Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2027 (Japanese GAAP)

August 12, 2026

Name of Listed Company: Ａｋａｔｓｕｋｉ　Ｉｎｃ．　　Stock listed on: Tokyo Stock Exchange
Code Number: 3932　URL https://aktsk.jp/
Representative: Title: President and CEO　Name: Tetsuro Koda
Inquiries: Title: Director, Executive Vice President, CFO and CSO　Name: Kazuhiro Ishikura　TEL: +81-3-5422-7757
Scheduled dividend payment date: —
Quarterly material to supplement the financial results: Yes
Quarterly financial results conference: No

(Amounts less than 1 million yen have been rounded down)

1. Consolidated Results for the First Three-Month Period of FY 2026 (April 1, 2026 to June 30, 2026)

(1) Consolidated Operating Results (cumulative)　(Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three-month period, FY2026	5,126	121.6	693	―	652	―	787	―
First three-month period, FY2025	2,313	△44.0	△1,698	―	△1,907	―	△1,167	―

(Note) Comprehensive income: First three-month period, FY2026: 833 Million yen (- %)
First three-month period, FY2025: △312 Million yen (- %)

	Profit per Share	Diluted Profit per Share
	Yen	Yen
First three-month period, FY2026	59.81	―
First three-month period, FY2025	△80.94	―

(Notes) 1. Diluted Profit per Share is not presented for the first three-month period of FY2026 because there were no dilutive securities.
2. Diluted Profit per Share is not presented for the first three-month period of FY2025 because potentially dilutive securities existed, but the Company recorded a loss per share and such securities were therefore anti-dilutive.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2026	78,646	38,872	49.0
As of March 31, 2026	62,325	45,376	72.3

(Reference) Equity: As of June 30, 2026: 38,568 Million yen　As of March 31, 2026: 45,070 Million yen

2. Dividends

	Dividends per share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year End	Full Year Total
	Yen	Yen	Yen	Yen	Yen
FY2025	―	55.00	―	60.00	115.00
FY2026	―				
FY2026 (Forecast)		60.00	―	―	―

(Notes) 1. Revisions to the latest dividend forecasts: None
2. As the Company plans to implement a stock split at a ratio of 3 shares for every 1 share of common stock, with an effective date of October 1, 2026, the interim dividend per share for FY2026 (forecast) is stated on a pre-split basis.
3. The year-end dividend for the fiscal year ending March 31, 2027 is undetermined given uncertainties in forecasting business performance at the present time.

3. Forecasts for FY2026(April 1, 2026 to March 31, 2027)

Providing appropriate and reliable forecasts is difficult given many uncertainties impacting the short-term business environment of the Games and Comics business, as well as the Company’s intention to continue investing in other businesses. Therefore, going forward, the Company has a policy to strive for timely disclosure of quarterly financial results and business overview and to not provide full-year forecasts. For details, please refer to "1. Qualitative Information on Consolidated Results for the Current Period, (3) Qualitative Information on Forecasts of Consolidated Operating Results" on page 3 of the attachment.

*** Matters of note:**

(1) Significant changes in the scope of consolidation during the first quarter of consolidated FY2026: Yes

Newly added: 2 companies (Company name: Groove Holdings, Inc. and 1 other company)

Excluded: 1 company (Company name: WOWs, Inc.)

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Related Notes, (3) Notes on the Quarterly Consolidated Financial Statements (Notes on Significant Changes in Scope of Consolidation)” on page 7 of the attachment.

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, accounting estimates and restatement of corrections

1) Changes in accounting policies due to the revision of accounting standards and other regulations: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

(4) Shares outstanding (Common shares)

1) Number of shares outstanding (including treasury shares)	As of June 30, 2026	14,519,800	As of March 31, 2026	14,519,800
2) Number of treasury shares	As of June 30, 2026	2,487,531	As of March 31, 2026	97,531
3) Average number of shares during the term	First three months of FY2026	13,161,610	First three months of FY2025	14,419,615

(Notes) 1. The number of treasury shares includes shares of the Company held by “Employee Stock Ownership Plan (J-ESOP)”. (32,156 shares as of June 30, 2026; 32,156 shares as of March 31, 2026).

2. The number of shares of the Company held by “Employee Stock Ownership Plan (J-ESOP)” are included in treasury shares deducted in calculating the average number of shares during the period. (32,156 shares for the first three-month period, FY2026; 32,156 shares for the first three-month period, FY2025).

