[English Translation of Convocation Notice Originally Issued in the Japanese Language]

Start date of electronic provision: May 31, 2024

Notice of convocation of general meeting of shareholders for the fiscal year ended March 31, 2024 (Items omitted from printed documents)

May 31, 2024

SEGA SAMMY HOLDINGS INC.

Contents

The items above are omitted from documents issued to shareholders who request printed documents in accordance with applicable laws, regulations, and Article 16 of the Company Articles of Incorporation.

Company stock options, etc.

1. **Overview of details of stock options issued in consideration of duties executed held by Company officers on the ending date of the current fiscal year**

   Not applicable

2. **Overview of details of issue of stock options in consideration of duties executed to Company employees and officers and employees of subsidiaries during the current fiscal year**

   Not applicable

Accounting auditor

1. **Name**

   KPMG AZSA LLC

2. **Contracts limiting the liability of the accounting auditor**

   In its second ordinary general meeting of shareholders held June 20, 2006, the Company amended the Articles of Incorporation to establish provisions regarding contracts limiting the liability of the accounting auditor. However, no contract limiting the liability of the accounting auditor KPMG AZSA LLC has been concluded.

3. **Amounts of remuneration, etc.**

	Amount paid
Amount of remuneration, etc. for the current fiscal year	¥162 million
Total amount of monetary and other financial gains payable by the Company and its subsidiaries to the accounting auditor	¥276 million

Notes:
1. Company consolidated subsidiaries including Sega Europe Ltd. are audited by audit firms other than the Company's accounting auditor.
2. The Company Audit & Supervisory Committee provides the consent stipulated in Article 399, Paragraph 1, of the Companies Act regarding remuneration, etc. of the accounting auditor, based on the reviews and consideration of matters such as the accounting auditor's audit plans and actual remuneration in the prior fiscal year.
3. Details of non-audit activities for which the Company provides remuneration to auditing certified public accountants and others include the entrustment of business inspection operations other than the operations provided for in Article 2, Paragraph 1, of the Certified Public Accountants Act.

4. **Policy on decisions on dismissal or non-reappointment**

   In addition to the dismissal of the accounting auditor as provided for in the subparagraphs to Article 340, Paragraph 1, of the Companies Act, the Company leaves decisions concerning the dismissal or non-reappointment of the accounting auditor in cases in which it deems the accounting auditor is unfit to render his or her duties appropriately to general meetings of shareholders.

Overview of structures for ensuring the propriety of business operations and the state of their operation

(Structures for ensuring the propriety of business operations)

Pursuant to the Companies Act, the Company has established the following basic policy on the maintenance of internal controls systems and strives to maintain such systems accordingly.

(1) Structure for ensuring that the duties of Company Directors are discharged in accordance with laws, regulations, and the Articles of Incorporation

To ensure that compliance with laws, regulations, etc. is recognized thoroughly as a precondition of various business activities, the Company has established fundamental policies concerning the social responsibilities it must fulfill as a good corporate citizen. As the basis of the compliance structure, these policies are articulated in the Group CSR Charter, Sega Sammy Group Code of Conduct, and Group Management Policy and Guidelines (referred to collectively as "Group policies and standards" hereinafter), all based on the Group Mission. The Representative Director and President repeatedly communicates to executives and employees the spirit of these Group policies and standards.

Furthermore, to ensure that Group business execution is undertaken properly and soundly and enhances corporate governance, the Board of Directors strives to establish structures to ensure legal and regulatory compliance and to build effective internal controls systems based on the Group Management Policy established to enable integrated Group wide management and Group Guidelines stipulating Groupwide management and operational standards.

In addition to auditing the efficacy and functions of these internal controls systems, the Audit & Supervisory Committee undertakes regular verification thereof. The internal audit section under the direct control of the Audit & Supervisory Committee strives to swiftly discover and rectify any issues through business audits of individual sections and to assess the efficacy of internal controls related to financial reporting.

To safeguard against the involvement of antisocial forces in management, the Sega Sammy Group Code of Conduct clearly calls for the eradication of any and all ties to antisocial forces. The Group incorporates provisions on eliminating antisocial forces from contracts. Additionally, a system is in place to check whether transaction counterparties are considered antisocial forces. Structures are also in place to respond systematically and appropriately in cooperation with outside agencies, including law enforcement and attorneys, in the event of any contact with antisocial forces.

(2) Systems related to the retaining and managing information concerning the execution of the duties of Company Directors

The Representative Director and President appoints a Director in charge of administration sections as the individual responsible for retaining and managing information concerning execution of the duties of Company Directors. This information is recorded on paper or electromagnetically in accordance with internal rules and other provisions and maintained and managed to allow ready retrieval and review by Directors.

To enable effective management of trade secrets and similar information, the Company has established policies on information management and IT security within the SEGA SAMMY Group, as well as basic IT security guidelines. The Company strives to ensure thorough understanding of and compliance with these policies.

(3) Rules on managing the risk of losses to the Company and the structure thereof

Within the Group Management Committee, the Company has established a Group Risk and Compliance Subcommittee to address risks related to business execution. This Subcommittee identifies important management risks; deliberates on the formulation of Group risk and compliance policies; and assesses and makes recommendations regarding risk analysis by individual related sections, among other activities, in cooperation with the Group Governance Division. In this way, the risk management structure is defined clearly. In addition, the internal audit section under the direct control of the Audit & Supervisory Committee audits the state of risk management in each section and reports regularly on the results thereof to management

decision-making bodies and administrative organizations involved in business execution and supervision.
To identify and properly manage important potential internal management risks, including emergency response, the Company has established Group Management Policies, Sega Sammy Group policies on risk management, and crisis management rules. In the event of circumstances expected to seriously affect the Group, the crisis response organizations of the Company and Group companies work together to discuss and determine and properly implement responses.

(4) Structure for ensuring the efficiency of the performance of the duties of Company Directors
To improve deliberations by and to strengthen the oversight functions of the Board of Directors, the Company has chosen the status of a company with an Audit & Supervisory Committee. This means a significant portion of important decisions on business execution can be entrusted to Directors in charge of business execution. The Company has adopted a structure whereby duties are performed appropriately and efficiently in accordance with provisions on job authority and decision-making under the rules for the Board of Directors and other rules and regulations.

(5) Structure for ensuring that performance of the duties of Company employees complies with laws, regulations, and the Articles of Incorporation
The Company promotes Group compliance measures intended to ensure that Company employees perform their duties in compliance with laws, regulations, the Articles of Incorporation, and other internal rules as well as social norms. These measures must be formulated based on Group philosophies and standards serving as codes of conduct.
The Company has established an internal whistleblowing program under which employees can report violations of laws, regulations, the Articles of Incorporation, other internal norms, and social norms. The Company has also established a structure under which the individual responsible reports promptly to the Board of Directors and the Audit & Supervisory Committee regarding major violations.
Confidential information concerning any whistleblower is protected. No whistleblowers will experience disadvantageous treatment due to their whistleblowing actions. As part of efforts to respond appropriately while maintaining transparency, the Company maintains whistleblowing contact points through outside attorneys and other parties, in addition to routine channels for reporting operational matters.

(6) Systems to ensure the propriety of business operations of the Group (consisting of the Company, its parent company, and its subsidiaries), including the structures described below

(i) Structure for reporting to the Company on matters related to the performance of the duties of Directors, executive officers, employees tasked with business execution, and parties tasked with performance of the duties stipulated in Article 598, Paragraph 1, of the Companies Act (referred to collectively as “Directors” in (iii) and (iv)) at Company subsidiaries
Information on Group companies is reported to and shared with the Company through Company executives and employees who serve concurrently as Directors and as Corporate Auditors of Group companies.
In addition, a structure is in place whereby information is communicated, reported, and shared on important matters, information on whistleblowing reports is shared, and information on accounting improprieties or errors is reported and shared based on vertical chains of communication between the Company and Group companies under the affiliate management rules. The confidentiality of whistleblowers is protected. Whistleblowers are protected against disadvantageous treatment resulting from whistleblowing reports.
The Company has also established a Group Risk and Compliance Promotion Committee, a Group Corporate Auditors Liaison Council, and other organizations to address controls related to various issues or major risks in the Group, and the internal audit section under the direct control of the Audit & Supervisory Committee carries out auditing based on the perspective of Groupwide interests. The Company seeks to share information and ensure appropriate business execution within the Group as much as possible.

(ii) Structure for management of risks of losses to Company subsidiaries
In addition to having Group companies tackle Groupwide priorities and measures identified by the Company, the Company has each subsidiary manage risks specific to each subsidiary based on company size, culture, business categories, and other factors.

(iii) Structure for ensuring the efficient performance of duties of Directors of Company subsidiaries
As a structure for ensuring that the duties of Directors and other parties are carried out efficiently based on a consideration of company size, culture, business category, and other factors, Company subsidiaries employ a Corporate Auditory structure under which swift and appropriate decision making is carried out by their executives and duties are performed in accordance with the Board of Directors rules and other rules and regulations.

(iv) Structure for ensuring that performance of the duties of subsidiary directors and employees complies with laws, regulations, and the Articles of Incorporation
As with the Company, the Boards of Directors of Group companies are required to maintain compliance structures to enable compliance with laws and regulations as well as Group philosophies and standards based on the importance of fundamental policies for fulfillment of social responsibility as good corporate citizens.

