

Q2 for the Fiscal Year Ending March 2025

Financial Results Presentation

Nov. 8, 2024

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FY2025/3 Q2 Results / Forecast

Result Highlights (Consolidated)

(Billion yen)	FY2024/3*		FY2025/3	
	Thru Q2	Full Year Results	Thru Q2	Full Year Forecast
Sales	221.6	468.9	211.6	445.0
Operating Income	40.0	57.8	32.8	45.0
Ordinary Income	42.0	59.7	33.0	48.0
Extraordinary income	0.2	1.3	9.0	8.5
Extraordinary losses	9.7	19.2	6.8	0.5
Profit attributable to owners of parent	23.1	33.0	30.3	39.0
Adjusted EBITDA	37.5	54.7	34.8	62.0
ROE	-	9.6%	-	-
Dividends per share (JPY)	23.00	50.00	25.00	50.00

*1CS = Consumer area, *2Entertainment = Entertainment Content business

*Allocated revenue related to investments in film production in the U.S. previously recorded as "Non-operating income" is recorded in "Sales" from this fiscal year. Also, as the provisional accounting treatment for company consolidation has been settled, financial results for FY2024/3 have been retroactively changed. Retroactive results are Approx. value (unaudited). The same applies to the tables of financial results that follow in this document.

*The interim dividend for FY2025/3 is calculated at DOE3%

The annual return amount would be Approx. 10.7 billion yen if calculated with DOE3%, and would be Approx. 19.5 billion yen if calculated with total return ratio of 50% (calculated based on 39.0 billion yen of profit attributable to owners of parent for FY2025/3.) The actual amount and method of return at the end of the fiscal year may vary depending on the progress of business performance and other factors

FY2025/3 Q2 Results

➤ Exceeded initial expectations overall

- Performed strong centered on CS^{*1} and Animation (Entertainment^{*2})
- Steady sales of new titles (Pachislot & Pachinko)
- While recorded gain on sales of shares of PHOENIX RESORT, etc. as extraordinary income, recorded loss on business restructuring associated with the transfer of European studio as extraordinary losses

Forecast

➤ Closely monitor the trends in each business

- Launch new mainstay titles, promote Transmedia development (CS)
- Review the lineup in the second half due to recent weak order situation (Pachislot & Pachinko)

During H1 of this fiscal year, sales declined YoY and profits declined in the operating income level mainly due to a reactionary decline from the previous year's hit *Smart Pachislot Hokuto No Ken*, as in Q1. On the other hand, both sales and profits exceeded the levels projected at the beginning of the fiscal year due to strong sales in the Consumer and Animation areas and generally steady sales of various titles in the Pachislot & Pachinko Machines Business.

In Q2, the transfer of Amplitude Studios, an overseas development studio, through an MBO resulted in an extraordinary loss of approximately JPY5.9 billion. The absence of the loss on business restructuring of European bases recorded in Q2 of the previous fiscal year and the extraordinary gain of approximately JPY8.4 billion from the transfer of shares of PHOENIX RESORT in Q1 of the current fiscal year resulted in an increase in profit attributable to owners of parent. Adjusted EBITDA, which has been used as a management indicator since this fiscal year, was JPY34.8 billion.

Please note that these are approximate values, but the scale of the upturn in H1 is approximately JPY18.0 billion in ordinary income, and by segment, JPY11.0 billion in the Entertainment Contents Business and JPY7.0 billion in the Pachislot & Pachinko Machines Business.

In H1, results in each business exceeded initial expectations. However, the launch of new titles is weighted toward H2 in the Entertainment Contents Business and in the Pachislot & Pachinko Machines Business, given the current soft order trend, it is necessary to assess the sales trend in H2. Therefore, the forecast for the full year remains unchanged from the forecast at the beginning of the fiscal year.

As for return to shareholders, our basic policy is to return profits to shareholders through dividends or buybacks by adopting a DOE of 3% or more or a total return ratio of 50% or more, whichever is higher. The interim dividend was JPY25 per share in accordance with the dividend forecast at the beginning of the fiscal year, calculated based on the DOE of 3%. The year-end dividend forecast is also calculated based on the 3% DOE standard at this time, so the amount of shareholder return at the end of the fiscal year will fluctuate depending on actual performance.

(Reference) Per Segments Results

(Billion yen)	FY2024/3		FY2025/3	
	Thru Q2	Full Year Results	Thru Q2	Full Year Forecast
Sales	221.6	468.9	211.6	445.0
Entertainment Contents	121.7	319.8	141.7	335.0
Pachislot and Pachinko Machines	92.5	133.2	64.7	105.0
Gaming	0.6	1.9	1.8	3.0
Other / Elimination	6.8	14.0	3.4	2.0
Ordinary Income	42.0	59.7	33.0	48.0
Entertainment Contents	9.1	30.8	18.3	40.0
Pachislot and Pachinko Machines	39.3	41.9	21.5	23.5
Gaming	0.0	-0.4	-0.2	-1.5
Other / Elimination	-6.4	-12.6	-6.6	-14.0
Adjusted EBITDA	37.5	54.7	34.8	62.0
Entertainment Contents	2.7	22.0	18.6	50.0
Pachislot and Pachinko Machines	40.6	44.5	23.2	26.5
Gaming	-0.0	-0.4	-0.8	-1.5
Other / Elimination	-5.8	-11.4	-6.2	-13.0

*Details of each business are from p. 12~

Here is a summary of results by segment for your reference.

Breakdown of Income Statement (FY2025/3 Q2 Results)



(Unit: Billion yen)

Operating income	32.8
Non-operating income	4.4
Non-operating expenses	4.1
Ordinary income	33.0
Extraordinary income	9.0
Extraordinary losses	6.8
Income before income taxes	35.3
Taxes/Others	4.9
Profit attributable to owners of parent	30.3

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

Non-operating income	4.4
Interest income	1.6
Equity in earnings of affiliates	1.2
Gain on investment in partnership	0.5
Non-operating expenses	4.1
Foreign exchange losses	2.5
Interest expenses	0.8
Loss on investments in partnership	0.5
Extraordinary Income	9.0
Gain on sales of shares of subsidiaries and affiliates	8.4
Extraordinary losses	6.8
Loss on business restructuring	5.9
Impairment loss	0.6
Taxes/Others	4.9

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Page five is the breakdown of the income statement.

Non-operating income includes the results of PARADISE SEGASAMMY from January to June as equity in earnings of affiliates. Non-operating expenses include foreign exchange losses due to the revaluation of receivables and payables denominated in foreign currencies.

➤ **Transfer Amplitude Studios through MBO**

- **Background of transfer:** Implemented as part of structural reforms for European business in Consumer area
- **Impact on business performance:** Recorded 5.9 billion yen of loss on business restructuring as extraordinary losses (FY2025/3 Q2)

➤ **Completion of share buyback**

(Acquisition of Treasury Stocks based on our shareholder return policy)

Total number of shares acquired	: 3,549,800 shares
Total cost of acquisition of shares	: 9,999,838,000 yen

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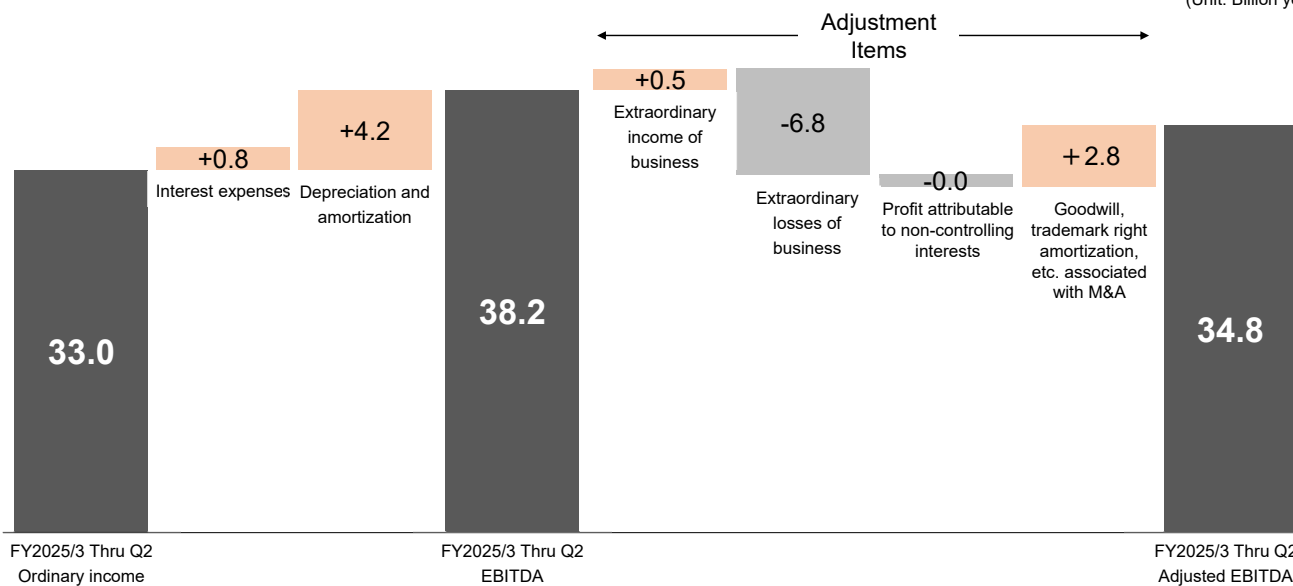
Page six is the topics for Q2 of the current fiscal year.

As I explained earlier, Amplitude Studios, our European development studio, was transferred through an MBO. As a result, the Company recorded an extraordinary loss of approximately JPY5.9 billion as a loss on business restructuring.

In addition, the Company completed a buyback of approximately JPY10.0 billion in September as a shareholder return based on actual results for the fiscal year ended March 31, 2024.

