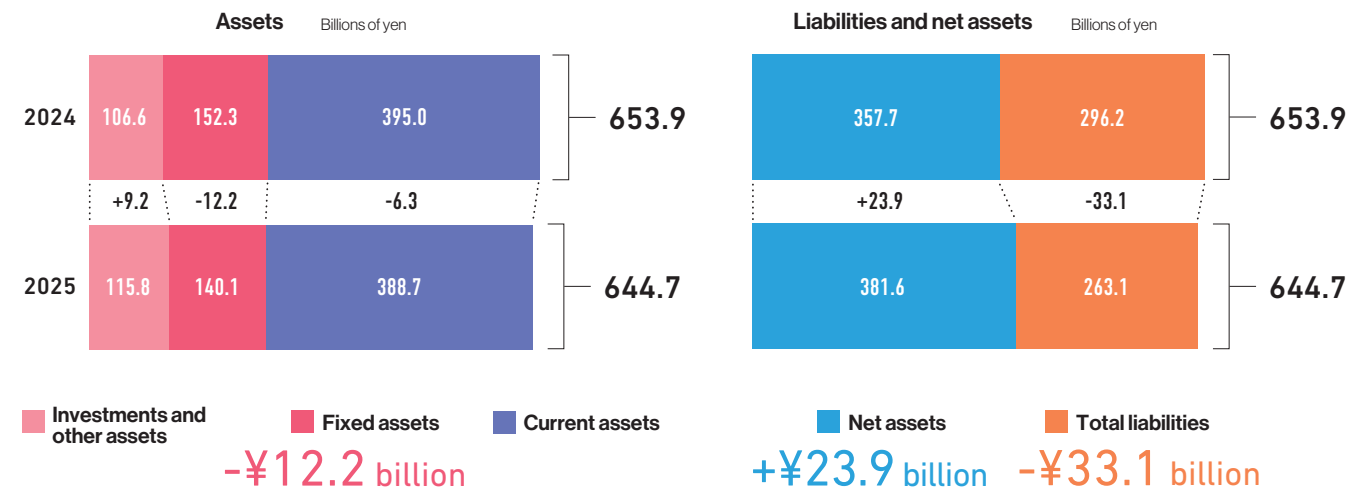


Management's Discussion and Analysis

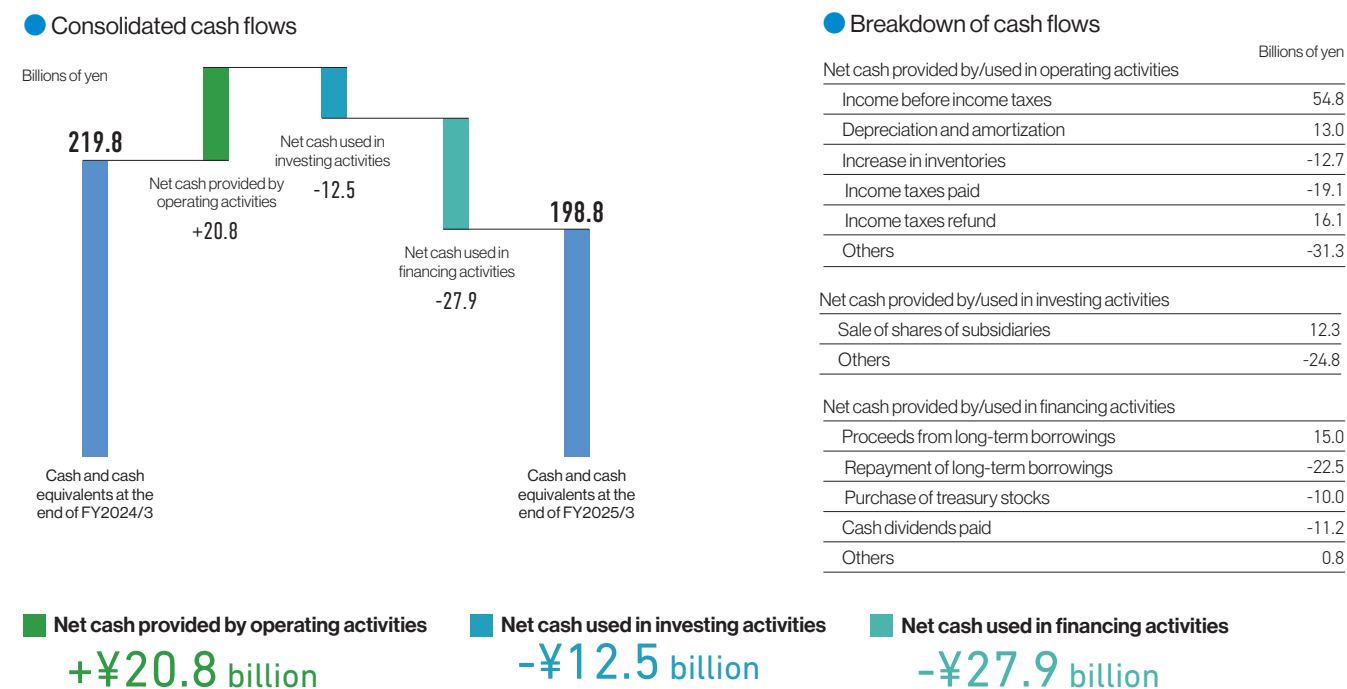
Consolidated Financial Position

Comparing FY2024/3 and FY2025/3



Consolidated Cash Flows

FY2025/3 cash flows



Please refer to P. 88 and following for more details on our financial information.

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, 2025)
Principal business	Management of SEGA SAMMY Group as the holding company

Stock information (As of March 31, 2025)

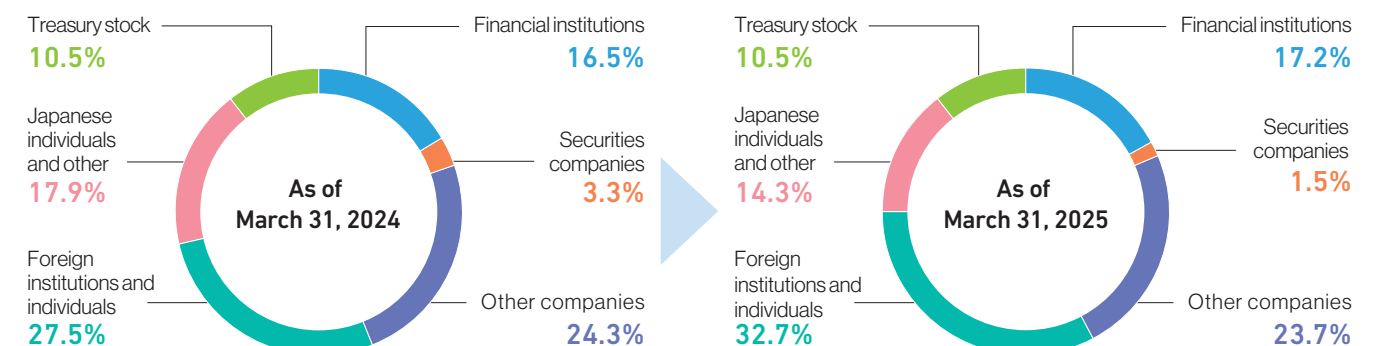
Number of shares authorized for issue	800,000,000
Total shares issued and outstanding	241,229,476
Number of shareholders	54,328

Major shareholders (As of March 31, 2025)

Name of shareholder	Shares held	Shares ratio
HS Company	39,008,000	16.17%
The Master Trust Bank of Japan, Ltd. (Trust account)	26,670,800	11.05%
SEGA SAMMY HOLDINGS INC.	25,420,837	10.53%
STATE STREET BANK AND TRUST COMPANY 505001	16,848,459	6.98%
FSC Co., Ltd.	13,682,840	5.67%
Custody Bank of Japan, Ltd. (Trust account)	9,421,050	3.90%
KOREA SECURITIES DEPOSITORY - SAMSUNG	5,644,600	2.33%
THE BANK OF NEW YORK MELLON 140044	4,456,727	1.84%
Hajime Satomi	4,178,638	1.73%
STATE STREET BANK AND TRUST COMPANY 505103	4,018,518	1.66%

* In addition to the above, 50,000 shares are held by the officer remuneration BIP trust and 1,948,042 shares are held by the stock-granting ESOP trust.

Breakdown of shareholders



Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
As of March 31, 2024 and 2025

	Millions of yen	
	2024	2025
Assets		
Current assets		
Cash and deposits	¥211,715	¥200,360
Notes, accounts receivable—trade, and contract assets (Note 8 (1)(6))	54,269	52,653
Securities	8,095	—
Merchandise and finished goods	14,371	10,958
Work in process	45,888	59,565
Raw materials and supplies	21,501	23,155
Income taxes receivable	20,441	7,660
Other	19,164	34,692
Allowance for doubtful accounts	(443)	(303)
Total current assets	395,003	388,744
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	78,253	42,828
Accumulated depreciation	(51,735)	(21,573)
Buildings and structures, net	26,517	21,255
Machinery, equipment, and vehicles	8,195	8,037
Accumulated depreciation	(6,900)	(5,947)
Machinery, equipment, and vehicles, net	1,294	2,089
Amusement machines and facilities	7,290	6,428
Accumulated depreciation	(6,768)	(5,714)
Amusement machines and facilities, net	522	713
Land (Note 8 (4))	18,647	13,691
Construction in progress	1,396	741
Other	54,057	46,359
Accumulated depreciation	(42,338)	(35,919)
Other, net	11,719	10,440
Total property, plant, and equipment	60,099	48,931
Intangible assets		
Goodwill	30,264	30,119
Trademark right	47,574	44,871
Other	14,442	16,251
Total intangible assets	92,281	91,241
Investments and other assets		
Investment securities (Note 8 (2)(3))	49,858	51,185
Long-term loans receivable	7,846	12,126
Lease and guarantee deposits	8,182	6,810
Net defined benefit assets	10,588	11,366
Deferred tax assets	18,317	16,874
Other	12,006	17,598
Allowance for doubtful accounts	(189)	(102)
Total investments and other assets	106,610	115,859
Total noncurrent assets	258,991	256,033
Total assets	¥653,994	¥644,777

See accompanying notes.

