

Fiscal Year Ended March 2024

Results Presentation

2024/5/10

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

01

FY2024/3 Full-year Results

Financial Highlights



(Billion yen)	FY2022/3 Full Year Results	FY2023/3 Full Year Results	FY2024/3 Full Year Results
Sales	320.9	389.6	467.8
Entertainment Contents	235.9	282.8	318.0
Pachislot and Pachinko Machines	75.8	94.2	135.9
Resort	8.6	11.5	12.3
Other / Elimination	0.6	1.1	1.6
Operating Income	32.0	46.7	56.8
Entertainment Contents	33.9	38.7	28.9
Pachislot and Pachinko Machines	9.3	20.0	41.2
Resort	-2.5	-1.1	-0.9
Other / Elimination	-8.7	-10.9	-12.4
Non-operating income	5.9	4.9	6.8
Non-operating expenses	4.6	2.2	3.9
Ordinary Income	33.3	49.4	59.7
Entertainment Contents	36.8	41.1	30.7
Pachislot and Pachinko Machines	10.2	20.7	41.8
Resort	-6.7	-3.2	0.0
Other / Elimination	-7.0	-9.2	-12.8
Ordinary Income Margin	10.4%	12.7%	12.8%
Extraordinary income	5.2	0.0	1.3
Extraordinary losses	0.6	2.4	19.2
Income before income taxes	37.9	47.0	41.8
Income taxes	0.9	1.1	8.8
Profit attributable to owners of parent	37.0	45.9	33.0
ROE	12.7%	14.7%	9.6%
EPS (JPY)	158.85	208.07	150.75

FY2024/3 Full-year Results

➤ Ordinary income increased, driven by Pachislot & Pachinko Machines, Japan and Asia CS*, and Resort

- Ordinary income increased due to steady performance of Pachislot & Pachinko, Japan and Asia CS, Pachislot & Pachinko Machines Business, and Resort Business

➤ Recorded losses associated with structural reform in Europe and tax expenses increased

- Profit attributable to owners of parent decreased due to loss from structural reform in Europe and increase in tax expenses etc., which had been low in the previous fiscal year, etc., because of the decrease in taxable income from net loss carried forward etc.

➤ Decided to increase year-end dividends and acquisition of treasury stocks

*See P. 4 for details

*FY2025 forecast will be explained from P. 23

*CS = Consumer area

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In FY2024/3, profit increased significantly YoY due to Pachislot & Pachinko Machines business, and Consumer area, which sales were strong mainly in Japan and Asia, as well as the consolidation of Rovio Entertainment. As a result, operating income and ordinary income also increased significantly YoY.

On the other hand, in the Consumer area, we implemented structural reform in response to the deteriorating business environment, particularly in the European studios. As a result, extraordinary losses of 19.2 billion yen was recorded.

As a result, profit attributable to owners of parent decreased YoY, but we believe we have paved the way for future improvement in profitability or business expansion.

Despite recording losses from the implementation of structural reform, the results were significantly higher than the revised forecast announced on February 9, mainly due to strong sales of Full Game in Consumer area.

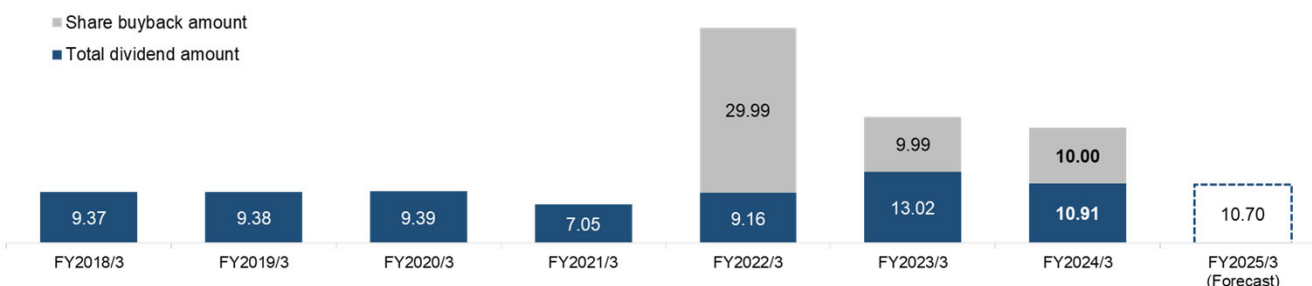
EPS decreased due to a decrease in profit attributable to owners of parent while we proceeded with share buyback.

Shareholder Returns: FY2024/3 Results and FY2025/3 Forecast



[Trend of shareholder return amounts]

(Unit: Billion yen)



	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2025/3 (Forecast)
Shareholder return amounts	9.37 billion yen	9.38 billion yen	9.39 billion yen	7.05 billion yen	39.15 billion yen^{*1}	23.02 billion yen^{*2}	20.91 billion yen^{*3}	Approx. 10.7 billion yen
Dividends per share ^{*4}	Interim: 20 yen Year-end: 20 yen	Interim: 20 yen Year-end: 20 yen	Interim: 20 yen Year-end: 20 yen	Interim: 10 yen Year-end: 20 yen	Interim: 20 yen Year-end: 20 yen	Interim: 20 yen Year-end: 39 yen	Interim: 23 yen Year-end: 27 yen	Interim: 25 yen Year-end: 25 yen
DOE ^{*5}	3.0%	3.1%	3.1%	2.4%	3.1%	4.2%	3.3%	3% or more
Total return ratio ^{*6}	105%	355%	68%	553%	106%	50%	63.3%	50% or more

^{*1} Purchase period: Nov. 9, 2021-Apr. 19, 2022

^{*2} Purchase period: May 1, 2023-Dec. 22, 2023

^{*3} Purchase period: May 13, 2024-Mar. 31, 2025

^{*4} The initial dividend forecast for FY2025/3 is based on DOE3% or equivalent

^{*5} DOE (Dividends on Equity) = dividend amount / net asset

^{*6} Total return ratio = (total dividend amount + total amount of share buybacks) / net income

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Here is the trend of shareholder return amounts.

Our policy is to return through dividend and/or share buyback based on a DOE of at least 3% or a total return ratio of at least 50%, whichever is higher.

In accordance with this policy, we would like to pay a full-year dividend of 50 yen for FY2024/3.

In addition, we believe that by implementing structural reform in Europe in the Consumer area during FY2024/3, we have paved the way for future improvements in profitability. Satomi will explain the new medium-term plan later in the presentation, but as we promote initiatives toward further growth and enhance corporate value, we have decided to implement share buyback of 10.0 billion yen, taking into consideration the future business growth premised on this medium-term plan and the current stock price level.

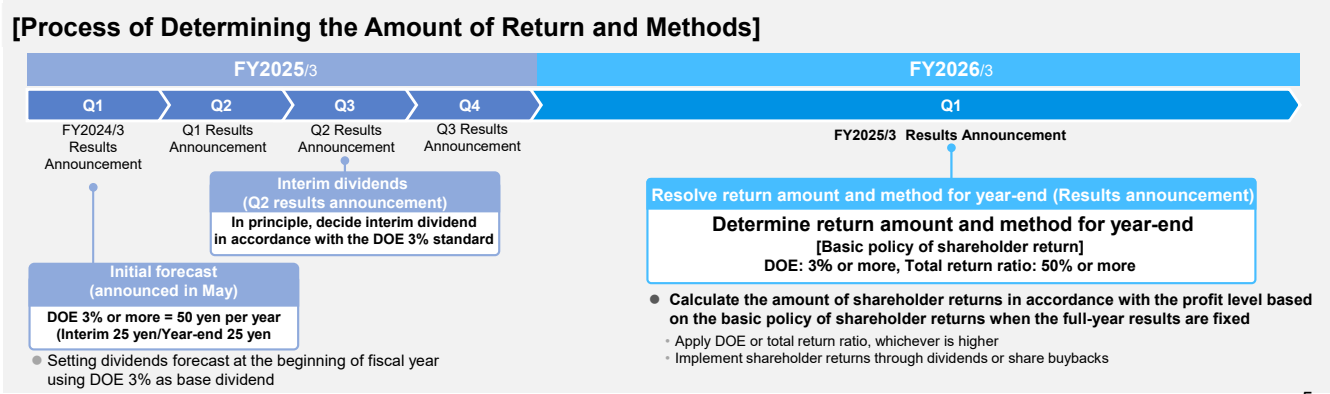
This results in a total shareholder return of approximately 20.9 billion yen and a total return ratio of 63.3%.

The dividend forecast for FY2025/3 has been provisionally set at 50 yen per share as we calculated based on a DOE of 3%, as same as the previous forecast. For your reference, if we calculate it based on the current forecast for FY2025/3 we will explain later with a total return ratio of 50%, the return amount to the shareholders in this case would be 19.5 billion yen. However, since there is volatility in business performance, we hope you will understand that we are expressing this on a DOE basis as a forecast.

(Reference) Shareholder Returns:
Process of Determining the Amount of Return and Methods



Shareholder return policy and return amount of FY2024/3	We set DOE (Dividend on equity ratio) 3% or more, or the total return ratio of 50% or more, whichever is higher as the basis for shareholder return and return through dividends or share buybacks. In accordance with this policy, we have decided to pay annual dividend of 50 yen (of which, 23 yen for interim and 27 yen for year-end), and in addition, we have decided to acquire our treasury stocks with the upper limit of 10.0 billion yen for the fiscal year ended March 2024. As a result, total shareholder returns were approximately 20.9 billion yen (breakdown: approximately 10.9 billion yen for dividends and 10.0 billion yen (upper limit) for acquisition of treasury stocks) and a total return ratio was approximately 63.3% for the fiscal year ended March 2024.
Dividend forecast for FY2025/3	Since the initial dividend forecast is provisionally calculated based on a DOE 3%, as the annual dividend forecast for the fiscal year ending March 2025 is expected to be 50 yen (of which, 25 yen for interim and 25 yen for year-end) which is expected to result in shareholder return amounts of approximate 10.7 billion yen. For reference, if return will be calculated with total return ratio of 50%, as the net income attributable to owners of parent in the operating results forecast for the fiscal year ending March 31 2025 announced today is 39.0 billion yen, the return amount in this case would be approximately 19.5 billion yen. *The actual amount of shareholder returns, and the method of return may change depending on the progress of business performance and other factors.



This is a repost, but it is about our policy and process of determining the amount and method of return.

PL impact amount for FY2024/3: **24.4 billion yen in total** (Cost of sales: 6.6 billion yen, extraordinary losses: 17.8 billion yen)

Implemented in order to promptly adapt to changes in the business environment and improve profitability from the lowered profitability caused by rapid changes in the business environment in the European region

1 Review of medium-term lineup	<ul style="list-style-type: none"> • Re-evaluation of asset value of titles • Cancellation of some titles including <i>HYENAS</i> 	Approx. 6.6 billion yen (cost of sales) Approx. 9.2 billion yen (extraordinary loss)
2 Optimization of fixed expenses, Improvement of investment efficiency	<ul style="list-style-type: none"> • Reduction of fixed expenses through reduction of headcount and offices • Transfer of shares of Relic Entertainment Inc. 	Approx. 4.0 billion yen (extraordinary loss) Approx. 4.4 billion yen (extraordinary loss)
3 Review of development/sales structure and management system	<ul style="list-style-type: none"> • Establishment of "Chief Revenue Officer" • Enhancement of development process (quality and marketability assessment with objectivity) • Comprehensive review of organizational structure of European region 	

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Here is a review of European structural reform.

The total impact amount on PL from structural reform was 24.4 billion yen. The breakdown is 6.6 billion yen in cost of sales and 17.8 billion yen in extraordinary losses.

We have responded to the main management issues by implementing each of the items listed.

Transfer all shares of PHOENIX RESORT to Fortress Investment Group

- **Background of transfer**

Since we made PHOENIX RESORT ("Phoenix") our wholly owned subsidiary in 2012, we have worked closely with Phoenix to enhance its corporate value. As a result, starting with the fiscal year ended March 2023, Phoenix achieved the largest sales and operating income turnaround since joining our group for two consecutive fiscal years.

As the measures to further increase its corporate value, we have decided to bring in Fortress Investment Group LLC ("Fortress") who has extensive experience and knowledge in the hotel and resort business, as a strategic partner and have Fortress take the lead in Phoenix's operations.

- **Future Outlook**

Acquire newly issued class shares and holding 20% of Phoenix's voting rights

Continue to support Phoenix's further increase its corporate value based on the strategic partnership agreement with Fortress

- **Impact on business performance**

Expect to record gain of approximately 8.5 billion yen from the transfer of shares as extraordinary income in FY2025/3

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As announced today, we have decided to transfer our group company, PHOENIX RESORT, to Fortress Investment Group.

Although PHOENIX RESORT will no longer be a consolidated subsidiary of the Company, we would like to maintain a relationship that will continue to enhance the corporate value of PHOENIX RESORT and that will be understood by local stakeholders by concluding a strategic partnership with Fortress Investment Group, and holding approximately 20% of the class shares issued by PHOENIX RESORT on a voting rights basis.

As a result of this transfer, we plan to record an extraordinary gain of 8.5 billion yen from the transfer of shares in FY2025/3.

SEGASammy

Operating income	56.8		Breakdown of non-operating income/expenses and extraordinary income/losses										
Non-operating income		6.8	<table> <tr> <td>Non-operating income</td> <td>6.8</td> </tr> <tr> <td>Equity in earnings of affiliates</td> <td>2.0</td> </tr> <tr> <td>Interest income</td> <td>1.9</td> </tr> <tr> <td>Gain on investments in partnership</td> <td>1.4</td> </tr> </table>	Non-operating income	6.8	Equity in earnings of affiliates	2.0	Interest income	1.9	Gain on investments in partnership	1.4		
Non-operating income	6.8												
Equity in earnings of affiliates	2.0												
Interest income	1.9												
Gain on investments in partnership	1.4												
Non-operating expenses		3.9	<table> <tr> <td>Non-operating expenses</td> <td>3.9</td> </tr> <tr> <td>Commission fee</td> <td>1.2</td> </tr> <tr> <td>Loss on investments in partnership</td> <td>0.9</td> </tr> <tr> <td>Interest expenses</td> <td>0.7</td> </tr> <tr> <td>Foreign exchange losses</td> <td>0.4</td> </tr> </table>	Non-operating expenses	3.9	Commission fee	1.2	Loss on investments in partnership	0.9	Interest expenses	0.7	Foreign exchange losses	0.4
Non-operating expenses	3.9												
Commission fee	1.2												
Loss on investments in partnership	0.9												
Interest expenses	0.7												
Foreign exchange losses	0.4												
Ordinary income	59.7		<table> <tr> <td>Extraordinary Income</td> <td>1.3</td> </tr> </table>	Extraordinary Income	1.3								
Extraordinary Income	1.3												
Extraordinary income		1.3	<table> <tr> <td>Extraordinary losses</td> <td>19.2</td> </tr> <tr> <td>Loss on business restructuring</td> <td>17.8</td> </tr> </table>	Extraordinary losses	19.2	Loss on business restructuring	17.8						
Extraordinary losses	19.2												
Loss on business restructuring	17.8												
Extraordinary losses		19.2	<table> <tr> <td>Taxes/Others</td> <td>8.6</td> </tr> </table>	Taxes/Others	8.6								
Taxes/Others	8.6												
Income before income taxes	41.8												
Taxes/Others		8.6											
Profit attributable to owners of parent	33.0												

Various Expenses, etc.

■ Entertainment Contents

(Billion yen)	FY2022/3 Full Year Results	FY2023/3 Full Year Results	FY2024/3 Full Year Results
R&D / Content production expenses	54.4	66.0	83.1
Advertising expenses	14.2	20.7	31.6
Depreciation	3.7	3.8	4.4
Cap-ex	7.3	5.9	5.6

- R&D expenses / content production expenses increased
 - Consolidation of expenses at Rovio
 - Recording of losses due to write-downs
- Advertising expenses increased
 - Consolidation of expenses at Rovio

■ Pachislot & Pachinko

(Billion yen)	FY2022/3 Full Year Results	FY2023/3 Full Year Results	FY2024/3 Full Year Results
R&D / Content production expenses	14.4	14.4	15.1
Advertising expenses	1.6	1.7	3.0
Depreciation	2.7	2.7	2.6
Cap-ex	4.1	4.2	4.3

- R&D expenses / content production expenses increased
 - Recording of losses due to write-downs in peripheral business
- Advertising expenses increased
 - Implemented the promotion of mainstay titles

*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 & 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.

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Here are various expenses.

In the Entertainment Contents business, R&D / content production expenses increased due to the inclusion of Rovio in the consolidation from September, and recording losses due to write-down of inventories. Advertising expenses also increased with the consolidation of Rovio.