(7) Matters concerning employees assigned to assist the Audit & Supervisory Committee in the performance of its duties, if so requested by the Audit & Supervisory Committee, the independence of such employees from Directors (other than Audit & Supervisory Committee members), and ensuring the efficacy of instruction from the Audit & Supervisory Committee to such employees
The Company has established an internal audit section under the direct control of the Audit & Supervisory Committee. Employees of the internal audit section assist in the duties of the Audit & Supervisory Committee under that committee's command and control.
In principle, employees assisting in the duties of the Audit & Supervisory Committee devote themselves to such assistance and are not subject to instruction or oversight by Directors who are not members of the Audit & Supervisory Committee. However, if unavoidable, they may be assigned to perform other duties concurrently. Special consideration is given to independence in cases in which such employees serve concurrently on both the auditing and execution sides. The prior consent of the Audit & Supervisory Committee is required in cases involving appointment, dismissal, transfer, job performance evaluations, disciplinary measures, or wage revisions for such employees.

(8) Systems related to reporting to the Audit & Supervisory Committee of the Company, including the structures described below

(i) Structure for reporting to the Audit & Supervisory Committee of the Company by Directors other than Audit & Supervisory Committee members, accounting consultants, and employees
Company Directors other than Audit & Supervisory Committee members and other employees must promptly report to the Audit & Supervisory Committee any facts they have learned concerning serious violations of laws, regulations, or the Articles of Incorporation or misconduct during the performance of their duties or any events that could result in serious losses to the Company. The same applies to decisions or results of internal auditing that could seriously affect business or the organization.

(ii) Structure for reporting to the Audit & Supervisory Committee of the Company by Group company Directors, accounting consultants, Corporate Auditors, executive officers, employees tasked with business execution, parties tasked with performance of the duties stipulated in Article 598, Paragraph 1, of the Companies Act at Company subsidiaries, similar parties, or employees, or others who have received reports from such parties
Group company Directors, Corporate Auditors, executive officers, employees, etc., and other parties who have received reports from such parties must promptly report to the Audit & Supervisory Committee of the Company any facts they have learned concerning serious

violations of laws, regulations, or the Articles of Incorporation or misconduct during the performance of their duties or any events that could result in serious losses to the Company. The same applies to decisions or results of internal auditing that could seriously affect business or the organization.
Based on the policy of the Group management, the Company shall strive to maintain a structure under which Group companies' Audit & Supervisory Committees or Corporate Auditors receive and serve as an intermediary for reports from the business execution side to be transmitted to the Audit & Supervisory Committee of the Company.

(9) Structure for ensuring that parties who have made reports as described in the preceding paragraph do not suffer disadvantageous treatment as a result
Parties who submit reports as described in the preceding paragraph are protected from disadvantageous treatment as a result. Any such disadvantageous treatment is subject to disciplinary action.

(10) Procedures for prepayment or reimbursement of the costs of performance of the duties of the Audit & Supervisory Committee and other matters concerning policies related to processing of costs or obligations arising in connection with the performance of such duties
If demanded by the Audit & Supervisory Committee or Standing Corporate Auditors Committee, the Company assumes the costs of performance of its duties, including the cost of outside advisors consulted or hired under Paragraph 11.

(11) Other systems to ensure the efficacy of audits by the Audit & Supervisory Committee
Apart from reports on business matters, the Representative Director meets regularly with members of the Audit & Supervisory Committee to exchange opinions on Company management and to ensure mutual understanding.
The Board of Directors allows members of the Audit & Supervisory Committee to attend important meetings concerning business execution to ensure the propriety thereof.
As necessary, the Audit & Supervisory Committee may independently seek advice from outside advisors such as attorneys and certified public accountants regarding Committee operations.
The efficacy and independence of audits by the Audit & Supervisory Committee is ensured through such auditing being conducted by the internal auditing section under the command and control of the Audit & Supervisory Committee. The prior consent of the Audit & Supervisory Committee is required in cases involving appointment, dismissal, transfer, job performance evaluations, disciplinary measures, or wage revisions for such employees.

Overview of the state of operation of structures intended to ensure operational propriety

An overview of the state of operation regarding the above basic policies at the Company is provided below.

(1) Compliance

(i) Company and Group executives are provided with annual compliance training, in separate sessions for newly appointed and existing executives.

(ii) The Group Risk and Compliance Promotion Committee meets to share information on important topics related to compliance, risk management, and other aspects of internal controls and related measures.

(iii) Group training has been conducted to strengthen the compliance structure. In addition, continual activities to raise awareness of compliance are carried out to improve knowledge and culture of compliance among Group employees.

(iv) A system has been adopted throughout the Group in Japan to determine whether transaction counterparties qualify as antisocial forces. The Company provides the support needed to make this system effective and to prevent ties to such forces.

(v) An internal whistleblowing system has been established to swiftly identify and prevent legal or regulatory violations and other improprieties. A corporate ethics hotline has been established as the contact point for whistleblowing reports. Efforts are underway to ensure that all employees become aware of this system.

(vi) The Company internal auditing section carries out internal audits of the Company and Group companies.

(2) Sustainability

(i) Within the Group Management Committee, the Company has established a Group Sustainability Subcommittee to formulate Group policies and targets and to deliberate on management topics, including the status of various initiatives and revisions of targets. The Company Board of Directors makes decisions on matters such as Group policies and targets. The policies and targets ultimately determined are shared with Group companies through the Group Sustainability Promotion Committee. Each Group company that interacts with the public ascertains information such as various requests and customer and user feedback through its businesses and shares this information with other Group companies through this Committee. Efforts to be incorporated into Group policies and targets are reported to the Group Sustainability Subcommittee for deliberation.

(ii) The Company posts comprehensive nonfinancial information in the Sustainability section of its website.

(3) Risk management

(i) Within the Group Management Committee, the Company has established a Group Risk and Compliance Subcommittee to identify important management risks; deliberate on the formulation of Group risk and compliance policies; and assess and make recommendations regarding risk analysis by individual related sections, among other activities, in cooperation with the Group Governance Division.

(ii) To identify and properly manage important potential internal risks affecting management, including emergency response, the Company has established Group Management Policies and policies on risk management as well as crisis management rules. In the event of a situation expected to seriously affect the Group, the crisis response organizations of the Company and Group companies work together to discuss and swiftly and properly implement responses.

(4) Efficacy of the Audit & Supervisory Committee

(i) To supplement efforts to enhance the information provided to the Audit & Supervisory Committee as part of internal controls, various bodies meet at regular intervals and when necessary. These bodies include the Holding Company Audit Liaison Council, whose membership includes Standing Audit & Supervisory Committee members and the accounting auditor; the Corporate Auditor / Management Audits Office Liaison Council, intended to monitor the progress of and to exchange information on audits by Group Standing Corporate Auditors and internal auditing sections; and the Group Corporate Auditor Liaison Council, whose membership consists of all Standing Audit & Supervisory Committee members and Group Corporate Auditors.

(ii) The Company appoints employees tasked exclusively with assisting the duties of the Audit & Supervisory Committee.

Consolidated statement of changes in shareholders' equity

FY2024 (April 1, 2023 - March 31, 2024)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total shareholders' equity**
Balances as of April 1, 2023	29,953	72,213	261,840	(37,251)	326,755
Changes in items during the period					
Dividends from surplus			(13,687)		(13,687)
Profit attributable to owners of parent			33,055		33,055
Purchase of treasury stock				(10,016)	(10,016)
Disposal of treasury stock		75		117	192
Purchase of shares of consolidated subsidiaries		(3,025)			(3,025)
Total changes in items during the period	–	(2,949)	19,367	(9,899)	6,518
Balances as of March 31, 2024	29,953	69,263	281,208	(47,151)	333,274

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	**Deferred gains or losses on hedges**	**Revaluation reserve for land**	**Foreign currency translation adjustment**	**Remeasurements of defined benefit plans**	**Total accumulated other comprehensive income**
Balances as of April 1, 2023	2,626	382	(1,109)	3,730	(1,531)	4,099
Changes in items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Purchase of shares of consolidated subsidiaries						
Net changes of items other than shareholders' equity	429	(613)		16,658	3,072	19,546
Total changes in items during the period	429	(613)	—	16,658	3,072	19,546
Balances as of March 31, 2024	3,056	(230)	(1,109)	20,388	1,540	23,645

(Unit: millions of yen)

	Share acquisition rights	**Non-controlling interests**	**Total net assets**
Balances as of April 1, 2023	468	24	331,347
Changes in items during the period			
Dividends from surplus			(13,687)
Profit attributable to owners of parent			33,055
Purchase of treasury stock			(10,016)
Disposal of treasury stock			192
Purchase of shares of consolidated subsidiaries			(3,025)
Net changes of items other than shareholders' equity	283	6	19,836
Total changes in items during the period	283	6	26,354
Balances as of March 31, 2024	751	30	357,702

Note: Figures presented are rounded down to the nearest million yen.