	Millions of yen	
	2024	2025
Liabilities		
Current liabilities		
Notes and accounts payable—trade (Note 8 (6))	¥26,085	¥23,560
Short-term borrowings	22,507	7,500
Accrued expenses	23,319	21,401
Income taxes payable	10,626	3,822
Contract liabilities	19,367	14,228
Provision for bonuses	12,084	11,984
Provision for directors' bonuses	1,094	1,071
Provision for point card certificates	219	78
Asset retirement obligations	1	—
Other	20,188	10,531
Total current liabilities	135,494	94,179
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	124,500	132,000
Lease obligations	4,837	4,639
Deferred tax liabilities	10,628	11,292
Provision for dismantling of fixed assets	420	—
Provision for stock compensation	10	2,149
Net defined benefit liability	5,666	4,616
Asset retirement obligations	2,659	2,329
Other	2,075	1,964
Total noncurrent liabilities	160,797	168,993
Total liabilities	296,292	263,173
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	69,263	69,740
Retained earnings	281,208	314,947
Treasury stock	(47,151)	(54,866)
Total shareholders' equity	333,274	359,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,056	3,441
Deferred gains or losses on hedges	(230)	641
Revaluation reserve for land (Note 8 (4))	(1,109)	(1,109)
Foreign currency translation adjustment	20,388	16,868
Remeasurements of defined benefit plans	1,540	1,548
Total accumulated other comprehensive income	23,645	21,391
Share acquisition rights	751	414
Non-controlling interests	30	24
Total net assets	357,702	381,604
Total liabilities and net assets	¥653,994	¥644,777

See accompanying notes.

Consolidated Statements of Income and Comprehensive Income

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2025

	Millions of yen	
	2024	2025
Net sales (Note 9 (1))	¥468,925	¥428,948
Cost of sales (Note 9 (2) and (3))	271,159	236,240
Gross profit	197,766	192,708
Selling, general and administrative expenses	139,901	144,584
Operating income	57,865	48,124
Other income (expenses)		
Interest income	1,938	3,446
Dividends income	109	157
Equity in earnings of affiliates	1,000	3,527
Gain on investments in partnership	1,494	1,053
Interest expenses	(766)	(1,822)
Commission fee	(1,217)	(146)
Loss on investments in partnership	(945)	(922)
Loss on retirement of noncurrent assets	(141)	(77)
Foreign exchange losses	(424)	(1,240)
Gain on sales of noncurrent assets (Note 9 (4))	1	19
Gain on sales of investment securities	339	230
Gain on sales of shares of subsidiaries and affiliates	—	9,282
Gain on sale of business	155	—
Gain on reversal of contingent consideration	835	—
Loss on sales of noncurrent assets (Note 9 (5))	(22)	(0)
Impairment loss (Note 9 (6))	(351)	(1,296)
Loss on valuation of investment securities	(746)	(763)
Loss on business restructuring (Note 9 (7))	(17,804)	(6,164)
Other, net	511	1,394
Subtotal	(16,033)	6,678
Income (loss) before income taxes	41,831	54,803
Income taxes—current	9,869	8,082
Income taxes—deferred	(1,169)	1,661
Total income taxes	8,699	9,744
Profit	33,132	45,058
(Breakdown)		
Profit attributable to owners of parent	33,055	45,051
Profit attributable to non-controlling interests	76	6
Other comprehensive income		
Valuation difference on available-for-sale securities	430	385
Deferred gains or losses on hedges	(223)	865
Foreign currency translation adjustment	15,256	(1,789)
Remeasurements of defined benefit plans, net of tax	3,203	143
Share of other comprehensive income of entities accounted for using equity method	921	(1,858)
Total other comprehensive income (Note 9 (8))	19,587	(2,254)
Comprehensive income	52,720	42,804
(Breakdown)		
Comprehensive income attributable to owners of parent	52,601	42,797
Comprehensive income attributable to non-controlling interests	¥ 118	¥ 6

See accompanying notes.

Consolidated Statements of Changes in Net Assets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2025

	Millions of yen						
	Shareholders' equity				Accumulated other comprehensive income		
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balances as of April 1, 2023	¥29,953	¥72,213	¥261,840	¥(37,251)	¥326,755	¥2,626	¥382
Changes in items during the period							
Dividends from surplus			(13,687)		(13,687)		
Profit attributable to owners of parent			33,055		33,055		
Purchase of treasury stock				(10,016)	(10,016)		
Disposal of treasury stock		75		117	192		
Purchase of treasury stock by stock ownership plan trust					—		
Disposal of treasury stock to stock ownership plan trust					—		
Disposal of treasury stock by stock ownership plan trust					—		
Change in scope of consolidation					—		
Purchase of shares of consolidated subsidiaries		(3,025)			(3,025)		
Net changes in items other than shareholders' equity						429	(613)
Total changes in items during the period	—	(2,949)	19,367	(9,899)	6,518	429	(613)
Balances as of March 31, 2024	¥29,953	¥69,263	¥281,208	¥(47,151)	¥333,274	¥3,056	¥(230)

	Millions of yen						
	Accumulated other comprehensive income						
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balances as of April 1, 2023	¥(1,109)	¥3,730	¥(1,531)	¥4,099	¥468	¥24	¥331,347
Changes in items during the period							
Dividends from surplus							(13,687)
Profit attributable to owners of parent							33,055
Purchase of treasury stock							(10,016)
Disposal of treasury stock							192
Purchase of treasury stock by stock ownership plan trust							—
Disposal of treasury stock to stock ownership plan trust							—
Disposal of treasury stock by stock ownership plan trust							—
Change in scope of consolidation							—
Purchase of shares of consolidated subsidiaries							(3,025)
Net changes in items other than shareholders' equity		16,658	3,072	19,546	283	6	19,836
Total changes in items during the period	—	16,658	3,072	19,546	283	6	26,354
Balances as of March 31, 2024	¥(1,109)	¥20,388	¥1,540	¥23,645	¥751	¥30	¥357,702

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Current fiscal year (From April 1, 2024 to March 31, 2025)Millions of yen

	Shareholders' equity				Accumulated other comprehensive income		
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balances as of April 1, 2024	¥29,953	¥69,263	¥281,208	¥(47,151)	¥333,274	¥3,056	¥(230)
Changes in items during the period							
Dividends from surplus			(11,213)		(11,213)		
Profit attributable to owners of parent			45,051		45,051		
Purchase of treasury stock				(10,013)	(10,013)		
Disposal of treasury stock		(171)		2,944	2,772		
Purchase of treasury stock by stock ownership plan trust				(4,362)	(4,362)		
Disposal of treasury stock to stock ownership plan trust		650		3,711	4,362		
Disposal of treasury stock by stock ownership plan trust				4	4		
Change in scope of consolidation			(98)		(98)		
Purchase of shares of consolidated subsidiaries		(2)			(2)		
Net changes in items other than shareholders' equity						385	872
Total changes in items during the period	—	476	33,739	(7,715)	26,500	385	872
Balances as of March 31, 2025	¥29,953	¥69,740	¥314,947	¥(54,866)	¥359,774	¥3,441	¥641

	Accumulated other comprehensive income						Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	
Balances as of April 1, 2024	¥(1,109)	¥20,388	¥1,540	¥23,645	¥751	¥30	¥357,702
Changes in items during the period							
Dividends from surplus							(11,213)
Profit attributable to owners of parent							45,051
Purchase of treasury stock							(10,013)
Disposal of treasury stock							2,772
Purchase of treasury stock by stock ownership plan trust							(4,362)
Disposal of treasury stock to stock ownership plan trust							4,362
Disposal of treasury stock by stock ownership plan trust							4
Change in scope of consolidation							(98)
Purchase of shares of consolidated subsidiaries							(2)
Net changes in items other than shareholders' equity		(3,520)	8	(2,254)	(337)	(6)	(2,598)
Total changes in items during the period	—	(3,520)	8	(2,254)	(337)	(6)	23,902
Balances as of March 31, 2025	¥(1,109)	¥16,868	¥1,548	¥21,391	¥414	¥24	¥381,604

See accompanying notes.

Consolidated Statements of Cash Flows

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2025

	2024	2025
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	¥41,831	¥54,803
Depreciation and amortization	13,514	13,046
Impairment loss	351	1,296
Loss (gain) on sales of noncurrent assets	21	(19)
Loss on retirement of noncurrent assets	141	77
Loss (gain) on sales of shares of subsidiaries and affiliates	49	(9,282)
Loss (gain) on liquidation of subsidiaries and affiliates	3	2
Loss (gain) on sales of investment securities	(339)	(209)
Loss (gain) on valuation of investment securities	746	763
Loss (gain) on investments in partnership	(548)	(130)
Amortization of goodwill	2,501	3,061
Increase (decrease) in allowance for doubtful accounts	(140)	(194)
Increase (decrease) in provision for directors' bonuses	(137)	(12)
Increase (decrease) in net defined benefit liability	760	631
Increase (decrease) in provision for bonuses	1,259	709
Interest and dividends income	(2,048)	(3,645)
Interest expenses	749	1,801
Foreign exchange losses (gains)	(122)	1,134
Equity in (earnings) losses of affiliates	(1,000)	(3,527)
Decrease (increase) in notes and accounts receivable - trade	7,880	742
Decrease (increase) in inventories	8,190	(12,793)
Increase (decrease) in notes and accounts payable - trade	(8,238)	(2,352)
Increase (decrease) in contract liabilities	(8,009)	(4,330)
Increase (decrease) in guarantee deposits received	16	(272)
Other, net	15,169	(17,925)
Subtotal	72,603	23,374
Interest and dividends income received	1,627	3,173
Interest expenses paid	(530)	(1,783)
Extra retirement payments	(2,275)	(935)
Income taxes paid	(12,505)	(19,153)
Income taxes refund	7,942	16,180
Net cash provided by (used in) operating activities	¥66,862	¥20,856

See accompanying notes.

Consolidated Statements of Cash Flows

	Millions of yen	
	2024	2025
Net cash provided by (used in) investing activities		
Payments into time deposits	¥ —	¥ (1,610)
Purchase of securities	—	(5,000)
Proceeds from redemption of securities	—	5,000
Purchase of property, plant, and equipment	(5,341)	(5,536)
Proceeds from sales of property, plant, and equipment	102	66
Purchase of intangible assets	(5,774)	(6,324)
Proceeds from sales of intangible assets	—	0
Purchase of investment securities	(1,457)	(390)
Proceeds from sales of investment securities	404	494
Proceeds from redemption of investment securities	—	36
Payments for investment in partnerships	(862)	(1,181)
Proceeds from distribution of investment in partnerships	1,054	1,356
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 11(2))	(81,776)	(2,584)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 11(3))	(1,716)	(2,164)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 11(3))	6	12,385
Purchase of shares of subsidiaries and affiliates	(5,379)	(1,881)
Payments for investments in capital	(12,989)	(5,960)
Proceeds from share of profits on investments in capital	8,766	16
Payments of loans receivable	(8,299)	(3,004)
Collection of loans receivable	62	173
Payments for lease deposits	(168)	(145)
Collection of lease deposits	223	181
Other, net	(1,393)	3,532
Net cash provided by (used in) investing activities	(114,538)	(12,543)
Net cash provided by (used in) financing activities		
Proceeds from long-term borrowings	122,000	15,000
Repayment of long-term borrowings	(17,018)	(22,507)
Purchase of treasury stock	(10,016)	(10,013)
Proceeds from exercise of stock options	—	2,310
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3)	(15)
Cash dividends paid	(13,673)	(11,227)
Other, net	(1,501)	(1,527)
Net cash provided by (used in) financing activities	79,786	(27,981)
Effect of exchange rate change on cash and cash equivalents	8,191	(1,729)
Net increase (decrease) in cash and cash equivalents	40,301	(21,398)
Cash and cash equivalents at start of period	179,509	219,810
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	453
Cash and cash equivalents at end of period (Note 11 (1))	¥219,810	¥198,865

See accompanying notes.

