Management's Discussion and Analysis

Consolidated Statements of Income and Comprehensive Income

Long-Term Trends

Both sales and profits are trending upward in the Entertainment Contents Business, supported by growth in the number of platformers and increasingly diverse business models. We forecast continued growth going forward.

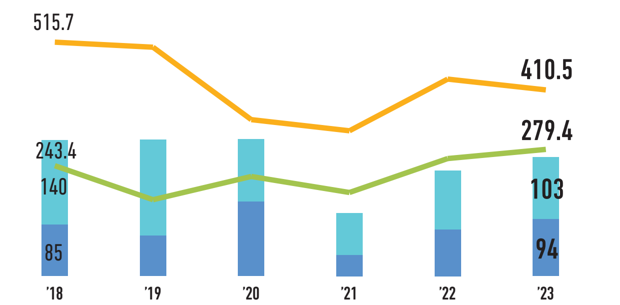
The Pachislot and Pachinko Machines Business is recovering in both sales and profits due to the market environment, which has improved with a softening of regulations, and also due to increased business efficiency driven mainly by cost improvements.

Main Causes of the Decline in Earnings

Declining Earnings within Existing Businesses amid Market Contraction

Sammy Unit Sales / Pachislot and Pachinko Market Size

Thousands of units / Billions of yen

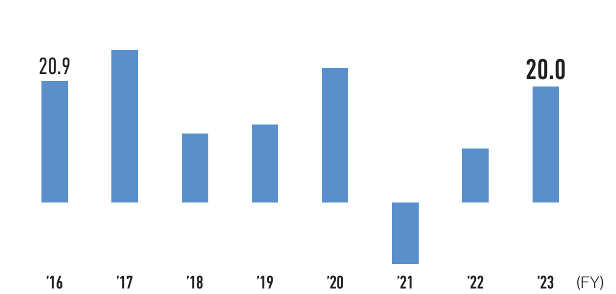


(Settlement dates from July to June: Market size)

Source: Yano Research Institute Ltd. "Pachinko Manufacturer Trends 2023" (Research of Japanese Market)

Pachislot and Pachinko Machines Business Operating Income

Billions of yen

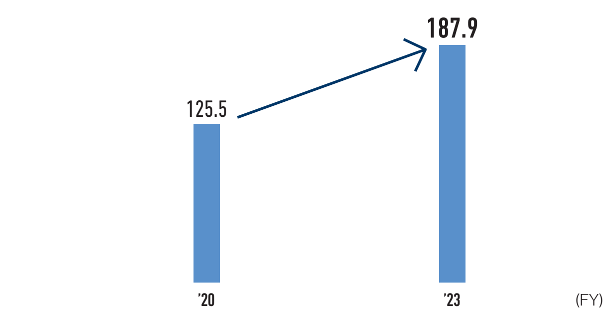


Improvement in Profitability

Earning Growth in Consumer Area

Consumer Area Net Sales

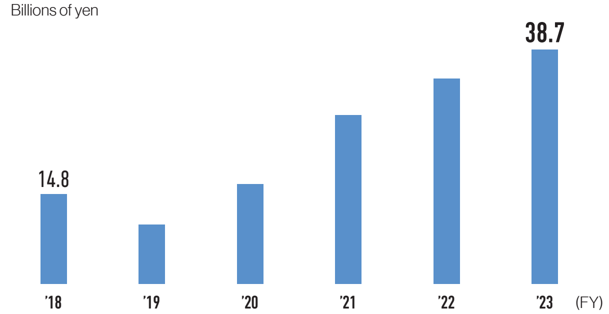
Billions of yen



Entertainment Contents Business Profitability Improvement

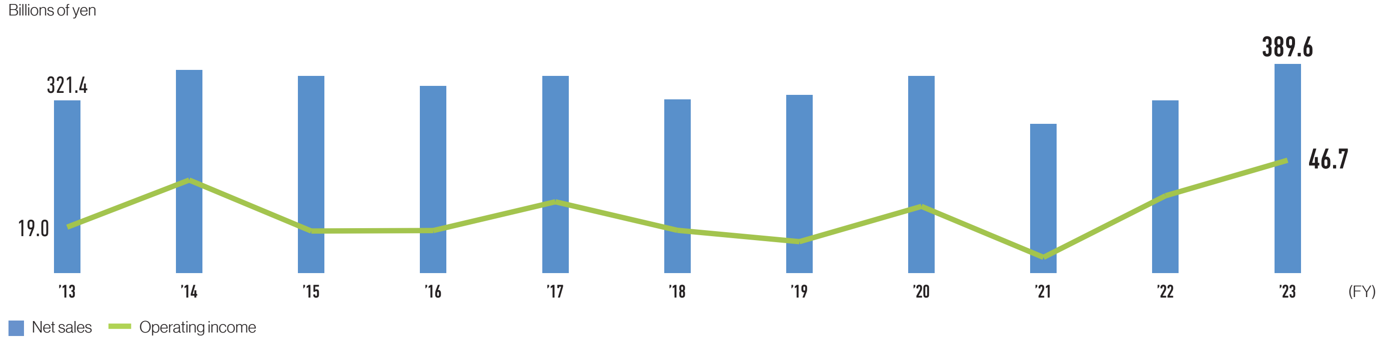
Entertainment Contents Business Operating Income

Billions of yen



Long-Term Trends in Net Sales and Operating Income

Billions of yen

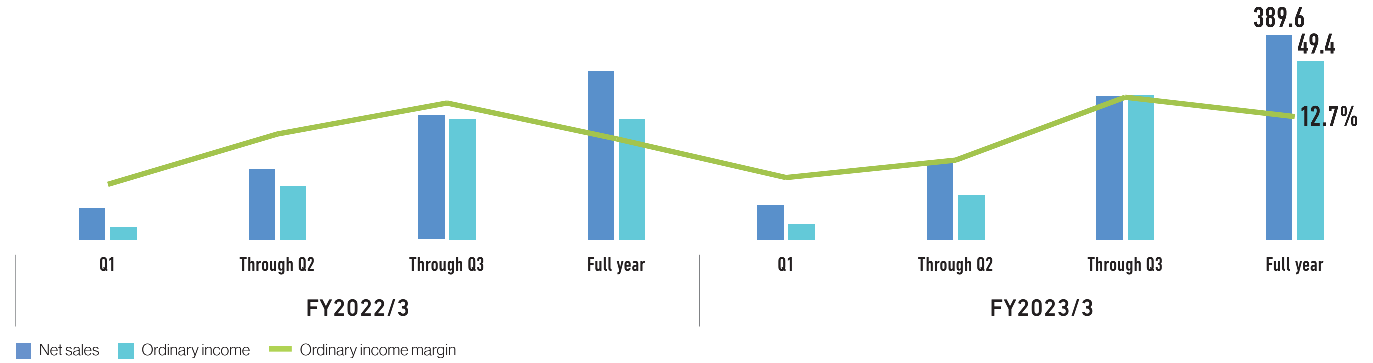


Comparing FY2022/3 and FY2023/3

(FY2023/3)

Net sales: ¥389.6 billion Ordinary income: ¥49.4 billion Ordinary income margin: 12.7%

Billions of yen



Summary of Consolidated Financial Statements

Billions of yen

	2022	2023	YoY Change
Net sales	320.9	389.6	21.4%
Entertainment Contents Business	235.9	282.8	19.9%
Pachislot and Pachinko Machines Business	75.8	94.2	24.3%
Resort Business	8.6	11.5	33.7%
Other and eliminations	0.6	1.1	83.3%
Cost of sales	193.0	231.5	19.9%
Gross profit	127.8	158.0	23.6%
Selling, general and administrative (SG&A) expenses	95.8	111.2	16.1%
Operating income	32.0	46.7	45.9%
Entertainment Contents Business	33.9	38.7	14.2%
Pachislot and Pachinko Machines Business	9.3	20.0	115.1%
Resort Business	−2.5	−1.1	–
Other and eliminations	−8.7	−10.9	–
Operating income margin	10.0%	12.0%	2.0pt
Non-operating income	5.9	4.9	−16.9%
Non-operating expenses	4.6	2.2	−52.2%
Ordinary income	33.3	49.4	48.3%
Extraordinary income	5.2	0	−100.0%
Extraordinary losses	0.6	2.4	300.0%
Income before income taxes	37.9	47.0	24.0%
Total income taxes	0.9	1.1	22.2%
Profit attributable to owners of parent	37.0	45.9	24.1%
Cash dividends per share (Yen)	40	59	–
Net income per share (Yen)	158.85	208.07	–
Net assets per share (Yen)	1,311.72	1,498.75	–

Operating income (Entertainment Contents Business)

The Consumer area contributed to a year-on-year increase in operating income.

Operating income (Pachislot and Pachinko Machines Business)

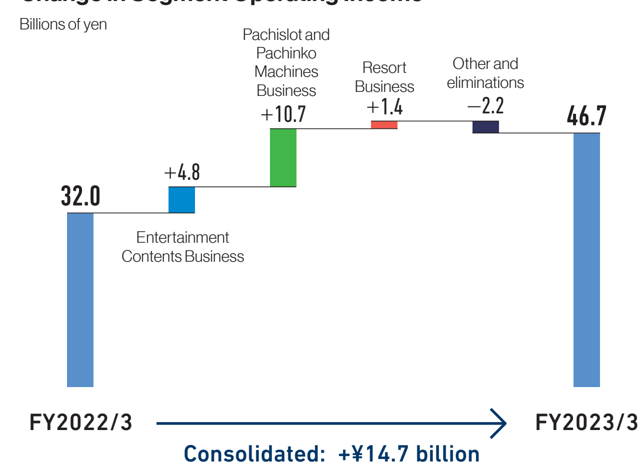
In particular, sales of pachislot machines (No. 6.5 model) were firm, resulting in significant year-on-year growth in profits.

Total income taxes

Income taxes decreased due to the recognition of deferred tax assets at a U.S. subsidiary, a decrease in taxable income from net loss carried forward, and a tax credit related to research and development at a U.K. subsidiary.

Change in Segment Operating Income

Billions of yen



Consolidated Financial Position

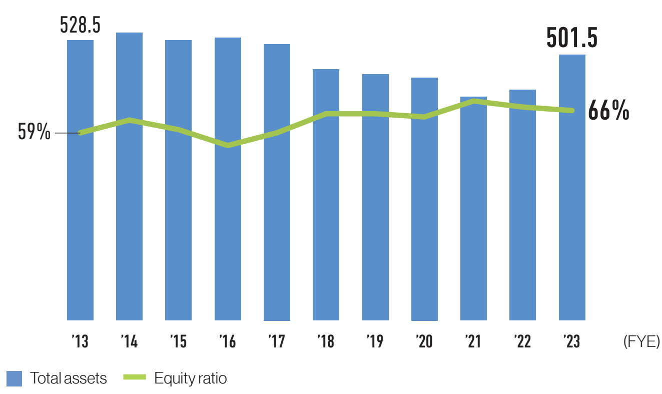
Long-Term Trends

From the fiscal year ended March 2013, total assets started trending upwards due to an increase in goodwill accompanying acquisitions in the Entertainment Contents Business, the Group's initiatives in preparation for participation in the Integrated Resort (IR) business, and an increase in investment securities accompanying new investment in growth areas, etc. In recent years, however, total assets have again been trending downward, reflecting a decrease in cash and deposits accompanying relocation of the head office, a decrease in securities, and the redemption of bonds.

Despite earnings volatility stemming from the presence or absence of hit products, which is the nature of the Group's businesses, the equity ratio remained steady and the Group continued to invest in growth areas and pay stable dividends.

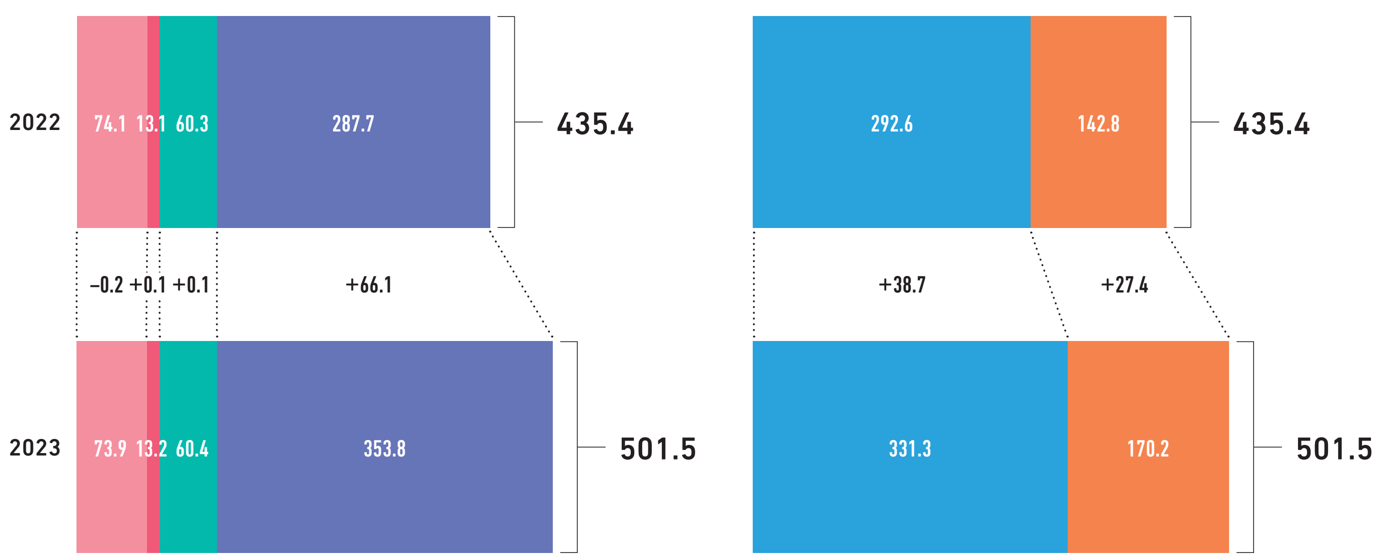
Total Assets and Equity Ratio

Billions of yen / %



Comparing FY2022/3 and FY2023/3

Assets Billions of yen　　**Liabilities and Net Assets** Billions of yen



Total investments and other assets
−¥0.2 billion

Total intangible assets
+¥0.1 billion

Total property, plant and equipment
+¥0.1 billion

Total current assets
+¥66.1 billion

Cash and deposits, trade notes and accounts receivable, and inventory assets each increased

Total net assets
+¥38.7 billion

Although total shareholders' equity fell due to cash dividends paid and the purchase of treasury stock, the Company recorded profit attributable to owners of parent. This, among other factors, caused an increase in total net assets.

Total liabilities
+¥27.4 billion

Accounts payable and contract liabilities increased.

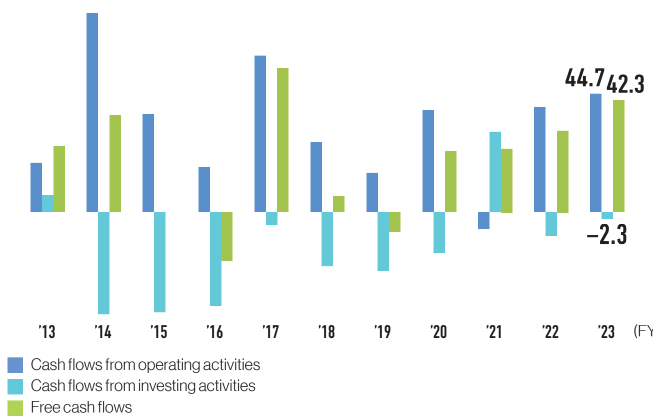
Consolidated Cash Flows

Long-Term Trends

With the exception of certain fiscal periods, the Group has continued to record net cash outflows in investing activities due to M&As in growth areas and strategic investments to raise production capacity. Since the fiscal year ended March 2013, the Group has been investing in organizational restructuring, including making three listed subsidiaries into wholly owned subsidiaries, as well as investing actively in growth areas such as the Consumer area. Through a cash management system, the Group uses internal capital efficiently. Also, the Group uses a range of methods to support liquidity and meet investment needs flexibly, including borrowings and bond issuance.

Cash Flows

Billions of yen

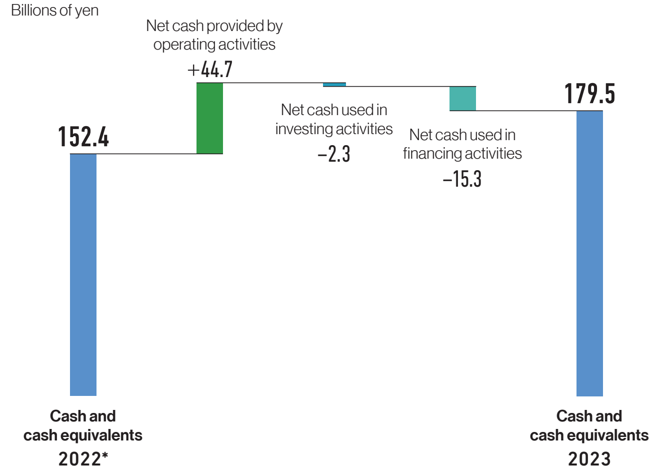


FY2023/3 Cash Flows

Cash and cash equivalents at the end of the fiscal year ended March 2023 were ¥179,509 million, up ¥27,049 million from the previous fiscal year-end.

Consolidated Cash Flows

Billions of yen



* The balance of cash and cash equivalents as of end of March 2022 includes the effect of foreign exchange rate changes on cash and cash equivalents.

Breakdown of Cash Flows

Billions of yen

Cash Flows from Operating Activities	
Income before income taxes	47.0
Depreciation and amortization	10.6
Increase in trade notes and accounts receivable	−13.4
Increase in inventories	−22.4
Increase in contract liabilities	15.5
Others	7.4
Cash Flows from Investing Activities	
Purchase of property, plant and equipment	−4.9
Purchase of intangible assets	−5.8
Others	8.4
Cash Flows from Financing Activities	
Proceeds from long-term debt	10.0
Repayment of long-term loans	−10.1
Acquisition of treasury stocks	−4.9
Payment of dividends	−8.8
Others	−1.5

Net cash provided by operating activities
+¥44.7 billion

Net cash provided by operating activities for the fiscal year ended March 2023 was ¥44,704 million yen (¥39,607 million for the fiscal year ended March 2022). This was mainly due to the recording of income before income taxes of ¥47,069 million and depreciation of ¥10,669 million, and an increase in contract liabilities of ¥15,545 million, which outweighed an increase in inventories of ¥22,481 million and an increase in trade receivables of ¥13,493 million.

Net cash used in investing activities
−¥2.3 billion

Net cash used for investing activities was ¥2,351 million (compared with an outflow of ¥8,794 million in the previous fiscal year). This was mainly due to outflows of ¥4,944 million for the purchase of property, plant and equipment and ¥5,875 million for the purchase of intangible assets, despite an inflow of ¥3,510 million from distributions from investment partnerships.

