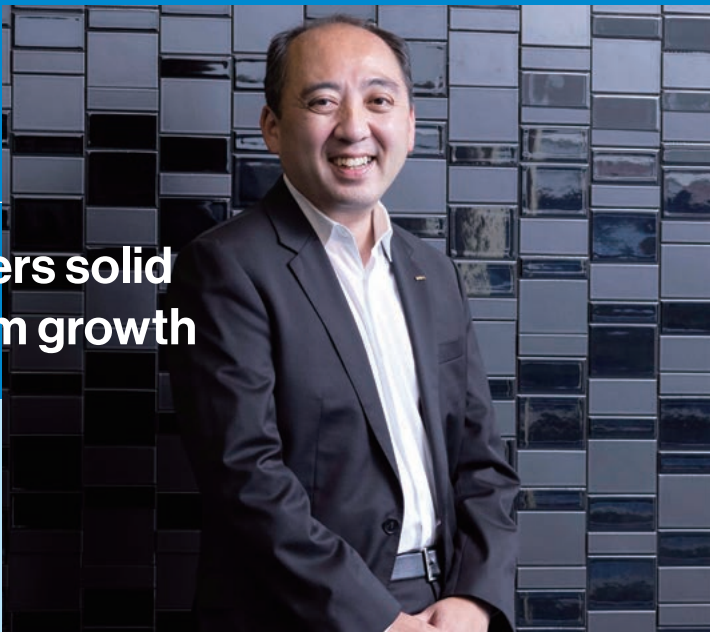


Entertainment Contents Business

Top Message

Global branding of our IPs engenders solid confidence in medium- to long-term growth

Yukio Sugino
President and COO,
Representative Director
SEGA CORPORATION



Progress on the Medium-Term Plan

The Entertainment Contents Business has set a long-term goal of becoming a leading global content provider. To achieve this goal and elevate the business to the next level, we are conducting R&D activities to create a “Super Game,” a major title that scales globally, by the fiscal year ending March 2026. Under the current medium-term plan, we are actively investing in reinforcing our earnings base through the global branding of existing IPs.

In the fiscal year ended March 2023, the second year of the medium-term plan, we were able to achieve ordinary income of ¥41.1 billion from the Entertainment Contents Business, meeting the target for the final year of the medium-term plan one year ahead of schedule. In the Consumer area, we steadily advanced simultaneous worldwide releases of new game titles and multi-platform development of content, releasing various remakes and remasters such as *PERSONA 5 ROYAL (Remaster)* and spin-off titles. In our Sonic IP, in an effort to expand the value of the IP and strengthen user

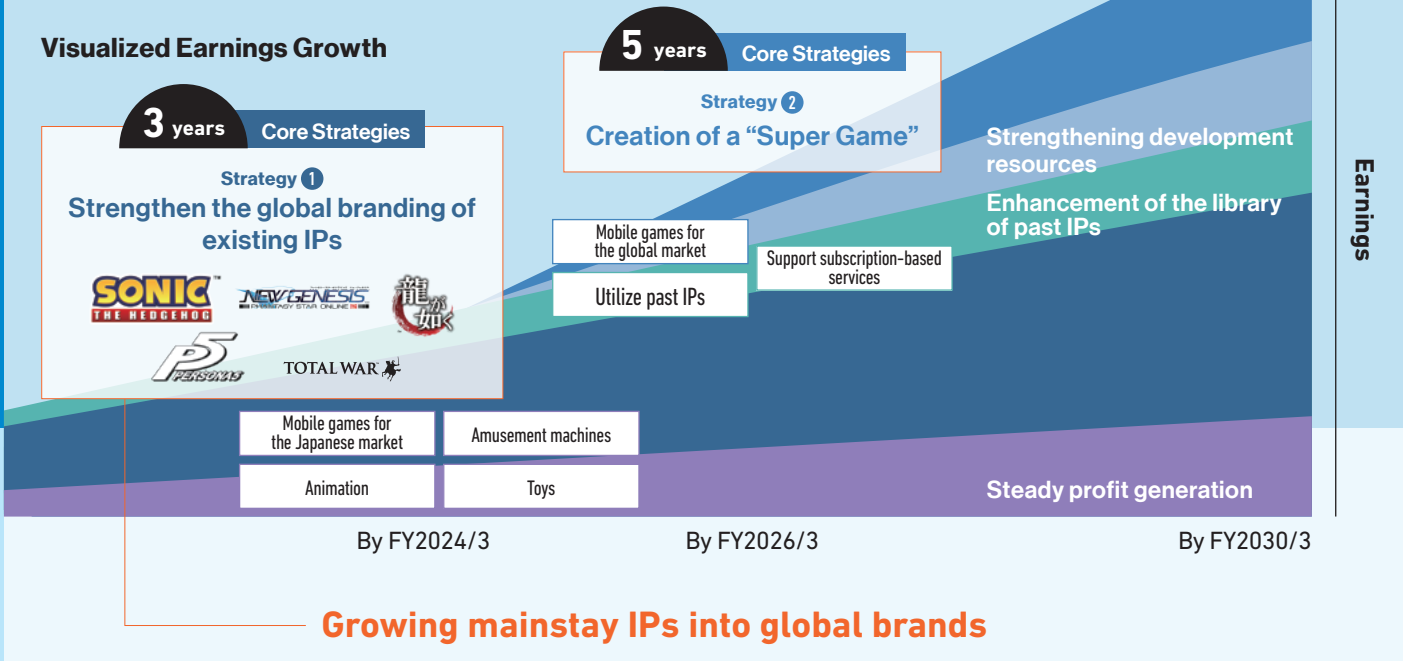
engagement, we strategically promoted the development of games, movies, animations, merchandising, and other channels. Through these efforts, we have achieved a certain degree of success with *Sonic Frontiers*, which has generated sales far above our initial plan.