In the Pachislot & Pachinko Machines business, write-down of about 0.9 billion yen was recorded in the peripheral business. As a result, R&D / content production expenses increased. In addition, since we actively promoted machines centered on *Smart Pachislot Hokuto No Ken*, which had a very high performance, advertising expenses also increased.

Consolidated Balance Sheet Summary



[Assets]				[Liabilities and Net Assets]			
Account	As of end of Mar. 2023	As of end of Mar. 2024	Increase /Decrease	Account	As of end of Mar. 2023	As of end of Mar. 2024	Increase /Decrease
Cash and Deposits	179.5	211.7	+32.2	Accounts Payable	30.5	26.0	-4.5
Accounts Receivable	53.3	54.2	+0.9	Short Term Borrowings	17.0	22.5	+5.5
Securities	-	8.0	+8.0	Other	72.8	86.9	+14.1
Inventories	89.4	81.7	-7.7	Total Current Liabilities	120.3	135.4	+15.1
Other	31.6	39.4	+7.8	Corporate Bonds	10.0	10.0	-
Total Current Assets	353.8	395.0	+41.2	Long Term Borrowings	25.0	124.5	+99.5
Tangible Fixed Assets	60.4	60.0	-0.4	Other	14.8	26.2	+11.4
Intangible Fixed Assets	13.2	92.2	+79.0	Total Noncurrent Liabilities	49.8	160.7	+110.9
Goodwill (included in Intangible Fixed Assets)	2.5	30.2	+27.7	Total Liabilities	170.2	296.2	+126.0
Trademark right (same as above)	0.0	47.5	+47.5	Shareholders' Equity	326.7	333.2	+6.5
Investment Securities	39.5	49.8	+10.3	Total accumulated other comprehensive income	4.0	23.6	+19.6
Other	34.6	56.9	+22.3	Share acquisition rights	0.4	0.7	+0.3
				Non-controlling interests	0.0	0.0	+0.0
Total Noncurrent Assets	147.7	258.9	+111.2	Total Net Assets	331.3	357.7	+26.4
Total Assets	501.5	653.9	+152.4	Total Liabilities and Net Assets	501.5	653.9	+152.4

				Main factors for increase/decrease	
	As of end of Mar. 2023	As of end of Mar. 2024	Increase /Decrease	(Assets)	Securities goodwill and trademark right increased due to the inclusion of Rovio Entertainment Corporation (Rovio) in the scope of consolidation
Cash, deposits and cash equivalents	179.5	219.8	+40.3	(Liabilities)	Long term borrowings increased related to the acquisition of Rovio
Interest bearing debt	52.0	157.0	+105.0	(Net assets)	Shareholders equity increased mainly due to the recording of profit attributable to owners of parent, despite the payment of dividends and implementation of share buyback
Net cash	127.5	62.8	-64.7		In addition, foreign currency exchange adjustments increased
Equity ratio	66.0%	54.6%	-11.4p		

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Here is the balance sheet.

Assets increased by 152.4 billion yen from the end of the previous fiscal year. This is mainly due to the increase in intangible fixed assets such as goodwill and trademark right, and also securities, as a result of the consolidation of Rovio.

Liabilities also increased by 126.0 billion yen, mainly due to an increase in long-term borrowings as a result of the acquisition of Rovio.

Net assets increased by 26.4 billion yen from the end of the previous fiscal year due to the recording of profit attributable to owners of parent and an increase in foreign currency exchange adjustments.

The equity ratio decreased by 11.4 percentage points from the end of the previous year to 54.6%, mainly due to an increase in long-term borrowings related to the acquisition of Rovio. Net cash also decreased by 64.7 billion yen to 62.8 billion yen for the same reason.

Consolidated Cash Flows

(Unit: billion yen)

Cash and cash equivalents

End of FY2023/3

179.5

C/F from Operating Activities
+65.8

C/F from Investing Activities
-113.5

C/F from Financing Activities
+79.7

End of FY2024/3

219.8

Cash Flows from Operating Activities

Income before income taxes	+41.8
Depreciation and amortization	+13.5
Income taxes paid	-12.5
Others	+23.0

Cash Flows from Investing Activities

Purchase of shares of subsidiaries	-81.7
Payments for investments in capital	-12.9
Others	-18.9

Cash Flows from Financing Activities

Proceeds from long-term borrowings	+122.0
Repayment of long-term borrowings	-17.0
Purchase of treasury stock	-10.0
Cash dividends paid	-13.6
Others	-1.7

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Here is the consolidated cash flows.

Operating cash flow was positive 65.8 billion yen, while investing cash flow was negative 113.5 billion yen due to the acquisition of Rovio. As a result, free cash flow was negative 47.6 billion yen.

Financing cash flow was positive 79.7 billion yen due to the acquisition of Rovio, which was accompanied by an implementation of borrowing.

Comprehensive cash flow is expected to be a positive 40.3 billion yen.

02

Per Segments Results

FY2024/3 Full-year Results

(Billion yen)	FY2022/3 Full Year Results	FY2023/3 Full Year Results	FY2024/3 Full Year Results
Sales	235.9	282.8	318.0
Consumer	158.3	187.9	222.6
Amusement Machine	49.7	64.9	61.2
Animation / Toy	25.6	29.3	33.5
Other / Elimination	2.3	0.7	0.7
Operating Income	33.9	38.7	28.9
Consumer	29.3	32.8	24.7
Amusement Machine	2.5	2.9	2.9
Animation / Toy	3.0	4.5	4.0
Other / Elimination	-0.9	-1.5	-2.7
Non-operating income	3.3	2.8	3.5
Non-operating expenses	0.5	0.4	1.6
Ordinary Income	36.8	41.1	30.7
Ordinary Income Margin	15.6%	14.5%	9.7%

- Sales increased due to steady performance of Japan and Asia CS*, and Rovio's entry into the group
- Profit decreased mainly due to weak performance of CS in Europe

[Consumer]

- Steady sales of new titles in Full Game from Japan studios and repeat sales of titles released in the previous fiscal year
- Incorporated Rovio's results from Sep. 2023
- Promptly implemented structural reform since the profitability in European region has been lowered

*CS = Consumer area

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

In FY2024/3, while sales increased, profits decreased YoY. The main factors for the increase in sales were strong sales in the Consumer area, mainly in Japan and Asia, and the consolidation of Rovio. The main factors for the decrease in profit were the weak performance of the Consumer business in Europe and the implementation of structural reform associated with it in that region.

On the other hand, a number of new titles have been a hit, such as *Like a Dragon: Infinite ∞ Wealth* and *Persona 3 Reload*, became the fastest-selling titles in the series, surpassing 1 million units, and *Football Manager 2024*, which is our regular title, and *Unicorn Overlord* sold well on the back of high user rating.

Also, repeat sales and existing F2P titles also remained solid and contributed to the business performance.



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

- Metascore: **89**
- Achieved its global cumulative sales of 1 million units* in first week after launch

*Calculated by SEGA internally. The unit sales are the total number of physical units shipped to retailers and downloadable units sold to consumers, across sales on all platforms



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Persona 3 Reload (Feb. 2, 2024)

- Metascore: **87**
- Achieved its global cumulative sales of 1 million units* in first week after launch, the fastest ever in Atlus titles

*The total number of physical units shipped to retailers and downloadable units sold worldwide

*Dates in () to the right of the title are the release dates

*Metascore as of May 9, 2024

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Unicorn Overlord (Mar. 8, 2024)

- Metascore: **87**
- Achieved its global cumulative sales* of 500K units

*The total number of physical units shipped to retailers and downloadable units sold worldwide



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Football Manager 2024 (Nov. 7, 2023)

- Metascore: **84**
- Global cumulative number of players: **9 million***

*Calculated by SEGA internally. The number of players is the total number of users who play on the physical version, the downloadable version, all deployed platforms, and various subscription services.

*Dates in () to the right of the title are the release dates

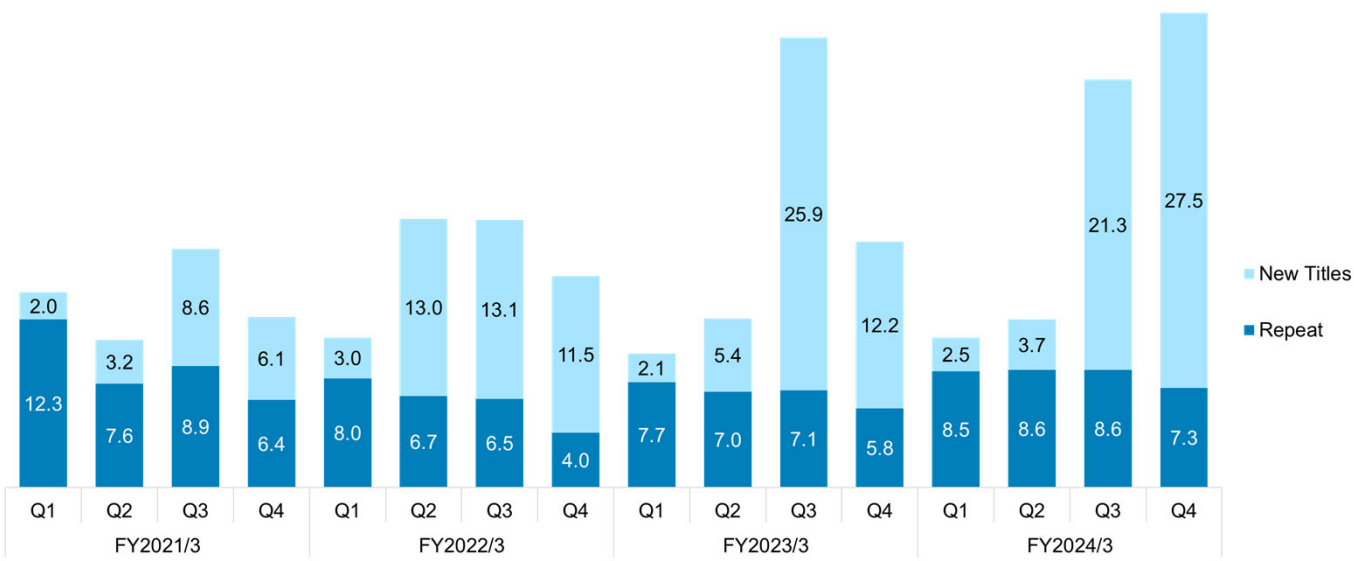
*Metascore as of May 9, 2024

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Consumer Area / Full Game: Sales Trend



(Unit: billion yen)



Consumer Area / F2P: Sales Trend



Project SEKAI COLORFUL STAGE feat. Hatsune Miku

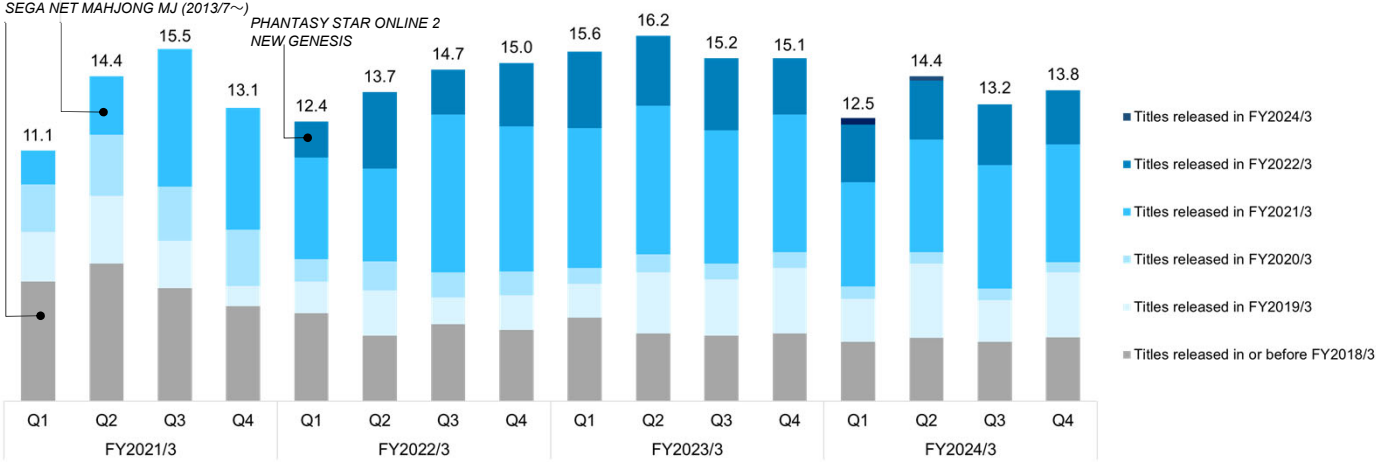
(Unit: billion yen)

PHANTASY STAR ONLINE 2 (2012/7~)

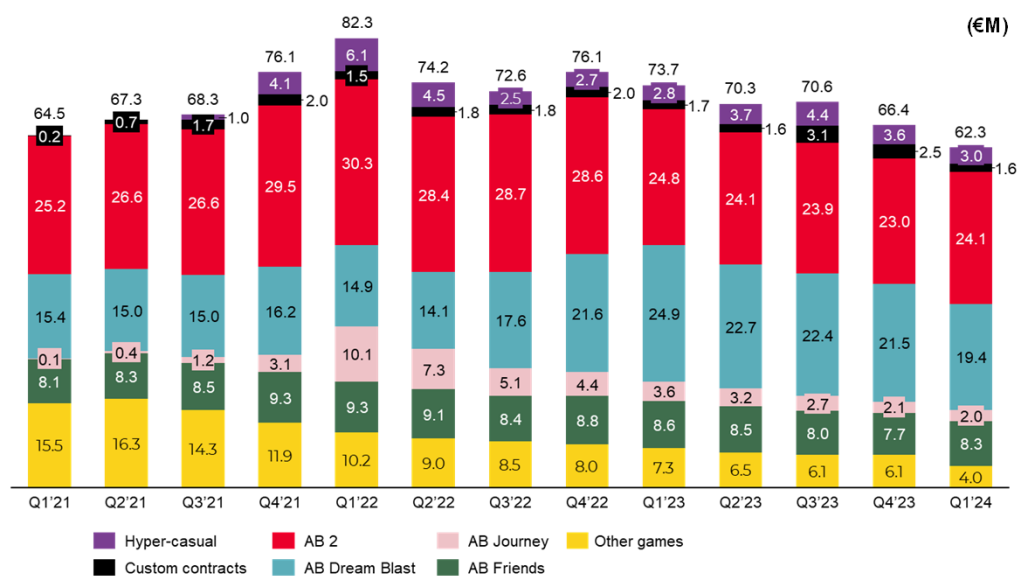
SEGA NET MAHJONG MJ (2013/7~)

PHANTASY STAR ONLINE 2

NEW GENESIS



(Reference) Sales by Titles of Rovio



*Rovio applies December fiscal year end
*Created by Rovio

(Billion yen)	FY2022/3 Full Year Results	FY2023/3 Full Year Results	FY2024/3 Full Year Results
Sales	75.8	94.2	135.9
Pachislot	30.6	41.0	88.7
Pachinko	37.1	44.2	35.5
Other / Elimination	8.1	9.0	11.7
Operating Income	9.3	20.0	41.2
Non-operating income	1.0	0.8	0.8
Non-operating expenses	0.1	0.2	0.2
Ordinary Income	10.2	20.7	41.8
Ordinary Income Margin	13.5%	22.0%	30.8%
Pachislot			
Number of Titles	10 titles	8 titles	7 titles
Unit Sales (units)	77,870	94,966	180,090
Pachinko			
Number of Titles	5 titles	5 titles	4 titles
Unit Sales (units)	97,027	103,556	88,236
Board + Frame	56,728	52,152	25,419
Board	40,299	51,404	62,817

New series are counted as one title
(Titles which installation started from previous FY, specification changed titles, etc.
are not included)

FY2024/3 Full-year Results

- **Significant increase in sales and profit from the previous fiscal year**
 - Strong sales centered on pachislot
 - Moved the installation timing of some titles to the next fiscal year
 - Major titles sold:
 - Smart Pachislot Hokuto No Ken*
 - P Hokuto No Ken Bokyosei*, etc.

Next is Pachislot & Pachinko Machines business.

Sales and profits increased significantly due to strong sales of pachislot machines, especially *Smart Pachislot Hokuto No Ken*.

Repeat sales of *Smart Pachislot Hokuto No Ken* progressed on the back of high utilization rates, and multiple new titles also performed well. As a result, the number of pachislot machines sold increased significantly YoY to approximately 180,000 units.