Notes to Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2025

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 Act 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 2024 and 2025. 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 Act 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 2024 consolidated financial statements to conform to the classifications used in 2025. 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: 71

(2) Number of non-consolidated subsidiaries: 9

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: 15

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

(5) Accounting method for retirement benefits

1) Attribution method for projected retirement benefits:
In calculating retirement benefit obligations, the benefit-formula method is adopted to attribute projected retirement benefits to the periods ended March 31, 2024 and March 31, 2025, respectively.
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

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

(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	
	2024	2025
Work in process	¥42,698	¥55,334
“Other” under intangible assets	4,614	6,462

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 & Pachinko Machines Business

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

	Millions of yen	
	2024	2025
Raw materials	¥17,353	¥18,884

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 & 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	
	2024	2025
Shares of subsidiaries and affiliates	¥24,619	¥25,993

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 ¥120,880 million in noncurrent assets, including goodwill of ¥6,384 million at the end of the current fiscal year.

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).

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) Valuation of goodwill and intangible assets of Rovio Entertainment Corporation

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

	Millions of yen	
	2024	2025
Goodwill	¥28,640	¥26,317
Intangible assets	53,007	49,671
Trademark rights	47,555	44,860
Intangible assets related to technology	5,451	4,810

2) Calculation method of the carrying amount in the consolidated financial statements in the current fiscal year

Since Sega Europe Ltd. owns Rovio stock directly, it applies

International Financial Reporting Standards (IFRS) to the valuation of goodwill and intangible assets. For cash generating units for which consideration of goodwill and intangible assets is required, it conducts impairment testing if there is any indication of impairment of goodwill and intangible assets. At minimum, goodwill impairment testing is performed on an annual basis. If the results of this testing show that the recoverable value of these assets falls below their book value, it recognizes impairment losses by reducing the book value to the recoverable value.

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

(Application of the Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc. have been adopted from the beginning of the current fiscal year ended March 31, 2025.

The amendment to the accounting categorization of current income taxes (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the current fiscal year ended March 31, 2025. This change in accounting policies was applied retrospectively. Hence, the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the consolidated financial statements for the prior fiscal year.

5 Unapplied New Accounting Standards

The Company and its domestic consolidated subsidiaries

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)
- Other relevant revised ASBJ statements, guidances, practical solutions, and transferred guidances

(1) Overview

These standards address the handling of various matters, including the recording of all lessee leases as assets and liabilities, largely in accordance with the International Financial Reporting Standards.

(2) Scheduled date of application

The guidance will apply from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the accounting standard

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

6 Changes in Methods of Presentation

(1) Consolidated statements of income and comprehensive income

Distribution income related to investments in film production in the U.S. has been recorded as “net sales” since the current fiscal year although it was posted in “equity in earnings of affiliates” under “other income”. This change is due to the increased monetary importance of distribution income related to investments in film production, as well as the increased importance of the business in the Medium-term Plan, including the strengthening of the transmedia strategy and further expansion of pillars. To reflect this change in presentation, the consolidated financial statements for the prior fiscal year have been reclassified. As a result, ¥1,029 million recorded in “equity in earnings of affiliates” under “other income” in the consolidated statements of income and comprehensive income for the prior fiscal year has been reclassified as “net sales”.

(2) Consolidated statements of cash flows

Due to the “Consolidated statements of income and comprehensive income” described in (1) above, the reclassified figures for the consolidated statement of cash flows for the prior fiscal year have been retroactively applied. As a result, ¥(2,029) million recorded in “equity in earnings of affiliates” under net cash used in operating activities, and ¥9,795 million recorded in “proceeds from share of profits on investments in capital” under net cash provided by investing activities in the consolidated statement of cash flows for the prior fiscal year, have been reclassified as ¥(1,000) million recorded in “equity in earnings of affiliates” and ¥8,766 million recorded in “proceeds from share of profits on investments in capital”.

7 Additional Information

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

A resolution passed at the Board of Directors meeting held on May 10, 2024 has led to the introduction of a stock-granting employee stock ownership plan (ESOP) trust (“plan” hereinafter) as a program to incentivize the Company’s employees (“employees” hereinafter).

(1) Overview of transaction

The plan has been introduced to increase employee motivation and drive to contribute to business results and increase awareness of management participation, thereby strengthening corporate value over the medium to long term. In addition, as similar incentive plans for officers, certain Group companies have introduced not just share-allocation ESOP trusts for employees, but officer BIP trusts for directors of Group companies.

(2) Company shares remaining in trust

The Company’s shares remaining in the trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses) in the trust. At the end of the consolidated fiscal year under review, the book value and number of the Company’s shares remaining in the ESOP and BIP trusts were ¥4,357 million and 1,998,042 shares, respectively.

8 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 “Note 23 Revenue recognition 3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts; information on revenue amounts expected to be recognized in the following fiscal years as the result of contracts with customers as of the end of the current fiscal year and the timing of such recognition: (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		
	2024	2025
Shares of subsidiaries and affiliates	Note 1 ¥24,619	Note 2 ¥25,993
Total	24,619	25,993

Notes: 1. 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 prior fiscal year, the shares of this company are pledged as collateral.
2. For a loan of ¥52,169 million (KRW515,000 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		
	2024	2025
Investment securities (Shares)	¥26,455	¥27,311
Investment securities (Capital Contributions)	726	2,387

(4) Revaluation reserve for land

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

Revaluation method
SEGA CORPORATION computed the value of land based on the methodology of making rational adjustments to the assessed value of fixed assets for taxation purposes as stipulated in Article 2, Item 3 of, and appraisals by licensed real estate appraisers as stipulated in Article 2, Item 5 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998).
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: ¥(324) million

(5) Overdraft account and commitment line contract

The Company and its consolidated subsidiaries concluded overdraft account contracts and commitment line contracts with banks for purposes of efficient procurement of operating capital.

The balance of unrealized borrowings based on these contracts is as follows:

Millions of yen		
	2024	2025
Total amount of limit of overdraft account and commitment line contract	¥285,565	¥285,475
Balance of borrowings	—	—
Balance of unrealized borrowings	285,565	285,475

Notes to Consolidated Financial Statements

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

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

	Millions of yen	
	2024	2025
Notes receivable	¥898	¥—
Notes payable	1,628	—

9 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 23 Revenue recognition 1. Disaggregation of revenue from contracts with customers” of the consolidated financial statements.

(2) The amount of ending inventory is determined after book value devaluation due to declines in profitability, and the following inventory write-down is included in the cost of sales

	Millions of yen	
	2024	2025
Cost of sales	¥19,697	¥7,303

(3) Total R&D expenses included in general and administrative expenses and the manufacturing cost are as follows:

	Millions of yen	
	2024	2025
	¥61,365	¥60,722

(4) Breakdown of gain on sales of noncurrent assets

	Millions of yen	
	2024	2025
Buildings and structures	¥—	¥13
Machinery, equipment, and vehicles	1	—
Land	—	4
Other property, plant, and equipment	0	1
Total	1	19

(5) Breakdown of loss on sales of noncurrent assets

	Millions of yen	
	2024	2025
Buildings and structures	¥21	¥—
Other property, plant, and equipment	1	0
Total	22	0

(6) Breakdown of impairment loss

Prior 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
Idle properties	Kamo-gun, Shizuoka Prefecture	Land	0
		Total	829

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

impairment loss under 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 structural reform expenses under other expenses.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Use	Location	Type	Millions of yen
			Amount
Assets for business	Nevada, USA and five others	Buildings and structures	¥88
		Other property, plant, and equipment	1,359
		Other intangible assets	3
		Total	1,451

The Group independently assesses assets or asset groups whose cash flows can be estimated separately based on business segments. The book values of assets or asset groups whose market values declined significantly or that are projected consistently to generate negative cash flows from operating activities are reduced to their

recoverable values. The amount of this reduction is recorded as an impairment loss under other expenses. Recoverable values are calculated based on memorandum values, as no future cash flows are expected. The amount of ¥155 million is included in structural reform expenses under other expenses.

(7) Breakdown of 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	
	2024	2025
Loss associated with suspension of game content development, etc.	¥11,564	¥3,406
Increased benefits for early retirement	3,417	72
Loss on sale of stock in affiliates	2,159	2,530
Impairment loss	478	155
Other	184	—
Total	17,804	6,164

(8) Reclassification adjustments, income taxes, and tax effects concerning other comprehensive income

Millions of yen		
	2024	2025
Valuation difference on available-for-sale securities		
The amount arising during the period	¥750	¥634
Reclassification adjustments	(90)	(70)
Before adjustments for income tax and tax effects	659	564
The amount of income tax and tax effects	(229)	(179)
Valuation difference on available-for-sale securities	430	385
Deferred gains or losses on hedges		
The amount arising during the period	(223)	1,331
Reclassification adjustments	—	(171)
Before adjustments for income tax and tax effects	(223)	1,160
The amount of income tax and tax effects	—	(294)
Deferred gains or losses on hedges	(223)	865
Foreign currency translation adjustment		
The amount arising during the period	15,531	(1,833)
Reclassification adjustments	(274)	43
Before adjustments for income tax and tax effects	15,256	(1,789)
The amount of income tax and tax effects	—	—
Foreign currency translation adjustment	15,256	(1,789)
Remeasurements of defined benefit plans, net of tax		
The amount arising during the period	3,558	796
Reclassification adjustments	(318)	(849)
Before adjustments for income tax and tax effects	3,240	(52)
The amount of income tax and tax effects	(37)	196
Remeasurements of defined benefit plans, net of tax	3,203	143
Share of other comprehensive income of entities accounted for using equity method		
The amount arising during the period	921	(1,858)
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	921	(1,858)
Total other comprehensive income	¥19,587	¥(2,254)

10 Notes to Consolidated Statements of Changes in Net Assets

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

1. Number of outstanding common stock

Shares				
Type of stock	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

Shares				
Class of 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:		Decrease due to sales of odd-lot stock:	358 shares
Increase due to purchase of odd-lot stock:	4,782,700 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:	6,505 shares		
	14,100 shares		

3. Subscription rights to shares

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

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, 2024 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

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

1. Number of outstanding common stock

Type of stock	Shares			
	As of April 1, 2024	Increase	Decrease	As of March 31, 2025
Common stock	241,229,476	—	—	241,229,476

2. Number of outstanding treasury stock

Class of shares	Shares			
	As of April 1, 2024	Increase	Decrease	As of March 31, 2025
Common stock	25,214,788	5,746,353	3,542,262	27,418,879

Note: The number of treasury shares of common stock includes Company shares held by the officer remuneration BIP trust (50,000 shares as of March 31, 2025) and Company shares held by the stock-granting ESOP trust (1,948,042 shares as of March 31, 2025).

