

Q2 for the Fiscal Year Ending March 2024

Results Presentation

2023/11/8

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Speaker: Koichi Fukazawa (Senior Executive Vice President and Group CFO, Director of the Board of SEGA SAMMY HOLDINGS INC.)

Thank you for accessing today's financial results briefing.
First, I would like to explain Q2 results and the outlook for the full year.

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FY2024/3 Q2 Results / Forecast

- **Revision of full-year forecasts** (see page 5 for details)
- **Commencement of structural reform in the Consumer area (CS)** (announced on September 28, 2023)
Plan to review title portfolio and reduce fixed expenses, mainly at European bases
Losses of approx. 14.3 billion yen associated with this structural reform are expected to be recorded during this FY
- **Commencement of consolidation of Rovio Entertainment Corporation (Rovio)**
Rovio became a consolidated subsidiary of the Company as of August 31
Began to incorporate Rovio into the consolidated financial results of the Company from September

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The three main topics for Q2 are as follows.

Regarding the first point, the revision of the full-year operating results forecast, which I will explain later, we announced structural reform in the Consumer area on September 28, and we expect to record a loss of approximately 14.3 billion yen for the current fiscal year as a result of this structural reform. Also, from September, we started the consolidation of Rovio into our consolidated financial results.

Regarding the second and third points, CEO Satomi will explain them later.

Results Highlights

(Billion yen)	FY2023/3		FY2024/3		
	Through Q2	Full Year Results	Through Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
Sales	150.0	389.6	221.1	433.0	474.0
Entertainment Contents	116.6	282.8	121.0	305.0	327.0
Pachislot and Pachinko Machines	27.5	94.2	93.4	115.0	134.0
Resort	5.6	11.5	6.0	12.0	12.0
Other / Elimination	0.3	1.1	0.7	1.0	1.0
Operating Income	9.5	46.7	39.5	55.0	60.0
Entertainment Contents	13.8	38.7	7.4	43.5	34.5
Pachislot and Pachinko Machines	1.3	20.0	38.8	24.5	39.0
Resort	-0.4	-1.1	-0.4	-1.0	-1.0
Other / Elimination	-5.2	-10.9	-6.3	-12.0	-12.5
Non-operating income	4.9	4.9	3.6	4.0	6.0
Non-operating expenses	2.2	2.2	1.1	1.0	3.0
Ordinary Income	12.3	49.4	42.0	58.0	63.0
Entertainment Contents	17.2	41.1	9.0	45.0	36.5
Pachislot and Pachinko Machines	2.0	20.7	39.3	25.0	39.5
Resort	-2.3	-3.2	0.2	0.0	0.0
Other / Elimination	-4.6	-9.2	-6.5	-12.0	-13.0
Ordinary Income Margin	8.2%	12.7%	19.0%	13.4%	13.3%
Extraordinary income	0.0	0.0	0.2	-	0.2
Extraordinary losses	0.2	2.4	9.7	-	13.2
Income before income taxes	12.0	47.0	32.5	58.0	50.0
Profit attributable to owners of parent	9.6	45.9	23.1	40.0	35.0
ROE	-	14.7%	-	-	-
Dividends per share (JPY)	20.00	59.00	23.00	47.00	47.00

FY2024/3 Q2 Results

➤ Significant increase in sales and profit YoY due to strong performance of pachislot & pachinko

- Entertainment*: Ordinary income was weak while sales were steady. Recorded losses due to structural reform
- Pachislot & Pachinko: Strong performance centered on pachislot
- Resort: Steady performance both in Japan and overseas

Forecast

➤ Revise the full-year forecast of Entertainment downward

- Entertainment: Plan to sell mainstay new titles. Implement structural reform (CS*)
- Pachinko & Pachislot: Proceed with the sales of both pachislot and pachinko machines
- Resort: Expect the recovery which exceeds the initial expectation mainly overseas

*Entertainment = Entertainment Contents Business, CS = Consumer area

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Through Q2 of this fiscal year, we achieved significant YoY increases in both sales and profits due to strong performance of Pachislot and Pachinko Machines business.

In the Entertainment Contents business, sales exceeded the initial plan due to the start of consolidation of Rovio, positive impact from foreign exchange fluctuations, and strong sales of prizes in Amusement Machine area, among other factors, and ordinary income was in line with expectations. On the other hand, extraordinary losses were recorded due to structural reform targeting European bases.

In the Pachislot and Pachinko Machines business, sales of pachislot machines, including *Smart Pachislot Hokuto No Ken*, were strong, and both sales and ordinary income significantly exceeded the initial plan.

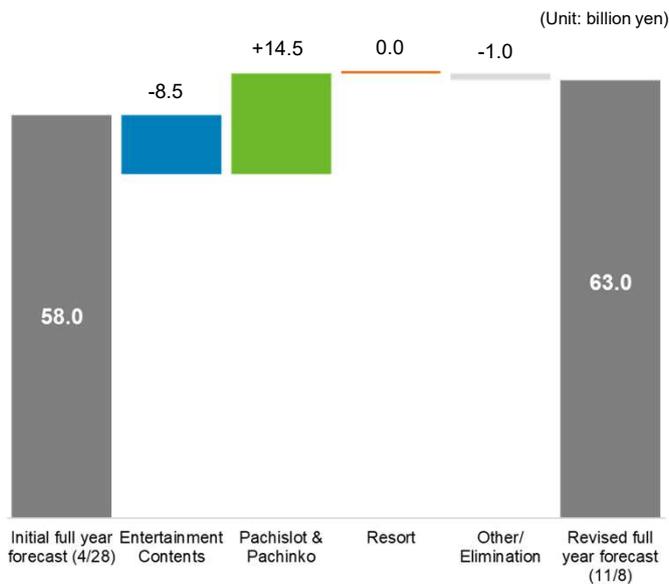
In the Resort business, Phoenix Seagaia Resort, which achieved profitability in the previous fiscal year, continues to perform well, and PARADISE SEGASAMMY's performance is also strong, resulting in positive ordinary income for through Q2 of this fiscal year, which exceeding the initial forecast.

With respect to the outlook for the future, we announced a revision of our full-year operating results forecast today. As I will explain in detail on the next page, we have made upward revisions to ordinary income, mainly in the Pachislot and Pachinko Machines business. On the other hand, income before income taxes and profit attributable to owners of parent have been revised downward due to recording of extraordinary losses resulting from structural reform in the Consumer area.

Tax expenses are calculated at 30% as a simplified method.

Revision of Operating Results Forecast

[Ordinary Income by Segment: Change from Initial Forecast]



➤ Entertainment Contents Business

- While sales of repeat titles of Full Game performed steady, some new titles in Full Game and new title in F2P went below expectations (CS*)
- Impact of raw material price hikes due to yen depreciation continues (AM*, Toy)

➤ Pachislot & Pachinko Machines Business

- Pachislot performed strong

*CS = Consumer area, AM = Amusement Machine area

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Next, I will explain the details of revision of our operating results forecast.

As for the differences in ordinary income, the Entertainment Contents business is expected to see a decrease in income compared to the previous forecast due to the weakness of some recently released titles in Full Game in the Consumer area and new F2P title went below expectations.

In the Pachislot and Pachinko Machines business, profit is expected to increase due to strong sales of high-margin pachislot machines. We have also decided to strategically move some of the new titles scheduled for this fiscal year into the next fiscal year.

For other and eliminations, we expect expenses to increase by about 1.0 billion yen from the previous forecast. This is mainly due to a reactionary increase in overhead costs associated with the normalization of business activities, as well as accelerated investment in human resources throughout the Group.

Breakdown of Income (FY2024/3 Q2 Results)

(Unit: billion yen)



Breakdown of non-operating income/expenses and extraordinary income/losses

Non-operating income	3.6
Equity in earnings of affiliates	1.1
Gain on investments in partnership	0.7
Interest income	0.7
Foreign exchange gains	0.5
Non-operating expenses	1.1
Loss on investments in partnership	0.4
Extraordinary income	0.2
Extraordinary losses	9.7
Loss on business restructuring	9.5
Taxes/Others	9.3

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This is the breakdown of each stage of income.

Non-operating income includes equity in earnings of affiliates from PARADISE SEGASAMMY for the period from January to June, as well as foreign exchange gains due to revaluation and settlement of receivables and payables denominated in foreign currencies.

Non-operating expenses include loss on investment partnership.

Extraordinary losses included a loss on business restructuring in the Consumer area of the Entertainment Contents business, amounting to approximately 9.5 billion yen.

[Impact of foreign exchange on Q2 results]

- **Positive impact of approx. 3.5 billion yen for sales and approx. 0.5 billion yen for operating income in Entertainment Contents business thru Q2**

(Billion yen)		Q1	Q2
CS*	Sales	+1.4	+2.5
	Operating Income	+0.6	+0.5
AM*	Sales	-	-
	Operating Income	-0.2	-0.3

- 1 USD: Rate in initial forecast 127 yen → AR141 yen (Mainly affect on **sales increase**)
- 1 GBP: Rate in initial forecast 160 yen → AR177 yen (Mainly affect on **cost increase**)
- 1 Euro: Rate in initial forecast 141 yen → AR153 yen (Mainly affect on **sales increase**)

- **Recorded foreign exchange gain of 0.5 billion yen in non-operating income due to revaluation and settlement of receivables and payables denominated in foreign currencies**

*CS = Consumer area, AM = Amusement Machine area

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This is an explanation of the impact of exchange rate fluctuations.

Through Q2, there were positive impact of approximately 3.9 billion yen and 0.5 billion yen in sales and operating income, respectively.

As for non-operating income, as mentioned earlier, foreign exchange gain of approximately 0.5 billion yen was recorded.

The breakdown by business area is as shown on this slide.

Costs and Expenses, etc.

■ Entertainment Contents

(Billion yen)	FY2022/3				FY2023/3				FY2024/3		FY2024/3	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
R&D / Content production expenses	9.9	13.5	12.7	18.3	11.9	14.8	16.4	22.9	12.5	17.5	68.9	66.6
Advertising expenses	2.2	3.9	3.7	4.4	2.7	5.0	6.3	6.7	3.1	6.0	23.6	32.7
Depreciation	0.8	0.9	0.9	1.1	0.9	1.0	0.9	1.0	0.9	1.1	3.6	4.0
Cap-ex	1.5	1.4	1.6	2.8	1.1	1.1	1.7	2.0	1.9	1.2	6.1	5.6

■ Pachislot & Pachinko

(Billion yen)	FY2022/3				FY2023/3				FY2024/3		FY2024/3	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
R&D / Content production expenses	3.4	3.2	3.4	4.4	3.0	3.5	3.7	4.2	3.1	3.5	15.5	13.4
Advertising expenses	0.2	0.6	0.5	0.3	0.3	0.3	0.3	0.8	0.8	0.6	4.0	2.9
Depreciation	0.5	0.7	0.7	0.8	0.6	0.7	0.7	0.7	0.5	0.7	3.0	3.0
Cap-ex	1.2	1.1	0.8	1.0	1.0	1.0	1.0	1.2	0.8	1.1	5.4	5.4

*Recognition criteria of R&D and Content Production Expenses by business segments

- Entertainment Contents business (Full Game (CS)): Expenses are capitalized as inventory assets or intangible assets during development and booked as expenses after launch. 25% will be amortized in first month and the rest will be amortized over a period of 23 months using the straight-line method (Total amortization period is 24 months)
 - Entertainment Contents business (F2P (CS)): Expenses are amortized over a period of 24 or 36 months using the straight-line method
 - Entertainment Contents business (AM): Expenses are capitalized as inventory assets during development and booked as expenses after launch. They will be amortized 15% per first 2 months and the rest will be amortized 7% per 10 months using the straight-line method (Total amortization period is 12 months)
 - Pachislot and Pachinko Machines business: Expenses aren't capitalized but are recognized as they arise (outsourced process expenses recognized when work is inspected)
- *Full Game (CS) are anticipated to be sold for a longer period due to recent longer product lifecycle compared with conventional length, so the amortization rule has been revised as above from new titles to be launched in FY2024/3.
Titles released by FY2023/3 will be amortized 40%, 15%, 5% per first 3 months and the rest will be amortized 2% per 21 months using the straight-line method.
Content development amortization expenses of Entertainment Contents business as a whole is expected to be reduced for approx. 4.6 billion yen in FY2024/3.

