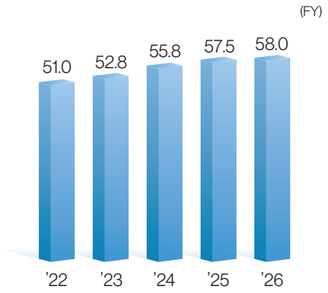
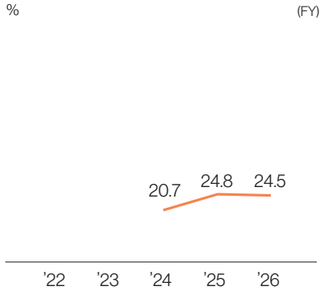
Non-Financial Highlights

Human Capital Data

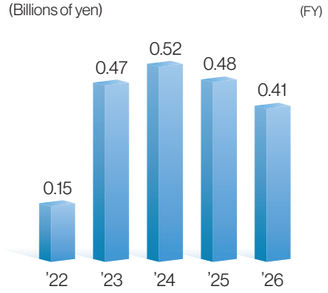
Engagement Score



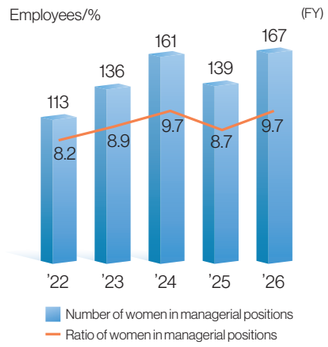
Ratio of Culturally Diverse Human Resources



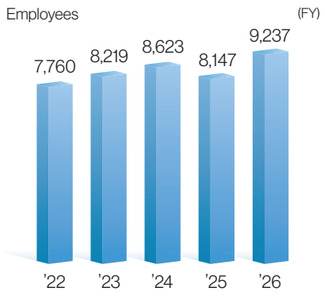
Investment in Education



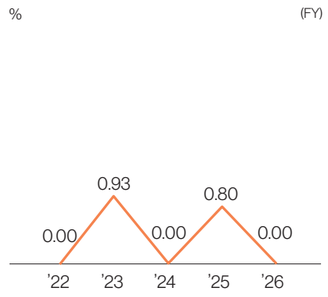
Number of Women in Managerial Positions/ Ratio of Women in Managerial Positions



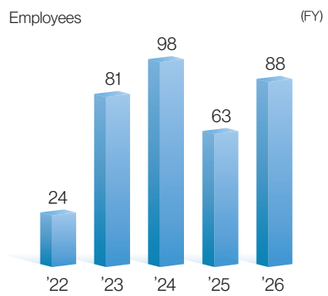
Number of Employees*1



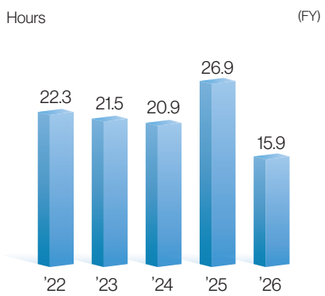
New Employee Turnover Rate*2



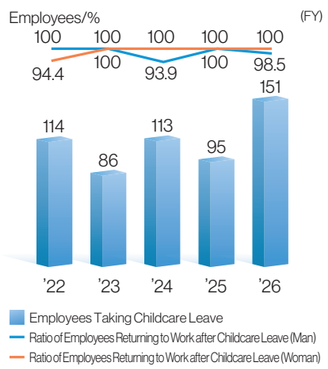
Employees Rehired after Retirement



Average Overtime Hours per Month



Employees Taking Childcare Leave/ Ratio of Employees Returning to Work after Childcare Leave



*1 Group consolidated figures
*2 Companies in scope: 3 domestic companies (SEGA SAMMY HOLDINGS, SEGA, Sammy)

Other Indicators (FY)

	2022	2023	2024	2025	**2026**
Mid-Career Hires (employees)	131	310	332	267	**233**
Hiring of Persons with Disabilities*3 (employees)	129	135	147	156	**171**
Employees Taking Maternity Leave (employees)	39	38	34	37	**38**
Days of Paid Leave Taken*4 (non-managerial employees) (days)	12.0	14.5	14.7	15.9	**12.9**
Ratio of Paid Leave Taken*4 (non-managerial employees) (%)	56.6	65.6	69.3	69.5	**77.4**
Days of Volunteer Leave Taken (days)	26	8	7	7	**4**
Employees Taking Volunteer Leave (employees)	19	31	31	37	**8**
Gender Pay-Gap (all employees) (%)*5	-	76.5	76.5	75.2	**79.5**

*3 Number of persons with disabilities employed by Group companies subject to the Employment Rate System for Persons with Disabilities
*4 Calculated by dividing the annual number of paid leave days taken by the annual number of statutory paid leave days granted. Non-statutory paid leave adopted by some Group companies is also included.
*5 The company in scope is SEGA SAMMY HOLDINGS INC. The calculation method used is average annual income of female employees divided by average annual income of male employees.

Scope of Data

- 10 companies in Japan (FY2022/3), 11 companies in Japan (FY2023/3), 12 companies in Japan (FY2024/3), 11 companies in Japan (FY2025/3), 14 companies in Japan (FY2026/3) (SEGA SAMMY HOLDINGS INC., SEGA CORPORATION, Sammy Corporation, ATLUS. CO., LTD., Sammy Networks Co., Ltd., SEGA FAVE CORPORATION, SEGA Logistics Service Co., Ltd., DARTSLIVE Co., Ltd., TMS ENTERTAINMENT CO., LTD., SEGA SAMMY CREATION INC., MARZA ANIMATION PLANET INC., Sammy Digital Security Co., Ltd., Hivecreation Co., Ltd., Sega Sapporo Studio Co., Ltd.)

Environmental Data (FY)

	2022	2023	2024	2025	**2026**
Greenhouse Gas Emissions (Scope 1) (t-CO_2)	7,049	6,620	5,801	1,110	**1,016**
Greenhouse Gas Emissions (Scope 2) (market based)*1 (t-CO_2)	20,982	14,469	15,792	5,033	**5,357**
Greenhouse Gas Emissions (Scope 2) (location based) (t-CO_2)	22,446	21,126	22,059	11,796	**12,266**
Greenhouse Gas Emissions (Scope 3) (t-CO_2)	607,175	761,242	799,562	694,209	**816,090**
Total Energy Consumption*2 (GJ)	-	642,850	568,233	279,361	**287,621**
Electricity Consumption*2 (MWh)	52,847	51,550	53,198	29,230	**30,229**
Industrial Waste Discharge*2 (t)	1,164	1,381	3,011	1,906	**7,691**
Water Intake*2 (m^3)	711,227	768,821	733,742	86,425	**82,928**
Water Discharge*2 (m^3)	-	125,138	137,143	86,425	**82,928**
Number of Violations of Environmental Laws and Regulations	0	0	0	0	**0**
Pachislot & Pachinko Machines Recycling rate at Sammy Kawagoe Factory (total for pachislot & pachinko machines) (%)	96.4	98.3	89.8	92.2	**93.4**

*1 Greenhouse Gas Emissions (Scope 2) (Market based) is calculated taking into account of raw green electricity generated from built solar power plants and green power certificate purchases.
*2 Third-party assurance is obtained for data from FY2024/3 to FY2025/3.
* This aggregate data includes estimated values calculated based on floor area and other factors.
* Greenhouse gas emissions factor for purchased electricity: Adjusted emission factor for each electric utility for the previous year of each reporting year.
* Greenhouse gas emissions (Scope 1, Scope 2, Scope 3) have obtained third-party assurance for data from FY2022/3 to FY2025/3.

Scope of Data

- 19 group companies (FY2022/3), 19 group companies (FY2023/3), 19 group companies (FY2024/3), 23 group companies (FY2025/3), 23 group companies (FY2026/3) (SEGA SAMMY HOLDINGS INC., SEGA CORPORATION, Sammy Corporation, ATLUS. CO., LTD., Sammy Networks Co., Ltd., SEGA FAVE CORPORATION, SEGA Logistics Service Co., Ltd., DARTSLIVE Co., Ltd., TMS ENTERTAINMENT CO., LTD., Sega of America, Inc., Sega Europe Limited, Sega Publishing Europe Ltd, The Creative Assembly Ltd., Sega Black Sea EOOD, Sports Interactive Ltd., Two Point Studios Limited, Rovio Entertainment Ltd., Ruby Oyun ve Yazılım Danışmanlik Sanayi Ticaret Anonim Şirketi (Ruby Games), Rovio Toronto, Inc., Rovio Barcelona S.L.U., Rovio Sweden Ab, Rovio Copenhagen ApS, Rovio Interactive Entertainment Canada Ltd)

For ESG data, please visit our website.
https://www.segasammy.co.jp/en/sustainability/dataesg/

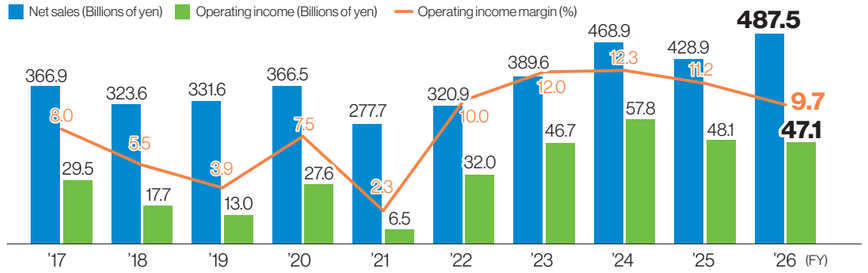
For ESG Information Index, please visit our website.
https://www.segasammy.co.jp/en/sustainability/data/index/

Financial Highlights

Net Sales*1/Operating Income/Operating Income Margin

¥487.5 billion/¥47.1 billion/9.7%

Net sales reached ¥487.5 billion (up 13.7% year on year), driven by strong performance in the Pachislot & Pachinko Machines Business and contributions from the Gaming Business following the acquisition of two companies. On the other hand, operating income came in at ¥47.1 billion (down 2.1% year on year), with an operating margin of 9.7%, reflecting soft performance in the Entertainment Contents Business and widening losses resulting from the consolidation of the two acquired companies in the Gaming Business.

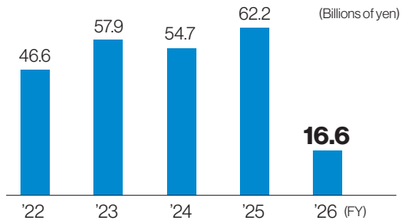


Adjusted EBITDA*

¥16.6 billion

Adjusted EBITDA resulted in ¥16.6 billion (down 73.3% year on year), due to recognition of impairment losses on goodwill and other intangible assets related to Rovio and goodwill and tangible fixed assets related to Stakelogic as extraordinary losses of business, as well as recording goodwill and trademark rights amortization, etc. associated with M&A.

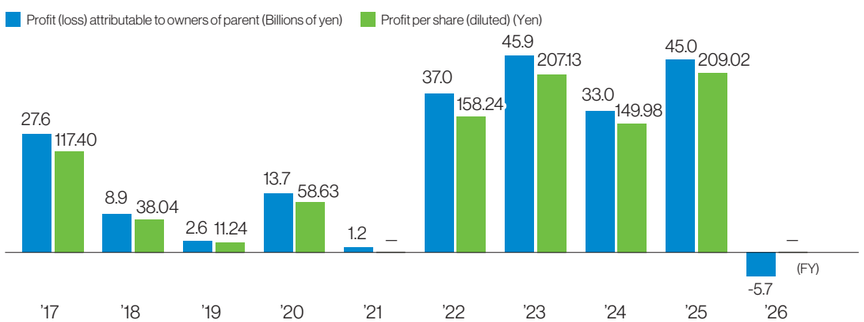
* Adjusted EBITDA: Ordinary income + Interest expense + Depreciation and amortization ± Adjustment items
Adjustment items: Extraordinary income of business, extraordinary losses of business (impairment, title write-down, etc.), profit attributable to non-controlling interests, goodwill, trademark right amortization, etc. associated with M&A



Profit (loss) Attributable to Owners of Parent/Profit per Share

¥-5.7 billion/¥—

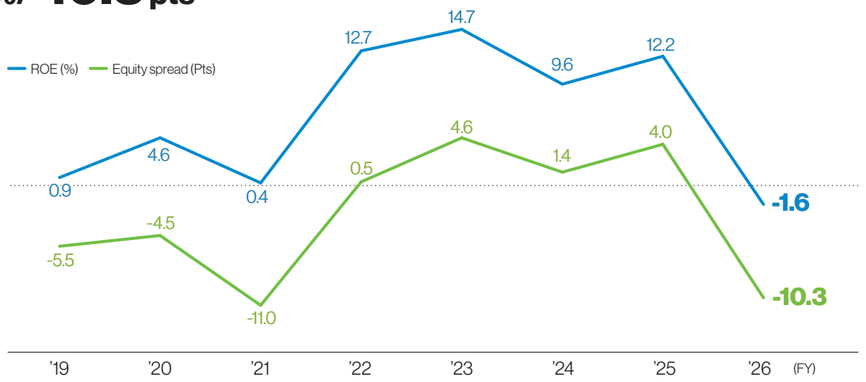
As impairment losses on goodwill and other intangible assets related to Rovio, as well as on goodwill and tangible fixed assets related to Stakelogic, were recognized as extraordinary losses, net loss attributable to owners of parent amounted to ¥5.7 billion (down 112.7% year on year). Furthermore, a gain on deferred tax adjustments was recorded following a review of the recoverability of deferred tax assets.