(Reference) EBITDA Adjustment Items (FY2025/3 Q2 Results)

(Unit: Billion yen)



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For your reference, here is the breakdown of adjusted EBITDA adjustment items in H1 of this fiscal year.

A gain of JPY8.4 billion from the transfer of PHOENIX RESORT was recorded as extraordinary income in Q1, but this is not included in the adjustment items.

On the other hand, the JPY5.9 billion loss on business restructuring from the transfer of Amplitude Studios implemented in Q2 is included in the adjustment item as extraordinary losses of business.

[Impact of foreign exchange in Q2 Results]

- **Positive impact of 3.8 billion yen for sales and 0.6 billion yen for operating income in Entertainment Contents business**

(Billion yen)		Q1	Q2	Thru Q2
CS ^{*1}	Net Sales	+2.7	+0.9	+3.6
	Operating Income	+1.7	-0.3	+1.4
Animation	Net Sales	+0.2	-	+0.2
	Operating Income	+0.2	-	+0.2
AM ^{*2} & TOY	Net Sales	-	-	-
	Operating Income	-0.4	-0.6	-1.0

- 1 USD: Rate in initial forecast 137 yen → AR 152 yen
- 1 GBP: Rate in initial forecast 190 yen → AR 195 yen
- 1 Euro: Rate in initial forecast 161 yen → AR 165 yen

- **Recorded foreign exchange losses of 2.5 billion yen in non-operating expenses due to revaluation and settlement of receivables and payable denominated in foreign currencies**

^{*1}CS = Consumer area ^{*2}AM = Amusement Machine

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Here is the explanation of exchange rate fluctuations against initial forecast.

In the Consumer area, where sales in US dollars are large, net sales and operating income increased by JPY3.6 billion and JPY1.4 billion respectively in H1.

On the other hand, the Amusement Machine area continues to be affected by raw material price hikes due to the weak yen.

In addition, a foreign exchange loss of JPY2.5 billion was recorded as a non-operating expense due to the revaluation of receivables and payables denominated in foreign currencies.

Various Expenses, etc.

(Billion yen)		FY2024/3		FY2025/3	
		Thru Q2	Full Year Results	Thru Q2	Full Year Forecast
Entertainment Contents	R&D / Content production	30.0	83.1	30.7	68.1
	Advertising	9.1	31.6	11.6	30.8
	Depreciation	2.0	4.4	2.2	4.4
	Cap-ex	3.1	5.6	3.1	5.8
Pachislot & Pachinko	R&D / Content production	6.2	14.4	6.2	14.1
	Advertising	1.4	2.9	2.0	4.1
	Depreciation	1.2	2.6	1.4	2.8
	Cap-ex	1.7	3.9	2.0	4.9
Gaming	R&D / Content production	0.4	0.7	0.4	1.0
	Advertising	0.0	0.0	0.0	0.1
	Depreciation	0.0	0.0	0.0	0.0
	Cap-ex	0.2	0.4	0.9	0.0
Consolidated total	R&D / Content production	36.6	98.2	37.3	83.3
	Advertising	11.6	36.2	14.4	37.0
	Depreciation	4.0	8.5	4.2	8.3
	Cap-ex	5.6	11.6	6.8	11.9

FY2025/3 Q2 Results

- R&D / content production expenses:
 - Despite a decrease in write-downs, there was a slight increase YoY due to the consolidation of Rovio (Entertainment^{*1})
- Advertising expenses:
 - Increased YoY due to the consolidation of Rovio (Entertainment)

Forecast

- R&D / content production and advertising expenses:
 - Increase compared to the first half due to launch of new mainstay titles (Entertainment)

^{*1} Entertainment = Entertainment Contents business

^{*}The expenses for "other/elimination" are included in "Data Appendix (FY2025/3 Q2)"

^{*}**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 capitalized as intangible assets during development and booked as expenses after launch. 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. 30% will be amortized in first 2 months with 15% per month, 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 are recognized when work is inspected)

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Here is about various expenses, etc.

R&D and content production expenses in the Entertainment Contents Business decreased compared to the same period of last fiscal year, when there were many write-offs. On the other hand, the level of the same expenses in H1 was similar to the same period of last fiscal year due to the consolidation of Rovio from the previous September.

Advertising expenses increased due to the consolidation of Rovio.

In the Pachislot & Pachinko Machines and Gaming Businesses, there was no significant change YoY. However, in the Gaming Business, capital expenditures increased due to an increase in leased assets.

Looking ahead, R&D and content production expenses are expected to increase compared with H1 in the Entertainment Contents Business, where new mainstay titles will be introduced.

Consolidated Balance Sheet Summary



(Billion yen) [Assets]				[Liabilities and Net Assets]			
Account	As of the end of Mar. 2024	As of the end of Sep. 2024	Increase /Decrease	Account	As of the end of Mar. 2024	As of the end of Sep. 2024	Increase /Decrease
Cash and Deposits	211.7	175.5	-36.2	Accounts Payable	26.0	25.3	-0.7
Accounts Receivable	54.2	45.5	-8.7	Short Term Borrowings	22.5	22.5	-0.0
Securities	8.0	33.2	+25.2	Other	86.9	61.2	-25.7
Inventories	81.7	91.3	+9.6	Total Current Liabilities	135.4	109.0	-26.4
Other	39.4	33.4	-6.0	Corporate Bonds	10.0	10.0	-
Current Assets	395.0	378.9	-16.1	Long Term Borrowings	124.5	120.7	-3.8
Tangible Fixed Assets	60.0	50.4	-9.6	Other	26.2	26.1	-0.1
Intangible Fixed Assets	92.2	91.1	-1.1	Total Noncurrent Liabilities	160.7	156.8	-3.9
(included in Intangible Fixed Assets)	30.2	31.2	+1.0	Total Liabilities	296.2	265.9	-30.3
ork right (same as above)	47.5	45.3	-2.2	Shareholders' Equity	333.2	349.4	+16.2
Investment Securities	49.8	50.9	+1.1	Total accumulated other comprehensive income	23.6	18.8	-4.8
Other	56.9	63.5	+6.6	Share acquisition rights	0.7	0.5	-0.2
				Non-controlling interests	0.0	0.0	+0.0
Noncurrent Assets	258.9	255.9	-3.0	Total Net Assets	357.7	368.9	+11.2
Total Assets	653.9	634.8	-19.1	Total Liabilities and Net Assets	653.9	634.8	-19.1

	As of the end of Mar. 2024	As of the end of Sep. 2024	Increase /Decrease		Main reasons for increase/decrease
Cash and deposits and cash equivalents	219.8	202.4	-17.4	(Assets)	Cash and deposits decreased due to progress of share buyback, etc. in addition to transfer to securities associated with the purchase of a monetary trust
Interest bearing debt	157.0	153.2	-3.8	(Liabilities)	Tangible fixed assets decreased due to the deconsolidation of Phoenix Resort
Net cash	62.8	49.2	-13.6	(Liabilities)	Provision for bonuses, accrued consumption taxes, income taxes payable, etc. decreased due to payment of bonuses and taxes
Equity ratio	54.6%	58.0%	+3.4p	(Net assets)	Shareholders' equity increased mainly due to the recording of profit attributable to owners of parent, despite share buybacks and the payment of dividends -10-

Page 10 is the consolidated balance sheet.

Regarding assets, cash and deposits decreased due to the payment of bonuses and various taxes, the transfer to securities in connection with the purchase of monetary trusts, and the share buybacks. Also, tangible fixed assets decreased due to the deconsolidation of PHOENIX RESORT in Q1.

As for liabilities, as explained in the assets section, accrued bonuses, accrued consumption taxes, and income taxes payable decreased due to the payment of bonuses and various taxes.

Finally, regarding net assets, shareholders' equity increased due to the recording of net income for the interim period, despite the share buybacks and the payment of dividends.

The D/E ratio as of the end of September was 0.44 times.

Also, Net cash was JPY49.2 billion, a decrease of JPY13.6 billion from the end of the previous fiscal year.

Although the cash flow has not been audited, we would like to provide an estimate for your reference.

Operating cash flow is expected to be positive JPY10.7 billion, investing cash flow is expected to be negative JPY6.7 billion, financing cash flow is expected to be negative JPY18.9 billion, and adding foreign currency translation adjustments on cash and cash equivalents negative JPY2.9 billion, results in an overall negative cash flow of JPY17.8 billion.

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Per Segments Results / Forecast

(Billion yen)	FY2024/3		FY2025/3	
	Thru Q2	Full Year Results	Thru Q2	Full Year Forecast
Sales	121.7	319.8	141.7	335.0
Consumer	78.4	224.0	95.6	235.0
Animation	10.2	23.9	11.2	23.5
AM* & TOY	33.0	71.8	34.8	76.5
Operating Income	7.9	29.9	18.7	38.0
Consumer	3.1	21.9	12.4	27.5
Animation	2.7	5.6	4.3	4.5
AM* & TOY	2.0	2.3	1.8	6.0
Ordinary Income	9.1	30.8	18.3	40.0
Adjusted EBITDA	2.7	22.0	18.6	50.0
Full Game Sales	23.4	88.1	27.7	93.0
New titles	6.2	55.0	5.6	53.3
Repeat sales	17.1	33.0	22.1	39.6
F2P Sales	26.9	53.9	23.1	56.9
Full Game Unit Sales (Thousand)	10,520	27,890	12,390	29,670
New titles	1,660	9,230	1,020	9,190
Repeat sales	8,850	18,660	11,370	20,480

*1 DLC = Downloadable content, *2 CS = Consumer area, *3 AM = Amusement Machine

*Exchange rate in FY2025/3 initial forecast: 1 USD = 137 yen, 1 GBP = 190 yen, 1 Euro = 161 yen

FY2025/3 Q2 Results

➤ Strong performance as a whole

- Exceeded expectations due to strong DLC^{*1} sales etc. and positive impact from foreign exchanges (CS^{*2})
 - ✓ Sales of Full Game increased YoY, but slightly below the expectations
 - ✓ Recording of Rovio sales contributed sales increase
- Sonic's cinematic works and *Detective Conan : The Million-dollar Pentagon* performed strong (Animation)

Forecast

➤ Launch new titles in Consumer area

- Full-scale sales of mainstay new titles (CS)
- Promote Transmedia development in line with the above
- Closely monitor the impact of exchange rate fluctuations (CS, AM^{*3} & TOY)

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From here, we will explain the details by segment.