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Here are costs and expenses, etc.

In the Entertainment Contents business, due to the curbing of basic research expenses and other factors, development expenses as COGS and operating expense for accounting purposes are lower than initial plan, and we do not expect a large increase for the full year. In reality, however, development expenses are expected to increase, taking into account the write-downs recorded in extraordinary losses.

Regarding the expenses at Rovio, parts of them are reflected in the Q2 results, but due to different calculation methods, we haven't included them in forecast. Advertising expenses increased both in Q2 results and forecast, mainly due to the incorporation of Rovio's figures from September.

In the Pachislot and Pachinko Machines business, there continue to be no major changes in expenses. For the full year, mainly development and advertising expenses will be curbed compared with the initial forecast.

Costs and Expenses, etc.



■ Resort

(Billion yen)	FY2022/3				FY2023/3				FY2024/3		FY2024/3	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
R&D / Content production expenses	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Advertising expenses	0.0	0.2	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.2	0.5	0.4
Depreciation	0.1	0.2	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.2	0.7	0.6
Cap-ex	0.1	0.1	0.1	0.1	0.5	0.1	0.4	0.2	0.0	0.2	0.4	0.3

■ Other / Elimination

(Billion yen)	FY2022/3				FY2023/3				FY2024/3		FY2024/3	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
R&D / Content production expenses	0.1	-0.1	0.1	-0.1	0.0	0.0	0.1	-0.2	0.1	-0.1	0.1	0.0
Advertising expenses	0.4	0.4	0.2	0.3	0.3	0.7	0.2	0.2	0.3	0.6	1.2	1.8
Depreciation	0.4	0.1	0.3	0.2	0.5	0.1	0.3	0.2	0.4	0.1	1.0	1.0
Cap-ex	0.3	0.0	0.3	0.6	0.2	0.0	0.2	0.1	0.3	0.1	1.6	1.9

These are the expenses for Resort business and other, but there are no major changes here.

Consolidated Balance Sheet Summary



[Assets]				[Liabilities and Net Assets]			
Account	As of end of Mar. 2023	As of end of Sep. 2023	Increase /Decrease	Account	As of end of Mar. 2023	As of end of Sep. 2023	Increase /Decrease
Cash and Deposits	179.5	186.5	+7.0	Accounts Payable	30.5	28.3	-2.2
Accounts Receivable	53.3	59.3	+6.0	Short Term Borrowings	17.0	117.4	+100.4
Inventories	89.4	92.0	+2.6	Other	72.8	76.7	+3.9
Other	31.6	48.7	+17.1	Total Current Liabilities	120.3	222.4	+102.1
Total Current Assets	353.8	386.5	+32.7	Corporate Bonds	10.0	10.0	-
Tangible Fixed Assets	60.4	61.8	+1.4	Long Term Borrowings	25.0	25.0	-
Intangible Fixed Assets	13.2	84.0	+70.8	Other	14.8	17.1	+2.3
Investment Securities	39.5	51.1	+11.6	Total Noncurrent Liabilities	49.8	52.1	+2.3
Other	34.6	47.7	+13.1	Total Liabilities	170.2	274.5	+104.3
Total Noncurrent Assets	147.7	244.6	+96.9	Shareholders' Equity	326.7	340.3	+13.6
Total Assets	501.5	631.1	+129.6	Total accumulated other comprehensive income	4.0	14.9	+10.9
				Share acquisition rights	0.4	0.6	+0.2
				Non-controlling interests	0.0	0.7	+0.7
				Total Net Assets	331.3	356.6	+25.3
				Total Liabilities and Net Assets	501.5	631.1	+129.6

Main factors for increase/decrease

	As of end of Mar. 2023	As of end of Sep. 2023	Increase /Decrease
Cash, deposits and cash equivalents	179.5	203.7	+24.2
Interest bearing debt	52.0	152.4	+100.4
Net cash	127.5	51.3	-76.2
Equity ratio	66.0%	56.3%	-9.7p

(Assets) As for current assets, cash and deposits and securities increased due to the inclusion of Rovio in the scope of consolidation. Fixed assets also increased due to increased goodwill as a result of the acquisition of Rovio

(Liabilities) Short term borrowings increased

(Net assets) Shareholders' equity increased mainly due to the recording of profit attributable to owners of parent, despite the payment of dividends. In addition, foreign currency exchange adjustments increased

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This is the balance sheet.

For current assets, cash, deposits, and securities increased due to the consolidation of Rovio. For noncurrent assets, goodwill increased as a result of Rovio becoming a subsidiary.

Regarding liabilities, short-term borrowings increased due to borrowings related to the Rovio acquisition.

Lastly, in terms of net assets, while dividends were paid, shareholders' equity increased due to recording of profit attributable to owners of parent and foreign currency translation adjustments increased.

As of the end of September, the D/E ratio was 0.45 times.

Net cash was 51.3 billion yen, a decrease of 76.2 billion yen from the end of the previous fiscal year.

Cash flows are still being audited, but we will provide an estimate of cash flows for your reference.

Operating cash flow is expected to be positive 27.3 billion yen, investing cash flow negative 99.6 billion yen, and financing cash flow positive 91.1 billion yen, in total, overall cash flow of positive 24.2 billion yen.

- **Status of share buybacks** (announced on April 28 and August 31, 2023)
 - **Plan to acquire treasury stocks based on our return policy**
 - *No progress has been made at this time due to procedural reasons (as of October 31, 2023)

(Reference) Details of the resolution regarding the acquisition of treasury stock:

- Upper limit of acquisition cost: 10.0 billion yen
- Upper limit of the number of shares to be acquired: 8 million shares
- Acquisition period: From May 1, 2023 to March 29, 2024

As for other topics in Q2 results, regarding the share buybacks which was announced on April 28, 2023, with a maximum acquisition amount of 10.0 billion yen, the acquisition amount was zero until the end of October.

We were not able to acquire treasury stocks due to undisclosed important facts, such as the acquisition of GAN Corporation in North America, which was announced today. We will explain about this acquisition later. Now that today's disclosure will make the period exempt from insider trading regulations, we will proceed with this share buyback in a timely manner according to the schedule and method planned in advance.

02

Per Segments Results / Forecast

(Billion yen)	FY2023/3		FY2024/3		
	Through Q2	Full Year Results	Through Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
Sales	116.6	282.8	121.0	305.0	327.0
Consumer	75.0	187.9	77.9	205.0	227.5
Amusement Machine	28.4	64.9	29.3	63.5	65.0
Animation / Toy	12.9	29.3	13.5	36.0	34.0
Other / Elimination	0.3	0.7	0.3	0.5	0.5
Operating Income	13.8	38.7	7.4	43.5	34.5
Consumer	10.6	32.8	5.0	36.0	30.0
Amusement Machine	0.9	2.9	2.4	5.0	4.0
Animation / Toy	2.3	4.5	1.8	4.5	3.8
Other / Elimination	0.0	-1.5	-1.8	-2.0	-3.3
Non-operating income	3.5	2.8	2.0	1.8	3.5
Non-operating expenses	0.1	0.4	0.3	0.3	1.5
Ordinary Income	17.2	41.1	9.0	45.0	36.5
Ordinary Income Margin	14.8%	14.5%	7.4%	14.8%	11.2%

<Exchange rates>

FY2024/3 initial forecast: 1 USD = 127 yen, 1 GBP = 160 yen, 1 euro = 141 yen

FY2024/3 Q2 AR: 1 USD = 141 yen, 1 GBP = 177 yen, 1 euro = 153 yen

At the revision of forecast: 1 USD = 140 yen, 1 GBP = 172 yen, 1 euro = 151 yen

FY2024/3 Q2 Results

➤ Sales increased and profits decreased YoY

- Full Game and new title in F2P went weak (CS*)
- Steady sales in the prizes category (AM*)
- Recorded the allocated revenue from *DETECTIVE CONAN: Black Iron Submarine* and other revenue (Animation)

Forecast

➤ Launch of new titles will proceed in each area

- Plan to sell several major new titles (CS)
- Strengthen sales in the prize category. Continue to closely monitor impact of raw material price hikes (AM)
- Closely monitor the impact of exchange rate fluctuations (CS, AM)

*CS = Consumer area, AM = Amusement Machine area

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I will now explain the details by segment. First is about the Entertainment Contents business.

In Q2 of this fiscal year, among the Consumer area, while new releases of Full Game and F2P were sluggish, the inclusion of Rovio's results from September resulted in an overall increase in sales and a decrease in profit YoY.

Although we have revised downward our full-year forecast for Consumer area in light of the recent market environment and sales conditions, we plan to launch a series of new titles in our mainstay series such as Sonic, Persona, and Like a Dragon in Q3 and beyond, and we also expect solid contributions from existing mainstay F2P titles.

In addition, although we are now implementing certain measures in terms of structural reforms in Europe, we will continue to consider the necessary measures in the future.

		FY2024/3 Q2 Results	Forecast
Consumer	Full Game	<ul style="list-style-type: none"> New titles went weak, sales and profit of repeat titles went steady Released two new titles 	<ul style="list-style-type: none"> Launch new mainstay titles Sonic, Like a Dragon, Persona series, etc.
	F2P	<ul style="list-style-type: none"> Existing titles performed steadily 	<ul style="list-style-type: none"> Strengthen operation of existing titles Service of <i>404 GAME RE:SET -Error Game Reset-</i>, a new title in this FY, is scheduled to end in Jan. 2024
	Other	<ul style="list-style-type: none"> Recorded license revenue from IPs, etc. Positive impact of exchange rate fluctuations 	<ul style="list-style-type: none"> Record license revenue from IPs, etc. Closely monitor the impact of exchange rate fluctuations
Amusement Machine		<ul style="list-style-type: none"> Steady performance centered on sales of <i>UFO Catcher®</i> series and prizes 	<ul style="list-style-type: none"> Strengthen sales in the prize category Plan to launch two medal game machines Closely monitor the impact of exchange rate fluctuations
Animation & Toy	Animation	<ul style="list-style-type: none"> Recorded allocated revenue of <i>DETECTIVE CONAN: Black Iron Submarine</i> and other revenue 	<ul style="list-style-type: none"> Plan to record revenues from video production and distribution, etc.
	Toy	<ul style="list-style-type: none"> Mainly sold regular products, etc. 	<ul style="list-style-type: none"> Plan to sell new products and regular products, etc.

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Next is the explanation of sub-segment.

In Consumer area, the new titles in Full Game were as explained earlier. The unit sales of repeat titles are expected to be much lower than initially expected, but since the sales price is higher than expected, repeat sales have made a stable contribution to sales and profits.

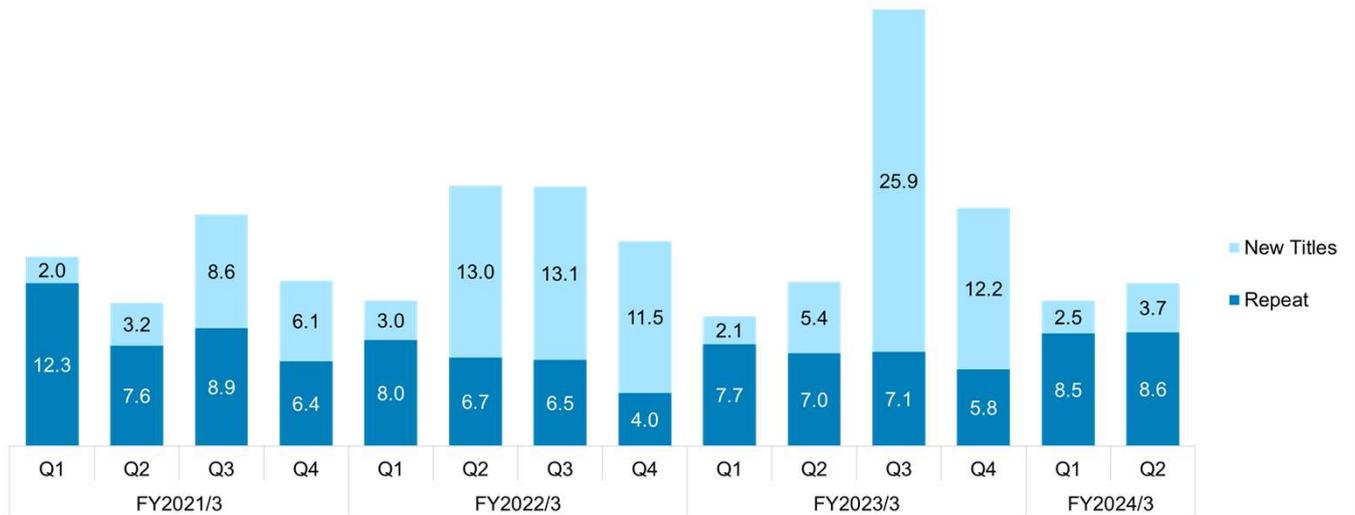
As for F2P, while existing mainstay titles performed well, service of *404 GAME RE:SET - Error Game Reset-*, a new title for this fiscal year, will end in January next year.

