

Start date of electronic provision: June 1, 2026

Notice of convocation of general meeting of shareholders
for the fiscal year ended March 31, 2026
(Items omitted from printed documents)

June 1, 2026

SEGA SAMMY HOLDINGS INC.

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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 on 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	¥201 million
Total amount of monetary and other financial gains payable by the Company and its subsidiaries to the accounting auditor	¥330 million

Notes: 1. Consolidated subsidiaries of the Company, 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 sustainability-related 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 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 to ensure 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, as well as 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 Risk 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, policies on risk management, and in-house rules on crisis management. 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, in-house rules and other internal norms, 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, in-house rules and 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 third-party agencies, 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. We also perform advance reviews of trading partners for overseas Group companies.
 - (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.
 - (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 Risk 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 risk management and 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 / Internal Audit Division 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

FY2026 (April 1, 2025 - March 31, 2026)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2025	29,953	69,740	314,947	(54,866)	359,774
Changes of items during the period					
Dividends from surplus			(11,557)		(11,557)
Loss attributable to owners of parent			(5,756)		(5,756)
Increase (decrease) due to the change in the fiscal year-end of consolidated subsidiaries			(25)		(25)
Purchase of treasury stock				(32,014)	(32,014)
Disposal of treasury stock		(182)		819	637
Cancellation of treasury shares		(39,738)		39,738	—
Disposal of treasury stock by stock ownership plan trust				40	40
Total changes of items during the period	—	(39,921)	(17,340)	8,583	(48,677)
Balances as of March 31, 2026	29,953	29,819	297,607	(46,282)	311,096

(Unit: millions of yen)

	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, 2025	3,441	641	(1,109)	16,868	1,548	21,391
Changes of items during the period						
Dividends from surplus						
Loss attributable to owners of parent						
Increase (decrease) due to the change in the fiscal year-end of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Cancellation of treasury shares						
Disposal of treasury stock by stock ownership plan trust						
Net changes of items other than shareholders' equity	(865)	902		21,081	1,086	22,204
Total changes of items during the period	(865)	902	–	21,081	1,086	22,204
Balances as of March 31, 2026	2,576	1,543	(1,109)	37,950	2,635	43,596

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

(Unit: millions of yen)

	Share acquisition rights	Non-controlling interests	Total net assets
Balances as of April 1, 2025	414	24	381,604
Changes of items during the period			
Dividends from surplus			(11,557)
Loss attributable to owners of parent			(5,756)
Increase (decrease) due to the change in the fiscal year-end of consolidated subsidiaries			(25)
Purchase of treasury stock			(32,014)
Disposal of treasury stock			637
Cancellation of treasury shares			–
Disposal of treasury stock by stock ownership plan trust			40
Net changes of items other than shareholders' equity	(171)	7	22,041
Total changes of items during the period	(171)	7	(26,636)
Balances as of March 31, 2026	243	31	354,967

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

Notes on the consolidated financial statements

1 Basis of presenting consolidated financial statements

(1) Scope of Consolidation

Number of consolidated subsidiaries: 106

Major consolidated subsidiaries:

SEGA CORPORATION, Sammy Corporation, ATLUS CO., LTD., Sega of America, Inc., Sega Europe Ltd., Sega Publishing Europe Ltd., Rovio Entertainment Ltd, Sega Logistics Service Co., Ltd., DARTSLIVE Co., Ltd., SEGA FAVE CORPORATION, TMS ENTERTAINMENT CO., LTD., MARZA ANIMATION PLANET INC., RODEO Co., Ltd., TAIYO ELEC Co., Ltd., Sammy Networks Co., Ltd., SEGA SAMMY CREATION INC., GAN Limited, and 89 other companies

Stakelogic B.V. and its 12 subsidiaries, and GAN Limited and its 23 subsidiaries, have been newly included in the scope of consolidation due to the acquisition of shares.

Number of non-consolidated subsidiaries: 8

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: 14

Major non-consolidated subsidiaries and affiliates not accounted for by the equity method:

JadeComiX 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

GAN Limited and 38 other consolidated subsidiaries have a fiscal year-end of December 31, which differs 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.

(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 - 16 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
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Some software posted due to the production of game or other content is amortized by the straight-line method, based on expected service periods (within three years). Software used by 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 stock compensation

To provide for issue of shares and compensation in similar form to officers and employees, 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.

Provision for loss on litigation:

To provide for losses associated with litigation, the estimated amount of potential future losses 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

The accounting policy for recognition of significant revenues is as follows. Compensation for individual performance obligations is received within roughly two months after their fulfillment (including cases of advance receipt based on contracts). However, where the period between the time of fulfillment and the time at which payment is made to customers is expected to be lengthy and the impact of financial elements is expected to be large due to relatively high related market interest rates, the obligations are considered to include important financial elements. These elements are adjusted for claims based on contracts established with the customers. The applicable interest rate is defined as the rate used to discount the estimated future cash receipts over the remaining period of the contract to the net book value of the claims.

(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 the Pachislot & 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, the Pachislot & Pachinko Machines Business, and the Gaming 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) Online gaming

With regard to revenue from the SaaS service for casino operators in the Gaming business, the Group's performance obligation is to provide online gaming platforms and gaming content primarily to casino operators. The Group determines performance obligations to be met based on the successful provision of the online platforms and gaming content to the casino operators. If the contract specifies the collection of usage fees based on the casino operator's net gaming revenue, online gaming revenue is recognized when the revenues of the casino operators are recorded. In other cases, the revenue is recognized when the service is provided.