The first segment is the Entertainment Contents Business.

Both sales and profits increased YoY in H1, and as mentioned at the beginning of this briefing, it performed strong compared to our assumptions at the beginning of the fiscal year, especially in the Consumer area.

Factors contributing to the increase in sales included the continued high level of sales of repeat titles in the Consumer area from Q1, and the recording of Rovio sales.

Specifically, in addition to the strong sales of repeat titles, there were strong sales of additional downloadable content for the *Total War* series, restrained fixed costs exceeding expectations mainly in Europe, and the positive impact of foreign exchange rates.

In the Animation area, both sales and profits increased due to the continuous strong performance, including the recording of allocated revenues from movie *Detective Conan : The Million-dollar Pentagon*, which reached a record high at the box office.

The impact of Rovio on ordinary income was minor due to the amortization of goodwill and other items, but it had a positive impact of approximately JPY2.6 billion on adjusted EBITDA.

Satomi will explain the details later, but looking ahead, we will focus on the introduction of major titles and the development of Transmedia mainly in the Consumer area, and we will closely monitor the sales status of these.

		FY2025/3 Q2 Results	Forecast
Consumer	Full game	<ul style="list-style-type: none"> Sales of new titles released in Q1 went sluggish Repeat sales including <i>Unicorn Overlord</i> went strong Cost improvement mainly in Europe exceeded expectations 	<ul style="list-style-type: none"> Full-scale sales of mainstay new titles -<i>Metaphor: ReFantazio</i>, <i>SONIC X SHADOW GENERATIONS</i>, <i>Football Manager 25</i>, etc.
	F2P	<ul style="list-style-type: none"> Existing titles performed as expected 	<ul style="list-style-type: none"> Plan to launch the service of new title, <i>Sonic Rumble</i> this Winter
	Other	<ul style="list-style-type: none"> DLC sales continued to be strong, exceeding expectations Positive impact from exchange rate fluctuations 	<ul style="list-style-type: none"> Expect an increase in character licensing revenues from Transmedia development centered on Sonic Closely monitor the impact of exchange rate fluctuations
Animation		<ul style="list-style-type: none"> Recorded allocated revenue of <i>Detective Conan : The Million-dollar Pentagram</i>, etc. Recorded revenues associated with video production and sales, distribution, etc. 	<ul style="list-style-type: none"> Plan to record revenue from video production and sales, distribution, etc.
AM*1 & TOY	AM	<ul style="list-style-type: none"> Sold centered on new <i>UFO CATCHER®</i> machine and prize category Continued to be impacted by raw material price hikes caused by exchange rate fluctuations, etc. 	<ul style="list-style-type: none"> Strengthen the sales of prize category Closely monitor the impact of raw material price hikes caused by exchange rate fluctuations, etc.
	TOY	<ul style="list-style-type: none"> Mainly sold regular products, etc. 	<ul style="list-style-type: none"> Strengthen the sales of new and regular products for year-end sales season

*1 AM = Amusement Machine

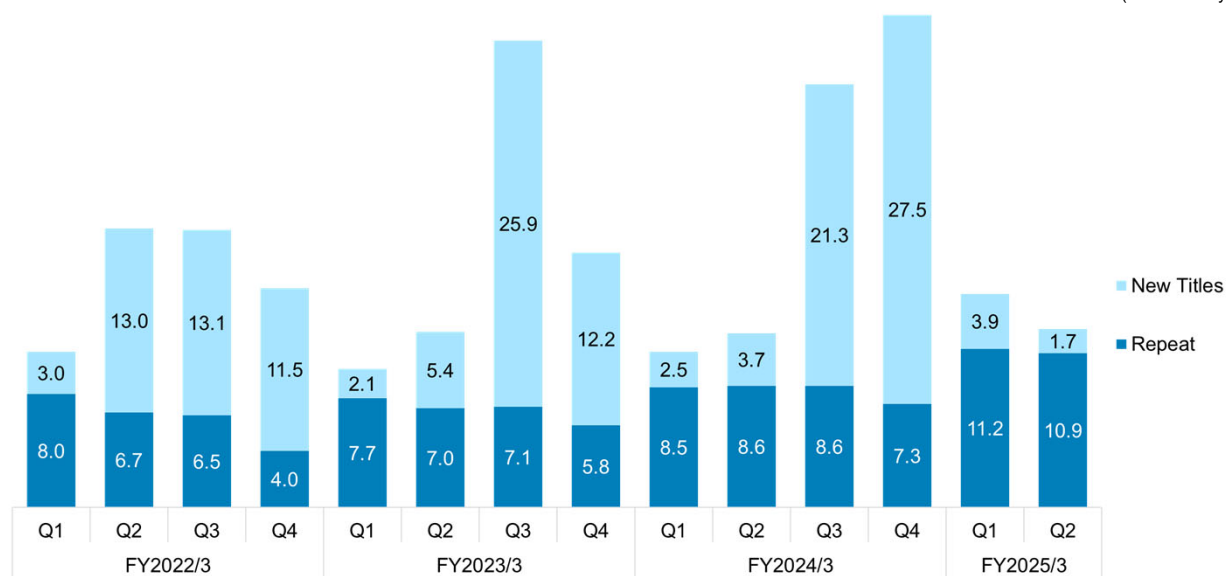
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Page 13 is an explanation of each subsegment for your reference.

The Consumer and Animation areas are as explained earlier.

In AM & TOY area, sales increased due to the release of a new *UFO CATCHER®* machine. On the other hand, profits decreased due to the impact of raw material price hikes.

(Unit: Billion yen)



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Page 14 is the quarterly sales trend for Full Game for your reference.

Repeat sales in Q2 remained at a high level as in Q1 due to the sales of titles which exceeding expectations, such as *Persona 5 Royal* and *Unicorn Overlord*.

(Reference) Entertainment Contents Business Roll-out Schedule (CS/Animation area)



Area		Title	Launch	Region	Platform	
CS ^{*1}	Full Game	Shin Megami Tensei V Vengeance	Jun. 14, 2024	Global	Multi-platform	
		Super Monkey Ball Banana Rumble	Jun. 25, 2024	Global	Nintendo Switch™	
		Metaphor: ReFantazio	Oct. 11, 2024	Global	Multi-platform	
		SONIC X SHADOW GENERATIONS	Oct. 25, 2024	Global	Multi-platform	
		Like a Dragon: Pirate Yakuza in Hawaii	Feb. 21, 2025	Global	Multi-platform	
		TWO POINT MUSEUM	Mar. 5, 2025	Global	Multi-platform	
		Football Manager 25	Mar. 2025	Global	Multi-platform	
	F2P	Persona5: The Phantom X	Apr. 12, 2024	China, Traditional Chinese area, South Korea	iOS/Android	Licensing out
		Sonic Rumble	This Winter	Global	iOS/Android/PC	
		Persona5: The Phantom X	TBD	Japan	iOS/Android/PC	
Animation	TMS ENTERTAINMENT	Detective Conan : The Million-dollar Pentagram	Apr. 12, 2024	-	-	
		Baki Hanma	On streaming	Global	Netflix	
		Blue Box	Oct. 3, 2024	-	-	A work for UNLIMITED PRODUCE project ^{*2}
		Four Knights of the Apocalypse 2nd Season	Oct. 6, 2024	-	-	A work for UNLIMITED PRODUCE project ^{*2}
		SAKAMOTO DAYS	Jan., 2025	-	-	
		Honey Lemon Soda	Jan., 2025	-	-	A work for UNLIMITED PRODUCE project ^{*2}

^{*1} CS = Consumer area

^{*2} UNLIMITED PRODUCE project = an initiative to produce animation works in collaboration with other studios, with the aim of strengthening the animation production business

*Only announced titles are listed

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Page 15 is the schedule for product development in the Entertainment Contents Business for your reference.

In the Animation area, we are also working to strengthen our animation production business.

(Reference) Entertainment Contents Business Roll-out Schedule
(Animation/AM & TOY area)

Area		Title	Launch	Region	Platform	
Animation	License-out/ Investment Project etc.	Sonic the Hedgehog 3	Dec. 20, 2024	Global	-	Date in "Launch" is the scheduled release date in North America
		The Angry Birds Movie 3	TBD	-	-	
		Knuckles	Apr. 26, 2024	Global	Paramount+	Licensing out
		Angry Birds Mystery Island	May. 21, 2024	Global	Amazon Prime Video	Licensing out
		Like a Dragon: Yakuza	Oct. 25, 2024	Global	Amazon Prime Video	Licensing out
		COLORFUL STAGE! The Movie: A Miku Who Can't Sing	Jan. 17, 2025	-	-	Licensing out
		Golden Axe (Title TBD)	TBD	-	-	Licensing out
		SHINOBI	TBD	-	-	Licensing out
AM ¹ & TOY	AM	GIMMI	Jul. 4, 2024	-	-	Print Sticker machine
		UFO CATCHER TRIPLE TWIN Compact	Jul. 11, 2024	-	-	
		MONOPOLY THE MEDAL AMERICAN DREAM	TBD	-	-	
	TOY	SONIC&FRIENDS	Apr. 26, 2024	-	-	
		Let's play store for the first time! ANPANMAN's Fluffy Bakery	May. 30, 2024	-	-	
		"Moving Picture Book" Projector Dream Switch ANPANMAN	Jun. 27, 2024	-	-	
		Come play! Chiikawa House with Talking dolls	Jun. 27, 2024	-	-	
		monpoke Sounds and Lights! Rolling round Pikachu Tower	Jun. 27, 2024	-	-	
		me-smartphone+ (Plus)	Aug. 8, 2024	-	-	
		ePICO 100 experiences edition	Oct. 10, 2024	-	-	

¹ AM = Amusement Machine

*Only announced titles are listed

Page 16 is a schedule of license-out and investment projects in the Animation area, and also AM & TOY's product development schedule.