On the other hand, the number of pachinko machines sold were 88,000 units, down YoY, but this was due to the fact that the sales schedule was reviewed and we have strategically moved the launch timing of some titles to FY2025/3. Sales of each title launched in FY2024/3, including *P Hokuto No Ken Bokyosei*, were generally strong.

➤ Introduced the products supported by users for both pachislot & pachinko



Smart Pachislot Hokuto No Ken

©Burtonson & Tetsuo Hara / COAMIX 1983,
©COAMIX 2007 Approved No. YRA-114
©Sammy



P Hokuto No Ken Bokyosei

©Burtonson & Tetsuo Hara / COAMIX 1983,
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©Sammy

Smart Pachislot Hokuto No Ken

- Initial installation: Apr. 2023
- Cumulative installed units: 84K units (As of end of Mar. 2024)
*Of the above, approx. 5K units were delivered in advance during FY2023/3
- Contributed weeks in utilization*: 57 weeks (still contributing)

P Hokuto No Ken Bokyosei

- Initial installation: May 2023
- Cumulative installed units: 18K units (As of Mar, 2024)
- Contributed weeks in utilization*: 52 weeks (still contributing)

*Contributed weeks in utilization : Indicator used to decide whether each machine's weekly utilization is over/below average weekly utilization of the whole market. In-house estimation.

-20-

(Billion yen)	FY2022/3 Full Year Results	FY2023/3 Full Year Results	FY2024/3 Full Year Results
Sales	8.6	11.5	12.3
Operating Income	-2.5	-1.1	-0.9
Non-operating income	0.0	0.1	1.0
Non-operating expenses	4.1	2.1	0.0
Ordinary Income	-6.7	-3.2	0.0
Ordinary Income Margin	-	-	0.2%
<PHOENIX RESORT>			
No. of facility users (Thousands)	760	946	898
3 accommodation facilities	308	394	360
2 golf courses	94	103	102
Other facilities	358	449	436

FY2024/3 Full-year Results

➤ Achieved profitability at the ordinary income level

- PHOENIX RESORT:
 - Optimization of unit prices for room and recovery of group customers led to a second consecutive year of positive operating income
- PARADISE SEGASAMMY:
 - Contributed to profit with equity method acquisition as casino revenues and hotel occupancy remained at high levels

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Finally, the Resort business.

PHOENIX RESORT in Japan achieved profitability for the second consecutive fiscal year as group visitors showed a better-than-expected recovery.

PARADISE CITY in South Korea also contributed to the turnaround of the Resort business, with equity in earnings of 0.9 billion yen, due to strong performance centered on Japanese VIPs.

(KRW Billion)		FY2022/3 Full year Results	FY2023/3 Full year Results	FY2024/3 Full year Results
Sales		161.5	270.5	448.7
	Casino	86.6	157.5	327.9
	Hotel	67.7	95.9	100.3
	Other	7.0	17.0	20.4
Cost of sales		178.2	234.1	353.1
	Casino	63.7	100.4	193.4
	Hotel	81.9	94.2	112.1
	Other	32.4	39.4	47.6
Gross profit		-16.7	36.4	95.5
	SG&A	25.4	27.9	39.2
Operating profit		-42.2	8.5	56.3
EBITDA		14.9	65.3	103.7
Net profit		-87.9	-33.9	28.0
Number of casino visitors (Thousands)		99	151	297
Source: Paradise IR				
SEGASAMMY Equity method acquisition amount (Billion yen)		-4.1	-1.8	0.9

FY2024/3 Full-year Results

- **Recorded highest operating income and EBITDA since the opening of facility**
- **Contributed to profit with equity method acquisition**
 - Recovery of casino sales progressed centered on Japanese VIP customers
 - Hotel sales continued to achieve high room rates and occupancy by capturing the demand for stay type travel in South Korea

*PARADISE SEGASAMMY is an equity-method affiliate of the Company

*PARADISE SEGASAMMY is recorded 3 months late to the Company as it applies December fiscal year end

*Local accounting standards

03

FY2025/3 Forecast

➤ Changes in segment

■ Making “Gaming Business” as a new segment

- Entering the online gaming market in North America, which is expected to grow further in the future, and aiming to establish it as the third pillar of our business
- “Gaming Business” includes below
Online gaming, development, manufacturing, and sale of slot machines by SEGA SAMMY CREATION, operation business of integrated resort facility by PARADISE SEGASAMMY, etc.

■ Reorganization of subsegment within Entertainment Contents Business

- The “Amusement Machine” and “Toys” areas are combined and renamed “AM & TOY”, associated with the establishment of SEGA FAVE CORPORATION
- Changes the “Animation”, which is a growth area, as an independent subsegment

Notice regarding the establishment of SEGA FAVE CORPORATION: <https://www.segasammy.co.jp/en/release/44213/>

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Next, I will explain about the forecast for FY2025/3.

First, I would like to talk about the segment change. From FY2025/3, we will make gaming business as a new segment to replace with Resort business, which we aim to establish as our third business pillar. The Gaming area includes the slot machine business and PARADISE SEGASAMMY in South Korea, etc., which we had from before, in addition to the online gaming business.

Second is about the reorganization of subsegment. With the establishment of SEGA FAVE, the Amusement Machine and Toys areas were combined into “AM* & TOY”. In addition, the Animation area, which was included in the Animation / Toy area, will be positioned as a new growth area and will become an independent subsegment.

*AM=Amusement Machine

➤ Change in management indicator

■ Change management indicator to Adjusted EBITDA from Ordinary Income

- Background of change: As it is easy to compare with global companies and is an appropriate measure of the substantial business profitability

Items	Breakdown
Adjusted EBITDA	Ordinary income + Interest expenses + Depreciation and amortization ± Adjustment items*
* Adjustment items	+ Extraordinary income of business - Extraordinary losses of business (Impairments, title write-downs, etc.) - Profit attributable to non-controlling interests + Goodwill and trademark right amortization associated with M&A

■ Continue to use ROE as an indicator

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Here is the key management indicator.

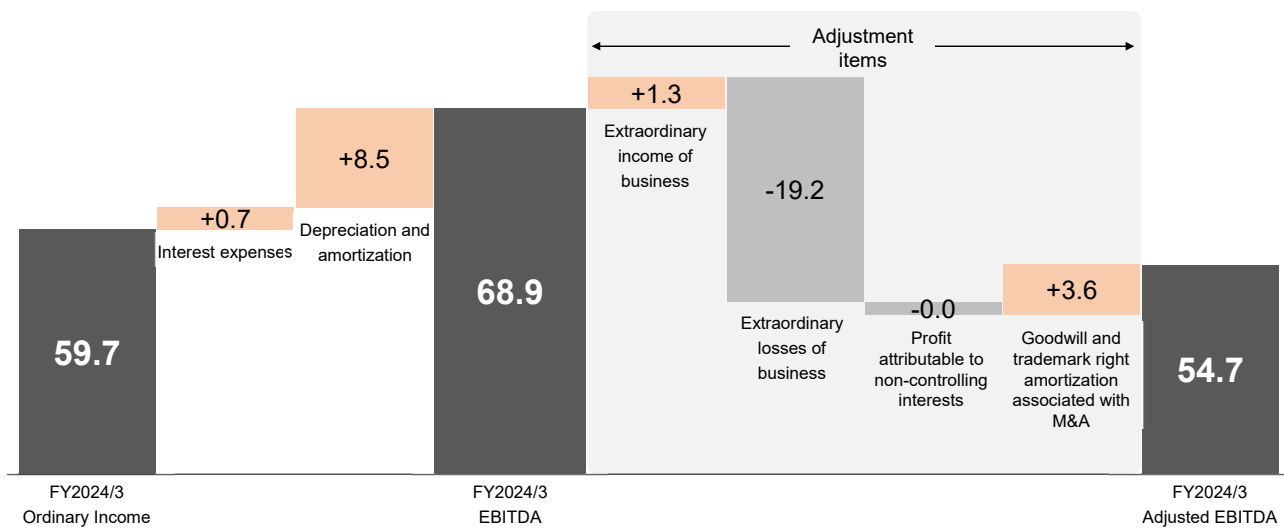
We used to focus on Ordinary Income, but we would like to change this to Adjusted EBITDA from now on. This is because our group's business is becoming more globalized, and adjusted EBITDA is more comparable to global companies. In addition, we have determined that it is an appropriate measure of the substantial business profitability, by firmly applying the adjustment items as shown here.

We will continue to use ROE as an indicator.

Changes Associated with the Start of New Medium-term Plan **SEGASammy**

[Break down of adjustment items in FY2024/3 results]

(Unit: billion yen)



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For your reference, here is the detail of adjusted items in Adjusted EBITDA for FY2024/3 results.

FY2025/3 Forecast (Whole group)

(Billion yen)	FY2024/3 Full Year Results*	FY2025/3 Full Year Forecast
Sales	467.8	445.0
Operating Income	56.8	45.0
Non-operating income	6.8	6.0
Non-operating expenses	3.9	3.0
Ordinary Income	59.7	48.0
Entertainment Contents	30.8	40.0
Pachislot and Pachinko Machines	41.9	23.5
Gaming	-0.4	-1.5
Other / Elimination	-12.6	-14.0
Adjusted EBITDA	54.7	62.0
Entertainment Contents	22.0	50.0
Pachislot and Pachinko Machines	44.5	26.5
Gaming	-0.4	-1.5
Other / Elimination	-11.3	-13.0
Extraordinary income	1.3	8.5
Extraordinary losses	19.2	0.5
Income before income taxes	41.8	56.0
Income taxes	8.6	17.0
Profit attributable to owners of parent	33.0	39.0
ROE	9.6%	-
EPS (JPY)	150.75	180.54

*FY2024/3 results are preliminary figures.

FY2025/3 Forecast

- **Sales decreased YoY due to a reactionary decline in Pachislot & Pachinko and the transfer of PHOENIX RESORT**
- **Adjusted EBITDA increased YoY due to profit increase in Entertainment Contents**
 - Entertainment Contents: Expect the increase in sales and profits YoY, centered on Full Game (CS*)
 - Pachislot & Pachinko: Expect the decrease in sales and profits YoY due to a reactionary decline in Pachislot
- **Expect to record extraordinary income associated with the transfer of PHOENIX RESORT**

Exchange rate in initial forecast for FY2025/3

- 1USD = 137 yen
- 1GBP = 190 yen
- 1Euro = 161 yen

*CS = Consumer area

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Here is our forecast for FY2025/3.

We expect a YoY decrease in sales due to a reactionary decline in the Pachislot & Pachinko Machines business and the transfer of PHOENIX RESORT.

On the other hand, we expect income before income taxes and profit attributable to owners of parent to increase and also adjusted EBITDA to increase due to the reversal of large extraordinary losses incurred in FY2024/3, etc..

Since it is difficult to calculate the tax rate properly at this stage, we are calculating the tax rate at 30%, as a simplified method, as usual.

Also, the results for FY2024/3 shown on this page are the retroactive results corresponding to the segment changes mentioned above.

FY2025/3 Forecast (per Segment)

	(Billion yen)	FY2024/3 Full Year Results*	FY2025/3 Full Year Forecast
Entertainment Contents	Sales	318.7	335.0
	Consumer	224.0	235.0
	Animation	22.9	23.5
	Amusement Machine & toy	71.8	76.5
	Operating Income	28.9	38.0
	Consumer	21.9	27.5
	Animation	4.5	4.5
	Amusement Machine & toy	2.3	6.0
	Ordinary Income	30.8	40.0
	Adjusted EBITDA	22.0	50.0
	Full Game	88.1	93.0
	New titles	55.0	53.3
Pachislot & Pachinko	Repeat titles	33.0	39.6
	F2P	53.9	56.9
	Full Game: Unit sales (Thousand)	278.9	296.7
	New titles	92.3	91.9
	Repeat titles	186.6	204.8
	Sales	133.2	105.0
	Operating Income	41.6	23.0
	Ordinary Income	41.9	23.5
	Adjusted EBITDA	44.5	26.5
	Pachislot Unit Sales (units)	180,090	107,000
	Pachinko Unit Sales (units)	88,236	115,000

*Retroactive FY2024/3 results are approximate value (unaudited)

FY2025/3 Forecast

[Entertainment Contents]

➤ Expect the increase in sales and profits YoY due to growth in the Consumer area

- Repeat sales expect to be high level since FY2021/3 (CS*)
- F2P expects to grow driven by global mobile titles (CS)
- Expect the increase in sales and profits YoY in AM*&TOY due to the increase in sales of prize products (AM*)

[Pachislot & Pachinko]

➤ Expect the decrease in sales and profits YoY due to a reactionary decline centered on Pachislot

- Pachislot: Expect the reactionary decline from the strong sales of *Smart Pachislot Hokuto No Ken* in previous fiscal year
- Pachinko: Unit sales increase from the previous fiscal year due to the introduction of *e Hokuto No Ken 10*, our first smart pachinko, and other factors

*CS = Consumer area, AM = Amusement Machine

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Here is the forecast of FY2025/3 by segment.

In the Entertainment Contents business, we expect to see an increase in both sales and profit YoY due to strong performance mainly in the Consumer and AM & TOY area.

In the Pachislot & Pachinko Machines business, we expect a decrease in both sales and profit YoY due to a reactionary decline from the strong performance of *Smart Pachislot Hokuto No Ken* in the previous fiscal year.

As for the forecast for FY2025/3, we expect EPS to increase due to the planned increase in profit attributable to owners of parent, but this may change depending on the status of the share buyback announced today, and actual performance trends, etc.

Entertainment Contents Business per Sub-segment

FY2024/3 Results

Consumer	Full Game	<ul style="list-style-type: none"> Steady performance of new titles and repeat sales from Japan studios Recorded losses due to write-downs associated with structural reforms in Europe
	F2P	<ul style="list-style-type: none"> Existing titles performed as expected
	Other	<ul style="list-style-type: none"> Incorporation of Rovio's performance Recorded license revenue from subscription services Recorded revenues from IP licensing, etc.
Amusement Machine		<ul style="list-style-type: none"> Sales centered on <i>UFO Catcher</i>® series and prizes
Animation / Toy	Animation	<ul style="list-style-type: none"> Recorded allocated revenue of movie, <i>DETECTIVE CONAN: Black Iron Submarine</i> Recorded license and other revenues associated with video production, distribution, etc.
	Toy	<ul style="list-style-type: none"> Weak sales throughout the year Recorded loss due to inventory write-downs at the end of the fiscal year

FY2025/3 Forecast

Consumer	Full Game	<ul style="list-style-type: none"> Release a new title of Sonic series, one of the mainstay IP Release new IP title under the ATLUS brand Strong titles in FY2024/3 to be counted as repeat sales as semi-new titles
	F2P	<ul style="list-style-type: none"> Strengthen operations of existing titles
	Other	<ul style="list-style-type: none"> Record license revenue from subscription services Record revenues from IP licensing, etc.
Animation		<ul style="list-style-type: none"> Release the new movie of DETECTIVE CONAN and ANPANMAN in Q1 Record license revenue from distribution etc., in addition to video production revenue and allocated revenue
AM* & TOY	AM	<ul style="list-style-type: none"> Sales centered on the <i>UFO Catcher</i>® series and prizes Release <i>UFO CATCHER TRIPLE TWIN Compact</i>
	TOY	<ul style="list-style-type: none"> Sales of new products, regular products, etc.

*AM = Amusement Machine

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For your reference, here is a review of the Entertainment Contents business by sub-segment for FY2024/3, and a summary of the forecast for FY2025/3.