(Outline of causes of change)

Increase		Decrease	
Increase due to market purchases pursuant to Board of Directors resolutions:	3,549,800 shares	Decrease due to sales of odd-lot stock:	104 shares
Increase due to purchase of odd-lot stock:	5,353 shares	Decrease due to exercise of stock options:	1,540,200 shares
Increase due to free acquisition upon retirement of individuals subject to stock compensation with restriction on transfer:	191,200 shares	Decrease due to contributions to officer remuneration BIP trust accounts and stock-granting ESOP trust accounts:	2,000,000 shares
Increase due to contributions to officer remuneration BIP trust accounts and stock-granting ESOP trust accounts:	2,000,000 shares	Decrease due to issue of shares based on the stock-granting ESOP trust system:	1,958 shares

3. Subscription rights to shares

Company name	Breakdown	Type of stock	Number of stocks (Shares)			Balance at March 31, 2025 Millions of yen
			As of April 1, 2024	Increase	Decrease	
The Company	Subscription rights to shares as stock options	—	—	—	—	¥345
Consolidated subsidiaries	—	—	—	—	—	69
Total			—	—	—	414

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 10, 2024	Common stock	¥5,832	¥27	March 31, 2024	June 5, 2024
Board of Directors Meeting held on November 8, 2024	Common stock	5,381	25	September 30, 2024	December 3, 2024

Note: The total dividend under the November 8, 2024 resolution of the Board of Directors includes ¥50 million in cash dividends paid on Company shares held by the officer remuneration BIP trust and the stock-granting ESOP trust.

(2) Of the dividends in which the record date is in the fiscal year ended March 31, 2025 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, 2025	Common stock	Retained earnings	¥5,826	¥27	March 31, 2025	June 4, 2025

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

11 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	
	2024	2025
Cash and deposits	¥211,715	¥200,360
Securities	8,095	—
Total	219,810	200,360
Time deposits, etc. held for more than three months	—	(1,495)
Cash and cash equivalents	219,810	198,865

(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, 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.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable

(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, 2023 to March 31, 2024)

Shown below is a breakdown of assets and liabilities as of the time at which shares in Relic Entertainment, Inc. were sold and the removal of Relic Entertainment, Inc. 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)

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)
Shown below is a breakdown of assets and liabilities as of the time at which shares in PHOENIX RESORT CO., LTD. were sold and the removal of PHOENIX RESORT CO., LTD. from the list of consolidated subsidiaries and the relationship between the stock sale price and proceeds arising from the sale.

	Millions of yen
Current assets	¥ 1,444
Noncurrent assets	10,385
Current liabilities	(4,816)
Noncurrent liabilities	(2,552)
Gain on sales of shares of subsidiaries and affiliates	8,499
Stock sale price	12,960
Cash and cash equivalents	(574)
Deducted: Proceeds from sale	12,385

12 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, 2024 and 2025, 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, 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	—

Current fiscal year (As of March 31, 2025)
Not applicable

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

Future lease payments as of March 31, 2024 and 2025

	Millions of yen	
	2024	2025
Due within one year	¥12	¥—
Due after one year	—	—
Total	12	—

Accumulated impairment loss on leased assets as of March 31, 2024 and 2025

	Millions of yen	
	2024	2025
Accumulated impairment loss on leased assets	¥9	¥—

- (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, 2024 and 2025, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

	Millions of yen	
	2024	2025
Lease payments	¥151	¥12
Reversal of allowance for impairment loss on leased assets	111	9
Depreciation	124	10
Interest expenses	2	0

(4) Method of calculating depreciation equivalent

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

(5) Method of calculating interest expenses equivalent

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

2. Finance lease transactions

(1) Details of lease assets

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

(2) The methods of depreciation for lease assets

- Leased assets in finance leases that transfer ownership: Depreciated using the same method applied to property, plant, and equipment owned by the Company.
- Leased assets in finance leases that do not transfer ownership: Depreciated using the straight-line method based on the assumption that useful life equals the lease period, with a residual value of zero.

3. Lease transactions under IFRS 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.

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

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

4. Operating lease transactions

Future lease payments for operating lease transactions which cannot be canceled as of March 31, 2024 and 2025 are as follows:

	Millions of yen	
	2024	2025
Due within one year	¥ 4,095	¥3,772
Due after one year	4,117	1,348
Total	8,212	5,121

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.

13 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 monetary trust, bonds, and stocks related to business alliances with business partners, and 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 “2 Summary of Significant Accounting Policies 3. Accounting policies (6) Accounting 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.

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, 2024)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	¥54,269	¥54,269	¥ —
(2) 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) Long-term borrowings	124,500	124,259	240
(2) Bonds payable	10,000	9,776	223
Total liabilities	134,500	134,035	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, notes and accounts payable - trade, and short-tern borrowings because they are settled over short time spans and their fair values approximate their book values.
2. Notes concerning securities are as described in the “Note 14 Investment Securities.” Notes concerning derivatives are as described in the “Note 15 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) 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) Securities and investment securities. The amount of such investments recorded on the Consolidated Balance Sheet is ¥11,844 million.

Notes to Consolidated Financial Statements

Current fiscal year (As of March 31, 2025)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	¥ 52,653	¥ 52,653	¥ —
(2) Securities and investment securities			
1) Held-to-maturity debt securities	101	101	(0)
2) Available-for-sale securities	7,614	7,614	—
3) Stocks of affiliates	—	—	—
Total assets	60,369	60,368	(0)
(1) Long-term borrowings	132,000	129,118	2,881
(2) Bonds payable	10,000	9,491	508
Total liabilities	142,000	138,610	3,389
Derivative transactions			
1) Derivative transactions to which hedge accounting is not applied	—	—	—
2) Derivative transactions to which hedge accounting is applied	641	641	—
Total derivative transactions	641	641	—

Notes: 1. Notes are omitted for cash and deposits, notes and accounts payable - trade, and short-tern borrowings because they are settled over short time spans and their fair values approximate their book values.
2. Notes concerning securities are as described in the "Note 14 Investment Securities." Notes concerning derivatives are as described in the "Note 15 Derivative Transactions."
3. Securities without available fair market value

Category	Millions of yen
	2025
Investments in unlisted stocks, etc.	¥ 3,676
Investments in investment limited partnerships, etc.	10,094
Stocks of non-consolidated subsidiaries	723
Stocks of affiliates	26,588
Investments in capital of subsidiaries and affiliates	2,387

The above items are not included in "(2) 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) Securities and investment securities. The amount of such investments recorded on the Consolidated Balance Sheet is ¥12,481 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, 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	—	—	—
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.

Current fiscal year (As of March 31, 2025)

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥200,360	¥ —	¥—	¥—
Notes and accounts receivable—trade	50,921	1,732	—	—
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)	—	100	—	—
Total	251,282	1,932	—	—

* 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, 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	1,886	1,384	1,023	856	804	768
Other interest-bearing debt:						
Accounts payable—facilities	24	22	22	22	21	13

Current fiscal year (As of March 31, 2025)

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	¥7,500	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	15,000	17,500	21,800	22,500	55,200
Bonds payable	—	—	—	—	10,000	—
Lease obligations	1,445	1,341	1,017	894	455	930
Other interest-bearing debt:						
Accounts payable—facilities	24	24	24	24	16	5

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.

Notes to Consolidated Financial Statements

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

Prior fiscal year (As of March 31, 2024)

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

Current fiscal year (As of March 31, 2025)

Category	Millions of yen				
	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Securities and investment securities					
Available-for-sale securities					
Stocks	¥ 6,137	¥6,137	¥ —	¥ —	¥ 6,137
Debt securities	100	—	100	—	100
Other	1,376	—	1,032	343	1,376
Total assets	7,614	6,137	1,132	343	7,614
Derivative transaction*					
Currency-related	—	—	—	—	—
Interest rate-related	641	—	641	—	641
Total derivative transaction	641	—	641	—	641

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

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

Prior fiscal year (As of March 31, 2024)

Category	Millions of yen				
	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	¥54,269	¥—	¥54,269	¥—	¥54,269
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
Long-term borrowings	124,500	—	124,259	—	124,259
Bonds payable	10,000	—	9,776	—	9,776
Total liabilities	134,500	—	134,035	—	134,035

Current fiscal year (As of March 31, 2025)

Category	Millions of yen				
	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	¥ 52,653	¥—	¥ 52,653	¥—	¥ 52,653
Securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	101	—	101	—	101
Stocks of affiliates	—	—	—	—	—
Total assets	52,755	—	52,754	—	52,754
Long-term borrowings	132,000	—	129,118	—	129,118
Bonds payable	10,000	—	9,491	—	9,491
Total liabilities	142,000	—	138,610	—	138,610

Note 1: A description of the valuation techniques and inputs used in fair value measurement

Securities and investment securities:
Listed stocks are valued based on quoted prices. Since listed stocks are traded in active markets, their fair value is assigned to Level 1. The fair value of debt securities and bonds receivable held by the Group is assigned to Level 2 because they are infrequently traded and are for that reason not deemed to have quoted prices on active markets.
Other financial instruments include investment trusts and simple agreements for future equity (SAFEs). The fair value of investment trusts is assigned to Level 2 because they are infrequently traded and thereby deemed to lack quoted prices on active markets. SAFEs are assigned to Level 3 because the most recent fair values are estimated after accounting for factors that can affect the value of the financial instruments.
Derivative transactions:
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.
Long-term borrowings:
The fair values of 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
Prior year (From April 1, 2023 to March 31, 2024)

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

Current year (From April 1, 2024 to March 31, 2025)

	Millions of yen	
	Securities and investment securities	Total
	Available-for-sale securities	
	Other	
Starting balance	¥347	¥347
Profit/loss or other comprehensive income during the period	(4)	(4)
Purchases, sale, issue, and settlement	—	—
Other	—	—
Ending balance	343	343

(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.

14 Investment Securities

1. Held-to-maturity debt securities

Prior 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)

Current fiscal year (As of March 31, 2025)

(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	101	101	(0)
3) Other	—	—	—
Total	101	101	(0)

2. Available-for-sale securities

Prior 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	¥3,418
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)

Current fiscal year (As of March 31, 2025)

(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	¥ 5,320	¥ 1,901	¥3,418
2) Debt securities	—	—	—
3) Other	1,021	584	436
Total	6,341	2,485	3,855

(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	¥ 816	¥870	¥(53)
2) Debt securities	100	105	(5)
3) Other	355	410	(55)
Total	1,272	1,386	(113)

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

Prior 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	—

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

Category	Millions of yen		
	Amount of proceeds	Total gains on sales	Total losses on sales
1) Shares	¥195	¥166	¥20
2) Debt securities	296	61	—
3) Other	3	1	—
Total	494	230	20

4. Impairment loss on securities

Prior 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.

Current fiscal year (From April 1, 2024 to March 31, 2025)

The Group recognized impairment loss on available-for-sale securities in the amount of ¥763 million.

