



WELCOME TO THE NEXT LEVEL!

SEGA SAMMY HOLDINGS INTEGRATED REPORT **2024**



Breaking out the Current and Moving to the Next Level

The previous medium-term plan, *Beyond the Status Quo*, which started in the fiscal year ended March 2022, after *Road to 2020* that failed to achieve its goals and structural reforms in the fiscal year ended March 2021, was accomplished exceeding its targets significantly; we were literally able to break out of the current situation. The slogan *Welcome to the Next Level!* in our new medium-term plan, which began in the fiscal year ending March 2025, conveys the message that we will move to the next level, aiming for even greater heights.

Progress of the Medium-Term Plan

Road to 2020

From FY2018/3 to
FY2020/3

Structural reforms

FY2021/3

Beyond the Status Quo

From FY2022/3 to FY2024/3

of Situation to rel



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***Welcome to
the Next Level!***

From FY2025/3 to FY2027/3

New Medium-Term Plan

(From FY2025/3 to FY2027/3)

WELCOME TO THE NEXT LEVEL!



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Goal

FY2025/3–FY2027/3
three-year cumulative

Adjusted EBITDA*
Over ¥230.0 billion

FY2025/3–FY2027/3
three-year average

ROE **Over 10%**

* For more information on adjusted EBITDA, see P.33

**Entertainment Contents
Business**

**Pachislot & Pachinko
Machines Business**

Gaming Business

Strategies

Expansion of IP scale

Maintenance of stable earnings

Establishment of the business

Adjusted EBITDA target by business (*Three-year cumulative figures for FY2025/3–FY2027/3)

Over ¥180.0 billion

Over ¥90.0 billion

**Making adjusted
EBITDA positive**

● For more information on the New Medium-Term Plan, see P.32

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Cautionary Statement with Respect to Forward-Looking Statements

Statements in this integrated report regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. ("the Company") and SEGA SAMMY Group Companies ("the Group"), including SEGA CORPORATION and Sammy Corporation, are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may," and "might," and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to management. The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not assume that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation. Actual results may vary significantly from the Company's forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors' pricing and product strategies, declines in the marketability of the Group's existing and new products, disruptions to production, violations of the Group's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation. [This INTEGRATED REPORT includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.]

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

SEGA SAMMY HOLDINGS INC. ("the Company") is registered with the Nevada Commission as a publicly traded corporation and has been found suitable to directly or indirectly own the stock of SEGA SAMMY CREATION INC. and Sega Sammy Creation USA, Inc. ("the operating companies") both of which are operating companies that have been licensed as manufacturers and distributors of gaming devices in Nevada. Pursuant to Nevada law, the Company's shareholders are subject to the rules and regulations of the Nevada Gaming Authorities. A detailed explanation of Nevada gaming statutes and regulations can be found on the Company's corporate website: <https://www.segasammy.co.jp/en/ir/stock/regulation/>. In addition, the operating companies are licensed to manufacture and sell gaming equipment in several countries, states, and regions other than Nevada (hereinafter referred to as "other regions"). Our shareholders may be subject to the same or similar regulations as Nevada under laws and regulations in other regions and rules and regulations stipulated by each gaming authority.



Sustainability website

Provides detailed information and data on activities related to the Group's five key issues (materiality). Please read alongside the Integrated Report.

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

A Message from the CEO

**Having gone beyond the status quo,
we are moving toward greater
heights with a strong focus on
growth**

Haruki Satomi

President and Group CEO, Representative Director



Steadily advancing toward being a Game Changer

The purpose of SEGA SAMMY Group's entertainment-related business activities make a positive impact on society. At the same time, we must also face the potentially negative effects of these activities, such as the problem of addiction. If we cannot continue to offer a more positive impact than other companies, we may no longer be allowed to exist. With this awareness, my desire that is

imbued in our Mission/Purpose (Raison d'être), *Constantly Creating, Forever Captivating—Making Life More Colorful—*, is for each and every employee to keep creating captivating experiences and make society even better, to earn the empathy of society and have even greater pride in their own work and the Group. Our Vision, *Be a Game Changer*, expresses our determination to have an even greater positive impact on society and to lead the industry forward.

The Mission Pyramid, consisting of the Mission/Purpose and Vision, shows the Group's shared values that we must treasure to

A Message from the CEO

achieve sustainable development. We have incorporated the Mission Pyramid into our training programs and individual targets to ensure it spreads throughout the Group. In the monthly videos put out on the intranet site, I share my thoughts and ideas in my own words, and hold town hall-style meetings, round-table talks and use other communication tools to proactively and directly talk to employees. We have positioned the engagement score as an important KPI, and it has improved from 51.0 in the fiscal year ended March 2021 to 55.8 in the fiscal year ended March 2024. I can already feel how this engagement is fostering a fertile ground that will bring about innovation as various human capital are able to demonstrate their capabilities.

At the start of the new medium-term plan in May 2024, we held internal strategy briefings for employees at each of our major business companies, during which I strongly felt a change, particularly in SEGA employees. In 2017, we held similar-sized briefings for domestic SEGA Group employees at the same place, and compared to then, net sales of the SEGA-centric Entertainment Contents Business have doubled, while operating income has grown more than tenfold. This has greatly changed the way SEGA employees act and feel—I can see on their faces and sense in their demeanor that they have regained confidence in themselves and the company. I am now at a place of renewed and deeper confidence in the direction we are taking to become a *Game Changer*.

Results of the previous medium-term plan, *Beyond the Status Quo*

Immediately after the management integration in 2004, the Group posted an operating income of over ¥100.0 billion, and the market capitalization in March 2006 reached ¥1.4 trillion, but it has been flying under the radar since.

The medium-term plan *Road to 2020* (for the fiscal years ended March 2018 to March 2020) was announced right after I was appointed as the Representative Director, President, and COO in 2017, and although we did not achieve the targets laid out in this plan, we were able to understand the issues the Group as a whole was facing. The Group was impacted enormously by the spread of COVID-19 in 2020, and in the fiscal year ended March 2021 we decided to carry out structural reforms, reviewing the structures of businesses and reducing fixed costs. In the medium-

term plan *Beyond the Status Quo—Breaking Out of the Current Situation and Becoming a Sustainable Company* (for the fiscal years ended March 2022 to March 2024), which was formulated and announced on the back of these initiatives, we expressed our intentions to change existing trends and break out of the situation as it stood to transform ourselves into a company capable of sustainably improving corporate value.

In this plan, we also set the quantitative targets for the fiscal year ended March 2024 of ordinary income of over ¥45.0 billion and ROE of over 10%, and to comprehensively carry out management focused on capital efficiency. We also positioned the Consumer area of the Entertainment Contents Business as a growth area, and are carrying out weighted allocation of management resources in this business.

As for the Entertainment Contents Business overall, in the last year of the plan, the fiscal year ended March 2024, business performance slumped in the Consumer area's European business, and this was a major factor in an unavoidable decline in earnings. However, Japanese studios in the Consumer area took the lead in the simultaneous worldwide launch and multi-platforming of major IPs such as *Sonic*, *Persona*, and *Like a Dragon*. As a result, we successfully expanded touchpoints and dramatically boosted the net sales of these IPs, which allowed us to substantially grow earnings over the past three years. The movie *Sonic the Hedgehog 2*, which was released worldwide in the spring of 2022, posted what was a new record at that time for the highest ever box-office North American revenue for a game-based movie. This and other achievements have proved that our transmedia strategy is steadily progressing.

The Pachislot & Pachinko Machines Business fell into the red for ordinary income in the fiscal year ended March 2021, when it was severely impacted by the COVID-19 pandemic. However, hit pachislot machines such as the new title, of *Pachislot Kabaneri of the Iron Fortress* and the existing series of *Smart Pachislot Hokuto No Ken* led the way as growth in earnings soared while the forecast was exceeded. As a result, we were able to realize the strategic theme of creation of stable earnings. The Resort Business also posted its first-ever full year profit in ordinary income in the fiscal year ended March 2024.

A Message from the CEO

Surging forward to the next stage

The business performance slump in the Consumer area's European business was due to too much regard given to the autonomy of each studio, which failed to restrain inappropriate investment decisions. This is why I invited Jurgen Post, who worked for SEGA until 2017 and later had experience as CEO of the Tencent Group's business company, to be the COO of SEGA Europe Limited. Together with the current President of SEGA CORPORATION, Shuji Utsumi, we have been progressing quickly on structural reforms. Although we posted extraordinary losses of ¥19.2 billion in the fiscal year ended March 2024, thanks to these efforts, we were able to clear the causes of concern during the period as we head towards the next stage.

We have also been making progress in going beyond the status quo in our business portfolio. The SEGA SAMMY Group has businesses in a wide range of areas. This allows us to have an even wider and more positive impact on society, while combining businesses in different areas will help build resilience to changes in the business environment. On the other hand, as long as we are a listed company, we must fulfil our duty to all shareholders and investors in terms of efficiency. In fact, since I was appointed as the President, beginning with the transfer of the Amusement Center

Operation Business that was started by the founder of SEGA, we have made more decisions on sales than acquisitions.

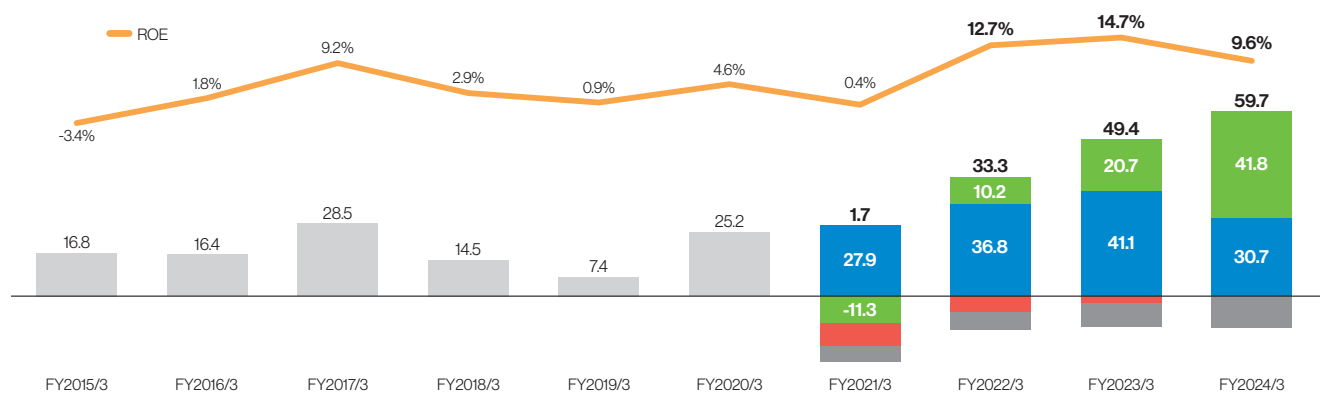
Regrettably, the domestic Integrated Resort (IR) Business, which the Group had been working on with a view to longevity, has been discontinued. However, the IR Business required us to hold a large amount of equity to secure room for investment, and it was also a factor in the decline of our capital efficiency. The discontinuation of the IR Business also gave us a chance to review our existing policies and devise a new allocation of cash for making growth investments and proper returns to shareholders (▶ **P.28 A Message from the CFO**). In May 2024, the decision was made to transfer all of the shares in PHOENIX RESORT, the operator of Phoenix Seagaia Resort, to the Fortress Investment Group. Although PHOENIX RESORT had posted a profit for two consecutive periods, this decision was made because passing it on to an owner that could make a deeper commitment than us with the right know-how was the best choice for both the employees of PHOENIX RESORT and the local community.

Meanwhile, we are also making acquisitions in growth areas with an eye on the next stage. In August 2023, we made Rovio Entertainment Corporation, which develops and operates mobile games as well as IP licensing businesses, into a subsidiary, and acquired a business base in the mobile games field, a growing part of the global video game market. In November 2023, we

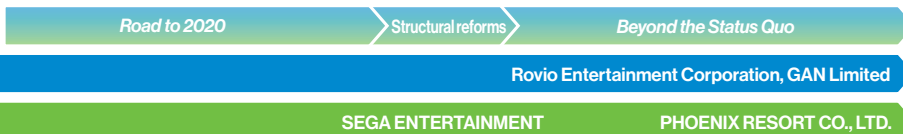
Review of the Previous Medium-Term Plan: Changes in Ordinary Income (FY2015/3–FY2024/3)

Growth in Entertainment* and recovery of Pachislot & Pachinko Machines led to a significant increase in ordinary income in the previous medium-term plan period

(Billions of yen) Entertainment Contents Business Pachislot & Pachinko Machines Business Resort Business Other and eliminations Consolidated



* Entertainment Contents Business



acquired GAN Limited, which operates SaaS business for casino operators in the United States and B2C online gaming business for Europe and South America, and subsequently built a bridgehead to enter the North America online gaming business.

In these ways, the SEGA SAMMY Group has consolidated its foothold in the market, and is finally moving ahead to the next stage.

New medium-term plan, Welcome to the Next Level!

At The Game Awards 2023, the world's largest game event, held in December 2023, SEGA released a teaser video of a new title

(▶ **P.41 Business strategy of the Entertainment Contents Business**) that is currently in development and uses a legacy IP, which was met with huge cheers as soon as it started playing. This is further proof that SEGA still has many longtime fans. The slogan of the new medium-term plan, *Welcome to the Next Level!*, is a promotional phrase used for the North American launch of the SEGA GENESIS home video game console (known as the *Mega Drive* outside North America). I hope this slogan is understood as a strong message of the Group emulating the momentum of the SEGA of the past in developing a global business and achieving even higher earnings.

In the last year of the previous medium-term plan, we posted consolidated net sales of over ¥460.0 billion for the first time in 14 fiscal years. Considering that the Pachislot & Pachinko machines market is continuing to shrink and that this figure is after the transfer of the Amusement Center Operation Business, which had posted net sales in the scale of ¥100.0 billion, I think this shows great progress in the improvements to our business portfolio. Ordinary income substantially surpassed the forecast and settled at a level that was in reach of ¥60.0 billion. In these ways, the Group has been able to break out of the current situation and go beyond the status quo. To ensure that the Group confidently returns to a growth trajectory, the new medium-term plan sets a target of a cumulative adjusted EBITDA of over ¥230.0 billion over three years from the fiscal year ending March 2025 to March 2027, and a three-year average ROE of over 10%, as we continue to pursue capital efficiency.

We have also clarified our business portfolio strategies to specify the priority order of investments and positioning of each business. The Entertainment Contents Business is positioned as a growth business, centering on the Consumer area. By proactively investing to accelerate the growth of IPs, we will improve the

adjusted EBITDA from the three-year cumulative total of ¥113.2 billion of the previous medium-term plan period to over ¥180.0 billion. Since the management integration, the Pachislot & Pachinko Machines Business has generated a stable cash flow as an earnings base and continued to support the Group's management. This highly competitive and profitable business generates an ample and stable cash flow, which funds investments in growth businesses and returns to shareholders. The Pachislot & Pachinko Machines Business is a core strength that the Group prides itself on. Online gaming business centered in North America, development, manufacture, and sales of slot machines, and the facilities operation and other businesses of PARADISE SEGASAMMY were newly grouped in the Gaming Business segment, with the aim of establishing it as a third business pillar. Although there are some negative press reports about sports betting, it is legalized in many states in America and many fans enjoy betting through legal vendors. The Group's approach is to fairly and equitably cultivate this business in these clean markets.

The Group has traditionally been engaged in the entertainment business, which has the nature of a hit business. However, the Entertainment Contents Business is steadily growing with flagship IPs as an earnings base, while the Pachislot & Pachinko Machines Business has been building a stable and highly efficient earnings structure. Through these initiatives, we are transforming the nature of our business so that the entire Group does not rely on hit products and businesses, and subsequently we are also seeing less volatility in our business results. Additionally, taking the perspective of the Group as a whole, we are working as one to improve corporate value by having SEGA President Utsumi and Sammy President Hoshino both serving concurrently as Directors of SEGA SAMMY HOLDINGS. We have introduced a post-delivery stock-based compensation system as a way of boosting incentive to raise corporate value in the medium to long term, while further aligning the long-term benefits of both directors and shareholders. I hope these initiatives are understood as an expression of our strong conviction that we will make the plan a reality.



A Message from the CEO

SEGA shows its competitive edge

Among SEGA's competitors in the industry, there are companies that carry out focused investment on a narrowed-down list of titles, which then sell millions of copies. SEGA took an alternative approach of providing customers with broad array of games in different genres across various platforms, including consoles, computers, and smartphones, as well as developing arcade games. While this versatility allowed SEGA to do almost anything and generated many more IPs compared to other companies, it also meant that the earnings per title were lower, a jack of all trades, master of none situation.

As the digitalization of modern gaming platforms continues, there are more and more global players offering games online rather than just sticking to conventional stationary platforms. When these global players enter the market, they consistently choose SEGA, which has appealing brand power and a rich IP lineup, as a launch partner. These partnerships are expanding beyond games to encompass other media, such as movies and anime, as well.

To raise the recognition of the SEGA SAMMY Group and improve corporate value, we are committed to achieving the new medium-term plan that will take us to the Next Level

This has also enabled us to efficiently expand touchpoints with users and diversify earnings sources. I believe that SEGA is now better described as simply being good at business, rather than a jack of all trades, master of none.

In the Entertainment Contents Business, we are applying the strengths of appealing IP assets and the strong relationships we have with leading players in various areas to develop the business in multiple directions, including different platforms, animations and movies, licensing, and merchandise. Digital transmission has become the most common method of distribution, and this has significantly lowered barriers to distribution. Focusing on this, we are expanding into new regions other than Japan, Europe and North America, and Asia, while further enhancing our transmedia strategy. Our long-term vision is to reach 3.0 billion gamers worldwide through these initiatives. That said, we will also pursue the basics as a publisher that creates interesting games. For example, *Sonic Frontiers* that was launched in November 2022, was a huge hit thanks to pursuing a policy of postponing the launch for one year to ensure the quality was at the highest possible level. We will continue working together to provide interesting games that meet fan expectations, and to lead the transmedia strategy to success (▶ **P.40 Business strategy of the Entertainment Contents Business**).



Two pillars of stable earnings and industry revitalization

Sammy has also worked tirelessly, repeatedly refining its products to achieve a level of craftsmanship in our manufacturing so that we can be confident that the gameplay our products provide will be met with support in the market. We have also set up Parlor Sammy, a mock hall within the company, and have established a flow in which employees can test shoot and give feedback to the development department. Business results from recent years show that these steady efforts are leading to quality improvements in our machines.

Unfortunately, the Pachislot & Pachinko machines market overall is going through a negative cycle of rising prices of these machines and deterioration in the management situation at pachinko halls amid a decline in player population. There is no simple path to stop the trend of the shrinking market. For the Pachislot & Pachinko Machines Business to continue for many years to come, we need to achieve co-existence and co-prosperity with the entire industry, including pachinko halls and fans. We perceive this to be our duty as an industry leader. In the new medium-term plan, we will move forward with the two pillars of strengthening and stabilizing our earnings base and revitalizing the Pachislot & Pachinko machines industry.

The Group has a high utilization share in the mid-range in gambling aspect level, where the 2023 huge hit *Smart Pachislot Hokuto No Ken* belongs. However, our share is low in the high and low range in gambling aspect level, and so we have not managed to capture the top share of total utilization. Put another way, there is considerable room for growth. We must not use the shrinking market environment as an excuse as we aim to expand share in all ranges of gambling aspects in pachislot and improve the share of total utilization. Under the current environment, including regulations, it is possible to provide Pachislot & Pachinko machines with a wider range of gameplay, which we believe gives this strategy plenty of chances to win.

We are also moving forward with our platform strategy in two directions. These are the platforming of cabinets centering on ZEEG LLC., a joint venture with Universal Entertainment Corporation, and the platforming of sales through online commerce. We have been leading the pack within these initiatives, which has allowed us to establish an unmatched level of efficiency in operations in both directions, and many other companies in the same industry are already using these platforms. We will continue to work to improve convenience of use for other companies in the same industry while expanding the number of platforms handled

and manufacturers that use them, and establish them as a way to improve costs for other companies and pachinko halls.

To revitalize the industry, in order to achieve fundamental changes in the cost structure of the Group and pachinko halls, we will continue to take on challenges including developing new cabinets that can be sold at low prices while maintaining profitability, and hopefully break the negative cycle of the market. We will also work to increase the number of users through a wide range of promotional measures (▶ **P.47 Business strategy of the Pachislot & Pachinko Machines Business**).

To realize dreams

I have always encouraged employees to tend to the fires of passion in their own hearts, and share that passion with those around them. I believe it is also my duty to help spark this passion in employees, and to continue reforming the personnel system, including eliminating seniority-based job assignments and ensuring human capital are evaluated based on their active participation in the workplace. I firmly believe that if human capital with passion in their hearts are free to pursue our Mission/Purpose, the SEGA SAMMY Group will have a huge impact on society and be even more recognized, and become a corporate group that our employees are even prouder to belong to.

When people think of entertainment, I want them to think of the SEGA SAMMY Group. Not necessarily the SEGA SAMMY name, but the businesses and services that we provide. We will also work to raise the recognition of TMS ENTERTAINMENT, DARTSLIVE, and other business companies that do not include the company names of SEGA or Sammy by leveraging their strengths. Expanding their recognition will help improve the recognition of the SEGA SAMMY Group as a whole and lead to increased net sales and earnings. Our focus is on achieving market capitalization that surpasses the record-high of ¥1.4 trillion. To make sure that this does not end up as just a passing dream, I must also keep the fire of passion burning bright in my heart, and be sure to achieve the new medium-term plan that will take us to the Next Level. Please continue to expect great things from the SEGA SAMMY Group.

Values of the SEGA SAMMY

The two companies, which share the “innovation gene” of a
services that other companies do not have

We will continue to adapt to change based on our values
and aim to *Be a Game*



SEGA 1000
©SEGA

Creativity is Genesis

We have cultivated the SEGA brand and created many
IPs that have continued to the present day, while
providing new “fun” always ahead of the times, including
an array of world-first and industry-first content.



SEGA GENESIS
©SEGA



Sonic The Hedgehog
©SEGA



UFO CATCHER
©SEGA

SEGA has provided innovative digital game consoles and game software to the world under the corporate creed of *Creativity is Genesis* to create excitement that no one has ever experienced before.

Its history began in 1960 with the establishment of SEGA's predecessor, Nihon Goraku Bussan Co., Ltd. In the same year, the company succeeded in developing the first domestically produced jukebox. Named the *SEGA 1000*, an acronym for Service Games, this product was a huge hit in Japan and became the forerunner of the SEGA brand.

In 1965, the company changed its name to SEGA Enterprises, Ltd. Through products such as *Periscope*, an arcade game launched in 1966 that became a worldwide hit, SEGA expanded its brand worldwide, and in 1985 launched *Hang-On*, the world's first motion-controlled game cabinet, and *UFO CATCHER*, a crane game machine that still enjoys strong popularity today.

In the 1980s, the company entered the home video game console business. The *SEGA GENESIS* (known as the *Mega Drive* outside North America) was first released in Japan in 1988, and then became a big hit in North America and Europe and created a character synonymous with SEGA called Sonic. Since then, SEGA has continued to provide new “fun” ahead of the times, such as the world's first 3D computer graphics (CG) fighting game *Virtua Fighter*, and innovative products such as the *Dreamcast*, which featured the industry's first standard implementation of internet connectivity functions. These efforts have cultivated the globally recognized brand SEGA and led to the creation of many IPs that have continued to the present day.

Group (Mindset and DNA)

Always being at the forefront of the industry and creating products and services, merged in 2004 to form the SEGA SAMMY Group.

Always Proactive, Always Pioneering, Always Changer, which is our ideal self.

Always Proactive, Always Pioneering

With thorough craftsmanship and a spirit of challenge with no fear of failure, we have led the pachislot & pachinko machines industry by developing pachislot & pachinko machines equipped with numerous industry-first features.

Sammy started its business with the sale of game machines under the corporate creed and mindset of *Always Proactive, Always Pioneering*, which means to keep trying everything without fear of failure. The company then turned to amusement machine manufacturing, and through its thorough research and development, produced a number of hits.

From 1975, Sammy began full-fledged business centered on the development, manufacturing, and sales of pachislot & pachinko machines, and introduced a number of innovative machines, including the *GeGeGe No Kitaro* pachislot machine, the industry's first machine with a 5.5-inch LCD released in 2000, and *Beast King*, which set off the assist time (AT) boom. The first generation of *Pachislot Hokuto no Ken*, released in 2003, was popular for its cutting-edge gameplay and LCD visual effects, and became the biggest mega-hit pachislot machine in history, selling over 620,000 units in total, a record that has yet to be broken.

Even after the revision of the regulations that took effect in 2004 and dealt a heavy blow to the industry, the company continued to reinvent itself in the face of adversity to establish itself as a top manufacturer by, for example, leading the pachislot market by realizing new gameplay in *Pachislot Psalms of Planets Eureka Seven*, which was released in 2009 within the framework of the regulations.

Since then, under the development policy of *Sammy... the wellspring of new ideas as an innovator in the industry*, the company has continued to produce a succession of cutting-edge and innovative pachislot & pachinko machines with its outstanding planning and development capabilities. The attitude of thoroughly creating and releasing products to the world, such as by performing repeated test-shooting, has driven many hits and is still maintained today.



GeGeGe No Kitaro
pachislot machine
©Mizuki Pro
©SOFTGARAGE Inc.



Beast King
©Sammy



Pachislot Hokuto No Ken
©Buronson & Tetsuo
Hara/NSP 1983
©Sammy

A Message from the Chairman



**SEGA SAMMY, a group
that approaches
challenges directly**

Hajime Satomi

Chairman,
Representative Director

Creativity is Genesis and Always Proactive, Always Pioneering

I was 23 years old when I changed the name of my family's tofu shop to Satomi Corporation and started selling game consoles. The business then shifted to being a manufacturer of amusement machines, and in 1975 we entered the pachislot & pachinko machines industry with the manufacture and sale of arrangement ball machines (pinball arcade machines). We faced many difficulties as we tried to get the business on track, including being caught up in a scam involving a huge amount of money, and unpaid bills from purchasers of our consoles, leaving us with debt that drove the business into bankruptcy.

Nevertheless, we persevered and rebuilt the business, entering the pachislot machines market in 1982, which had only a few competitors at the time. In 1995, we embarked on the challenge of entering the highly competitive pachinko machines market. Even though we faced many and varied challenges, we never gave up, continuing to approach each challenge head on with a spirit of trying to overcome whatever is blocking our way forward.

Entertainment is fated to be an industry where people quickly lose interest. In other words, the only way to have sustainable development in this industry is to continually come up with novel ideas and strive to provide something new. This is

the source of Sammy's corporate creed: *Always Proactive, Always Pioneering*. The same can be said for SEGA, which does business in games. *Creativity is Genesis*, their corporate creed, encompasses the value of taking on challenges, and this value is embedded in all employees. We must maintain the culture that encourages tackling challenges that is common in these corporate creeds so that the Group can continue its sustainable development.

Taking on challenges always comes with the risk of making mistakes. When our company was still quite small, I made mistake after mistake, some of which were make-or-break challenges that would have spelled the end of us if we failed. The SEGA SAMMY Group of today has a responsibility to our many employees and shareholders, so we must steer clear of challenges that endanger the continued existence of the Group. At the same time, we must also preserve the culture that makes allowances for good mistakes, mistakes made as a result of taking on challenges with a determined acceptable range of risk, and then choosing to learn from those mistakes.

The importance of connections

We should truly cherish the connections we form while taking

on challenges. What kickstarted my entry into the entertainment world was someone I met selling game consoles at Nihon Goraku Bussan Co., Ltd., the predecessor to SEGA. It was thanks to a connection I formed with another technician that the huge hit *Sonar Attack*, the first title from Satomi Corporation, was released into the world. When we faced the hardship of bankruptcy in 1978, it was thanks to the support of many people in addition to the employees that were still with us that we were able to rebuild the company.

In the 1990s, when the company was struggling with cash flow, we received enormous support from the founder of the former CSK and the Chairman of SEGA at the time, the late Isao Okawa. I will never forget the kindness of Mr. Okawa. It is generally not good to insert one's personal affairs into business, but when the decision was made in 2004 to integrate the management of SEGA and Sammy, it is undeniable that a sentiment of wanting to return the favor to Mr. Okawa played a role. Since the integration, I have held fast to the conviction that we absolutely must successfully integrate.

Time and time again, I have grown and been saved by these connections. The SEGA SAMMY Group will continue to cherish these connections and provide value to stakeholders, so that we can continue to receive the support of customers, business partners, and society for many years to come.

Persistence with a long-term perspective

When I was the president of Sammy, we checked the gameplay and quality of each product in detail and ensure it was finished to a high level of completion. Only once I was convinced the product would sell, would I release it to the world. If we prioritize single fiscal year results and sales plans and launch half-finished products, they may harm the value of treasured IPs such as *Hokuto No Ken* and also damage our future corporate value. I have always made management decisions from a medium- to long-term perspective, and we have maintained the same approach to raising the corporate value of SEGA.

The Sonic IP, which SEGA's prides itself on, enjoyed overwhelming popularity, especially in North America. However, its popularity gradually began to wane from around the 2010s, and sales of the games also started to decline year by year. Believing that making this IP flourish worldwide again is an important part of raising the corporate value of SEGA, I set forth a policy to partner with the American movie industry and take on the challenge of making the Sonic IP into a movie. At the time, there was no example of a Japanese game character being

successfully made into a movie, so the majority of people at SEGA were against the idea. Nevertheless, we worked conscientiously and carefully on the visuals and script, and after persistent contract negotiations, *Sonic the Hedgehog* movie was released in 2020. The movie recorded what was then the highest ever box-office revenue for a game-based movie in North America, and the sequel released in 2022 was also a huge hit. The success of the movies also boosted sales of the game software and merchandise, and made a major contribution to the expansion of earnings for SEGA.

