



Annual Report 2021



PROFILE

KOEI TECMO HOLDINGS CO., LTD. is a legal entity that was established as a result of the merger between two companies, Koei and Tecmo. Both companies have backgrounds in different fields of entertainment, with Koei starting out in PC software development and Tecmo in business related to amusement facilities. While both companies have been operating for half a century in the same industry, they have cultivated different cultures and different expertise.

By unifying these differences, Koei Tecmo will vigorously continue its work in the ethos of “Creativity and Contribution” to deliver even newer and higher quality entertainment content that is able to enrich the hearts of users world-wide.

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TOP MESSAGE



Chairman
Keiko Erikawa

President & CEO
Yoichi Erikawa

Fiscal Year 2020 marked the final year of our current 3-year Mid-term Management Plan, throughout which we continued to develop the policies of “creating and expanding global IPs” and “advancement of global business”. During this period, Hyrule Warriors: Age of Calamity, based in the world of Nintendo’s The Legend of Zelda™: Breath of the Wild, was a major hit, seeing sales of over 3.7 million units. In smartphone games, Romance of the Three Kingdoms Ha-do, which started service in Japan in September, has successfully achieved monthly sales of 1 billion yen. In addition, our IP license title, Romance of the Three Kingdoms Senryaku-ban, has maintained its high level of sales in China. As a result of all these, this year we have recorded the highest achievements in our history for sales, operating profit, ordinary profit and net profit. This makes the eleventh fiscal year in a row that we have successfully achieved an increase in profits. We have greatly exceeded our goals for the Mid-term Management Plan (Sales: 51 billion yen, Operating Profit: 17 billion yen, Ordinary Profit: 21 billion yen) and achieved a high level of growth and profitability.

This year we embark on a new Mid-term Management Plan and have set our sights even higher with plans to achieve sales of 90 billion yen, operating profit of 30 billion yen, and ordinary profit of 40 billion yen by March 2024. To achieve this, we’ve set a few major goals. In package games, we plan to develop a title that will achieve 5 million units in sales, as well as release titles each year that will reach 2 million units in sales. For smartphone games, our target is to create a game that will achieve monthly sales of 2 billion yen, as well as multiple other titles that can achieve 1 billion yen in monthly sales.

With our Group’s long-term vision newly set as “The World’s No.1 Digital Entertainment Company,” we will strive to be the No.1 company contributing to the growth of spiritual abundance and vitality in our customers worldwide.

We thank you for your support and ask for your continued cooperation in our present and future endeavors.

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
ASSETS			
Current assets:			
Cash and deposits (Notes 6 and 8)	¥11,995	¥12,890	\$108,349
Notes and accounts receivable (Note 8)	11,253	11,955	101,648
Securities (Notes 8 and 11)	5,238	337	47,321
Merchandise and Finished goods	161	97	1,459
Work in process (Note 16)	113	4	1,026
Raw materials and supplies	70	50	635
Other current assets	4,916	4,636	44,406
Allowance for doubtful accounts (Note 8)	(9)	(9)	(86)
Total current assets	33,739	29,963	304,759
Property, plant and equipment:			
Buildings and structures, net (Notes 9 and 15)	24,409	24,545	220,479
Land (Notes 9 and 15)	14,930	14,615	134,860
Construction in progress	42	9	381
Other, net	1,399	1,572	12,639
Total property, plant and equipment (Note 7)	40,781	40,743	368,361
Intangible assets:			
Other	240	191	2,173
Total intangible assets	240	191	2,173
Investments and other assets:			
Investment securities (Notes 8 and 11)	113,176	71,350	1,022,275
Deferred tax assets (Note 14)	212	4,346	1,921
Retirement benefit asset (Note 13)	1,228	-	11,100
Other	1,291	1,196	11,665
Total investments and other assets	115,909	76,894	1,046,962
Total assets	¥190,671	¥ 147,793	\$ 1,722,257

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
LIABILITIES			
Current liabilities:			
Notes and accounts payable – trade	¥300	¥1,642	\$2,715
Short-term borrowings	-	13,000	-
Accounts payable – other	5,388	1,594	48,671
Income taxes payable	6,332	3,367	57,201
Provision for bonuses	1,633	1,190	14,754
Provision for bonuses for directors	318	226	2,875
Provision for sales returns	0	0	0
Provision for sales discount	117	144	1,061
Provision for point card certificates	0	7	5
Provision for loss on order received (Note 16)	35	-	319
Other current liabilities	6,894	2,916	62,279
Total current liabilities	21,022	24,090	189,884
Long-term liabilities:			
Retirement benefit liability (Note 13)	-	199	-
Deferred tax liabilities (Note 14)	3,808	193	34,404
Provision for loss on litigation	-	181	-
Other long-term liabilities	710	781	6,414
Total long-term liabilities	4,519	1,356	40,819
Total liabilities	25,541	25,446	230,704
NET ASSETS (Note 17)			
Shareholders' equity:			
Capital stock			
Authorized: 350,000,000 shares in 2021 and 2020			
Issued : 129,268,048 shares in 2021 and 2020	15,000	15,000	135,489
Capital surplus	27,833	26,881	251,412
Retained earnings	110,529	88,758	998,367
Treasury shares: 1,495,176 shares at March 31, 2021 and 2,247,868 shares at March 31, 2020	(1,364)	(2,036)	(12,320)
Total shareholders' equity	151,999	128,602	1,372,949
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	14,596	(3,058)	131,842
Revaluation reserve for land (Note 15)	(3,115)	(3,115)	(28,136)
Foreign currency translation adjustment	1,174	130	10,610
Remeasurements of defined benefit plans (Note 13)	171	(586)	1,545
Total accumulated other comprehensive income	12,827	(6,629)	115,862
Share subscription rights	303	373	2,741
Total net assets	165,129	122,346	1,491,552
Total liabilities and net assets	¥190,671	¥147,793	\$1,722,257

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net sales (Note 22)	¥60,370	¥ 42,645	\$545,298
Cost of sales (Note 16)	21,298	20,088	192,382
Gross profit	39,071	22,556	352,916
Selling, general and administrative expenses (Note 12)	14,673	8,454	132,540
Operating profit (Note 22)	24,397	14,102	220,375
Other income (expenses):			
Interest income	4,955	1,688	44,761
Dividend income	1,166	1,451	10,539
Gain on sales of investment securities (Note 11)	10,649	6,980	96,190
Gain on redemption of securities	76	23	695
Foreign exchange gains (losses), net	236	(243)	2,136
Gain on valuation of derivatives	1,792	-	16,193
Gain on sales of property, plant and equipment	-	1,559	-
Loss on valuation of investment securities (Note 11)	(48)	(2,586)	(439)
Loss on sales of investment securities (Note 11)	(2,453)	(1,289)	(22,163)
Loss on redemption of securities	(560)	(145)	(5,060)
Loss on valuation of derivatives (Note 11)	(1,297)	(1,253)	(11,720)
Provision for loss on litigation	-	(181)	-
Loss on COVID-19	(124)	-	(1,123)
Other, net	383	141	3,465
Profit before income taxes	39,174	20,247	353,850
Income taxes:			
Income taxes - current	9,865	5,033	89,109
Income taxes - deferred	(241)	(92)	(2,177)
Total income tax (Note 14)	9,624	4,941	86,931
Net profit	29,550	15,306	266,919
Profit attributable to owners of the parent:	¥29,550	¥15,306	\$266,919
Per share: (Note 1)			
	Yen		U.S. dollars
Net income – Basic	¥178.68	¥92.96	\$1.61
– Diluted	177.72	92.68	1.60
Cash dividends	117.00	61.00	1.05

The accompanying notes are an integral part of these statements.

