



# **TOEI ANIMATION**

*Since 1956*

**TOEI ANIMATION CO., LTD.**  
**Financial Statements**  
**(Unaudited)**  
**FY2021**

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

## 1 [Consolidated Financial Statements]

(1) [Consolidated Financial Statements]

1) [Consolidated Balance Sheets]

(Million Yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and time deposits	39,984	43,041
Notes and accounts receivable - trade	10,622	12,790
Securities	28	46
Merchandise and finished goods	331	329
Work in process	5,414	7,507
Raw materials and supplies	90	88
Short-term loans receivable from subsidiaries and associates	3,053	54
Other	634	1,007
Allowance for doubtful accounts	(77)	(30)
Total current assets	60,081	64,834
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,878	7,890
Accumulated depreciation	(894)	(1,128)
Buildings and structures, net	6,983	6,761
Land	1,315	1,315
Other	1,700	1,730
Accumulated depreciation	(1,063)	(1,225)
Other, net	636	505
Total property, plant and equipment	8,935	8,582
Intangible fixed assets		
Software	453	525
Other	1	1
Total intangible fixed assets	454	527
Investments and other assets		
Investment securities	*1 12,258	*1 13,706
Long-term loans receivable from subsidiaries and associates	3,024	6,018
Long-term time deposits	7,500	10,500
Net defined benefit assets	62	56
Other	1,739	1,289
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	24,547	31,533
Total fixed assets	33,937	40,643
Total assets	94,019	105,477

(Million Yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,663	11,015
Income taxes payable	2,798	2,820
Provision for bonuses	411	439
Other	3,828	3,347
Total current liabilities	16,701	17,623
Fixed Liabilities		
Provision for share awards for directors (and other officers)	49	63
Net defined benefit liability	2,086	2,130
Other	488	539
Total fixed liabilities	2,624	2,733
Total liabilities	19,326	20,356
Net assets		
Shareholders' equity		
Common stock	2,867	2,867
Capital surplus	3,409	3,409
Retained earnings	68,087	76,290
Treasury stock	(694)	(672)
Total shareholders' equity	73,669	81,894
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,365	3,294
Deferred gains or losses on hedges	(1)	1
Foreign currency translation adjustment	(340)	(69)
Total accumulated other comprehensive income	1,023	3,226
Total net assets	74,692	85,120
Total liabilities and net assets	94,019	105,477

## 2) [Consolidated Statements of Income and Comprehensive Income]

## [Consolidated Statement of Income]

(Million Yen)

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Net sales	54,819	51,595
Costs of sales	*1 31,358	*1 28,655
Gross profit	23,461	22,939
Selling, general and administrative expenses	*2 7,367	*2 7,436
Operating income	16,094	15,503
Non-operating income		
Interest income	137	76
Dividend income	240	241
Foreign exchange gains	–	327
Other	130	162
Total non-operating income	509	809
Non-operating expense		
Interest expenses	20	45
Share of loss of entities accounted for using equity method	1	60
Loss on investments in investment partnerships	–	114
Loss on investments in silent partnerships	–	49
Foreign exchange losses	107	–
Other	17	1
Total non-operating expenses	147	271
Ordinary income	16,455	16,040
Extraordinary income		
Gain on sale of investment securities	2	–
Total extraordinary income	2	–
Extraordinary Losses		
Loss on valuation of investment securities	31	46
Total extraordinary losses	31	46
Income before income taxes	16,426	15,994
Income taxes - current	5,047	5,009
Income taxes - deferred	(58)	(83)
Total income taxes	4,988	4,926
Net income	11,437	11,067
Net income attributable to owners of parent	11,437	11,067

[Consolidated Statement of Comprehensive Income]

(Million Yen)

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Net income	11,437	11,067
Other comprehensive income		
Valuation difference on available-for-sale securities	(747)	1,820
Deferred gains or losses on hedges	1	3
Foreign currency translation adjustment	(142)	271
Share of other comprehensive income of entities accounted for using equity method	(44)	108
Total other comprehensive income	*1 (934)	*1 2,203
Comprehensive income	10,503	13,271
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	10,503	13,271
Comprehensive income attributable to non-controlling interests	—	—

## 3) [Consolidated Statement of Changes in Net Assets]

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Million Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	2,867	3,409	59,514	(544)	65,246
Changes during period					
Dividends of surplus			(2,864)		(2,864)
Net income attributable to owners of parent			11,437		11,437
Purchase of treasury shares				(150)	(150)
Transfer of treasury stock through share provision trust					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	8,572	(150)	8,422
Balance at end of period	2,867	3,409	68,087	(694)	73,669

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	2,158	(3)	(198)	1,957	67,204
Changes during period					
Dividends of surplus					(2,864)
Net income attributable to owners of parent					11,437
Purchase of treasury shares					(150)
Transfer of treasury stock through share provision trust					-
Net changes in items other than shareholders' equity	(792)	1	(142)	(934)	(934)
Total changes during period	(792)	1	(142)	(934)	7,488
Balance at end of period	1,365	(1)	(340)	1,023	74,692

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	2,867	3,409	68,087	(694)	73,669
Changes during period					
Dividends of surplus			(2,864)		(2,864)
Net income attributable to owners of parent			11,067		11,067
Purchase of treasury shares				(1)	(1)
Transfer of treasury stock through share provision trust				23	23
Net changes in items other than shareholders' equity					
Total changes during period	–	–	8,203	21	8,224
Balance at end of period	2,867	3,409	76,290	(672)	81,894

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	1,365	(1)	(340)	1,023	74,692
Changes during period					
Dividends of surplus					(2,864)
Net income attributable to owners of parent					11,067
Purchase of treasury shares					(1)
Transfer of treasury stock through share provision trust					23
Net changes in items other than shareholders' equity	1,928	3	271	2,203	2,203
Total changes during period	1,928	3	271	2,203	10,428
Balance at end of period	3,294	1	(69)	3,226	85,120

## 4) [Consolidated Statement of Cash Flows]

(Million Yen)

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
<b>Cash flows from operating activities</b>		
Income before income taxes	16,426	15,994
Depreciation	696	601
Increase (decrease) in allowance for doubtful accounts	(3)	(43)
Increase (decrease) in provision for bonuses	78	28
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(173)	–
Increase (decrease) in provision for share awards for directors (and other officers)	49	13
Increase (decrease) in net defined benefit liability	48	44
Interest and dividend income	(378)	(318)
Interest expenses	20	45
Share of loss (profit) of entities accounted for using equity method	1	60
Loss (gain) on investments in investment partnerships	–	114
Loss (gain) on investments in silent partnerships	–	49
Loss (gain) on sale of investment securities	(2)	–
Loss (gain) on valuation of investment securities	31	46
Decrease (increase) in trade receivables	2,408	(2,215)
Decrease (increase) in inventories	(2,265)	(2,072)
Increase (decrease) in trade payables	(1,773)	1,505
Other	216	(1,128)
Subtotal	15,381	12,725
Interest and dividends received	386	325
Interest paid	(20)	(45)
Income taxes paid	(5,183)	(4,954)
Cash flows from operating activities	10,564	8,050
<b>Cash flows from investing activities</b>		
Purchase of securities	(51)	–
Proceeds from sale of securities	36	25
Purchase of property, plant and equipment	(107)	(77)
Purchase of intangible fixed assets	(124)	(263)
Purchase of investment securities	(1,326)	(141)
Proceeds from sale of investment securities	5	950
Proceeds from redemption of investment securities	–	200
Loan advances	(3,108)	(3,001)
Proceeds from collection of loans receivable	3,041	3,013
Payments into time deposits	(8,294)	(10,550)
Proceeds from withdrawal of time deposits	8,900	10,129
Other	(104)	13
Cash flows from investing activities	(1,134)	298
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(150)	(1)
Proceeds from sale of treasury stock	–	23
Dividends paid	(2,887)	(2,888)
Other	(118)	(68)
Cash flows from financing activities	(3,155)	(2,935)
Effect of exchange rate change on cash and cash equivalents	(165)	276
Net increase (decrease) in cash and cash equivalents	6,109	5,690
Cash and cash equivalents at beginning of period	26,285	32,395
Cash and cash equivalents at end of period	*1 32,395	*1 38,085



[Notes]

(Basis of Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries

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Names of consolidated subsidiaries

TAVAC CO., LTD.

TOEI ANIMATION PHILS., INC.

TOEI ANIMATION ENTERPRISES LTD.

TOEI ANIMATION MUSIC PUBLISHING CO., LTD

TOEI ANIMATION INCORPORATED

TOEI ANIMATION EUROPE S.A.S.

(2) Names of unconsolidated subsidiaries

TOEI DOGA US Services, INC.

TOEI DOGA Productions, LLC

TOEI DOGA Entertainment, LLC

TOEI ANIMATION (SHANGHAI) CO., LTD.

Toei Animation (Shanghai)

Toei Animation (Shanghai) was newly established in the consolidated fiscal year under review.

Reason for exclusion from the scope of consolidation

Since the five unconsolidated subsidiaries are small, their total assets, net sales, net income or loss (calculated according to our equity interest), and retained earnings (calculated according to our equity interest) do not have a material impact on the consolidated financial statements.

2. Application of equity method

(1) Number of affiliates accounted for by the equity method

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Names of affiliates accounted for by the equity method

TOEI VIDEO CO., LTD.

TOEI KYOTO STUDIO CO., LTD.