Notes on the consolidated financial statements

I Basis of presenting consolidated financial statements

(1) Scope of Consolidation
Number of consolidated subsidiaries: 72

Major consolidated subsidiaries:
SEGA CORPORATION, Sammy Corporation, ATLUS. CO., LTD., Sega of America, Inc., Sega Europe Ltd., Sega Publishing Europe Ltd., Rovio Entertainment Corporation, Sega Logistics Service Co., Ltd., DARTSLIVE Co., Ltd., SEGA TOYS CO., LTD., TMS ENTERTAINMENT CO., LTD., MARZA ANIMATION PLANET INC., RODEO Co., Ltd., TAIYO ELEC Co., Ltd., Sammy Networks Co., Ltd., SEGA SAMMY CREATION INC., PHOENIX RESORT CO., LTD., and 55 other companies

Rovio Entertainment Corporation and its 13 subsidiaries were included in the scope of consolidation due to the acquisition of its shares.

Number of non-consolidated subsidiaries: 12

Major non-consolidated subsidiaries:
SEGA XD CO., LTD., etc.

Non-consolidated subsidiaries are excluded from the scope of consolidation because the combined amount of each of assets, net sales, and profit corresponding to the percentage of equity interest held by the Group and the combined amount of retained earnings corresponding to the percentage of equity interest held by the Group do not significantly affect the consolidated financial statements.

(2) Application of the Equity Method
Number of non-consolidated subsidiaries accounted for by the equity method: –

Number of affiliates accounted for by the equity method: 8

Major equity method affiliates:
PARADISE SEGASAMMY Co., Ltd., etc.

Number of non-consolidated subsidiaries and affiliates not accounted for by the equity method: 16

Major non-consolidated subsidiaries and affiliates not accounted for by the equity method: CHARA-WEB CO., LTD., etc.

Some of the Group's non-consolidated subsidiaries and affiliates are not accounted for by the equity method because the combined amount of profit corresponding to the percentage of equity interest held by the Group and the combined amount of retained earnings corresponding to the percentage of equity interest held by the Group do not significantly affect the consolidated financial statements, even if they are excluded from the scope of the equity method, and have no significance as a whole.

(3) Fiscal Year for Consolidated Subsidiaries
Listed below is the consolidated subsidiary whose closing dates differ from the consolidated closing date.
Necessary consolidation adjustments have been made on material transactions that occurred between the closing date of these subsidiaries and the consolidated closing date.

Name of consolidated subsidiary	Ending date of fiscal year
Sega Black Sea Ltd. and two other companies	December 31

(4) Accounting Policies

(i) Valuation standards and methods for important assets

Held-to-maturity debt securities

The amortized cost method (straight-line method) is applied.

Available-for-sale securities

Those other than securities without available fair market value:

The fair value method is applied based on market prices and other information as of the ending date of the fiscal year (processing the entire amount of revaluation gain/loss through direct entry to net assets, with cost of sales calculated by the moving average method).

With respect to compound financial instruments whose fair value cannot be categorized and measured for each embedded derivative, the entire compound financial instrument is appraised by fair value. Unrealized gains or losses are reported as profit or loss for the current fiscal year.

Securities without available fair market value:

The moving average cost method is applied.

The net amount of equity included in the Group's financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act, is calculated based on available and relevant financial statements for the partnership as of the reporting date stipulated in the partnership agreement.

Derivatives

The fair value method is applied.

Inventories

Primarily gross average cost method (method whereby the net realizable value (NRV) is calculated by writing down the book value to reflect a decrease in NRV)

Work in process is stated at cost, cost being determined by the specific identification method (method whereby the NRV is calculated by writing down the book value to reflect a decrease in NRV).

(ii) Depreciation and amortization for important assets

Property, plant, and equipment (excluding leased assets and right-of-use assets)

The straight-line method is primarily applied.

Useful lives for the assets are as follows:

Buildings and structures	2 - 50 years
Machinery, equipment, and vehicles	2 - 12 years
Amusement machines and facilities	2 - 5 years

Intangible assets (excluding leased assets)

The straight-line method is applied.

The typical lifespan range is shown below.

Trademark rights	10 - 23 years

Software used at the Group is amortized by the straight-line method based on useful lives within the Group (within five years).

Leased assets

Leased assets in finance leases that transfer ownership:

Depreciated using the same method applied to property, plant, and equipment owned by the Company.

Leased assets in finance leases that do not transfer ownership:

Depreciated using the straight-line method based on the assumption that useful life equals the lease period, with a residual value of zero.

Right-of-use assets

The lease period or useful life of the asset, whichever is shorter, is used as the useful life, with a residual value of zero.

(iii) Accounting for significant deferred assets

Bond issuance cost:

All expenses are expensed at full amount at the time of payment.

(iv) Accounting for significant allowances and provisions

Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the following to prepare for possible losses on doubtful accounts.

General receivables:

Allowance is provided based on the actual rate of losses from bad debts.

Receivables associated with the potential for default and bankruptcy or reorganization claims, etc.:

Receivables associated with the potential for default and bankruptcy or reorganization claims, etc. are calculated based on a case by case assessment of the collectability.

Provision for bonuses

The estimated amount of bonuses is recorded to meet the payment of employee bonuses during the current fiscal year.

Provision for directors' bonuses

The estimated amount of bonuses is recorded to meet the payment of bonuses for directors.

Provision for point card certificates

To provide for use of points granted to customers, the estimated future usage amount as of the end of the current fiscal year is recorded.

Provision for dismantling of fixed assets

To provide for expenses for dismantling unused decrepit buildings, estimated future expenses are recorded.

Provision for share-based compensation

To provide for issue of shares and compensation in similar form to officers and employees of some overseas subsidiaries, the estimated future amount of shares and compensation in similar form to be issued as of the end of the current fiscal year is recorded.

(v) Accounting method for retirement benefits

Attribution method for projected retirement benefits

In calculating retirement benefit obligations, benefit formula attribution is adopted for the purpose of attributing projected retirement benefits to the period up to the end of the current fiscal year.

Treatment of actuarial gains and losses and prior service costs

Prior service costs are amortized equally over a certain number of years (10 years, in principle) within the average remaining years of service for the employees at the time of accrual, or are recorded as expenses collectively at the time of accrual.

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 years, in principle) within the average remaining years of service for the employees at the time of accrual in each fiscal year, starting from the fiscal year following the year of accrual, or are recorded as expenses collectively in the fiscal year following the year of accrual.

(vi) Accounting method for significant hedge

Hedge accounting

The Group adopts deferred hedge accounting. However, special treatment is applied to qualifying interest rate swap transactions.

Moreover, allocation hedge accounting is applied to qualifying currency swap transactions and forward exchange contracts at the Company and some consolidated subsidiaries.

Hedging instruments and subjects of hedging

Hedging instruments: Currency swaps, interest rate swaps, and forward exchange contracts

Subjects of hedging: Interest on borrowings, receivables and payables denominated in foreign currencies

Hedge policy

Use of derivative instruments as necessary is intended to mitigate risks associated with foreign exchange and interest rate fluctuations. As a rule, hedging is only used for items for which actual demand exists, not for speculative purposes.

Evaluation method of hedge effectiveness

Hedge effectiveness is evaluated by ratio analysis of cumulative fluctuations in the market between the hedged item and the hedging instrument. Evaluations of hedge effectiveness are omitted for interest rate swaps to which special treatment is applied and for currency swaps in which the material conditions for the notional principal of the hedging instrument and for the hedged item are the same and the transactions can offset market fluctuations.

(vii) Accounting policy for recognition of significant revenues and expenses

Accounting policy for recognition of significant revenues is as follows. Compensation for individual performance obligations was received within roughly two months after their fulfillment and did not include significant financial elements.

(a) Digital content

With regard to revenue from the granting of game distribution rights in the Entertainment Contents Business, the Group provides game content primarily to platform operators along with distribution rights, and the Group’s performance obligation is to provide game content. The Group determines that the performance obligation is satisfied by the provision of game content to the platform operators, and if the contract is one in which usage fees are collected based upon the sales of the platform operator, the revenue is recognized when the sales of the platform operators are recorded, and in other cases, it is recognized when the game content is provided.

With regard to revenue from sales from game downloads in the Entertainment Contents Business, the Group’s performance obligation is to provide game content to customers. The Group determines that the performance obligation is satisfied by the provision of the game content to the customer, and recognizes the revenue when the game content is provided.

With regard to revenue from F2P items in the Entertainment Contents Business, and Pachislot and Pachinko Machines Business, the Group’s performance obligation is to provide the services specified for each item to the customer. Depending on the nature of the item, the Group determines that the performance obligation is satisfied when the item is used by the customer or over the course of the estimated usage period as calculated based on past usage data for similar items, whereupon the revenue is recognized.

With regard to the annual update service for amusement machines in the Entertainment Contents Business, the Group’s performance obligation is to consistently provide updates to content throughout the contract period. Therefore, the Group determines that the performance obligation is satisfied over the course of the contract period, with the revenue recognized over the period of the contract.

(b) Sales of products and merchandise

Revenue from sales of products and merchandise in the Entertainment Contents Business and Pachislot and Pachinko Machines Business is primarily from sales through manufacture or wholesale. The Group's performance obligation is to deliver finished products or merchandise in accordance with a sales contract or the like with the customer. The Group determines that the performance obligation is satisfied when it delivers the finished products or merchandise and the customer assumes control over said finished products or merchandise, with the revenue recognized at the point of delivery. With regard to revenue from sales from consignment type sales of certain merchandise, if, after the role (as the principal or agent) in the provision of goods or services is determined, the Group is involved in the sale of the merchandise as an agent, the revenue is recognized using the net amount after deducting the amount paid to the supplier from the amount received from the customer.