ROE/Equity Spread

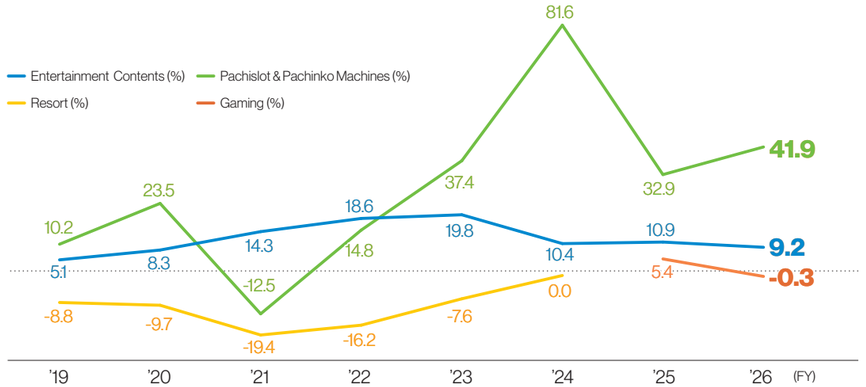
-1.6%/-10.3 pts

Due to recording a net loss, ROE was -1.6% (down 13.8 pts year on year). Consequently, the equity spread was also negative, at -10.3 pts.



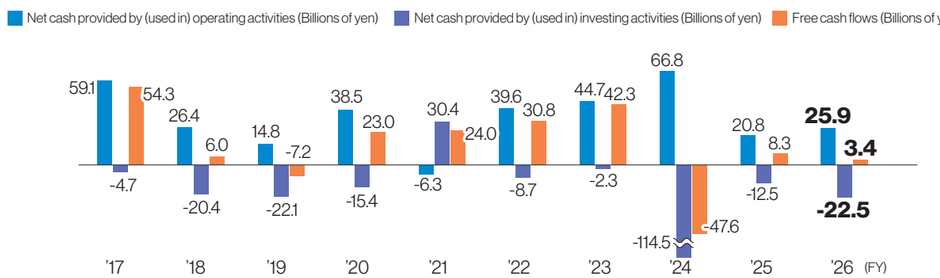
ROIC by Business

The Pachislot & Pachinko Machines Business made a strong recovery, rising 9.0 pts year on year to 41.9%. In the Entertainment Contents Business, despite a decrease in invested capital due to impairment losses, etc. ROIC came in at 9.2%, which was down 1.7 pts year on year, maintaining a solid level. In the Gaming Business, ROIC came in at negative 0.3%, which was down 5.7 pts year on year due to an increase in invested capital associated with the acquisition of the two companies, etc.



Cash Flows*1

Operating activities provided net cash of ¥25.9 billion for the fiscal year ended March 2026 (compared with an inflow of ¥20.8 billion in the previous fiscal year). Investing activities used net cash of ¥22.5 billion (compared with an outflow of ¥12.5 billion in the previous fiscal year).

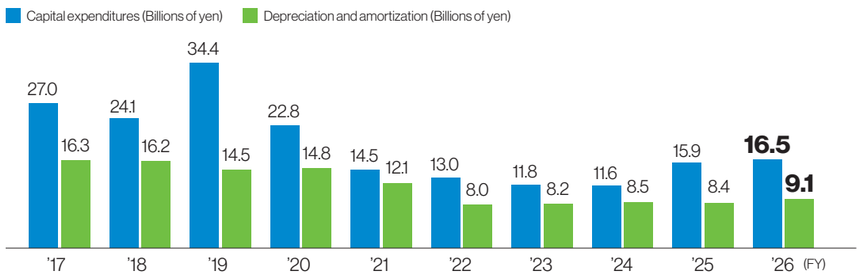


*1 Allocated revenue related to investments in film production in the U.S. was previously included in "non-operating income" but is now included in "net sales" beginning in the fiscal year ended March 2025. In accordance with this change, net sales, net cash provided by (used in) operating activities and net cash provided by (used in) investing activities for the fiscal year ended March 2024 were adjusted retrospectively.

● Capital Expenditures/Depreciation and Amortization

¥16.5 billion/¥9.1 billion

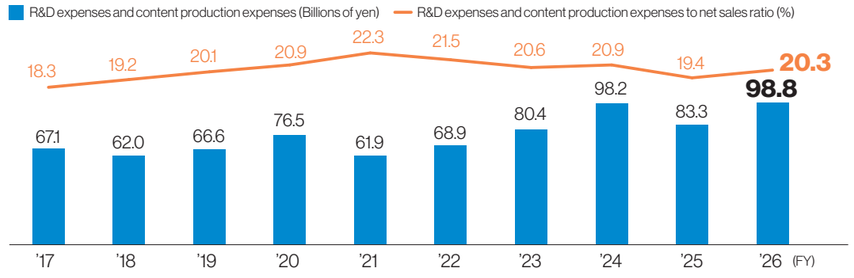
Capital expenditures were up 3.8% year on year to ¥16.5 billion.
Depreciation and amortization increased 8.3% year on year to ¥9.1 billion.



● R&D Expenses and Content Production Expenses/R&D Expenses to Net Sales Ratio

¥98.8 billion/20.3%

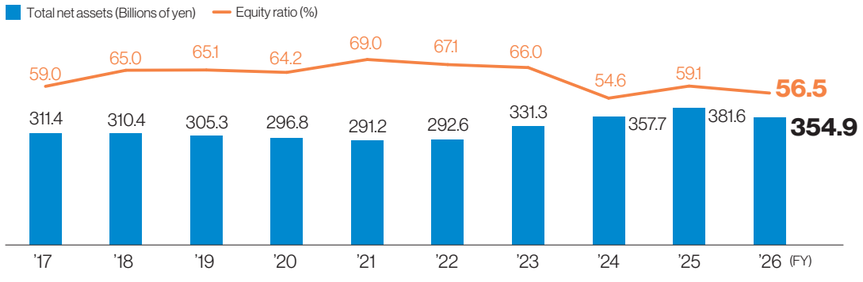
R&D expenses and content production expenses increased 18.6% year on year to ¥98.8 billion.



● Total Net Assets/Equity Ratio

¥354.9 billion/56.5%

Total net assets decreased ¥26.7 billion from the end of the previous fiscal year to ¥354.9 billion.
The equity ratio decreased 2.6 pts from the end of the previous fiscal year to 56.5%.



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, 2026)
Principal business	Management of SEGA SAMMY Group as the holding company

Stock information (As of March 31, 2026)

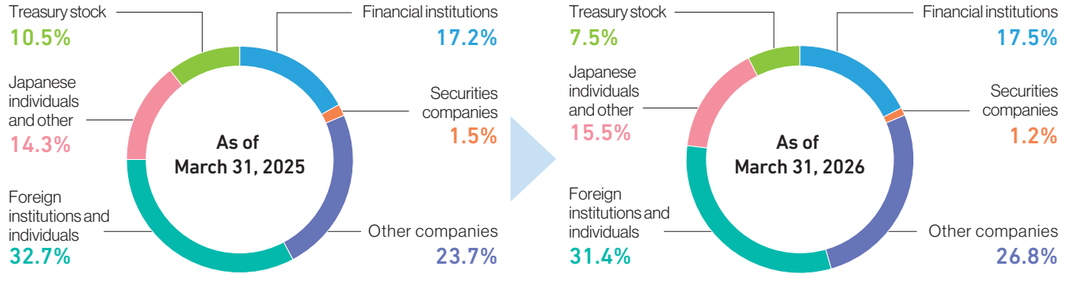
Number of shares authorized for issue	800,000,000
Total shares issued and outstanding	221,229,476
Number of shareholders	55,827

Major shareholders (As of March 31, 2026)

Name of shareholder	Shares held	Shares ratio
HS Company	41,168,000	18.60%
The Master Trust Bank of Japan, Ltd. (Trust account)	23,626,800	10.67%
SEGA SAMMY HOLDINGS INC.	16,585,035	7.49%
STATE STREET BANK AND TRUST COMPANY 505001	14,681,219	6.63%
FSC Co., Ltd.	13,682,840	6.18%
Custody Bank of Japan, Ltd. (Trust account)	9,469,700	4.28%
Hajime Satomi	4,178,638	1.88%
Haruki Satomi	3,921,261	1.77%
STATE STREET BANK AND TRUST COMPANY 505103	3,716,283	1.67%
THE BANK OF NEW YORK MELLON 140044	3,093,428	1.39%

* In addition to the above, 49,370 shares are held by the officer remuneration BIP trust and 1,930,142 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, 2025 and 2026

Consolidated Balance Sheets

Millions of yen

	2025	2026
Assets		
Current assets		
Cash and deposits	¥200,360	**¥153,366**
Notes, accounts receivable—trade (Note 7 (1))	52,653	**67,576**
Securities	—	**509**
Merchandise and finished goods	10,958	**14,051**
Work in process	59,565	**78,486**
Raw materials and supplies	23,155	**18,454**
Income taxes receivable	7,660	**2,541**
Other	34,692	**40,306**
Allowance for doubtful accounts	(303)	**(581)**
Total current assets	388,744	**374,711**
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	42,828	**44,339**
Accumulated depreciation	(21,573)	**(23,472)**
Buildings and structures, net	21,255	**20,866**
Machinery, equipment, and vehicles	8,037	**8,906**
Accumulated depreciation	(5,947)	**(6,367)**
Machinery, equipment, and vehicles, net	2,089	**2,539**
Amusement machines and facilities	6,428	**8,015**
Accumulated depreciation	(5,714)	**(6,483)**
Amusement machines and facilities, net	713	**1,532**
Land (Note 7 (4))	13,691	**13,715**
Construction in progress	741	**1,269**
Other	46,359	**50,131**
Accumulated depreciation	(35,919)	**(38,990)**
Other, net	10,440	**11,140**
Total property, plant, and equipment	48,931	**51,063**
Intangible assets		
Goodwill	30,119	**14,568**
Trademark right	44,871	**45,313**
Other	16,251	**20,229**
Total intangible assets	91,241	**80,111**
Investments and other assets		
Investment securities (Note 7 (2)(3))	51,185	**53,384**
Long-term loans receivable	12,126	**9,335**
Lease and guarantee deposits	6,810	**1,774**
Net defined benefit assets	11,366	**13,514**
Deferred tax assets	16,874	**30,615**
Other	17,598	**13,000**
Allowance for doubtful accounts	(102)	**(124)**
Total investments and other assets	115,859	**121,502**
Total noncurrent assets	256,033	**252,677**
Total assets	¥644,777	**¥627,388**

Millions of yen

	2025	2026
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥23,560	**¥17,448**
Short-term borrowings	7,500	**7,500**
Accrued expenses	21,401	**25,761**
Income taxes payable	3,822	**11,460**
Contract liabilities	14,228	**18,330**
Provision for bonuses	11,984	**10,267**
Provision for directors' bonuses	1,071	**382**
Provision for point card certificates	78	**46**
Provision for loss on litigation	—	**1,014**
Asset retirement obligations	—	**25**
Other	10,531	**16,910**
Total current liabilities	94,179	**109,147**
Noncurrent liabilities		
Bonds payable	10,000	**10,000**
Long-term borrowings	132,000	**124,500**
Long-term income taxes payable	—	**45**
Lease obligations	4,639	**4,943**
Deferred tax liabilities	11,292	**11,142**
Provision for stock compensation	2,149	**2,518**
Net defined benefit liability	4,616	**5,247**
Asset retirement obligations	2,329	**2,497**
Other	1,964	**2,378**
Total noncurrent liabilities	168,993	**163,273**
Total liabilities	263,173	**272,420**
Net assets		
Shareholders' equity		
Capital stock	29,953	**29,953**
Capital surplus	69,740	**29,819**
Retained earnings	314,947	**297,607**
Treasury stock	(54,866)	**(46,282)**
Total shareholders' equity	359,774	**311,096**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,441	**2,576**
Deferred gains or losses on hedges	641	**1,543**
Revaluation reserve for land (Note 7 (4))	(1,109)	**(1,109)**
Foreign currency translation adjustment	16,868	**37,950**
Remeasurements of defined benefit plans	1,548	**2,635**
Total accumulated other comprehensive income	21,391	**43,596**
Share acquisition rights	414	**243**
Non-controlling interests	24	**31**
Total net assets	381,604	**354,967**
Total liabilities and net assets	¥644,777	**¥627,388**

See accompanying notes.