In the Amusement Machines area, the prize category has been performing well, and we expect the strong demand environment to continue in Q3 and beyond. In addition, two medal games will be introduced in or after Q3. However, since cost increases due to exchange rate fluctuations have been factored in, profits are expected to fall slightly short of the initial plan.

In the Animation and Toy area, we recorded allocated revenue of *DETECTIVE CONAN: Black Iron Submarine* in Q2, which recorded an all-time high box office revenue. On the other hand, the Toy area has been affected by rising cost of goods, etc.

Consumer Area / Full Game: Sales Trend

(Unit: billion yen)

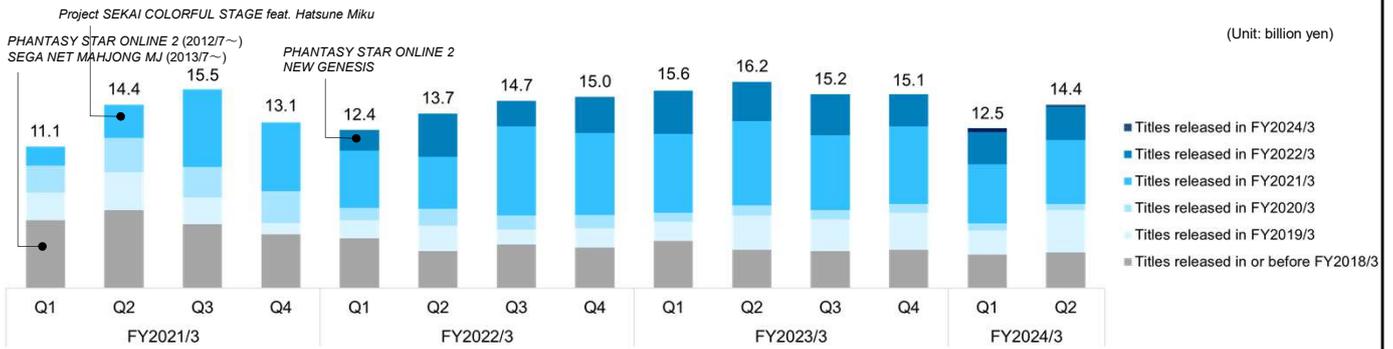


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For your reference, here are the sales trend by quarter in Full Game.

In the current fiscal year, while sales of new titles were down from the previous fiscal year due to the absence of mainstay new titles until Q2, repeat sales were up from the previous fiscal year, showing steady performance.

Consumer Area / F2P: Sales Trend



[Top 3 titles in sales from July to September 2023]

(No. 1)	<p>Project SEKAI COLORFUL STAGE! feat. Hatsune Miku © SEGA/© CP/© CFM Release: Sep. 2020</p>	(No. 2)	<p>PHANTASY STAR ONLINE 2 NEW GENESIS ver.2 ©SEGA Release: Jun. 2021 *ver.2 released in Jun. 2023</p>	(No. 3)	<p>SEGA NET MAHJONG MJ ©SEGA Release: Jul. 2013</p>
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Here are the F2P sales trend.

Performance was steady centered on the existing mainstay titles, *Project SEKAI COLORFUL STAGE! feat. Hatsune Miku* and *ONE PIECE Bounty Rush*, developed by SEGA and published by Bandai Namco Entertainment Inc. On the other hand, performance of new title was lower than expected.

(Reference) Consumer Area: Sales Trend

(Billion yen)	FY2023/3				FY2024/3			
	Q1	Through Q2	Through Q3	Through Q4	Q1	Through Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
Sales	34.7	75.0	142.5	187.9	33.7	77.9	205.0	227.5
Domestic	15.7	33.8	52.4	71.4	14.5	32.2	71.6	71.4
Overseas	19.2	41.1	89.8	116.7	19.3	45.8	135.4	156.2
Overseas sales ratio	55.3%	54.8%	63.0%	62.1%	57.3%	58.8%	66.0%	68.7%
Other / Elimination	-0.2	0.1	0.3	-0.2	-0.1	-0.1	-2.0	-0.1
Full Game	9.9	22.3	55.3	73.2	11.0	23.4	108.1	94.6
New titles	2.1	7.5	33.4	45.6	2.5	6.2	75.8	64.0
Japan	0.5	1.7	3.6	5.0	0.7	0.8	9.5	11.1
Asia	0.5	1.1	3.5	5.3	0.1	0.3	5.4	5.7
North America / Europe	1.0	4.6	26.3	35.2	1.5	5.0	60.8	47.1
Repeat titles	7.7	14.7	21.8	27.6	8.5	17.1	32.3	30.5
Japan	0.8	1.7	2.4	3.0	1.0	2.0	2.4	3.5
Asia	0.8	1.5	2.2	2.8	1.0	2.6	2.4	4.2
North America / Europe	6.1	11.5	17.1	21.6	6.3	12.4	27.5	22.7
Download sales ratio	74.9%	74.5%	66.0%	69.7%	57.1%	54.6%	68.2%	56.9%
F2P	15.6	31.8	47.0	62.1	12.5	26.9	64.0	54.3
Japan	13.0	27.1	39.9	53.2	10.8	23.4	51.6	46.0
Asia	0.5	0.5	0.5	0.6	-	-	0.7	0.6
North America / Europe	2.0	4.1	6.5	8.2	1.7	3.4	11.6	7.5
Other	9.2	20.9	40.2	52.6	10.2	27.6	32.9	78.6
Rovio	-	-	-	-	-	3.4	-	23.9

*Full Game = Mainly physical sales and download sales of full game for home video game consoles and PCs. (Additional download content sales are not included.)

*F2P = Mainly sales of contents offering free basic play and microtransaction for smartphones and PCs.

*Other = Sales of additional download contents, consignment sales of 3rd party titles, revenue from consignment development, transfer of titles, offering of titles in batches to 1st parties, sales of products other than game software, etc.

*Sales forecast of Rovio in full year forecast is estimation of SEGA SAMMY HOLDINGS

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For your reference, here are the details of sales in the Consumer area.

Rovio's results are included in Other in the Consumer area, and in addition, due to the impact of foreign exchange rates, sales of Other are expected to significantly exceed the initial plan.

(Reference) Consumer Area / Full Game: Unit Sales Trend

	FY2023/3				FY2024/3			
	Q1	Through Q2	Through Q3	Through Q4	Q1	Through Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
Full Game: Number of Titles								
Japan	3 titles	7 titles	11 titles	15 titles	2 titles	3 titles	12 titles	11 titles
Asia	3 titles	7 titles	11 titles	15 titles	2 titles	3 titles	13 titles	12 titles
North America / Europe	3 titles	7 titles	12 titles	16 titles	2 titles	3 titles	14 titles	13 titles
Full Game: Unit sales (Thousand)	5,140	10,140	20,750	27,890	4,870	10,520	34,480	28,090
Total New titles	440	1,480	6,970	10,090	740	1,660	14,120	11,020
Japan	90	250	640	1,090	160	190	1,370	1,590
Asia	110	260	860	1,350	40	100	930	1,000
North America / Europe	230	960	5,460	7,640	540	1,360	11,800	8,420
Total Repeat titles	4,700	8,650	13,770	17,790	4,120	8,850	20,360	17,060
Japan	260	760	1,080	1,380	430	830	1,130	1,510
Asia	410	750	1,390	1,840	470	1,220	1,280	2,200
North America / Europe	4,030	7,120	11,290	14,560	3,210	6,790	17,930	13,340

*Unit sales don't include the figure for free download

*As for "Numbers of Titles" above, for the same title released in multiple regions, the title number is counted 1 per each sales region (Japan, Asia and NA/EU)

[Unit sales of major IPs]

(Thousand units)	FY2023/3				FY2024/3	
	Q1	Through Q2	Through Q3	Through Q4	Q1	Through Q2
Sonic series	1,460	2,630	6,750	8,150	1,220	2,710
Total War series	420	950	1,750	2,300	310	870
Persona series	270	500	2,040	3,270	630	1,380
Like a Dragon series*	470	960	1,730	2,830	510	1,190

*Like a Dragon series includes Judgment series

For your reference, here is the detail of unit sales in the Consumer area.

[Titles released in Q2, FY2024/3] *Figures in () to the right of the titles are actual release dates



Samba de Amigo: Party Central (Aug. 30)
©SEGA



HUMAN KIND™ (for Console) (Aug. 22)
©Amplitude Studios SAS. ©SEGA

These are the new titles released in Q2.

(Reference) Entertainment Contents Business: Sales Schedule **SEGA**Sammy

		~FY2024/3 Q2	In or after FY2024/3 Q3 (Plan)
Consumer	Full Game	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; padding: 2px;">Company of Heroes 3 – Console Edition</div> <div style="width: 50%; padding: 2px;">HUMANKIND™ (for Console)</div> <div style="width: 50%; padding: 2px;">Etrian Odyssey Origins Collection</div> <div style="width: 50%; padding: 2px;">Samba de Amigo: Party Central</div> <div style="width: 50%; padding: 2px;">Sonic Origins Plus</div> </div>	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; padding: 2px;">Total War: PHARAOH</div> <div style="width: 50%; padding: 2px;">Like a Dragon Gaiden: The Man Who Erased His Name</div> <div style="width: 50%; padding: 2px;">Sonic Superstars</div> <div style="width: 50%; padding: 2px;">Persona 5 Tactica</div> <div style="width: 50%; padding: 2px;">ENDLESS™ Dungeon</div> <div style="width: 50%; padding: 2px;">Like a Dragon: Infinite Wealth</div> <div style="width: 50%; padding: 2px;">Football Manager 2024</div> <div style="width: 50%; padding: 2px;">Persona 3 Reload</div> <div style="width: 50%; padding: 2px;">Unicorn Overlord</div> </div>
	Repeat	Sonic Series / Persona Series / Total War Series / Football Manager Series / Like a Dragon Series, etc.	
F2P	In or before FY2019	PHANTASY STAR ONLINE 2 / Puyo Puyo!! Quest / CHAIN CHRONICLE / SHIN MEGAMI TENSEI Liberation Dx2 / SEGA Pocket Club Manager	
	FY2020/3~	FIST OF THE NORTH STAR LEGENDS ReVIVE	
	FY2021/3~	Project SEKAI COLORFUL STAGE! feat. Hatsune Miku	
	FY2022/3~	PHANTASY STAR ONLINE 2 NEW GENESIS ver.2	
	From FY2024/3	404 GAME RE:SET -Error Game Reset-	

*Only announced titles are listed for "In or after FY2024/3 Q3 (Plan)"

Here is the sales schedule for each title in the Entertainment Contents business.

