

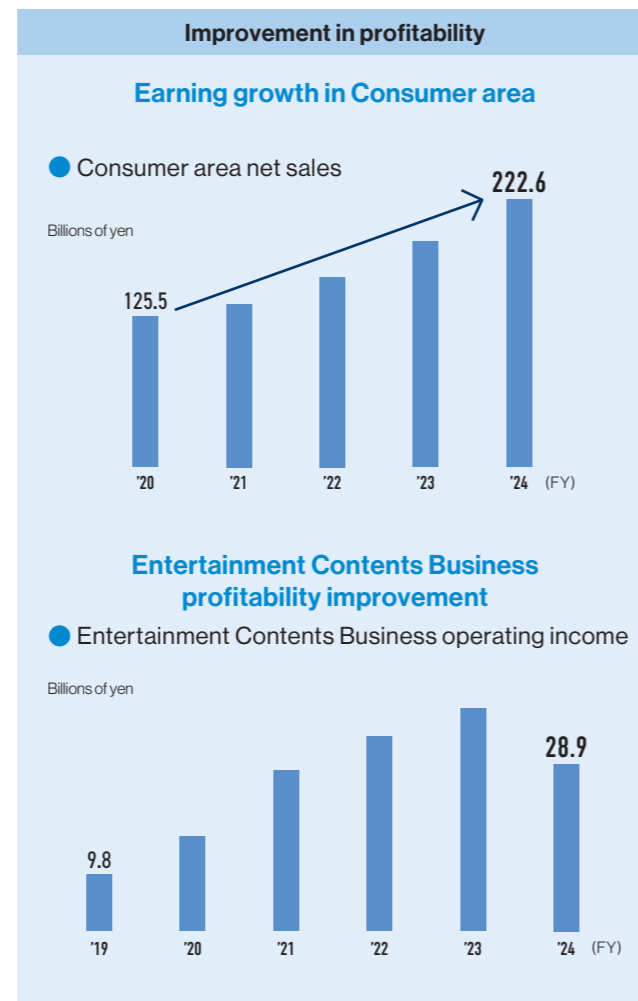
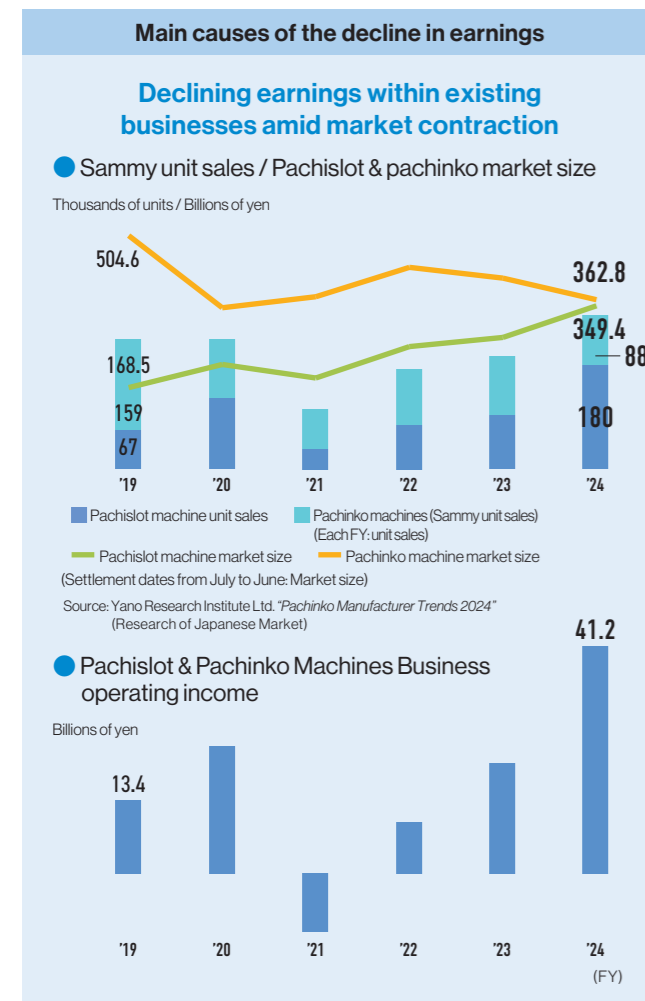
# Management's Discussion and Analysis

## Consolidated Statements of Income and Comprehensive Income

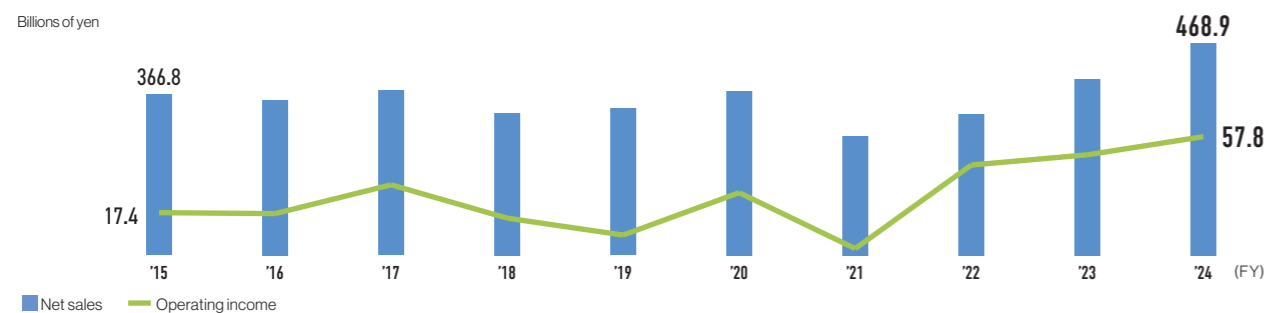
### Long-term trends

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.

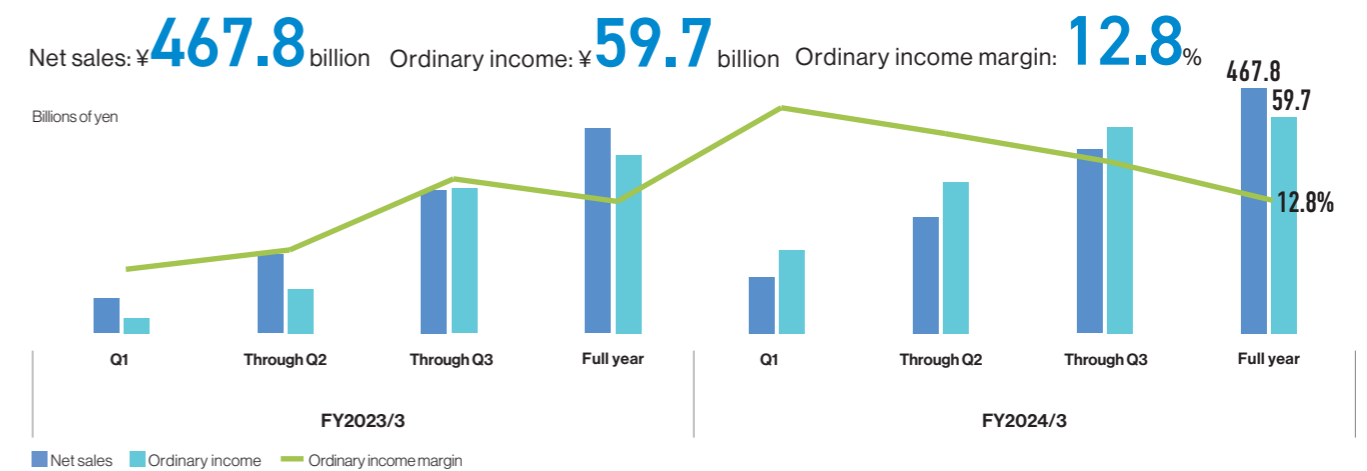
The Pachislot & Pachinko Machines Business is recovering in both sales and profits due to the market environment, which has improved with regulatory reviews, and also due to increased business efficiency driven mainly by cost reductions.



### Long-term trends in net sales and operating income



### Comparing FY2023/3 and FY2024/3



### Summary of consolidated financial statements

	2023	2024	YoY change
<b>Net sales</b>	389.6	467.8	20.1%
Entertainment Contents Business	282.8	318.0	12.4%
Pachislot & Pachinko Machines Business	94.2	135.9	44.3%
Resort Business	11.5	12.3	7.0%
Other and eliminations	1.1	1.6	45.5%
<b>Operating income</b>	46.7	56.8	21.6%
Entertainment Contents Business	38.7	28.9	-25.3%
Pachislot & Pachinko Machines Business	20.0	41.2	106.0%
Resort Business	-1.1	-0.9	-
Other and eliminations	-10.9	-12.4	-
Non-operating income	4.9	6.8	38.8%
Non-operating expenses	2.2	3.9	77.3%
<b>Ordinary income</b>	49.4	59.7	20.9%
Entertainment Contents Business	41.1	30.7	-25.3%
Pachislot & Pachinko Machines Business	20.7	41.8	101.9%
Resort Business	-3.2	0	-
Other and eliminations	-9.2	-12.8	-
Ordinary income margin	12.7%	12.8%	0.1 pt
Extraordinary income	0	1.3	-
Extraordinary losses	2.4	19.2	700.0%
Income before income taxes	47.0	41.8	-11.1%
Income taxes	1.1	8.8	700.0%
<b>Profit attributable to owners of parent</b>	45.9	33.0	-28.1%
<b>Cash dividends per share (Yen)</b>	59	50	-
<b>Net income per share (Yen)</b>	208.07	150.75	-
<b>Net assets per share (Yen)</b>	1,498.75	1,652.29	-

#### Operating income (Entertainment Contents Business)

Sales increased thanks to strong performance in the domestic and Asian CS\* area and Rovi's entry into the Group, but profit decreased mainly due to weak performance in the European CS area

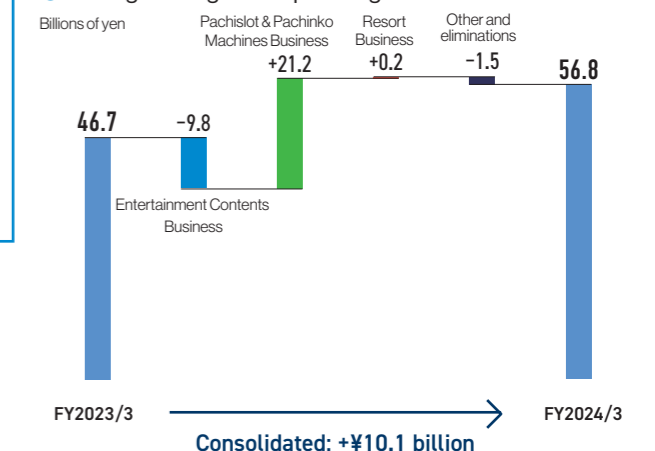
#### Operating income (Pachislot & Pachinko Machines Business)

Significant year-on-year increase in profit due to strong sales centered on pachislot machines

#### Extraordinary losses

Posted extraordinary losses mainly due to the decision to implement structural reforms in response to the deteriorating business environment in the CS area centered on European studios

#### Change in segment operating income



\* CS: Consumer

\*Figures for FY2024/3 are the figures before the retrospective adjustment due to the change in segment classification

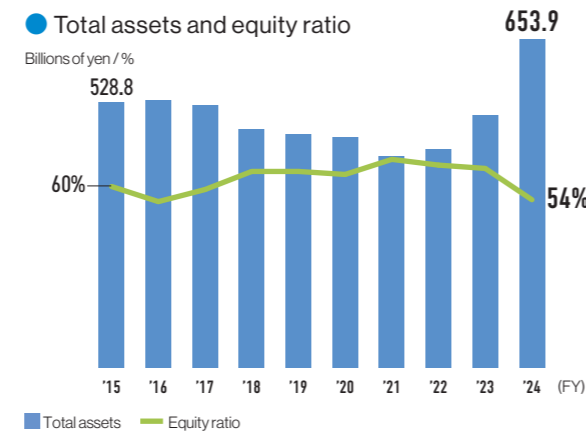
# Management's Discussion and Analysis

## Consolidated Financial Position

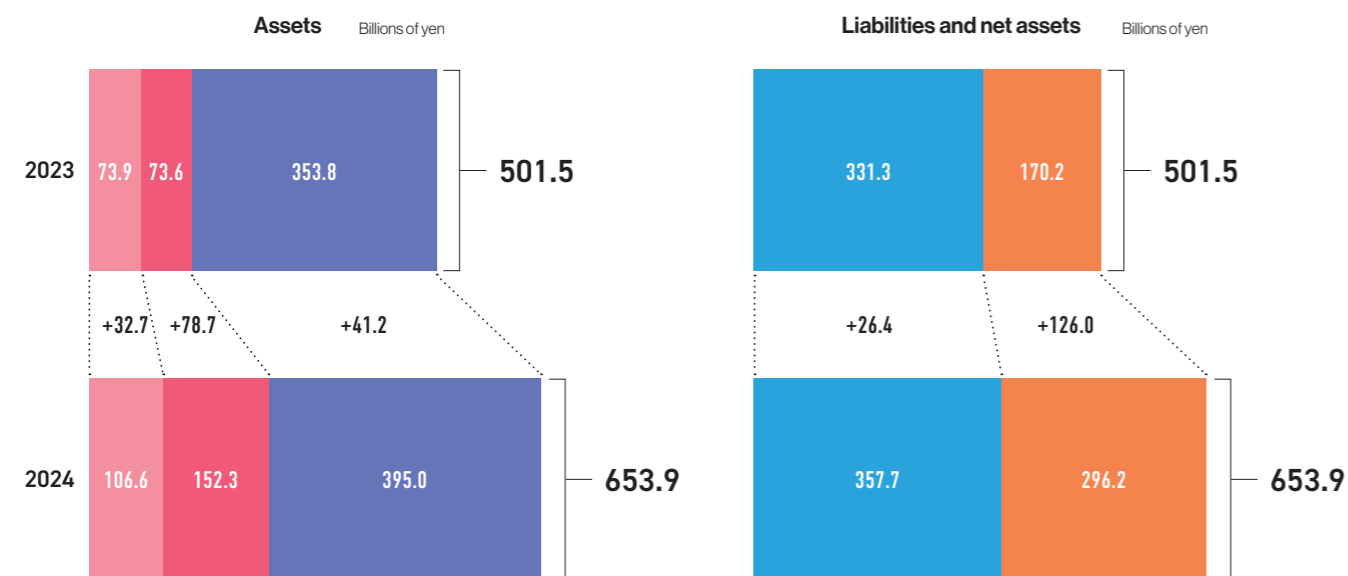
### Long-term trends

From the fiscal year ended March 2015, total assets started trending upward 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.



