

Consolidated balance sheets

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2022	March 31, 2023	March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets			
Current assets:			
Cash on hand and in banks (Notes 11 and 13)	107,262	102,116	767,794
Notes - trade (Note 13)	528	116	875
Accounts receivable - trade (Note 13)	7,404	24,981	187,830
Merchandise and finished goods	1,378	1,440	10,831
Work in progress	819	1,006	7,568
Raw materials and supplies	198	454	3,418
Work in progress for game software	31,192	38,510	289,553
Other	2,536	2,776	20,875
Allowance for doubtful accounts	(8)	(1)	(8)
Total current assets	151,312	171,402	1,288,738
Fixed assets:			
Tangible fixed assets, net of accumulated depreciation (Note 7(1))			
Buildings and structures, net	10,485	10,423	78,373
Machinery and vehicles, net	24	21	164
Tools, fixtures and furniture, net	1,977	1,715	12,897
Equipment for amusement facilities, net	2,213	2,973	22,359
Land	5,235	8,953	67,317
Leased assets, net (Note 12(1))	1,112	1,399	10,523
Construction in progress	157	475	3,575
Other, net	—	1,982	14,908
Total tangible fixed assets	21,206	27,945	210,120
Intangible assets	1,747	1,630	12,259
Investments and other assets			
Investments in securities (Note 14)	637	735	5,533
Claim in bankruptcy and reorganization	12	12	91
Lease deposits (Note 13)	4,266	4,593	34,535
Deferred tax assets (Note 17)	7,389	9,849	74,054
Other	819	1,219	9,165
Allowance for doubtful accounts	(25)	(22)	(170)
Total investments and other assets	13,099	16,387	123,211
Total fixed assets	36,053	45,963	345,591
Total assets	187,365	217,365	1,634,329

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

Consolidated balance sheets

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2022	March 31, 2023	March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities			
Current liabilities:			
Notes and accounts payable - trade	2,325	3,357	25,245
Electronically recorded monetary liabilities	1,276	2,172	16,338
Short-term borrowings (Notes 7 (3), 13 and 25)	—	3,591	27,000
Current portion of long-term borrowings (Notes 13 and 25)	626	3,626	27,265
Lease obligations (Note 25)	501	919	6,916
Accrued income taxes	6,010	12,145	91,315
Accrued bonuses	4,014	5,727	43,060
Deferred revenue	8,932	5,455	41,019
Other (Note 7 (2) and 13)	7,055	9,048	68,030
Total current liabilities	30,742	46,043	346,192
Long-term liabilities:			
Long-term borrowings (Notes 13 and 25)	4,252	626	4,707
Lease obligations (Note 25)	718	2,992	22,503
Deferred tax liabilities (Note 17)	20	0	2
Liabilities for retirement benefits for employees (Note 16)	3,802	4,139	31,121
Provision for share awards	—	1,018	7,661
Asset retirement obligations (Notes 18 and 26)	718	885	6,661
Other	634	529	3,982
Total long-term liabilities	10,147	10,193	76,640
Total liabilities	40,890	56,236	422,832
Net assets			
Shareholders' equity:			
Common stock	33,239	33,239	249,919
Capital surplus	21,329	30,259	227,511
Retained earnings	117,661	143,519	1,079,091
Treasury stock	(27,464)	(50,037)	(376,224)
Total shareholders' equity	144,765	156,979	1,180,298
Accumulated other comprehensive income:			
Net unrealized gain or loss on securities, net of tax	100	102	769
Cumulative translation adjustments	1,889	4,332	32,573
Accumulated adjustments for retirement benefits	(279)	(285)	(2,144)
Total accumulated other comprehensive income	1,710	4,149	31,198
Total net assets	146,475	161,129	1,211,496
Total liabilities and net assets	187,365	217,365	1,634,329

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

Consolidated statements of income

	Previous fiscal year April 1, 2021 to March 31, 2022 Millions of yen	Current fiscal year April 1, 2022 to March 31, 2023 Millions of yen	Current fiscal year April 1, 2022 to March 31, 2023 Thousands of U.S. dollars
Net sales (Note 8(1))	110,054	125,930	946,844
Cost of sales (Note 8(2) and (4))	48,736	52,110	391,811
Gross profit	61,317	73,819	555,032
Selling, general and administrative expenses (Notes 8(3) and (4))	18,408	23,006	172,983
Operating income	42,909	50,812	382,049
Non-operating income:			
Interest income	40	396	2,983
Dividend income	20	24	182
Exchange gains, net	716	314	2,366
Gain on liquidation of subsidiary	761	–	–
Other	320	128	968
Total non-operating income:	1,859	864	6,500
Non-operating expenses:			
Interest expense	49	44	334
Additionally paid retirement payments	197	–	–
Litigation expenses	92	71	536
Commission for purchase of treasury stock	–	25	192
Other	101	165	1,245
Total non-operating expenses	439	307	2,309
Ordinary income	44,330	51,369	386,240
Special losses:			
Loss on sales and/or disposal of fixed assets (Note 8(5))	8	35	268
Impairment losses (Note 8(6))	–	190	1,430
Total special losses	8	225	1,698
Net income before income taxes	44,322	51,143	384,541
Income taxes - current	10,987	16,895	127,031
Income taxes - deferred (Note 17)	780	(2,488)	(18,712)
Total income taxes	11,768	14,406	108,318
Net income	32,553	36,737	276,222
Net income attributable to owners of the parent	32,553	36,737	276,222

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

Consolidated statements of comprehensive income

	Previous fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income	32,553	36,737	276,222
Other comprehensive income (Note 9)			
Net unrealized gain or loss on securities, net of tax	43	1	14
Cumulative translation adjustments	1,900	2,442	18,365
Adjustments for retirement benefits, net of tax	(60)	(5)	(41)
Total other comprehensive income	1,883	2,439	18,338
Comprehensive income	34,437	39,176	294,561
Comprehensive income attributable to:			
Owners of the parent	34,437	39,176	294,561
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, 2021	33,239	21,329	93,861	(27,461)	120,967
Changes of items during the current fiscal year					
Cash dividends (Note 10(1))			(8,753)		(8,753)
Net income attributable to owners of the parent			32,553		32,553
Purchase 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, 2022	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(1))					(8,753)
Net income attributable to owners of the parent					32,553
Purchase 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, 2022	100	1,889	(279)	1,710	146,475

