held on March 31, 2021, the Company resolved to accept the transfer of a portion of the business operated by CAPCOM U.S.A., INC., our consolidated subsidiary, and took over the business on April 1, 2021 based on the business transfer agreement.

1. Name of company and description of business to be transferred, legal form of business transfer, outline and purpose of the transaction
(1) Name of company and description of business to be transferred
Name: CAPCOM U.S.A., INC.
Contents of the business to be transferred: CAPCOM U.S.A., INC's Game contents business and Merchandising business
(2) Legal form of business transfer
Acquisition in exchange for monetary consideration with the Company as the business acquisition company and the transfer source company as the business transfer company
(3) Outline and purpose of the transaction
The purpose of this transaction is to build a unified content management structure for the business acquisition company through integrating the Game Contents business and Merchandising business from the business transfer company. Thus, we aim to increase profits and brand value through further development of our Single Content Multiple Usage strategy.

2. Overview of accounting treatment
These transactions was treated as transactions under common control in accordance with Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

18. Asset retirement obligations

Asset retirement obligations on the balance sheet.

① Outline of asset retirement obligations

Obligations to restore business offices and amusement stores in the "Arcade operations" segment to their original state, as specified in the real estate lease agreements.

② Calculation of asset retirement obligations

Asset retirement obligations are calculated with the future cash flows discounted. For the business offices, their depreciation periods (mainly 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which correspond to the respective depreciation periods, are used as their discount rates.

For the amusement facilities, their lease periods (mainly 6 to 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which corresponds to the respective lease periods, are used as their discount rates.

③ Increase or decrease in asset retirement obligations

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2021 to March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Beginning balance	656	671	5,598
Increase due to purchase of tangible fixed assets	10	45	379
Adjustment due to passage of time	4	4	37
Decrease due to settlement of asset retirement obligations	-	(2)	(24)
Ending balance	671	718	5,991

19. Investment and rental property

The note is omitted due to the insignificance of the total amount.

20. Revenue recognition

(1) Break-down information of revenue from contracts with customers

Current fiscal year (April 1, 2021 to March 31, 2022)

Detail of goods or services

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Package sales	30,012	-	-	30,012	-	30,012
Digital download sales	53,339	-	-	53,339	-	53,339
Mobile contents	4,182	-	-	4,182	-	4,182
Arcade operations	-	12,404	-	12,404	-	12,404
Amusement equipment	-	-	5,749	5,749	-	5,749
Others	-	-	-	-	4,366	4,366
Revenue from contracts with customers	87,534	12,404	5,749	105,687	4,366	110,054
Other revenues	-	-	-	-	-	-
Net sales to customers	87,534	12,404	5,749	105,687	4,366	110,054

(Thousands of U.S. dollars)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Package sales	250,101	-	-	250,101	-	250,101
Digital download sales	444,493	-	-	444,493	-	444,493
Mobile contents	34,856	-	-	34,856	-	34,856
Arcade operations	-	103,370	-	103,370	-	103,370
Amusement equipment	-	-	47,908	47,908	-	47,908
Others	-	-	-	-	36,388	36,388
Revenue from contracts with customers	729,451	103,370	47,908	880,730	36,388	917,119
Other revenues	-	-	-	-	-	-
Net sales to customers	729,451	103,370	47,908	880,730	36,388	917,119

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

Detail of area

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Japan	30,005	12,404	5,749	48,158	1,382	49,540
U.S.A.	26,029	-	-	26,029	1,629	27,658
Europe	13,737	-	-	13,737	311	14,049
Others	17,761	-	-	17,761	1,043	18,805
Revenue from contracts with customers	87,534	12,404	5,749	105,687	4,366	110,054
Other revenues	-	-	-	-	-	-
Net sales to customers	87,534	12,404	5,749	105,687	4,366	110,054

(Thousands of U.S. dollars)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Japan	250,043	103,370	47,908	401,322	11,517	412,839
U.S.A.	216,909	-	-	216,909	13,578	230,487
Europe	114,482	-	-	114,482	2,594	117,077
Others	148,016	-	-	148,016	8,698	156,715
Revenue from contracts with customers	729,451	103,370	47,908	880,730	36,388	917,119
Other revenues	-	-	-	-	-	-
Net sales to customers	729,451	103,370	47,908	880,730	36,388	917,119

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

The point of revenue recognition

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Goods or services to be transferred at a point in time	79,247	12,404	5,749	97,401	4,066	-
Goods or services to be transferred over time	8,286	-	-	8,286	300	8,586
Revenue from contracts with customers	87,534	12,404	5,749	105,687	4,366	110,054
Other revenues	-	-	-	-	-	-
Net sales to customers	87,534	12,404	5,749	105,687	4,366	110,054