The Company implemented a 1.3-for-1 stock split on April 1, 2021 and net income per share has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended March 31, 2020.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net profit:	¥29,550	¥15,306	\$266,919
Other comprehensive income			
Valuation difference on available-for-sale securities	17,655	(4,414)	159,473
Revaluation reserve for Land	-	(948)	-
Foreign currency translation adjustment	1,043	(573)	9,428
Remeasurements of defined benefit plans	757	(359)	6,840
Total other comprehensive income (Note 21)	19,456	(6,296)	175,742
Comprehensive income :	49,007	9,010	442,662
Comprehensive income attributable to owners of the parent:	¥49,007	¥9,010	\$442,662

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED MARCH 31

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Share subscription rights	Net assets
Balance at April 1, 2019	¥15,000	¥26,389	¥80,404	(¥2,588)	¥1,355	(¥2,166)	¥703	(¥226)	¥413	¥119,284
Dividends of surplus			(6,952)							(6,952)
Profit attributable to owners of parent			15,306							15,306
Purchase of treasury shares				(8)						(8)
Disposal of treasury shares		491		561						1,052
Effect of change of the fiscal year-end of certain consolidated subsidiaries										-
Net changes of items other than shareholder's equity					(4,414)	(948)	(573)	(359)	(40)	(6,336)
Total changes during period	-	491	8,354	552	(4,414)	(948)	(573)	(359)	(40)	3,061
Balance at March 31, and April 1, 2020	¥15,000	¥26,881	¥88,758	(¥2,036)	(¥3,058)	(¥3,115)	¥130	(¥586)	¥373	¥122,346
Dividends of surplus			(7,748)							(7,748)
Profit attributable to owners of parent			29,550							29,550
Purchase of treasury shares				(16)						(16)
Disposal of treasury shares		952		688						1,641
Effect of change of the fiscal year-end of certain consolidated subsidiaries			(31)							(31)
Net changes of items other than shareholder's equity					17,655	-	1,043	757	(69)	19,386
Total changes during period	-	952	21,770	672	17,655	-	1,043	757	(69)	42,783
Balance at March 31, 2021	¥15,000	¥27,833	¥110,529	(¥1,364)	¥14,596	(¥3,115)	¥1,174	¥171	¥303	¥165,129

	Thousands of U.S. dollars									
	Common stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Share subscription rights	Net assets
Balance at April 1, 2020	\$135,489	\$242,806	\$801,719	(\$18,395)	(\$27,630)	(\$28,136)	\$1,181	(\$5,295)	\$3,369	\$1,105,108
Dividends of surplus			(69,986)							(69,986)
Profit attributable to owners of parent			266,919							266,919
Purchase of treasury shares				(146)						(146)
Disposal of treasury shares		8,605		6,221						14,827
Effect of change of the fiscal year-end of certain consolidated subsidiaries			(284)							(284)
Net changes of items other than shareholder's equity					159,473	-	9,428	6,840	(627)	175,115
Total changes during period	-	8,605	196,648	6,075	159,473	-	9,428	6,840	(627)	386,444
Balance at March 31, 2021	\$135,489	\$251,412	\$998,367	(\$12,320)	\$131,842	(\$28,136)	\$10,610	\$1,545	\$2,741	\$1,491,552

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥39,174	¥20,247	\$353,850
Depreciation	1,547	752	13,978
Increase (decrease) in provision for loss on order received	35	(118)	319
Increase (decrease) in allowance for doubtful accounts	4	(1)	39
Increase (decrease) in provision for bonuses for directors	91	50	829
Increase (decrease) in provision for bonuses	438	105	3,958
Increase(decrease) in provision for loss on litigation	(181)	181	(1,636)
Interest and dividend income	(6,122)	(3,140)	(55,300)
Loss(gain) on valuation of securities	48	2,586	439
Loss(gain) on sales of investment securities	(8,195)	(5,691)	(74,027)
Loss(gain) on redemption of securities	483	121	4,364
Loss (gain) on valuation of derivatives	(495)	1,253	(4,473)
Loss(gain) on sales of property, plant and equipment	(50)	(1,609)	(459)
Foreign exchange losses (gains)	(31)	292	(287)
Loss on COVID-19	124	-	1,123
Decrease(increase) in notes and accounts receivable	792	(3,644)	7,156
Decrease(increase) in inventories	(187)	31	(1,691)
Increase (decrease) in trade payables	(1,398)	1,099	(12,633)
Increase (decrease) in accounts payable - other	2,463	30	22,254
Decrease(increase) in consumption taxes receivable	681	(681)	6,158
Increase (decrease) in accrued consumption taxes	2,024	(524)	18,285
Other, net	1,773	8	16,016
Subtotal	33,021	11,349	298,267
Interest and dividends received	5,420	2,554	48,959
Interest paid	(3)	(1)	(27)
Loss on COVID-19 paid	(56)	-	(508)
Income taxes refund	1,424	1,307	12,864
Income taxes paid	(10,080)	(5,460)	(91,049)
Net cash provided by operating activities	29,726	9,748	268,506
Cash flows from investing activities:			
Payments into time deposits	(956)	(86)	(8,643)
Proceeds from withdrawal of time deposits	531	86	4,798
Purchase of short-term and long-term investment securities	(84,175)	(49,432)	(760,325)
Proceeds from sales and redemption of short-term and long-term investment securities	73,883	50,278	667,363
Purchase of property, plant and equipment	(1,520)	(14,238)	(13,736)
Purchase of intangible assets	(71)	-	(648)
Proceeds from sales of property, plant and equipment	97	2,993	883
Other, net	(79)	(97)	(717)
Net cash used in investing activities	(12,291)	(10,496)	(111,026)
Cash flows from financing activities:			
Proceeds from short-term borrowings	-	23,500	-
Repayments of short-term borrowings	(13,000)	(10,500)	(117,423)
Proceeds from disposal of treasury shares	1,406	882	12,701
Purchase of treasury shares	(16)	(8)	(147)
Dividends paid	(7,738)	(6,942)	(69,894)
Other, net	(48)	(25)	(440)
Net cash used in financing activities	(19,396)	6,906	(175,204)
Effect of exchange rate changes on cash and cash equivalents	634	(323)	5,734
Net increase (decrease) in cash and cash equivalents	(1,327)	5,834	(11,990)
Cash and cash equivalents at beginning of year	12,803	6,968	115,649
Effect of change of the fiscal year-end of certain consolidated subsidiaries	(36)	-	(328)
Cash and cash equivalents at end of year (Note 6)	¥11,439	¥12,803	\$103,329

The accompanying notes are an integral part of these statements.

1. Summary of significant accounting policies:

(1) Basis of presentation of consolidated financial statements -

The accompanying consolidated financial statements of KOEI TECMO HOLDINGS CO., LTD. (“the Company”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries for the years ended March 31, 2021 and 2020 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not considered necessary for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts. Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

The translation of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1. These translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Some captions in prior year financial statements have changed to conform to the current year presentation.

(2) Basis of consolidation and investments in affiliated companies -

The consolidated financial statements include the accounts of the Company and its subsidiaries, including KOEI TECMO GAMES CO., LTD., KOEI TECMO NET CO., LTD., KOEI TECMO QUALITY ASSURANCE CO., LTD., KOEI TECMO WAVE CO., LTD., CWS BRAINS, LTD., KOEI TECMO CAPITAL CO., LTD., KOEI TECMO AMERICA CORPORATION, KOEI TECMO EUROPE LIMITED, KOEI TECMO TAIWAN CO., LTD., KOEI TECMO TIANJIN SOFTWARE CO., LTD., KOEI TECMO BEIJING SOFTWARE CO., LTD., KOEI TECMO SINGAPORE PTE. LTD., and KOEI TECMO LIV CO., LTD. Of the above, KOEI TECMO QUALITY ASSURANCE CO., LTD., is included in the scope of consolidation because it was newly established in the current consolidated fiscal year. Some small-scale subsidiaries, including KOEI TECMO MUSIC CO., LTD., KOEI TECMO AD CO., LTD., and KOEI TECMO SOFTWARE VIETNAM CO., LTD., whose total assets, net sales, net income or loss, retained earnings or other items would have no material effect on the financial statements have not been consolidated. All significant intercompany transactions and accounts have been eliminated in consolidation.

The fiscal year end of KOEI TECMO TAIWAN CO., LTD. and KOEI TECMO TIANJIN SOFTWARE CO., LTD. and KOEI TECMO BEIJING SOFTWARE CO., LTD. is December 31, which differs from that of consolidated fiscal year end and as such, the subsidiary is consolidated based on its provisional closing balances as of consolidated fiscal year end.

(3) Application of the equity method -

The company among the unconsolidated subsidiaries not accounted for under the equity method is KOEI TECMO MUSIC CO., LTD., KOEI TECMO AD CO., LTD., KOEI TECMO SOFTWARE VIETNAM CO., LTD. This is because the impact each of said companies has on profit or loss, retained earnings, etc., is negligible, and it is immaterial as a whole.

(4) Translation of foreign currency -

All the assets and liabilities of foreign subsidiaries are translated into Japanese yen at the appropriate year-end exchange rate and all income and expense accounts are translated at the average rate of exchange for the year. The translation of net assets is made using historical rates. The resulting translation differences are presented as “Foreign currency translation adjustment” in the accompanying consolidated balance sheets. Foreign currency receivables and payables are translated at year-end exchange rates and the resulting translation gains and losses are included in income.

(5) Cash and cash equivalents -

For the purpose of the consolidated statements of cash flows, the Company and its consolidated subsidiaries have classified time deposits and other highly liquid investments as cash equivalents if the original maturities of such investments are three months or less.

(6) Financial instruments -

(a) Derivatives

All derivatives are stated at fair value, with changes in fair value being included in the net income or loss for the period in which they arise.

(b) Securities and investment securities

Trading securities, held for the purpose of generating profits on short-term differences in prices, are stated at fair value, with changes in fair value being included in the net income or loss for the period in which they arise.

Held-to-maturity securities are stated at amortized cost method (straight-line method).

Available-for-sale securities for which quoted market price is available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of net assets, net of applicable taxes.