*** Review of this “Consolidated Financial Statements” by certified public accountants or audit firms:** None

*** Explanation on the proper use of financial results forecast and other notes**

(Cautionary Statement)

The forecast figures and forward-looking statements included in these materials are based upon judgements and assumptions derived from information available to management at the time this report was prepared. These judgements and assumptions are subject to uncertainties and changes in the operating environment. Actual performance may differ significantly from forecast figures and the Company does not guarantee the certainty of such forward-looking statements.

(Accessing supplementary financial statement briefing materials)

Supplementary explanatory materials will be made available on the company’s website.

Table of Contents of Attached Documents

1. Qualitative Information on Consolidated Results for the Current Period

(1) Qualitative Information on Consolidated Operating Results

In the first three-month period of consolidated FY2026, economic conditions in Japan continued recovering moderately thanks to improving conditions for employment and income as well as the effects of various government policies. However, it is necessary to pay close attention to the risk of deceleration in overseas economies exerting downward pressure on Japanese economic conditions, including impacts resulting from the Middle East situation and from fluctuations in financial and capital markets.

Amidst this environment and with the goal of accelerating growth, the Akatsuki Group (the “Group”) has established a new vision for becoming a “Challengers’ Community” and will use its mission of “Transforming the world into a more joyful and enriched place through sensitivity and technology” as the foundation for business activities. Under this new vision and mission, the Group aims to take advantage of opportunities as a challenger amidst rapid changes. We intend to not only grasp customer needs, but to also build an attractive organizational community for members, creators, teams, and companies who can conceive new initiatives and partner with us as challengers, collaborating to enhance the value of one another and to speedily create and deliver plans and services that offer originality and excitement.

Reviewing the main activities and trends for each business, the core Games and Comics Business strove to strengthen the long-term earnings base by continuing to focus on maximizing the Lifetime Value (LTV) of existing game titles and by allocating management resources toward stable ongoing operations of the new title, “Kaiju No. 8 The Game,” which had a successful launch after its release at the end of August 2025. In the Entertainment and Lifestyle Business, the Slash Gift online lottery service performed strongly, thanks to continued success with new projects, and we strengthened our market presence and accelerated growth by consolidating CRAYON Inc. – our subsidiary that provides solutions to a diverse range of IP-related needs, from fan club management to advertising and marketing support. Additionally, we worked toward reinforcing our service lineup and diversifying our business portfolio on the back of three M&A transactions which were executed in the second quarter period of the prior fiscal year and in this current three-month period. These strategic investments are aimed at building a business foundation for future revenue growth.

Additionally, as announced on June 25, 2026 in the "Notice Regarding the Results of the Tender Offer for Shares of SUNNY SIDE UP GROUP, Inc. (Securities Code: 2180) and Change in Subsidiaries (Change in Specified Subsidiary)," the tender offer for SUNNY SIDE UP GROUP, Inc. was successfully completed, with settlement finalized on July 1, 2026, making the company a consolidated subsidiary. Through this integration, the Group will combine its cultivated strengths in "creating IP and entertainment" with SUNNY SIDE UP GROUP's strengths in "PR and brand communication," driving business growth and enhancing corporate value at an unprecedented scale. Please note that contributions from this newly consolidated subsidiary to the Group's consolidated financial results will commence from the second quarter period.

As a result, net sales for the period was ¥5,126 million (an increase of 121.6% year-on-year), operating profit was ¥693 million (prior year period operating loss of ¥1,698 million), ordinary profit was ¥652 million (prior year period ordinary loss of ¥1,907 million), and profit attributable to parent company shareholders was ¥787 million (prior year period loss attributable to parent company shareholders of ¥1,167 million).

The operating results for each segment are as follows below.

Effective from the third quarter of the previous fiscal year, the Group changed its reportable segment classifications after previously renaming its business segments in the preceding second quarter. Accordingly, the comparative analysis for the current first quarter period is based on the revised segment classifications. For further details, please refer to "II. First three-month period of consolidated FY2026, ii. Matters Related to Changes in Reportable Segments, etc." under "Segment Information" in the Notes to Quarterly Consolidated Financial Statements.

(Games and Comics Business)

In the Games and Comics segment, consistent with its policy of maximizing LTV through ongoing operations of existing game titles, the Group continued LTV-maximizing operations of its flagship title, "Dragon Ball Z Dokkan Battle," developed in collaboration with Bandai Namco Entertainment Inc., even as this title was in a transitional slack period after the domestic 11th anniversary event and ahead of the overseas 11th anniversary event.