(Billion yen)	FY2024/3		FY2025/3	
	Thru Q2	Full Year Results	Thru Q2	Full Year Forecast
Sales	92.5	133.2	64.7	105.0
Pachislot	64.6	88.7	28.2	49.6
Pachinko	23.5	35.5	31.4	46.4
Other / Elimination	4.4	9.0	5.1	9.0
Operating Income	39.1	41.6	21.2	23.0
Ordinary Income	39.3	41.9	21.5	23.5
Adjusted EBITDA	40.6	44.5	23.2	26.5
Pachislot				
Number of Titles	3 titles	7 titles	4 titles	7 titles
Unit Sales (units)	130,395	180,090	59,146	107,000
Pachinko				
Number of Titles	3 titles	4 titles	4 titles	8 titles
Unit Sales (units)	56,498	88,236	68,735	115,000
Board + Frame	22,945	25,419	38,499	57,400
Board	33,553	62,817	30,236	57,600

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

FY2025/3 Q2 Results

➤ Exceeded expectations

- Sales of *e Hokuto No Ken 10*, the Group's first smart pachinko and other new titles went steady
- Main titles sold:
e Hokuto No Ken 10
Smart Pachislot Shin Hokuto Muso etc.

Forecast

➤ Closely monitor the impact to the financial results associated with the revision of the sales lineup

- Recent order situation trending weak
- Review the line-up in the second half to improve product competitiveness

➤ Continue to launch new titles

-17-

From here on, I will talk about the Pachislot & Pachinko Machines business.

In H1 of the current fiscal year, sales and income declined YoY due to a reactionary decline from the previous year's hit *Smart Pachislot Hokuto No Ken*, but sales of the new titles introduced were strong, and thus exceeded the level expected at the beginning of the fiscal year. In particular, Smart Pachinko *e Hokuto No Ken 10*, the featured title of this fiscal year, sold 35,000 units, which was more than expected, making it the best-selling pachinko title among all pachinko machines released in 2024.

Looking ahead, we will continue to introduce new titles for both pachislot and pachinko, but in light of the recent market environment and current sales conditions, we expect to review our sales lineup in H2 in order to improve product competitiveness. We will closely monitor the impact of this review on our business performance going forward.

(Reference) Pachislot & Pachinko Machines Business Sales Schedule

[Main titles sold up to Q2 and titles planned to be sold in or after Q3]

		Title	Installation	Unit Sales	Specification Range*1	Type
Pachislot	In or before Q2	Smart Pachislot Golden Kamuy	Apr. 2024	12,865 units	Medium	New Series
		Smart Pachislot Psalms of Planets Eureka Seven 4 HI-EVOLUTION	May 2024	13,600 units	Medium	New Series
		Smart Pachislot Shin Hokuto Muso	Jul. 2024	17,398 units	High	New Series
	In or after Q3	Smart Pachislot Initial D 2nd	Oct. 2024	-	Medium	New Series
		Smart Pachislot Aura Battler Dunbine	Dec. 2024	-	Medium	New Series

		Title	Installation	Unit Sales	Specification Range*2	Type
Pachinko	In or before Q2	★P Initial D 2nd	Jun. 2024	9,099 units	High Middle	New Series
		★e Hokuto No Ken 10	Aug. 2024	35,320 units	High	New Series
		P IKUSA no KO Legend of Oda Nobunaga	Sep. 2024	7,554 units	High Middle	New Series
	In or after Q3	P Monster Hunter Rise	Nov. 2024	-	Middle	New Series
		★P The Rising of the Shield Hero	Dec. 2024	-	High Middle	New Series
		★P BLACK LAGOON4 EXTRA BULLET 129ver.	Jan. 2025	-	Light	Specification Change

Titles marked with "★" are machines that equip Lucky Trigger feature

*1 Specification Range (Pachislot): Classified by gambling aspect (High/Medium/Low). Calculated based on in-house definition.

*2 Specification Range (Pachinko): Classified by symbol matching probability (High/High Middle/Middle/Light Middle/Light/Minimum/Other). Based on the jackpot probability classification of Daikoku Denki Co., Ltd.
High=1/320 or less, High Middle=1/280~1/319, Middle=1/200~1/279, Light Middle=1/120~1/199, Light=1/40~1/119, Minimum=1/39 or more

*Unit sales only in FY2025/3 are listed

*Only announced titles are listed

Here is the sales schedule in the Pachislot & Pachinko Machines Business for your reference.

(Billion yen)	FY2024/3		FY2025/3	
	Thru Q2	Full Year Results	Thru Q2	Full Year Forecast
Sales	0.6	1.9	1.8	3.0
Operating Income	-0.9	-1.7	-1.0	-2.0
Non-operating income	1.0	1.4	1.1	1.0
Non-operating expenses	0.0	0.1	0.4	0.5
Ordinary Income	0.0	-0.4	-0.2	-1.5
Adjusted EBITDA	-0.0	-0.4	-0.8	-1.5
Gaming Machine (units)				
Unit Sales (N.A.+Asia)	172	563	478	1,087
No. of newly installed units (N.A.+Asia)	263	755	647	1,428
No. of utilized units of leased machine at the end of each period (N.A.)	288	311	492	456

FY2025/3 Q2 Results

➤ Strong sales of casino machines

- Gaming machine sales:
 - Sales of *Railroad Riches*™, compatible with video slot machine cabinet *Genesis Atmos*®, has been strong in the U.S.
- PARADISE SEGASAMMY:
 - Contributed to profit in equity-method earnings as casino revenues remained at high levels
- Recorded M&A-related expenses and foreign exchange impact from valuation of assets denominated in foreign currencies, etc.

Forecast

- Gaming machine sales:
 - Expect the expansion of the unit sales in North America and Asia
- PARADISE SEGASAMMY:
 - Expect to contribute to profit in equity-method earnings

-19-

Here is about Gaming Business.

In H1 of this fiscal year, while sales increased, profits decreased YoY.

In the gaming machine sales, *Railroad Riches*™ in the U.S. continued the highest level of utilization in the North American market, receiving high acclaim from the market, and sales continue to be strong. On the other hand, the Gaming Business as a whole posted an operating loss of JPY1.0 billion, mainly due to the recording of one-time expenses related to M&A.

Meanwhile, PARADISE CITY in South Korea continued to maintain high levels of both the number of gaming days and the drop amount by Japanese VIPs at its casino, resulting in favorable sales, and equity in earnings of affiliates was JPY1.1 billion.

On the other hand, due to the foreign exchange impact from the valuation of assets denominated in foreign currencies in the Gaming Business, ordinary income was a recurring loss of 0.2 billion.

Looking ahead, in gaming machine sales, we will continue to expand sales of *Railroad Riches*™, and launch new titles in North America and Asian regions centered on Macau.

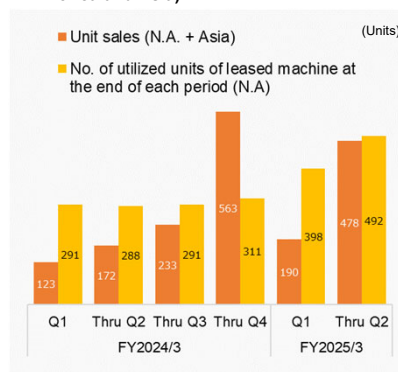
PARADISE CITY also continues to perform well, with both casino sales and hotel occupancy rates for the month of August reaching their highest levels since its opening, and is expected to continue to contribute to profits through equity-method earnings.



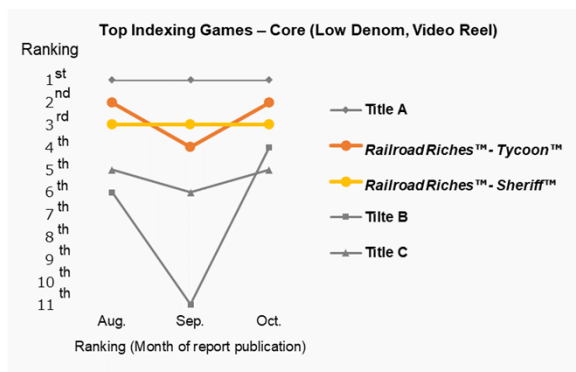
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➤ **Strong utilization of *Railroad Riches*™ continues and contributes to strengthening the relationship with casino operators**

■ **Sales trend of gaming machines (North America and Asia)**



■ **Performance trend of *Railroad Riches*™^{*1}**



^{*1} "Top Indexing Games-Core (Low Denom, Video Reel) Ranking" in "U.S. & Canada Game Performance Report" issued by Eilers & Krejcie Gaming, LLC, a US gaming research company

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For your reference, here is about sales of gaming machines.

In the U.S., sales of the Genesis Atmos®, the slot cabinet introduced in January 2024, have led to strong unit sales and No. of lease rental units.