### Comparing FY2023/3 and FY2024/3



**Investments and other assets** +¥32.7 billion  
**Fixed assets** +¥78.7 billion  
**Current assets** +¥41.2 billion

Goodwill and trademark rights increased due to the inclusion of Rovio in the scope of consolidation.

Inventories decreased, while cash and deposits and securities increased due to the inclusion of Rovio in the scope of consolidation.

**Net assets** +¥26.4 billion  
**Total liabilities** +¥126.0 billion

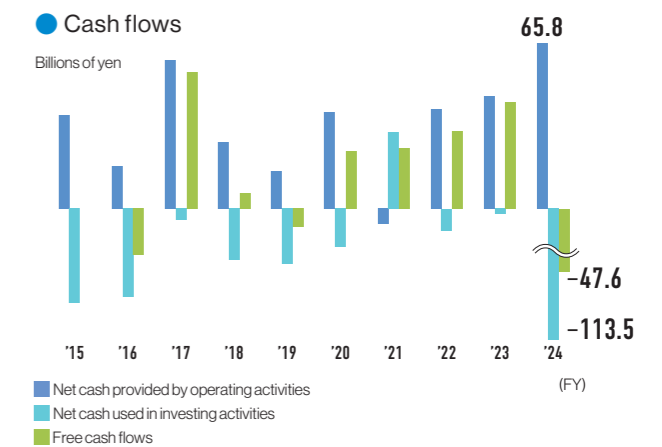
Although total shareholders' equity fell due to cash dividends paid and the purchase of treasury stock, the Company recorded profit attributable to owners of parent, and foreign currency translation adjustment increased. This, among other factors, caused an increase in total net assets.

Long-term debt increased.

## Consolidated Cash Flows

### Long-term trends

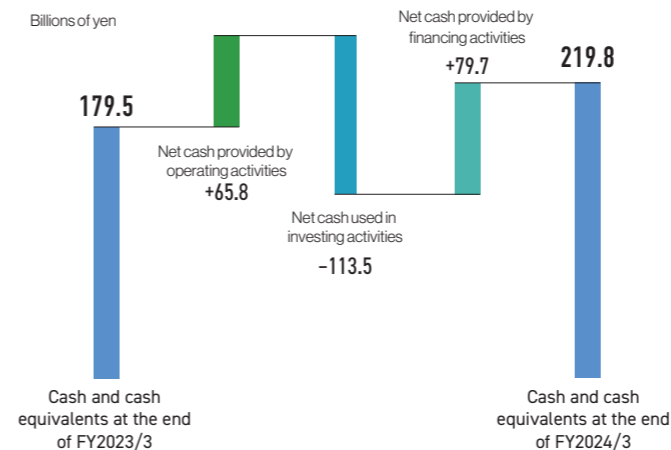
With the exception of certain fiscal periods, the Group has continued to record net cash outflows in investing activities due to M&As in growth areas and strategic investments to raise production capacity. Since the fiscal year ended March 2013, the Group has been investing in organizational restructuring, 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 issuances.



### FY2024/3 cash flows

Cash and cash equivalents at the end of the fiscal year ended March 2024 were ¥219,810 million, up ¥40,301 million from the previous fiscal year-end.

### Consolidated cash flows



### Net cash provided by operating activities

+¥65.8 billion

While income taxes paid totaled ¥12,505 million, and accounts payables and contract liabilities decreased by ¥8,238 million and ¥8,009 million, respectively, income before income tax of ¥41,831 million and depreciation and amortization of ¥13,514 million were recorded, resulting in net cash provided by operating activities of ¥65,833 million for the year ended March 2024 (¥44,704 million for the year ended March 2023).

### Net cash used in investing activities

-¥113.5 billion

Net cash used in investing activities amounted to ¥113,509 million in the fiscal year ended March 2024 (¥2,351 million in the fiscal year ended March 2023) due to cash inflows of ¥9,795 million from distributions of investments in capital, cash outflows of ¥81,776 million for the acquisition of subsidiaries, ¥12,989 million for payments for investments in capital, and other factors.

### Net cash provided by financing activities

+¥79.7 billion

While ¥17,018 million was used to repay long-term debt, ¥13,673 million was used to pay dividends, and ¥10,016 million was used to purchase treasury stock, proceeds from long-term debt totaled ¥122,000 million, resulting in net cash provided by financing activities in the fiscal year ended March 2024 of ¥79,786 million (¥15,358 million was used in the year ended March 2023).

### Breakdown of cash flows

Net cash provided by/used in operating activities	
Income before income taxes	41.8
Depreciation and amortization	13.5
Income taxes paid	-12.5
Others	23.0
Net cash provided by/used in investing activities	
Acquisition of subsidiary shares	-81.7
Payment of investments in capital	-12.9
Others	-18.9
Net cash provided by/used in financing activities	
Proceeds from long-term debt	122.0
Repayment of long-term loans	-17.0
Acquisition of treasury stocks	-10.0
Payment of dividends	-13.6
Others	-1.7

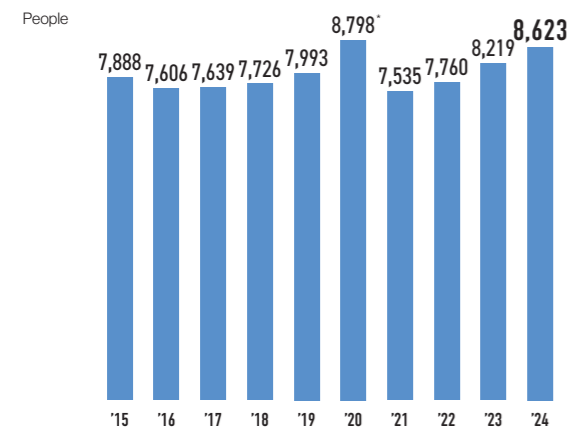
# Management's Discussion and Analysis

## Non-Financial Assets

### Human capital

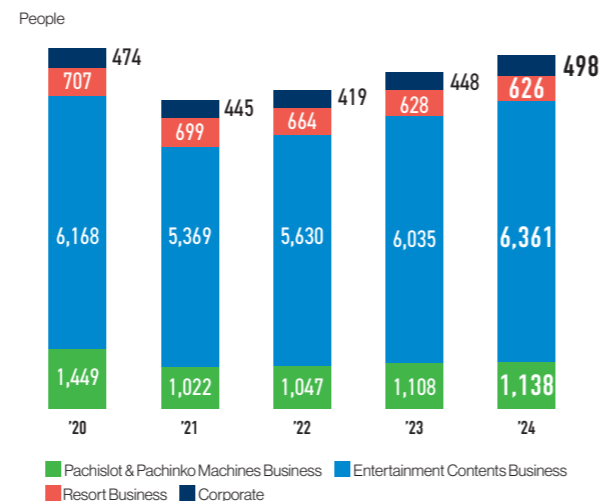
**Number of employees (Consolidated)** At the end of the fiscal year ended March 2024, the consolidated number of employees was 8,623, up 404 from the previous fiscal year-end, as the Company actively augmented development resources, mainly in the Consumer area of the Entertainment Contents Business.

#### Number of employees (Consolidated)



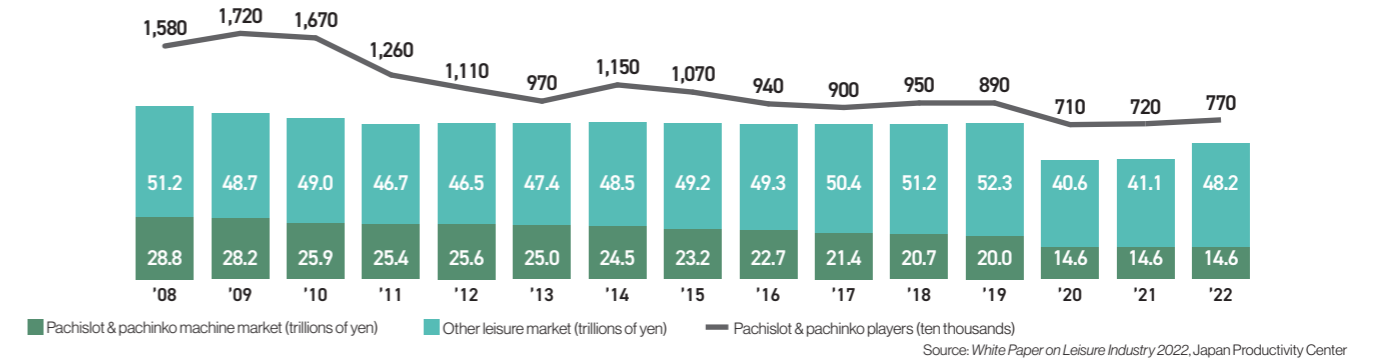
\* Total employees in the Entertainment Contents Business increased due to the conversion of fixed-term to permanent labor contracts (about 440 people).

#### Number of employees by segment

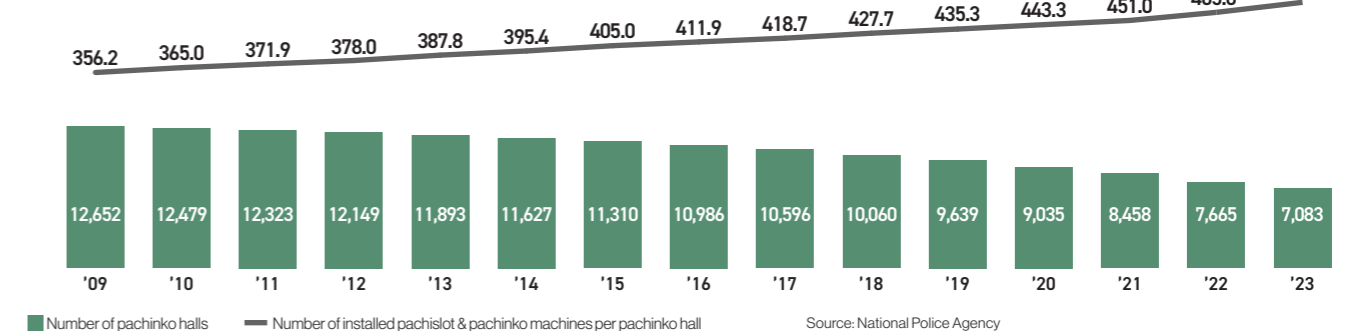


## Basic Data

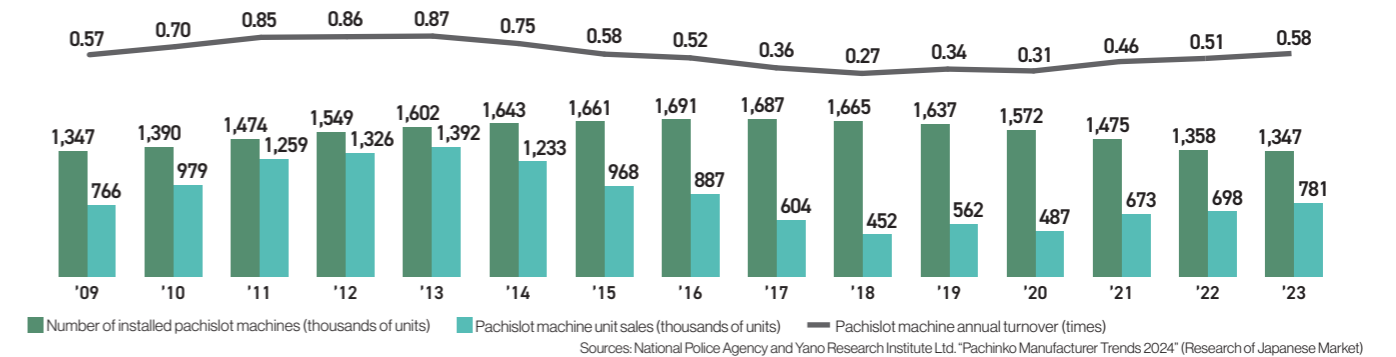
### Market sizes and number of pachislot & pachinko players