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, 2022	33,239	21,329	117,661	(27,464)	144,765
Changes of items during the current fiscal year					
Cash dividends (Note 10(2))			(10,879)		(10,879)
Net income attributable to owners of the parent			36,737		36,737
Purchase of treasury stock				(27,465)	(27,465)
Disposal of treasury stock		11,905		1,915	13,821
Cancellation of treasury stock		(2,976)		2,976	-
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	-	8,929	25,858	(22,573)	12,214
Balance as of March 31, 2023	33,239	30,259	143,519	(50,037)	156,979

	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, 2022	100	1,889	(279)	1,710	146,475
Changes of items during the fiscal year					
Cash dividends (Note 10(2))					(10,879)
Net income attributable to owners of the parent					36,737
Purchase of treasury stock					(27,465)
Disposal of treasury stock					13,821
Cancellation of treasury stock					-
Net changes of items other than shareholders' equity	1	2,442	(5)	2,439	2,439
Total changes of items during the current fiscal year	1	2,442	(5)	2,439	14,653
Balance as of March 31, 2023	102	4,332	(285)	4,149	161,129

(Thousands of U.S. dollars)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2022	249,919	160,369	884,670	(206,496)	1,088,463
Changes of items during the fiscal year					
Cash dividends (Note 10(2))			(81,801)		(81,801)
Net income attributable to owners of the parent			276,222		276,222
Purchase of treasury stock				(206,509)	(206,509)
Disposal of treasury stock		89,518		14,405	103,923
Cancellation of treasury stock		(22,376)		22,376	-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	67,141	194,421	(169,727)	91,835
Balance as of March 31, 2023	249,919	227,511	1,079,091	(376,224)	1,180,298

	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, 2022	754	14,208	(2,103)	12,859	1,101,322
Changes of items during the fiscal year					
Cash dividends (Note 10(2))					(81,801)
Net income attributable to owners of the parent					276,222
Purchase of treasury stock					(206,509)
Disposal of treasury stock					103,923
Cancellation of treasury stock					-
Net changes of items other than shareholders' equity	14	18,365	(41)	18,338	18,338
Total changes of items during the fiscal year	14	18,365	(41)	18,338	110,174
Balance as of March 31, 2023	769	32,573	(2,144)	31,198	1,211,496

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

Consolidated statements of cash flows

	Previous fiscal year April 1, 2021 to March 31, 2022 Millions of yen	Current fiscal year April 1, 2022 to March 31, 2023 Millions of yen	Current fiscal year April 1, 2022 to March 31, 2023 Thousands of U.S. dollars
Cash flows from operating activities:			
Net income before income taxes	44,322	51,143	384,541
Depreciation and amortization	3,385	3,438	25,853
Impairment losses	—	190	1,430
Increase (decrease) in allowance for doubtful accounts	(36)	(9)	(74)
Increase (decrease) in accrued bonuses	(68)	1,690	12,714
Increase (decrease) in liabilities for retirement benefits for employees	247	328	2,470
Increase (decrease) in provision for share awards	—	1,020	7,675
Interest and dividend income	(61)	(420)	(3,165)
Interest expense	49	44	334
Exchange (gain) loss, net	(265)	(477)	(3,590)
Loss on sales and/or disposal of fixed assets	8	35	268
Decrease (increase) in accounts receivable - trade	17,208	(17,155)	(128,992)
Decrease (increase) in inventories	1,383	(500)	(3,764)
Decrease (increase) in work in progress for game software	(6,744)	(7,320)	(55,040)
Increase (decrease) in notes and accounts payable - trade	(180)	1,869	14,058
Increase (decrease) in deferred revenue	2,008	(3,729)	(28,039)
Other	(3,160)	2,104	15,820
Subtotal	58,094	32,252	242,500
Interest and dividends received	58	277	2,082
Interest paid	(49)	(41)	(314)
Income taxes paid	(11,155)	(10,698)	(80,436)
Net cash provided by operating activities	46,947	21,789	163,832
Cash flows from investing activities:			
Payments into time deposits	(21,297)	(25,302)	(190,246)
Proceeds from withdrawal of time deposits	17,980	25,441	191,290
Payments for acquisitions of tangible fixed assets	(2,950)	(7,103)	(53,412)
Proceeds from sales of tangible fixed assets	2	4	37
Payments for acquisitions of intangible assets	(1,117)	(312)	(2,346)
Payments for purchase of investments in securities	(16)	(17)	(128)
Payments for other investing activities	(240)	(427)	(3,215)
Proceeds from other investing activities	213	37	283
Net cash used in investing activities	(7,426)	(7,679)	(57,737)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	—	3,591	27,000
Repayments of long-term borrowings	(727)	(626)	(4,709)
Repayments of lease obligations	(504)	(935)	(7,035)
Payments for purchase of treasury stock	(2)	(13,645)	(102,599)
Dividends paid by parent company	(8,745)	(10,868)	(81,717)
Net cash used in financing activities	(9,980)	(22,485)	(169,062)
Effect of exchange rate changes on cash and cash equivalents	2,050	2,209	16,613
Net change in cash and cash equivalents	31,592	(6,165)	(46,353)
Cash and cash equivalents at beginning of year	64,043	95,635	719,067
Cash and cash equivalents at end of year (Note 11)	95,635	89,470	672,713

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 ¥133 to U.S.\$1.00, the approximate current rate of exchange prevailing on March 31, 2023, 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 12 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 12 subsidiaries are as follows:

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

CAPCOM PICTURES, INC. has been included in the scope of consolidation due to its foundation from 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 respective 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.

(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) Provision for share awards

In preparation for granting shares of the Company to our employees based on the stock compensation regulations, provision for share awards are stated based on the estimated stock compensation.

(10) 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.

(11) 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 our 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 we have 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 we 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 single point in time, if the Company can judge that our performance obligation was satisfied when the customers obtained control of the license at the point when it was granted.

Additionally, revenue related to royalties based on sales is calculated on the basis of customers' sales and recognized at a single point in time, considering when the performance obligation is deemed satisfied and the time of revenue.

The Company receives our consideration within approximately three months after our performance obligations are completed, 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 our consideration within approximately three months after our performance obligations are completed, 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 of products to customers.

The Company receives our consideration within approximately three months after our performance obligations are completed, 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 our consideration within approximately three months after our performance obligations are completed, and significant financing components are 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.

(12) 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.

(13) Significant method of hedge accounting

① Method of hedge accounting

The Company have adopted deferred hedge accounting.

The allocation treatment is adopted for forward exchange transactions that meet the requirements for hedge accounting.