AMAZONLATERNA CO., LTD

(2) Names of unconsolidated subsidiaries and affiliates that are not accounted for by the equity method

1) Unconsolidated subsidiaries

TOEI DOGA US Services, INC.

TOEI DOGA Productions, LLC

TOEI DOGA Entertainment, LLC

TOEI ANIMATION (SHANGHAI) CO., LTD.

Toei Animation (Shanghai)

2) Affiliates

TENH ANIMATION MAGIC Inc.

DandeLion Animation Studio Inc.

Coyote

Reason for not applying the equity method

In terms of net income or loss (calculated according to our equity interest) and retained earnings (calculated according to our equity interest), all the companies that are not accounted for by the equity method, even if excluded from those to which the equity method is applied, have just a slight impact on the consolidated financial statements and are not significant.

### 3. Fiscal term of consolidated subsidiaries

Among the consolidated subsidiaries, TOEI ANIMATION PHILS., INC., TOEI ANIMATION ENTERPRISES LTD., TOEI ANIMATION INCORPORATED, and TOEI ANIMATION EUROPE S.A.S, which are overseas consolidated subsidiaries, have fiscal terms ended December 31.

While the above four companies use financial statements as of December 31, in relation to significant business transactions made during a period between their closing date and the consolidated closing date, adjustments necessary for consolidated accounting are made.

### 4. Accounting policies

#### (1) Valuation criteria and valuation methods for important assets

##### 1) Securities

###### a. Bond certificates held to maturity

Amortized cost method (straight-line method)

###### b. Available-for-sale securities

Securities with market value

Market value method based on the market price as of the end of the fiscal term (Differences in valuation are included directly in shareholders' equity and costs of securities sold are calculated using the moving-average method.)

Securities without market value

Stated at cost using the moving-average method

##### 2) Claims and obligations arising from derivative transactions

Market value method

##### 3) Inventories

Stated at cost, depreciating the book value of inventories due to a decline in profitability

###### a. Finished goods and work in process

Specific identification method

###### b. Merchandise, raw materials and supplies

First-in first-out method

#### (2) Depreciation methods for important depreciable assets

##### 1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries have mainly adopted the declining-balance method; provided, however, that buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on and after April 1, 2016 are depreciated using the straight-line method. The overseas consolidated subsidiaries have adopted the straight-line method.

The useful lives of main assets are as follows:

Buildings: 8-50 years

Structures: 10-30 years

##### 2) Intangible fixed assets (excluding leased assets)

Software for in-house use

The straight-line method is used based on the estimated useful life within the Company (five years or less).

##### 3) Leased assets

Leased assets related to finance lease under which ownership is not transferred

The straight-line method is used, in which residual value is zero on the assumption that useful life is equal to a lease period.

#### (3) Standards of accounting for important allowances and reserves

##### 1) Allowance for doubtful accounts

In preparation for losses arising from bad debts, estimated uncollectible amounts are posted using historical data for trade receivables and individually considering the probability of collection for doubtful receivables and other specific receivables.

2) Provision for bonuses

The Company and its domestic consolidated subsidiaries post the amount of employees' bonuses to pay in the consolidated fiscal year under review among the amount estimated to pay in the future.

3) Provision for share awards for directors (and other officers)

In preparation for issuing shares to the Company's Directors (excluding part-time Directors, Outside Directors, and those who do not live in Japan) according to the rules of issuing shares to Directors, provision for share awards for directors (and other officers) is posted based on projected share awards obligations at the end of the fiscal year under review.

(4) Method of accounting for retirement benefits

1) Method of attributing projected retirement benefit obligation to fiscal term

To calculate retirement benefit obligations, expected retirement benefit payments are attributed to a period until the end of the fiscal year under review by using the straight-line attribution.

2) Accounting method for actuarial gains/losses and prior service costs

Actuarial gains/losses and prior service costs are all amortized in the fiscal year when the gain or loss arose.

(5) Standards to report important revenues and expenses

In relation to net sales of Licensing, revenues are recognized at time when a customer gains control of the license, based on the principles of realization basis.

(6) Translation of important assets and liabilities denominated in foreign currencies into yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot rate of foreign exchange as of the end of the consolidated fiscal term, and the resulting exchange differences are credited or charged to income. Assets and liabilities as well as revenues and expenses of overseas subsidiaries are translated into Japanese yen at the spot rate of foreign exchange as of the end of the consolidated fiscal term. The resulting exchange differences have been presented as "Foreign currency translation adjustment" in net assets.

(7) Important hedge accounting method

1) Hedge accounting method

The deferred hedge accounting method is used.

2) Means for hedging and hedged item

Means for hedging: Forward exchange contracts

Hedged item: Forecasted transactions in foreign currency

3) Hedging policy

Foreign exchange fluctuation risks are hedged in accordance with the internal rules.

4) Method of assessing the effectiveness of hedges

In relation to forward exchange transactions, as forward exchange contracts with the same amount in foreign currency and the same term are respectively allocated, a correlation with fluctuation of exchange rates is completely secured. Therefore, assessment of hedge effectiveness is omitted.

(8) Scope of funds in the consolidated statements of cash flows

The funds in the statement consist of cash on hand and deposits which can be withdrawn anytime, as well as short-term investments with negligible risks of fluctuation in value, which are readily cashable, and a due date for redemption of which comes within three months from acquisition date.

(9) Other principle matters for preparation of consolidated financial statements

Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(Material accounting estimates)

1. Valuation of unlisted shares (excluding ones of equity method affiliates)

(1) Amounts recorded on the consolidated financial statements for the consolidated fiscal year under review

(Million Yen)

	The consolidated fiscal year ended March 31, 2021
Unlisted shares (excluding ones of equity method affiliates)	842
Loss on valuation of investment securities	46

(2) Information on details of material accounting estimates for identified items

1) Method of calculation of amounts

When an actual value of unlisted shares (excluding ones of equity method affiliates) held by the Group notably decreased due to deterioration in financial position of the issuer, the value is reasonably reduced and the valuation difference is posted as a valuation loss. However, in case where a possibility that the actual value will recover can be supported with adequate evidence, the value is not reduced.

2) Major assumptions used to make the material accounting estimates

In relation to the possibility of recovery, the Group determines whether to record valuation loss every quarterly period, using information available such as the issuer's financial position and financial outlook.

3) Impact that the material accounting estimate exerts on consolidated financial statements for the fiscal year following the current fiscal year

As of March 31, 2021, any unrealized losses which have material impacts on the consolidated financial statements for the following fiscal year have not arisen. However, since the spread of COVID-19 and the timing of getting it under control is unclear, the valuation loss may arise if financial position and business results of individual invested entities deteriorate due to unpredictable changes in the market environment.

2. Net Defined Benefit Liability

(1) Amounts recorded on the consolidated financial statements for the consolidated fiscal year under review

(Million Yen)

	The consolidated fiscal year ended March 31, 2021
Net defined benefit liability	2,130
Net defined benefit assets	56

(2) Information on details of material accounting estimates for identified items

1) Method of calculation of amounts

The Group has established the retirement lump sum payment system as a defined benefit system. The principle method is adopted to calculate such retirement benefit obligations, and expected retirement benefit payments are attributed to a period until the end of the consolidated fiscal year under review by using the straight-line attribution. Also, actuarial gains/losses and prior service costs are all amortized in the year when the gain or loss is recognized.

2) Major assumptions used to make the material accounting estimates

Of calculation assumptions, the discount rate is set based on yield of Japanese government bonds as of March 31, 2021, according mainly to average remaining service years of the Group. The discount rate adopted for the consolidated fiscal year under review is mostly 0.26%. The salary increase rate and the turnover rate, etc. are set based on the latest results.

3) Impact that the material accounting estimate exerts on consolidated financial statements for the fiscal year following the current fiscal year

If economic environment, etc. significantly change, these calculation assumptions would be affected, which may cause material impacts on retirement benefit obligations and expenses.

(Accounting standards to be applied)

- 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)

(1) Overview

It is a comprehensive accounting standard for revenue recognition. Revenues are recognized with the following five steps.

Step 1: Identify a contract with a customer.

Step 2: Identify performance obligations under the contract.

Step 3: Calculate a transaction price.

Step 4: Allocate the transaction price to the performance obligations under the contract.

Step 5: Recognize revenues when the performance obligations are satisfied or as they are being satisfied.

(2) Scheduled date of application

The standard is scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impacts of application of the accounting standard

The impacts are being assessed as of the time of preparing this consolidated financial statements.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, 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 Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to increase comparability with provisions of international accounting standards, the ASBJ established Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement (“Accounting Standard for Fair Value Measurement, etc.”) were developed to provide guidance on fair value measurement methods. The Accounting Standard for Fair Value Measurement is applicable to the following fair values.

- Financial instruments in “Accounting Standard for Financial Instruments”
- Inventories held for the purpose of trading in “Accounting Standard for Measurement of Inventories”

With the Implementation Guidance on Disclosures about Fair Value of Financial Instruments revised, particulars to be stated in notes such as the breakdown by level of fair value of financial instruments were provided for.

(2) Scheduled date of application

The standard is scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impacts of application of the accounting standard

The impacts are being assessed as of the time of preparing this consolidated financial statements.

(Change in presentation method)

(Application of Accounting Standard for Disclosure of Accounting Estimates)

As Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied from the consolidated financial statements for the fiscal year under review, the notes to material accounting estimates are stated in the consolidated financial statements.

In the notes, however, descriptions related to the previous consolidated fiscal year are not included, according to the transitional treatment set forth in proviso of Paragraph 11 of the Accounting Standard.