(c) Resort facility sales
Revenue of resort facilities in the Resort Business is from the operation of hotels and golf courses, with the Group's performance obligation to provide accommodation, eating and drinking, and space to play on the golf course at each facility. The Group determines that the performance obligation is satisfied and the revenue recognized upon the completion of the provision of the various services to the customers.

(viii) Amortization method and period of goodwill
Where the duration of the effect of goodwill can be estimated on rational grounds, it is amortized over the estimated period by the straight-line method.

(ix) Application of the group tax-sharing system
The Company and certain domestic consolidated subsidiaries apply the group tax-sharing system.

II Notes concerning accounting estimates

(1) Valuation of inventories, etc. in the Entertainment Contents Business

(i) Amounts posted to consolidated financial statements in the current fiscal year

Work in process	¥42,698 million
"Other" under intangible assets	¥4,614 million

(ii) Calculation method for amounts posted to consolidated financial statements in the current fiscal year
Work in process and software, etc. amounts posted due to production of game contents, etc. in the Entertainment Contents Business are stated at acquisition cost. They are routinely treated as costs considering anticipated sales volumes or expected service periods. However, in the event that the future recoverable value falls below that of the book value of the work in process and software, etc., the amount of said difference is posted to cost of sales.

(iii) Key assumptions used in calculating amounts posted to consolidated financial statements in the current fiscal year
Future recoverable value is an estimate based on sales forecasts for the following fiscal years.

(iv) Impact on consolidated financial statements in the following fiscal year
Discrepancies between forecasts and actual results arising from the timing of release of new products from rival companies within the same market and sales fluctuations due to the nature of hit-product business may affect profit and loss.

(2) Valuation of raw materials in the Pachislot and Pachinko Machines Business

(i) Amount posted to consolidated financial statements in the current fiscal year

Raw materials	¥17,353 million

(ii) Calculation method for amounts posted to consolidated financial statements in the current fiscal year
Raw materials are posted at acquisition cost. If anticipated future raw material usage falls below stock, the surplus is posted to cost of sales.

(iii) Key assumptions used in calculating amounts posted to consolidated financial statements in the current fiscal year
Raw material usage forecasts are estimated based on the projected volume of pachinko and pachislot machine sales for the following fiscal years.

(iv) Impact on consolidated financial statements in the following fiscal year
Discrepancies between forecasts and actual results arising from the timing of release of new products from rival companies within the same market and sales fluctuations due to the nature of hit-product business may affect profit and loss.

(3) Valuation of shares of affiliates with regard to PARADISE SEGASAMMY Co., Ltd.

(i) Amounts posted to consolidated financial statements in the current fiscal year
Shares of subsidiaries and affiliates ¥24,619 million

(ii) Calculation method for amounts posted to consolidated financial statements in the current fiscal year
PARADISE SEGASAMMY Co., Ltd. ("PSS" hereinafter) is a Company affiliate accounted for by the equity method. Investments in PSS are handled by equity method accounting.
PSS applies International Financial Reporting Standards (IFRS) and conducts impairment tests if there is an indication of impairment in its cash generating units. For cash generating units including goodwill, PSS conducts impairment tests on an annual basis, in addition to instances associated with indication of impairment. If the results of these impairment tests show that recoverable value falls below book value, the book value in PSS financial statements is reduced to the recoverable value. This, along with recognition of impairment loss, exerts an impact on the amount of shares of Company affiliates by equity method accounting.
PSS has posted ¥131,418 million in noncurrent assets, including goodwill of ¥7,589 million.

(iii) Key assumptions made in calculating amounts posted to the consolidated financial statements in the current fiscal year
PSS conducts impairment tests on cash-generating units that include goodwill and cash-generating units that show any signs of impairment. It calculates recoverable value based on value in use or on fair value less cost of disposal.
Key assumptions made in measurements of value in use are based on matters such as business plans fundamental to the calculation of future cash flows and rates of growth and discount rates. Business and other plans are formulated based on numbers of casino users and drop amounts (amounts of chips purchased at gaming tables) under the assumption of a market recovery and relaxation of international travel restrictions. Figures used for rates of growth after the period subject to business and other plans reflect consideration of business growth potential. The discount rate is calculated based on the weighted average cost of capital while reflecting risks associated with businesses, which are determined using external and internal information.
Fair value less cost of disposal is determined using mainly real estate appraisal values (under the depreciated replacement cost approach) from outside experts, taking into consideration the repurchase price of the relevant asset and related depreciation factors.

(iv) Impact on consolidated financial statements in the following fiscal year
Estimates of future cash flows are based on best estimates by management. Discrepancies between forecasts and actual trends in areas such as numbers of users may affect profit and loss.

(4) Distribution of acquisition costs related to the acquisition of stock in Rovio Entertainment Corporation

(i) Amounts posted to consolidated financial statements in the current fiscal year
Shown below are the intangible assets (trademark rights and intangible assets related to technology) and goodwill recorded through the acquisition of an equity stake in Rovio Entertainment Corporation ("Rovio" hereinafter) in the consolidated fiscal year under review.

Intangible assets	¥53,281 million
Trademark rights	¥47,630 million
Intangible assets related to technology	¥5,651 million

Goodwill	¥29,089 million

(ii) Method for calculating amounts posted to consolidated financial statements in the current fiscal year
Amounts allocated of identifiable intangible assets are calculated via the income approach, converting expected future cash flows generated by the intangible assets, based on business plans used in corporate valuations, to their current values.
Of these, trademark rights were valued using as the valuation model the multi-period excess earnings method included in the income approach. Intangible assets related to technology were valued using as the valuation model the with-and-without method, also included in the income approach.
In the valuation of goodwill, the difference between the purchase price and the amounts allocated to identifiable assets and liabilities on the merger date was used as expected excess earnings from future business activities.
Outside experts were employed in these calculations because the choice of input data used in calculation methods and discount rates requires special expertise.

(iii) Key assumptions made in calculating amounts posted to the consolidated financial statements in the current fiscal year
In calculating future cash flow related to trademark rights, net sales per major game title and their rates of decrease and game-business costs were set based on Rovio's business plans.
In calculating future cash flow related to intangible assets related to technology, net sales per major game title and their rates of decrease and projected profitability from use of intangible assets related to technology were set based on Rovio's business plans.

(iv) Impact on consolidated financial statements in the following fiscal year
While future business plans are based on management's best estimates, profit and loss may be affected by differences between net sales per major game title and other figures and projections thereof.

III Notes on changes in presentation methods

(Consolidated Balance Sheet)
Due to their increased monetary importance, trademark rights (¥23 million in the prior year), included under other intangible assets in the prior year, are presented separately from current fiscal year.

IV Notes on the consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment
¥107,742 million

(2) Assets pledged as collateral
Shares of subsidiaries and affiliates* ¥24,619 million

* In the current consolidated fiscal year, shares of the equity-method affiliate PARADISE SEGASAMMY Co., Ltd. are pledged as collateral for a loan of ¥58,905 million (KR₩525,000 million) from financial institutions to PARADISE SEGASAMMY Co., Ltd.

(3) Revaluation of land
Consolidated subsidiary SEGA CORPORATION has revalued land for business use pursuant to the Act on Revaluation of Land (Act No. 34 promulgated March 31, 1998) and the Act for Partial Amendment of the Act on Revaluation of Land (Act No. 19 promulgated March 31, 2001). The valuation difference has been recorded as revaluation reserve for land under net assets.

Revaluation method
The value of the land was calculated by making reasonable adjustments to the assessed value of fixed assets for taxation purposes as stipulated in Article 2, Paragraph 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998) and appraisals by licensed real estate appraisers as stipulated in Paragraph 5 of that Article.
Date of revaluation: March 31, 2002
Difference between fair value at the end of the fiscal year and book value after revaluation of revalued land: ¥(386) million

(4) Balance of unrealized borrowings based on current account overdraft agreements: ¥171,565 million
Balance of unrealized borrowings based on commitment line contracts: ¥114,000 million

(5) Accounting for notes maturing as of the end date of the consolidated fiscal year under review
Notes maturing as of the end date of the consolidated fiscal year under review are settled as of their dates of exchange.
Since the end date of the consolidated fiscal year under review was a holiday for financial institutions, the following notes maturing as of the end date are included in ending balances:
Notes receivable ¥898 million
Notes payable ¥1,628 million

V Notes on the consolidated statement of income

(1) Amount of inventory write-downs attributable to reduced profitability of inventories held for regular sale purposes is shown below.

Cost of sales	¥19,697 million

(2) R&D expenses included in general and administrative expenses and manufacturing cost for the fiscal year under review

¥61,365 million

(3) Breakdown of main items included in extraordinary losses

(i) Breakdown of gain on sale of noncurrent assets:

Machinery, equipment, and vehicles	¥1 million
Other noncurrent assets	0
Total	1

(ii) Breakdown of loss on sale of noncurrent assets:

Buildings and structures	¥21 million
Other noncurrent assets	1
Total	22

(iii) A breakdown of depreciation loss is provided below.

(Unit: millions of yen)

Use	Location	Type	Amount of depreciation loss recorded
Assets for business	West Sussex, UK and six others	Buildings and structures	290
		Amusement machines and facilities	21
		Other property, plant, and equipment	328
		Other intangible assets	187
Idle properties	Kamo-gun, Shizuoka Prefecture	Land	0
		Total	829

The Group independently assesses assets or asset groups whose cash flows can be estimated separately based on business segments. The book values of assets or asset groups whose market values declined significantly or that are projected consistently to generate negative cash flows from operating activities are reduced to their recoverable values. The amount of this reduction is recorded as an impairment loss under extraordinary losses.
The amount of ¥478 million is included in loss on business restructuring under extraordinary losses.

