

(Translation)

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Japanese GAAP)

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Listing : Tokyo Stock Exchange Prime
Code number : 6460
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Scheduled date to hold Annual Meeting of Shareholders : June 25, 2024 (plan)
Scheduled date to file financial report : June 26, 2024 (plan)
Scheduled date to commence dividend payments : June 5, 2024 (plan)
Preparation of supplementary material on financial results : Yes
Holding of financial results briefing : Yes (for institutional investors)

(Amounts below one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 - March 31, 2024)

(1) Consolidated Operating Results

(Percentage represents changes from the prior year)

Year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	467,896	20.1	56,836	21.5	59,778	20.8	33,055	(28.0)
March 31, 2023	389,635	21.4	46,789	46.0	49,473	48.4	45,938	24.1

(Note) Comprehensive income:

For Year ended March 31, 2024 : ¥52,720 million (1.3%)
For Year ended March 31, 2023 : ¥52,057 million (32.7%)

Year ended	Net income per share	Net income per share (Diluted)	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
March 31, 2024	150.75	149.98	9.6	5.7	12.1
March 31, 2023	208.07	207.13	14.7	9.8	12.0

(Reference) Equity in earnings of affiliates:

For Year ended March 31, 2024 : ¥2,029 million
For Year ended March 31, 2023 : ¥(520) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	653,994	357,702	54.6	1,652.29
March 31, 2023	501,566	331,347	66.0	1,498.75

(Reference) Shareholders' equity

March 31, 2024 : ¥356,919 million

March 31, 2023 : ¥330,854 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	65,833	(113,509)	79,786	219,810
March 31, 2023	44,704	(2,351)	(15,358)	179,509

2. Cash Dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (Consolidated)	Dividends paid to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Full-year			
Year ended March 31, 2023	Yen -	Yen 20.00	Yen -	Yen 39.00	Yen 59.00	Millions of yen 13,024	% 28.4	% 4.2
Year ended March 31, 2024	-	23.00	-	27.00	50.00	10,910	33.2	3.2
Year ending March 31, 2025 (plan)	-	25.00	-	25.00	50.00		27.7	

3. Forecast of Consolidated Financial Results for the Fiscal Year ending March 31, 2025

(Percentage represents changes from the prior year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
Full-year	Millions of yen 445,000	% (4.9)	Millions of yen 45,000	% (20.8)	Millions of yen 48,000	% (19.7)	Millions of yen 39,000	% 18.0	Yen 180.54

4. Other

- (1) Changes in significant subsidiaries during the period: No
- (2) Changes in accounting policies, changes in accounting estimates, and restatements
 1. Changes in accounting policies due to revisions to accounting standards and other regulations.: No
 2. Changes in accounting policies due to other reasons: No
 3. Changes in accounting estimates: No
 4. Restatements: No

(3) Number of issued shares (common stock)

1. Number of issued shares at the end of the period (including treasury stock)

March 31, 2024	: 241,229,476
March 31, 2023	: 241,229,476

2. Number of treasury stock at the end of the period

March 31, 2024	: 25,214,788
March 31, 2023	: 20,476,041

3. Average number of shares during the period

For Year ended March 31, 2024	: 219,274,062
For Year ended March 31, 2023	: 220,790,158

(Note)

- This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
- This report is not required the auditing procedures by certified public accountants or accounting auditors.
- The forward-looking statements, such as results forecasts, included in this document are based on information available to SEGA SAMMY HOLDINGS INC. (the Company) at the time of the announcement and assumptions considered reasonable, and actual results could differ materially, depending on a range of factors. For the assumptions prerequisite to the results forecasts and the points to be noted in the use of the forecasts, please see "Outlook for the fiscal year ending March 31, 2025" on page 9.
- The Company plans to hold a briefing on financial results for institutional investors on May 10, 2024. The presentation materials to be used on the day will be posted on TDnet and the Company's website in advance, and the details of the briefing and the content of the explanation (video and audio) will also be posted on the Company's website.

1. Operating Results and Financial Position

(1) Operating results for the fiscal year ended March 31, 2024

■ Overall highlights

In the fiscal year ended March 31, 2024, various factors, including favorable performance in the pachislot and pachinko machines business and the Japanese and Asian consumer area, and the addition of Rovio Entertainment Corporation to the Group, resulted in sharp sales growth from the prior year. Both operating income and ordinary income increased significantly from prior year.

At the same time, in the consumer area, due to challenging conditions in European studios, there was a pressing need to make rapid structural reforms to improve earnings. The Group recorded an extraordinary loss of approximately ¥19.2 billion in the fiscal year ended March 31, 2024 due to various factors, including the decision to implement structural reforms in the Europe region. As a result, net income attributable to owners of the parent decreased year on year. However, the Company believes these structural reforms have laid the groundwork for future earnings improvements.

■ Returns to shareholders

The Company returns to shareholders by dividends or share buy-back, and the total returns result in DOE of 3% or a total payout ratio of 50%, whichever is higher. Under this policy, in the fiscal year ended March 31, 2024, the Company returns by dividends ¥50 per share (of which, ¥23 for interim and ¥27 for year-end dividends) to shareholders and in addition implement share buy-back limited to ¥10 billion. As a result, actual returns to shareholders totaled approximately ¥20.9 billion (approximately ¥10.9 billion for dividends and approximately ¥10.0 billion for share buy-back) and the total payment ratio was approximately 63.3%.

Projected full-year dividends for the fiscal year ending March 31, 2025 are ¥50 per share (of which, ¥25 for interim and ¥25 for year-end dividends) provisionally calculated based on DOE of 3%, which result in returning to shareholders totaled ¥10.7 billion by the Company.