Railroad Riches™, in particular, performed significantly better than floor and zone averages at each casino. Furthermore, in a report published by Eilers, a U.S. based gaming research company, it has been ranked in the top position, ahead of titles from major competing companies.

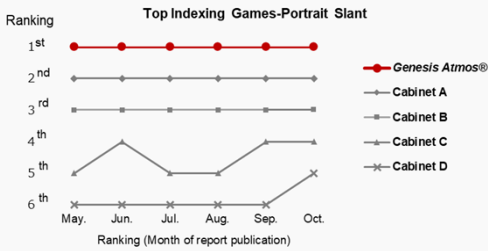
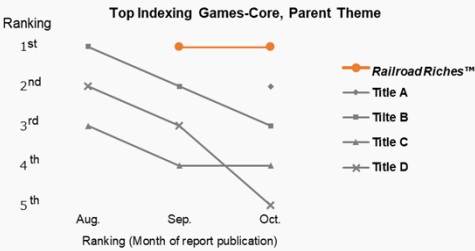
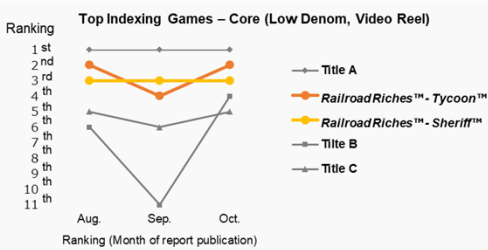
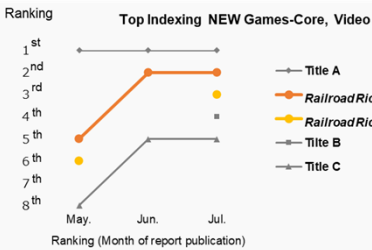
Inquiries have been stronger than expected, and we are working to increase production by six times our initial estimate.

We expect that this would generate significant synergies in the development of our online gaming business in North America, which we will be closing in the future.



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■ Performance trend of Railroad Riches™ and Genesis Atmos® (cabinet) *1



*1 From "Top Indexing NEW Games-Core, Video Ranking", "Top Indexing Games-Core (Low Denom, Video Reel) Ranking", "Top Indexing Games-Core, Parent Theme Ranking", "Top Indexing Cabinet-Portrait Slant Ranking" in "U.S. & Canada Game Performance Report" issued by Eilers & Krejcik Gaming, LLC, a US gaming research company

Page 21 is the performance trend of major titles for your reference.

(Reference) PARADISE SEGASAMMY



(KRW Billion)		FY2024/3		FY2025/3
		Thru Q2	Full year Results	Thru Q2
Sales		200.6	448.7	263.7
	Casino	145.5	327.9	205.0
	Hotel	46.5	100.3	48.4
	Other	8.5	20.4	10.1
Cost of sales		155.5	353.1	190.3
	Casino	82.3	193.4	109.4
	Hotel	52.1	112.1	59.1
	Other	21.1	47.6	21.8
Gross profit		45.0	95.5	73.4
	SG&A	18.2	39.2	29.2
Operating profit		26.8	56.3	44.1
EBITDA		52.4	103.7	65.9
Net profit		17.9	28.0	27.2
Number of casino visitors (Thousands)		135	297	172

Source: Paradise IR

SEGASAMMY Equity method acquisition amount (Billion yen)	0.6	0.9	1.1
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*PARADISE SEGASAMMY is an equity-method affiliate of the Company

*PARADISE SEGASAMMY is recorded 3 months late to the Company as it closes its fiscal year in December

*Local accounting standards

FY2025/3 Q2 Results

➤ Casino sales continued to be strong

- Casino sales remained strong, 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

Forecast

➤ Contribution to profit in equity-method earnings

- Casino sales in August recorded its highest since its opening
- Hotel occupancy in August also recorded its highest since its opening
- Work for further attraction of customers through strengthened marketing

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Here is about PARADISE SEGASAMMY in South Korea for your reference.

Since the inclusion in our results will be recorded with a three-month delay, these results will be for PARADISE SEGASAMMY for the period from January through June 2024.

03

Future Initiatives

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

Before I get into the material on future initiatives, I would like to say a few words.

We sometimes receive remarks about conglomerate discount, but I understand that the essence of this is the question whether each business is truly competitive and whether our past successes can be replicated.

As for Sammy in charge of Pachislot & Pachinko Machines Business, currently they are not number one in the industry in terms of business performance and utilization of products. On the other hand, there are competitors that can achieve valuations of more than JPY500.0 billion. This means Sammy has room to grow and we need to prove that it has the potential to achieve the same level of valuation by realizing the improvement of product utilization and improve its business performance.

As for SEGA in charge of Entertainment Contents Business, I feel that SEGA, while it still has challenges, is experiencing an improvement in its evaluation. In addition to the revenue growth of non-gaming businesses through Transmedia strategy efforts, they are being able to leverage business opportunities through cooperative frameworks based on good relationships with each platform provider. On the other hand, their mainstay IPs are smaller than our competitors and it means that there is room for improvement in profit margins. We need to build a track record that will make people believe that SEGA can continue to grow in the future.

In the Gaming Business, after the closing of M&A deals currently underway, we think that we will be able to aim for sales of several tens of billions of yen at an early stage.

I believe what is asked of us now is that we must prove that we can address those challenges one by one in medium term, but I would like to talk about our current situation first.

Overall

- The first half results exceeded expectations
- Need to closely monitor the trends in each business in the second half

**Entertainment
Contents
Business**

- Launch of mainstay new titles x Promotion of Transmedia strategy
- Service launch of *Sonic Rumble*, the first title in cooperation with Rovio
- Delayed the launch of *Football Manager 25*

**Pachslot & Pachinko
Machines Business**

- Review of sales lineup to improve product competitiveness
- Aim to create hit titles continuously by leveraging high-profile large-scale IPs, etc.

**Gaming
Business**

- Promote the sales of new slot machines
- Advance the acquisition procedure of 2 gaming companies

-24-

Although our performance in H1 was strong, we decided not to revise our forecast this time, due to several factors that require careful assessment under the current circumstances.

In the Entertainment Contents Business, *SONIC X SHADOW GENERATIONS* and *Metaphor: ReFantazio* have received high acclaim, with sales progressing at a slightly faster pace than initially anticipated at the start of the fiscal year. On the other hand, as we prepare for the launch of *Sonic Rumble*, our first title in collaboration with Rovio, and considering the impact of the delay in the release of *Football Manager 25*, we recognize the need to closely monitor the future business performance.

Even though Pachslot & Pachinko Machines Business performed strongly in H1, we are reviewing our title lineup, as we have postponed the launch of our mainstay titles from H2 to the next fiscal year to allow for further refinement, in light of the current market conditions, and the current weak order situation.

Consumer area, Entertainment Contents Business

Entertainment Contents Business

Promote Transmedia development towards new movie and games to be released at the of end the year under the theme of "Fearless: Year of Shadow"

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



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Strategic interaction of each initiative to create a strong tailwind toward the end of the year

Game

Console/PC Title
SONIC X SHADOW GENERATIONS
Release: Oct. 25, 2024

Movie

Sonic the Hedgehog 3
Release: Dec. 20, 2024 (Plan)

Game

F2P Title
Sonic Rumble
Service launch: this winter (Plan)

Animation

Original TV Series
Knuckles
Release: Apr. 26, 2024
Now available on Paramount+

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Please allow me to provide an overview of each business segment.

I would like to delve deeper into Entertainment Contents Business.

This year, we are embracing the theme "Fearless: Year of Shadow", where our focus is not only on *Sonic*, but also on *Shadow*, which is a supporting character in its movie. We are implementing initiatives across games, movies, and merchandising.

Strategically promote the Transmedia roll-out of Sonic IP



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The cinematic release featuring Knuckles, a character from Sonic, debuted on Paramount+ in April and have been very well received. We also launched *SONIC X SHADOW GENERATIONS* this October and it has exceeded our initial sales expectations.

As for the movies, we plan to release the third installment, *Sonic the Hedgehog 3*, in December. Given the significant positive response it has already received, I personally anticipate it will surpass the box office revenue of the previous movie.

Additionally, we are in the midst of developing *Sonic Rumble*, which we aim to launch during the winter. This is the first collaborative project, with Rovio managing the marketing and SEGA handling the development.

In parallel with this, we are advancing the development of merchandise, with related products sold in various retail store. Furthermore, Sonic has been selected as a three-star IP under "Walmart's Entertainment Council program" and the related products will be featured on a store shelf dedicated to *Sonic X Shadow* this holiday season.



©SEGA

SONIC x SHADOW GENERATIONS (Full Game)

(Release: Oct. 25, 2024)

- Worldwide sales surpassed 1 million units in its release date
- Gained high marks on review sites, etc.
 - ✓ Scores at Metacritic
 - METAScore: 80 points
 - User Score: 9.0
 - ✓ Customer review at Steam: Overwhelmingly Positive (97% of review are positive)

*Scores are for PS5 version as of Nov. 7



©SEGA

Sonic Rumble (F2P)

(Service launch: this winter (Plan))

- The first collaborative title with Rovio
 - ✓ Development: SEGA
 - ✓ Global Marketing: Rovio
- Preliminary test underway in various locations in the world

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SONIC X SHADOW GENERATIONS has received favorable reviews, with a METAScore of 80 points, User Score of 9.0, and 97% positive reviews on Steam. The game sold over one million units on its launch day.