15 Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives

Prior fiscal year (As of March 31, 2024)

Not applicable

Current fiscal year (As of March 31, 2025)

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 14 Investment Securities.”

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

Prior fiscal year (As of March 31, 2024)

Not applicable

Current fiscal year (As of March 31, 2025)

Not applicable

(2) Interest rate-related derivatives

Prior 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 the Company.

Current fiscal year (As of March 31, 2025)

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	¥46,428	¥42,857	¥641
Total			46,428	42,857	641

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

16 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	
	2024	2025
Projected benefit obligations at the beginning of the period	¥32,418	¥28,761
Service costs—benefits earned during the year	1,623	1,452
Interest cost on projected benefit obligations	180	311
Actuarial differences accrued	(1,281)	(1,801)
Retirement benefit paid	(703)	(683)
Prior service costs accrued	(159)	—
Other	(3,316)	(2,077)
Projected benefit obligations at the end of the period	28,761	25,962

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

	Millions of yen	
	2024	2025
Plan assets at the beginning of the period	¥34,766	¥34,612
Expected return on plan assets	515	692
Actuarial differences accrued	2,117	(1,005)
Contribution of employer	941	28
Retirement benefit paid	(589)	(622)
Other	(3,139)	3
Plan assets at the end of the period	34,612	33,708

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

	Millions of yen	
	2024	2025
Net defined benefit liability at the beginning of the period	¥862	¥928
Retirement benefit expenses	109	147
Retirement benefit paid	(51)	(73)
Other	8	(5)
Net defined benefit liability at the end of the period	928	997

(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	
	2024	2025
Funded projected benefit obligations	¥ 26,677	¥ 25,962
Plan assets	(34,612)	(33,708)
	(7,934)	(7,746)
Unfunded projected benefit obligations	3,012	997
Net amount of liabilities and assets recorded in the consolidated balance sheet	(4,922)	(6,749)
Net defined benefit liability	5,666	4,616
Net defined benefit asset	(10,588)	(11,366)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(4,922)	(6,749)

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

(5) Breakdown of retirement benefit expenses

	Millions of yen	
	2024	2025
Service costs—benefits earned during the year	¥1,623	¥1,452
Interest cost on projected benefit obligations	180	311
Expected return on plan assets	(515)	(692)
Amortization of actuarial difference	(554)	(1,104)
Amortization of prior service cost	235	220
Retirement benefit expenses using the simplified method	109	147
Other	—	0
Retirement benefit expenses of defined benefit pension plan	1,079	334

(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	
	2024	2025
Prior service costs	¥395	¥ 220
Actuarial difference	2,844	(272)
Total	3,240	(52)

(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	
	2024	2025
Unrecognized prior service costs	¥(1,964)	¥(1,744)
Unrecognized actuarial difference	3,773	3,500
Total	1,808	1,755

(8) Matters concerning plan assets

1) Breakdown of plan assets

Ratio of main classes of plan assets

	2024	2025
Debt securities	38%	44%
Share of stock	28	19
Cash and deposits	18	21
General account	7	7
Other	9	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

	2024	2025
Discount rate	0.6–1.8%	1.7–2.4%
Long-term expected rate of return on plan assets	2.0%	2.0%
Salary increase ratio	Principally, salary increase index by ages as of March 31, 2021 is used. Some consolidated subsidiaries do not use the salary increase ratio for the calculation of retirement benefits obligation.	Salary increase index is not used to calculate 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 ¥1,937 million in the prior fiscal year and ¥1,449 million in the current fiscal year.

17 Stock Option Plan

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

	Millions of yen	
	2024	2025
Selling, general, and administrative expenses—other	¥283	¥56

2. Amount recorded as profit due to invalidation as a result of non-exercise of rights

	Millions of yen	
	2024	2025
Other income	¥—	¥0

3. Contents, scale and movement of stock options

Prior 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

(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

Current fiscal year (From April 1, 2024 to March 31, 2025)

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

Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of the resolution	August 2, 2021	June 21, 2024
Position and number of grantees (persons)	Company employees: 168 Subsidiary directors: 12 Subsidiary executive officers: 25 Subsidiary employees: 1,411	Former shareholders of RAISE ENTERTAINMENT Co., Ltd.: 3
Class and number of stock (shares)	Common stock 2,884,500	Common stock: 33
Date of issue	September 1, 2021	June 21, 2024
Condition of settlement of rights	Continue to work from September 1, 2021 to June 30, 2024	Total operating income in the three-year period from the year ended October 2024 through the year ending October 2026 must be ¥1,208 million or more.
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	From April 1, 2027 to April 30, 2027

Notes to Consolidated Financial Statements

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

Shares

Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of the resolution	August 2, 2021	June 21, 2024
Not exercisable stock options		
Stock options outstanding at April 1, 2024	2,748,000	—
Stock options granted	—	33
Forfeitures	54,000	—
Conversion to exercisable stock options	—	—
Stock options outstanding at March 31, 2025	2,694,000	33
Exercisable stock options		
Stock options outstanding at April 1, 2024	—	—
Conversion from not exercisable stock options	2,694,000	—
Stock options exercised	1,540,200	—
Forfeitures	2,500	—
Stock options outstanding at March 31, 2025	1,151,300	—

The following table summarizes the price information of stock options.

Yen

Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of the resolution	August 2, 2021	June 21, 2024
Exercise price	¥1,500	¥15,997,784
Average market price of the stock at the time of exercise	2,682	—
Fair value of the stock option at the date of grant	300	—

4. Estimation of fair value of the stock options

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

Not applicable

Current fiscal year (From April 1, 2024 to March 31, 2025)

(1) The Company

Not applicable

(2) Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.

Since shares of stock in the consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd. are not listed, the fair value per share of stock options on such shares is estimated based on the original value per unit. Prices estimated by the discounted cash flow method are used to value stock serving as the basis of calculations of the original value per unit.

Since estimates indicated that the original value per unit at the time they were granted was zero, no fair value per share is presented.

5. 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.

18 Stock Compensation with Restriction on Transfer

1. Details of stock compensation with restriction on transfer

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

	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 Group 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		
	2024	2025
Selling, general, and administrative expenses—other	¥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	26,800	—
Restriction valid	—	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	351,500
Granted	—
Acquired for free	191,200
Restriction canceled	—
Restriction valid	160,300

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.

19 Income Taxes

1. Significant components of deferred tax assets and liabilities

Millions of yen		
	2024	2025
Deferred tax assets:		
Exclusion of provision of allowance for doubtful accounts from deductible expenses	¥ 177	¥ 314
Exclusion of loss on valuation of inventories from deductible expenses	2,436	2,034
Exclusion of provision for bonuses from deductible expenses	3,560	3,684
Net defined benefit liability	1,963	1,688
Excess of maximum depreciation and amortization	21,601	16,114
Exclusion of loss on valuation of investment securities from deductible expenses	325	362
Impairment loss	380	312
Other	15,322	10,861
Loss carried forward	23,745	17,728
Subtotal deferred tax assets	69,514	53,100
Valuation allowance for tax loss carried forward (Note 2)	(12,736)	(8,110)
Valuation allowance for deductible temporary difference	(31,668)	(21,402)
Subtotal valuation allowance (Note 1)	(44,404)	(29,512)
Offset to deferred tax liabilities	(6,791)	(6,712)
Total deferred tax assets	18,317	16,874
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,507)	(2,027)
Intangible assets recognized through business combination	(10,601)	(9,934)
Other	(5,310)	(6,043)
Subtotal deferred tax liabilities	(17,420)	(18,005)
Offset to deferred tax assets	6,791	6,712
Total deferred tax liabilities	(10,628)	(11,292)
Net deferred tax assets	7,689	5,582

Notes: 1. The valuation allowance declined by ¥14,891 million. The major factors for this decline were a decrease in valuation allowance of ¥4,625 million for tax loss carryforwards and a decrease in valuation allowance for a deductible temporary difference of ¥10,265 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, 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 ¥23,745 million (the amount under the normal effective statutory tax rate), deferred tax assets of ¥11,009 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, 2025)

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)	¥678	¥484	¥ —	¥943	¥834	¥14,788	¥17,728
Valuation allowance	(403)	(419)	—	(545)	(383)	(6,358)	(8,110)
Deferred tax assets	274	65	—	398	451	8,429	(b) 9,618

(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 ¥17,728million (the amount under the normal effective statutory tax rate), deferred tax assets of ¥9,618million 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, 2024 and 2025

	2024	2025
Normal effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Changes in valuation allowance	2.6	(17.4)
Permanently non-deductible expenses including entertainment expenses	3.8	2.1
Amortization of goodwill	1.7	1.8
Tax rate difference between the Company and consolidated subsidiaries	(3.3)	1.2
Tax credit for experimental and research expenses	(15.9)	(2.7)
Tax loss carried forward	5.6	2.9
Other	(4.3)	(0.7)
Effective tax rate after tax effect accounting	20.8	17.8

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).

4. Revisions to deferred tax assets and deferred tax liabilities due to revision of tax rates on income and other taxes

The Act for Partial Amendment of the Income Tax Act etc. (Act No. 13 of 2025) was passed by the National Diet on March 31, 2025. The assessment of a special defense tax will begin from the consolidated fiscal year starting April 1, 2026.
Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in consolidated fiscal years starting on or after April 1, 2026, are calculated based on a statutory effective tax rate revised from 30.6% to 31.5%.
As a result of this change, the amount of deferred tax assets in the current consolidated fiscal year (after deductions of deferred tax liabilities) has decreased by ¥185 million, the amount of income tax adjustments has increased by ¥127 million, and the amount of the valuation difference on available-for-sale securities has decreased by ¥57 million.

20 Business Combination

Prior fiscal year (From April 1, 2023 to March 31, 2024)
(Acquisition of stock in Rovio Entertainment Corporation)

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

(1) Overview of merger

- (i) Name and lines of business of acquisition
Name of acquired entity: Rovio Entertainment Corporation
Lines of business: Mobile game development and operations, brand licensing
- (ii) Main reasons for merger
To boost the Group’s presence in global markets, including the rapidly growing mobile game market, by acquiring the mobile game development capabilities and operating expertise of Rovio Entertainment Corporation.
- (iii) Date of merger
August 17, 2023 (date of stock acquisition)
- (iv) Legal form of merger
Stock acquisition paid in cash
- (v) Company name after merger
Unchanged
- (vi) Percentage of voting rights acquired
August 17, 2023 96.3%
September 6, 2023 1.3%
January 22, 2024 2.4%
Percentage of voting rights acquired 100.0%
- (vii) Key reasons for decision on acquiring company
Acquisition of all shares of stock for cash by the Company’s consolidated subsidiary SEGA Europe Ltd.

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

September 1, 2023 through March 31, 2024

(3) Cost of acquisition and breakdown thereof by type

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

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

Advisory costs, etc.: ¥1,790 million

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

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

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

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

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

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

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

- (i) Amounts allocated to intangible assets
 - ¥53,281 million
- (ii) Main breakdown and depreciation periods
 - Trademark rights: ¥47,630 million Depreciation period: 23 years
 - Intangible assets related to technology: ¥5,651 million Depreciation period: 10 years

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

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

(Calculation methods for estimates)

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

These notes have not been subjected to audit certification.