(Consolidated Statements of Income)

“Surrender value of insurance policies” in “Non-operating income” which was independently presented in the previous consolidated fiscal year became less important, and thus, is included in “Other” from the consolidated fiscal year under review. To reflect the change in presentation method, the consolidated financial statements for the previous consolidated fiscal year were reclassified.

As a result, 55 million yen of “Surrender value of insurance policies” and 74 million yen of “Other,” which were presented in “Non-operating income” in the consolidated statements of income in the previous consolidated fiscal year were reclassified to present 130 million yen of “Other.”

(Additional Information)

(Performance-linked stock compensation plan)

The Company has introduced the performance-linked stock compensation plan with executive compensation BIP Trust (“Plan”) for Directors (excluding part-time directors, outside directors, and those who do not live in Japan; the same applies hereinafter.) The purpose of the Plan is to increase awareness of contribution to the improvement in the Company’s mid- and long-term business performance and the expansion in its corporate value by clarifying relations between Director’s compensation and the Company’s business results and shareholder value.

The accounting treatment for said trust contract is in conformity with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No.30, March 26, 2015).

(1) Overview of transaction

For three consolidated fiscal years from the consolidated fiscal year ended March 31, 2020 to the consolidated fiscal year ending March 31, 2022, the Plan is to issue the Company’s shares, etc. according to executive positions and degree of achievement of business performance targets.

(2) The Company’s shares remaining in the trust

The Company’s shares remaining in the trust are posted at book value in the trust (excluding ancillary expenses) as treasury stock in net assets. The book value of said treasury stock as of the end of the fiscal year under review is 126 million yen. The number of shares is 26,882 shares.

(Accounting estimates related to impacts of the spread of COVID-19)

Based on information on impacts of the spread of COVID-19 which is available at time of preparation of the consolidated financial statements, the Group has made accounting estimates including collectability of deferred tax assets, on the assumption that the impact will remain to a certain extent for the time being also in and after June 2021.

(Notes to Consolidated Balance Sheets)

\*1 The item concerning the unconsolidated subsidiaries and affiliates is as follows.

	As of March 31, 2020	As of March 31, 2021
Investment Securities (Stock)	3,029million Yen	3,178million Yen

(Notes to Consolidated Statements of Income)

\*1 Inventories as of the end of fiscal year is stated at the book value depreciated due to a decline in profitability. The following loss on valuation of inventories is included in cost of sales.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
255million Yen	212million Yen

\*2 Among selling, general and administrative expenses, major expense items and amounts are as follows.

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Personnel expenses	1,919million Yen	2,301million Yen
Advertising expenses	876million Yen	520million Yen
Provision for bonuses	203million Yen	257million Yen
Provision of allowance for doubtful accounts	45million Yen	(7)million Yen
Retirement benefit expenses	114million Yen	66million Yen
Provision for retirement benefits for directors (and other officers)	4million Yen	–million Yen
Provision for share awards for directors (and other officers)	49million Yen	36million Yen

## (Notes to Consolidated Statements of Comprehensive Income)

## \*1 Reclassification adjustment and tax effect related to Other Comprehensive Income

	(Million Yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities		
Amount that arose in the fiscal year under review	(1,077)	2,623
Reclassification adjustment	–	–
Before tax effect adjustment	(1,077)	2,623
Tax effect	329	(803)
Valuation difference on available-for-sale securities	(747)	1,820
Deferred gains or losses on hedges		
Amount that arose in the fiscal year under review	1	4
Reclassification adjustment	–	–
Before tax effect adjustment	1	4
Tax effect	(0)	(1)
Deferred gains or losses on hedges	1	3
Foreign currency translation adjustment		
Amount that arose in the fiscal year under review	(142)	271
Reclassification adjustment	–	–
Foreign currency translation adjustment	(142)	271
Share of other comprehensive income of entities accounted for using equity method		
Amount that arose in the fiscal year under review	(44)	108
Total other comprehensive income	(934)	2,203



(Notes to Consolidated Statement of Changes in Equity)

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Issued shares

Class of shares	At beginning of current fiscal year	Increase	Decrease	At end of current fiscal year
Common shares (shares)	42,000,000	–	–	42,000,000

2. Treasury stock

Class of shares	At beginning of current fiscal year	Increase	Decrease	At end of current fiscal year
Common shares (shares)	1,074,165	31,825	–	1,105,990

(Note) 1. Treasury stock as of the end of consolidated fiscal year under review includes 31,800 shares of the Company held by the executive compensation BIP Trust.

2. (Reasons for changes)

Purchase by the executive compensation BIP Trust: 31,800 shares

Increase due to purchase of odd-lot shares: 25 shares

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million Yen)	Dividend per share (yen)	Record date	Effective date
The ordinary general meeting of shareholders on June 25, 2019	Common shares	2,888	70	March 31, 2019	June 26, 2019

(2) Of the dividends for which the record date belongs to the consolidated fiscal year under review, those for which the effective date will be in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million Yen)	Dividend per share (yen)	Record date	Effective date
The ordinary general meeting of shareholders on June 24, 2020	Common shares	Retained earnings	2,888	70	March 31, 2020	June 25, 2020

(Note) The total amount of dividends which was resolved at the ordinary general meeting of shareholders held on June 24, 2020 includes two million yen of dividends for the Company's shares held by the executive compensation BIP Trust.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Issued shares

Class of shares	At beginning of current fiscal year	Increase	Decrease	At end of current fiscal year
Common shares (shares)	42,000,000	–	–	42,000,000

2. Treasury stock

Class of shares	At beginning of current fiscal year	Increase	Decrease	At end of current fiscal year
Common shares (shares)	1,105,990	205	4,918	1,101,277

(Note) 1. Treasury stock includes shares of the Company held by the executive compensation BIP Trust. (31,800 shares at the beginning of the consolidated fiscal year under review, and 26,882 shares at the end of consolidated fiscal year under review)

2. (Reasons for changes)

Increase due to purchase of odd-lot shares: 205 shares

Decrease due to provision of the Company's shares held by the BIP trust to retired officers: 4,918 shares

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million Yen)	Dividend per share (yen)	Record date	Effective date
The ordinary general meeting of shareholders on June 24, 2020	Common shares	2,888	70	March 31, 2020	June 25, 2020

(Note) The total amount of dividends which was resolved at the ordinary general meeting of shareholders held on June 24, 2020 includes two million yen of dividends for the Company's shares held by the executive compensation BIP Trust.

(2) Of the dividends for which the record date belongs to the consolidated fiscal year under review, those for which the effective date will be in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million Yen)	Dividend per share (yen)	Record date	Effective date
The ordinary general meeting of shareholders on June 25, 2021	Common shares	Retained earnings	2,888	70	March 31, 2021	June 28, 2021

(Note) The total amount of dividends which was resolved at the ordinary general meeting of shareholders held on June 25, 2021 includes 1 million yen of dividends for the Company's shares held by the executive compensation BIP Trust.

(Notes to Consolidated Statement of Cash Flows)

\*1 The relation between the ending balances of cash and cash equivalents and the amount of the account titles recorded in the consolidated balance sheet are as follows.

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Cash and time deposits	39,984million Yen	43,041million Yen
Time deposits whose deposit term exceeds three months	(7,589)million Yen	(5,000)million Yen
Securities	–million Yen	43million Yen
Cash and cash equivalents	32,395million Yen	38,085million Yen

(Notes to lease transactions)

1. Finance lease transactions

(Lessee)

Finance lease under which ownership is not transferred

1) Leased assets

- Property, plant and equipment

Mainly server equipment for image production, etc.

2) Method of depreciation/amortization of leased assets

The straight-line method is adopted, in which residual value is zero on the assumption that useful life is equal to a lease period.

2. Operating lease transactions

(Lessee)

Noncancelable future operating lease payments

	As of March 31, 2020	As of March 31, 2021
Within one year	38million Yen	40million Yen
More than one year	50million Yen	12million Yen
Total	88million Yen	52million Yen

(Notes to financial instruments)

1. Status of financial instruments

(1) Basic policies applied to financial instruments

In principle, the Group manages funds mainly with deposits and other financial instruments which guarantee principals or which can obtain comparable stable results. With regard to derivative trading, it is the Group's policy not to conduct speculative transactions, aiming to avoid future currency exchange fluctuation risks.

(2) Contents of financial instruments, risks involved therein, and risk management system

Notes receivable and accounts receivable - trade, and loan receivable are exposed to credit risks inherent to customers and borrowers. For said risks, in accordance with the sales management rules and the accounting rules, due date and outstanding balance are managed and controlled for each business partners and customers. When there are possibilities of delay in collection, etc., the Group will promptly take appropriate measures, communicating with the sales division.

Among securities and investment securities, mainly, shares of companies with which the Group has business relationships are exposed to market fluctuation risks and credit risks of issuers. Therefore, the Group grasps market values and financial positions of the issuers on a regular basis.

In addition, since the Group invests into only bonds held to maturity which guarantee principals or which are rated high, credit risks are negligible.

Long-term time deposits, which are mainly time deposits, partly include deposits with derivatives embedded which may be redeemed in U.S. dollar at maturity due to future currency exchange fluctuations.

Payment dates of most notes payable and accounts payable - trade are within one year.

Derivative transactions consist of forward exchange transactions and cross currency swaps with the aim of hedging risks of currency exchange fluctuations related to operating payables and loans payable in foreign currency.