(Thousands of U.S. dollars)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Goods or services to be transferred at a point in time	660,399	103,370	47,908	811,678	33,885	845,563
Goods or services to be transferred over time	69,052	-	-	69,052	2,503	71,556
Revenue from contracts with customers	729,451	103,370	47,908	880,730	36,388	917,119
Other revenues	-	-	-	-	-	-
Net sales to customers	729,451	103,370	47,908	880,730	36,388	917,119

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

(2) Basic information for understanding revenue from contracts with customers
It is the same as the content described in "Note 2. Summary of significant accounting policies (10) Significant revenue and cost recognition ① Content of major performance obligations at major business segments and ordinary point of time of revenue recognition".

(3) Relationship between satisfaction of performance obligation based on contracts with customers and cashflow from these contracts, information about estimated amount of revenue and its period to be recognized after the next consolidated fiscal year considering from existing contracts with customers as of current consolidated fiscal year

Current fiscal year (April 1, 2021 to March 31, 2022)

① Balance of contract liability

(Millions of yen)

	Current fiscal year
Receivable from contracts with customers (Beginnning balance)	25,096
Receivable from contracts with customers (Ending balance)	7,933
Contract liability (Beginning balance)	1,597
Contract liability (Ending balance)	498

(Thousands of U.S. dollars)

	Current fiscal year
Receivable from contracts with customers (Beginnning balance)	209,137
Receivable from contracts with customers (Ending balance)	66,109
Contract liability (Beginning balance)	13,315
Contract liability (Ending balance)	4,151

Contract liability is mainly related to advance received from customers at licensing-related sales in the digital content and other businesses, and are included in "other" of current liabilities on the consolidated balance sheet.
The main reason for the decrease in contract liability of ¥1,099 million ($9,163 thousand) is the decrease in advance received due to the revenue recognition with the satisfaction of performance obligations.

② Transaction prices to be allocated to remaining performance obligations
Total transaction prices to be allocated to remaining performance obligations and the period when the revenue is expected to be recognized are as below.

(Millions of yen)

	Current fiscal year
Within 1 year	10,990
Over 1 year	415
Total	11,406

(Thousands of U.S. dollars)

	Current fiscal year
Within 1 year	91,587
Over 1 year	3,465
Total	95,052

21. Segment information

(1) Outline of reportable segments

① Classification of reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain separate financial information in order for the Board of Directors to conduct periodic investigations to determine the distribution of operational resources and to evaluate business performance. The Company has several operational headquarters which plan comprehensive business strategies in the domestic and overseas markets for their products and services, and develop its business activities. Therefore the Company's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 segments: "Digital content," "Arcade operations" and "Amusement equipment."

② Product and service line

The "Digital content" segment develops and distributes video and mobile games for consumers.
The "Arcade operations" segment operates amusement stores which install amusement equipment.
The "Amusement equipment" segment manufactures pachinko gambling machines, etc. to be distributed to arcade operators and pachinko parlors.

(2) Method of calculating sales and income (loss), identifiable assets and liabilities and other items by reportable segment

The accounting policies for the reportable segment are based on those in "Summary of significant accounting policies."
Income by reportable segment is calculated based on operating income on the consolidated statements of income.

(3) Information on net sales and operating income (loss), identifiable assets and liabilities and other items by reportable segment

① Previous fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	75,300	9,871	7,090	92,263	3,045	95,308	-	95,308
Inter-segment	-	-	-	-	-	-	-	-
Total	75,300	9,871	7,090	92,263	3,045	95,308	-	95,308
Operating income (loss)	37,002	149	2,407	39,559	987	40,547	(5,951)	34,596
Identifiable assets	73,551	7,709	6,346	87,606	1,420	89,026	74,685	163,712
Other items								
Depreciation and amortization	925	1,005	255	2,185	23	2,209	581	2,791
Increase in tangible and intangible fixed assets	277	655	133	1,066	250	1,317	2,280	3,597

(Note) 1. "Other" incorporates operations not included in reportable segments, including the character content business, etc.
2. Adjustments are as follows:
(1) Adjustments of operating income (loss) of (¥5,951) million include unallocated corporate operating expenses of (¥5,951) million. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.
(2) Adjustments of Identifiable assets of ¥74,685 million include unallocated corporate identifiable assets of ¥74,685 million.
(3) Adjustments of increase in tangible and intangible fixed assets of ¥2,280 million are capital investments by headquarters.
3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