(Reference) Entertainment Contents Business: Sales Schedule **SEGA**Sammy

~FY2024/3 Q2

In or after FY2024/3 Q3 (Plan)

Amusement Machine	<Major titles in operation> <i>StarHorse4 / EIKETSU TAISEN / maimai DX / CHUNITHM / O.N.G.E.K.I. / MJ ARCADE INITIAL D THE ARCADE / KanColle Arcade / Fate Grand Order Arcade / HORI A TALE / romakyun</i>			
	Major regular sales titles> <i>UFO Catcher® series / Prizes for prize machines</i>			
	UFO CATCHER 10	BINGO THEATER JACKPOT CIRCUS		
Animation / Toy	DETECTIVE CONAN: Black Iron Submarine			
	ANPANMAN: Roboly and the Warming Present			
	Stream your live with a head set! With a front camera! Fun to change mouse covers! Sumikkogurashi Personal Computer "My Live"	Disney&Pixar Characters Dream Switch Anniversary Gift Set	Let me treat you! I am a kitten's doctor	"ANPANMAN" Talking Picture Book Premium & Knowledgeable Picture Books Set
	Fun to change screen covers! Sumikkogurashi Smart Phone with U	Chiikawa's dream talking giant pudding house		

*Only announced titles are listed for "In or after FY2024/3 Q3 (Plan)"

(Billion yen)	FY2023/3		FY2024/3		
	Through Q2	Full Year Results	Through Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
Sales	27.5	94.2	93.4	115.0	134.0
Pachislot	13.7	41.0	64.6	66.6	88.0
Pachinko	9.5	44.2	23.5	37.7	34.2
Other / Elimination	4.3	9.0	5.3	10.7	11.8
Operating Income	1.3	20.0	38.8	24.5	39.0
Non-operating income	0.7	0.8	0.6	0.6	0.8
Non-operating expenses	0.0	0.2	0.1	0.1	0.3
Ordinary Income	2.0	20.7	39.3	25.0	39.5
Ordinary Income Margin	7.3%	22.0%	42.1%	21.7%	29.5%
Pachislot					
Number of Titles	4 titles	8 titles	3 titles	8 titles	7 titles
Unit Sales (units)	34,712	94,966	130,395	146,000	178,000
Pachinko					
Number of Titles	1 title	5 titles	3 titles	6 titles	4 titles
Unit Sales (units)	23,960	103,556	56,498	93,000	84,000
Board + Frame	10,118	52,152	22,945	54,400	27,000
Board	13,842	51,404	33,553	38,600	57,000

*New series are counted as one title
(Titles introduced prior to the previous FY, specification changes, etc. are not included)

FY2024/3 Q2 Results

➤ Significant increase in sales and profit YoY

- Strong performance centered on pachislot continued
- Major titles sold:
Smart Pachislot Hokuto No Ken
Smart Pachislot BIOHAZARD: VENDETTA, etc.

Forecast

➤ Proceed with the sales of both pachislot & pachinko machines

- Pachislot: In addition to additional sales of existing mainstay titles such as *Smart Pachislot Hokuto No Ken*, proceed with the launch of new titles
- Pachinko: Plan to launch multiple titles including *P Psalms of Planets Eureka Seven ANEMONE*

➤ Move the launch timing of some titles to the next fiscal year

-22-

We will move on to the Pachislot and Pachinko Machines business.

In Q2 of this fiscal year, sales of pachislot machines such as *Smart Pachislot Hokuto No Ken* and *Smart Pachislot BIOHAZARD: VENDETTA*, were promoted, resulting in a significant increase in both sales and profits YoY.

As for the future outlook, in consideration of the strong progress made up to Q2 of this fiscal year, we have decided to strategically move the launch timing of some titles for both pachislot and pachinko to the next fiscal year. In Q3 and beyond, we will continue to introduce new products for both pachislot and pachinko machines and expecting higher sales and profits compared to the initial forecast.

SAMMY's business partner, GAIA Co., Ltd. and its group companies announced the filing of a petition for the commencement of civil rehabilitation proceedings on October 30. Although the amount of receivables held by our Group at this time is approximately 1.0 billion yen, we have already recorded an allowance for doubtful accounts of 0.8 billion yen at the end of September. Also, since the payment of receivables are proceeding as scheduled at this time, our understanding is that the impact on the future is slight.

(Reference) Pachislot and Pachinko Machines Business: Sales Schedule

New series

Titles which installation
started from previous FY /
Specification changed title



~FY2024/3 Q2

In or after FY2024/3 Q3 (Plan)



(Major titles released in or before Q2)			(Major titles to be released in or after Q3)			
	Delivery	Unit sales		Delivery		
Pachislot	<i>Smart Pachislot Hokuto No Ken</i>	Apr.	67,521 units	Pachislot	<i>Pachislot Kabaneri of the Iron Fortress (additional sales)</i>	Oct.
	<i>Smart Pachislot BIOHAZARD: VENDETTA</i>	Jul.	33,030 units		<i>Smart Pachislot Hokuto No Ken (additional sales)</i>	Oct., Nov.
	<i>Pachislot Kizumonogatari -Hajimari No Toki-</i>	Sep.	18,156 units		<i>Pachislot Psalms of Planets Eureka Seven HI-EVOLUTION ZERO TYPE-ART</i>	Nov.
Pachinko	<i>P Hokuto No Ken Bokyosei</i>	May.	17,500 units		<i>Pachislot FIRE DRIFT</i>	Dec.
	<i>P Aura Battler Dunbine 2 -ZEROLIMIT HYPER-</i>	Apr.	12,642 units	Pachinko	<i>P Initial D Non-Stop 3000Edition</i>	Oct.
	<i>P Black Lagoon4</i>	Jul.	12,235 units		<i>P Shin Hokuto Muso Chapter 4 Gekokujoutou</i>	Nov.
					<i>P Psalms of Planets Eureka Seven ANEMONE</i>	Dec.

*Unit sales sold only in FY2024/3 are listed

*Only announced titles are listed for "In or after FY2024/3 Q3 (Plan)"

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Here is the sales schedule in the Pachislot and Pachinko Machines business.

(Billion yen)	FY2023/3		FY2024/3		
	Through Q2	Full Year Results	Through Q2	Full Year Forecast (announced on Apr 28)	Revised Full Year Forecast (announced on Nov 8)
Sales	5.6	11.5	6.0	12.0	12.0
Operating Income	-0.4	-1.1	-0.4	-1.0	-1.0
Non-operating income	0.0	0.1	0.6	1.2	1.1
Non-operating expenses	1.9	2.1	0.0	0.2	0.1
Ordinary Income	-2.3	-3.2	0.2	0.0	0.0
Ordinary Income Margin	-	-	3.3%	-	-
<PHOENIX RESORT>					
No. of facility users (Thousands)	491	946	456	908	923
3 accommodation facilities	206	394	179	374	370
2 golf courses	49	103	47	103	101
Other facilities	236	449	230	431	452

FY2024/3 Q2 Results

➤ **Performed strongly**

- PHOENIX RESORT: In addition to the steady performance of individual customers, recovery of group customers progressed

Forecast

➤ **Expect to return to profitability at the ordinary income level**

- PHOENIX RESORT: In addition to various measures for individual customers and strengthening of CRM, expect continuous recovery of group customers due to the resumption of large MICE events, etc.
- PARADISE SEGASAMMY: Expect profit contribution from incorporation of equity-method

-24-

Finally, let me explain about the Resort business from here.

For the PHOENIX RESORT in Japan, in addition to the steady growth of individual customers as social activities normalized, there was a recovery in demand from group customers, which had been weak due to COVID-19. As a result, the performance in Q2 of this fiscal year went strong.

Also, Paradise City in Incheon also performed well, centered on Japanese VIPs, and returned to profitability in terms of ordinary income.

Looking ahead, at PHOENIX RESORT, in addition to strengthening various measures for individual customers, we expect a further recovery in group customers. In addition, we plan to return to profitability for the full year, anticipating profit contributions from Paradise City, which is continuing to record positive ordinary income each month.

(KRW Billion)	FY2023/3		FY2024/3
	Through Q2	Full year Results	Through Q2
Sales	90.8	270.5	200.6
Casino	41.1	157.5	145.5
Hotel	43.0	95.9	46.5
Other	6.6	17.0	8.5
Cost of sales	95.1	234.1	155.5
Casino	32.7	100.4	82.3
Hotel	43.1	94.2	52.1
Other	19.1	39.4	21.1
Gross profit	-4.2	36.4	45.0
SG&A	11.5	27.9	18.2
Operating profit	-15.7	8.5	26.8
EBITDA	12.4	65.3	52.4
Net profit	-38.6	-33.9	17.9
Number of casino visitors (Thousands)	48.0	151.0	135.0
Source: Paradise IR			
SEGASAMMY Equity method acquisition amount (Billion yen)	-1.9	-1.8	0.6

*Paradise Sega Sammy is an equity-method affiliate of the Company

*Paradise Sega Sammy is recorded 3 months behind to our Company due to its December fiscal year end

*Local accounting standards

FY2024/3 Q2 Results

➤ Recovery progressed, centered on Japanese VIP customers

- Recovery of casino sales progressed centered on Japanese VIP customers
- Hotel sales continued to achieve high occupancy and room rates by capturing demand for stay type travel in South Korea

Forecast

➤ Expect profit contribution from incorporation of equity-method

- Casino sales are expected to continue to be driven by strong Japanese VIP customers and a gradual recovery of Chinese VIP customers is also expected, along with continuous recovery trend of international flights serving South Korea

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Here are the details of PARADISE SEGASAMMY.

Since the inclusion of its performance in our results is delayed by three months, the figures in this Q2 is the results of PARADISE SEGASAMMY for the period from January to June. With the gradual easing of travel restrictions to South Korea, the drop amount of Japanese VIP customers in Casino recovered at the level exceeding pre-COVID.

Hotel revenues were also boosted by increased demand for stay type travel by South Korean domestic customers and the implementation of a high-unit-price strategy, which resulted in maintaining high levels of both occupancy and room rate. As a result, equity in earnings of affiliates for Q2 remained in black as in Q1.

Looking ahead, in addition to maintaining the strong Japanese VIP customers at Casino, recently we are beginning to see a gradual recovery in Chinese VIP customers so we are expecting that PARADISE SEGA SAMMY will contribute to our full-year profit with equity-method earnings.

That is all from me.

A decorative graphic consisting of a square divided into three triangular sections: a blue triangle at the top-left, a grey triangle in the center, and a green triangle at the bottom-right. The number '03' is written in white inside the grey triangle.

03

Future Initiatives

Speaker: Haruki Satomi (President and Group CEO, Representative Director of SEGA SAMMY HOLDINGS INC.)

Consumer Area, Entertainment Contents Business

Decided to implement structural reform to the CS business in European region

Background

- Profitability has been rapidly lowered due to sudden changes in the business environment surrounding the European CS business (sluggish sales and increased costs)
- As a result of reviewing the positioning of this business based on the above situation, we determined that it is necessary to improve its earnings structure by implementing structural reform

Items to be implemented

- In addition to *HYENAS*, cancel some unannounced titles under development
- In accordance with the above, write-down of work in progress was implemented in the Q2 financial results
- Reduction of fixed expenses
(implement rationalization measures including headcount reductions, centered on Creative Assembly)

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I would like to talk about the Consumer area of our Entertainment Contents business.

As we have already announced, the business environment in Europe is changing drastically. In light of inflation and rising wages, etc. in Europe, as well as the fact that sales in Europe have slowed down extremely compared to North America, we decided to implement structural reform, in order to take action early rather than delaying it, while our performance, including other businesses, is well.

First, we have decided to cancel the development of some titles, including *HYENAS* and other unannounced titles. Accordingly, we have implemented write-down of work in progress. In addition, we have been working on optimizing the fixed costs through office and headcount reductions at Creative Assembly (consultation with affected employees is currently underway), and other measures.

Future Direction of European Business

- For CS business in Europe, we see potential for re-growth from the perspective of owned IPs and development capabilities for specific genres, and we will improve our earnings structure through structural reform
 - Focus on the strength of each studio and narrow down the lineup (selection and concentration)
 - Review of fixed expenses levels in the European CS business as a whole to an appropriate scale
 - Integration of European and U.S. publishing functions
 - Improve cost structure by sharing marketing functions and strengthening development management and content-checking functions
 - Sales promotion through multi-platform and expansion of region roll-out
- Challenge towards global mobile gaming market through Rovio

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Each studio has its own strengths and weaknesses, but the favorable winds of the early COVID-19 period, coupled with the strong performance of each title, led us to adopt a strategy of accelerating more, even in areas where those studios have not tried yet for further growth. However, some studios did well and some did not, so we have decided to focus again on strength of each studio.