Amid the backdrop of these initiatives, the financial performance of the segment included a year-on-year increase in net sales thanks to revenue contributions from "Kaiju No. 8 THE GAME," a new title released at the end of August 2025, and to continued strong performance of existing game titles. In addition to revenue improvement, segment profit also increased from the prior year period thanks to expense reductions resulting from review of the business portfolio and from operational efficiencies achieved for existing titles, together with lower R&D expense as the cycle of new title development slowed.

As a result, net sales for the consolidated three-month period was ¥3,537 million (an increase of 76.1% year-on-year) and segment profit was ¥1,282 million (prior year period segment loss of ¥1,622 million).

(Entertainment and Lifestyle Business)

In the Entertainment and Lifestyle segment, strong growth continued in the merchandising solution business that provides comprehensive services from planning and development to service operations and support, centered on online lottery and e-commerce. The online lottery service Slash Gift continued to see strong performance of large-scale projects for popular IP while the launch of service systems for LINE Mini Apps expanded the business base. In addition, segment performance was supported by contributions from PAPABUBBLE, Inc., a world-leading group of candy artists that was brought within the scope of consolidation through M&A in the second quarter of the previous fiscal year, thanks to the popularity of collaborative products featuring prominent IP such as "Chiikawa."

In terms of financial performance, new consolidation of PAPABUBBLE, Inc. drove a year-on-year increase in segment sales while segment profit recorded a year-on-year decrease due to the high comparison base of the prior year period, which benefitted from a concentration of large-scale transactions in the online lottery service Slash Gift.

As a result, net sales for the consolidated three-month period was ¥847 million (an increase of 183.6% year-on-year) and segment profit was ¥59 million (a decrease of 51.5% year-on-year).

(AI/DX Solutions Business)

In the AI/DX Solutions segment, Natee Inc. and its subsidiaries were acquired in the second quarter of the prior fiscal year and have been included within the scope of consolidation beginning with the third quarter of the prior year. Collectively, Natee and its subsidiaries provide services that include SNS marketing, creator agency, and AI solutions. The SNS marketing business achieved steady progress with new project acquisition while the launch of the AI solutions business is on track with steady progress in securing orders, including in the physical AI domain. Please note that the AI solutions business remains in an active investment phase aimed at establishing and growing its business foundation, resulting in upfront recording of expenses in the first three-month period.

As a result, net sales for the consolidated three-month period was ¥733 million and segment loss was ¥98 million. Please note that year-on-year comparisons for this segment are not shown since this was a newly established reportable segment beginning with the third quarter of the prior year.

(Others)

The Others segment includes content investment and other businesses. For the first three-month period of consolidated FY2026, the Others segment recorded net sales of ¥7 million (an increase of 30.7% year-on-year) and segment loss of ¥7 million (prior year period segment loss of ¥26 million).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as of June 30, 2026 were ¥78,646 million, an increase of ¥16,320 million from March 31, 2026. Key contributing factors included: an increase of ¥7,657 million in cash and deposits, an increase of ¥8,325 million in deposits paid, an increase of ¥3,338 million in goodwill, and a decrease of ¥3,023 million in trade accounts receivable and contract assets.

(Liabilities)

Total liabilities as of June 30, 2026 were ¥39,773 million, an increase of ¥22,823 million from March 31, 2026. Key contributing factors included an increase of ¥6,481 million in short-term borrowings and an increase of ¥16,735 million in long-term borrowings (including the current portion).

(Net assets)

Total net assets as of June 30, 2026 were ¥38,872 million, a decrease of ¥6,503 million from March 31, 2026. Key contributing factors included: quarterly net profit attributable to parent company shareholders of ¥787 million, dividends paid of ¥867 million, and consideration paid for the purchase of treasury shares of ¥6,481 million.

(3) Qualitative Information on Forecasts of Consolidated Operating Results

Providing appropriate and reliable forecasts is difficult given many uncertainties impacting the short-term business environment of the Games and Comics business, as well as the Company’s intention to continue investing in other businesses. Therefore, the Company has adopted a policy to not provide forecasts for the fiscal year ending March 31, 2027.