Furthermore, in August 2023, we welcomed into the Group the Finland-based company Rovio Entertainment Corporation (Rovio), which owns the world-famous Angry Birds IP and brings advanced capabilities in mobile game development and operation. By gaining these capabilities, we will ramp up full-fledged global expansion in live operated mobile games, an area that has so far posed a challenge for us.

Details about Rovio’s entry into the Group are provided on **P. 38-39**

In the Amusement Machine area, although there were headwinds such as higher input costs caused by the weakening of the yen and rising raw materials costs, the market has rebounded quickly as the economy picked up

Visualized Earnings Growth



after the COVID-19 pandemic. Business has been firm, particularly around sales of the UFO Catcher® crane game series and prizes for these games. Going forward, while steadily earning profits in the strong domestic market, we will continue to advance global expansion for markets such as Asia, North America, and Europe, where the growing popularity of Japanese animation content has created the potential for growth in the prize machine market.

In the Animation area, as well as video production and allocated revenue led by the blockbuster movie *Detective Conan*, the rise of Japanese animation in the global market has fed into the distribution revenue we generate by providing works to distribution platforms that carry that genre. Business performance has also been steady in the Toys area. As well as standard products for the domestic market, we continue to earn royalty income from product proposals based on our strong planning capabilities for overseas markets. In addition to the Consumer area, which

is a growth area, the diversified portfolio that we have built has given us a firm earnings base.

The Entertainment Contents Business has slowed slightly in the post-pandemic business environment, after becoming overheated by factors including stay at home demand, especially in the Consumer area. However, from a medium- to long-term perspective, we expect the global game market to continue to expand. Helped in part by this market tailwind, up to the fiscal year ended March 2023 we have been able to achieve results far faster than expected in our original plan. From a strategic standpoint also, we have been taking firm steps toward medium- to long-term growth. In the fiscal year ending March 2024, the final year of the current medium-term plan, we will work to achieve steady results and to make further progress in the next medium-term plan.

The history of Sonic IP value growth

Born in 1991, Sonic is extremely popular in Japan and around the world, and has been at the core of SEGA's IP strategy. In recent years, our transmedia strategy including movies and animation has further raised awareness of Sonic, which has expanded earnings opportunities.

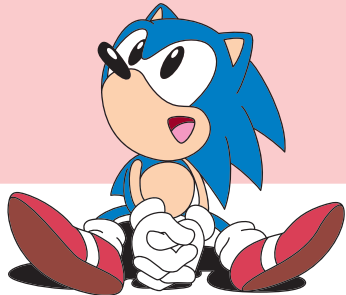
1991-2010 Birth and expansion of Sonic IP

In 1991, *Sonic the Hedgehog* was released in North America. The game struck a chord with its frenetic pace and cool main character, Sonic. It became a huge hit, selling more than 4 million copies worldwide.