We must maintain this approach of persistence in creating the best products possible from a long-term perspective before releasing them to the world. However, there are times when bold decisions to change direction are needed. The Amusement Center Operation Business, Integrated Resort (IR) Business, and PHOENIX RESORT are businesses that I have a personal attachment to. But even stronger than these personal feelings is the respect I have for the current CEO's firm intention to sell or withdraw from those businesses for the future of the Group.

Walking the straight and narrow path

During the numerous crises the company faced, such as bankruptcy, I did not turn tail and run. By not running away during tough times, not deceiving other parties, and dealing with issues head on with honesty and sincerity, I have earned the understanding and trust of stakeholders while overcoming each issue. Based on these experiences, I have made honesty and sincerity the creed by which I carry out the Group's management.

The SEGA SAMMY Group has embarked on the next challenge of moving toward an even higher stage under the new medium-term plan. To make this challenge a success, we must not pursue it for purely personal profit or short-term earnings, or do things that will invite public criticism. Rather, we will approach this challenge head on, and walk the straight and narrow path. By taking this approach, the SEGA SAMMY Group will become a group that employees are proud to be a part of, which will also help us attract even more excellent human capital. I believe this will enable us to achieve sustainable development as a corporate group that society needs.

History of Innovation

The SEGA SAMMY Group was formed in October 2004 through the management integration of SEGA, a creator of well-known innovative products, and Sammy, a developer of various industry-first products. Since the management integration, the SEGA SAMMY Group has continued to offer captivating experiences and also pursue them in new fields.

1985

- Launched *Hang-On*, the world's first motion-controlled game cabinet



Hang-On
©SEGA

1993

- Launched *Virtua Fighter*, the world's first 3D computer graphics (CG) fighting game



Virtua Fighter
©SEGA

1998

- Launched *Dreamcast*, the first home video game console that came standard with network functionality



Dreamcast
©SEGA

2005

- Launched *Like a Dragon*, a blockbuster series of home video console games



Like a Dragon
©SEGA

2012

- Launched the service of online RPG *PHANTASY STAR ONLINE 2*



PHANTASY STAR ONLINE 2
©SEGA

Established
1960

SEGA®

SEGA has led the times by creating a series of world and Japanese firsts and pursuing creative innovations.

Established
1975

Sammy

With its outstanding development capabilities and commitment to manufacturing, Sammy has produced many products ahead of the times.

2004

Management Integration

1989

- Launched *ALADDIN*, the industry's first single-bonus hitter pachislot machine



ALADDIN
©Sammy

2001

- Launched *Beast King*, a pachislot machine that set off the assist time (AT) boom



Beast King
©Sammy

2003

- Launched *Pachislot Hokuto No Ken*, a pachislot machine that sold an unprecedented 620,000 units



Pachislot Hokuto No Ken
©Buronson & Tetsuo Hara/NSP 1983
©Sammy

2008

- Launched *Pachinko CR Hokuto No Ken*, Sammy's best-selling pachinko machine by number of units



Pachinko CR Hokuto No Ken
©Buronson & Tetsuo Hara/NSP 1983,
©NSP2007 Approved No. SAE-307
©Sammy

2016

- Launched *Persona 5*, the biggest hit in the popular RPG series by ATLUS



Persona 5
©ATLUS, ©SEGA

- Launched *Total War: WARHAMMER II*, an RTS series from European studio the Creative Assembly



Total War: WARHAMMER II
©Games Workshop Limited 2020.
Published by SEGA.

2020

- Released the first Sonic movie *Sonic the Hedgehog*, breaking the U.S. box office record for a movie based on a game



Sonic the Hedgehog
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RESERVED.

- Launched the service of the hit iOS/Android app *Project SEKAI: COLORFUL STAGE! feat. Hatsune Miku*



Project SEKAI: COLORFUL STAGE! feat. Hatsune Miku
© SEGA/© CP/© CFM

2022

- Released the second Sonic movie *Sonic the Hedgehog 2*



Sonic the Hedgehog 2
©2022 Paramount Pictures and
Sega of America, Inc.

- Launched *Sonic Frontiers* with cumulative sales of more than 3.2 million copies



Sonic Frontiers
©SEGA

SEGA Sammy

The two companies, which share the “innovation gene” of always being at the forefront of the industry and creating products and services that other companies do not have, merged in 2004 to form SEGA SAMMY HOLDINGS. We are steadily expanding our business domain in the entertainment field.

2009

- Launched *Pachislot Psalms of Planets Eureka Seven*, which introduced new gameplay characteristics into No. 5 models



Pachislot Psalms of Planets Eureka Seven
©2005 BONES/Project EUREKA
©Bandai Namco Sevens Inc.
©Sammy

2016

- Launched new series *Pachinko CR Shin Hokuto Muso*, drawing on a game IP



Pachinko CR Shin Hokuto Muso
©Burorson & Tetsuo Hara/NSP 1983,
Approved No. KOJ-111
©2010-2013 Koei Tecmo Games Co., Ltd.
©Sammy

2022

- Launched *Pachislot Kabaneri of the Iron Fortress* of the Iron Fortress for No. 6.5 models that became a long-running hit



Pachislot Kabaneri of the Iron Fortress
©Kabaneri Committee
©Sammy

2023

- Launched Sammy's first smart pachislot, *Smart Pachislot Hokuto No Ken*, which became a huge hit



Smart Pachislot Hokuto No Ken
©Burorson & Tetsuo Hara/COAMIX 1983,
©COAMIX 2007 Approved No. YRA-114
©Sammy

Raison d'Être

In every era, entertainment has given vibrancy to society. While entertainment is an industry that depends on peace for its existence, we believe that it has in itself the power to bring peace to society and inspire people. We will continue working as one team made up of all the Group employees toward our Group Mission/Purpose of “*Constantly Creating, Forever Captivating—Making Life More Colorful—*.”

● SEGA SAMMY Group Mission Pyramid





Group Value (Mindset and DNA)

Creativity is Genesis × Always Proactive, Always Pioneering

SEGA's *Creativity is Genesis* and Sammy's *Always Proactive, Always Pioneering* are the two most important values (mindset and DNA) of the Group. We believe that our mission is to create captivating experiences for people based on a spirit of *Always Proactive, Always Pioneering* even in the face of difficulties.

Group Mission/Purpose (Raison d'être)

Empathy is created by experiencing excitement together with more people. The SEGA SAMMY Group's raison d'être is to create a society overflowing with empathy through the products and services we create, and to add color to the lives of people around the world. Based on the values and DNA of *Creativity is Genesis × Always Proactive, Always Pioneering*, we will continue to hone our creative edge and create unique, captivating experiences that only SEGA SAMMY can offer.

Group Vision (Ideal self)

The world is changing at a rapid pace, and our business environment is constantly changing as well. Based on our DNA of pursuing innovation, we aim to be a global brand that overturns common sense by becoming a Game Changer, taking the initiative to capture the world's current trends and deliver captivating experiences to our users.

Topic | Measures for Internal Penetration of the Mission Pyramid

The Group breaks down the Mission Pyramid, the Group's common values, into individual employees' goal-setting and clarifies their role within the organization.

Further, to disseminate the Mission Pyramid internally, we incorporate it into our internal training programs to promote understanding of its intent and structure, and link it to our personnel system and awards system.

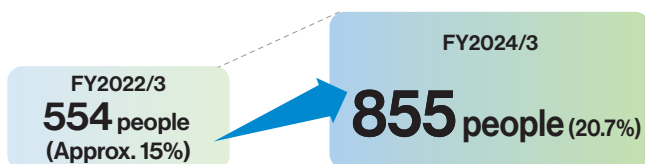
● For more information on human resources strategy, see P. 56.



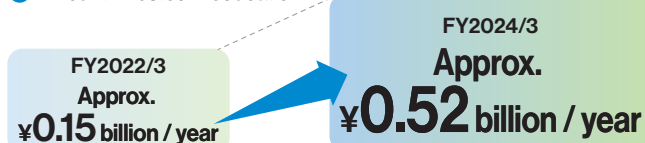
Strengths of the SEGA SAMMY Group

The Group has created highly innovative entertainment by leveraging its IPs and other management resources in a wide range of business areas. The driving force behind this is versatile human capital with unique ideas. Through the penetration of the Mission Pyramid into each organization and individual, we are actively promoting the creation of systems and investment in human capital so that our multi-talented human capital can maximize their abilities in their respective fields while also aligning their directions toward the creation of captivating experiences.

● Culturally diverse human capital (ratio)



● Amount invested in education



The SEGA brand is highly recognized in overseas markets thanks to a string of hits, including the SEGA GENESIS (known as the Mega Drive outside North America) home video game console, which once dominated the global market. Such brand power and a rich set of globally recognized IPs are strengths that bring us a series of business opportunities with major platform providers and other business partners. In addition, the trust Sammy has earned from outside IP holders and pachinko halls through the continued success and high utilization rates of the pachislot & pachinko machines with outside IPs, including the *Hokuto No Ken* series, have led to the acquisition of new IPs and stable machine sales, providing a foundation for stable earnings.



Value Maximization

Ability to create captivating experience

Versatile Game Changers (human capital)

Common values (mindset and culture)

Creativity is Genesis

Source of captivating experience

Brand/IP

ization Cycle

Ability to
develop captivating
experience (1)

**Unique business
portfolio/
financial base**

and DNA) for value creation

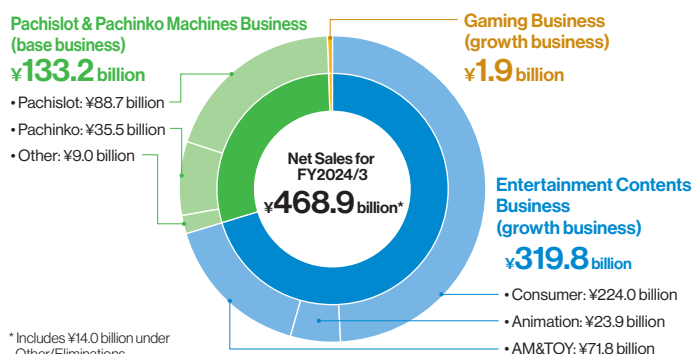
» P. 10

**Always Proactive,
Always Pioneering**

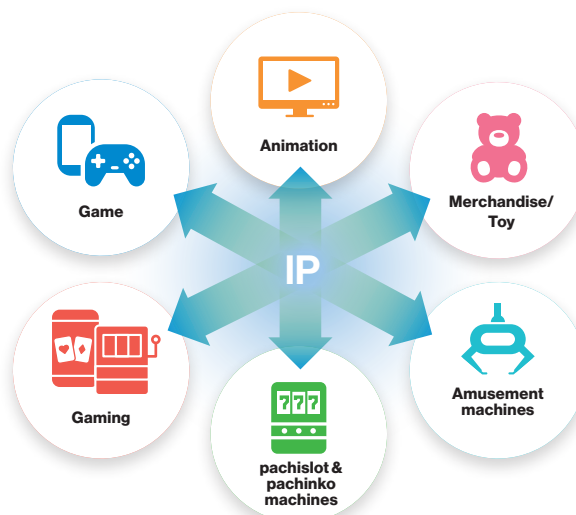
Ability to
develop captivating
experience (2)

**Multichannel/
transmedia**

The Group's business portfolio, which spans an extremely broad range of entertainment areas, is the foundation for the Group's sustained growth in corporate value. The ability of the Pachislot & Pachinko Machines Business to generate stable cash is an advantage that other specialized game manufacturers do not have, and enables active investment in further growth of the Entertainment Contents Business as well as in new areas such as Gaming Business. A diversified business portfolio with widely differing areas reduces the risk of earnings fluctuations due to changes in the environment. Diverse user touchpoints such as games, goods, animation, pachislot & pachinko machines, and manga will expand the potential for maximizing IP value through multifaceted development.



By leveraging our brand/IP, versatile human capital, and unique business portfolio/financial base, we are pursuing a transmedia strategy to broadly expand revenue opportunities through IPs to multiple platforms and multiple channels such as movies, videos, and merchandise. We have achieved solid successes, including the Hollywood adaptation of the Sonic IP, and will further expand business through multifaceted development of our abundant IP assets to various channels and age groups in more diverse regions, including pachislot & pachinko machines and gaming.



Value Creation Process

Driven by our shared values of *Creativity is Genesis* × *Always Proactive, Always Pioneering*, we will create new captivating experiences while expanding our business domain and transcending genres and national borders by powerfully implementing a value creation cycle consisting of our four strengths. We will maximize the impact that entertainment can have on society, and while striving to curb the negative impact, we will continue to provide both social and economic value and pursue the maximization of corporate value.



Enhancement of corporate value

Expansion of business areas and geographic expansion



ROVIO

Social Value

For materiality, see P.54

**Constantly Creating,
Forever Captivating**
— Making Life More Colorful —

**Offering the Group's contents
and services as entertainment
suited to the times**



Knuckles

Economic Value

For further details on the
medium-term plan, see P.32



Railroad Riches™

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An IP Portfolio that Powers Our Growth

The Group owns and has access to multiple, highly competitive IPs, including acquired IPs and those of other companies in addition to those developed in-house. By cultivating and expanding these abundant IPs and deploying them in a variety of fields, we have achieved stable earnings.

Sonic The Hedgehog Series

Sonic, SEGA's flagship IP, was introduced in 1991 as a high-speed action game in which players can run at a frenetic pace through stages of various ups, downs, and loops. Several hit games followed, continuing to attract fans around the world. The *Sonic the Hedgehog* movie, released in 2020, and its sequel, *Sonic the Hedgehog 2*, released in 2022, were both global blockbusters, which has helped to accelerate the growth of the Sonic IP.

Approx.
1.77 billion
(units and downloads)

Full Game total
F2P total



©SEGA

Persona Series

The *Persona* series is a coming-of-age themed RPG about teenage boys and girls who, having awakened to their special Persona powers, encounter various incidents and hardships as they grow. With its unique characters and settings, stylish songs, and compelling stories, the *Persona* series has gained many fans around the world. This popular series, with its cumulative total of 24 titles, has been adapted for a variety of media, including live music, animation, and manga, which has attracted new users.

Approx.
23.50 million
(units and downloads)

Full Game total



©ATLUS. ©SEGA.

Like a Dragon Series

Like a Dragon, a dramatic adventure game series created in 2005 for adults tired of playing traditional video games to truly enjoy, offers a full-fledged crime suspense experience that follows the encounters and partings between the main characters and a wide range of others, each with their own personalities, through incidents in the underworld. Set in an entertainment district and filled with a variety of adult play spots, this series has sold approx. 27.70 million units in total.

Approx.
27.70 million
(units and downloads)

Full Game total



©SEGA

Hokuto No Ken Series

The original *Pachislot Hokuto No Ken* boasts the largest sales volume in the history of the pachislot & pachinko machines market, with a cumulative sales volume of about 620,000 units. The total sales number of pachislot & pachinko machines is approximately 315 million, and the total number of Full Game total, F2P titles, and amusement machines amounts to 5.80 million (units/DL), making it a huge IP. *Smart Pachislot Hokuto No Ken* was introduced in 2023, and it has become a major hit.

Pachislot &
Pachinko Machines
Approx. **3.15 million**
(units)
Full Game total, F2P, and
amusement machines
More than **5.80 million**
(units and downloads)



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Extensive IP Portfolio

ANGRY BIRDS™

Verona
Fighter™

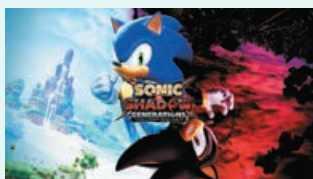
PuyoPuyo™

NEW GENESIS
PHANTASY STAR ONLINE

真・女神転生

TOTAL WAR™

FOOTBALL
MANAGER™



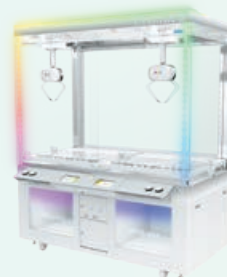
SONIC X SHADOW GENERATIONS
©SEGA



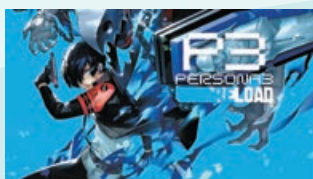
Angry Birds 2
©Rovio Entertainment Ltd



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



UFO CATCHER 10
©SEGA



Persona 3 Reload
©ATLUS. ©SEGA.



CS/PC game



Mobile



AM&TOY

IP



Animation



License



Pachislot &
Pachinko Machines



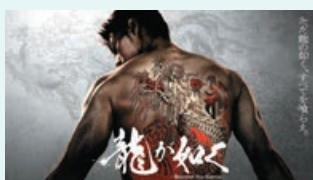
Sonic the Hedgehog 2
©2022 Paramount Pictures and Sega of America, Inc.



LEGO® Sonic the Hedgehog™: Sonic's Campfire Clash
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Smart Pachislot Hokuto No Ken
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©Sammy



Like a Dragon: Yakuza
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Pachislot Kabaneri of the Iron Fortress
©Kabaneri Committee ©Sammy

External Environment (Risks and Opportunities)

Market Environment

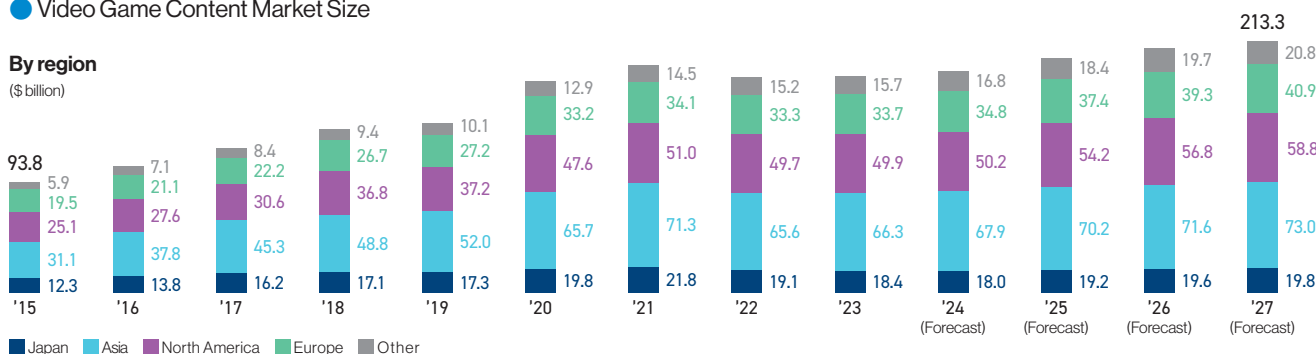
Entertainment Contents Business

Given that the global video game content market is becoming more diversified in terms of content delivery methods, and the market is emerging due to the growth of emerging economies, expectations for the growth of the video game market continue to increase, as the environment is now conducive to the provision of content and services for a longer period of time, regardless of device or platform, to the entire world. In the amusement machine market, despite the impact of soaring raw material prices due to the weak yen, the prize category continues to perform well, and the market as a whole remains firm.

Video Game Content Market Size

By region

(\$ billion)

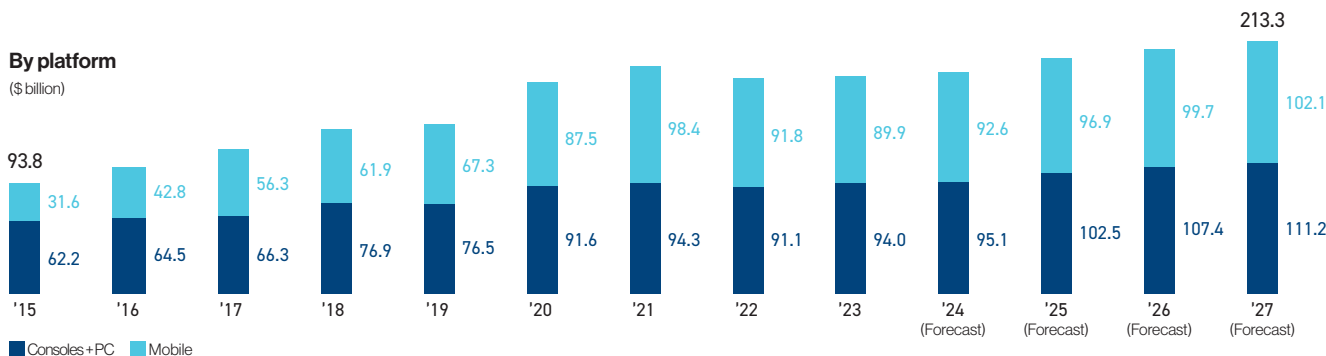


Legend: Japan (Dark Blue), Asia (Light Blue), North America (Purple), Europe (Green), Other (Grey)

Source: Created based on Newzoo Global Games Market Data July 2024

By platform

(\$ billion)



Legend: Consoles+PC (Dark Blue), Mobile (Light Blue)

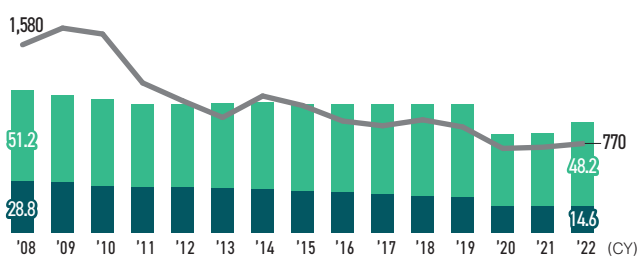
Source: Created based on Newzoo Global Games Market Data July 2024

Risks and Countermeasures	Risks	Countermeasures
	<ul style="list-style-type: none"> Intensifying competitive environment due to the emergence of high-quality titles and titles using leading IP in the Consumer area Possible reduced willingness of facility operators to invest capital due to changes in personal consumption trends and needs in the field of Amusement Machine area Generation of surplus inventory in home video game software, etc., when new products cannot be launched during the sales season 	<ul style="list-style-type: none"> Optimizing the scale of new title launches and the number of titles under operation Enhancing IP value through transmedia strategy Concentration of resources on prize machines with high investment efficiency Enhanced inventory management and digital sales
Opportunities and Initiatives	Opportunities	Initiatives to maximize opportunities
	<ul style="list-style-type: none"> Continued growth of the video game content market: Diversification of forms of content provision and the emergence of markets through the growth of emerging economies will create an environment that will enable us to secure earnings over the long term. 	<ul style="list-style-type: none"> Further expansion of major IPs through transmedia strategy Investments to strengthen development and product capabilities

Pachislot & Pachinko Machines Business

Along with the slow decline of the player population since 1995, there has been a long-term downtrend in the overall number of pachinko halls, as well as in the number of machines installed and in annual machine turnover. On the other hand, the number of machines installed per pachinko hall is on the rise due to increasing sizes of pachinko halls and other factors. As for utilization status, although it has not reached the pre-COVID-19 pandemic level, the pachislot machine market is currently on the road to recovery due to strong smart pachislot performance, and the pachinko market is also expected to recover in the future with the introduction of new hit models of smart pachinko and machines with lucky triggers.

Market Sizes and Number of Pachislot & Pachinko Players

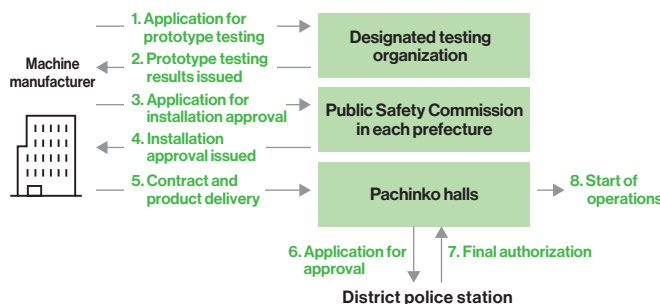


■ Pachislot & pachinko machines market (trillions of yen) ■ Other leisure market (trillions of yen)
— Pachislot & pachinko players (ten thousands)

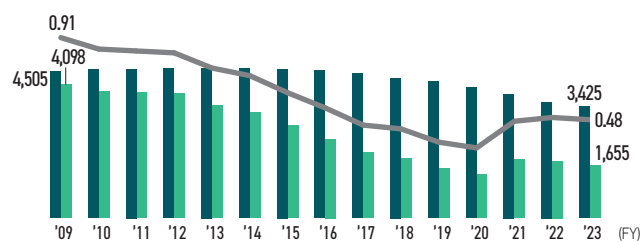
Source: White Paper on Leisure Industry 2023, Japan Productivity Center

Pachislot & Pachinko Machines Approval Process

When marketing a new pachislot or pachinko machine, manufacturers are required to go through a multi-step approval processes in accordance with the Act on Control and Improvement of Amusement Business, etc.



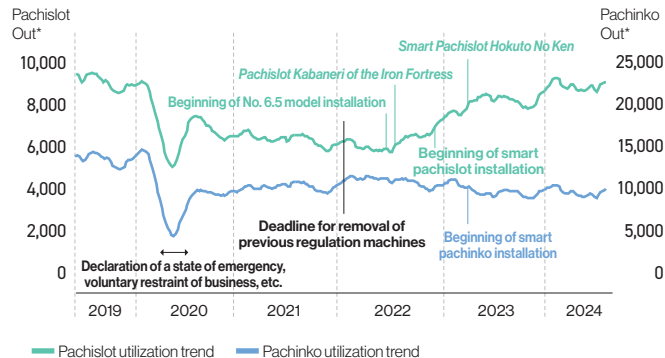
Pachislot & Pachinko Machines: Number of Installed Machines, Unit Sales, and Annual Turnover



■ Number of installed pachislot & pachinko machines (thousands of units)
■ Pachislot & pachinko machines unit sales (thousands of units) — Annual turnover (times)

Source: National Police Agency and Yano Research Institute Ltd., "Pachinko Manufacturer Trends 2024" (Research of Japanese Market)

Utilization Trends of the Whole Market (Pachislot & Pachinko)



— Pachislot utilization trend — Pachinko utilization trend

* Out: Used as an indicator to represent the 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. converts Out to utilization time, the conversion rate is 1 hour = 2,000 medals (pachislot) and 1 hour = 5,000 balls (pachinko) * 12-week moving average * In-house estimation based on DK-SIS data (Data for 4 yen pachinko and 20 yen pachislot) of Daikoku Denki Co., Ltd.

Explanation

Smart pachislot & pachinko machines are the next generation of machines that lend and play with electronic medals and balls instead of physical medals and balls, and are expected to contribute to reducing the burden on pachinko halls of transporting and cleaning medals and balls, as well as reducing power consumption. The new generation of machines is expected to bring many benefits, including the elimination of cheating and the improvement of gameplay and the game environment for users. Further, since payout information, etc. are managed by the machine information center, it is expected to serve as a countermeasure against addiction.

Risks and countermeasures

Risks

- Issue of gambling addiction
- Changes in user preferences
- Risk of inability to procure sufficient materials
- Generation of surplus parts

Countermeasures

- Initiatives to tackle addiction across the industry
- Establishment of a structure for developing a product lineup that features various types of gameplay and meets market needs
- Cutting procurement lead times and strengthening inventory controls
- Optimization of initial lot size, commonization of parts, and effective use for other products

Opportunities and initiatives

Opportunities

- Possibility of expanding the user base by responding to the regulatory review and expanding the range of gameplay

Initiatives to maximize opportunities

- Expansion of the specification range
- Creation of a new mainstay series through fresh utilization of popular IP

Internal Challenges

Strengthening the Business Portfolio

Profit structure issues in core businesses

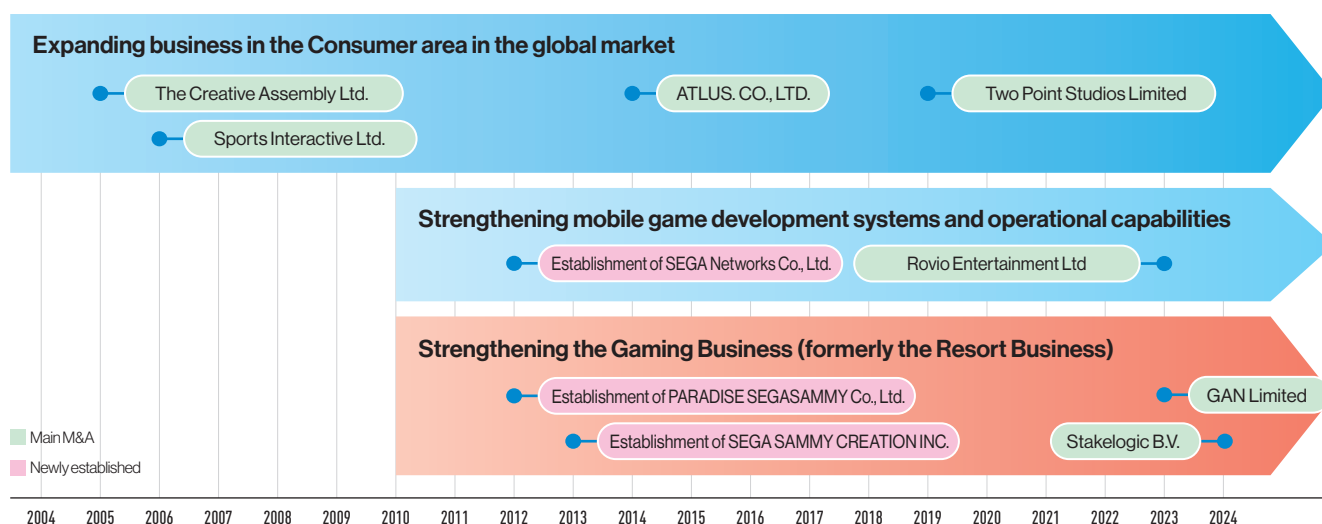
The Group positions the Entertainment Contents Business and the Gaming Business as growth businesses and the Pachislot & Pachinko Machines Business as a base business that secures stable earnings. Reducing volatility in business performance is a key issue, given the business characteristics that are dependent on the presence of hits and the regulatory environment. In the Entertainment Contents Business, we expect sales to grow by further promoting the expansion of existing IPs, which we have been working on, through the transmedia strategy. At the same time, over the long term, we will continue to improve profitability through higher ROIC. The Pachislot & Pachinko Machines Business has built a stable profit-generating structure by improving business efficiency, but as the market continues to shrink, it is necessary to transform itself into a business model that achieves growth for both the industry as a whole and for the Company. In the Gaming Business, in addition to establishing a business foundation as soon as possible through the steady completion of the GAN Limited and Stakelogic B.V. acquisitions and other goals, our key issue is to grow earnings by strengthening existing businesses.