② Hedging instruments and hedged items

- Hedging instruments: Forward exchange contracts
- Hedged items: Accounts receivables denominated in foreign currencies and forecasted transactions

③ Hedging policies

The purpose of entering into hedging transactions is to mitigate foreign currency exposures for the hedged items, which are based on actual demand.

The Companies never enter into derivative contracts for speculative purposes.

④ Assessment of hedge effectiveness

The Company compares market and cumulative cash flow fluctuations for the hedging instruments and related hedged items to assess the hedge effectiveness by the fluctuation ratio.

The Company omits the test of the hedge effectiveness for the forward exchange contracts accounted under the allocation method.

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, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Deferred revenue in the consolidated balance sheet	8,932	5,455	41,019
Out of the above amounts, deferred revenue provided to free download contents yet to be released at the end of the current fiscal year	8,792	5,143	38,669

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 (11) 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, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Work in progress for game software in the consolidated balance sheet	31,192	38,510	289,553
Out of the above amounts, work in progress for titles that could have a significant impact on the consolidated financial statement for the next fiscal year	9,048	12,623	94,915

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 9% on average (around 28% 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 9%.

4. Change in accounting standard

Adoption of ASU2016-02Leases

Overseas subsidiaries adopting U.S. GAAP have adopted ASU2016-02 Leases (February 25, 2016) from the beginning of the current fiscal year. Due to the adoption, they in principle recognize assets and liabilities of all leases as a lessee in principle. In applying accounting standard, they have adopted a method, which is permitted as a transitional measure, in which the cumulative effect of adopting the standard is recognized at the date of application. As a result, they have recognized Tangible fixed assets (Other, net) of 1,780 million yen (\$13,387 thousand), Current liabilities (Lease obligations) of 231 million yen (\$1,743 thousand) and Long-term liabilities (Lease obligations) of 1,526 million yen (\$11,474 thousand) on the consolidated balance sheet for the current fiscal year.

The impact on the consolidated statements of income for the current fiscal year was minor.

5. Change in presentation method

Consolidated statements of income

Previously, variable profit-linked bonuses for R&D, which were distributed based on the contributions to consolidated profit by each development division, had been recognized as "Selling, general and administrative expenses." However, from the beginning of the current fiscal year they have been recognized as "Cost of sales."

The Company made this change in order to more appropriately reflect the actual circumstance of the business, after we reviewed profit management classifications following a revision to the Company's compensation system in this consolidated fiscal year.

As a result, "Cost of sales" for the previous fiscal year increased by 1,693 million yen (\$12,733 thousand). "Gross profit" and "Selling, general and administrative expenses" decreased by the same amount respectively, but there was no impact on "Operating income."

6. Additional information

Employee Stock Ownership Plan

In June 2022, the Company established a Stock Grant ESOP trust as an employee incentive plan (the Plan, below) for our permanent employees (excludes employees not living in Japan; eligible employees, below).

1. Overview

The Company established the Plan with the aim of increasing employee motivation and interest in contributing to the enhancement of earnings. Under the Plan, the Company established a Stock Grant ESOP (Employee Stock Ownership Plan) trust (the "ESOP trust"). 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 falls 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 increasing workplace motivation while at the same time enhancing work performance.

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.

2. The Company's Stock that Remains in the trust

The Company's stock that remains in the trust is recorded as treasury stock in net assets based on the book value in the trust (excluding associated expenses). The book value and the number of shares at the end of the current fiscal year are 13,818 million yen (\$103,895 thousand) and 3,999,460 shares of the Company's common stock, respectively.

7. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year March 31, 2022	Current fiscal year March 31, 2023	Current fiscal year March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	24,897	25,785	193,872

(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, 2022	Current fiscal year March 31, 2023	Current fiscal year March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of overdraft limit and credit line	6,700	10,291	77,375
Borrowings	-	3,591	27,000
Unexercised balance	6,700	6,700	50,375

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, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	840	7,584	57,028

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

	Previous fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	2,884	4,043	30,400
Promotion expenses	656	1,250	9,404
Salaries for directors and employees	4,856	6,101	45,876
Provision for accrued bonuses	1,749	1,706	12,827
Commission expenses	1,720	2,481	18,655

(Changes in presentation method)

Effective from the current fiscal year, "Commission expense" has been presented due to increase in its materiality in terms of the amount. To reflect this change, that for the previous fiscal year has been presented as major items and the amounts under "Selling, general and administrative expenses."

(4) Research and development expenses included in general and administrative expenses and cost of products manufactured

	Previous fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	29,862	37,719	283,603

(Changes in presentation method)

Previously, variable profit-linked bonuses for R&D, which are distributed based on the contributions to consolidated profit by each development division, had been recognized as "Selling, general and administrative expenses." However, from the beginning of the current fiscal year they have been recognized as "Cost of sales." To reflect this change, "Research and development expenses included in general and administrative expenses and cost of products manufactured" for the previous fiscal year has been reclassified.

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

	Previous fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	2	1	8
Machinery and vehicles	(1)	0	0
Tools, fixtures and furniture	5	0	1
Equipment for amusement facilities	0	14	111
Software	1	19	146
Total	8	35	268

(6) Impairment losses

Assets for which the impairment loss was recognized were as follows:

(i) Outline of the impaired asset group and amount of the losses

Place	Use	Account	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
			Millions of yen	Thousands of U.S. dollars
Tsuchiura City, Ibaraki Prefecture ., etc.	Asset for business (Arcade operations business segment)	Equipment for amusement facilities	180	1,360
		Software	9	69

(ii) Asset grouping method

The Companies principally group assets based on the minimum unit which generates individual cashflows.

(iii) Background that led to recognition of the impairment loss

The Companies recognized the impairment loss for the above assets, since the recoverability of the book value of them was not expected due to their lowered profitability.

(IV) Calculation of recoverable value

The Companies calculated the recoverable value based on the use value and determined it to be zero, as the use value based on the future cash flows became negative.