② Current fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	87,534	12,404	5,749	105,687	4,366	110,054	-	110,054
Inter-segment	-	-	-	-	-	-	-	-
Total	87,534	12,404	5,749	105,687	4,366	110,054	-	110,054
Operating income (loss)	45,359	652	2,348	48,360	1,517	49,877	(6,967)	42,909
Identifiable assets	51,895	8,491	7,651	68,038	1,650	69,688	117,677	187,365
Other items								
Depreciation and amortization	989	1,120	71	2,181	396	2,578	807	3,385
Increase in tangible and intangible fixed assets	525	1,579	69	2,173	11	2,184	1,603	3,788

(Thousands of U.S. dollars)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	729,451	103,370	47,908	880,730	36,388	917,119	-	917,119
Inter-segment	-	-	-	-	-	-	-	-
Total	729,451	103,370	47,908	880,730	36,388	917,119	-	917,119
Operating income (loss)	377,993	5,439	19,569	403,001	12,647	415,649	(58,066)	357,582
Identifiable assets	432,465	70,759	63,758	566,984	13,752	580,736	980,642	1,561,379
Other items								
Depreciation and amortization	8,241	9,340	594	18,176	3,306	21,483	6,725	28,209
Increase in tangible and intangible fixed assets	4,376	13,159	579	18,114	92	18,207	13,363	31,570

(Note) 1. "Other" incorporates operations not included in reportable segments, including the character content business, etc.

2. Adjustments are as follows:

(1) Adjustments of operating income (loss) of (¥6,967) million (($58,066) thousand) include unallocated corporate operating expenses of (¥6,967) million (($58,066) thousand).
The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

(2) Adjustments of identifiable assets of ¥117,677 million ($980,642 thousand) include unallocated corporate identifiable assets of ¥117,677 million ($980,642 thousand).

(3) Adjustments of increase in tangible and intangible fixed assets of ¥1,603 million ($13,363 thousand) are capital investments by headquarters.

3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

4. The Company has applied the Accounting Standard for Revenue Recognition, and changed the way of accounting for revenue recognition from the beginning of the current fiscal year, as described above in “Change in accounting principles.”
Therefore, the Company has similarly changed the method of calculating segment profit or loss.
As a result, the impact of these changes on the consolidated financial statements in this fiscal year was minor.

[Related information]

1. Information by product and service line

The information is omitted as the same kind of information is disclosed in "Note 21. (1) Segment information."

2. Information by country or region

(1) Net sales

① Previous fiscal year (April 1, 2020 to March 31, 2021) (Millions of yen)

Japan	North America	Europe	Other regions	Total
46,427	25,816	13,191	9,872	95,308

(Note) 1. The sales amounts are classified by country or region where customers are located.
2. With increase in sales for digital distribution, it is difficult to find locations of end-user by country whom the Companies provide with games through some platforms.
As a result, the Company omitted net sales by country other than Japan, instead describing net sales by identifiable region.

② Current fiscal year (April 1, 2021 to March 31, 2022) (Millions of yen)

Japan	U.S.A.	Europe	Other regions	Total
49,540	27,658	14,049	18,805	110,054

(Thousands of U.S. dollars)

Japan	U.S.A.	Europe	Other regions	Total
412,839	230,487	117,077	156,715	917,119

(Note) 1. The sales amounts are classified by country or region where customers and end-users are located.
2. The Company has reviewed the change in presentation since the system of aggregating information on the location of end-users has been put in place from this fiscal year. As a result, "America" which was included in "North America" in the previous fiscal year is presented independently as it is 10% or more of sales on the consolidated income statement.
It is difficult to find locations of end-users by country for the previous year, the sales for the previous fiscal year is not reclassified.

(2) Tangible fixed assets

The information is omitted as the balance of tangible fixed assets in Japan exceeded 90% or more of the total balance of tangible fixed assets of the consolidated balance sheet.