Net cash used in financing activities
−¥15.3 billion

Net cash used for financing activities was ¥15,358 million (compared with an outflow of ¥35,970 million in the previous fiscal year). This was mainly due to outflows of ¥10,191 million for the repayment of long-term debt, ¥8,865 million for cash dividends paid, and ¥4,987 million for the purchase of treasury stock despite an inflow of ¥10,000 million from long-term debt.

Non-Financial Assets

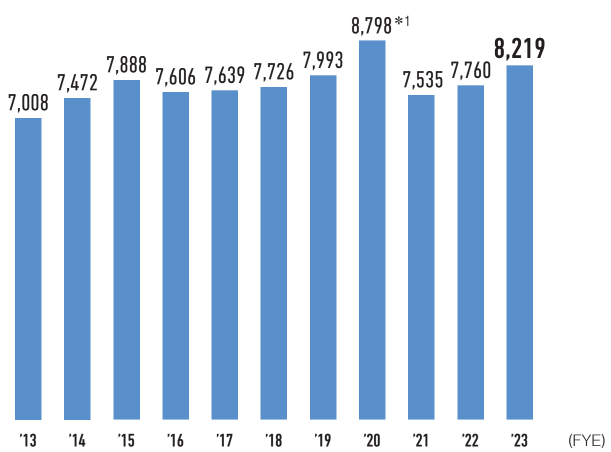
Human Capital

Consolidated Employee Numbers

At the end of the fiscal year ended March 2023, the consolidated number of employees was 8,219, up 459 from the previous fiscal year-end, as the Company actively augmented development resources, mainly in the Consumer area of the Entertainment Contents Business.

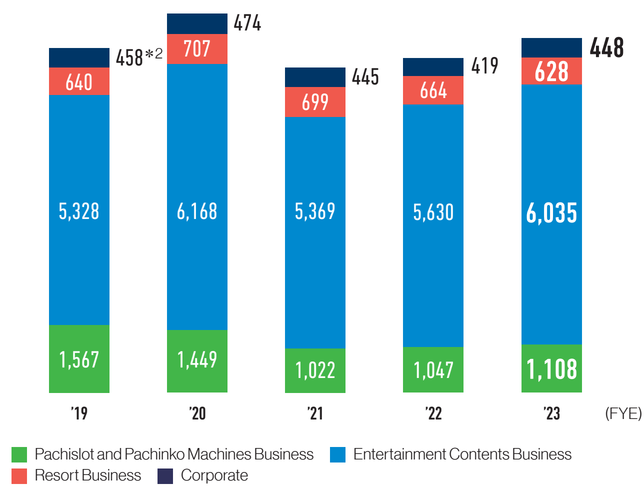
Consolidated Employee Numbers

People



Employee Numbers by Segment

People



*1 Total employees in the Entertainment Contents Business increased due to the conversion of fixed-term to permanent labor contracts (about 440 people).
*2 Increase in seconded employees due to cross-group organizational restructuring centered on management functions.

Intellectual Property

R&D Expenses and Content Production Expenses

We are actively investing in R&D and content production to reinforce and enhance its intellectual property—the source of the Group's competitiveness. In recent years, we have stepped up our focus on investing in the Consumer area to expand the product and service lineup over the medium term. In the fiscal year ended March 2023, R&D and content production expenses were ¥80.4 billion, up ¥11.5 billion year on year.

Reference

Recognition of R&D Expenses and Content Production Expenses by Product and Service

- **Entertainment Contents Business (CS/full games)**
  Recorded as inventory assets or intangible fixed assets during development and as costs after launch. Amortized at 25% in the first month, following which the remaining amount is amortized on a straight-line basis over 23 months (total amortization period is 24 months).

- **Entertainment Contents Business (CS/F2P)**
  Amortized at a fixed rate for 24 months or 36 months from the launch month.

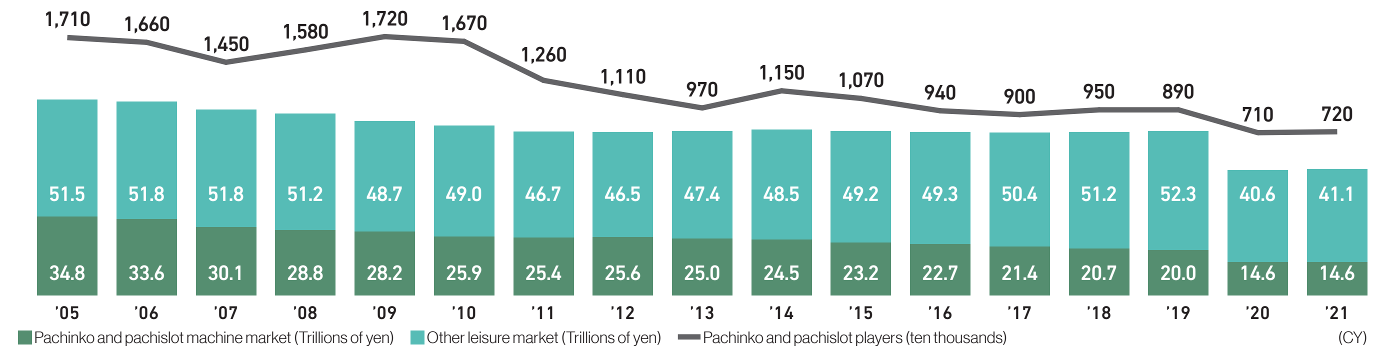
- **Entertainment Contents Business (AM)**
  Recorded as inventory assets during development and as costs after launch. Amortized on straight-line basis at 15% for each of the first two months of the launch and at 7% for each of the following 10 months (total amortization period is 12 months).

- **Consumer area**
  Not recorded as assets but as costs on an accrual basis (outsourced processing costs are recorded at the time of receipt and inspection)

* Since CS/full games can be expected to be sold over a longer period of time compared to the past due to prolonged product lifecycles, the amortization rules have been revised to the above starting with new games released in the fiscal year ending March 2024.

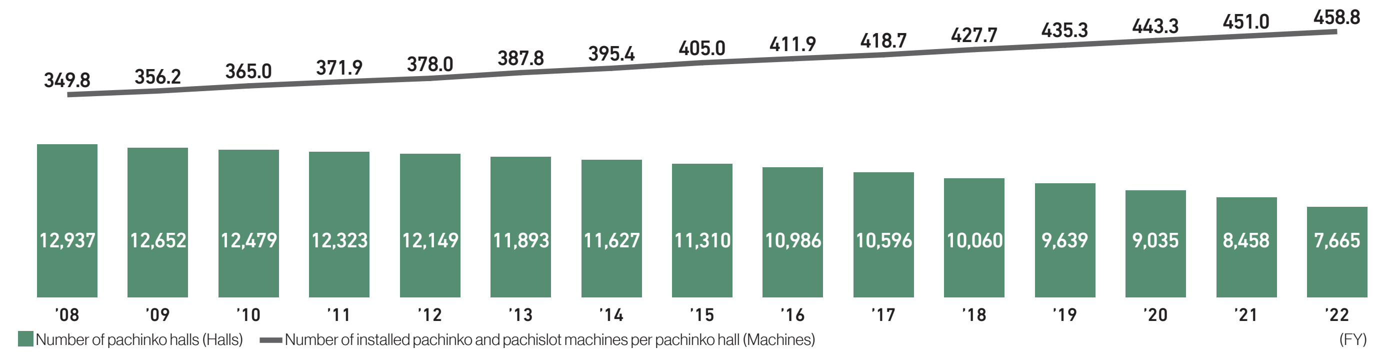
Basic Data

Market Sizes and Number of Pachinko and Pachislot Players



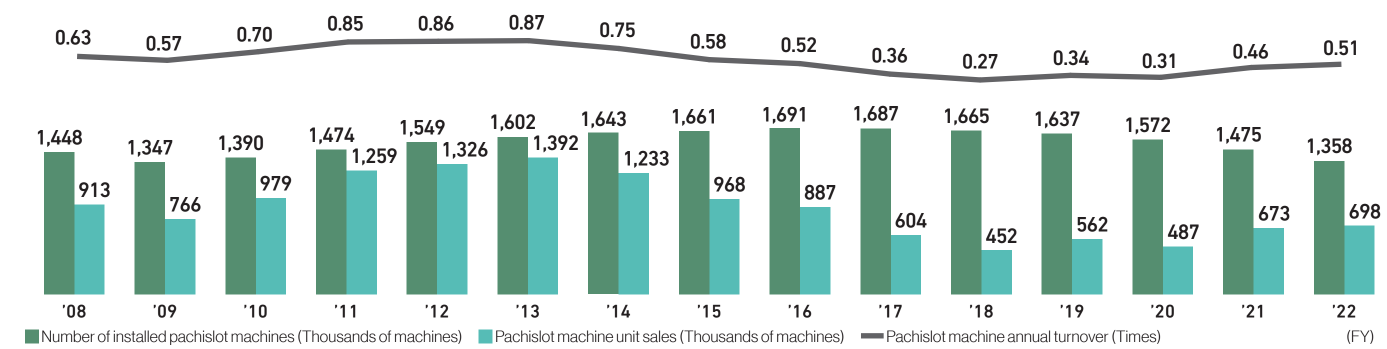
Source: White Paper on Leisure Industry 2022, Japan Productivity Center

Numbers of Pachinko Halls and Installed Pachislot and Pachinko Machines per Pachinko Hall



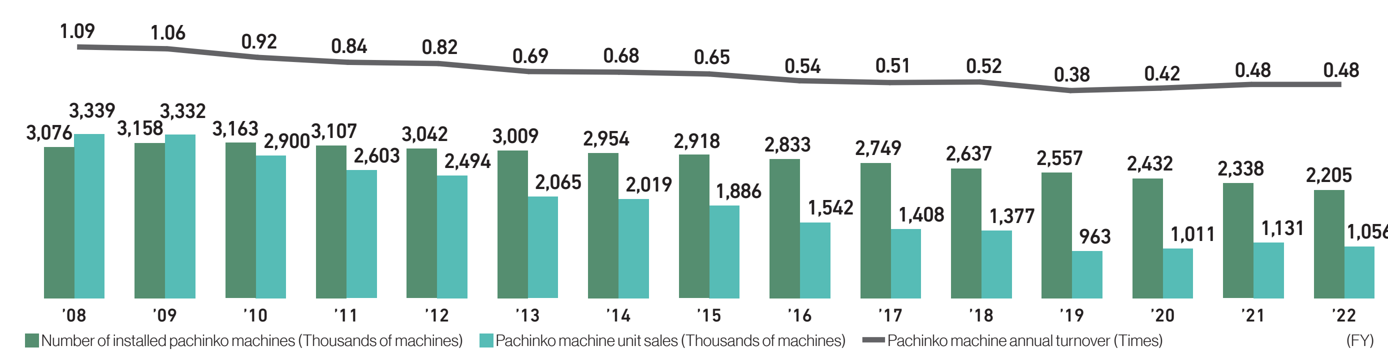
Source: National Police Agency

Pachislot Machines: Number of Installed Machines, Unit Sales, and Annual Turnover



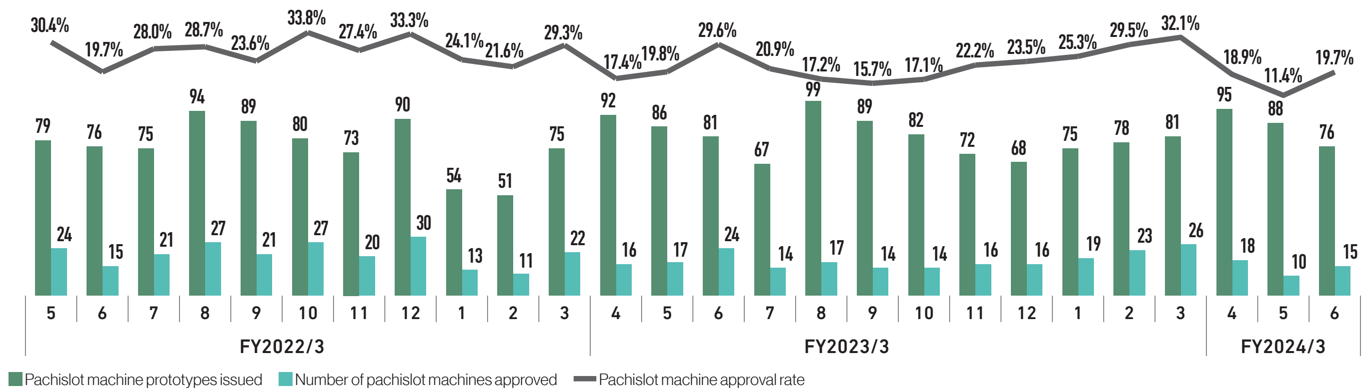
Sources: National Police Agency and Yano Research Institute Ltd. "Pachinko Manufacturer Trends 2023" (Research of Japanese Market)

Pachinko Machines: Number of Installed Machines, Unit Sales, and Annual Turnover



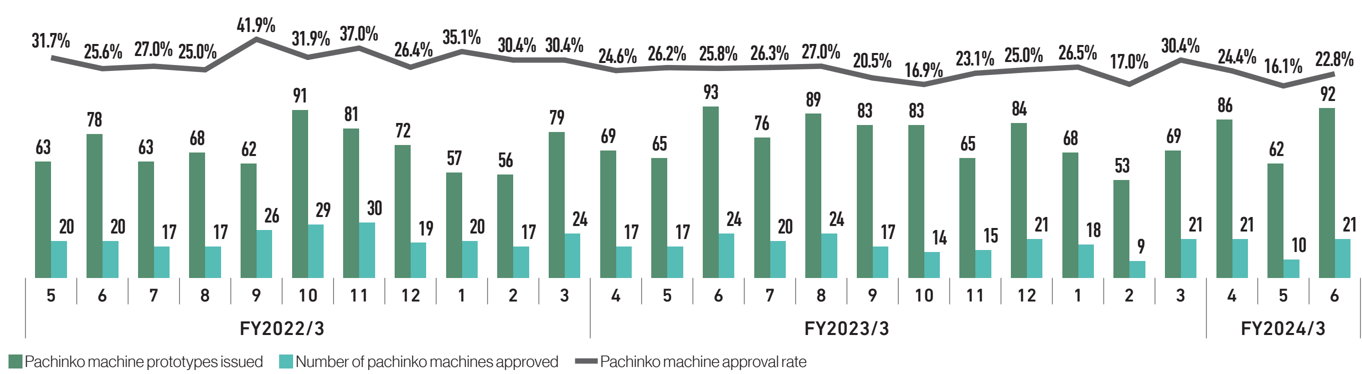
Sources: National Police Agency and Yano Research Institute Ltd. "Pachinko Manufacturer Trends 2023" (Research of Japanese Market)

Results of Pachislot Machine Prototype Testing



Source: Security Communications Association

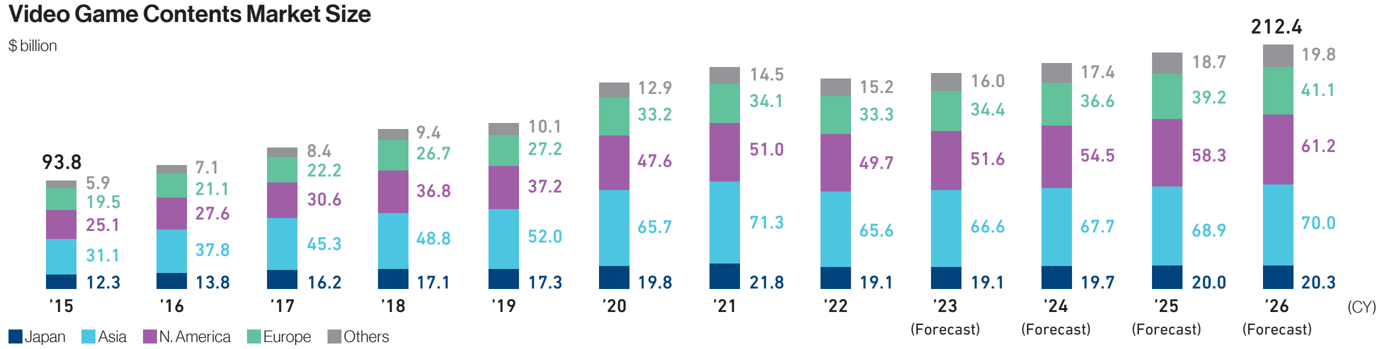
Results of Pachinko Machine Prototype Testing



Source: Security Communications Association

Video Game Contents Market Size

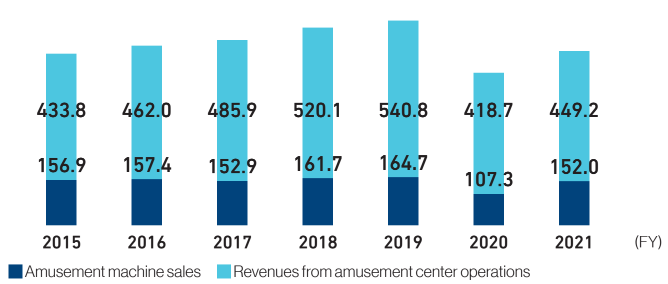
$ billion



Source: Created based on Newzoo Global Games Market Data July 2023

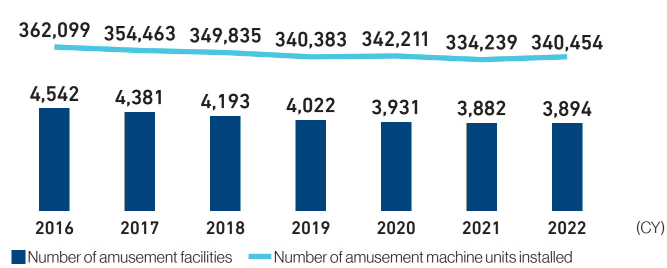
Domestic Amusement Machine Sales and Revenues from Amusement Facilities Operations

Billions of yen



Source: Japan Amusement Industry Association

Number of Amusement Facilities and Amusement Machine Units Installed



Source: National Police Agency

Company Profile / Stock Information

Company Profile

Company name	SEGA SAMMY HOLDINGS INC.
Address	Sumitomo Fudosan Osaki Garden Tower, 1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo 141-0033, Japan
URL	https://www.segasammy.co.jp/en/
Established	October 1, 2004
Capital	¥29,953 million (As of March 31, 2023)
Principal business	Management of SEGA SAMMY Group as the holding company