Means for hedging, hedged items, hedging policy, and method of assessing the effectiveness of hedges, etc. are included in the above Basis of Preparation of Consolidated Financial Statements, 4. Accounting policies, (6) Important hedge accounting method.

Execution and management of derivative transactions are performed in accordance with the internal rules that stipulate authority for transactions. In order to reduce credit risks, the Group conducts derivative transactions only with highly rated financial institutions.

(3) Supplementary explanations on market values and other conditions of financial instruments

In addition to market values of financial instruments based on market prices, when there is no market price, prices which are

reasonably calculated are also applicable.

## 2. Market values and other conditions of financial instruments

Values of financial instruments recorded on the Consolidated Balance Sheets, their market values, and differences between them are as follows. Items which are deemed extremely difficult to grasp their market values are not included in the table below (see Note 2.)

As of March 31, 2020

	Values recorded on Consolidated Balance Sheets (Million Yen)	Market value (Million Yen)	Difference (Million Yen)
(1) Cash and time deposits	39,984	39,984	—
(2) Notes and accounts receivable - trade (*1)	10,544	10,544	—
(3) Short-term loans receivable from subsidiaries and associates	3,053	3,053	—
(4) Securities and investment securities			
Bond certificates held to maturity	533	531	(1)
Available-for-sale securities	6,939	6,939	—
(5) Long-term loans receivable from subsidiaries and associates	3,024	3,024	—
(6) Long-term time deposits	7,500	7,506	6
Total assets	71,580	71,585	4
(1) Notes and accounts payable - trade	9,663	9,663	—
Total liabilities	9,663	9,663	—
Derivatives transactions (*2)	(138)	(138)	—

(\*1) Allowances for doubtful accounts on notes and accounts receivable - trade are deducted. Allowance for doubtful accounts for general accounts receivable is not material, and thus, not deducted.

(\*2) Net receivables/payables which accrued through derivative transactions are presented. Net payables in total are parenthesized.

As of March 31, 2021

	Values recorded on Consolidated Balance Sheets (Million Yen)	Market value (Million Yen)	Difference (Million Yen)
(1) Cash and time deposits	43,041	43,041	—
(2) Notes and accounts receivable - trade (*1)	12,765	12,765	—
(3) Short-term loans receivable from subsidiaries and associates	54	54	—
(4) Securities and investment securities			
Bond certificates held to maturity	331	331	(0)
Available-for-sale securities	9,555	9,555	—
(5) Long-term loans receivable from subsidiaries and associates	6,018	6,018	—
(6) Long-term time deposits	10,500	10,505	5
Total assets	82,267	82,272	5
(1) Notes and accounts payable - trade	11,015	11,015	—
Total liabilities	11,015	11,015	—
Derivatives transactions (*2)	0	0	—

(\*1) Allowances for doubtful accounts on notes and accounts receivable - trade are deducted. Allowance for doubtful accounts for general accounts receivable is not material, and thus, not deducted.

(\*2) Net receivables/payables which accrued through derivative transactions are presented. Net payables in total are parenthesized.

(Note 1) Matters concerning calculation method of market values of financial instruments, and securities and derivative transactions

#### Assets

(1) Cash and time deposits, (2) Notes and accounts receivable - trade, (3) Short-term loans receivable from subsidiaries and associates

Since these are settled in a short time, their market values are almost equal to book values. Therefore, they are calculated based on the book values.

(4) Securities and investment securities

Of them, listed shares are calculated based on prices at the securities exchange, and bonds based on prices offered by relevant financial institutions.

For notes to securities by purpose of holding, please see notes to securities.

(5) Long-term loans receivable from subsidiaries and associates

The market values are classified every certain period, and calculated based on present values obtained by discounting future cash flow at an interest rate adding credit spread to appropriate index such as yield of government bonds.

(6) Long-term time deposits

The market values are calculated based on present values obtained by discounting total principal and interest at an interest rate expected in case of similar new deposit.

#### Liabilities

(1) Notes and accounts payable - trade

Since these are settled in a short time, their market values are almost equal to book values. Therefore, they are calculated based on the book values.

#### Derivatives transactions

The market values are based on prices, etc. offered by relevant financial institutions.

(Note 2) Values recorded on Consolidated Balance Sheets of financial instruments which are deemed extremely difficult to grasp their market values

(Million Yen)		
Classification	March 31, 2020	March 31, 2021
Unlisted shares, etc.	3,662	3,836
Investments in partnerships under the Civil Codes	1,151	28

Since the above items have no market price and their future cash flows cannot be estimated, they are deemed extremely difficult to grasp their market values. Therefore, they are not included in (4) Securities and Investment Securities, and Available-for-sale Securities.

(Note 3) Monetary claims and securities with maturity periods to be redeemed after the consolidated closing date

As of March 31, 2020

	Within one year (Million Yen)	More than one year and within five years (Million Yen)	More than five years and within ten years (Million Yen)	More than ten year (Million Yen)
Cash and time deposits				
Time deposits	39,984	–	–	–
Notes and accounts receivable - trade	10,544	–	–	–
Short-term loans receivable from subsidiaries and associates	3,053	–	–	–
Securities and investment securities				
Bond certificates held to maturity (subordinated bond)	–	–	250	–
Bond certificates held to maturity (corporate bond)	28	98	–	–
Bond certificates held to maturity (credit-linked note)	200	–	–	–
Long-term loans receivable from subsidiaries and associates	–	3,024	–	–
Long-term time deposits	–	7,500	–	–
Total	53,811	10,622	250	–

As of March 31, 2021

	Within one year (Million Yen)	More than one year and within five years (Million Yen)	More than five years and within ten years (Million Yen)	More than ten year (Million Yen)
Cash and time deposits				
Time deposits	43,041	–	–	–
Notes and accounts receivable - trade	12,765	–	–	–
Short-term loans receivable from subsidiaries and associates	54	–	–	–
Securities and investment securities				
Bond certificates held to maturity (subordinated bond)	–	–	250	–
Bond certificates held to maturity (corporate bond)	46	96	–	–
Long-term loans receivable from subsidiaries and associates	–	6,018	–	–
Long-term time deposits	–	10,500	–	–
Total	55,907	16,614	250	–

## (Notes to Securities)

## 1. Bond certificates held to maturity

As of March 31, 2020

Classification	Values recorded on Consolidated Balance Sheets (Million Yen)	Market value (Million Yen)	Difference (Million Yen)
Bond with market value exceeding value recorded in Consolidated Balance Sheet	–	–	–
Bond with market value not exceeding value recorded in Consolidated Balance Sheet	533	531	(1)
Total	533	531	(1)

As of March 31, 2021

Classification	Values recorded on Consolidated Balance Sheets (Million Yen)	Market value (Million Yen)	Difference (Million Yen)
Bond with market value exceeding value recorded in Consolidated Balance Sheet	–	–	–
Bond with market value not exceeding value recorded in Consolidated Balance Sheet	331	331	(0)
Total	331	331	(0)

## 2. Available-for-sale securities

As of March 31, 2020

Classification	Values recorded on Consolidated Balance Sheets (Million Yen)	Acquisition cost (Million Yen)	Difference (Million Yen)
Securities with value recorded on Consolidated Balance Sheet exceeding acquisition cost			
Shares	4,315	2,004	2,311
Subtotal	4,315	2,004	2,311
Securities with value recorded on Consolidated Balance Sheet not exceeding acquisition cost			
Shares	2,624	3,037	(413)
Subtotal	2,624	3,037	(413)
Total	6,939	5,042	1,897

As of March 31, 2021

Classification	Values recorded on Consolidated Balance Sheets (Million Yen)	Acquisition cost (Million Yen)	Difference (Million Yen)
Securities with value recorded on Consolidated Balance Sheet exceeding acquisition cost			
Shares	9,555	5,042	4,513
Subtotal	9,555	5,042	4,513
Securities with value recorded on Consolidated Balance Sheet not exceeding acquisition cost			
Shares	–	–	–
Subtotal	–	–	–
Total	9,555	5,042	4,513

3. Available-for-sale securities that were sold during the consolidated fiscal year

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Classification	Sale price (Million Yen)	Total profit on sale (Million Yen)	Total loss on sale (Million Yen)
Shares	5	2	—
Total	5	2	—

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable

4. Securities on which impairment losses were recognized

In the previous consolidated fiscal year, 31 million yen (11 million yen of affiliates' shares and 20 million yen of shares in available for sale securities) of impairment losses on securities were recognized.

In the consolidated fiscal year under review, 46 million yen (46 million yen of affiliates' shares) of impairment losses on securities were recognized.

(Notes to derivatives transactions)

As of March 31, 2020

Although the Group conducts derivatives transactions, they are not material. Therefore, notes thereto are omitted.

As of March 31, 2021

Although the Group conducts derivatives transactions, they are not material. Therefore, notes thereto are omitted.



(Notes to retirement benefits)

1. Overview of the retirement benefit system the Group has adopted

The Group has established the retirement lump sum payment system as a defined benefit system. Also, in case of employee's retirement, etc., extra retirement benefit may be paid.