With regard to revenue from operation of online gaming in the Gaming business, the Group's performance obligation is to provide game content and betting services to end users. The Group determines the performance obligations to be met when the results of the games or events are finalized, and the online gaming revenue is recognized when the results of the games or events are finalized.

(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.

2 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	¥74,609 million
“Other” under intangible assets	¥5,126 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 & Pachinko Machines Business
 - (i) Amount posted to consolidated financial statements in the current fiscal year

Raw materials	¥12,217 million
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 - (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	¥30,882 million
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 - (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 ¥122,118 million in noncurrent assets, including goodwill of ¥5,716 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). 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) Valuation of goodwill and other intangible assets of Rovio Entertainment Ltd

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

Goodwill	- million (after recording of impairment loss)
Other intangible assets	¥48,701 million
Trademark rights	¥44,309 million
Intangible assets related to technology	¥4,392 million

- (ii) Method for calculating amounts posted to consolidated financial statements in the current fiscal year

Rovio Entertainment Ltd (“Rovio” hereinafter) applies the International Financial Reporting Standards. Accordingly, for cash generating units that include goodwill and other intangible assets, it conducts impairment testing for goodwill when signs suggest impairment of goodwill or at least once annually and for other intangible assets when signs of their impairment are present. If the results of this testing show that the recoverable value of these assets falls below their book value, it recognizes impairment losses by reducing the book value to the recoverable value.

Since signs of impairment were recognized in the current fiscal year, impairment losses were recorded on goodwill and other intangible assets based on impairment testing.

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

Rovio measures use value as the recoverable value in impairment testing. In calculations of future cash flows based on this measurement, net sales, cost of sales, and advertising expenses for each major game title are identified as key assumptions 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.

- (5) Distribution of acquisition costs related to the acquisition of stock in GAN Limited

- (i) Amounts posted to consolidated financial statements in the current fiscal year
Shown below are the ending balances of goodwill and other intangible assets (trademark rights, intangible assets related to technology, and customer-related assets) recorded following the acquisition of an equity stake in GAN Limited (“GAN” hereinafter) by SEGA SAMMY CREATION INC. (“SSC” hereinafter) during the consolidated fiscal year under review.

Goodwill	¥14,516 million
Other intangible assets	¥4,585 million
Trademark rights	¥987 million
Intangible assets related to technology	¥2,640 million
Customer-related assets	¥957 million

- (ii) Method for calculating amounts posted to consolidated financial statements in the current fiscal year
Amounts allocated of identifiable other intangible assets are calculated via the income approach, converting expected future cash flows generated by the other intangible assets to their current values based on business plans used in corporate valuations.

Of these, trademark rights are valued using the relief from royalty method included in the income approach, while intangible assets related to technology are valued using the multi-period excess earnings method included in the income approach. Customer-related assets are valued using the distributor method included in the income approach.

For valuation of goodwill, the difference between the purchase price and the amounts allocated to identifiable assets and liabilities on the merger date is 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, reasonable royalty rates assumed to be agreed to in transactions with third parties, based on GAN’s business plans, are multiplied by net sales over the economically useful life of the trademark rights.

In calculating future cash flow related to intangible assets related to technology, excess earnings are calculated by deducting appropriate costs from forecasts of future revenues over the useful life of the assets, based on GAN’s business plans.

In calculating future cash flow related to customer-related assets, excess earnings are calculated by deducting appropriate costs from forecasts of revenue related to existing customers and multiplying the result by the rate of decrease in customers, based on GAN’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 service and other figures and projections thereof.

- (6) Distribution of acquisition costs related to the acquisition of stock in Stakelogic B.V. and evaluation of goodwill and other noncurrent assets

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

Shown below are the ending balances of the goodwill and other intangible assets recorded following the acquisition of a stake in Stakelogic B.V. (“Stakelogic” hereinafter) by SSC during the consolidated fiscal year under review.

Goodwill	- million (after recording of impairment loss)
Intangible assets	- million

- (ii) Method for calculating amounts posted to consolidated financial statements in the current fiscal year
converting expected future cash flows generated by the intangible assets to their current values

based on business plans used in corporate valuations. The results of these calculations showed no identifiable intangible assets.

For valuation of goodwill, the difference between the purchase price and the amounts allocated to identifiable assets and liabilities on the merger date is used as expected excess earnings from future business activities.

Japanese GAAP is applied because SSC owns Stakelogic stock directly. Goodwill and other noncurrent assets are depreciated at prescribed intervals. Should signs suggest impairment, total undiscounted future cash flows from the asset group are compared to the book value of goodwill and other noncurrent assets to determine whether to recognize an impairment loss. If this determination indicates a need to recognize an impairment loss, the book value is reduced to the recoverable value and the amount of the reduction in book value is recorded as an impairment loss under extraordinary losses.

Stakelogic's business plans were revised in response to a marked deterioration in its business environment following the acquisition of its stock. This included a pronounced withdrawal of operators in its major market of the Netherlands, as regulations were strengthened in the current fiscal year. Given these circumstances, the Group identified signs of impairment. Since the results of determination of whether to recognize an impairment loss showed that the estimated total undiscounted future cash flows had fallen below the book value of noncurrent assets in larger units, including goodwill, the book value was reduced to the recoverable value, while the amount of the reduction in book value was recorded as an impairment loss.