For reference, projected full-year return to shareholders totaled ¥19.5 billion calculated based on a total payout ratio of 50% as net income attributable to owners of the parent is ¥39.0 billion based on the forecast of consolidated financial results for the fiscal year ending March 31, 2025 released today.

*Actuals of the total return to shareholders and its return method possibly changes by the progress of business performance of the Group.

■ Highlights by segment

« Entertainment Contents »

Sales increased while profit fell in the fiscal year ended March 31, 2024 from the prior year.

Sales growth was due primarily to favorable performance in the Japanese and Asian consumer area, and the addition of Rovio Entertainment Corporation to the Group. The lower profits resulted mainly from challenging conditions in the European consumer area and structural reforms in Europe.

With regard to the structural reforms in Europe, efforts including (i) lineup revisions, (ii) normalization of fixed costs, including staffing cuts, and (iii) the sale of some studio stock resulted chiefly in the recording of various costs, which contributed to lower profits in the entertainment contents business. However, these swiftly implemented structural reforms laid the groundwork for future earnings improvements. At the same time, the Company made progress in revising the management structure and strengthening its globalization, strengthened and optimized the publishing capabilities with unifying the functions located in Europe and U.S., and revised the development process in Europe, thereby reviewing to adopt a process to promote development and evaluation.

* Impact of European structural reforms on financial results in the fiscal year ended March 31, 2024: approximately ¥6.6 billion in cost of sales and approximately ¥17.8 billion in extraordinary losses.

At the same time, the Company was responding to management issues in Europe, a number of new titles also proved to be hits. These included the new titles "Like a Dragon: Infinite ∞ Wealth" and "Persona 3 Reload", each of which was the fastest in its series to sell one million units; "Football Manager 2024", an established title, and "Unicorn Overlord" developed by VANILLAWARE Ltd., each of which recorded strong sales backed by favorable reception among users. Other factors contributing to results in the fiscal year ended March 31, 2024 included repeat sales and steady sales of existing F2P titles.

« Pachislot and Pachinko Machines »

The pachislot and pachinko machines business recorded sharp growth in sales and profit due to strong sales of pachislot machines, centered on the Company's leading title "Smart Pachislot Hokuto No Ken".

The high utilization of "Smart Pachislot Hokuto No Ken" since its introduction has spurred strong sales of other titles as well. Pachislot sales volume grew sharply year on year to approximately 180 thousand units. While pachinko sales were down year on year to approximately 88 thousand units, this was due in large part to delaying the timing of the sale of some titles, including some major titles, to the fiscal year ending March 2025 following revisions of the sales schedule. Sales of titles introduced during the fiscal year ended March 31, 2024, including "P Hokuto No Ken Bokyo-sei", were strong overall.

« Resort »

In the resort business, Phoenix Seagaia Resort in Japan was profitable for the second consecutive year, due to stronger than expected recovery in group guests. Paradise City in Incheon, South Korea, showed favorable performance, centered on Japanese VIP guests, helping to move the resort business into the black with equity method income of ¥0.9 billion in the fiscal year ended March 31, 2024.

■ New Medium-term Management Plan: "WELCOME TO THE NEXT LEVEL!"

In the previous Medium-term Management Plan, the Company adopted the slogan "Beyond the Status Quo" as a means of rebuilding from the structural reforms of the Group caused by COVID-19, and the Company has achieved a certain degree of success during these three years.

In response to the situation above, the Company adopted the slogan "WELCOME TO THE NEXT LEVEL!" as the new Medium-term Management Plan starting on the fiscal year ending March 31, 2025. The plan's phrase refers to the slogan used to promote the Genesis console in 1989 when Sega released the model in North America. As the first home game console with a 16-bit CPU, the Genesis was Sega's most widely used hardware device, capturing the top share in the North American market for a period. As its phrase "WELCOME TO THE NEXT LEVEL!" indicates, the new Medium-term Management Plan represents an important three-year plan intended to carry the Sega Sammy Group to the next level.

The target KPIs for "WELCOME TO THE NEXT LEVEL!" are cumulative adjusted EBITDA of ¥230 billion over and average ROE of more than 10% over the three-year period from the fiscal year ending March 31, 2025 through the fiscal year ending March 31, 2027.

Under the new Medium-term Management Plan, the Company will further enhance its business portfolio and clarify the positioning of each business. It will continue to invest in the consumer area and the gaming business as growth fields, while the abundant cash flow generated by pachislot and pachinko and other businesses will support such investment in growth. Cash flow generated from the pachislot and pachinko business will be invested in the consumer area, centered on continually growing Japanese studios, and in the new core business of gaming, thereby increasing its corporate value.

To maximize corporate value, the Group will build on its global growth to accelerate growth in the consumer area, seeking at the same time to establish the gaming business.

* See the Company's IR page for details of the new Medium-term Management Plan.

■ Results for the Fiscal Year Ended March 31, 2024

« Entertainment Contents Industry »

Regarding the environment of the entertainment contents business, in the consumer area, the growth has plateaued due to ongoing inflation in various countries and regions, and other factors. In addition, partly because of rising labor costs and longer development periods, there is urgent need to respond to these changes in the business environment.

However, expectations for the growth of the game market continue as the diversification in terms of service provision, and the market which becomes more visible due to the growth of emerging economies results in an environment having been created in which content and services can be delivered globally over the long-term, regardless of device or platform. As for amusement machines market, although the impacts of raw material price hikes caused by the depreciation of the Japanese yen continue, the prize category continued to perform strongly, and the overall performance remained solid.

« Pachislot and Pachinko Industry »

For pachislot machines, it has maintained a high utilization level due to the release of machines themed around topical subjects centered on smart pachislot including the Group's "Smart Pachislot Hokuto No Ken". For pachinko machines, utilization continues to be sluggish. On the other hand, the models equipped with Lucky Trigger, which began to be introduced in March 2024, were off to a good start in terms of utilization. Mainly due to this reason, the emergence of popular machines going forward is expected to contribute to the recovery of utilization.