Consolidated Statements of Income and Comprehensive Income

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2025 and 2026

Millions of yen

	2025	2026
Net sales (Note 8 (1))	¥428,948	**¥487,542**
Cost of sales (Note 8 (2) and (3))	236,240	**272,132**
Gross profit	192,708	**215,409**
Selling, general and administrative expenses	144,584	**168,280**
Operating income	48,124	**47,128**
Other income (expenses)		
Interest income	3,446	**3,268**
Dividend income	157	**281**
Equity in earnings of affiliates	3,527	**5,402**
Gain on investments in partnership	1,053	**661**
Foreign exchange gains	—	**1,022**
Interest expenses	(1,822)	**(2,655)**
Commission fee	(146)	**(148)**
Settlement payments	—	**(624)**
Loss on investments in partnership	(922)	**(794)**
Loss on retirement of noncurrent assets	(77)	**(295)**
Foreign exchange losses	(1,240)	**—**
Gain on sales of noncurrent assets (Note 8 (4))	19	**7**
Gain on sales of investment securities	230	**841**
Gain on sales of shares of subsidiaries and affiliates	9,282	**—**
Loss on sales of noncurrent assets (Note 8 (5))	(0)	**(0)**
Impairment loss (Note 8 (6))	(1,296)	**(54,627)**
Loss on valuation of investment securities	(763)	**(851)**
Loss on business restructuring (Note 8 (7))	(6,164)	**(1,991)**
Other, net	1,394	**(409)**
Subtotal	6,678	**(50,912)**
Income (loss) before income taxes	54,803	**(3,783)**
Income taxes—current	8,082	**16,274**
Income taxes—deferred	1,661	**(14,306)**
Total income taxes	9,744	**1,968**
Profit (loss)	45,058	**(5,752)**
(Breakdown)		
Profit (loss) attributable to owners of parent	45,051	**(5,756)**
Profit attributable to non-controlling interests	6	**4**
Other comprehensive income		
Valuation difference on available-for-sale securities	385	**(865)**
Deferred gains or losses on hedges	865	**902**
Foreign currency translation adjustment	(1,789)	**20,760**
Remeasurements of defined benefit plans, net of tax	143	**1,105**
Share of other comprehensive income of entities accounted for by the equity method	(1,858)	**301**
Total other comprehensive income (Note 8 (8))	(2,254)	**22,204**
Comprehensive income	42,804	**16,452**
(Breakdown)		
Comprehensive income attributable to owners of parent	42,797	**16,448**
Comprehensive income attributable to non-controlling interests	¥ 6	**¥ 4**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2025 and 2026

Prior 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		
Increase (decrease) due to the change in the fiscal year-end of consolidated subsidiaries					—		
Purchase of treasury stock				(10,013)	(10,013)		
Disposal of treasury stock		(171)		2,944	2,772		
Cancellation of treasury stock					—		
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

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, 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
Increase (decrease) due to the change in the fiscal year-end of consolidated subsidiaries							—
Purchase of treasury stock							(10,013)
Disposal of treasury stock							2,772
Cancellation of treasury stock							—
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 Changes in Net Assets

Current fiscal year (From April 1, 2025 to March 31, 2026)

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, 2025	**¥29,953**	**¥69,740**	**¥314,947**	**¥(54,866)**	**¥359,774**	**¥3,441**	**¥641**
Changes in items during the period							
Dividends from surplus			**(11,557)**		**(11,557)**		
Loss attributable to owners of parent			**(5,756)**		**(5,756)**		
Increase (decrease) due to the change in the fiscal year-end of consolidated subsidiaries			**(25)**		**(25)**		
Purchase of treasury stock				**(32,014)**	**(32,014)**		
Disposal of treasury stock		**(182)**		**819**	**637**		
Cancellation of treasury stock		**(39,738)**		**39,738**	**—**		
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				**40**	**40**		
Change in scope of consolidation					**—**		
Purchase of shares of consolidated subsidiaries					**—**		
Net changes in items other than shareholders' equity						**(865)**	**902**
Total changes in items during the period	**—**	**(39,921)**	**(17,340)**	**8,583**	**(48,677)**	**(865)**	**902**
Balances as of March 31, 2026	**¥29,953**	**¥29,819**	**¥297,607**	**¥(46,282)**	**¥311,096**	**¥2,576**	**¥1,543**

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, 2025	**¥(1,109)**	**¥16,868**	**¥1,548**	**¥21,391**	**¥414**	**¥24**	**¥381,604**
Changes in items during the period							
Dividends from surplus							**(11,557)**
Loss attributable to owners of parent							**(5,756)**
Increase (decrease) due to the change in the fiscal year-end of consolidated subsidiaries							**(25)**
Purchase of treasury stock							**(32,014)**
Disposal of treasury stock							**637**
Cancellation of treasury stock							**—**
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							**40**
Change in scope of consolidation							**—**
Purchase of shares of consolidated subsidiaries							**—**
Net changes in items other than shareholders' equity		**21,081**	**1,086**	**22,204**	**(171)**	**7**	**22,041**
Total changes in items during the period	**—**	**21,081**	**1,086**	**22,204**	**(171)**	**7**	**(26,636)**
Balances as of March 31, 2026	**¥(1,109)**	**¥37,950**	**¥2,635**	**¥43,596**	**¥243**	**¥31**	**¥354,967**

See accompanying notes.

Consolidated Statements of Cash Flows

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2025 and 2026

Millions of yen

	2025	**2026**
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	¥54,803	**¥(3,783)**
Depreciation and amortization	13,046	**16,171**
Impairment loss	1,296	**54,627**
Loss (gain) on sales of noncurrent assets	(19)	**(7)**
Loss on retirement of noncurrent assets	77	**295**
Loss (gain) on sales of shares of subsidiaries and affiliates	(9,282)	**—**
Loss (gain) on liquidation of subsidiaries and affiliates	2	**—**
Loss (gain) on sales of investment securities	(209)	**(820)**
Loss (gain) on valuation of investment securities	763	**851**
Loss (gain) on investments in partnership	(130)	**133**
Amortization of goodwill	3,061	**5,236**
Increase (decrease) in allowance for doubtful accounts	(194)	**257**
Increase (decrease) in provision for directors' bonuses	(12)	**(706)**
Increase (decrease) in net defined benefit liability	631	**1,081**
Increase (decrease) in provision for bonuses	709	**(1,972)**
Interest and dividend income	(3,645)	**(3,230)**
Interest expenses	1,801	**2,630**
Foreign exchange losses (gains)	1,134	**(706)**
Equity in (earnings) losses of affiliates	(3,527)	**(5,402)**
Decrease (increase) in notes and accounts receivable - trade	742	**(11,672)**
Decrease (increase) in inventories	(12,793)	**(18,312)**
Increase (decrease) in notes and accounts payable - trade	(2,352)	**(8,231)**
Increase (decrease) in contract liabilities	(4,330)	**3,513**
Increase (decrease) in guarantee deposits received	(272)	**9**
Other, net	(17,925)	**(1,954)**
Subtotal	23,374	**28,006**
Interest and dividend income received	3,173	**3,651**
Interest expenses paid	(1,783)	**(2,471)**
Extra retirement payments	(935)	**(267)**
Income taxes paid	(19,153)	**(11,053)**
Income taxes refund	16,180	**8,074**
Net cash provided by (used in) operating activities	¥20,856	**¥25,940**

See accompanying notes.

Consolidated Statements of Cash Flows

	Millions of yen	
	2025	**2026**
Net cash provided by (used in) investing activities		
Payments into time deposits	¥(1,610)	**¥—**
Proceeds from withdrawal of time deposits	—	**1,495**
Purchase of short-term investment securities	(5,000)	**—**
Proceeds from redemption of securities	5,000	**—**
Purchase of property, plant and equipment	(5,536)	**(6,175)**
Proceeds from sales of property, plant and equipment	66	**21**
Purchase of intangible assets	(6,324)	**(7,100)**
Proceeds from intangible assets	0	**—**
Purchase of investment securities	(390)	**(62)**
Proceeds from sales of investment securities	494	**1,011**
Proceeds from redemption of investment securities	36	**33**
Payments for investment in partnerships	(1,181)	**(1,617)**
Proceeds from distribution of investment in partnerships	1,356	**1,797**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 10 (2))	(2,584)	**(22,515)**
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(2,164)	**(600)**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 10 (3))	12,385	**—**
Purchase of stocks of subsidiaries and affiliates	(1,881)	**(58)**
Payments for investments in capital	(5,960)	**(3,979)**
Proceeds from share of profits on investments in capital	16	**11,007**
Payments of loans receivable	(3,004)	**(70)**
Collection of loans receivable	173	**962**
Payments for lease deposits	(145)	**(564)**
Collection of lease deposits	181	**5,202**
Other, net	3,532	**(1,301)**
Net cash provided by (used in) investing activities	(12,543)	**(22,514)**
Net cash provided by (used in) financing activities		
Repayments of short-term borrowings	—	**(4,328)**
Proceeds from long-term borrowings	15,000	**—**
Repayments of long-term borrowings	(22,507)	**(7,500)**
Purchase of treasury stock	(10,013)	**(32,014)**
Proceeds from exercise of stock options	2,310	**495**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(15)	**—**
Cash dividends paid	(11,227)	**(11,555)**
Other, net	(1,527)	**(1,720)**
Net cash provided by (used in) financing activities	(27,981)	**(56,623)**
Effect of exchange rate change on cash and cash equivalents	(1,729)	**8,136**
Net increase (decrease) in cash and cash equivalents	(21,398)	**(45,059)**
Cash and cash equivalents at beginning of period	219,810	**198,865**
Increase in cash and cash equivalents from newly consolidated subsidiaries	453	**—**
Increase (decrease) in cash and cash equivalents from the change in the fiscal year-end of a consolidated subsidiary	—	**(29)**
Cash and cash equivalents at end of period (Note 10 (1))	¥198,865	**¥153,776**

See accompanying notes.

Notes to Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2025 and 2026

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 2025 and 2026. 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 2025 consolidated financial statements to conform to the classifications used in 2026. 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: 106

(2) Number of non-consolidated subsidiaries: 8

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: 14

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. Fiscal Year for Consolidated Subsidiaries

Among the consolidated subsidiaries, GAN Limited and 38 other companies have a fiscal year-end of December 31, which differs from the consolidated closing date.

In addition, necessary consolidation adjustments have been made on material transactions that occurred between the closing date of these subsidiaries and the consolidated closing date.

During the current consolidated fiscal year, GALAXY GRAPHICS Inc. changed its fiscal year-end from February 28 to March 31, the same as the date of consolidated settlement of accounts. In connection with this change in the date of settlement of accounts, profit (loss) during the one-month period from March 1 through March 31, 2025, was adjusted by increasing (decreasing) retained earnings.

4. Accounting policies

(1) Valuation standards and methods for important assets

1) Held-to-maturity debt securities
Amortized cost method (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:
Moving average cost method.

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

3) Derivatives

Fair value method

4) Inventories

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

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

(2) Depreciation and amortization for important assets

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

Primarily straight-line method

Useful lives for the assets are as follows:

Buildings and structures: 2–50 years

Machinery, equipment and vehicles: 2–16 years

Amusement machines and facilities: 2–5 years

2) Intangible assets (excluding leased assets)

Primarily straight-line method

The typical lifespan range is shown below.

Trademark rights: 10-23 years

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

3) Leased assets

Leased assets in finance leases that transfer ownership:

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

Leased assets in finance leases that do not transfer ownership:

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

4) Right-of-use assets

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

(3) Accounting for significant deferred assets

Bond issuance cost: All expenses are expensed at full amount at the time of payment.

(4) Accounting for significant allowances and provisions

1) Allowance for doubtful accounts

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

General receivables:

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

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

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

2) Provision for bonuses

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

3) Provision for directors' bonuses

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

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 stock compensation

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

6) Provision for loss on litigation

To provide for losses associated with litigation, the estimated amount of potential future losses as of the end of the current fiscal year is recorded.

(5) Accounting method for retirement benefits

1) Attribution method for projected retirement benefits

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

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 recorded as expenses collectively at the time of accrual.

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

(6) Accounting method for significant hedge

1) Hedge accounting

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

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

2) Hedging instruments and hedged items

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

Hedged items: Interest on borrowings, receivables and payables denominated in foreign currencies

3) Hedge policy

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

4) Evaluation method of hedge effectiveness

Hedge effectiveness is evaluated by ratio analysis of cumulative fluctuations in the market between the hedged item and the hedging instrument. An evaluation of hedge effectiveness for currency swaps is omitted. This is because the material conditions for the notional principal of the hedging instrument and for the hedged item are the same and these transactions can offset market fluctuations. Also omitted is an evaluation of hedge effectiveness for interest rate swaps applied with 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 game downloads in the Entertainment Contents Business, the Group's performance obligation is to provide game content to customers. The Group determines that the performance obligation is satisfied by the provision of the game content to the customer, and recognizes the revenue when the game content is provided.

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

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

2) Sales of products and merchandise

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

3) Online gaming

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

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

(8) Amortization method and period of goodwill

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

(9) Scope of funds in 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 of inventories, etc. in the Entertainment Contents Business

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

	Millions of yen	
	2025	**2026**
Work in process	¥55,334	**¥74,609**
"Other" under intangible assets	6,462	**5,126**

2) Calculation method for amounts posted to consolidated financial statements in the current fiscal year

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

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

Future recoverable value is an estimate based on sales forecasts for the following fiscal years.

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

Discrepancies between forecasts and actual results arising from the timing of release of new products from rival companies within the same market and sales fluctuations due to the nature of hit-product business may affect profit and loss.

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

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

	Millions of yen	
	2025	**2026**
Raw materials	¥18,884	**¥12,217**

2) Calculation method for amounts posted to consolidated financial statements in the current fiscal year

Raw materials are posted at acquisition cost. If anticipated future raw material usage falls below stock, the surplus is posted to cost of sales.

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

Raw material usage forecasts are estimated based on the projected volume of pachinko and pachislot machine sales for the following fiscal years.

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

Discrepancies between forecasts and actual results arising from the timing of release of new products from rival companies within the same market and sales fluctuations due to the nature of hit-product business may affect profit and loss.

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

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

	Millions of yen	
	2025	**2026**
Shares of subsidiaries and affiliates	¥25,993	**¥30,882**

2) Calculation method for amounts posted to consolidated financial statements in the current fiscal year

PARADISE SEGASAMMY Co., Ltd. ("PSS" hereinafter) is a Group affiliate accounted for by the equity method. Investments in PSS are handled by equity method accounting.

PSS applies International Financial Reporting Standards (IFRS) and conducts impairment tests if there is an indication of impairment in its cash generating units. For cash generating units including goodwill, PSS conducts impairment tests on an annual basis, in addition to instances associated with indication of impairment. If the results of these impairment tests show that recoverable value falls below book value, the book value in PSS financial statements is reduced to the recoverable value. This, along with recognition of impairment loss, exerts an impact on the amount of shares of Group affiliates by equity method accounting.

PSS has posted ¥122,118 million in non-current assets, including goodwill of ¥5,716 million.

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

PSS conducts impairment tests on its cash generating units including goodwill and its cash generating units that show any indication of impairment and calculates recoverable value based on value in use or on the fair value less cost of disposal.

Key assumptions used for measurement of value in use are based on business plans, etc. fundamental to calculations of future cash flows, as well as growth rates and discount rates. Business and other plans are formulated based on numbers of casino users and drop amounts (amounts of chips purchased at gaming tables). Figures reflecting consideration of business growth are used to establish growth rates for the period following the target period of the business plans, etc. In addition, the discount rate is calculated using weighted average cost of capital as a basis and by reflecting the risk associated with businesses, determined based on external and internal information.

Fair value following the deduction of disposal costs 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 consolidated financial statements in the following fiscal year

Estimates of future cash flows are based on best estimates from management. However, discrepancies between forecasts and actual trends in the number of users may affect profit and loss.