Implement measures to strengthen sales in line with the drama series
Release new title at the beginning of the coming year

Oct. 2024



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Like a Dragon: Yakuza

(Streaming start: Oct. 25, 2024)

- Amazon Original drama series

Feb. 2025



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Like a Dragon: Pirate Yakuza in Hawaii

(Release: Feb. 21, 2025 (Plan))

- Multi-platform and simultaneous worldwide release

**Implementation of measures to strengthen sales**

- Launched the first Nintendo Switch™ version in the series (Like a Dragon Kiwami)
- Sold three types of bundle versions with different themes

©SEGA

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As for the *Like a Dragon* IP, Amazon Prime Video began streaming *Like a Dragon: Yakuza* globally on October 25. The launch saw impressive results, with product ranking in the top 10 in over 100 countries and regions in the first weekend after its release, from Friday, October 25th to Sunday, October 27th. In conjunction with this, we are implementing sales campaigns for our existing titles. We are preparing to release *Like a Dragon: Pirate Yakuza in Hawaii* in February next year.



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Metaphor: ReFantazio

(Release: Oct. 11, 2024)

- Worldwide sales surpassed 1 million units in its release date
- Gained high marks on review sites, etc.
 - ✓ Scores at Metacritic
METASCORE: 94 points / Earned "Must-Play"
 - User Score: 9.0
 - ✓ Customer review at Steam: Overwhelmingly Positive
(90% of review are positive)

*Scores are for PS5 version as of Nov. 7

Persona5: The Phantom X

(Service launch in Japan decided, *Release timing TBD)

- Developed by Perfect World (license-out from our Group)
- Published by Perfect World and available in China, Traditional Chinese area, and South Korea
- SEGA will be in charge of publishing of Japanese version

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As for *Metaphor: ReFantazio*, by marking METASCORE of 94 points, it achieved the top level of METASCORE among games released in 2024, and has been met with considerable acclaim. Despite being a new IP, it sold in excess of one million units on the launch day, with sales exceeding initial expectation.

Persona5: The Phantom X developed by Perfect World in China is currently available in Asian countries, and the Japanese version is planned to be published by SEGA. This title was announced at Tokyo Game Show, and received a favorable response. We are aiming to start the service at the beginning of 2025.



Football Manager 25

(Release: Mar. 2025 (Plan))

- Postponed release date from **November to March** to ensure game quality
- Changed the development engine to Unity
 - ✓ Renewal of the UI*
 - ✓ Enhancement of graphics
- Addition of new elements
 - ✓ Acquired full license of Premier League
 - ✓ Adoption of female soccer

*User Interface

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As previously stated, we have decided to postpone the launch of *Football Manager 25* from November to March in order to prioritize the assurance of the game's quality. This installment will include the Premier League and the adoption of female soccer for the first time, and we expect it holds significant potential.

- **Transfer of Amplitude Studios through an MBO**

- Realized a business structure that focuses on strengths through selection and concentration
- Recorded 5.9 billion yen of loss on business restructuring as extraordinary losses (FY2025/3 Q2)
- Structural reforms for European business has been completed

- **Recovery of *Total War*, the main IP of the Creative Assembly**

- As for *Total War: WARHAMMER III* and *Total War: PHARAOH*, sales of the main game have increased along with the high ratings of the additional DLC*¹ released this fiscal year

*¹ DLC = Downloadable content

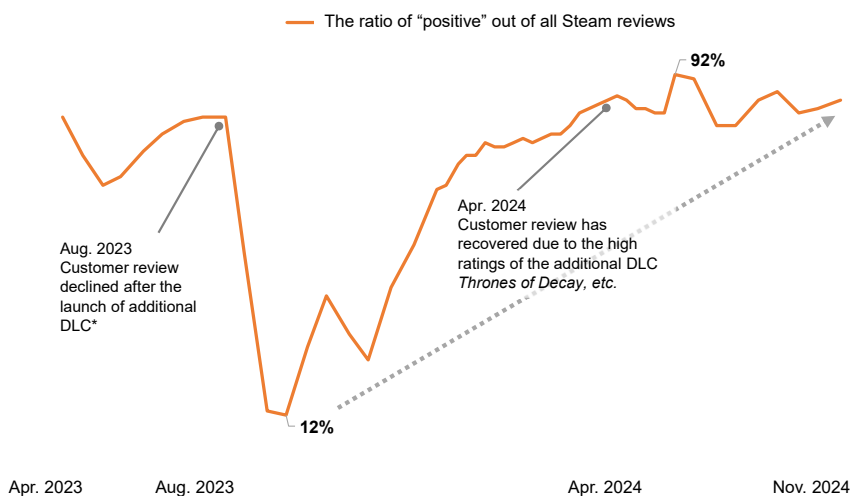
-32-

Lastly, I would like to provide an update on the progress we are making towards re-growth of our European business operations.

We decided to transfer Amplitude Studios, which is a development studio located in France, to a founding member in the form of an MBO, and recorded approximately 5.9 billion yen for loss on business restructuring as extraordinary loss. We have completed a series of structural reforms in the European business.

On the other hand, the UK development studio The Creative Assembly underwent a major restructuring during the previous fiscal year. However, the user review of *Total War: WARHAMMER III* has improved recently, and sales of its main game and DLC (Downloadable Content) have demonstrated a notable growth. Additionally, *Total War: PHARAOH* also showed notable recovery, becoming a significant factor that has exceeded the initial forecast.

Total War: WARHAMMER III



- Strengthen the communication with user community
- Reviewed the content and pricing, etc. of DLCs
- The most recent customer review is "Very Positive"

*DLC=Downloadable Content

-33-

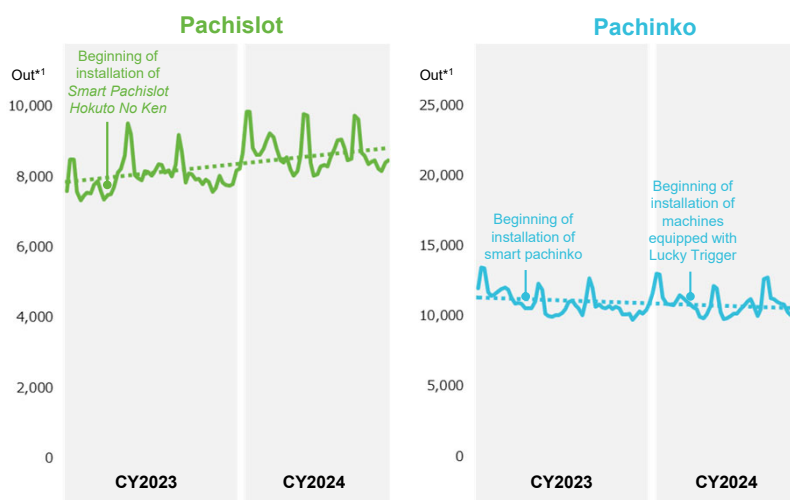
For your reference, following provides a status of user reviews for Steam since the beginning of the previous fiscal year for *Total War: WARHAMMER III*.

The user reviews on Steam change in real time, and the review rate which at one point dropped to 12% due to the impact of DLC launched at that time, has recovered to more than the 90% range.

Pachislot & Pachinko Machines Business

Pachislot & Pachinko Machines Business

Pachislot & Pachinko Utilization Trend



Pachislot

- Steady utilization centered on smart pachislot

Pachinko

- Weak utilization continues

*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

*2 weeks moving average, the dotted line in the graph is a linear approximation of the average utilization

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

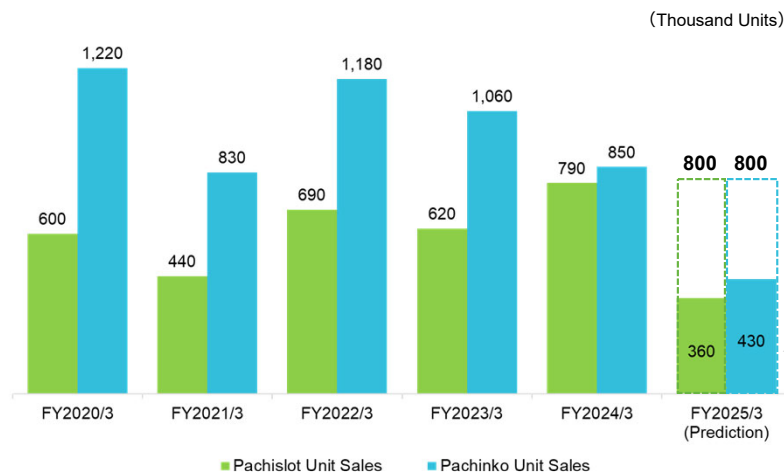
-35-

Next is about Pachislot & Pachinko Machines Business.

As for the market trend, for pachislot, utilization has been recovering with 6.5 model machines and smart pachislot installed from 2022.

However, as for pachinko, it is still in the middle way of recovery.

Pachislot & Pachinko Unit Sales Trend



Pachislot

- Unit sales are on an increasing trend over the medium to long term
- Sales has progressed centered on smart pachislot in the first half

Pachinko

- Unit sales are on a decreasing trend over the medium to long term
- Sales of titles equipped with Lucky Trigger were concentrated in the first half

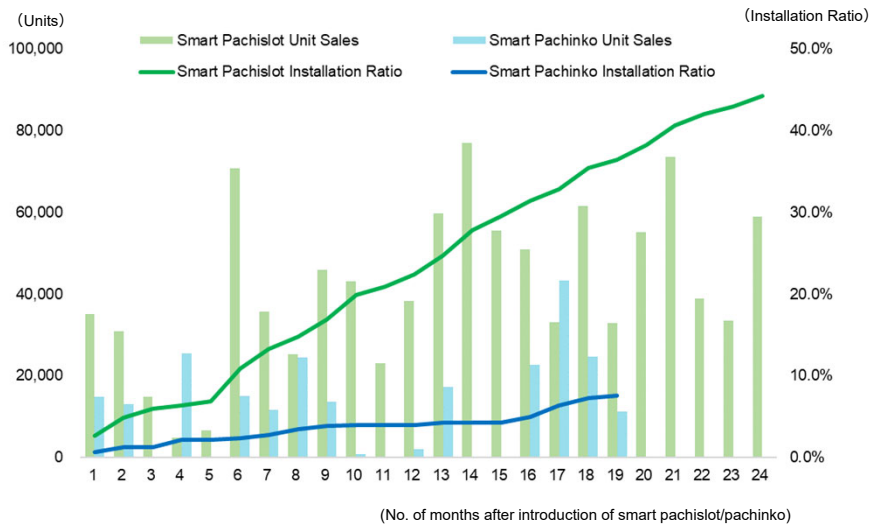
*In-house estimation

-36-

As for the actual number of machines sold, we understand the budget for purchasing pachislot and pachinko machines at pachinko hall is being kept low this fiscal year due to additional investment to accommodate new banknotes, etc. We expect such investments to decrease in the next fiscal year and beyond, and as a new function called “bonus-trigger”, which will be introduced to pachislot in the future, along with other factors, we would like to anticipate a recovery in unit sales trend.