« Resort Industry »

In the resort industry, in Japan, the travel demand has continuously been shown recovery trend due to the movement toward normalization of social and economic activities. As for international visitors to Japan, with the recovery of direct flights to Japan, the depreciation of the yen, and other factors serving as a tailwind, the "Survey of Foreign Travelers to Japan" shows that the amount of travel spending by foreigners visiting Japan for the calendar year 2023 reached a record high, which shows a rapid recovery to a level higher than that of the prepandemic period. Economic effects centering on travel and lodging demand are expected to continue as the number of foreigners visiting Japan increases further.

In this business environment, net sales for the fiscal year ended March 31, 2024 amounted to ¥467,896 million, (an increase of 20.1% from the prior fiscal year). The Group posted an operating income of ¥56,836 million (an increase of 21.5% from the prior fiscal year) and ordinary income of ¥59,778 million (an increase of 20.8% from the prior fiscal year). In addition, extraordinary losses of ¥19,279 million including loss on business restructuring due to structural reform in European region, etc. posted. As a result, profit attributable to owners of parent amounted to ¥33,055 million (a decrease of 28.0% from the prior fiscal year).

Result of each segment is as follows.

Net sales in each segment here do not include inter-segment sales between segments.

« Entertainment Contents »

In the consumer area, for Full Game, the Group released "Sonic Superstars", "Like a Dragon: Infinite ∞ Wealth", "Persona 3 Reload", "Football Manager 2024" etc. as new titles, leading to 9,230 thousand copies (10,090 thousand copies for the prior fiscal year) and the unit sales of repeat titles were leading to 18,660 thousand copies (17,790 thousand copies for the prior fiscal year). As a result, overall unit sales for Full Game totaled 27,890 thousand copies (27,890 thousand copies for the prior fiscal year). F2P was driven by "Project SEKAI COLORFUL STAGE! feat. Hatsune Miku", and "ONE PIECE Bounty Rush" developed by SEGA CORPORATION and published by Bandai Namco Entertainment Inc.

In the amusement machine area, the Group mainly sold UFO CATCHER® series and prizes, etc.

In the animation and toy area, for animation, the Group released "DETECTIVE CONAN: Black Iron Submarine" and recorded animation production and distribution revenue, etc., and for toy, new products such as "#BuzzCam", etc., and regular products were sold.

As a result, net sales in this segment were ¥318,005 million (an increase of 12.4% from the prior fiscal year) and ordinary income was ¥30,781 million (a decrease of 25.3% from the prior fiscal year).

« Pachislot and Pachinko Machines »

For pachislot machines, the Group released "Smart Pachislot Hokuto No Ken" etc. as the Group's first smart pachislot machines, The number of "Smart Pachislot Hokuto No Ken" units installed, including advance deliveries in the prior fiscal year, exceeded 84 thousand units, and their utilization levels have remained strong. The group sold pachislot machines, leading to overall sales of 180 thousand units (94 thousand units for the prior fiscal year). For pachinko machines, the Group sold "P Hokuto No Ken Bokyosei", etc., leading to overall sales of 88 thousand units (103 thousand units for the prior fiscal year). The utilization levels of "P Hokuto No Ken Tomo LT" units equipped with Lucky Trigger have remained strong since they were introduced in March 2024. Please note that the Group have strategically shifted the introduction of some of the titles of both pachislot machines and pachinko machines to the next fiscal year, so that the Group could focus on additional sales of the titles that were selling well.

As a result, net sales in this segment were ¥135,969 million (an increase of 44.3% from the prior fiscal year) and ordinary income was ¥41,877 million (an increase of 102.2% from the prior fiscal year).

« Resort »

In the resort business, strong sales both in Japan and overseas resulted in profitability in ordinary income. At "Phoenix Seagaia Resort" in Japan, the number of individual customers was slightly lower than expected, but the Group succeeded in acquiring group customers, who had been sluggish due to the COVID-19 pandemic, with the help of large-scale MICE (Meeting, Incentive Travel, Convention and Exhibition/Event) such as international conferences, academic conferences, and corporate events (e.g. the G7 Agriculture Ministers' Meeting in Miyazaki), and achieved record sales since it joined the Group and also achieved profitability in operating income for the second consecutive fiscal year.

Overseas, "PARADISE CITY", operated by PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method), the casino sales have remained strong with the drop amounts (purchased amount of chips by customers at the table) of Japanese VIPs maintaining a level exceeding that the level before the spread of the COVID-19, and hotel facility occupancy remained at a high level, with the result that operating income and EBITDA reached record highs. In addition, equity method accounting contributed to a profit for the first time since the opening of the business.

*PARADISE SEGASAMMY Co., Ltd. is posted 3 months delay due to the fiscal year ended in December.

As a result, net sales in this segment were ¥12,356 million (an increase of 7.1% from the prior fiscal year) and ordinary income was ¥18 million (ordinary loss of ¥3,217 million for the prior fiscal year).

(2) Financial positions as of March 31, 2024

(Assets and liabilities)

Total assets as of the end of the fiscal year ended March 31, 2024 increased by ¥152,428 million from the end of the prior fiscal year to ¥653,994 million.

Current assets increased by ¥41,140 million from the end of the prior fiscal year. This was attributable to increases in cash and deposits, and securities due to consolidating Rovio Entertainment Corporation, despite decrease in inventories.

Noncurrent assets increased by ¥111,287 million from the end of the prior fiscal year. This was attributable to increases in goodwill and trademark right due to acquiring shares of Rovio Entertainment Corporation and making Rovio Entertainment Corporation consolidated to the Group.