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

Stakelogic measures use value as the recoverable value of noncurrent assets in larger units, including goodwill. Future cash flows used in this measurement are estimated using net sales and cost of sales for each major service as key assumptions, based on Stakelogic's business plans.

3 Notes on the consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment
¥75,314 million

(2) Assets pledged as collateral
Shares of subsidiaries and affiliates^(Note) ¥30,882 million

Note: As of the end of the current consolidated fiscal year, shares of the affiliate PARADISE SEGASAMMY Co., Ltd. were pledged as collateral for a loan of ¥64,021 million (KR₩615,000 million) from financial institutions to PARADISE SEGASAMMY Co., Ltd.

(3) Revaluation of land

Consolidated subsidiary SEGA FAVE 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: ¥(254) million

(4) Balance of unrealized borrowings based on current account overdraft agreements: ¥171,954 million
Balance of unrealized borrowings based on commitment line contracts: ¥114,000 million

4 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 ¥8,403 million

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

¥75,372 million

- (3) Breakdown of main items included in extraordinary income and losses

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

Machinery, equipment and vehicles ¥3 million

Other property, plant, and equipment ¥4 million

Total ¥7 million

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

Machinery, equipment and vehicles ¥0 million

Other property, plant, and equipment ¥0 million

Total ¥0 million

- (iii) A breakdown of impairment loss is provided below.

(Unit: millions of yen)

Use	Location	Type	Amount of impairment loss recorded
Assets for business	Espoo, Finland and 18 others	Buildings and structures	145
		Machinery, equipment and vehicles	120
		Other property, plant, and equipment	2,767
		Goodwill	46,555
		Trademark rights	4,461
		Other intangible assets	578
		Total	54,627

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.

During the current fiscal year, impairment losses were recognized on goodwill and other assets recorded in connection with acquisitions, as the recoverable amounts of the related asset groups, including goodwill, fell below their carrying amounts due to a decline in profitability. The principal components of the impairment losses were goodwill, trademark rights and other intangible assets related to Rovio totaling ¥31,993 million, and goodwill and other property, plant, and equipment related to Stakelogic totaling ¥18,054 million.

- (4) Loss on business restructuring

This loss represents costs associated with structural reforms in the Gaming Business, mainly consisting of extra retirement payments for officers.

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

(1) Shares of stock issued and outstanding

(Unit: shares)

Class of shares	Beginning of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year
Common stock	241,229,476	–	20,000,000	221,229,476

(Overview of causes of change)

Causes of the decrease:

Decrease due to cancellation of treasury shares: 20,000,000 shares

(2) Treasury stock

(Unit: shares)

Class of shares	Beginning of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year
Common stock	27,418,879	11,508,241	20,362,573	18,564,547

(Overview of causes of change)

Causes of the increase:

Increase due to purchase on the market under Board of Directors resolution: 11,502,700 shares

Increase due to purchase of odd-lot stock: 5,241 shares

Increase due to gratis acquisitions associated with the resignation of individuals eligible for transfer-restricted share-based compensation: 300 shares

Causes of the decrease:

Decrease due to demands for sale of odd-lot stock: 143 shares

Decrease due to exercise of stock options: 330,500 shares

Decrease due to the resignation of individuals eligible for transfer-restricted share-based compensation: 13,400 shares

Decrease due to the retirement of treasury stock resulting from the granting of shares based on the officer remuneration BIP trust and stock-granting ESOP trust programs: 18,530 shares

Decrease due to cancellation of treasury shares: 20,000,000 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, 2025	Common stock	5,826	27	March 31, 2025	June 4, 2025
Board of Directors meeting held November 7, 2025	Common stock	5,730	27	September 30, 2025	December 3, 2025

The total dividend based on the resolution of the Board of Directors meeting held May 12, 2025 includes ¥53 million in dividends on Company shares held by officer remuneration BIP trust accounts and stock-granting ESOP trust accounts.

In addition, the total dividend based on the resolution of the Board of Directors meeting held November 7, 2025, includes ¥53 million in dividends on Company shares held by the above trust accounts.

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- (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 12, 2026	Common stock	Retained earnings	5,730	28	March 31, 2026	June 4, 2026

The total dividend based on the resolution of the Board of Directors meeting held May 12, 2026 includes ¥55 million in dividends on Company shares held by officer remuneration BIP trust accounts and stock-granting ESOP trust accounts.