04

New Medium-term Plan
(From FY2025/3 to FY2027/3)

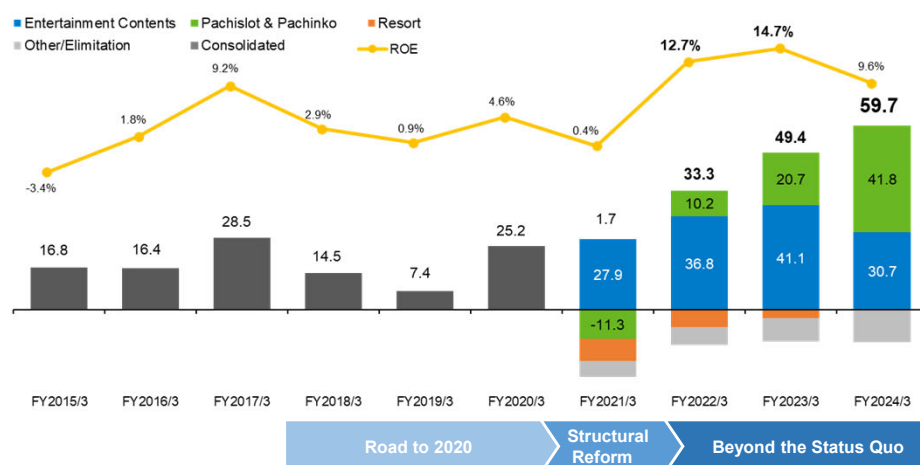
-30-

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

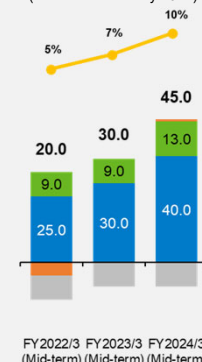
Review of Previous Medium-term Plan: Ordinary Income Trend (FY2015/3 to FY2024/3)

Growth in Entertainment Contents and recovery in Pachislot & Pachinko Machines led to a significant increase in ordinary income during the previous Medium-term period

(Unit: billion yen)



Previous Medium-term Plan Beyond the Status Quo (Announced on May 2021)



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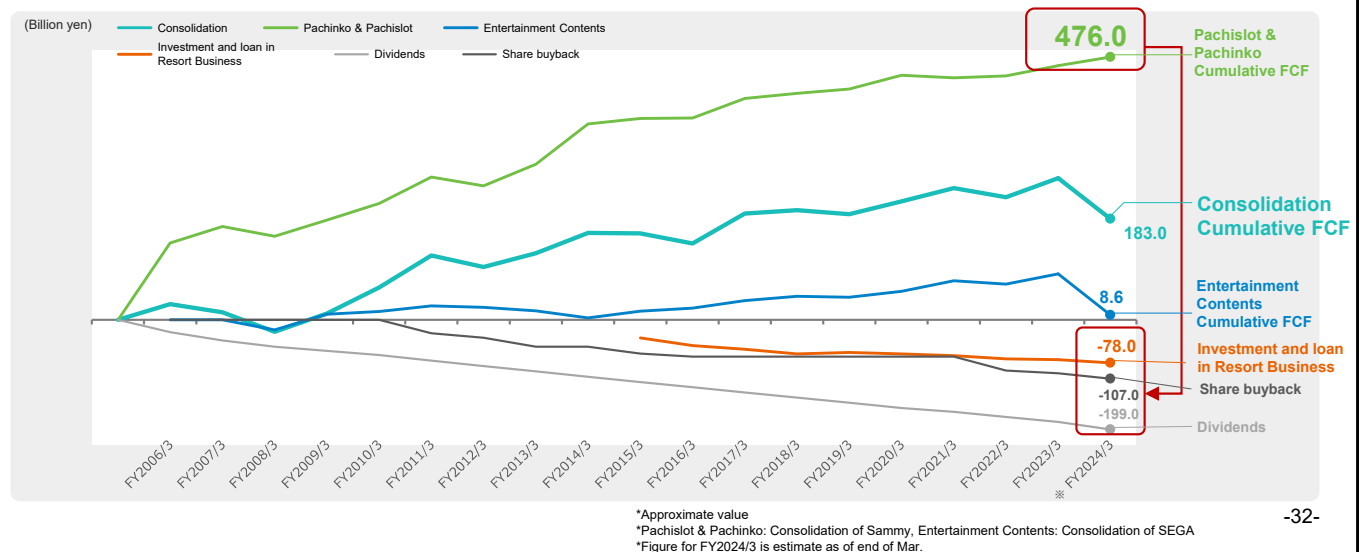
I would like to begin with a brief review of FY2024/3.

In the medium-term period, which we have called “Beyond the Status Quo”, we were able to achieve far in excess of the plan in terms of profits.

Also, the sales exceeded 460.0 billion yen in FY2024/3. This is the first time in a long time when the sales fell below 400.0 billion yen since 2010, and I believe that this was a year in which we were able to show that we have broken out of our current situation and are once again on a growth path.

Trend of Cumulative Free Cash Flows since Integration

**Pachislot & Pachinko ability to generate CF supports the group
and is a source of investment in growth and shareholder returns
Aim for growth through investments in the Consumer area and Gaming area**



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Then, here is the cash our Group has generated since the inception of the Group.

As you can see, the Pachislot & Pachinko Machines business has earned the source of returns to shareholders including dividends. The cumulative total is 476.0 billion yen.

As for Entertainment Contents business, as we continued to invest along while earning cash, the cumulative total is 8.6 billion yen.

Unfortunately, with respect to Resorts business, although this is a data before we transferred PHOENIX RESORT, it is negative 78.0 billion yen. However, PARADISE CITY is performing strong recently and we are entering the collection phase.

Below, you will see the dividends paid to shareholders and the cumulative amount of share buybacks we have done in the past.

Review of Previous Medium-term Plan:

Achievements and Challenges (FY2022/3 to FY2024/3)

Entertainment Contents Business

- Achieved steady profit growth
- IPs managed by Japan studios become strong
- Promptly responded to the issues in Europe

Pachislot & Pachinko Machines Business

- Achieved profit growth in 3 consecutive years
- Total utilization share rose driven by pachislot
- Creation of hit in Pachinko remains as a challenge

Growth Investment

- Enhancement of business portfolio is progressing due to M&A
Rovio (Sep. 2023), GAN (Scheduled within this fiscal year), etc.

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These are achievements and challenges from previous medium-term plan.

As for the Entertainment Contents business, Europe struggled in the previous fiscal year, but we implemented structural reform early and we have been able to establish a structure for steady profit growth. IPs from Japan studios continue to do well through global expansion, etc..

In the Pachislot & Pachinko Machines business, pachislot led the way with a significant increase in total utilization share, achieving profit growth for the third consecutive year.

As for growth investment, Rovio joined our Group last September amid a plan to invest 250.0 billion yen by FY2026/3. Following that, acquisition of GAN has been approved by its shareholders and will join our Group once the clearance of license is completed. In this way, we have been investing aggressively, including in new businesses.








Initiatives for Sustainability

Material issues to be addressed	Major initiatives	Target
 Human resources   	<p>Cultural diversity</p> <p>Active career opportunities for women</p> <p>Development of core human resources</p> <p>Maintenance of work environment</p> <ul style="list-style-type: none"> Promoting "Game Change" by increasing culturally diverse human resources Creating a foundation where people can thrive regardless of gender Strategic development of human resources who can lead the next generation Maintaining and improving the engagement of human resources 	<ul style="list-style-type: none"> Culturally diverse human resources¹⁾ Approx. 900 people (approx. 21% or more) Percentage of women in managerial positions Approx. 8% or more (approx. 80 people or more) Amount invested in education ¥4.0 billion or more cumulatively Engagement score 58 or above/Rating A or more (All are target towards FY2031/3 or CY2030)
 Products and Services    	<ul style="list-style-type: none"> Quality improvement and further efforts to enhance safety and security 	<ul style="list-style-type: none"> Global leading contents provider (Entertainment Contents Business) Win a "triple crown"—top share in utilization, installation, and sales (Pachislot and Pachinko Machines Business)
 Environment       	<p>Scope1,2</p> <ul style="list-style-type: none"> Consideration and execution of emission reduction measures <p>Scope3</p> <ul style="list-style-type: none"> Improvement of supplier engagement Consideration of supplier selection criteria Consideration of whether reduction targets should be applied to more companies and its timing <p>TCFD compliance</p> <ul style="list-style-type: none"> Strategy update Consideration of whether disclosure should cover more companies, and its timing 	<ul style="list-style-type: none"> Group-wide reduction of approx. 50%~ (CY2030) Group-wide carbon neutrality (CY2050) Reduce GHG emissions by 22.5% or more

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Here are our sustainability initiatives.

The five materialities previously identified remain unchanged, but I would like to make a few additions regarding Human Resources.

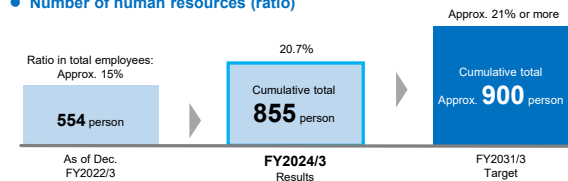
Material issues to be addressed	Major initiatives	Target
 Addiction 	<ul style="list-style-type: none"> • Collaboration with industry groups on initiatives to address and prevent addiction and gaming disorder • Continuing commitment to addiction research 	<ul style="list-style-type: none"> • Compliance with laws, regulations, voluntary rules, etc. related to addiction • Contributing to the healthy development of the industry • Implement industry-academia joint research regarding addiction
 Governance    	<ul style="list-style-type: none"> • Continuing to realize a highly transparent management maintaining a corporate governance structure that contributes to medium to long-term improvement in Corporate value 	

■ 4 key indicator for human resources

[Target Company]
1), 2), 3) : SEGA SAMMY HOLDINGS, SEGA (Japan), Sammy
4) : Major Group Companies in Japan

1) Development of culturally diverse human resources*

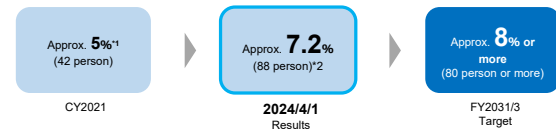
● Number of human resources (ratio)



*Certified based on multiple criteria, such as being a foreign national, having lived abroad and experienced multiculturalism, and having certain skills of multiple languages such as English and Chinese. Human resources who are exposed to diverse cultures and can apply that experience to their work

2) Active career opportunities for women

● Number of female managers (ratio)

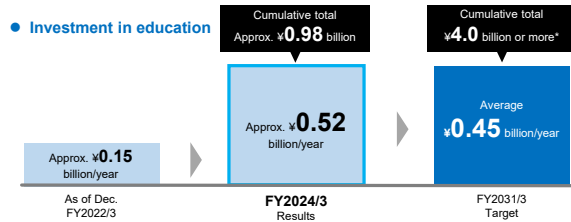


*1 Ratio of female managers, including professionals, within whole managers

*2 Achieved the target in terms of numbers of person. On the other hand, the ratio target was not achieved due to an increase in the overall number of employees, and we will continue to promote efforts to achieve this goal

3) Development of core human resources

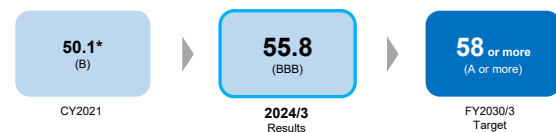
● Investment in education



*Cumulative investment from FY2023/3 to FY2031/3

4) Maintenance of work environment

● Engagement score



*Source: Link and Motivation Inc, engagement score based on motivation cloud

*Engagement Rating

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Here is the data on investment in Human Resources at three major companies in Japan.

We have been aimed for 900 culturally diverse human resources, and the number increased to 855 in FY2024/3. On the other hand, globally there are more than 2,000 employees working overseas, and these people may already be culturally diverse. Therefore, We are considering what indicators would be appropriate now.

Since the ratio of number of female managers is overwhelmingly higher overseas, we are considering whether it is better to present figures only for Japan or present separate figure for both Japan and overseas. At the moment, the ratio is 7.2% of the way to our 8% target.

In terms of investing in core human resources, we have established an internal educational measures called in SEGA SAMMY College and have been invested to it for about six years now.

Our engagement score is also steadily increasing.

ESG Ratings, Evaluations and etc.

MSCI ESG RATINGS

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

CDP



- Climate Change : B
- Water : C

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Adoption Status in Major ESG Indices

MORNINGSTAR GenDi J

Japan ex-REIT Gender Diversity
Tilt Index

TOP CONSTITUENT 2023

2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



FTSE Blossom
Japan Sector
Relative Index



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Here are the ESG ratings.

The MSCI rating became AAA, which is the highest rating.

W E L C O
M E T O T
H E N E X
T L E V E L

"WELCOME TO THE NEXT LEVEL"

In 1989, Sega launched Mega Drive (Genesis in N.A.), the first home video game console with a 16-bit CPU, ahead of its competitors. In North America, it was released under the name Genesis, and "WELCOME TO THE NEXT LEVEL" was the phrase used to promote Genesis.

Mega Drive (Genesis) was the most popular machine in the history of SEGA hardware, at one point becoming the number one machine in North America in terms of market share.

Our slogan for the next medium-term is "WELCOME TO THE NEXT LEVEL!".

If you are in your late 40s or so and have lived in the US as a child, you have probably heard of it but this is the promotional marketing tag when SEGA sold its home video game console called "Mega Drive", which name in the US is "Genesis".

The message here is that we who have broken through the status quo are now moving up to the next level.

Goal

WELCOME TO THE NEXT LEVEL!

Adjusted EBITDA over **230.0** billion yen
Cumulative of 3 years (FY2025/3-2027/3)

ROE over **10%**
Average of 3 years (FY2025/3-2027/3)

Strategy

[Entertainment Contents]
Expansion of IP scale

[Pachislot & Pachinko]
Maintain stable earnings

[Gaming]
Establishment
of business

**Adjusted EBITDA
per Business**

Over **180.0**
billion yen

Over **90.0**
billion yen

Adjusted EBITDA
Positive

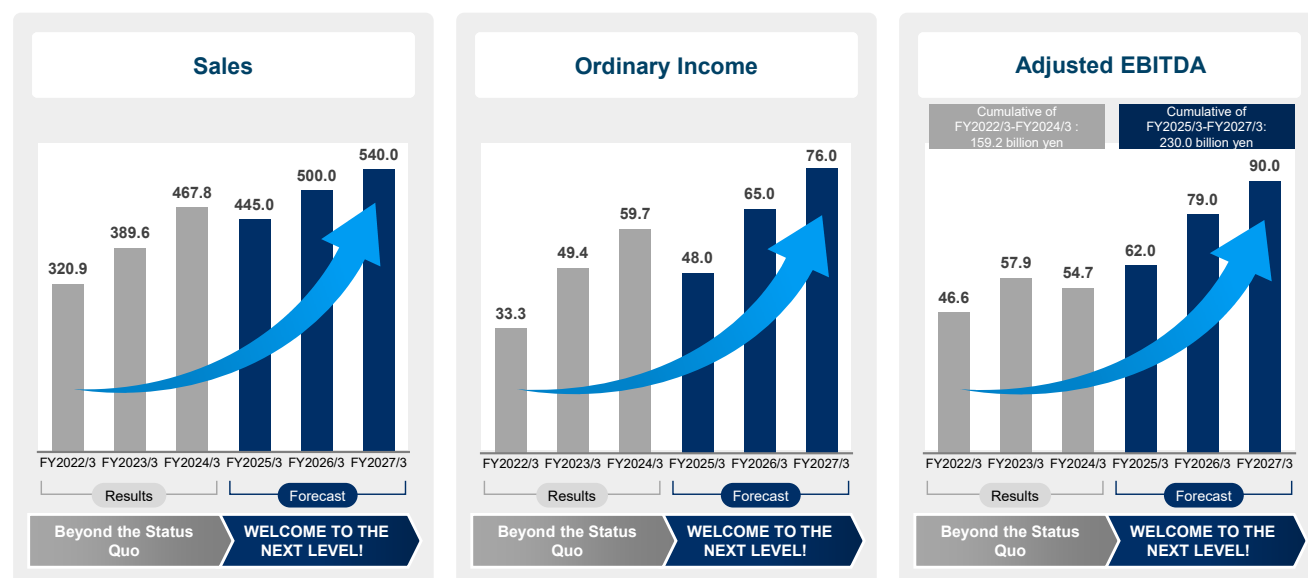
*Cumulative figure for 3 years (FY2025/3-FY2027/3)

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These are the Goal, Strategy and per business quantitative targets of the new medium-term plan.

We are aiming to earn 230.0 billion yen in adjusted EBITDA for cumulative 3 years and to achieve an ROE of over 10% as an average of 3 years.