Total liabilities as of the end of the fiscal year ended March 31, 2024 increased by ¥126,073 million from the end of the prior fiscal year to ¥296,292 million. This was attributable to increases in long-term borrowings, etc..

(Net assets)

Net assets as of the end of the fiscal year ended March 31, 2024 increased by ¥26,354 million from the end of the prior fiscal year to ¥357,702 million. This was attributable to recording of profit attributable to owners of parent and other factors and to increasing foreign currency translation reserve, despite decreases in shareholders' equity due to cash dividends paid and purchase of treasury stock.

(Financial ratio)

The current ratio at the end of the fiscal year ended March 31, 2024 decreased by 2.6 percentage points from the end of the prior fiscal year to 291.5%.

The equity ratio at the end of the current fiscal year decreased by 11.4 percentage points from the end of the prior fiscal year to 54.6%.

(3) Cash flows for the fiscal year ended March 31, 2024

Cash and cash equivalents at the end of the fiscal year ended March 31, 2024 increased by ¥40,301 million from the end of the prior fiscal year to ¥219,810 million.

Cash flows in respect of each area of activities in the fiscal year ended March 31, 2024 are as follows.

(Cash flows from operating activities)

Factors including recording ¥41,831 million of income before income taxes and ¥13,514 million of depreciation and amortization, etc., despite factors including ¥12,505 million of corporate tax payment, ¥8,238 million of decrease in notes and accounts payable - trade, and ¥8,009 million of decrease in contract liabilities etc., resulted in ¥65,833 million net cash provided by operating activities in the fiscal year ended March 31, 2024 (¥44,704 million inflow in the prior fiscal year).

(Cash flows from investing activities)

Factors including ¥81,776 million of acquiring subsidiaries and ¥12,989 million of payments for investment in capital etc., despite ¥9,795 million of proceeds from share of profits on investments in capital, resulted in ¥113,509 million net cash used in investing activities in the fiscal year ended March 31, 2024 (¥2,351 million outflow in the prior fiscal year).

(Cash flows from financing activities)

Factors including ¥122,000 million of proceeds from long-term borrowings, despite ¥17,018 million of repayment of long-term borrowings, ¥13,673 million of cash dividends paid, ¥10,016 million of purchase of treasury stock, etc., resulted in ¥79,786 million net cash provided by financing activities in the fiscal year ended March 31, 2024 (¥15,358 million outflow in the prior fiscal year).

(4) Outlook for the fiscal year ending March 31, 2025

The Group has reported by the segments, which are "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Resort Business". At the start of the new Medium-term Management Plan, "WELCOME TO THE NEXT LEVEL!" in the following fiscal year, the Group will implement restructuring that involves abolition of the "Resort Business" and creation of a new "Gaming Business." This will be implemented from the perspective of the strategy of the new Medium-term Management Plan and the business portfolio, and the newly established "Gaming Business" will consolidate overseas online gaming-related businesses, the operation of existing integrated resorts, and the development and manufacturing of casino machines.

As such, the Group will report by the new segments, which are "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Gaming Business".

The Group is forecasting consolidated net sales of ¥445,000 million (a decrease of 4.9% from the prior fiscal year), operating income of ¥45,000 million (a decrease of 20.8% from the prior fiscal year), ordinary income of ¥48,000 million (a decrease of 19.7% from the prior fiscal year), and profit attributable to owners of parent of ¥39,000 million (an increase of 18.0% from the prior fiscal year) for the fiscal year ending March 31, 2025. For details, please see the Company's IR page.

(5) Basic policy concerning distribution of earnings and dividends for the fiscal year ended March 31, 2024 and the fiscal year ending March 31, 2025

The Company positions the return of profits to shareholders as an important management issue. The basic policy for shareholder returns is to maintain a total return ratio of 50% or more, taking the optimal balance between investment for business growth and capital efficiency improvement into account. With regard to dividends, the Company has set a dividend policy of DOE (Dividend on equity ratio) 3% or more as an indicator for achieving stable dividends and determine the specific dividends amount while also considering the results of past dividends. Also, as a way for shareholder return, the Company will determine buybacks of share flexibly, taking business performance trend and stock market trend into account.

For dividends from retained earnings for the fiscal year ended March 31, 2024, annual dividends per share is ¥50 (of which, ¥23 for interim dividends) in accordance with the above basic policy for shareholder returns.

For dividends from retained earnings for the fiscal year ending March 31, 2025, annual dividends per share is scheduled to be ¥50 (of which, ¥25 for interim dividends) equivalent to DOE 3% in accordance with the above basic policy for shareholder returns, with regard to year-end shareholder return, the Company will calculate the amount of shareholder return in accordance with the profit level at the timing when the business performance of the fiscal year ending March 31, 2025 has been determined, and return the amount to shareholders through dividends or purchase of treasury stock.

Note: Dividend distributions with a record date associated with the fiscal year under review are as follows.

Resolution	Class of shares	Total dividend (Million of yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on November 8, 2023	Common stock	5,078	23.00	September 30, 2023	December 1, 2023
Board of Directors meeting held on May 10, 2024	Common stock	5,832	27.00	March 31, 2024	June 5, 2024

2. Basic Approach Concerning Selection of Accounting Standards

The Group has adopted Japanese generally accepted accounting principles, considering the comparability of consolidated financial statements as to comparison with other periods. The Group intends to respond appropriately to the application of the IFRS by considering the situation prevailing in Japan and overseas.