(4) Valuation of goodwill and other intangible assets of Rovio Entertainment Ltd

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

	Millions of yen	
	2025	**2026**
Goodwill	¥26,317	**¥— (after recording of impairment loss)**
Intangible assets	49,671	**48,701**
Trademark rights	44,860	**44,309**
Intangible assets related to technology	4,810	**4,392**

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

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

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

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

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 as key assumptions 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.

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

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

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

	Millions of yen
	2026
Goodwill	**¥14,516**
Other intangible assets	**4,585**
Trademark rights	**987**
Intangible assets related to technology	**2,640**
Customer-related assets	**957**

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

Amounts allocated of identifiable other intangible assets are calculated via the income approach, converting expected future cash flows generated by the other intangible assets to their current values based on business plans used in corporate valuations.

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

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

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

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

In calculating future cash flow related to trademark rights, reasonable royalty rates assumed to be agreed to in transactions with third parties, based on GAN's business plans, are multiplied by net sales over the economically useful life of the trademark rights.

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

In calculating future cash flow related to customer-related assets, excess earnings are calculated by deducting appropriate costs from forecasts of revenue related to existing customers and multiplying the result by the rate of decrease in customers, based on GAN's business plans.

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 service and other figures and projections thereof.

(6) Allocation of acquisition costs related to the acquisition of stock in Stakelogic B.V. and evaluation of goodwill and other property, plant and equipment

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

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

	Millions of yen
	2026
Goodwill	**¥— (after recording of impairment loss)**
Other intangible assets	**—**

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

Amounts allocated to identifiable intangible assets are calculated via the income approach, converting expected future cash flows generated by the intangible assets to their current values based on business plans used in corporate valuations. The results of these calculations showed no identifiable intangible assets.

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

Goodwill and other property, plant and equipment are depreciated at prescribed intervals. Should signs suggest impairment, total undiscounted future cash flows from the asset group are compared to the book value of goodwill and other property, plant and equipment to determine whether to recognize an impairment loss. If this determination indicates a need to recognize an impairment loss, the book value is reduced to the recoverable value and the amount of the reduction in book value is recorded as an impairment loss under other expenses.

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

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

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

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

4 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.

- Implementation Guidance on Accounting for Financial Instruments (Transferred Guidance No. 9, March 11, 2025)

(1) Overview

This guidance revises account treatment related to equity investments in venture capital funds held by listed companies. The purpose is to provide investors with useful information through fair valuations of stocks without market prices included in venture capital funds and other funds.

(2) Scheduled date of application

The guidance will apply from the beginning of the fiscal year ending March 31, 2027.

(3) Effects of application of the accounting standard

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

5 Changes in Method of Presentation

(Consolidated balance sheets)

The account title "Notes, accounts receivable - trade, and contract assets" has been renamed "Notes and accounts receivable - trade" because no contract assets arose in the prior consolidated fiscal year or in the consolidated fiscal year under review.

6 Additional Information

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

A resolution passed at the Board of Directors meeting held 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 Company 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-granting 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 ¥4,317 million and 1,979,512 shares, respectively.

7 Notes to Consolidated Balance Sheets

(1) Receivables from contracts with customers

Of notes and accounts receivable - trade, the amount of receivables from contracts with customers is provided in "Note21 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 and the balance of contract liabilities" of the consolidated financial statements.

(2) Assets pledged as collateral

Assets pledged as collateral are as follows:

Millions of yen

	2025	**2026**
Shares of subsidiaries and affiliates	Note 1 ¥25,993	**Note 2 ¥30,882**
Total	25,993	**30,882**

Notes: 1. For a loan of ¥52,169 million (₩515,000 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 ¥64,021 million (₩615,000 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 in non-consolidated subsidiaries and affiliated companies

Millions of yen

	2025	**2026**
Investment securities (Shares)	¥27,311	**¥31,978**
Investment securities (Capital Contributions)	2,387	**2,653**

(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 the revaluation: March 31, 2002
Difference between fair value at the end of the fiscal year and book value after revaluation of revalued land: ¥(254) million

(5) Overdraft account and commitment line contracts

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

	2025	**2026**
Total amount of limit of overdraft account and commitment line contract	¥285,475	**¥285,954**
Balance of borrowings	—	**—**
Balance of unrealized borrowings	285,475	**285,954**

8 Notes to Consolidated Statements of Income and Comprehensive Income

(1) Revenue from contracts with customers

Net sales combine revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is provided in "Note 21 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

	2025	**2026**
Cost of sales	¥7,303	**¥8,403**

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

Millions of yen

	2025	**2026**
	¥60,722	**¥75,372**

(4) Breakdown of gain on sales of non-current assets

Millions of yen

	2025	**2026**
Buildings and structures	¥13	**¥—**
Machinery, equipment and vehicles	—	**3**
Land	4	**—**
Other property, plant and equipment	1	**4**
Total	19	**7**

(5) Breakdown of loss on sales of non-current assets

Millions of yen

	2025	**2026**
Machinery, equipment and vehicles	¥—	**¥0**
Other property, plant and equipment	0	**0**
Total	0	**0**

(6) Breakdown of impairment loss

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

Millions of yen

Use	Location	Type	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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

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

The Group independently assesses assets or asset groups whose cash flows can be estimated separately based on business segments. The book values of assets or asset groups whose market values declined significantly or that are projected consistently to generate negative cash flows from operating activities are reduced to their recoverable values. The amount of this reduction is recorded as an impairment loss under other expenses.
Recoverable values are mainly measured based on value in use. Value in use is generally calculated by discounting future cash flows by 9.9%. The recoverable value of asset groups for which no future cash flows are expected is calculated using memorandum values.

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

(7) Loss on business restructuring

Prior fiscal year (from April 1, 2024 to March 31, 2025)
This loss represents costs associated with structural reform initiatives in response to the external business environment. A breakdown is provided below.

	Millions of yen 2025
Loss associated with suspension of game content development, etc.	**¥3,406**
Increased benefits for early retirement	**72**
Loss on sale of stock in affiliates	**2,530**
Impairment loss	**155**
Total	**6,164**

Current fiscal year (from April 1, 2025 to March 31, 2026)
This loss represents costs associated with structural reforms in the Gaming Business, mainly consisting of extra retirement payments for officers.

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

	Millions of yen 2025	 **2026**
Valuation difference on available-for-sale securities		
Amount arising during the period	¥634	**¥(426)**
Reclassification adjustments	(70)	**(824)**
Before adjustments for income tax and tax effects	564	**(1,250)**
Amount of income tax and tax effects	(179)	**385**
Valuation difference on available-for-sale securities	385	**(865)**
Deferred gains or losses on hedges		
Amount arising during the period	1,331	**1,708**
Reclassification adjustments	(171)	**(389)**
Before adjustments for income tax and tax effects	1,160	**1,318**
Amount of income tax and tax effects	(294)	**(416)**
Deferred gains or losses on hedges	865	**902**
Foreign currency translation adjustment		
Amount arising during the period	(1,833)	**20,760**
Reclassification adjustments	43	**—**
Before adjustments for income tax and tax effects	(1,789)	**20,760**
Amount of income tax and tax effects	—	**—**
Foreign currency translation adjustment	(1,789)	**20,760**
Remeasurements of defined benefit plans, net of tax		
Amount arising during the period	796	**2,635**
Reclassification adjustments	(849)	**(216)**
Before adjustments for income tax and tax effects	(52)	**2,418**
Amount of income tax and tax effects	196	**(1,313)**
Remeasurements of defined benefit plans, net of tax	143	**1,105**
Share of other comprehensive income of entities accounted for by the equity method		
Amount arising during the period	(1,858)	**301**
Reclassification adjustments	—	**—**
Share of other comprehensive income of entities accounted for by the equity method	(1,858)	**301**
Total other comprehensive income	¥(2,254)	**¥22,204**

9 Notes to Consolidated Statements of Changes in Net Assets

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

1. Issued stock

Shares

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

2. Treasury stock

Shares

Class of 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 stock 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

Increase due to market purchases pursuant to Board of Directors resolution: 3,549,800 shares

Increase due to purchase of odd-lot stock: 5,353 shares

Increase due to free acquisition upon retirement of individuals subject to stock compensation with restriction on transfer: 191,200 shares

Increase due to contributions to officer remuneration BIP trust accounts and stock-granting ESOP trust accounts: 2,000,000 shares

Decrease

Decrease due to sales of odd-lot stock: 104 shares

Decrease due to exercise of stock options: 1,540,200 shares

Decrease 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. Share acquisition rights

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

4. Dividends

(1) Cash dividends paid

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 dividends for which the record date falls in the current fiscal year but for which the effective date falls 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

1. Issued stock

Shares

Type of stock	As of April 1, 2025	Increase	Decrease	As of March 31, 2026
Common stock	**241,229,476**	**—**	**20,000,000**	**221,229,476**

(Outline of causes of change)

Decrease

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

2. Treasury stock

Shares

Class of shares	As of April 1, 2025	Increase	Decrease	As of March 31, 2026
Common stock	**27,418,879**	**11,508,241**	**20,362,573**	**18,564,547**

Note: The number of treasury stock of common stock includes Company shares held by the officer remuneration BIP trust (49,370 shares as of March 31, 2026) and Company shares held by the stock-granting ESOP trust (1,930,142 shares as of March 31, 2026).

(Outline of causes of change)

Increase

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

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

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

Decrease

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

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

Decrease due to retirement of persons eligible for share-based remuneration: 13,400 shares

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

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

3. Share acquisition rights

Company name	Breakdown	Type of stock	Number of stocks (Shares) As of April 1, 2025	Increase	Decrease	As of March 31, 2026	Balance at March 31, 2026 Millions of yen
The Company	Subscription rights to shares as stock options	**—**	**—**	**—**	**—**	**—**	**¥243**
Consolidated subsidiaries	—	**—**	**—**	**—**	**—**	**—**	**—**
Total			**—**	**—**	**—**	**—**	**243**

4. Dividends

(1) Cash dividends paid

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, 2025	Common stock	**¥5,826**	**¥27**	March 31, 2025	June 4, 2025
Board of Directors Meeting held on November 7, 2025	Common stock	**5,730**	**27**	September 30, 2025	December 3, 2025

Notes: 1. The total dividend based on the resolution of the Board of Directors meeting held May 12, 2025 includes ¥53 million in dividends on Company shares held by officer remuneration BIP trust accounts and stock-granting ESOP trust accounts.
2. The total dividend based on the resolution of the Board of Directors meeting held November 7, 2025, includes ¥53 million in dividends on Company shares held by the above trust accounts.

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

Resolution (planned)	Class of shares	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting held on May 12, 2026	Common stock	Retained earnings	**¥5,730**	**¥28**	March 31, 2026	June 4, 2026

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

10 Notes to Consolidated Statements of Cash Flows

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

		Millions of yen
	2025	**2026**
Cash and deposits	¥200,360	**¥153,366**
Securities	—	**509**
Total	200,360	**153,876**
Time deposits, etc. held for more than three months	(1,495)	**—**
Securities for which the period from the acquisition date to the redemption date is longer than three months	—	**(100)**
Cash and cash equivalents	198,865	**153,776**

(2) Breakdown of major details of assets and liabilities of companies made new consolidated subsidiaries through acquisition of stock

Prior fiscal year (From April 1, 2024 to March 31, 2025)
Not applicable

Current fiscal year (From April 1, 2025 to March 31, 2026)
Shown below is a breakdown of assets and liabilities as of the time of newly adding Stakelogic B.V. 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	¥ 1,182
Noncurrent assets	3,062
Goodwill	17,998
Current liabilities	(7,513)
Noncurrent liabilities	(93)
Stock acquisition price	14,636
Cash and cash equivalents	(325)
Deducted: Expenditures for acquisition	(14,310)

Shown below is a breakdown of assets and liabilities as of the time of newly adding GAN Limited 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	¥ 7,154
Noncurrent assets	6,747
Goodwill	14,240
Current liabilities	(5,793)
Noncurrent liabilities	(8,670)
Stock acquisition price	13,678
Cash and cash equivalents	(5,474)
Deducted: Expenditures for acquisition	(8,204)

(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, 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

Current fiscal year (From April 1, 2025 to March 31, 2026)
Not applicable

11 Information for Certain Leases

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

(1) Acquisition cost equivalent of leased items, accumulated depreciation equivalent, accumulated impairment loss equivalent, and year-end balance equivalent

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

Current fiscal year (As of March 31, 2026)
Not applicable

(2) Lease payments, reversal of accumulated impairment loss on leased assets, depreciation equivalent, interest expenses equivalent, and impairment loss

		Millions of yen
	2025	**2026**
Lease payments	¥12	**¥—**
Reversal of accumulated impairment loss on leased assets	9	**—**
Depreciation equivalent	10	**—**
Interest expenses equivalent	0	**—**

(3) Method for calculating depreciation equivalent

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

(4) Method for 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 by the interest method.

2. Finance leases transactions

(1) Details of leased 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) Depreciation method for leased assets

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

3. Lease transactions under International Financial Reporting Standards and U.S. GAAP

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

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

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

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

4. Operating lease transactions

Future lease payments for non-cancelable operating lease transactions

Millions of yen

	2025	2026
Within one year	¥ 3,772	**¥5,434**
Over one year	1,348	**14,067**
Total	5,121	**19,501**

Note: Major factors behind increases or decreases in operating lease transactions include the conclusion of a lease agreement on renewal and the payment of lease payables for offices leased for the Group's headquarters.

12 Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group has signed an agreement concerning commitment lines with financial institutions to secure medium- to long-term funds liquidity with the Company as a holding company. This is intended to serve as a safety net for the entire Group. In addition, the Group raises necessary funds for each business based on the financial plan through bank borrowings or bond issues, while operating a Cash Management System for the purpose of making efficient use of Group funds. Most funds are invested primarily in low-risk and high-liquidity financial assets; some are invested in compound financial instruments, such as bonds, to further efficient funds management. Derivatives are not used for speculative purposes, but mainly used to manage exposure to financial risks, as described below.