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, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net unrealized gain or loss on securities, net of tax			
Amount arising during the fiscal year	43	67	507
Amount of recycling	-	-	-
Net gain before the effect of income taxes	43	67	507
Effect of income taxes	-	(65)	(492)
Net unrealized gain or loss on securities, net of tax	43	1	14
Deferred gains or losses on hedges, net of tax			
Amount arising during the fiscal year	-	(10)	(75)
Amount of recycling	-	10	75
Net gain before the effect of income taxes	-	-	-
Effect of income taxes	-	-	-
Deferred gains or losses on hedges, net of tax	-	-	-
Cumulative translation adjustments			
Amount arising during the fiscal year	2,555	2,442	18,365
Amount of recycling	(654)	-	-
Cumulative translation adjustments	1,900	2,442	18,365
Adjustments for retirement benefits, net of tax			
Amount arising during the fiscal year	(131)	(66)	(497)
Amount of recycling	44	58	437
Net gain before the effect of income taxes	(87)	(7)	(59)
Effect of income taxes	26	2	18
Adjustments for retirement benefits, net of tax	(60)	(5)	(41)
Total other comprehensive income	1,883	2,439	18,338

10. Notes to consolidated statements of changes in net assets

(1) Previous 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 our common stock.

2. Increase 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

2. Increase due to the stock split.

28,696 thousand shares

3. Increase due to purchase of less-than-one-unit shares.

0 thousand shares

4. Decrease 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 (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 22, 2021	Common stock	4,910	46	March 31, 2021	June 23, 2021
Board of Directors' meeting held on October 28, 2021	Common stock	3,842	18	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 our 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 (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 23, 2022	Common stock	Retained earnings	5,977	28	March 31, 2022	June 24, 2022

(2) Current fiscal year (April 1, 2022 to March 31, 2023)

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2022	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2023
Common stock (thousand shares)	270,892	-	4,387	266,505

(Note) Decrease due to cancellation of treasury stock

4,387 thousand shares

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2022	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2023
Common stock (thousand shares)	57,393	8,387	8,387	57,393

(Note) 1. The number of treasury stock as of March 31, 2023 include 3,999,460 shares held by The Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).

2. Increase due to purchase by The Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)

4,000 thousand shares

3. Increase due to purchase of treasury stock

4,387 thousand shares

4. Increase due to purchase of less-than-one-unit shares.

0 thousand shares

5. Decrease due to contribution to The Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)

4,000 thousand shares

6. Decrease due to cancellation of treasury stock

4,387 thousand shares

7. Decrease due to grant to retired employees.

0 thousand shares

③ Dividend

(i) Amount of dividends paid

Resolution	Type of shares	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 23, 2022	Common stock	5,977	28	March 31, 2022	June 24, 2022
Board of Directors' meeting held on October 26, 2022	Common stock	4,901	23	September 30, 2022	November 15, 2022

Resolution	Type of shares	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 23, 2022	Common stock	44,947	0.21	March 31, 2022	June 24, 2022
Board of Directors' meeting held on October 26, 2022	Common stock	36,853	0.17	September 30, 2022	November 15, 2022

(Note) The amount of dividends resolved by the ordinary general meeting of Board Directors held on October 26, 2022 included dividends in an amount of ¥92 million (\$691 thousand) related to the Company's shares held by the Masuter Trust Bank of Japan, Ltd. (ESOP account no. 76744).

(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 (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2023	Common stock	Retained earnings	8,524	40	March 31, 2023	June 21, 2023

Resolution	Type of shares	Source of dividends	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 20, 2023	Common stock	Retained earnings	64,093	0.30	March 31, 2023	June 21, 2023

(Note) 1.The amount of dividends resolved by the ordinary general meeting of shareholders held on June 20, 2023 included dividends in an amount of ¥159 million (\$1202 thousand) related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)

2.The amount of Dividend per share includes 40th commemorative dividend of 10 yen (\$0.08).

11. Notes to consolidated statements of cash flows

Cash and cash equivalents at end of year

	Previous fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	107,262	102,116	767,794
Time deposits with maturities over three months	(11,627)	(12,551)	(94,374)
Separate deposit for ESOP trust	-	(93)	(706)
Cash and cash equivalents	<u>95,635</u>	<u>89,470</u>	<u>672,713</u>

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 "Arcade operations" segment.

• 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, 2022	Current fiscal year March 31, 2023	Current fiscal year March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	433	15	116
Due over one year	992	1	10
Total	<u>1,425</u>	<u>16</u>	<u>127</u>

(Note) The U.S subsidiaries have adopted ASU2016-02 Leases (February 25, 2016), and the above amounts do not include the operating leases for those subsidiaries.

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 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.

As for notes and accounts payable - trade and electronically recorded monetary liabilities, due date of payment is within one year.

Short-term borrowings and 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.

Derivative transactions are for forward exchange contracts, the purpose of which is to hedge foreign currency exposures for accounts receivable. As for "Method of hedge accounting," "Hedging instruments and hedged items," "Hedging policies" and "Assessment of hedge effectiveness," please refer to "Note 2. Summary of significant accounting policies (13) Significant method of hedge accounting."

(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, 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

(*1) The notes for cash on hand and in banks, notes - trade, accounts receivable - trade, notes and accounts payable - trade and electronically 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, 2023)

(Millions of yen)

	Carrying value	Fair value	Difference
Lease deposits	4,593	4,559	(33)
Total	4,593	4,559	(33)
Long-term borrowings (*2)	4,252	4,253	1
Total	4,252	4,253	1
Derivative transactions (*3)			
Derivative transactions to which hedge accounting has been applied	-	-	-
Total	-	-	-

(Thousands of U.S. dollars)

	Carrying value	Fair value	Difference
Lease deposits	34,535	34,280	(254)
Total	34,535	34,280	(254)
Long-term borrowings (*2)	31,973	31,983	10
Total	31,973	31,983	10
Derivative transactions (*3)			
Derivative transactions to which hedge accounting has been applied	-	-	-
Total	-	-	-

(*1) The notes for cash on hand and in banks, notes - trade, accounts receivable - trade, notes and accounts payable - trade, electronically recorded monetary liabilities and short-term borrowings 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.

(*3) The Companies enter into forward exchange contracts for some accounts receivable, and the fair values for those accounted for under the allocation method are included in "Accounts receivable-trade," as those are treated as an integral part of the hedged accounts receivable.