Available-for-sale securities for which quoted market price is not available are stated at cost or at amortized cost, except as stated in the following paragraph:

In cases where the fair value of equity securities issued by non-consolidated subsidiaries, or available-for-sale securities has declined significantly and such impairment in value is not deemed temporary, those securities are reduced to fair value and the resulting losses are included in the net income or loss for the period.

The net amount of equity included in the Company's financial statements from investment partnerships and similar investments, is calculated based on the relevant financial statements for the partnership available as of the reporting date.

(7) Inventories -

Inventories of the Company and its consolidated subsidiaries are determined using (i) the moving-average method for merchandise, finished goods and raw materials, (ii) the last purchase price method for supplies and (iii) the specific identification method for work in process (unless market value of inventories declines significantly and is not expected to recover to cost, in such cases costs are reduced to net realizable values).

(8) Property, plant and equipment -

The declining balance method is used for calculating depreciation except for buildings (excluding facilities attached to buildings) which were acquired since April 1, 1998 and the straight-line method is used for facilities attached to buildings and structures which were acquired since April 1, 2016. The property, plant and equipment held by foreign consolidated subsidiaries is being depreciated by the straight-line basis, based on the estimated useful lives of the assets.

The range of useful lives for "Buildings and structures" is principally from 3 to 50 years.

(9) Intangible assets -

Software costs for internal use are capitalized and amortized over their estimated useful lives on a straight-line basis.

(10) Lease assets -

The lease period is regarded as the useful lives, and the straight-line method is used to reduce the residual value to zero.

Among finance lease transactions that do not transfer ownership, lease transactions with a lease transaction start date before December 31, 2008 are accounted for in accordance with the method for ordinary lease transactions.

(11) Provision for bonuses -

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

(12) Provision for bonuses for directors -

Provision for bonuses are stated at the estimated amount of the bonuses to be paid to directors based on their services for the current fiscal year.

(13) Allowance for doubtful accounts -

To prepare for bad debt losses of accounts receivable, the estimated uncollectable amounts regarding general accounts receivable are recorded based on the past credit loss experience, and the estimated uncollectable amounts regarding certain accounts receivable, such as doubtful accounts receivable, are recorded by separately examining their collectability.

(14) Provision for sales returns -

A provision for sales returns is provided for future losses due to the return of products at an amount calculated based on historical experience.

(15) Provision for sales discount -

A provision for sales discount is provided for future losses incurred on sales discount of products.

(16) Provision for point card certificates -

A provision for point card certificates is provided for the accumulation of points granted to online shopping users. The amount of provision is determined based on the past usage of points.

(17) Provision for loss on order received -

A provision for loss on order received is provided for the estimated loss of the order. A provision for loss is recognized when it is probable that the expected revenue to be derived from an order is lower than the unavoidable cost of meeting the obligations.

(18) Revenue for software development contract -

When the outcome of the software development contract can be reliably estimated, contract revenue is recognized based on the stage of completion applying the percentage of completion method. The stage of completion is primarily determined using the cost-to-cost method. If the outcome of the software development contract cannot be reliably estimated, the completed contract method is applied

(19) Income taxes -

Provision is currently made for the income taxes applicable to all revenue and expense items reported in income tax returns on the basis of when such items are taxable or deductible. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities.

(20) Retirement benefits -**(a) Method for attributing projected benefits to periods**

The retirement benefit obligation is calculated by attributing projected benefits to periods until the end of the current fiscal year on a benefit formula basis.

(b) Amortization of prior service cost and actuarial gain or loss

Prior service cost is amortized on a straight-line basis over certain periods (from 9 to 12 years), which are shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is amortized from the following year on a straight-line basis over certain periods (from 9 to 12 years), which are shorter than the average remaining years of service of the eligible employees.

(21) Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements -

The Company has applied "Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements" (ASBJ Practical Issues Task Force No. 18, June 28, 2019), and necessary modifications have been made for consolidation.

(22) Net income per share -

Net income per share of capital stock ("Basic EPS") is computed based on the weighted average number of shares of capital stock outstanding during each year. Diluted net income per share of capital stock ("Diluted EPS") further assumes the dilutive effect of warrants.

The basic information for net income per share computations for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen	Thousands of U.S. dollars	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2021	Net income		Weighted average number of shares	EPS	
Basic EPS					
Net income	¥29,550	\$266,919			
Other	-	-			
Profit attributable to owners of parent	¥29,550	\$266,919	165,383	¥178.68	\$1.61
Effect of Diluted stock shareholders					
Warrants	-	-	897		
Diluted EPS					
Profit attributable to owners of parent	¥29,550	\$266,919	166,280	¥177.72	\$1.60

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2020	Net income	Weighted average number of shares	EPS
Basic EPS			
Net income	¥15,306		
Other	-		
Profit attributable to owners of parent	¥15,306	164,656	¥92.96
Effect of Diluted stock shareholders			
Warrants	-	503	
Diluted EPS			
Profit attributable to owners of parent	¥15,306	165,160	¥92.68

The Company implemented a 1.3-for-1 stock split on April 1, 2021 and the per share at March 31, 2020 has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended March 31, 2020.

2. Significant accounting estimates

(Valuation of property, plant and equipment)

Out of ¥40,781 million (\$368,361 thousand) in Property, plant and equipment, ¥10,270 million (\$92,773 thousand) is the live house type hall which belongs to the real estate segment.

When assessing the presence or absence of an indication of impairment of any fixed assets in the real estate segment, we define each real estate as the smallest unit that generates independent cash flow. An impairment loss is assessed by comparing the carrying amount against the total amount of undiscounted future cash flow generated from the asset or the group of assets judged to be having the indication of impairment. An impairment loss should be recognized if such total amount of undiscounted future cash flow generated from the asset or the group of assets is less than the carrying amount.

As of the end of the current consolidated fiscal year ended March 31 2021, the live house type hall was found to be in significantly deteriorated business environment due to the impact of the COVID-19 and having the indication of impairment. Therefore, we have assessed whether it has impairment loss. In the course of assessment, we had created our business plan considering annual event schedules and the hall usage fee income per performance according to the number of spectators, based on the assumption that the effects of the COVID-19 would continue for a certain period after the next consolidated fiscal year. In addition to that, the undiscounted future cash flow reflects the net sale price based on real estate valuation by external specialists. As the result of the assessment, impairment loss has not been recognized for the current consolidated fiscal year since the total amount of undiscounted future cash flow exceeds the carrying amount.

Since the undiscounted future cash flow is based on the current business plan, in case of a change in the business plan it may have a significant effect on the judgement of whether or not an impairment loss being recognized and the determined impairment amount.

3. Unapplied Accounting Standards, etc.

The Company and its consolidated subsidiaries have not applied the following revised and newly-established accounting standards published by March 31, 2021.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 26, 2021)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, March 31, 2020)

(1) Outline

IASB and FASB jointly developed comprehensive accounting standards for revenue recognition. “Revenue from contracts with customers” was issued in May 2014 (IFRS 15 by the IASB and Topic 606 by the FASB). IFRS 15 is effective for fiscal years beginning after January 1, 2018, and Topic 606 is effective for fiscal years beginning after December 15, 2017. The comprehensive accounting standard for revenue recognition was developed and issued together with the implementation guideline by ASBJ.

From the viewpoint of comparability between financial statements, which is one of the benefits of consistency with IFRS 15, ASBJ decided to establish its accounting standard with the incorporation of the basic principles of IFRS 15 and added alternative treatment for items that have been subjected to accounting practices in Japan to the extent that comparability is not impaired.

(2) Effective date

The Company and its consolidated subsidiaries plan to apply the standard and the implementation guidances from the beginning of the fiscal year ending March 31, 2022.

(3) The impact of the application

The impact of adopting the accounting standards would be immaterial.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, March 31, 2020)

(1) Outline

Under the circumstances that IASB and FASB have similar detailed guidance about fair value measurement IFRS 13 “Fair Value Measurement” in IFRS and Topic 820 in the Accounting Standards Codification “Fair Value Measurement” in U.S.GAAP), ASBJ has made efforts to make the Japanese standards consistent with international accounting standards, mainly regarding the guidance and disclosure of the fair value of financial statements between domestic and overseas companies by using a uniform calculation method as a basic policy for the development of accounting standards for fair value measurement, ASBJ has basically adopted all the provisions of IFRS 13 and has stipulated other treatments for individual items to the extent that comparability between financial statements is not significantly impaired considering the practices that have been conducted in Japan up to now.

(2) Effective date

The Company and its consolidated subsidiaries plan to apply those accounting standards from the beginning of the fiscal year ending March 31, 2022.

(3) The impact of the application

The impact of the application of the accounting standards on the consolidated financial statements has not yet been determined.

4. Changes in presentation

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31 of March 31, 2020) beginning from the consolidated financial statements for the end of the fiscal year ended March 31, 2021, and has disclosed notes on significant accounting estimates on its consolidated financial statements, accordingly.