(4) Loss on business restructuring

This loss represents costs associated with structural reform initiatives in response to the external business environment. A breakdown is provided below.

Loss associated with suspension of game content development, etc.	¥11,564 million
Increased benefits for early retirement	3,417
Loss on sale of stock in affiliates	2,159
Impairment loss	478
Other	184
Total	17,804

VI Notes on the consolidated statement of changes in shareholders' equity

(1) Shares of stock issued and outstanding

(Unit: shares)

Class of shares	Start of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year
Common stock	241,229,476	–	–	241,229,476

(2) Treasury stock

(Unit: shares)

Class of shares	Start of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year
Common stock	20,476,041	4,803,305	64,558	25,214,788

(Overview of causes of change)
Causes of the increase:
Increase due to purchase on the market under Board of Directors resolution: 4,782,700 shares
Increase due to purchase of odd-lot stock: 6,505 shares
Increase due to gratis acquisitions associated with the resignation of individuals eligible for transfer-restricted share-based compensation: 14,100 shares
Causes of the decrease:
Decrease due to demands for sale of odd-lot stock: 358 shares
Decrease due to transfer-restricted share-based compensation: 64,200 shares

(3) Dividends
(i) Cash dividends paid

Resolution	Class of shares	Total dividend (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors meeting held May 12, 2023	Common stock	8,609	39	March 31, 2023	June 2, 2023
Board of Directors meeting held November 8, 2023	Common stock	5,078	23	September 30, 2023	December 1, 2023

(ii) Dividends for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

Resolution (planned)	Class of shares	Source of dividends	Total dividend (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors meeting held May 10, 2024	Common stock	Retained earnings	5,832	27	March 31, 2024	June 5, 2024

(4) Class and quantity of shares subject to share acquisition rights as of the ending date of the current fiscal year (excluding those for which the exercise period has not yet begun)
Not applicable

VII Notes concerning financial instruments

(1) Current state of financial instruments

The Group has concluded agreements with its financial institutions concerning commitment lines of credit to secure medium- to long-term funds liquidity for the Company as the holding company. This is intended to serve as a safety net for the entire Group. In addition, the Group raises necessary funds for each business based on its financial plans, through bank borrowings or issuing bonds, while applying a cash management system to put Group funds to efficient use. Funds are invested primarily in low-risk high-liquidity financial assets; some funds are invested in compound financial instruments, such as bonds, to achieve more efficient funds management. Derivatives are not used for speculative purposes; rather they are used mainly to manage exposure to the risks described below.

The Group endeavors to reduce customer credit risks on notes and accounts receivable - trade in accordance with Group company rules on claims management and other rules and regulations.

Securities consist mainly of investment trusts and similar instruments. Since these are secured through transactions solely with highly rated financial institutions, in accordance with Group company rules on funds management and other rules and resolutions, they entail only minor credit risk. Investment securities consist mainly of stock. Information on topics such as their current market values and the financial standings of their issuers (business partners) is ascertained at regular intervals and reported to the Board of Directors or other relevant body within each company. Decisions on whether to continue to hold such securities is reviewed based on a consideration of relationships with the business partners that issued them. While some component financial instruments are exposed to risks of market price fluctuations such as those of stock-market fluctuations, their current market values are ascertained at regular intervals.

Borrowings and corporate bonds are secured to obtain working capital, make capital investments and engage in M&A activities, and diversify fundraising sources. The Group manages liquidity risk in various ways, including having each Group company prepare monthly reports on fundraising results and forecasts for confirmation by the Company.

Derivative transactions consist of interest rate swap transactions intended to hedge against interest rate fluctuation risks associated with certain borrowings with variable interest rates, forward foreign exchange contracts intended to hedge against exchange rate fluctuation risks associated with certain operating payables denominated in foreign currency, and forward foreign exchange contracts intended to hedge against exchange rate fluctuation risks associated with investments in overseas subsidiaries. These are handled mainly by the finance or accounting sections of individual Group companies, allowing internal approval based on Group company rules on derivatives management and other rules and regulations. Status reports are submitted to each company's Board of Directors as appropriate.

(2) Fair values, etc., of financial instruments

Shown below are consolidated balance sheet amounts, fair values, and the differences between them as of the end of the current consolidated fiscal year. Information on stocks and other financial instruments with no market value is provided under Note 3 and is not included in the following table. Notes on cash and deposits are omitted because they are settled quickly and their fair value approximates their book value.

(Unit: millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Notes and accounts receivable - trade	54,269	54,269	–
(2) Short-term investment securities and investment securities			
(i) Held-to-maturity debt securities	103	102	(0)
(ii) Available-for-sale securities *1	13,883	13,883	–
(3) Notes and accounts payable - trade	26,085	26,085	–
(4) Short-term borrowings	22,507	22,507	–
(5) Long-term borrowings	124,500	124,259	240
(6) Bonds payable	10,000	9,776	223
(7) Derivative transactions*2			
(i) Transactions outside the scope of hedge accounting	–	–	–
(ii) Transactions subject to hedge accounting	(230)	(230)	–

*1. Excludes investments in business for which the amount corresponding to equity is recorded on the consolidated balance sheet as a net amount and similar businesses. The amount of such investments recorded on the consolidated balance sheet was ¥11,844 million.
*2. Net claims and obligations arising from derivatives are presented in net amounts. Totals that are net obligations are indicated in parentheses.
*3. Stock and other financial instruments with no market value

Category	Consolidated balance sheet amount (millions of yen)
Investments in unlisted stocks, etc.	5,666
Investments in investment limited partnerships, etc.	11,118
Stock of non-consolidated subsidiaries	1,059
Stock of affiliates	25,395
Investments in capital of subsidiaries and affiliates	726

(3) Breakdown of fair value information on financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to measure fair value:

Level 1 fair value: Fair value measured by (unadjusted) quoted prices in active markets for the same assets or liabilities
Level 2 fair value: Fair value measured by directly or indirectly observable inputs other than Level 1 inputs
Level 3 fair value: Fair value measured by material unobservable inputs

When using multiple inputs that are material to the fair value measurement, fair value is categorized in the lowest priority input level in the fair value measurement.

(i) Financial assets and liabilities recorded on the consolidated balance sheet at fair value

(Unit: millions of yen)

Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities					
Available-for-sale securities					
Stocks	3,813	3,813	–	–	3,813
Debt securities	606	–	606	–	606
Other	9,463	93	9,021	347	9,463
Total assets	13,883	3,907	9,628	347	13,883
Derivative transactions*					
Currency-related	–	–	–	–	–
Interest rate-related	(230)	–	(230)	–	(230)
Total derivative transactions	(230)	–	(230)	–	(230)

* Net claims and obligations arising from derivatives are presented as net amounts. Totals that are net obligations are indicated in parentheses.

(ii) Financial assets and liabilities not recorded on the consolidated balance sheet at fair value

(Unit: millions of yen)

Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade	54,269	–	54,269	–	54,269
Short-term investment securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	103	–	102	–	102
Total assets	54,372	–	54,372	–	54,372
Notes and accounts payable - trade	26,085	–	26,085	–	26,085
Short-term borrowings	22,507	–	22,507	–	22,507
Long-term borrowings	124,500	–	124,259	–	124,259
Bonds payable	10,000	–	9,776	–	9,776
Total liabilities	183,092	–	182,627	–	182,627

(Note 1) Description of the valuation techniques and inputs used in fair value measurement

Short-term investment securities and investment securities:

Listed stocks, debt securities, and bonds receivable are valued based on quoted prices. Since listed stocks are traded in active markets, their fair value is assigned to Level 1. The fair value of debt securities and bonds receivable held by the Group is assigned to Level 2 because they are infrequently traded and are for that reason not deemed to have quoted prices on active markets.

Other financial instruments include American depositary receipts, investment trusts, and simple agreements for future equity (SAFEs). Since American depositary receipts are traded in active markets, their fair value is assigned to Level 1. The fair value of investment trusts is assigned to Level 2 because they are infrequently traded and thereby deemed to lack quoted prices on active markets. SAFEs are assigned to Level 3 because the most recent fair values are estimated after accounting for factors that can affect the value of the financial instruments.

Derivative transactions:

Fair values of interest rate swaps and forward foreign exchange contracts are measured by the discounted present value method based on observable inputs, such as interest rates and exchange rates, and assigned to Level 2.

Notes and accounts receivable - trade:

The fair value of these items is measured by the discounted present value method based on the amounts of receivables, times to maturity, and interest rates reflecting credit risks for each grouping of receivables in a specified period and assigned to Level 2.

Notes and accounts payable - trade:

The fair value of these items is measured by the discounted present value method based on future cash flows, times to maturity, and interest rates reflecting credit risks for each grouping of payables in a specified period and assigned to Level 2.

Short-term borrowings and long-term borrowings:

The fair value of short-term borrowings and long-term borrowings is measured by the discounted present value method based on sums of principal and interest, times to maturity, and interest rates reflecting credit risks and assigned to Level 2.