(2) Details of financial instruments and their risks

Notes and accounts receivable trade, which are operating receivables, are exposed to customer credit risks. Additionally, operating receivables denominated in foreign currencies are exposed to exchange rate fluctuation risks. Securities and investment securities are composed mainly of investment trusts, bonds, and stocks related to business alliances with business partners. The latter are exposed to market price fluctuation risk.
Of notes and accounts payable—trade, which are operating payables, operating payables denominated in foreign currencies 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 and to diversify means of fundraising. For certain borrowings with variable interest rates, the Group uses interest rate swap transactions to hedge the risk of fluctuating interest rates.
Derivative transactions are forward exchange contracts to hedge exchange rate fluctuation risk associated with operating payables denominated in foreign currencies, interest rate swap transactions to hedge interest rate fluctuation risk associated with borrowings of the Company, and forward exchange contracts to hedge exchange rate fluctuation risk associated with equity investments in overseas subsidiaries. Additionally, further information on hedge accounting, including hedging instruments and hedged items, hedge policy, and evaluation of hedge effectiveness, is provided in the aforementioned "(Significant matters forming the basis for preparing consolidated financial statements): 4. Accounting Policies: (6) Accounting method for significant hedge."

(3) Risk management system for financial instruments

1) Management of credit risk (risk related to contractual nonperformance by business partners)
For operating receivables, in accordance with the credit management and other rules of each company, a responsible department regularly monitors the status of major business partners and manages due dates and balances for each business partner while working to detect early or to mitigate any concerns about collection due to deteriorating financial positions and other factors.
As major monetary trusts and bonds 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 Company 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 is reviewed on an ongoing basis, in consideration of the relationship with business partners. In regard 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 are 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, 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) Transactions outside the scope of hedge accounting	—	—	—
2) Transactions subject to hedge accounting	936	936	—
Total derivatives	936	936	—

Notes: 1. Notes are omitted for cash and deposits, notes and accounts payable - trade, and short-term 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 "(Securities)" section. Notes concerning derivatives are as described in the "(Derivatives)" section.
3. Securities without available fair market value

Millions of yen

Category	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.

Current fiscal year (As of March 31, 2026)

Millions of yen

	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	**¥ 67,576**	**¥ 67,576**	**¥ —**
(2) Securities and investment securities			
1) Held-to-maturity debt securities	**100**	**100**	**(0)**
2) Available-for-sale securities	**5,613**	**5,613**	**—**
3) Stocks of affiliates	**—**	**—**	**—**
Total assets	**73,290**	**73,290**	**(0)**
(1) Long-term borrowings	**124,500**	**121,034**	**3,465**
(2) Bonds payable	**10,000**	**9,523**	**476**
Total liabilities	**134,500**	**130,557**	**3,942**
Derivative transactions			
1) Transactions outside the scope of hedge accounting	**—**	**—**	**—**
2) Transactions subject to hedge accounting	**2,254**	**2,254**	**—**
Total derivatives	**2,254**	**2,254**	**—**

Notes: 1. Notes are omitted for cash and deposits, notes and accounts payable - trade, and short-term 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 "(Securities)" section. Notes concerning derivatives are as described in the "(Derivatives)" section.
3. Securities without available fair market value

Millions of yen

Category	2026
Investments in unlisted stocks, etc.	**¥ 3,263**
Investments in investment limited partnerships, etc.	**10,284**
Stocks of non-consolidated subsidiaries	**541**
Stocks of affiliates	**31,437**
Investments in capital of subsidiaries and affiliates	**2,653**

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 ¥12,938 million.

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

Prior 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	—	—
Other securities with maturity (Foreign bonds)	—	—	—	—
Other securities with maturity (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.

Current fiscal year (As of March 31, 2026)

Millions of yen

	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	**¥153,366**	**¥ —**	**¥—**	**¥—**
Notes and accounts receivable—trade	**63,535**	**4,041**	**—**	**—**
Securities and investment securities				
Held-to-maturity debt securities (Bonds)*	**100**	**—**	**—**	**—**
Other securities with maturity (Foreign bonds)	**—**	**—**	**—**	**—**
Other securities with maturity (Other)	**—**	**—**	**—**	**—**
Total	**217,002**	**4,041**	**—**	**—**

* 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, 2025)

Millions of yen

Category	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥7,500	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	7,500	17,500	21,800	22,500	62,700
Bonds payable	—	—	—	—	10,000	—
Lease obligations	1,445	1,341	1,017	894	455	930
Other interest-bearing debts:						
Accounts payable–facilities	24	24	24	24	16	5

Current fiscal year (As of March 31, 2026)

Millions of yen

Category	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	**¥7,500**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term borrowings	**—**	**17,500**	**21,800**	**22,500**	**62,700**	**—**
Bonds payable	**—**	**—**	**—**	**10,000**	**—**	**—**
Lease obligations	**2,127**	**1,597**	**1,173**	**642**	**474**	**1,055**
Other interest-bearing debts:						
Accounts payable–facilities	**24**	**24**	**24**	**16**	**3**	**2**

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

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

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for the same assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using material unobservable inputs

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

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

Prior fiscal year (As of March 31, 2025)

Millions of yen

Category	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 transactions*					
Currency-related	—	—	—	—	—
Interest rate-related	936	—	936	—	936
Total derivative transactions	936	—	936	—	936

* 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, 2026)

Millions of yen

Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Securities and investment securities					
Available-for-sale securities					
Stocks	**¥ 4,085**	**¥4,085**	**¥ —**	**¥ —**	**¥ 4,085**
Debt securities	**1**	**—**	**1**	**—**	**1**
Other	**1,526**	**—**	**1,526**	**0**	**1,526**
Total assets	**5,613**	**4,085**	**1,527**	**0**	**5,613**
Derivative transactions*					
Currency-related	**—**	**—**	**—**	**—**	**—**
Interest rate-related	**2,254**	**—**	**2,254**	**—**	**2,254**
Total derivative transactions	**2,254**	**—**	**2,254**	**—**	**2,254**

* 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, 2025)

Millions of yen

Category	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

Current fiscal year (As of March 31, 2026)

Millions of yen

Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	¥ 67,576	¥—	¥ 67,576	¥—	¥ 67,576
Securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	100	—	100	—	100
Stocks of affiliates	—	—	—	—	—
Total assets	67,677	—	67,677	—	67,677
Long-term borrowings	124,500	—	121,034	—	121,034
Bonds payable	10,000	—	9,523	—	9,523
Total liabilities	134,500	—	130,557	—	130,557

Note 1: 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 beginning to ending balance and valuation gains/losses recognized during the period under review
Prior year (From April 1, 2024 to March 31, 2025)

Millions of yen

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

* Included in "valuation difference on available-for-sale securities" under "other comprehensive income" on the consolidated statement of comprehensive income.

Current year (From April 1, 2025 to March 31, 2026)

Millions of yen

	Securities and investment securities	
	Available-for-sale securities	Total
	Other	
Beginning balance	¥343	¥343
Profit/loss or other comprehensive income during the period*	(343)	(343)
Purchases, sale, issue, and settlement	—	—
Other	—	—
Ending balance	0	0

* Included in "loss on valuation of investment securities" on the consolidated statement of income and "valuation difference on available-for-sale securities" under "other comprehensive income" on the consolidated statement of comprehensive income.

(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.

13 Investment Securities

1. Held-to-maturity debt securities

Prior fiscal year (As of March 31, 2025)

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

Millions of yen

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

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

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government/municipal bonds, etc.	¥ —	¥ —	¥—
2) Corporate bonds	101	101	(0)
3) Other	—	—	—
Total	101	101	(0)

Current fiscal year (As of March 31, 2026)

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

Millions of yen

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

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

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government/municipal bonds, etc.	**¥ —**	**¥ —**	**¥—**
2) Corporate bonds	**100**	**100**	**(0)**
3) Other	**—**	**—**	**—**
Total	**100**	**100**	**(0)**

2. Available-for-sale securities

Prior fiscal year (As of March 31, 2025)

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

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Stocks	¥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 less than the acquisition cost

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Stocks	¥816	¥870	¥ (53)
2) Debt securities	100	105	(5)
3) Other	355	410	(55)
Total	1,272	1,386	(113)

Current fiscal year (As of March 31, 2026)

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

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Stocks	**¥ 3,339**	**¥ 1,716**	**¥1,622**
2) Debt securities	**—**	**—**	**—**
3) Other	**1,173**	**706**	**466**
Total	**4,512**	**2,423**	**2,088**

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

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Stocks	**¥ 746**	**¥842**	**¥(95)**
2) Debt securities	**1**	**1**	**—**
3) Other	**353**	**400**	**(47)**
Total	**1,100**	**1,244**	**(143)**

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

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

Millions of yen

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

Current fiscal year (From April 1, 2025 to March 31, 2026)

Millions of yen

Category	Amount of proceeds	Total gains on sales	Total losses on sales
1) Stocks	**¥504**	**¥363**	**¥21**
2) Debt securities	**—**	**—**	**—**
3) Other	**584**	**477**	**—**
Total	**1,088**	**841**	**21**

4. Impairment loss on securities

Prior 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)
The Group recognized impairment loss on available-for-sale securities in the amount of ¥851 million.

14 Derivative Transactions

1. Derivatives to which hedge accounting is not applied

(1) Transactions related to currencies

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

Current fiscal year (As of March 31, 2026)
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 entire compound financial instrument is appraised at fair value and included in "2. Available-for-sale securities" in the "(Securities)" section.

2. Derivatives to which hedge accounting is applied

(1) Transactions related to currencies

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

Current fiscal year (As of March 31, 2026)
Not applicable

(2) Transactions related to interest rates

Prior fiscal year (As of March 31, 2025)

Millions of yen

Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swap transactions: Pay fixed and receive floating	Long-term borrowings	¥46,428	¥42,857	¥936
Total			46,428	42,857	936

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

Current fiscal year (As of March 31, 2026)

Millions of yen

Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swap transactions: Pay fixed and receive floating	Long-term borrowings	**¥42,857**	**¥39,285**	**¥2,254**
Total			**42,857**	**39,285**	**2,254**

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

15 Retirement Benefits

1. Overview of retirement benefit plan adopted by the Group

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 employees. In addition, the Company and certain consolidated subsidiaries have introduced selective defined contribution pension plans.
Under the lump-sum benefit plan held by certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are determined by applying a simplified method.

2. Defined benefit plan

(1) Table for adjustment of beginning and ending balances of retirement benefit liabilities (excluding plans to which simplified method is applied)

Millions of yen

	2025	2026
Beginning balance of retirement benefit obligations	¥28,761	**¥25,962**
Service costs–benefits earned during the year	1,452	**1,382**
Interest cost on projected benefit obligations	311	**476**
Actuarial differences accrued	(1,801)	**(1,442)**
Retirement benefits paid	(683)	**(850)**
Other	(2,077)	**(27)**
Ending balance of retirement benefit obligations	25,962	**25,499**

(2) Reconciliation of beginning and ending balances of pension assets

Millions of yen

	2025	2026
Beginning balance of pension assets	¥34,612	**¥33,708**
Expected return	692	**674**
Actuarial differences accrued	(1,005)	**1,192**
Contribution of employer	28	**—**
Retirement benefits paid	(622)	**(717)**
Other	3	**—**
Ending balance of pension assets	33,708	**34,857**

(3) Reconciliation of beginning and ending balances of liabilities related to retirement benefits for plans to which simplified method is applied

Millions of yen

	2025	2026
Balance of net defined benefit liability at start of period	¥928	**¥997**
Retirement benefit expenses	147	**181**
Retirement benefits paid	(73)	**(112)**
Other	(5)	**24**
Balance of net defined benefit liability at end of period	997	**1,090**

(4) Reconciliation of ending balances of retirement benefit liabilities and pension assets and liabilities and assets related to retirement benefits in the consolidated balance sheets

Millions of yen

	2025	2026
Funded projected benefit obligations	¥ 25,962	**¥ 25,499**
Pension assets	(33,708)	**(34,857)**
	(7,746)	**(9,358)**
Unfunded projected benefit obligations	997	**1,090**
Net amount of liabilities and assets recorded in the consolidated balance sheets	(6,749)	**(8,267)**
Net defined benefit liability	4,616	**5,247**
Net defined benefit assets	(11,366)	**(13,514)**
Net amount of liabilities and assets recorded in the consolidated balance sheets	(6,749)	**(8,267)**

Note: Includes retirement benefit scheme applying the simplified method.

(5) Breakdown of retirement benefit expenses

Millions of yen

	2025	2026
Service costs–benefits earned during the year	¥1,452	**¥1,382**
Interest cost on projected benefit obligations	311	**476**
Expected return on pension assets	(692)	**(674)**
Amortization of actuarial difference	(1,104)	**(436)**
Amortization of prior service cost	220	**220**
Retirement benefit expenses using the simplified method	147	**181**
Other	0	**—**
Retirement benefit expenses of defined benefit pension plan	334	**1,149**

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

Below is the breakdown of recorded remeasurements of defined benefit plans, net of tax (before tax effect accounting).

Millions of yen

	2025	2026
Prior service costs	¥220	**¥ 220**
Actuarial difference	(272)	**2,198**
Total	(52)	**2,418**

(7) Accumulated remeasurements of defined benefit plans

Below is the breakdown of recorded accumulated remeasurements of defined benefit plans (before tax effect accounting).

Millions of yen

	2025	2026
Unrecognized prior service costs	¥(1,744)	**¥(1,524)**
Unrecognized actuarial difference	3,500	**5,698**
Total	1,755	**4,174**

(8) Matters related to pension assets

1) Major breakdown of pension assets

The ratios of major classes to the total pension assets are as follows:

	2025	2026
Debt securities	44%	**32%**
Stocks	19	**22**
Cash and deposits	21	**10**
General accounts	7	**22**
Other	9	**14**
Total	100	**100**

2) Method for setting long-term expected rate of return

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 rates of return on the various assets that make up the pension assets.