- (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)
- Common stock 811,300 shares

6 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. 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 stocks and bonds. 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, notes and accounts payable-trade, and short-term borrowings 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	67,576	67,576	—
(2) Short-term investment securities and investment securities			
(i) Held-to-maturity debt securities	100	100	(0)
(ii) Available-for-sale securities ^(Note 1)	5,613	5,613	—
(3) Long-term borrowings	124,500	121,034	3,465
(4) Bonds payable	10,000	9,523	476
(5) Derivative transactions ^(Note 2)			
(i) Transactions outside the scope of hedge accounting	—	—	—
(ii) Transactions subject to hedge accounting	1,543	1,543	—

- Notes: 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 ¥12,938 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.	3,263
Investments in investment limited partnerships, etc.	10,284
Stock of non-consolidated subsidiaries	541
Stock of affiliates	31,437
Investments in capital of subsidiaries and affiliates	2,653

(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	4,085	4,085	—	—	4,085
Debt securities	1	—	1	—	1
Other	1,526	—	1,526	0	1,526
Total assets	5,613	4,085	1,527	0	5,613
Derivative transactions ^(Note)					
Currency-related	—	—	—	—	—
Interest rate-related	1,543	—	1,543	—	1,543
Total derivative transactions	1,543	—	1,543	—	1,543

Note: 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	67,576	–	67,576	–	67,576
Short-term investment securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	100	–	100	–	100
Total assets	67,677	–	67,677	–	67,677
Long-term borrowings	124,500	–	121,034	–	121,034
Bonds payable	10,000	–	9,523	–	9,523
Total liabilities	134,500	–	130,557	–	130,557

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

Short-term investment securities and investment securities:

Listed stocks 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 investment trusts and simple agreements for future equity (SAFEs). 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.

Long-term borrowings:

The fair value of 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.

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(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	343		343
Profit/loss or other comprehensive income during the period	(343)		(343)
Purchases, sale, issue, and settlement	–		–
Other	–		–
Ending balance	0		0

(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.

7 Notes on revenue recognition

(1) Disaggregation of revenue from contracts with customers

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

(Unit: millions of yen)

	Reporting segment				Other	Total
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal		
Digital content sales	168,440	5,657	–	174,097	–	174,097
Products and merchandise sales	87,555	121,450	6,536	215,542	–	215,542
Online gaming sales	–	–	16,874	16,874	–	16,874
Other sales	61,452	4,956	1,900	68,309	3,526	71,836
Revenue from contracts with customers	317,448	132,063	25,312	474,824	3,526	478,351
Other revenue ^(Note)	9,190	–	–	9,190	–	9,190
Sales to external customers	326,639	132,063	25,312	484,015	3,526	487,542

Note: Other revenue for the Entertainment Contents Business includes distribution revenues related to investments in motion picture production in the United States and 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 “1 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	52,653	67,576
Contract assets	–	–
Contract liabilities	14,228	18,330

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 ¥11,500 million. The main cause of the increase in contract liabilities was an increase 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	16,240
More than one year but within two years	1,221
More than two years but within three years	372
More than three years but within four years	283
More than four years	212
Total	18,330

8 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.

9 Notes on per-share information

Net assets per share 1,750.15 yen

Net loss per share (27.36) yen

Note: The treasury shares of the Company held by the “BIP Trust” and “Stock-granting ESOP Trust” in the shareholder’s equity have been included in the number of treasury shares which is subject to be excluded used in the calculation of the net loss per share by the average number of shares during the period. They were also included in the number of treasury shares which is subject to be excluded from calculations of total shares outstanding as of the end of the period for the purpose of calculating net assets per share.

Average treasury shares during the period excluded for the purpose of calculating

net loss per share: 1,989,855 shares

Total treasury shares as of the end of the period excluded for the purpose of calculating

net assets per share: 1,979,512 shares

10 Notes on business combination

(Business Combination through Acquisition)

1. Acquisition of shares in Stakelogic B.V.

(1) Overview of the business combination

(i) Name and business of the acquired company

Name of the acquired company: Stakelogic B.V. (“Stakelogic”)

Description of business: iGaming content supplier business

(ii) Rationale for the business combination

In the Medium-term Plan announced in May 2024, the Company set a goal to establish a gaming business. In the Gaming business, the Group has been developing and operating integrated resorts (IR) through Paradise City, a joint venture with the Paradise Group in South Korea, and developing gaming devices and content through SEGA SAMMY CREATION INC. (“SSC”). In November 2023, the Group announced the acquisition of GAN Limited (“GAN”), which operates a SaaS business (provision of B2B platform) mainly for casino operators in the U.S., and a B2C online gaming business for Europe and South America, with the aim of entering the online gaming market, particularly the iGaming market in the U.S., which is expected to grow in the future.

Stakelogic’s strength lies in the development of iGaming content in the market the Group is targeting, and the Group believes that the acquisition of Stakelogic will further enhance the competitiveness of GAN's B2B platform and contribute to the expansion of the Group’s Gaming Business.

(iii) Date of business combination

April 28, 2025 (deemed acquisition date: April 1, 2025)

(iv) Legal structure of the business combination

Acquisition of shares for cash consideration

(v) Name of company after the business combination

Unchanged

(vi) Share of voting rights acquired

100%

(vii) Main grounds for determining the acquiring company

SSC, a consolidated subsidiary of the Company, acquired the shares for cash consideration.

(2) Period of the acquired company’s result included in the consolidated financial statements

Although the acquired company has a fiscal year-end of December 31, the difference from the consolidated fiscal year-end does not exceed three months. As the deemed acquisition date for this business combination is set as April 1, 2025, the consolidated financial statements include the operating results of the acquired company for the period from April 1 to December 31, 2025.

(3) Acquisition cost for the acquired company and breakdown by type of consideration

Consideration for acquisition ^(Note)	Cash	€ 89 million (¥14,636 million)
Acquisition cost		€ 89 million (¥14,636 million)

Note: The acquisition cost above reflects price adjustments based on the share transfer agreement.