Should circumstances change and providing appropriate and reliable forecasts becomes possible, such forecasts will be disclosed in a timely manner.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	End of consolidated FY2025 (as of March 31, 2026)	End of 1Q of consolidated FY2026 (as of June 30, 2026)
Assets		
Current assets		
Cash and deposits	30,555	38,212
Accounts receivable - trade, and contract assets	6,724	3,701
Deposits paid	4,419	12,745
Other	2,756	2,484
Allowance for doubtful accounts	△5	△5
Total current assets	44,451	57,139
Non-current assets		
Property, plant and equipment	694	797
Intangible assets		
Goodwill	3,781	7,120
Other	21	17
Total intangible assets	3,802	7,138
Investments and other assets		
Investment securities	12,669	12,766
Other	741	839
Allowance for doubtful accounts	△35	△35
Total investments and other assets	13,376	13,571
Total non-current assets	17,873	21,506
Total assets	62,325	78,646
Liabilities		
Current liabilities		
Accounts payable - trade	1,160	1,428
Short-term borrowings	—	6,481
Current portion of bonds payable	—	2,000
Current portion of long-term borrowings	699	1,337
Income taxes payable	1,193	661
Provision for bonuses	334	17
Other	2,034	2,225
Total current liabilities	5,422	14,150
Non-current liabilities		
Bonds payable	2,000	—
Long-term borrowings	8,955	25,051
Other	571	570
Total non-current liabilities	11,526	25,622
Total liabilities	16,949	39,773
Net assets		
Shareholders' equity		
Share capital	2,782	2,782
Capital surplus	2,781	2,781
Retained earnings	38,818	38,751
Treasury shares	△261	△6,743
Total shareholders' equity	44,120	37,571
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	795	837
Foreign currency translation adjustment	154	159
Total accumulated other comprehensive income	950	996
Share acquisition rights	289	289
Non-controlling interests	15	15
Total net assets	45,376	38,872
Total liabilities and net assets	62,325	78,646

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Cumulative First Three Months of the Fiscal Period)

(Millions of yen)

	First three-month period of consolidated FY2025 (April 1, 2025 to June 30, 2025)	First three-month period of consolidated FY2026 (April 1, 2026 to June 30, 2026)
Net sales	2,313	5,126
Cost of sales	2,175	2,670
Gross profit	137	2,455
Selling, general and administrative expenses	1,835	1,761
Operating profit (loss)	△1,698	693
Non-operating income		
Interest income	37	40
Foreign exchange gains	—	126
Gain on valuation of cryptocurrency	26	—
Other	17	31
Total non-operating income	82	198
Non-operating expenses		
Interest expenses	12	60
Foreign exchange losses	191	—
Commission expenses	—	97
Loss on investments in investment partnerships	63	48
Loss on valuation of crypto assets	—	23
Other	23	9
Total non-operating expenses	291	239
Ordinary profit (loss)	△1,907	652
Extraordinary income		
Gain on sale of non-current assets	—	11
Gain on sale of investment securities	800	545
Gain on reversal of share acquisition rights	58	0
Total extraordinary income	859	557
Extraordinary losses		
Loss on sale of investment securities	204	—
Loss on liquidation of business	103	—
Total extraordinary losses	307	—
Profit (loss) before income taxes	△1,355	1,209
Income taxes	△187	422
Profit (loss)	△1,167	787
Loss attributable to non-controlling interests	△0	△0
Profit (loss) attributable to owners of parent	△1,167	787

(Quarterly Consolidated Statement of Comprehensive Income)

(Cumulative First Three Months of the Fiscal Period)

(Millions of yen)

	First three-month period of consolidated FY2025 (April 1, 2025 to June 30, 2025)	First three-month period of consolidated FY2026 (April 1, 2026 to June 30, 2026)
Profit (loss)	△1,167	787
Other comprehensive income		
Valuation difference on available-for-sale securities	760	42
Foreign currency translation adjustment	94	4
Total other comprehensive income	855	46
Comprehensive income	△312	833
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△311	833
Comprehensive income attributable to non-controlling interests	△1	△0

(3) Notes on the Quarterly Consolidated Financial Statements

(Notes Related to the Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Scope of Consolidation)

In the first quarter of consolidated FY2026, all shares of Groove Holdings, Inc.("GHD") were acquired, making it a wholly-owned subsidiary. As a result, GHD and its subsidiary, Groove Direction, Inc.("GD"), have been included within the scope of consolidation. The provisional closing date of GHD is April 30, and that of GD is May 31. As the difference between the end of the first quarter of the consolidated fiscal period and the provisional closing date of each subsidiary does not exceed three months, and as consolidation is performed using the financial statements prepared as of each subsidiary's provisional closing date, only the balance sheet has been consolidated for the first quarter of the consolidated fiscal period.

Additionally, beginning with the first quarter of consolidated FY2026, consolidated subsidiary WOWs, Inc. has been excluded from the scope of consolidation as its materiality has decreased.

Furthermore, XICA COLLECTIVE Ltd., previously an equity-method affiliate of the Company, has been excluded from the scope of equity-method accounting following the Company's disposal of all shares held in the company.