(9) Matters related to calculation basis for actuarial calculations

Basis for the actuarial calculations

	2025	**2026**
Discount rate	1.7-2.4%	**2.6-2.9%**
Long-term expected rate of return on pension assets	2.0%	**2.0%**
Salary increase ratio	Salary increase index is not used to calculate retirement benefits obligations.	**Salary increase index is not used to calculate retirement benefits obligations.**

3. Defined contribution plan

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,449 million in the prior fiscal year and ¥1,602 million in the current fiscal year.

16 Stock Option Plan

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

Millions of yen

	2025	**2026**
Selling, general and administrative expenses—other	¥56	**¥—**

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

Millions of yen

	2025	**2026**
Other income	¥0	**¥2**

3. Details, volume, and changes in stock options

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

(1) Details of stock options

Company name	The Company	Consolidated subsidiary
Date of resolution	August 2, 2021	June 21, 2024
Categories and numbers 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 shares granted (shares)	Common stock 2,884,500	Common stock: 33
Grant date	September 1, 2021	June 21, 2024
Vesting conditions	Must be in continuous service during the period from the grant date (September 1, 2021) to the vesting date (June 30, 2024).	Total operating income in the three-year period from the year ending October 2024 through the year ending October 2026 must be ¥1,208 million or more.
Requisite service period	From September 1, 2021 to June 30, 2024	—
Exercise period	From July 1, 2024 to June 30, 2026	From April 1, 2027 to April 30, 2027

(2) Volume and changes in stock options

1) Number of stock options

Shares

Company name	The Company	Consolidated subsidiary
Date of resolution	August 2, 2021	June 21, 2024
Before vested (shares)		
At end of prior period	—	—
Granted	—	33
Forfeited	—	—
Vested	—	—
Unvested	—	33
After vested (shares)		
At end of prior period	2,694,000	—
Vested	—	—
Exercised	1,540,200	—
Forfeited	2,500	—
Exercisable	1,151,300	—

2) Per share price

Yen

Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of resolution	August 2, 2021	June 21, 2024
Exercise price (yen)	¥1,500	¥15,997,784
Average price per share upon exercise (yen)	2,682	—
Fair value per share at grant date (yen)	300	—

Current fiscal year (From April 1, 2025 to March 31, 2026)

(1) Details of stock options

Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of resolution	August 2, 2021	June 21, 2024
Categories and numbers 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 shares granted (shares)	Common stock 2,884,500	Common stock: 33
Grant date	September 1, 2021	June 21, 2024
Vesting conditions	Must be in continuous service during the period from the grant date (September 1, 2021) to the vesting date (June 30, 2024).	Total operating income in the three-year period from the year ending October 2024 through the year ending October 2026 must be ¥1,208 million or more.
Requisite service period	From September 1, 2021 to June 30, 2024	—
Exercise period	From July 1, 2024 to June 30, 2026	From April 1, 2027 to April 30, 2027

(2) Volume and changes in stock options

1) Number of stock options

Shares

Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of resolution	August 2, 2021	June 21, 2024
Before vested (shares)		
At end of prior period	—	33
Granted	—	—
Forfeited	—	33
Vested	—	—
Unvested	—	—
After vested (shares)		
At end of prior period	1,151,300	—
Vested	—	—
Exercised	330,500	—
Forfeited	9,500	—
Exercisable	811,300	—

2) Per share price

Yen

Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of resolution	August 2, 2021	June 21, 2024
Exercise price (yen)	¥1,500	¥15,997,784
Average price per share upon exercise (yen)	3,116	—
Fair value per share at grant date (yen)	300	—

4. Method for estimating fair value per share of stock options

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

(1) The Company

Not applicable

(2) Consolidated subsidiary

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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

(1) The Company

Not applicable

(2) Consolidated subsidiary

Not applicable

5. Method for estimating the number of stock options vested

Due to the difficulty of making reasonable estimates of the number of stock options that will be forfeited in the future, the number here reflects only those stock options that have actually been forfeited.

(Stock compensation with restriction on transfer)

1. Details of stock compensation with restriction on transfer

	Continuous service-based shares with restriction on transfer in 2022	Continuous service-based shares with restriction on transfer in 2023
Categories and number of grantees (persons)	Company directors 4 Company executive officers 9 Subsidiary directors 18 Subsidiary executive officers 22	Company directors 5 Company executive officers 8 Subsidiary directors 16 Subsidiary executive officers 24
Class and number of shares granted (shares)	Common stock: 78,200	Common stock: 64,200
Grant date	August 19, 2022	August 10, 2023
Conditions for lifting restriction on transfer	(Notes) 1, 2	(Notes) 1, 2
Period of restriction on transfer	From August 19, 2022 to August 18, 2025	From August 10, 2023 to August 9, 2026

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 lifted 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 lifted 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 lifted and the timing of such lifting 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 lifted and the timing of such lifting 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 lifting 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 lifted shall be reasonably adjusted within the performance condition.

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

1) Expensed amount and account title

Millions of yen

	2025	2026
Selling, general and administrative expenses—other	¥ —	¥ —

2) Number of shares

Shares

	Continuous service-based shares with restriction on transfer in 2022	Continuous service-based shares with restriction on transfer in 2023
Before lifting restriction		
At end of prior period	78,200	64,200
Granted	—	—
Acquired for free	200	100
Restriction lifted	78,000	—
Restriction valid	—	64,100

3) Per share price

Yen

	Continuous service-based shares with restriction on transfer in 2022	Continuous service-based shares with restriction on transfer in 2023
Fair value per share at grant date	¥2,228	¥2,989

Note: To prevent arbitrary price decisions, the Company uses 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.

(Details, volume, and changes in share-based remuneration plan included in transactions involving gratis issue of shares of stock as remuneration of directors)

1. Details of share-based remuneration plan (including RSU and PSU)

	Share-based remuneration in 2025 (restricted stock unit [RSU])	Share-based remuneration in 2026 (restricted stock unit [RSU])
Categories and number of grantees (persons)	Company directors 3 Subsidiary directors 17	Company directors 3 Subsidiary directors 14
Class and number of shares granted (units)	89,600 units (One share of common stock per unit) (Note 4)	63,900 units (One share of common stock per unit) (Note 4)
Grant date	September 1, 2024	July 30, 2025
Conditions for finalization of rights	(Notes 2, 4)	(Notes 2, 4)
Eligible employment period	(Note 2)	(Notes 2)

	Share-based remuneration in 2025 (performance share unit [PSU])
Categories and number of grantees (persons)	Company directors 3 Subsidiary directors 17
Class and number of shares granted (shares)	581,000 units (One share of common stock per unit) (Note 4)
Grant date	September 1, 2024
Conditions for finalization of rights	(Notes 3, 4)
Eligible employment period	(Note 3)

Notes: 1. The 20th Ordinary General Meeting of Shareholders held in June 2024 resolved to adopt a share-based remuneration plan (including RSU and PSU) for Directors (excluding Audit and Supervisory Committee Members and External Directors; "RSU and PSU" hereinafter). This system has been introduced to further align the interests of Directors with shareholder interests over the medium to long term and to provide incentives to strengthen corporate value. It consists of the following two types of remuneration.

2. Restricted stock unit (RSU)
RSU refers to a type of stock-based compensation wherein predetermined numbers of shares of the Company's stock and cash are granted after a period established by the Company Board of Directors in compensation for the period of service.

3. Performance share unit (PSU)
PSU refers to a type of stock-based compensation that provides Company shares and cash in amounts calculated based on the extent to which performance targets are achieved for multiple fiscal years corresponding to the period of the Company's medium-term management plan ("Performance Evaluation Period" hereinafter) and the period of service through the first annual shareholders' meeting after the end of the Performance Evaluation Period ("Eligible Period" hereinafter) to be delivered after the end of the Eligible Period. The first Performance Evaluation Period after the introduction of the System consists of the three fiscal years from the fiscal year ended March 31, 2025 to the fiscal year ending March 31, 2027, which corresponds to the period covered by the SEGA SAMMY Group Medium-Term Management Plan announced on May 10, 2024.

4. Under the PSU and RSU programs, shares of Company stock are granted to eligible Directors by either of the following methods after the end of the Eligible Period for the PSU program and after the end of the period established by the Company Board of Directors for the RSU program.
1) Allotment of shares in consideration of contribution in kind
Granting of shares of Company stock corresponding to PSU and RSU remuneration via awarding monetary remuneration claims and investing by the eligible Director the entire amount of such monetary remuneration claims in kind to be allotted the shares of Company stock
2) Gratis allotment
Determining numbers of PSUs and RSUs and allotting the corresponding shares of Company stock without pay-in for their issue or disposal
In the event of death or reorganization or in other exceptional cases, cash may be paid in a reasonable amount calculated by the Company Board of Directors.
Under this system, since the actual number of shares to be issued remains to be determined, the amounts granted are denominated in numbers of restricted stock units (RSUs) and performance stock units (PSUs), not numbers of actual shares. Units are then converted into actual numbers of shares issued when rights are finalized based on factors, including time in service, degree to which performance targets are achieved, and position-based ratio.

2. Volume and changes in share-based remuneration plan (including RSU and PSU)

1) Expensed amount and account title

Millions of yen

	2025	2026
Selling, general and administrative expenses—other	¥ 715	¥ 42

2) Number of shares

Shown below are the details on share-based remuneration plan for which rights were not finalized in the current consolidated fiscal year (year ended March 31, 2026) or rights were finalized but shares remained unissued at the end of the current consolidated fiscal year (year ended March 31, 2026).

Shares

	Share-based remuneration in 2025 (restricted stock unit [RSU])	Share-based remuneration in 2026 (restricted stock unit [RSU])
At end of prior period (shares)	89,600	—
Granted (shares)	—	57,900
Expired (shares)	—	—
Rights finalized (shares)	5,300	—
Unfinalized balance (shares)	84,300	57,900
Balance unissued after finalization of rights (shares)	—	—

Shares

	Share-based remuneration in 2025 (performance share unit [PSU])
At end of prior period (shares)	581,000
Granted (shares)	—
Expired (shares)	31,367
Rights finalized (shares)	2,833
Unfinalized balance (shares)	546,800
Balance unissued after finalization of rights (shares)	—

3) Per share price

Yen

	Share-based remuneration in 2025	Share-based remuneration in 2026
Fair value per share at grant date (yen)	¥2,550	¥3,060

3. Method for estimating the fair value per share of stock options

Estimated based on the closing price of a share of Company common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Company Board of Directors pertaining to the date of allotment (or the closing price on the most recent trading day if no trades were made on that date).

4. Method for estimating the number of shares for which rights are finalized

This system is managed on a unit basis. Since the number of shares granted under the PSU program can vary widely due to multiple factors, including the extent to which performance targets are achieved, the period of service ratio, and the position-based ratio, and the number of shares granted under the RSU program is also adjusted based on service status during the period in question, it is difficult to estimate reasonably future numbers of rights forfeited. For this reason, in estimating the number of shares for which rights are finalized, the method employed is to reflect only the numbers of rights forfeited based on actual results.

17 Income Taxes

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

Millions of yen

	2025	2026
Deferred tax assets:		
Exclusion of provision of allowance for doubtful accounts from deductible expenses	¥ 314	**¥ 105**
Exclusion of loss on valuation of inventories from deductible expenses	2,034	**2,948**
Exclusion of provision for bonuses from deductible expenses	3,684	**3,392**
Net defined benefit liability	1,688	**1,823**
Excess of maximum depreciation and amortization	16,114	**15,949**
Exclusion of loss on valuation of investment securities from deductible expenses	362	**546**
Impairment loss	312	**282**
Other	10,861	**15,658**
Loss carried forward	17,728	**22,510**
Subtotal deferred tax assets	53,100	**63,218**
Valuation allowance for tax loss carried forward (Note 2)	(8,110)	**(13,515)**
Valuation allowance for deductible temporary difference	(21,402)	**(9,906)**
Subtotal valuation allowance (Note 1)	(29,512)	**(23,421)**
Offset to deferred tax liabilities	(6,712)	**(9,180)**
Total deferred tax assets	16,874	**30,615**
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(2,027)	**(2,022)**
Intangible assets recognized through business combination	(9,934)	**(9,969)**
Other	(6,043)	**(8,331)**
Subtotal deferred tax liabilities	(18,005)	**(20,323)**
Offset to deferred tax assets	6,712	**9,180**
Total deferred tax liabilities	(11,292)	**(11,142)**
Net deferred tax assets	5,582	**19,473**

Notes: 1. The valuation allowance declined by ¥6,091 million. The major factors for this decline were an increase in valuation allowance of ¥5,405 million for tax loss carryforwards and a decrease in valuation allowance for a deductible temporary difference of ¥11,496 million.
2. The amount of tax loss carried forward and their deferred tax assets by carryforward period are as follows:

Prior 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 given by the normal effective statutory tax rate.
(b) Regarding the amount of tax loss carried forward of ¥17,728 million (amount given by the normal effective statutory tax rate), deferred tax assets of ¥9,618 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.

Current fiscal year (As of March 31, 2026)

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)	**¥430**	**¥ —**	**¥ 744**	**¥577**	**¥1,252**	**¥19,505**	**¥22,510**
Valuation allowance	**(340)**	**—**	**(457)**	**(471)**	**(1,217)**	**(11,029)**	**(13,515)**
Deferred tax assets	**90**	**—**	**286**	**106**	**35**	**8,475**	**(b) 8,995**

(a) The amount of tax loss carried forward is the amount given by the normal effective statutory tax rate.
(b) Regarding the amount of tax loss carried forward of ¥22,510 million (amount given by the normal effective statutory tax rate), deferred tax assets of ¥8,995 million were recorded. The Company deemed that a partial amount of tax loss carried forward can be recovered mainly in the following fiscal year based on estimates of taxable income.