A series of sequels including *Sonic the Hedgehog 2* and *Sonic the Hedgehog CD* were released, becoming further hits. Later, we ventured into 3D action gameplay and rolled out games on a range of hardware platforms. These developments were well received, and the popularity of Sonic grew further. The Sonic IP came to be recognized as the “face of SEGA,” and it has continued to grow as an IP with many fans around the world.



Sonic the Hedgehog



2010s TURNING POINT!

Sonic IP challenges and comeback

Sonic's overwhelming popularity, especially in North America, gradually began to wane. The 2010s were a difficult time for the Sonic IP. Even in North America, where Sonic had been so popular, interest had faded among fans, retailers, and media, and the younger generation of fans was dwindling. To tackle this challenge, the Sega of America (SOA) team led a complete review of the game build, thoroughly examining how fans really want to play and enjoy Sonic.



Our social media strategy involved posting not only game information, but also content for sparking conversations among Sonic fans and encouraging them to share. This attracted the younger generation of fans, helping build a new community of fans. Out of this community was born *Sonic Mania*, which made use of a ground-breaking method of building a game while communicating with fans. Released in 2017, *Sonic Mania* has created a buzz among fans, becoming a hit worldwide, which has driven a revival and growth of the Sonic IP.



2020- Successful transmedia strategy

Expanding Sonic IP

Carrying on the momentum of the global blockbuster movies, we sped up our expansion of the Sonic IP on several fronts. These included creating animation content for global distribution platforms, collaborating with games that enjoy worldwide popularity, and pursuing licensing in various areas, including toys and apparel. These efforts have increased user touchpoints, which has increased the fanbase globally.

Movies

Sonic the Hedgehog and its sequel *Sonic the Hedgehog 2* were global box-office hits.



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Animation

SONIC PRIME was released globally on Netflix from December 2022.



Collaborations

Secured partnerships with mega-popular games and their massive audiences



Minecraft

Licensing

Toys, games, food, apparel, etc.
Expanding IPs in various areas



Danone Mobile Partnership

Games at the core
of our IP strategy
became hits.

2022-2023

The action adventure game *Sonic Frontiers*, which was released globally in 2022, became a huge hit, and has achieved cumulative worldwide sales of over 3.2 million copies (as of March 31, 2023).



2023

Sonic Superstars is a new game that preserves the nostalgic feel of classic 2D Sonic side-scrolling action while reimagining it with beautiful 3D graphics. For the first time ever in the Sonic series, the game can be played offline as a cooperative multiplayer by up to four players.



(Scheduled for release on October 17, 2023)

IP value

2010

2017

2020

Top Message

Expanding our rich lineup of IPs to markets worldwide will lead to growth



Shuji Utsumi
Co COO, Director of the Board
SEGA CORPORATION

Targeting global markets has become par for the course

In the fiscal year ended March 2023, the Entertainment Contents Business made significant strides toward achieving the goals of the current medium-term plan and realizing the long-term vision beyond that.

The major topic for the year was the success of *Sonic Frontiers*. In addition to incorporating elements of the existing Sonic series, this title also broke new ground in offering new ways to play. But because of this, right after releasing the initial teaser movie, we realized we had failed to fully convey the game's marketing message, and fan reaction was mixed. After doing careful testing, we found that long-standing Sonic fans in particular were extremely positive about the new gaming experience. Sonic is an IP supported by a worldwide fan base. Once we were convinced that this title would catch on with fans, our confidence grew, and I internally announced a marketing plan, the Go Big Plan. This entailed increasing the

marketing budget from the initial plan and significantly raising sales goals to fully capture opportunities. We implemented the marketing plan on a scale that the Group had not experienced in quite some time. Needless to say, the plan helped to whet fan expectations before the game's release, but internally as well, it caused all the team members involved in the title, from development to marketing and publishing, to set their sights higher and helped foster a firm commitment to make *Sonic Frontiers* a global hit. The upshot was that we had recorded over 3.2 million units sold of this hit game as of the end of the fiscal year ended March 2023. In the culture of the Group today, taking on the challenge of succeeding in global markets has become par for the course, and I think *Sonic Frontiers* became an iconic title showing just how much our efforts can pay off.