Operating income (loss) and operating income margin by segment >>> P.51

Investments to expand and strengthen the Group

In addition to the console and PC gaming segments of the Consumer area, the Group has recently executed M&As to expand its business, including global mobile games, and invested in Gaming Business M&As as well as in order to develop new future revenue bases. On the other hand, we recognized that strengthening the management and operational structure of overseas studios, which was the cause of deteriorating profitability at our European studios in the previous fiscal year, was a key issue. In addition to reviewing their product lineup, optimizing fixed costs, and improving investment efficiency, we also reviewed their development and sales structure and management system. We will continue to strengthen governance over our overseas studios, as well as strengthen hub human capital that connect Japan and overseas offices.

Strengthening the business portfolio



Adaptability to Capture Changes and Needs

In these days of diversifying lifestyles and rapidly advancing technology, all of our businesses need to enhance their marketing and business-building capabilities to detect potential needs in order to create captivating experiences and meet the needs of various customers.

In the Entertainment Contents Business, we will leverage our broad business portfolio to increase user engagement and improve the profitability of games, our core business, by strategically rolling out IPs in various business fields through our transmedia strategy. In the Pachislot & Pachinko Machines Business, we aim to strengthen and stabilize our earnings base by planning and developing products based on market analysis and hypothesis testing to identify targets and needs, as well as by creating products that meet the needs of users and markets through our unique test-shoot evaluation system that provides more user-oriented evaluations and other means.

Strengthening Relationships with External Partners

In order to further promote SEGA's transmedia strategy, it is important not only to deepen win-win relationships with current partners, including major platform providers, but also to build relationships with new partners. We will further expand our transmedia strategy by combining the relationships we have built with various partners for each project, including Sonic movies, with SEGA's brand power and rich IP assets. We will also expand business opportunities with new partners by building on these transmedia success stories.

In the Pachislot & Pachinko Machines Business, we will also continue to strengthen relationships with other companies in the industry, IP holders, and pachinko halls by investing in acquiring leading IPs, actively utilizing acquired IPs, providing industry common platforms, and developing cabinets to help reduce costs for both manufacturers and pachinko halls.



Group-wide Human Resources Strategy

In order for versatile human capital with unique ideas to move toward the future in the same direction, we need to share values throughout the Group and strengthen mechanisms to encourage greater collaboration among different businesses. The SEGA SAMMY Group's overall human resources strategy, HCDGs, sets the Mission Pyramid as the common absolute axis and promotes its penetration through various measures. Furthermore, each of our businesses has formulated its own human resources strategy that defines its ideal state and priority issues toward achieving its goals, and is working to strengthen its human capital.

A Message from the CFO



**We will earn trust by firmly
executing the measures based
on our strategic story and
translating them into
performance results**

Koichi Fukazawa

Senior Executive Vice President and
Group CFO, Director of the Board

Review of the previous medium-term plan

In the fiscal year ended March 2021, the Group faced a situation where even earnings forecasting was difficult due to the impact of the COVID-19 pandemic, leading to the implementation of various structural reforms. We decided to sell the Amusement Center Operation Business, reduce fixed costs through workforce optimization, and sell non-business assets. After strengthening our foundation, we proceeded with the previous medium-term plan that started in the fiscal year ended March 2022.

In the previous medium-term plan, we positioned the Consumer area of the Entertainment Contents Business and the gaming field as growth areas, establishing a policy of focused investment in these areas, while also promoting management that emphasizes capital efficiency.

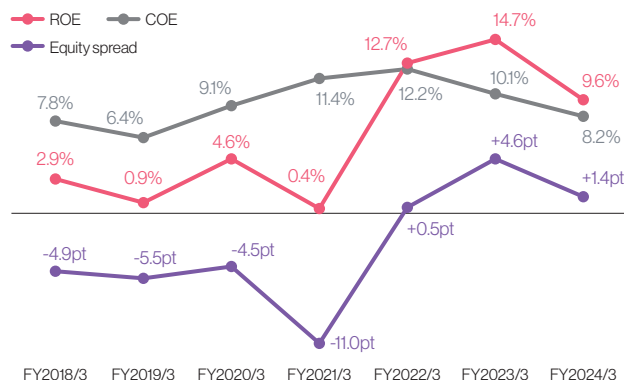
In the final year — the fiscal year ended March 2024 — profits significantly expanded in the Pachislot & Pachinko Machines Business through strong pachislot machine sales, and we also achieved steady earnings growth in the Consumer area in Japan and Asia. However, the Consumer area saw a sales slump in the European business, resulting in a decline in earnings throughout the Entertainment Contents Business. The Resort Business also posted

its first-ever profit, contributing to significant growth in both consolidated sales and profit.

Over the past three years, the Consumer area has achieved steady earnings growth, and the Pachislot & Pachinko Machines Business has seen long-term efforts to improve profitability bear fruit. As a result, we met our final year target of ¥45.0 billion in ordinary income one year ahead of schedule, and even exceeded it at the end of the plan. Due to the impact of the European business, ROE fell slightly below the target of more than 10%, but the equity spread remained positive throughout the three-year period of the previous medium-term plan. Alongside proactive growth investments such as the acquisition of Rovio Entertainment Corporation, we advanced strategic debt financing, resulting in a debt-to-equity ratio of 0.46x, close to our target, leading to significant changes to our balance sheet. This has allowed us to optimize our capital structure and strengthen our financial foundation.

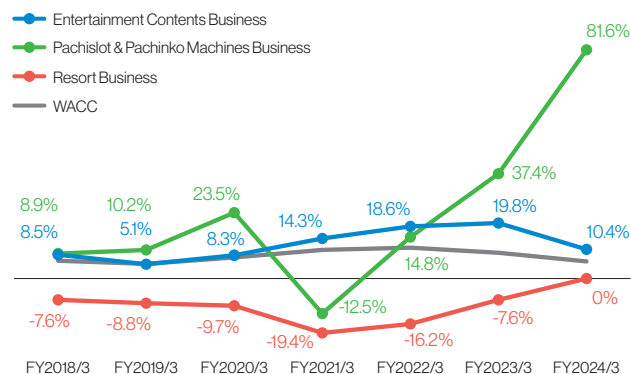
While the Group has successfully broken out of the current situation, we also benefited from tailwinds such as increased demand from stay-at-home trends and regulatory changes in the pachislot & pachinko machines. We believe the new medium-term plan will be an important stage to prove whether the Group has truly returned to a growth trajectory.

ROE, COE, and equity spread trends



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

ROIC trend by business



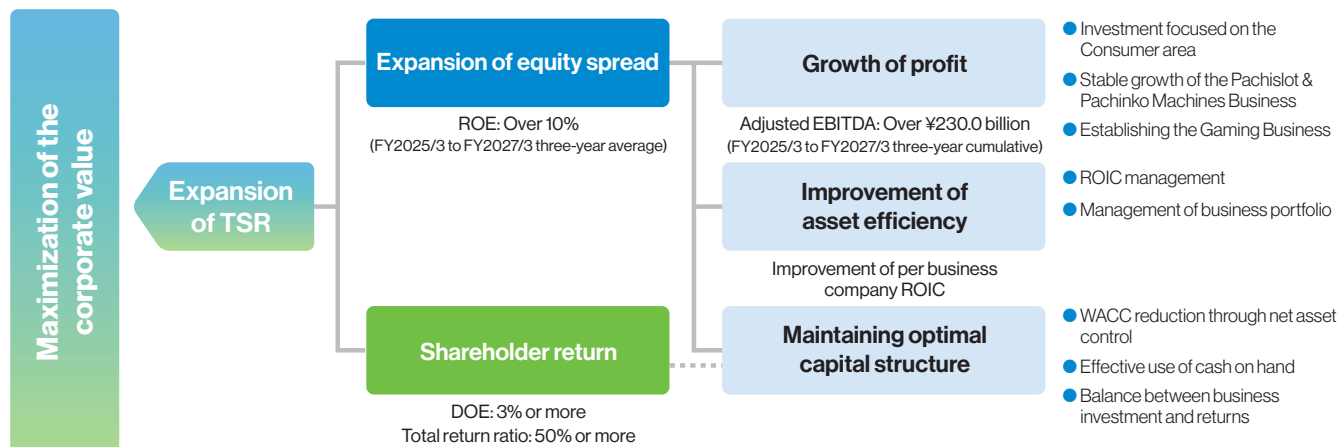
* ROIC by business: Adjusted profits by business / Investment capital by business

Financial and capital strategies for the new medium-term plan

Business strategies and financial/capital strategies are two sides of the same coin, and it goes without saying that they must be perfectly aligned. First, we must identify the business domains where we can win, define strategies that demonstrate core competencies, and set investment priorities based on maintaining the discipline of those strategies. The new medium-term plan for the fiscal year ending March 2025 to the fiscal year ending March 2027 started with resolution of the remaining misalignment between business strategy and financial/capital strategy by reevaluating entry into the domestic IR (Integrated Resort) business, selling PHOENIX RESORT, and newly establishing a Gaming Business segment. This has allowed the Group to establish a clear portfolio strategy: aiming for substantial growth in the Entertainment Contents Business through focused

investment, generating stable revenue in the Pachislot & Pachinko Machines Business as a base business, and developing the Gaming Business as a pillar for medium- to long-term growth. We have also clarified our strategy to leverage our core competencies, such as expanding brand/IP value in the Consumer area of the Entertainment Contents Business through a Transmedia strategy, and achieving the No. 1 share in total utilization of pachislot & pachinko machines in the Pachislot & Pachinko Machines Business. Additionally, we changed our key performance indicator to adjusted EBITDA in line with our globalization strategy, making it easier to compare with global companies and properly measure the Company's true cash-generating capacity. We set a three-year cumulative adjusted EBITDA target of over ¥230.0 billion and will continue to emphasize capital-efficient management, aiming for an average ROE of over 10% over these three years.

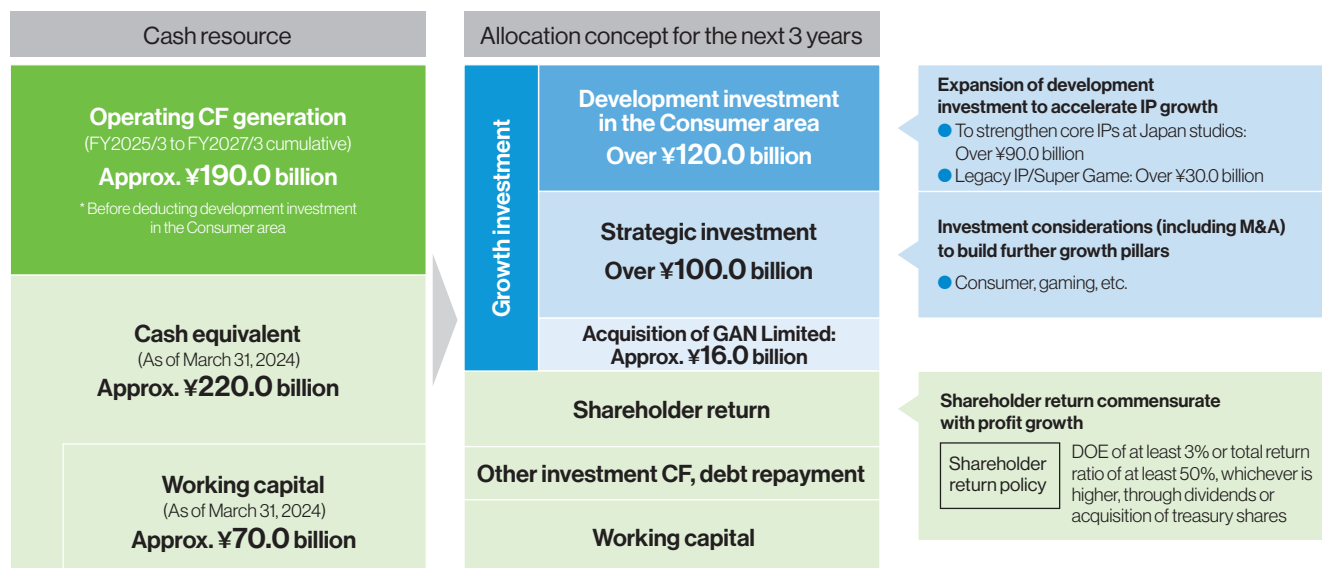
Capital efficiency-focused management



A Message from the CFO

Approach to growth investment and shareholder returns: New medium-term plan

Capital allocation policy



Cash allocation based on portfolio strategy

We have also further clarified our capital allocation policy based on our portfolio strategy. The source of funds for distribution will be the three-year cumulative operating cash flow plus cash and deposits, excluding working capital. While the previous medium-term plan focused on external growth through M&A, such as the acquisition of Rovio, the new medium-term plan will focus on investing in development in growth areas centering on key IPs and legacy IPs in the Consumer area, where we are pushing forward with a Transmedia strategy, with a cumulative investment of over ¥120.0 billion over three years. Additionally, we will allocate over ¥100.0 billion as a strategic investment framework, including M&A, and will continue to seek growth investment opportunities, particularly in the Consumer area and Gaming Business. We do not intend to forcefully spend the planned investment amount but rather carefully select and execute investments.

For shareholder returns, we will continue our policy of selecting the higher amount of either a dividend on equity ratio (DOE) of 3% or more or a total return ratio of 50% or more, and returning profits to shareholders through dividends or purchases of treasury stocks. In line with this policy, we distributed an annual dividend of ¥50 per share for the fiscal year ended March 2024. Furthermore, we compared future business growth under the new medium-term plan with the current stock price level, implemented a ¥10.0 billion purchase of treasury stocks during the year, and achieved a total return ratio of 63.3%.

Further improvements in capital efficiency

We will continue to aim for the expansion of total shareholder return, focusing on the stock price fluctuation rate. In the previous medium-term plan, we presented an equity spread breakdown tree with the components of earnings growth, asset efficiency improvements, and capital cost optimization, and made improvements in each area. In the first and second years of the previous medium-term plan, the Entertainment Contents Business achieved steady earnings growth that drove performance, and in the third year, business results in the Pachislot & Pachinko Machines Business improved dramatically. While we advanced strategic growth investments in the Entertainment Contents Business, we optimized investment capital in the Pachislot & Pachinko Machines Business, leading to a significant improvement in return on invested capital (ROIC). As a result, ROE also improved significantly, greatly surpassing COE, and the equity spread remained positive. In the new medium-term plan, we are shifting from capital cost optimization to maintaining an optimal capital structure and will continue to consider debt applications as an option while working to expand the equity spread.

Regarding asset efficiency improvements, we manage ROIC as a key performance indicator. In the fiscal year ended March 2024, ROIC in the Entertainment Contents Business declined mainly due to the increase in investment capital from the acquisition of Rovio. However, we will work to improve ROIC through growth in the mobile game business, which was the main purpose of the acquisition. Additionally, in the Pachislot & Pachinko Machines Business, strengthened cost structures and increased unit sales led to

substantial growth, driving improvements in efficiency throughout the Group.

In the new medium-term plan, we aim to further enhance ROIC management by thoroughly managing the business portfolio. We plan to continue making proactive investments and will strengthen investment management based on hurdle rates for each business in terms of invested capital, the denominator of ROIC. In the Pachislot & Pachinko Machines Business, we will continue to achieve high levels of ROIC by strengthening efficient business structures and expanding the market share. The Entertainment Contents Business is expected to see an increase in investment capital, which may lead to a decline in ROIC during the plan period. However, we plan to make selective investments and work toward long-term improvements.

The mission of the CFO

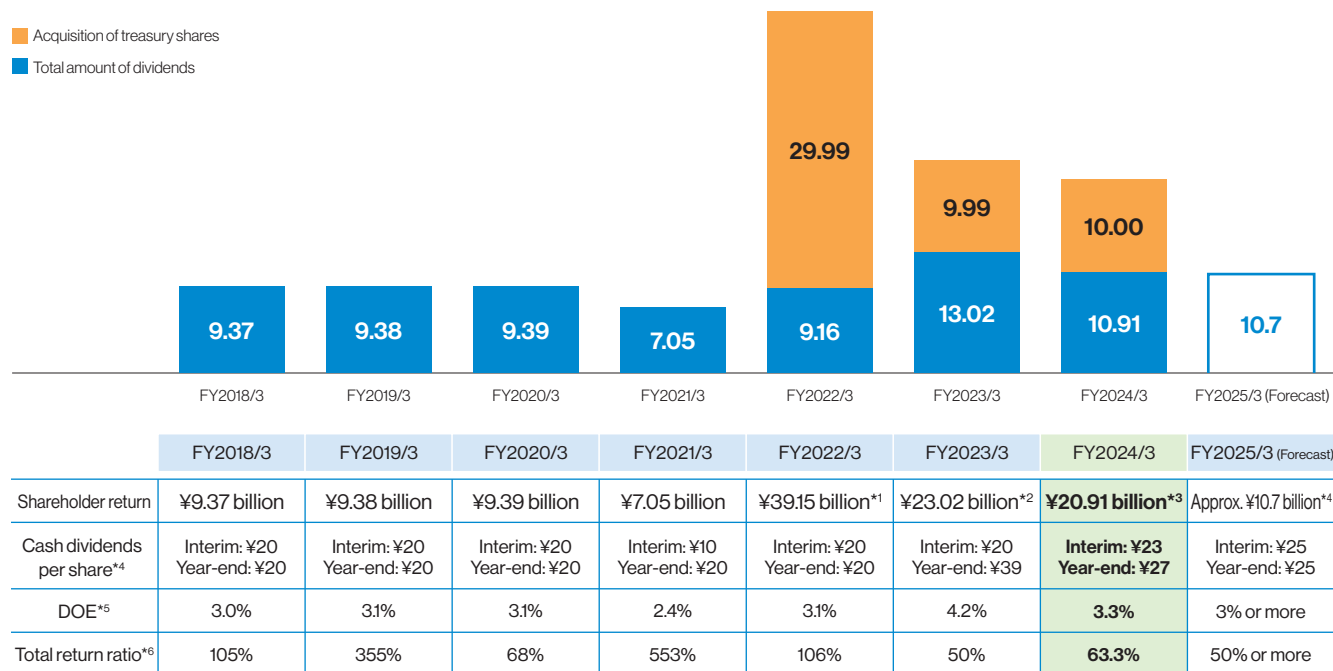
The responsibilities of the CFO extend beyond formulating management and financial strategies or managing the portfolio; they cover a wide range of areas that can affect corporate value. This includes non-financial factors. The Group has identified five material issues (materiality), set specific goals, and is actively promoting sustainability initiatives. We believe that once these elements are properly integrated into a story linked to strategy and financial value,

both management and other employees will be inclined to work on the initiatives, leading to increased corporate value. If we cannot achieve this, we may need to review the themes we have currently set. For example, as we place greater emphasis on global business, the importance of culturally diverse human capital is obvious. However, to be able to clearly explain the roles these human capital will play in business strategy, we need to focus on an approach to non-financial factors with an awareness of their effectiveness.

Engaging with the capital markets is also an important responsibility of the CFO. Simply presenting the story envisioned by the Company will not earn the right understanding and support. We believe that by understanding the evaluation logic of investors, preparing answers that align with that logic, embedding those ideas into our strategy, and then clearly presenting evidence that links to business results, we can earn high evaluation. Over the next three years of the new medium-term plan, I will remain committed to fulfilling my mission as CFO with honesty and sincerity by providing clear and concrete evidence of our progress.

Shareholder return: FY2024/3 actual and FY2025/3 forecast

Shareholder return trends



*¹ The purchase period: Nov. 9, 2021 to Apr. 19, 2022

*² The purchase period: May 1, 2023 to Dec. 22, 2023

*³ The purchase period: Scheduled from May 13, 2024 to Mar. 31, 2025

*⁴ Beginning-of-term shareholder return and dividend forecast for FY2025/3 based on DOE of 3%

*⁵ DOE (Dividend on equity ratio) = Dividends / Net assets

*⁶ Total return ratio = (Total dividends paid + Total amount of treasury shares acquired) / Net income

Medium-Term Plan

Review of the Previous Medium-Term Plan, *Beyond the Status Quo*

Goal

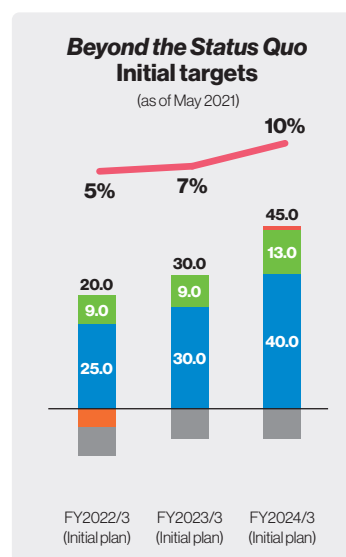
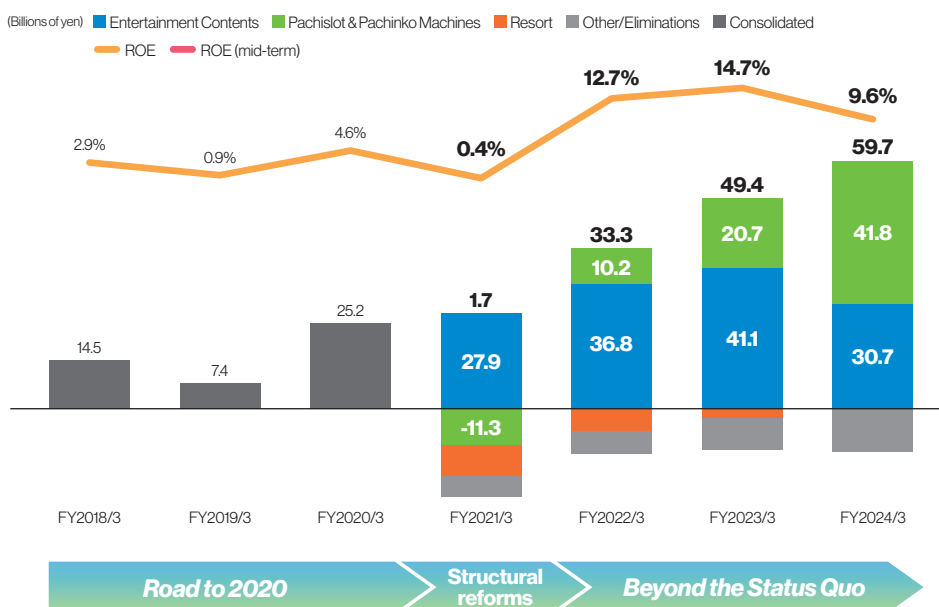
Beyond the Status Quo

—Breaking Out of the Current Situation and Becoming a Sustainable Company—

FY2024/3: ordinary income of over ¥45.0 billion, ROE of over 10%

In the previous medium-term plan, we set the goal of *Beyond the Status Quo* —Breaking Out of the Current Situation and Becoming a Sustainable Company— and aimed to achieve ordinary income of over ¥45.0 billion and ROE of over 10% by the fiscal year ended March 2024. The growth in the Entertainment Contents Business and the recovery of the Pachislot & Pachinko Machines Business enabled us to achieve profits well in excess of our forecasts, and we were able to break out of the current situation and get back on a growth trajectory in the three years.

Growth in the Entertainment Contents Business and recovery of the Pachislot & Pachinko Machines Business led to a significant increase in ordinary income in the previous medium-term plan period



Achievements and challenges by business

In the Entertainment Contents Business, structural reforms were implemented in the last fiscal year of the plan due to deteriorating performance in the European region. However, steady growth of Japan studio IPs and early promotion of structural reforms enabled us to establish a structure that allows for continued profitable growth. The Pachislot & Pachinko Machines Business achieved a significant increase in total utilization share, driven by pachislot, and increased profits for the third consecutive fiscal year, demonstrating its ability to generate cash significantly exceeding initial expectations. In terms of growth investments, we made aggressive investments, including welcoming Rovio Entertainment Corporation as a group company in August 2023 and entering the phase of closing on the acquisition of GAN Limited, which was approved by its shareholders' meeting.

Entertainment Contents Business

- Achieved steady profit growth
- Strong performance of Japan studio IPs
- Prompt response to challenges in Europe

Pachislot & Pachinko Machines Business

- Achieved profit growth for three consecutive fiscal years
- Pachislot machines led the rise in total utilization share
- Creating hits in pachinko is a challenge

Growth investment

Strengthened each business portfolio through M&A
- Rovio (August 2023), GAN (to be completed during FY2025/3), etc.

Major achievements during the previous medium-term plan period

Success of the Sonic movie



Sonic the Hedgehog
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AMERICA, INC. ALL RIGHTS
RESERVED.

Sonic Frontiers
**Sold over
3.2 million
units
worldwide**



Sonic Frontiers
©SEGA

Like a Dragon: Infinite
∞ Wealth Fastest in the
series to reach
**1 million units
sold worldwide**



Like a Dragon: Infinite ∞ Wealth
©SEGA

Persona 3 Reload
Fastest ATLUS title in
history to reach
**1 million units
sold worldwide**



Persona 3 Reload
©ATLUS. ©SEGA.

**Hits of Pachislot Kabaneri of
the Iron Fortress and Smart
Pachislot Hokuto No Ken**



Pachislot Kabaneri of
the Iron Fortress
©Kabaneri Committee
©Sammy



Smart Pachislot
Hokuto No Ken
©Buronson & Tetsuo
Hara/COAMIX 1983,
©COAMIX 2007
Approved
No. YRA-114
©Sammy

Integration of Rovio



Change in Management Approach for the New Medium-Term Plan

Changes to segments

● Segmentation of the Gaming Business

- Entering the North American online gaming market, which is expected to continue to grow, and establishing it as the third pillar of our business
- The Gaming Business includes the following: online gaming; development, manufacture, and sale of slot machines; and operation of PARADISE SEGASAMMY facilities.

● Reorganization of sub-segments in the Entertainment Contents Business

- With the establishment of SEGA FAVE CORPORATION, the Amusement Machine area and the Toy area were unified and renamed AM&TOY.
- The Animation area, which is a growth area, was changed to a stand-alone sub-segment.

Changes in management indicators

● Change from ordinary income to adjusted EBITDA

Background of change: Because it is an indicator that is easy to compare with global companies and is an appropriate measure of the true business profitability.

Item	Breakdown
Adjusted EBITDA	Ordinary income + Interest expense + Depreciation and amortization ± Adjustment items*
* Adjustment items	<div> + Extraordinary income on business – Extraordinary losses on business (impairment, title write-downs, etc.) </div> <div> – Profit attributable to non-controlling interests + Amortization of goodwill, trademark rights, etc. associated with M&A </div>

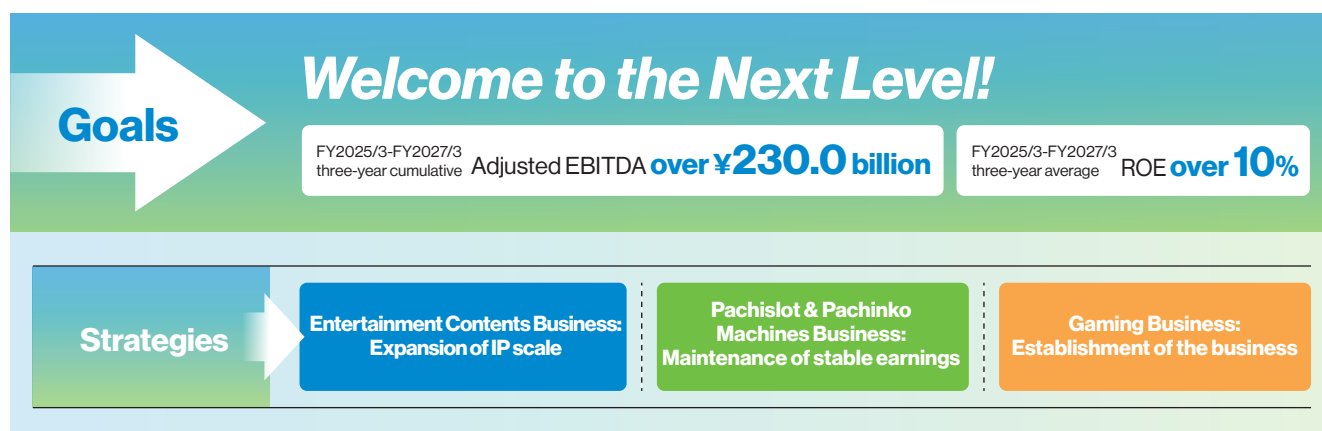
● Continuing to use ROE as an indicator

Medium-Term Plan

New Medium-Term Plan, *Welcome to the Next Level!*

In the new medium-term plan, starting from the fiscal year ending March 31, 2025, we have adopted the slogan, *Welcome to the Next Level!* This slogan expresses the desire of the SEGA SAMMY Group, which broke out of the current situation in the previous medium-term plan, to evolve to the next level.