(Sale of stock in Relic Entertainment)

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

(1) Overview of spinoff

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

(2) Overview of accounting treatment

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

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

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

Current fiscal year (From April 1, 2024 to March 31, 2025)
(Transactions under common control)

(1) Purpose of this absorption-type of demerger

The Group has established its Medium-term Management Plan, “Beyond the Status Quo - Breaking the Current Situation and Becoming a Sustainable Company-”, which positions the fiscal year ended March 2024 as the final year, and has been working to expand its corporate value. In the Entertainment Contents Business, mainly in the consumer area, the Group promoted the Pillar Strategy, which focuses on multi-platform rollout and simultaneous global launch of major titles such as the Sonic series, Persona series, Like a Dragon series, and others, and the Group has steadily implemented that strategy. The Medium-term Plan “WELCOME TO THE NEXT LEVEL!” is intended to enhance transmedia deployment, thereby building on the pillar strategy and advancing it to the next stage. This is one of the main strategies for the Entertainment Contents Business.

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

(2) Overview of this absorption-type demerger

- (i) Detail of business to be demerged
SEGA CORPORATION: Amusement Machine Business
- (ii) Legal form of business combination
An absorption-type demerger, with SEGA CORPORATION as the demerged company and SEGA TOYS CO., LTD. as the successor company in absorption-type demerger.
- (iii) Overview of the company concerned in this absorption-type demerger (as of March 31, 2024)

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

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).

(Spinoff of business)

At the meeting of the Board of Directors held on May 10, 2024, the Company resolved to transfer the shares of consolidated subsidiary PHOENIX RESORT CO., LTD. (“PHOENIX” hereinafter) to Yugao GK, an affiliate of Fortress Investment Group LLC (Fortress Investment Group LLC and its affiliates are collectively referred to as “Fortress” hereinafter). The transfer was completed on May 31, 2024. This share transfer removes PHOENIX from the list of consolidated subsidiaries.

(1) Overview of spinoff

- (i) Name of acquiring company
Yugao GK
- (ii) Line of business spun off
Development and operation of Phoenix Seagaia Resort, a resort complex that includes a hotel, golf course, spa, leisure facilities, and hot springs
- (iii) Main reasons for spinoff
In 2012, the Company made PHOENIX a wholly-owned subsidiary for the purpose of incorporating its expertise on operating large-scale facilities. This expertise was to be applied in operating and developing integrated resort facilities, a business that 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 PHOENIX’s profitability and established it as one of Japan’s leading operators of integrated resort facilities. As a Group member, PHOENIX recorded record sales in two consecutive years starting with the year ended March 31, 2023. The Company considered various measures to increase PHOENIX’s corporate value still further after it regained profitability. During this process, it 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 in the hotel and resort business, and to transfer its holdings of shares of PHOENIX stock to Fortress, which would then assume the lead role in guiding PHOENIX’s business operations.
- (iv) Date of spinoff
May 31, 2024
- (v) Other matters related to the summary of the transaction, including its legal structure
Sale of stock in exchange for receipt of cash and other assets only

(2) Overview of accounting treatment

- (i) Gains/losses on transfer
Gain on sales of shares of subsidiaries and affiliates: ¥8,499 million
- (ii) Appropriate book value of assets and liabilities related to the business transferred and main breakdown thereof

Current assets	¥1,444 million
Noncurrent assets	¥10,385 million
Total assets	¥11,829 million
Current liabilities	¥4,816 million
Noncurrent liabilities	¥2,552 million
Total liabilities	¥7,369 million
- (iii) Accounting treatment
The difference between the consolidated book value and transfer price of the shares sold was recorded as other income under gain on sales of shares of subsidiaries and associates.

(3) Reporting segment in which the spin off business was included

The business spunoff was not assigned to a reporting segment.

(4) Estimates of profit/loss related to the business spunoff recorded to the Consolidated Statement of Income

Net sales	¥1,741 million
Loss before income taxes	¥12 million

21 Asset Retirement Obligations

Prior fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
The information is omitted due to the immateriality of the total amount of the asset retirement obligations.	The information is omitted due to the immateriality of the total amount of the asset retirement obligations.

22 Rental Property and Other Real Estate

Prior fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
The information is omitted due to the immateriality of the total amount of the rental property and other real estate.	The information is omitted due to the immateriality of the total amount of the rental property and other real estate.

23 Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The Group operates an Entertainment Contents Business, Pachislot & Pachinko Machines Business, and a Gaming 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:

As noted in “Note 24 Segment Information: 1. Overview of reporting segments (Changes in reporting segments),” reporting segments have changed starting with the consolidated fiscal year under review.

Starting with the consolidated fiscal year under review, due to their diminishing importance, resort facility sales, indicated separately in the prior consolidated fiscal year, are included under Other.

Breakdown information on receivables from contracts with customers in the prior consolidated fiscal year has been restated using segment methods, etc. after the above change.

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

	Millions of yen					
	Reporting segment					Total
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Other	
Digital content sales	¥175,377	¥ 4,764	¥ —	¥180,142	¥ —	¥180,142
Product and merchandise sales	90,661	125,675	1,672	218,009	—	218,009
Other sales	51,491	2,808	268	54,568	13,921	68,490
Revenue from contracts with customers	317,530	133,248	1,941	452,720	13,921	466,641
Other revenues (Note)	2,283	—	—	2,283	—	2,283
Sales to external customers	319,813	133,248	1,941	455,004	13,921	468,925

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Millions of yen					
	Reporting segment					Total
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Other	
Digital content sales	¥169,623	¥ 4,901	¥ —	¥174,524	¥ —	¥174,524
Product and merchandise sales	86,209	88,234	4,595	179,039	—	179,039
Other sales	55,010	3,968	855	59,835	4,816	64,652
Revenue from contracts with customers	310,843	97,105	5,451	413,400	4,816	418,217
Other revenues (Note)	10,731	—	—	10,731	—	10,731
Sales to external customers	321,575	97,105	5,451	424,132	4,816	428,948

Notes: 1. Other revenues in the Entertainment Contents Business consist of distribution income related to investments in film production in the U.S. and revenues related to the Video Games Expenditure Credit (VGEC) in the UK.

2. As noted in “Note 6 Changes in Methods of Presentation,” distributed income related to investments in film production in the U.S., which was previously posted in “equity in earnings of affiliates” under “other income,” is reclassified in “net sales” since the current fiscal year. To reflect this change in presentation, segment information for the prior fiscal year has been reclassified. As a result, “net sales” of “Entertainment Contents Business” increased ¥1,029 million for the prior fiscal year.

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 Policies3. 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 on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts; information on revenue amounts expected to be recognized in the following fiscal years as the result of contracts with customers as of the end of the current fiscal year and the timing of such recognition

Prior 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 prior year	Ending balance for the prior year
Receivables from contracts with customers		
Notes and accounts receivable—trade	¥52,673	¥54,269
Contract assets	696	—
Contract liabilities	25,852	19,367

Contract assets 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 decrease in contract liabilities is a decrease 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 year but within 3 years	277
Over 3 year but within 4 years	2,257
Over 4 years	143
Total	19,367

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

(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	¥54,269	¥52,653
Contract assets	—	—
Contract liabilities	19,367	14,228

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 ¥14,416 million. The primary reason for the decrease in contract liabilities is a decrease 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	¥10,714
Over 1 year but within 2 years	1,060
Over 2 years but within 3 years	2,365
Over 3 years but within 4 years	64
Over 4 years	22
Total	14,228

24 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 & Pachinko Machines Business, and Gaming 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, etc.
Pachislot & Pachinko Machines Business	Development, manufacture and sales of pachislot and pachinko machines
Gaming Business	Overseas online gaming-related business, operation of integrated resorts, and development and manufacture of casino machines

(Changes in reporting segments)

At the start of the Medium-term Plan “WELCOME TO THE NEXT LEVEL!”, the Group implemented the abolition of the “Resort Business” and creation of a new “Gaming Business”. This was implemented from the perspective of the strategies and business portfolio of the Medium-term Plan. The newly established “Gaming Business” consolidates overseas online gaming-related businesses, operation of existing integrated resorts, and development and manufacture of casino machines. As a result, “Entertainment Contents Business”, “Pachislot & Pachinko Machines Business”, and “Gaming Business” will become reportable segments.

Segment information for the prior fiscal year is presented based on the reclassified method after the change.

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 “Note 2 Summary of Significant Accounting Policies.”

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, 2023 to March 31, 2024)

	Millions of yen				
	Reporting segment				Amount in Consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment (Note)
Net sales:					
Net sales to external customers	¥319,813	¥133,248	¥1,941	¥455,004	¥ 13,921
Inter-segment sales and transfers	605	168	66	839	(839)
Total	320,418	133,417	2,007	455,843	13,081
Segment income (loss)	30,823	41,943	(421)	72,345	(12,567)
Segment assets	355,031	164,468	27,277	546,776	107,217
Other items:					
Depreciation	8,532	3,506	—	12,038	1,475
Interest income	1,301	259	0	1,560	377
Interest expenses	790	0	147	938	(171)
Equity in earnings (losses) of affiliates	3	5	991	1,000	—
Investments in affiliates accounted for by the equity method	39	726	24,619	25,384	—
Increases in property, plant and equipment and intangible assets	5,650	3,923	402	9,975	1,693

- Notes: 1. The adjustment to net sales to external customers of ¥13,921 million corresponds to net sales not belonging to reporting segments.
2. The adjustment to segment income (loss) of ¥(12,567) million includes losses of ¥(708) million on non-related reporting segments, elimination of inter-segment transactions of ¥69 million, and general corporate expenses of ¥(11,928) million not allocated to each reporting segment. General corporate expenses consist mainly of Group management expenses incurred by the Company.
3. Adjustments to segment assets of ¥107,217 million includes the elimination of inter-segment transaction of ¥(114,137) million and general corporate assets of ¥221,355 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 ¥(1,622) million and interest income of the Company of ¥2,000 million.
6. Adjustment to interest expenses of ¥(171) million includes the elimination of inter-segment transactions of ¥(1,622) 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 income (loss) before income taxes in the consolidated statements of income and comprehensive income.