However, such notes do not state any matters concerning the fiscal year ended March 31, 2020, in accordance with the transitional treatment prescribed in the proviso to paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates.

(Consolidated statements of cash flows)

"Increase (decrease) in accounts payable - other" and "Decrease (increase) in consumption taxes receivable" and "Increase (decrease) in accrued consumption taxes", which were included in "Other, net" under "Net cash provided by operating activities" in the previous fiscal year, were presented separately for the fiscal year ended March 31, 2021 due to its increased materiality. As a result, (¥1,167) million ((\$10,545) thousand) included in "Other, net" under "Net cash provided by operating activities" on the consolidated statement of cash flows for the previous fiscal year has been reclassified as "Increase (decrease) in accounts payable - other ¥30 million (\$273 thousand)" and "Decrease (increase) in consumption taxes receivable (¥681) million ((\$6,156) thousand)" and "Increase (decrease) in accrued consumption taxes (¥524) million ((\$4,737) thousand)" and "Other, net ¥8 million (\$75 thousand)".

5. Additional information

Provision for the effects of COVID-19

The Company and its consolidated subsidiaries are estimating provision for revaluation of "Property, plant and equipment" and others with information available at the time to prepare consolidated financial statements. Provision for the effects of COVID-19 is estimated with the assumption that these effects will continue after next fiscal year. So, future trends of the effects of COVID-19 will affect to the financial status and business result, because of its uncertainty.

6. Cash flow information:

Reconciliation of cash and cash equivalents

Cash and deposits at March 31, 2021 and 2020 reconciled to cash and cash equivalents were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥11,995	¥12,890	\$108,349
Time deposits with maturity over three months	(555)	(86)	(5,019)
Total cash and cash equivalents	¥11,439	¥12,803	\$103,329

7. Accumulated depreciation of property, plant and equipment:

Accumulated depreciation of property, plant and equipment as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Accumulated depreciation of property, plant and equipment	¥12,967	¥11,683	\$117,129

8. Financial instruments:

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Company and its consolidated subsidiaries procure funds that are required for the planning of capital investment, and short-term operating funds through bank loans. The surplus funds are invested in the compound financial instruments that invested in stocks, debenture, and derivatives aiming to achieve a high yield.

Derivatives that the Company uses are only the compound financial instruments that invested in derivatives.

(b) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable are exposed to the credit risks in relation to customers. Some of them are denominated in foreign currencies, which consequently expose the Company and its subsidiaries to the risks of exchange rate fluctuations.

Securities and investment securities, which consist of principally equity securities and debt securities, are exposed to the risk of market price fluctuations.

The investments in the compound financial instruments that invested in derivatives have the risk of the bond market price and the exchange rate fluctuations.

These investments are executed with credit worthy financial institutions. Given their creditworthiness, management does not expect any counterparty to fail to meet its obligations.

(c) Policies and processes for managing the risk

① Credit risk management (counterparty risk)

The Company and its consolidated subsidiaries have established internal procedures for receivables under which the Finance department are primarily responsible for periodically monitoring counterparty status. The division manages amounts and settlement dates by counterparty and works to quickly identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counterparties.

② Market risk management (risk of exchange rate and interest rate fluctuations)

Any investments to compound financial instruments that include stocks, bonds, and derivatives as their components are managed strictly according to the established policies with upper monetary limits of the investments. In addition, the Company clearly separates its transaction division and management division in their functions with the view to securely managing its assets. The Company's management division confirms transactions, manages its current position, and ensures that all derivative transactions are executed with the established policies so that its internal control functions properly. The Company periodically provides administrative reports on the status of its position, including market value, to the financial director and treasurer.

Regarding Securities and investment securities, the Company periodically examines the financial condition of the issuing entities. The Company also regularly reviews the status of its holdings of bonds, not including those held to maturity, taking into consideration its relationships with corporate business holders.

③ Management of liquidity risk associated with funds procurement (payment default risk)

The Company and its consolidated subsidiaries manage liquidity risk by creating and updating a capital deployment plan based on reports from each division.

(d) Fair values of financial instruments

Fair values of financial instruments include the values based on market prices, and the reasonably estimated values when market prices are not available. Since certain assumptions and others are adopted for estimating such values, they may differ when adopting different assumptions and others.

(2) Fair values of financial information

Fair values of financial instruments as of March 31, 2021 and 2020 were summarized as follows:

The financial instruments whose fair values were not available were not included below and were summarized in (b).

(a) Fair values of financial instruments

	Millions of yen		
	March 31, 2021		
	Acquisition Amount	Estimated fair value	Difference
Cash and deposits	¥11,995	¥11,995	-
Notes and accounts receivable	11,253		
Allowance for doubtful accounts*	(9)		
	11,244	11,244	-
Marketable and investment securities			
Available-for-sale securities	112,682	112,682	-
Assets Total	¥135,922	¥135,922	-

	Millions of yen		
	March 31, 2020		
	Carrying amount	Fair value	Difference
Cash and deposits	¥12,890	¥12,890	-
Notes and accounts receivable	11,955		
Allowance for doubtful accounts*	(8)		
	11,946	11,946	-
Marketable and investment securities			
Available-for-sale securities	65,063	65,063	-
Assets Total	¥89,900	¥89,900	-

	Thousands of U.S.dollars		
	March 31, 2021		
	Carrying amount	Fair value	Difference
Cash and deposits	\$108,349	\$108,349	-
Notes and accounts receivable	101,648		
Allowance for doubtful accounts*	(86)		
	101,562	101,562	-
Marketable and investment securities			
Available-for-sale securities	1,017,821	1,017,821	-
Assets Total	\$1,227,732	\$1,227,732	-

* The allowance is calculated by applying a percentage based on collection experience to the remaining accounts are included.

Note: Fair values of financial instruments, and matters pertaining to securities and derivative transactions

Assets

Cash and deposits, and notes and accounts receivable:

The carrying amount approximate the fair values because of short-term maturities of these instruments.

Marketable and investment securities:

The fair value is based on the market prices or the prices quoted by financial institutions.

These securities are described in the Note on "11. Securities and investment securities".

(b) Financial instruments whose fair values were not available

The financial instruments for which the fair values were not available as of March 31, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Shares of subsidiaries and associates	¥20	¥20	\$180
Investments in capital of subsidiaries and associates	98	98	887
Non-listed equity securities	181	232	1,640
Investments in associations	5,530	6,372	49,954
Total	¥5,830	¥6,723	\$52,663

It was not practicable to estimate the fair value of the unlisted shares because the market price is not available and the fair value cannot be estimated reliably. Therefore, these financial instruments were not included in the marketable and investment securities described in (a).

(c) Maturities of financial instruments

The maturities of the financial instruments at March 31, 2021 and 2020 were as follows:

	Millions of yen			
	At March 31, 2021			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥555	-	-	-
Notes and accounts receivable	11,253	-	-	-
Marketable and investment securities				
Available-for-sale securities				
(1) Government bonds and local government bonds	227	3,600	1,395	2,623
(2) Corporate bonds	5,992	14,353	1,929	3,648
Total	¥18,029	¥17,953	¥3,324	¥6,271

	Millions of yen			
	At March 31, 2020			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥509	-	-	-
Notes and accounts receivable	11,955	-	-	-
Marketable and investment securities				
Available-for-sale securities				
(1) Government bonds and local government bonds	152	2,042	3,514	4,378
(2) Corporate bonds	181	6,290	2,025	4,375
Total	¥12,798	¥8,332	¥5,540	¥8,754

	Thousands of U.S. dollars			
	At March 31, 2021			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	\$5,019	-	-	-
Notes and accounts receivable	101,648	-	-	-
Marketable and investment securities				
Available-for-sale securities				
(1) Government bonds and local government bonds	2,057	32,523	12,602	23,696
(2) Corporate bonds	54,125	129,646	17,428	32,950
Total	\$162,850	\$162,170	\$30,030	\$56,647

9. Investment and rental property:

The Company and its consolidated subsidiaries own buildings (including land) for leasing in Kanagawa prefecture, other domestic areas, and foreign countries. The rental income included in net sales was ¥45 million (\$410 thousand) and ¥222 million for the years ended March 31, 2021 and 2020, respectively.

Information about fair value of rental property included in the consolidated financial statements at March 31, 2021 and 2020 were as follows:

	At March 31, 2021			
	Carrying amount (net of depreciation)			Fair value
	March 31, 2020	Decrease	March 31, 2021	March 31, 2021
Millions of yen	¥18,304	¥103	¥18,201	¥23,358
Thousands of U.S dollars	\$165,338	\$930	\$164,408	\$210,989

	At March 31, 2020			
	Carrying amount (net of depreciation)			Fair value
	March 31, 2019	Increase	March 31, 2020	March 31, 2020
Millions of yen	¥15,288	¥3,015	¥18,304	¥19,322

Note1: Carrying amount recorded in the consolidated balance sheets present acquisition cost, net of accumulated depreciation and impairment loss.