Transmedia strategy



Transmedia strategy for maximizing IP value

As we roll out Sonic IP not only to games but also to movies, animation, and other media, promoting tie-ups with companies in various industries, our presence in various markets continues to expand. This model of success with the Sonic IP is called a transmedia approach, and we are positioning it as a key strategy for expanding IP, exploring the application of the strategy to IP other than Sonic going forward. The transmedia approach itself is not an entirely new concept, but with the development of digital platforms in recent years, touchpoints with users are expanding at an unparalleled scale and speed.

Taking the Sonic IP as an example, the first stage was tens of millions of people around the world watching the *Sonic* movies in theaters. Then, through further development on video distribution platforms, we were ultimately able to expose hundreds of millions of users to Sonic IP. From blockbuster movies to spin-out video productions and the distribution of original animation content on Netflix, the range of touchpoints

with consumers expanded further. Through these efforts, we were also able to build strong trust relationships with numerous global companies like Paramount Pictures and Netflix. My sense is that our presence in global markets today is at an unprecedented level. By building even stronger win-win relationships with partner companies in other industries, we look for even more opportunities to further enhance the value of our IP going forward.

We will also strategically apply the expertise gained through the Sonic IP to other IPs, including our own popular IP series such as our mainstay *Persona* and *Like a Dragon* titles as well as *Angry Birds*, the IP of Rovio Entertainment, which recently joined the Group. Because SEGA is a video game company, our premise is first to develop interesting games that captivate fans, but I also believe that by launching the best games at just the right time in tandem with the development of video productions and merchandise, we can not only grow game sales but also maximize the value of our IP.

Launching revivals from our rich IP library and aiming for success with a “Super Game”

When the Group was working on its hardware business, we had much more success in overseas markets than in Japan. As a result, fans’ respect and deep affection for the titles and brands we sold at the time still run deep, especially overseas. With its strong brand awareness and numerous IP gems, SEGA SAMMY is truly like a kind of Treasure Island. I see this as a huge competitive advantage. We are currently moving forward with plans to revive a succession of IPs. While retaining the nostalgic elements so beloved by fans from the past, we will introduce innovative ideas and technologies that appeal to the current market, aiming to surpass user expectations by providing new experiences that merge nostalgia with a sense of freshness.

Aiming to be a global leading contents provider

I have no doubt that the video game market has a very bright future. The penetration rate of smartphones and PCs grows every year, even in highly populated developing countries with sizable young populations. Environments continue to emerge that allow people around the world to easily download and enjoy games. It is clear that the gaming population in these regions will naturally continue to increase and that the video game market will thus continue to grow globally. I also believe that games are better positioned to benefit from technological innovation than movies, music, or other media. Looking back, the introduction of 3D graphics yielded dramatic improvements in the expressiveness and immersive nature of games. The development of online technologies also ushered in greater diversity in the ways people interact with games and vastly expanded the industry ecosystem. As technology progresses, it will become possible to provide unprecedented forms of entertainment and create new business models. With our sights fixed on this future world, we are actively examining and rolling out new technologies, including investing in venture startups that possess unique technologies.

We are also making steady headway in development of the “Super Game” that we are seeking to create in the medium to long term. As the name implies, a “Super Game” involves the concept of a game that stands head and shoulders above normal games. I encourage stakeholders to look forward to the fruit of our efforts, which include R&D to create a game that builds a whole worldview involving the entire gaming ecosystem, including not only players but also streamers who stream the game and their viewers.

The Group will come together as we continue to move ahead, aiming to be a global leading contents provider and creating innovative content that astonishes users around the world.



PICKUP
Key Persons in Expanding IP Value

Like a Dragon IP



Masayoshi Yokoyama

Executive Officer
Head of 1st Development Division
Game Content & Service Business HQ
SEGA CORPORATION

Since the first title was released in 2005, the *Like a Dragon* (originally *Ryu ga Gotoku*) series has been adapted into numerous films and other media. However, the high popularity of the series in Japan for many years did not really translate into overseas markets. It was in this context that the release of *Yakuza: Like a Dragon* (*Ryu ga Gotoku 7*) in 2020 ushered in a major turning-point for the series.