(4) Description and amount of main acquisition-related expenses

Advisory fees, etc.

¥1,025 million

(5) Goodwill recognized, reason for recognition, and amortization method and period

(i) Goodwill recognized

¥17,998 million

A tentative amount of goodwill was recorded at the end of the first half of the consolidated fiscal year, as provisional accounting treatment had been applied based on reasonable information available at that time because the purchase price allocation had not been completed. As of the end of the consolidated fiscal year, the purchase price allocation has been finalized.

(ii) Reason for recognition

The main reason is that excess earning power is expected to be generated by future business development.

(iii) Amortization method and period

Straight-line method over 9 years

The entire unamortized balance of this goodwill was recorded as an impairment loss.

(6) Assets received and liabilities accepted on the date of business combination and breakdown thereof

Current assets	¥1,182 million
Noncurrent assets	¥3,062 million
<hr/>	<hr/>
Total assets	¥4,245 million
<hr/>	<hr/>
Current liabilities	¥7,513 million
Noncurrent liabilities	¥93 million
<hr/>	<hr/>
Total liabilities	¥7,607 million
<hr/>	<hr/>

(7) Estimates of the effects on consolidated statements of income if the merger had been completed on the start date of the consolidated fiscal year under review and calculation methods thereof

No such effects occurred because the deemed acquisition date is the first date of the consolidated fiscal year.

2. Acquisition of shares in GAN Limited

(1) Overview of the business combination

(i) Name and business of the acquired company

Name of the acquired company: GAN Limited

Description of business: SaaS business for US casino operators and B2C online gaming business for Europe and South America

(ii) Rationale for the business combination

GAN's businesses have expanded in the U.S. through the development of B2B products and services centered on its player account management (PAM) system for the integrated management of end-user data and its remote gaming server (RGS), serving as the core of iGaming operations. In 2021, it acquired the Vincent Group p.l.c., which develops and operates the Coolbet B2C online gaming platform in Europe and South America, as well as Silverback Gaming, a Bulgarian online casino game development studio. As a result, it has become an integrated online gaming platform provider with in-house development and operational capabilities in the fields of iGaming, online and retail sports betting, social casino gaming, and content development. The Company considers the iGaming market to be a particularly promising area of the U.S. online gaming market, in which future growth is expected. As growing numbers of U.S. states legalizing iGaming, new entrants can be expected to join existing players in the online market. GAN's turnkey solutions are considered a fast and competitive avenue for such new entrants to gain a foothold in this market. The Company believes the combination of these outstanding technologies with the customer base and the content development capabilities of SSC, which provides gaming devices and content to local casino operators in North America, offers potential synergies that can contribute significantly to the growth of the Group's Gaming Business.

(iii) Date of business combination

May 27, 2025 (deemed acquisition date: April 1, 2025)

(iv) Legal structure of the business combination

Acquisition of shares for cash consideration

(v) Name of company after the business combination

Unchanged

(vi) Share of voting rights acquired

100%

(vii) Main grounds for determining the acquiring company

SSC, a consolidated subsidiary of the Company, acquired the shares for a cash consideration.

(2) Period of the acquired company's result included in the consolidated financial statements

Although the acquired company has a fiscal year-end of December 31, the difference from the consolidated fiscal year-end does not exceed three months. As the deemed acquisition date for this business combination is set as April 1, 2025, the consolidated financial statements include the operating results of the acquired company for the period from April 1 to December 31, 2025.

(3) Acquisition cost for the acquired company and breakdown by type of consideration

Consideration for the acquisition ^(Note)	Cash	USD 96.0 million (¥13,678 million)
Acquisition cost		USD 96.0 million (¥13,678 million)

Note: The consideration for the acquisition does not include contingent consideration. The contingent consideration is an agreement under which additional consideration is paid based on the performance of the acquired company over a certain period of time in the future. This has not been finalized at this time. If additional payments arise in connection with the acquisition consideration, they will be treated as if paid at the time of acquisition, and the acquisition cost will be adjusted accordingly, along with the amount of goodwill and the amortization of goodwill.

(4) Description and amount of main acquisition-related costs

Advisory fees, etc. ¥1,319 million

(5) Goodwill recognized, reason for recognition, and amortization method and period

(i) Goodwill recognized

¥14,240 million

A tentative amount of goodwill was recorded at the end of the first half of the consolidated fiscal year, as provisional accounting treatment had been applied based on reasonable information available at that time because the purchase price allocation had not been completed. As of the end of the consolidated fiscal year, the purchase price allocation has been finalized, resulting in a decrease of ¥3,257 million in goodwill.

(ii) Reason for recognition

The main reason is that excess earning power is expected to be generated by future business development.

(iii) Amortization method and period

Straight-line method over 10 years

(6) Assets received and liabilities accepted on the date of business combination and breakdown thereof

Current assets	¥7,154 million
Noncurrent assets	¥2,019 million
Total assets	¥9,174 million
Current liabilities	¥5,793 million
Noncurrent liabilities	¥8,434 million
Total liabilities	¥14,227 million

(7) Amount allocated to intangible assets other than goodwill, and main breakdown thereof, and weighted-average amortization period by type

(i) Amount allocated to intangible assets

¥4,727 million

(ii) Main breakdown and amortization periods

Trademark rights:	¥968 million	Amortization period: 10 years
Technology-related assets:	¥2,819 million	Amortization period: 5 years
Customer-related assets:	¥939 million	Amortization period: 10 years

(8) Estimates of the effects on consolidated statements of income if the merger had been completed on the start date of the consolidated fiscal year under review and calculation methods thereof

No such effects occurred because the deemed acquisition date is the first date of the consolidated fiscal year.