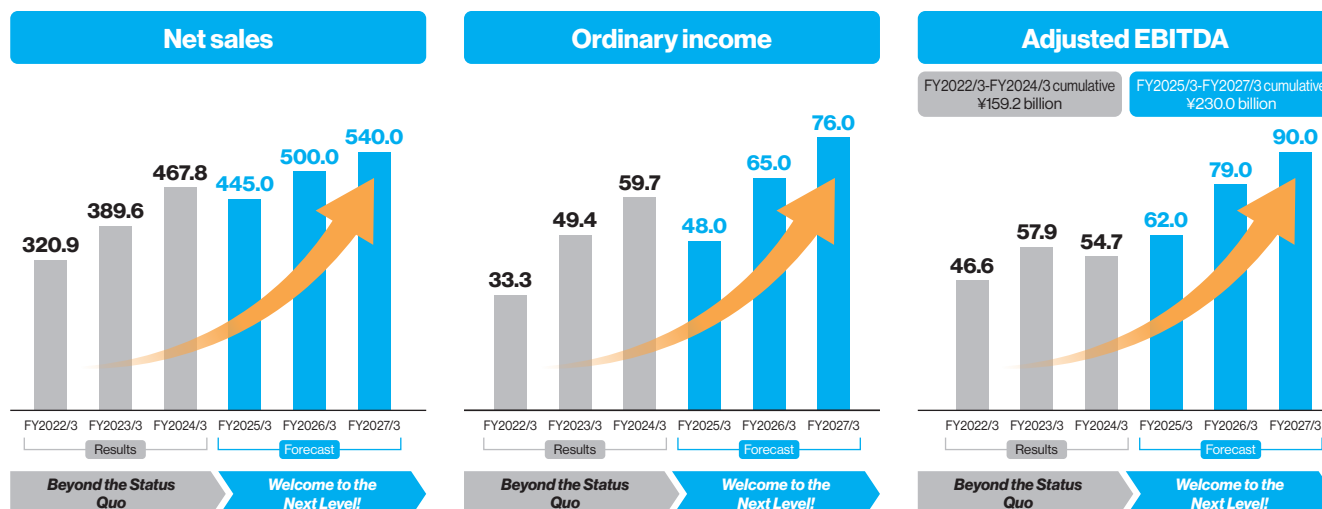
As quantitative targets, we have set a consolidated three-year cumulative adjusted EBITDA of over ¥230.0 billion and a three-year average ROE of over 10% as management indicators to aim for. In the new medium-term plan, we will further strengthen each business portfolio and aim to expand IP scale in the Entertainment Contents Business, maintain stable earnings in the Pachislot & Pachinko Machines Business, and establish a foundation in the Gaming Business to clarify the positioning of each business.



Outlook for Key Indicators

In the fiscal year ending March 2025, the first year of the plan, net sales and ordinary income will be lower than in the final year of the previous medium-term plan, but adjusted EBITDA is expected to grow from the first year. In the second year, not only adjusted EBITDA but also net sales and ordinary income are expected to exceed the previous medium-term plan, and in the final year, we aim to achieve an adjusted EBITDA of over ¥230.0 billion for the cumulative three-year period.

(Billions of yen)



Strategies and Goals by Business

In the Entertainment Contents Business, under the transmedia strategy, we plan to further expand major IPs, which have grown significantly during the previous medium-term plan period, and to significantly increase adjusted EBITDA to over ¥180.0 billion for the cumulative three-year period. In the Pachislot & Pachinko Machines Business, we will continue to maintain a stable revenue base by expanding market share and promoting platform strategies, etc. based on the efficient development structure established in the previous medium-term plan, aiming to achieve an adjusted EBITDA of over ¥90.0 billion for the cumulative three-year period. In the Gaming Business, we will steadily close the announced acquisitions to lay the foundation as a B2B solution provider, with the goal of establishing the business. At the same time, we aim to make adjusted EBITDA positive through strengthening existing businesses and other measures.

Adjusted EBITDA target by business (Three-year cumulative figures for FY2025/3–FY2027/3)



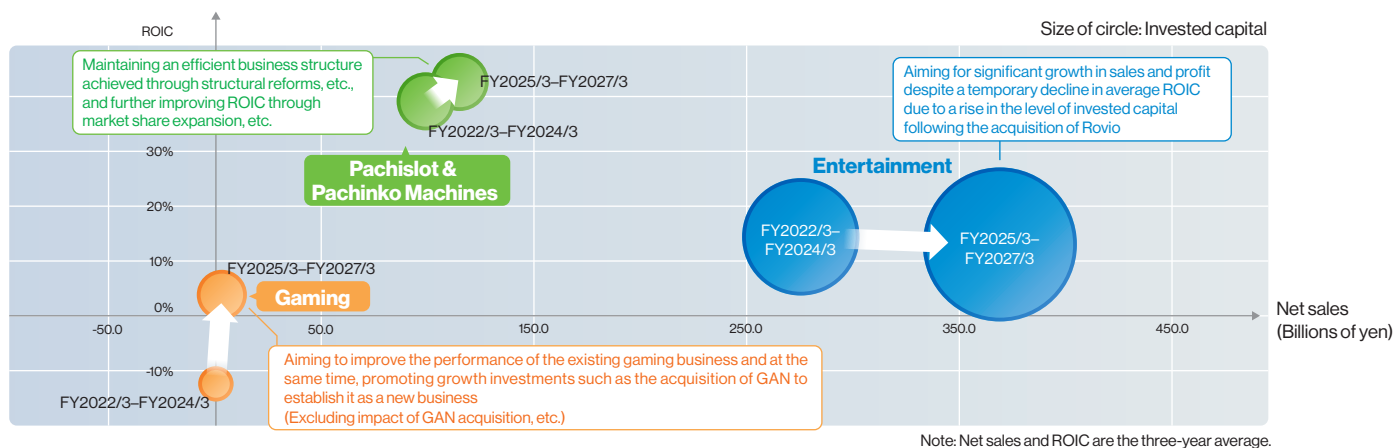
In addition, we will aggressively invest in the growth fields of the Consumer area and the Gaming Business.

We aim to achieve sustainable growth and strengthen competitiveness by investing the abundant cash flow generated from the Pachislot & Pachinko Machines Business in the Consumer area, centered on the major IPs developed by Japan studios, which continues to grow, and in the Gaming Business, which we aim to establish as a new business pillar.

● For more information on capital allocation, see P. 30

ROIC and Sales Scale of Each Business

In the Entertainment Contents Business, ROIC will temporarily decline due to an increase in invested capital associated with the large acquisition, but we aim to expand the business by growing existing businesses and creating synergies with Rovio, etc. The Pachislot & Pachinko Machines Business will be strengthened as a base business that supports the Group's growth by maintaining the current efficient business structure and further improving ROIC through market share expansion and other measures. We aim to establish the Gaming Business and have it become profitable during the period of the new medium-term plan.



Entertainment Contents Business A Message from Management

**We will continue to evolve our
transmedia strategy to further enhance
SEGA's corporate value**

Shuji Utsumi

Director, SEGA SAMMY HOLDINGS INC.
President and COO, Representative Director, SEGA CORPORATION



The potential of SEGA that is not found on the balance sheet

My career path has taken me through various companies in the entertainment industry. Along the way, I was involved in the launch of a number of products and businesses, and I always tried to keep in mind that entertainment is constantly evolving, so we must be open to novel technologies and ideas. I also consider it very important to get to know the users. I believe it is possible to gain insight into future market changes by visiting events and observing who is enjoying things and how.

SEGA has so many valuable assets that do not appear on our balance sheet, a veritable Treasure Island. These assets include numerous appealing IPs that we have cultivated over the course of our history, as well as human capital and organizations that enhance their value and deliver them to society. SEGA has set *Empower the Gamers* as the Mission/Purpose in its Mission Pyramid, which aligns with our long-standing approach of staying close to our users and delivering innovative entertainment to the world since the early days of the video game industry. This has earned us many fans around the world who support the SEGA brand.

Now, I'm using the term "gamer" intentionally here. These days, gamers include not only game players but also viewers of video game streaming, and the scale of the market is estimated to be as large as three or four billion people. I consider it my mission to sustainably enhance SEGA's corporate value by leveraging our brand power to maximize the value of our extensive IP assets, while staying close to gamers around the world.

Expanding our horizons globally to grow our pillars

The first thing I set about doing when I became involved in SEGA's management in 2019 was to greatly broaden the horizon of SEGA employees from a focus on domestic/console to global/multi-platform. On that basis, we are now pursuing a strategy of concentrating investment in our high-potential mainstay IPs, which we call our pillars, to further strengthen our strengths.

In the previous medium-term plan, we worked to develop our pillars into global brands, and in particular, we worked hard to ensure multi-platform roll-out and simultaneous worldwide releases. As a result, *Sonic Frontiers*, which was released in November 2022, became a huge hit with worldwide cumulative sales of over 3.2 million copies. There was also an increase in sales of new titles in series such as *Persona* and *Like a Dragon*.

In addition, the transmedia strategy we implemented at the same time increased the value of our IPs by expanding them into areas other than games, such as movies, animation, and merchandise. This has led licensing revenue from the Sonic IP to increase more than tenfold, and demonstrated how much room there is for further growth in our pillars.

The business awareness and perspective of our development team members has also improved, and they have become very adept at their business of analyzing the characteristics of domestic and overseas markets and having a view on where, what, and how to sell. They now employ a working style that emphasizes healthy discussions between development and publishing departments from their respective standpoints and pursuit of business that is suited to both domestic and overseas markets.

While we saw results from the previous medium-term plan

such as the growth of our pillars, we prioritized autonomy of the studios in the European region too highly, leading to a loss of business balance and a deterioration in profitability, and we implemented structural reforms in the fiscal year ended March 2024. First, we focused on selecting and concentrating the strengths of each studio in Europe, strengthened their governance, and reviewed their medium-term lineup, which involved the cancellation of some titles under development and re-evaluation of the asset value of titles. In addition, we separated the publishing functions that had been handled by each development studio, and we reorganized the system so that development and publishing responsibilities are clearly divided and products and services are rolled out with a more objective understanding of marketability. We reduced the number of staff and offices and also sold some development studios as part of our efforts to optimize fixed costs and improve investment efficiency through organizational scale optimization. We also reviewed our management structure and strengthened the development process as part of a review of the Group's internal systems for development, sales, and management. By quickly implementing these reforms, we have laid the groundwork for renewed growth.

Our transmedia strategy will take us to the next level

Having completed the previous medium-term plan, in which we set the groundwork for globalization, the new medium-term plan is positioned as the "step" phase in the "hop, step, jump" process. We aim to further expand our pillars and strengthen the SEGA brand. We will strongly press forward with our transmedia strategy for each IP. For the Sonic IP, we will effectively earn fans with our transmedia strategy while also developing global GaaS (Games as a Service) to expand the IP's scale, including the mobile game domain.

We will accelerate our transmedia strategy for Sonic in the fiscal year ending March 2025. Towards the end of the year, we launched console/PC title *SONIC X SHADOW GENERATIONS*, and plan to launch mobile title *Sonic Rumble* and a third movie, *Sonic the Hedgehog 3*. Moving forward in multiple directions, including video distribution and the licensing business, is how we will move to the Next Level, the slogan of our new medium-term plan.

We are working on the *Sonic Rumble* project as a casual mobile game in collaboration with Rovio Entertainment Ltd so that we do not miss the chance to reach the global Sonic fan base that has been expanded through the Sonic movies. We hope to learn about success patterns and business flows, and to strengthen our global GaaS, by taking on this challenge.

In addition to Sonic, the live-action drama series *Like a Dragon*:

Yakuza will be available on Amazon Prime Video worldwide from October 2024. ATLUS has also released a completely new RPG, *Metaphor: ReFantazio*. This title is a new series from the creators of the popular *Persona 5* series, and it is being released simultaneously worldwide on multiple platforms alongside large-scale global promotion. The new project of Legacy IP announced last year also attracted a great deal of attention at global gaming events held overseas. I always tell my employees to "ride the wind you create yourself," and I am proud to see SEGA finally entering the stage of creating movement in the world using our own IPs.

In addition, we are looking to utilize TMS ENTERTAINMENT's video IPs in the Animation area, while also working to expand our business into a wide range of regions, including the Middle East and South America, where future growth is expected. We are also preparing many other titles for the next fiscal year and beyond, and will continue to expand touchpoints for our users.

The most important thing is to make good games

In order to increase the value of SEGA's extensive IP assets that I called a Treasure Island, through the transmedia strategy, it is first and foremost important to make good games. We are changing our mindset to focus on product strength and thoroughly improving quality even if it takes time, while keeping an eye on achieving results each period. Our top priority is creating games of a quality that exceeds the expectations of passionate gamers. We believe that making good games will create more opportunities to be approached by a wider range of partners and be able to further expand our business opportunities.

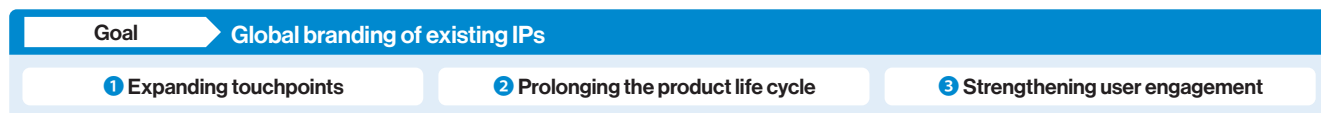
Looking further ahead, we are also developing *Super Game* as a content/service that can be rolled out across a wide range of media, engaging a wide range of users globally. We are concentrating our resources, including human capital, and taking our time to work on this as an important strategy for building the pillars of long-term future growth.

We will continue to leverage our extensive IPs to make better games, greatly increasing SEGA's brand value as well as helping expand the perspective of the entire SEGA SAMMY Group as we move to the next level.



Entertainment Contents Business

Review of the Previous Medium-Term Plan



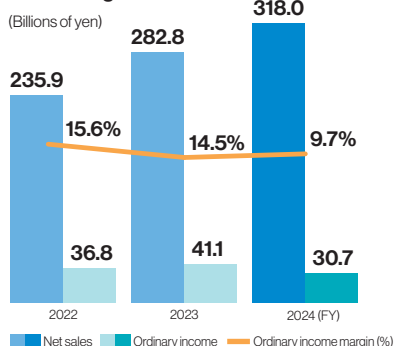
In the previous medium-term plan, we promoted the expansion of touchpoints, lengthening of product life cycles, and strengthening of user engagement, with the goal of turning the existing IPs into global brands. In order to grow high-potential IPs as global brands, we implemented multi-platform roll-out and simultaneous worldwide releases as the core of our strategy, resulting in significant revenue growth, especially for major IPs from our Japanese studios. In 2023, Rovio Entertainment Corporation joined the Group* to strengthen the global mobile business. In the final fiscal year, we implemented structural reforms in response to deteriorating profitability in the European region. Consequently, we were able to establish a structure that enables steady profit growth both in Japan and overseas by promptly executing measures, such as a lineup review, fixed cost optimization and investment efficiency improvement, and review of development, sales, and management systems.

* For more information on the Rovio acquisition, see P.38–39 of the Integrated Report 2023. https://www.segasammy.co.jp/cms/wp-content/uploads/pdf/en/ir/ir_2023_web_all_e.pdf

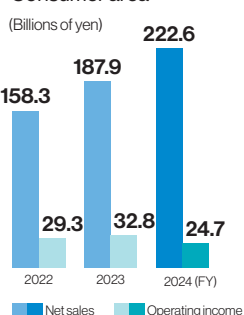
Achievements in FY2024/3 and future initiatives

Entertainment Contents Business performance

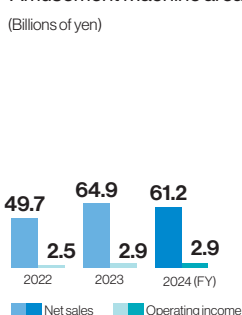
Overall segment



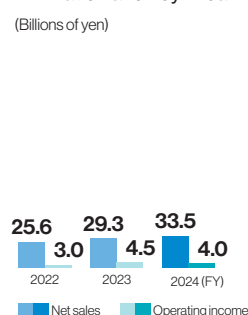
Consumer area



Amusement Machine area

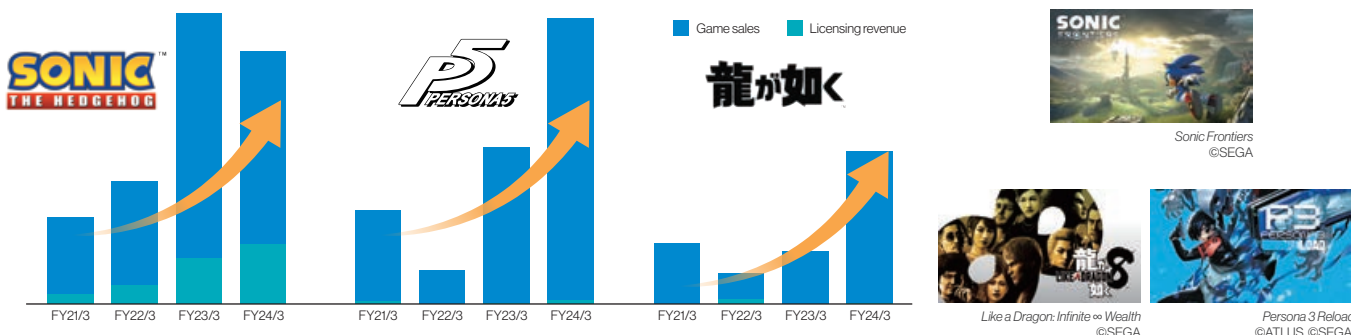


Animation and Toy Area



Steady growth of the major IPs with establishment of a revenue base to support the brand

In the Sonic series, *Sonic Frontiers* became a hit with sales exceeding 3.2 million copies, backed by the expansion of the global fan base following the success of the movie version, boosting licensing and other revenues as well. In the *Persona* series and *Like a Dragon* series, sales increased by expanding touchpoints through multi-platform roll-out and simultaneous worldwide releases as well as taking aggressive measures such as remastering and spin-off titles. Thanks to these efforts, the latest titles became the fastest in the series to surpass 1 million units sold worldwide.



New Medium-Term Plan: *Welcome to the Next Level!*

Under the new medium-term plan, we aim to achieve an adjusted EBITDA of over ¥180.0 billion in three years by focusing on three key areas: further expansion of the major pillars, which grew during the previous medium-term plan; investments to strengthen development and product capabilities, which are the source of earnings; and regrowth of the European business, which underwent structural reforms.

1

Further expansion of the major pillars

Transmedia strategy
Global GaaS (Rovio, etc.)

Sharpening strengths and realizing potential to further evolve the existing strategy, which is producing positive results

2

Investments to strengthen development and product capabilities

Pillars
Legacy IPs (medium- to long-term initiative)
Super Game (medium- to long-term initiative)
Animation IPs

3

Regrowth of the European business

3-year cumulative adjusted EBITDA

Aiming for over
¥180.0 billion

¥113.2 billion

FY22/3–FY24/3

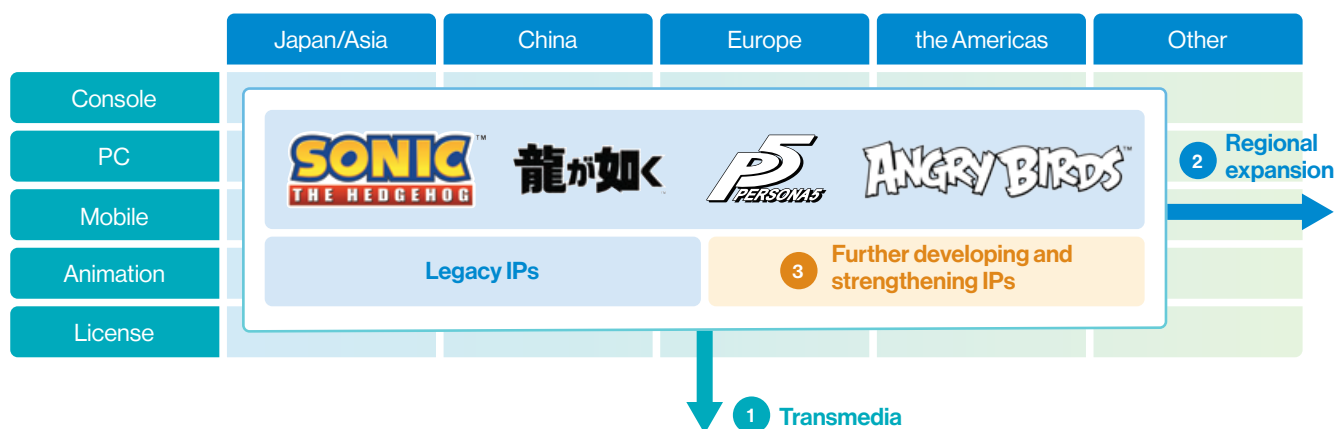
FY25/3–FY27/3

Further Expansion of the Major Pillars

To further expand the pillars, we will focus on three key areas. The first is a transmedia strategy to develop IPs in areas other than home video game consoles and PC games. By strategically expanding IPs on multiple fronts into areas such as mobile games, animation, licensing, and merchandising, we will expand our reach as an IP and increase fan engagement. The second is to expand the geographic area of deployment. In addition to existing major regions, such as Japan, Asia, Europe, and the Americas, we will accelerate business development in regions where we have not been able to aggressively develop business. The third is to cultivate and strengthen IPs next to the current major pillars. Investment in Legacy IPs will be one of them.

Further expansion of the pillars - Transmedia + Regional expansion

- Maximizing product value through transmedia and regional expansion

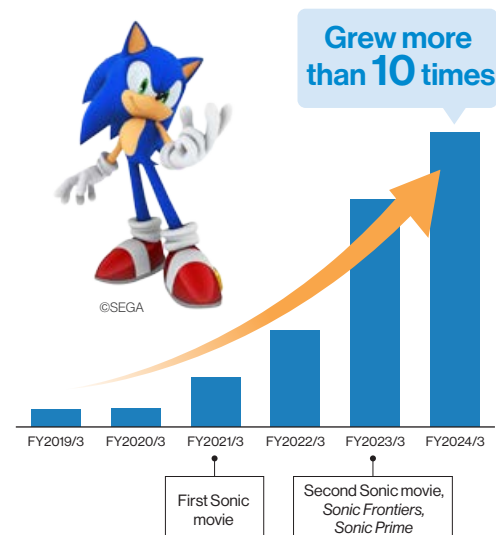


Entertainment Contents Business

Expansion of Sonic IP through Transmedia

Through strategic transmedia development centered on games and movies, Sonic IP licensing revenue has grown dramatically. In addition, along with the growth of the IP, we have also built good relationships with business partners in various areas. By leveraging the business base we have developed through the Sonic IP, we will continue to strategically promote transmedia development in other IPs with the goal of further expanding our IP portfolio. We will be further promoting the Sonic transmedia strategy with the release of *SONIC X SHADOW GENERATIONS* on October 25, 2024, and the movie, *Sonic the Hedgehog 3*.

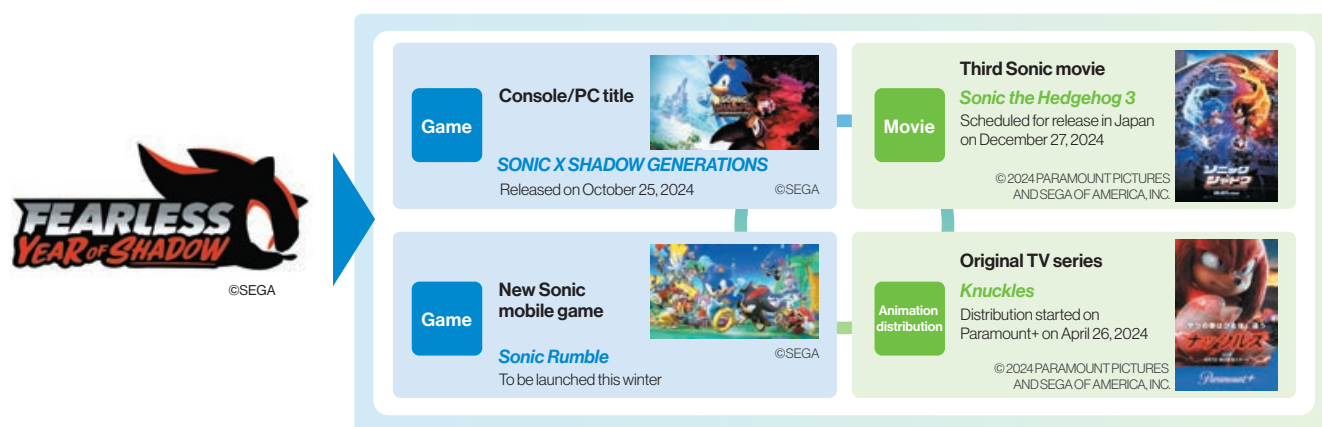
● Sonic IP licensing revenue (results)



Development of Sonic IP in 2024

Promoting transmedia development for the new movie and games at the end of the year under the theme of *FEARLESS: Year of Shadow*

We will create a sense of unity in the community under the theme of the popular character Shadow and strategically interconnect various initiatives to create a major tailwind toward the end of the year.



A Message from the Head of Transmedia Business Unit

The Transmedia Business Unit aims to establish the SEGA brand in the global market by expanding SEGA's rich IPs into a wide variety of business areas other than games. In order to provide high-quality content, products, and services such as films, animation, music, publishing, consumer products, and live entertainment, it is necessary to strengthen the organization extensively from development to marketing and sales. It is also essential to build win-win relationships with partners in each field. In addition to formulating and implementing strategies and goals, I also consider the development and expansion of the organization and the building of relationships with partner companies as my critical responsibilities.

Over the past few years, the Sonic IP has made great strides, especially in Europe and the North America. Leveraging this successful example, we are entering a phase of diversification and expansion of our transmedia strategy. Besides Sonic, SEGA has a wealth of IP assets, including *Persona*, *Like a Dragon*, and our Legacy IPs, which can be called our "Treasure Island". By leveraging these intellectual properties, we will provide captivating experiences to a wide range of regions, age groups, and new markets such as Asia. Expanding the IP's fan base and increase customer satisfaction will lead to stronger profitability for the entire SEGA Group. Under the keywords of "Tradition" and "Innovation," we will build the SEGA brand, ushering in a new era of expansion while cherishing the history of SEGA.



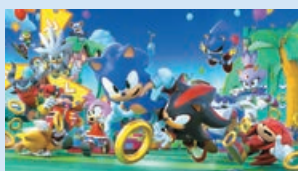
Justin Scarpone
Executive Vice President,
Executive Officer
Head of Transmedia Business Unit
SEGA CORPORATION

Global GaaS

In order to reach a wider customer base, we also consider it very important to develop IPs as a global GaaS*. In an effort to reach out to Sonic's worldwide fan base expanded by the movies, we plan to launch a casual mobile title, *Sonic Rumble* this winter. This project is being promoted in collaboration with Rovio, which has extensive experience and knowledge in the global mobile business, and we look forward to its success as a global GaaS title. *Persona5: The Phantom X*, the global GaaS title in the Persona pillar, has also been launched in Simplified Chinese, Traditional Chinese, and Korean versions. We will roll it out also in Japan and continue to promote GaaS development down the road.

* GaaS: Game as a Service

Further expansion of the pillars - global GaaS



New Sonic IP release
Global × Mobile
Sonic Rumble

©SEGA

A title that aims to reach **Sonic's fan base expanded worldwide through movies, etc.**, in a casual × mobile format

Joint promotion project with Rovio, which has strong expertise in the **global × mobile** area

Scheduled to launch this winter
(closed beta testing was conducted in North America in late May)



Latest in the Persona 5 series
Persona5: The Phantom X

©[2024] Perfect World Adapted from Persona5 ©ATLUS.
©SEGA

Through licensing out to Perfect World Co., Ltd., offering Simplified Chinese, Traditional Chinese, and Korean versions with multi-platform compatibility for cross-play on smartphones and PCs

Planned for release in Japan as well

Upside Potential (including Super Game)

As a further upside, we announced a project to breathe new life into the Legacy IPs still loved by fans in December 2023. While paying respect to the players' foundational experience, we are developing products diligently to create a new captivating experience that combines the essential DNA of the original IPs with innovative game mechanisms. Further, we will also be strategically promoting acquisition of major rights to leading Japanese IPs (J-IPs), particularly animation, which has been increasing its presence globally in recent years, and accelerate transmedia development on a global level, thereby enhancing the value of the IPs and increasing earnings. As for Super Game, we are developing it based on market conditions, our own strengths, and portfolio perspectives as a challenge to build a long-term growth pillar for SEGA in the future.

Further upside
Legacy IPs



©SEGA

With the presence of J-IPs, such as animation, increasing in the global market, we are also eyeing the transmedia development of leading J-IP animations produced by TMS.

Leading J-IPs

Strategically promoting acquisition of major rights while working on the production of well-known IPs, such as *Detective Conan*



Other major J-IPs in which TMS has been involved in production include *Baki Hanma*, *Sakamoto Days*, and *Blue Box*

Transmedia

Accelerating global secondary expansion through transmedia to increase IP value and earnings

Actively leveraging SEGA's global expansion capabilities in games, animation, merchandising, etc.

Pachislot & Pachinko Machines Business A Message from Management

Aiming for the top share of total utilization, with co-existence and co-prosperity throughout the industry

Ayumu Hoshino

Director, SEGA SAMMY HOLDINGS INC.
President and COO, Representative Director, Sammy Corporation



Maintaining the spirit of our founding

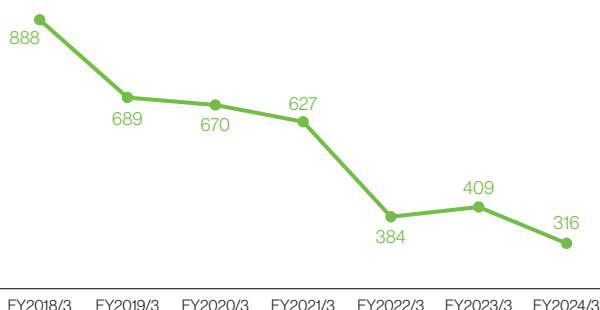
Since joining the company, I have devoted 30 years of my life to the field of pachislot & pachinko machines development, and throughout that time I have cherished the *Sammyism* of “making good failures.” This principle was established by Sammy’s founder, Chairman Satomi of SEGA SAMMY HOLDINGS INC., and it is a guideline that is deeply rooted in not only myself but in all of our employees, and is linked to the Sammy culture of taking on challenges and innovative manufacturing. It has helped us to develop a loyal and strong fan base, and to establish our current position in the pachislot & pachinko machines industry. There are many examples of our efforts being too innovative to be accepted by the market. However, by applying the failures that result from our pursuit of the new and the interesting as lessons for our next challenges, then we can view them in a positive light.