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Millions of yen					
	Reporting segment				Adjustment (Note)	Amount in Consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal		
Net sales:						
Net sales to external customers	¥321,575	¥97,105	¥5,451	¥424,132	¥ 4,816	¥428,948
Inter-segment sales and transfers	569	121	20	711	(711)	—
Total	322,145	97,226	5,471	424,843	4,105	428,948
Segment income (loss)	41,886	20,977	2,186	65,050	(11,935)	53,114
Segment assets	352,031	127,443	30,549	510,024	134,752	644,777
Other items:						
Depreciation	8,778	3,246	—	12,024	1,021	13,046
Interest income	2,233	317	0	2,550	896	3,446
Interest expenses	1,732	0	125	1,858	(36)	1,822
Equity in earnings (losses) of affiliates	7	287	3,233	3,527	—	3,527
Investments in affiliates accounted for by the equity method	1,223	568	25,993	27,785	—	27,785
Increases in property, plant and equipment and intangible assets	7,642	4,949	2,163	14,755	1,171	15,927

Notes: 1. The adjustment to net sales to external customers of ¥4,816 million corresponds to net sales not belonging to reporting segments.
2. The adjustment to segment income (loss) of ¥(11,935) million includes losses of ¥(1,248) million on non-related reporting segments, elimination of inter-segment transactions of ¥1 million, and general corporate expenses of ¥(10,688) million not allocated to each reporting segment. General corporate expenses consist mainly of Group management expenses incurred by the Company.
3. Adjustment to segment assets of ¥134,752 million includes the elimination of inter-segment transactions of ¥(121,735) million and general corporate assets of ¥256,488 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 ¥896 million includes the elimination of inter-segment transactions of ¥(2,845) million and interest income of the Company of ¥3,742 million.
6. Adjustment to interest expenses of ¥(36) million includes the elimination of inter-segment transactions of ¥(2,845) million and interest expenses of the Company of ¥2,809 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 income (loss) before income taxes in the consolidated statements of income and comprehensive income.
9. As noted in "[Notes] (Changes in method of presentation) (1) Consolidated statements of income and comprehensive income" in the consolidated financial statements, distributed income related to investments in film production in the U.S., which was previously posted in "equity in earnings of affiliates" under "other income," is reclassified in "net sales" since the current fiscal year. To reflect this change in presentation, segment information for the prior fiscal year has been reclassified. As a result, "net sales" of "Entertainment Contents Business" increased ¥1,029 million for the prior fiscal year; this does not affect segment income.

[Related information]

Prior 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

Millions of yen				
Japan	US	Europe	Other	Total
¥295,644	¥115,896	¥31,070	¥26,313	¥468,925

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

(2) Property, plant and equipment

Millions of yen				
Japan	North America	UK	Other	Total
¥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.

Current fiscal year (From April 1, 2024 to March 31, 2025)

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

Millions of yen				
Japan	US	Europe	Other	Total
¥256,650	¥104,618	¥38,867	¥28,812	¥428,948

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

(2) Property, plant and equipment

Millions of yen				
Japan	North America	UK	Other	Total
¥40,233	¥1,297	¥6,365	¥1,035	¥48,931

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 reporting segment]

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

	Millions of yen					
	Reporting segment				Adjustment	Amount in consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal		
Impairment loss	¥487	¥136	¥205	¥829	¥—	¥829

Note: Adjustment is related to the assets of the reporting company that are not allocated to each segment.

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Millions of yen					
	Reporting segment				Adjustment	Amount in consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal		
Impairment loss	¥156	¥5	¥1,288	¥1,451	¥—	¥1,451

Notes to Consolidated Financial Statements

[Information on amortization and unamortized balance of goodwill by reporting segment]
Prior fiscal year (From April 1, 2023 to March 31, 2024)

	Millions of yen					
	Reporting segment					Amount in consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	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

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Millions of yen					
	Reporting segment					Amount in consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment	
Amortization during current period	¥ 2,579	¥ 482	¥—	¥ 3,061	¥—	¥ 3,061
Balance as of March 31, 2025	26,933	3,185	—	30,119	—	30,119

[Information on gain on negative goodwill by reporting segment]
Prior fiscal year (From April 1, 2023 to March 31, 2024)
Not applicable
Current fiscal year (From April 1, 2024 to March 31, 2025)
Not applicable

25 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, 2023 to March 31, 2024)

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

Current fiscal year (From April 1, 2024 to March 31, 2025)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
PARADISE SEGASAMMY Co., Ltd.	Resort business	Provision of collateral ^(Note)	¥25,993	—	¥—

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

2) Directors and major shareholders (limited to individuals) of the Company submitting consolidated financial statements
Prior 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	Millions of yen	
				Accounts	End of period account balance
FSC Co., Ltd. ^(Note 2)	Non-life insurance agent	Payment of insurance premium ^(Note 1)	¥2	Prepaid expenses	¥0
				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, 2024 to March 31, 2025)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
FSC LLC. ^(Note 2)	Non-life insurance agent	Payment of insurance premium ^(Note 1)	¥3	Prepaid expenses	¥1
				Long-term prepaid expenses	0

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 LLC.
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 submitting consolidated financial statements
Prior 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	Millions of yen	
				Accounts	End of period account balance
ZEEG Co., Ltd.	Pachislot & Pachinko Machines Business	Purchase of pachislot and pachinko machine parts ^(Note 1)	¥18,748	Accounts payable—trade	¥ 686
		Loan of funds ^(Note 2)	2,600	Short-term loans receivable	3,963
		Interest income ^(Note 2)	56	Long-term loans receivable	3,633
				Current assets, etc	57

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, 2024 to March 31, 2025)

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 LLC.	Pachislot & Pachinko Machines Business	Purchase of pachislot and pachinko machine parts ^(Note 1)	¥7,171	Accounts payable-trade	¥ 102
		Loan of funds ^(Note 2)	2,850	Short-term loans receivable	3,763
		Interest income ^(Note 2)	94	Long-term loans receivable	6,683
				Current assets, etc.	30

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 submitting consolidated financial statements

Prior 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 ^(Note 1)	¥91	—	¥—
FSC Co., Ltd. ^(Note 3)	Non-life insurance agent	Payment of insurance premium ^(Note 2)	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.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Millions of yen					
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
Haruki Satomi	Chairman of SEGA SAMMY ARTS FOUNDATION	Payment of donation ^(Note 1)	¥100	—	¥—
FSC LLC. ^(Note 3)	Non-life insurance agent	Payment of insurance premium ^(Note 2)	3	Prepaid expenses	¥ 0

Notes: 1. The amount donated to the Foundation is determined with the approval of the Board of Directors.
2.Transaction prices are determined in the same way as for general transactions, referring to market prices.
3.Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC LLC.
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		
	2024	2025
Total current assets	¥ 18,529	¥ 22,637
Total noncurrent assets	134,707	126,894
Total current liabilities	17,099	19,182
Total noncurrent liabilities	81,428	76,586
Total net assets	54,709	57,764
Net sales	48,282	59,704
Income (loss) before income taxes	2,366	4,325
Net Income (loss)	2,204	7,184

26 Per Share Information

Item	Yen	
	2024 (From April 1, 2023 to March 31, 2024)	2025 (From April 1, 2024 to March 31, 2025)
Net assets per share	¥1,652.29	¥1,782.73
Profit per share	150.75	209.79
Profit per share (diluted)	149.98	209.02

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

Items	2024 (As of March 31, 2024)	2025 (As of March 31, 2025)
Total of net assets in the consolidated balance sheets (Millions of yen)	¥357,702	¥381,604
Amounts deducted from net assets in the consolidated balance sheets (Millions of yen)	782	438
(Subscription rights to shares) (Millions of yen)	751	414
(Non-controlling interests) (Millions of yen)	30	24
Net assets pertaining to common stock (Millions of yen)	356,919	381,165
Number of common shares used to calculate net assets per share (Thousands of shares)	216,014	213,810

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

Item	2024 (From April 1, 2023 to March 31, 2024)	2025 (From April 1, 2024 to March 31, 2025)
Net income (loss) per share:		
Profit attributable to owners of parent (Millions of yen)	¥33,055	¥ 45,051
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Millions of yen)	33,055	45,051
Average number of common shares during the period (Thousands of shares)	219,274	214,750
Profit per share (diluted):		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in common stock (Thousands of shares)	1,125	789
(Subscription rights to shares) (Thousands of shares)	1,125	789
Overview of dilutive shares not included in calculation of profit per share (diluted) because of no dilutive effect	—	—

Notes: 3. The treasury shares of the Company held by the BIP trust account and stock-granting ESOP trust account in shareholder’s equity are included in the number of treasury shares which is subject to be excluded used in calculations of net income per share by the average number of shares during the period. Average treasury shares during the period excluded for the purpose of calculating net income per share: 1,172,281 shares.

27 Significant Subsequent Events

1. Business Combination through Acquisition

At the meeting of the Board of Directors held on July 26, 2024, the Company resolved to acquire Stakelogic B.V. (“Stakelogic”), headquartered in the Netherlands, through the Company’s consolidated subsidiary SEGA SAMMY CREATION INC. (“SSC”). The acquisition was completed on April 28, 2025, and Stakelogic became a consolidated subsidiary.

(1) Overviews of the business combination

(i) Name of the acquired company and its business

Name of the acquired company Stakelogic B.V.

Content of business iGaming content supplier business

(ii) Rationale for the business combination

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

Stakelogic’s strength lies in the development of iGaming content in the market the Group is targeting, and the Company believes to further enhance the competitiveness of GAN’s B2B platform and contribute to the expansion of the Group’s gaming business through acquisition of Stakelogic.

(iii) Date of business combination

April 28, 2025

(iv) Legal form of business combination

Acquisition of shares for cash consideration

(v) Name of company subsequent to the business combination

No change

(vi) Percentage of voting rights acquired

100%

(vii) Rationale for determining the acquiring company

SEGA SAMMY CREATION INC., a consolidated subsidiary of the Company, acquired the shares for cash consideration.

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

The consideration for the acquisition (Note)	Cash	€ 89 million (Approximately ¥14,539 million)
Acquisition cost		€ 89 million (Approximately ¥14,539 million)

Note: In addition to the acquisition cost, the Group provided a loan amounted to € 125 million (approximately ¥20,280 million) to Stakelogic.

(3) Content and amount of main acquisition-related costs

Advisory fee, etc. Approximately ¥650 million

(4) Amount of goodwill, reason for occurrence, and amortization method and period

Not determined as the allocation of acquisition cost has not been completed at this time.

(5) Amount of assets acquired and liabilities assumed on the date of business combination and their major breakdown

Not determined at this time

2. Acquisition and retirement of treasury stock

At the meeting of the Board of Directors held on May 12, 2025, the Company resolved on matters pertaining to the acquisition of treasury stock conducted pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act. The Company also resolved to retire treasury stock in accordance with Article 178 of the Companies Act.

(1) Rationale for the acquisition and retirement of treasury stock

Taking into account the Company’s future business growth and the current level of the Company’s stock price comprehensively, the Company has decided to pay dividends from retained earnings and acquire its treasury stock as a part of shareholder returns under the dividend policy. The Company also resolved to retire in part of its own treasury stock held excluding the necessary portion for the future stock compensation.