To put it simply, Creative Assembly was good at offline games in the RTS genre, but they took on the challenge of developing *HYENAS*, an online game in the FPS genre. However, although the game itself was good, we decided to cancel the development of *HYENAS* because we did not think it would reach a quality that would satisfy our users when we considered whether we could really operate this as a competitive online game for a long period of time.

In addition, we have divided the area of responsibility between SEGA of America and SEGA Europe as publishing console video game through mainly SEGA of America, and PC game publishing through SEGA Europe until now, but we will change this into a new structure by integrating their marketing and development management functions, etc. as well as their global multi-platform roll-out functions to create a structure for driving business efficiency.

Furthermore, through Rovio, we also intend to challenge the global mobile gaming market.

Goodwill

- Goodwill 71.7 billion yen (reference value)
- Amortization period 15 years
- Amortization method Straight-line method

*Provisional accounting treatment based on reasonable information available at the end of the Q2 of this FY.

*The above figures are for reference only at present as it will be amortized in Euro and we will reassess at the end of fiscal year

Expected Synergy

1. Strengthen global roll-out by utilizing operational expertise owned by Rovio for new and existing titles of SEGA
2. Accelerate the expansion of fan base by sharing and collaborating of multi-media roll-out expertise from IPs owned by SEGA and Rovio
3. SEGA's support for cross-platform roll-out of IPs owned by Rovio



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With respect to Rovio, we are planning to amortize goodwill of 71.7 billion yen in total, over a 15-year period on a straight-line method.

As we have already mentioned in the past, by utilizing the global game management and marketing know-how that Rovio already possesses to SEGA's titles under development as well as titles already in service, we will strengthen global roll-out.

Also, both companies will pursue a transmedia strategy for their respective IPs. In recent years, Sonic has seen a large increase in such as licensing income from merchandising, starting with release of movies. Since Rovio also has been working on the similar initiatives, we are planning to work together on initiatives to further making IPs of the two companies into movie or video, including through joint sales activities to each licensees.

Also, since Rovio has offered products almost exclusively on smartphone, we are now looking into the possibility of SEGA supporting them in bringing some of their IPs to other platforms according to marketability.

(Reference) Results of Rovio Entertainment

EURO million	2022		2023
	Jan.-Sep.	Full Year Results	Jan.-Sep.
Revenue	240.8	317.7	221.8
EBITDA	37.6	43.3	32.0
Adjusted EBITDA	44.3	53.9	38.7
Operating profit	26.6	28.6	22.4
Adjusted operating profit	33.3	39.2	29.1
Adjusted profit for the period	28.2	31.4	28.4

*Accounting period is January to December
*Local accounting standard

Jan. to Sep., 2023 Results

➤ Sales and profits declined YoY

- Sales of mainstay title was sluggish, and sales of some titles were declined
- New titles continued in soft launch

Forecast

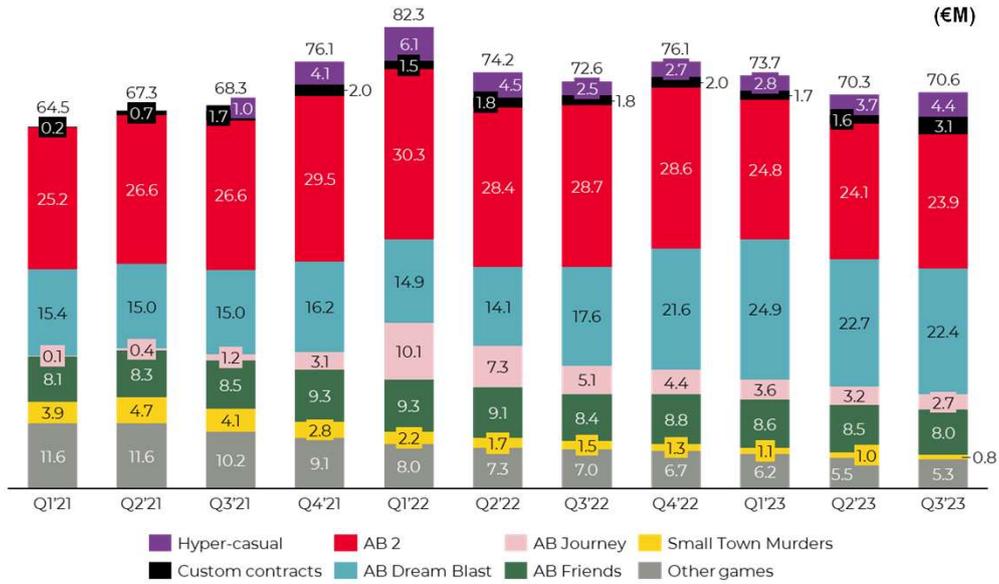
➤ Plan to launch new title

- Planning for the global launch of *Moomin: Puzzle & Design* (2024) for smartphone
- Strengthen the existing titles

As for Rovio's operating results, sales were slightly lower YoY, but adjusted profit was higher.

They are developing a smartphone game, *Moomin: Puzzle & Design*, which is already in beta service in some regions, and we hope to launch it globally next year.

Rovio Entertainment: Sales by Titles



*Excerpt from "Q3 2023 Result Presentation" of Rovio Entertainment Corporation

Here is the sales trend by titles. Although the contents have changed slightly, the business performance has been very stable. This is the characteristic of Rovio's business model, so we plan to amortize their goodwill over 15 years.

Sonic Series



Sonic Superstars (Oct. 17, 2023)
©SEGA

Released two titles this FY

- *Sonic Superstars*
 - Completely new title in series, simultaneous global launch on multiple platforms
- *Sonic Origins Plus*
 - Expanded version of title released in FY2023/3
 - Released simultaneous globally and is performing strongly
- Licensing revenue of IP also continues to contribute

Future initiatives

- Schedule to release third movie

I would like to explain a little about the initiatives of our mainstay IPs.

As for Sonic, we have released *Sonic Superstars* and *Sonic Origins Plus*. *Sonic Superstars* was released in October, which is a slightly weaker start than we had anticipated, but in reality, when Sonic IP sells the most is mainly November to December, and more than 90% of this title’s marketing cost will be spent in the Thanksgiving and holiday season from November onwards. Although in the financial results announced today, we are forecasting this title’s sales slightly weaker with the view of the status of start mentioned above, we plan to continue our marketing efforts to sell on the same level as *Sonic Frontiers*.

Also, we are planning to release the third movie within the next year.

Persona Series



Persona 5 Tactical (Nov. 17, 2023)
©ATLUS. ©SEGA. All rights reserved.



Persona 3 Reload (Feb. 2, 2024)
©ATLUS. ©SEGA. All rights reserved.

Release two new titles this FY, titles released in previous FY also performing well

- *Persona 5 Tactical*
 - Spin-off of the *Persona 5* series which recorded a total sales of over 9 million units
 - Simultaneous global launch on multiple platforms
- *Persona 3 Reload*
 - Remake of the *Persona 3*, that has been well received
 - Simultaneous global launch on multiple platforms
- *Persona 5 Royal* (Remaster)
 - Strong repeat sales centered on Asia

Future initiatives

- Plans to launch the service of *Persona5: The Phantom X* for smartphone by licensing out to Perfect World Co., Ltd.
(Region to be rolled out and timing are not yet determined)

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As for the *Persona* series, *Persona 5 Tactical* is scheduled for release this month through simultaneous global launch on multiple platforms. *Persona 3 Reload* has received very positive reception from both original fans and new fans who have become fans since *Persona 5*, so we have high expectations for this title. The remastered version of *Persona 5 Royal* is also enjoying steady repeat sales, centered on Asia.

In addition, we have announced a title for smartphone called *Persona 5: The Phantom X* in a license-out deal with Perfect World Co., Ltd.

For *Persona* series, we will focus on growth measures to achieve another level of presence as an IP, not just as individual titles.

Like a Dragon series



Like a Dragon Gaiden: The Man Who Erased His Name
(Nov. 9, 2023)
©SEGA



Like a Dragon: Infinite Wealth (Jan. 26, 2024)
©SEGA

Release two titles this FY

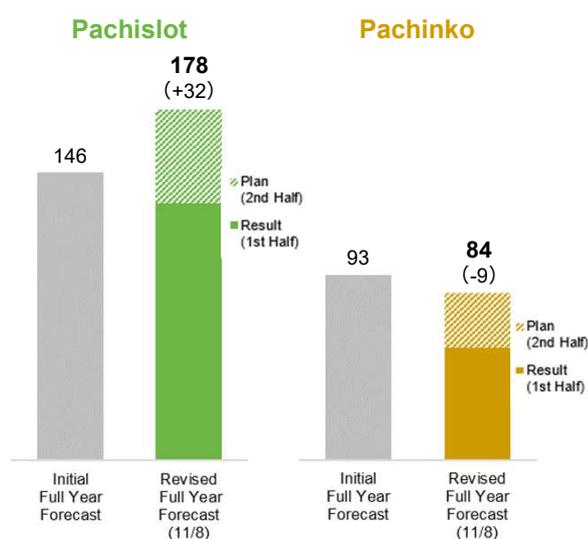
- *Like a Dragon Gaiden: The Man Who Erased His Name*
 - New title connecting the latest mainstream title and *Yakuza: Like a Dragon*, which was the turning point of series
 - Simultaneous global launch on multiple platforms
- *Like a Dragon: Infinite Wealth*
 - Latest mainstream title of the series
 - Simultaneous global launch on multiple platforms

As for the *Like a Dragon* series, *Like A Dragon Gaiden: The Man Who Erased His Name* will be released tomorrow. Including *Like a Dragon: Infinite Wealth*, this will be the first new *Like a Dragon* title to be launched simultaneously around the world and on multiple platforms. It has been very well received in advance in each region, and I am hoping for good results here.

Pachislot and Pachinko Machines Business

■ Revised the forecast upward due to strong performance mainly in pachislot

[Unit sales forecast of our Group (thousand unit)]



	Initial full-year forecast	Revised full-year forecast (Nov. 8, 2023)
Sales	¥115.0 billion	¥134.0 billion (+¥19.0 billion)
Ordinary Income	¥25.0 billion	¥39.5 billion (+¥14.5 billion)

FY2024/3 1st Half Results

- Went at the level exceeds the initial expectation due to the strong performance of pachislot including *Smart Pachislot Hokuto No Ken*

FY2024/3 2nd Half Forecast

- Plan for additional sales of existing mainstay titles such as *Smart Pachislot Hokuto No Ken* and *Pachislot Kabaneri of the Iron Fortress* from Q3 onward
- Move the launch timing of some titles planning for release in the 2nd half of FY2024/3 to the next fiscal year both in pachislot and pachinko, with consideration of strong transition up to Q2 and additional sales as written above

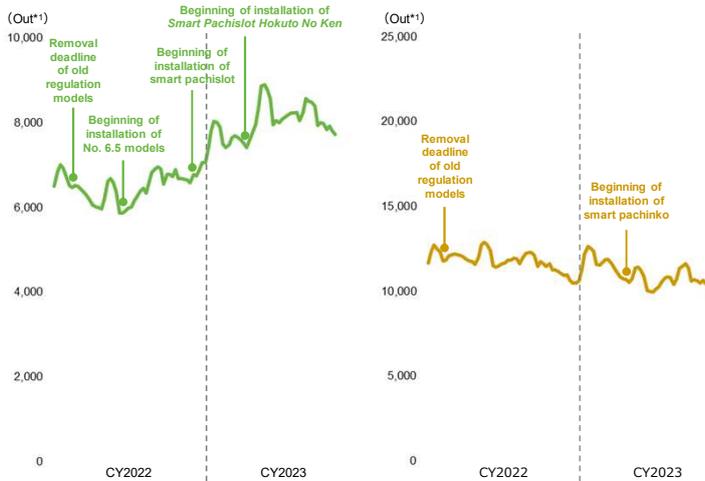
-37-

As for the Pachislot and Pachinko Machines business, sales of pachislot machines is performing well thanks to the big hit of *Smart Pachislot Hokuto No Ken*.