3. Consolidated Financial Statements and Notes

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2023 AND 2024

(Unit: Millions of yen)

	Prior year (As of March 31, 2023)	Current year (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	179,509	211,715
Notes and accounts receivable - trade and contract assets	53,370	54,269
Securities	-	8,095
Merchandise and finished goods	18,503	14,371
Work in process	50,689	45,888
Raw materials and supplies	20,269	21,501
Income taxes receivable	15,620	20,441
Other	16,205	19,164
Allowance for doubtful accounts	(304)	(443)
Total current assets	353,862	395,003
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	77,630	78,253
Accumulated depreciation	(49,664)	(51,735)
Buildings and structures, net	27,966	26,517
Machinery, equipment and vehicles	8,505	8,195
Accumulated depreciation	(7,190)	(6,900)
Machinery, equipment and vehicles, net	1,314	1,294
Amusement machines and facilities	7,232	7,290
Accumulated depreciation	(6,632)	(6,768)
Amusement machines and facilities, net	599	522
Land	18,581	18,647
Construction in progress	534	1,396
Other	49,343	54,057
Accumulated depreciation	(37,857)	(42,338)
Other, net	11,485	11,719
Total property, plant and equipment	60,482	60,099
Intangible assets		
Goodwill	2,592	30,264
Trademark right	23	47,574
Other	10,631	14,442
Total intangible assets	13,247	92,281
Investments and other assets		
Investment securities	39,538	49,858
Long-term loans receivable	247	7,846
Lease and guarantee deposits	6,924	8,182
Net defined benefit assets	5,362	10,588
Deferred tax assets	16,499	18,317
Other	5,785	12,006
Allowance for doubtful accounts	(383)	(189)
Total investments and other assets	73,973	106,610
Total noncurrent assets	147,703	258,991
Total assets	501,566	653,994

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2023 AND 2024

(Unit: Millions of yen)

	Prior year (As of March 31, 2023)	Current year (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,556	26,085
Short-term borrowings	17,000	22,507
Accrued expenses	19,865	23,319
Income taxes payable	4,776	10,626
Contract liabilities	25,852	19,367
Provision for bonuses	9,689	12,084
Provision for directors' bonuses	1,187	1,094
Provision for point card certificates	187	219
Asset retirement obligations	-	1
Other	11,216	20,188
Total current liabilities	120,332	135,494
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	25,000	124,500
Lease obligations	5,352	4,837
Deferred tax liabilities	754	10,628
Provision for dismantling of fixed assets	420	420
Provision for stock compensation	-	10
Net defined benefit liability	3,877	5,666
Asset retirement obligations	2,607	2,659
Other	1,874	2,075
Total noncurrent liabilities	49,886	160,797
Total liabilities	170,218	296,292
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	72,213	69,263
Retained earnings	261,840	281,208
Treasury stock	(37,251)	(47,151)
Total shareholders' equity	326,755	333,274
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,626	3,056
Deferred gains or losses on hedges	382	(230)
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	3,730	20,388
Remeasurements of defined benefit plans	(1,531)	1,540
Total accumulated other comprehensive income	4,099	23,645
Share acquisition rights	468	751
Non-controlling interests	24	30
Total net assets	331,347	357,702
Total liabilities and net assets	501,566	653,994

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2023 AND 2024

(Unit: Millions of yen)

	Prior year From April 1, 2022 To March 31, 2023	Current year From April 1, 2023 To March 31, 2024
Net sales	389,635	467,896
Cost of sales	231,568	271,159
Gross profit	158,067	196,737
Selling, general and administrative expenses		
Advertising expenses	24,136	36,208
Sales commission	187	529
Salaries and allowances	17,881	22,229
Provision for bonuses	4,593	5,546
Provision for directors' bonuses	1,134	1,104
Retirement benefit expenses	1,242	1,252
Research and development expenses	23,047	24,866
Provision of allowance for doubtful accounts	6	33
Other	39,047	48,129
Total selling, general and administrative expenses	111,278	139,901
Operating income	46,789	56,836
Non-operating income		
Interest income	433	1,938
Dividends income	516	109
Equity in gains of affiliates	-	2,029
Gain on investments in partnership	1,929	1,494
Foreign exchange gains	1,354	-
Other	734	1,323
Total non-operating income	4,968	6,895
Non-operating expenses		
Interest expenses	321	766
Equity in losses of affiliates	520	-
Commission fee	146	1,217
Loss on investments in partnership	563	945
Loss on retirement of noncurrent assets	285	141
Foreign exchange losses	-	424
Other	446	457
Total non-operating expenses	2,284	3,954
Ordinary income	49,473	59,778

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2023 AND 2024

(Unit: Millions of yen)

	Prior year From April 1, 2022 To March 31, 2023	Current year From April 1, 2023 To March 31, 2024
Extraordinary income		
Gain on sales of noncurrent assets	3	1
Gain on sales of investment securities	-	339
Gain on sale of business	-	155
Gain on reversal of contingent consideration	-	835
Other	-	0
Total extraordinary income	3	1,333
Extraordinary losses		
Loss on sales of noncurrent assets	0	22
Impairment loss	446	351
Loss on valuation of investment securities	81	746
Loss on business restructuring	1,783	17,804
Other	96	354
Total extraordinary losses	2,408	19,279
Income before income taxes	47,069	41,831
Income taxes - current	4,137	9,869
Income taxes - deferred	(3,000)	(1,169)
Total income taxes	1,136	8,699
Profit	45,932	33,132
(Breakdown)		
Profit attributable to owners of parent	45,938	33,055
Profit (loss) attributable to non-controlling interests	(6)	76
Other comprehensive income		
Valuation difference on available-for-sale securities	345	430
Deferred gains or losses on hedges	-	(223)
Foreign currency translation adjustment	2,873	15,256
Remeasurements of defined benefit plans, net of tax	1,677	3,203
Share of other comprehensive income of entities accounted for using equity method	1,227	921
Total other comprehensive income	6,124	19,587
Comprehensive income	52,057	52,720
(Breakdown)		
Comprehensive income attributable to owners of parent	52,066	52,601
Comprehensive income attributable to non-controlling interests	(9)	118