Ichiban Kasuga is the new protagonist of *Yakuza: Like a Dragon*. While he is definitely old school, the lack of gender or age bias in his words and actions resonated with many users overseas and led to the title becoming a global hit. I don’t think this was a coincidence by any means, but rather a sign that we as creators have come closer to meeting international standards.

The *Like a Dragon* IP is a work that taps into the current state of society. Now that we have broken out of the vague notion that the game is somehow limited to Japan, we are taking a big step out into the world. We have plans underway to astonish users around the world not only with a new release that is just around the corner, but also with other developments in the works. I believe our stakeholders can expect big things as the *Like a Dragon* IP continues to grow through our transmedia strategy.



Like a Dragon: Infinite Wealth
©SEGA

Atlus IPs



Persona 3 Reload
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With a commitment to being both “Unique & Universal,” Atlus is creating unique game-playing experiences that touch the soul.

Our mainstay IPs, the *Persona* and *Shin Megami Tensei* series, have found audiences with users around the world as Japanese role-playing games that allow players to experience the feel of Japanese cities and culture. The *Persona* series in particular has

become a huge hit, with the bright, pop image of *Persona 4 Golden* getting even higher marks from users in Europe and America than in Japan. In addition, the value of our IPs has grown rapidly in recent years owing to our multiplatform deployment and aggressive strategy of remaking and remastering past titles.

To expand the value of our IPs even further, we will continue to pursue measures to gain the even stronger loyalty of our fans, including strengthening horizontal promotions of the series and holding events, mainly live music shows, around the world. We also plan to release a new IP in 2024, called *Metaphor: ReFantazio*—we took on a bold challenge with this ambitious new title, capitalizing on Atlus’s strengths as an expert in role-playing games. I’m confident the new title will delight users.



Naoto Hiraoka

Senior Managing Director
General Manager of Consumer Software Division
ATLUS CO., LTD.

Acquisition of Rovio Entertainment Corporation (Rovio)

SEGA made a public tender offer for Rovio, a mobile game company headquartered in Finland, through our subsidiary SEGA Europe Limited. In August 2023, Rovio became a Group company.

Increasing our presence in the rapidly growing global video game market, including mobile games, will hinge upon strengthening our ongoing game development system and operational capabilities. That is why we decided to make this acquisition.

By acquiring Rovio, which operates mobile games globally, we have brought onboard Rovio’s managed mobile gaming development capabilities and operational expertise. This will enable us to accelerate our development of mobile game versions of SEGA’s existing IP as well as our coverage of multiple platforms. In this way, we will strengthen the SEGA gaming portfolio and accelerate our global expansion more than ever.



Key Strength of Rovio

Development and Operational Capabilities regarding Mobile Gaming

A key strength of Rovio is its outstanding capabilities in developing and operating mobile games. It has eight game studios focused on casual games not only in Finland but also in Sweden and Canada. Combined, they have achieved a 2022 average of 6.7 million daily active users and a cumulative total of 5 billion downloads. Rovio currently has a total of five titles that boast cumulative sales of over

EUR 100 million each, including *Angry Birds 2* and *Angry Birds Dream Blast*. Since the first *Angry Birds* game was launched in 2009, it has been animated and made into a movie. Merchandising has been developed, as have theme parks through location-based entertainment businesses.