3. Information by major customer

(1) Previous fiscal year (April 1, 2020 to March 31, 2021) (Millions of yen)

Customer	Amount of net sales	Reportable segment
Nintendo Co., Ltd.	13,965	Digital Content
Valve Corporation	10,595	Digital Content

(2) Current fiscal year (April 1, 2021 to March 31, 2022) (Millions of yen)

Customer	Amount of net sales	Reportable segment
Nintendo Co., Ltd.	12,250	Digital Content
Valve Corporation	17,221	Digital Content

(Thousands of U.S. dollars)

Customer	Amount of net sales	Reportable segment
Nintendo Co., Ltd.	102,085	Digital Content
Valve Corporation	143,511	Digital Content

[Impairment loss by reportable segment]

Not applicable

[Amortization and balance of goodwill by reportable segment]

Not applicable

[Negative goodwill by reportable segment]

Not applicable

22. Related party transactions
Not applicable

23. Per share information

Previous fiscal year April 1, 2020 to March 31, 2021		Current fiscal year April 1, 2021 to March 31, 2022		Current fiscal year April 1, 2021 to March 31, 2022	
Net assets per share	565.78 yen	Net assets per share	686.07 yen	Net assets per share	5.72 U.S. dollars
Net income per share	116.74 yen	Net income per share	152.48 yen	Net income per share	1.27 U.S. dollars

(Note) 1. The diluted net income per share was omitted as the Companies had no residual securities.
2. With an effective date of April 1, 2021, the Company performed a 2-for-1 stock split of its common stock. The Company calculated "net assets per share and "net income per share", assuming that the stock split was implemented with an effective date of April 1, 2020.
3. As described above in “Change in accounting principles,” when applying the Accounting Standard for Revenue Recognition, the Company complies with the transitional treatment stipulated in Article 84 of the Standard. As a result, the impact of these changes on "net asset value per share" and "earnings per share" in this fiscal year was minor.
4. The basis for computation of net assets per share was as follows:

	Previous fiscal year March 31, 2021 Millions of yen	Current fiscal year March 31, 2022 Millions of yen	Current fiscal year March 31, 2022 Thousands of U.S. dollars
Total amount of net assets	120,794	146,475	1,220,632
Amounts to be deducted from total amount of net assets	-	-	-
Ending balance of net assets attributable to common stock	120,794	146,475	1,220,632
Number of shares of common stocks used for computation of net assets per share (thousands of shares)	213,499	213,499	213,499

5 The basis for the computation of net income per share was as follows:

	Previous fiscal year April 1, 2020 to March 31, 2021 Millions of yen	Current fiscal year April 1, 2021 to March 31, 2022 Millions of yen	Current fiscal year April 1, 2021 to March 31, 2022 Thousands of U.S. dollars
Net income attributable to owners of the parent	24,923	32,553	271,278
Amount not allocated to common stock	-	-	-
Net income attributable to owners of the parent allocated to common stock	24,923	32,553	271,278
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	213,500	213,499	213,499

24. Significant subsequent events

(1) Repurchase of shares and tender offer
Capcom Co., Ltd. (the Company, below) resolved on May 13, 2022, that it would repurchase its own shares and implement a tender offer (the Tender Offer, below) beginning May 16, 2022, utilizing the acquisition method specified under Article 156, Paragraph 1 of the Companies Act (Act No. 86 of 2005 and including subsequent amendments; hereinafter referred to as the Companies Act), as applied pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and the provisions of the Company's Articles of Incorporation, following a written resolution in lieu of a Board of Directors meeting pursuant to Article 370 of the Companies Act and the provisions of the Company's Articles of Incorporation. It also passed a resolution on the policy for retirement of the repurchased shares. The Tender Offer was completed on June 13, 2022.