2. Breakdown by major causes of the significant difference between the statutory tax rate and the effective tax rate in cases where significant differences exist

	2025	**2026**
Normal effective statutory tax rate	30.6%	**—**
(Adjustment)		
Changes in valuation allowance	(17.4)	**—**
Permanently non-deductible expenses including entertainment expenses	2.1	**—**
Amortization of goodwill	1.8	**—**
Tax rate difference between the Company and consolidated subsidiaries	1.2	**—**
Tax credit for experimental and research expenses	(2.7)	**—**
Tax loss carried forward	2.9	**—**
Other	(0.7)	**—**
Effective tax rate after tax effect accounting	17.8	**—**

Note: Notes for the current consolidated fiscal year are omitted because a net loss was recorded before taxes.

3. Accounting treatment of national and local income tax or accounting treatment of related tax-effect accounting

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

18 Business Combination

(Business Combination through Acquisition)

1. Acquisition of shares in Stakelogic B.V.

(1) Overview of the business combination

(i) Name and business of the acquired company
Name of the acquired company: Stakelogic B.V. (“Stakelogic”)
Description of business: iGaming content supplier business

(ii) Rationale for the business combination
In the Medium-term Plan announced in May 2024, the Company set a goal to establish the Gaming Business. In the Gaming Business, the Group has been developing and operating integrated resorts (IR) through PARADISE CITY, a joint venture with the Paradise Group in South Korea, and developing gaming devices and content through SEGA SAMMY CREATION INC. (“SSC”). In November 2023, the Group announced the acquisition of GAN Limited (“GAN”), which operates a SaaS business (provision of B2B platform) mainly for casino operators in the U.S., and a B2C online gaming business for Europe and South America, with the aim of entering the online gaming market, particularly the iGaming market in the U.S., which is expected to grow in the future.
Stakelogic’s strength lies in the development of iGaming content in the market the Group is targeting, and the Group believes that the acquisition of Stakelogic will further enhance the competitiveness of GAN’s B2B platform and contribute to the expansion of the Group’s Gaming Business.

(iii) Date of business combination
April 28, 2025 (deemed acquisition date: April 1, 2025)

(iv) Legal structure of the business combination
Acquisition of shares for cash consideration

(v) Name of company after the business combination
Unchanged

(vi) Share of voting rights acquired
100%

(vii) Main grounds for determining the acquiring company
SEGA SAMMY CREATION INC., a consolidated subsidiary of the Company, acquired the shares for a cash consideration.

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

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

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

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

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

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

Advisory fees, etc. ¥1,025 million

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

(i) Goodwill recognized
¥17,998 million
A tentative amount of goodwill was recorded at the end of the first half of the consolidated fiscal year, as provisional accounting treatment had been applied based on reasonable information available at that time because the allocation of acquisition cost had not been completed. As of the end of the consolidated fiscal year, the purchase price allocation has been finalized.

(ii) Reason for recognition
Goodwill arose mainly from excess earning power expected from future business development.

(iii) Amortization method and period
Straight-line method over 9 years
The entire unamortized balance of this goodwill was recorded as an impairment loss.

(6) Assets acquired and liabilities assumed on the date of business combination and breakdown thereof

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

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

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

2. Acquisition of shares in GAN Limited

(1) Overview of the business combination

(i) Name and business of the acquired company
Name of the acquired company: GAN Limited
Description of business: SaaS business for US casino operators and B2C online gaming business for Europe and South America

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

(iii) Date of business combination
May 27, 2025 (deemed acquisition date: April 1, 2025)

(iv) Legal structure of the business combination
Acquisition of shares for cash consideration

(v) Name of company after the business combination
Unchanged

(vi) Share of voting rights acquired
100%

(vii) Main grounds for determining the acquiring company
SEGA SAMMY CREATION INC., a consolidated subsidiary of the Company, acquired the shares for a cash consideration.

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

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

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

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

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

Advisory fees, etc. ¥1,319 million

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

(i) Goodwill recognized
¥14,240 million
A tentative amount of goodwill was recorded at the end of the first half of the consolidated fiscal year, as provisional accounting treatment had been applied based on reasonable information available at that time because the allocation of acquisition cost had not been completed. As of the end of the consolidated fiscal year, the purchase price allocation has been finalized, resulting in a decrease of ¥3,257 million in goodwill.

(ii) Reason for recognition
Goodwill arose mainly from excess earning power expected from future business development.

(iii) Amortization method and period
Straight-line method over 10 years

(6) Assets acquired and liabilities assumed on the date of business combination and breakdown thereof

Current assets	¥7,154 million
Noncurrent assets	¥6,747 million
Total assets	¥13,902 million
Current liabilities	¥5,793 million
Noncurrent liabilities	¥8,670 million
Total liabilities	¥14,464 million

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

(i) Amount allocated to intangible assets
¥4,727 million

(ii) Main breakdown and amortization periods

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

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

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

(Transactions under common control, etc.)

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

(1) Purpose of the demerger

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

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

(2) Overview of the demerger

(i) Details of business to be demerged
Head office functions (administrative operations) of the Company's Gaming Business section

(ii) Date of business combination
June 1, 2025

(iii) Legal form of business combination
Absorption-type demerger, leaving SEGA SAMMY HOLDINGS INC. as the demerged company and SSC as the successor company

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

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

(v) Name after business combination
Unchanged

(3) Overview of accounting treatment adoption

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

19 Asset Retirement Obligations

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

Current fiscal year (As of March 31, 2026)
This information is omitted due to the immateriality of the total amount of asset retirement obligations.

20 Rental Property and Other Real Estate

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

Current fiscal year (As of March 31, 2026)
This information is omitted due to the immateriality of the total amount of rental property and other real estate.

21 Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The Group operates an Entertainment Contents Business, Pachislot & Pachinko Machines Business, and Gaming Business. Main goods or services primarily handled by these businesses are digital content, products and merchandise, and online gaming. Given below are the sales of goods or services by each business:

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

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Other	Total
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
Online gaming sales (Note 1)	—	—	—	—	—	—
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 2)	10,731	—	—	10,731	—	10,731
Sales to external customers	321,575	97,105	5,451	424,132	4,816	428,948

Current fiscal year (From April 1, 2025 to March 31, 2026)

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Other	Total
Digital content sales	**¥168,440**	**¥ 5,657**	**¥ —**	**¥174,097**	**¥ —**	**¥174,097**
Product and merchandise sales	**87,555**	**121,450**	**6,536**	**215,542**	**—**	**215,542**
Online gaming sales (Note 1)	**—**	**—**	**16,874**	**16,874**	**—**	**16,874**
Other sales	**61,452**	**4,956**	**1,900**	**68,309**	**3,526**	**71,836**
Revenue from contracts with customers	**317,448**	**132,063**	**25,312**	**474,824**	**3,526**	**478,351**
Other revenues (Note 2)	**9,190**	**—**	**—**	**9,190**	**—**	**9,190**
Sales to external customers	**326,639**	**132,063**	**25,312**	**484,015**	**3,526**	**487,542**

Notes: 1. Online gaming sales was added to the types of goods or services in the current consolidated fiscal year in connection with the inclusion of Stakelogic B.V. and GAN Limited in the scope of consolidation.
2. Other revenues in the Entertainment Contents Business consist of distributed 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. 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 "(Significant matters forming the basis for preparing consolidated financial statements): 4. 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, provision of each piece of content is deemed to satisfy the performance obligation, which is allocated separately. For sales by the Entertainment Contents Business of sets of amusement machines and bundled annual content update services, the amusement machine sales and annual content update services are regarded to carry their own performance obligations and are distributed separately.

In cases such as these, the transaction day stand-alone selling prices in the contract of the individual goods or services that serve as the bases for each performance obligation are calculated, and the transaction prices are then 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, 2024 to March 31, 2025)

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

The breakdown of receivables from contracts with customers, 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 receivable	¥5,859	¥3,703
Accounts receivable - trade	48,409	48,950
	54,269	52,653
Contract liabilities	19,367	14,228

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

Current fiscal year (From April 1, 2025 to March 31, 2026)

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

The breakdown of receivables from contracts with customers 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 receivable	**¥3,703**	**¥11,871**
Accounts receivable - trade	**48,950**	**55,705**
	52,653	**67,576**
Contract liabilities	**14,228**	**18,330**

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 ¥11,500 million. The primary reason for the increase in contract liabilities is an increase in prepayments received before delivery of products.

(2) Transaction price allocated to remaining performance obligations

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

	Millions of yen
Within one year	**¥16,240**
Over 1 year but within 2 years	**1,221**
Over 2 years but within 3 years	**372**
Over 3 years but within 4 years	**283**
Over 4 years	**212**
Total	**18,330**

22 Segment Information

1. Overview of reporting segments

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

Planning of business development and strategies as well as execution of business activities for each product and service is carried out by each Group company providing 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 products and businesses
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, development, manufacture and sales of gaming machines

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, 2024 to March 31, 2025)

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment (Note)	Amount in Consolidated financial statements
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 any reporting segment.
2. The adjustment to segment income (loss) of ¥(11,935) million includes losses on non-related to reporting segments of ¥(1,248) million, 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 non-current assets related to the Company.
8. Adjustments have been made to segment income (loss) and other income in the consolidated statements of income and comprehensive income.
9. 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment (Note)	Amount in Consolidated financial statements
Net sales:						
Net sales to external customers	**¥326,639**	**¥132,063**	**¥25,312**	**¥484,015**	**¥ 3,526**	**¥487,542**
Inter-segment sales and transfers	**606**	**94**	**0**	**701**	**(701)**	**—**
Total	**327,246**	**132,158**	**25,312**	**484,717**	**2,824**	**487,542**
Segment income (loss)	**34,447**	**33,301**	**(842)**	**66,905**	**(12,700)**	**54,205**
Segment assets	**343,774**	**77,932**	**81,052**	**502,758**	**124,630**	**627,388**
Other items:						
Depreciation	**9,781**	**3,677**	**1,699**	**15,158**	**1,012**	**16,171**
Interest income	**2,982**	**484**	**6**	**3,472**	**(204)**	**3,268**
Interest expenses	**2,036**	**-**	**652**	**2,688**	**(33)**	**2,655**
Equity in earnings (losses) of affiliates	**3**	**812**	**4,587**	**5,402**	**—**	**5,402**
Investments in affiliates accounted for by the equity method	**1,624**	**525**	**30,882**	**33,032**	**—**	**33,032**
Increases in property, plant and equipment and intangible assets	**7,626**	**5,473**	**1,939**	**15,039**	**1,482**	**16,522**

Notes: 1. The adjustment to net sales to external customers of ¥3,526 million corresponds to net sales not belonging to any reporting segment.
2. The adjustment to segment income (loss) of ¥(12,700) million includes losses on non-related to reporting segments of ¥(1,224) million, elimination of inter-segment transactions of ¥100 million, and general corporate expenses of ¥(11,575) 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 ¥124,630 million includes the elimination of inter-segment transactions of ¥(124,794) million and general corporate assets of ¥249,424 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 ¥(204) million includes the elimination of inter-segment transactions of ¥(4,804) million and interest income of the Company of ¥4,599 million.
6. Adjustment to interest expenses of ¥(33) million includes the elimination of inter-segment transactions of ¥(4,800) million and interest expenses of the Company of ¥4,766 million.
7. Adjustments to increases in property, plant and equipment and intangible assets consist mainly of the purchase amount of non-current assets related to the Company.
8. Adjustments have been made to segment income (loss) and other income in the consolidated statements of income and comprehensive income.

[Related information]

Prior 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
¥39,956	¥1,297	¥6,365	¥1,311	¥48,931

3. Information by 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, 2025 to March 31, 2026)

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
¥302,338	**¥101,147**	**¥49,363**	**¥34,693**	**¥487,542**

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
¥40,641	**¥993**	**¥6,804**	**¥2,623**	**¥51,063**

3. Information by 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 non-current assets by reporting segment]
Prior fiscal year (From April 1, 2024 to March 31, 2025)

Millions of yen

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

Current fiscal year (From April 1, 2025 to March 31, 2026)

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment	Amount in consolidated financial statements
Impairment loss	**¥32,187**	**¥2,187**	**¥20,252**	**¥54,627**	**¥—**	**¥54,627**

[Information on amortization and unamortized balance of goodwill by reporting segment]
Prior fiscal year (From April 1, 2024 to March 31, 2025)

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment	Amount in consolidated financial statements
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

Current fiscal year (From April 1, 2025 to March 31, 2026)

Millions of yen

	Reporting segment					
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment	Amount in consolidated financial statements
Amortization during current period	**¥ 2,198**	**¥ 336**	**¥ 2,700**	**¥ 5,236**	**¥—**	**¥ 5,236**
Balance as of March 31, 2026	**51**	**—**	**14,516**	**14,568**	**—**	**14,568**

[Information on gain from negative goodwill by reporting segment]
Prior fiscal year (From April 1, 2024 to March 31, 2025)
Not applicable
Current fiscal year (From April 1, 2025 to March 31, 2026)
Not applicable

23 Related-Party Transactions

1. Related-party transactions

(1) Transactions between 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, 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
PARADISE SEGASAMMY Co., Ltd.	Gaming 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)
Not applicable

2) Directors and major shareholders (limited to individuals) of the Company submitting consolidated financial statements
Prior 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
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 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 LLC. Job titles shown are those used within the Company as of the end of the current consolidated fiscal year.

Current fiscal year (From April 1, 2025 to March 31, 2026)

Millions of yen

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

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 LLC. Job titles shown are those used within the Company as of the end of the current consolidated fiscal year.
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, 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 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

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)	**¥17,676**	Accounts payable–trade	**¥ 1,091**
		Loan of funds (Note 2)	**—**	Long-term loans receivable	**9,647**
		Interest income (Note 2)	**102**	Current assets, etc.	**29**
PARADISE SEGASAMMY Co., Ltd.	Gaming Business	Provision of collateral (Note 3)	**¥30,882**	—	**¥—**

Notes: 1. Transaction prices are determined 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.
3. 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, 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 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. Job titles shown are those used within the Company as of the end of the current consolidated fiscal year.

Current fiscal year (From April 1, 2025 to March 31, 2026)

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)	**¥95**	—	**¥—**
FSC LLC. (Note 3)	Non-life insurance agent	Payment of insurance premium (Note 2)	**5**	Prepaid expenses	**¥ 1**

Notes: 1. The amount donated to the Foundation is determined with 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. Job titles shown are those used within the Company as of the end of the current consolidated fiscal year.