(2) Details of acquisition of treasury stock

- (i) Type of shares to be acquired Common stock
- (ii) Total number of shares to be acquired
 - 6,000,000 shares (maximum)
 - (2.81% of total outstanding shares (excluding treasury stock))
- (iii) Total acquisition cost
 - 12,000 million (maximum)
- (iv) Period of share acquisition
 - From May 13, 2025 to December 31, 2025
- (v) Method of acquisition
 - Purchase on the Tokyo Stock Exchange

(3) Details of retirement of treasury stock

- (i) Type of shares to be retired
 - Common stock
- (ii) Total number of shares to be retired
 - 20,000,000 shares
 - (8.29% of total number of outstanding shares (including treasury stock) before retirement)
- (iii) Date of retirement
 - May 23, 2025

3. Business combination through acquisition

At the meeting of the Board of Directors held on November 8, 2023, the Company resolved to acquire GAN Limited (“GAN” hereinafter) through a special-purpose company established in the British Overseas Territory of Bermuda by SEGA SAMMY CREATION INC. (“SSC” hereinafter), one of the Company’s consolidated subsidiaries. The acquisition of stock in GAN was completed on May 27, 2025, making GAN a consolidated subsidiary.

(1) Overviews of the business combination

- (i) Name of the acquired company and its business
 - Name of the acquired company
 - GAN Limited
 - Content of business
 - SaaS business for U.S. casino operators and online gaming business for Europe and South America
- (ii) Rationale for the business combination
 - GAN’s businesses have expanded in the U.S. based on the development of its B2B products and services, centered on a player account management (PAM) system, allowing the integrated management of end-user data, and a remote gaming server (RGS), serving as the core of iGaming operations. In 2021, it acquired Vincent Group p.l.c., which develops and operates the Coolbet B2C online gaming platform in Europe and South America, as well as Silverback Gaming, the Bulgarian online casino game development studio. It has become an integrated online gaming platform provider with in-house development and operational capabilities for iGaming, online and retail sports betting, social casino gaming, and content development. The Company considers the iGaming market to be a particularly promising area of the U.S. online gaming market, in which future growth is expected. As growing numbers of U.S. states have legalized iGaming, new entrants can be expected to join existing players in the online market. GAN’s turnkey solutions are considered a fast and competitive avenue for such new entrants to gain a foothold in this market. The Company believes the combination of these outstanding technologies with the customer base and content development capabilities of SSC, which provides gaming devices and content to local casino operators in North America, offers potential synergies that can contribute significantly to the growth of the Group gaming business.
- (iii) Date of business combination
 - May 27, 2025
- (iv) Legal form of business combination
 - Acquisition of shares for cash consideration
- (v) Name of company subsequent to the business combination
 - No change
- (vi) Percentage of voting rights acquired
 - 100%
- (vii) Rationale for determining the acquiring company
 - SEGA SAMMY CREATION INC., a consolidated subsidiary of the Company, acquired the shares for cash consideration.

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

The consideration for the acquisition (Note)	Cash	US\$ 96.0 million (Approximately ¥13,854 million)
Acquisition cost		US\$ 96.0 million (Approximately ¥13,854 million)

Note: Furthermore, the consideration for the acquisition does not include contingent consideration. Contingent consideration is an agreement under which additional consideration is paid based on performance of the acquired company over a certain period of time in the future. This has not been finalized at this time.

(3) Content and amount of main acquisition-related costs

Advisory fee, etc.	Approximately ¥1,280 million
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(4) Amount of goodwill, reason for occurrence, and amortization method and period

Not determined as the allocation of acquisition cost has not been completed at this time.

(5) Amount of assets acquired and liabilities assumed on the date of business combination and their major breakdown

Not determined at this time

Notes to Consolidated Financial Statements

4. Transactions under common control, etc.

At the meeting of Board of Directors held on February 7, 2025, the Company resolved to have the Company's wholly-owned subsidiary SEGA SAMMY CREATION INC. (SSC) succeed to the Company's Gaming Business via an absorption-type demerger.

(1) Purpose of this demerger/absorption-type merger

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

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

(2) Overview of this demerger

- (i) Details of business to be demerged

Head office functions (administrative operations) of the Company’s Gaming Business section
- (ii) Date of business combination

June 1, 2025
- (iii) Legal form of business combination

Absorption-type demerger, with SEGA SAMMY HOLDINGS INC. as the demerged company and SEGA SAMMY CREATION INC. as the successor company
- (iv) Overview of the companies involved in this absorption-type demerger (as of May 31, 2025)

	Successor company in absorption-type demerger	Demerged company in absorption-type demerger
Name	SEGA SAMMY CREATION INC.	SEGA SAMMY HOLDINGS INC.
Details of businesses	Development, manufacture, and sale of commercial casino devices and software (including online and social games)	Group business administration and associated operations as the holding company of a comprehensive entertainment Group
Headquarters	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo
Capital stock	¥10 million	¥29,953 million
- (v) Name of company subsequent to the business combination

No change

(3) Overview of accounting treatment adoption

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

28 Supplemental Information

[Annexed consolidated detailed schedule of bonds]

Company name	Security titles	Issuance date	Balances as of April 1, 2024 (Millions of yen)	Balances as of March 31, 2025 (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, 2025” 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, 2024 (Millions of yen)	Balances as of March 31, 2025 (Millions of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	¥ —	¥ —	—	—
Current portion of long-term l borrowings	22,507	7,500	1.3	—
Current portion of lease obligations	1,886	1,445	3.8	—
Long-term borrowings (Excluding current portion)	124,500	132,000	1.2	From 2026 to 2031
Lease obligations (Excluding current portion)	4,837	4,639	4.9	From 2026 to 2034
Other interest-bearing debts:				
Accounts payable—facilities	24	24	1.5	—
Accounts payable—facilities (Excluding current portion)	103	94	1.6	From 2026 to 2032
Total	153,859	145,703	—	—

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

	Millions of yen				
	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Long-term borrowings	¥15,000	¥17,500	¥21,800	¥22,500	¥55,200
Lease obligations	1,341	1,017	894	455	930
Other interest-bearing debt:					
Accounts payable—facilities	24	24	24	16	5

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.

29 Other

First half information for the current fiscal year

(Cumulative period)	First six months	Current fiscal year
Net sales (Millions of yen)	¥211,663	¥428,948
Income before income taxes (Millions of yen)	35,313	54,803
Earnings attributable to owners of parent (Millions of yen)	30,385	45,051
Earnings per share (Yen)	140.75	209.79

30 Audit fees, etc.

a. Audit fees paid to certified public accountants

Category	Millions of yen			
	2024		2025	
	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	¥162	¥15	¥185	¥0
Consolidated subsidiaries	98	—	100	—
Total	260	15	286	0

(Non-audit services to reporting company)

Prior 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).

Current fiscal year

The Company paid ¥0 million as remuneration for support for the Company’s Task Force on Climate-Related Financial Disclosures (TCFD) disclosure efforts.

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

Category	Millions of yen			
	2024		2025	
	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	¥ —	¥382	¥ —	¥239
Consolidated subsidiaries	146	221	163	173
Total	146	603	163	412

Prior fiscal year

The Company paid a ¥366 million fee to KPMG FAS Co., Ltd., which is part of the same network as the certified public accountants, as payment for non-audit services, including due diligence research.

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).

Current fiscal year

The Company paid a ¥199 million fee to KPMG FAS Co., Ltd., which is part of the same network as the certified public accountants, as payment for non-audit services, including due diligence research.

Sega Europe Ltd., a consolidated subsidiary of the Company, paid a ¥136 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

Independent Auditor’s Report

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, 2025 and 2024, 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, 2025 and 2024, 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 Matters

- We draw attention to Note 27, “Significant subsequent events” to the consolidated financial statements. At the meeting of the Board of Directors held on July 26, 2024, the Company resolved to acquire Stakelogic B.V. (“Stakelogic”), headquartered in the Netherlands, through the Company’s consolidated subsidiary SEGA SAMMY CREATION INC. (“SSC”). The Company acquired Stakelogic’s shares on April 28, 2025.
- We draw attention to Note 27, “Significant subsequent events” to the consolidated financial statements. At the meeting of the Board of Directors held on November 8, 2023, the Company resolved to acquire GAN Limited (“GAN”) through a special-purpose company established in the British Overseas Territory of Bermuda by SSC, one of the Company’s consolidated subsidiaries. The Company acquired GAN’s shares on May 27, 2025.

Our opinion is not modified in respect of these matters.

Key Audit Matters

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

Appropriateness of the Company’s judgment as to whether an impairment loss should be recognized on goodwill and intangible assets allocated to Rovio Entertainment Corporation

The key audit matter

As described in Note 3, "Significant Accounting Estimates" to the consolidated financial statements, as a result of the acquisition of an equity interest in Rovio Entertainment Corporation ("Rovio"), the Company recognized goodwill of ¥26,317 million, trademark rights of ¥44,860 million and intangible assets related to technology of ¥4,810 million in the consolidated balance sheet, representing in aggregate approximately 12% of total assets in the consolidated financial statements.

The Company applies International Financial Reporting Standards to determine whether an impairment loss should be recognized for Rovio since it acquired Rovio's shares through Sega Europe Ltd. For the cash-generating unit (CGU) that includes goodwill and intangible assets, whereas goodwill is tested for impairment when any indication of impairment exists or at least annually, intangible assets are tested for impairment when any indication of impairment exists. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the reduction in carrying amount is recognized as an impairment loss.

In the current fiscal year, Rovio used the value in use as the recoverable amount in the impairment testing. The future cash flows used for measuring the value in use were estimated based on Rovio's business plan. The estimates of net sales, cost of sales and advertising expenses for each major game title included in the business plan involved management's subjective judgment and a high degree of uncertainty.

In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use required a high degree of expertise in valuation.

We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill and intangible assets allocated to Rovio was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

How the matter was addressed in our audit

The primary procedures we performed to assess the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill and intangible assets allocated to Rovio included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to measuring the value in use used for the impairment testing on the CGU including goodwill and intangible assets.

In this assessment, we focused our testing on controls over the development of the business plan that served as the basis for estimating future cash flows.

(2) Assessment of the reasonableness of the assumptions used to estimate the discounted present value of future cash flows

We assessed the reasonableness of key assumptions embedded in the business plan and the relevant supporting materials, as well as the calculation results, by performing the following procedures, among others:

- assessed the consistency of the future growth rate of net sales by comparing it with market data published by external organizations;
- obtained an understanding of the conditions underlying the assumptions of net sales for each major game title through inquiry of management, and assessed the reasonableness of these assumptions by comparing them with past net sales; and
- assessed the reasonableness of the estimated cost of sales and advertising expenses by comparing their ratios against net sales with past actual results.

In addition, we involved valuation specialists within our domestic network firms to assist in our assessment of the following, among others:

- appropriateness of the model used for estimating the discount rate based on subject matters relevant to valuation and the requirements of the accounting standards; and
- appropriateness of the input data by comparing the input data used for calculating the discount rate with data published by external organizations.

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 is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

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

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

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

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties including 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 30, "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.

Danya Sekiguchi Designated Engagement Partner
Certified Public Accountant

Tomoaki Murakami Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
October 31, 2025