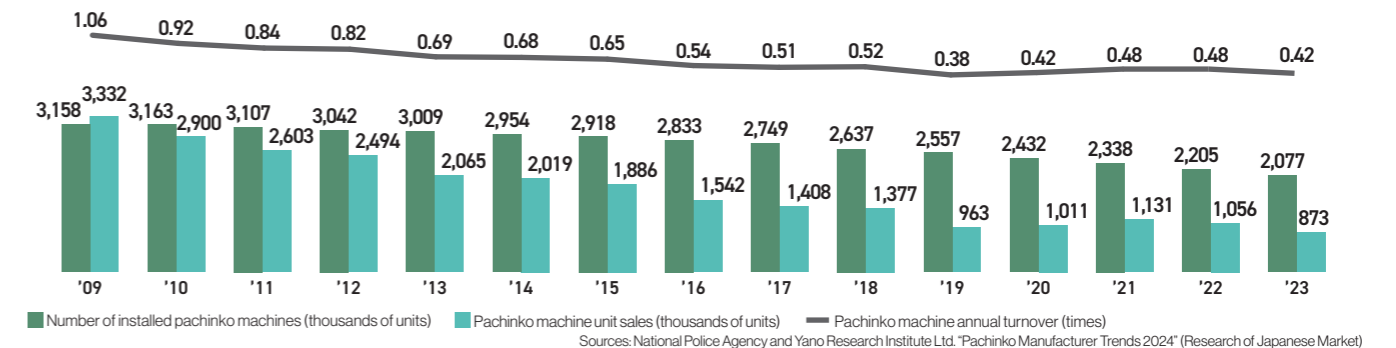
### Numbers of pachinko halls and installed pachislot & pachinko machines per pachinko hall



### Pachislot machines: Number of installed machines, unit sales, and annual turnover



### Pachinko machines: Number of installed machines, unit sales, and annual turnover



### Intellectual property

**R&D expenses and content production expenses** We are actively investing in R&D and content production to reinforce and enhance 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 2024, R&D and content production expenses were ¥98.2 billion, up ¥17.8 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.

\* 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 ended March 2024.

#### Entertainment Contents Business (AM)

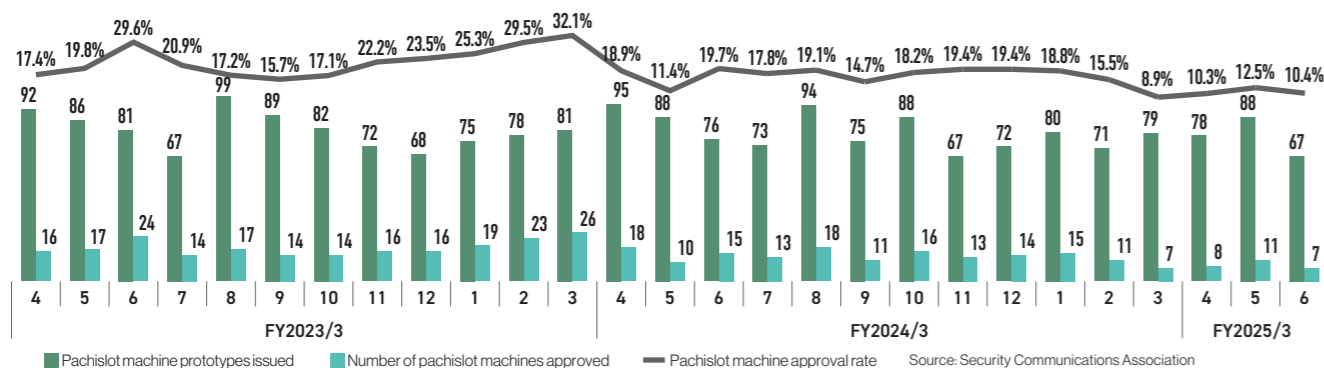
Recorded as inventory assets during development and as costs after launch. Amortized on a straight-line basis at 15% for each of the first two months of the launch and at 7% for each of the following 10 months (total amortization period is 12 months).

#### Pachislot & Pachinko Machines Business

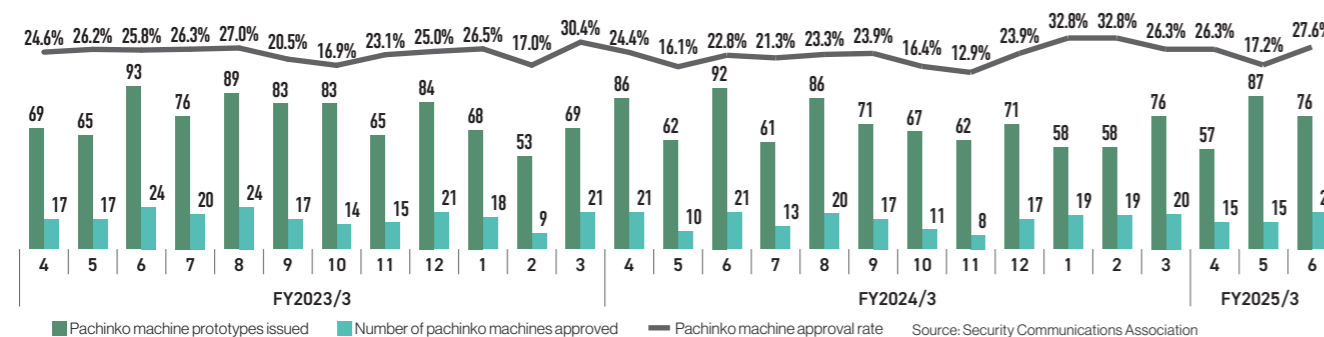
Not recorded as assets but as costs on an accrual basis (outsourced processing costs are recorded at the time of receipt and inspection).

# Management's Discussion and Analysis

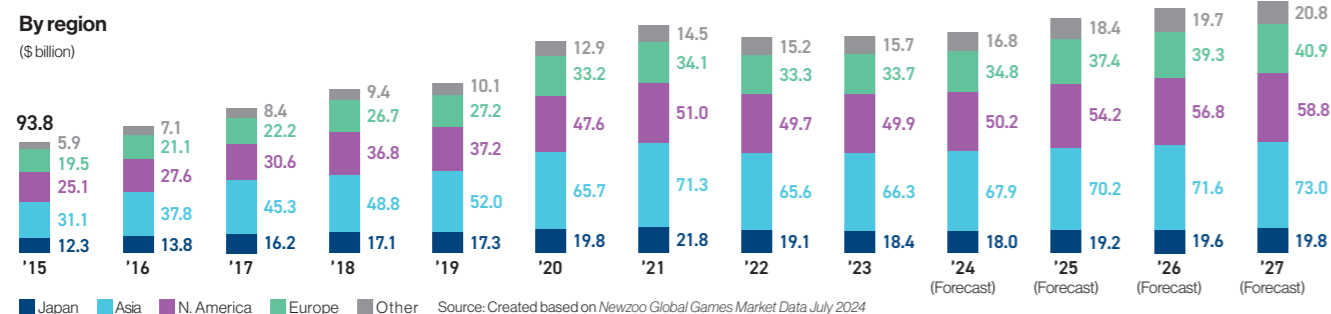
## Results of pachislot machine prototype testing



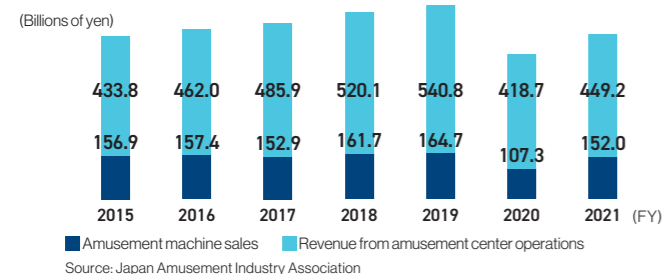
## Results of pachinko machine prototype testing



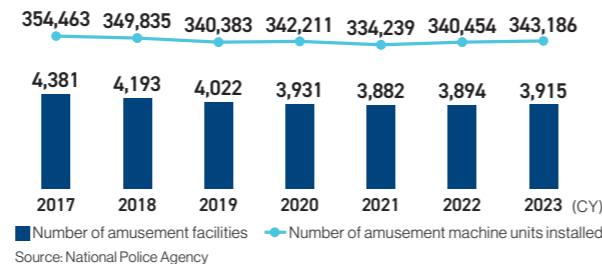
## Video game contents market size



## Domestic amusement machine sales and revenues from amusement facilities operations



## Number of amusement facilities and amusement machine units installed



# 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	¥29.9 billion (As of March 31, 2024)
Principal business	Management of SEGA SAMMY Group as the holding company

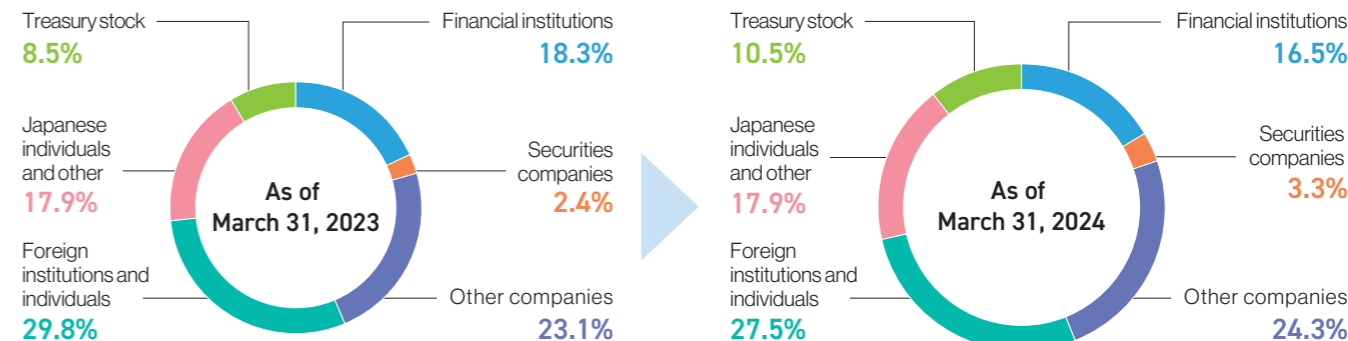
## Stock information (As of March 31, 2024)

Number of shares authorized for issue	800,000,000
Total shares issued and outstanding	241,229,476
Number of shareholders	68,796

## Major shareholders (As of March 31, 2024)

Name of shareholder	Shares held	Shares ratio
HS Company	36,008,000	16.17%
The Master Trust Bank of Japan, Ltd. (Trust account)	26,118,000	10.82%
SEGA SAMMY HOLDINGS INC.	25,214,788	10.45%
FSC Co., Ltd.	13,682,840	5.67%
Custody Bank of Japan, Ltd. (Trust account)	10,399,200	4.31%
STATE STREET BANK AND TRUST COMPANY 505001	6,024,476	2.49%
KOREA SECURITIES DEPOSITORY—SAMSUNG	5,648,300	2.34%
Hajime Satomi	4,217,238	1.74%
Haruki Satomi	3,920,661	1.62%
SSBTC CLIENT OMNIBUS ACCOUNT	3,397,051	1.40%
JPMorgan Securities Japan Co., Ltd.	3,138,935	1.30%

## Breakdown of shareholders



## Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries  
As of March 31, 2023 and 2024

	Millions of yen	
	2023	2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	¥179,509	¥211,715
Notes, accounts receivable—trade, and contract assets (Note 6 (1)(6))	53,370	54,269
Securities	—	8,095
Merchandise and finished goods	18,503	14,371
Work in process	50,689	45,888
Raw materials and supplies	20,269	21,501
Income taxes receivable	15,620	20,441
Other	16,205	19,164
Allowance for doubtful accounts	(304)	(443)
Total current assets	353,862	395,003
<b>Noncurrent assets</b>		
Property, plant, and equipment		
Buildings and structures	77,630	78,253
Accumulated depreciation	(49,664)	(51,735)
Buildings and structures, net	27,966	26,517
Machinery, equipment, and vehicles	8,505	8,195
Accumulated depreciation	(7,190)	(6,900)
Machinery, equipment, and vehicles, net	1,314	1,294
Amusement machines and facilities	7,232	7,290
Accumulated depreciation	(6,632)	(6,768)
Amusement machines and facilities, net	599	522
Land (Note 6 (4))	18,581	18,647
Construction in progress	534	1,396
Other	49,343	54,057
Accumulated depreciation	(37,857)	(42,338)
Other, net	11,485	11,719
Total property, plant, and equipment	60,482	60,099
Intangible assets		
Goodwill	2,592	30,264
Trademark right	23	47,574
Other	10,631	14,442
Total intangible assets	13,247	92,281
Investments and other assets		
Investment securities (Note 6 (2)(3))	39,538	49,858
Long-term loans receivable	247	7,846
Lease and guarantee deposits	6,924	8,182
Net defined benefit assets	5,362	10,588
Deferred tax assets	16,499	18,317
Other	5,785	12,006
Allowance for doubtful accounts	(383)	(189)
Total investments and other assets	73,973	106,610
Total noncurrent assets	147,703	258,991
<b>Total assets</b>	¥501,566	¥653,994

See accompanying notes.