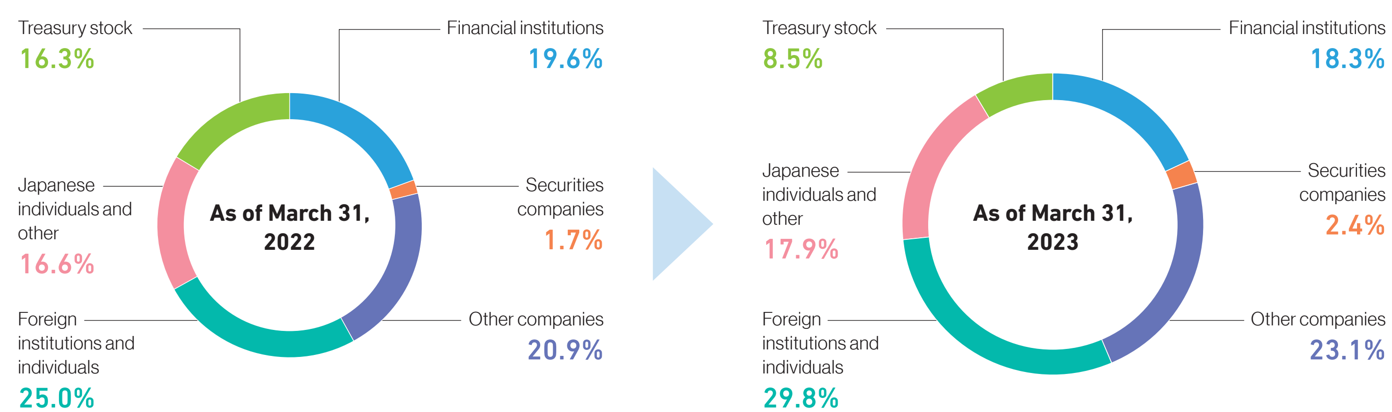
Stock Information (As of March 31, 2023)

Number of shares authorized for issue	800,000,000
Total shares issued and outstanding	241,229,476
Number of shareholders	60,659

Major Shareholders (As of March 31, 2023)

Name of shareholder	Shares held	Shares ratio
HS Company	36,008,000	14.92%
The Master Trust Bank of Japan, Ltd. (Trust account)	27,345,000	11.33%
SEGA SAMMY HOLDINGS INC.	20,476,041	8.48%
FSC Co., Ltd.	13,682,840	5.67%
Custody Bank of Japan, Ltd. (Trust account)	13,173,200	5.46%
Hajime Satomi	7,202,938	2.98%
STATE STREET BANK AND TRUST COMPANY 505001	5,684,392	2.35%
KOREA SECURITIES DEPOSITORY– SAMSUNG	5,649,300	2.34%
Haruki Satomi	3,905,461	1.61%
THE BANK OF NEW YORK MELLON 140044	2,888,091	1.19%

Breakdown of Shareholders



Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
As of March 31, 2022 and 2023

Millions of yen

	2022	2023
Assets		
Current assets		
Cash and deposits	¥152,459	**¥179,509**
Notes, accounts receivable—trade, and contract assets (Note 7 (1))	38,952	**53,370**
Merchandise and finished goods	9,336	**18,503**
Work in process	42,145	**50,689**
Raw materials and supplies	16,044	**20,269**
Income taxes receivable	11,814	**15,620**
Other	17,360	**16,205**
Allowance for doubtful accounts	(323)	**(304)**
Total current assets	287,789	**353,862**
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	76,578	**77,630**
Accumulated depreciation	(47,823)	**(49,664)**
Buildings and structures, net	28,755	**27,966**
Machinery, equipment, and vehicles	8,836	**8,505**
Accumulated depreciation	(7,518)	**(7,190)**
Machinery, equipment, and vehicles, net	1,318	**1,314**
Amusement machines and facilities	7,049	**7,232**
Accumulated depreciation	(6,347)	**(6,632)**
Amusement machines and facilities, net	701	**599**
Land (Note 7 (4))	18,522	**18,581**
Construction in progress	657	**534**
Other	46,755	**49,343**
Accumulated depreciation	(36,352)	**(37,857)**
Other, net	10,403	**11,485**
Total property, plant, and equipment	60,358	**60,482**
Intangible assets		
Goodwill	3,460	**2,592**
Other	9,722	**10,654**
Total intangible assets	13,183	**13,247**
Investments and other assets		
Investment securities (Note 7 (3))	40,699	**39,538**
Long-term loans receivable	428	**247**
Lease and guarantee deposits	7,164	**6,924**
Net defined benefit assets	2,984	**5,362**
Deferred tax assets	13,446	**16,499**
Other	9,826	**5,785**
Allowance for doubtful accounts	(387)	**(383)**
Total investments and other assets	74,161	**73,973**
Total noncurrent assets	147,703	**147,703**
Total assets	¥435,492	**¥501,566**

See accompanying notes.

Millions of yen

	2022	2023
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥ 24,455	**¥ 30,556**
Short-term borrowings	10,000	**17,000**
Accrued expenses	20,360	**19,865**
Income taxes payable	2,069	**4,776**
Contract liabilities	10,257	**25,852**
Provision for bonuses	8,383	**9,689**
Provision for directors' bonuses	1,189	**1,187**
Provision for point card certificates	115	**187**
Asset retirement obligations	199	**—**
Other	9,954	**11,216**
Total current liabilities	86,986	**120,332**
Noncurrent liabilities		
Bonds payable	10,000	**10,000**
Long-term borrowings	32,000	**25,000**
Lease obligations	4,013	**5,352**
Net defined benefit liability	4,395	**3,877**
Deferred tax liabilities	469	**754**
Asset retirement obligations	2,560	**2,607**
Provision for dismantling of fixed assets	420	**420**
Other	2,009	**1,874**
Total noncurrent liabilities	55,869	**49,886**
Total liabilities	142,855	**170,218**
Net assets		
Shareholders' equity		
Capital stock	29,953	**29,953**
Capital surplus	117,689	**72,213**
Retained earnings	224,684	**261,840**
Treasury stock	(77,886)	**(37,251)**
Total shareholders' equity	294,440	**326,755**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,270	**2,626**
Deferred gains or losses on hedges	(33)	**382**
Revaluation reserve for land (Note 7 (4))	(1,109)	**(1,109)**
Foreign currency translation adjustment	41	**3,730**
Remeasurements of defined benefit plans	(3,199)	**(1,531)**
Total accumulated other comprehensive income	(2,028)	**4,099**
Share acquisition rights	176	**468**
Non-controlling interests	49	**24**
Total net assets	292,637	**331,347**
Total liabilities and net assets	¥435,492	**¥501,566**

See accompanying notes.

Consolidated Statements of Income and Comprehensive Income

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

Millions of yen

	2022	2023
Net sales (Note 8 (1))	¥320,949	**¥389,635**
Cost of sales (Notes 8 (2) and (3))	193,081	**231,568**
Gross profit	127,868	**158,067**
Selling, general and administrative expenses	95,825	**111,278**
Operating income	32,042	**46,789**
Other income (expenses)		
Interest income	112	**433**
Dividends income	498	**516**
Gain on investments in partnership	3,052	**1,929**
Foreign exchange gains	1,337	**1,354**
Interest expenses	(301)	**(321)**
Equity in losses of affiliates	(2,778)	**(520)**
Commission fee	(102)	**(146)**
Loss on investments in partnership	(479)	**(563)**
Loss on retirement of noncurrent assets	(469)	**(285)**
Gain on sales of noncurrent assets (Note 8 (4))	1,988	**3**
Gain on sales of investment securities	2,516	**—**
Gain on sales of stocks of subsidiaries and affiliates	698	**—**
Loss on sales of noncurrent assets (Note 8 (5))	(50)	**(0)**
Impairment loss (Note 8 (6))	(430)	**(446)**
Loss on valuation of investment securities	0	**(81)**
Loss on COVID-19	(113)	**—**
Loss on business restructuring (Note 8 (7))	—	**(1,783)**
Other, net	401	**191**
Subtotal	5,878	**279**
Income (loss) before income taxes	37,921	**47,069**
Income taxes—current	1,989	**4,137**
Income taxes—deferred	(1,086)	**(3,000)**
Total income taxes	903	**1,136**
Profit	37,018	**45,932**
(Breakdown)		
Profit attributable to owners of parent	37,027	**45,938**
Profit attributable to non-controlling interests	(8)	**(6)**
Other comprehensive income		
Valuation difference on available-for-sale securities	334	**345**
Deferred gains or losses on hedges	(14)	**—**
Foreign currency translation adjustment	3,526	**2,873**
Remeasurements of defined benefit plans, net of tax	(2,844)	**1,677**
Share of other comprehensive income of entities accounted for using equity method	1,203	**1,227**
Total other comprehensive income (Note 8 (8))	2,206	**6,124**
Comprehensive income	39,224	**52,057**
(Breakdown)		
Comprehensive income attributable to owners of parent	39,230	**52,066**
Comprehensive income attributable to non-controlling interests	¥ (5)	**¥ (9)**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

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

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2021	¥29,953	¥118,048	¥200,551	¥(53,561)	¥294,991
Cumulative effects of changes in accounting policies			(2,067)		(2,067)
Restated balance	29,953	118,048	198,484	(53,561)	292,924
Changes in items during the period					
Dividends from surplus			(9,411)		(9,411)
Profit attributable to owners of parent			37,027		37,027
Effect of changes in accounting period of consolidated subsidiaries					—
Purchase of treasury stock				(25,036)	(25,036)
Disposal of treasury stock		(90)		711	621
Cancellation of treasury stock					—
Change in scope of consolidation			(1,317)		(1,317)
Change in scope of equity method		(186)	(97)		(284)
Change in ownership interest of parent due to transactions with non-controlling interests		(82)			(82)
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	(358)	26,200	(24,325)	1,515
Balances as of March 31, 2022	¥29,953	¥117,689	¥224,684	¥(77,886)	¥294,440

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, 2021	¥1,930	¥(725)	¥(1,109)	¥(3,867)	¥ (459)	¥(4,231)
Cumulative effects of changes in accounting policies						—
Restated balance	1,930	(725)	(1,109)	(3,867)	(459)	(4,231)
Changes in items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Cancellation of treasury stock						
Change in scope of consolidation						
Change in scope of equity method						
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes in items other than shareholders' equity	340	692		3,909	(2,739)	2,203
Total changes in items during the period	340	692	—	3,909	(2,739)	2,203
Balances as of March 31, 2022	¥2,270	¥ (33)	¥(1,109)	¥ 41	¥(3,199)	¥(2,028)

Millions of yen

	Share acquisition rights	Non-controlling interests	Total net assets
Balances as of April 1, 2021	¥ —	¥ 496	¥291,256
Cumulative effects of changes in accounting policies			(2,067)
Restated balance	—	496	289,189
Changes in items during the period			
Dividends from surplus			(9,411)
Profit attributable to owners of parent			37,027
Effect of changes in accounting period of consolidated subsidiaries			—
Purchase of treasury stock			(25,036)
Disposal of treasury stock			621
Cancellation of treasury stock			—
Change in scope of consolidation			(1,317)
Change in scope of equity method			(284)
Change in ownership interest of parent due to transactions with non-controlling interests			(82)
Net changes in items other than shareholders' equity	176	(447)	1,932
Total changes in items during the period	176	(447)	3,448
Balances as of March 31, 2022	¥176	¥ 49	¥292,637

See accompanying notes.

Consolidated Statements of Changes in Net Assets

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

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2022	¥29,953	¥117,689	¥224,684	¥(77,886)	¥294,440
Cumulative effects of changes in accounting policies					—
Restated balance	29,953	117,689	224,684	(77,886)	294,440
Changes in items during the period					
Dividends from surplus			(8,873)		(8,873)
Profit attributable to owners of parent			45,938		45,938
Effect of changes in accounting period of consolidated subsidiaries			90		90
Purchase of treasury stock				(4,987)	(4,987)
Disposal of treasury stock		31		142	174
Cancellation of treasury stock		(45,480)		45,480	—
Change in scope of consolidation					—
Change in scope of equity method					—
Change in ownership interest of parent due to transactions with non-controlling interests		(27)			(27)
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	(45,475)	37,155	40,635	32,315
Balances as of March 31, 2023	¥29,953	¥ 72,213	¥261,840	¥(37,251)	¥326,755

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, 2022	¥2,270	¥ (33)	¥(1,109)	¥ 41	¥(3,199)	¥(2,028)
Cumulative effects of changes in accounting policies						—
Restated balance	2,270	(33)	(1,109)	41	(3,199)	(2,028)
Changes in items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Cancellation of treasury stock						
Change in scope of consolidation						
Change in scope of equity method						
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes in items other than shareholders' equity	356	415		3,688	1,667	6,128
Total changes in items during the period	356	415	—	3,688	1,667	6,128
Balances as of March 31, 2023	¥2,626	¥382	¥(1,109)	¥3,730	¥(1,531)	¥ 4,099

Millions of yen

	Share acquisition rights	Non-controlling interests	Total net assets
Balances as of April 1, 2022	¥176	¥ 49	¥292,637
Cumulative effects of changes in accounting policies			—
Restated balance	176	49	292,637
Changes in items during the period			
Dividends from surplus			(8,873)
Profit attributable to owners of parent			45,938
Effect of changes in accounting period of consolidated subsidiaries			90
Purchase of treasury stock			(4,987)
Disposal of treasury stock			174
Cancellation of treasury stock			—
Change in scope of consolidation			—
Change in scope of equity method			—
Change in ownership interest of parent due to transactions with non-controlling interests			(27)
Net changes in items other than shareholders' equity	292	(25)	6,395
Total changes in items during the period	292	(25)	38,710
Balances as of March 31, 2023	¥468	¥ 24	¥331,347

See accompanying notes.

Consolidated Statements of Cash Flows

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

Millions of yen

	2022	2023
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	¥ 37,921	¥ 47,069
Depreciation and amortization	11,406	10,669
Impairment loss	430	446
Loss (gain) on sales of noncurrent assets	(1,937)	(4)
Loss on retirement of noncurrent assets	469	285
Loss (gain) on sales of investment securities	(2,489)	—
Loss (gain) on valuation of investment securities	0	81
Loss (gain) on investments in partnership	(2,573)	(1,365)
Amortization of goodwill	2,311	2,178
Increase (decrease) in allowance for doubtful accounts	(25)	(41)
Increase (decrease) in provision for directors' bonuses	437	(15)
Increase (decrease) in net defined benefit liability	96	(170)
Increase (decrease) in provision for bonuses	(116)	1,223
Interest and dividends income	(610)	(950)
Interest expenses	301	321
Foreign exchange losses (gains)	(1,112)	1,152
Equity in (earnings) losses of affiliates	2,778	520
Decrease (increase) in notes and accounts receivable—trade	338	(13,493)
Decrease (increase) in inventories	(15,354)	(22,481)
Increase (decrease) in notes and accounts payable—trade	6,495	5,908
Increase (decrease) in contract liabilities	10,201	15,545
Increase (decrease) in guarantee deposits received	(1,589)	(76)
Other, net	(4,240)	1,806
Subtotal	43,138	48,611
Interest and dividends income received	664	987
Interest expenses paid	(300)	(291)
Extra retirement payments	(2,236)	—
Income taxes paid	(5,078)	(6,743)
Income taxes refund	3,419	2,140
Net cash provided by (used in) operating activities	¥ 39,607	¥ 44,704

See accompanying notes.

Consolidated Statements of Cash Flows

	2022	2023
	Millions of yen	
Net cash provided by (used in) investing activities		
Payments into time deposits	¥ (5,000)	¥ —
Proceeds from withdrawal of time deposits	5,000	—
Purchase of short-term investment securities	(20,000)	—
Proceeds from redemption of securities	20,717	—
Purchase of trust beneficiary rights	(1,309)	—
Proceeds from sales of trust beneficiary rights	1,167	**382**
Purchase of property, plant, and equipment	(5,983)	**(4,944)**
Proceeds from sales of property, plant, and equipment	2,141	**7**
Purchase of intangible assets	(4,569)	**(5,875)**
Proceeds from sales of intangible assets	0	—
Purchase of investment securities	(196)	**(669)**
Proceeds from sales of investment securities	2,565	**1**
Payments for investment in partnerships	(821)	**(1,226)**
Proceeds from distribution of investment in partnerships	2,596	**3,510**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**(448)**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**31**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	212	—
Purchase of shares of subsidiaries and affiliates	(4,903)	**(155)**
Payments of loans receivable	(769)	**(1,907)**
Collection of loans receivable	2,381	**2,586**
Reduction of investments in trusts	—	**1,200**
Payments for lease deposits	(238)	**(26)**
Collection of lease deposits	514	**767**
Other, net	(2,300)	**4,413**
Net cash provided by (used in) investing activities	(8,794)	**(2,351)**
Net cash provided by (used in) financing activities		
Proceeds from long-term borrowings	—	**10,000**
Repayment of long-term borrowings	—	**(10,191)**
Purchase of treasury stock	(25,036)	**(4,987)**
Purchase of treasury stock of subsidiaries	(98)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	**(50)**
Cash dividends paid	(9,410)	**(8,865)**
Cash dividends paid to non-controlling interests	(93)	—
Other, net	(1,331)	**(1,263)**
Net cash provided by (used in) financing activities	(35,970)	**(15,358)**
Effect of exchange rate change on cash and cash equivalents	3,029	**162**
Net increase (decrease) in cash and cash equivalents	(2,128)	**27,156**
Cash and cash equivalents at start of period	154,540	**152,459**
Increase in cash and cash equivalents from newly consolidated subsidiaries	47	—
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	—	**(107)**
Cash and cash equivalents at end of period (Note 10 (1))	¥152,459	**¥179,509**

See accompanying notes.

Notes to Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, necessary adjustments are made upon consolidation for 2022 and 2023. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese-language consolidated financial statements is not presented in the accompanying consolidated financial statements. Each amount of the accompanying consolidated financial statements is rounded down to the nearest one million yen.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in order to present them in a form which is more familiar to readers outside of Japan. Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the classifications used in 2023. These changes had no impact on previously reported results of operations or shareholders' equity.

2 Summary of Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 61

(2) Number of non-consolidated subsidiaries: 11

Non-consolidated subsidiaries are excluded from the scope of consolidation because the combined amount of each of assets, net sales and net income corresponding to the percentage of equity interest held by the Company, and the combined amount of retained earnings corresponding to the percentage of equity interest held by the Company, do not have a significant effect on the consolidated financial statements.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for under the equity method: —

(2) Number of affiliated companies accounted for under the equity method: 8

(3) Number of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method: 13

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

3. Accounting policies

(1) Valuation and accounting treatment for important assets

1) Held-to-maturity debt securities

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

2) Available-for-sale securities

Those other than securities without available fair market value:

Fair value method (The difference between acquisition cost and fair value is accounted for as the valuation difference on available-for-sale securities in net assets, with cost of sales determined 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:

Securities without quoted market prices are carried at cost, which is determined by the moving-average 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 2-2 of the Financial Investment and Exchange Law of Japan) is calculated based on the relevant financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.

3) Derivatives

Derivatives are stated at fair market value.