In Q3 and beyond, we still expect additional sales of *Smart Pachislot Hokuto No Ken* and *Pachislot Kabaneri of the Iron Fortress*, etc. so we have decided to strategically move the installation period of some titles that we have scheduled in FY2024/3 to FY2025/3.

■ Utilization of pachislot remains strong

[Pachislot & Pachinko Utilization Trend]



•Pachislot

Utilization level is in a recovery trend due to appearance of topical machines centered on smart pachislot, including *Smart Pachislot Hokuto No Ken*

•Pachinko

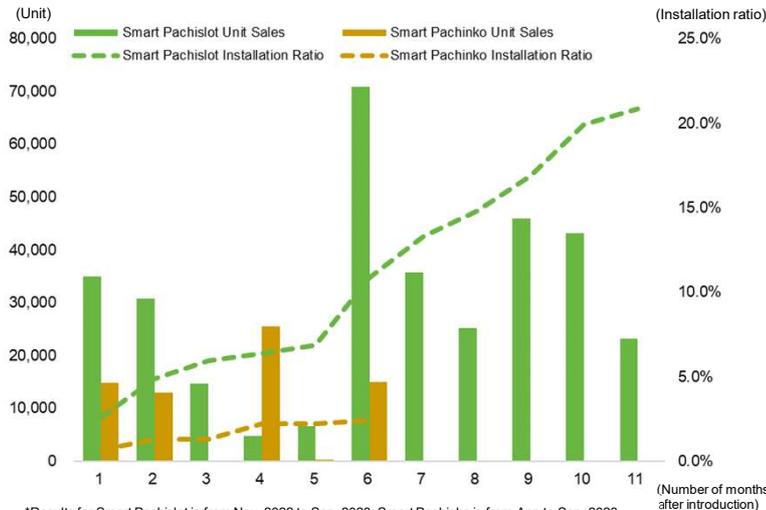
Utilization level is sluggish, although installation of smart pachinko started from April 2023

*1 Out = Used as an indicator to represent utilization of pachislot and pachinko machines (Pachislot: Average number of inserted medals in a day for each title, Pachinko: Average number of shot balls in a day for each title).
 When Daikoku Denki Co., Ltd convert Out to time of utilization, each of them are converted by Pachislot: 1hour = 2,000 medals, Pachinko: 1 hour = 5,000 balls.
 * 4 weeks moving average
 * In-house estimation based on DiK-SiS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd

In pachislot, utilization level has turned to recovery trend since the installation of No. 6.5 machines, and due to installation of smart pachislot, including Smart Pachislot Hokuto No Ken, the recovery trend has been continuing.

■ While smart pachislot is becoming more widespread, smart pachinko is still weak

Unit sales of smart pachislot/pachinko and installation ratio



➤ Smart pachinko is not as differentiated from conventional models in terms of gameplay. This is considered to be one of the reasons for the weak transition of smart pachinko

*Results for Smart Pachislot is from Nov. 2022 to Sep. 2023; Smart Pachinko is from Apr. to Sep. 2023
 *Installation ratio in the whole market (as of the end of each month)
 *In-house estimation

On the other hand, in pachinko, spread of smart pachinko is not proceeding, and utilization trend of pachinko as a whole is sluggish. However, there has been an appearance of well-utilized smart pachinko from other company, and I think that has proved that the reason behind low utilization is not just because they are smart pachinko. In the future, with appearance of hit title in smart pachinko just like smart pachislot, I think the spread of smart pachinko will proceed.

Regarding product lineup of Sammy for FY2025/3, taking this market trend into account, we are considering to shift to smart pachislot centered lineup in pachislot, and launch smart pachinko too in pachinko.

■ Regulatory environment remains favorable

Following revisions will expand the range of gameplay of pachinko machine

➤ Addition of new feature

- Overview: Installation of “Lucky Trigger” becomes possible, where large payout can be expected
- Applicable machines: Mainly machines with relatively high jackpot probability such as 1/99 or 1/199
- Installation timing: Installation in pachinko halls are possible from March 2024

➤ Increased flexibility regarding time reduction*

- Overview: Eliminate the upper limit on the number of games in time reduction, etc
- Applicable machines: All machines
- Installation timing: No restrictions on the installation timing in pachinko halls

*Time reduction = Functions that enable efficient play without significantly reducing the number of balls held

-40-

There has been a regulatory revision in pachinko.

First, mainly with machines with relatively high jackpot profitability such as 1/99 or 1/199, installation of “Lucky Trigger”, where large payout can be expected, became possible. Pachinko machines that reflect this revision will be installed in pachinko halls from March 2024.

Second, flexibility regarding time reduction has increased, for example, the upper limit on the number of games in time reduction will be eliminated.

I think these revision will also lead to appearance of hit title in smart pachinko, and widespread of smart pachinko.

■ Market environment

- Regulatory environment remains favorable
- Parts procurement status is also improving

■ Approach for FY2025/3

- Move the launch timing of some titles to FY2025/3 with consideration of current sales status of FY2024/3
- To further increase the share of "utilization, installation, and sales", the lineup for FY2025/3 is expected to be as follows;
 - Pachislot: Shift to lineup centered on smart pachislot which receives strong demand
 - Pachinko: Launch smart pachinko using mainstay IP

Regarding the market environment, regulatory environment remains favorable, and also parts procurement status is improving.

For Sammy, we will continue to aim for triple crown in the share of "utilization, installation, and sales" in the long term, and No.1 in the "Total Utilization Share" as our short term goal which we have raised in our Mid-Term plan.

Investment in Growth

Investment Strategy

■ Implemented investment in the following growth area

	Area of consideration for investment	Progress
Consumer Area Approx. ¥100.0 billion	Strengthen development resources <ul style="list-style-type: none"> Expansion of organic development pipeline Strengthen global mobile and online games 	<ul style="list-style-type: none"> Establishment of SEGA Sapporo Studio
	Investment in new ecosystem <ul style="list-style-type: none"> Strengthen CRM functions to revitalize user communities Investment in newly emerging business areas 	<ul style="list-style-type: none"> TOB of Rovio completed (Aug. 25, 2023) -> Implemented investment of approx. 105.0 billion yen in total
Gaming Area Approx. ¥100.0 billion	Careful assessment of investment opportunities in the gaming area <ul style="list-style-type: none"> Online casino and sports betting overseas Land-based casinos overseas Both domestic and overseas IR 	<ul style="list-style-type: none"> Step off from domestic and overseas IR Considering investment in online gaming area -> Announced the acquisition of GAN Limited Plan to implement investment of approx. 16.15 billion yen
Other Approx. ¥50.0 billion	Expand CVC investment limit (Total limit: ¥15.0 billion) <ul style="list-style-type: none"> Strengthen open innovation activities, including investment in start-up companies 	<ul style="list-style-type: none"> Implement 19 new investments, approx. ¥3.4 billion Exit from existing investment x 5 Establishment of joint venture with PAPYLESS CO., LTD. "GAPOLI" service released
Total ¥250.0 billion		

As for investment in growth, we had been restraining our investment towards the realization of entering into domestic IR business. However, in the current medium-term plan, our policy is to use our reserved cash and borrowings to invest in growth to convert them into sales and profits.

In Consumer area, we have completed the investment of approximately 105.0 billion yen in acquisition of Rovio. Also in Gaming area, we have announced the acquisition of GAN Limited today.

Now, Fukazawa will give an overview of GAN's acquisition.

Overview of transaction

- SEGA SAMMY HOLDINGS INC. (the "Company") and SSC*, at the meeting of the Company's and SSC's Board of Directors held on November 8, 2023 (JST), resolved to acquire GAN Limited ("GAN"), a Nasdaq listed and Bermuda organized SaaS provider for casino operators in the United States and B2C online gaming operator in Europe and South America, through SSC's newly established special purpose company (the "SPC") in Bermuda. SSC and GAN have entered into the definitive agreement on the same date
- The Acquisition is amicable, as GAN's Board of Directors has expressed support towards the Acquisition

*SSC = SEGA SAMMY CREATION INC., a group company of the Company

Method of acquisition

- The Acquisition will be completed by merging the SPC and GAN, with GAN being the surviving corporation after the merger
- The Company has agreed to acquire GAN for US \$1.97 per share and the acquisition price is 16.15 billion yen*
- GAN shareholders will be entitled to receive 100% of the consideration in the form of cash from SSC in exchange for the cancellation of their shares
- As a result of the merger, the SPC's shares will be converted into shares of GAN, which will become a wholly-owned subsidiary of SSC

*Exchange rate: 1USD=150 yen, acquisition price includes shares outstanding, stock options and expenses including advisory expenses, etc.

Conditions and timing of completion of acquisition

- The closing of the acquisition is subject to approval from GAN shareholders at its general shareholders' meeting, the receipt of regulatory approvals in relevant jurisdictions, and the satisfaction of other customary conditions
- The acquisition is expected to close by the 3rd quarter of the fiscal year ending March 2025

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We have been considering shifting to online gaming area since Yokohama IR project was canceled, and we have now reached an agreement to acquire GAN Limited, a NASDAQ listed company in the US.

GAN's business is both B2B and B2C. Their B2B business is centered on the North American market and as for B2C, Europe and Latin America are their main markets.

The acquisition is structured not by SEGA SAMMY HOLDINGS, but through SEGA SAMMY CREATION INC., the group company that owns gaming license, with the aim of making GAN a wholly owned subsidiary.

Although the contract was signed today as a basic agreement, it is subject to approval at GAN's general shareholders' meeting, and then, need to obtain the approval from the authorities in each country and region. Therefore, it will take more time compared with ordinary acquisition and we currently expect the closing to take place in 2nd half of the fiscal year ending March 2025.

Overview of GAN Limited



Overview of company

(As of June 30, 2023)

Name	GAN Limited
Establishment*	December 13, 2019
Location of head office	Bermuda Irvine, CA USA
Business overview	SaaS supplier for U.S. casino operators and B2C online gaming operator in Europe and South America
Listed stock exchange	Nasdaq Stock Market
Business areas	United States, Latin America and Europe
B2B licensing regions held by Group companies	United States (Arizona, Arkansas, California, Colorado, Connecticut, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Virginia, West Virginia), United Kingdom, Canada (Ontario) (*License in Nevada was acquired in October 2023)
Major B2C licensing regions held by Group companies	Malta, Estonia, Sweden
Consolidated net sales*	141.5 million USD
Consolidated operating income*	-192.5 million USD
Net income*	-197.5 million USD

*GAN's group companies have started Gaming business from 2002
*Financial information above are based on GAN's financial results on FY2022/12

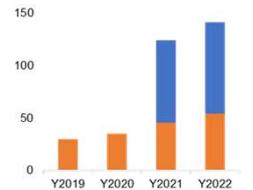
Business trend

(Unit: million USD)

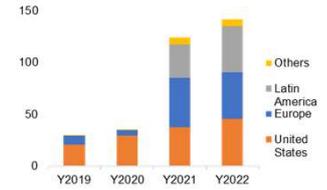
Consolidated net sales, operating income (losses) trend



Sales trend per business



Sales trend per region



GAN was established and was listed on the stock exchange in 2019, but is a group company that has been working in the Gaming business since the early 2000s.

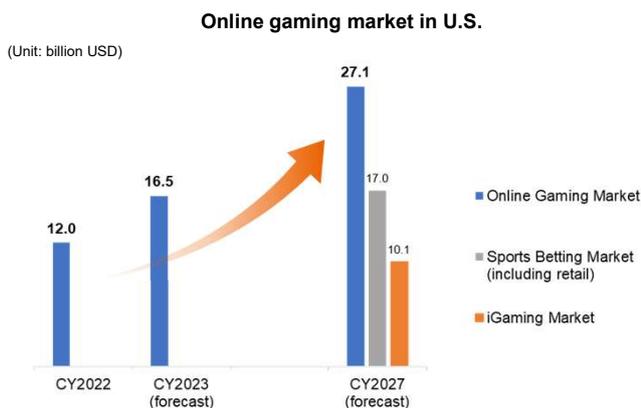
Regarding B2C, they made an entry into the market through the acquisition of a European/Estonian company called the Vincent Group which holds platform called Coolbet, and their main regions of operation are Europe and Latin America.