(Notes Related to Significant Changes in Shareholders' Equity)

At a Board of Directors meeting held on May 13, 2026, the Company resolved to acquire treasury shares and determined the specific method of acquisition, in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act. On May 14, 2026, the Company acquired 2,390,000 shares of its common stock through the Off-auction Share Repurchase Trading System (ToSTNet-3) and, as a result, including treasury shares delivered through the Employee Stock Ownership Plan (J-ESOP), the amount recorded for treasury shares increased by ¥6,481 million during the first quarter of consolidated FY2026, reaching ¥6,743 million as of the end of the first quarter of consolidated FY2026.

(Accounting Treatments Specific to the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expense)

In calculating tax expense, the effective tax rate after application of tax effect accounting for income before income taxes for the consolidated fiscal year, inclusive of the first quarter of consolidated FY2026, has been estimated in a rational manner. The tax expense is calculated by multiplying the quarterly income before income taxes and adjustments by this estimated effective tax rate.

(Additional Information)

(Commencement of Tender Offer for Shares and Other Securities of SUNNY SIDE UP GROUP, Inc. and Execution of Memorandum of Understanding for Share Exchange)

At the meeting of the Board of Directors held on May 13, 2026, the Company resolved to acquire the common shares and stock acquisition rights of SUNNY SIDE UP GROUP, Inc. (Securities Code: 2180, listed on the Tokyo Stock Exchange Standard Market; the "Target") through a tender offer (the "Tender Offer") pursuant to the Financial Instruments and Exchange Act, as part of a series of transactions (the "Transactions") for the management integration between SUNNY SIDE UP GROUP and the Company.

Note that the Tender Offer commenced on May 14, 2026, concluded on June 24, 2026, and settlement was completed on July 1, 2026, making the Target a consolidated subsidiary.

Further, as part of the Transactions, the Company plans to conduct a share exchange (the "Share Exchange") following the completion of squeeze-out procedures, in which the Company will become the wholly owning parent company and the Target will become the wholly owned subsidiary. On May 13, 2026, the Company executed a memorandum of understanding with Ms. Etsuko Tsugihara, Representative Director and President of SUNNY SIDE UP GROUP, Inc. ("Ms. Tsugihara"), and with Next Field, Inc. ("NF"), Ms. Tsugihara's asset management company, and agreed upon matters including the method for calculating the share exchange ratio for the Share Exchange.

(1) Overview of the Tender Offer

① Purpose of the Tender Offer

The Company commenced the Tender Offer believing that the integration of management structures with the Target will enable both parties to align and to maximize their utilization of management resources and to achieve maximal synergy effects, while still respecting each other's business strategies and corporate cultures to the greatest extent possible, so that both parties can surpass their standalone business results and further increase corporate value.

② Overview of the Target
Name: SUNNY SIDE UP GROUP, Inc.
Location: 4-23-5, Sendagaya, Shibuya-ku, Tokyo
Representative, title: Etsuko Tsugihara, President and Representative Director
Business: Management of group companies
Capital: ¥550 million (as of December 31, 2025)
Date of establishment: July 1, 1985

③ Tender Offer Period
From Thursday, May 14, 2026 to Wednesday, June 24, 2026 (30 business days)

④ Tender Offer Price
¥1,320 per common share
¥65,900 per unit of the 8th Series of Stock Acquisition Rights (hereinafter, the "Stock Acquisition Rights") issued pursuant to a resolution of the Target's Board of Directors held on June 16, 2023

⑤ Number of Securities to Be Purchased

Class of Securities	Planned Number of Shares to Be Purchased	Minimum Number of Shares to Be Purchased	Upper Limit of Shares to Be Purchased
Common shares	10,594,564 shares	5,551,400 shares	— shares
Total	10,594,564 shares	5,551,400 shares	— shares

(Notes) 1. While no upper limit on the number of shares to be purchased has been set, the planned number of shares to be purchased is 10,594,564 shares, which is the maximum number of shares of the Target that the Company may purchase.
2. The maximum number is calculated as follows: the total number of issued shares of the Target as of March 31, 2026 (15,197,600 shares), minus the number of treasury shares held by the Target as of the same date (386,256 shares), resulting in 14,811,344 shares (hereinafter referred to as the "Reference Number of Shares"), plus the total number of shares subject to the Stock Acquisition Rights (106,100 shares), totaling 14,917,444 shares, from which shares subject to non-tendering agreements (4,322,880 shares) are deducted, giving 10,594,564 shares.