① Purpose of the Tender Offer

The Company believes that returning profits to shareholders is an important management issue. The basic policy is to maintain a consolidated dividend payout ratio of 30%, and we work to ensure stable dividends while taking into account future business development and changes in the business environment. In addition, we have stipulated in our Articles of Incorporation that we may repurchase our shares through market transactions and other means by resolution of the Board of Directors in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act. The purpose of this is to improve capital efficiency and implement flexible capital policies in response to changes in the business environment by giving the Board of Directors the authority to repurchase the Company's shares through market transactions or other means. To date, the Company has repurchased its shares through tender offers a total of 10 times by resolution of the General Meeting of Shareholders or the Board of Directors in order to further enhance the return of profits to shareholders.
The Company has also purchased common shares through tender offer based on a resolution passed at the meeting of the Board of Directors held on October 29, 2018.
Amid these circumstances, in late December 2021, the Company received notice from Kenzo Tsujimoto, Chairman of the Board of Directors and sixth largest shareholder at the time, of his intent to sell 4,000,000 common shares (1.87% of the Company's shares as of late December 2021) from among his holdings (8,039,360 shares as of late December 2021, which was 3.77% of the Company's shares at the time) to convert them into cash. According to Mr. Tsujimoto, while his plan was to convert his shareholdings into cash, as Chairman of the Board of Directors, he decided to sell only 4,000,000 of the shares in his possession out of consideration for the financial soundness and stability of the Company and the necessity of maintaining monetary capital. As of March 31, 2022, Mr. Tsujimoto owns 8,039,560 common shares (3.77% ownership), which makes him the seventh largest shareholder ([6] Major shareholders under 1. Information on the Company's shares in Section 4. Information on the Company excludes shares owned by the Company, which makes him the sixth largest shareholder).
In response, the Company began looking into the specifics of repurchasing these shares in early January 2022 for the purpose of improving capital efficiency and returning profits to shareholders based on a comprehensive consideration of the impact of having a large amount of shares released temporarily to the market on the liquidity of the Company's common shares and its stock price as well as on the financial standing of the Company.
As a result, in mid-February 2022, the Company came to the conclusion that repurchasing these shares would contribute to improvement of the Company's capital efficiency, including earnings per share (EPS) and return on equity (ROE), leading to a return of profits to shareholders.
After careful consideration of the specific method of purchase, the Company decided in early March 2022 that a Tender Offer would be the most appropriate method. Among the things considered were that it would allow for (1) equality among shareholders, (2) transparency of the transaction, and (3) purchase of the Company's shares at a price discounted from the market price, and if we were to purchase the shares at this discount, it would increase the certainty of the sale. It would also help control the outflow of the Company's assets and (4) ensure the opportunity to respond to the offer based on the market price trend after providing shareholders other than Mr. Tsujimoto with time for consideration as well.

② Resolution adopted at the Board of Directors meeting relating to the repurchase by the Company of its own shares
- a. Class of shares to be repurchased: Common shares
- b. Aggregate number of shares to be repurchased: Up to 5,000,100 shares
- c. Aggregate repurchase price: Up to 15,550 million yen (129,585 thousand US dollars)
- d. Purchase period: May 16, 2022 through July 5, 2022

③ Details of the repurchase by the Company of its own shares
- a. Class of shares repurchased: Common shares
- b. Total number of shares repurchased: 4,387,353 shares
- c. Aggregate stock repurchase price: 13,644 million yen (113,705 thousand US dollars)
- d. Repurchase period May 16, 2022 through June 13, 2022

④ Overview of the Tender Offer
- a. Class of listed shares repurchased: Common shares
- b. Tender offer period: May 16, 2022 through June 13, 2022
- c. Tender offer price: 3,110 yen (26 US dollars) per common share
- d. Total number of shares certificates to be purchased: 5,000,000 shares
- e. Date of public notice of the commencement of the Tender Offer: May 16, 2022
- f. Settlement commencement date: July 5, 2022

⑤ Results of the Tender Offer
- a. Class of listed shares repurchased: Common shares
- b. Total number of shares to be purchased: 5,000,000 shares
- c. Number of excess shares to be purchased: — shares
- d. Number of shares tendered: 4,387,353 shares
- e. Number of shares repurchased: 4,387,353 shares

(2) Policy on retirement of treasury stock
On May 13, 2022, the Company decided on a policy for retirement of all treasury stock acquired through the Tender Offer by written resolution in lieu of a resolution passed at a meeting of the Board of Directors based on Article 370 of the Companies Act and the provisions of the Company's Articles of Incorporation. In accordance with the above, the shares were retired on July 29, 2022.

(3) Establishment of Stock Grant ESOP Trust
On May 13, 2022, the Board of Directors of Capcom Co., Ltd. (the Company, below) approved the establishment of a Stock Grant ESOP trust as an employee incentive plan (the Plan, below) for its permanent employees (excludes employees not living in Japan; eligible employees, below) by written resolution in lieu of a resolution passed at a meeting of the Board of Directors based on Article 370 of the Companies Act and the provisions of the Company's Articles of Incorporation.

① Purpose of establishing the Plan
Following its philosophy of being a Creator of Entertainment Culture that Stimulates Your Senses, the Company has stated in its Corporate Governance Guidelines, dated December 16, 2021, that "In order to realize steady growth over the mid- to long-term, and pursue the enhancement of corporate value, the Company formulates the 'Capcom Corporate Governance Guidelines' as basic guidelines on corporate governance, and works to enhance its corporate governance system in a sustained manner." In order to tangibly foster its relationship with employees as laid out in these guidelines, on March 31, 2022, the Company announced that it would promote strategic investment in personnel to bolster sustainable corporate value, and as of April 1 it streamlined its human resources operations and established the position of Chief Human Resources Officer, in addition to carrying out an average base salary increase of 30% for permanent employees in Japan.