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

(1) Previous 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

(2) Current fiscal year (March 31, 2023)

(Millions of yen)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2028	April 1, 2028 to March 31, 2033	April 1, 2033 and thereafter
Cash on hand and in banks	102,116	-	-	-
Notes - trade	116	-	-	-
Accounts receivable - trade	24,981	-	-	-
Lease deposits	694	2,674	1,191	33
Total	127,908	2,674	1,191	33

(Thousands of U.S. dollars)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2028	April 1, 2028 to March 31, 2033	April 1, 2033 and thereafter
Cash on hand and in banks	767,794	-	-	-
Notes - trade	875	-	-	-
Accounts receivable - trade	187,830	-	-	-
Lease deposits	5,220	20,107	8,958	249
Total	961,719	20,107	8,958	249

(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, 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	-	-	-

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

(2) Current fiscal year (March 31, 2023)

(Millions of yen)

	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 to March 31, 2028	April 1, 2028 and thereafter
Long-term borrowings (*)	3,626	626	-	-	-	-
Total	3,626	626	-	-	-	-

(Thousands of U.S. dollars)

	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 to March 31, 2028	April 1, 2028 and thereafter
Long-term borrowings (*)	27,265	4,707	-	-	-	-
Total	27,265	4,707	-	-	-	-

(*) 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

(1) Previous 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

(2) Current fiscal year (March 31, 2023)

(Millions of yen)

Fair Value				
Classification	Level 1	Level 2	Level 3	Total
Lease deposits	-	4,559	-	4,559
Total	-	4,559	-	4,559
Long-term borrowings (*)	-	4,253	-	4,253
Total	-	4,253	-	4,253

(Thousands of U.S. dollars)

Fair Value				
Classification	Level 1	Level 2	Level 3	Total
Lease deposits	-	34,280	-	34,280
Total	-	34,280	-	34,280
Long-term borrowings (*)	-	31,983	-	31,983
Total	-	31,983	-	31,983

(*) 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, 2022)

(Millions of yen)

Classification	Carrying values	Acquisition costs	Differences
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

② Current fiscal year (March 31, 2023)

(Millions of yen)

Classification	Carrying values	Acquisition costs	Differences
Securities with book value exceeding acquisition cost			
Equity securities	472	283	189
Bonds	-	-	-
Others	-	-	-
Subtotal	472	283	189
Securities with book value not exceeding acquisition cost			
Equity securities	226	247	(21)
Bonds	-	-	-
Others	-	-	-
Subtotal	226	247	(21)
Total	698	530	167

(Thousands of U.S. dollars)

Classification	Carrying values	Acquisition costs	Differences
Securities with book value exceeding acquisition cost			
Equity securities	3,551	2,130	1,421
Bonds	-	-	-
Others	-	-	-
Subtotal	3,551	2,130	1,421
Securities with book value not exceeding acquisition cost			
Equity securities	1,700	1,860	(159)
Bonds	-	-	-
Others	-	-	-
Subtotal	1,700	1,860	(159)
Total	5,252	3,990	1,262

(2) Investments in securities sold during the fiscal year

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

Not applicable

② Current fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

15. Derivative transactions

Derivative transactions to which hedge accounting has been applied

Currency-related transactions

① Previous fiscal year (March 31, 2022)

Not applicable

② Current fiscal year (March 31, 2023)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Contracted amount	Due after one year	Fair values
Allocation method	Forward exchange contracts: Sell:USD	Accounts receivable - trade	8,222	-	(Note)

(Thousands of U.S. dollars)

Method of hedge accounting	Type of transactions	Major hedged items	Contracted amount	Due after one year	Fair values
Allocation method	Forward exchange contracts: Sell:USD	Accounts receivable - trade	61,825	-	(Note)

(Note) The fair values for the forward exchange contracts accounted for under the allocation method are included in "Accounts receivable-trade," as those are treated as an integral part of the hedged accounts receivable.

16. Retirement benefits for employees

(1) Summary of retirement benefit plans

The Company and some consolidated 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 consolidated 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, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	3,447	3,784	28,457
Service costs	303	340	2,563
Interest costs	17	19	149
Actuarial gain or loss incurred	131	66	497
Payment of retirement benefits	(115)	(94)	(712)
Projected benefit obligations at end of year	3,784	4,116	30,954

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

	Previous fiscal year March 31, 2022	Current fiscal year March 31, 2023	Current fiscal year March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plans	3,784	4,116	30,954
Net balance presented in the consolidated balance sheet	3,784	4,116	30,954
Liabilities for retirement benefits for employees	3,784	4,116	30,954
Net balance presented in the consolidated balance sheet	3,784	4,116	30,954

③ Breakdown of retirement and pension costs

	Previous fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Service costs	303	340	2,563
Interest costs	17	19	149
Amortization of actuarial differences	44	58	437
Net periodic benefit costs	366	418	3,150

(Note) In addition to the above costs, additionally paid retirement payments ¥197 million is recorded on the consolidated financial statement for the previous 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, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Actuarial differences	(87)	(7)	(59)
Total	(87)	(7)	(59)

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 March 31, 2022	Current fiscal year March 31, 2023	Current fiscal year March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial differences	402	468	3,520
Total	402	468	3,520

⑥ Actuarial assumption

Major actuarial assumption (on weighted average)

	Previous fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023
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, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	20	17	134
Service costs	3	4	32
Payment of retirement benefits	(6)	-	-
Projected benefit obligations at end of year	17	22	167

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

	March 31, 2022	March 31, 2023	March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plans	17	22	167
Net balance presented in the consolidated balance sheet	17	22	167
Liabilities for retirement benefits for employees	17	22	167
Net balance presented in the consolidated balance sheet	17	22	167

③ Retirement and pension costs

Retirement and pension costs for plans using the simplified method were ¥3 million for the previous fiscal year and ¥4 million (\$32 thousand) for the current fiscal year.

(4) Defined contribution plans

The Companies contributed ¥342 million for the previous fiscal year and ¥367 million (\$2,760 thousand) for the current fiscal year to their defined contribution plans.

17. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year March 31, 2022	Current fiscal year March 31, 2023	Current fiscal year March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Accrued bonuses	1,189	1,709	12,851
Liabilities for retirement benefits for employees	1,160	1,263	9,498
Accrued retirement benefits for directors	103	103	776
Inventories	3,404	4,809	36,164
Unearned revenue	77	21	161
Investments in subsidiaries and affiliated companies	151	151	1,141
Tax loss carryforwards in the subsidiaries	610	447	3,363
Tax credits carryforwards in the subsidiaries	161	143	1,076
Depreciation and amortization	165	262	1,975
Deferred revenue	74	21	163
Provision for share awards	-	338	2,543
Other	1,776	1,994	14,996
Subtotal	8,876	11,267	84,714
Valuation allowance for tax loss carryforwards (Note)	(297)	(324)	(2,442)
Valuation allowance for deductible temporary differences	(932)	(827)	(6,221)
Total valuation allowance	(1,230)	(1,152)	(8,663)
Total deferred tax assets	7,645	10,114	76,050
(Deferred tax liabilities)			
Other	(276)	(265)	(1,998)
Total deferred tax liabilities	(276)	(265)	(1,998)
Net deferred tax assets	7,369	9,848	74,052

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

Previous fiscal year (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 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

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

(b) For tax loss carryforwards of ¥610 million (amount multiplied by the statutory tax rate), deferred tax assets of ¥313 million were presented.