Note2: The fair value for domestic rental properties was calculated by the Company and its consolidated subsidiaries based on the Real Estate Appraisal Standard. Locally appraised value was used for the fair value of overseas rental properties.

10. Lease:

The future minimum lease receipts for only non-cancelable operating lease contracts as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥41	¥50	\$377
Due after one year	-	34	-
Total	¥41	¥84	\$377

11. Securities and investment securities:

Comparisons of the acquisition costs and fair values of other securities for which market quotations are available at March 31, 2021 and 2020 were as follows:

	Millions of yen			Fair value
	At March 31, 2021			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Available-for-sale securities for which market prices are available -				
(1) Equity securities	¥60,301	¥21,304	¥373	¥81,233
(2) Debt securities	31,410	1,277	2,979	29,708
(3) Other	1,368	372	-	1,741
Total	¥93,080	¥22,955	¥3,352	¥112,682

	Millions of yen			Fair value
	At March 31, 2020			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Available-for-sale securities for which market prices are available -				
(1) Equity securities	¥47,250	¥2,519	¥3,946	¥45,823
(2) Debt securities	21,276	710	4,115	17,872
(3) Other	1,293	164	91	1,367
Total	¥69,819	¥3,395	¥8,152	¥65,063

	Thousands of U.S. dollars			Fair value
	At March 31, 2021			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Available-for-sale securities for which market prices are available -				
(1) Equity securities	\$544,679	\$192,437	\$3,369	\$733,746
(2) Debt securities	283,717	11,539	26,911	268,345
(3) Other	12,361	3,367	-	15,729
Total	\$840,757	\$207,344	\$30,281	\$1,017,821

Note1: Impairment loss of ¥101 million (\$918 thousand) and ¥2,586 million was recognized for the years ended March 31, 2021 and 2020, respectively.

Note2: Debt securities include compound financial instruments with contract amount of \$160 million. A gain on valuation of derivatives in the amount of ¥1,792 million (\$16,193 thousand) is recorded under non-operating income in the consolidated statement of income. A loss on valuation of derivatives in the amount of ¥1,297 million (\$11,720 thousand) is recorded under non-operating expenses in the consolidated statement of income.

Available-for-sale securities sold for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Sales amount	¥47,727	¥46,459	\$431,103
Gross realized gains	10,649	6,980	96,190
Gross realized losses	2,453	1,289	22,163

12. Research and development expenses:

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were ¥1,171 million (\$10,579 thousand) and ¥1,026 million, respectively.

13. Retirement benefit plan:

(1) Outline

The Company and its domestic consolidated subsidiaries have a defined benefit corporate pension plan. One of the foreign consolidated subsidiaries has adopted a defined contribution plan.

(2) Defined benefit plan

(a) The reconciliation of defined benefit plans was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligation at the beginning of the period	¥6,066	¥5,694	\$54,798
Service cost	445	458	4,021
Interest cost	30	28	272
Actuarial loss (gain)	4	(10)	39
Benefits paid	(107)	(105)	(968)
Retirement benefit obligation at the end of the period	¥6,439	¥6,066	\$58,164

(b) The reconciliation of plan assets at fair value was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at fair value at the beginning of the period	¥5,866	¥5,711	\$52,994
Expected return on plan assets	263	256	2,376
Actuarial gain (loss)	1,032	(557)	9,322
Contributions by the employer	614	562	5,539
Benefits paid	(107)	(105)	(968)
Plan assets at fair value at the end of the period	¥7,668	¥5,866	\$69,264

(c) The reconciliation related to retirement benefit obligation and plan assets at fair value at the end of the period and defined benefit liability and defined asset recorded on the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations of the funding plan	¥6,439	¥6,066	\$58,164
Plan assets at fair value	(7,668)	(5,866)	(69,264)
	(1,228)	199	(11,100)
Retirement benefit obligations of the non-funding plan	-	-	-
Net amount of liabilities and assets recognized in the consolidated balance sheets	(1,228)	199	(11,100)
Retirement benefit liability	-	199	-
Retirement benefit asset	(1,228)	-	(11,100)
Net amount of liabilities and assets recognized in the consolidated balance sheets	(¥1,228)	¥199	(\$11,100)

(d) Retirement benefit expenses and their breakdown:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥445	¥458	\$4,021
Interest cost	30	28	272
Expected return on plan assets	(263)	(256)	(2,376)
Amortization of actuarial loss	53	17	484
Amortization of prior service costs	12	10	110
Retirement benefit expenses	¥278	¥259	\$2,512

(e) The breakdown of prior service cost and actuarial loss recognized in other comprehensive income before deduction of tax benefit were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service costs	¥12	¥10	\$110
Actuarial loss	1,081	(529)	9,767
Total	¥1,093	(¥519)	\$9,877

(f) The breakdown of prior service cost and actuarial loss recognized in accumulated other comprehensive income before deduction of tax benefit were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service cost	¥99	¥111	\$899
Unrecognized actuarial loss	(345)	735	(3,123)
Total	(¥246)	¥847	(\$2,224)

(g) The breakdown of plan assets by major category was as follows:

	2021	2020
Bonds	46.6%	53.0%
Equities	50.8%	43.8%
Other	2.6%	3.2%
Total	100.0%	100.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rate expected to earn the profit from multiple plan assets at present and in the future.

(h) The assumptions used in accounting for the above plans were as follows:

	2021	2020
Discount rate	0.5%	0.5%
Expected rate of return on plan assets	4.5%	4.5%

(3) Defined contribution plan

The required contributions to the defined contribution plans of one of the foreign consolidated subsidiaries are ¥1 million (\$13 thousand) and ¥1 million for the years ended March 31, 2021 and 2020, respectively.

14. Income taxes:

The reconciliation of differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2021 and 2020 were as follows:

	2021	2020
Statutory tax rate	30.6%	30.6%
Increase (decrease) in taxes resulting from:		
Permanent difference of exclusion from expenses	0.5	0.8
Permanent difference of exclusion from gross revenue	(0.2)	(0.2)
Special tax credit for research and development expenses and other	(5.4)	(4.9)
Tax rate difference in certain subsidiaries	(0.5)	(2.0)
Valuation allowance	(0.1)	(0.1)
Revaluation of collectibility	-	1.2
Reserved profit of foreign subsidiaries	0.3	(0.1)
Other, net	(0.6)	(0.9)
Effective tax rate	24.6%	24.4%

The significant components of deferred tax assets and liabilities included in the balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Tax loss carryforwards	¥61	¥172	\$557
Provision for bonuses	486	332	4,396
Provision for loss on order received	10	-	97
Unrealized loss on inventory reserve	33	40	306
Provision for enterprise tax	497	224	4,496
Valuation difference on available-for-sale securities	-	1,057	-
Provision for sales discount	27	28	244
Loss on investment securities	1,053	1,773	9,518
Software development expense amortization	509	349	4,603
Impairment loss on fixed assets	1	4	11
Net retirement benefit liability	-	263	-
Revaluation reserve for land	948	948	8,567
Other	498	345	4,503
Subtotal	4,129	5,541	37,302
Valuation allowance	(1,105)	(1,194)	(9,985)
Total deferred tax assets	¥3,024	¥4,346	\$27,316

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(¥6,114)	(¥29)	\$55,227
Net retirement benefit asset	(324)	-	2,928
Reserved profit of foreign subsidiaries	(107)	(145)	968
Other	(74)	(18)	675
Total deferred tax liabilities	(¥6,620)	(¥193)	\$59,800
Net deferred tax assets / Net deferred tax liabilities	(¥3,596)	¥4,153	(\$32,483)

15. Assets pledged and revaluation of the land:

(1) Assets pledged	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥229	¥235	\$2,072
Land	306	306	2,764
Total	¥535	¥541	\$4,837

(2) Revaluation of the land

The subsidiary, KOEI TECMO LIV CO., LTD., revalued land for its business in accordance with the Land Revaluation Law. The Company recorded the entire difference between the carrying amount and revalued amount as revaluation reserve for land as a separate component of net assets.

Revaluation of land was performed by making a reasonable adjustment to the land based on the market value estimated in accordance with relevant provisions of the Land Revaluation Law.

Date of revaluation: March 31, 2000.

Fair value of the revalued land as of March 31, 2021 and 2020 were ¥231 million (\$2,088 thousand) and ¥173 million more than the carrying amount, respectively.

16. Provision for loss on order received:

Inventories and provision for loss on order received related to the project which is probable to incur losses are presented as is and are not offset.

Provision for loss on order received included in inventories related to projects which are likely to incur losses as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Work in process	¥44	-	\$398
Total	¥44	-	\$398

Provision for loss on order received included in the cost of sales for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cost of sales	¥35	-	\$319
Total	¥35	-	\$319

17. Net assets:

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), in cases where a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earning reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized by resolution at a meeting of the shareholders.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on June 17, 2021, the shareholders resolved to pay cash dividends amounting to ¥14,949 million (\$135,032 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2021. Such appropriations will be recognized in the period when they are resolved.