As for pachinko, titles which equipped the Lucky Trigger have been selling well. The Lucky Trigger is capable of incorporating a wider range of gameplay features in Smart Pachinko and we are looking for a recovery in unit sales through such regulatory revisions. We are also considering postponing the launch of some new titles in order to incorporate these latest revisions.

Unit sales & installation ratio of smart pachislot/pachinko



*Results for Smart Pachislot is from Nov. 2022 to Oct. 2024; Smart Pachinko is from Apr. 2023 to Oct. 2024
 *Installation ratio in the whole market (as of the end of each month)
 *In-house estimation

Smart Pachislot

- Topical machines are appearing constantly
- Installation ratio has exceeded 40%

Smart Pachinko

- Pace of penetration after introduction has been slow
- Multiple hit titles have appeared on the market recently

- The revision of regulations has accelerated the spread of smart machines
- Continue to promote positive discussions at manufacturers' associations, etc.

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Here is the penetration status of smart machines.

The installation ratio of smart pachislot has already exceeded 40% of the total pachslot machines, and the installation ratio of smart pachinko is low compared to pachislot. However, through the revision of regulation exclusively for smart pachinko which explained before, we expect that the number of smart pachinko titles with higher utilization than conventional pachinko machines will increase in the future, and they will accelerate the penetration of smart pachinko.

Our first smart pachinko title has been strong in both sales and utilization



e Hokuto No Ken 10

- **Unit Sales : Over 35 thousand units**
- **Utilization level : Trending over market average**
Accounts for about 5% of utilization share within the 4 yen pachinko market*¹

[Reference]Top ranking models in terms of utilization share (4 yen pachinko)

Rank	Name	Utilization Share	Installation	Smart Pachinko
1	Title A	10.0%	Feb. 2023	-
2	Title B	7.4%	Dec. 2021	-
3	Title C	6.7%	Nov. 2023	✓
4	e Hokuto No Ken 10	4.9%	Aug. 2024	✓
5	Title D	4.0%	Dec. 2023	-

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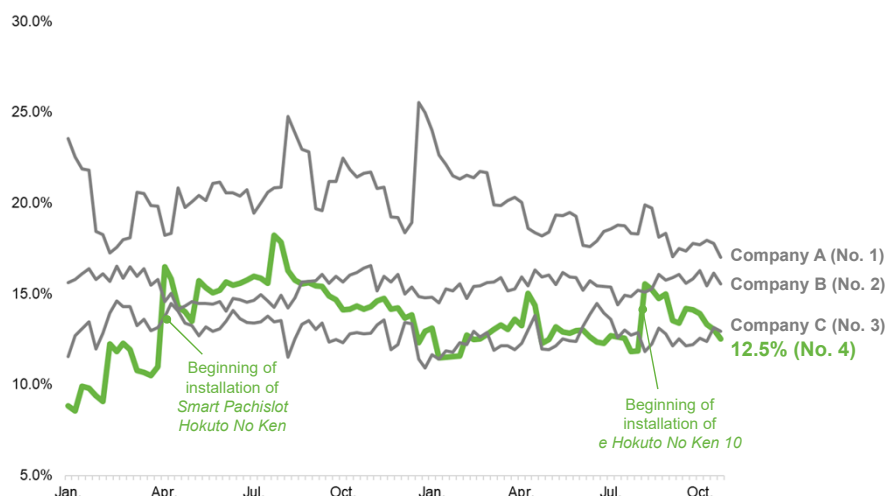
¹ Calculation based on utilization data for the week of Oct. 21 – Oct. 27, 2024

*In-house estimation based on DK-SIS data of Daikoku Denki Co., Ltd

As for e Hokuto No Ken 10, we have sold 35,000 units. It is the best-selling pachinko machine released in this year.

The utilization level also has been exceeding the market average, and it accounts for about 5% of utilization share within the 4 yen pachinko market.

Trend of total utilization share of our Group & competitors



➤ Our total utilization share growth has stalled

Share expansion through *Smart Pachislot Hokuto No Ken* and *e Hokuto No Ken 10* remained temporary

➤ Continuous creation of hit titles is the challenge

*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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Here is about the total utilization share which we set as a KPI.

Our internal goal is to aim for the first place. Although we have fallen to fourth place at this moment, our current situation is that we have been within the top three for a long time.

Continue to launch new titles while reviewing the lineup (FY2025/3)

Aim to expand share by releasing sequels of hit titles and titles utilizing popular IP, etc. (FY2026/3~)

New titles in and after Q3 of this FY (example)



**Smart Pachislot
Initial D 2nd**
(Installation: Oct. 2024)



**Smart Pachislot
Aura Battler Dunbine**
(Installation: Dec. 2024 (Plan))

©Shuichi Shigeno / Kodansha - 2014 New Movie "Initial D" Production Committee
©Shuichi Shigeno / Kodansha - 2015 New Movie "Initial D" L2 Production Committee
©Shuichi Shigeno / Kodansha - 2016 New Movie "Initial D" L3 Production Committee
©Sammy

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New titles from next FY onwards (example)



©Buronson & Tetsuo Hara / COAMIX 1983. ©COAMIX 2007 Approved No.YJN-815 ©Sammy
©Ken Wakui, KODANSHA / TOKYO REVENGERS Anime Production Committee. ©Sammy
©Kabaneri Committee ©Sammy
©Spider Lily/Aniplex, ABC ANIMATION, BS11 ©Sammy

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Here are the future lineups.

We plan to launch *Smart Pachislot Initial D 2nd* and *Smart Pachislot Aura Battler Dunbine*, etc. in and after Q3 of this fiscal year.

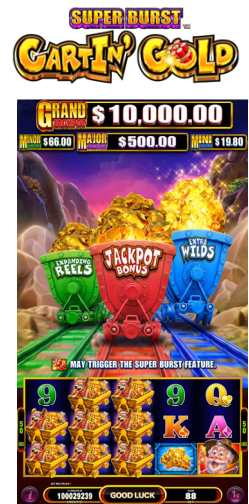
From the next fiscal year onward, we are planning to release the sequel of both *Hokuto No Ken Chapter of Resurrection* and *Kabaneri of the Iron Fortress*, which previous titles were very well received. Furthermore, we are planning to release *Tokyo Revengers* and *Lycoris Recoil*, which are smash hit anime, and we want to make an offensive approach through these kinds of initiatives.

Gaming Business

Gaming Business

➤ New titles following *Railroad Riches™* installed in the U.S.

- *RAISE 'EM UP HOUSE OF THE DEAD SCARLET DAWN™* (Installation: Jun. 2024)
- *RAISE 'EM UP LEPRECHAUN™* (Installation: Jul. 2024)
- *SUPER BURST CARTIN' GOLD™* (Installation: Jun. 2024)



➤ Existing titles also continue to enjoy high utilization in Asia



- *Baccarat Maximum Fortune™* (Installation: Jun. 2018)

For Gaming Business, as mentioned earlier, *Railroad Riches™* has been very well received.

Until now, our challenge has been how to produce hits, but now we are moving on to how to increase production volume since a very large number of orders are coming to us. Aside from *Railroad Riches™*, our Baccarat machines have been very well received in Asia and we are considering its introduction in the U.S.

The Gaming Business has been in the red up until now, but it has started to turn profitable monthly, and we are working to grow business hoping to bring it to profitability in the next fiscal year.