	Millions of yen	
	2023	2024
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade (Note 6 (6))	¥30,556	¥26,085
Short-term borrowings	17,000	22,507
Accrued expenses	19,865	23,319
Income taxes payable	4,776	10,626
Contract liabilities	25,852	19,367
Provision for bonuses	9,689	12,084
Provision for directors' bonuses	1,187	1,094
Provision for point card certificates	187	219
Asset retirement obligations	—	1
Other	11,216	20,188
Total current liabilities	120,332	135,494
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long-term borrowings	25,000	124,500
Lease obligations	5,352	4,837
Deferred tax liabilities	754	10,628
Provision for dismantling of fixed assets	420	420
Provision for stock compensation	—	10
Net defined benefit liability	3,877	5,666
Asset retirement obligations	2,607	2,659
Other	1,874	2,075
Total noncurrent liabilities	49,886	160,797
<b>Total liabilities</b>	170,218	296,292
<b>Net assets</b>		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	72,213	69,263
Retained earnings	261,840	281,208
Treasury stock	(37,251)	(47,151)
Total shareholders' equity	326,755	333,274
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,626	3,056
Deferred gains or losses on hedges	382	(230)
Revaluation reserve for land (Note 7 (4))	(1,109)	(1,109)
Foreign currency translation adjustment	3,730	20,388
Remeasurements of defined benefit plans	(1,531)	1,540
Total accumulated other comprehensive income	4,099	23,645
Share acquisition rights	468	751
Non-controlling interests	24	30
Total net assets	331,347	357,702
<b>Total liabilities and net assets</b>	¥501,566	¥653,994

See accompanying notes.

## Consolidated Statements of Income and Comprehensive Income

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries  
Years ended March 31, 2023 and 2024

	Millions of yen	
	2023	2024
Net sales (Note 7 (1))	¥389,635	¥467,896
Cost of sales (Notes 7 (2) and (3))	231,568	271,159
Gross profit	158,067	196,737
Selling, general and administrative expenses	111,278	139,901
Operating income	46,789	56,836
Other income (expenses)		
Interest income	433	1,938
Dividends income	516	109
Equity in gains of affiliates	—	2,029
Gain on investments in partnership	1,929	1,494
Foreign exchange gains	1,354	—
Interest expenses	(321)	(766)
Equity in losses of affiliates	(520)	—
Commission fee	(146)	(1,217)
Loss on investments in partnership	(563)	(945)
Loss on retirement of noncurrent assets	(285)	(141)
Foreign exchange losses	—	(424)
Gain on sales of noncurrent assets (Note 7 (4))	3	1
Gain on sales of investment securities	—	339
Gain on sale of business	—	155
Gain on reversal of contingent consideration	—	835
Loss on sales of noncurrent assets (Note 7 (5))	(0)	(22)
Impairment loss (Note 7 (6))	(446)	(351)
Loss on valuation of investment securities	(81)	(746)
Loss on business restructuring (Note 7 (7))	(1,783)	(17,804)
Other, net	191	511
Subtotal	279	(15,004)
Income (loss) before income taxes	47,069	41,831
Income taxes—current	4,137	9,869
Income taxes—deferred	(3,000)	(1,169)
Total income taxes	1,136	8,699
Profit	45,932	33,132
(Breakdown)		
Profit attributable to owners of parent	45,938	33,055
Profit attributable to non-controlling interests	(6)	76
Other comprehensive income		
Valuation difference on available-for-sale securities	345	430
Deferred gains or losses on hedges	—	(223)
Foreign currency translation adjustment	2,873	15,256
Remeasurements of defined benefit plans, net of tax	1,677	3,203
Share of other comprehensive income of entities accounted for using equity method	1,227	921
Total other comprehensive income (Note 7 (8))	6,124	19,587
Comprehensive income	52,057	52,720
(Breakdown)		
Comprehensive income attributable to owners of parent	52,066	52,601
Comprehensive income attributable to non-controlling interests	¥ (9)	¥ 118

See accompanying notes.

## Consolidated Statements of Changes in Net Assets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries  
Years ended March 31, 2023 and 2024

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock		
<b>Prior fiscal year (From April 1, 2022 to March 31, 2023)</b>						
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				142		174
Cancellation of treasury stock		(45,480)		45,480		—
Change in scope of consolidation						—
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 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			(8,873)			
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 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 Changes in Net Assets

Current fiscal year (From April 1, 2023 to March 31, 2024)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2023	¥29,953	¥72,213	¥261,840	¥(37,251)	¥326,755
Changes in items during the period					
Dividends from surplus			(13,687)		(13,687)
Profit attributable to owners of parent			33,055		33,055
Effect of changes in accounting period of consolidated subsidiaries					—
Purchase of treasury stock				(10,016)	(10,016)
Disposal of treasury stock		75		117	192
Cancellation of treasury stock					—
Change in scope of consolidation		(3,025)			(3,025)
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					—
Total changes in items during the period	—	(2,949)	19,367	(9,899)	6,518
Balances as of March 31, 2024	¥29,953	¥69,263	¥281,208	¥(47,151)	¥333,274

Millions of yen

	Accumulated other comprehensive income					Total 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	
Balances as of April 1, 2023	¥2,626	¥ 382	¥(1,109)	¥ 3,730	¥(1,531)	¥ 4,099
Changes in items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
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 ownership interest of parent due to transactions with non-controlling interests						
Net changes in items other than shareholders' equity	429	(613)		16,658	3,072	19,546
Total changes in items during the period	429	(613)	—	16,658	3,072	19,546
Balances as of March 31, 2024	¥3,056	¥(230)	¥(1,109)	¥20,388	¥ 1,540	¥23,645

Millions of yen

	Share acquisition rights	Non-controlling interests	Total net assets
	Balances as of April 1, 2023	¥468	¥24
Changes in items during the period			
Dividends from surplus			(13,687)
Profit attributable to owners of parent			33,055
Effect of changes in accounting period of consolidated subsidiaries			—
Purchase of treasury stock			(10,016)
Disposal of treasury stock			192
Cancellation of treasury stock			—
Change in scope of consolidation			(3,025)
Change in ownership interest of parent due to transactions with non-controlling interests			—
Net changes in items other than shareholders' equity	283	6	19,836
Total changes in items during the period	283	6	26,354
Balances as of March 31, 2024	¥751	¥30	¥357,702

See accompanying notes.

## Consolidated Statements of Cash Flows

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries  
Years ended March 31, 2023 and 2024

Millions of yen

	2023	2024
<b>Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes	¥47,069	¥ 41,831
Depreciation and amortization	10,669	13,514
Impairment loss	446	351
Loss (gain) on sales of noncurrent assets	(4)	21
Loss on retirement of noncurrent assets	285	141
Loss (gain) on liquidation of subsidiaries and associates	—	3
Loss (gain) on sales of investment securities	—	(339)
Loss (gain) on valuation of investment securities	81	746
Loss (gain) on investments in partnership	(1,365)	(548)
Amortization of goodwill	2,178	2,501
Increase (decrease) in allowance for doubtful accounts	(41)	(140)
Increase (decrease) in provision for directors' bonuses	(15)	(137)
Increase (decrease) in net defined benefit liability	(170)	760
Increase (decrease) in provision for bonuses	1,223	1,259
Interest and dividends income	(950)	(2,048)
Interest expenses	321	749
Foreign exchange losses (gains)	1,152	(122)
Equity in (earnings) losses of affiliates	520	(2,029)
Decrease (increase) in notes and accounts receivable—trade	(13,493)	7,880
Decrease (increase) in inventories	(22,481)	8,190
Increase (decrease) in notes and accounts payable—trade	5,908	(8,238)
Increase (decrease) in contract liabilities	15,545	(8,009)
Increase (decrease) in guarantee deposits received	(76)	16
Other, net	1,806	15,218
Subtotal	48,611	71,573
Interest and dividends income received	987	1,627
Interest expenses paid	(291)	(530)
Extra retirement payments	—	(2,275)
Income taxes paid	(6,743)	(12,505)
Income taxes refund	2,140	7,942
Net cash provided by (used in) operating activities	¥44,704	¥ 65,833

See accompanying notes.

## Consolidated Statements of Cash Flows

	Millions of yen	
	2023	2024
<b>Net cash provided by (used in) investing activities</b>		
Proceeds from sales of trust beneficiary rights	¥ 382	¥ —
Purchase of property, plant, and equipment	(4,944)	(5,341)
Proceeds from sales of property, plant, and equipment	7	102
Purchase of intangible assets	(5,875)	(5,774)
Purchase of investment securities	(669)	(1,457)
Proceeds from sales of investment securities	1	404
Payments for investment in partnerships	(1,226)	(862)
Proceeds from distribution of investment in partnerships	3,510	1,054
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 9(2))	(448)	(81,776)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	31	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 9(3))	—	(1,716)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	6
Purchase of shares of subsidiaries and affiliates	(155)	(5,379)
Payments for investments in capital	(1,828)	(12,989)
Proceeds from share of profits on investments in capital	7,245	9,795
Payments of loans receivable	(1,907)	(8,299)
Collection of loans receivable	2,586	62
Reduction of investments in trusts	1,200	—
Payments for lease deposits	(26)	(168)
Collection of lease deposits	767	223
Other, net	(1,002)	(1,393)
Net cash provided by (used in) investing activities	(2,351)	(113,509)
<b>Net cash provided by (used in) financing activities</b>		
Proceeds from long-term borrowings	10,000	122,000
Repayment of long-term borrowings	(10,191)	(17,018)
Purchase of treasury stock	(4,987)	(10,016)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(50)	(3)
Cash dividends paid	(8,865)	(13,673)
Other, net	(1,263)	(1,501)
Net cash provided by (used in) financing activities	(15,358)	79,786
<b>Effect of exchange rate change on cash and cash equivalents</b>	162	8,191
<b>Net increase (decrease) in cash and cash equivalents</b>	27,156	40,301
<b>Cash and cash equivalents at start of period</b>	152,459	179,509
<b>Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries</b>	(107)	—
<b>Cash and cash equivalents at end of period (Note 9 (1))</b>	¥179,509	¥219,810

See accompanying notes.

## Notes to Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries  
Years ended March 31, 2023 and 2024

### 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 2023 and 2024. 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 2023 consolidated financial statements to conform to the classifications used in 2024. 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: 72

##### (2) Number of non-consolidated subsidiaries: 12

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: 16

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.



## Notes to Consolidated Financial Statements

### 4) Inventories

Inventories are stated at cost which is 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 which is 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 and right-of-use 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)

Trademark rights: 10–23 years

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 at full amount at the time of payment.

### (4) Accounting for allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in the sufficient amount 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 is 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 is 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.

6) Provision for share-based compensation

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

### (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, 2024.

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.

1) 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.

2) 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 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.

3) 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.

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

Funds in the consolidated statements of cash flows (cash and cash equivalents) consist of cash on hand (cash reserves), demand deposits, and short-term investments with a maturity of three months or less from acquisition, which can easily be converted to cash and are subject to insignificant risk of change in value.

### (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

1) Carrying amounts in the consolidated financial statements in the current fiscal year

	Millions of yen	
	2023	2024
Work in process	¥47,043	¥42,698
"Other" under intangible assets	6,410	4,614

2) 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.

3) 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.

4) 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

1) Carrying amount in the consolidated financial statements in the current fiscal year

	Millions of yen	
	2023	2024
Raw materials	¥16,136	¥17,353

2) 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.

3) 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.

4) 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.

1) Carrying amount in the consolidated financial statements in the current fiscal year

	Millions of yen	
	2023	2024
Shares of subsidiaries and affiliates	¥17,867	¥24,619

2) 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 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 ¥131,418 million in noncurrent assets, including goodwill of ¥7,589 million.

3) 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.

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

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

Shown below are the ending balances of the intangible assets (trademark rights and intangible assets related to technology) and goodwill recorded through the acquisition of an equity stake in Rovio Entertainment Corporation ("Rovio" hereinafter) during the consolidated fiscal year under review.