2. Defined benefit plan

(1) Adjustments of retirement benefit obligations at the beginning and the end of fiscal year

	(Million Yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Retirement benefit obligations at the beginning of fiscal year	2,217	2,317
Service cost	204	206
Interest cost	13	15
Amount of net actuarial gain/loss that arose	0	(55)
Retirement benefits paid	(122)	(109)
Foreign currency translation adjustment	4	-
Retirement benefit obligations at the end of fiscal year	2,317	2,374

(2) Adjustments of pension assets at the beginning and the end of fiscal year

	(Million Yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Pension assets at the beginning of fiscal year	260	294
Expected return	10	8
Amount of net actuarial gain/loss that arose	19	11
Amount of contribution from the employer	(2)	(13)
Foreign currency translation adjustment	5	-
Pension assets at the end of fiscal year	294	301

(3) Reconciliation of balances of retirement benefit obligations and pension assets at the end of fiscal year with net defined benefit liability and asset recorded on the consolidated balance sheets

	(Million Yen)	
	As of March 31, 2020	As of March 31, 2021
Retirement benefit obligations of funded system	231	244
Pension assets	(294)	(301)
	(62)	(56)
Retirement benefit obligations of unfunded system	2,086	2,130
Net liability and asset recorded on the consolidated balance sheets	2,023	2,073
Net defined benefit liability	2,086	2,130
Net defined benefit assets	(62)	(56)
Net liability and asset recorded on the consolidated balance sheets	2,023	2,073

(4) Amounts of the retirement benefit costs and the itemized breakdown

	(Million Yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Service cost	204	206
Interest cost	13	15
Expected return	(10)	(8)
Amount of the actuarial gain/loss reported as costs	(18)	(66)
Retirement benefit expenses related to defined benefit plan	188	146

(5) Matters concerning pension assets

1) Major components of pension assets

Ratios of each major component to the total pension assets are as follows.

	As of March 31, 2020	As of March 31, 2021
Investment trust	3 %	3 %
Bond	96 %	96 %
Cash and time deposits	0 %	0 %
Other	1 %	1 %
Total	100 %	100 %

2) Method to determine the long-term expected rate of return

The long-term expected rate of return for pension assets is determined in consideration of current and expected allocation of pension assets, as well as current and expected long-term rate of return from various assets composing pension assets.

(6) Matters concerning the actuarial calculation basis

Major actuarial calculation basis

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Discount rate	Mostly 0.20 %	Mostly 0.26 %
Long-term expected rate of return	3.00 %	2.30 %
Expected rate of increase in salary	0.00 - 4.50 %	0.00 - 4.50 %

(Notes to tax effect accounting)

1. Details of each major cause of deferred tax assets and deferred tax liabilities that arose

	As of March 31, 2020	As of March 31, 2021
Deferred tax assets		
Provision for bonuses	121million Yen	130million Yen
Loss on valuation of inventories	93million Yen	80million Yen
Enterprise tax payable	125million Yen	146million Yen
Allowance for doubtful accounts	1million Yen	6million Yen
Business office tax payable	5million Yen	5million Yen
Loss on valuation of investment securities	47million Yen	47million Yen
Net defined benefit liability	624million Yen	635million Yen
Amount exceeding the allowable limit for depreciation of depreciation assets	106million Yen	171million Yen
Loss on valuation of golf club membership	18million Yen	18million Yen
Provision for retirement benefits for directors (and other officers)	53million Yen	18million Yen
Provision for share awards for directors (and other officers)	15million Yen	19million Yen
Other	99million Yen	62million Yen
Subtotal of deferred tax assets	1,311million Yen	1,341million Yen
Valuation allowance (Note)	(135)million Yen	(107)million Yen
Total deferred tax assets	1,175million Yen	1,233million Yen
Deferred tax liabilities		
Application of tax effect accounting for distribution of retained earnings of overseas subsidiaries	(66)million Yen	(80)million Yen
Removal expenses for asset retirement obligations	(15)million Yen	(14)million Yen
Valuation difference on available-for-sale securities	(573)million Yen	(1,377)million Yen
Other	(77)million Yen	(34)million Yen
Total deferred tax liabilities	(733)million Yen	(1,506)million Yen
Net deferred tax assets (liabilities)	442million Yen	(273)million Yen

(Note) Valuation allowance decreased by 28 million yen. This decrease was mainly caused by a decrease in Provision for retirement benefits for directors (and other officers).

2. Details of each major item that caused a significant difference between the effective statutory tax rate and the corporate tax rate, etc., after the application of tax effect accounting

As of March 31, 2020

The notes are omitted because the difference between the effective statutory tax rate and the corporate tax rate, etc., after the application of tax effect accounting is not more than five percent of the effective statutory tax rate.

As of March 31, 2021

The notes are omitted because the difference between the effective statutory tax rate and the corporate tax rate, etc., after the application of tax effect accounting is not more than five percent of the effective statutory tax rate.

(Notes to asset retirement obligations)

As of March 31, 2020

The notes are omitted because this item is not material.

As of March 31, 2021

The notes are omitted because this item is not material.

(Notes to rental real properties)

As of March 31, 2020

The notes are omitted because this item is not material.

As of March 31, 2021

The notes are omitted because this item is not material.

(Segment Information, etc.)

[Segment Information]

### 1. Outline of reporting segment

The Group's reporting segments are components of the Group on which separate financial information is available and which are regularly reviewed by the Board of Directors for the purpose of making decisions on the allocation of business resources and assessing business performance.

The Group conducts business activities, formulating comprehensive domestic and overseas strategies for respective businesses including Film, Licensing, Goods Sales, and Others.

Accordingly, the Group has three reporting segments; Film, Licensing, and Goods Sales.

In "Film", we plan and produce animation mainly for TV and movie theaters, sell broadcasting rights and rights to release the animation as video, and provide streaming service for computers and mobile terminals, etc. In "Licensing", we grant merchandising rights for characters who appear in works we produced. In "Goods Sales", we develop and sell character goods, etc.

### 2. Method to calculate amounts of the net sales, profit or loss, assets, liabilities and other items for each reporting segment

The accounting method for the reporting segments are generally the same as those stated in "Basis of Preparation of Consolidated Financial Statements."

While assets are shared by multiple business segments and not allocated to each segment, depreciation is allocated in accordance with areas used by a relevant business segment, etc.

Income of each reporting segment is presented with a numerical value on a basis of operating income or loss. Inter-segment revenues and transfers are based on prevailing market prices.

### 3. Information on amounts of the net sales, income or loss, assets, liabilities and other items for each reporting segment

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Million Yen)

	Film	Licensing	Goods sales	Others (Note) 1	Total	Adjustment (Note) 2	Total (Note) 3
Net sales							
Net sales to external customers	19,920	29,585	4,401	911	54,819	–	54,819
Inter-segment revenues and transfers	4	166	0	–	170	(170)	–
Total	19,925	29,751	4,401	911	54,990	(170)	54,819
Segment income (loss)	4,533	14,503	(7)	(26)	19,003	(2,909)	16,094
Other items							
Depreciation	466	23	13	2	506	190	696

(Notes) 1. "Others" is Events Business which is not included in the reporting segments.

2. The adjustment of segment income (loss) of (2,909) million yen includes elimination of inter-segment transactions of zero million yen and corporate expenses of (2,909) million yen which are not allocated to each reporting segment. The corporate expenses mainly consist of expenses related to the Company's administrative divisions such as general affairs and accounting departments.

3. Segment income (loss) is adjusted based on operating income in the consolidated statements of income.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million Yen)

	Film	Licensing	Goods sales	Others (Note) 1	Total	Adjustment (Note) 2	Total (Note) 3
Net sales							
Net sales to external customers	19,762	28,920	2,465	446	51,595	–	51,595
Inter-segment revenues and transfers	3	77	1	–	81	(81)	–
Total	19,766	28,997	2,466	446	51,677	(81)	51,595
Segment income (loss)	4,798	14,257	(183)	(191)	18,681	(3,178)	15,503
Other items							
Depreciation	373	25	10	5	415	186	601

(Notes) 1. “Others” is Events Business which is not included in the reporting segments.

2. The adjustment of segment income (loss) of (3,178) million yen includes elimination of inter-segment transactions of (zero) million yen and corporate expenses of (3,178) million yen which are not allocated to each reporting segment. The corporate expenses mainly consist of expenses related to the Company’s administrative divisions such as general affairs and accounting departments.

3. Segment income (loss) is adjusted based on operating income in the consolidated statements of income.

[Related information]

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Information on each product and service

Since similar information is disclosed in Segment information, this information is omitted.

2. Information on each region

(1) Net sales

(Million Yen)

Japan	Asia	North America	Other	Total
27,459	11,947	9,176	6,235	54,819

(Notes) 1. Net sales are classified by country and region where broadcasting rights and merchandising rights, etc., are granted.

2. “Asia” and “North America” are respectively managed as one segment, and thus, it is difficult to divide net sales to external customers by country. Therefore, an amount for each country is not stated.

(2) Property, plant and equipment

Since the amount of property, plant and equipment located in Japan is more than 90% of the amount of property, plant and equipment stated in the consolidated balance sheets, information on tangible fixed assets is omitted.

3. Information on each major customer

(Million Yen)

Name of customer	Net sales	Name of related segment
Bandai Namco Group	22,568	Licensing, goods sales
Toei Group	2,828	Film

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Information on each product and service

Since similar information is disclosed in Segment information, this information is omitted.

2. Information on each region

(1) Net sales

(Million Yen)

Japan	Asia	North America	Other	Total
21,173	13,863	10,626	5,932	51,595

(Notes) 1. Net sales are classified by country and region where broadcasting rights and merchandising rights, etc., are granted.

2. "Asia" and "North America" are respectively managed as one segment, and thus, it is difficult to divide net sales to external customers by country. Therefore, an amount for each country is not stated.