Of course, we need the support of even more people in order to keep steadily expanding earnings as a company. So, we are putting together a development strategy that is conscious of our product portfolio, and has a balanced approach to how we spread our pursuit of innovation to each area.

Results of steady reforms of the earnings structure

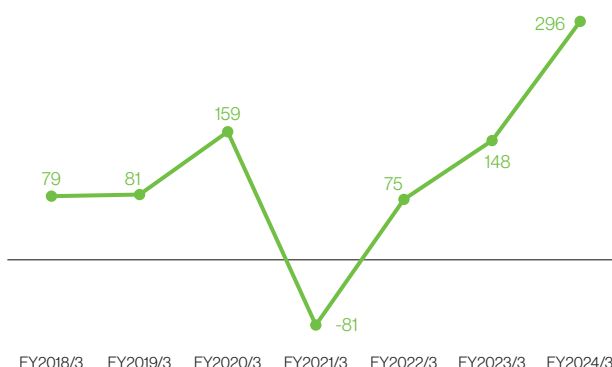
In the previous medium-term plan, we included measures to create hit products, such as creating an optimal lineup, carefully selecting new IPs, and reviving popular IPs of the past, and mostly developed products designed to be sure-fire hits. Net sales of pachislot machines in the fiscal year ended March 2024, the final fiscal year of the previous medium-term plan, were well above the previous period, reaching ¥88.7 billion. Centered on the major hit of the flagship title *Smart Pachislot Hokuto No Ken*, this positive result was attributable to additional sales of *Pachislot Kabaneri of the Iron Fortress* that was launched in the fiscal year ended March 2023, and sales of the *Sammy Classic* series, revival of the popular title of the No. 4 model era. For pachinko machines, we reviewed the sales schedule and strategically shifted the sales period of some titles to the fiscal year ending March 2025; this resulted in a roughly 20% decline in net sales and 15% fall in unit sales year on year. Despite this, sales were generally strong for other titles such as *PHokuto No Ken Bokyosei* that went on sale in the fiscal year ended March 2024 and *PHokuto No Ken Tomo LT* featuring a lucky trigger.

Invested capital trends



* Invested capital by business: Invested capital at the end of each business period (Total assets - Current liabilities excluding interest-bearing debt) - Deposits with CMS
* Adjusted profit by business: After-tax, before interest, ordinary income (Tax rate for each business is set at 30% for simplicity)

Adjusted profit trends



Utilization of *Smart Pachislot Hokuto No Ken* and *P Hokuto No Ken Bokuyosei* is also strong, and for more than a year since their introduction, they have seen sustained above-average utilization and growth in their utilization share.

Looking over our efforts to improve business efficiency, I can see that reuse of parts and other cost reduction initiatives we have implemented for about a decade now have had a substantial effect. We have been making even further progress in expanding the reuse and recycling from the most costly parts to include smaller parts as well. Also, we have promoted the sharing of parts and visual images between titles and narrowing down the patterns used to streamline video production, along with other efforts all the way to the core of development to improve business efficiency and reduce costs, while ensuring quality. Efforts are also underway to optimize the number of units manufactured as initial lots by properly understanding the level of demand in advance. All of these efforts have paid off, as we were able to almost double the earnings with less than half of the investment capital compared to the fiscal year ended March 2020.

Aiming for the top share of total utilization

The scale of the pachislot & pachinko machines market is continuing its downward trend, and there is a strong sense of crisis about sustainable development of the industry. The background to this trend is not just a decline in the player population, but also other factors such as rising development costs to create appealing products and the soaring prices of raw materials, all of which are pushing up the prices of pachislot & pachinko machines. This has brought on the deterioration of business at pachinko halls, ultimately leading to a negative cycle of shifting the burden of rising costs and prices onto users. Under these conditions, we must focus on not just our own earnings, but also contribute to the co-existence and co-prosperity of the entire industry to support the steady growth of the Group. But we can only address this in a sustainable way if we first secure our current earnings. We will forge ahead with the two pillars laid out in the new medium-term plan: strengthening and stabilizing our earnings base, and revitalizing the pachislot & pachinko machines industry.

To strengthen and stabilize our earnings base, our goals will be to expand our market share and platform our businesses. To expand our market share, we will develop pachislot machines in the high and low range of gambling aspect levels, which have plenty of room for expanding share, and create new flagship series through new utilization of popular IPs. Our strategy for platforming includes continuing to shift the structure of our businesses from hit to stock, and to further stabilize earnings. We are already accumulating a record of results in e-commerce and in the sales of cabinets developed by ZEEG for other manufacturers. By making even more user-friendly platforms, we will establish them as a source of stable earnings.

To revitalize the pachislot & pachinko machines industry, we will focus more on the medium to long term, and devise measures to not only enhance the utilization rate and earnings of our own products, but also the earnings of pachinko halls and number of users. There is a data that 60,000 new users have increased, and 510,000 dormant users have been recaptured through various promotions including television commercial of *Smart Pachislot Hokuto No Ken*. Alongside measures to expand users through product promotions, we will work on reducing costs by making major improvements in cabinets. By maintaining the Company's earnings while reducing the burden faced by pachinko halls for replacement and other costs, we will break the industry's negative cycle while also contributing to the industry's development and our own earnings.

Under these policies, the most important indicator in the new medium-term plan will be utilization share, rather than unit sales and net sales. Although we only deal directly with pachinko halls, support from pachinko halls is synonymous with support from users. We must be laser focused on how we can gain the support of users and contribute to the industry, rather than on how many units pachinko halls are purchasing from us.

Even though there are reports that the pachislot & pachinko machines market is shrinking, it is still an enormous market of over ¥14.0 trillion in scale. We have not been able to secure the top share of total utilization in this market, but we will steadily implement the strategies outlined in the medium-term plan, which I hope will allow us to capture the top share of total utilization of pachislot & pachinko machines.

Taking innovative manufacturing to the next level

Sammy has built up development capabilities by adapting to the shifting market based on a culture of skillfully meshing a bottom-up approach to creativity with a top-down style of implementation and execution. The majority of new ideas, including the e-commerce business, actually come from the frontlines. When ideas have business value, it is the role of management to steer them in the process of becoming actual products and services. In the past as well, we have had various innovative ideas take shape as employees move in the same direction under a top-down style of implementation and execution. This can also be seen as an indication of the high level of loyalty of our employees, and it has become the driving force for taking on new challenges in the industry. I explained the important theme of revitalizing the pachislot & pachinko machines industry in a business strategy briefing for employees, and a follow-up survey showed that over 90% of employees understood and resonated with this theme. As we continue to take on new challenges through innovative manufacturing, we must work together as a company to move forward under the new medium-term plan to take Sammy to the next level.

Pachislot & Pachinko Machines Business

Review of the Previous Medium-Term Plan

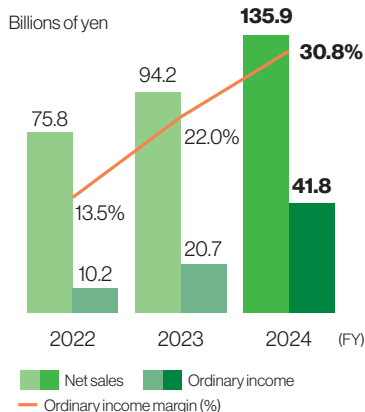
Goal			
Achieving top share of total utilization of pachislot & pachinko machines and maintaining steady earnings			
Creation of hits	① Revising the product lineup	② Increasing hit potential	③ Enhancing media functions
Improvement of business efficiency	① Improving development efficiency	② Reducing costs	③ Promoting e-commerce

In the Pachislot & Pachinko Machines Business, we promoted measures to create new hits and improve business efficiency with the goal of achieving the top share of total utilization of pachislot & pachinko machines and maintaining stable earnings. As a result, the total utilization share increased, driven by strong sales of pachislot such as *Pachislot Kabaneri of the Iron Fortress* and *Smart Pachislot Hokuto No Ken*, while measures including development efficiency improvement and cost reduction were successful, resulting in increased sales and profit for the third consecutive year. On the other hand, the total utilization share, for which we had set a goal of becoming No. 1, increased over the three-year period, but we have yet to achieve the No. 1 position, which remains the target of the new medium-term plan.

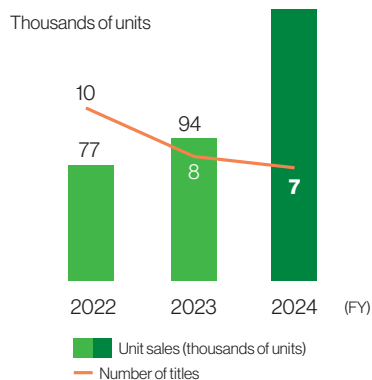
Results of the previous medium-term plan

Pachislot & Pachinko Machines Business performance

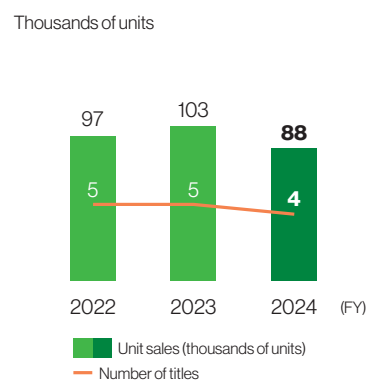
Overall segment



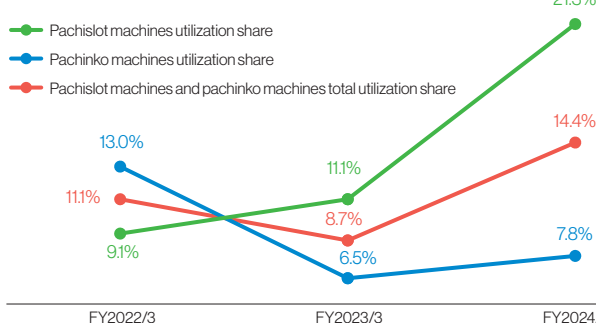
Pachislot unit sales & number of titles



Pachinko unit sales & number of titles



Trend of our utilization share



Ranking for total utilization share

FY2022/3	FY2023/3	FY2024/3
Company K: 18.2%	Company S: 18.4%	Company S: 21.1%
Company S: 17.8%	Company K: 16.3%	Company K: 15.2%
Sammy: 11.1%	Company S: 13.9%	Sammy: 14.4%
Company S: 8.7%	Sammy: 8.7%	Company S: 12.8%



Smart Pachislot Hokuto No Ken
©Burorson & Tetsuo Hara./COAMIX 1983,
©COAMIX 2007 Approved No. YRA-114
©Sammy



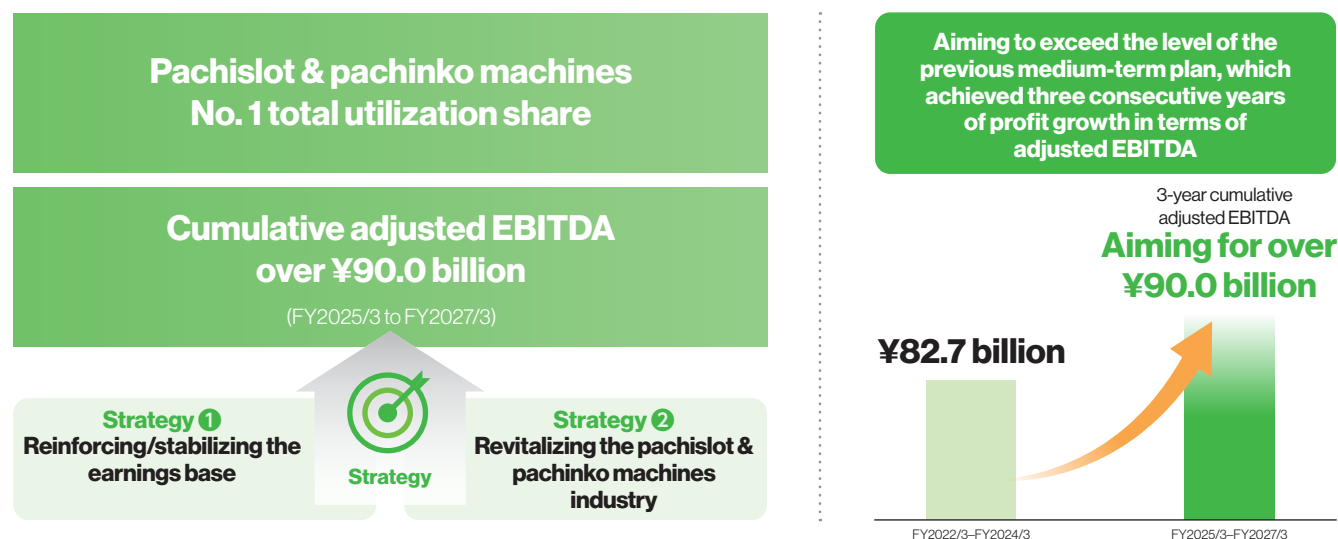
P Hokuto No Ken Bokyosei
©Burorson & Tetsuo Hara./COAMIX 1983,
©COAMIX 2007 Approved No. YBO-314
©Sammy

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

New Medium-Term Plan: *Welcome to the Next Level!*

The market environment for pachislot & pachinko machines is on a recovery trend in the short term, driven by pachislot, for which several hit models were introduced, but in the long term, the market is continuing to shrink. In this context, a major issue to be addressed is to create an environment in which we can coexist and co-prosper with the industry for the long term.

Under the new medium-term plan, we have formulated a strategy to strengthen and stabilize our earnings base and revitalize the pachislot & pachinko machines industry. As a specific target, we aim to achieve a cumulative adjusted EBITDA of more than ¥90.0 billion over three years, in addition to achieving the top share of total utilization of pachislot & pachinko machines as in the previous medium-term plan.



Strategy 1 Reinforcing/Stabilizing the Earnings Base

In order to generate profit in an environment experiencing a long-term shrinking trend, during the previous medium-term plan period, we implemented various measures that contributed to lowering the level of fixed costs, including efforts to reduce development costs, and established an efficient structure.

During the new medium-term plan period, we aim to further strengthen and stabilize our earnings base by expanding our share of pachislot & pachinko machines and by promoting a group-wide platform strategy based on this structure.

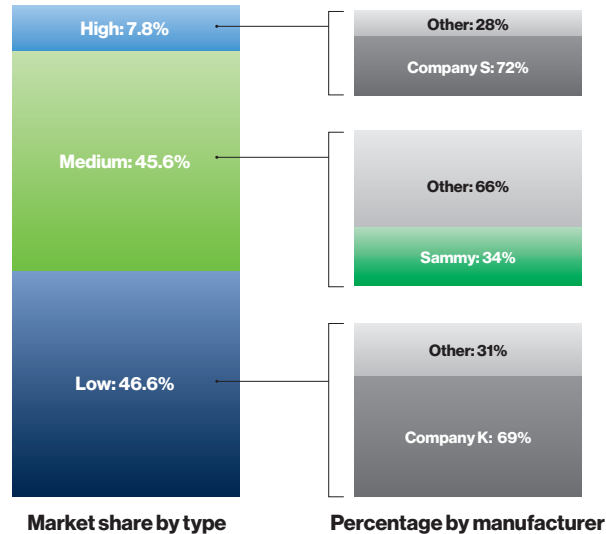


Pachislot & Pachinko Machines Business

1 Pachislot & Pachinko Machines Share Expansion

We will work to expand the range of specifications in order to increase our share in the pachislot & pachinko machines market. In pachislot, we aim to expand our utilization share and increase the number of units sold by strengthening product launches in the high and low range of gambling aspect levels, other than the mid-range where we currently hold a high utilization share. At the same time, we aim to create new mainstay series in addition to existing mainstay series such as *Hokuto No Ken* through aggressive new utilization of popular IPs such as *Tokyo Revengers*.

● Utilization share of pachislot machines by gambling aspect level



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

- Sammy has a high market share in the mid-range of gambling aspect level, which includes *Smart Pachislot Hokuto No Ken*
- Aiming to introduce models in the high/low range of gambling aspect levels, where we have yet to gain market share

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

2 Promotion of Platform Strategy

The shift to e-commerce, which we have been promoting as a measure to improve business efficiency, and the development and manufacture of pachislot machine cabinets at ZEEG LLC, a joint venture with Universal Entertainment Corporation, have been deployed and utilized by many other companies in the industry. By increasing the number of machines handled and the manufacturers that use them, we intend to contribute to improving convenience for other companies in the industry, and at the same time, we intend to position these platforms as a stable source of revenue alongside the development and sales of pachislot & pachinko machines.

Group-wide promotion of platforming



Aiming to generate stable revenue through platforming

- Already has a proven track record in handling e-commerce and development/manufacturing of ZEEG cabinet with many other companies in the same industry
- Increasing the number of platforms handled and striving to secure a stable source of revenue



Strategy ② Revitalizing the Pachislot & Pachinko Machines Industry

A shrinking market for pachislot & pachinko machines will lead to a decline in our earnings. To break out of this situation, action is needed to revitalize the entire pachislot & pachinko machines industry. We will also play a part in this effort to reform the cost structure and increase the number of users. With respect to the reform of cost structure, we are developing new cabinets that will lead to cost reductions for both manufacturers and pachinko halls in order to contribute to the revitalization of the industry.

1 Cost Structure Reform

- Development of new pachislot cabinets to reduce costs for both manufacturers and pachinko halls

2 Increase the Number of Users

- Implementation of promotions to revitalize pachinko halls, including acquisition of new users and return of dormant users

Increase the Number of Users

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

With *Smart Pachislot Hokuto No Ken* launched in April 2023, we were able to bring not only new users but also dormant users who had stayed away from pachislot back to pachinko halls through TV advertisements and various other promotions.

We will continue to contribute to the revitalization of the industry by not only improving the utilization of our products but also increasing the number of pachislot & pachinko users.



Promotional movie of *Smart Pachislot Hokuto No Ken* at Cross Shinjuku Vision

TV advertisements

Videos using influencers

Outdoor advertisements

Social media
advertisements

Newspapers/radio

Various events

Aiming to increase the number of users through extensive promotional measures

- With *Smart Pachislot Hokuto No Ken*, we gained 60,000 new users and brought back 510,000 dormant users* through the implementation of various promotions
- Continuing to revitalize the industry through verification and implementation of effective promotions

* Research by ADK Marketing Solutions Inc.

Gaming Business

We have accumulated expertise in the Gaming Business through the establishment of our Resort Business with the aim of entering the integrated resort (IR) business in Japan, the acquisition of the world's most rigorous gaming license in Nevada, USA, and the operation of PARADISE CITY, the first IR facility in South Korea. Even after the cancellation of the IR project in Yokohama, we have continued to seek to establish an online-based Gaming Business by leveraging the know-how we have accumulated so far. We announced its agreement to acquire GAN Limited, which operates a SaaS business primarily for U.S. casino operators and a B2C online gaming business for Europe and South America, in November 2023, and Stakelogic B.V., which operates a B2B iGaming content supplier, in July 2024, respectively. Starting the fiscal year ending March 31, 2025, we have positioned the Gaming Business as a new segment, aiming to make a full-scale entry into the online gaming market, which is expected to continue to grow.

Past initiatives

2012

May: Established PARADISE SEGASAMMY Co., Ltd. (PSS), a joint venture with the PARADISE GROUP of South Korea

2013

June: Established SEGA SAMMY CREATION INC. (SSC)

2014

April: Started dispatching employees to PARADISE CITY
(A total of about 70 Incheon project members have been dispatched so far)
July: Obtained Macau license, SSC's first gaming license

2015

May: Installed SSC's first gaming machine in Macau

2016

October: Established SSC USA in Las Vegas, U.S., as a subsidiary of SSC

2017

April: Opened PARADISE CITY
December: Obtained U.S. Nevada license
Ready to enter the gaming business after meeting the world's most rigorous licensing and eligibility standards
Started joint industry-academia research with Kyoto University on countermeasures to addiction

2019

Autumn: Began installing SSC's first slot machine, Genesis Star®, in the U.S.

2021

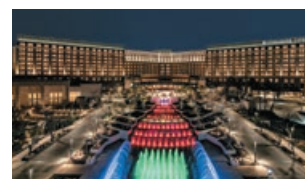
June: Submitted Yokohama IR RFP (Request for Proposal)
September: Withdrew from Japan IR business following the cancellation of Yokohama IR
Began considering entry into the overseas online gaming business

2023

November: Announced the acquisition of GAN Limited

2024

January: SSC launched Railroad Riches™ compatible with new Genesis Atmos® cabinet
April: Began segmentation of the Gaming Business
Reviewed the portfolio and re-positioned the Gaming Business as a growth area and formally segmented it
July: Announced the acquisition of Stakelogic B.V.



PARADISE CITY

South Korea's first integrated resort (IR) facilities operated by PSS



Genesis Star®

First installation in a U.S. casino



Railroad Riches™

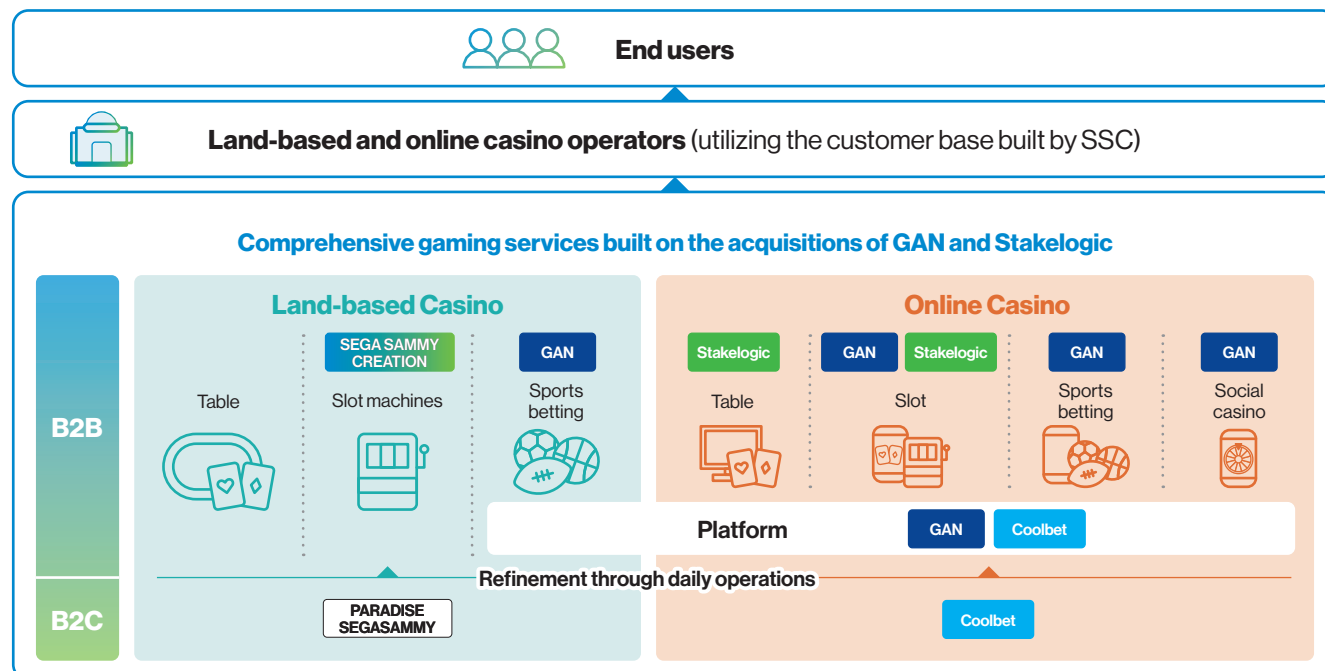
Ranked high in a game performance report* published by a U.S. gaming research firm

Top Indexing Games-Core, Low Denom, Video Reel Rankings in the U.S. & Canada Game Performance Report published by Eilers & Krejcie Gaming, LLC

Major Measures

We will hone our online casino solutions that combine GAN's platform and Stakelogic's content, made possible through the acquisition of both companies, and our land-based casino solutions centered on SSC's slot machines, through the operations of Coolbet* and PSS. In addition, by leveraging the customer base that SSC has built up, we will provide comprehensive gaming services to online and land-based casino operators.

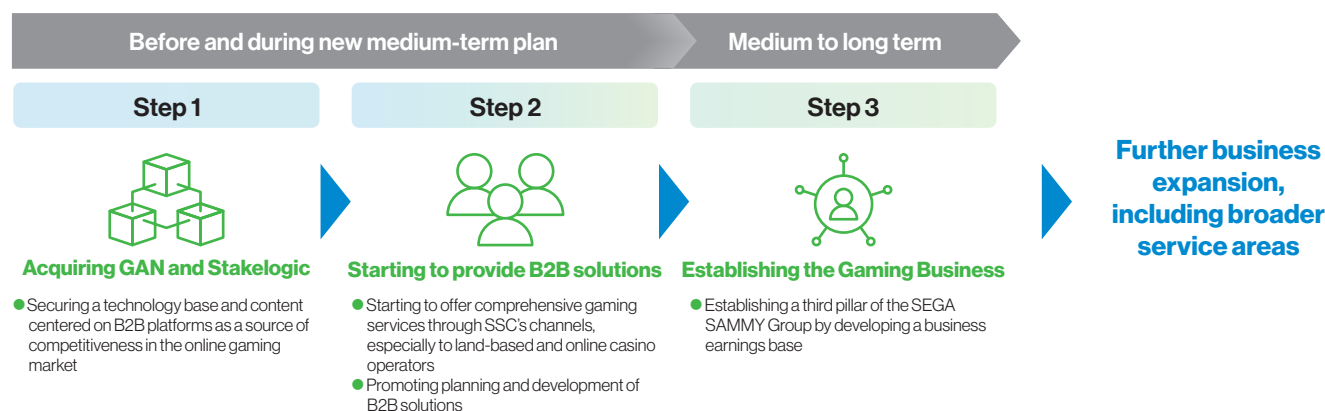
* B2C online gaming platform operated by GAN Limited in Europe and South America



Medium- to Long-Term Strategies

The B2B solutions built through the acquisitions of GAN and Stakelogic will be offered to land-based and online casino operators through SSC's customer channels, allowing customers to create an omni-channel for their users. Furthermore, by promoting the planning and development of B2B solutions, we will develop a business earnings base and establish a third pillar of the SEGA SAMMY Group, aiming to further expand our business.

● B2B omni-channel solution provider



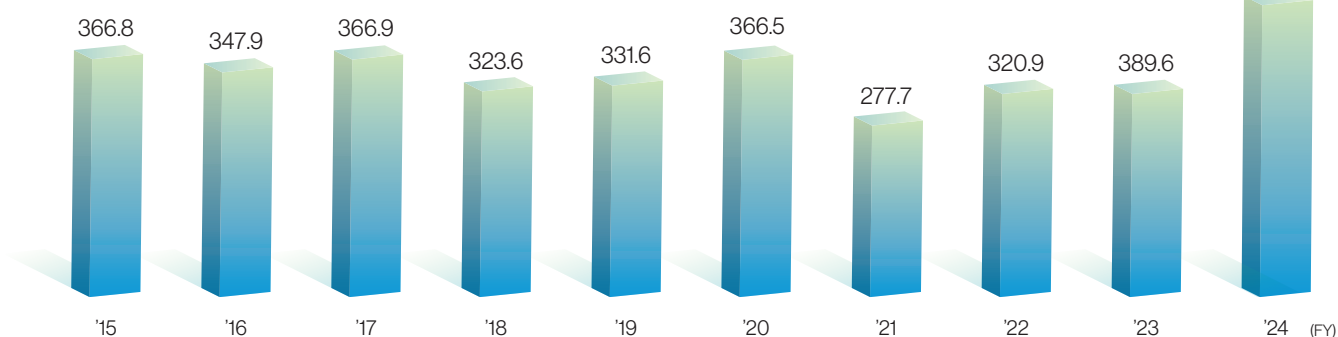
Financial Highlights

● Net Sales*1,*2

Sales in the Pachislot & Pachinko Machines Business and the Consumer area of the Entertainment Contents Business in Japan and Asia were strong, and Rovio Entertainment Corporation was consolidated, resulting in net sales of ¥468.9 billion, up 20.4% from the previous year.

¥468.9 billion

Billions of yen



● Operating Income / Operating Income Margin*2

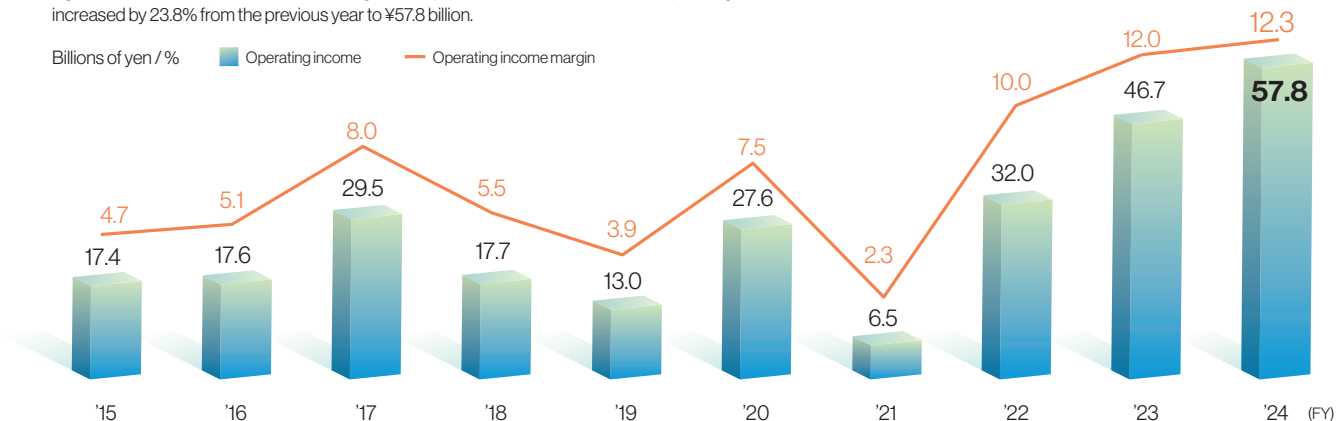
Whereas the Entertainment Contents Business suffered a decline in earnings mainly due to weak performance in the Consumer area in Europe, the Pachislot & Pachinko Machines Business saw a significant increase in profit thanks to strong sales of pachislot machines; as a result, operating income increased by 23.8% from the previous year to ¥57.8 billion.