	Millions of yen	
	2023	2024
Intangible assets		¥53,007
Trademark rights		47,555
Intangible assets related to technology		5,451
Goodwill		28,640

2) Method for calculating amounts posted to consolidated financial statements in the current fiscal year

Amounts allocated of identifiable intangible assets are calculated

via the income approach, converting expected future cash flows generated by the intangible assets, based on business plans used in corporate valuations, to their current values.

Of these, trademark rights were valued using as the valuation model the multi-period excess earnings method included in the income approach. Intangible assets related to technology were valued using as the valuation model the with-and-without method, also included in the income approach.

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

Outside experts were employed in these calculations because the choice of input data used in calculation methods and discount rates requires special expertise.

3) Key assumptions made in calculating amounts posted to the consolidated financial statements in the current fiscal year

In calculating future cash flows related to trademark rights, net sales per major game title and their rates of decrease and game-business costs were set based on Rovio's business plans.

In calculating future cash flow related to intangible assets related to technology, net sales per major game title and their rates of decrease and projected increases in profitability attributable to the application of intangible assets related to technology were set based on Rovio's business plans.

4) Impact on consolidated financial statements in the following fiscal year

While future business plans are based on management's best estimates, profit and loss may be affected by differences between net sales per major game title and other figures and projections thereof.

### 4 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.

## 5 Changes in Methods of Presentation

### (1) Consolidated Balance Sheet

"Trademark right", which was included in "Other" under intangible assets in the prior fiscal year, is presented as a separate line item in the fiscal year ended March 31, 2024, because its monetary significance has increased. In order to reflect this change in presentation, the consolidated balance sheets for the prior fiscal year have been reclassified. As a result, the ¥10,654 million presented as "Other" under intangible assets in the consolidated balance sheets for the prior fiscal year has been reclassified as ¥23 million in "Trademark right" and ¥10,631 million in "Other".

### (2) Consolidated Statement of Cash Flows

"Payments for investments in capital" and "Proceeds from share of profits on investments in capital", which were included in "Other" under investing activities in the prior fiscal year, is presented as a separate line item in the fiscal year ended March 31, 2024, because its significance has increased. In order to reflect this change in presentation, the consolidated statements of cash flows for the prior fiscal year have been reclassified. As a result, the ¥4,413 million presented as "Other" under investing activities in the consolidated statements of cash flows for the prior fiscal year has been reclassified as ¥(1,828) million in "Payments for investments in capital", ¥7,245 million in "Proceeds from share of profits on investments in capital", and ¥(1,002) million in "Other, net".

## 6 Notes to Consolidated Balance Sheets

### (1) Receivables from contracts with customers and contract assets

Of notes, accounts receivable - trade, and contract assets, the amount of receivables from contracts with customers and the amount of contract assets are provided in "[Notes] (Revenue recognition) 3. Information for understanding revenue amounts of the current fiscal year and the following fiscal years (1) Receivables from contracts with customers; the balances of contract assets and contract liabilities" of the consolidated financial statements.

### (2) Assets pledged as collateral

Assets pledged as collateral are as follows:

	Millions of yen	
	2023	2024
Shares of subsidiaries and affiliates	Note 1 ¥17,867	Note 2 ¥24,619
Total	17,867	24,619

Notes: 1. For a loan of ¥73,007 million (KRW725,000 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 ¥58,905 million (KRW525,000 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	
	2023	2024
Investment securities (Shares)	¥19,432	¥26,455
Investment securities (Capital Contributions)	824	726

### (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: ¥(386) 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	
	2023	2024
Total amount of limit of overdraft account and commitment line contract	¥294,654	¥285,565
Balance of borrowings	—	—
Balance of unrealized borrowings	294,654	285,565

### (6) Accounting for notes maturing as of the end date of the consolidated fiscal year under review

Notes maturing as of the end date of the consolidated fiscal year under review are settled as of their dates of exchange.

Since the end date of the consolidated fiscal year under review was a holiday for financial institutions, the following notes maturing as of the end date are included in ending balances:

	Millions of yen	
	2023	2024
Notes receivable	—	¥ 898
Notes payable	—	1,628

## 7 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 21 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	
	2023	2024
Cost of sales	¥9,871	¥19,697

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

	Millions of yen	
	2023	2024
	¥51,410	¥61,365

### (4) Gain on sales of noncurrent assets

	Millions of yen	
	2023	2024
Machinery, equipment, and vehicles	¥3	¥1
Other property, plant, and equipment	0	0
Total	3	1

### (5) Loss on sales of noncurrent assets

	Millions of yen	
	2023	2024
Buildings and structures	¥—	¥21
Amusement machines and facilities	0	—
Other property, plant, and equipment	0	1
Total	0	22

## Notes to Consolidated Financial Statements

### (6) Impairment loss

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

Use	Location	Type	Millions of yen
			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.

Current fiscal year (From April 1, 2023 to March 31, 2024)

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

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.

The amount of ¥478 million is included in loss on business restructuring under other expenses.

### (7) Loss on business restructuring

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

	Millions of yen	
	2023	2024
Loss associated with suspension of game content development, etc.	¥1,783	¥11,564
Increased benefits for early retirement	—	3,417
Loss on sale of stock in affiliates	—	2,159
Impairment loss	—	478
Other	—	184
Total	1,783	17,804

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

	Millions of yen	
	2023	2024
Valuation difference on available-for-sale securities		
The amount arising during the period	¥ 433	¥ 750
Reclassification adjustments	—	(90)
Before adjustments to tax effects	433	659
The amount of tax effects	(87)	(229)
Valuation difference on available-for-sale securities	345	430
Deferred gains or losses on hedges		
The amount arising during the period	—	(223)
Reclassification adjustments	—	—
Before adjustments to tax effects	—	(223)
The amount of tax effects	—	—
Deferred gains or losses on hedges	—	(223)
Foreign currency translation adjustment		
The amount arising during the period	2,873	15,531
Reclassification adjustments	—	(274)
Before adjustments to tax effects	2,873	15,256
The amount of tax effects	—	—
Foreign currency translation adjustment	2,873	15,256
Remeasurements of defined benefit plans, net of tax		
The amount arising during the period	1,760	3,558
Reclassification adjustments	(34)	(318)
Before adjustments to tax effects	1,726	3,240
The amount of tax effects	(49)	(37)
Remeasurements of defined benefit plans, net of tax	1,677	3,203
Share of other comprehensive income of entities accounted for using equity method		
The amount arising during the period	1,277	921
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	1,227	921
Total other comprehensive income	¥6,124	¥19,587

**8 Notes to Consolidated Statements of Changes in Net Assets**

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

**1. Number of outstanding common stock**

Type of stock	Shares			
	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**

Class of shares	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		Decrease		Decrease	
Increase due to market purchases pursuant to Board of Directors resolutions:	2,240,700 shares	Decrease due to sales of odd-lot stock:	84 shares		
Increase due to purchase of odd-lot stock:	5,695 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)			Balance at March 31, 2023 Millions of yen
			As of April 1, 2022	Increase	Decrease	
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

Current fiscal year (From April 1, 2023 to March 31, 2024)

**1. Number of outstanding common stock**

Type of stock	Shares			
	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock	241,229,476	—	—	241,229,476

**2. Number of outstanding treasury stock**

Class of shares	Shares			
	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock	20,476,041	4,803,305	64,558	25,214,788

(Outline of causes of change)

Increase		Decrease	
Increase due to market purchases pursuant to Board of Directors resolutions:	4,782,700 shares	Decrease due to sales of odd-lot stock:	358 shares
Increase due to purchase of odd-lot stock:	6,505 shares	Decrease due to stock compensation with restriction on transfer:	64,200 shares
Increase due to free acquisition upon retirement of individuals subject to stock compensation with restriction on transfer:	14,100 shares		

**3. Subscription rights to shares**

Company name	Breakdown	Type of stock	Number of stocks (Shares)			Balance at March 31, 2024 Millions of yen
			As of April 1, 2023	Increase	Decrease	
The Company	Subscription rights to shares as stock options	—	—	—	—	¥751
Total			—	—	—	751

**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 12, 2023	Common stock	¥8,609	¥39	March 31, 2023	June 2, 2023
Board of Directors' Meeting held on November 8, 2023	Common stock	5,078	23	September 30, 2023	December 1, 2023

**(2) Of the dividends in which the record date is in the fiscal year ended March 31, 2023 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 10, 2024	Common stock	Retained earnings	¥5,832	¥27	March 31, 2024	June 5, 2024

## 9 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	
	2023	2024
Cash and deposits	¥179,509	¥211,715
Securities	—	8,095
Total	179,509	219,810
Cash and cash equivalents	179,509	219,810

### (2) Breakdown of major details of assets and liabilities of companies newly added to consolidated subsidiaries through acquisition of stock

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

Current fiscal year (From April 1, 2023 to March 31, 2024)

Shown below is a breakdown of assets and liabilities as of the time of newly adding Rovio Entertainment Corporation to consolidation through acquisition of stock and the relationship between the stock acquisition price and (net) expenditures for the acquisition.

	Millions of yen
Current assets	¥ 30,896
Noncurrent assets	59,742
Goodwill	29,089
Current liabilities	(5,928)
Noncurrent liabilities	(12,063)
Other	3,138
Stock acquisition price	104,875
Cash and cash equivalents	(23,099)
Deducted: Expenditures for acquisition	(81,776)

Note: The stock acquisition price includes acquisition costs of ¥4,234 million for the second takeover bid and squeeze-out, in addition to ¥100,640 million for the first takeover bid.

### (3) Breakdown of major details of assets and liabilities of companies removed from list of consolidated subsidiaries through sale of stock

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

Current fiscal year (From April 1, 2023 to March 31, 2024)

Shown below is a breakdown of assets and liabilities as of the time at which shares in Relic Entertainment (hereinafter "Relic"), were sold and the removal of Relic from the list of consolidated subsidiaries and the relationship between the stock sale price and expenditures arising from the sale.

	Millions of yen
Current assets	¥ 2,166
Noncurrent assets	1,754
Current liabilities	(467)
Noncurrent liabilities	(884)
Loss on business restructuring	(2,159)
Foreign currency translation adjustment	(279)
Other	(129)
Stock sale price	0
Cash and cash equivalents	(1,716)
Deducted: Expenditures arising from sale	(1,716)

## 10 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 2024, 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, 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	—

Current fiscal year (As of March 31, 2024)

	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, 2023 and 2024

	Millions of yen	
	2023	2024
Due within one year	¥151	¥12
Due after one year	12	—
Total	164	12

Accumulated impairment loss on leased assets as of March 31, 2023 and 2024

	Millions of yen	
	2023	2024
Accumulated impairment loss on leased assets	¥120	¥9

## Notes to Consolidated Financial Statements

(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, 2023 and 2024, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

	Millions of yen	
	2023	2024
Lease payments	¥151	¥151
Reversal of allowance for impairment loss on leased assets	113	111
Depreciation	124	124
Interest expenses	5	2

### (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.

## 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").

## 3. Lease transactions under IFRS and U.S. GAAP

### (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.

### 4. Operating lease transactions

Future lease payments for operating lease transactions which cannot be canceled as of March 31, 2023 and 2024 are as follows:

	Millions of yen	
	2023	2024
Due within one year	¥ 3,992	¥4,095
Due after one year	6,468	4,117
Total	10,460	8,212

Notes: Major factors behind increases or decreases in operating lease transactions included the payment of lease payables for offices leased for the Group's headquarters.

### (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) 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.

### (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.

## 11 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 corporate bonds are secured to obtain working capital, make capital investments, and engage in M&A and other activities. For certain borrowings with variable interest rates, the Group uses interest rate swap transactions to hedge the risk of fluctuating interest rates. Derivative transactions are forward exchange contracts to hedge exchange rate fluctuation risk associated with operating payables denominated in foreign currencies, interest rate swap transactions to hedge interest rate fluctuation risk associated with borrowings of the Company, and forward exchange contracts to hedge exchange rate fluctuation risk associated with equity investments in overseas subsidiaries. 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 the Company, 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.

## Notes to Consolidated Financial Statements

### 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, 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 12 Investment Securities." Notes concerning derivatives are as described in the "Note 13 Derivative Transactions."

3. Securities without available fair market value

Category	Millions of yen	
	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. 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 ¥10,808 million.

Current fiscal year (As of March 31, 2024)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	¥ 54,269	¥ 54,269	¥ —
(2) Short-term investment securities and investment securities:			
1) Held-to-maturity debt securities	103	102	(0)
2) Available-for-sale securities	13,883	13,883	—
3) Stocks of affiliates	—	—	—
Total assets	68,256	68,256	(0)
(1) Notes and accounts payable—trade	26,085	26,085	—
(2) Short-term borrowings	22,507	22,507	—
(3) Long-term borrowings	124,500	124,259	240
(4) Bonds payable	10,000	9,776	223
Total liabilities	183,092	182,627	464
Derivative transactions			
1) Derivative transactions to which hedge accounting is not applied	—	—	—
2) Derivative transactions to which hedge accounting is applied	(230)	(230)	—
Total derivative transactions	(230)	(230)	—

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 12 Investment Securities." Notes concerning derivatives are as described in the "Note 13 Derivative Transactions."