For B2B, the main market is U.S. They are involved in both sports betting and iGaming which are called online casino. There are three mega operators in sports betting, and GAN is doing business with them as well.

On the other hand, as we can see in their business trend, they posted a large loss in 2022. However, this was due to the impairment of goodwill of the company owning Coolbet, the platform for B2C. They impaired it almost all at once due to the change in business environment, resulting in a recording of one-time loss.

Actually, the development resources of Coolbet includes a very talented team of engineers who can be used for development of B2B. It will be a very important resource for growing B2B in North America.

- The U.S. online gaming market is expected to reach approximately \$27.1 billion in 2027, with its growth driven by increased transparency on regulation and a shift of customers from retail to online



- ✓ Online sport betting has been legalized in 26 states and iGaming has been legalized in 6 states* in U.S.
- ✓ Especially, since U.S. iGaming market is still limited to 6 states, if we can enter the U.S. iGaming market before broad legalization, gaining of a certain market share, and opportunities for business growth as a result of market expansion could be expected

Source: MVB Bank "U.S. Online Gaming Report Spring 2023"

*Not including the states where only online poker is legal

For the outlook of online gaming market in U.S, it is estimated that there will be significant growth from about 12.0 billion dollar in 2022. Until now, online sports betting has been expanding rapidly over the past four to five years.

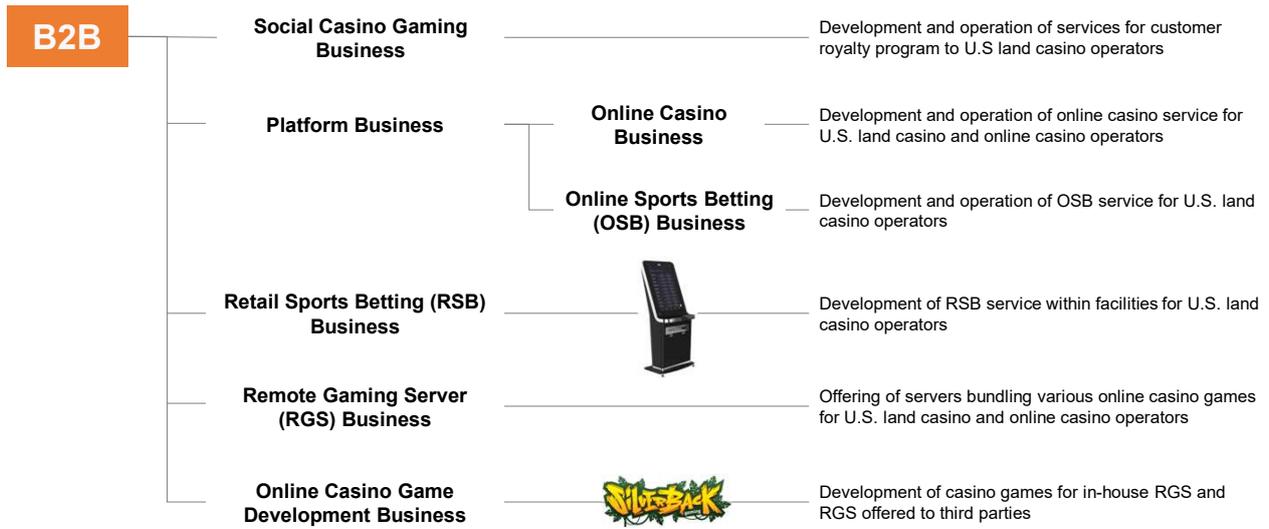
Currently, sports betting itself is legal in 37 states, of which 26 states have made online sports betting legal as well.

On the other hand, online casino called iGaming have only been legalized in 6 states.

However, each state observing the growth of sports betting and some states are progressing the discussion for the legalization of iGaming. In this sense, the iGaming market is also expected to grow further in the future.

Business Overview of GAN Limited (B2B business)

- Mainly providing iGaming/Online & Retail Sports Betting/Social Casino Gaming solutions, Remote Gaming Server services, and a platform that contains these solutions/services for land casino operators and online casino operators in U.S. and developing online casino games



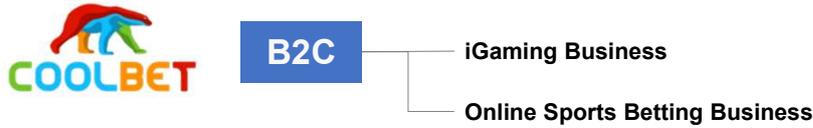
The particular strength within GAN’s B2B business is in the platform business.

There are a number of players who are called aggregators, who put content in remote gaming servers called RGS or server and provide it to B2C operators. On the other hand, as for features of GAN, there are only a few B2B companies in North America that can provide a full suite solution from upstream to downstream including the Player's Account Management System (PAM), and GAN is 1 of them so we have very high expectations for this outstanding technology base of them.

GAN has already been doing business with one of the three mega operators I mentioned earlier. Since they have also acquired a Nevada license last month in October, there is a growing momentum to expand new business with similar mega-operators. In addition to their outstanding technology, the expectation of their results is high. We would like to think about how we can expand this including the merge with the customer base of SEGA SAMMY CREATION.

Silverback, listed at the bottom of the list, is a studio that develops content for online casino games, and through this, GAN offers contents as B2B business, not only for Coolbet. All GAN’s businesses, except this Silverback, are a series of full-suite tech stacks.

- Development of iGaming and Online Sports Betting Business through Coolbet platform operated by Vincent Group p.l.c., GAN has acquired in 2021



- Distribute iGaming (including poker) and OSB for Europe and Latin America market
- No. of registered users: Approx. 12 million users
- No. of active users: Approx. 559 thousand users (as of 2022)
- Licensing regions held by GAN's group companies : Malta, Estonia, Sweden

As for B2C, Coolbet was a team originally located in Estonia, but their main markets are Europe and Latin America.

Their current active users are around 560,000, and addition to aggressively expanding their B2C business, as I mentioned earlier, we would like to use engineers here to develop a new B2B platform and solution. First of all, we would like aim to build a solid foundation in the North American market, which is stable, and well controlled in terms of compliance due to the strong regulation, that also has large market size.

Expected Synergy

- To enter into online gaming market which is expected to grow in the future in U.S. and expand Gaming business through the collaboration of the two companies' technological capabilities, customer base and content



- ✓ Enhancement of B2B sales for U.S. land casino and online casino operators utilizing the customer bases of SSC USA
- ✓ Promotion of customer and end-user acquisition, etc. by prioritized provision of game content developed by SSC

Finally, here is about the synergy.

SEGA SAMMY CREATION is a developer and manufacturer of slot machines. For U.S. casinos, there are commercial casino which is operated by private companies such as Las Vegas Sands and MGM, while there are tribal casino which is operated by indigenes in each state, and both are operated under different laws and regulations. There are major operators in both casino, and in addition to the customer base in commercial casino, SEGA SAMMY CREATION also has customer base in tribal casino and we consider it as one of their strength.

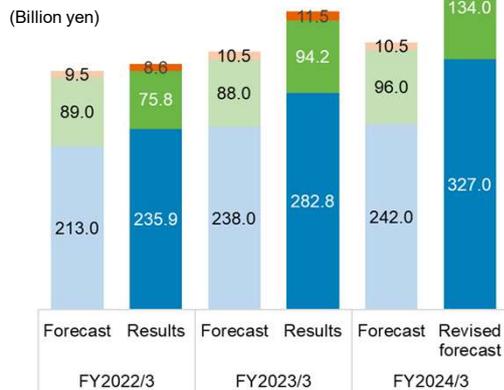
As I mentioned earlier, iGaming is only legalized in 6 states. If SEGA SAMMY CREATION will work with some of the major tribal casinos operators to expand their user pool through their slot machines at the states where iGaming is not yet legalized, we think we could create a flow to replace those user pool to online gaming by combining with tech solution of GAN, when iGaming becomes legal in such states.

Therefore, we believe that having both of SEGA SAMMY CREATIONS's customer base and GAN's tech solution is important to create a significant synergy.

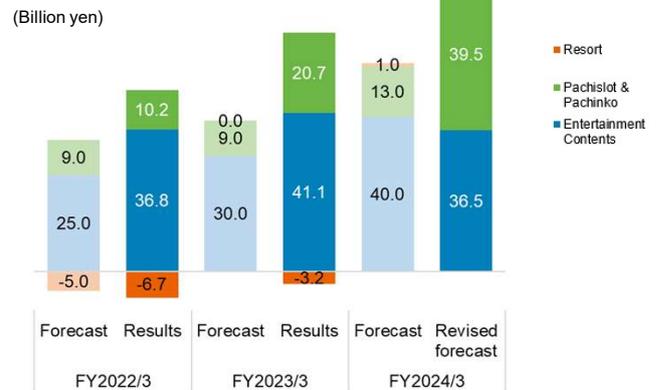
It will take some time for the completion of this acquisition, but we will continue to work hard to finish it.

Sales exceeded the medium-term plan in all businesses and ordinary income exceeded the medium-term plan in all three businesses in total

Sales



Ordinary Income



*The figures in forecast for all periods are those at the time of announcement of the mid-term plan

Lastly, this is about our whole company.

We are in the last year of our current medium-term plan and as you can see, the three businesses in total is exceeding the mid-term plan in terms of both sales and ordinary income.

Although our investment in growth is also progressing steadily, our investment capacity is increasing, so in this sense, we will not end here and we would like to consider further investment for the future, based on economic rationality.

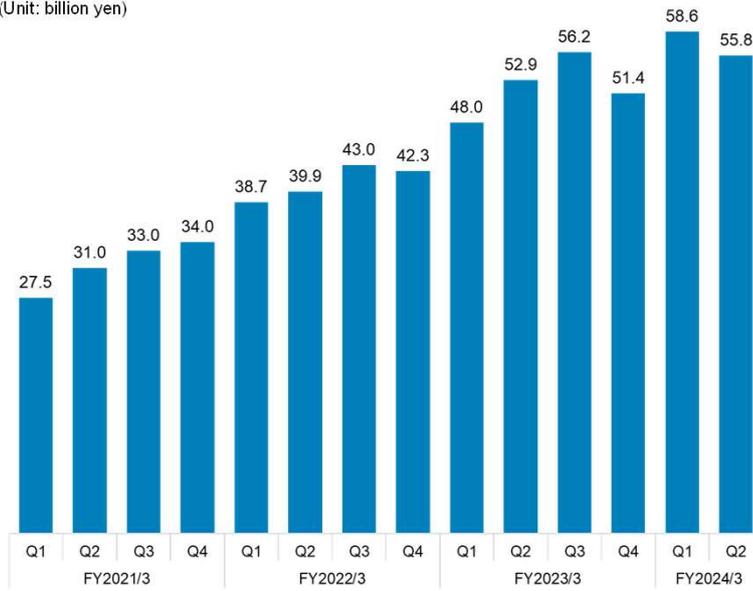
A decorative graphic consisting of a square divided into three triangular sections: a blue triangle at the top-left, a grey triangle in the center, and a green triangle at the bottom-right. The number '04' is written in white in the center of the grey triangle.