Deferred tax assets of ¥313 million were expected to be recoverable for a portion of the tax loss carryforwards of ¥601 million incurred by CAPCOM U.S.A., INC., which arose in relation to adjustments of transfer price taxation system.

Current fiscal year (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 to March 31, 2028	April 1, 2028 and thereafter	Total
Tax loss carryforwards (a)	-	-	-	-	23	423	447
Valuation allowance	-	-	-	-	-	(324)	(324)
Net deferred tax assets	-	-	-	-	23	99	(b) 122

	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 to March 31, 2028	April 1, 2028 and thereafter	Total
Tax loss carryforwards (a)	-	-	-	-	177	3,186	3,363
Valuation allowance	-	-	-	-	-	(2,442)	(2,442)
Net deferred tax assets	-	-	-	-	177	744	(b) 921

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

(b) For tax loss carryforwards of ¥447 million (\$3,363 thousand) (amount multiplied by the statutory tax rate), deferred tax assets of ¥122 million (\$921 thousand) were presented. Deferred tax assets of ¥122 million (\$921 thousand) were expected to be recoverable for a portion of the tax loss carryforwards of ¥391 million (\$2,944 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, 2022	Current fiscal year March 31, 2023
	(Unit : %)	(Unit : %)
Statutory income tax rate	30.5	30.5
(Reconciliation)		
Change in valuation allowance	(1.5)	(0.2)
Tax credit	(1.0)	(1.9)
Different tax rates applied to foreign subsidiaries	(0.9)	(0.4)
Permanent difference (meals and entertainment, etc.)	0.2	0.0
Unappropriated retained earnings of foreign subsidiaries	0.1	0.0
Tax adjustments resulting from consolidation elimination entries, etc.	(0.1)	(0.0)
Others	(0.7)	0.2
Effective income tax rate	26.6	28.2

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 "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, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Beginning balance	671	718	5,405
Increase due to purchase of tangible fixed assets	45	164	1,237
Adjustment due to passage of time	4	4	33
Decrease due to settlement of asset retirement obligations	(2)	(2)	(15)
Ending balance	718	885	6,661

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

Previous 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

(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

(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		
Net sales						
transferred at a point in time	79,247	12,404	5,749	97,401	4,066	101,467
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

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

Current fiscal year (April 1, 2022 to March 31, 2023)

Detail of goods or services

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Package sales	17,946	-	-	17,946	-	17,946
Digital download sales	77,363	-	-	77,363	-	77,363
Mobile contents	2,848	-	-	2,848	-	2,848
Arcade operations	-	15,609	-	15,609	-	15,609
Amusement equipment	-	-	7,801	7,801	-	7,801
Others	-	-	-	-	4,360	4,360
Revenue from contracts with customers	98,158	15,609	7,801	121,569	4,360	125,930
Other revenues	-	-	-	-	-	-
Net sales to customers	98,158	15,609	7,801	121,569	4,360	125,930

(Thousands of U.S. dollars)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Package sales	134,936	-	-	134,936	-	134,936
Digital download sales	581,683	-	-	581,683	-	581,683
Mobile contents	21,415	-	-	21,415	-	21,415
Arcade operations	-	117,367	-	117,367	-	117,367
Amusement equipment	-	-	58,655	58,655	-	58,655
Others	-	-	-	-	32,786	32,786
Revenue from contracts with customers	738,035	117,367	58,655	914,058	32,786	946,844
Other revenues	-	-	-	-	-	-
Net sales to customers	738,035	117,367	58,655	914,058	32,786	946,844

(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	22,146	15,609	7,801	45,557	1,798	47,355
U.S.A.	33,418	-	-	33,418	801	34,219
Europe	17,599	-	-	17,599	501	18,100
Others	24,994	-	-	24,994	1,259	26,254
Revenue from contracts with customers	98,158	15,609	7,801	121,569	4,360	125,930
Other revenues	-	-	-	-	-	-
Net sales to customers	98,158	15,609	7,801	121,569	4,360	125,930

(Thousands of U.S. dollars)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Japan	166,513	117,367	58,655	342,536	13,519	356,055
U.S.A.	251,268	-	-	251,268	6,024	257,292
Europe	132,328	-	-	132,328	3,768	136,096
Others	187,925	-	-	187,925	9,473	197,399
Revenue from contracts with customers	738,035	117,367	58,655	914,058	32,786	946,844
Other revenues	-	-	-	-	-	-
Net sales to customers	738,035	117,367	58,655	914,058	32,786	946,844

(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		
Net sales						
Goods or services to be transferred at a point in time	82,845	15,609	7,801	106,256	3,946	110,202
Goods or services to be transferred over time	15,313	-	-	15,313	414	15,727
Revenue from contracts with customers	98,158	15,609	7,801	121,569	4,360	125,930
Other revenues	-	-	-	-	-	-
Net sales to customers	98,158	15,609	7,801	121,569	4,360	125,930

(Thousands of U.S. dollars)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Goods or services to be transferred at a point in time	622,897	117,367	58,655	798,920	29,670	828,591
Goods or services to be transferred over time	115,137	-	-	115,137	3,115	118,253
Revenue from contracts with customers	738,035	117,367	58,655	914,058	32,786	946,844
Other revenues	-	-	-	-	-	-
Net sales to customers	738,035	117,367	58,655	914,058	32,786	946,844

(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 (11) 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

① Balance of contract liability

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Receivable from contracts with customers (Beginning balance)	25,096	7,933	59,647
Receivable from contracts with customers (Ending balance)	7,933	25,097	188,705
Contract liability (Beginning balance)	1,597	498	3,745
Contract liability (Ending balance)	498	2,352	17,687

The contract liabilities are mainly related to advances received from customers for licensing-related sales in the digital content and other businesses, and are included in "other" of the current liabilities on the consolidated balance sheets.

The main reason for the decrease in the contract liability of ¥1,099 million was due to decrease in advances received related to the revenue recognition with the satisfaction of performance obligations, and the beginning balance included in the contract liability which was recognized as revenue in the previous fiscal year was ¥1,443 million.

The main reason for the increase in contract liability of ¥1,854 million (\$13,942 thousand) was due to increase in advances received related to license transactions, and the beginning balance included in the contract liability which was recognized as revenue in the current fiscal year was ¥213 million (\$1,601 thousand)

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.