3. Securities without available fair market value

Category	Millions of yen	
	2024	
Investments in unlisted stocks, etc.	¥ 5,666	
Investments in investment limited partnerships, etc.	11,118	
Stocks of non-consolidated subsidiaries	1,059	
Stocks of affiliates	25,395	
Investments in capital of subsidiaries and affiliates	726	

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 are not included under (2) Short-term Investment Securities and Investment Securities. The amount of such investments recorded on the Consolidated Balance Sheet is ¥11,844 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, 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 (Foreign bonds)	—	—	—	—
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.



## Notes to Consolidated Financial Statements

Current fiscal year (As of March 31, 2024)

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥211,715	¥ —	¥—	¥—
Notes and accounts receivable—trade	54,269	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Bonds)*	—	100	—	—
Available-for-sale securities with maturities (Foreign bonds)	225	—	—	—
Available-for-sale securities with maturities (Other)*	—	100	—	—
Total	266,210	200	—	—

\* 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, 2023)

Category	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
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

Current fiscal year (As of March 31, 2024)

Category	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
Short-term borrowings	¥22,507	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	7,500	7,500	17,500	24,500	67,500
Bonds payable	—	—	—	—	—	10,000
Lease obligations	1,866	1,384	1,023	856	804	768
Other interest-bearing debt:						
Accounts payable—facilities	24	22	22	22	21	13

### 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, 2023)

Category	Millions of yen				
	Consolidated balance sheet amount	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.

Current fiscal year (As of March 31, 2024)

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

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

## Notes to Consolidated Financial Statements

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

Prior fiscal year (As of March 31, 2023)

Category	Consolidated balance sheet amount	Millions of yen			
		Level 1	Level 2	Level 3	Fair value 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

Current fiscal year (As of March 31, 2024)

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

Note 1: 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 is assigned to Level 2 because they are infrequently traded and are for that reason not deemed to have quoted prices on active markets. Other financial instruments include American depository receipts, investment trusts, and simple agreements for future equity (SAFEs). Since American depository receipts are traded in active markets, their fair value is assigned to Level 1. The fair value of investment trusts is assigned to Level 2 because they are infrequently traded and thereby deemed to lack quoted prices on active markets. SAFEs are assigned to Level 3 because the most recent fair values are estimated after accounting for factors that can affect the value of the financial instruments.

Derivative transactions:

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.

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

(1) Adjustments from starting to ending balance and valuation gains/losses recognized during the period under review  
Current year (From April 1, 2023 to March 31, 2024)

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

(2) Description of fair valuation process

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

## 12 Investment Securities

### 1. Held-to-maturity debt securities

Prior fiscal year (As of March 31, 2023)

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

Category	Millions of yen		
	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

Category	Millions of yen		
	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)

Current fiscal year (As of March 31, 2024)

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

Category	Millions of yen		
	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

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥ —	¥ —	¥—
2) Corporate bonds	103	102	(0)
3) Other	—	—	—
Total	103	102	(0)

### 2. Available-for-sale securities

Prior fiscal year (As of March 31, 2023)

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

Category	Millions of yen		
	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

Category	Millions of yen		
	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)

Current fiscal year (As of March 31, 2024)

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

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥ 2,871	¥ 941	¥1,930
2) Debt securities	506	452	54
3) Other	9,136	8,664	472
Total	12,515	10,057	2,457

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

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥ 941	¥1,098	¥(156)
2) Debt securities	100	105	(5)
3) Other	326	400	(73)
Total	1,368	1,603	(235)

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

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

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

## Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2023 to March 31, 2024)

Category	Millions of yen		
	Amount of proceeds	Total gains on sales	Total losses on sales
1) Shares	¥364	¥323	¥—
2) Debt securities	—	—	—
3) Other	40	16	—
Total	404	339	—

### 4. Impairment loss on securities

Prior 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.

Current fiscal year (From April 1, 2023 to March 31, 2024)

The Group recognized impairment loss on available-for-sale securities in the amount of ¥746 million.

## 13 Derivative Transactions

### 1. Derivative transactions to which hedge accounting is not applied

#### (1) Currency-related derivatives

Prior fiscal year (As of March 31, 2023)

Not applicable

Current fiscal year (As of March 31, 2024)

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 12 Investment Securities."

### 2. Derivative transactions to which hedge accounting is applied

#### (1) Currency-related derivatives

Prior fiscal year (As of March 31, 2023)

Not applicable

Current fiscal year (As of March 31, 2024)

Not applicable

#### (2) Interest rate-related derivatives

Prior fiscal year (As of March 31, 2023)

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			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 swap transactions to long-term borrowings used by entities accounted for by 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, 2024)

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swaps:				
	Floating rate into fixed rate	Long-term borrowings	¥50,000	¥46,428	¥(230)
Total			50,000	46,428	(230)

Note: Primary method represents interest rate swap transactions to long-term borrowings used by the Company.

## 14 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.

## Notes to Consolidated Financial Statements

### 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	
	2023	2024
Projected benefit obligations at the beginning of the period	¥33,552	¥32,418
Service costs—benefits earned during the year	2,149	1,623
Interest cost on projected benefit obligations	174	180
Actuarial differences accrued	(5,479)	(1,281)
Retirement benefit paid	(460)	(703)
Prior service costs accrued	2,359	(159)
Other	121	(3,316)
Projected benefit obligations at the end of the period	32,418	28,761

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

	Millions of yen	
	2023	2024
Plan assets at the beginning of the period	¥32,947	¥34,766
Expected return on plan assets	658	515
Actuarial differences accrued	(1,358)	2,117
Contribution of employer	2,893	941
Retirement benefit paid	(375)	(589)
Other	—	(3,319)
Plan assets at the end of the period	34,766	34,612

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

	Millions of yen	
	2023	2024
Net defined benefit liability at the beginning of the period	¥806	¥862
Retirement benefit expenses	102	109
Retirement benefit paid	(48)	(51)
Other	2	8
Net defined benefit liability at the end of the period	862	928

#### (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	
	2023	2024
Funded projected benefit obligations	¥ 30,355	¥ 26,677
Plan assets	(34,766)	(34,612)
	(4,411)	(7,934)
Unfunded projected benefit obligations	2,926	3,012
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,485)	(4,922)
Net defined benefit liability	3,877	5,666
Net defined benefit asset	(5,362)	(10,588)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,485)	(4,922)

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

### (5) Breakdown of retirement benefit expenses

	Millions of yen	
	2023	2024
Service costs—benefits earned during the year	¥2,149	¥1,623
Interest cost on projected benefit obligations	174	180
Expected return on plan assets	(658)	(515)
Amortization of actuarial difference	(34)	(554)
Amortization of prior service cost	—	235
Retirement benefit expenses using the simplified method	102	109
Other	2	—
Retirement benefit expenses of defined benefit pension plan	1,735	1,079

### (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	
	2023	2024
Prior service costs	¥(2,359)	¥ 395
Actuarial difference	4,086	2,844
Total	1,726	3,240

### (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	
	2023	2024
Unrecognized prior service costs	¥(2,359)	¥(1,964)
Unrecognized actuarial difference	775	3,773
Total	(1,584)	1,808

### (8) Matters concerning plan assets

#### 1) Breakdown of plan assets

Ratio of main classes of plan assets

	2023	2024
Debt securities	27%	38%
Share of stock	17	28
Cash and deposits	44	18
General account	7	7
Other	3	9
Total	100	100

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

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

## Notes to Consolidated Financial Statements

### (9) Matters concerning basis for the actuarial calculation

Basis for the actuarial calculation

	2023	2024
Discount rate	0.2–0.9%	0.6–1.8%
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 ¥1,432 million in the prior fiscal year and ¥1,937 million in the current fiscal year.

## 15 Stock Option Plan

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

	Millions of yen	
	2023	2024
Selling, general, and administrative expenses—other	¥292	¥283

### 2. Contents, scale and movement of stock options

Prior 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 2,844,500
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, 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

Current fiscal year (From April 1, 2023 to March 31, 2024)

#### (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

## Notes to Consolidated Financial Statements

### (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, 2023		2,795,500
Stock options granted		—
Forfeitures		47,500
Conversion to exercisable stock options		—
Stock options outstanding at March 31, 2024		2,748,000
Exercisable stock options		
Stock options outstanding at April 1, 2023		—
Conversion from not exercisable stock options		—
Stock options exercised		—
Forfeitures		—
Stock options outstanding at March 31, 2024		—

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, 2022 to March 31, 2023)

Not applicable

Current fiscal year (From April 1, 2023 to March 31, 2024)

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.

## 16 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
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

	Continuous service-based shares with restriction on transfer in 2023	
Categories and number of grantees (persons)	Company directors	5
	Company executive officers	8
	Subsidiary directors	16
	Subsidiary executive officers	24
Class and number of shares granted (shares)	Common stock: 64,200	
Grant date	August 10, 2023	
Conditions for canceling restriction on transfer	(Notes) 1, 2	
Period of restriction on transfer	From August 10, 2023 to August 9, 2026	

	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.

## Notes to Consolidated Financial Statements

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

1) Expensed amount and account title

	Millions of yen	
	2023	2024
Selling, general, and administrative expenses—other	¥393	¥394

2) 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	78,200
Granted	—	—
Acquired for free	—	—
Restriction canceled	—	—
Restriction valid	26,800	78,200

	Continuous service-based shares with restriction on transfer in 2023
Before cancellation of restriction	
At end of prior period	—
Granted	64,200
Acquired for free	—
Restriction canceled	—
Restriction valid	64,200

	Performance-based shares with restriction on transfer in 2021
Before cancellation of restriction	
At end of prior period	360,500
Granted	—
Acquired for free	9,000
Restriction canceled	—
Restriction valid	351,500

3) 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

	Continuous service-based shares with restriction on transfer in 2023
Fair value per share at grant date	¥2,989

	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.

## 17 Income Taxes

### 1. Significant components of deferred tax assets and liabilities

	Millions of yen	
	2023	2024
Deferred tax assets:		
Exclusion of provision of allowance for doubtful accounts from deductible expenses	¥ 263	¥ 177
Exclusion of loss on valuation of inventories from deductible expenses	2,564	2,436
Exclusion of provision for bonuses from deductible expenses	3,039	3,560
Net defined benefit liability	1,692	1,963
Exclusion of provision for bonuses from deductible expenses	19,019	21,601
Exclusion of loss on valuation of investment securities from deductible expenses	329	325
Impairment loss	493	380
Other	20,712	32,164
Loss carried forward	26,866	23,745
Subtotal deferred tax assets	74,981	86,356
Valuation allowance for tax loss carried forward (Note 2)	(20,307)	(12,736)
Valuation allowance for deductible temporary difference	(23,015)	(31,668)
Subtotal valuation allowance (Note 1)	(43,322)	(44,404)
Offset to deferred tax liabilities	(15,159)	(23,633)
Total deferred tax assets	16,499	18,317
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,530)	(1,507)
Other	(14,383)	(32,754)
Subtotal deferred tax liabilities	(15,913)	(34,262)
Offset to deferred tax assets	15,159	23,633
Total deferred tax liabilities	(754)	(10,628)
Net deferred tax assets	15,745	7,689

Notes: 1. The valuation allowance rose by ¥1,018 million. The major factors for this increase were a decrease in valuation allowance of ¥7,571 million for tax loss carryforwards and an increase in valuation allowance for a deductible temporary difference of ¥8,652 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, 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 under 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.



## Notes to Consolidated Financial Statements

Current fiscal year (As of March 31, 2024)

	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)	¥1,183	¥ 990	¥ 556	—	¥1,006	¥20,009	¥ 23,745
Valuation allowance	(644)	(826)	(555)	—	(722)	(9,987)	(12,736)
Deferred tax assets	539	163	1	—	284	10,022	(b) 11,009

(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 ¥23,745million (the amount under the normal effective statutory tax rate), deferred tax assets of ¥11,009million 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, 2023 and 2024

	2023	2024
Normal effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Changes in valuation allowance	(21.3)	2.6
Permanently non-deductible expenses including entertainment expenses	1.2	3.8
Amortization of goodwill	0.7	1.7
Tax rate difference between the Company and consolidated subsidiaries	(0.4)	(3.3)
Tax credit for experimental and research expenses	(11.8)	(15.9)
Tax loss carried forward	7.9	5.6
Impact of consolidation adjustments	(2.6)	(3.9)
Other	(1.9)	(0.4)
Effective tax rate after tax effect accounting	2.4	20.8

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

The Company and some domestic consolidated subsidiaries have applied the Group Tax Sharing System. Accounting treatment of national and local income tax or accounting treatment of and disclosure of related tax-effect accounting are conducted in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan [ASBJ] Practical Solution No. 42; August 12, 2021).