4) Inventories
Inventories are stated at cost, cost being determined mainly by the gross-average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

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

(2) Depreciation and amortization for important assets

1) Property, plant and equipment (excluding lease assets)
Depreciation is calculated primarily using the straight-line method.
Range of useful life for the assets is as follows:
Buildings and structures: 2–50 years
Machinery, equipment and vehicles: 2–12 years
Amusement machines and facilities: 2–5 years
2) Intangible assets (excluding lease assets)
Amortization is calculated using the straight-line method. The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (within five years).
3) Lease assets
Finance leases which transfer ownership:
Depreciation method for such assets is the same as that which applies to property, plant and equipment owned by the Company.
Finance leases which do not transfer ownership:
Depreciated by using the straight-line method assuming the useful life equals to the lease period with a residual value of zero.
4) Right-of-use assets
The lease period or the useful life of the asset, whichever is shorter, is used as the useful life, and the residual value is calculated as zero.

(3) Accounting for deferred assets

Bond issue cost: All expenses are expensed when incurred.

(4) Accounting for allowances and provisions

1) Allowance for doubtful accounts
Allowance for doubtful accounts is provided in the amount sufficient to cover possible losses based on a historical write-off of general receivables.
Receivables with default possibility and bankrupt receivables are calculated based on an individual assessment of the possibility of collection.
2) Provision for bonuses
The estimated amount of bonuses was recorded to meet the payment of employee bonuses, an amount corresponding to the current fiscal year.
3) Provision for directors' bonuses
The estimated amount of bonuses was recorded to meet the payment of Directors and Audit & Supervisory Board Members' bonuses, an amount corresponding to the current fiscal year.
4) 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.
5) Provision for dismantling of fixed assets
To provide for expenses for dismantling unused decrepit buildings, estimated future expenses are recorded.

(5) Accounting method for retirement benefits

1) Attribution method for projected retirement benefits:
In calculating retirement benefits obligations, benefit-formula attribution is adopted for the purpose of attributing projected retirement benefits to the period up to the end of the fiscal year ended March 31, 2023.
2) 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 charged to income 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 average remaining years of service for the employees at the time of accrual in each fiscal year, commencing from the following fiscal year after the accrual for each employee or are charged to income collectively in the following fiscal year after the accrual.

(6) Accounting for significant hedge

1) Hedge accounting
The Group adopts deferred hedge accounting. However, special treatment is used for qualifying interest rate swap transactions. Moreover, allocation hedge accounting is applied to qualifying currency swap transactions and forward exchange contracts.
2) Hedging instruments and hedged items
Hedging instrument: Currency swaps, interest rate swaps, and forward exchange contracts
Hedged item: Interest on borrowings, receivables and payables denominated in foreign currencies
3) Hedge policy
Derivative instruments are used to mitigate risks associated with foreign exchange and interest rate fluctuations.
As a rule, hedging is only used for items in which actual demand exists, and not for speculative purposes.
4) Evaluation of hedge effectiveness
Hedge effectiveness is evaluated through comparative analysis of the cumulative fluctuations in the market between the hedged item and the hedging instrument. Evaluation of hedge effectiveness at fiscal year-end is omitted for currency swap transactions, as material conditions for the notional principal of hedging instruments and those for hedged items are the same and these transactions are deemed to offset the market fluctuations.
Evaluation of hedge effectiveness at fiscal year-end is omitted also for interest rate swap transactions applied to special treatment.

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

Accounting policy for recognition of significant revenues is as follows.
Compensation for individual performance obligations was received within roughly two months after their fulfillment and did not include significant financial elements.
(i) 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 sales of F2P items in the Entertainment Contents Business, and Pachislot and Pachinko Machines Business, the Group's performance obligation is to provide the services specified for each item to the customer. Depending on the nature of the item, the Group determines that the performance obligation is satisfied when the item is used by the customer or over the course of the estimated usage period 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.
(ii) Sales of products and merchandise
Revenue from the sales of products and merchandise in the Entertainment Contents Business and Pachislot and Pachinko Machines Business is primarily from sales through manufacture or wholesale. The Group's performance obligation is to deliver finished products or merchandise in accordance with a sales contract or the like with the customer. The Group determines that the performance obligation is satisfied when it delivers the finished products or merchandise and the customer assumes control over said finished products or merchandise, with the revenue recognized at the point of delivery. With regard to revenue from sales from consignment type sales of certain merchandise, if after the role (as the principal or agent) in the provision of goods or services is determined, the Group is involved in the sale of the merchandise as an agent, the revenue is recognized using the net amount after deducting the amount paid to the supplier from the amount received from the customer.
(iii) Resort facility sales
Revenues of resort facilities in the Resort Business is from the operation of hotels and golf courses, with the Group's performance obligation to provide accommodation, eating and drinking, and space to play on the golf course at each facility. The Group determines that the performance obligation is satisfied and the revenue is recognized upon the completion of the provision of the various services to the customers.

(8) Amortization method and period of goodwill

If the duration of the effect of goodwill can be rationally estimated, amortization is made over the estimated number of years by the straight-line method. In other cases, amortization is made over a five-year-period by the straight-line method.

(9) Cash and cash equivalents in the consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(10) Application of the group tax-sharing system

The Company applies the group tax-sharing system.

3 Significant Accounting Estimates

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

(i) Carrying amounts in the consolidated financial statements in the current fiscal year

Millions of yen

	2022	2023
Work in process	¥39,098	**¥47,043**
"Other" under intangible assets	5,801	**6,410**

(ii) Calculation method of the carrying amount in the consolidated financial statements in the current fiscal year
Work in process and software, etc., amounts posted on account of production of game contents, etc., in the Entertainment Contents Business are stated at acquisition cost and are expensed or amortized systematically considering the forecasted sales volume and expected service period. However, if the future recoverable amount is less than the carrying amount of work in process and software, etc., the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recorded in the cost of sales for the current fiscal year.

(iii) Key assumptions used in the calculation of carrying amount in the consolidated financial statements in the current fiscal year
The future recoverable amount is estimated based on the forecasted sales for the following fiscal years.
(iv) Impact on the consolidated financial statements in the following fiscal year
In case of possible discrepancy between the forecasts and actual results due to the timing of release of new products from rival companies in the same market and the nature of hit businesses, there may be an impact on profit and loss.

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

(i) Carrying amount in the consolidated financial statements in the current fiscal year

Millions of yen

	2022	2023
Raw materials	¥10,594	**¥16,136**

(ii) Calculation method of the carrying amount in the consolidated financial statements in the current fiscal year
Raw materials are posted using the acquisition cost, but in the event that anticipated future raw material usage falls below stock, the surplus is posted to cost of sales.
(iii) Key assumptions used in the calculation of carrying amount in the consolidated financial statements in the current fiscal year
Raw material usage forecasts are estimated based on the projected volume of Pachinko and Pachislot machines sales for the following fiscal years.
(iv) Impact on the consolidated financial statements in the following fiscal year
In case of possible discrepancy between the forecasts and actual results due to the timing of release of new products from rival companies in the same market and the nature of hit businesses, there may be an impact on profit and loss.

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

(i) Carrying amount in the consolidated financial statements in the current fiscal year

Millions of yen

	2022	2023
Shares of subsidiaries and affiliates	¥18,542	**¥17,867**

(ii) Calculation method of the carrying amount in the consolidated financial statements in the current fiscal year
PARADISE SEGASAMMY Co., Ltd. (PSS) is an affiliate of the Company accounted for using the equity method. Investments into PSS are treated under equity method accounting.
PSS applies International Financial Reporting Standards (IFRS), and if there is any indication of impairment in its cash generating units, it performs an impairment test. For the cash generating units including goodwill, PSS performs an impairment test on an annual basis, in addition to when there is any indication of impairment. As a result of its impairment tests, in the event that the recoverable amount is less than its carrying amount the book value in the PSS financial statements is reduced to the recoverable amount is less than its carrying amount, this exerts an impact on the amount of shares of affiliates of the Company through equity method accounting.
PSS has posted ¥125,811 million in noncurrent assets, including goodwill of ¥7,771 million.
(iii) Key assumptions used in the calculation of carrying amount in the consolidated financial statements in the current fiscal year
PSS performs an impairment test on its cash generating units including goodwill, and its cash generating units that show any indication of impairment, and makes calculations for recoverable amount based on value in use or on fair value less cost of disposal.
Key assumptions that utilize measurements of value in use are made based on the business plans, etc., which are fundamental to calculations of future cash flows, as well as growth rates and discount rates. Business plans, etc., have been made based on the number of casino visitors and the drop amount (the amount of chips purchased at tables), premised on demand recovering gradually through the following fiscal year. When establishing growth rates for after the target period of the business plans, etc., figures that reflect consideration of business growth are used. In addition, the discount rate is calculated using weighted average cost of capital as a basis and by reflecting the risk associated with businesses, which is determined based on external and internal information.
Fair value less cost of disposal mainly uses the real estate appraisal value (under depreciated replacement cost approach) of external experts who take into consideration the repurchase cost of the relevant asset and related depreciation factors.
(iv) Impact on the consolidated financial statements in the following fiscal year
Estimates of future cash flows are made based on best estimates from management. However, in the event of trends in the number of users which cause estimates to vary from actual results, there may be an impact on profit and loss.

4 Changes in Accounting Policies

(1) Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") since the start of the current consolidated fiscal year. The new accounting policies stipulated by the Fair Value Measurement Guidance are applied to current and future accounts in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This has had no impact on the consolidated financial statements for the current fiscal year. The notes on investment trusts in the fair value information by level within the fair value hierarchy in the notes on financial instruments are not shown for the previous consolidated fiscal year, in accordance with Paragraph 27-3 of the Fair Value Measurement Guidance.

(2) Application of "Leases" (U.S. GAAP Topic 842)

Subsidiaries that apply U.S. GAAP have applied "Leases" (U.S. GAAP Topic 842) since the start of the current consolidated fiscal year. This standard calls for the lessee to record all leases as assets and liabilities on the balance sheet, in principle. The application of U.S. GAAP Topic 842 is in accordance with the transitional treatment, and the Company employs the method of recognizing the cumulative effect of the change in accounting policies on the starting date of its application. This has had only a minor impact on the consolidated financial statements for the current fiscal year.

5 Unapplied New Accounting Standards

The Company and its domestic consolidated subsidiaries
• Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
• Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
• Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These standards cover handling of categories for recording income taxes on other comprehensive income and tax effects related to sale of stock in subsidiaries and other instruments when applying group corporate income taxation.

(2) Scheduled date of application

The guidance will apply from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the accounting standard

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

• Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights that Must be Indicated on Securities, etc. (ASBJ Practical Solution No. 43, August 26, 2022)

(1) Overview

This standard sets out accounting and disclosure of issuance or holding by a joint stock company of electronically recorded transferable rights that must be indicated on securities, etc., as described in Article 1, paragraph 4, item 17 of the Cabinet Office Order on Financial Instruments Business, etc. (Cabinet Office Order No. 52 of 2007).

(2) Scheduled date of application

The accounting standard will apply from the beginning of the fiscal year ending March 31, 2024.

(3) Effects of application of the accounting standard

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

6 Changes in Methods of Presentation

(1) Consolidated Balance Sheet
"Contract liabilities," which had been included in "Other" under current liabilities in the previous consolidated fiscal year, are separately presented beginning with this consolidated fiscal year, since they account for more than 5% of total liabilities and net assets. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect this change in presentation methods. As a result, ¥20,211 million presented as "Other" under current liabilities on the Consolidated Balance Sheet for the previous consolidated fiscal year has been restated as ¥10,257 million of "Contract liabilities" and ¥9,954 million of "Other."

(2) Consolidated Statement of Cash Flows
"Increase (decrease) in contract liabilities," which had been included in "Other, net" under cash flows from operating activities in the previous consolidated fiscal year, is separately presented beginning with this consolidated fiscal year, since it has increased in importance. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect this change in presentation methods. As a result, ¥5,960 million presented as "Other, net" under cash flows from operating activities on the Consolidated Statement of Cash Flows for the previous consolidated fiscal year has been restated as ¥10,201 million of "Increase (decrease) in contract liabilities" and ¥(4,240 million) of "Other, net."

7 Notes to Consolidated Balance Sheets

(1) Receivables from contracts with customers and contract assets
The amount of receivables from contracts with customers and the amount of contract assets, included in "Notes, accounts receivable—trade, and contract assets" on the consolidated balance sheets, are provided in "Note 22 Revenue recognition 3. (1) Receivables from contracts with customers; the balances of contract assets and contract liabilities" of the notes to consolidated financial statements.

(2) Assets pledged as collateral
Assets pledged as collateral are as follows:

Millions of yen

	2022	2023
Shares of subsidiaries and affiliates	Note 1 ¥18,542	**Note 2 ¥17,867**
Total	18,542	**17,867**

Notes: 1. For a loan of ¥70,107 million (KR₩725,000 million) from financial institutions to the equity method affiliate PARADISE SEGASAMMY Co., Ltd. at the end of the previous fiscal year, the shares of this company are pledged as collateral.
2. For a loan of ¥73,007 million (KR₩725,000 million) from financial institutions to the equity method affiliate PARADISE SEGASAMMY Co., Ltd. at the end of the current fiscal year, the shares of this company are pledged as collateral.

(3) Investment securities to non-consolidated subsidiaries and affiliated companies

Millions of yen

	2022	2023
Investment securities (Shares)	¥20,866	**¥19,432**
Investment securities (Capital Contributions)	978	**824**

(4) Revaluation reserve for land
Consolidated subsidiary SEGA CORPORATION has revalued land for business, pursuant to the Act on Revaluation of Land (Law No. 34, March 31, 1998) and Amendments to the Law Concerning Revaluation of Land (Law No. 19, March 31, 2001).
Accordingly, SEGA CORPORATION has recorded an item for the revaluation reserve for land under net assets.

Revaluation method
SEGA CORPORATION computed the value of land based on the methodology regarding rational adjustments to valuation of fixed assets stipulated in Article 2-3, and appraisals by licensed real estate appraisers prescribed in Article 2-5 of the Enforcement Ordinance No. 119 (March 31, 1998) pertaining to the Law Concerning Revaluation of Land.
Date of revaluation: March 31, 2002.
Difference between the fair value at the end of the fiscal year and the book value after revaluation of revalued land: ¥(425) million

(5) Overdraft account and commitment line contract
The Company and its consolidated subsidiaries entered into overdraft account contracts and commitment line contracts with banks for the purpose of efficient procurement of operating capital.
The balance of unexecuted borrowings based on these contracts are as follows.

Millions of yen

	2022	2023
Total amount of limit of overdraft account and commitment line contract	¥239,068	**¥294,654**
Balance of borrowings	—	**—**
Balance of unrealized borrowings	239,068	**294,654**

8 Notes to Consolidated Statements of Income and Comprehensive Income

(1) Revenue from contracts with customers
Net sales combine revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is provided in "Note 22 Revenue recognition 1. Disaggregation of revenue from contracts with customers" of the consolidated financial statements.

(2) The book value devaluation of inventories held for normal sales purpose based on decline in profitability

Millions of yen

	2022	2023
Cost of sales	¥6,636	**¥9,871**

(3) Research and development expenses included in selling, general and administrative expenses and manufacturing cost

Millions of yen

	2022	2023
	¥47,127	**¥51,410**

(4) Gain on sales of noncurrent assets

Millions of yen

	2022	2023
Machinery, equipment, and vehicles	¥ 2	**¥3**
Other property, plant, and equipment	1,985	**0**
Total	1,988	**3**

(5) Loss on sales of noncurrent assets

Millions of yen

	2022	2023
Buildings and structures	¥14	**¥—**
Machinery, equipment, and vehicles	0	**—**
Amusement machines and facilities	33	**0**
Other property, plant, and equipment	2	**0**
Total	50	**0**

(6) Impairment loss

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

Millions of yen

Use	Location	Type	Amount
Assets for business	Shinagawa-ku, Tokyo and 2 other locations	Buildings and structures	¥ 11
		Amusement machines and facilities	11
		Other property, plant, and equipment	320
		Other intangible assets	86
		Total	430

Based on business segments, assets or asset groups whose cash flows can be estimated separately are grouped independently. Of these, the book values of assets or asset groups whose market values declined significantly or that are projected to consistently generate negative cash flows arising from operating activities are reduced to their recoverable values. The amount of this reduction is recorded as an impairment loss under other expenses. Recoverable values are calculated based on memorandum values, as no future cash flows are expected.

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

Millions of yen

Use	Location	Type	Amount
Assets for business	State of Nevada in the U.S. and 2 other locations	Buildings and structures	**¥141**
		Amusement machines and facilities	**2**
		Other property, plant, and equipment	**297**
		Other intangible assets	**5**
		Total	**446**

Based on business segments, assets or asset groups whose cash flows can be estimated separately are grouped independently. Of these, the book values of assets or asset groups whose market values declined significantly or that are projected to consistently generate negative cash flows arising from operating activities are reduced to their recoverable values. The amount of this reduction is recorded as an impairment loss under other expenses. Recoverable values are calculated based on memorandum values, as no future cash flows are expected.

(7) Loss on business restructuring

This loss is primarily related to the game contents for which development was suspended in connection to the restructuring of the European business.