➤ **Steadily advance M&A procedure**

	Completion of Acquisition (Schedule)	Impact on Financial Results
	FY2025/3 Q4	<ul style="list-style-type: none"> Impact on FY2025/3 financial results is immaterial (expenses related to acquisition will be incurred) Scheduled to be consolidated from FY2026/3 Q1
	FY2026/3 Q1	<ul style="list-style-type: none"> Impact on FY2025/3 financial result is immaterial (expenses related to acquisition will be incurred) Scheduled to be consolidated from FY2026/3 Q2

*To be recorded 3 months late to the Company as those 2 companies close their fiscal year in December

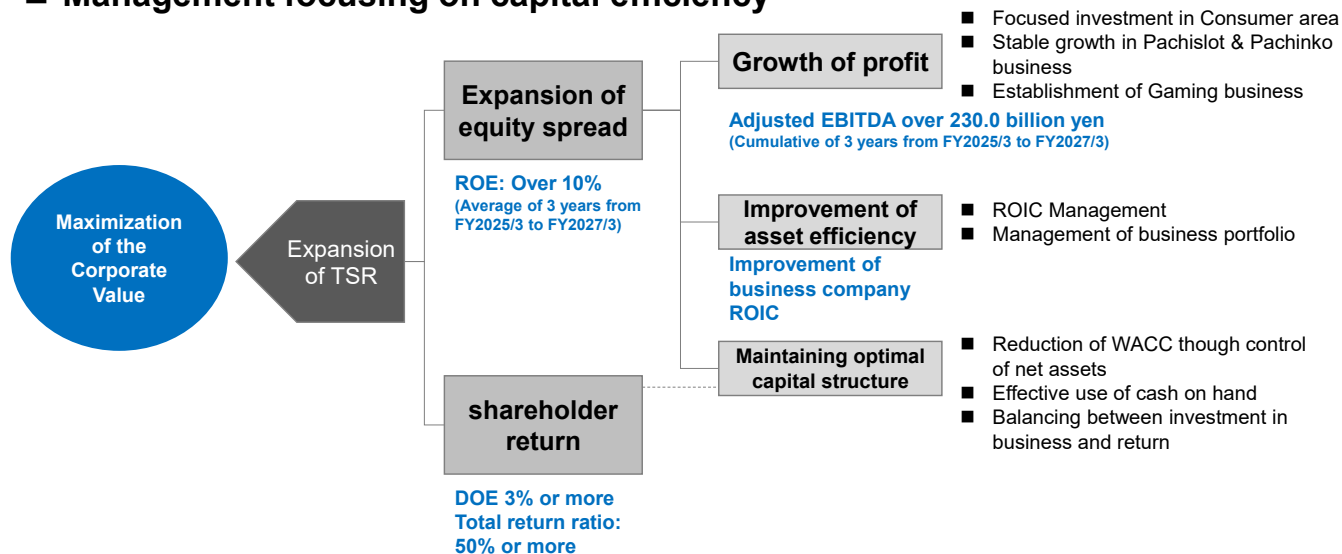
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As for the two M&A deals we have announced, it is taking time to close the deal with GAN as we need to obtain the approval of casino license from authorities in each country and region, but we hope to close the deal by the end of this fiscal year and start its consolidation from the next fiscal year. As for STAKELOGIC, we are aiming for starting its consolidation from Q2 of the next fiscal year.

Investment in Growth

Investment Strategy

■ Management focusing on capital efficiency



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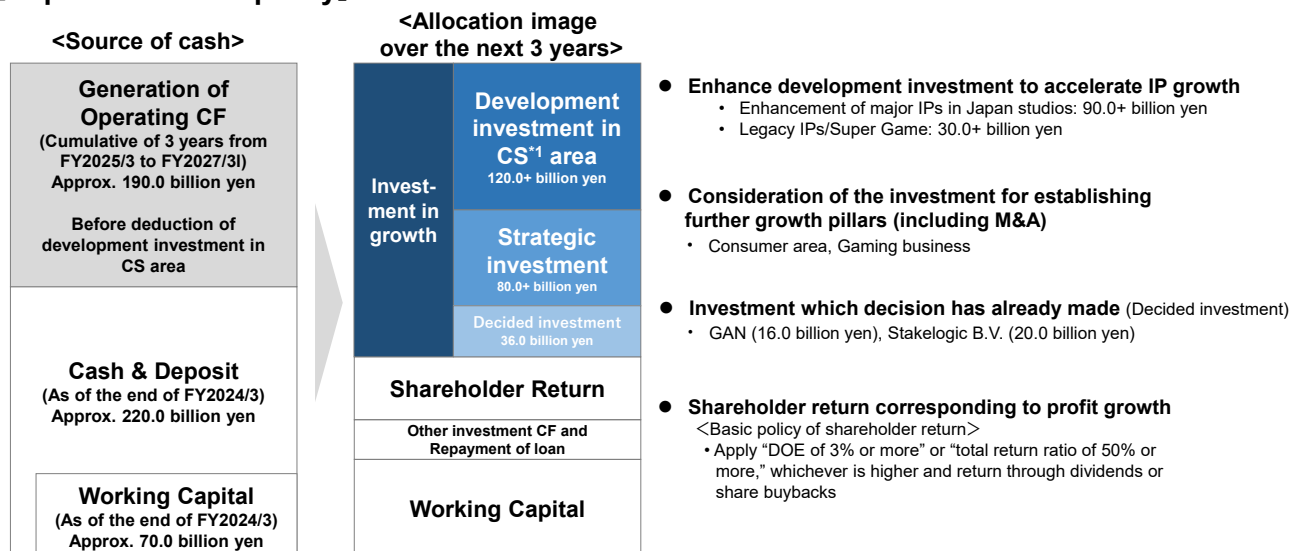
In medium-term plan starting from this fiscal year, we are targeting three-year cumulative adjusted EBITDA of over JPY230.0 billion and three-year average ROE of over 10% and aim to maximize corporate value through profit growth and appropriate shareholder returns.

As for ROIC, We have set targets for each business and are working to improve them.

Concept of Investment in Growth and Shareholder Return:

New Medium-term Plan

【Capital allocation policy】



*1 CS = Consumer

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

The diagram on the left shows our cash & deposit at the beginning of the medium-term plan and we are planning to allocate both capital excluding working capital and operating cash flow, which we will earn in this 3 years of medium-term plan, as shown in the right side of the diagram.

In the medium-term plan, we are planning to spend JPY120.0 billion for development investment in the Consumer area, which is our growth area. As for 80.0 billion yen of Strategic investment, we will consider investments in the Consumer area and Gaming Business including M&A. As for Gaming Business, we have already decided the investment of approx. JPY16.0 billion for GAN and JPY20.0 billion for STAKELOGIC.

■ Enhance the measures toward the stock price improvement which involving employees

**Increase awareness of
stock price
(since 2021)**

- Continuous delivery of financial results and stock price information, etc. via CEO video messages
- Conduct a group-wide stock price awareness survey (Collected Approx. 4,000 opinions)
- Expansion of stock price information for employees
 - ⇒ Distribute monthly IR/SR reports for employees
 - ⇒ Stock price display on intranet site

**Sharing of stock price
related knowledge
(since 2022)**

- Conducted a dialogue between a security analyst and CEO
- Conduct various briefings for employees
 - ⇒ Commentary about medium-term plans from an investor's perspective by the external lecturer
 - ⇒ Investment seminar by a security company
 - ⇒ Conduct IR briefings for employees

**Review of Stock-based
Compensation
Systems
(since 2024)**

- Review stock-based compensation systems to share value among shareholders, directors, and employees
- Aim to improve corporate value over the medium to long term and increase morale and willingness to contribute to the improvement of business performance
 - ⇒ Details in next page

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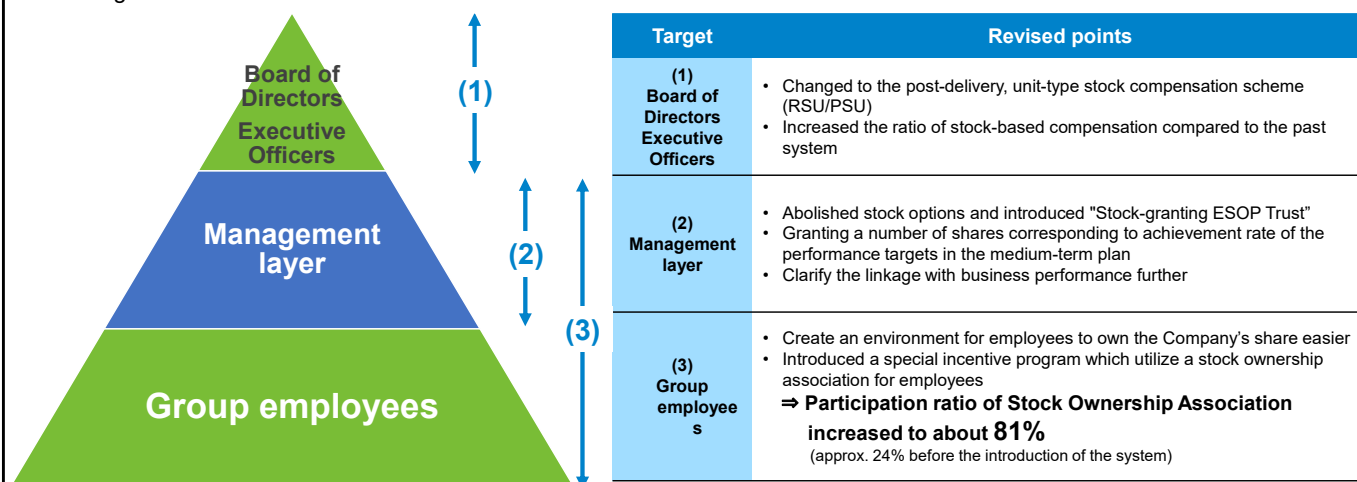
Regarding the stock price improvement, we have been enhancing the measures toward it, which involve employees.

Since 2021, I have periodically delivered the status of financial results and stock prices via video messages. We also conducted a group-wide stock price awareness survey, sent information regarding stock for employees and enhanced opportunities for advanced knowledge sharing with the help of external partners, etc.

Under such circumstances, we have recently overhauled our stock-based compensation systems group-wide and have taken measures to motivate employees to contribute to increase corporate value by realizing the value sharing between shareholders, directors and employees over the medium term.

Background and aims of the review of the stock-based compensation system

- To promote value sharing among shareholders, directors, and employees
- To be aware of the stock price as an indicator and aiming to improve corporate value with the group working together



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Specifically, we have established post-delivery RSU and PSU for directors and officers, changed stock options to the stock-granting ESOP trust for managers, and introduced the stock-based compensation system for executives of some overseas companies.

The most significant change was the implementation of special incentive program for Group employees leveraging the Stock Ownership Association. Originally, 24% of employees were members of the Stock Ownership Association before the system was introduced, but with the implementation of this program, the percentage rose to 81% which overwhelmingly exceeds the average for companies listed on the Tokyo Stock Exchange.

Going forward, the entire group will work together to increase the stock price.



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