(Transactions under common control)

At the meeting of Board of Directors held February 7, 2025, the Company resolved to have the Company's wholly-owned subsidiary SSC succeed to the Company's Gaming Business via an absorption-type demerger. The demerger was implemented effective June 1, 2025.

(1) Purpose of the demerger

Announced in May 2024, the Company's Medium-term Plan identifies the goal of establishing the Gaming Business, in which the Group has established a customer base by developing and supplying gaming devices and content produced by SSC and accumulating expertise in casino operations that can also be applied to online gaming based on direct contact points established with customers through PARADISE CITY, a joint venture with the Paradise Group of South Korea. In addition, to gain entry into the online gaming market, centered on the iGaming market in the U.S., where growth is anticipated, the Company completed the procedures necessary to acquire Netherlands-based StakeLogic, a B2B iGaming content supplier, on April 28, 2025, and the procedures necessary to acquire GAN, which operates a B2B platform mainly for casino operators in the U.S., on May 27, 2025.

The Company has resolved to reorganize the Company and Group companies to move to a structure whereby SSC serves as the core company, based on the sound management of Gaming Business strategies, financial status, risks, and other matters, the establishment of governance systems that allow rapid decision-making in response to the changing business environment.

(2) Overview of the demerger

(i) Details of business to be demerged

Head office functions (administrative operations) of the Company's Gaming Business section

(ii) Date of business combination

June 1, 2025

(iii) Legal form of business combination

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

Absorption-type demerger, leaving SEGA SAMMY HOLDINGS INC. as the demerged company and SSC as the successor company

(iv) Overview of the companies involved in this absorption-type demerger (as of May 31, 2025)

	Successor company	Demerged company
Name	SEGA SAMMY CREATION INC.	SEGA SAMMY HOLDINGS INC.
Details of businesses	Development, manufacture, and sale of commercial casino devices and software (including online and social games)	Group business administration and associated operations as the holding company of a comprehensive entertainment Group
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	¥10 million	¥29,953 million

(v) Name after business combination

Unchanged

(3) Overview of accounting treatment adoption

This transaction 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).

11. Notes on significant subsequent events

(Cancellation of treasury shares)

At the meeting of the Board of Directors held on March 31, 2026, the Company resolved on matters pertaining to the cancellation of treasury shares conducted pursuant to Article 178 of the Companies Act of Japan.

(1) Rationale for the cancellation of treasury shares

The Group is committed to maximizing corporate value by focusing on capital efficiency. As part of these initiatives, the Group has formulated a capital allocation policy and has been allocating capital to growth investments and shareholder returns. In accordance with this policy, in the Consumer area, which the Group positions as a growth business, the Group has pursued business expansion through organic investments such as game development, as well as through the acquisition of Rovio. Furthermore, in the Gaming Business, which the Group has established as the third business pillar, the Group has reinforced the business foundation through acquisitions including GAN and Stakelogic.

However, in the financial results for the fiscal year ended March 31, 2026, the Group recorded impairment losses on goodwill and other intangible assets related to Rovio, as well as on goodwill and property, plant and equipment related to Stakelogic, as extraordinary losses. In light of these developments, the Group has decided to revise the capital allocation policy and suspend large-scale M&A activities for the time being. Consequently, the Group has reallocated the funds that had been reserved for large-scale M&A, and at the Board of Directors meeting held on February 13, 2026, resolved matters related to the acquisitions of treasury stock and implemented the acquisitions of approximately ¥20.0 billion. Furthermore, at the Board of Directors meeting held on March 31, 2026, the Company resolved to cancel all of the treasury stock acquired and subsequently executed such cancellation.

(2) Details of cancellation of treasury shares

(i) Type of shares to be cancelled

Common stock

(ii) Total number of shares to be cancelled

7,684,100 shares

(Percentage of total shares outstanding before cancellation (including treasury stocks): 3.47%)

(iii) Date for cancellation

April 24, 2026

(iv) Total number of shares outstanding after the cancellation (including treasury stocks)

213,545,376 shares

12 Other notes

(Officer remuneration BIP trust and stock-granting ESOP trust)

At its meeting held May 10, 2024, the Company Board of Directors resolved to introduce a share-granting employee stock ownership plan (ESOP) trust (“plan” hereinafter) as an incentive program for Company employees.

(1) Overview of transaction

The plan is intended to strengthen motivation and drive to contribute to business results and to improve employee awareness of participation in management, thereby strengthening corporate value over the medium to long term. In addition, some Group companies have introduced officer BIP trusts as similar incentive plans for directors, alongside stock-granting ESOP trusts for employees, to incentivize both directors and employees of Group companies.

(2) Company’s shares remaining in the BIP Trust

The Company’s shares remaining in the BIP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses) in the trust. At the end of the consolidated fiscal year under review, the carrying amount and the number of the Company’s shares remaining in the BIP Trust were ¥4,317 million and 1,979,512 shares, respectively.