¥57.8 billion / 12.3%

Billions of yen / %

Operating income

Operating income margin



● Ordinary Income / Ordinary Income Margin

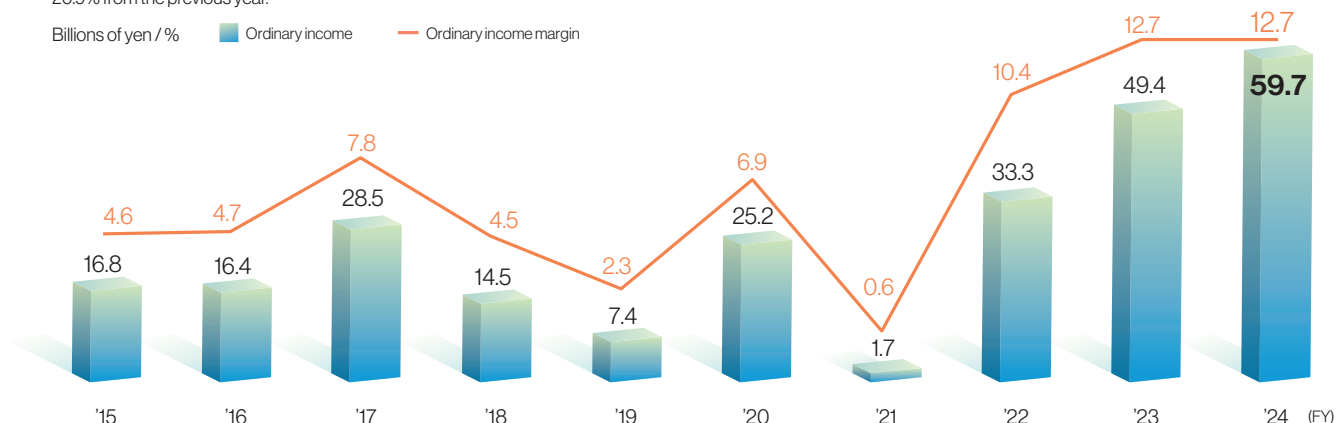
While non-operating expenses included commission fees and loss on investments in partnership, non-operating income included equity in gains of affiliates, including PARADISE SEGASAMMY, as well as interest income and gain on investments in partnership, resulting in ordinary income of ¥59.7 billion, up 20.9% from the previous year.

¥59.7 billion / 12.7%

Billions of yen / %

Ordinary income

Ordinary income margin



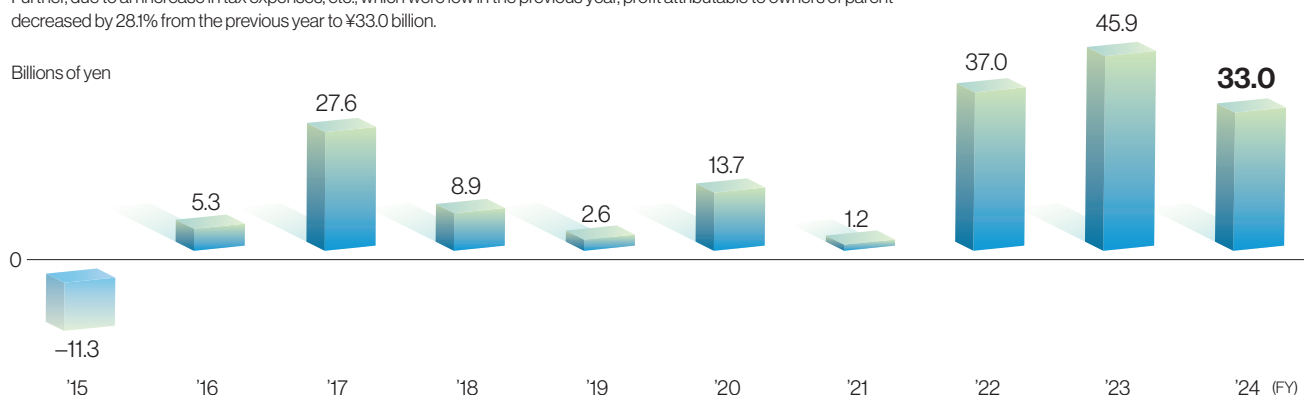
Profit (Loss) Attributable to Owners of Parent

In the Consumer area of the Entertainment Contents Business, the Company recorded extraordinary losses of approximately ¥19.2 billion due to the decision to implement structural reforms in response to the deteriorating business environment, particularly at its European studios.

Further, due to an increase in tax expenses, etc., which were low in the previous year, profit attributable to owners of parent decreased by 28.1% from the previous year to ¥33.0 billion.

¥33.0 billion

Billions of yen



Operating Income (Loss) by Segment^{*2, *4}

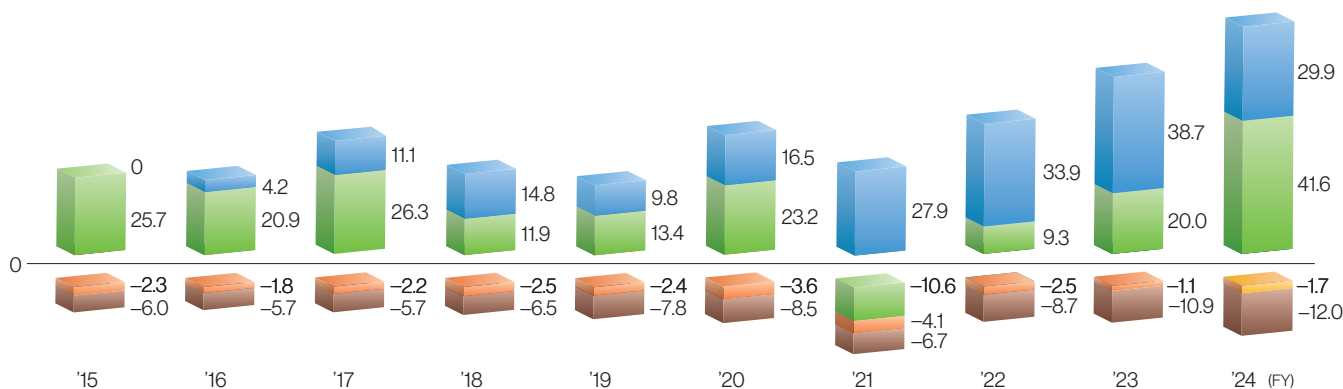
Billions of yen

FY2015/3–FY2023/3 Segments

Entertainment Contents Business
Resort Business
Pachislot & Pachinko Machines Business
Adjustment^{*3}

FY2024/3 Segments

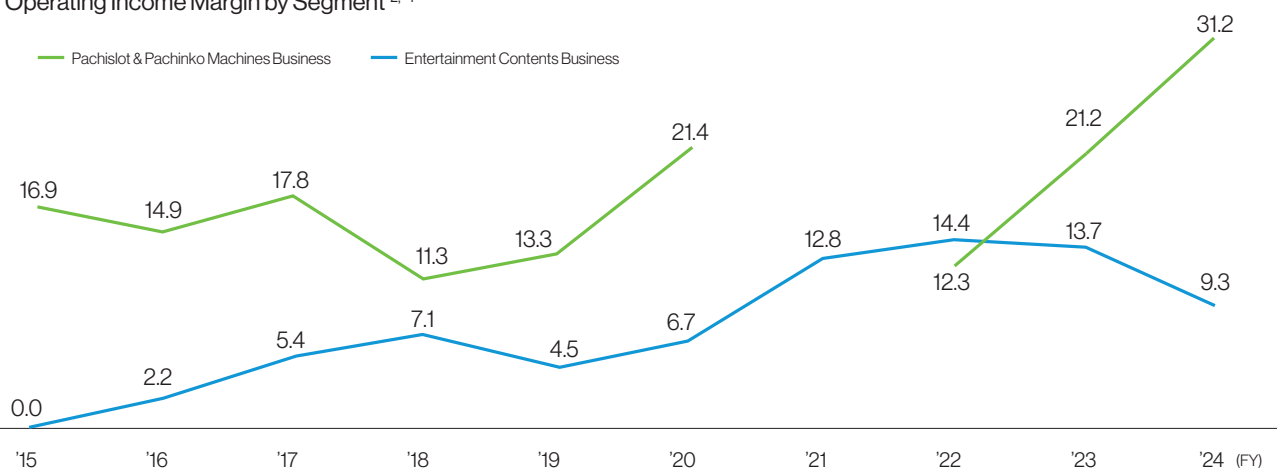
Entertainment Contents Business
Gaming Business
Pachislot & Pachinko Machines Business
Adjustment^{*3}



Operating Income Margin by Segment^{*2, *4}

%

Pachislot & Pachinko Machines Business
Entertainment Contents Business



^{*1} As the recognition of net sales was changed (1) from a net bases to a gross basis and (2) from a shipment bases to a delivery basis in FY2016/3, figures for FY2015/3 reflect these changes retrospectively.

^{*2} Allocation income related to investments in film production in the U.S. was previously included in "non-operating income" but is now included in "net sales" beginning in FY2025/3. In accordance with this change, net sales and operating income for FY2024/3 were changed retrospectively.

^{*3} Elimination of inter-segment transactions and general corporate expenses that are not allocated to the reporting segment are included in the adjustment to segment income (loss).

^{*4} Due to the change in segment classifications for FY2025/3, results for FY2024/3 were retrospectively adjusted (unaudited).

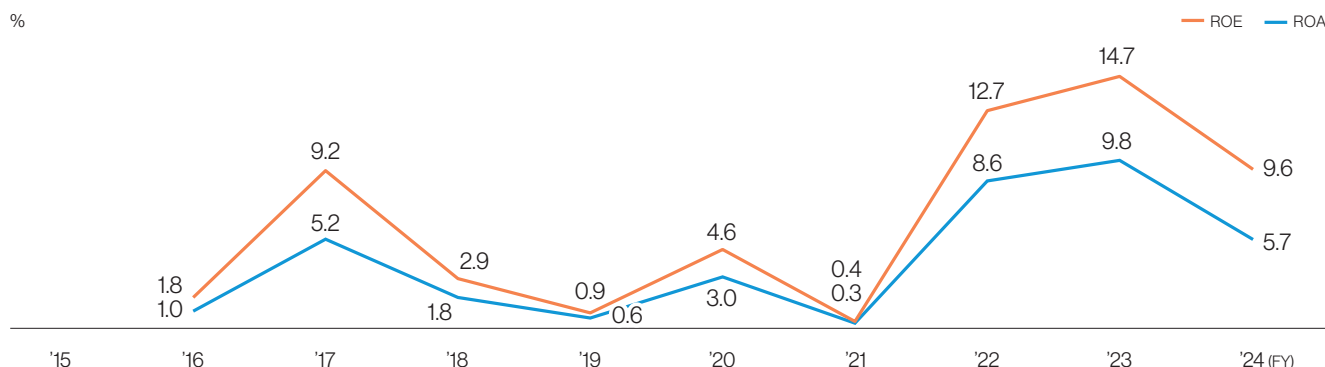
Financial Highlights

ROE / ROA*5

ROE was down 5.1 points year on year to 9.6%.
ROA was down 4.1 points year on year to 5.7%.

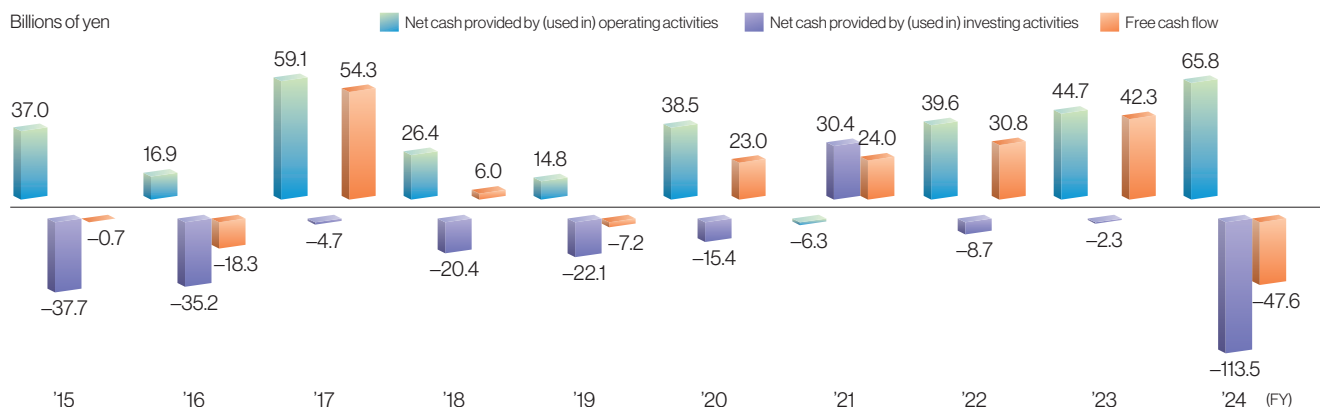
*5 ROA = Profit attributable to owners of parent ÷ Total assets

9.6% / 5.7%



Cash Flows

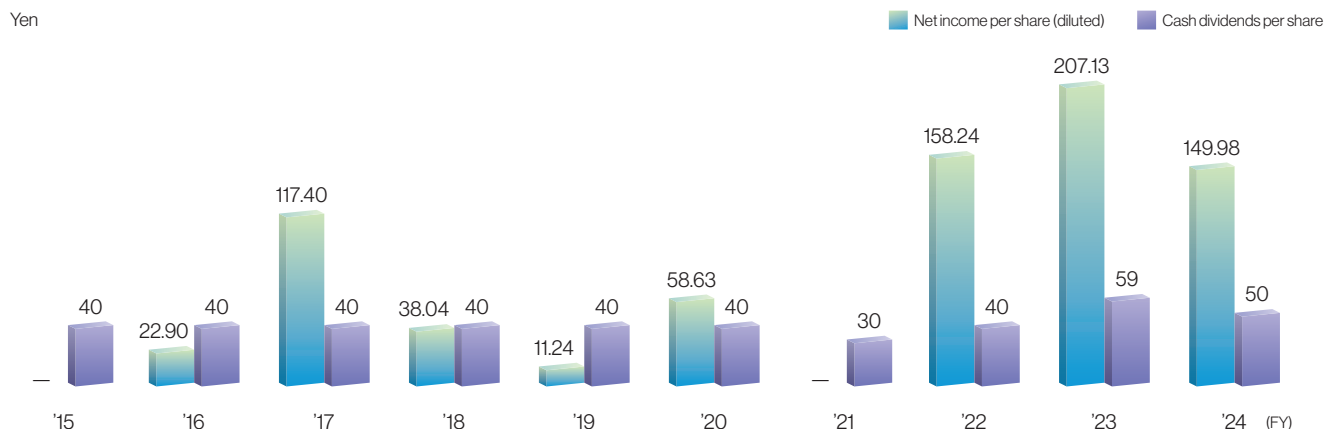
Operating activities provided net cash of ¥65.8 billion for the fiscal year ended March 2024 (compared with an inflow of ¥44.7 billion in the previous fiscal year).
Investing activities used net cash of ¥113.5 billion (compared with an outflow of ¥2.3 billion in the previous fiscal year).



Net Income per Share / Cash Dividends per Share

Net income per share (diluted) was ¥149.98.
The Company paid an annual dividend of ¥50 per share.

¥149.98 / ¥50



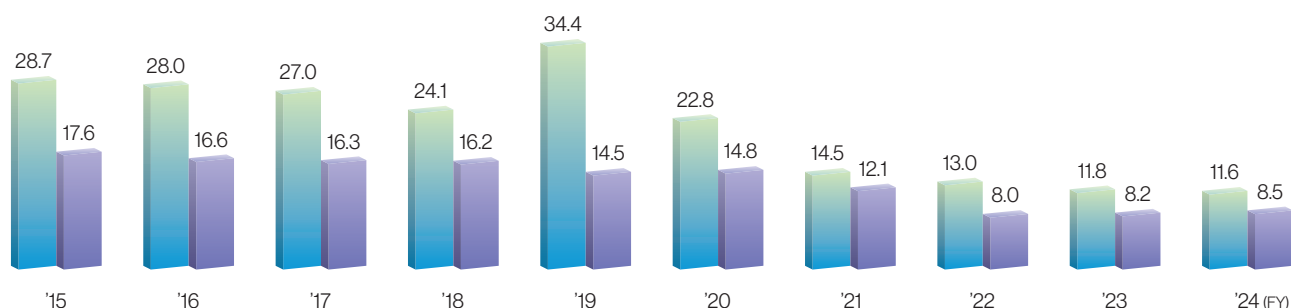
● Capital Expenditures / Depreciation and Amortization

Capital expenditures were down 1.7% year on year to ¥11.6 billion.
Depreciation and amortization increased 3.7% year on year to ¥8.5 billion.

¥11.6 billion / ¥8.5 billion

Billions of yen

Capital expenditures Depreciation and amortization



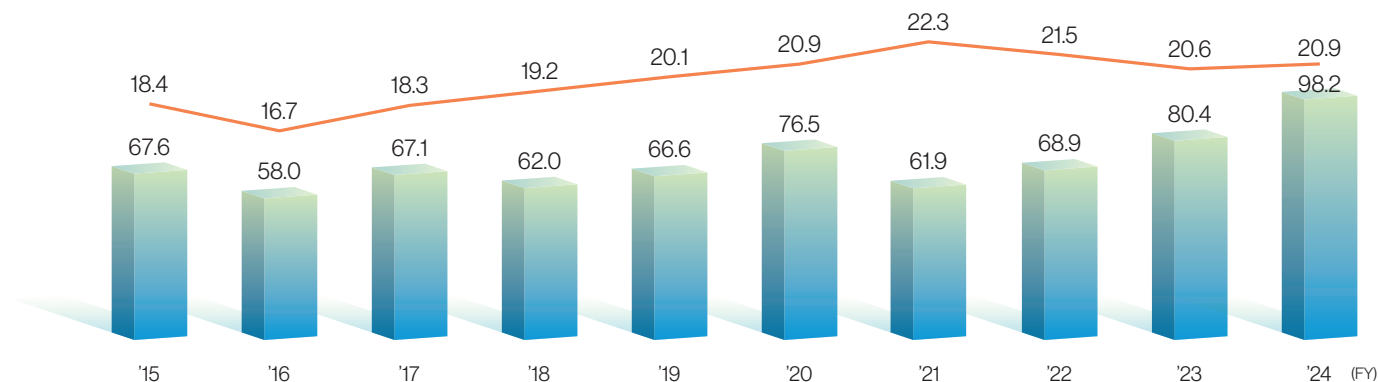
● R&D Expenses and Content Production Expenses / R&D Expenses to Net Sales Ratio

R&D expenses and content production expenses increased 22.1% year on year to ¥98.2 billion.

¥98.2 billion / 20.9%

Billions of yen / %

R&D expenses and content production expenses R&D expenses to net sales ratio



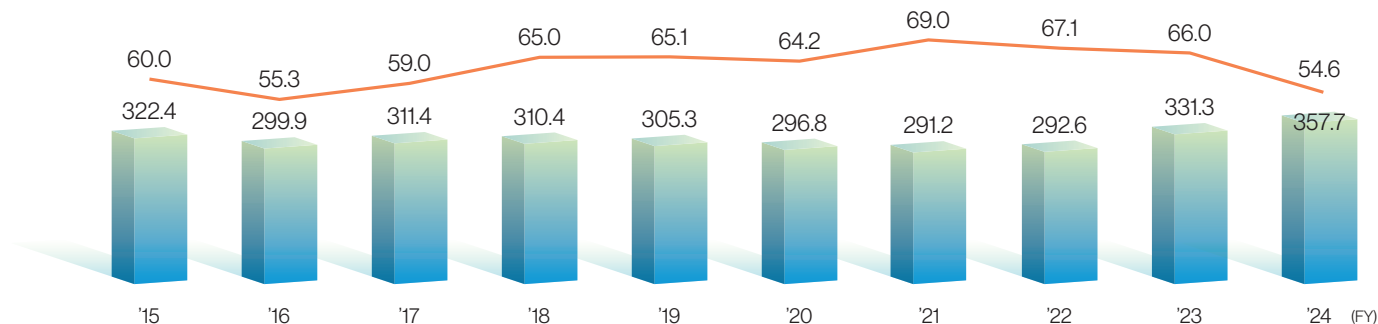
● Total Net Assets / Equity Ratio

Total net assets increased ¥26.4 billion from the end of the previous fiscal year to ¥357.7 billion.
The equity ratio decreased 11.4 points to 54.6%.

¥357.7 billion / 54.6%

Billions of yen / %

Total net assets Equity ratio



Materiality Initiatives

SEGA SAMMY GROUP SUSTAINABILITY VISION

Sustainability helps keep life colorful

We at SEGA SAMMY believe our determination to enhance life with a rich and colorful stream of captivating experiences should be reflected in our approach to sustainability.

It is our responsibility to put sustainability at the heart of everything we do, in tandem with our people, society, and the environment.

SEGA SAMMY will continue to pursue this synergy as a company dedicated to the shared experiences of a colorful world.

GROUP MISSION/PURPOSE

Constantly Creating, Forever Captivating

— Making Life More Colorful —



Materiality Identification Process

For more information on materiality, please visit the following website.

<https://www.segasammy.co.jp/en/sustainability/group-sustainability/group-sustainabilitymateriality/>

STEP
1

Issues Capturing and Materiality Evaluation

In 2019, SEGA SAMMY HOLDINGS established management policies and other policies for CSR and SDGs and held a stakeholder dialogue with the assessment committee organized by professional members of management, human rights, the environment, and more. We engaged in many discussions to identify our Group's unique materiality on the comprehensive perspective by giving feedback from meetings with investors, stockholders, and employees, where opinions and requests were raised, to the Board of Directors meeting.

STEP
2

Issues Identification

In 2020, we evaluated the set materiality themes to ensure their relevance to our businesses. We then redefined the materiality framework by referencing the "SASB Standards." The current five materiality themes were identified by focusing on the value created by our core businesses to meet social needs, achieve a sustainable society, and continuously enhance corporate value, all aligned with our Mission/Purpose of "Constantly Creating, Forever Captivating."

STEP
3

Setting and Approval of Materiality

In April 2022, our Group Sustainability Subcommittee approved the current materiality content and disclosure of the materiality, and the Group Management Strategies Committee (now the Group Management Committee) subsequently held discussions. Following these discussions, the Board of Directors granted its approval.

STEP
4

Progress Monitoring and Reviewing Materiality

Group companies establish their actual action themes, numerical targets, and deadlines for each materiality. They created a flow for periodically monitoring progress by setting medium-term goals based on the materiality themes and holding yearly Group Sustainability Subcommittee and Group Sustainability Promotion Committee to report and assess their progress.

Opinions and requests from our stakeholders are scrutinized in the Group Sustainability Subcommittee and then reviewed and updated to the optimized form after identifying issues by taking into account the importance of social problems and management issues in the context of the social condition, international trends, and external environment, all through ongoing communication with our stakeholders.



Targets and Main Initiatives by Materiality

Materiality	Main initiatives		Targets
Human Resources	Cultural diversity	● Promoting "game change" by increasing culturally diverse human capital	● Culturally diverse human capital: Approx. 900 people (approx. 21% or more)
	Career development for women	● Creating a foundation where people can thrive regardless of gender	● Percentage of women in managerial positions: Approx. 8% or more (approx. 80 people or more)
	Training of core personnel	● Strategic development of human capital who can lead the next generation	● Amount invested in education: ¥4.0 billion or more cumulatively
	Improvement of the work environment	● Maintaining and improving the engagement of human capital	● Engagement score: 58 or above/Rating A or above
Products and Services	● Quality improvement and further promotion of safety and security		● Enhancement of SEGA brand value (Entertainment Contents Business) ● Establishing No. 1 position in the industry (Pachislot & Pachinko Machines Business)
Environment	Scope 1, 2	● Study and implementation of reduction measures	● Reducing group-wide GHG emissions by around 50% (2030) ● Group-wide carbon neutrality (2050)
	Scope 3	● Strengthening supplier engagement ● Consideration of supplier selection criteria ● Consideration of expansion of companies subject to reduction targets and its timing	● Reducing GHG emissions by 22.5% or more
	TCFD initiatives	● Strategy update	
Addiction	● Initiatives related to addressing and preventing addiction and gaming disorders in collaboration with various industry associations ● Continued commitment to addiction research		● Compliance with laws and regulations, voluntary rules, etc. related to addiction ● Contributing to the sound development of the industry ● Implementation of industry-academia collaborative research on addiction
Governance	● Maintaining a corporate governance system that contributes to medium- to long-term improvements in corporate value by ensuring continuous high transparency in management		

Human Resources Strategy

Developing People Who Can Create Captivating Experiences

A Message from the Head of Human Resources

Promoting a new human capital strategy based on HCDGs

Makoto Takahashi

Executive Vice President, Executive Officer



New Human Resources Strategy to Support the Challenge of the Entire Group

The SEGA SAMMY Group has always regarded human capital as one of its material issues to be addressed and has been committed to a human capital strategy. In formulating the new medium-term plan, we reorganized the HR Transformation Vision and the strategies, targets, and measures that are linked to it as Human Capital Development Goals (HCDGs) in order to communicate the Group's approach to human capital to people inside and outside the Group and to gain their understanding and sympathy. In this, we systematically summarized what we should be and what we want to be in order to continue to fulfill our Mission/Purpose, after positioning human capital, the driving force for the creation of captivating experiences, as the most important asset of the Group.

In order to continue taking on the challenge of becoming a Game Changer, we are promoting human capital development, culture fostering, and environment-building throughout the Group under the HCDGs, while at the same time promoting human capital strategies that are optimized for each business with different characteristics. The gaps and issues related to human capital, corresponding measures and quantitative targets, and expected outcomes are structured for the realization of each business strategy.

In this era of rapid change, known as VUCA (Volatility, Uncertainty, Complexity, Ambiguity), we would like to share the context and progress of our human capital strategy with our stakeholders and make necessary updates as needed.

Category	Results for FY2024/3	2030 targets (Announced in May 2022)
Culturally diverse ^{*1} human capital	855 people (20.7%)	Approx. 900 people or more (Approx. 21% or more)
Percentage of female managers	Approx. 7.2% (88 people ^{*2})	Approx. 8% or more (Approx. 80 people or more)
Amount invested in education ^{*3}	Approx. ¥0.52 billion / year (Cumulative total: approx. ¥0.98 billion)	Average ¥0.45 billion / year (Cumulative total: ¥4.0 billion or more)
Engagement score ^{*4}	55.8 (Rating: BBB)	58 or above (Rank: A or above)

^{*1} Certified based on numerous criteria, such as being a foreign national, having overseas residence experience and multicultural experience, and having a certain level of proficiency in languages such as English or Chinese. Human capital who can deal with diverse cultures and use their experiences in their work.

^{*2} Achieved the target number of people. On the other hand, the ratio was not achieved due to an increase in the overall number of employees, and we continue to promote efforts to achieve this goal.

^{*3} Cumulative investment from FY2023/3 to FY2031/3

^{*4} Overall score based on the motivation cloud provided by Link and Motivation Inc.

[Target Company] Culturally diverse human capital, Percentage of female managers, Amount invested in education: SEGA SAMMY HOLDINGS, SEGA (Japan), Sammy / Engagement score: Major Group Companies in Japan

Uniqueness and Viability of Business Strategy



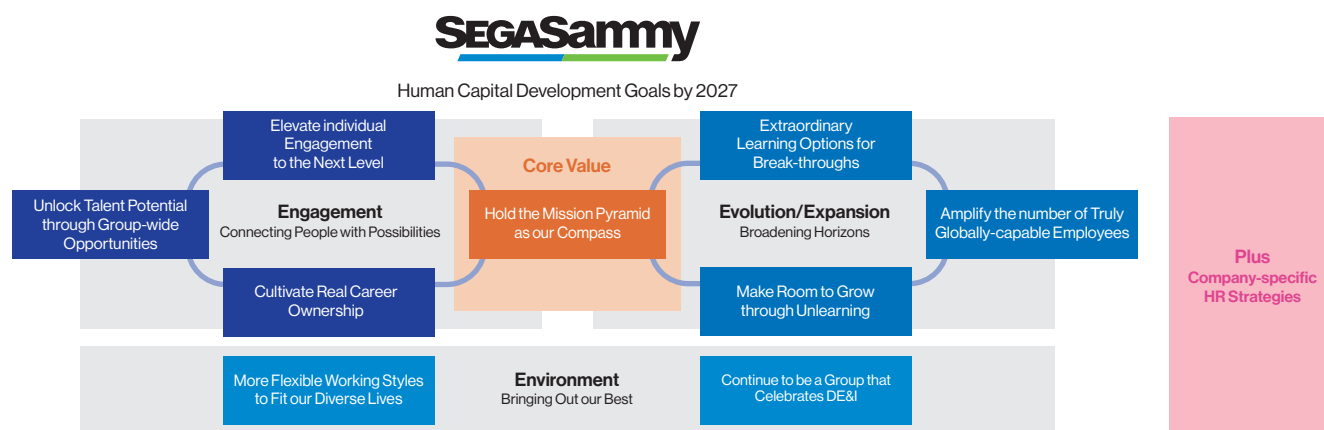
Foundations

Overview of SEGA SAMMY Group Human Resources Strategy

Creating human capital, culture, and an environment that enable all of SEGA SAMMY's challenges

We will promote the HCDGs so that each and every member of the Group can continue to be a Game Changer. By structurally addressing four interrelated and influential themes, we will advance the essential transformation that will lead to sustainability. Each of the panels for each theme represents a more specific goal to be attained, and each is operated with quantitative targets and observation indicators for the entire Group or for each business.