(8) Reclassification adjustments and the related tax effects concerning other comprehensive income

Millions of yen

	2022	2023
Valuation difference on available-for-sale securities		
The amount arising during the period	¥ 620	**¥ 433**
Reclassification adjustments	26	**—**
Before adjustments to tax effects	647	**433**
The amount of tax effects	(312)	**(87)**
Valuation difference on available-for-sale securities	334	**345**
Deferred gains or losses on hedges		
The amount arising during the period	6	**—**
Reclassification adjustments	(28)	**—**
Before adjustments to tax effects	(22)	**—**
The amount of tax effects	7	**—**
Deferred gains or losses on hedges	(14)	**—**
Foreign currency translation adjustment		
The amount arising during the period	3,524	**2,873**
Reclassification adjustments	2	**—**
Before adjustments to tax effects	3,526	**2,873**
The amount of tax effects	—	**—**
Foreign currency translation adjustment	3,526	**2,873**
Remeasurements of defined benefit plans, net of tax		
The amount arising during the period	(2,920)	**1,760**
Reclassification adjustments	165	**(34)**
Before adjustments to tax effects	(2,754)	**1,726**
The amount of tax effects	(89)	**(49)**
Remeasurements of defined benefit plans, net of tax	(2,844)	**1,677**
Share of other comprehensive income of entities accounted for using equity method		
The amount arising during the period	1,203	**1,277**
Reclassification adjustments	—	**—**
Share of other comprehensive income of entities accounted for using equity method	1,203	**1,227**
Total other comprehensive income	¥2,206	**¥6,124**

9 Notes to Consolidated Statements of Changes in Net Assets

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

1. Number of outstanding common stock

Shares

Type of stock	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common stock	266,229,476	—	—	266,229,476

2. Number of outstanding treasury stock

Shares

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common stock	31,142,581	12,578,815	413,466	43,307,930

(Outline of causes of change)

Increase

Increase due to market purchases pursuant to Board of Directors resolutions: 12,560,300 shares

Increase due to purchase of odd-lot stock: 7,215 shares

Increase due to free acquisition upon retirement of individuals subject to stock compensation with restriction on transfer: 11,300 shares

Decrease

Decrease due to sales of odd-lot stock: 166 shares

Decrease due to stock compensation with restriction on transfer: 413,300 shares

3. Subscription rights to shares

Company name	Breakdown	Type of stock	Number of stocks (Shares) As of April 1, 2021	Increase	Decrease	As of March 31, 2022	Balance at March 31, 2022 Millions of yen
The Company	Subscription rights to shares as stock options	—	—	—	—	—	¥176
Total			—	—	—	—	176

4. Dividends

(1) Dividends

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting held on May 13, 2021	Common stock	¥4,701	¥20	March 31, 2021	June 4, 2021
Board of Directors' Meeting held on November 8, 2021	Common stock	4,709	20	September 30, 2021	December 1, 2021

(2) Of the dividends in which the record date is in the fiscal year ended March 31, 2022 but the effective date is in the following fiscal year

Resolution	Class of shares	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting held on May 13, 2022	Common stock	Retained earnings	¥4,458	¥20	March 31, 2022	June 2, 2022

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

1. Number of outstanding common stock

Shares

Type of stock	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common stock	**266,229,476**	**—**	**25,000,000**	**241,229,476**

(Outline of causes of change)

The causes of the decrease are as follows:

Decrease due to cancellation of treasury stock: 25,000,000 shares

2. Number of outstanding treasury stock

Shares

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common stock	**43,307,930**	**2,246,395**	**25,078,284**	**20,476,041**

(Outline of causes of change)

Increase

Increase due to market purchases pursuant to Board of Directors resolutions: 2,240,700 shares

Increase due to purchase of odd-lot stock: 5,695 shares

Decrease

Decrease due to sales of odd-lot stock: 84 shares

Decrease due to stock compensation with restriction on transfer: 78,200 shares

Decrease due to cancellation of treasury stock 25,000,000 shares

3. Subscription rights to shares

Company name	Breakdown	Type of stock	Number of stocks (Shares) As of April 1, 2022	Increase	Decrease	As of March 31, 2023	Balance at March 31, 2023 Millions of yen
The Company	Subscription rights to shares as stock options	**—**	**—**	**—**	**—**	**—**	**¥468**
Total			**—**	**—**	**—**	**—**	**468**

4. Dividends

(1) Dividends

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting held on May 13, 2022	Common stock	**¥4,458**	**¥20**	March 31, 2022	June 2, 2022
Board of Directors' Meeting held on October 31, 2022	Common stock	**4,415**	**20**	September 30, 2022	December 1, 2022

(2) Of the dividends in which the record date is in the fiscal year ended March 31, 2022 but the effective date is in the following fiscal year

Resolution	Class of shares	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting held on May 12, 2023	Common stock	Retained earnings	**¥8,609**	**¥39**	March 31, 2023	June 2, 2023

10 Notes to Consolidated Statements of Cash Flows

(1) Reconciliation of cash and cash equivalents at end of year and the amount recorded on the consolidated balance sheets

Millions of yen

	2022	2023
Cash and deposits	¥152,459	**¥179,509**
Cash and cash equivalents	152,459	**179,509**

11 Information for Certain Leases

1. Finance leases that do not transfer ownership prior to the initial year of application of the Accounting Standard for Lease Transactions

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation, accumulated impairment loss and net book value for the years ended March 31, 2023 and 2022, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

Prior fiscal year (As of March 31, 2022)

Millions of yen

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings	¥2,103	¥968	¥1,135	¥—
Total	2,103	968	1,135	—

Current fiscal year (As of March 31, 2023)

Millions of yen

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings	**¥2,103**	**¥968**	**¥1,135**	**¥—**
Total	**2,103**	**968**	**1,135**	**—**

(2) Future lease payments and accumulated impairment loss on leased assets

Future lease payments as of March 31, 2022 and 2023

Millions of yen

	2022	2023
Due within one year	¥151	**¥151**
Due after one year	164	**12**
Total	315	**164**

Accumulated impairment loss on leased assets as of March 31, 2021 and 2022

Millions of yen

	2022	2023
Accumulated impairment loss on leased assets	¥233	**¥120**

(3) A summary of assumed amounts of lease payments, reversal of allowance for impairment loss on leased assets, depreciation, interest expenses and impairment loss for the years ended March 31, 2022 and 2023, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

Millions of yen

	2022	2023
Lease payments	¥151	**¥151**
Reversal of allowance for impairment loss on leased assets	115	**113**
Depreciation	124	**124**
Interest expenses	9	**5**

(4) Method of calculating depreciation equivalent

The straight-line method is applied under the assumptions that the useful life equals the lease period and the residual value is zero.

(5) Method of calculating interest expenses equivalent

Interest expenses equivalent are calculated as the difference between total lease charges and acquisition cost equivalent of leased items and are allocated to each fiscal year using the interest method.

2. Finance lease transactions

(1) Details of lease assets

Leased assets primarily consist of offices and other related facilities ("machinery, equipment, and vehicles"; "other property, plant, and equipment"; and "other intangible assets").

(2) The methods of depreciation for lease 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.

3. Lease transactions under IFRS

(1) Details of leased assets (right-of-use assets)

Leased assets (right-of-use assets) primarily consists of items related to leased offices of certain overseas consolidated subsidiaries.

(2) Depreciation method of right-of-use assets

The lease period or the useful life of the assets, whichever is shorter, is used as the useful life, and the residual value is calculated as zero.

4. Operating lease transactions

Future lease payments for operating lease transactions which cannot be canceled as of March 31, 2022 and 2023 are as follows:

Millions of yen

	2022	2023
Due within one year	¥ 4,316	**¥ 3,992**
Due after one year	11,670	**6,468**
Total	15,987	**10,460**

Notes: 1. Major factors for the increase or decrease in operating lease transactions includes the payment of lease payables for offices leased for the Group's headquarters and the extension of lease periods (upon contract renewal) for leased offices in certain headquarters.

2. Subsidiaries that apply U.S. GAAP have applied "Leases" (U.S. GAAP Topic 842) since the start of the current consolidated fiscal year. As a result, the subsidiary's lease obligations will be included in the consolidated balance sheet. Therefore, it is not included in future lease payments for the current consolidated fiscal year.

12 Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group has signed an agreement concerning commitment lines with financial institutions to secure medium- to long-term funds liquidity with the Company as a 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 the financial plan through bank borrowings or bond issues, while operating a Cash Management System for the purpose of making efficient use of Group funds. Most funds are invested primarily in low-risk and high-liquidity financial assets (some are invested in compound financial instruments) such as bonds, to further efficient funds management. Derivatives are not used for speculative purposes, but mainly used to manage exposure to financial risks as described below.

(2) Details of financial instruments and their risks

Notes and accounts receivable trade, which are operating receivables, are exposed to customer credit risks. Additionally, operating receivables denominated in foreign currencies are exposed to exchange rate fluctuation risks. Securities and investment securities are composed mainly of bonds and stocks related to business alliances with business partners. The latter are exposed to market price fluctuation risk.

Of notes and accounts payable—trade (which are operating payables) are denominated in foreign currencies and are exposed to exchange rate fluctuation risks. With respect to a portion thereof, the Group hedges risks using forward exchange contracts. Borrowings and bonds are primarily sought to procure funds necessary for operating capital and capital expenditures. All of these are procured at fixed interest rates.

Derivative transactions are forward exchange contracts to hedge exchange rate fluctuation risk associated with operating payables denominated in foreign currencies, and interest rate swap transactions to hedge interest rate fluctuation risk associated with borrowings of consolidated subsidiaries and affiliates accounted for by the equity method.

Additionally, further information on hedge accounting (including hedging instruments and hedged items, hedge policy, and evaluation of hedge effectiveness) is provided in the aforementioned "(Significant matters forming the basis for preparing consolidated financial statements) 4. Accounting Policies (6) Accounting method for significant hedge".

(3) Risk management system for financial instruments

1) Management of credit risk (risk related to contractual nonperformance by business partners)

For operating receivables, (in accordance with the credit management and other rules of each company that serve as the responsible department) regularly monitors the status of major business partners, managing due dates, and balances for each business partner while working to detect in advance to mitigate any concerns about collection due to deteriorating financial positions and other factors.

As major debentures generally have high ratings, the credit risk is minimal. In principle, the Group enters into derivative transactions only with its financial institutions.

The maximum amount of credit risk as of the end of the current fiscal year is represented as the amounts recorded in the consolidated balance sheets for financial assets exposed to credit risks.

2) Management of market risk (risk of fluctuations in foreign exchange or interest rates)

For certain borrowings with variable interest rates for consolidated subsidiaries and affiliates accounted for by the equity method, the Group uses interest rate swap transactions, etc., to control the risk of fluctuating interest rates on loans.

Fair value and the financial condition of issuers (business partners) of securities and investment securities are periodically ascertained and reported to the Board of Directors meetings of each company. The holding status of principal stocks held are reviewed on an ongoing basis, in consideration of the relationship with business partners. In regards to certain compound financial instruments, etc., the Group periodically ascertains their fair value and reviews the holding status on an ongoing basis.

Derivatives transactions are executed and managed mainly by the financial department or the accounting department upon obtaining internal approval in compliance with the derivative transactions management and other rules of each company. Furthermore, reports on the status of the derivative transactions is presented to the Board of Directors at each company as appropriate.

3) Management of liquidity risk related to fund procurement (risk of inability to make payments on due date)

Operating payables and borrowings are exposed to liquidity risk.

At the Group, liquidity risk is managed by having each company set an adequate fund balance and update its financial plan monthly to maintain a fund balance exceeding the predetermined balance at each company and by having the Company confirm the cash management of each company.

(4) Supplementary remarks on the fair value, etc., of financial instruments

Since calculations of the fair value of financial instruments incorporate factors that vary, the fair value may vary depending on the assumptions made. Additionally, contract amounts concerning derivative transactions presented in the "(Derivatives)" section do not represent the market risk of the derivative transactions.

2. Matters related to market values, etc., of financial instruments

Consolidated balance sheet amounts, fair values, and their differences are as follows:

Prior fiscal year (As of March 31, 2022)

Millions of yen

	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	¥34,958	¥34,958	¥ —
(2) Short-term investment securities and investment securities:			
1) Held-to-maturity debt securities	106	106	0
2) Available-for-sale securities	2,936	2,936	—
3) Stocks of affiliates	813	690	(122)
Total assets	38,815	38,692	(122)
(1) Notes and accounts payable—trade	24,455	24,455	—
(2) Short-term borrowings	10,000	10,000	—
(3) Long-term borrowings	32,000	31,955	44
(4) Bonds payable	10,000	9,929	70
Total liabilities	76,455	76,341	114
Derivative transactions			
1) Derivative transactions to which hedge accounting is not applied	—	—	—
2) Derivative transactions to which hedge accounting is applied	(33)	(33)	—
Total derivative transactions	(33)	(33)	—

Notes: 1. Notes are omitted for cash and deposits because they are settled over short timespans and their fair values approximate their book values.
2. Notes concerning securities are as described in the "Note 13 Investment Securities." Notes concerning derivatives are as described in the "Note 14 Derivative Transactions."
3. Securities without available fair market value

Millions of yen

Category	2022
Investments in unlisted stocks, etc.	¥ 3,849
Investments in investment limited partnerships, etc.	11,962
Stocks of non-consolidated subsidiaries	809
Stocks of affiliates	19,243
Investments in capital of subsidiaries and affiliates	978

The above items are not included in "(2) Short-term investment securities and investment securities," since no market price exists, future cash flows cannot be estimated, and determining their fair values is deemed extremely difficult.

4. Statement of investments in partnerships and similar business organizations for which amounts corresponding to equity are recorded in net amounts on the Consolidated Balance Sheet is omitted. The amount of such investments recorded on the Consolidated Balance Sheet is ¥12,940 million.

Current fiscal year (As of March 31, 2023)

Millions of yen

	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	**¥52,673**	**¥52,673**	**¥ —**
(2) Short-term investment securities and investment securities:			
1) Held-to-maturity debt securities	**104**	**104**	**(0)**
2) Available-for-sale securities	**4,654**	**4,654**	**—**
3) Stocks of affiliates	**—**	**—**	**—**
Total assets	**57,432**	**57,432**	**(0)**
(1) Notes and accounts payable—trade	**30,556**	**30,556**	**—**
(2) Short-term borrowings	**17,000**	**17,000**	**—**
(3) Long-term borrowings	**25,000**	**24,915**	**84**
(4) Bonds payable	**10,000**	**9,814**	**185**
Total liabilities	**82,556**	**82,287**	**269**
Derivative transactions			
1) Derivative transactions to which hedge accounting is not applied	**—**	**—**	**—**
2) Derivative transactions to which hedge accounting is applied	**382**	**382**	**—**
Total derivative transactions	**382**	**382**	**—**

Notes: 1. Notes are omitted for cash and deposits because they are settled over short timespans and their fair values approximate their book values.
2. Notes concerning securities are as described in the "Note 13 Investment Securities." Notes concerning derivatives are as described in the "Note 14 Derivative Transactions."
3. Securities without available fair market value

Millions of yen

Category	2023
Investments in unlisted stocks, etc.	**¥ 4,538**
Investments in investment limited partnerships, etc.	**9,984**
Stocks of non-consolidated subsidiaries	**846**
Stocks of affiliates	**18,586**
Investments in capital of subsidiaries and affiliates	**824**

The above items are not included in "(2) Short-term investment securities and investment securities."
4. Investments in partnerships and similar business organizations for which amounts corresponding to equity are recorded in net amounts on the Consolidated Balance Sheet and are not included under (2) Short-term Investment Securities and Investment Securities. The amount of such investments recorded on the Consolidated Balance Sheet is ¥10,808 million.

Note 1: Redemption schedule of monetary receivables and securities with maturity after the consolidated balance sheet date

Prior fiscal year (As of March 31, 2022)

Millions of yen

	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥152,459	¥ —	¥—	¥—
Notes and accounts receivable—trade	34,958	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Bonds)*	—	100	—	—
Available-for-sale securities with maturities (Negotiable certificates of deposit)	—	—	—	—
Available-for-sale securities with maturities (Other)*	—	—	—	—
Total	187,418	100	—	—

* Receivables with early settlement provisions, etc., are presented in the scheduled redemption amount based on the assumption that they are held to maturity with early settlement provisions, etc., not applied.

Current fiscal year (As of March 31, 2023)

Millions of yen

	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	**¥179,509**	**¥ —**	**¥—**	**¥—**
Notes and accounts receivable—trade	**52,673**	**—**	**—**	**—**
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Bonds)*	**—**	**100**	**—**	**—**
Available-for-sale securities with maturities (Negotiable certificates of deposit)	**—**	**—**	**—**	**—**
Available-for-sale securities with maturities (Other)*	**—**	**—**	**—**	**—**
Total	**232,182**	**100**	**—**	**—**

* Receivables with early settlement provisions, etc., are presented in the scheduled redemption amount based on the assumption that they are held to maturity with early settlement provisions, etc., not applied.

Note 2: Repayment amounts of bonds payable, long-term borrowings, lease obligations, and other interest-bearing debts after the consolidated balance sheet date

Prior fiscal year (As of March 31, 2022)

Millions of yen

Category	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥10,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	17,000	15,000	—	—	—
Bonds payable	—	—	—	—	—	10,000
Lease obligations	1,123	949	709	540	407	1,407
Other interest-bearing debt:						
Accounts payable–facilities	30	24	18	16	16	40

Current fiscal year (As of March 31, 2023)

Millions of yen

Category	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	**¥17,000**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term borrowings	**—**	**15,000**	**—**	**—**	**10,000**	**—**
Bonds payable	**—**	**—**	**—**	**—**	**—**	**10,000**
Lease obligations	**1,377**	**1,184**	**993**	**861**	**795**	**1,518**
Other interest-bearing debt:						
Accounts payable–facilities	**29**	**22**	**20**	**20**	**20**	**34**

3. Fair value information by level within the fair value hierarchy

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

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for the same assets or liabilities
Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs
Level 3 fair value: Fair value measured using material unobservable inputs
If multiple inputs are used (that are material to the fair value measurement), the fair value is categorized in the lowest priority input level in the fair value measurement.

(1) Financial assets and financial liabilities measured at fair value

Prior fiscal year (As of March 31, 2022)

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	¥1,958	¥1,958	¥ —	¥—	¥1,958
Debt securities	537	—	537	—	537
Other	439	—	439	—	439
Total assets	2,936	1,958	977	—	2,936
Derivative transaction*					
Currency-related	—	—	—	—	—
Interest rate-related	(33)	—	(33)	—	(33)
Total derivative transaction	(33)	—	(33)	—	(33)

* Net receivables and payables resulting from derivative transactions are presented on a net basis. Items for total net obligations are indicated in parentheses.

Current fiscal year (As of March 31, 2023)

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	**¥4,082**	**¥4,082**	**¥ —**	**¥—**	**¥4,082**
Debt securities	**290**	**—**	**290**	**—**	**290**
Other	**280**	**—**	**280**	**—**	**280**
Total assets	**4,654**	**4,082**	**571**	**—**	**4,654**
Derivative transaction*					
Currency-related	**—**	**—**	**—**	**—**	**—**
Interest rate-related	**382**	**—**	**382**	**—**	**382**
Total derivative transaction	**382**	**—**	**382**	**—**	**382**

* Net receivables and payables resulting from derivative transactions are presented on a net basis. Items for total net obligations are indicated in parentheses.

(2) Financial assets and financial liabilities not to be measured at fair value

Prior fiscal year (as of March 31, 2022)

Millions of yen

Category	Consolidated balance sheet amount	Fair value Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	¥34,958	¥ —	¥34,958	¥—	¥34,958
Short-term investment securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	106	—	106	—	106
Stocks of affiliates	813	690	—	—	690
Total assets	35,878	690	35,065	—	35,756
Notes and accounts payable—trade	24,455	—	24,455	—	24,455
Short-term borrowings	10,000	—	10,000	—	10,000
Long-term borrowings	32,000	—	31,955	—	31,955
Bonds payable	10,000	—	9,929	—	9,929
Total liabilities	76,455	—	76,341	—	76,341

Current fiscal year (as of March 31, 2023)

Millions of yen

Category	Consolidated balance sheet amount	Fair value Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	**¥52,673**	**¥—**	**¥52,673**	**¥—**	**¥52,673**
Short-term investment securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	**104**	**—**	**104**	**—**	**104**
Stocks of affiliates	**—**	**—**	**—**	**—**	**—**
Total assets	**52,778**	**—**	**52,778**	**—**	**52,778**
Notes and accounts payable—trade	**30,556**	**—**	**30,556**	**—**	**30,556**
Short-term borrowings	**17,000**	**—**	**17,000**	**—**	**17,000**
Long-term borrowings	**25,000**	**—**	**24,915**	**—**	**24,915**
Bonds payable	**10,000**	**—**	**9,814**	**—**	**9,814**
Total liabilities	**82,556**	**—**	**82,287**	**—**	**82,287**

Note: A description of the valuation techniques and inputs used in fair value measurement

Short-term investment securities and investment securities:

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

Derivative transactions:

The fair value of interest rate swaps and forward exchange contracts is measured using the present discounted value method based on observable inputs, such as interest rates and exchange rates, and is assigned to Level 2.