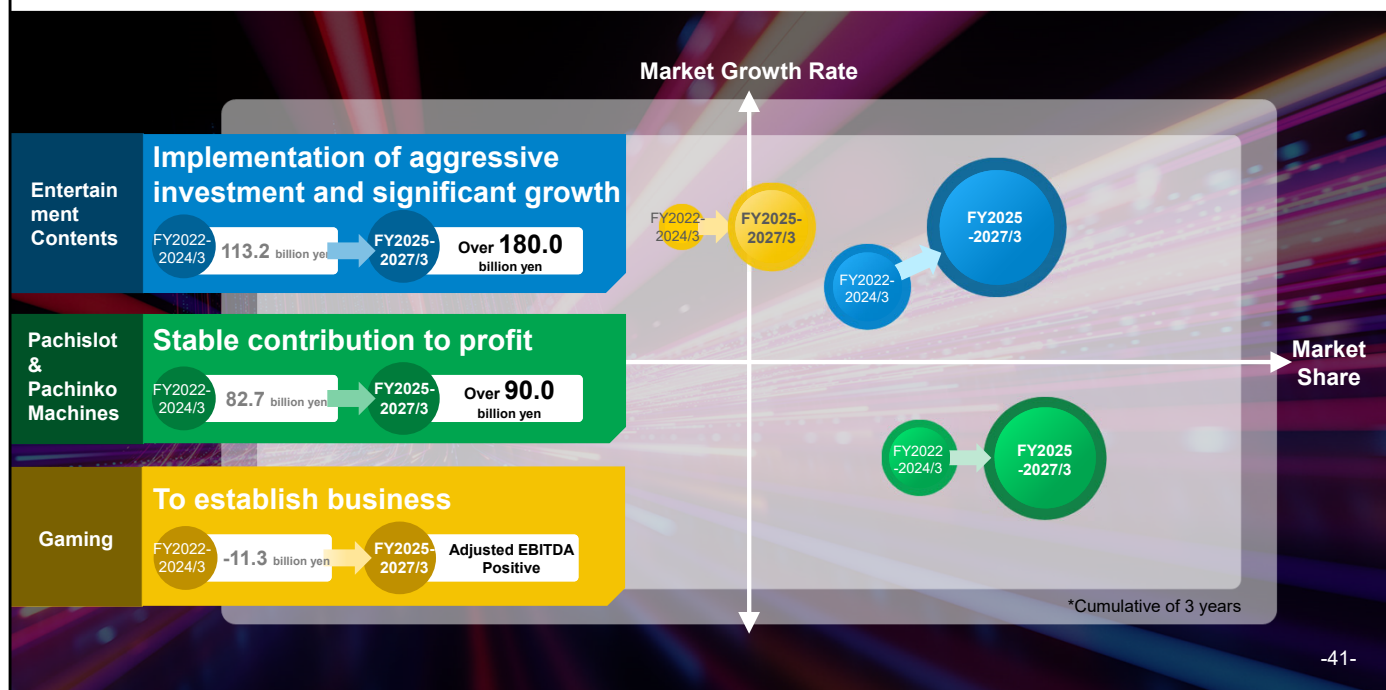
(Unit: billion yen)



-40-

Here are the trend of key indicators during the medium-term plan.

Although we expect a decrease in revenue and profit for the current fiscal year, which is the first year of the plan, we plan to grow adjusted EBITDA from the first year compared to the final year of the previous medium-term plan. Also, we are also aiming to exceed 500.0 billion yen in sales in the second year and 90.0 billion yen in adjusted EBITDA in the final year.



This is about our business portfolio.

The source and driver of growth is the Entertainment Contents business. For Gaming business, we aim to grow and become profitable. With respect to Pachislot & Pachinko Machines business, we intend to expand its market share as a base business and value business.



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Entertainment Contents Business Consumer Area

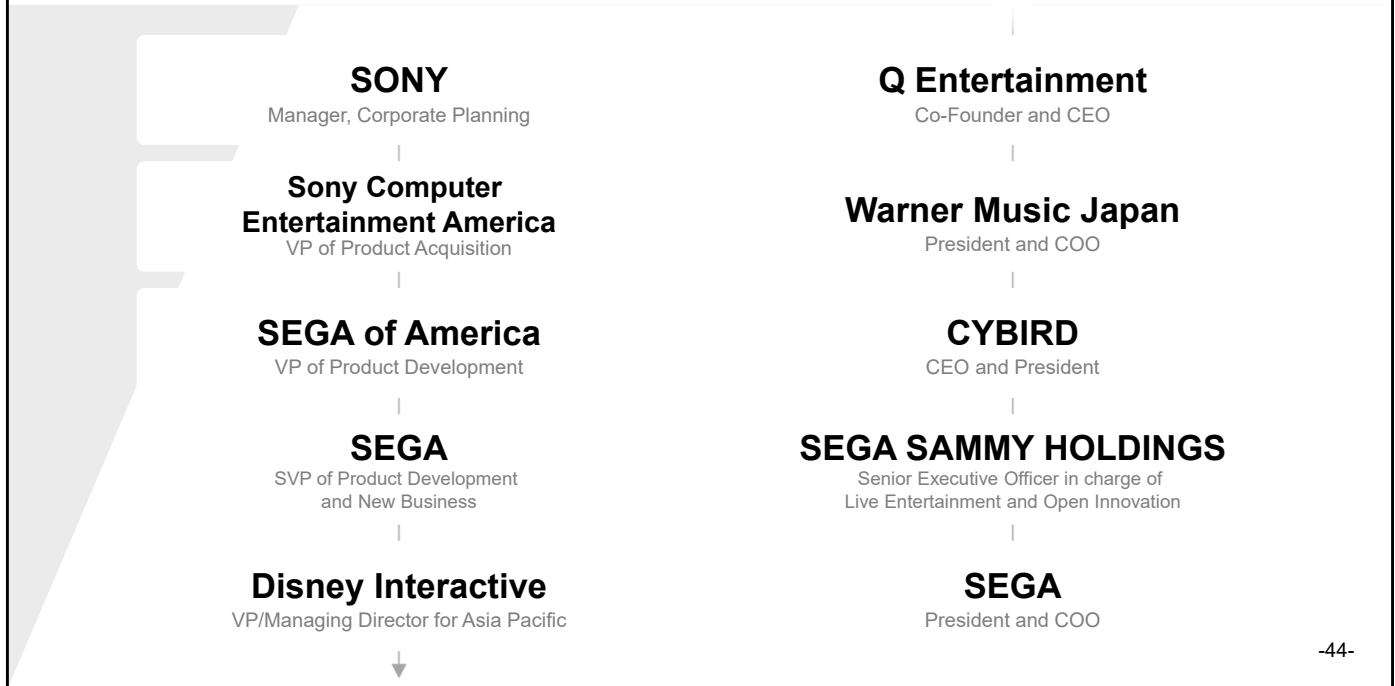
Entertainment Contents Business

Shuji Utsumi

President and COO, Representative Director of SEGA CORPORATION

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Speaker: Shuji Utsumi, President and COO, Representative Director of SEGA CORPORATION



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My name is Utsumi, and I have been appointed President of SEGA since April 1. First, I would like to briefly introduce myself and explain what I hope to accomplish as the president of SEGA.

After joining Sony as a new graduate, I was assigned to the Corporate Planning Department, where I developed a business plan for the PlayStation business which was being promoted behind the scenes at the time, and after being transferred to the US, I was involved in the launch and promotion of the PlayStation US business.

I then moved to SEGA, and was involved in the launch of Dreamcast which was a rival of PlayStation. Next, at Disney Interactive, I served as the representative for Asia Japan as well as the Disney side producer of a new IP, *Kingdom Hearts*, which became a worldwide hit, by incorporating Disney IP into a game.

My experience in the music industry includes serving as President of Warner Music Japan and working with entertainment content other than games.

I also have an experience of starting a company called Q Entertainment, which I ran for about 10 years, and sold it, and involvement in the turnaround of a company called CYBIRD, one of the mobile content companies.

Looking back, I have been involved in the entertainment business for a long time in various companies.



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Based on such a long career in the entertainment business, I believe I have an objective standpoint that enables me to look at the industry itself from a calm, bird's eye view, and when I look at SEGA again from that perspective, I feel that the company has many attractive assets that are extremely valuable.

Then, several years ago, I returned to SEGA after a long absence, and in the process of getting back involved in the management of the consumer game business of SEGA, I have developed and implemented strategies to demonstrate the value of SEGA business. I have focused more on global business and have concentrated our investment mainly on expansion of main IPs which we call 'Pillar.' However, I believe this is only the first step for the reformation.

I believe that SEGA has many potential assets that have not been fully utilized yet. SEGA used to boast a strong brand globally, and I believe that there is a brand recognition and moreover, a very positive context. I think they are a great asset that is not on the balance sheet.

I would like to explain how we are going to conduct our business, by utilizing these assets to increase the value of the SEGA brand once again.

I intentionally use the word 'gamers' here, but from my point of view, SEGA is a company that has always been close to gamers and challenged to do interesting things since the inception of the game industry. Furthermore, in these days, a great opportunity is coming in terms of market environment. With the changing times, the game industry has become the center of the world's entertainment culture, and I feel that the value of the industry itself is rising dramatically.



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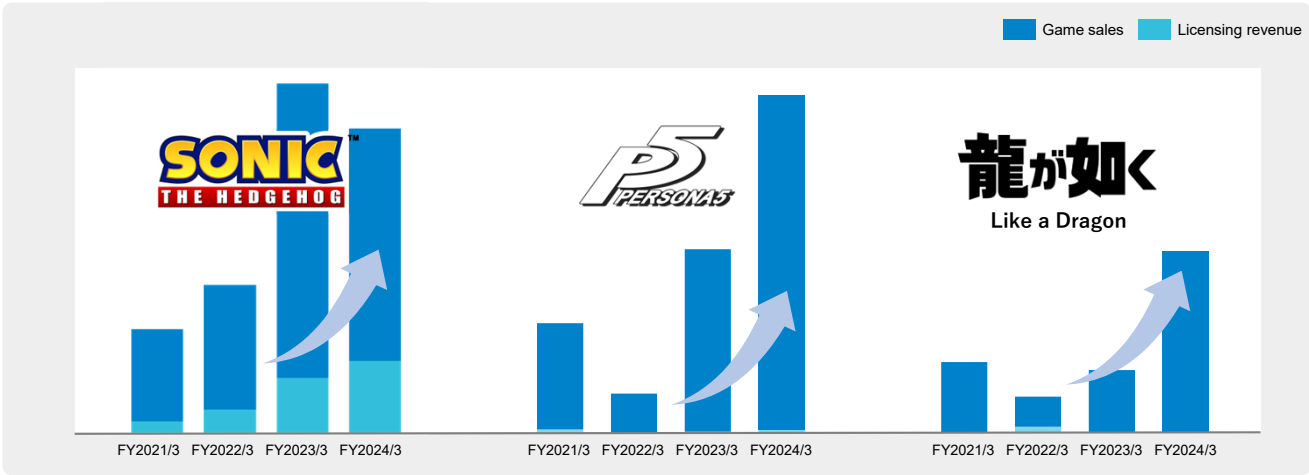
-46-

I believe that the products offered by SEGA to date, an IP group in the other words, has high potential under this environment. I believe that the major theme we are facing in terms of strategy is how to successfully make the most of and develop these IPs.

During the previous medium-term plan period, we have selected those with particularly high potential from among the numerous IPs and have focused our investments to develop them into global brands. In particular, we made a thorough effort to realize a multi-platform, simultaneous worldwide release as the center of our strategy.

In the past, we have first released titles for video game consoles in the Japanese and Asian markets and, then gradually expanded the sales regions and platforms later. However, now by becoming able to release them simultaneously in the US, Europe and other regions, and PC markets, we have been significantly increasing sales compared to the past.

During the previous medium-term plan period, major pillars grew steadily
Established a revenue base to support the SEGA brand







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Among them, *Sonic* has been particularly successful in achieving significant growth in the global market. Following it, *Persona* and *Like a Dragon* have become pillars that can generate revenue.

Possesses superior development capabilities to create content that attracts gamers around the world

World-class game development capabilities

Titles	Meta Score	User Score
	73	8.0
	89	8.6
	87	8.5
	87	8.4

Structures supporting development

Global inline process:

- Established a system that allows development team and publishing team to have healthy discussions with global members based on marketability

Enhancement in evaluation process (Content lab):

- Established a team within the company that can objectively test and evaluate work products in process, in addition to an external testing organization.
- Both the Japan and European studios have established a system to evaluate and provide feedback on games under development at each milestone

Data utilization:

- Utilization of user feedback and activity data for content development, etc.

*As of May 8, 2024

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SEGA also has excellent development capabilities.

The most recently released titles have scored close to 90 points in the meta score*. We are also working to create a system to support this high level of development capability.

For example, in the title evaluation process, we include not only studio side viewpoint, but also the perspective of the publishing side, and have established a forum for healthy discussions so the global members of both sides ensure mutual checks and balances. We may decide to cancel the project if they are judged to have low marketability, even if they are still in the middle of development. We have been strengthening such screening mechanism in recent years.

We also recognize the importance of objectively evaluating titles during development, so in addition to listening to the voice of external testing organizations, we have also established an in-house testing team called ‘content lab’. Together with our Japanese and European studios, we have established a system to add multifaceted test and evaluation at each development stage and to provide objective input to the development side.

We believe it is important to establish such system to ensure quality as a backbone to strengthen our competitiveness. Making solid investment including the development of such infrastructure in order to further improve our development capabilities, and earning a high reputation for our products as a result will lead to the trust of users in the long run and enhance the value of the SEGA brand.

*Rating for various entertainment content at an international review collection site published by Metacritic

Strengthening contacts with global players using the SEGA brand as a weapon
Possesses business capabilities to maximize the potential of the product



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We are also promoting the collaboration with global players. SEGA's brand power heavily contribute as a premise for strengthening relationships with these players.

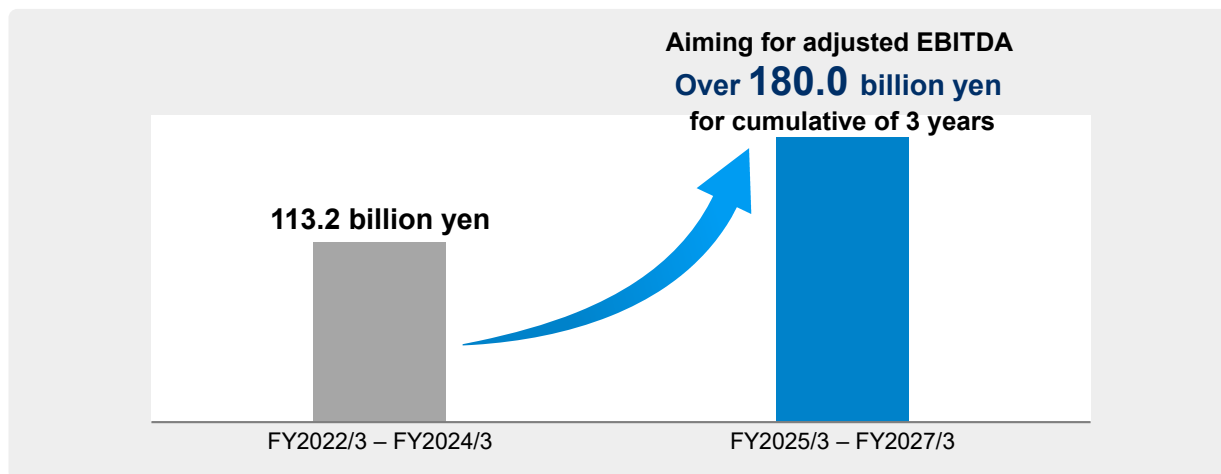
Aside from strengthening relationships with platform holders such as Sony, Nintendo, and Microsoft, we have also been strengthening the relationship with other players who are also trying to enter into the game business such as Apple, Google, Amazon, Meta, and NETFLIX.

As a result, not only working closely together with them for the promotion etc. at the launch of new titles, we have also been able to launch many number of our titles in various subscription services and it realizes the expansion of engagement to the games.

Specifically, we are distributing a total of 16 titles on Amazon Luna and Amazon Kids+, 7 titles on Apple Arcade, 7 titles on Netflix Games, and 1 title on Meta.

Strong IPs, excellent development capabilities and global business development capabilities. By leveraging these strengths, we hope to further tap into SEGA's potential in this new medium-term plan.

**Refining its strengths and revealing SEGA's potential
to further evolve the existing strategy, which is steadily yielding results**



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We are now planning to raise adjusted EBITDA for cumulative of 3 years to the 180.0 billion yen level without resting.

1

Further expansion of main Pillars

- Transmedia
- Global GaaS (Rovio, etc.)

2

Investments to strengthen development and product capabilities

- Pillars
- Legacy IPs (Medium to long-term initiatives)
- Super Game (Medium to long-term initiatives)
- Animation IPs

3

Re-growth of European business

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There are three specific areas of focus in the new medium-term management plan.

The first is to further expand main Pillars. To this end, we would like to strengthen Transmedia strategy including merchandising deployment in areas other than games, such as animation and licensing, in order to effectively attract fans of each Pillar. In addition to this, we aim to further grow Pillars by rolling it out not only for console and PC but as a global GaaS* centered on mobile.

The second point of focus is to invest in strengthening development and product capabilities, which are the source of earnings. No wonder for our mainstay pillars, we will also invest in legacy IPs and animation IPs. We will also invest in Super Game, which we expect to be a growth pillar for long-term, while maintaining an appropriate balance in resource allocation.

The third point of focus is the re-growth of our European business.