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023 AND 2024

Prior year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balances as of April 1, 2022	29,953	117,689	224,684	(77,886)	294,440	2,270	(33)
Changes of items during the period							
Dividends from surplus			(8,873)		(8,873)		
Profit attributable to owners of parent			45,938		45,938		
Effect of changes in accounting period of consolidated subsidiaries			90		90		
Purchase of treasury stock				(4,987)	(4,987)		
Disposal of treasury stock		31		142	174		
Cancellation of treasury stock		(45,480)		45,480			
Change in scope of consolidation					-		
Change in ownership interest of parent due to transactions with non-controlling interests		(27)			(27)		
Net changes of items other than shareholders' equity						356	415
Total changes of items during the period	-	(45,475)	37,155	40,635	32,315	356	415
Balances as of March 31, 2023	29,953	72,213	261,840	(37,251)	326,755	2,626	382

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balances as of April 1, 2022	(1,109)	41	(3,199)	(2,028)	176	49	292,637
Changes of items during the period							
Dividends from surplus							(8,873)
Profit attributable to owners of parent							45,938
Effect of changes in accounting period of consolidated subsidiaries							90
Purchase of treasury stock							(4,987)
Disposal of treasury stock							174
Cancellation of treasury stock							-
Change in scope of consolidation							-
Change in ownership interest of parent due to transactions with non-controlling interests							(27)
Net changes of items other than shareholders' equity		3,688	1,667	6,128	292	(25)	6,395
Total changes of items during the period	-	3,688	1,667	6,128	292	(25)	38,710
Balances as of March 31, 2023	(1,109)	3,730	(1,531)	4,099	468	24	331,347

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

(Unit: Millions of yen)

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

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

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023 AND 2024

(Unit: Millions of yen)

	Prior year From April 1, 2022 To March 31, 2023	Current year From April 1, 2023 To March 31, 2024
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	47,069	41,831
Depreciation and amortization	10,669	13,514
Impairment loss	446	351
Loss (gain) on sales of noncurrent assets	(4)	21
Loss on retirement of noncurrent assets	285	141
Loss (gain) on liquidation of subsidiaries and associates	-	3
Loss (gain) on sales of investment securities	-	(339)
Loss (gain) on valuation of investment securities	81	746
Loss (gain) on investments in partnership	(1,365)	(548)
Amortization of goodwill	2,178	2,502
Increase (decrease) in allowance for doubtful accounts	(41)	(140)
Increase (decrease) in provision for directors' bonuses	(15)	(137)
Increase (decrease) in net defined benefit liability	(170)	760
Increase (decrease) in provision for bonuses	1,223	1,259
Interest and dividends income	(950)	(2,048)
Interest expenses	321	749
Foreign exchange losses (gains)	1,152	(122)
Equity in (earnings) losses of affiliates	520	(2,029)
Decrease (increase) in notes and accounts receivable - trade	(13,493)	7,880
Decrease (increase) in inventories	(22,481)	8,190
Increase (decrease) in notes and accounts payable - trade	5,908	(8,238)
Increase (decrease) in contract liabilities	15,545	(8,009)
Increase (decrease) in guarantee deposits received	(76)	16
Other, net	1,806	15,217
Subtotal	48,611	71,573
Interest and dividends income received	987	1,627
Interest expenses paid	(291)	(530)
Extra retirement payments	-	(2,275)
Income taxes paid	(6,743)	(12,505)
Income taxes refund	2,140	7,942
Net cash provided by (used in) operating activities	44,704	65,833

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023 AND 2024

(Unit: Millions of yen)

	Prior year From April 1, 2022 To March 31, 2023	Current year From April 1, 2023 To March 31, 2024
Net cash provided by (used in) investing activities		
Proceeds from sales of trust beneficiary right	382	-
Purchase of property, plant and equipment	(4,944)	(5,341)
Proceeds from sales of property, plant and equipment	7	102
Purchase of intangible assets	(5,875)	(5,774)
Purchase of investment securities	(669)	(1,457)
Proceeds from sales of investment securities	1	404
Payments for investment in partnerships	(1,226)	(862)
Proceeds from distribution of investment in partnerships	3,510	1,054
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(448)	(81,776)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	31	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	(1,716)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	6
Purchase of stocks of subsidiaries and affiliates	(155)	(5,379)
Payments for investments in capital	(1,828)	(12,989)
Proceeds from share of profits on investments in capital	7,245	9,795
Payments of loans receivable	(1,907)	(8,299)
Collection of loans receivable	2,586	62
Reduction of investments in trusts	1,200	-
Payments for lease deposits	(26)	(168)
Collection of lease deposits	767	223
Other, net	(1,002)	(1,393)
Net cash provided by (used in) investing activities	(2,351)	(113,509)
Net cash provided by (used in) financing activities		
Proceeds from long-term borrowings	10,000	122,000
Repayment of long-term borrowings	(10,191)	(17,018)
Purchase of treasury stock	(4,987)	(10,016)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(50)	(3)
Cash dividends paid	(8,865)	(13,673)
Other, net	(1,263)	(1,501)
Net cash provided by (used in) financing activities	(15,358)	79,786
Effect of exchange rate change on cash and cash equivalents	162	8,191
Net increase (decrease) in cash and cash equivalents	27,156	40,301
Cash and cash equivalents at beginning of period	152,459	179,509
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	(107)	-
Cash and cash equivalents at end of period	179,509	219,810

[Notes]

(Notes on assumptions for going concern)

Not applicable.

(Changes in presentation)

(Consolidated balance sheets)

"Trademark right", which was included in "Other" under noncurrent assets in the prior fiscal year, is presented as a separate line item in the fiscal year ended March 31, 2024, because its monetary significance has increased. In order to reflect this change in presentation, the consolidated balance sheets for the prior fiscal year have been reclassified.