Notes and accounts receivable—trade:

The fair value of these items is measured using the present discounted value method based on the amount of receivables, time to maturity, and an interest rate reflecting credit risk for each grouping of receivables in a specified period and is assigned to Level 2.

Notes and accounts payable—trade:

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

Short-term borrowings and long-term borrowings:

The fair values of short-term borrowings and long-term borrowings are measured using the present discounted value method based on the sum of principal and interest, time to maturity, and an interest rate reflecting credit risk, and are assigned to Level 2.

Bonds payable:

The fair value of bonds payable issued by the Company is measured using the present discounted value method based on the sum of principal and interest, time to maturity, and an interest rate reflecting credit risk, and is assigned to Level 2.

13 Investment Securities

1. Held-to-maturity debt securities

Prior fiscal year (As of March 31, 2022)

(1) Securities whose market value exceeds the consolidated balance sheet amount

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥ —	¥ —	¥—
2) Corporate bonds	106	106	0
3) Other	—	—	—
Total	106	106	0

(2) Securities whose market value is equal to or lower than the consolidated balance sheet amount

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥—	¥—	¥—
2) Corporate bonds	—	—	—
3) Other	—	—	—
Total	—	—	—

Current fiscal year (As of March 31, 2023)

(1) Securities whose market value exceeds the consolidated balance sheet amount

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	**¥—**	**¥—**	**¥—**
2) Corporate bonds	**—**	**—**	**—**
3) Other	**—**	**—**	**—**
Total	**—**	**—**	**—**

(2) Securities whose market value is equal to or lower than the consolidated balance sheet amount

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	**¥ —**	**¥ —**	**¥—**
2) Corporate bonds	**104**	**104**	**(0)**
3) Other	**—**	**—**	**—**
Total	**104**	**104**	**(0)**

2. Available-for-sale securities

Prior fiscal year (As of March 31, 2022)

(1) Securities whose consolidated balance sheet amount exceeds the acquisition cost

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥1,313	¥286	¥1,027
2) Debt securities	—	—	—
3) Other	439	400	39
Total	1,753	686	1,066

(2) Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥ 644	¥ 701	¥(56)
2) Debt securities	537	549	(11)
3) Other	—	—	—
Total	1,182	1,250	(67)

Current fiscal year (As of March 31, 2023)

(1) Securities whose consolidated balance sheet amount exceeds the acquisition cost

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	**¥3,899**	**¥963**	**¥2,935**
2) Debt securities	**—**	**—**	**—**
3) Other	**—**	**—**	**—**
Total	**3,899**	**963**	**2,935**

(2) Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	**¥183**	**¥241**	**¥ (58)**
2) Debt securities	**290**	**339**	**(49)**
3) Other	**280**	**400**	**(119)**
Total	**755**	**982**	**(226)**

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

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

Millions of yen

Category	Amount of proceeds	Total gains on sales	Total losses on sales
1) Shares	¥2,565	¥2,516	¥26
2) Debt securities	—	—	—
3) Other	—	—	—
Total	2,565	2,516	26

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

Millions of yen

Category	Amount of proceeds	Total gains on sales	Total losses on sales
1) Shares	¥ 1	¥—	¥—
2) Debt securities	—	—	—
3) Other	—	—	—
Total	1	—	—

4. Impairment loss on securities

Prior fiscal year (From April 1, 2021 to March 31, 2022)
The Group recognized impairment loss on available-for-sale securities in the amount of ¥0 million.

Current fiscal year (From April 1, 2022 to March 31, 2023)
The Group recognized impairment loss on available-for-sale securities in the amount of ¥81 million.

14 Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives

Prior fiscal year (As of March 31, 2022)
Not applicable

Current fiscal year (As of March 31, 2023)
Not applicable

(2) Compound financial instruments

With respect to compound financial instruments whose fair values cannot be categorized and measured for each embedded derivative, the certain compound financial instruments are appraised by fair value and are included in "2. Available-for-sale securities" in "Note 13 Investment Securities."

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

Prior fiscal year (As of March 31, 2022)
Not applicable

Current fiscal year (As of March 31, 2023)
Not applicable

(2) Interest rate-related derivatives

Prior fiscal year (As of March 31, 2022)

Millions of yen

Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swaps: Floating rate into fixed rate	Long-term borrowings	¥30,460	¥30,460	¥(33)
Total			30,460	30,460	(33)

Note: Primary method represents interest rate swaps transactions to long-term borrowings that are used by entities accounted for using the equity method. Contract amount and fair value are multiplied by the equity interest held by the Company.

Current fiscal year (As of March 31, 2023)

Millions of yen

Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swaps: Floating rate into fixed rate	Long-term borrowings	¥31,720	¥—	¥382
Total			31,720	—	382

Note: Primary method represents interest rate swaps transactions to long-term borrowings that are used by entities accounted for using the equity method. Contract amount and fair value are multiplied by the equity interest held by the Company.

15 Retirement Benefits

1. Overview of retirement benefit plans

The Company and some of its consolidated subsidiaries have adopted a defined benefit corporate pension plan, a lump-sum retirement benefit plan, or a defined contribution pension plan to provide retirement benefits to the employees. In addition, the Company and certain consolidated subsidiaries have introduced selective defined contribution pension plans.
Under the lump-sum retirement benefit plan held by certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are determined using a simplified method.

2. Defined benefit pension plan

(1) Reconciliation of the difference between the amounts of projected benefit obligations (excluding pension plan using the simplified method)

Millions of yen

	2022	2023
Projected benefit obligations at the beginning of the period	¥29,669	¥33,552
Service costs–benefits earned during the year	1,920	2,149
Interest cost on projected benefit obligations	102	174
Actuarial differences accrued	2,277	(5,479)
Retirement benefit paid	(483)	(460)
Prior service costs accrued	—	2,359
Other	66	121
Projected benefit obligations at the end of the period	33,552	32,418

(2) Reconciliation of the difference between the amounts of plan assets

Millions of yen

	2022	2023
Plan assets at the beginning of the period	¥30,238	¥32,947
Expected return on plan assets	604	658
Actuarial differences accrued	(642)	(1,358)
Contribution of employer	3,147	2,893
Retirement benefit paid	(400)	(375)
Other	—	—
Plan assets at the end of the period	32,947	34,766

(3) Reconciliation of the difference between the amounts of net defined benefit liability under pension plans using the simplified method

Millions of yen

	2022	2023
Net defined benefit liability at the beginning of the period	¥734	¥806
Retirement benefit expenses	110	102
Retirement benefit paid	(17)	(48)
Other	(22)	2
Net defined benefit liability at the end of the period	806	862

(4) Reconciliation of the difference between the amount of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

Millions of yen

	2022	2023
Funded projected benefit obligations	¥ 31,483	¥ 30,355
Plan assets	(32,947)	(34,766)
	(1,463)	(4,411)
Unfunded projected benefit obligations	2,875	2,926
Net amount of liabilities and assets recorded in the consolidated balance sheet	1,411	(1,485)
Net defined benefit liability	4,395	3,877
Net defined benefit asset	(2,984)	(5,362)
Net amount of liabilities and assets recorded in the consolidated balance sheet	1,411	(1,485)

Note: Retirement benefit scheme applying the simplified method is included.

(5) Breakdown of retirement benefit expenses

Millions of yen

	2022	2023
Service costs–benefits earned during the year	¥1,920	¥2,149
Interest cost on projected benefit obligations	102	174
Expected return on plan assets	(604)	(658)
Amortization of actuarial difference	165	(34)
Amortization of prior service cost	—	—
Retirement benefit expenses using the simplified method	110	102
Other	14	2
Retirement benefit expenses of defined benefit pension plan	1,709	1,735

(6) Remeasurements of defined benefit plans, net of tax

Items included in the remeasurements of defined benefit plans are as follows (before tax effect deduction).

Millions of yen

	2022	2023
Prior service costs	¥ —	¥(2,359)
Actuarial difference	(2,754)	4,086
Total	(2,754)	1,726

(7) Remeasurements of defined benefit plans

Items included in the remeasurements of defined benefit plans are as follows (before tax effect deduction).

Millions of yen

	2022	2023
Unrecognized prior service costs	¥ —	¥(2,359)
Unrecognized actuarial difference	(3,311)	775
Total	(3,311)	(1,584)

(8) Matters concerning plan assets

1) Breakdown of plan assets

Ratio of main classes of plan assets

	2022	2023
Debt securities	46%	27%
Share of stock	16	17
Cash and deposits	27	44
General account	6	7
Other	1	3
Total	100	100

2) Long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Company and its consolidated subsidiaries consider the current and projected asset allocations as well as current and future long-term rate of returns for the various assets which make up the plan assets.

(9) Matters concerning basis for the actuarial calculation

Basis for the actuarial calculation

	2022	2023
Discount rate	0.1–0.8%	**0.2–0.9%**
Long-term expected rate of return on plan assets	2.0%	**2.0%**
Salary increase ratio (Note)	Principally, salary increase index by ages as of March 31, 2021 is used.	**Principally, salary increase index by ages as of March 31, 2021 is used.**

Note: Some consolidated subsidiaries do not use the salary increase ratio for the calculation of retirement benefits obligations.

3. Defined contribution pension plans

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,106 million in the prior fiscal year and ¥1,432 million in the current fiscal year.

16 Stock Option Plan

1. Account title and the amount of stock options recorded as expenses

Millions of yen

	2022	2023
Selling, general, and administrative expenses—other	¥176	**¥292**

2. Contents, scale and movement of stock options

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

(1) The following table summarizes the contents of stock options.

Company name	The Company
Date of the resolution	August 2, 2021
Position and number of grantees (persons)	The Company's employees: 168 The Company's subsidiaries' directors: 12 The Company's subsidiaries' executive officers: 25 The Company's subsidiaries' employees: 1,411
Class and number of stock (shares)	Common stock 2,844,500
Date of issue	September 1, 2021
Condition of settlement of rights	Continue to work from September 1, 2021 to June 30, 2024
Period in which grantees provide service in return for stock options	September 1, 2021 to June 30, 2024
Period subscription rights are to be exercised	July 1, 2024 to June 30, 2026

(2) The following table summarizes the scale and movement of stock options

Shares

Company name	The Company
Date of the resolution	August 2, 2021
Not exercisable stock options	
Stock options outstanding at April 1, 2021	—
Stock options granted	2,884,500
Forfeitures	32,500
Conversion to exercisable stock options	—
Stock options outstanding at March 31, 2022	2,852,000
Exercisable stock options	
Stock options outstanding at April 1, 2021	—
Conversion from not exercisable stock options	—
Stock options exercised	—
Forfeitures	—
Stock options outstanding at March 31, 2022	—

The following table summarizes the price information of stock options

Yen

Company name	The Company
Date of the resolution	August 2, 2021
Exercise price	¥1,500
Average market price of the stock at the time of exercise	—
Fair value of the stock option at the date of grant	300

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

(1) The following table summarizes the contents of stock options.

Company name	The Company
Date of the resolution	August 2, 2021
Position and number of grantees (persons)	Company employees: 168 Subsidiary directors: 12 Subsidiary executive officers: 25 Subsidiary employees: 1,411
Class and number of stock (shares)	Common stock 2,884,500
Date of issue	September 1, 2021
Condition of settlement of rights	Continue to work from September 1, 2021 to June 30, 2024
Period in which grantees provide service in return for stock options	September 1, 2021 to June 30, 2024
Period subscription rights are to be exercised	July 1, 2024 to June 30, 2026

(2) The following table summarizes the scale and movement of stock options.

Shares

Company name	The Company
Date of the resolution	August 2, 2021
Not exercisable stock options	
Stock options outstanding at April 1, 2022	2,852,000
Stock options granted	—
Forfeitures	56,500
Conversion to exercisable stock options	—
Stock options outstanding at March 31, 2023	2,795,500
Exercisable stock options	
Stock options outstanding at April 1, 2022	—
Conversion from not exercisable stock options	—
Stock options exercised	—
Forfeitures	—
Stock options outstanding at March 31, 2023	—

The following table summarizes the price information of stock options.

Yen

Company name	The Company
Date of the resolution	August 2, 2021
Exercise price	¥1,500
Average market price of the stock at the time of exercise	—
Fair value of the stock option at the date of grant	300

3. Estimation of fair value of the stock options

Prior fiscal year (From April 1, 2021 to March 31, 2022)
Method for estimating fair value per share of stock options granted by the reporting company

(1) Valuation techniques applied

Black-Scholes equation

(2) Major basic figures and estimation methods

Stock price variability (Note 1)	31.535%
Estimated remaining period (Note 2)	3.83 years
Estimated dividends (Note 3)	¥30 per share
Risk-free interest rate (Note 4)	(0.130)%

Notes: 1. Calculated based on actual stock prices from November 2017 to August 2021.
2. Due to the absence of sufficient cumulative data and the difficulty of forming reasonable estimates, this estimate assumes that the options will be exercised at the midpoint of the exercise period.
3. Based on actual dividends for the fiscal year ended March 31, 2021.
4. This is the national government bond yield corresponding to the estimated remaining period.

Current fiscal year (From April 1, 2022 to March 31, 2023)
Not applicable

4. Estimation of number of exercisable stock options

As it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, the number here reflects only stock options that have actually been forfeited.

17 Stock Compensation with Restriction on Transfer

1. Details of stock compensation with restriction on transfer

	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Categories and number of grantees (persons)	Company directors — Company executive officers — Subsidiary directors 15 Subsidiary executive officers 14	Company directors 4 Company executive officers 9 Subsidiary directors 18 Subsidiary executive officers 22
Class and number of shares granted (shares)	Common stock: 28,500	Common stock: 78,200
Grant date	August 5, 2021	August 19, 2022
Conditions for canceling restriction on transfer	(Notes) 1, 2	(Notes) 1, 2
Period of restriction on transfer	From August 5, 2021 to August 4, 2024	From August 19, 2022 to August 18, 2025

	Performance-based shares with restriction on transfer in 2021
Categories and number of grantees (persons)	Company directors 4 Company executive officers 8 Subsidiary directors 19 Subsidiary executive officers 21
Class and number of shares granted (shares)	Common stock: 384,800
Grant date	August 5, 2021
Conditions for canceling restriction on transfer	(Notes) 1, 3
Period of restriction on transfer	From August 5, 2021, until the closure of the Company's first Ordinary General Meeting of Shareholders to arrive after the end date of the medium-term plan

Notes: 1. If grantees resign as directors and executive officers of the Company or Company subsidiaries (limited to those in which the Company holds at least 50% of all shares; such subsidiaries and the Company shall hereinafter be referred to as "Group companies") on or before the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., on or before the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer). The Company shall acquire, by right, the allotted shares gratis (except in cases in which the reasons for such resignation are deemed valid by the Company Board of Directors, such as the expiration of term of office - except for "performance-based shares with restriction on transfer"), the attainment of the mandatory retirement age and death. The Company shall also acquire, by right, the allotted shares gratis for which the restriction on transfer is not canceled under the provisions of 2 and 3 below as of the expiration of the period of restriction on transfer.
2. Subject to the condition that grantees including Group company officers continue to serve as Group company directors or executive officers until the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., until the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer), as of the expiration of the period of restriction on transfer, the restriction will be canceled for all allotted shares. However, should such directors resign as directors and executive officers of Group companies before the expiration of the period of restriction on transfer for reasons deemed valid by the Company Board of Directors (for example, expiration of term of office, attainment of mandatory retirement age or death), the number of allotted shares for which the restriction on transfer is canceled and the timing of such cancellation are to be reasonably adjusted on an as-needed basis.
3. Subject to the condition that grantees continue to serve as Group company directors or executive officers until the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., until the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer), the number of shares for which the restriction on transfer will be canceled and the timing of such cancellation are to be reasonably adjusted on an as-needed basis in accordance with the length of their service in such roles during the medium-term plan period (at the restriction cancellation rate) which is linked to performance goal achievements in the medium-term plan. However, should such directors resign as directors and executive officers of Group companies before the expiration of the period of restriction on transfer for reasons deemed valid by the Company Board of Directors (for example, attaining mandatory retirement age and death or reassignment to other positions during the medium-term plan period), the number of shares for which the restriction on transfer is canceled shall be reasonably adjusted within the performance condition.

2. Volume and changes in stock compensation with restriction on transfer

(i) Expensed amount and account title

Millions of yen

	2022	2023
Selling, general, and administrative expenses—other	¥198	¥393

(ii) Number of shares

Shares

	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Before cancellation of restriction		
At end of prior period	26,800	—
Granted	—	78,200
Acquired for free	—	—
Restriction canceled	—	—
Restriction valid	26,800	78,200

	Performance-based shares with restriction on transfer in 2021
Before cancellation of restriction	
At end of prior period	375,200
Granted	—
Acquired for free	14,700
Restriction canceled	—
Restriction valid	360,500

(iii) Per share price

Yen

	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Fair value per share at grant date	¥1,502	¥2,228

	Performance-based shares with restriction on transfer in 2021
Fair value per share at grant date	¥1,502

Note: To prevent arbitrary price decisions, we use the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately before the date of the Board of Directors resolution regarding the granting of shares with restriction on transfer.

18 Income Taxes

1. Significant components of deferred tax assets and liabilities

Millions of yen

	2022	2023
Deferred tax assets:		
Exclusion of provision of allowance for doubtful accounts from deductible expenses	¥ 349	**¥ 263**
Exclusion of loss on valuation of inventories from deductible expenses	3,173	**2,564**
Exclusion of provision for bonuses from deductible expenses	2,828	**3,039**
Net defined benefit liability	1,766	**1,692**
Excess of maximum depreciation and amortization	17,136	**19,019**
Exclusion of loss on valuation of investment securities from deductible expenses	408	**329**
Impairment loss	543	**493**
Other	17,769	**20,712**
Loss carried forward	36,019	**26,866**
Subtotal deferred tax assets	79,994	**74,981**
Valuation allowance for tax loss carried forward (Note 2)	(32,685)	**(20,307)**
Valuation allowance for deductible temporary difference	(20,685)	**(23,015)**
Subtotal valuation allowance (Note 1)	(53,371)	**(43,322)**
Offset to deferred tax liabilities	(13,175)	**(15,159)**
Total deferred tax assets	13,446	**16,499**
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,336)	**(1,530)**
Other	(12,309)	**(14,383)**
Subtotal deferred tax liabilities	(13,645)	**(15,913)**
Offset to deferred tax assets	13,175	**15,159**
Total deferred tax liabilities	(469)	**(754)**
Net deferred tax assets	12,977	**15,745**

Notes: 1. The valuation allowance fell by ¥10,048 million. The major factors for this decrease were due to decreases in valuation allowance of ¥12,378 million for tax loss carryforwards and an increase in valuation allowance for a deductible temporary difference of ¥2,330 million.