The Company will establish the Plan in order to promote this strategy, with the aim of even further inspiring and incentivizing employees to contribute to bolstering business performance.

② Overview of the Plan
Under the Plan, the Company will establish a Stock Grant ESOP (Employee Stock Ownership Plan) trust (the ESOP Trust, below). The ESOP Trust is an employee incentive plan similar to ESOP plans in the U.S. and will grant the Company's stock that has been acquired by the ESOP Trust to eligible employees who have satisfied certain requirements, based on predetermined stock transfer rules.
Further, the Company will provide all funds for acquisition of the aforementioned stock by the ESOP Trust, so none of the cost will fall upon the eligible employees.
The Company anticipates that by establishing the ESOP Trust eligible employees will be able to reap the economic benefits of increases in the value of the Company's stock, resulting in increased workplace motivation while at the same time enhancing work performance for those employees who will take an interest in the Company's share price.
Further, voting rights for the Company's stock held in the ESOP Trust will be exercised within a structure that reflects the will of eligible employees who are candidate beneficiaries, and is an effective way to improve corporate value by promoting participation in management planning.

③ Details of the Trust Agreement
a. Type of trust: Monetary trust other than a specified solely administered monetary trust (Third Party Beneficiary Trust)
b. Purpose of trust: Provide incentive to eligible employees
c. Trustor: The Company
d. Trustee: Mitsubishi UFJ Trust and Banking Corporation
(Joint-trustee: The Master Trust Bank of Japan, Ltd.)
e. Beneficiaries: Eligible employees who satisfy beneficiary requirements
f. Trust administrator: A third party with no interest in the Company
g. Trust agreement date: June 14, 2022
h. Trust period: June 14, 2022 – June 30, 2032 (planned)
i. Commencement of the Plan: June 14, 2022
j. Exercise of voting rights: The trustee uses the voting rights of the Company's stocks under the supervision of the trust administrator who reflects the voting rights exercised by the candidate beneficiaries.
k. Class of shares to be acquired: The Company's common stock
l. Value of stock to be acquired: 13,820 million yen (115,166 thousand US dollars)
m. Method of share acquisition: Acquisition of the Company's treasury stock through a third party allotment

(4) Disposal of Treasury Stock through a Third-Party Allotment
On May 13, 2022, the Company resolved to dispose of treasury stock through a third-party allotment in conjunction with the establishment of the Stock Grant ESOP Trust (the Disposal below) as an employee incentive plan by written resolution in lieu of a resolution passed at a meeting of the Board of Directors based on Article 370 of the Companies Act and the provisions of the Company's Articles of Incorporation. In addition, the Company received consideration for disposal of the treasury stock on June 17, 2022.

① Date of the Disposal: June 17, 2022
② Class and number of shares to be disposed: 4,000,000 shares of the Company's common stock
③ Disposal price: 3,455 yen per share (29 US dollars)
④ Total disposal value: 13,820 million yen (115,166 thousand US dollars)
⑤ Method of disposal: Third-party allocation
⑥ Allottee: The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account 76744)
⑦ Treasury stock following the Disposal: 53,393,862 shares
(The treasury stock following the Disposal listed above is based on the treasury stock as of May 12, 2022.)

25. Supplemental schedules of bonds
Not applicable

26. Supplemental schedules of borrowings

(Millions of yen)

Category	Balance as of March 31, 2021	Balance as of March 31, 2022	Average interest rate (%)	Date of maturity
Short-term borrowings	-	-	-	-
Current portion of long-term borrowings due within one year	727	626	1.1	-
Current portion of lease obligations	594	501	2.7	-
Long-term borrowings (Excluding current portion)	4,878	4,252	0.5	From 2023 to 2025
Lease obligations (Excluding current portion)	630	718	2.7	From 2023 to 2028
Other interest bearing debt	-	-	-	-
Total	6,832	6,099	-	-

(Thousands of U.S. dollars)

Category	Balance as of March 31, 2021	Balance as of March 31, 2022	Average interest rate (%)	Date of maturity
Short-term borrowings	-	-	-	-
Current portion of long-term borrowings due within one year	6,065	5,219	1.1	-
Current portion of lease obligations	4,956	4,183	2.7	-
Long-term borrowings (Excluding current portion)	40,656	35,437	0.5	From 2023 to 2025
Lease obligations (Excluding current portion)	5,255	5,989	2.7	From 2023 to 2028
Other interest bearing debt	-	-	-	-
Total	56,934	50,829	-	-

(Note) 1. The "average interest rate" represents the weighted average rate applicable to the ending balance.
2. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations for five years subsequent to March 31, 2022 (excluding the current portion).