(2) Property, plant and equipment

Since the amount of property, plant and equipment located in Japan is more than 90% of the amount of property, plant and equipment stated in the consolidated balance sheets, information on tangible fixed assets is omitted.

3. Information on each major customer

(Million Yen)

Name of customer	Net sales	Name of related segment
Bandai Namco Group	21,083	Licensing, goods sales
Toei Group	2,005	Film

[Information on impairment loss on fixed assets for each reporting segment]

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Not applicable

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable

[Information on amortization of goodwill and unamortized balance for each reporting segment]

Not applicable

[Information on gain from negative goodwill for each reporting segment]

Not applicable

[Information on related parties]

1. Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and related parties

1) Parent company and major shareholders (limited to a company) of the company submitting the consolidated financial statements

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Classification	Name of company	Location	Capital or Capital contribution (Million Yen)	Description of business	Ratio of voting rights held by the Company (or the related party) (%)	Relationship with the related party	Details of business transactions	Transaction amount (Million Yen)	Account	Balance at end of period (Million Yen)
Parent company	TOEI COMP ANY, LTD.	Chuo-ku Tokyo	11,707	Film production and distribution	(held by the related party) Direct: 34.2 Indirect: 6.8	Sale of domestic broadcasting rights of animation Concurrent position of officers Loan of funds	Sale of domestic broadcasting rights of animation	2,525	Accounts receivable	621
							Loan of funds	3,000	Short-term loans receivable from subsidiaries and associates	3,000
							Collection of funds	3,000	Long-term loans receivable from subsidiaries and associates	3,000
							Interest Income	35	Other current assets	-
							Investment into silent partnerships	1,000	Investment securities	1,000

(Note) 1. With regard to the amounts stated above, consumption tax, etc. is included in Balance at end of period, but not in Transaction amount.

2. Terms and conditions of business and policy for determining them

[Sale of movies]

The same general terms and conditions of business as ones used in transactions with independent third parties are adopted.

[Sale of broadcasting rights for TV animation series]

We have concluded the sales consignment contract with the company, and received from the company the amount of selling price to broadcasting stations which are end customers minus commission of 3%.

[Sale of rights to release the animation as video]

We have concluded the sales consignment contract with the company, and received from the company the amount obtained by deducting commission of 20-25% from selling price minus expenses.

[Loan of funds]

Loan interest rates are determined in consideration of market interest rates.

[Investment into silent partnerships]

We have invested into said silent partnership, a proprietor of which is Toei Company, Ltd., under the Silent Partnership Contract.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Classification	Name of company	Location	Capital or Capital contribution (Million Yen)	Description of business	Ratio of voting rights held by the Company (or the related party) (%)	Relationship with the related party	Details of business transactions	Transaction amount (Million Yen)	Account	Balance at end of period (Million Yen)
Parent company	TOEI COMP ANY, LTD.	Chuo-ku Tokyo	11,707	Film production and distribution	(held by the related party) Direct: 34.2 Indirect: 6.8	Sale of domestic broadcasting rights of animation Concurrent position of officers Loan of funds	Sale of domestic broadcasting rights of animation	1,759	Accounts receivable	561
							Loan of funds	3,000	Long-term loans receivable from subsidiaries and associates	6,000
							Collection of funds	3,000		
							Interest Income	24	Other current assets	-

(Note) 1. With regard to the amounts stated above, consumption tax, etc. is included in Balance at end of period, but not in Transaction amount.



2. Terms and conditions of business and policy for determining them

[Sale of movies]

The same general terms and conditions of business as ones used in transactions with independent third parties are adopted.

[Sale of broadcasting rights for TV animation series]

We have concluded the sales consignment contract with the company, and received from the company the amount of selling price to broadcasting stations which are end customers minus commission of 3%.

[Sale of rights to release the animation as video]

We have concluded the sales consignment contract with the company, and received from the company the amount obtained by deducting commission of 20-25% from selling price minus expenses.

[Loan of funds]

Loan interest rates are determined in consideration of market interest rates.

2) Fellow companies of the company submitting the consolidated financial statements

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Classification	Name of company	Location	Capital or Capital contribution (Million Yen)	Description of business	Ratio of voting rights held by the Company (or the related party) (%)	Relationship with the related party	Details of business transactions	Transaction amount (Million Yen)	Account	Balance at end of period (Million Yen)
The company whose majority of voting rights are held by major shareholders (company)	Bandai Namco Entertainment Inc.	Minato-ku, Tokyo	10,000	Planning, development, and sale of game contents and devices	—	Sale of domestic game rights of animation	Sale of domestic game rights of animation	13,647	Accounts receivable	1,190

(Note) 1. With regard to the amounts stated above, consumption tax, etc. is included in Balance at end of period, but not in Transaction amount.

2. Terms and conditions of business and policy for determining them

With regard to sale of domestic game rights, etc. of animation, the same general terms and conditions of business as ones used in transactions with independent third parties are adopted.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Classification	Name of company	Location	Capital or Capital contribution (Million Yen)	Description of business	Ratio of voting rights held by the Company (or the related party) (%)	Relationship with the related party	Details of business transactions	Transaction amount (Million Yen)	Account	Balance at end of period (Million Yen)
The company whose majority of voting rights are held by major shareholders (company)	Bandai Namco Entertainment Inc.	Minato-ku, Tokyo	10,000	Planning, development, and sale of game contents and devices	—	Sale of domestic game rights of animation	Sale of domestic game rights of animation	15,574	Accounts receivable	1,212

(Note) 1. With regard to the amounts stated above, consumption tax, etc. is included in Balance at end of period, but not in Transaction amount.

2. Terms and conditions of business and policy for determining them

With regard to sale of domestic game rights, etc. of animation, the same general terms and conditions of business as ones used in transactions with independent third parties are adopted.

(2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties

Not applicable

2. Notes to parent company or material affiliates

(1) Information on parent company

Toei Company, Ltd. (listed on Tokyo Stock Exchange)

(2) Summarized financial information of material affiliated company

Not applicable

(Per share information)

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Amount of net assets per share	1,826.50 yen	2,081.26 yen
Earnings per share	279.62 yen	270.62 yen

(Notes) 1. Since no potential shares exist, the diluted earnings per share is omitted.

2. The Company's shares held by the executive compensation BIP Trust are included in the number of treasury stock which is deducted from the total number of issued shares at the end of the fiscal year in calculation of net assets per share. (31,800 shares in the previous consolidated fiscal year, 26,882 shares in the consolidated fiscal year under review) Also, in calculation of earnings per share, they are included in treasury stock which is deducted in calculation of average number of shares. (21,015 shares in the previous consolidated fiscal year, 28,198 shares in the consolidated fiscal year under review)

3. The basis for calculation of earnings per share is as follows.

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Earnings per share		
Net income attributable to owners of the parent (Million Yen)	11,437	11,067
Amount not attributable to common shareholders (Million Yen)	–	–
Net income attributable to owners of the parent related to common stock (Million Yen)	11,437	11,067
Average number of common stock during period (shares)	40,904,809	40,897,519

(Significant post-balance sheet events)

Not applicable

1) [Consolidated supplementary schedules]

[Schedule of corporate bonds]

Not applicable

[Schedule of borrowings, etc.]

Classification	Balance at beginning of period (Million Yen)	Balance at end of period (Million Yen)	Average interest rate (%)	Repayment deadline
Current portion of lease liabilities	66	53	–	–
Lease liabilities (excluding current portion of lease liabilities)	73	39	–	April 1, 2022 - August 31, 2025
Other interest-bearing debt Deposits received from employees	91	96	0.5	–
Total	230	190	–	–

(Notes) 1. Descriptions about “average interest rate” are omitted because lease liabilities at the amount before the amount corresponding to the interest included in total amount of lease expenses is deducted is recorded on the consolidated balance sheets.

2. Total amount of lease liabilities (excluding current portion of lease liabilities) scheduled to be repaid each year within five years after the consolidated closing date

Classification	Over 1 year within 2 years (Million Yen)	Over 2 years within 3 years (Million Yen)	Over 3 years within 4 years (Million Yen)	Over 4 years within 5 years (Million Yen)
Lease liabilities	16	14	6	1

[Schedule of asset retirement obligations]

Since the amount of asset retirement obligations at the beginning of the consolidated fiscal year under review and at the end of the consolidated fiscal year under review are not more than one percent of the total amount of liabilities and net assets at the beginning of the consolidated fiscal year under review and at the end of the consolidated fiscal year under review, the schedule of asset retirement obligations is omitted.