As a result, the ¥10,654 million presented as "Other" under noncurrent assets in the consolidated balance sheets for the prior fiscal year has been reclassified as ¥23 million in "Trademark right" and ¥10,631 million in "Other".

(Consolidated cash flows)

"Payments for investments in capital" and "Proceeds from share of profits on investments in capital", which were included in "Other" under investing activities in the prior fiscal year, is presented as a separate line item in the fiscal year ended March 31, 2024, because its significance has increased. In order to reflect this change in presentation, the consolidated statements of cash flows for the prior fiscal year have been reclassified.

As a result, the ¥4,413 million presented as "Other" under investing activities in the consolidated statements of cash flows for the prior fiscal year has been reclassified as ¥(1,828) million in "Payments for investments in capital", ¥7,245 million in "Proceeds from share of profits on investments in capital", and ¥(1,002) million in "Other".

(Segment information)

1. Outline of reporting segments

Reporting segments of the Group are the organizational units for which separated financial information is available, and on the basis of which the Board of Directors makes decisions on the allocation of management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service, is carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the business run by each company, in which "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Resort Business" are the reporting segments.

Line of business at each reporting segment is as follows.

Segment	Main product and business
Entertainment Contents Business	Development and sales of consumer game software including Full Game, F2P, etc. and amusement machines, planning, production and sales of animated films, development, manufacture, and sales of toys
Pachislot and Pachinko Machines Business	Development, manufacture, and sales of pachislot and pachinko machines
Resort Business	Development and operation of hotels and golf courses, etc. in the integrated resorts business and other facilities businesses

2. Method of calculating the amounts of net sales, income or loss, assets, and other items by each reporting segment

The accounting methods used for reporting segments are generally the same as those described in "Significant matters forming the basis of preparing the consolidated financial statements" on annual securities reports for the prior fiscal year.

3. Information on the amounts of net sales, income or loss, assets and other items by each reporting segment
Prior year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Notes)	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko	Resort			
Net sales						
(1) Sales to third parties	282,881	94,253	11,540	388,675	960	389,635
(2) Inter-segment sales and transfers	311	575	79	965	(965)	—
Total	283,192	94,828	11,619	389,640	(5)	389,635
Segment income (loss)	41,181	20,713	(3,217)	58,676	(9,202)	49,473
Segment assets	221,633	73,372	31,474	326,479	175,086	501,566
Other items						
Depreciation	5,766	3,227	628	9,622	1,047	10,669
Interest income	224	257	0	483	(49)	433
Interest expenses	105	90	29	225	96	321
Equity in earnings (losses) of affiliates	1,069	303	(1,893)	(520)	—	(520)
Investments in affiliates accounted for using equity method	39	668	17,867	18,575	—	18,575
Increases in property, plant and equipment and intangible assets	5,986	4,266	1,258	11,511	384	11,896

(Notes) 1. Adjustment of ¥960 million for sales to third parties represents sales related to businesses that do not belong to any reporting segment.

2. Adjustment to segment income (loss) of ¥(9,202) million includes loss on non-related to reported segments of ¥(497) million, elimination of inter-segment transactions of ¥198 million, and general corporate expenses of ¥(8,904) million which are not allocated to each reporting segment. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

3. Adjustment to segment assets of ¥175,086 million includes elimination of inter-segment transactions of ¥(17,551) million and general corporate assets of ¥192,637 million which are not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.

4. Adjustments to depreciation are mainly consisted of depreciation associated with the Company.

5. Adjustment to interest income of ¥(49) million includes elimination of inter-segment transactions of ¥(483) million and interest income of the Company ¥433 million.

6. Adjustment to interest expenses of ¥96 million includes elimination of inter-segment transactions of ¥(483) million and interest expenses of the Company ¥579 million.

7. Adjustments to increases in property, plant and equipment and intangible assets are mainly consisted of purchase of noncurrent assets relating to the Company.

8. Adjustment has been made to segment income (loss) and ordinary income in the consolidated statements of income and comprehensive income.

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

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Notes)	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko	Resort			
Net sales						
(1) Sales to third parties	318,005	135,969	12,356	466,331	1,564	467,896
(2) Inter-segment sales and transfers	338	892	33	1,264	(1,264)	—
Total	318,343	136,862	12,389	467,596	300	467,896
Segment income (loss)	30,781	41,877	18	72,677	(12,899)	59,778
Segment assets	354,853	167,419	37,786	560,059	93,935	653,994
Other items						
Depreciation	8,532	3,506	615	12,653	860	13,514
Interest income	1,301	259	0	1,561	377	1,938
Interest expenses	788	148	21	958	(191)	766
Equity in earnings (losses) of affiliates	1,032	5	991	2,029	—	2,029
Investments in affiliates accounted for using equity method	39	726	24,619	25,384	—	25,384
Increases in property, plant and equipment and intangible assets	5,650	4,325	421	10,397	1,271	11,668

(Notes) 1. Adjustment of ¥1,564 million for sales to third parties represents sales related to businesses that do not belong to any reporting segment.

2. Adjustment to segment income (loss) of ¥(12,899) million includes losses of ¥(1,160) million related to businesses that do not belong to any reporting segment, elimination of inter-segment transactions of ¥2 million, and general corporate expenses of ¥(11,741) million which are not allocated to each reporting segment. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

3. Adjustment to segment assets of ¥93,935 million includes elimination of inter-segment transactions of ¥(117,165) million and general corporate assets of ¥211,100 million which are not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.

4. Adjustments to depreciation are mainly consisted of depreciation associated with the Company.

5. Adjustment to interest income of ¥377 million includes elimination of inter-segment transactions of ¥(1,643) million and interest income of the Company ¥2,020 million.

6. Adjustment to interest expenses of ¥(191) million includes elimination of inter-segment transactions of ¥(1,643) million and interest expenses of the Company ¥1,451 million.