Bonds payable:

The fair value of bonds payable issued by the Company is measured by the discounted present value method based on sums of principal and interest, times to maturity, and interest rates reflecting credit risks and assigned to Level 2.

(Note 2) Information on fair value under Level 3 used to record financial assets and liabilities on the consolidated balance sheet

(1) Adjustments from starting to ending balance and valuation gains/losses recognized during the period under review

(Unit: millions of yen)

	Securities and investment securities	Total
	Available-for-sale securities	
	Other	
Starting balance	–	–
Profit/loss or other comprehensive income during the period	–	–
Purchases, sale, issue, and settlement	–	–
Other	347	347
Ending balance	347	347

(2) Description of fair valuation process

The fair value of financial instruments assigned to Level 3 are calculated in accordance with the Accounting Standard for Fair Value Measurement and other applicable standards. Calculations of fair value consider the validity of fair value level assignments and fair valuation techniques employed in accordance with the nature and characteristics of and risks posed by the subject assets.

VIII Notes on revenue recognition

(1) Disaggregation of revenue from contracts with customers

The Group engages in the Entertainment Contents Business, the Pachislot and Pachinko Machines Business, and the Resort Business. The main goods or services handled by these businesses are digital content, products and merchandise, and resort facilities. Sales of goods or services by each business are shown below.

(Unit: millions of yen)

	Reporting segment				Other	Total
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal		
Digital content sales	175,377	4,764	–	180,142	–	180,142
Product and merchandise sales	90,661	127,348	–	218,009	–	218,009
Resort facility sales	–	–	12,356	12,356	–	12,356
Other sales	50,711	3,856	–	54,568	1,564	56,133
Revenue from contracts with customers	316,750	135,969	12,356	465,076	1,564	466,641
Other revenue*	1,254	–	–	1,254	–	1,254
Sales to external customers	318,005	135,969	12,356	466,331	1,564	467,896

* Other revenue for the Entertainment Contents Business includes revenues from the Video Games Expenditure Credit (VGEC) in the UK.

(2) Basic information for grasping revenue from contracts with customers

(i) Information on contracts, performance obligations, and when performance obligations are satisfied

Information on contracts, performance obligations, and when performance obligations are satisfied is as described under “I Basis of presenting consolidated financial statements: (4) Accounting Policies: (vii) Accounting policy for recognition of significant revenues and expenses.”

(ii) Information on calculations of amounts allocated to performance obligations

When selling multiple items of game content in sets as part of activities that grant game distribution rights or in association with download sales in the Entertainment Contents Business, the provision of each item of content is deemed to satisfy the corresponding performance obligation. Performance obligations are allocated separately. In sales by the Entertainment Contents Business of sets of amusement machines and bundled annual content update services, sales of amusement machines and annual content update services are deemed to involve separate performance obligations that are also separately allocated.

In such cases, the stand-alone selling prices as of the transaction dates in the contracts for individual goods or services that serve as the bases for each performance obligation are calculated and transaction prices are allocated based on the percentages corresponding to those stand-alone selling prices.

(3) Information for grasping revenue amounts for the current fiscal year and for the following fiscal years

(i) Receivables from contracts with customers, balances of contract assets and liabilities, etc.
Shown below is a breakdown of receivables from contracts with customers, contract assets, and contract liabilities.

(Unit: millions of yen)

	Current consolidated fiscal year	
	Starting balance	Ending balance
Receivables from contracts with customers Notes and accounts receivable - trade	52,673	54,269
Contract assets	696	–
Contract liabilities	25,852	19,367

Contract assets refer to unbilled claims related to revenues recognized based on measurement of progress, mainly for development projects under contract. Contract assets are transferred to accounts receivable - trade at the point in time at which claims on payment become unconditional.
Contract liabilities refer mainly to balances of prepayments received from customers before delivery of products or provision of services and points awarded to customers for which performance obligations remain unfulfilled as of the end of the period. Contract liabilities are cancelled upon recognition of revenue.
Of the revenue recognized in the current fiscal year, the amount included in the balance of contract liabilities at the beginning of the period was ¥23,762 million. The main cause of the decrease in contract liabilities was a decrease in prepayments received before delivery of products.

(ii) Transaction prices allocated to remaining performance obligations
Shown below are the total price of transactions allocated to remaining performance obligations and the time frames in which the Company expects to recognize the revenue amounts.

(Unit: millions of yen)

	Current consolidated fiscal year
Within one year	15,367
More than one year but within two years	1,322
More than two years but within three years	277
More than three years but within four years	2,257
More than four years	143
Total	19,367

IX Notes on rental property and other real estate

Notes on the status and fair value of rental property and other real estate
This information is omitted due to the immateriality of the total amount of rental property and other real estate.

X Notes on per-share information

Net assets per share 1,652.29 yen
Net income per share 150.75 yen

XI Notes on business combination

(Acquisition of stock in Rovio Entertainment Corporation)

In the Board of Directors meeting held April 17, 2023, the Company and SEGA CORPORATION ("SEGA"), a consolidated Company subsidiary, resolved to implement a tender offer (tender offer under Finnish Law; "Tender Offer" hereinafter) to acquire Rovio Entertainment Corporation ("Rovio"), a mobile game company headquartered in Finland, through SEGA Europe Ltd., SEGA's wholly-owned subsidiary. Rovio has been made a wholly-owned subsidiary through the first and second tender offers and a squeeze-out merger.

(1) Overview of merger

(i) Name and lines of business of acquisition

Name of acquired entity: Rovio Entertainment Corporation

Lines of business: Mobile game development and operations, brand licensing

(ii) Main reasons for merger

To boost the Group's presence in global markets, including the rapidly growing mobile game market, by acquiring the mobile game development capabilities and operating expertise of Rovio Entertainment Corporation.

(iii) Date of merger

August 17, 2023 (date of stock acquisition)

(iv) Legal form of merger

Stock acquisition paid in cash

(v) Company name after merger

Unchanged

(vi) Percentage of voting rights acquired

August 17, 2023	96.3%
September 6, 2023	1.3%
January 22, 2024	2.4%
Percentage of voting rights acquired	100.0%

(vii) Key reasons for decision on acquiring company

Acquisition of all shares of stock for cash by the Company's consolidated subsidiary SEGA Europe Ltd.

(2) Period of financial results of the acquired company included on the consolidated financial statements

September 1, 2023 through March 31, 2024

(3) Cost of acquisition and breakdown thereof by type

Acquisition price	Cash	¥100,640 million
Cost of acquisition		¥100,640 million

(4) Details and amounts of main costs associated with acquisition

Advisory costs, etc.: ¥1,790 million

(5) Amount, causes, depreciation method, and depreciation period of goodwill incurred

(i) Amount of goodwill incurred

¥29,089 million

Amounts of goodwill at the ends of the second and third quarters were recorded provisionally since the allocation of acquisition costs was incomplete. However, the allocation of acquisition costs was finalized at the end of the fiscal year under review. Finalizing this provisional recording reduced goodwill incurred by ¥42,624 million.

(ii) Causes

This goodwill was incurred chiefly from future surplus revenues expected through future business development.

(iii) Depreciation method and depreciation period of goodwill incurred

Straight-line depreciation over 15 years

(6) Changes in Company equity due to transactions with non-controlling interests
(i) Major causes of changes in capital surplus
Additional acquisition of shares of subsidiaries
(ii) Amount of decrease in capital surplus due to transactions with non-controlling interests
¥3,025 million

(7) Amounts of assets received and liabilities undertaken on date of merger and main details thereof

Current assets	¥30,896 million
Noncurrent assets	¥59,742 million
Total assets	¥90,639 million
Current liabilities	¥5,928 million
Noncurrent liabilities	¥12,063 million
Total liabilities	¥17,991 million

(8) Amounts allocated to intangible assets other than goodwill and main breakdown thereof and weighted average depreciation period by type
(i) Amounts allocated to intangible assets
¥53,281 million
(ii) Main breakdown and depreciation periods

Trademark rights:	¥47,630 million	Depreciation period:	23 years
Intangible assets related to technology:	¥5,651 million	Depreciation period:	10 years

(9) Estimates of the effects on the consolidated statements of income if the merger had been completed on the start date of the fiscal year under review and calculation methods thereof
Net sales: ¥18,556 million
Operating income: ¥(1,079) million

*Calculation methods for estimates
Rough estimates of effects were calculated as the difference between net sales and profit/loss information based on the working assumption that the merger had been completed on the start date of the fiscal year under review and net sales and profit/loss information provided on the Company's consolidated statements of income. In addition, depreciation amounts for goodwill, etc. recognized at the time of the merger were adjusted based on the assumption that they were incurred on the start date of the fiscal year under review.

These notes have not been subjected to audit certification.

(Sale of stock in Relic Entertainment)
In a Board of Directors meeting held March 28, 2024, the Company resolved to sell all shares of stock held by its consolidated subsidiary SEGA Europe Ltd. in Relic Entertainment, Inc. The stock was sold effective March 28, 2024. As a result, Relic Entertainment, Inc. is no longer included in the Company's scope of consolidation of accounts.