(Millions of yen)

	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Long-term borrowings	3,626	626	-	-
Lease obligations	397	190	79	44

(Thousands of U.S. dollars)

	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Long-term borrowings	30,219	5,217	-	-
Lease obligations	3,310	1,584	664	368

27. Supplemental schedules of asset retirement obligations
The note is omitted because the balance of the asset retirement obligations as of the beginning and the end of the current fiscal year was 1% or less than the total balance of the liabilities and the net assets as of the beginning and the end of the current fiscal year, respectively.

28. Supplemental schedules of other

1. Quarterly sales, etc., for the current fiscal year

	1st quarter April 1, 2021 to June 30, 2021	2nd quarter April 1, 2021 to September 30, 2021	3rd quarter April 1, 2021 to December 31, 2021	4th quarter April 1, 2021 to March 31, 2022
Net sales (Millions of yen)	48,423	69,995	88,163	110,054
Net income before income taxes (Millions of yen)	23,898	29,718	36,142	44,322
Net income attributable to owners of the parent (Millions of yen)	17,340	22,219	26,708	32,553
Net income per share (yen)	81.22	104.07	125.10	152.48

	1st quarter April 1, 2021 to June 30, 2021	2nd quarter April 1, 2021 to September 30, 2021	3rd quarter April 1, 2021 to December 31, 2021	4th quarter April 1, 2021 to March 31, 2022
Net sales (Thousands of U.S. dollars)	403,529	583,298	734,699	917,119
Net income before income taxes (Thousands of U.S. dollars)	199,154	247,650	301,189	369,351
Net income attributable to owners of the parent (Thousands of U.S. dollars)	144,506	185,165	222,568	271,278
Net income per share (U.S. dollars)	0.68	0.87	1.04	1.27

	1st quarter April 1, 2021 to June 30, 2021	2nd quarter July 1, 2021 to September 30, 2021	3rd quarter October 1, 2021 to December 31, 2021	4th quarter January 1, 2022 to March 31, 2022
Net income per share (yen)	81.22	22.85	21.02	27.38

	1st quarter April 1, 2021 to June 30, 2021	2nd quarter July 1, 2021 to September 30, 2021	3rd quarter October 1, 2021 to December 31, 2021	4th quarter January 1, 2022 to March 31, 2022
Net income per share (U.S. dollars)	0.68	0.19	0.18	0.23

Independent Auditor's Report

To the Board of Directors of CAPCOM Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of CAPCOM Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

As described in the *Significant Subsequent Events in the Notes to Consolidated Financial Statements*, on May 13, 2022, the Company resolved by written resolution in lieu of a resolution of the Board of Directors pursuant to Article 370 of the Companies Act, "Repurchase of shares and tender offer," "Policy on retirement of treasury stock," "Establishment of Stock Grant ESOP Trust," and "Disposal of Treasury Stock through a Third-Party Allotment," respectively.

These matters do not affect our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of the valuation of work in progress for game software in the Digital Content business	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of Capcom Co., Ltd. (the "Company") and its consolidated subsidiaries for the current fiscal year, work in progress for game software of ¥31,192 million was recognized, representing 16.6% of total assets, majority of which was work in progress for game software in the Digital Content business.	The primary procedures we performed to assess the adequacy of the Company's valuation of work in progress for game software in the Digital Content business included the following:

As described in Note 3(2), "Significant accounting estimates - Valuation of work in progress for game software" to the consolidated financial statements, the Company reduces the carrying amount of work in progress for game software based on a decline in profitability. When reducing the carrying amount of work in progress for game software based on a decline in profitability for game software titles yet to be released, the Company reduces the carrying amount by the difference between the net selling price, which is calculated by deducting the estimated additional development costs and the estimated direct selling expenses from the planned sales revenue, and the carrying amount of the work in progress for game software. For released game software titles, the Company compares the planned and actual sales revenues, and reviews the planned sales revenue if the actual sales revenue is significantly below the plan. Then, the Company reduces the carrying amount by the difference between the net selling price, which is calculated by deducting the estimated additional development costs and the estimated direct selling expenses from the revised planned sales revenue, and the carrying amount of the work in progress for game software. Among these, the number of units sold and the selling price, which are the basis for the estimate of the planned sales revenue, were estimated based on the forecasts of console markets and user's purchase trends, among others, and by referring to the reputation of previous and similar titles, price strategies, and method for distribution to customers, among others. In particular, the projection of user purchase trends involved a high degree of uncertainty, and accordingly, management's judgement thereon had a significant effect on the estimates. We, therefore, determined that our assessment of the adequacy of the valuation of work in progress for game software in the Digital Content business was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	**(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of the net selling price of work in progress for game software. In the assessment, we focused particularly on controls to ensure that comparison of the planned and actual sales revenues was conducted for all released game software titles. **(2) Assessment of the adequacy of the valuation of work in progress for game software** In order to assess the appropriateness of the key assumptions adopted for estimating planned sales revenue of each title, which are important in the valuation of work in progress for game software, we performed the following procedures: (i) Assessment for titles yet to be released • We inquired of the personnel responsible for marketing about the basis of the number of units sold and the selling price, which are the basis for the estimate of the planned sales revenue, and inspected relevant documents; • We assessed the reasonableness of user purchase trends by comparing the planned number of units sold with the number of units sold of similar titles, and others, and inspecting marketing research materials; (ii) Assessment for released titles • We examined whether there were any released titles whose sales revenue was significantly below the plan by comparing planned and actual sales revenues of released titles.