Non-consolidated statement of changes in shareholders' equity

FY2026 (April 1, 2025 - March 31, 2026)

(Unit: millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balances as of April 1, 2025	29,953	29,945	117,077	147,023
Changes of items during the period				
Dividends from surplus				
Net income				
Decrease due to company demerger			(77,072)	(77,072)
Purchase of treasury stock				
Disposal of treasury stock			(183)	(183)
Cancellation of treasury shares			(39,822)	(39,822)
Disposal of treasury stock by stock ownership plan trust				
Net changes of items other than shareholders' equity				
Total changes of items during the period			(117,077)	(117,077)
Balances as of March 31, 2026	29,953	29,945	-	29,945

	Shareholders' equity			
	Retained earnings		Treasury stock	Total shareholders' equity
	Other capital surplus	Total capital surplus		
	Retained earnings carried forward	Total capital surplus		
Balances as of April 1, 2025	118,435	118,435	(54,972)	240,438
Changes of items during the period				
Dividends from surplus	(11,557)	(11,557)		(11,557)
Net income	19,018	19,018		19,018
Decrease due to company demerger	(19,335)	(19,335)		(96,407)
Purchase of treasury stock			(32,014)	(32,014)
Disposal of treasury stock			820	637
Cancellation of treasury shares			39,822	-
Disposal of treasury stock by stock ownership plan trust			40	40
Net changes of items other than shareholders' equity				
Total changes of items during the period	(11,875)	(11,875)	8,668	(120,284)
Balances as of March 31, 2026	106,560	106,560	(46,304)	120,153

(Unit: millions of yen)

	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, 2025	1,561	641	2,203	345	242,987
Changes of items during the period					
Dividends from surplus					(11,557)
Net income					19,018
Decrease due to company demerger					(96,407)
Purchase of treasury stock					(32,014)
Disposal of treasury stock					637
Cancellation of treasury shares					-
Disposal of treasury stock by stock ownership plan trust					40
Net changes of items other than shareholders' equity	22	902	924	(102)	822
Total changes of items during the period	22	902	924	(102)	(119,462)
Balances as of March 31, 2026	1,583	1,543	3,127	243	123,525

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

Notes on the non-consolidated financial statements

1 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 stock compensation: To provide for issue of shares and compensation in similar form to officers and employees, 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.

2 Notes on changes in presentation methods

(Consolidated statements of income)

“Loss on valuation of derivatives” (¥15 million in the prior fiscal year), which was included under “other” “non-operating expenses” in the prior fiscal year, is posted separately this fiscal year because it accounts for more than 10% of total non-operating expenses.

“Foreign exchange losses” (¥613 million in the prior fiscal year), which was included under “other” “non-operating expenses” in the prior fiscal year, is posted separately this fiscal year because it accounts for more than 10% of total non-operating expenses.

3 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:	¥271,672 million
Loss on valuation of shares of subsidiaries and affiliates:	¥182 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.

4 Notes on the balance sheet

(1) Accumulated depreciation of property, plant and equipment	¥6,474 million
(2) Monetary claims and obligations with subsidiaries and affiliates	
Short-term monetary claims	¥4,169 million
Long-term monetary claims	¥1,835 million
Short-term monetary obligations	¥242,757 million
Long-term monetary obligations	¥26,775 million

5 Notes on the income statement

Transactions with subsidiaries and affiliates

Consulting fee income	¥10,639 million
Shared service income	¥4,700 million
Dividends income (Operating revenue)	¥21,193 million
Selling, general, and administrative expenses	¥1,771 million
Transactions other than operating transactions	¥5,034 million

6 Notes on the statement of changes in shareholders' equity

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

Common stock	18,564,547 shares
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(2) Notes regarding transactions involving issue of shares of Company stock to employees in trust

Number of shares of Company stock held in trust included in
number of treasury shares at the end of the fiscal year under review: 1,979,512 shares

7 Notes on tax effect accounting

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

Deferred tax assets	
Losses carried forward	926 million yen
Exclusion of provision for bonuses from deductible expenses	112
Exclusion of provision of allowance for doubtful accounts from deductible expenses	2
Exclusion of loss on valuation of shares of subsidiaries and affiliates from deductible expenses	5,069
Valuation difference on available-for-sale securities	15
Other	1,556
Subtotal deferred tax assets	7,683
Valuation allowance for tax loss carried forward	(926)
Valuation allowance for deductible temporary difference	(5,763)
Subtotal valuation allowance	(6,690)
Offset to deferred tax liabilities	(992)
Total deferred tax assets	–
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(1,461) million yen
Gain (loss) on valuation of investment partnerships	(533)
Asset retirement obligations	(141)
Income taxes receivable	(24)
Other	(9)
Subtotal deferred tax liabilities	(2,171)
Offset to deferred tax assets	992
Total deferred tax liabilities	(1,178)
Deferred tax liabilities, net	(1,178)

(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	0.2 %
Amount of donations not included in losses	0.3 %
Tax deductions for experiment and research expenses	0.0 %
Change in valuation reserves	(1.9) %
Amount of dividends received, etc. not included in profit	(36.9) %
Other	(0.6) %
Effective tax rate after tax effect accounting	(8.3) %

(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).