04

Appendix

Trend of Balance of Content Production Expenses in B/S (Consumer area) **SEGA**Sammy

(Unit: billion yen)



Q2

- Revised the portfolio of titles developed at each European base associated with the structural reform. Balance decreased due to the cancellation of some titles under development

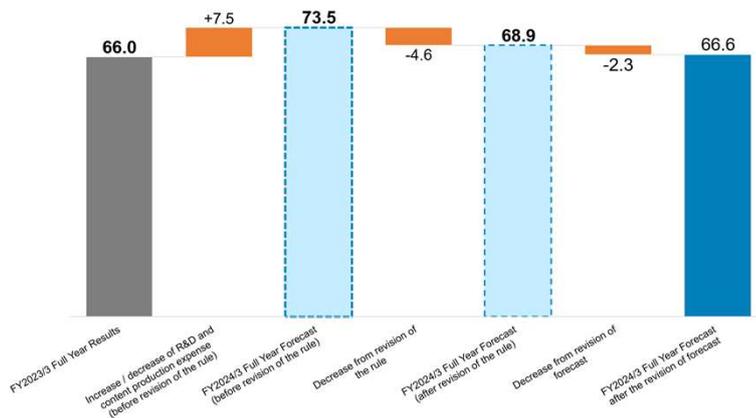
FY2024/3 Forecast

- Expensing proceeds associated with the launch of major titles

Content Production Expenses: Revision of Amortization Rule

(Consumer area – Full Game)

(Unit: billion yen)



<Increase / decrease of R&D and content production expenses>

- Revised the amortization rule of content production expenses due to lengthening of product lifecycles
- Due to this revision, content development amortization expenses of Entertainment Contents business as a whole is expected to be reduced for approx. 4.6 billion yen in FY2024/3
- Decrease compared to initial forecast due to the revision of forecast

*Recognition criteria of R&D and content production expenses (Full Game (CS))

Expenses are capitalized as inventory assets or intangible assets during development and booked as expenses after launch. 25% will be amortized in first month and the rest will be amortized over a period of 23 months using the straight-line method (Total amortization period is 24 months)

*Full Game (CS) are anticipated to be sold for a longer period due to recent longer product lifecycle compared with conventional length, so we revised the amortization rule from new titles to be launched in FY2024/3.

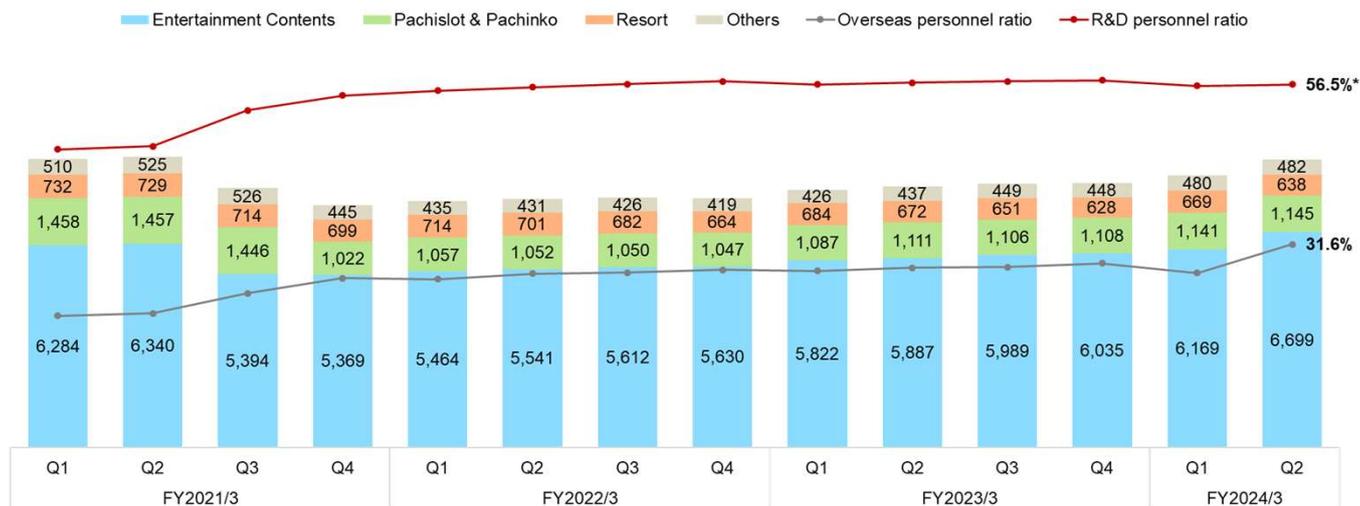
Titles released by FY2023/3 will be amortized 40%, 15%, 5% per first 3 months and the rest will be amortized 2% per 21 months using the straight-line method.

Trend of No. of Employees by Segment

(full-time and permanent contract employees, excluding temporary employees)



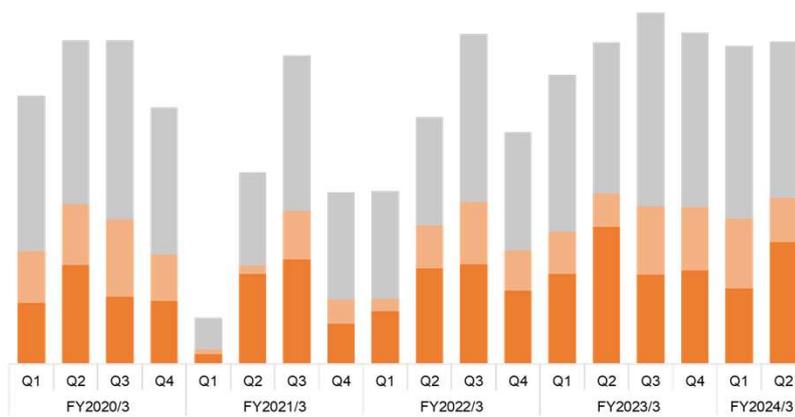
(Unit: employees)



*R&D personnel ratio of FY24/3 Q2 doesn't reflect the change associated with the incorporation of Rovio into the Group

■ PHOENIX RESORT: Sales by type of facility users

■ Individual stay
 ■ Group stay& banquet
 ■ Other (eating and drinking, golf, etc.)



FY2024/3 Q2 Results

- Recovery of group customers progressed associated with the holding of large MICE events such as international conferences and corporate events

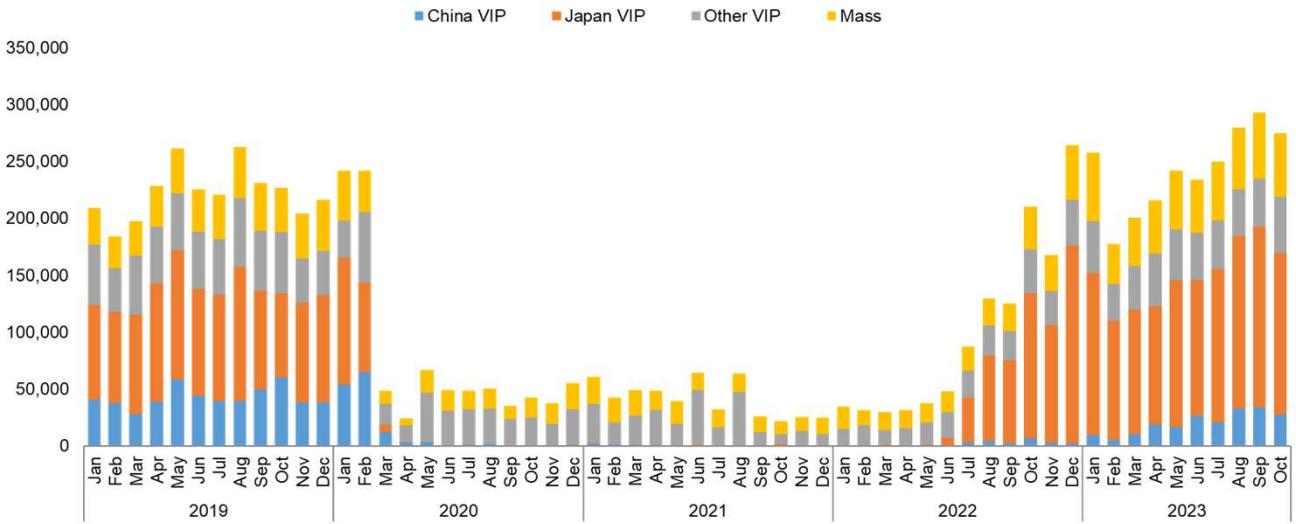
Forecast

- In addition to capturing steady individual customers demand, expect continuous recovery of group customers

Status of each facility: PARADISE SEGASAMMY

■ Trend of Drop amounts* at PARADISE CITY

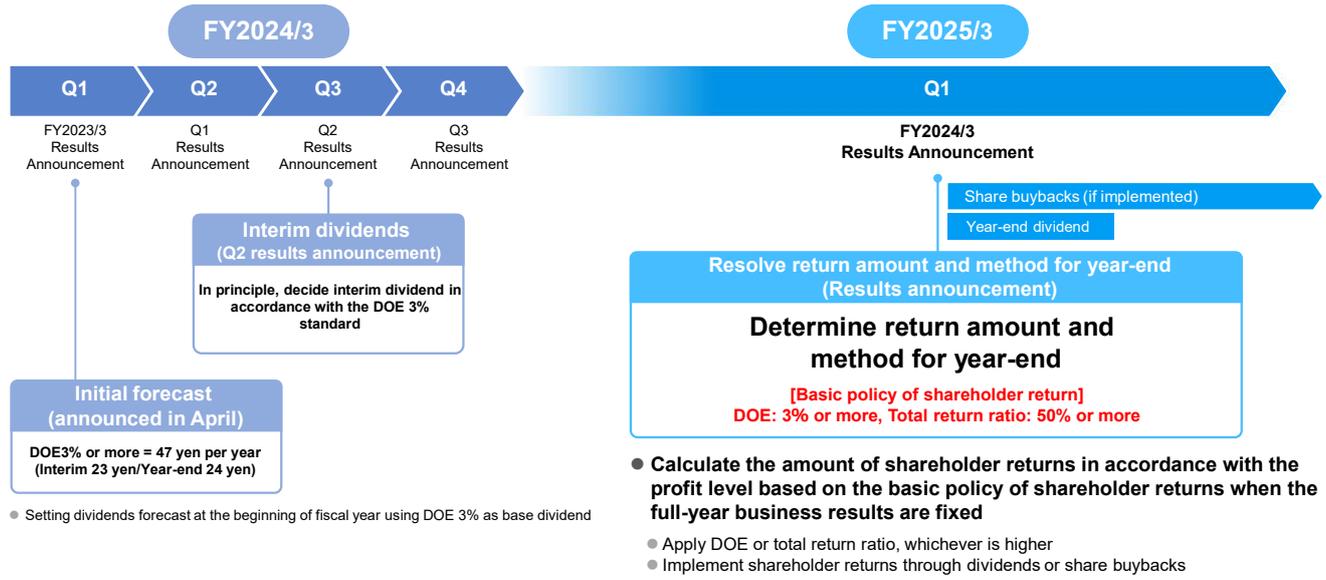
(Unit: KRW million)



*Drop amounts = Purchased amount of chips

Repost: Shareholder Returns

(Process of Determining the Amount of Return and Methods) *announced on April 28, 2023





<https://www.segasammy.co.jp/en/ir/>

Cautionary Statement for Investors and Shareholders with Respect to Gaming Statutes and Regulations

SEGA SAMMY HOLDINGS INC. ("the Company") is registered with the Nevada Commission as a publicly traded corporation and has been found suitable to directly or indirectly own the stock of its subsidiary, SEGA SAMMY CREATION INC., and Sega Sammy Creation USA Inc., a wholly owned subsidiary of SEGA SAMMY CREATION INC., (collectively, the "Operating Subsidiaries") that have been licensed as manufacturers and distributors of gaming devices in Nevada. Pursuant to Nevada law, the Company's shareholders are subject to the rules and regulations of the Nevada Gaming Authorities. A detailed explanation of Gaming Statutes and Regulations can be found on the Company's corporate website: <https://www.segasammy.co.jp/en/ir/stock/regulation/>

The Operating Subsidiaries have also been licensed as manufacturers and distributors of gaming devices in multiple countries, states, and regions other than the State of Nevada (collectively, the "Other Regions"). In addition to the foregoing, the Company's shareholders may be subject to the same or similar restrictions as in the State of Nevada under the statutes of the Other Regions or the regulations of the gaming authorities of such Other Regions.

Please visit below website for more information of products and services of SEGASAMMY.
<https://www.segasammy.co.jp/en/corp/group/>
(Sega Sammy Group Website list)

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