⑥ Purchase Price ¥13,914,692,380
(Note) The total purchase price is calculated as follows: the number of shares, obtained by deducting the non-tendering shares (4,322,880 shares) from the Reference Number of Shares (14,811,344 shares), i.e., 10,488,464 shares, multiplied by the tender offer price of ¥1,320 per share, amounting to ¥13,844,772,480; with an additional amount added based on the total number of Stock Acquisition Rights (1,061 units) multiplied by the Stock Acquisition Rights purchase price (¥65,900), amounting to ¥69,919,900.

⑦ Funding Method
Own funds and bank borrowings

⑧ Settlement Date
Wednesday, July 1, 2026

(2) Results of the Tender Offer

①Total number of shares purchased: 9,355,136 shares

② Number of common shares of the Target held by the Company after the purchase:
9,355,136 shares (ownership ratio: 62.7%)
(Note) The ownership ratio is calculated against the total number of shares, obtained by adding the total number of shares subject to the Stock Acquisition Rights (106,100 shares) to the Reference Number of Shares (14,811,344 shares), totaling 14,917,444 shares.

③ Total number of Stock Acquisition Rights purchased (converted to shares): 106,100 shares

④ Total purchase price: ¥12,418,699,420

(3) Overview of the Memorandum of Understanding for the Share Exchange

① Purpose of the Share Exchange
The same as the purpose of the Tender Offer described in (1) ① above.

② Contents of the Memorandum of Understanding

(a) The Company, Ms. Tsugihara, and NF agreed to conduct the Share Exchange, with the number of the Company's shares to be delivered to the Target's shareholders determined by multiplying the number of the Target's shares held by the Share Exchange Ratio set forth below (subject to adjustment in accordance with the consolidation ratio in the event of a share consolidation for squeeze-out purposes; hereinafter referred to as the "Share Exchange Ratio"). The parties agreed to cooperate and take all necessary measures to promptly realize the Share Exchange following the completion of squeeze-out procedures, including by causing the Target to enter into a share exchange agreement with the Company reflecting such agreement.
Share Exchange Ratio = X / Y
X: The purchase price in the Tender Offer
Y: The average closing price of the Company's shares during the period separately agreed between the parties up to the day immediately preceding the effective date of the Share Exchange

(b) The Company, Ms. Tsugihara, and NF agreed that there shall be two Representative Directors of the Company after the completion of the Share Exchange, namely Mr. Tetsuro Koda and Ms. Tsugihara, and that the parties shall use all reasonable efforts to implement their appointment as Representative Directors.

(c) The Company, Ms. Tsugihara, and NF agreed that the trade name of the Company after the completion of the Share Exchange shall be "“SUNNYS HOLDINGS Inc. (tentative name)," and the parties shall use reasonable efforts to take all reasonably necessary measures to effect such change of trade name.

(d) In addition to the above, the agreement also stipulates grounds for termination of the memorandum of understanding.

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the first three-month period of consolidated FY2026 have not been prepared. Depreciation and amortization (including amortization of intangible assets other than goodwill) and goodwill amortization for the first three-month period of consolidated FY2026 are as follows below.

	First three-month period of consolidated FY2025 (April 1, 2025 to June 30, 2025)	First three-month period of consolidated FY2026 (April 1, 2026 to June 30, 2026)
Depreciation and amortization	¥17 million	¥33 million
Goodwill amortization	― million	¥99 million

(Segment Information)

I. First three-month period of consolidated FY2025 (April 1, 2025 to June 30, 2025)

i. Information regarding the amounts of sales and income/loss for reportable segments

(Millions of yen)

	Segment				Others (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Games and Comics	Entertainment and Lifestyle	AI/DX Solutions	Subtotal				
Net Sales								
Revenue from contracts with customers	2,008	298	–	2,307	5	2,313	–	2,313
Other revenue	–	–	–	–	–	–	–	–
To external customers	2,008	298	–	2,307	5	2,313	–	2,313
Inter-segment sales and transfers	11	0	–	11	5	17	(17)	–
Total	2,020	298	–	2,319	11	2,330	(17)	2,313
Segment profit (loss)	(1,622)	122	–	(1,499)	(26)	(1,526)	(172)	(1,698)

Notes 1. The “Others” category includes content investment and other business activities that are not included in reportable segments.

2. The adjustment to segment profit (loss) of -¥172 million includes elimination of inter-segment transactions of ¥10 million and corporate expenses not allocated to reportable segments of -¥182 million. Principal corporate expenses are general management expenses not belonging to reportable segments.