Royalty transactions of licensing agreements based on sales and use of intellectual properties are not included in the note.

The Companies forecast that the royalties whose terms of validity are specified will be recognized as revenue within 5 years.

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Within 1 year	10,990	8,098	60,888
Over 1 year	415	365	2,749
Total	11,406	8,463	63,637

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 our business activities. Therefore the Company's reportable segments are based on the products and services our operational headquarters deal in and are composed of the following 3 segments: "Digital content," "Arcade operations" and "Amusement equipment."

② Product and service line

"Digital content" segment develops and distributes video and mobile games for consumers.

"Arcade operations" segment operates amusement stores which install amusement equipment.

"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, 2021 to March 31, 2022)

	Reportable segment				Other (Note 1)	Total	Adjustme nt (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

(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 include unallocated corporate operating expenses of (¥6,967) million.

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 include unallocated corporate identifiable assets of ¥117,677 million.

(3) Adjustments of increase in tangible and intangible fixed assets of ¥1,603 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, 2022 to March 31, 2023)

(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	98,158	15,609	7,801	121,569	4,360	125,930	-	125,930
Inter-segment	-	-	-	-	-	-	-	-
Total	98,158	15,609	7,801	121,569	4,360	125,930	-	125,930
Operating income (loss)	53,504	1,227	3,433	58,166	1,433	59,599	(8,787)	50,812
Identifiable assets	83,054	9,879	8,913	101,847	2,253	104,100	113,264	217,365
Other items								
Depreciation and amortization	1,114	1,258	66	2,438	71	2,510	928	3,438
Increase in tangible and intangible fixed assets	2,170	2,287	48	4,506	30	4,537	5,086	9,624

(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	738,035	117,367	58,655	914,058	32,786	946,844	-	946,844
Inter-segment	-	-	-	-	-	-	-	-
Total	738,035	117,367	58,655	914,058	32,786	946,844	-	946,844
Operating income (loss)	402,291	9,229	25,819	437,339	10,779	448,119	(66,070)	382,049
Identifiable assets	624,468	74,284	67,019	765,772	16,940	782,712	851,615	1,634,328
Other items								
Depreciation and amortization	8,378	9,463	496	18,337	538	18,876	6,977	25,853
Increase in tangible and intangible fixed assets	16,319	17,201	365	33,886	230	34,117	38,248	72,365

(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 (¥8,787) million ((¥66,070) thousand) include unallocated corporate operating expenses of (¥8,787) million ((¥66,070) thousand).

The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

(2) Adjustments of identifiable assets of ¥113,264 million (\$851,615 thousand) include unallocated corporate identifiable assets of ¥113,264 million (\$851,615 thousand).

(3) Adjustments of increase in tangible and intangible fixed assets of ¥5,086 million (\$38,248 thousand) are capital investments by headquarters.

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

4. As described in "Note 4.Change in accounting principles," ASU2016-02 Leases (February 25, 2016) has been adopted from the beginning of the current fiscal year. As a result, the identifiable assets for "Digital Contents" have increased to ¥1,780 million (\$13,387 thousand). The above "Increase in tangible and intangible fixed assets" does not include the increase in the identifiable assets related to this change in accounting policy. And the impact of this change on "Operating income (loss)" has been insignificant.

[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, 2021 to March 31, 2022) (Millions of yen)

Japan	North America	Europe	Other regions	Total
49,540	27,658	14,049	18,805	110,054

② Current fiscal year (April 1, 2022 to March 31, 2023) (Millions of yen)

Japan	U.S.A.	Europe	Other regions	Total
47,355	34,219	18,100	26,254	125,930

(Thousands of U.S. dollars)

Japan	U.S.A.	Europe	Other regions	Total
356,055	257,292	136,096	197,399	946,844

(Note) The sales amounts are classified by country or region where customers and end-users are located.

(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, 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

(2) Current fiscal year (April 1, 2022 to March 31, 2023) (Millions of yen)

Customer	Amount of net sales	Reportable segment
Nintendo Co., Ltd.	16,349	Digital Content
Valve Corporation	22,842	Digital Content

(Thousands of U.S. dollars)

Customer	Amount of net sales	Reportable segment
Nintendo Co., Ltd.	122,926	Digital Content
Valve Corporation	171,749	Digital Content

[Impairment losses by reportable segment]

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

Not applicable

2. Current fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital contents	Arcade operations	Amusement equipment	Total		
Impairment losses	-	190	-	190	-	190

(Thousands of U.S. dollars)

	Reportable segment				Other (Note)	Total
	Digital contents	Arcade operations	Amusement equipment	Total		
Impairment losses	-	1,430	-	1,430	-	1,430

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

[Amortization and balance of goodwill by reportable segment]

Not applicable

[Negative goodwill by reportable segment]

Not applicable

22. Related party transactions

Transactions between related parties and the Company

Directors and main shareholders (limited to individuals) of the Company., etc

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

Not applicable

2. Current fiscal year (From April 1, 2022 to March 31, 2023)

Category	Name	Address	Amount of capital (Millions of yen)	Nature of business	Proportionate interest (%)	Relationship	Nature of transaction	Amount of transactions (Millions of yen)	Account	Balance as of March 31, 2023 (Millions of yen)
Director	Kenzo Tsujimoto	-	-	Representative director of the Company	Direct 1.9	-	Purchase of treasury stock (Note)	12,440	-	-

Category	Name	Address	Amount of capital (Thousands of U.S. dollars)	Nature of business	Proportionate interest(%)	Relationship	Nature of transaction	Amount of transactions (Thousands of U.S. dollars)	Account	Balance as of March 31, 2023 (Thousands of U.S. dollars)
Director	Kenzo Tsujimoto	-	-	Representative director of the Company	Direct 1.9	-	Purchase of treasury stock (Note)	93,533	-	-

(Note) The Company purchased our treasury stock of ¥3,110 (\$23) per share by tender offer based on a resolution of the Board of Directors held on May 13, 2022.