2) [Others]

Quarterly financial information for the consolidated fiscal year under review

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	The consolidated fiscal year ended March 31, 2020
Net sales (Million Yen)	12,676	24,455	37,632	51,595
Profit before income taxes (Million Yen)	4,163	7,640	12,163	15,994
Profit attributable to owners of the parent (Million Yen)	3,192	5,601	8,624	11,067
Earnings per share (yen)	78.08	136.96	210.87	270.62

(Accounting period)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Earnings per share (yen)	78.08	58.88	73.91	59.75

## 2 [Financial Statements]

## (1) [Financial Statements]

## 1) [Balance Sheets]

(Million Yen)

Fiscal year ended March 31, 2020 Fiscal year ended March 31, 2021

Assets		
Current assets		
Cash and time deposits	29,265	34,524
Notes Receivable	36	36
Accounts receivable	*1 9,806	*1 12,793
Merchandise and finished goods	235	227
Work in process	5,346	7,418
Raw materials and supplies	55	60
Short-term loans receivable from subsidiaries and associates	3,089	95
Other	*1 556	*1 880
Allowance for doubtful accounts	(2)	(17)
Total current assets	48,389	56,019
Fixed assets		
Property, plant and equipment		
Buildings	6,560	6,367
Structures	181	173
Tools, furniture and fixtures	440	362
Land	1,315	1,315
Leased assets	141	95
Construction in progress	0	–
Total property, plant and equipment	8,639	8,315
Intangible fixed assets		
Software	453	525
Rights to use telephone and facilities	1	1
Total intangible fixed assets	454	526
Investments and other assets		
Investment securities	6,434	8,246
Shares of subsidiaries and associates	2,510	2,998
Investments in other securities of subsidiaries and associates	1,000	–
Long-term loans receivable	24	20
Long-term loans receivable from subsidiaries and associates	3,124	6,082
Long-term time deposits	7,500	10,500
Guarantee deposits	*1 415	*1 421
Deferred tax assets	534	–
Other	727	767
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	22,236	29,002
Total fixed assets	31,331	37,844
Total assets	79,721	93,863

Fiscal year ended March 31, 2020 Fiscal year ended March 31, 2021

Liabilities		
Current liabilities		
Accounts payable - trade	*1 7,642	*1 9,026
Short-term borrowings from subsidiaries and associates	4,661	10,118
Lease liabilities	66	53
Accounts payable - other	*1 601	*1 497
Accrued expenses	87	94
Income taxes payable	2,234	2,063
Advances received	2,249	1,969
Deposits received	*1 279	*1 281
Provision for bonuses	388	415
Other	*1 94	*1 94
Total current liabilities	18,306	24,615
Fixed Liabilities		
Lease liabilities	72	39
Deferred tax liabilities	–	173
Provision for retirement benefits	2,008	2,054
Provision for share awards for directors (and other officers)	49	63
Other	*1, *2 261	*1, *2 145
Total fixed liabilities	2,392	2,476
Total liabilities	20,699	27,092
Net assets		
Shareholders' equity		
Common stock	2,867	2,867
Capital surplus		
Legal capital surplus	3,409	3,409
Total capital surplus	3,409	3,409
Retained earnings		
Legal retained earnings	94	94
Other retained earnings		
General reserve	4,100	4,100
Retained earnings brought forward	47,893	53,796
Total retained earnings	52,087	57,991
Treasury stock	(651)	(629)
Total shareholders' equity	57,713	63,638
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,310	3,130
Deferred gains or losses on hedges	(1)	1
Total valuation and translation adjustments	1,308	3,132
Total net assets	59,022	66,770
Total liabilities and net assets	79,721	93,863

## 2) [Statements of Income]

(Million Yen)

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Net sales	*1 51,719	*1 47,731
Costs of sales	*1 34,238	*1 30,956
Gross profit	17,481	16,774
Selling, general and administrative expenses	*1, *2 6,002	*1, *2 6,217
Operating income	11,478	10,557
Non-operating income		
Interest and dividend income	*1 1,979	*1 2,057
Foreign exchange gains	–	175
Other	*1 132	*1 130
Total non-operating income	2,111	2,364
Non-operating expense		
Interest expenses	*1 93	*1 83
Foreign exchange losses	81	–
Loss on investments in investment partnerships	–	114
Loss on investments in silent partnerships	–	49
Other	13	0
Total non-operating expenses	189	247
Ordinary income	13,401	12,674
Extraordinary income		
Gain on sale of investment securities	*1 2	–
Total extraordinary income	2	–
Extraordinary Losses		
Loss on valuation of shares of subsidiaries and associates	11	–
Total extraordinary losses	11	–
Income before income taxes	13,392	12,674
Income taxes - current	4,213	3,978
Income taxes - deferred	(131)	(96)
Total income taxes	4,081	3,882
Net income	9,310	8,791

[Detailed Statements on Cost of Sales]

Classification	No. of Note	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)		Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	
		Amount (Million Yen)	Composition ratio (%)	Amount (Million Yen)	Composition ratio (%)
I. Material costs		47	0.2	60	0.2
II. Labor costs		2,717	8.8	2,414	8.2
III. Expenses	(*1)	28,194	91.1	26,858	91.6
Cost of goods manufactured for the period		30,960	100.0	29,333	100.0
Cost of merchandise purchased for the period		3,322		1,615	
Initial inventory of merchandise or manufactured goods		190		235	
Total		34,473		31,184	
Ending inventory of merchandise or manufactured goods		235		227	
Costs of sales		34,238		30,956	

(\*1) Major components are as follows.

Item	Previous fiscal year (Million Yen)	Current fiscal year (Million Yen)
License fee, etc.	23,578	21,476

(Cost accounting method)

The Company calculates actual costs with the specific identification method.

## 3) [Statement of Changes in Equity]

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Million Yen)

	Shareholders' equity						
	Common stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of period	2,867	3,409	3,409	94	4,100	41,471	45,665
Changes during period							
Dividends of surplus						(2,888)	(2,888)
Net income						9,310	9,310
Purchase of treasury shares							
Transfer of treasury stock through share provision trust							
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	–	–	6,422	6,422
Balance at end of period	2,867	3,409	3,409	94	4,100	47,893	52,087

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Available-for-sale securities Valuation difference	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(501)	51,441	2,058	(3)	2,055	53,496
Changes during period						
Dividends of surplus		(2,888)				(2,888)
Net income		9,310				9,310
Purchase of treasury shares	(150)	(150)				(150)
Transfer of treasury stock through share provision trust		–				–
Net changes in items other than shareholders' equity			(747)	1	(746)	(746)
Total changes during period	(150)	6,272	(747)	1	(746)	5,525
Balance at end of period	(651)	57,713	1,310	(1)	1,308	59,022



Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million Yen)

	Shareholders' equity						
	Common stock	Capital surplus		Legal retained earnings	Retained earnings		
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	2,867	3,409	3,409	94	4,100	47,893	52,087
Changes during period							
Dividends of surplus						(2,888)	(2,888)
Net income						8,791	8,791
Purchase of treasury shares							
Transfer of treasury stock through share provision trust							
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	–	–	5,903	5,903
Balance at end of period	2,867	3,409	3,409	94	4,100	53,796	57,991

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Available-for-sale securities Valuation difference	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(651)	57,713	1,310	(1)	1,308	59,022
Changes during period						
Dividends of surplus		(2,888)				(2,888)
Net income		8,791				8,791
Purchase of treasury shares	(1)	(1)				(1)
Transfer of treasury stock through share provision trust	23	23				23
Net changes in items other than shareholders' equity			1,820	3	1,823	1,823
Total changes during period	21	5,925	1,820	3	1,823	7,748
Balance at end of period	(629)	63,638	3,130	1	3,132	66,770

[Notes]

(Significant Accounting Policies)

1. Valuation criteria and valuation methods for assets

(1) Valuation criteria and valuation methods for securities

1) Bond certificates held to maturity

Amortized cost method (straight-line method)

2) Shares of subsidiaries and shares of affiliates

Stated at cost using the moving-average method

3) Investments in other securities of subsidiaries and associates

Investments in investment limited partnerships and similar partnerships (ones deemed as securities set forth in Article 2, Paragraph (2) of the Financial Instruments and Exchange Act) are calculated with the method in which net amount equivalent to the equity interests possessed by the Company is incorporated, based on available recent financial statements according to a date of statement of accounts stipulated in a partnership agreement.

4) Available-for-sale securities

Securities with market value

Market value method based on a market price as of the end of period

(Differences in valuation are included directly in shareholders' equity and costs of securities sold are calculated using the moving-average method.)

Securities without market value

Stated at cost using the moving-average method

(2) Claims and obligations arising from derivative transactions

Market value method

(3) Valuation criteria and valuation methods for inventories

Stated at cost, depreciating the book value of inventories due to a decline in profitability

1) Finished goods and work in process

Specific identification method

2). Merchandise, raw materials and supplies

First-in first-out method

2. Method of depreciation of fixed assets

(1) Property, plant and equipment (excluding leased assets)

The Company has adopted the declining-balance method; provided, however, that buildings (excluding building fixtures) acquired on and after April 1, 1998 and building fixtures and structures acquired on and after April 1, 2016 are depreciated using the straight-line method.

The useful lives of main assets are as follows:

Buildings: 8-50 years

Structures: 10-30 years

Tools, Furniture and Fixtures: 2-20 years

(2) Intangible fixed assets (excluding leased assets)

Software for in-house use

The straight-line method is used with a useful life within five years.

(3) Leased assets

Leased assets related to finance lease under which ownership is not transferred

The straight-line method is used, in which residual value is zero on the assumption that useful life is equal to a lease period.

3. Standards of accounting for allowances and reserves

(1) Allowance for doubtful accounts

In preparation for losses arising from bad debts, estimated uncollectible amounts are posted using historical data for trade receivables and individually considering the probability of collection for doubtful receivables and other specific receivables.

(2) Provision for bonuses

The Company posts the amount of employees' bonuses to pay in the fiscal year under review among the amount estimated to pay in the future.

(3) Provision for retirement benefits

In preparation for employees' retirement benefits, the Company posts the amount based on projected retirement benefit obligation at the end of the fiscal year under review.

The accounting methods for provision for retirement benefits and retirement benefit expenses are as follows.

1) Method of attributing projected retirement benefit obligation to fiscal term

To calculate retirement benefit obligations, expected retirement benefit payments are attributed to a period until the end of the fiscal year under review by using the straight-line attribution.