## 18 Business Combination

(Acquisition of stock in Rovio Entertainment Corporation)

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

### (1) Overview of merger

- Name and lines of business of acquisition  
Name of acquired entity: Rovio Entertainment Corporation  
Lines of business: Mobile game development and operations, brand licensing
- Main reasons for merger  
To boost the Group's presence in global markets, including the rapidly growing mobile game market, by acquiring the mobile game development capabilities and operating expertise of Rovio Entertainment Corporation.
- Date of merger  
August 17, 2023 (date of stock acquisition)
- Legal form of merger  
Stock acquisition paid in cash
- Company name after merger  
Unchanged
- Percentage of voting rights acquired  

August 17, 2023	96.3%
September 6, 2023	1.3%
January 22, 2024	2.4%
Percentage of voting rights acquired	100.0%
- Key reasons for decision on acquiring company  
Acquisition of all shares of stock for cash by the Company's consolidated subsidiary SEGA Europe Ltd.

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

September 1, 2023 through March 31, 2024

### (3) Cost of acquisition and breakdown thereof by type

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

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

Advisory costs, etc.: ¥1,790 million

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

- Amount of goodwill incurred  
¥29,089 million
- Causes  
This goodwill was incurred chiefly from future surplus revenues expected through future business development.
- Depreciation method and depreciation period of goodwill incurred  
Straight-line depreciation over 15 years

## Notes to Consolidated Financial Statements

### (6) Changes in Company equity due to transactions with non-controlling interests

- 1) Major causes of changes in capital surplus  
Additional acquisition of shares of subsidiaries
- 2) Amount of decrease in capital surplus due to transactions with non-controlling interests  
¥3,025 million

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

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

### (8) Amounts allocated to intangible assets other than goodwill and main breakdown thereof and weighted average depreciation period by type

- 1) Amounts allocated to intangible assets  
¥53,281 million
- 2) Main breakdown and depreciation periods

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

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

Net sales: ¥18,556 million  
Operating income: ¥(1,079) million

(Calculation methods for estimates)

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

These notes have not been subjected to audit certification.

(Sale of stock in Relic Entertainment)

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

### (1) Overview of spinoff

- 1) Name of acquiring company  
Emona Capital LLP
- 2) Line of business spun off  
Consumer software development
- 3) Main reasons for spinoff  
Due to the negative rebound from demand related to stay-at-home consumers during the COVID-19 pandemic and other factors including inflation, the consumer area is changing rapidly, particularly in Europe. This has resulted in lower profitability. In response, the Group chose to implement structural reforms in its European operations with the goal of improving earnings through rapid adaptation. Various measures targeting its European operations have been examined, including medium-term lineup revisions, normalizing fixed costs, improvements in investment efficiency, and revisions of its development, sales, and management structures. Against this backdrop, the Company chose to sell all shares of stock held in Relic Entertainment, Inc., a consolidated Company subsidiary.
- 4) Date of spinoff  
March 28, 2024
- 5) Other matters related to the transaction summary, including legal structure  
Sale of stock in exchange for receipt of cash and other assets only

### (2) Overview of accounting treatment

- 1) Gains/losses on transfer  
Loss on business restructuring: ¥2,159 million
- 2) Appropriate book value of assets and liabilities related to the business transferred, and main breakdown thereof

Current assets	¥2,166 million
Noncurrent assets	¥1,754 million
<u>Total assets</u>	<u>¥3,920 million</u>
Current liabilities	¥467 million
Noncurrent liabilities	¥884 million
<u>Total liabilities</u>	<u>¥1,352 million</u>
- 3) Accounting treatment  
The difference between the consolidated book value and transfer price of the shares sold was recorded as Other expenses.

### (3) Reporting segment that included the spun-off business

Entertainment Contents Business

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

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

## 19 Asset Retirement Obligations

Prior fiscal year (As of March 31, 2023)

The information is omitted due to the immateriality of the total amount of the asset retirement obligations.

Current fiscal year (As of March 31, 2024)

The information is omitted due to the immateriality of the total amount of the asset retirement obligations.

## 20 Rental Property and Other Real Estate

Prior 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.

Current fiscal year (As of March 31, 2024)

The information is omitted due to the immateriality of the total amount of the rental property and other real estate.

## 21 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, 2022 to March 31, 2023)

	Millions of yen					
	Reporting segment					Total
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Other	
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

Current fiscal year (From April 1, 2023 to March 31, 2024)

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

Note: Other revenues in the Entertainment Contents Business consist of revenues related to the Video Games Expenditure Credit (VGEC) in the UK.

## Notes to Consolidated Financial Statements

### 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 "Note2 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, 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 prior year	Ending balance for the prior 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

Note: 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 cancelled 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

Current fiscal year (From April 1, 2023 to March 31, 2024)

#### (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	<b>¥52,673</b>	<b>¥54,269</b>
Contract assets	<b>696</b>	<b>—</b>
Contract liabilities	<b>25,852</b>	<b>19,367</b>

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 cancelled 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 ¥23,762 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	¥15,367
Over 1 year but within 2 years	1,322
Over 2 years but within 3 years	277
Over 3 years but within 4 years	2,257
Over 4 years	143
Total	19,367

## 22 Segment Information

### 1. Overview 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 are 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 Machines 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."

## Notes to Consolidated Financial Statements

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

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

	Reporting segment				Adjustment (Note)	Millions of yen
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal		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. Adjustments to segment assets of ¥175,086 million includes the elimination of inter-segment transaction 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.

Current fiscal year (From April 1, 2023 to March 31, 2024)

	Reporting segment				Adjustment (Note)	Amount in Consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal		
Net sales:						
Net sales to external customers	¥318,005	¥135,969	¥12,356	¥466,331	¥ 1,564	¥467,896
Inter-segment sales and transfers	338	892	33	1,264	(1,264)	—
Total	318,343	136,862	12,389	467,596	300	467,896
Segment income (loss)	30,781	41,877	18	72,677	(12,899)	59,778
Segment assets	354,853	167,419	37,786	560,059	93,935	653,994
Other items:						
Depreciation	8,532	3,506	615	12,653	860	13,514
Interest income	1,301	259	0	1,561	377	1,938
Interest expenses	788	148	21	958	(191)	766
Equity in earnings (losses) of affiliates	1,032	5	991	2,029	—	2,029
Investments in affiliates accounted for by the equity method	39	726	24,619	25,384	—	25,384
Increases in property, plant and equipment and intangible assets	5,650	4,325	421	10,397	1,271	11,668

- Notes: 1. The adjustment to net sales to external customers of ¥1,564 million corresponds to net sales of businesses not belonging to reporting segments.  
2. The adjustment to segment income (loss) of ¥(12,899) million includes losses of ¥(1,160) million on businesses not belonging to reporting segments, elimination of inter-segment transactions of ¥2 million, and general corporate expenses of ¥(11,741) 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 ¥93,935 million includes the elimination of inter-segment transactions of ¥(117,165) million and general corporate assets of ¥211,100 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 ¥377 million includes the elimination of inter-segment transactions of ¥(1,643) million and interest income of the Company of ¥2,020 million.  
6. Adjustment to interest expenses of ¥(191) million includes the elimination of inter-segment transactions of ¥(1,643) million and interest expenses of the Company of ¥1,451 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, 2022 to March 31, 2023)

### 1. Information by product and service

This information has been omitted because it is disclosed in Segment information.

### 2. Information by geographical area

#### (1) Net sales

	Reporting segment				Adjustment	Total
	Japan	US	Europe	Other		
Net sales	¥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

	Reporting segment				Adjustment	Total
	Japan	North America	UK	Other		
Property, plant and equipment	¥49,264	¥2,822	¥6,685	¥1,711	—	¥60,482

## Notes to Consolidated Financial Statements

### 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, 2023 to March 31, 2024)

#### 1. Information by product and service

This information has been omitted because it is disclosed in Segment information.

#### 2. Information by geographical area

##### (1) Net sales

	Reporting segment				Adjustment	Total
	Japan	US	Europe	Other		
Net sales	¥295,644	¥113,178	¥31,070	¥28,002	—	¥467,896

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

##### (2) Property, plant and equipment

	Reporting segment				Adjustment	Total
	Japan	North America	UK	Other		
Property, plant and equipment	¥48,990	¥1,687	¥6,885	¥2,536	—	¥60,099

### 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, 2022 to March 31, 2023)

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

Current fiscal year (From April 1, 2023 to March 31, 2024)

	Reporting segment				Adjustment	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal		
Impairment loss	¥487	¥342	¥—	¥829	¥—	¥829

[Information on amortization and unamortized balance of goodwill by reporting segment]  
Prior fiscal year (From April 1, 2022 to March 31, 2023)

	Reporting segment					Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment	
Amortization during current period	¥2,124	¥36	¥—	¥2,178	¥—	¥2,178
Balance as of March 31, 2023	2,072	519	—	2,592	—	2,592

Current fiscal year (From April 1, 2023 to March 31, 2024)

	Reporting segment					Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment	
Amortization during current period	¥ 2,439	¥ 61	¥—	¥ 2,501	¥—	¥ 2,501
Balance as of March 31, 2024	29,806	457	—	30,264	—	30,264

[Information on gain on negative goodwill by each reporting segment]

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

Not applicable

Current fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable

## 23 Related-Party Transactions

### 1. Transactions with related parties

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

1) Non-consolidated subsidiaries and affiliated companies of the Company submitting consolidated financial statements

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

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

Notes: 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, 2023 to March 31, 2024)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	End of period account balance	
				Accounts	Balance
PARADISE SEGASAMMY Co., Ltd.	Resort business	Provision of collateral <sup>(Note)</sup>	¥24,619	—	—

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

## Notes to Consolidated Financial Statements

2) Directors and major shareholders (limited to individuals) of the Company submitting consolidated financial statements

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

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

Notes: 1. Transaction prices are determined in the same way as for general transactions, referring to market prices.

2. 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.

3. Transaction amounts exclude consumption tax.

Current fiscal year (From April 1, 2023 to March 31, 2024)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	End of period account balance	
				Accounts	Balance
FSC Co., Ltd. <sup>(Note 2)</sup>	Non-life insurance agent	Payment of insurance premium <sup>(Note 1)</sup>	¥2	Prepaid expenses	¥0
				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 hold a majority of the shares of FSC Co., Ltd.

3. Transaction amounts exclude consumption tax.

### (2) Transactions between consolidated subsidiaries of the Company submitting consolidated financial statements and related parties.

1) Non-consolidated subsidiaries and affiliates of the Company

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

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	End of period account balance	
				Accounts	Balance
ZEEG Co., Ltd.	Pachislot and Pachinko Machines Business	Purchase of pachislot and pachinko machine parts <sup>(Note 1)</sup>	¥12,270	Accounts payable—trade	¥ 439
		Loan of funds <sup>(Note 2)</sup>	1,500	Short-term loans receivable	2,500
		Collection of loans <sup>(Note 2)</sup>	2,155	Long-term loans receivable	2,497
		Interest income <sup>(Note 2)</sup>	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 lump sum on the due date and interest to be repaid in annual installments. No collateral is accepted.

## Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2023 to March 31, 2024)

				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 <sup>(Note 1)</sup>	¥18,748	Accounts payable-trade	¥ 686
		Loan of funds <sup>(Note 2)</sup>	2,600	Short-term loans receivable	3,963
		Interest income <sup>(Note 2)</sup>	56	Long-term loans receivable	3,633
				Current assets, etc.	57

Notes: 1. Transaction prices are determined in the same way as for 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, 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 <sup>(Note 1)</sup>	¥91	—	—
FSC Co., Ltd. <sup>(Note 3)</sup>	Non-life insurance agent	Payment of insurance premium <sup>(Note 2)</sup>	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 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, 2023 to March 31, 2024)

				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 <sup>(Note 1)</sup>	¥91	—	—
FSC Co., Ltd. <sup>(Note 3)</sup>	Non-life insurance agent	Payment of insurance premium <sup>(Note 2)</sup>	12	Prepaid expenses	¥1

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.