Through the realization of these HCDGs, we will enable all current and future challenges by SEGA SAMMY.



Core Value

With our Mission Pyramid, as our compass, we will mobilize the strengths of our diverse and dynamic human capital.

Major KPI: Mission Pyramid penetration with the Group (measured by periodic surveys) * 48% as of December 2023 (domestic only)

Engagement: Connecting people with Possibilities

We will maximize the power of people in the SEGA SAMMY Group by connecting them to opportunities that make the most of their ambitions and abilities.

Major KPI: Employee engagement survey score

Evolution/Expansion: Broadening Horizons

We will continue to evolve our capabilities and expand our offerings, sowing the seeds for new challenges and growth.

Major KPIs: Investment in Group's educational institution SEGA SAMMY College, Multicultural Talent Ratio

Environment: Bringing Out the Best

We will foster an environment where all activities are conducted fairly, enabling everyone to maximize their abilities.

Major KPI: Percentage of female managers

* Each KPI will be reviewed as necessary according to the progress of strategy.



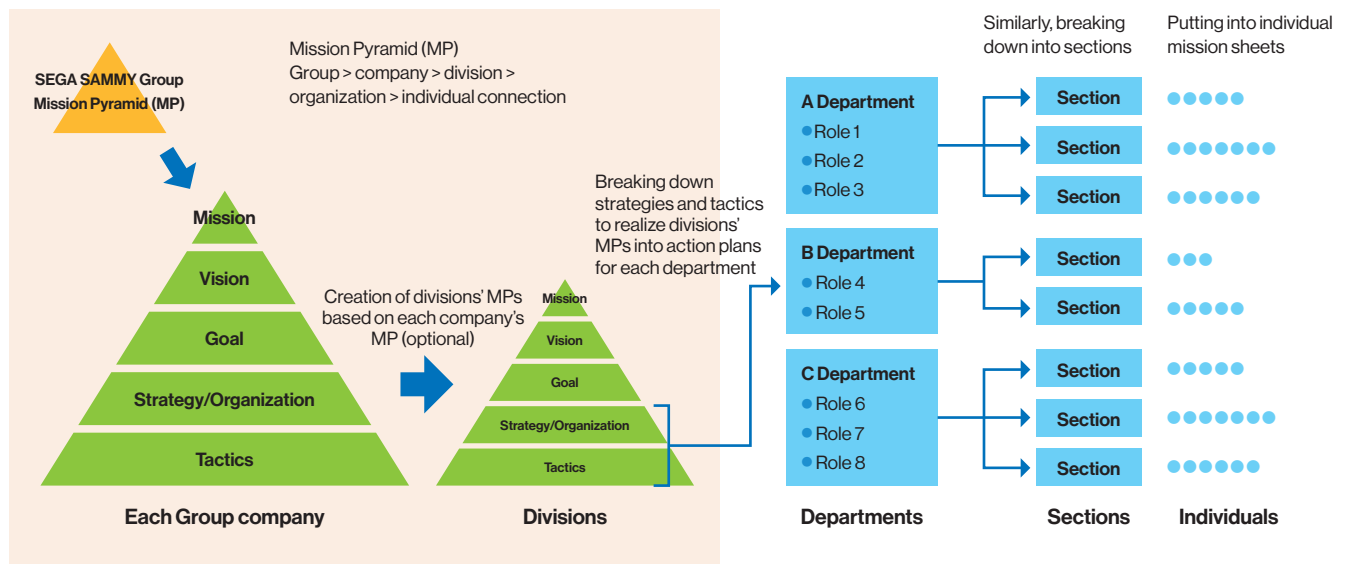
Human Resources Strategy

Core Value

Mission Pyramid as a common absolute axis

The Mission Pyramid (MP) is a framework that literally articulates the organization's Mission/Purpose (raison d'être) and Vision (ideal self), as well as structurally expresses the goals, strategies, organization, and tactics to realize them, and has been in operation for over 10 years. In order to realize the MPs of the higher-level organizations, more specific MPs are set for each of their sub-organizations, and finally broken down into the roles and goals of the individuals who belong to these organizations, thereby clarifying the roles and goals of each individual in a common sense of direction.

To ensure that this framework is used as a living communication tool, all employees have learning opportunities to understand its intent and structure, and it is also linked to the personnel system, education system, and award system. We regularly measure the degree of penetration regarding MPs to identify issues and take countermeasures on an ongoing basis.



SEGA SAMMY's Five Strengths, common mindset/stance to make the most of diversity

SEGA SAMMY's Five Strengths represent the common mindset and stance necessary for diverse human capital to cooperate with each other while demonstrating their individuality.

These are formulated as the common competencies of the Group, modeled on the "human ability" that Hajime Satomi, Chairman and Representative Director of the Group, has valued. In addition to being incorporated directly or indirectly into the human capital requirements and evaluation criteria of each Group company, they are also important learning objectives in management-level and rank-specific training at SEGA SAMMY College, the Group's in-house college, and are part of our systematic efforts to cultivate human capital that is unique to SEGA SAMMY.



- Our Core Qualities -

Drive

Proactively tackle new challenges.

Empathy

Actively build networks based on mutual trust.

Initiative

Keep your goals in mind and act accordingly.

Control

Plan for the future. Act in the present with integrity and sincerity.

Resolve

Realize your potential and complete tasks to the best of your ability.

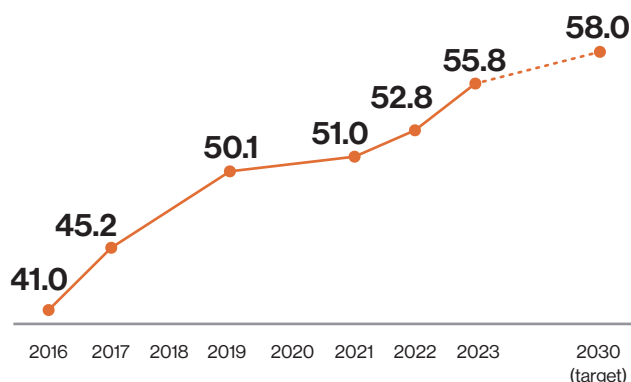
Engagement

To engage with diverse individuals, one by one

The SEGA SAMMY Group has conducted employee engagement surveys since 2016. The ability of each of our human capital to connect with work that matches their thoughts, values, and abilities, and to demonstrate their capabilities, is our driving force in becoming a Game Changer.

The survey visualizes the status of 16 areas related to companies, supervisors, and workplaces, and establishes issues and measures to bring each company closer to its ideal organizational state. As a result of ongoing efforts, the Group's engagement score* reached 55.8 pts (rating: BBB) as of 2023. One goal is to increase this to 58.0 pts (rating: A) by 2030.

* Overall score based on the motivation cloud provided by Link and Motivation Inc.



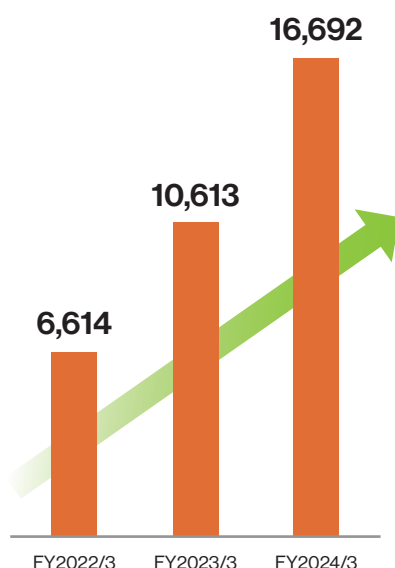
Evolution/Expansion

SEGA SAMMY College, a place for evolution/expansion

SEGA SAMMY College, which opened in conjunction with the relocation of the Group headquarters to Osaki in 2018, offers a wide variety of learning and experience programs for the entire Group to promote the evolution and expansion of human capital and the organization.

We are expanding our programs to include a hierarchical/selective program to develop SEGA SAMMY-like leaders, a voluntary participation-style dojo (training hall) where employees can learn various skills according to their wishes, language education to develop globally competent human capital, and IT courses, including AI and data utilization, to develop human capital for DX. The target employees continue to expand through the digitization (online) and hybridization of training programs, with a total of approximately 16,000 employees using the program annually. It will continue to evolve further as an in-house college that nurtures creators and bearers of captivating experiences.

Number of SS College users per year (total)



Level	Skill concept	SS College: Educational initiatives offered by the Group	
Top management	Conceptual skill Human skill Technical skill	Management school (outside training)	Voluntary participation-style dojo Training menu tailored to the needs of employees, including portable skills, motivation groups (motivation improvement), donation courses (group knowledge sharing), support for acquisition of a qualification, and overseas study programs
		Satomi Cram School	
		Haruki Cram School	
		Mirai Cram School	
Management		Directors	
		Managers	
		Compulsory dojo • Management strategies • Accounting • Organizational behavior and leadership	
		Leading Players	
Leader		Compulsory dojo • Logical thinking • Issue-identifying ability • Marketing	
		Growing Players	
Young employees		How to Get Around SEGA SAMMY	
New employees			

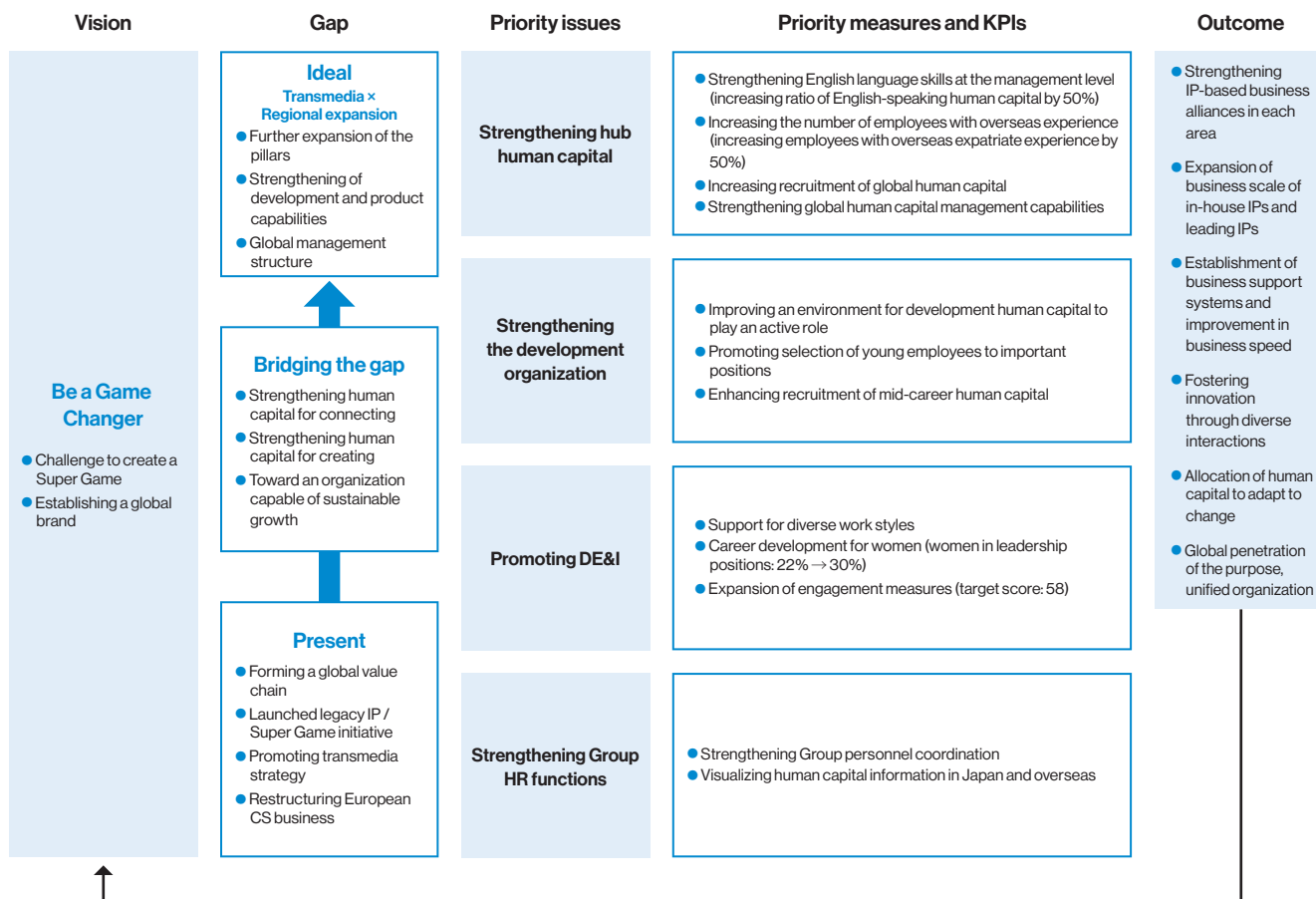


Human Resources Strategy

Business-specific Human Resources Strategies

SEGA

SEGA has positioned the strengthening of hub human capital that connects Japan and overseas as a priority issue in pursuing its transmedia strategy and regional expansion, and is promoting various measures to strengthen relationships in Japan and overseas.



Entertainment Contents Business

Enhancing Hub Function to Connect Japan and Overseas

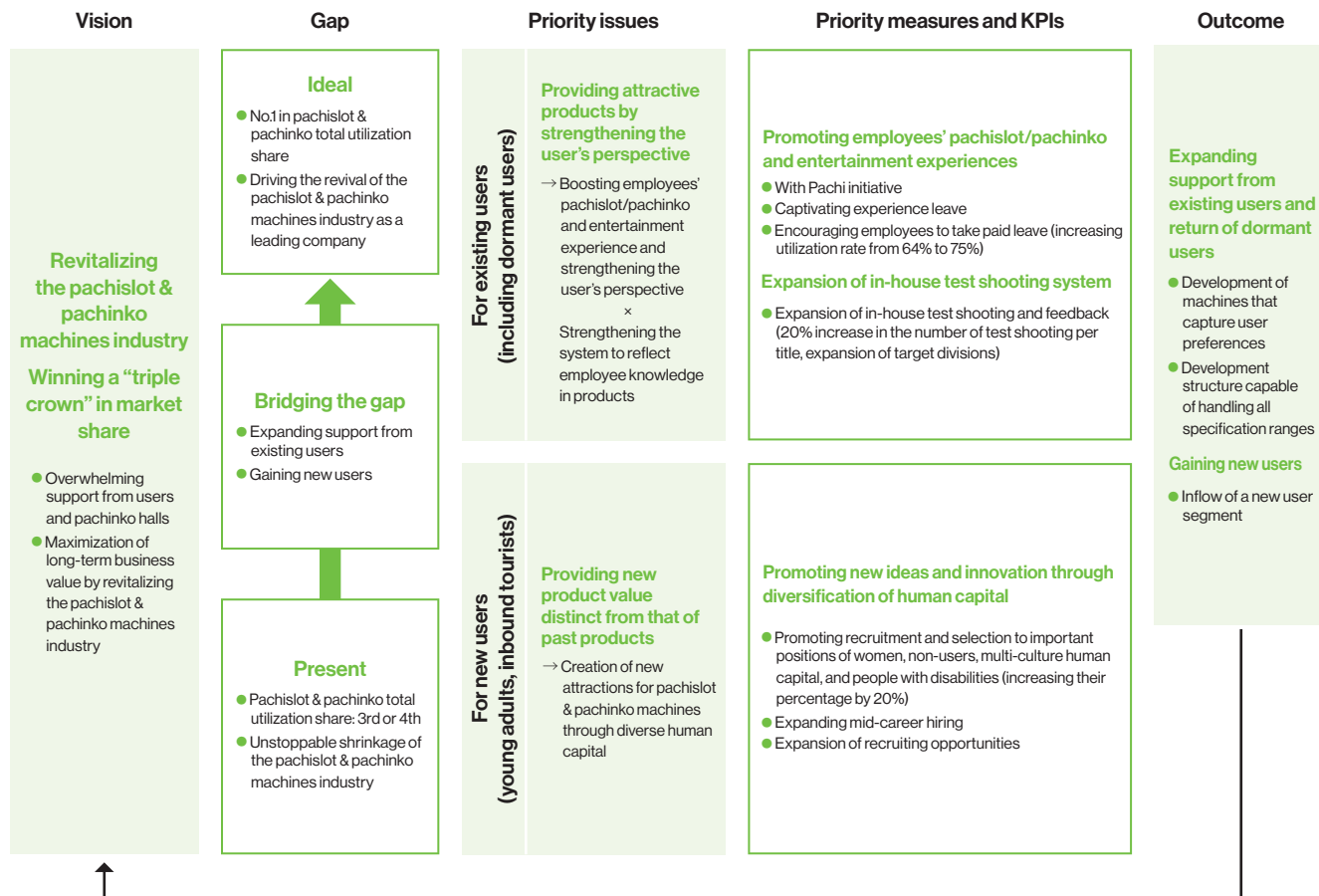
SEGA is pursuing a transmedia strategy that simultaneously promotes the expansion of IP development areas and regional expansion. In executing such strategies, it is important to develop and strengthen hub human capital who can realize business collaboration with global players and cooperation between development studios and overseas operating companies. Currently, we are dispatching expatriates from Japan to six countries and regions, and we aim to increase the number of such employees with overseas assignment experience to 150% of the current level. In addition, we have been focusing on global recruitment for some time, and approximately 20% of our new hires are global human capital. In the future, we will further increase the ratio of English-speaking employees in managerial positions by adding and expanding language training programs.

By increasing the number of hub human capital and strengthening English language skills at the management level, we will further promote the transmedia strategy by enhancing cooperation between the development studios and overseas operating companies and business alliances with global players.



Sammy

At Sammy, we consider the fact that we have employees who love pachislot/pachinko and entertainment to be our greatest strength and asset. We will continue to offer more attractive products through a system that further encourages employees to experience pachislot/pachinko and entertainment and feeds back their knowledge to our products.



Pachislot & Pachinko Machines Business

For Offering Attractive Products

Sammy sees offering products that are supported by users as an important issue in expanding its share of the pachislot & pachinko machines market, and is promoting manufacturing from the user's perspective in order to meet the diverse needs of a wide range of users.

Currently, 82.9% of Sammy employees play pachislot/pachinko machines, with an annual play frequency of 78.1 times, which is significantly higher than the general user participation rate, according to the *White Paper on Leisure Industry*. Sammy encourages employees to experience pachislot/pachinko and entertainment because we believe that having employees play and be users is a strength that leads to understanding user perspectives and providing attractive products. We have implemented various measures to increase the amount of time employees spend experiencing entertainment such as With Pachi, a program that provides support for two or more employees to play pachislot/pachinko together; holding events such as Company-wide Test Shooting Day for in-house products; and promoting the use of captivating experience leave, a special leave for experiencing entertainment. All of these measures are reflected in the development of our own products through in-house questionnaires and feedback.

In addition, we have set up a mock hall called Parlor Sammy to create an environment where employees can freely try out products under development. We are promoting measures to reflect the frank opinions obtained there in our products for further refinement. We will increase the number of in-house test shooters to 1.2 times the current number in the future to further improve quality.





Providing Safe, Dependable, and Innovative Products and Services



Safety and Security

E Initiatives of the Global Product Operations Division

SEGA is increasing its touchpoints with customers through the multi-platform global expansion of our game titles. Simultaneously releasing a game globally across several platforms calls for a number of processes to be brought together thoroughly and seamlessly. We must ensure that game quality meets the standards of each platform and of SEGA. At the same time, we must observe the laws and regulations of each country and region where the game is released, while also localizing the game into many languages and ensuring that the creative expression of the game is ethically appropriate.

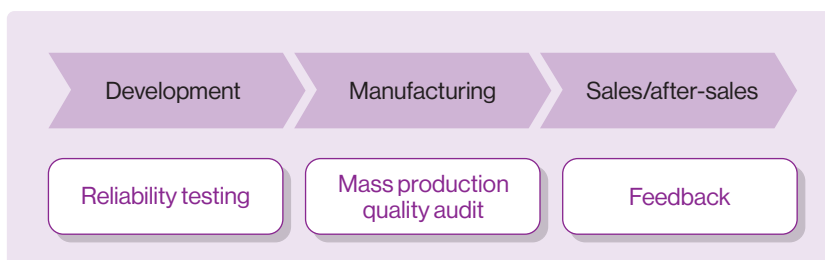
In response to this situation, the Global Product Operations Division is working to develop guidelines for various workflows at SEGA's development and publishing sites in Japan, Asia, North America, and Europe with the aim of improving execution accuracy and optimizing its processes. In addition, the Global Product Operations Division shares and disseminates information, such as laws, regulations, and guidelines that should be complied with in the target region, on the company's intranet and through study sessions and other means.

For example, in order to ensure that customers can purchase games with no worry, there is a rating system that indicates the target age range, etc., based on the content of the game title. Various rating review organizations and standards exist in different countries and regions, and games must be reviewed by these organizations prior to their release. In this process, the Global Product Operations Division also serves as a hub, working closely with our offices around the world to ensure that the screening process in all countries and regions required for global expansion is carried out appropriately and efficiently.

P Thorough Quality Assurance System

Sammy has put in place a thorough safety management system. It has established a Quality Assurance Department as a dedicated organization in its commitment to ensuring zero major defects that would affect personal physical safety.

In addition, we conduct not only in-house quality audits, but also audits of domestic and overseas cooperating factories utilizing online tools as well.



E Entertainment Contents Business **P** Pachislot & Pachinko Machines Business **G** Gaming Business **SS** Group

Quality Improvement

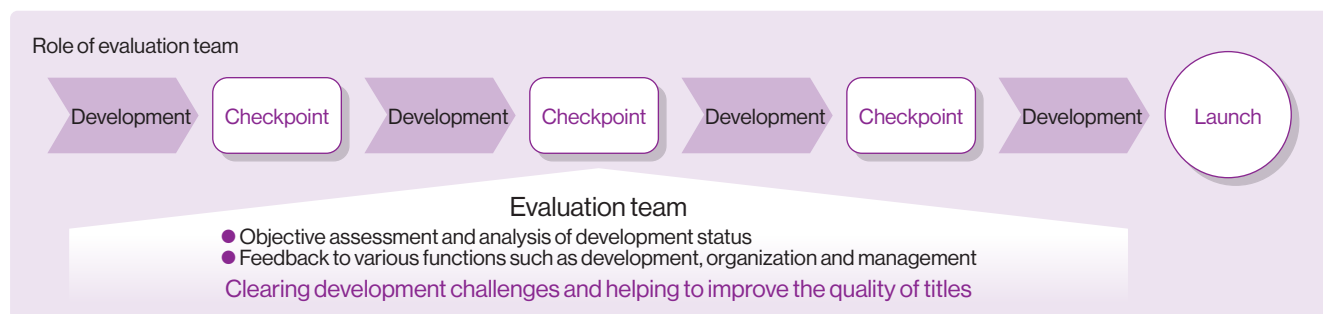
E Evaluation Team that Supports the Fun of Each Title

At SEGA, we have an in-house evaluation team that assesses the titles we develop for smartphones and video game consoles by measuring the level of fun that they offer.

The evaluation team objectively assesses the titles, comparing the final version against the concept set by the development department at the time of game planning. The team checks whether a unique appeal has been achieved for the title, and whether customers can enjoy the game as originally intended. This evaluation process has been introduced for all titles, including those developed by our European studios, and evaluation teams were also set up at our European locations. The evaluation teams in Japan and Europe work closely together to ensure that evaluations are properly conducted at each site.

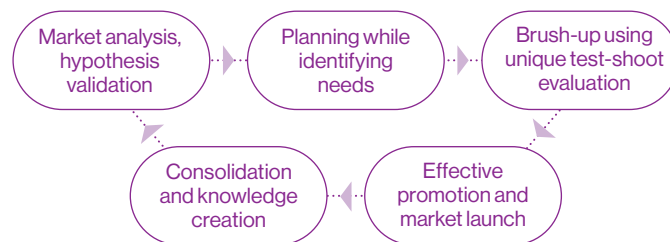
Evaluations are made not only by our in-house evaluation team but also by customers who enjoy our games, and by external game evaluation organizations. We incorporate multiple perspectives into the development process by gathering feedback from the main target markets to make our games enjoyable and meet our customers' expectations.

These evaluation results are also used by management and the development department to review and discuss the development status, and help improve the quality of SEGA's games.



P User-oriented Development Process

While planning, Sammy uses data-based market analysis and hypothesis validation to identify targets and needs. We have also put in place a system for enhancing the level of perfection with a unique test-shoot evaluation system that provides more user-oriented evaluations.



P Brush-up Using Highly Unique Test-shoot Evaluation

Sammy is leveraging industry-leading human capital for development to deploy a massive 100-people scale test-shoot evaluation into the development process. In addition, we have installed a mock hall (Parlor Sammy) that closely resembles the actual play environment, and are working to refine our products. These efforts have led to the creation of hit titles such as *Pachislot Kabaneri of the Iron Fortress* and *Smart Pachislot Hokuto No Ken*.





SEGA SAMMY Colorful Carbon Zero*¹

Our Efforts for the Environment

The SEGA SAMMY Group has been working on effectively using energy, reducing the environmental load from offices and production bases, and adopting environmentally conscious designs of products/services to combat global warming. In May 2022, we set a quantitative target for reducing greenhouse gas (GHG) emissions. In Scope 1 and 2, we aim to reduce group-wide emissions by around 50% by 2030 based on the fiscal year ended March 2021 and achieve carbon neutrality by 2050. In Scope 3, SEGA CORPORATION and Sammy Corporation, the Group's major operating companies, aim to achieve a more than 22.5% reduction by 2030. This endeavor will be realized through engagement with suppliers, including supplier surveys and collaborations to address climate change issues.

SS Transition to Alternative Fuel Vehicles and Implementation of Photovoltaic Systems

To reduce our group-wide Scope 1 (direct) emissions in Japan, we plan to replace company vehicles used by sales departments, production and development departments, and executives with environmentally friendly vehicles. We also plan to gradually transition to non-gasoline vehicles by comprehensively assessing the price, load capacity, and selection options for leased company vehicles.

To reduce our Scope 2 (indirect) emissions, we plan to gradually transition to green power (or renewable energy), using green power certificates to offset any shortfalls.

Roadmap to Carbon Neutrality

2021 >

**Entertainment
Contents Business**

**Pachislot & Pachinko
Machines Business**

Gaming Business

Switch to non-gasoline vehicles

Adoption of "raw green" electricity

Purchase of green energy certificates

Introduction of photovoltaic equipment and services

Under investigation/review

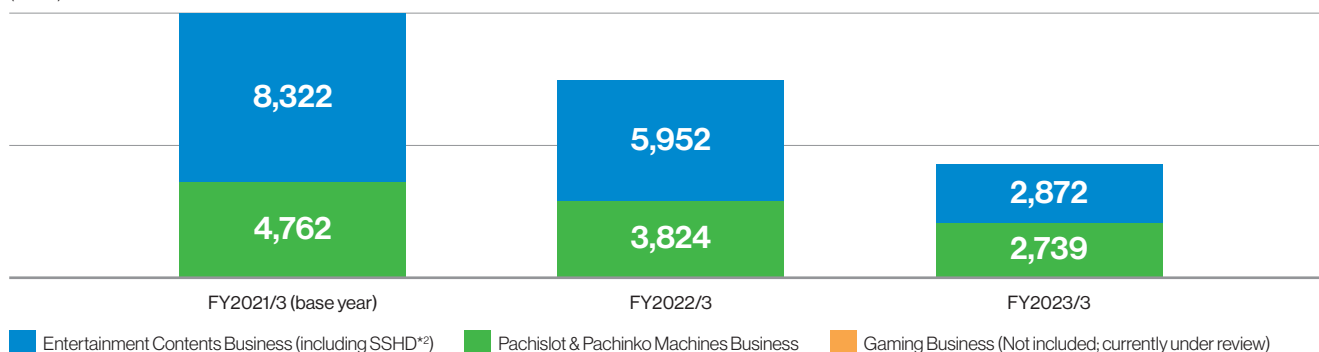
*1 SEGA SAMMY Colorful Carbon Zero is the name of the action plan to promote the Group's efforts to reduce greenhouse gas emissions. "Colorful" conveys the idea of using a variety of measures to achieve zero carbon emissions.

*2 SEGA SAMMY HOLDINGS INC.

E Entertainment Contents Business **P** Pachislot & Pachinko Machines Business **G** Gaming Business **SS** Group

● SEGA SAMMY Group Scope 1 and 2 Greenhouse Gas Emissions (Actual)

(t-CO₂)



SS Expansion of Measures for Suppliers

The Group aims to reduce Scope 3 greenhouse gas (GHG) emissions, and as part of this effort, starting from the fiscal year ended March 2022, it has conducted surveys for suppliers that have a significant impact on GHG emission reductions to identify the aggregate results of GHG emissions, reduction targets, and status of reduction activities. The scope of coverage expanded from 24 companies in the fiscal year ended March 2022 to 59 companies in the fiscal year ended March 2024. The Group is also expanding other measures for suppliers, such as supplier survey briefings, sustainability study sessions for suppliers, and individual dialogues with suppliers. Through these measures, we increase engagement with our suppliers and use the results obtained to reduce GHG emissions in our supply chain. (53 companies participated in briefings, 53 companies participated in study sessions, and 1 company attended an individual dialogue)

2030 >

Achieve carbon neutrality in the Entertainment Contents Business and Pachislot & Pachinko Machines Business.
Reduce group-wide carbon emissions by around 50%.