(1) Overview of spinoff
(i) Name of acquiring company
Emona Capital LLP
(ii) Line of business spun off
Consumer software development
(iii) Main reasons for spinoff
Due to the negative rebound from demand related to stay-at-home consumers during the COVID-19 pandemic and other factors including inflation, the consumer area is changing rapidly, particularly in Europe. This has resulted in lower profitability. In response, the Group chose to implement structural reforms in its European operations with the goal of improving earnings through rapid adaptation. Various measures targeting its European operations have been examined, including medium-term lineup revisions, normalizing fixed costs, improvements in investment efficiency, and revisions of its development, sales, and management structures. Against this backdrop, the Company chose to sell all shares of stock held in Relic Entertainment, Inc., a consolidated Company subsidiary.

(iv) Date of spinoff
March 28, 2024

(v) Other matters related to the transaction summary, including legal structure
Sale of stock in exchange for receipt of cash and other assets only

(2) Overview of accounting treatment

(i) Gains/losses on transfer
Structural reform expenses:
¥2,159 million

(ii) Appropriate book value of assets and liabilities related to the business transferred, and main breakdown thereof

Current assets	¥2,166 million
Noncurrent assets	¥1,754 million
Total assets	¥3,920 million
Current liabilities	¥467 million
Noncurrent liabilities	¥884 million
Total liabilities	¥1,352 million

(iii) Accounting treatment
The difference between the consolidated book value and transfer price of the shares sold was recorded as extraordinary losses.

(3) Summary of profit/loss related to the spun-off business recorded on the consolidated statements of income during the period under review

Net sales	¥4,341 million
Operating income	¥344 million

XII Notes on significant subsequent events

(Transactions under common control)

(1) Purpose of this absorption-type of merger

The Group has established its Medium-term Management Plan, "Beyond the Status Quo -Breaking the Current Situation and Becoming a Sustainable Company-", which position the fiscal year ended March 2024 as the final year, and has been working to expand its corporate value. In the Entertainment Contents Business, mainly in the consumer area, the Group promoted the Pillar Strategy, which focuses on multi-platform roll-out and simultaneous global launch of major titles such as Sonic the Hedgehog series, Persona series, Like a Dragon series, and others, and the Group has steadily implemented that strategy. In the next Medium-term Management Plan, which is currently under the formulation, the Group set strengthening of transmedia as one of the key strategies for the Entertainment Contents Business in order to expand the Pillar Strategy and move on to the next stage.

The Group has resolved to transfer Amusement Machine Business of SEGA CORPORATION, a consolidated subsidiary of the Company, to SEGA TOYS CO., LTD., also a consolidated subsidiary of the Company, through an absorption-type demerger and to change the trade name of the successor company in absorption-type demerger (SEGA TOYS CO., LTD.) at its Board of Directors meeting held on January 9, 2024, to establish a new business unit by integrating the Amusement Machine Business and Toy Business as part of the promotion of the transmedia strategy, and the absorption-type demerger and the change of trade name of the successor company in absorption-type demerger were implemented effective April 1, 2024.

(2) Overview of this absorption-type demerger

(i) Detail of business to be demerged
SEGA CORPORATION : Amusement Machine Business

(ii) Legal form of business combination
An absorption-type demerger, with SEGA CORPORATION as the demerged company and SEGA TOYS CO., LTD. as the successor company in absorption-type demerger.

(iii) Overview of the company concerned in this absorption-type demerger (as of March 31, 2024)

	Demerged company in absorption-type demerger	Successor company in absorption-type demerger
Name	SEGA CORPORATION	SEGA TOYS CO., LTD.
Details of business	Planning, development, and sales of game-related contents for mobile phones, PCs, smart devices, and home video game consoles, and development and sales of Amusement Machines	Development, manufacturing, and sales of toys
Location	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo
Capital Stock	¥100 million	¥100 million
Major shareholders and share ratio	SEGA SAMMY HOLDINGS INC. 100%	SEGA CORPORATION 100%

*SEGA TOYS, CO., LTD. changed its trade name to SEGA FAVE CORPORATION as of April 1, 2024.

(3) Overview of accounting treatment adoption

The merger was treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019), and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

Non-consolidated statement of changes in shareholders' equity

FY2024 (April 1, 2023 - March 31, 2024)

(Unit: millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balances as of April 1, 2023	29,953	29,945	116,540	146,486
Changes in items during the period				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			75	75
Total changes in items during the period			75	75
Balances as of March 31, 2024	29,953	29,945	116,615	146,561

	Shareholders' equity			
	Retained earnings		Treasury stock	Total shareholders' equity
	Other capital surplus	Total capital surplus		
	Retained earnings carried forward			
Balances as of April 1, 2023	109,348	109,348	(37,375)	248,412
Changes in items during the period				
Dividends from surplus	(13,687)	(13,687)		(13,687)
Net income	9,809	9,809		9,809
Purchase of treasury stock			(10,016)	(10,016)
Disposal of treasury stock			117	192
Total changes in items during the period	(3,878)	(3,878)	(9,898)	(13,702)
Balances as of March 31, 2024	105,470	105,470	(47,274)	234,710

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balances as of April 1, 2023	610	–	610	468	249,491
Changes in items during the period					
Dividends from surplus					(13,687)
Net income					9,809
Purchase of treasury stock					(10,016)
Disposal of treasury stock					192
Net changes in items other than shareholders' equity	1,154	(223)	930	283	1,213
Total changes in items during the period	1,154	(223)	930	283	(12,488)
Balances as of March 31, 2024	1,764	(223)	1,540	751	237,002

Note: Figures shown in millions of yen have been rounded down to the nearest million.

Notes on the non-consolidated financial statements

I Notes on important accounting policies

(1) Asset valuation standards and methods

(i) Valuation standards and methods for securities

Shares in subsidiaries and affiliates

The method applied is the moving average cost method.

Available-for-sale securities

Those other than securities without available fair market value:

The fair value method is applied on market prices and other information as of the ending date of the fiscal year (processing the entire amount of revaluation gain/loss through direct entry to net assets, with cost of sales calculated by the moving average method). With respect to compound financial instruments whose fair value cannot be categorized and measured for each embedded derivative, the entire compound financial instrument is appraised by fair value. Unrealized gains or losses are reported as profit or loss for the current fiscal year.

Securities without available fair market value:

The method applied is the moving average cost method.
The net amount of equity included in the Company's financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act, is calculated based on available and relevant financial statements for the partnership as of the reporting date stipulated in the partnership agreement.

(ii) Derivatives: The fair value method is applied.

(2) Methods for depreciating noncurrent assets

(i) Property, plant, and equipment: The straight-line method is applied.

Useful lives for main assets are shown below:

Buildings:	2 – 50 years
Structures:	2 – 47 years
Tools, furniture, and fixtures:	2 – 15 years

(ii) Intangible assets: The straight-line method is applied.
Software used by the Company is amortized by the straight-line method based on the useful life within the Company (up to five years).

(3) Accounting treatment for significant deferred assets
Bond issuance cost: All expenses are expensed at the full amount at the time of payment.

(4) Accounting standards for allowances and provisions

(i) Allowance for doubtful accounts: This is recorded in the necessary amount based on a consideration of the recoverability of individual claims for doubtful and other claims to prepare for possible losses on doubtful accounts at the end of the fiscal year.

(ii) Provision for bonuses: The estimated amount of bonuses is recorded to meet the payment of employee bonuses.

(iii) Provision for directors' bonuses: The estimated amount of bonuses is recorded to meet the payment of bonuses for directors.

(iv) Provision for share-based compensation: To provide for issue of shares and compensation in similar form to officers and employees of some overseas subsidiaries, the estimated future amount of shares and compensation in similar form to be issued as of the end of the current fiscal year is recorded.

(v) Provision for retirement benefits:
Method for allocating estimated retirement benefits to fiscal periods
In calculating retirement benefit obligations, benefit formula attribution is adopted for the purpose of attributing projected retirement benefits to the period up to the end of the current fiscal year.
Treatment of actuarial gains and losses and prior service costs
Actuarial differences are recorded as expenses in one lump sum in the following fiscal year. Prior service expenses are recorded as expenses in one lump sum when they arise.

(5) Hedge accounting methods
(i) Hedge accounting
The Company applies deferred hedge accounting. However, special treatment is applied to qualifying currency swap transactions and to interest rate swap transactions.

(ii) Hedging instruments and subjects of hedging
Hedging instruments: Currency swaps, interest rate swaps, and forward exchange contracts
Subjects of hedging: Borrowings and interest on borrowings denominated in foreign currencies, receivables and payables denominated in foreign currencies

(iii) Hedging policy
Use of derivative instruments as necessary is intended to mitigate risks associated with foreign exchange and interest rate fluctuations. As a rule, hedging is only used for items for which actual demand exists, not for speculative purposes.

(iv) Method for evaluating the effectiveness of hedging
Hedge effectiveness is evaluated by ratio analysis of cumulative fluctuations in the market between the hedged item and the hedging instrument. Evaluations of hedge effectiveness are omitted for interest rate swaps to which special treatment is applied and for currency swaps in which the material conditions for the notional principal of the hedging instrument and for the hedged item are the same and the transactions can offset market fluctuations.

(6) Accounting standards for recognition of significant revenues and expenses
Revenues from management guidance are derived from the Company's provision of guidance on management, planning, and other activities to subsidiaries. The Company is obligated, under contracts with its subsidiaries, to provide management guidance over the terms of such contracts. Such obligations are deemed fulfilled over the full term of the contract; thus, revenues are recognized over the contractual terms.
Revenues from shared services are derived from the Company's provision to subsidiaries of general affairs, legal, human resource, accounting, and other services. The Company is obligated under contracts with its subsidiaries to provide these services over the terms of such contracts. Such obligations are deemed fulfilled over the full term of the contract; thus, revenues are recognized over the contractual terms.
Revenues from dividends received are recognized as of the effective date of the dividends.