## 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	
	2023	2024
Total current assets	¥ 20,558	¥ 18,529
Total noncurrent assets	126,893	134,707
Total current liabilities	82,798	17,099
Total noncurrent liabilities	24,949	81,428
Total net assets	39,704	54,709
Net sales	27,410	48,282
Income (loss) before income taxes	(4,208)	2,366
Net Income (loss)	(4,208)	2,204

## 24 Per Share Information

Item	Yen	
	2023 (From April 1, 2022 to March 31, 2023)	2024 (From April 1, 2023 to March 31, 2024)
Net assets per share	¥1,498.75	¥1,652.29
Profit per share	208.07	150.75
Profit per share (diluted)	207.13	149.98

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

Items	Yen	
	2023 (As of March 31, 2023)	2024 (As of March 31, 2024)
Total of net assets in the consolidated balance sheets (Millions of yen)	¥331,347	¥357,702
Amounts deducted from net assets in the consolidated balance sheets (Millions of yen)	492	782
(Subscription rights to shares) (Millions of yen)	468	751
(Non-controlling interests) (Millions of yen)	24	30
Net assets pertaining to common stock (Millions of yen)	330,854	356,919
Number of common shares used to calculate net assets per share (Thousands of shares)	220,753	216,014

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

Item	Yen	
	2023 (From April 1, 2022 to March 31, 2023)	2024 (From April 1, 2023 to March 31, 2024)
Net income (loss) per share:		
Profit attributable to owners of parent (Millions of yen)	¥ 45,938	¥ 33,055
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Millions of yen)	45,938	33,055
Average number of common shares during the period (Thousands of shares)	220,790	219,274
Profit per share (diluted):		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in common stock (Thousands of shares)	999	1,125
(Subscription rights to shares) (Thousands of shares)	999	1,125
Overview of dilutive shares not included in calculation of profit per share (diluted) because of no dilutive effect	—	—

## 25 Significant Subsequent Events

### 1. Transactions under common control

#### (1) Purpose of absorption-type demerger

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

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

#### (2) Overview of absorption-type demerger

1) Detail of business to be demerged

SEGA CORPORATION: Amusement Machine business

2) Legal form of business combination

An absorption-type demerger, with SEGA CORPORATION as the demerged company and SEGA TOYS CO., LTD. as the successor company in absorption-type demerger.

3) Overview of the companies concerned in this absorption-type demerger (As of March 31, 2024)

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

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

#### (3) Overview of accounting treatment adoption

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

### 2. Acquisition of treasury stock

At the Board of Directors meeting held on May 10, 2024, the Company resolved the matter related to the acquisition of treasury stock under Article 156 of the Companies Act of Japan as applied by replacing the provisions stipulated in Article 165 Paragraph 3 of the same law.

#### (1) Reasons for the acquisition of treasury stock

In pursuing initiatives for further growth and enhancement of corporate value under our new Medium-term Plan "WELCOME TO THE NEXT LEVEL!", the Company has decided to acquire treasury stock, taking into consideration of overall factors including the future business growth on the premise of the new Medium-term Plan and the recent stock price level of the Company.



## (2) Details of the acquisition of treasury stock

1) Type of shares to be acquired	Common stock
2) Total number of shares to be acquired	7,000,000 shares (upper limit)
	The ratio of the total number of shares outstanding (excluding treasury stock): 3.24%
3) Total cost of acquisition	10.0 billion yen (upper limit)
4) Acquisition period	From May 13, 2024, to March 31, 2025
5) Acquisition method	Market purchase on the Tokyo Stock Exchange

## 3. Changes in reporting segments

The Group has reported by the segments, which are "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Resort Business". At the start of the new Medium-term Plan, "WELCOME TO THE NEXT LEVEL!" in the following fiscal year, the Group will implement restructuring that involves abolition of the "Resort Business" and creation of a new "Gaming Business".

Net sales, profit or loss, assets, and other accounts and breakdown information on revenues for each reporting segment in the consolidated fiscal year under review after this change in reporting segments are currently being compiled and calculated.

## 4. Transfer of shares in a consolidated subsidiary

At the Board of Directors meeting held on May 10, 2024, the Company resolved the matter related to transferring the shares of our consolidated subsidiary, PHOENIX RESORT CO., LTD., to Yugao GK, an affiliate of Fortress Investment Group LLC. The transfer was completed on May 31, 2024. This share transfer removes PHOENIX RESORT CO., LTD. from the list of consolidated subsidiaries.

### (1) Reasons for transfer of shares

In 2012, the Company made PHOENIX a wholly owned subsidiary for the purpose of incorporating its expertise on operating large-scale facilities. This expertise will be applied in operating and developing integrated resort facilities, a business the Company was seeking to enter at the time. Since making it a subsidiary, the Company has worked closely with PHOENIX to increase its corporate value. These efforts have restored profitability and established PHOENIX as one of Japan's leading operators of integrated resort facilities. As a member of the Group, PHOENIX has set record sales for two consecutive years since the year ended March 31, 2023.

The Company considered various measures to increase PHOENIX's corporate value even after it regained profitability. During this process, the Company determined that the best option for maximizing PHOENIX's corporate value would be to welcome Fortress as a strategic partner based on its experience and expertise with the hotel and resort business and to transfer its holdings of shares of PHOENIX stock to the Fortress Group, which would then play the leading role in guiding PHOENIX's business operations.

### (2) Name of counterparty in transfer of shares

Yugao G.K.

### (3) Date of transfer of shares

May 31, 2024

### (4) Summary of consolidated subsidiary to be transferred

1) Name:	PHOENIX RESORT CO., LTD.
2) Lines of business:	Development and operation of Phoenix Seagaia Resort, a resort complex including a hotel, golf course, spa, leisure facilities, hot springs, etc.

### (5) Number of shares transferred, transfer price, and shareholdings before and after transfer

1) Shareholdings before transfer:	316,555 shares (100% of voting rights)
2) Number of shares transferred:	316,555 shares
3) Shareholdings after transfer:	0 shares (0% of voting rights)*

\* The Company has acquired 20% of classified stock newly issued by PHOENIX following the completion of the transfer of common stock.

### (6) Transfer timetable

1) Date of Board of Directors resolution:	May 10, 2024
2) Date of conclusion of agreement on transfer of shares:	May 10, 2024
3) Date of execution of transfer of shares:	May 31, 2024
4) Date of conclusion of agreement on receipt of transfer of classified stock:	May 31, 2024
5) Date of execution of receipt of transfer of classified stock:	June 1, 2024

### (7) Effect on profit/loss

The Company expects to record approximately 8.5 billion yen in gain on sales of stocks of subsidiaries and affiliates as Other income in the period ending March 31, 2025.

## Notes to Consolidated Financial Statements

## 26 Supplemental Information

[Annexed consolidated detailed schedule of bonds]

Company name	Security titles	Issuance date	Balances as of April 1, 2023 (Millions of yen)	Balances as of March 31, 2024 (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, 2024" 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, 2023 (Millions of yen)	Balances as of March 31, 2024 (Millions of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	¥ —	¥ —	—	—
Current portion of long-term l borrowings	17,000	22,507	0.6	—
Current portion of lease obligations	1,377	1,886	2.6	—
Long-term borrowings (Excluding current portion)	25,000	124,500	0.8	From 2025 to 2031
Lease obligations (Excluding current portion)	5,352	4,837	2.5	From 2025 to 2032
Other interest-bearing debts:				
Accounts payable—facilities	29	24	1.4	—
Accounts payable—facilities (Excluding current portion)	119	103	1.5	From 2025 to 2030
Total	48,879	153,859	—	—

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	¥7,500	¥7,500	¥17,500	¥24,500	¥67,500
Lease obligations	1,384	1,023	856	804	768
Other interest-bearing debt:					
Accounts payable—facilities	22	22	22	21	13

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 was 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.

## Independent Auditor's Report

### 27 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)	¥108,050	¥221,158	¥349,924	¥467,896
Income before income taxes (Millions of yen)	22,512	32,516	46,051	41,831
Profit attributable to owners of parent (Millions of yen)	17,259	23,117	35,327	33,055
Profit per share (Yen)	78.19	104.72	160.32	150.75

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share (Yen)	¥78.19	¥26.53	¥55.62	¥(10.52)

### 28 Audit fees, etc.

a. Audit fees paid to certified public accountants

Category	2023		2024	
	Fees based on audit and attestation services	Fees based on non-audit services	Fees based on audit and attestation services	Fees based on non-audit services
Reporting company	¥137	¥ —	¥162	¥15
Consolidated subsidiaries	101	—	98	—
Total	238	—	260	15

(Non-audit services to reporting company)

Prior fiscal year  
Not applicable

Current fiscal year

The Company paid ¥15 million to certified public accountants as remuneration for support for the Company's Task Force on Climate-Related Financial Disclosures (TCFD) disclosure efforts and costs of studying compliance with the European Union's Corporate Sustainability Due Diligence Directive (CSDDD).

b. Audit fees paid to companies in the same networks as certified public accountants (excluding a.)

Category	2023		2024	
	Fees based on audit and attestation services	Fees based on non-audit services	Fees based on audit and attestation services	Fees based on non-audit services
Reporting company	¥ —	¥176	¥ —	¥382
Consolidated subsidiaries	122	66	146	221
Total	122	243	146	603

Prior fiscal year

Sega Europe Ltd., a consolidated subsidiary of the Company, paid a ¥71 million fee to KPMG LLP (UK), which belongs to the same network as certified public accountants contracted on the Company's behalf, based on audit and attestation services and non-audit services (e.g., tax consulting).

Current fiscal year

Sega Europe Ltd., a consolidated subsidiary of the Company, paid a ¥154 million fee to KPMG LLP (UK), which belongs to the same network as certified public accountants contracted on the Company's behalf, based on audit and attestation services and non-audit services (e.g., tax consulting).

c. Other important fees based on audit and attestation services

Not applicable

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

### Report on the Audit of the Consolidated Financial Statements

#### 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, 2024 and 2023, 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, 2024 and 2023, 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 25 "Significant Subsequent Events" to the consolidated financial statements.

At the Board of Directors meeting held on May 10, 2024, the Company resolved the matter related to transferring the shares of consolidated subsidiary, Phoenix Resort Co., Ltd., to Yugao GK, an affiliate of Fortress Investment Group LLC. The transfer was completed on May 31, 2024. This matter does not affect our opinion.

#### Key Audit Matters

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

We determined that a relative risk of "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", which was a key audit matter in our audit of the consolidated financial statements for the previous fiscal year, had decreased. We, therefore, determined that the risk did not give rise to a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

Reasonableness of the measurement of intangible assets recognized in connection with the acquisition of the shares of Rovio Entertainment Corporation	
The key audit matter	How the matter was addressed in our audit
<p>As described in Notes 3, "Significant Accounting Estimates" and 18, "Business Combination" to the consolidated financial statements, SEGA SAMMY HOLDINGS INC. (hereinafter, referred to as the "Company") acquired the shares of Rovio Entertainment Corporation on August 17, 2023. Under this business combination, the Company recognized the acquired assets of 90,639 million yen, including identifiable intangible assets of 53,281 million yen consisting of trademark rights of 47,630 million yen and intangible assets related to technology of 5,651 million yen.</p> <p>The fair value of the identifiable assets acquired through the business combination was measured at the discounted present value of future cash flows on the acquisition date, and the future cash flows were estimated based on the business plan of Rovio Entertainment Corporation.</p> <p>The business plan included assumptions related to the estimated sales and their rates of decrease of each major game title as well as the estimated game-business costs, which were used in the measurement of the trademark rights. The intangible assets related to technology were measured based on the improved profit margin that was expected from utilizing those assets, in addition to the estimated sales and their rates of decrease of each major game title described above. Accordingly, there was a high degree of estimation uncertainty because these assumptions involved management's subjective judgments.</p> <p>In addition, the measurement of trademark rights and intangible assets related to technology required a high level of expertise in selecting the appropriate valuation models and the input data used to calculate the discount rate.</p> <p>We, therefore, determined that our assessment of the reasonableness of the measurement of intangible assets recognized in connection with the acquisition of the shares of Rovio Entertainment Corporation was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the measurement of intangible assets recognized in connection with the acquisition of the shares of Rovio Entertainment Corporation included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of the fair value of intangible assets.</p> <p>In the assessment, we focused our testing on controls relevant to the use of external experts by management including the selection of external valuation experts, materials provided to them and the evaluation of their work product.</p> <p><b>(2) Assessment of the appropriateness of the assumptions used to estimate the discounted present value of future cash flows</b></p> <p>In order to assess whether key assumptions included in the business plan and their supporting materials, which formed the basis for estimating the future cash flows arising from intangible assets, as well as the results of the calculation were appropriate, we primarily performed the following procedures:</p> <ul style="list-style-type: none"> <li>assessed the reasonableness of assumptions related to the estimated sales of each major game title by comparing their consistency with the past sales and with the trend of the video game contents market size published by external organizations;</li> <li>assessed the reasonableness of the sales decrease rates of each major title by comparing them with the past sales decrease rates of each main game title; and</li> <li>assessed the reasonableness of the estimated game-business costs by comparing it with the past cost-to-sales ratio.</li> </ul> <p>We also involved valuation specialists within our domestic network firms who assisted in our assessment of the following, among others:</p>

	<ul style="list-style-type: none"> <li>appropriateness of the valuation model used for the fair value measurement based on subject matters relevant to valuation and the requirements of accounting standards;</li> <li>reasonableness of the input data by comparing the input data used to calculate the discount rate with data published by external organizations; and</li> <li>reasonableness of the improved profit margin adopted, which was expected from utilizing the intangible assets related to technology, by inspecting the relevant supporting materials.</li> </ul>
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### 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.

## Independent Auditor's Report

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, actions taken to eliminate threats or safeguards applied.

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.

### Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Note 28 "Audit fees, etc." of the Integrated Report.

### 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  
Nov 28, 2024

### 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.