8 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 ^(Note 1)	Account	Ending balance
Subsidiary	SEGA CORPORATION	100% held directly by the Company	Management guidance Concurrent posting of executives	Management guidance fees ^(Note 2)	7,235	Accounts receivable - trade	663
				Shared service fees ^(Note 3)	2,974	Accounts receivable - trade	272
				Amount of tax-sharing effects under the group tax-sharing system	–	Accounts payable - other	283
				Deposits received/paid ^(Note 4)	–	Deposits received	19,039
				Interest paid ^(Note 5)	1,717	–	
				Collection of loans	7,500	Short-term loans to subsidiaries and affiliates	51,258
						Long-term loans to subsidiaries and affiliates	78,140
				Interest received ^(Note 5)	1,874	Accounts receivable - other	265
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	523
				Deposits received/paid ^(Note 4)	–	Deposits received	10,190
				Interest paid ^(Note 5)	39	Long-term deposits received Other current liabilities	6,500 10
Subsidiary	Sega of America, Inc.	100% held indirectly by the Company	Concurrent posting of executives	Deposits received/paid ^(Note 4)	–	Deposits received	41,759
				Interest paid ^(Note 5)	137		
Subsidiary	Sega Europe Ltd.	100% held indirectly by the Company	Concurrent posting of executives	Deposits received/paid ^(Note 4)	–	Deposits received	10,507
				Interest paid ^(Note 5)	10		
Subsidiary	Rovio Entertainment Ltd	100% held indirectly by the Company	Concurrent posting of executives	Deposits received/paid ^(Note 4)	–	Deposits received	6,962
				Interest paid ^(Note 5)	259		

(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 ^(Note 1)	Account	Ending balance
Subsidiary	Sammy Corporation	100% held directly by the Company	Management guidance Concurrent posting of executives	Management guidance fees ^(Note 2) Shared service fees ^(Note 3) Amount of tax-sharing effects under the group tax-sharing system Deposits received/paid ^(Note 4) Interest paid ^(Note 5)	3,404 1,221 – – 281	Accounts receivable - trade Accounts receivable - trade Accounts receivable - other Deposits received Long-term deposits received Other current liabilities	312 111 195 118,683 15,000 31
Subsidiary	RODEO Co., Ltd.	100% held indirectly by the Company	–	Amount of tax-sharing effects under the group tax-sharing system Deposits received/paid ^(Note 4) Interest paid ^(Note 5)	– – 18	Accounts payable - other Deposits received	35 6,746
Subsidiary	TAIYO ELEC Co., Ltd.	100% held indirectly by the Company	–	Amount of tax-sharing effects under the group tax-sharing system Deposits received/paid ^(Note 4) Interest paid ^(Note 5)	– – 34	Accounts receivable - other Deposits received	21 13,117
Subsidiary	GINZA Corporation	100% held indirectly by the Company	–	Amount of tax-sharing effects under the group tax-sharing system Deposits received/paid ^(Note 4) Interest paid ^(Note 5)	– – 19	Accounts payable - other Deposits received	151 6,288

(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 ^(Note 1)	Account	Ending balance
Subsidiary	Sammy Networks Co., Ltd.	100% held indirectly by the Company	Concurrent posting of executives	Shared service fees ^(Note 3)	49	Accounts receivable - trade	4
				Amount of tax-sharing effects under the group tax-sharing system	–	Accounts receivable - other	104
				Deposits received/paid ^(Note 4)	–	Deposits received	3,328
						Long-term deposits received	5,275
				Interest paid ^(Note 5)	18	Other current liabilities	7
Subsidiary	SEGA SAMMY CREATION INC.	100% held directly by the Company	Concurrent posting of executives	Shared service fees ^(Note 3)	65	Accounts receivable - trade	5
				Amount of tax-sharing effects under the group tax-sharing system	–	Accounts receivable - other	118
				Deposits received/paid ^(Note 4)	–	Deposits received	7,196
				Collection of loans	1,435	Long-term loans to subsidiaries and affiliates	11,494
				Lending of funds	40,555		
				Interest received ^(Note 5)	279		

Notes: 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.

(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 (Note 1)	Account	Ending balance
Company, etc. in which an executive, or a relative thereof, holds a majority of voting rights	FSC LLC ^(Note 3)	6.71% held in the Company directly	Insurance agent	Payment of insurance premiums ^(Note 2)	2	Prepaid expenses	1
						Long-term prepaid expenses	0

Notes: 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 LLC.

9 Notes on per-share information

Net assets per share	608.30 yen
Basic earnings per share	90.38 yen

Note: The treasury shares of the Company held by the “BIP Trust” and “Stock-granting ESOP Trust” in the shareholder’s equity have been included in the number of treasury shares which is subject to be excluded used in the calculation of the basic earnings per share by the average number of shares during the period. They were also included in the number of treasury shares which is subject to be excluded from calculations of total shares outstanding as of the end of the period for the purpose of calculating net assets per share.

Average treasury shares during the period excluded for the purpose of calculating basic earnings per share:	1,989,855 shares
Total treasury shares as of the end of the period excluded for the purpose of calculating net assets per share:	1,979,512 shares

10 Notes on business combination

These notes are omitted because they are identical to those under “Notes on the consolidated financial statements: Notes on business combination: (Transactions under common control)” in the consolidated financial statements.

11 Notes on significant subsequent events

These notes are omitted because they are identical to those under “Notes on the consolidated financial statements: Notes on significant subsequent events: (Cancellation of treasury shares)” in the consolidated financial statements.