We were able to almost complete the structural reform aimed at improving profitability during the previous fiscal year. We changed the management, as well as the organizational structure of European bases, reviewed the development assessment process, strengthened governance and reduced the fixed expenses including large scale workforce reduction. We believe that we were able to almost complete these measures during the previous fiscal year, paving the way for the re-growth in our European business. In the future, we would like to focus the investment on *Football Manager* and *Total War* so that they can further grow as our main pillars.

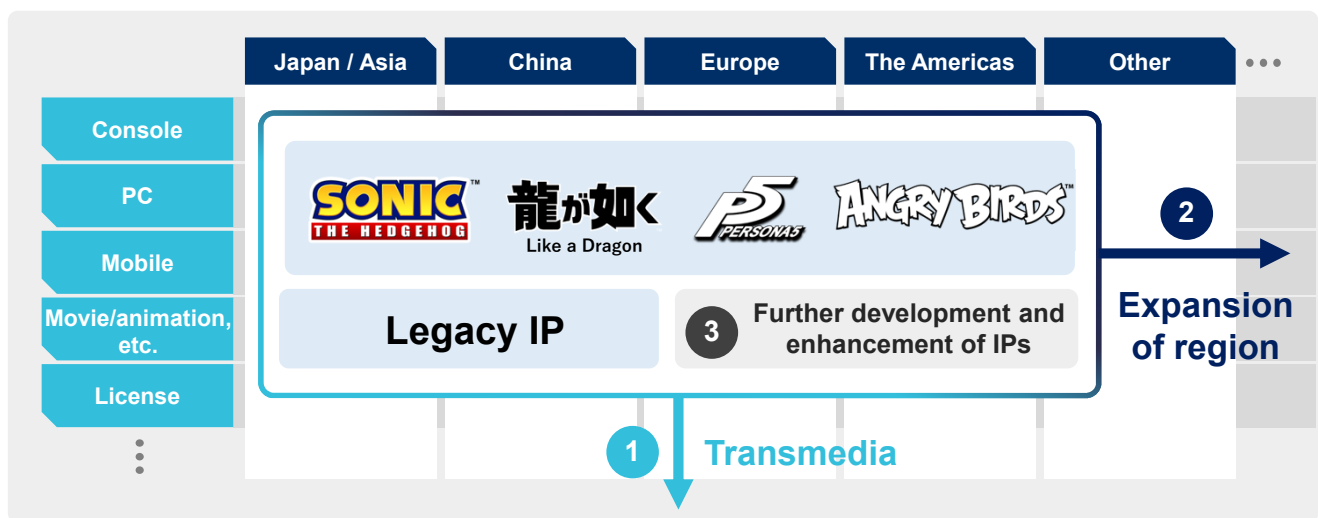
*GaaS = abbreviation of Game as a Service

Structural reform in European business were almost completed during the previous fiscal year
The results expect for the European business were in line with forecast



Although we recorded large losses in our European business in the previous fiscal year, the performance of businesses other than the European business has landed as expected.

Maximizing Product Value through Transmedia and expansion of region



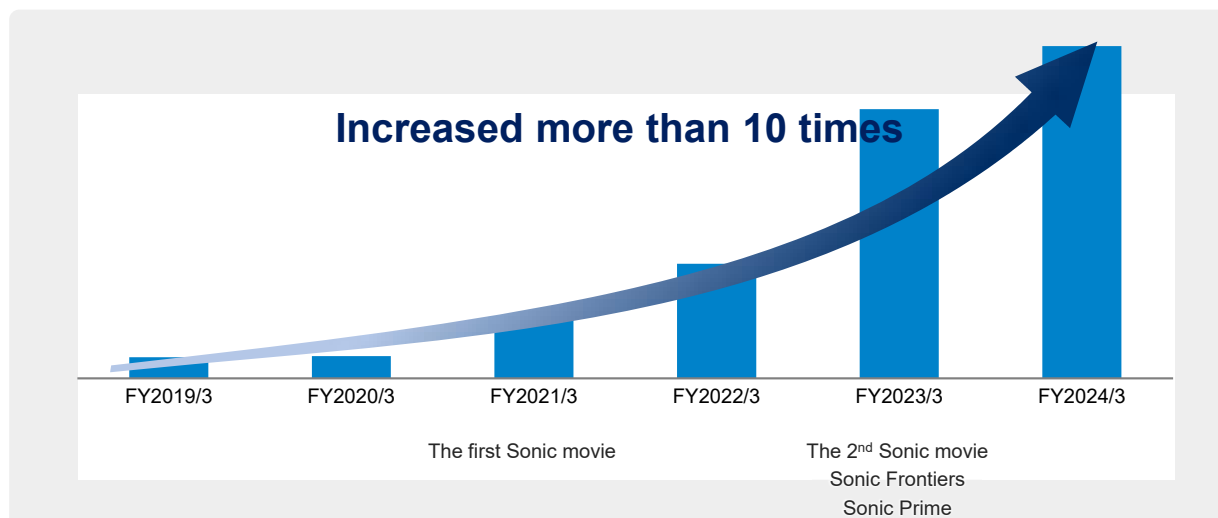
-53-

Next, I would like to explain our approach for further expansion of Pillars in more depth.

The first point is to promote the Transmedia strategy to expand Pillar IP into areas other than games for console and PC. We would like to increase the reach and fan engagement of the IPs by developing them in various areas, such as mobile, movie/animation, licensing, and merchandise.

Second point is the expansion of the sales regions. In addition to Japan/Asia, Europe, and the US, which are our main sales regions, we will accelerate business deployment in regions where we have not been able to aggressively expand in the past.

Third point is to nurture and strengthen IPs that follow the current mainstay Pillars. Investment in Legacy IPs is one of the measures for this point.

Strategic Transmedia expansion with a focus on games and movies led to dramatically increase Sonic IP licensing revenues

As background to promote the Transmedia strategy, I like to explain the great successes in *Sonic* IP.

Sonic IP's licensing revenues expanded more than tenfold from FY2019/3 to FY2024/3. In the process, we have been able to build favorable relationships with many business partners in a variety of business areas.

In the future, we would like to proceed Transmedia strategy for other IPs based on the successes cases and business foundation developed with the *Sonic* IP. The key to the strategy is to increase the value of IPs while increasing revenue at the same time through the collaboration with partners.

Promote transmedia strategy towards the new movie and game plan to be released at the end of the year under the theme of "FEARLESS: Year of Shadow"

Fostering a sense of unity in the community under the theme of "Shadow"



©SEGA

Strategic interaction of each initiative to provide a major tailwind toward the end of the year

Game

For Console & PC
"SONIC x SHADOW GENERATIONS"
Plan for launch in fall 2024

Movie

The 3rd Sonic movie
To be released on Dec. 20, 2024

Game

Now Sonic mobile title
SONIC RUMBLE
Plan for launch this winter

Distribution of animation

Original TV series
"Knuckles"
Start distribution at Paramount+ on Apr. 26, 2024

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I will explain the Transmedia strategy for *Sonic* IP for this fiscal year.

This year's theme will be FEARLESS: Year of Shadow. Using Shadow, a popular character and rival of Sonic, as a theme, we will strategically deploy each measures.

In this fall, we will release a new title for Full Game featured Shadow and the third Sonic movie will be released at the end of the year. We will also develop merchandising through collaborations with our partners that coincides with those milestones.

The launch of *Sonic Rumble*, a new mobile title for Sonic IP, is scheduled for this winter as well.

The distribution of TV series *Knuckles* has already started in April and it has been very well received.

By strategically promoting multifaceted Transmedia expansion, we will appeal the IP to fans as a large mass and expand its fan base.



New title for Sonic IP Global x Mobile *Sonic Rumble*

- A title aim to reach the **worldwide Sonic fan base that has expanded through movies, etc.**, with a casual x mobile format
- A **collaboration project with Rovio**, who has strong expertise in **global x mobile domain**
- **Plan for launch this winter** (Plan to implement closed Beta test in NA in late May)



Persona5 : The Phantom X

[Persona5: The Phantom X] ©[2024] Perfect World Adapted from Persona5 ©SEGA ©ATLUS

- Chinese version launched on Apr. 12
Traditional Chinese and Korean version launched on Apr. 18
- Starting off as expected
- Future **expansion in Japan and global is under consideration**

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In the perspective of reaching a wider user base, we believe that the expansion of IPs in the global GaaS* is very important. For *Sonic Rumble*, we see an opportunity to strongly reach out to the worldwide fan base that we have expanded with the movie.

We have very high expectations for the success of this project as a global GaaS title, as this project is a collaboration with Rovio, who has deep experience and knowledge of global mobile business.

And *Persona 5: The Phantom X*, a GaaS title for *Persona* Pillar, also launched in China on April 12 and started off as expected.

*GaaS = abbreviation of Game as a Service



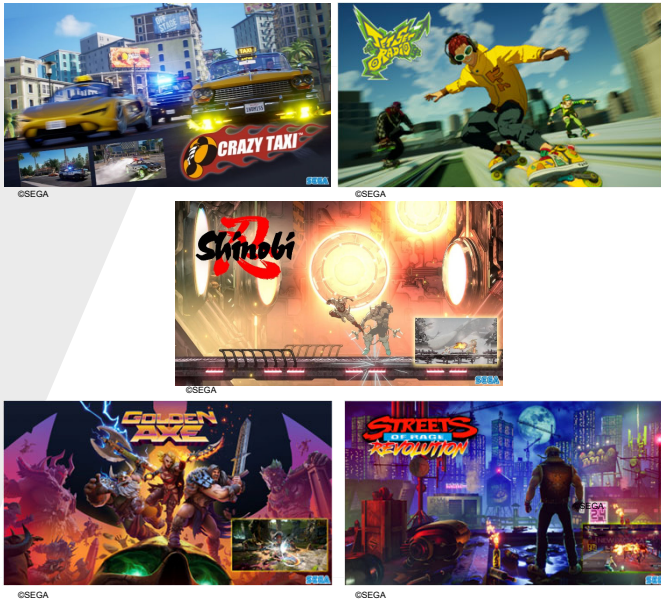
©ATLUS. © SEGA.

- A large-scale new RPG by **Katsura Hashino x Shigenori Soejima**, the creators of the smash hit titles, ***Persona 3, 4 and 5***
**Persona 5* series has achieved the cumulative sales of 10 million units including spin off, etc.
- Plan for multi-platform x simultaneous worldwide release on **Oct. 11, 2024**
- Promoting large-scale global promotion rollout to prepare for launch

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In console and PC domain, *Metaphor: ReFantazio* is one of the most anticipated title for this fiscal year, produced by the team led by Katsura Hashino and Shigenori Soejima, the Atlus's leading creators who worked on *Persona 3, 4, and 5*.

The *Persona 5* franchise, including spin-offs, has sold more than 10 million units. We hope you will look forward to their first completely new RPG in eight years.



- Five Titles were announced at The Game Awards 2023 and calls great reaction
- Crazy Taxi and Jet Set Radio, in particular, ranked in the **"Top 10 titles the most media-covered"** out of all announced titles (53 titles)

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For the Legacy IP, we have announced five titles at The Game Awards last December.

While paying respect to the ambiance and original experience of past work, we are diligently developing the titles to provide a new play experience that matches the current era.

The attention from fans has been very high since the announcement, and we hope that you will also look forward to this.

**Presence of J-IPs such as animation produced in Japan is increasing in the global market
Considering the potential of Transmedia roll-out of potent J-IP animation from
TMS Entertainment in the future**

Potent J-IPs

- While working on the production of well-known IPs such as *DETECTIVE CONAN* and strategically promoting the acquisition of major rights



Other major J-IPs TMS involved in production:
Hanma Baki, *Undead Unluck*, etc.

Transmedia

- Accelerate secondary expansion globally with Transmedia to increase IP value + earnings

Proactively utilize SEGA's global capabilities in games, animation, merchandising, etc.

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We are also considering Transmedia deployment using J-IPs centered on animation.

TMS Entertainment, large scale animation production company, is working on production of the very popular IP *DETECTIVE CONAN*, and most recently, on animation production of *Hanma Baki*, which was a huge hit on NETFLIX.

For the IP titles like them, not only producing the animation, we are also acquiring major rights. As J-IPs increase their global presence, we are considering to increase the value of IPs and expand earnings by accelerating the development of Transmedia on a global level.

- Willingly promote it as a challenge to build long-term growth pillars from a portfolio perspective
- Under development while balancing strict checks of work product in process, and the appropriate investment level
- Full-scale contribution to earnings is expected from FY2028/3 onward

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Regarding Super Game, we are developing it while considering the market conditions, our strengths, and our portfolio. We see it as a major challenge to build a pillar for SEGA's long-term growth in the future.

There is not much I can say at this time, but we had been conducting research and development to establish a firm foothold of the title, so we did not capitalize the cost, but recorded it as an expense each quarter until FY2024/3. Going forward, we will capitalize it as it enters full-fledged development period. Full-scale profit contribution of Super Game is expected after FY2028/3, which is beyond the scope of this medium-term plan.



Finally, as I said at the beginning, I am convinced that SEGA has many valued assets. I believe that my mission as a president is to leverage these potential assets to grow the business and enhance the value of the SEGA brand.

To create SEGA as a world-class brand.

I hope that everyone will look forward to SEGA's new growth story.

Pachislot & Pachinko Business

Pachislot & Pachinko Machines Business

Ayumu Hoshino

President and COO, Representative Director of Sammy Corporation

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Speaker: Ayumu Hoshino, President and COO, Representative Director of Sammy Corporation



Apr. 1995	Joined Sammy Corporation
Oct. 2006	Creative Officer, Executive Officer
Apr. 2014	Senior Executive Officer, Division Manager of Research & Development Division
Jun. 2014	Director of the Board, Division Manager of Research & Development Division
Apr. 2016	Executive Vice President, Representative Director, Division Manager of Research & Development Group Division, Division Manager of Technical Research & Development Division and Development Promotion Division
Apr. 2022	Senior Executive Vice President and COO, Representative Director in charge of Research & Development Group Division and Managing Director of Public Relations Division)
Apr. 2024	President & COO, Representative Director, Managing Director of Public Relations Division (current position)
Jun. 2021	Councilor, The Nikkoso Research Foundation for Safe Society (current position)

I am Hoshino, who assumed the position of President of Sammy in April.

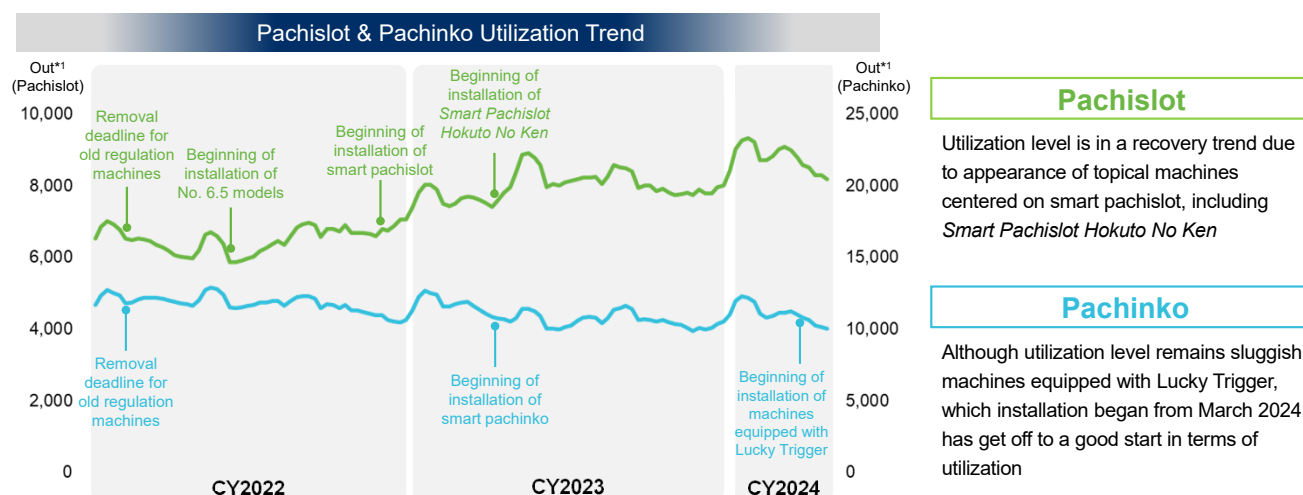
Before I explain our medium-term plan, I would like to begin with a brief self-introduction.

Since joining Sammy in 1995 as a new employee, I have worked in the development field for about 30 years.