3. Segment profit (loss) is adjusted with operating loss in the quarterly consolidated statements of income.

II. First three-month period of consolidated FY2026 (April 1, 2026 to June 30, 2026)

i. Information regarding the amounts of sales and income/loss for reportable segments

(Millions of yen)

	Segment				Others (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Games and Comics	Entertainment and Lifestyle	AI/DX Solutions	Subtotal				
Net Sales								
Revenue from contracts with customers	3,537	847	733	5,118	7	5,126	–	5,126
Other revenue	–	–	–	–	–	–	–	–
To external customers	3,537	847	733	5,118	7	5,126	–	5,126
Inter-segment sales and transfers	16	0	7	24	5	29	(29)	–
Total	3,553	847	741	5,142	12	5,155	(29)	5,126
Segment profit (loss)	1,282	59	(98)	1,242	(7)	1,235	(541)	693

Notes 1. The “Others” category includes content investment and other business activities that are not included in reportable segments.

2. The adjustment to segment profit (loss) of -¥541 million includes elimination of inter-segment transactions of ¥12 million and corporate expenses not allocated to reportable segments of -¥553 million. Principal corporate expenses are general management expenses not belonging to reportable segments.

3. Segment profit (loss) is adjusted with operating profit (loss) in the quarterly consolidated statements of income.

ii. Matters Related to Changes in Reportable Segments, etc.

Following a review of internal profit management classifications, a change in reportable segments was implemented, starting with the second quarter of the prior fiscal year, changing from the former two categories of “Games” and “Comics” to a new single category of “Games and Comics.”

Additionally, from the second quarter of the prior fiscal year, the name of the "IP Solutions" business was changed to the "Entertainment and Lifestyle" business.

Also in the second quarter period of the prior fiscal year, WOWs, Inc. was newly established and included in the scope of consolidation with the “Entertainment and Lifestyle” segment. However, beginning with the first quarter of the current fiscal year, WOWs has been excluded from the segment and removed from the scope of consolidation as its significance has decreased.

Natee, Inc. and its subsidiaries, as well as PAPABUBBLE, Inc., were acquired and made subsidiaries in the second quarter of the prior fiscal year. Since their acquisition dates were the last day of that quarter, their financial results have been included in the consolidated statements of income starting with the third quarter period of the prior fiscal year. PAPABUBBLE, Inc. has been added to the "Entertainment and Lifestyle" segment while Natee, Inc. and its subsidiaries have been added to the "AI/DX Solutions" segment.

Furthermore, beginning with the third quarter of the prior fiscal year, the "AI/DX Solutions" business has been disclosed as a separate reportable segment in order to ensure clear presentation and to more appropriately reflect the actual business classifications of the Group.

The segment information for the prior first three-month period has been prepared based on the revised classifications.

iii. Significant Changes in Fixed Asset Impairment Losses or Goodwill for Each Reportable Segment

(Significant Changes in Goodwill Amounts)

As a result of the acquisition of shares in Groove Holdings, Inc. in the first quarter of consolidated FY2026 and its inclusion within the scope of consolidation, goodwill increased by ¥3,438 million in the "Entertainment and Lifestyle" segment. Please note that since the purchase price allocation was not complete as of the end of the first quarter of consolidated FY2026, this represents a provisional amount.

(Notes Related to Business Combinations)

(Business Combination by Acquisition)

The Company resolved at a Board of Directors meeting held on April 24, 2026 to acquire all shares of Groove Holdings, Inc. ("GHD") and make it a subsidiary (the "Transaction"), and entered into a share transfer agreement on the same date. All shares were acquired on April 30, 2026. In addition, since GHD wholly owns Groove Direction, Inc. ("GD"), GD also became a consolidated subsidiary (sub-subsidiary) of the Company as a result of the Transaction.

1. Overview of Business Combination

(1) Name of acquiree and description of its business

Name of acquiree: Groove Holdings, Inc. and its wholly-owned subsidiary, Groove Direction, Inc.

Description of business: Planning and production of concert merchandise, fan club merchandise, and other related good

(2) Primary reason for the business combination

Under its mission of "Transforming the world into a more joyful and enriched place through sensitivity and technology" the Akatsuki Group strives to maximize the value of existing IPs through its core businesses of games and comics and to create new IPs, while also advancing diversified business development based on its vision of "Challengers' Community," which seeks to resonate with diverse talents and partner with them as fellow challengers.

GD has an extensive track record in planning and production of concert merchandise for artists. In addition to competitive pricing advantages through direct transactions with overseas partners and end-to-end management under a strong collaborative framework, GD has achieved industry-leading lead times and quality control standard, and has established a stable business foundation through long-standing relationships of trust with the music and entertainment industries. In recent years, GD has also expanded its transactions in adjacent areas such as anime and VTuber merchandise.