2. Amount of tax loss carried forward and their deferred tax assets by carryforward period are as follows.

Prior fiscal year (As of March 31, 2022)

Millions of yen

	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carried forward (a)	¥ 5,063	¥ 2,394	¥ 1,789	¥ 1,185	¥ 752	¥ 24,833	¥ 36,019
Valuation allowance	(4,230)	(2,369)	(1,768)	(1,179)	(750)	(22,387)	(32,685)
Deferred tax assets	832	25	20	5	2	2,445	(b) 3,333

(a) The amount of tax loss carried forward is the amount under the normal effective statutory tax rate.

(b) Regarding the amount of tax loss carried forward of ¥36,019 million (amount given by the normal effective statutory tax rate), deferred tax assets of ¥3,333 million were recorded. The Company deemed that a partial amount of tax loss carried forward can be recovered mainly in the following fiscal year due to the estimated amount of taxable income.

Current fiscal year (As of March 31, 2023)

Millions of yen

	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carried forward (a)	¥2,369	¥ 1,718	¥ 1,143	¥ 747	—	¥ 20,887	¥ 26,866
Valuation allowance	(886)	(1,441)	(1,058)	(722)	—	(16,197)	(20,307)
Deferred tax assets	1,483	276	85	24	—	4,689	(b) 6,559

(a) The amount of tax loss carried forward is the amount given by the normal effective statutory tax rate.
(b) Regarding the amount of tax loss carried forward of ¥26,866 million (the amount under the normal effective statutory tax rate), deferred tax assets of ¥6,559 million were recorded. The Company deemed that a partial amount of tax loss carried forward can be recovered mainly in the following fiscal year based on estimates of taxable income.

2. Breakdown of major causes of the significant difference between the statutory tax rate and the effective tax rate for financial statement purposes, if any, by item, for the fiscal years ended March 31, 2022 and 2023

	2022	2023
Normal effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Changes in valuation allowance	(30.0)	(21.3)
Permanently non-deductible expenses including entertainment expenses	1.9	1.2
Amortization of goodwill	1.0	0.7
Tax rate difference between the Company and consolidated subsidiaries	(1.4)	(0.4)
Tax credit for experimental and research expenses	(12.1)	(11.8)
Tax loss carried forward	12.6	7.9
Impact of consolidation adjustments	(3.2)	(2.6)
Other	2.9	(1.9)
Effective tax rate after tax effect accounting	2.4	2.4

3. Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year ended March 31, 2023. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No.42, August 12, 2021).

19 Business Combination

This information is omitted due to immateriality

20 Asset Retirement Obligations

Prior fiscal year (As of March 31, 2022)
The information is omitted due to the immateriality of the total amount of the asset retirement obligations.

Current fiscal year (As of March 31, 2023)
The information is omitted due to the immateriality of the total amount of the asset retirement obligations.

21 Rental Property and Other Real Estate

Prior fiscal year (As of March 31, 2022)
The information is omitted due to the immateriality of the total amount of the rental property and other real estate.

Current fiscal year (As of March 31, 2023)
The information is omitted due to the immateriality of the total amount of the rental property and other real estate.

22 Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The Group operates an Entertainment Contents Business, Pachislot and Pachinko Machines Business, and a Resort Business. Main goods or services primarily handled by these businesses are digital content, products and merchandise, and resort facilities. Shown below are the sales of goods or services by each business:

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

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Other	Total
Digital content sales	¥129,773	¥ 3,799	¥ —	¥133,572	¥ —	¥133,572
Product and merchandise sales	74,673	70,156	—	144,829	—	144,829
Resort facility sales	—	—	8,663	8,663	—	8,663
Other sales	31,491	1,912	—	33,403	480	33,884
Revenue from contracts with customers	235,937	75,868	8,663	320,469	480	320,949
Sales to external customers	235,937	75,868	8,663	320,469	480	320,949

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

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Other	Total
Digital content sales	¥145,132	¥ 4,153	¥ —	¥149,285	¥ —	¥149,285
Product and merchandise sales	95,320	87,254	—	182,575	—	182,575
Resort facility sales	—	—	11,540	11,540	—	11,540
Other sales	42,428	2,845	—	45,274	960	46,234
Revenue from contracts with customers	282,881	94,253	11,540	388,675	960	389,635
Sales to external customers	282,881	94,253	11,540	388,675	960	389,635

2. Basic information for understanding revenue from contracts with customers

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

Information on contracts, performance obligations, and when performance obligations are satisfied is as presented in "Note 2 Summary of Significant Accounting Policies 3. Accounting Policies (7) Accounting policy for recognition of significant revenues and expenses."

(2) Information on calculating allocation amounts for performance obligations

When selling sets of multiple pieces of game content as part of granting game distribution rights or download sales in the Entertainment Contents Business, the provision of each piece of content is identified as a separate performance obligation, and the transaction price is allocated to each performance obligation. For bundled sales within the Entertainment Contents Business of amusement machines and annual content update services, the amusement machine sales and annual content update services are identified as separate performance obligations and the transaction prices are allocated to each performance obligation.

In cases such as these, stand-alone selling prices on the transaction day (in the contract of the individual goods or services that serve as the basis for each performance obligation are calculated) the transaction prices are allocated based on the ratio of said stand-alone selling prices.

3. Information for understanding revenue amounts of the current fiscal year and the following fiscal years

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

(1) Receivables from contracts with customers; the balances of contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets, and contract liabilities is as follows:

Millions of yen

	Beginning balance for the prior year	Ending balance for the prior year
Receivables from contracts with customers		
Notes and accounts receivable—trade	¥38,176	¥34,958
Contract assets	—	3,993
Contract liabilities	9,333	10,257

Note: Of the revenue recognized in the prior fiscal year, the amount included in the contract liabilities balance at the beginning of the period is ¥8,135 million.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame in which the Company expects to recognize the amount as revenue are as follows:

Millions of yen

Within one year	¥ 8,877
Over 1 year but within 2 years	915
Over 2 years	465
Total	10,257

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

(1) Receivables from contracts with customers; the balances of contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets, and contract liabilities is as follows:

Millions of yen

	Beginning balance for the current year	Ending balance for the current year
Receivables from contracts with customers		
Notes and accounts receivable—trade	**¥34,958**	**¥52,673**
Contract assets	**3,993**	**696**
Contract liabilities	**10,257**	**25,852**

Contract assets consist mainly of rights not yet claimed on revenues recognized as such, based on measurement of progress for development under contract. Contract assets are transferred to accounts receivable - trade when rights to payment become unconditional.

Contract liabilities consist mainly of prepayments received from customers before the delivery of products or provision of services and balances of points awarded to customers for which performance obligations have not yet been fulfilled as of the end of the period. Contract liabilities are derecognized upon recognition of revenues.

Of the revenue recognized in the current fiscal year, the amount included in the contract liability balance at the beginning of the period is ¥9,368 million. The primary reason for the increase in contract liabilities is an increase in prepayments received before delivery of products.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame in which the Company expects to recognize the amount as revenue are as follows:

Millions of yen

Within one year	¥24,227
Over 1 year but within 2 years	1,047
Over 2 years	577
Total	25,852

23 Segment Information

1. Outline of reporting segments

The Group's reporting segments are organizational units for which separate financial information is available. On this basis, the Board of Directors makes decisions on allocating management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service is carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the businesses run by each Group company, in which Entertainment Contents Business, Pachislot and Pachinko Machines Business, and Resort Business are the reporting segments.

The lines of business for each reporting segment are as follows:

Segment	Main product and business
Entertainment Contents Business	Development and sales of consumer game software including Full Game, F2P, etc., and amusement machines, planning, production and sales of animated films, development, manufacture and sales of toys
Pachislot and Pachinko Machine Business	Development, manufacture and sales of pachislot and pachinko machines
Resort Business	Integrated resorts business and development and operation of hotels and golf courses, etc., in other facilities businesses

2. Method for calculating net sales, income or loss, assets and other items by each reporting segment

The accounting methods applied to reporting segments are generally the same as those described in "Significant matters forming the basis for preparing consolidated financial statements."

3. Information on the amounts of net sales, income (loss), assets and other items by each reporting segment

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

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment (Note)	Amount in Consolidated financial statements
Net sales:						
Net sales to external customers	¥235,937	¥75,868	¥ 8,663	¥320,469	¥ 480	¥320,949
Inter-segment sales and transfers	553	349	143	1,046	(1,046)	—
Total	236,491	76,218	8,806	321,515	(565)	320,949
Segment income (loss)	36,861	10,282	(6,738)	40,405	(7,061)	33,344
Segment assets	191,320	56,738	31,701	279,760	155,732	435,492
Other items:						
Depreciation	6,247	3,566	683	10,497	908	11,406
Interest income	34	239	0	274	(162)	112
Interest expenses	83	77	30	191	109	301
Equity in earnings (losses) of affiliates	1,028	291	(4,116)	(2,795)	17	(2,778)
Investments in affiliates accounted for by the equity method	30	659	18,542	19,232	813	20,046
Increases in property, plant and equipment and intangible assets	7,365	4,114	434	11,914	1,130	13,045

Notes: 1. Adjustment to segment income (loss) of ¥(7,061) million includes elimination of inter-segment transactions of ¥83 million and general corporate expenses of ¥(7,145) million which are not allocated to each reporting segment. General corporate expenses consist mainly of Group management expenses incurred by the Company.
2. Adjustment to segment assets of ¥155,732 million includes the elimination of inter-segment transactions of ¥(19,256) million and general corporate assets of ¥174,988 million that are not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.
3. Adjustments to depreciation consist mainly of depreciation associated with the Company.
4. Adjustment to interest income of ¥(162) million includes the elimination of inter-segment transactions of ¥(327) million and interest income of the Company of ¥164 million.
5. Adjustment to interest expenses of ¥109 million includes the elimination of inter-segment transactions of ¥(327) million and interest expenses of the Company of ¥436 million.
6. Adjustments to equity in earnings (losses) of affiliates represent equity in earnings or losses of affiliates not belonging to any reporting segment.
7. Adjustments to investments in affiliates accounted for by the equity method represent investments in affiliates accounted for by the equity method that do not belong to any reporting segment.
8. Adjustments to increases in property, plant, and equipment and intangible assets consist mainly of the purchase amount of noncurrent assets related to the Company.
9. Adjustments have been made to segment income (loss) and ordinary income in the consolidated statements of income and comprehensive income.

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

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment (Note)	Amount in Consolidated financial statements
Net sales:						
Net sales to external customers	**¥282,881**	**¥94,253**	**¥11,540**	**¥388,675**	**¥ 960**	**¥389,635**
Inter-segment sales and transfers	**311**	**575**	**79**	**965**	**(965)**	**—**
Total	**283,192**	**94,828**	**11,619**	**389,640**	**(5)**	**389,635**
Segment income (loss)	**41,181**	**20,713**	**(3,217)**	**58,676**	**(9,202)**	**49,473**
Segment assets	**221,633**	**73,372**	**31,474**	**326,479**	**175,086**	**501,566**
Other items:						
Depreciation	**5,766**	**3,227**	**628**	**9,622**	**1,047**	**10,669**
Interest income	**224**	**257**	**0**	**483**	**(49)**	**433**
Interest expenses	**105**	**90**	**29**	**225**	**96**	**321**
Equity in earnings (losses) of affiliates	**1,069**	**303**	**(1,893)**	**(520)**	**—**	**(520)**
Investments in affiliates accounted for by the equity method	**39**	**668**	**17,867**	**18,575**	**—**	**18,575**
Increases in property, plant and equipment and intangible assets	**5,986**	**4,266**	**1,258**	**11,511**	**384**	**11,896**

Notes: 1. The adjustment to net sales to external customers of ¥960 million corresponds to net sales of businesses not belonging to reporting segments.
2. The adjustment to segment income (loss) of ¥(9,202) million includes losses of ¥(497) million on businesses not belonging to reporting segments, elimination of inter-segment transactions of ¥198 million, and general corporate expenses of ¥(8,904) million not allocated to reporting segments. General corporate expenses consist mainly of Group management expenses incurred by the Company.
3. Adjustment to segment assets of ¥175,086 million includes the elimination of inter-segment transactions of ¥(17,551) million and general corporate assets of ¥192,637 million not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.
4. Adjustments to depreciation consist mainly of depreciation associated with the Company.
5. Adjustment to interest income of ¥(49) million includes the elimination of inter-segment transactions of ¥(483) million and interest income of the Company of ¥433 million.
6. Adjustment to interest expenses of ¥96 million includes the elimination of inter-segment transactions of ¥(483) million and interest expenses of the Company of ¥579 million.
7. Adjustments to increases in property, plant, and equipment and intangible assets consist mainly of the purchase amount of noncurrent assets related to the Company.
8. Adjustments have been made to segment income (loss) and ordinary income in the consolidated statements of income and comprehensive income.

[Related information]

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

1. Information by product and service

This information has been omitted as the same information is disclosed in Segment information.

2. Information by geographical area

(1) Net sales

Millions of yen

Japan	US	Europe	Other	Total
¥215,236	¥75,285	¥15,343	¥15,084	¥320,949

Note: Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

Millions of yen

Japan	North America	UK	Other	Total
¥50,376	¥1,635	¥6,929	¥1,416	¥60,358

3. Information by each major customer

No description is provided here since no external customer exists to whom sales are 10% or more of the net sales recorded in the consolidated statements of income or comprehensive income.

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

1. Information by product and service

This information has been omitted as the same information is disclosed in Segment information.

2. Information by geographical area

(1) Net sales

Millions of yen

Japan	US	Europe	Other	Total
¥255,935	**¥96,256**	**¥18,565**	**¥18,878**	**¥389,635**

Note: Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

Millions of yen

Japan	North America	UK	Other	Total
¥49,264	**¥2,822**	**¥6,685**	**¥1,711**	**¥60,482**

3. Information by each major customer

No description is provided here since no external customer exists to whom sales are 10% or more of the net sales recorded in the consolidated statements of income or comprehensive income.

[Information on impairment loss on noncurrent assets by each reporting segment]
Prior fiscal year (From April 1, 2021 to March 31, 2022)

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment (Note)	Amount in consolidated financial statements
Impairment loss	¥232	¥197	¥—	¥430	¥—	¥430

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

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment	Amount in consolidated financial statements
Impairment loss	**¥142**	**¥304**	**¥—**	**¥446**	**¥—**	**¥446**

[Information on amortization and unamortized balance of goodwill by reporting segment]
Prior fiscal year (From April 1, 2021 to March 31, 2022)

Millions of yen

	Reporting segment					
	Entertainment Contents Business	Pachislot and Pachinko Machines Business	Resort Business	Subtotal	Adjustment	Amount in consolidated financial statements
Amortization during current period	¥2,311	¥—	¥—	¥2,311	¥—	¥2,311
Balance as of March 31, 2022	3,460	—	—	3,460	—	3,460

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

Millions of yen

	Reporting segment					
	Entertainment Contents Business	Pachislot and Pachinko Machines Business	Resort Business	Subtotal	Adjustment	Amount in consolidated financial statements
Amortization during current period	**¥2,142**	**¥ 36**	**¥—**	**¥2,178**	**¥—**	**¥2,178**
Balance as of March 31, 2023	**2,072**	**519**	**—**	**2,592**	**—**	**2,592**

[Information on gain on negative goodwill by each reporting segment]
Prior fiscal year (From April 1, 2021 to March 31, 2022)
Not applicable
Current fiscal year (From April 1, 2022 to March 31, 2023)
Not applicable

24 Related-Party Transactions

1. Transactions with related parties

(1) Transactions between the Company and related parties

1) Non-consolidated subsidiaries and affiliated companies of the Company
Prior fiscal year (From April 1, 2021 to March 31, 2022)

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
PARADISE SEGASAMMY Co., Ltd.	Resort business	Subscription to additional capital shares (Note1)	¥4,315	—	—
		Provision of collateral (Note2)	18,542	—	—

Notes: 1. This is a subscription to additional capital shares allotted to shareholders.
2. For a portion of the loans from financial institutions to PARADISE SEGASAMMY Co., Ltd., the shares of the company are pledged as collateral

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

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
PARADISE SEGASAMMY Co., Ltd.	Resort business	Provision of collateral (Note)	**¥17,867**	—	**—**

Note: For a portion of the loans from financial institutions to PARADISE SEGASAMMY Co., Ltd., the shares of the company are pledged as collateral.

2) Directors and major shareholders (limited to individuals) of the Company
Prior fiscal year (From April 1, 2021 to March 31, 2022)

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
Haruki Satomi	Chairman of SEGA SAMMY ARTS FOUNDATION	Payment of donation (Note 1)	¥107	—	—
FSC Co., Ltd. (Note 3)	Non-life insurance agent	Payment of insurance premium (Note 2)	11	Prepaid expenses	¥10
				Long-term prepaid expenses	0

Notes: 1. The amount donated to the Foundation is determined with the approval of the Board of Directors.
2. Transaction prices are determined in the same way as for general transactions, referring to market prices.
3. Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC Co., Ltd.
4. Transaction amounts exclude consumption tax.

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

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
FSC Co., Ltd. (Note 2)	Non-life insurance agent	Payment of insurance premium (Note 1)	**¥6**	Prepaid expenses	**¥1**
				Long-term prepaid expenses	**2**

Notes: 1. Transaction prices are determined in the same way as general transactions, referring to market prices.
2. Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly holds a majority of the shares of FSC Co., Ltd.
3. Transaction amounts exclude consumption tax.

(2) Transactions between consolidated subsidiaries of the Company and related parties

1) Non-consolidated subsidiaries and affiliates of the Company
Prior fiscal year (From April 1, 2021 to March 31, 2022)

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
ZEEG Co., Ltd.	Pachislot and Pachinko Machines Business	Purchase of pachislot and pachinko machine parts (Note 1)	¥6,039	Accounts payable–trade	¥ 480
		Loan of funds (Note 2)	500	Short-term loans receivable	3,069
		Collection of loans (Note 2)	2,355	Long-term loans receivable	2,582
		Interest income (Note 2)	66		

Notes: 1. Transaction prices are determined in the same way as general transactions, referring to market prices.
2. The interest rate on loans is determined by taking market interest rates into consideration. The repayment terms are one to five years, with the principal to be repaid in lump sum on the due date and interest to be repaid in annual installments. No collateral is accepted.

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

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
ZEEG Co., Ltd.	Pachislot and Pachinko Machines Business	Purchase of pachislot and pachinko machine parts (Note 1)	**¥12,270**	Accounts payable–trade	**¥ 439**
		Loan of funds (Note 2)	**1,500**	Short-term loans receivable	**2,500**
		Collection of loans (Note 2)	**2,155**	Long-term loans receivable	**2,497**
		Interest income (Note 2)	**79**		

Notes: 1. Transaction prices are determined in the same way as general transactions, referring to market prices.
2. The interest rate on loans is determined by taking market interest rates into consideration. The repayment terms are one to five years with the principal to be repaid in a lump sum on the due date and interest to be repaid in annual installments. No collateral is accepted.