7. Adjustments to increases in property, plant and equipment and intangible assets are mainly consisted of purchase of noncurrent assets relating to the Company.

8. Adjustment has been made to segment income (loss) and ordinary income in the consolidated statements of income and comprehensive income.

(Per share information)

Items	Prior year (From April 1, 2022 to March 31, 2023)	Current year (From April 1, 2023 to March 31, 2024)
Net assets per share	¥1,498.75	¥1,652.29
Net income per share	¥208.07	¥150.75
Net income per share (diluted)	¥207.13	¥149.98

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

Items	Prior year (As of March 31, 2023)	Current year (As of March 31, 2024)
Total of net assets in the consolidated balance sheets (Millions of yen)	331,347	357,702
Amounts deducted from net assets in the consolidated balance sheets (Millions of yen)	492	782
(Subscription rights to shares) (Millions of yen)	468	751
(Non-controlling interests) (Millions of yen)	24	30
Net assets available for common stock (Millions of yen)	330,854	356,919
Number of common stock used to calculate net assets per share (Thousands of shares)	220,753	216,014

2. The calculation basis for net income per share and net income per share (diluted) is as follows.

Items	Prior year (From April 1, 2022 to March 31, 2023)	Current year (From April 1, 2023 to March 31, 2024)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	45,938	33,055
Amount not attributable to common stockholders (Millions of yen)	-	-
Profit attributable to owners of parent available for common stock (Millions of yen)	45,938	33,055
Average number of shares of common stock during the period (Thousands of shares)	220,790	219,274
Net income per share (diluted)		
Adjustment for profit attributable to owners of parent (Millions of yen)	-	-
Increase in common stock (Thousands of shares)	999	1,125
(Subscription rights to shares) (Thousands of shares)	999	1,125
Outline of potential shares not included in calculation of net income per share (diluted) because of no dilutive effect	-	-

(Significant subsequent events)

(Transactions under common control)

1. Purpose of this absorption-type of merger

The Group has established its Medium-term Plan, "Beyond the Status Quo -Breaking the Current Situation and Becoming a Sustainable Company-", which position the fiscal year ending March 2024 as the final year, and has been working to expand its corporate value. In the entertainment contents business, mainly in the consumer area, the Group promoted the Pillar Strategy, which focuses on multi-platform roll-out and simultaneous global launch of major titles such as Sonic the Hedgehog series, Persona series, Like a Dragon series, and others, and the Group has steadily implemented that strategy. In the next Medium-term Plan, which is currently under the formulation, the Group set strengthening of transmedia as one of the key strategies for the Entertainment Contents Business in order to expand the Pillar Strategy and move on to the next stage. The Group has resolved to transfer Amusement Machine business of SEGA CORPORATION, a consolidated subsidiary of the Company, to SEGA TOYS CO., LTD., also a consolidated subsidiary of the Company, through an absorption-type demerger and to change the trade name of the successor company in absorption-type demerger (SEGA TOYS CO., LTD.) at its Board of Directors meeting held on January 9, 2024, to establish a new business unit by integrating the Amusement Machine business and Toy businesses as part of the promotion of the transmedia strategy, and the absorption-type demerger and the change of trade name of the successor company in absorption-type demerger were implemented on April 1, 2024.

2. Overview of this absorption-type demerger

(1) Detail of business to be demerged

SEGA CORPORATION : Amusement Machine business

(2) Legal form of business combination

An absorption-type demerger, with SEGA CORPORATION as the demerged company and SEGA TOYS CO., LTD. as the successor company in absorption-type demerger.

(3) Overview of the company concerned in this absorption-type demerger (as of March 31, 2024)

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

*SEGA TOYS, CO., LTD. changed its trade name to SEGA FAVE CORPORATION as of April 1, 2024.

3. Overview of accounting treatment adoption

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

(Acquisition of treasury stock)

At the Board of Directors meetings held on May 10, 2024, the Company resolved the matter related to the acquisition of treasury stock under Article 156 of the Companies Act of Japan as applied by replacing the provisions stipulated in Article 165 Paragraph 3 of the same law.

1. Reasons for the acquisition of treasury stock

In pursuing initiatives for further growth and enhancement of corporate value under our new Medium-term Management Plan “WELCOME TO THE NEXT LEVEL!”, the Company has decided to acquire our treasury stock, taking into consideration of overall factors including the future business growth on the premise of the new Medium-term Management Plan and the recent stock price level of the Company.

2. Details of the acquisition of treasury stock

(1) Type of shares to be acquired	Common stock
(2) Total number of shares to be acquired	7,000,000 shares (upper limit)
	The ratio of the total number of shares outstanding (excluding treasury stock): 3.24%
(3) Total cost of acquisition	10.0 billion yen (upper limit)
(4) Acquisition period	From May 13, 2024, to March 31, 2025
(5) Acquisition method	Market purchase on the Tokyo Stock Exchange

(Changes in reporting business segments)

The Group has reported by the segments, which are "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Resort Business". At the start of the new Medium-term Management Plan, “WELCOME TO THE NEXT LEVEL!” in the following fiscal year, the Group will implement restructuring that involves abolition of the “Resort Business” and creation of a new “Gaming Business”.

(Transfer of shares in a consolidated subsidiary)

At the Board of Directors meetings held on May 10, 2024, the Company resolved the matter related to transferring the shares of our consolidated subsidiary, Phoenix Resort Co., Ltd., to Yugao GK, an affiliate of Fortress Investment Group LLC. As a result of this share transfer, the Company expects to record extraordinary income in the fiscal year ending March 2025.

Concerning the details, refer to the "Notice of Transfer of Consolidated Subsidiaries(Transfer of Shares) and Recording of Extra Ordinary Income" announced on May 10, 2024.