Note: The Company implemented a one point three-for-one stock split on April 1, 2021. Increases in number of shares by stock split are as follows:

Issued share:

(1) Total number of issued shares before stock split	129,268,048 shares
(2) Increase in number of shares by stock split	38,780,414 shares
(3) Total number of issued shares after stock split	168,048,462 shares

Treasury shares:

(1) Total number of treasury shares before stock split	1,495,176 shares
(2) Increase in number of shares by stock split	448,552 shares
(3) Total number of treasury shares after stock split	1,943,728 shares

18. Stock options:

The summarized contents of stock options as of March 31, 2021 were as follows:

	Share subscription rights #8	Share subscription rights #9	Share subscription rights #10
Date of the annual shareholders' meeting	June 22, 2016	June 20, 2018	June 18, 2020
Position and number of grantee	9 directors and 17 employees of the Company and 394 executive officer or employees of the subsidiaries	11 directors and 18 employees of the Company and 405 executive officer or employees of the subsidiaries	11 directors and 18 employees of the Company and 488 executive officer or employees of the subsidiaries
Date of grant	September 26, 2016	September 25, 2018	September 29, 2020
Class and number of stock	Capital stock 1,299,792	Capital stock 1,184,820	Capital stock 602,680
Exercised period	From September 27, 2018 to September 24, 2021	From September 11, 2020 to September 8, 2023	From September 15, 2022 to September 12, 2025

The Company implemented a 1.3-for-1 stock split on April 1, 2021 and the number of stock is adjusted after the stock split.

The following table summarizes scale and movement of share subscription rights for the year ended March 31, 2021

	Share subscription rights #8	Share subscription rights #9	Share subscription rights #10
Non-exercisable (number of shares)			
Outstanding at April 1, 2020	-	1,132,872	-
Granted	-	-	602,680
Forfeited	-	18,876	1,950
Vested	-	1,113,996	-
Outstanding at March 31, 2021	-	-	600,730
Exercisable (number of shares)			
Outstanding at April 1, 2020	698,412	-	-
Vested	-	1,113,996	-
Exercised	467,532	515,580	-
Forfeited	5,460	-	-
Outstanding at March 31, 2021	225,420	598,416	-
Exercise price	¥1,284 \$11.59	¥1,564 \$14.12	¥3,877 \$35.01
Average stock price at exercise	¥4,062 \$36.69	¥4,445 \$40.14	-
Fair value price at grant date	¥384 \$3.46	¥364 \$3.28	¥913 \$8.24

The Company implemented a 1.3-for-1 stock split on April 1, 2021 and the exercise price is adjusted amount after the stock split. Average stock price at exercise has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended March 31, 2020.

19. Asset retirement obligations:

(1) Summary of applicable asset retirement obligations include the duty of restoration arising from contractual requirements set forth in real estate leases for amusement facility arcades.

(2) Instead of posting liabilities for asset retirement obligations, the Company and its consolidated subsidiaries use the method of estimating the reasonable amount that cannot be finally recovered from the deposit related to a real estate lease contract and posting the part of that amount belonging to the current fiscal year under costs.

20. Related party transactions:

(1) Related party transactions between the Company and its related parties.

Principal transactions between the Company's consolidated subsidiaries and its related parties were as follows:

For the year ended March 31, 2021										
Type	Name	Location	Capital or investments	Business or profession	Voting rights held(%)	Relationship with the related parties	Transactions	Amount	Account name	Balance
Officer	Keiko Erikawa	-	-	Chairman (Representative Director)	2.09 [4.63] (Note1)	-	The exercise of stock option (Note3,4)	¥11 million (\$107 thousand)	-	-
Officer	Yoichi Erikawa	-	-	President CEO (Representative Director)	2.16 [4.56] (Note1)	-	The exercise of stock option (Note3,4)	¥11 million (\$106 thousand)	-	-
Officer	Hisashi Koinuma	-	-	Vice President (Note2)	0.04 [0] (Note1)	-	The exercise of stock option (Note3)	¥11 million (\$106 thousand)	-	-
Officer	Kenjiro Asano	-	-	Director, Senior Executive Officer CFO	0.01 [-] (Note1)	-	The exercise of stock option (Note3,4)	¥22 million (\$207 thousand)	-	-
Officer	Yosuke Hayashi	-	-	Director	0.01 [-] (Note1)	-	The exercise of stock option (Note3,4)	¥23 million (\$213 thousand)	-	-
Officer	Kazuyoshi Sakaguchi	-	-	Director	0.03 [0] (Note1)	-	The exercise of stock option (Note3,4)	¥23 million (\$214 thousand)	-	-
Officer	Mei Erikawa	-	-	Director	1.24 [5.47] (Note1)	-	The exercise of stock option (Note3,4)	¥23 million (\$214 thousand)	-	-
Officer	Masao Tejima	-	-	Outside Director	0.01 [-] (Note1)	-	The exercise of stock option (Note3,4)	¥11 million (\$107 thousand)	-	-
Officer	Tatsuo Sato	-	-	Outside Director	0.01 [0] (Note1)	-	The exercise of stock option (Note4)	¥17 million (\$154 thousand)	-	-

Note 1: The figures contained in parentheses represent the ownership ratio of the voting right which close persons or assentors have.

Note 2: Hisashi Koinuma was appointed as Executive Vice President (Representative Director) from the Vice President of the Company on April 1, 2021.

Note 3: The exercise of stock options granted by resolution at the Board of Director's meeting held on September 5, 2016.

Note 4: The exercise of stock options granted by resolution at the Board of Director's meeting held on September 10, 2018.

Note 5: The amount is calculated by multiplying the number of shares issued as a result of exercise of the stock option by the amount paid.

For the year ended March 31, 2020										
Type	Name	Location	Capital or investments	Business or profession	Voting rights held(%)	Relationship with the related parties	Transactions	Amount	Account name	Balance
Officer	Keiko Erikawa	-	-	Chairman (Representative Director)	2.10 [4.64] (Note1)	-	The exercise of stock option (Note3)	¥11 million (\$106 thousand)	-	-
Officer	Yoichi Erikawa	-	-	President CEO (Representative Director)	2.17 [4.58] (Note1)	-	The exercise of stock option (Note3)	¥11 million (\$106 thousand)	-	-
Officer	Hisashi Koinuma	-	-	Executive Vice President (Representative Director) (Note2)	0.03 [0] (Note1)	-	The exercise of stock option (Note3)	¥11 million (\$106 thousand)	-	-
Officer	Masao Tejima	-	-	Outside Director	0.01 [-] (Note1)	-	The exercise of stock option (Note3)	¥11 million (\$104 thousand)	-	-

Note 1: The figures contained in parentheses represent the ownership ratio of the voting right which close persons or assentors have.

Note 2: Hisashi Koinuma was appointed as Vice President from the Executive Vice President (Representative Director) of the Company on April 13, 2020.

Note 3: The exercise of stock options granted by resolution at the Board of Director's meeting held on September 5, 2016.

Note 4: The amount is calculated by multiplying the number of shares issued as a result of exercise of the stock option by the amount paid.

(2) Related party transactions between the Company's consolidated subsidiaries and its related parties.

Principal transactions between the Company's consolidated subsidiaries and its related parties are as follows:

For the year ended March 31, 2021										
Type	Name	Location	Capital or investments	Business or profession	Voting rights held(%)	Relationship with the related parties	Transactions	Amount	Account name	Balance
Company with a majority of the voting rights held by an executive or close relative	KANKYO KAGAKU CO., LTD. (Note 1)	Chiyoda-ku, Tokyo	¥40 million (\$361 thousand)	Real estate leasing	7.59	Real estate leasing	Real estate leasing (Note 2)	¥150 million (\$1,361 thousand)	Deposit	¥146 million (\$1,324 thousand)
									Prepaid expense	¥12 million (\$110 thousand)
							Election of officer	-	-	-

Note 1: Yasuharu Kakihara, who is a director & advisor of the Company, and his close relatives own 100 percent of the voting rights.

Note 2: The subsidiary, KOEI TECMO GAMES CO., LTD., leases a joint ownership building of the related party, KANKYOKAGAKU CO., LTD., and the subsidiary, KOEI TECMO LIV CO., LTD.

The lease fee and other transaction terms are determined by price negotiations based on the current status of transactions in the neighborhood.