23. Per share information

Previous fiscal year April 1, 2021 to March 31, 2022		Current fiscal year April 1, 2022 to March 31, 2023		Current fiscal year April 1, 2022 to March 31, 2023	
Net assets per share	686.07 yen	Net assets per share	770.54 yen	Net assets per share	5.79 U.S. dollars
Net income per share	152.48 yen	Net income per share	174.73 yen	Net income per share	1.31 U.S. dollars

- (Note) 1. The diluted net income per share was omitted as the Companies had no residual securities.
2. As described in "Note 4.Change in accounting principles," the U.S. subsidiaries have adopted ASU2016-02 Leases (February 25, 2016).
As a result, the impact of this change on "Net assets per share" and "Earnings per share" in the current fiscal year was insignificant.
3. The basis for computation of net assets per share was as follows:

	Previous fiscal year March 31, 2022	Current fiscal year March 31, 2023	Current fiscal year March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	146,475	161,129	1,211,496
Amounts to be deducted from total amount of net assets	-	-	-
Ending balance of net assets attributable to common stock	146,475	161,129	1,211,496
Number of shares of common stocks used for computation of net assets per share (thousands of shares)	213,499	209,112	209,112

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

	Previous fiscal year April 1, 2021 to March 31, 2022	Current fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2022 to March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income attributable to owners of the parent	32,553	36,737	276,222
Amount not allocated to common stock	-	-	-
Net income attributable to owners of the parent allocated to common stock	32,553	36,737	276,222
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	213,499	210,253	210,253

5. The treasury stock that remains in the ESOP trust and is presented as "Treasury stock" in "Shareholders' equity" is included in the treasury stock, which is deducted from the number of shares of common stock as of the end of the current fiscal year used for the computation of "Net assets per share." It is included in the treasury stock, which is deducted from the average number of shares of common stock outstanding for the current fiscal year used for the computation of "Net income per share" as well.
The number of the treasury stock deducted for the computation of "Net assets per share" was 3,999,460 shares and that deducted for the computation of "Net income per share" was 3,156,067 shares.

24. Supplemental schedules of bonds
Not applicable

25. Supplemental schedules of borrowings

(Millions of yen)

Category	Balance as of April 1, 2022	Balance as of March 31, 2023	Average interest rate (%)	Date of maturity
Short-term borrowings	-	3,591	0.4	-
Current portion of long-term borrowings due within one year	626	3,626	0.4	-
Current portion of lease obligations	501	919	3.2	-
Long-term borrowings (Excluding current portion)	4,252	626	1.1	From 2024 to 2025
Lease obligations (Excluding current portion)	718	2,992	3.2	From 2024 to 2029
Other interest bearing debt	-	-	-	-
Total	6,099	11,756	-	-

(Thousands of U.S. dollars)

Category	Balance as of April 1, 2022	Balance as of March 31, 2023	Average interest rate (%)	Date of maturity
Short-term borrowings	-	27,000	0.4	-
Current portion of long-term borrowings due within one year	4,709	27,265	0.4	-
Current portion of lease obligations	3,774	6,917	3.2	-
Long-term borrowings (Excluding current portion)	31,969	4,707	1.1	From 2024 to 2025
Lease obligations (Excluding current portion)	5,403	22,503	3.2	From 2024 to 2029
Other interest bearing debt	-	-	-	-
Total	45,857	88,393	-	-

- (Note) 1. "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, 2023 (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	626	-	-	-
Lease obligations	771	620	483	431

(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	4,707	-	-	-
Lease obligations	5,798	4,666	3,636	3,246

26. 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.

27. Supplemental schedules of other

Quarterly sales, etc., for the current fiscal year

	1st quarter April 1, 2022 to June 30, 2022	2nd quarter April 1, 2022 to September 30, 2022	3rd quarter April 1, 2022 to December 31, 2022	4th quarter April 1, 2022 to March 31, 2023
Net sales (Millions of yen)	25,232	49,067	79,671	125,930
Net income before income taxes (Millions of yen)	12,805	22,998	33,551	51,143
Net income attributable to owners of the parent (Millions of yen)	9,007	16,142	23,610	36,737
Net income per share (yen)	42.19	76.36	112.09	174.73

	1st quarter April 1, 2022 to June 30, 2022	2nd quarter April 1, 2022 to September 30, 2022	3rd quarter April 1, 2022 to December 31, 2022	4th quarter April 1, 2022 to March 31, 2023
Net sales (Thousands of U.S. dollars)	189,721	368,925	599,031	946,844
Net income before income taxes (Thousands of U.S. dollars)	96,280	172,921	252,266	384,541
Net income attributable to owners of the parent (Thousands of U.S. dollars)	67,728	121,369	177,519	276,222
Net income per share (U.S. dollars)	0.32	0.57	0.84	1.31

	1st quarter April 1, 2022 to June 30, 2022	2nd quarter July 1, 2022 to September 30, 2022	3rd quarter October 1, 2022 to December 31, 2022	4th quarter January 1, 2023 to March 31, 2023
Net income per share (yen)	42.19	34.09	35.71	62.78

	1st quarter April 1, 2022 to June 30, 2022	2nd quarter July 1, 2022 to September 30, 2022	3rd quarter October 1, 2022 to December 31, 2022	4th quarter January 1, 2023 to March 31, 2023
Net income per share (U.S. dollars)	0.32	0.26	0.27	0.47

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, 2023 and 2022, 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, 2023 and 2022, 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.

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
<p>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 ¥38,510 million was recognized, representing 17.7% of total assets, majority of which was work in progress for game software in the Digital Content business.</p> <p>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.</p> <p>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</p>	<p>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:</p> <p>(1) Internal control testing</p> <p>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.</p>

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.

(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
<p>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 ¥5,143 million were recognized under current liabilities, representing 9.1% of total liabilities.</p> <p>As described in Note 2(11)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.</p> <p>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</p>	<p>The primary procedures we performed to assess the appropriateness of deferred revenues related to Free DLCs included the following:</p> <p>(1) Internal control testing</p> <p>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.</p> <p>(2) Assessment of the reasonableness of the allocation of transaction prices</p> <p>In order to assess the reasonableness of the allocation of transaction prices to the Full Game and Free DLCs, we performed the following procedures:</p> <ul style="list-style-type: none"> • 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.

<p>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.</p> <p>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.</p>	
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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.

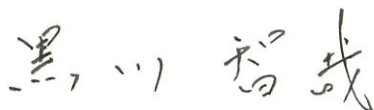
Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 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.

Tomoya Kurokawa
Designated Engagement Partner
Certified Public Accountant

Handwritten signature of Tomoya Kurokawa in black ink, consisting of the characters 黒川 智哉.

Tomohiro Yamanaka
Designated Engagement Partner
Certified Public Accountant

Handwritten signature of Tomohiro Yamanaka in black ink, consisting of the characters 山中 智弘.

KPMG AZSA LLC
Osaka Office, Japan
August 8, 2023