By combining the Company's knowledge and network in the entertainment field with GD's know-how for manufacturing high-quality, short-lead-time merchandise, the Company aims to accelerate the multifaceted development of IPs across the Akatsuki Group, enhance the value of fan experiences, and pursue sustainable growth in corporate value across the entire Group.

(3) Date of business combination

April 30, 2026 (date of share acquisition)

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name of entity after business combination

No change in name.

(6) Percentage of voting rights acquired

100%

(7) Primary basis for determining the acquirer

The Company acquired all shares of Groove Holdings, Inc. for cash consideration.

2. Period for which the financial results of the acquiree are included in the quarterly consolidated financial statements

The provisional closing date of GHD is April 30, and that of GD is May 31. As the difference between the end of the first quarter of the consolidated fiscal period and the provisional closing date of each subsidiary does not exceed three months, and as consolidation is performed using the financial statements prepared as of each subsidiary's provisional closing date, only the balance sheet has been consolidated for the first quarter of the consolidated fiscal period. Accordingly, the results of the acquired companies are not included in the quarterly consolidated statements of income for the first quarter of the consolidated fiscal period.

3. Acquisition cost and breakdown by type of consideration

Consideration (cash and deposits): ¥4,500 million

Acquisition cost (GHD shares): ¥4,500 million

4. Primary acquisition-related costs

Advisory fees and other: ¥162 million

5. Amount of goodwill, cause of occurrence, method of amortization, and amortization period

(1) Amount of goodwill: ¥3,438 million

Note: The above amount includes goodwill of GD, the wholly-owned subsidiary of GHD. In addition, since the purchase price allocation was not complete as of the end of the first quarter of consolidated FY2026, this represents a provisional amount.

(2) Cause of occurrence

This arises from expected excess earning power from future business development.

(3) Method and period of amortization

Straight-line method over 10 years

6. Amounts of assets acquired and liabilities assumed at the acquisition date, and their major details

Current assets:	¥1,720 million
Non-current assets:	¥23 million
Total assets:	¥1,744 million
Current liabilities:	¥682 million
Non-current liabilities:	—
Total liabilities:	¥682 million

Note: The above amounts include those of GD, the wholly-owned subsidiary of GHD.

(Significant Subsequent Events)

(Stock Split and Partial Amendment to the Articles of Incorporation in Connection with the Stock Split)

At the meeting of its Board of Directors held on August 12, 2026, the Company passed resolutions regarding a stock split and a partial amendment to its Articles of Incorporation, among other matters.

1. Purpose of the Stock Split

The purpose of the stock split is to improve the liquidity of the market for the Company's shares and to broaden the Company's investor base by making it easier for investors to purchase the Company's shares.

2. Overview of the Stock Split

(1) Method of Split

Using September 30, 2026 as the date of record, each share of common stock of the Company held by shareholders listed or recorded in the closing register of shareholders will be split on the basis of 3 shares for every 1 share held.

(2) Increase in the number of shares resulting from the split

(a)Total number of issued shares prior to the stock split (including treasury shares):	14,519,800 shares
(b)Number of shares to be increased by the split:	29,039,600 shares
(c)Total number of issued shares after the stock split:	43,559,400 shares
(d)Total number of authorized shares after the stock split:	135,271,200 shares

*The number of shares in items (a) through (c) above may increase due to the exercise of stock acquisition rights prior to the record date.

(3) Schedule

(a)Record date announcement date:	September 11, 2026
(b)Record date:	September 30, 2026
(c)Effective date:	October 1, 2026

3. Partial Amendment to the Articles of Incorporation

(1) Reason for Amendment

In connection with the stock split described above, and pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act, the Company will partially amend its Articles of Incorporation, with an effective date of October 1, 2026.

(2) Details of the Amendment

The details of the amendment are as follows.

Current Articles of Incorporation	Amended Articles of Incorporation
Article 6 (Total Number of Authorized Shares and Total Number of Authorized Shares by Class) The total number of shares authorized to be issued by the Company shall be <u>45,090,400 shares.</u>	Article 6 (Total Number of Authorized Shares and Total Number of Authorized Shares by Class) The total number of shares authorized to be issued by the Company shall be <u>135,271,200 shares.</u>

(3) Schedule of amendment

(a)Date of resolution by Board of Directors:	August 12, 2026
(b)Effective date:	October 1, 2026

4. Other Matters

Change in Amount of Capital

There will be no change in the amount of capital in connection with this stock split.