During that time, as some of you may know, we experienced various events, such as the rock bottom during the lever incident, the unprecedented sales of *Pachislot Hokuto No Ken*, which sold 620,000 units, and the response to repeated regulation revisions, and by responding to these challenges, I have contributed to the development of the SEGA SAMMY Group, albeit in a small way.

I am currently serving as Councilor of The Nikkoso Research Foundation for Safe Society, an association of manufacturers' organizations, and am working to contribute to the revitalization of the industry as a whole.

Although pachinko is weak in the current situation, pachislot is strong driven by smart pachislot



*1 Out = Used as an indicator to represent utilization of pachislot & 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: 1 hour = 2,000 medals, Pachinko: 1 hour = 5,000 balls.

*4 weeks moving average

*In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd

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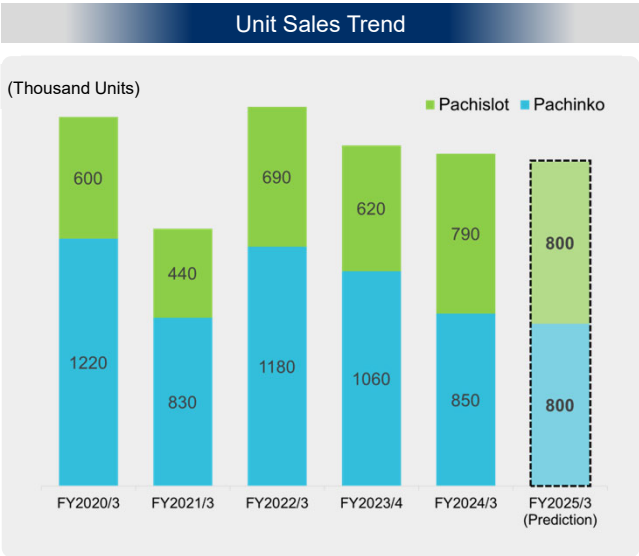
Regarding the recent market environment, we recognize that the environment remains generally favorable, driven by pachislot.

As for pachislot, utilization level is in a recovery trend due to the installation of several hit machines, such as our Group's *Smart Pachislot Hokuto No Ken*.

As for pachinko, there have not been as many hit machines that have generated as much buzz as pachislot, and utilization level is remaining sluggish.

On the other hand, machines equipped with Lucky Trigger feature, which installation began in March of this year, are off to a good start and are expected to contribute to the future growth of the pachinko market.

Unit sales in FY2025/3 are expected to be leveled out generally compared with FY2024/3



- **FY2024/3**
 - Pachislot: Strong sales centered on smart pachislot
 - Pachinko: Weak sales due to lack of hits and shift of demand to strong pachislot
- **FY2025/3 (Forecast)**
 - Assuming the similar trend with FY2024/3 will continue in both pachislot & pachinko

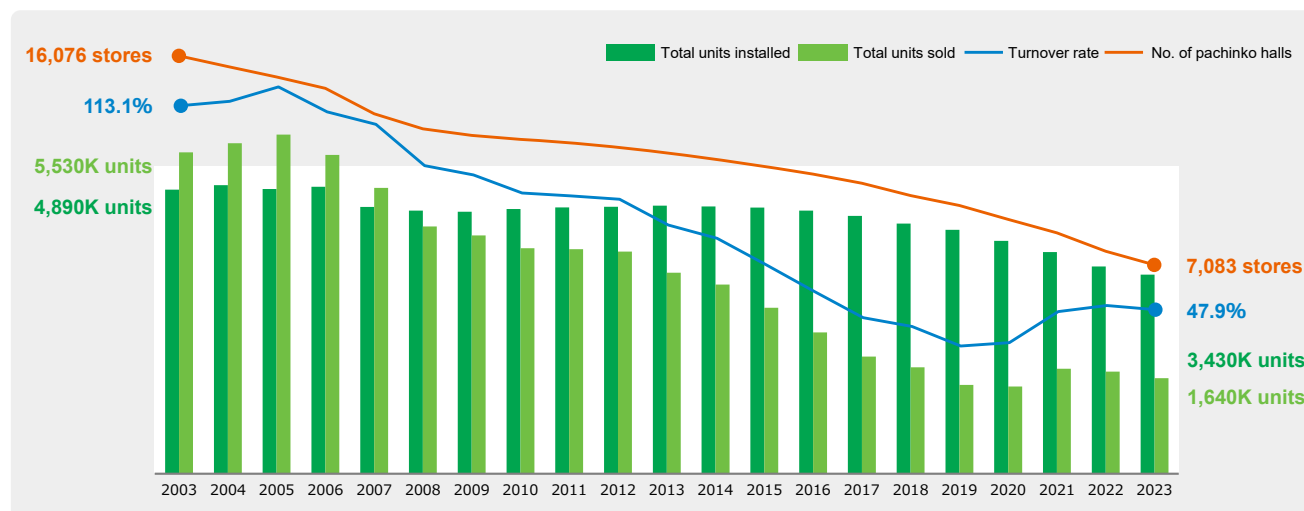
*In-house estimation
*Fluctuating factors, such as the positive impact of regulatory changes, have not been taken into account in the forecast

Next is about the overall market unit sales.

For the previous fiscal year, as I mentioned earlier, there was an increase with respect to pachislot due to the installation of several hit machines. On the other hand, sales of pachinko decreased due to a lack of hit machines and a shift in pachinko hall demand to pachislot.

We expect unit sales for FY2025/3 to continue the trend of the previous fiscal year and to be generally flat YoY.

**Although there has been an increase in turn over rate recently,
The pachislot & pachinko machine market remains in a shrinking trend**



*Turn over rate = units sold / units installed

*Sources: National Police Agency and Yano Research Institute Ltd. "Pachinko Manufacturer Trends 2023" (Research of Japanese Market) (The data for 2023 are in-house estimations)

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Although there are signs of recovery in the short term, the long-term trend of the market is toward contraction.

In this context, we believe that a major issue to be addressed is the creation of an environment in which the industry and our Company can coexist and prosper together for many years to come.

“No. 1 in total utilization” of pachislot & pachinko

Cumulative Adjusted EBITDA Over 90.0 billion yen

(FY2025/3-FY2027/3)

Strengthen/stabilize revenue base

Strategy

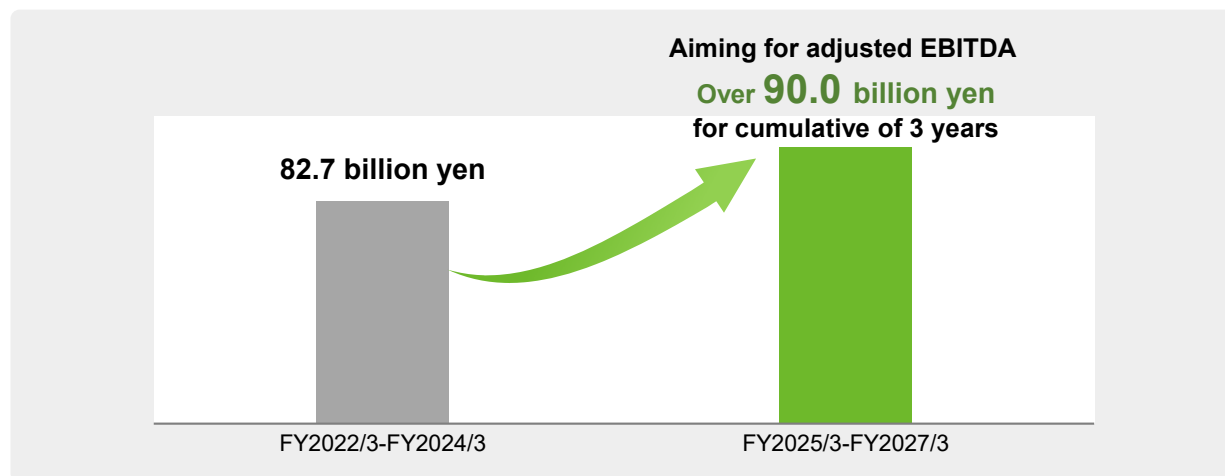
Revitalization of the pachislot & pachinko industry

-67-

In the new medium-term plan to be implemented from the current fiscal year, we have set strategies to strengthen and stabilize our revenue base and revitalize the pachislot & pachinko industry to resolve these issues.

As for quantitative targets, as in the previous medium-term plan, we will continue to achieve the target of No.1 in total utilization of pachislot & pachinko, and a cumulative adjusted EBITDA of over 90.0 billion yen over the three-year period.

For adjusted EBITDA, aiming to exceed the level of the previous medium-term plan, which achieved profit growth for three consecutive terms



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In the previous medium-term plan, profit increased for three consecutive years and adjusted EBITDA was 82.7 billion yen.

During the period of this medium-term plan, we aim to achieve adjusted EBITDA of 90.0 billion, which is even more than that.

1 Share Expansion of Pachislot & Pachinko

- **Expand the range of specifications**
(Pachislot)
- **Creation of new mainstay series through new utilization of popular IPs**

2 Promotion of Platform Strategy

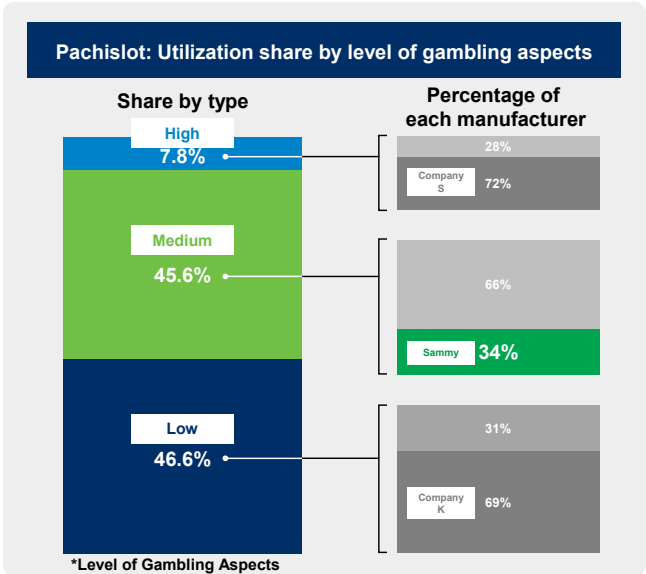
- **Promote construction of platform group-wide**
 - Development and manufacturing of cabinets (ZEEG)
 - EC Sales
 - Pachislot & Pachinko Online games, etc.

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The first strategy is to strengthen/stabilize our revenue base.

We need to establish a foundation that will enable us to generate profits even in an environment that is shrinking over the long term. During the previous medium-term plan period, we implemented various measures that contributed to lowering the level of fixed costs, including efforts to reduce development costs, and established an efficient structure.

During the new medium-term plan period, we aim to further strengthen and stabilize our revenue base by expanding our market share and promoting platform strategy while maintaining this efficient structure.



Aiming to further increase market share in pachislot by expanding the range of specifications

- Sammy is holding high market share in the medium-range in gambling aspect level, which includes *Smart Pachislot Hokuto No Ken*
- Will aim to introduce machines in high and low range in gambling aspect level, the range where the company haven't been able to hold large share

*Calculation based on utilization data for the week of Apr. 15 – Apr. 21, 2024
*In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd

First, to expand our market share, we will work on expanding the range of specifications in pachislot.

This chart shows the utilization share by level of gambling aspects in pachislot, and we currently have a high utilization share in the medium range in gambling aspect level.

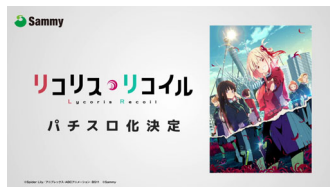
In the future, we hope to further increase our market share and sales volume by strengthening product introductions in the low and high ranges in gambling aspect level.

Main titles announced at “Universal Carnival x Sammy Festival 2024”

(Held on Mar. 2024)



Tokyo Revengers
(Pachislot & Pachinko)



Lycolis Recoil
(Pachislot)



BOFURI: I Don't Want to Get Hurt, so I'll Max Out My Defense.
(Pachislot)

Aiming to create new revenue sources through new utilization of popular IPs

- Secure stable earnings from existing main series
- Create new mainstay series through aggressive new utilization of popular IPs

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Next is regarding new utilization of popular IPs. We will work on this in both pachislot & pachinko.

In conjunction with the recent major event held jointly by Universal Entertainment Corporation and Sammy, we announced that we are developing several new titles utilizing popular IPs, such as *Tokyo Revengers*.

Pachislot Kabaneri of the Iron Fortress is one of the most recent examples of successful IP utilization. Through aggressive new utilization of these IPs, we will aim to create new revenue sources in addition to existing mainstay series such as *Hokuto no Ken*.

Promote construction of platform group-wide

EC

 **Sammy**  **Sammy Networks**

Development/manufacturing of cabinets

ZEEG

Pachislot & Pachinko Online games

 **Sammy Networks**

Aim to generate stable revenue through construction of platform

- Already have the many records of handling the EC sales and development/manufacturing of cabinets, etc. for other companies in the same industry
- Increase the number of cases to handle and strive to secure a stable source of revenue

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Next is about the promotion of platform strategy.

We have been promoting business efficiency by shifting to EC (e-commerce) sales and by developing and manufacturing pachislot machine cabinets in a joint venture with Universal Entertainment Corporation.

Currently, many other companies in the industry are also using these services. We hope that by increasing the number of cases to handle and the number of companies, we can contribute to improving convenience for other companies in the industry, while also securing a stable source of revenue for Sammy, in addition to the development and sales of pachislot & pachinko machines.

1 Reform of cost structure

- Development of new pachislot cabinet toward cost reduction for both manufacturer and pachinko hall

2 Increase number of users

- Implementation of promotions to revitalize pachinko halls, such as acquisition of new users, attraction to bring back dormant users, etc.

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I would like to explain the second part of our strategy, revitalization of the pachislot & pachinko industry.

A shrinking market will naturally lead to a decline in our earnings. To break out of this situation, we believe that actions that contribute to the revitalization of the pachislot & pachinko industry must be taken by manufacturers such as us, and we will work to reform the cost structure and increase the number of users.

As for the reform of the cost structure, I will refrain from going into details at this time, but we are currently developing a new pachislot cabinet toward cost reduction for both manufacturers and pachinko halls in order to contribute to the revitalization of the industry.



Smart Pachislot Hokuto No Ken

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©Sammy

TVCM

Outdoor
Advertisement

Newspaper/
Radio

Videos appointed
influencers

Advertisement in
SNS

Various Events

Aiming to increase the number of users through a wide range of promotional measures

- With *Smart Pachislot Hokuto No Ken*, the number of new users increased by 60,000 and 510,000 sleep users returned* through various promotions.
- Continue to work on revitalizing the industry through verification and implementation of effective promotions

*Research by ADK Marketing Solutions Inc.

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We also believe that efforts to increase the number of users are important to revitalize the industry.

One example of a measure is the implementation of promotions. Last year, with *Smart Pachislot Hokuto No Ken*, the number of new users increased by 60,000 and 510,000 sleep users returned through various promotions including TV commercials, according to data.

We hope to continue to contribute to the revitalization of the industry by not only increasing the utilization of our products but also increasing the number of users who visit the pachinko halls through effective promotions.

**e Hokuto No Ken 10**

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Mainstay titles plan to be launched in FY2025/3

e Hokuto No Ken 10

- The 1st installment of our smart pachinko
- Plan for installation in Summer 2024
- Plan to implement various promotion to support utilization



**Smart Pachislot Psalms of
Planets Eureka Seven 4
HI-EVOLUTION**
(Installation: May 2024)

©2017-2021 BONES/Project EUREKA MOVIE
©Bandai Namco Sevens Inc.
©Sammy



**Smart Pachislot
Shin Hokuto Muso**
(Installation: Jul. 2024)

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Finally, I would like to introduce some of the major titles that have already been announced and are scheduled to be introduced in FY2025/3.

First, we plan to introduce *e Hokuto No Ken 10*, our first smart pachinko, this summer. This is equipped with a Lucky Trigger feature, which has been performing well recently, and various promotions such as TV commercials are planned, so we hope that this machine will help boost the pachinko market.

Also, in pachislot, we have announced smart pachislot machines utilizing IPs such as *Psalms of Planets Eureka Seven* and *Hokuto Muso*, which are Sammy's main series.

We will aim for hits, including other titles, and hope to achieve results that exceed our forecast for the current fiscal year.

In addition, we will contribute to the enhancement of the corporate value of the SEGA SAMMY Group as a whole over the medium to long term through the implementation of the various medium-term plan measures introduced today.