(7) Other important matters serving as the bases for the preparation of the financial statements
Application of the group tax-sharing system
The Company applies the group tax-sharing system, with the Company as the parent organization for tax sharing.

II Notes on accounting estimates

Valuation of shares of subsidiaries and affiliates.

(1) Amount recorded to the financial statements for the current fiscal year
Shares of subsidiaries and affiliates: ¥315,604 million

(2) Method for calculating amount recorded to the financial statements for the current fiscal year
In evaluation of stock in affiliates, while shares of stock in affiliates lacking market prices are recorded to the balance sheet in acquisition costs, if comparisons of the cost of acquisition with the effective price reflecting surplus earnings potential indicates a markedly lower effective price, the value is accordingly reduced and a loss recorded in the period, except when the potential for recoverability is backed by sufficient evidence.
Since no shares of stock in affiliates lacking market prices suffered marked loss of effective value during the period under review, there are no reasons for concern regarding the recoverability of effective prices.

III Notes on the balance sheet

(1) Accumulated depreciation of property, plant and equipment ¥5,583 million

(2) Assets pledged as collateral
Shares of subsidiaries and affiliates* ¥39,712 million
* At the end of the current fiscal year, shares of the equity method affiliate PARADISE SEGASAMMY Co., Ltd. are pledged as collateral for a loan of ¥58,905 million (KR₩525,000 million) from financial institutions to PARADISE SEGASAMMY Co., Ltd.

(3) Monetary claims and obligations with subsidiaries and affiliates

Short-term monetary claims	¥5,188 million
Short-term monetary obligations	¥99,895 million
Long-term monetary obligations	¥39,275 million

IV Notes on the income statement

Transactions with subsidiaries and affiliates

Consulting fee income	¥10,549 million
Shared service income	¥4,652 million
Dividends income (Operating revenue)	¥13,008 million
Selling, general, and administrative expenses	¥1,989 million
Transactions other than operating transactions	¥1,645 million

V Notes on the statement of changes in shareholders' equity

Class and quantity of treasury stock at the end of the current fiscal year

Common stock	25,214,788 shares

VI Notes on tax effect accounting

(1) Significant components of deferred tax assets and deferred tax liabilities

Deferred tax assets		
Losses carried forward	968	million yen
Exclusion of provision for bonuses from deductible expenses	319	
Exclusion of provision of allowance for doubtful accounts from deductible expenses	2,987	
Exclusion of loss on valuation of shares of subsidiaries and affiliates from deductible expenses	7,346	
Valuation difference on available-for-sale securities	34	
Other	1,483	
Subtotal deferred tax assets	13,140	
Valuation allowance for tax loss carried forward	(968)	
Valuation allowance for deductible temporary difference	(11,477)	
Subtotal valuation allowance	(12,446)	
Offset to deferred tax liabilities	(694)	
Total deferred tax assets	–	
Deferred tax liabilities		
Valuation difference on available-for-sale securities	826	million yen
Gain (loss) on valuation of investment partnerships	550	
Asset retirement obligations	147	
Income taxes receivable	6	
Subtotal deferred tax liabilities	1,530	
Offset to deferred tax assets	(694)	
Total deferred tax liabilities	835	
Deferred tax liabilities, net	(835)	

(2) Breakdown by major causes of significant differences between the statutory tax rate and the effective tax rate after application of tax effect accounting, if any

Effective statutory tax rate	30.6	%
Permanently non-deductible expenses, including entertainment expenses	1.0	%
R&D tax credit	(0.2)	%
Increase/decrease in valuation reserves	2.4	%
Retained loss for tax purposes	0.1	%
Amount of dividends received, etc. not included in profit	(44.8)	%
Other	0.4	%
Effective tax rate after tax effect accounting	(10.3)	%

(3) Accounting treatment of national and local income tax or related tax effect accounting

The Company applies the group tax-sharing system. The Company carries out accounting treatment and disclosure for national and local income tax or related tax-effect accounting in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, August 12, 2021).

VII Notes on transactions with related parties

(1) Subsidiaries, affiliates, etc.

(Unit: millions of yen)

Type	Name of company, etc.	Percentage of voting rights held by (or in) the Company	Relationship to related party	Details of transactions	Transaction amount*1	Account	Ending balance
Subsidiary	Sammy Corporation	100% held directly by the Company	Management guidance Concurrent posting of executives	Management guidance fees*2	3,164	Accounts receivable - trade	290
				Shared service fees*3	1,169	Accounts receivable - trade	107
				Amount of tax-sharing effects under the group tax-sharing system	–	Accounts receivable - other	1,357
				Deposits received/paid*4	–	Deposits received	15,953
						Long-term deposits received	30,000
				Interest paid*5	168	Other current liabilities	30
Subsidiary	RODEO Co., Ltd.	100% held indirectly by the Company	–	Deposits received/paid*4	–	Deposits received	5,286
Subsidiary	TAIYO ELEC Co., Ltd.	100% held indirectly by the Company	–	Deposits received/paid*4	–	Deposits received	10,758
Subsidiary	SEGA CORPORATION	100% held directly by the Company	Management guidance Concurrent posting of executives	Management guidance fees*2	7,384	Accounts receivable - trade	676
				Shared service fees*3	3,232	Accounts receivable - trade	294
				Amount of tax-sharing effects under the group tax-sharing system	–	Accounts payable - other	1,580
				Deposits received/paid*4	–	Deposits received	39,592
				Interest paid*5	560	–	–
				Collection of loans	3,265	Short-term loans to subsidiaries and affiliates	20,328
				Lending of funds	100,640	Long-term loans to subsidiaries and affiliates	93,140
				Interest received*5	676	Accounts receivable - other	471

Type	Name of company, etc.	Percentage of voting rights held by (or in) the Company	Relationship to related party	Details of transactions	Transaction amount*1	Account	Ending balance
Subsidiary	SEGA SAMMY CREATION INC.	100% held directly by the Company	Concurrent posting of executives	Lending of funds	1,200	Long-term loans to subsidiaries and affiliates*6	15,550
				Interest received*5	147	–	–
Subsidiary	PHOENIX RESORT CO., LTD.	100% held directly by the Company	Concurrent posting of executives	Amount of tax-sharing effects under the group tax-sharing system	–	Accounts receivable - other	31
				Deposits received/paid*4	–	Deposits received	183
				Collection of loans	1,920	Short-term loans to subsidiaries and affiliates	850
				Lending of assets	127	Long-term loans to subsidiaries and affiliates	1,927
				Interest received*5	21	–	–
Subsidiary	Sammy Networks Co., Ltd.	100% held indirectly by the Company	Concurrent posting of executives	Shared service fees*3	50	Accounts receivable - trade	4
				Amount of tax-sharing effects under the group tax-sharing system	–	Accounts receivable - other	72
				Deposits received/paid*4	–	Deposits received	2,867
						Long-term deposits received	5,275
				Interest paid*5	13	Other current liabilities	5
Subsidiary	TMS ENTERTAINMENT CO., LTD.	100% held indirectly by the Company	Concurrent posting of executives	Amount of tax-sharing effects under the group tax-sharing system	–	Accounts receivable - other	342
				Deposits received/paid*4	–	Deposits received	12,382
						Long-term deposits received	4,000
				Interest paid*5	20	Other current liabilities	6
Affiliate	PARADISE SEGASAMMY Co., Ltd.	45.0% held directly by the Company	–	Provision of collateral *7	39,712	–	–

*1. Transaction amounts exclude consumption tax.

*2. Amounts of management guidance fees are determined based on the expenses required of the Company to manage Group company businesses.

*3. Amounts of shared service fees are determined based on the expenses required to perform the relevant operations.

*4. This transaction was conducted under the cash management system intended to integrate fund raising and investment in the Group and put funds to effective use. Transaction amounts are not indicated because lending of funds among Group companies takes place repeatedly.
*5. Interest is determined with reference to market interest rates.
*6. Concerning long-term loans receivable from subsidiaries and affiliates to SEGA SAMMY CREATION INC., an allowance for doubtful accounts was recorded in the amount of ¥9,905 million during the current fiscal year.
*7. Shares of stock in PARADISE SEGASAMMY Co., Ltd. have been pledged as collateral for certain borrowings by that company from financial institutions.

(2) Executives, individual shareholders, etc.

(Unit: millions of yen)

Type	Name of company, etc.	Percentage of voting rights held by (or in) the Company	Relationship to related party	Details of transactions	Transaction amount*1	Account	Ending balance
Company, etc. in which an executive, or a relative thereof, holds a majority of voting rights	FSC Co., Ltd. *3	6.33% held in the Company directly	Insurance agent	Payment of insurance premiums*2	2	Prepaid expenses	0
						Long-term prepaid expenses	2

*1. Transaction amounts exclude consumption tax.
*2. Transaction amounts are determined in accordance with general transaction conditions, with market prices serving as references.
*3. Company Chairman (Representative Director) Hajime Satomi and President and Group CEO (Representative Director) Haruki Satomi own a majority of shares in FSC Co., Ltd.

VIII Notes on per-share information

Net assets per share	1,093.68 yen
Net income per share	44.74 yen