Notes for the parent company and important affiliated companies

(1) Information on the parent company

KOYU HOLDINGS CO., LTD. (as an unlisted company)

(2) Condensed financial statements for the important affiliated companies

Not applicable

For the year ended March 31, 2020										
Type	Name	Location	Capital or investments	Business or profession	Voting rights held(%)	Relationship with the related parties	Transactions	Amount	Account name	Balance
Company with a majority of the voting rights held by an executive or close relative	KANKYO KAGAKU CO., LTD. (Note 1)	Chiyoda-ku, Tokyo	¥40 million (\$361 thousand)	Real estate leasing	7.64	Real estate leasing	Real estate leasing (Note 2)	¥151 million (\$1,368 thousand)	Deposit	¥146 million (\$1,324 thousand)
									Prepaid expense	¥12 million (\$114 thousand)
							Pledge of collateral	Pledge of collateral (Note 3)	¥541 million (\$4,889 thousand)	-
		Election of officer	-	-	-	-	-	-	-	
Company with a majority of the voting rights held by an executive or close relative	MY PROPERTY CO., LTD. (Note 4)	Yokohama-shi, Kanagawa	¥14 million (\$126 thousand)	Real estate leasing	-	Joint acquisition of fixed assets	Joint acquisition of fixed assets (Note 5)	-	-	-
									Election of officer	-
Company with a majority of the voting rights held by an executive or close relative	AK FORTUNE CO., LTD. (Note 4)	Yokohama-shi, Kanagawa	¥14 million (\$126 thousand)	Real estate leasing	-	Joint acquisition of fixed assets	Joint acquisition of fixed assets (Note 5)	-	-	-
									Election of officer	-

Note 1: Yasuharu Kakihara, who is a director & advisor of the Company, and his close relatives own 100 percent of the voting rights.

Note 2: The subsidiary, KOEI TECMO GAMES CO., LTD., leases a joint ownership building of the related party, KANKYOKAGAKU CO., LTD., and the subsidiary, KOEI TECMO LIV CO., LTD.

The lease fee and other transaction terms are determined by price negotiations based on the current status of transactions in the neighborhood.

Note 3: A Land and building which the subsidiary, KOEI TECMO LIV CO., LTD., owns are pledged as collateral for the borrowing the related party, KANKYOKAGAKU CO., LTD., required for a construction expense.

The amount is equal to carrying amount of the land and building which our subsidiary, KOEI TECMO LIV CO., LTD., owns.

Note 4: Yoichi Erikawa, who is a President & CEO of the Company, and his close relatives own 100 percent of the voting rights.

Note 5: KOEI TECMO GAMES CO., LTD. (hereinafter, "KTG"), a consolidated subsidiary of the Company, and MY PROPERTY CO., LTD. and AK FORTUNE CO., LTD. (hereinafter, "these two companies") jointly acquired the composite facilities composed of an office, a live house type hall, a hotel and stores.

The composite facilities are owned jointly and separately by KTG and these two companies. KTG owns the office that has become the new headquarters and the live house type hall. The acquisition cost of the composite facilities owned by KTG is ¥15,786 million (\$142,588 thousand).

KTG and these two companies agreed the acquisition cost and the proportion based on the calculation formulated by an outside expert asked by KTG.

In addition, KTG asked another outside expert to obtain an opinion about the appropriateness of the calculation method. There are no credits or debts arisen from the acquisition of the composite facilities between the Company or KTG and these two companies and they have no plans to increase the amount of them in the future.

Notes for the parent company and important affiliated companies

(1) Information on the parent company

KOYU HOLDINGS CO., LTD. (as an unlisted company)

(2) Condensed financial statements for the important affiliated companies

Not applicable

21. Comprehensive income:

The components of other comprehensive income including reclassification adjustments and income tax effect were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Increase during the year	¥33,244	(¥2,994)	\$300,287
Reclassification adjustments	(7,933)	(3,030)	(71,661)
Amount before income tax effect	25,311	(6,024)	228,625
Income tax effect	(7,655)	1,610	(69,152)
Total unrealized gains on securities	17,655	(4,414)	159,473
Revaluation reserve for land:			
Tax effect	-	(948)	-
Total revaluation reserve for land	-	(948)	-
Foreign currency translation adjustment:			
Increase during the year	1,043	(573)	9,428
Recycling	-	-	-
Tax effect	-	-	-
Total foreign currency translation adjustment	1,043	(573)	9,428
Remeasurements of defined benefit plans:			
Increase during the year	1,027	(547)	9,282
Reclassification adjustments	65	28	595
Amount before income tax effect	1,093	(519)	9,877
Income tax effect	(336)	159	(3,036)
Total changes in remeasurements of defined benefit plans	757	(359)	6,840
Total other comprehensive income	¥19,456	(¥6,296)	\$175,742

22. Segment information:

(1) Outline of reportable segment

Reportable segments the Company reports are the business unit for which the Company is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine the distribution of management resource and evaluate their business performance.

The Company operates principally in the following reportable segments:

- (a) Entertainment: Development and sale of entertainment contents
- (b) Amusement: Entrusted development of commercial amusement and management of amusement arcade.
- (c) Real estate: Operation and management of real estate for leasing.

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

Income (loss) of the reportable segment is operating profit. Transfers among segments are based on market prices.

(3) Information on sales and income (loss), and other items by reportable segment

	Millions of yen					
	For the year ended March 31, 2021					
	Reportable segment				Other	Total
Entertainment	Amusement	Real estate	Sub Total			
I. Net sales and segment income:						
Net sales						
(1) Net sales to external customers	¥56,603	¥2,973	¥782	¥60,359	¥10	¥60,370
(2) Inter-segment net sales	204	4	6	216	229	445
Total	56,808	2,977	789	60,575	240	60,815
Segment income (loss)	¥23,974	¥368	¥99	¥24,442	(¥44)	¥24,397
II. Other items:						
Depreciation	¥993	¥170	¥423	¥1,586	¥29	¥1,615

	Millions of yen					
	For the year ended March 31, 2020					
	Reportable segment				Other	Total
Entertainment	Amusement	Real estate	Sub Total			
I. Net sales and segment income:						
Net sales						
(1) Net sales to external customers	¥39,062	¥2,859	¥671	¥42,593	¥52	¥42,645
(2) Inter-segment net sales	44	0	-	44	101	146
Total	39,106	2,860	671	42,637	153	42,791
Segment income	¥13,366	¥519	¥199	¥14,085	¥17	¥14,102
II. Other items:						
Depreciation	¥374	¥155	¥189	¥719	¥32	¥752

Thousands of U.S. dollars						
For the year ended March 31, 2021						
Reportable segment						
	Entertainment	Amusement	Real estate	Sub Total	Other	Total
I. Net sales and segment income:						
Net sales						
(1) Net sales to external customers	\$511,277	\$26,855	\$7,070	\$545,203	\$95	\$545,298
(2) Inter-segment net sales	1,851	38	61	1,951	2,074	4,026
Total	513,128	26,893	7,132	547,155	2,169	549,325
Segment income (loss)	\$216,550	\$3,330	\$900	\$220,781	(\$405)	\$220,375
II. Other items:						
Depreciation	\$8,969	\$1,537	\$3,823	\$14,331	\$262	\$14,593

Note 1: "Other" is an operating segment not included in reportable segment, which is venture capital, etc.

Note 2: The Company's administrative expenses for the Company's indirect departments which do not belong to the reportable segment are allocated to each reportable segment in accordance with reasonable allocation standards.

(4) Reconciliation between the reportable segments above and the corresponding amount reported in the consolidated financial statements was as follows:

(a) Reconciliation of net sales	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Reportable segment Total	¥60,575	¥42,637	\$547,155
Sales of Other segment	240	153	2,169
Elimination of intersegment transactions	(445)	(146)	(4,026)
Total	¥60,370	¥42,645	\$545,298

(b) Reconciliation of segment income	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Reportable segment Total	¥24,442	¥14,085	\$220,781
Income (Loss) of Other segment	(44)	17	(405)
Total	¥24,397	¥14,102	\$220,375

Note: For management reporting purposes, assets are not allocated to the segments.

(Segment related information)

Information by country or region

The following tables present sales and assets information by geographic area for the years ended March 31, 2021 and 2020.

(1) Sales

	Millions of yen				
	For the year ended March 31, 2021				
	Japan	North America	Europe	Asia, etc.	Consolidated Total
Net sales to external customers:	¥29,419	¥9,456	¥4,423	¥17,072	¥60,370

	Millions of yen				
	For the year ended March 31, 2020				
	Japan	North America	Europe	Asia, etc.	Consolidated Total
Net sales to external customers:	¥26,854	¥4,099	¥1,920	¥9,771	¥42,645

	Thousands of U.S. dollars				
	For the year ended March 31, 2021				
	Japan	North America	Europe	Asia, etc.	Consolidated Total
Net sales to external customers:	\$265,727	\$85,415	\$39,952	\$154,203	\$545,298

Note: The sales amounts are classified by country or region where customers are located.