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. Its summarized financial statements are as follows:

Millions of yen

	2025	**2026**
Total current assets	¥ 22,637	**¥ 38,835**
Total noncurrent assets	126,894	**131,215**
Total current liabilities	19,182	**23,310**
Total noncurrent liabilities	76,586	**78,112**
Total net assets	57,764	**68,628**
Net sales	59,704	**62,856**
Income (loss) before income taxes	4,325	**7,581**
Profit (loss)	7,184	**10,193**

24 Per Share Information

Yen

Item	2025 (From April 1, 2024 to March 31, 2025)	**2026 (From April 1, 2025 to March 31, 2026)**
Net assets per share	¥1,782.73	**¥1,750.15**
Basic earnings (loss) per share	209.79	**(27.36)**
Diluted earnings per share	209.02	**—**

Notes: 1. Diluted earnings per share is not presented for the current fiscal year because, although potential shares exist, a net loss per share was recorded.
2. The calculation basis for net assets per share is as follows:

Items	2025 (As of March 31, 2025)	**2026 (As of March 31, 2026)**
Total of net assets in the consolidated balance sheets (Millions of yen)	¥381,604	**¥354,967**
Amounts deducted from net assets in the consolidated balance sheets (Millions of yen)	438	**274**
(Share acquisition rights) (Millions of yen)	414	**243**
(Non-controlling interests) (Millions of yen)	24	**31**
Net assets pertaining to common stock (Millions of yen)	381,165	**354,693**
Number of common shares used to calculate net assets per share (Thousands of shares)	213,810	**202,664**

Notes: 3. The calculation basis for basic earnings (loss) per share and diluted earnings per share is as follows:

Item	2025 (From April 1, 2024 to March 31, 2025)	**2026 (From April 1, 2025 to March 31, 2026)**
Basic earnings (loss) per share:		
Profit (loss) attributable to owners of parent (Millions of yen)	¥45,051	**¥ (5,756)**
Amount not attributable to ordinary shareholders (Millions of yen)	—	**—**
Profit (loss) attributable to owners of parent pertaining to common stock (Millions of yen)	45,051	**(5,756)**
Average number of common shares during the period (Thousands of shares)	214,750	**210,423**
Diluted earnings per share:		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	**—**
Increase in common stock (Thousands of shares)	789	**—**
(Share acquisition rights) (Thousands of shares)	789	**—**
Overview of dilutive shares not included in calculation of diluted earnings per share because of no dilutive effect	—	**—**

Notes: 4. The treasury stock 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 stock that are excluded from the average number of shares used in calculating basic earnings (loss) per share during the period. Average treasury stock during the period excluded for the purpose of calculating basic earnings (loss) per share: 1,172,281 shares for the prior fiscal year and 1,989,855 shares for the current fiscal year.

25 Significant Subsequent Events

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

(1) Rationale for the cancellation of treasury stock

The Group is committed to maximizing corporate value by focusing on capital efficiency. As part of these initiatives, the Group has formulated a capital allocation policy and has been allocating capital to growth investments and shareholder returns. In accordance with this policy, in the Consumer area, which the Group positions as a growth business, the Group has pursued business expansion through organic investments such as game development, as well as through the acquisition of Rovio. Furthermore, in the Gaming Business, which the Group has established as the third business pillar, the Group has reinforced the business foundation through acquisitions including GAN and Stakelogic.
However, in the financial results for the fiscal year ended March 31, 2026, the Group recorded impairment losses on goodwill and other intangible assets related to Rovio, as well as on goodwill and property, plant and equipment related to Stakelogic, as other expenses. In light of these developments, the Group has decided to revise the capital allocation policy and suspend large-scale M&A activities for the time being.
Consequently, the Group has reallocated the funds that had been reserved for large-scale M&A, and at the Board of Directors meeting held on February 13, 2026, resolved matters related to the acquisitions of treasury stock and implemented the acquisitions of approximately ¥20.0 billion.
Furthermore, at the Board of Directors meeting held on March 31, 2026, the Company resolved to cancel all of the treasury stock acquired and subsequently executed such cancellation.

(2) Details of cancellation of treasury stock

(i) Type of shares to be cancelled
Common stock
(ii) Total number of shares to be cancelled
7,684,100 shares
(Percentage of total shares outstanding before cancellation (including treasury stocks) : 3.47%)
(iii) Date for cancellation
April 24, 2026
(iv) Total number of shares outstanding after the cancellation (including treasury stocks)
213,545,376 shares

26 Supplemental Information

[Annexed consolidated detailed schedule of bonds]

Company name	Security titles	Issuance date	Balances as of April 1, 2025 (Millions of yen)	Balances as of March 31, 2026 (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, 2026" is the current portion 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, 2025 (Millions of yen)	Balances as of March 31, 2026 (Millions of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	¥ —	¥ —	—	—
Current portion of long-term borrowings	7,500	7,500	1.8	—
Current portion of lease obligations	1,445	2,127	4.2	—
Long-term borrowings (Excluding current portion)	132,000	124,500	1.6	From 2027 to 2031
Lease obligations (Excluding current portion)	4,639	4,943	5.2	From 2027 to 2034
Other interest-bearing debts:				
Accounts payable—facilities	24	24	1.5	—
Accounts payable—facilities (Excluding current portion)	94	70	1.6	From 2027 to 2032
Total	145,703	139,165	—	—

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	¥17,500	¥21,800	¥22,500	¥62,700	¥—
Lease obligations	1,597	1,173	642	474	1,055
Other interest-bearing debts:					
Accounts payable—facilities	24	24	16	3	2

[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.

27 Other

First half information for the current fiscal year

(Cumulative period)	First six months	Current fiscal year
Net sales (Millions of yen)	¥201,108	¥487,542
Income (loss) before income taxes (Millions of yen)	6,427	(3,783)
Earnings (loss) attributable to owners of parent (Millions of yen)	2,742	(5,756)
Earnings (loss) per share (Yen)	12.96	(27.36)

Note: Provisional accounting treatment related to a business combination was finalized in the current consolidated fiscal year. Figures for the first six months of the year reflect the details of the finalization of the provisional accounting treatment.

28 Details of audit fees, etc.

a. Audit fees paid to certified public accountants

Millions of yen

Category	2025		2026	
	Fees based on audit certification services	Fees based on non-audit services	**Fees based on audit certification services**	**Fees based on non-audit services**
Reporting company	¥185	¥0	**¥201**	**¥20**
Consolidated subsidiaries	100	—	**109**	**—**
Total	286	0	**310**	**20**

(Non-audit services to reporting company)
Prior 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.

Current fiscal year
The Company paid ¥20 million in remuneration for support for double materiality analysis and other activities to strengthen its sustainability disclosure regulations.

b. Audit fees paid to networks equal to certified public accountants (excluding a.)

Millions of yen

Category	2025		2026	
	Fees based on audit certification services	Fees based on non-audit services	**Fees based on audit certification services**	**Fees based on non-audit services**
Reporting company	¥ —	¥239	**¥ —**	**¥20**
Consolidated subsidiaries	163	173	**211**	**142**
Total	163	412	**211**	**163**

Prior 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 Company subsidiary, paid a ¥68 million fee to KPMG LLP (UK), which belongs to the same network as certified public accountants contracted on the Company's behalf, based on non-audit services (e.g., tax consulting).

Current fiscal year
The Company paid an ¥11 million fee to KPMG Tax Corporation, which is part of the same network as the certified public accountants, as payment for non-audit services, including tax consulting and global minimum tax compliance.
Sega Europe Ltd., a consolidated Company subsidiary, paid a ¥93 million fee to KPMG LLP (UK), which belongs to the same network as certified public accountants contracted on the Company's behalf, based on non-audit services (e.g., tax consulting).

c. Other important fees based on audit certification services
Not applicable

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2026, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the year 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, 2026, and its consolidated financial performance and its consolidated cash flows for the year 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 of public interest entities 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.

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 valuation of goodwill and other intangible assets allocated to Rovio Entertainment Ltd

The key audit matter	How the matter was addressed in our audit
As described in Note 8 "Notes to Consolidated Statements of Income and Comprehensive Income (6) Breakdown of impairment loss" to the Consolidated Financial Statements, the Company recognized an impairment loss of ¥31,993 million on the full unamortized balance of goodwill and a portion of the unamortized balance of other intangible assets related to Rovio Entertainment Ltd ("Rovio"). In addition, as described in Note 3 "Significant Accounting Estimates (4) Valuation of goodwill and other intangible assets of Rovio Entertainment Ltd" to the consolidated financial statements, the carrying amounts, net of impairment losses, of trademark rights and technology-related intangible assets related to Rovio as presented in the consolidated balance sheet as of the end of the current fiscal year are ¥44,309 million and ¥4,392 million, respectively. The Company applies International Financial Reporting Standards in valuing goodwill and other intangible assets because it acquired shares of Rovio through Sega Europe Ltd. For the cash-generating unit (CGU) that includes goodwill and other intangible assets, goodwill is tested for impairment when there is an indication of impairment or at least annually, while other intangible assets are tested for impairment only when there is an indication of impairment. In performing impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, with the excess recognized as an impairment loss. In the current fiscal year, the Company determined the recoverable amount based on value in use in the impairment testing. The future cash flows used in measuring the value in use are based on Rovio's future business plan. The business plans include estimates of net sales, cost of sales and advertising expenses for each major game title, which involve a high degree of uncertainty; therefore, management's judgments in these estimates have a significant impact on the estimation of future cash flows. In addition, selecting appropriate valuation techniques and input data for estimating the discount rate used to measure the value in use requires a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of the valuation of goodwill and other intangible assets allocated to Rovio was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary audit procedures we performed to assess the appropriateness of the valuation of goodwill and other intangible assets allocated to Rovio included the following: **(1) Internal control testing** We evaluated the design and operating effectiveness of the Company's internal controls relevant to the impairment testing on the CGU including goodwill and other intangible assets. **(2) Assessment of the reasonableness of the estimate of the present value of future cash flows** We assessed the reasonableness of key assumptions embedded in the business plan by performing the following procedures, among others: ● obtained an understanding of assumptions related to net sales, cost of sales and advertising expenses for each major game title through inquiry of management; ● assessed the appropriateness of the assumptions related to net sales by comparing them with historical performance and market data published by external organizations; and ● assessed the appropriateness of the assumptions related to cost of sales and advertising expenses by comparing the planned ratios against net sales with past actual results. In addition, we involved valuation specialists within our domestic network of firms to assist in assessing the following, among others: ● appropriateness of the valuation techniques used to estimate the discount rate based on the nature of the 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.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill, etc. related to Stakelogic B.V.

The key audit matter	How the matter was addressed in our audit
As described in Note 8 "Notes to Consolidated Statements of Income and Comprehensive Income (6) Breakdown of impairment loss" to the Consolidated Financial Statements, the Company recognized an impairment loss of ¥18,054 million on goodwill and other property, plant and equipment ("goodwill, etc.") related to Stakelogic B.V. ("Stakelogic") for the current fiscal year. If the business environment has significantly deteriorated or is expected to deteriorate, goodwill, etc. is considered to have an indicator of impairment. In such cases, it is necessary to determine whether an impairment loss should be recognized by comparing the total undiscounted future cash flows expected to be generated from the asset group with the carrying amount of goodwill, etc. If it is determined that an impairment loss should be recognized as a result of the comparison, the carrying amount is reduced to the recoverable amount, and the resulting decrease is recognized as an impairment loss. As described in Note 3 "Significant Accounting Estimates (6) Allocation of acquisition costs related to the acquisition of stock in Stakelogic B.V. and evaluation of goodwill and other property, plant and equipment" to the consolidated financial statements, the Company acquired shares of Stakelogic during the current fiscal year. However, against the backdrop of regulatory tightening in the Netherlands, Stakelogic's principal market, the business environment has significantly deteriorated following the acquisition. The Company considered these circumstances to give rise to an indicator of impairment, and, in response, revised its business plans and reduced the carrying amount of goodwill, etc. to their recoverable amount of nil, thereby recognizing an impairment loss. The determination of whether an impairment loss should be recognized on goodwill, etc. related to Stakelogic involves significant management judgment. Given that an impairment loss was recognized within a short period following the acquisition of the shares of Stakelogic, such judgment is particularly significant in this context. 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, etc. related to Stakelogic was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary audit procedures we performed to assess the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill, etc. related to Stakelogic included the following: **(1) Internal control testing** We evaluated the design and operating effectiveness of the Company's internal controls relevant to the Company's judgment as to whether an impairment loss should be recognized on goodwill, etc. related to Stakelogic. **(2) Assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized** ● We made inquiries of management regarding the overview, purpose and process for determining the acquisition consideration related to the acquisition of Stakelogic shares. In addition, we inspected relevant documents such as the share transfer agreement, minutes of the Board of Directors' meetings and valuation materials, and assessed the reasonableness of the assumptions underlying the business plan as of the acquisition date. ● To assess whether significant changes in the business environment that could give rise to an impairment loss occurred after the acquisition of Stakelogic shares, we made inquiries of management and inspected relevant documents such as minutes of the Board of Directors' meetings, and evaluated consistency with available external information, including materials published by regulatory authorities in the key market. ● To assess the appropriateness of management's judgment as to whether an impairment loss should be recognized, we compared the projected net sales and operating income (loss) from the following fiscal year onward in the revised business plan for the current fiscal year with those in the business plan as of the acquisition date and assessed the reasonableness of the variances and the causes of such variances.

Other Information

The other information comprises the information included in the Integrated Report, but does not include the consolidated 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 with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

Masahiro Sasaki Designated Engagement Partner
Certified Public Accountant

Takeharu Kirikae Designated Engagement Partner
Certified Public Accountant

Tomoaki Murakami Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
October 30, 2026

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



SEGA SAMMY HOLDINGS INC.

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