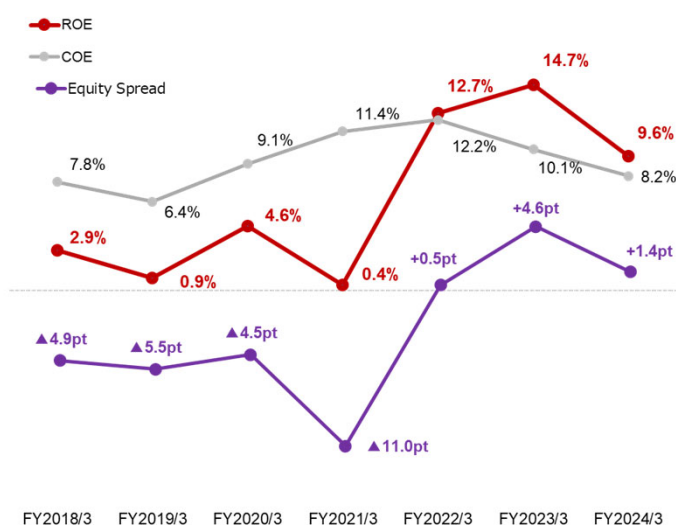
Financial Strategy

Financial Strategy

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

[Trend of ROE, COE and Equity Spread]



Recent equity spreads are positive reflecting profit growth in each businesses

*ROE: Return on equity
 *COE: Cost of equity (Source: Bloomberg)
 *Equity spread: ROE-COE

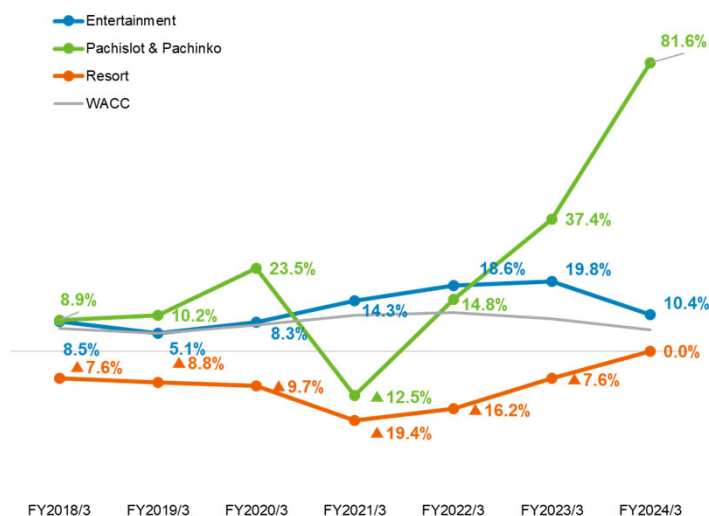
-77-

Here is the trend of equity spread.

The ROE for FY2024/3 fell below 10% and was 9.6%, due to structural reform in Europe.

COE was 8.2%, so the equity spread was positive 1.4%, which means that the equity spread was positive for all years in the previous medium-term period.

[Per business ROIC trend]



• Entertainment Contents Business

ROIC declined due to an increase in investment capital from the Rovio acquisition

• Pachislot & Pachinko Business

ROIC grew rapidly due to strong business performance following structural reforms

• Resort Business

ROIC improved due to an increase in occupancy at each facility

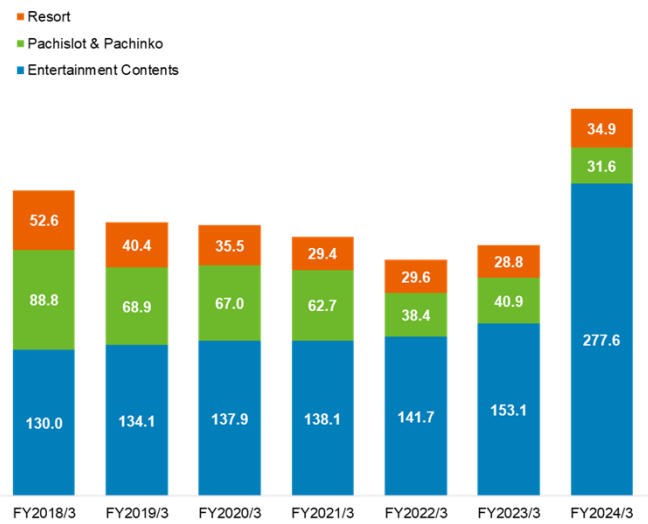
*Per business ROIC: Adjusted profits per business/Investment capital per business -78-

Here is the per business ROIC trend.

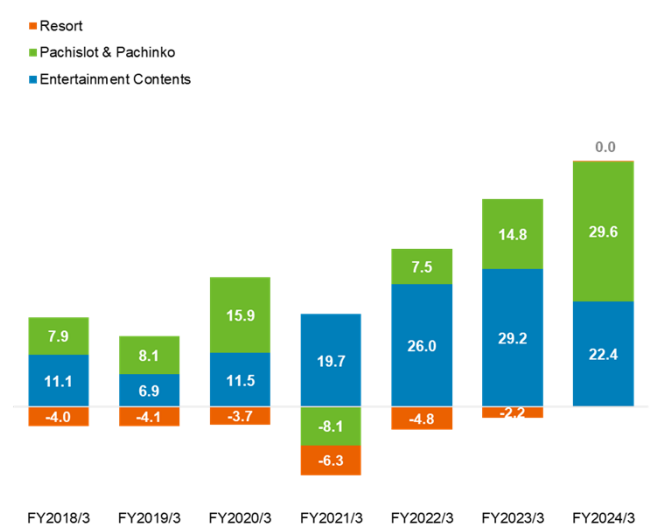
The growth in business profit led to a dramatic increase in ROIC, especially in the Pachislot & Pachinko Machines business.

ROIC in the Entertainment Contents business declined YoY. This was due to an increase in the denominator of investment capital following the acquisition of Rovio.

[Investment capital trend per business]



[Adjusted profits trend by business]



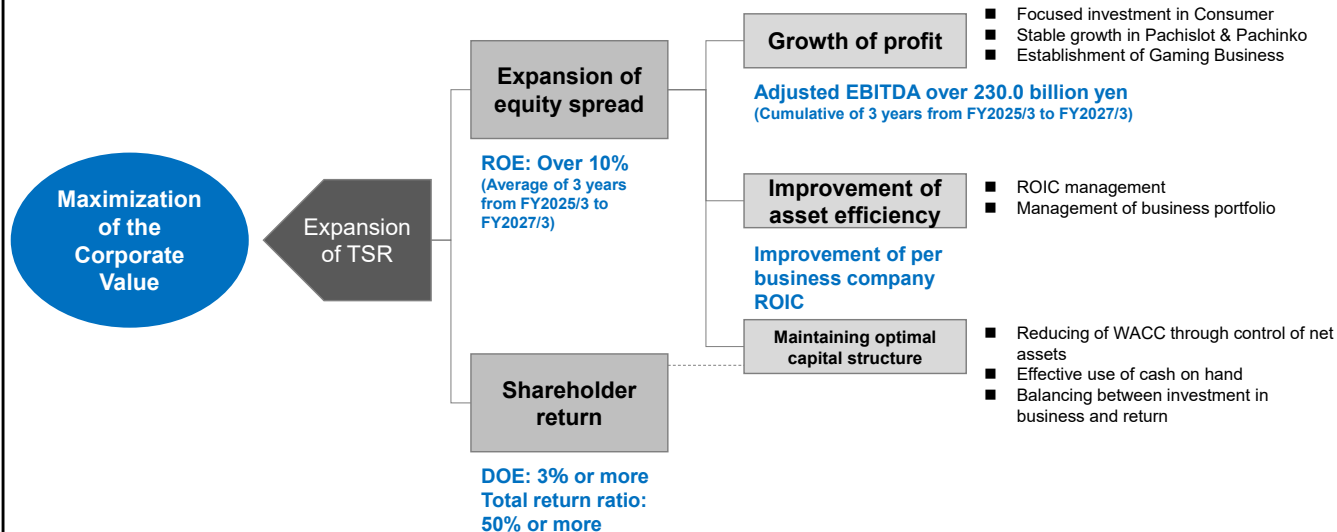
*Investment Capital per business: investment capital at the end of each business period (total assets-current liabilities excluding interest-bearing debt)-CMS deposits

*Adjusted profits by business: ordinary income after-tax and before-interest (Tax rate for the respective business is set to 30% for simplicity)

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Here is for your reference.

■ Shift to the management focusing on capital efficiency



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Finally, this is the new financial strategy package in the new medium-term plan.

As a frame, it has not changed much, but in terms of growth of profit, we are aiming for a cumulative adjusted EBITDA of 230.0 billion yen, as a replacement of ordinary income. On top of that, we will continue to increase the equity spread, and through this and appropriate shareholder returns, we will aim to expand TSR and maximize the corporate value.

In addition, with the acquisition of Rovio, the capital structure was optimized due to the increased utilization of debt, but if anything, this is due to lowering of WACC.

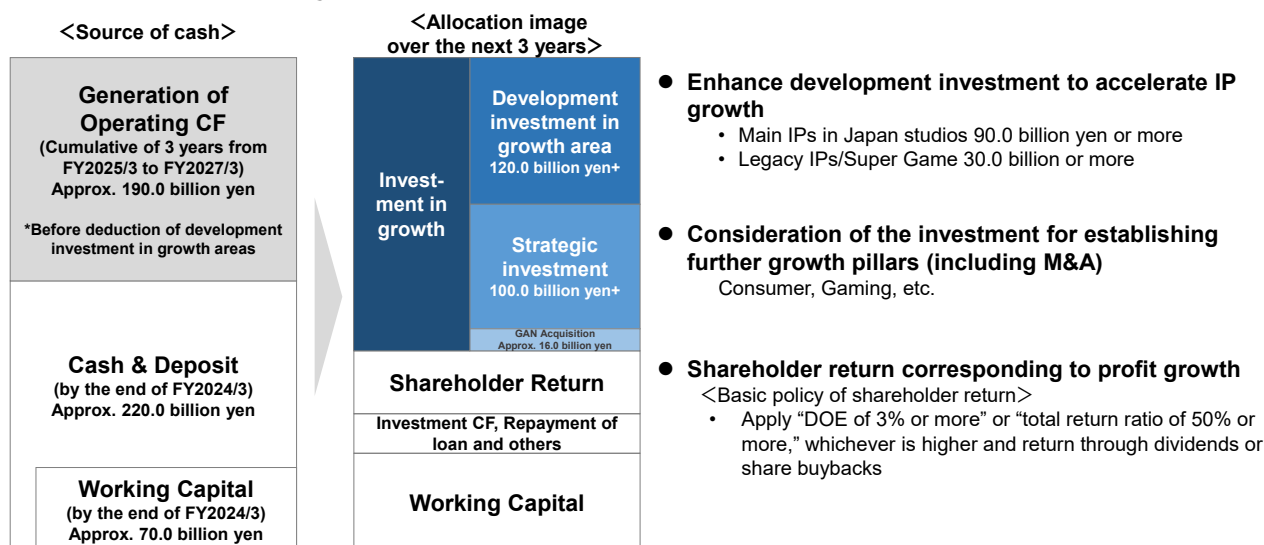
In the new medium-term plan, we intend to maintain an optimal capital structure by balancing investment in growth and shareholder returns.

Concept of Investment in Growth and Shareholder Return:

New Medium-term Plan



[Capital allocation policy]



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Here is the capital allocation concept in the new medium-term plan.

On the left is the starting cash and deposit, of which 70.0 billion yen is working capital. The idea is to allocate the capital, excluding this working capital, and the operating cash flow to be earned during the three years of the medium-term plan period, as shown on the right.

This time, not only in M&A, but we will organically make solid investments such as in the Transmedia strategy, and this is the area in the top right which says more than 120.0 billion yen. This is double-barreled on the left-hand side as 190.0 billion yen. Previously, we had a frame of 100.0 billion or 150.0 billion yen, which was more like outward investments such as M&A, but now we will reinvest 120.0 billion yen of the operating cash flow earned mainly in growth area of Consumer area.

Also, we expect working capital to increase by about 10.0 billion yen in line with business expansion, but after adding shareholder returns and deducting this, we estimate that the remaining 100.0 billion will be used as standby funds for investment aimed at further growth.



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

Lastly, I would like to answer a question that I am sure will come up in advance. First, regarding the transfer of Phoenix Seagaia Resort (“Seagaia”), neither Chairman, nor myself wanted to sell or group out Seagaia, but we have received the proposal, and this is the result of a thorough discussion at the Board of Directors meeting.

The current situation, Seagaia has been profitable for the second consecutive fiscal year, and for the first time it practically became profitable in FY2023/3 since the founding, bonuses have been well paid to employees. When we took over Seagaia 12 years ago, there were no bonuses and employees' salaries were cut by a flat 10%. We first returned all employee salaries and expanded its business. We also promised to return to employees once it can establish the structure that could generate solid profit. As it became profitable and bonus has been paid to employees, it was really at the point where the revitalization of Seagaia as a resort had come to an end.

We have invested more than 10.0 billion yen since the acquisition, and we were entering the collection phase. However, the company that made a proposal also made a commitment that they are prepared to invest more and to increase the value of this resort further. We also received a strong commitment to continue to protect the employment of its employees.

If so, we thought it would be better to hand over Seagaia to an owner who would be more committed for the invest in this resort than we were, to further increase the value of it. We were concerned about the lack of expertise in hotel and golf operation, as was the case with the previous owner, but we were told that this was exactly the kind of area in which they excel, and so we took place the transfer of the business at this time.

Furthermore, we have signed a strategic partnership with the new owner and will continue to support Seagaia.

Secondly, management, including myself, is not entirely convinced about the current share price. We are very unsatisfied as to why we are so unappreciated even though we have firmly achieved the medium-term plan promised at the beginning of the term, the plan for the previous fiscal year and fiscal year before as well. However, I also understand why it is not appreciated.

I think there are two major reasons. One is that in this fiscal year, there may be a reactional decline of *Smart Pachislot Hokuto No Ken*, which became a historic hit in the previous fiscal year. The second is SEGA, which had been told that it was doing well, suddenly became red in Europe and recorded extraordinary losses. As a result, although we achieved the numbers, the substance was not what we had originally promised, where SEGA would grow to achieve them. I think that the trust from our shareholders was greatly damaged in these two ways.

However, as a result, we have been able to achieve our promised "Beyond the Status Quo" for the past three years, and we are now planning "WELCOME TO THE NEXT LEVEL!" for the next three years, with a strong will to go to the next level.

As to what is the NEXT LEVEL, our internal target is to exceed our record sales of 550.0 billion yen. The record high of 550.0 billion yen at that time was earned more than 260.0 billion yen in Pachislot & Pachinko Machines business and more than 100.0 billion yen in Amusement Center Operations business. Under the current plan, sales in the Pachislot & Pachinko Machines business is half of what they were at that time, and sales in the Amusement Center Operations business is zero, so we are aiming for 550.0 billion yen by reshuffling our business portfolio.

Also, the record high profit was more than 120.0 billion yen at that time, so it will take a little longer to reach that level, but for the adjusted EBITDA of 90.0 billion yen which we target in the third year of the plan, we will strive hopefully to reach for 100.0 billion yen internally.

Regarding market capitalization, although I mentioned we are not satisfied with the stock price earlier, while setting 1 trillion yen as a passing mark, we believe that if we are to achieve a record high, we need to go to about 1.4 trillion yen. Although we have been aggressively made investment and acquisitions even after I got involved in management, in fact, the number of businesses or assets that have been sold is much higher. That is how much we have been reshuffling our business portfolio, and we will continue to strike the optimum balance in the future.

As you saw earlier, the Pachislot & Pachinko Machines business continues to be the source of earnings, and the money earned from this will be returned to shareholders and also invested in the Entertainment Contents business and the Gaming business which are growing business.

Regarding the Gaming business, there has been a lot of negative media coverage of sports betting in Japan, but in the U.S., there are many opinions that are completely opposite. 30 out of the 50 states in the U.S. had already legalized it. However, it is illegal in California, and the fact that there was a relationship with an illegal vendor in California led to this kind of problem in the said coverage. If you enjoy betting properly with legitimate vendors, you can't make unreasonable bets like that as it will be stopped by them. This is why there are many people in the U.S. who think that California should legalize as soon as possible. I would like everyone to have this multifaced viewpoint.

Under these circumstances, we will continue to grow the Entertainment Content business and the Gaming business as our growth businesses, with the Pachislot & Pachinko Machines business as our core value business. In terms of the current stock price, we would be evaluated as a perfect value stock, but we shows strong will that we are not just value stock but also a growth stock in this new medium-term plan. This is why we can make buyback of 10.0 billion yen with confidence, and we hope that you will look forward to our progress.



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

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Please visit below website for more information of products and services of SEGASAMMY.

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