2) Directors and major shareholders (limited to individuals) of the Company
Prior fiscal year (From April 1, 2021 to March 31, 2022)
Not applicable

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

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
Haruki Satomi	Chairman of SEGA SAMMY ARTS FOUNDATION	Payment of donation (Note 1)	**¥91**	—	**—**
FSC Co., Ltd. (Note 3)	Non-life insurance agent	Payment of insurance premium (Note 2)	**8**	Prepaid expenses	**¥5**

Notes: 1. The amount donated to the Foundation is determined with the approval of the Board of Directors.
2. Transaction prices are determined in the same way as general transactions, referring to market prices.
3 Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly holds a majority of the shares of FSC Co., Ltd.
4. Transaction amounts exclude consumption tax.

2. Notes on the parent company or significant affiliates

(1) Information on the parent company

Not applicable

(2) Summarized financial information of significant affiliates

PARADISE SEGASAMMY Co., Ltd. is a significant affiliate in the current fiscal year and its summarized financial statements are as follows.

Millions of yen

	Prior year	**Current year**
Total current assets	¥ 4,808	**¥ 20,558**
Total noncurrent assets	127,675	**126,893**
Total current liabilities	17,464	**82,798**
Total noncurrent liabilities	83,403	**24,949**
Total net assets	31,616	**39,704**
Net sales	15,505	**27,410**
Income (loss) before income taxes	(9,147)	**(4,208)**
Net Income (loss)	(9,147)	**(4,208)**

25 Per Share Information

Item	Prior year (from April 1, 2021 to March 31, 2022)	Current year (from April 1, 2022 to March 31, 2023)
		Yen
Net assets per share	¥1,311.72	¥1,498.75
Profit per share	158.85	208.07
Profit per share (diluted)	158.24	207.13

1. The calculation basis for net assets per share is as follows.

Items	Prior year (as of March 31, 2022)	Current year (as of March 31, 2023)
Total of net assets in the consolidated balance sheets (Millions of yen)	¥292,637	¥331,347
Amounts deducted from net assets in the consolidated balance sheets (Millions of yen)	225	492
(Subscription rights to shares) (Millions of yen)	176	468
(Non-controlling interests) (Millions of yen)	49	24
Net assets pertaining to common stock (Millions of yen)	292,411	330,854
Number of common shares used to calculate net assets per share (Thousands of shares)	222,921	220,753

2. The calculation basis for profit per share and profit per share (diluted) are as follows.

Item	Prior year (from April 1, 2021 to March 31, 2022	Current year (from April 1, 2022 to March 31, 2023)
Net income (loss) per share:		
Profit attributable to owners of parent (Millions of yen)	¥ 37,027	¥ 45,938
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Millions of yen)	37,027	45,938
Average number of common shares during the period (Thousands of shares)	233,091	220,790
Profit per share (diluted):		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in common stock (Thousands of shares)	909	999
(Subscription rights to shares) (Thousands of shares)	909	999
Overview of dilutive shares not included in calculation of profit per share (diluted) because of no dilutive effect	—	—

26 Significant Subsequent Events

1. Acquisition of Rovio Entertainment Corporation

At the Board of Directors meeting held on April 17, 2023, the Company and SEGA CORPORATION ("SEGA"), a subsidiary of the Company, resolved to implement a tender offer (tender offer under the Finnish L aw, the "Tender Offer") to acquire Rovio Entertainment Corporation ("Rovio"), a mobile game company headquartered in Finland, through SEGA's wholly owned UK subsidiary SEGA Europe Limited. The Tender Offer period expired on August 7, 2023, at 4:00 p.m. (EET). Regarding the result of the Tender Offer, the Company's group company SEGA Europe Limited acquired approximately 96.3% of the issued and outstanding shares of Rovio, making it the Company's group company on August 17, 2023.

Furthermore, SEGA Europe Limited commenced a subsequent offer (the "Subsequent Offer") in accordance with the terms and conditions of the Tender Offer on August 11, 2023, at 9:30 a.m. (EET), which was completed on August 25, 2023 at 4:00 p.m. (EET). Based on the final result of the Subsequent Offer, 1,030,171 shares were tendered during the Subsequent Offer period, representing approximately 1.4 percent of all issued and outstanding shares of Rovio. Together with the shares validly tendered during the Tender Offer period, the shares validly tendered during the Subsequent Offer period represented approximately 97.7% of the issued and outstanding shares and voting rights in Rovio.

(i) Purpose of the acquisition

(a) Positioning of the consumer business for the Company

The Company positions the consumer area of its Entertainment Contents Business as a growth area under its medium-term plan (from FY2022 to FY2024), and has accelerated its efforts to strengthen the business through initiatives such as converting existing IPs into global brands as well as strengthening user engagement through multi-platform support and enhanced media mix, etc.

As a part of its growth strategy to invest up to ¥250 billion during the five-year period ending FY2026, the Company has been exploring investment opportunities in the consumer area to strengthen its development capabilities as well as to create new ecosystems.

(b) Background of the acquisition

The size of the global gaming market is projected to reach US$263.3 billion by 2026, registering a CAGR of 3.5% from 2022 to 2026. The mobile gaming market, in particular, is set to expand at a CAGR of 5.0% to represent 56% of the global gaming market overall, an increase from 53% in 2022. (Source: IDG Report (dated October 2022))

The Company firmly believes that it is imperative to continue investing in its game development and operating capabilities, in order to further strengthen its position in this fast-growing mobile and global gaming market, which therefore led to the decision to acquire Rovio.

Through the Acquisition, the Company aims to take in Rovio's live-operated mobile game development capabilities and expertise in mobile game operation, to accelerate the development of mobile-compatible and multi-platform-supported version of SEGA's existing game IPs, thereby strengthening SEGA's game portfolio and further accelerating global expansion of its business.

(c) Purpose of the acquisition

Rovio is a global mobile-first, game company that creates, develops, and publishes mobile games, which have been downloaded over 5 billion times. Rovio is best known for the global Angry Birds brand, which started as a popular mobile game in 2009, and has since evolved from games to various entertainment, anime, and consumer products through brand licensing.

SEGA aims to accelerate its growth in the global gaming market and increase its corporate value by generating synergies between SEGA's existing businesses and Rovio's strengths, including its global IPs and live-operated mobile game development capabilities.

(ii) Number of shares acquired, acquisition price, and ownership of shares before and after the acquisition (Note)

(1) Ownership of shares before the acquisition	0 shares (Number of voting rights: 0) (Ratio of voting rights: 0%)
(2) Number of shares acquired	74,427,345 shares, 742,300 options (Number of voting rights: 74,427,345)
(3) Acquisition price	Shares of Rovio: approximately EUR 689 million (¥ 107,146 million)
(4) Ownership of shares after the acquisition	74,427,345 shares, 742,300 options (Number of voting rights: 74,427,345) (Ratio of voting rights: 97.7%)

Note: Acquisition price represents the amount of payment for purchasing shares and stock options.
The Company successfully acquired more than 90% of all shares and voting rights in Rovio. It further intends to implement a squeeze-out procedure set forth in the Finnish Companies Act to acquire the remaining untendered shares in order to make Rovio its wholly owned subsidiary.

2. Acquisition of treasury stock

At the Board of Directors meetings held on April 28, 2023 and August 31, 2023, the Company resolved the matter related to the acquisition of treasury stock, pursuant to the provisions of Article 156 of the Companies Act of Japan as applied by replacing the provisions stipulated in Article 165 Paragraph 3 of the same law.

(i) Reasons for the acquisition of treasury stock

The Company aims to maximize corporate value by focusing on capital efficiency in its medium-term financial strategy until the fiscal year ending March 31, 2026. While promoting aggressive investment for growth, the Company will also provide appropriate shareholder returns. As a result of considering shareholder returns including acquisition of treasury stock based on the return policy of adopting higher of DOE 3% or more, or total return ratio of 50% or more, the Company decided to acquire treasury stock.

(ii) Details of the acquisition of treasury stock

(a) Type of shares to be acquired

Common stock

(b) Total number of shares to be acquired

8,000,000 shares (upper limit)

Ratio of total number of shares outstanding (excluding treasury stock): 3.62%

(c) Total cost of acquisition

10.0 billion yen (upper limit)

(d) Acquisition period

From May 1, 2023 to March 29, 2024

(e) Acquisition method

Market purchase on the Tokyo Stock Exchange

3. Commitment-type term loan
SEGA's wholly owned UK subsidiary SEGA Europe Limited has implemented the Tender Offer to acquire Rovio. At the Board of Directors meeting held on August 9, 2023, the Company resolved to borrow funds required for the Tender Offer from a capital policy perspective as below. The Company signed a commitment-type term loan agreement with financial institutions on August 10, 2023.
(i) Form of borrowing:
Commitment-type term loan
(ii) Lender
(a) Arranger and agent:
Sumitomo Mitsui Banking Corporation
(b) Joint arranger:
MUFG Bank, Ltd., Mizuho Bank, Ltd.
(c) Participating financial institutions:
Aozora Bank, Ltd., SBI Shinsei Bank, Limited
(iii) Total commitment amount:
105.0 billion yen
(iv) Borrowing amount:
100.4 billion yen
(v) Contract day:
August 10, 2023
(vi) Commitment period:
From August 15, 2023 to the earlier of August 15, 2024 or a corresponding day of one month after the date on which the squeeze-out is completed
(vii) Borrowing period:
1 year
(viii) Borrowing rate:
Base rate and spread
(ix) Collateral:
None

4. Implementation of Structural Reforms in the consumer area (Entertainment Contents Business)
At the Board of Directors meeting held on September 28, 2023, the Company resolved to implement structural reforms in the consumer area, mainly at its European bases. In accordance with this decision, the Company expects to record a loss for the fiscal year ending March 31, 2024.
(i) Background of implementation of structural reforms
The Company has set the consumer area as one of its growth areas and has achieved rapid earnings growth in recent years by promoting the global branding of its existing IPs and other measures. On the other hand, the business environment surrounding the consumer area has been rapidly changing, including reactionary decline from the stay-at-home demand in COVID-19 and the economic downturn due to inflation in the European region, and profitability has been lowered mainly in European bases.
To promptly adapt to these changes in the environment and improve profitability, the Company decided to implement structural reforms aimed at increasing efficiency, mainly at the Company's European bases by reviewing their title portfolio. As a result, the Company has made the difficult decision to cancel some titles under the development as well as to reduce the fixed expenses.
(ii) Details of implementation
The Company will implement the following measures regarding structural reform in the Company's European bases which are determined at this time.
(a) Cancelation of titles under development
In response to the lower profitability of the European region, the Company has reviewed the title portfolio of each development base in Europe and the resulting action will be to cancel "HYENAS" and some unannounced titles under development. Accordingly, the Company will implement a write-down of work-in-progress for titles under development.
(b) Reduction of fixed expenses
The Company will reduce various fixed expenses at several group companies in the region, mainly for The Creative Assembly Ltd. One-time expenses related to the reduction of fixed expenses are expected to be incurred. The Company will continue to consider measures to improve profitability in European bases apart from the above.
(iii) Future outlook
As a result of implementation of the structural reform described above in the consumer area, the Company expects to record losses of approximately 14.3 billion yen for the fiscal year ending March 31, 2024.

27 Supplemental Information

[Annexed consolidated detailed schedule of bonds]

Company name	Security titles	Issuance date	Balances as of April 1, 2022 (Millions of yen)	Balances as of March 31, 2023 (Millions of yen)	Interest rate (%)	Type	Date of maturity
The Company	5th Series of Unsecured Straight Bonds (Publicly offered bonds)	October 10, 2019	¥10,000	¥10,000	0.38	Unsecured	October 10, 2029
Total			10,000	10,000 (—)			

Notes: 1. Figure in parentheses under "Balance as of March 31, 2023" is the current portion of the amount of redemption.
2. The scheduled amount of redemption after the consolidated closing date is as follows:

Millions of yen

Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
¥—	¥—	¥—	¥—	¥—	¥10,000

[Annexed consolidated detailed schedule of borrowings]

Category	Balances as of April 1, 2022 (Millions of yen)	Balances as of March 31, 2023 (Millions of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	¥ —	¥ —	—	—
Current portion of long-term l borrowings	10,000	17,000	0.4	—
Current portion of lease obligations	1,123	1,377	2.0	—
Long-term borrowings (Excluding current portion)	32,000	25,000	0.5	From 2025 to 2027
Lease obligations (Excluding current portion)	4,013	5,352	2.0	From 2024 to 2031
Other interest-bearing debts:				
Accounts payable—facilities	30	29	1.3	—
Accounts payable—facilities (Excluding current portion)	116	119	1.5	From 2024 to 2030
Total	47,284	48,879	—	—

Notes: 1. "Average interest rate" represents the weighted average rate applicable to the balance of borrowings at end of period.
2. Some lease obligations stated in the consolidated balance sheets represent the amounts with interest equivalents not deducted from the total lease payments. Accordingly, said lease obligations are not included when calculating the "Average interest rate."
3. The scheduled amounts of long-term borrowings, lease obligations, and other interest-bearing debts (excluding current portion) to be repaid after the consolidated closing date are as follows:

Millions of yen

	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Long-term borrowings	¥15,000	¥ —	¥ —	¥10,000	¥ —
Lease obligations	1,184	993	861	795	1,518
Other interest-bearing debt:					
Accounts payable—facilities	22	20	20	20	34

Schedule of asset retirement obligations
No description is provided here, since the amount of asset retirement obligations as of the beginning and end of the current fiscal year were less than 1/100 of the total amount of liabilities and net assets, respectively, as of the beginning and end of the current fiscal year.

28 Other

Quarterly information for the current fiscal year

(Cumulative period)	First three months	First six months	First nine months	Current fiscal year
Net sales (Millions of yen)	¥66,118	¥150,095	¥271,979	¥389,635
Income before income taxes (Millions of yen)	4,106	12,019	39,796	47,069
Profit attributable to owners of parent (Millions of yen)	3,158	9,619	32,846	45,938
Profit per share (Yen)	14.29	43.56	148.76	208.07

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share (Yen)	¥14.29	¥29.28	¥105.22	¥59.31

Independent Auditor's Report

To the Board of Directors of SEGA SAMMY HOLDINGS INC.:

Opinion

We have audited the accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended , and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 26 "Significant Subsequent Events" to the consolidated financial statements.

At the Board of Directors meeting held on April 17, 2023, the Company and SEGA CORPORATION, a subsidiary of the Company, resolved to implement a tender offer (the "Tender Offer") to acquire Rovio Entertainment Corporation ("Rovio"), a mobile game company headquartered in Finland, through SEGA's wholly owned UK subsidiary SEGA Europe Limited. Regarding the result of the Tender Offer, SEGA Europe Limited acquired approximately 96.3% of the issued and outstanding shares of Rovio, making it the Company's group company on August 17, 2023.

Furthermore, SEGA Europe Limited commenced a subsequent offer (the "Subsequent Offer") on August 11, 2023 (EET), which was completed on August 25, 2023 (EET). Together with the shares validly tendered during the Tender Offer period, the shares validly tendered during the Subsequent Offer period represented approximately 97.7% of the issued and outstanding shares and voting rights in Rovio.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management's judgment as to whether an impairment loss should be recognized on non-financial assets including goodwill at the equity-method affiliate.

The key audit matter	How the matter was addressed in our audit
As described in Note 3, "Significant Accounting Estimates" (3), to the consolidated financial statements, SEGA SAMMY HOLDINGS INC. (hereinafter, referred to as the "Company") and its consolidated subsidiaries reported investment securities of 39,538 million yen in the consolidated balance sheet as of March 31, 2023, which included an investment in PARADISE SEGASAMMY Co., Ltd. (hereinafter "PSS"), an equity-method affiliate in the Resort Business segment, of 17,867 million yen, representing approximately 4% of total assets in the consolidated financial statements. PSS recognized non-financial assets of 125,811 million yen in its financial statements, of which 7,771 million yen was related to goodwill. PSS prepares its financial statements in accordance with International Financial Reporting Standards and performs an impairment test on a cash-generating unit (CGU) whenever there is an impairment indicator, or at least annually on a CGU to which goodwill has been allocated. In the impairment testing, when the recoverable amount of a CGU is less than the carrying amount, PSS reduces the carrying amount to the recoverable amount and recognizes the resulting decrease in the carrying amount as an impairment loss, which affects the amount of investment securities recorded in the Company's consolidated financial statements through the equity method of accounting. In the current fiscal year, PSS performed impairment tests on the CGU to which goodwill had been allocated as well as on other CGU for which there was an impairment indicator, using the value in use or the fair value less cost of disposal as the recoverable amount. The future cash flows used to measure the value in use were estimated based on the business plan of PSS approved by management. For periods beyond the period covered by the business plan, the future cash flows were estimated based on the forecasts using a projected growth rate within the long-term average growth rate of relevant markets. Key assumptions used to project future cash inflows and outflows included in the business plan, such as the number of casino visitors, amounts of Drop (chips purchased at a table) and projected market growth rate, involved a high degree of estimation uncertainty. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting the input data for estimating the discount rate used to calculate the value in use and selecting the appropriate valuation techniques and key assumptions for measuring the fair value less cost of disposal, using mainly the depreciated replacement cost approach, required a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether an impairment loss should be recognized on non-financial assets including goodwill held by PSS was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	In order to assess the appropriateness of management's judgment with respect to whether an impairment loss should be recognized on non-financial assets including goodwill held by PSS, we requested the component auditors of PSS, an equity-method affiliate, to perform specified audit procedures including the involvement of valuation specialists within the network firms of the component auditors. We then evaluated the report of the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures among others: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to evaluating the appropriateness of PSS's financial statements including the assessment on its CGUs. **(2) Assessment of the reasonableness of the estimated recoverable amount** Evaluating the appropriateness of the rationale supporting key assumptions adopted by management in preparing the business plan that formed the basis for estimating future cash flows used to calculate the value in use, by performing the procedures set forth below, as well as evaluating the competence, capabilities and objectivity of the external valuation expert engaged by management. ● Inspected the materials supporting the number of casino visitors and amounts of Drop embedded in the business plan, and compared them with past actual results; and ● Compared the growth rate with external data in order to ensure that it was within the long-term average growth rate of relevant markets. In addition, we involved valuation specialists within our network firms who assisted our assessment of the appropriateness of the selection of input data for estimating the discount rate used to calculate the value in use, and the selection of appropriate valuation techniques and key assumptions for measuring the fair value less cost of disposal.

Other Information

The other information comprises the information included in the INTEGRATED Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hidetoshi Fukuda

Designated Engagement Partner

Certified Public Accountant

Danya Sekiguchi

Designated Engagement Partner

Certified Public Accountant

Yoichi Ueno

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

Oct 27, 2023

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.