Appropriateness of deferred revenues related to game content items downloadable free of charge	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of CAPCOM CO., LTD. (the "Company") for the current fiscal year, deferred revenues related to content items downloadable free of charge (free downloadable content items or "Free DLCs") in the Digital Content business of ¥8,792 million were recognized under current liabilities, representing 21.5% of total liabilities. As described in Note 2(10)①, "Summary of significant accounting policies - Significant revenue and cost recognition – Content of major performance obligations at major business segments and ordinary point of time of revenue recognition" to the consolidated financial statements, major updating or other similar events after the release date are planned for some game software titles with online features among those which the Company sold to customers. Such events include release of Free DLCs, i.e. game content items customers can play free of charge. These releases are announced to and anticipated by customers. Accordingly, the Company assumes that it has an obligation to release these Free DLCs in future to customers. Therefore, the Company identifies distinct performance obligations for the "Full Game," which becomes available for playing on the release date, and "Free DLCs," which are additionally provided after the release date through major updating or other similar events, and allocates the transaction price of a game software title sold to customers to the Full Game and Free DLCs, based on their stand-alone selling prices. Then, revenues from Free DLCs for those yet to be provided as of the end of an accounting period are not recognized and recorded as deferred revenues. While the allocation of a transaction price to Full Game and Free DLCs was made based on their stand-alone selling prices, the stand-alone selling prices of Full Game and Free DLCs were not directly observable. Therefore, the Company selected game software titles with charged downloadable content items (Charged DLCs, and others) similar to the applicable game software titles and used the average ratio of selling prices of Charged DLCs, and others to the total of the selling prices of the Full Game and Charged DLCs, and others for allocation of transaction prices. In doing so, the similar game software titles were determined by comprehensively	The primary procedures we performed to assess the appropriateness of deferred revenues related to Free DLCs included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of the deferred revenues related to Free DLCs. In this assessment, we focused particularly on controls to ensure that the Full Games and Charged DLCs, and others used for allocation of the transaction price were selected on a reasonable basis. **(2) Assessment of the reasonableness of the allocation of transaction prices** In order to assess the reasonableness of the allocation of transaction prices to the Full Game and Free DLCs, we performed the following procedures: • We assessed the completeness of the list of game software titles used for selecting similar game software titles by comparing it with information obtained from external sources; • We assessed the accuracy of information on the game software (game genres and details of the Full Game and DLCs) used for selecting similar game software titles by comparing it with information obtained from external sources; • We assessed the reasonableness of the determination made in selecting highly similar game software titles used for allocating transaction prices by understanding the reasons for the selection. In addition, we inspected the list of game software titles to assess whether there was no other software title that was highly similar; and • We examined accuracy of the calculation of the average ratio of selling prices of Charged DLCs, and others to the total of the selling prices of the Full Game and Charged DLCs, and others of the selected game software titles, which was used for allocation of the transaction prices.

considering various factors such as the game genres, details of the Full Game and downloadable content items (DLCs), and distribution methods. This determination involved a high degree of subjectivity of the management's judgment and, accordingly, the estimate involved a high degree of uncertainty. We, therefore, determined that our assessment of the appropriateness of deferred revenues related to Free DLCs was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yasuhito Kondo
Designated Engagement Partner
Certified Public Accountant

Yasuhito Kondo

Tomohiro Yamanaka
Designated Engagement Partner
Certified Public Accountant

Tomohiro Yamanaka

KPMG AZSA LLC
Osaka Office, Japan
August 10, 2022