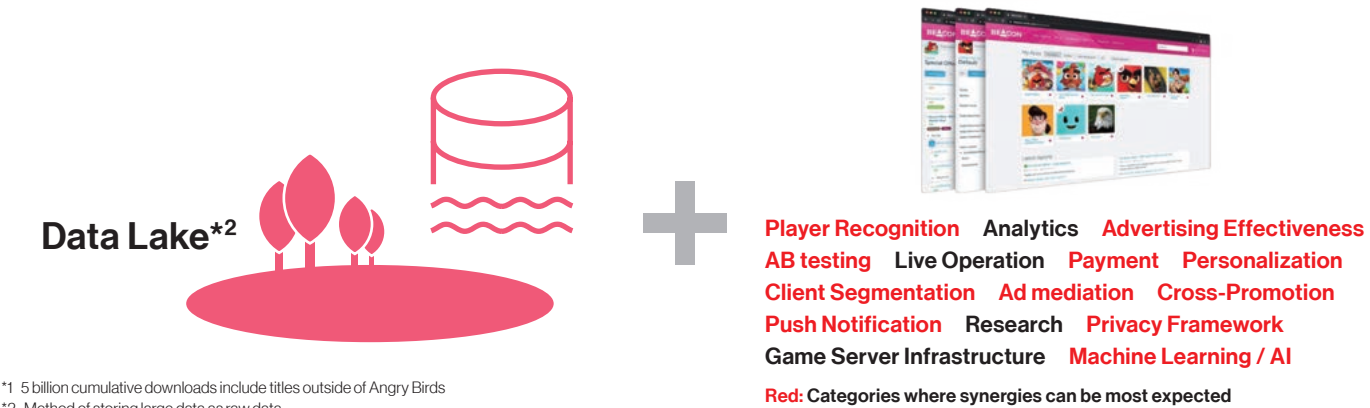
Game Studio Portfolio



“Beacon”, the Tool for Live Service Game Operation

Beacon, a game operation support tool owned by Rovio, is a tool that centrally provides the functions necessary for the operation of live service games. It can help boost the efficiency of game operations as well as the accuracy of operational measures. By utilizing this platform, which brings together the know-how that Rovio has

cultivated in the global mobile market, particularly in Europe and America, and by leveraging also the power of the talent that supports it, we will accelerate the globalization of SEGA’s mobile game business, which is currently Japan-oriented.

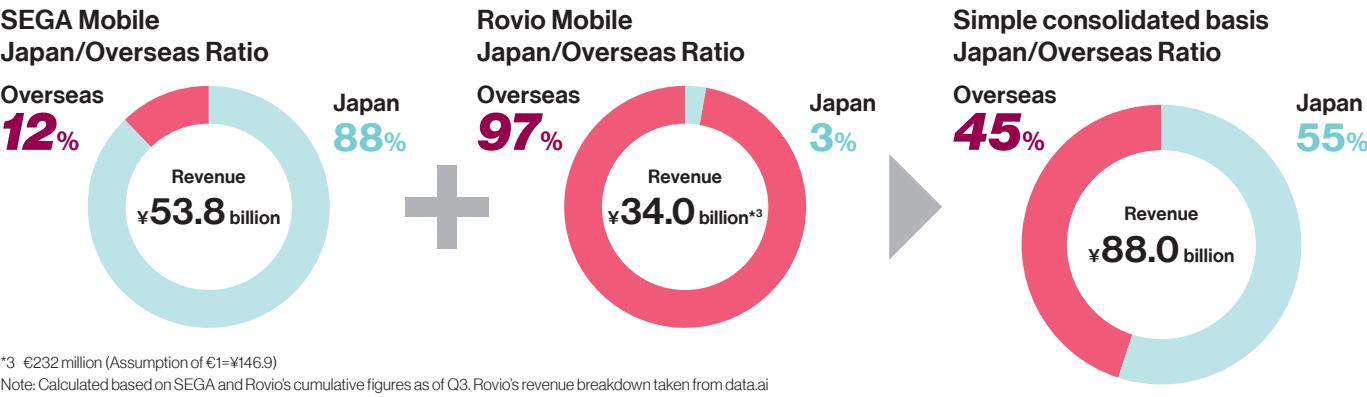


*1 5 billion cumulative downloads include titles outside of Angry Birds
*2 Method of storing large data as raw data
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SEGA’s overseas mobile revenue up to around 45% of total mobile revenue

Overseas sales currently account for a 12% share of SEGA’s mobile game business. In contrast, Rovio generates 97% of its sales outside of Japan. With Rovio joining the Group, we expect

that overseas sales will grow to account for 45% of SEGA’s mobile business (on a simple consolidated basis for the two companies).



Pursuing synergies based on shared values and complementary capabilities

With our clear complementary relationship and shared values, there could not be more well-suited partners than Rovio and SEGA. SEGA has the ability to develop and operate large-scale titles for consoles and PCs, a lineup of globally recognized IP including Sonic, and results and expertise in the Japanese mobile game market. In contrast, as well as its Angry Birds IP, which has a global fan base centered on Europe and America, Rovio also has

capabilities in developing and operating global mobile games and, backing these capabilities, its game operation support platform Beacon. In addition, Rovio and SEGA share a common set of values that emphasize improving IP value from a long-term perspective. Going forward, we will pursue new synergies based on these complementary capabilities and shared values.