2) Accounting method for actuarial gains/losses and prior service costs

Actuarial gains/losses and prior service costs are all amortized in the fiscal year when the gain or loss is recognized.

(4) Provision for share awards for directors (and other officers)

In preparation for issuing shares to the Company's Directors (excluding part-time Directors, Outside Directors and those who do not live in Japan) according to the rules of issuing shares to Directors, provision for share awards for directors (and other officers) is posted based on projected share awards obligations at the end of fiscal year under review.

4. Standards to report important revenues and expenses

In relation to net sales of Licensing, revenues are recognized at time when a customer gains control of the license, based on the principles of realization basis.

5. Important hedge accounting method

(1) Hedge accounting method

The deferred hedge accounting method is used. In case of meeting requirements for the allocation method, the allocation method is applied.

(2) Means for hedging and hedged item

Means for hedging: Forward exchange contracts

Hedged item: Forecasted transactions in foreign currency, Accounts payable - trade

(3) Hedging policy

Foreign exchange fluctuation risks are hedged in accordance with the internal rules.

(4) Method of assessing the effectiveness of hedges

In relation to forward exchange transactions, as forward exchange contracts with the same amount in foreign currency and the same term are respectively allocated, a correlation with fluctuation of exchange rates is completely secured. Therefore, assessment of hedge effectiveness is omitted.

6. Other principal matters for preparation of consolidated financial statements)

Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(Material accounting estimates)

1. Valuation of unlisted shares

(1) Amounts recorded on the financial statements for the fiscal year under review

(Million Yen)

	The fiscal year under review
Unlisted shares	1,333

(2) Information on details of material accounting estimates for identified items

1) Method of calculation of amounts

When an actual value of unlisted shares held by the Company notably decreased due to deterioration in financial position of the issuer, the value is reasonably reduced and the valuation difference is posted as valuation loss. However, in case where a possibility that the actual value will recover can be supported with adequate evidence, the value is not reduced.

2) Major assumptions used to make the material accounting estimates

In relation to the possibility of recovery, the Company determines whether to record valuation loss for every quarterly period, using information available such as the issuer's financial position and financial outlook.

3) Impact that the material accounting estimate exerts on financial statements for the fiscal year following the current fiscal year

As of March 31, 2021, any unrealized losses which have material impacts on the financial statements for the following fiscal year have not arisen. However, since the spread of COVID-19 and the timing of getting it under control is unclear, the valuation loss may arise if financial position and business results of individual invested entities deteriorate due to unpredictable changes in the market environment.

2. Provision for retirement benefits

(1) Amounts recorded on the financial statements for the fiscal year under review

(Million Yen)

	The fiscal year under review
Provision for retirement benefits	2,054

(2) Information on details of material accounting estimates for identified items

1) Method of calculation of amounts

The Company has established the retirement lump sum payment system as a defined benefit system. The principle method is adopted to calculate such retirement benefit obligations, and expected retirement benefit payments are attributed to a period until the end of the fiscal year under review by using the straight-line attribution. Also, actuarial gains/losses and prior service costs are all amortized in the fiscal year when the gain or loss is recognized.

2) Major assumptions used to make the material accounting estimates

Of calculation assumptions, the discount rate is set based on yield of Japanese government bonds as of March 31, 2021, according to average remaining service years of the Company. The discount rate adopted for the fiscal year under review is 0.26%. The salary increase rate and the turnover rate, etc. are set based on the latest results.

3) Impact that the material accounting estimate exerts on financial statements for the fiscal year following the current fiscal year

If economic environment, etc. significantly change, these calculation assumptions would be affected, which may cause material impacts on retirement benefit obligations and expenses.

(Change in presentation method)

(Application of Accounting Standard for Disclosure of Accounting Estimates)

As Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied from the financial statements for the fiscal year ended March 31, 2021, the notes to material accounting estimates are stated in the financial statements.

In the notes, however, descriptions related to the previous fiscal year are not included, according to the transitional treatment set forth in proviso of Paragraph 11 of the Accounting Standard.

(Additional Information)

(Performance-linked stock compensation plan)

Since the same contents are stated in the consolidated financial statements (additional information), the notes to abolition of system of retirement benefits are omitted.

(Accounting estimates related to impacts of the spread of COVID-19)

Notes to accounting estimates related to the impacts of the spread of COVID-19 are the same as ones in the consolidated financial statements (additional information) and thus omitted here.

(Notes to Balance Sheets)

\*1 Monetary claims and monetary obligations in relation to subsidiaries and associates (excluding ones indicated separately)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Short-term monetary claims	5,366million Yen	7,182million Yen
Long-term monetary claims	9million Yen	9million Yen
Short-term monetary obligations	1,137million Yen	1,036million Yen
Long-term monetary obligations	3million Yen	3million Yen

\*2 Guarantee obligations

The Company has guaranteed lease liabilities of companies shown below.

	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
TOEI ANIMATION INCORPORATED	49million Yen	TOEI ANIMATION INCORPORATED	28million Yen	
TOEI ANIMATION EUROPE S.A.S	39million Yen	TOEI ANIMATION EUROPE S.A.S	23million Yen	

(Notes to Statements of Income)

\* 1 Volume of trade with subsidiaries and associates

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Net sales	7,483million Yen	7,613million Yen
Amount of purchase	7,586million Yen	8,072million Yen
Selling, general and administrative expenses	89million Yen	48million Yen
Volume of trade arising from transactions that are not business transactions	1,805million Yen	1,884million Yen

\*2 Among selling, general and administrative expenses, major expense items, amounts and approximate percentages are as follows.

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Personnel expenses	1,442million Yen	1,805million Yen
Advertising expenses	663million Yen	408million Yen
Provision for bonuses	185million Yen	241million Yen
Provision of allowance for doubtful accounts	(0)million Yen	15million Yen
Retirement benefit expenses	82million Yen	45million Yen
Depreciation	261million Yen	255million Yen
Provision for retirement benefits for directors (and other officers)	4million Yen	–million Yen
Provision for share awards for directors (and other officers)	49million Yen	36million Yen

Approximate percentages

selling expense	40%	37%
General and administrative expenses	60%	63%

(Notes to Securities)

Since it is deemed very difficult to know market values of shares of subsidiaries and shares of affiliates which have no market price, their market prices are not stated.

Amounts recorded on the balance sheets of the shares of subsidiaries and the shares of affiliates which are deemed very difficult to know their market prices are as follows.

(Million Yen)		
Classification	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Shares of subsidiaries	668	668
Shares of affiliates	70	70
Total	738	738

(Notes to tax effect accounting)

1. Details of major causes of deferred tax assets and deferred tax liabilities that arose

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Deferred tax assets		
Provision for bonuses	118million Yen	127million Yen
Loss on valuation of inventories	93million Yen	80million Yen
Enterprise tax payable	124million Yen	144million Yen
Allowance for doubtful accounts	1million Yen	6million Yen
Loss on valuation of investment securities	47million Yen	47million Yen
Provision for retirement benefits	615million Yen	629million Yen
Amount exceeding the allowable limit for depreciation of depreciation assets	106million Yen	171million Yen
Loss on valuation of golf club membership	18million Yen	18million Yen
Provision for retirement benefits for directors (and other officers)	53million Yen	18million Yen
Provision for share awards for directors (and other officers)	15million Yen	19million Yen
Other	64million Yen	63million Yen
Subtotal of deferred tax assets	1,259million Yen	1,325million Yen
Valuation allowance	(135)million Yen	(107)million Yen
Total deferred tax assets	1,123million Yen	1,218million Yen
Deferred tax liabilities		
Removal expenses for asset retirement obligations	(14)million Yen	(13)million Yen
Valuation difference on available-for-sale securities	(573)million Yen	(1,377)million Yen
Other	-million Yen	0million Yen
Total deferred tax liabilities	(588)million Yen	(1,391)million Yen
Net deferred tax assets (liabilities)	534million Yen	(173)million Yen

2. Details of each major item that caused a significant difference between the effective statutory tax rate and the corporate tax rate, etc., after the application of tax effect accounting

Fiscal year ended March 31, 2020

The notes are omitted because the difference between the effective statutory tax rate and the corporate tax rate, etc., after the application of tax effect accounting is not more than five percent of the effective statutory tax rate.

Fiscal year ended March 31, 2021

The notes are omitted because the difference between the effective statutory tax rate and the corporate tax rate, etc., after the application of tax effect accounting is not more than five percent of the effective statutory tax rate.

(Significant post-balance sheet events)

Not applicable

## 4) [Supplementary schedules]

## [Schedule of Property, Plant and Equipment]

(Million Yen)

Classification	Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Depreciation during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	6,560	10	–	202	6,367	877
	Structures	181	–	–	8	173	24
	Tools, furniture and fixtures	440	54	–	131	362	787
	Land	1,315	–	–	–	1,315	–
	Leased assets	141	23	–	68	95	151
	Construction in progress	0	–	0	–	–	–
	Total	8,639	88	0	411	8,315	1,841
Intangible fixed assets	Software	453	343	123	147	525	–
	Rights to use telephone and facilities	1	–	–	–	1	–
	Total	454	343	123	147	526	–

## [Schedule of allowances]

(Million Yen)

Account	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	37	16	0	53
Provision for bonuses	388	415	388	415
Provision for share awards for directors (and other officers)	49	36	23	63

## (2) [Details of major assets and liabilities]

Since the consolidated financial statements are prepared, the presentation of this information is omitted.

## (3) [Others]

Not applicable