(2) Tangible fixed assets

	Millions of yen				
	For the year ended March 31, 2021				
	Japan	Asia	UK	Other	Consolidated Total
	¥38,342	¥1,343	¥1,094	¥0	¥40,781

	Millions of yen				
	For the year ended March 31, 2020				
	Japan	Asia	UK	Other	Consolidated Total
	¥38,445	¥1,351	¥946	¥0	¥40,743

	Thousands of U.S. dollars				
	For the year ended March 31, 2021				
	Japan	Asia	UK	Other	Consolidated Total
	\$346,331	\$12,136	\$9,888	\$5	\$368,361

Information about major customers

Name of major customers	Millions of yen	
	For the year ended March 31, 2021	
	Net Sales	Related segment
ALIBABA CULTURE MEDIA CO., LTD.	¥8,641	Entertainment
Nintendo Co., Ltd.	8,836	Entertainment

Name of major customers	Thousands of U.S. dollars	
	For the year ended March 31, 2021	
	Net Sales	Related segment
ALIBABA CULTURE MEDIA CO., LTD.	\$78,058	Entertainment
Nintendo Co., Ltd.	79,812	Entertainment

23. Subsequent events:

Not applicable.



Independent auditor's report

To the Board of Directors of KOEI TECMO HOLDINGS CO., LTD.:

Opinion

We have audited the accompanying consolidated financial statements of KOEI TECMO HOLDINGS CO., LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income, 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, 2021 and 2020, 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.

Reasonableness of the Company's judgment as to whether an impairment loss should be recognized on fixed assets related to the live house type hall

The key audit matter	How the matter was addressed in our audit
As described in Note 2, “Significant Accounting Estimates, Valuation of property, plant and equipment” to the consolidated financial statements, property, plant and equipment of ¥40,781 million (\$368,361 thousand) were recognized in the consolidated balance sheet of	The primary procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss on fixed assets related to the live house type hall was reasonable included the following:

KOEI TECMO HOLDINGS CO., LTD. (the “Company”) and its consolidated subsidiaries for the current fiscal year. Included therein were ¥10,270 million (\$92,773 thousand) of fixed assets related to the live house type hall used in the real estate segment, accounting for approximately 5% of total assets in the consolidated financial statements.

In determining whether there is an indication of impairment for fixed assets used in the real estate segment, the Company treats each property as the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets. If the Company determines that there is an indication of impairment for an asset or a group of assets, the asset or the group of assets needs to be tested for impairment. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset or the group of assets with their carrying amounts. If the undiscounted future cash flows that are expected to be generated from the asset or the group of assets are less than the carrying amount, an impairment loss should be recognized.

There was an indication of impairment for fixed assets related to the live house type hall as its business environment significantly deteriorated. Accordingly, the Company performed an impairment test during the current fiscal year. In the impairment testing, future cash flows were estimated based on the business plan approved by management. The estimate of future cash flows expected to be generated from the live house type hall was significantly affected by the operating rate reflecting the impact of the COVID-19, revenue from hall rental per event and net selling price of land, and therefore involved a high degree of uncertainty and significant management judgment.

We, therefore, determined that our assessment of the reasonableness of the Company’s judgment as to whether an impairment loss should be recognized on fixed assets related to the live house type hall included in the property, plant and equipment used in the real estate segment was one of the most significant in our audit of the

(1) Internal control testing

We tested the design and operating effectiveness of the Company’s internal controls relevant to determining impairment losses to be recognized.

(2) Assessment of the reasonableness of estimated future cash flows

In order to assess whether key assumptions embedded in the Company’s business plan, which formed the basis for estimating future cash flows generated from fixed assets related to the live house type hall, were reasonable, we:

- assessed whether the assumptions related to the operating rate were reasonable by inquiring of management and the personnel responsible for the real estate business regarding the risk factors that may affect the possibility of achieving the business plan and the impact of COVID-19, and by comparing the budgeted operating rate with past actual operating rates;
- assessed whether the assumptions related to the revenue from hall rental per event were reasonable by comparing them with past actual results of revenue from hall rental per event, as well as agreeing them to the underlying contracts;
- assessed whether the net selling price of land was reasonable considering posted land price and appraisal reports by external specialists; and
- after considering the results of the above procedures, assessed the impact on the future cash flows and the judgment of whether an impairment loss should be recognized at the end of the current consolidated fiscal year, had we incorporated the effect of specific uncertainty into the business plan.

consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	
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Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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.

Corporate auditors and the board of corporate auditors 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 corporate auditors and the board of corporate auditors 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 corporate auditors and the board of corporate auditors 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 corporate auditors and the board of corporate auditors, 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, 2021 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.

岩宮 晋伍 

Shingo Iwamiya

Designated Engagement Partner

Certified Public Accountant

越智 一成 

Kazunari Ochi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Yokohama Office, Japan

September 24, 2021

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Chairman

Keiko Erikawa*

President & CEO

Yoichi Erikawa*

Executive Vice-president

Hisashi Koinuma*

Director

Yosuke Hayashi

Director, Senior Executive Officer & CFO

Kenjiro Asano

Director

Kazuyoshi Sakaguchi

Director

Mei Erikawa

Director & Advisor

Yasuharu Kakahara

Director(Outside)

Masao Tejima

Director(Outside)

Hiroshi Kobayashi

Director(Outside)

Tatsuo Sato

Director(Outside)

Michiaki Ogasawara

Audit & Supervisory Board Member (Full-time)

Seinosuke Fukui

Audit & Supervisory Board Member (Full-time, Outside)

Masaki Kimura

Audit & Supervisory Board Member

Satoru Morishima

Audit & Supervisory Board Member (Outside)

Kengo Takano

Executive Officer

Tomotoshi Nishimura

*Representative Director

(As of June 17, 2021)

CORPORATE DATA

KOEI TECMO HOLDINGS CO., LTD.

Head Office

1-18-12 Minowa-cho, Kouhoku-ku,
Yokohama, Kanagawa 223-8503 Japan
Tel : +81-45-562-8111
<https://www.koeitecmo.co.jp/>

Date Established :

April 1, 2009

Paid-in Capital :

¥15 Billion (As of March 31, 2021)

Number of Employees :

1,983(As of March 31, 2021: Consolidated Basis)

Account Settlement :

March 31

Transfer Agent of Common Stock :

Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo
100-8233 Japan

Independent Auditor :

KPMG AZSA LLC

MAJOR SUBSIDIARIES

KOEI TECMO GAMES CO., LTD.

KT Bldg.
4-3-6 Minatomirai, Nishi-ku,
Yokohama, Kanagawa 220-8503 Japan
Tel : +81-45-561-6888
<https://www.gamecity.ne.jp/>

KOEI TECMO WAVE CO., LTD.

KUDANMEIZENDO Bldg.
4-1-34 Kudankita, Chiyoda-ku,
Tokyo 102-8230 Japan
Tel : +81-3-3222-8333
<http://www.wave.koeitecmo.co.jp/>

KOEI TECMO NET CO., LTD.

1-23-3 Minowa-cho, Kouhoku-ku,
Yokohama, Kanagawa 223-0051 Japan
Tel : +81-45-565-3123
<https://shop.gamecity.ne.jp/>

KOEI TECMO QUALITY ASSURANCE CO., LTD.

1-18-12 Minowa-cho, Kouhoku-ku,
Yokohama, Kanagawa 223-8503 Japan
Tel : +81-45-562-7897
<https://www.koeitecmo.co.jp/>

CWS Brains, LTD.

KUDANMEIZENDO Bldg.
4-1-34 Kudankita, Chiyoda-ku,
Tokyo 102-8230 Japan
Tel : +81-3-3222-7605
<https://web.ultra-soccer.jp/>

KOEI TECMO AMERICA Corporation

1818 GILBRETH RD. Suite 211,
BURLINGAME, California 94010 U.S.A
Tel : +1-650-692-9080
<http://www.koeitecmoamerica.com/>

KOEI TECMO EUROPE LIMITED

Unit 403A The Spirella Building, Bridge
Road, Letchworth Garden City,
Hertfordshire, SG6 4ET, UK
Tel : +44-1462-476130
<http://www.koeitecmoeurope.com/>

KOEI TECMO TAIWAN CO., LTD.

11F, No.323, Fu-Hsing S.Road, Sec. 1,
Daan Chiu, Taipei 106, Taiwan
Tel : +886-2-2325-0111
<http://www.gamecity.com.tw/>

KOEI TECMO SINGAPORE Pte. Ltd.

8 Kallang Avenue, Aperia tower1,
#12-01/04, Singapore 339509
Tel : +65-6220-7581
<http://www.koeitecmo.com.sg/>

KOEI TECMO TIANJIN SOFTWARE CO., LTD.

21~22F, Global Center, No.309 Nanjin Road,
Nankai District, Tianjin , P.R.China
Tel : +86-22-8328-0781
<http://www.gamecity.net.cn/>

KOEI TECMO BEIJING SOFTWARE CO., LTD.

RM.701 Beijing Inn
No.6 South ZhuGan HuTong,
Chaoyang men Nei, Dongcheng District,
Beijing China
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<http://www.gamecity.net.cn/>

KOEI TECMO SOFTWARE VIETNAM CO., LTD.

17th Floor, 36 Hoang Cau street,
O Cho Dua ward, Dong Da district,
Hanoi City, Vietnam
Tel : +84-24-3232-1284





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