2050

Group-wide carbon neutrality

CO₂

Disclosure Based on TCFD Recommendations

The Purpose of Expressing Support for TCFD and Participating in the TCFD Consortium

The Group has implemented climate-related financial disclosure in line with the TCFD framework since 2022.

In June of the same year, the Group announced its endorsement of the key recommendations of the final report (TCFD Recommendations) of the Task Force on Climate-related Financial Disclosure (TCFD), which provides a framework for climate-related information disclosure and serves as guidelines to verify the adequacy of the Group's measures related to climate change.

In addition, as a member of the TCFD Consortium, which comprises companies and financial institutions supporting the TCFD, we are actively exchanging information with other supporting companies and financial institutions to ensure more effective information disclosure.



Governance

As an organization to discuss and deliberate on the fundamental policies and critical matters related to the Group's climate change, we established the Group Sustainability Subcommittee within the Group Management Committee, an optional committee, in April 2022. The Group Sustainability Subcommittee comprises the President and Group CEO of the Company, as well as directors and members of the Board Audit Committee who are consistent with sustainability in the skills matrix of the Board of Directors. Additionally, it includes the CFO of the Group, ensuring compliance with TCFD disclosure requirements. The Sustainability Division of the Company manages the secretariat.

The Board of Directors receives reports on the policies and plans developed in the Group Sustainability Subcommittee, approves them as appropriate, receives semi-annual reports on progress, and conducts oversight regarding the response to climate-related risks and opportunities. Further, as one of the criteria for determining business portfolios and assessing large investments and loans, the Board checks for sustainability, including climate-related risks.

Strategy

To assess the potential risks and opportunities arising from future climate change and their financial implications for our business activities, we have conducted scenario analysis methods using the TCFD framework.

We disclose the results of our scenario analysis based on three axes: short-term (within 2 years), medium-term (over 2 years to within 10 years), and long-term (over 10 years) for the timing of the emergence of climate change-related risks and opportunities that are expected to have a significant impact on the Group.

● Scenario Analysis Results (Risks/Opportunities, Financial Impact)

Broad Category	Middle Category	Risks/opportunities item	Timing	Impact on the SEGA SAMMY Group [● Risk ● Opportunity]	Impact level
Transition risks/opportunities	Changes to policies and regulatory requirements	Introduction of GHG emission regulations and carbon taxes	Medium/long term	● The carbon tax burden will increase if governments adopt tighter climate change-related regulations and apply carbon taxes to greenhouse gas emissions.	Small
			Medium/long term	● If governments adopt tighter climate change-related regulations and apply carbon taxes to greenhouse gas emissions, manufacturers will pass on the resulting increase in the carbon tax burden, leading to higher procurement costs.	Large
	Efforts to improve resource efficiency	Reduction of parts, materials, and packaging through environment focused changes to marketing formats	Medium/long term	● Parts and packaging will be reduced, along with costs, by shifting to online sales for video game and environment-friendly marketing format for sales of pachislot & pachinko machines.	Large

Short term: within 2 years, Medium term: over 2 years to within 10 years, Long term: over 10 years



Please see our website for details on disclosure based on the TCFD recommendations.
<https://www.segasammy.co.jp/en/sustainability/esg/tcf/>

Carbon Pricing

For carbon pricing, which can be quantitatively evaluated based on the third-party assurance of greenhouse gas emissions, our calculations are based on the following method.

In the future, we will continue to explore the possibility of disclosing quantitative evaluations for items beyond carbon pricing.

Greenhouse gas emissions (Scope 1 and 2) were calculated by multiplying the emission unit by the activity volume and multiplying it by the assumed carbon tax price for each 1.5°C scenario and 4°C scenario to assess the impact of carbon pricing.

In 2030, the projected carbon tax burden would be ¥410 million in the 1.5°C scenario and ¥120 million in the 4°C scenario, and in 2050 it would be ¥740 million in the 1.5°C scenario and ¥260 million in the 4°C scenario. Our ongoing commitment is to reduce greenhouse gas emissions by around 50% by 2030 and achieve carbon neutrality by 2050 as a group-wide objective.

Scenario	2030	2050
1.5°C scenario	–¥410 million	–¥740 million
4°C scenario	–¥120 million	–¥260 million

*1 Assumed carbon tax price: (1.5°C scenario) US\$140/t-CO₂ in 2030, US\$250/t-CO₂ in 2050, (4°C scenario) US\$42/t-CO₂ in 2030, US\$89/t-CO₂ in 2050 (quoted from IEA (World Energy Outlook 2023)), assuming an exchange rate of US \$1 = ¥141 (adopting the AR at the time of our second quarter results for the fiscal year ended March 2024)

*2 Assuming that Scope 1 and 2 are targeted, greenhouse gas emissions are the same as in the fiscal year ended March 2023.

Risk Management

The Company has identified climate change-related risks expected to significantly affect the Group as follows:

- Risks related to the “transition” to a low-carbon economy Climate change policies, regulations, technological development, market trends, and evaluations
- Risks related to “physical” changes caused by climate change Acute or chronic damage caused by disasters brought about by climate change

In addition, for climate change-related risks anticipated to have a significant impact, we evaluate their importance based on the impact assessment criteria using internal indicators.

Indicators and Targets

(a) Metrics Used by the Organization to Assess Climate Change-Related Risks and Opportunities in Line with its Strategy and Risk Management Process

The Group has established greenhouse gas emissions (Scope 1, 2, 3) as a metric for managing climate change-related risks and opportunities.

(b) Scope 1, Scope 2, and, if Applicable, Scope 3 Greenhouse Gas Emissions and Related Risks

The Group has been working on calculating the greenhouse gas emissions of the entire group since the fiscal year ended March 2015.

For the fiscal year ended March 2023, the Group has obtained third-party assurance from SOCOTEC Certification Japan for Scope 1, 2, and 3 greenhouse gas emissions.

● SEGA SAMMY Group Scope 1, 2, and 3 Greenhouse Gas Emissions Performance for FY2023/3

Category	Emissions (t-CO ₂)*3	Share (%)
Scope 1	6,620	0.8
Scope 2	14,469	1.8
Scope 3	761,242	97.3
Total of Scope 1, 2 and 3	782,331	100.0

*3 Obtained third-party assurance from SOCOTEC Certification Japan



Addiction

Prevention of Addictions and Disorders

Main Activities and Milestones		2030 Targets
SEGA	Survey and research on gaming disorders conducted by four gaming-related organizations in Japan	Compliance with laws and regulations, voluntary rules related to addiction, etc. Contributing to the sound development of the industry Implementation of industry-academia collaborative research on addiction
Sammy	Promotion of measures to combat addiction such as gambling, primarily with industry organizations	
SSHJ	Monitoring of industry-academia collaborative research results with Kyoto University	

Proactively Addressing the Increasing Impact of Negative Aspects as the Business Expands

Compliance with laws, regulations, voluntary rules, etc.

Engagement in industry organization initiatives

Implementing SEGA SAMMY's own initiatives

E Collaboration with Industry Groups

At the World Health Assembly in May 2019, the World Health Organization (WHO) recognized "gaming disorder" as a disease, defining it as a pattern of excessive online and video gaming. In Japan, the Computer Entertainment Supplier's Association (CESA), the Japan Online Game Association (JOGA), the Mobile Content Forum (MCF), and the Japan eSports Union (JeSU) jointly established a study group to conduct surveys and research relating to phenomena triggered by game play, and to educate the public about appropriate ways to enjoy video games. In April 2023, a report entitled "Survey and Research Results on Gaming Disorders" commissioned by the study group and conducted by external experts was published.

The Group will continue to address these issues appropriately in cooperation with the study group, aiming to foster the healthy development of the video game industry.

E Entertainment Contents Business **P** Pachislot & Pachinko Machines Business **G** Gaming Business **SS** Group

Addiction Countermeasures in the Pachislot & Pachinko Machines Business

P Support for the Recovery Support Network, a telephone helpline services

The Group began to implement initiatives against addiction following the establishment of the Society for Research on Pachinko Addiction in 2003. The Recovery Support Network (RSN), founded in 2006 with the support of various groups within the industry, has also introduced a wide range of initiatives, including awareness-raising activities and telephone helpline services.

P Activities during Pachislot & Pachinko Addiction Awareness Week

Pachislot & Pachinko Addiction Awareness Week is held in Japan every year from May 14 to May 20 with the aim of raising awareness about pachislot & pachinko addiction. Centered around Awareness Week, in addition to holding forums to broaden understanding of these issues, industry organizations are also engaged in Awareness Week poster campaigns and other activities. The Group will continue to support and contribute to the sound development of the industry through these activities.

● Addition Countermeasures in the Pachislot & Pachinko Industry

2003 Establishment of the Society for Research on Pachinko Addiction
2006 Establishment of the Recovery Support Network (RSN)
2017 Release of a statement on pachinko & pachislot addiction
2018 Replacement of pachislot & pachinko machines with new models that comply with revised regulations
 Establishment of the Advisory Council on Addiction Countermeasures in the Pachinko and Pachislot Industry (a committee of independent experts)

2019 Formulation of Basic Guidelines for Addressing Pachinko Addiction
 Formulation of Basic Guidelines for the Pachinko and Pachislot Industry for Addressing Addiction
2020 National Police Agency expresses expectations for promoting measures to address addiction and urges at a meeting of the Board of Directors of the Japan Federation of Gaming Business Associations
2022 Beginning of smart pachislot installation to the market
2023 Beginning of smart pachinko installation to the market

● For explanation of smart pachislot & smart pachinko, see P. 25

SS Industry–Academia Joint Research Project on Gambling Addiction

SEGA SAMMY HOLDINGS and Kyoto University are jointly conducting a process research project* on gambling addiction, involving the collection and analysis of data related to the progression of gambling behaviors. The goal of this research is to identify early warning signs of dangerous gambling behavior by collecting and analyzing playing data from casinos.

The Group intends to utilize the findings from this research to establish systems for the early identification of players displaying signs of addiction, aiming to prevent further escalation. Additionally, we plan to create facility operations that promote self-control and restraint among users. This approach will help us build an integrated framework for addressing gambling addiction, covering education, prevention, and treatment in cooperation with medical institutions and other organizations.

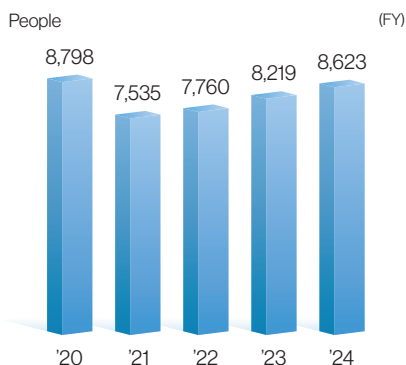
To date, our studies have analyzed playing data, particularly concerning the influence of prior wins or losses on subsequent betting behavior in the process of repeated gambling sessions. We have concentrated on analyzing playing data from the card game baccarat. Results from the joint research showed that repeated gambling behavior results in a tendency to increase the size of bets, regardless of whether the gambler wins or loses, and that this pattern is especially pronounced after a win. It was also found that the percentage of individuals engaging in risky gambling tends to rise after repeated wins. These findings were also published in the research journal *International Gambling Studies*.

* This research project is being conducted from December 2017 to March 2026 at the Kokoro Research Center Kyoto University

Non-Financial Highlights

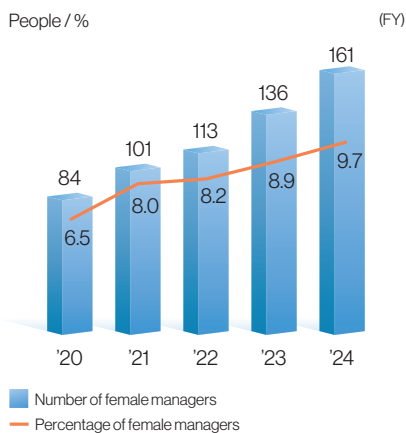
Human Capital Data

Number of Employees**1

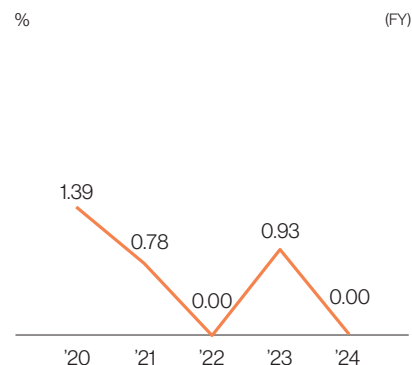


Note: The number of employees increased in FY2020/3, mainly due to the transfer of temporary workers in the Entertainment Contents Business to permanent employment contracts.

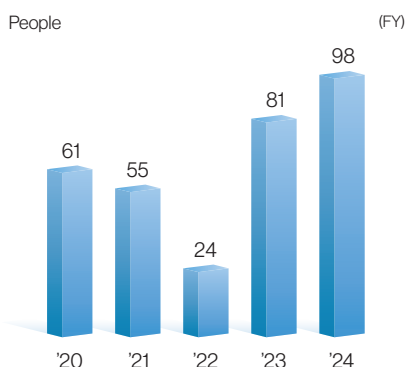
Number and Percentage of Female Managers



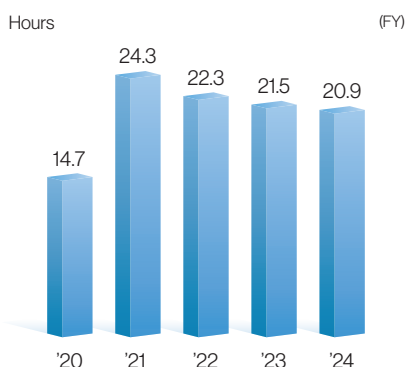
New Employee Turnover Rate**2



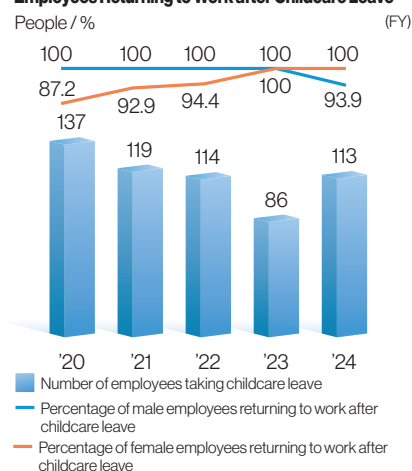
Employees Rehired after Retirement



Average Overtime Hours per Month



Employees Taking Childcare Leave and Percentage of Employees Returning to Work after Childcare Leave



Other Indicators (FY)

	2020	2021	2022	2023	2024
Mid-Career Hires (People)	196	97	131	310	332
Hiring of People with Disabilities*3 (People)	103	98	129	135	147
Employees Taking Maternity Leave (People)	70	48	39	38	34
Days of Paid Leave Taken*4 (Full-time employees) (Days)	—	11.0	12.0	14.5	14.7
Percentage of Paid Leave Taken*4 *5 (Full-time employees) (%)	—	50.7	56.6	65.6	69.3
Days of Volunteer Leave Taken (Days)	18	0	26	8	7
Employees Taking Volunteer Leave (People)	16	0	19	31	31
Difference in wages between male and female workers (all workers) (%)*6	—	—	—	76.5	76.5

*1 Group consolidated figures

*2 Companies in scope: 3 domestic companies (SEGA SAMMY HOLDINGS, SEGA, Sammy)

*3 Number of people with disabilities employed by Group companies subject to the Employment Rate System for Persons with Disabilities

*4 Figures are shown from FY2021/3 due to a revised calculation method.

*5 Calculated by dividing the number of paid leave days taken by the number of statutory annual paid leave days. Includes statutory annual paid leave days at some Group companies.

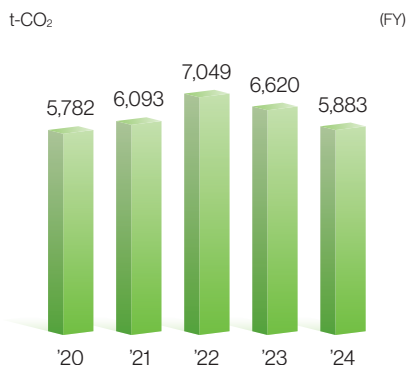
*6 The company in scope is SEGA SAMMY HOLDINGS Inc. The calculation method used is average annual income of female employees divided by average annual income of male employees.

Scope of Data

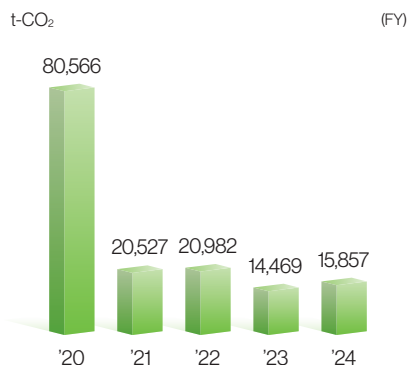
● FY2020/3: 14 domestic companies, FY2021/3: 12 domestic companies, FY2022/3: 10 domestic companies, FY2023/3: 11 domestic companies, FY2024/3: 12 domestic companies (SEGA SAMMY HOLDINGS, SEGA, Sammy, ATLUS, Sammy Networks, SEGA FAVE, SEGA Logistics Service, DARTSLIVE, TMS ENTERTAINMENT, PHOENIX RESORT, SEGA SAMMY CREATION, MARZA ANIMATION PLANET)

● Environmental Data

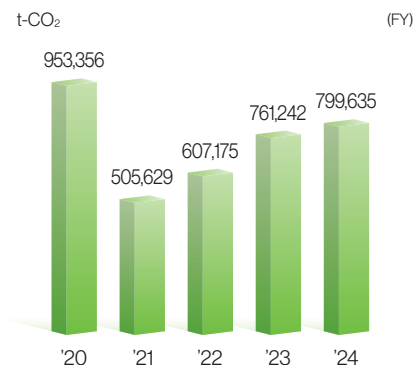
CO₂ Emissions (Scope 1)*1



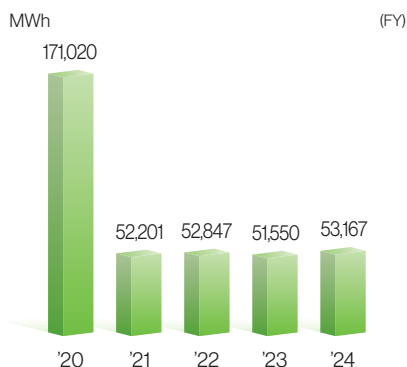
CO₂ Emissions (Scope 2)*1



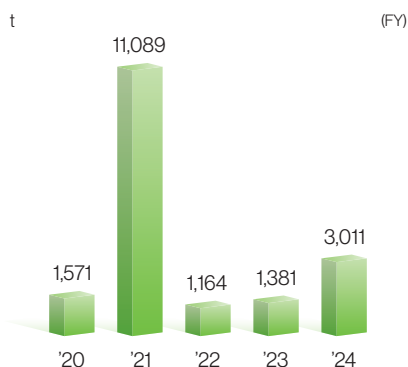
CO₂ Emissions (Scope 3)*1



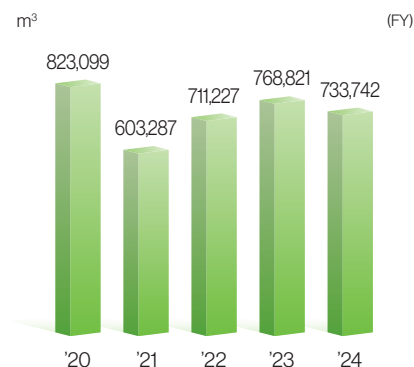
Electricity Usage*2



Industrial Waste Discharge*2



Water Consumption*2



Notes 1: Aggregate data includes estimated values calculated based on total floor area and other factors.

2: Coefficient for greenhouse gas emissions from purchased electricity: Adjusted emission coefficients for each electricity provider for the fiscal year prior to each reporting fiscal year

3: There are changes from the previous year's figures due to a review of the calculation method used when obtaining a third-party assurance.

*1 Third-party assurance is obtained for data for FY2021/3 to FY2023/3.

*2 Third-party assurance is obtained for data for FY2023/3.

*1, 2 Data for FY2024/3 are figures before third-party assurance and are subject to change.

Number of Violations of Environmental Laws and Regulations (FY)

	2020	2021	2022	2023	2024
	0	0	0	0	0

Environmental Indicators at Sammy's Kawagoe Factory (FY)

	2020	2021	2022	2023	2024
Pachislot & pachinko machines recycle rate (total for pachislot & pachinko machines) (%)	95.4	98.6	96.4	98.3	89.8

Note: Effect of changes to the processing methods for some materials from FY2024/3.

Scope of Data

● FY2020/3: 13 domestic companies, FY2021/3: 19 domestic companies, FY2022/3: 19 domestic companies, FY2023/3: 19 domestic companies, FY2024/3: 19 domestic companies (SEGA SAMMY HOLDINGS, SEGA, Sammy, ATLUS, Sammy Networks, SEGA FAVE, SEGA Logistics Service, DARTSLIVE, TMS ENTERTAINMENT, PHOENIX RESORT, Sega of America, Inc., Sega Europe Ltd., Amplitude Studios SAS, Relic Entertainment, Inc., Sega Black Sea EOOD, Sega Publishing Europe Ltd., Sports Interactive Ltd., The Creative Assembly Ltd., Two Point Studios Limited)

Please check the Company website for the latest ESG data.
<https://www.segasammy.co.jp/en/sustainability/data/dataesg/>

A Message from an External Director

I have realized that there has been a marked improvement in the quality of discussions during Board of Directors meetings

Fujiyo Ishiguro

Director of the Board (External)



Initiatives toward improving the effectiveness of the Board of Directors

Currently, I believe the Board of Directors is required to serve two key roles: as a Monitoring Board and as a Management Board. The Monitoring Board oversees the executive side and is responsible for internal controls like compliance, playing a supervisory role in the overall management of the Company. The Management Board, on the other hand, goes beyond supervision by providing advice to the executive side on improving management and improving corporate value, actively participating in discussions leading to final decisions.

Given that the Company is at a stage where it is expanding globally and entering new fields, more detailed managerial decision-making and strategic planning are essential. Having extensive experience in managing publicly listed companies, I draw on that expertise to offer suggestions and advice from the Management Board perspective.

The Company has established the Group Management Committee under the Board of Directors to enhance decision-making and the quality of discussions. The Group Management Committee takes ample time to comprehensively discuss and scrutinize the proposals that are submitted to the Board of Directors. To further improve the effectiveness of the Management Board during discussions at the Group Management Committee and decision-making at the Board of Directors, it is crucial to bridge the information gap between internal and external directors. While external directors are expected to offer independent advice on management and business strategy, they cannot provide suitable advice or raise pertinent issues without sufficient knowledge of the Company's businesses. Since my appointment as an external director in 2021, initiatives have been established to share the executive side's discussions with us, and these efforts are highly appreciated. Specifically, for discussions in the Group Management Committee, the executive side provides not only meeting minutes but also video recordings of their discussions on each agenda item in advance. By reviewing the detailed information that may be missing from the minutes, we can fully grasp the background of each issue and the content to be discussed, which leads to

more sophisticated discussions and efficient decision-making. External directors are encouraged to proactively contribute to discussions in the Group Management Committee, and since the introduction of video sharing, I feel there is a more vigorous exchange of ideas between the executive and supervisory sides.

Although the Company is owner-operated, as we engage in these active discussions, I feel that our decision-making is sound. I can confidently say that there is no undue influence from the owner, a concern commonly raised in owner-operated companies. While the Chairman and CEO each hold their own convictions, even when their views diverge, decisions are made appropriately after thorough discussions. The Company fosters a culture of respect for all directors' opinions, including those of external directors, and as an external director, I am able to voice my opinions freely, thereby deepening the discussions. For example, the Phoenix Seagaia Resort was a business that the Chairman had a deep personal attachment to, but after numerous discussions aimed at maintaining an appropriate business portfolio, we decided to transfer the shares in May 2024.

While discussions and decision-making involving external directors like myself have deepened, I believe the next challenge will be strengthening global governance. The new medium-term plan, *Welcome to the Next Level!*, involves expanding our business in fields such as the overseas video game market and entering new fields such as the Gaming area, with active M&A strategies as part of the approach. As the Company expands its business areas, roll-out regions, and Group scale, it is essential not only to strengthen governance and PMI (post-merger integration) of acquired companies but also to manage the entire group appropriately based on effective portfolio management. External directors, including myself, consistently advise sharing information and holding discussions not just about individual projects but from a broader perspective, including the background and strategic positioning of each project. The executive side has responded well to those requests, and I sense that appropriate information-sharing has been progressing. For instance, when we acquired Rovio Entertainment Corporation in August 2023 and made it a consolidated subsidiary, the executive side explained the strategic position of the acquisition based on the business portfolio, highlighting the importance of mobile IP acquisition. They also

explained the competitive advantage of Rovio itself and the nature of the mobile game market, enabling us to make a sound decision. Going forward, I believe that comprehensive management of this globally expanded portfolio will be indispensable for improving the Company's corporate value.

Discussion on the medium-term plan

Under the previous medium-term plan *Beyond the Status Quo*, while structural reforms in the European Consumer area during the fiscal year ended March 2024, the final year of the plan, led to losses, hit products such as *Smart Pachislot Hokuto No Ken* contributed to significant sales and profit increases in the Pachislot & Pachinko Machines Business, with consolidated ordinary income reaching ¥59.7 billion, exceeding the initial target of ¥45.0 billion. I evaluate this as a result of effective maintenance and management of SEGA SAMMY's strengths, which lie in its complementary, diversified business portfolio.

The new medium-term plan, developed based on the achievements and challenges of the previous plan, strikes a good balance by considering both growth potential and risk management in each business. To properly maintain the portfolio for sustainable growth, it is essential to allocate future-oriented investments in both capital and human capital. Even when a business is currently a source of earnings, selling that business could be a valid decision if there is another business with more future growth potential. In that regard, I believe the decision to sell PHOENIX RESORT to focus on new growth areas was an appropriate one. Moreover, I believe the transferee was the best owner to maximize corporate value, and the decision also set PHOENIX RESORT up for further growth.

Regarding the reorganization of the European Consumer area, which was a challenge under the previous medium-term plan, I appreciate that sufficient discussions were held on preventing recurrence and strengthening the business base. Given the deterioration in profitability, it was not an option to leave the current business structure unchanged. I believe that in the Board of Directors, we were able to hold thorough discussions on basic policies and measures for the reorganization, including strategies to improve profitability and the division of decision-making roles between the executive side and the Board.

In the process of formulating the new medium-term plan, we—the external directors—proactively sought information and engaged in discussions on the balance between risk and growth, particularly regarding the allocation of capital and human capital. We spent considerable time discussing, among other things, our entry into the Gaming area, where future growth is expected. The discussions included forecasts for market expansion and measures for potential risks such as addiction and reputational risks, with external directors focusing on the finer details, allowing

for a comprehensive discussion on the topic.

Human capital management: The key to growth

To achieve growth in global markets, it is essential to secure, cultivate, and appropriately allocate human capital with a global perspective. In this respect, I look forward to further promoting our human capital management. Particularly, human capital acquisition and post-acquisition management, including overseas M&A, are crucial.

Therefore, it is essential to accurately understand the gap between our current human capital portfolio and the one needed to achieve our business plans and to make steady progress in nurturing and recruiting the necessary human capital. Our industry requires a high level of expertise, and it is necessary to approach the appropriate human capital markets. Many of our current management members have rich networks in the industry, and I hope they will apply these networks to take proactive approaches. At the same time, expanding diversity in our human capital, including in our overseas subsidiaries, is essential for future growth. The number of female engineers in Japan is still low, and expanding our overseas operations will require expanding local human capital and managing them appropriately. To close the gap between our current portfolio of human capital and our vision for the future, I hope to continue holding strategic discussions within the Board of Directors.

Expectations of and role in SEGA SAMMY

Since my appointment as an external director in 2021, I have engaged with frontline employees at various levels within the Company. Through these interactions, I have come to feel that the Company is advancing technologically and that the employees are highly motivated. Business operations are thoroughly driven by IT in terms of products and services as well as in the “back office,” and engineers and other employees are actively engaged in their work. Looking at this organizational culture, I believe the Company has the strength to continue growing and achieving its goals. To attain that goal, it is essential that we take the appropriate risks and continue to challenge ourselves. As an external director, I will continue to advance discussions and raise issues to ensure that we can take the appropriate risks.



Transition to a stronger governance system

FY2006/3

► Launched the Group Internal Control Project

Purpose - To strengthen internal controls from a group-wide perspective

FY2008/3

► Appointed an External Director

Purpose - To strengthen management monitoring and supervision functions and reflect rich insights into management

FY2009/3

► Increased External Directors to Two

Purpose - To strengthen management monitoring and supervision functions and reflect rich insights into management

FY2010/3

► Established Group Compliance Liaison Committee

Purpose - To establish an internal control system required under the Japanese Version of the SOX Act

FY2016/3

► Established Independent Advisory Committee

► Assessed the Effectiveness of the Board of Directors

► Disclosed Medium-Term Management Policies and Target Management Indicators

Purpose - To provide opinions on major management issues and exchange information for supervising the Board of Directors
- To strengthen the functions of the Board of Directors
- To promote accountability to capital markets and strengthen group management

FY2017/3

► Established the Position of CFO

► Increased External Directors to Three

► Disclosed Action Plan for Achieving Medium-Term Performance Targets

Purpose - To drive growth strategies from a financial perspective and strengthen dialogue with capital markets

FY2019/3

► Increased External Directors to Four

► Reviewed Compensation System for Directors

► Adopted Stock Compensation Program with Restriction on Transfer

Purpose - To strengthen governance
- To introduce incentives to improve corporate value in the medium to long term

FY2023/3

► Transitioned to a Company with an Audit and Supervisory Committee

► Established Group Sustainability Subcommittee

► Established Group Risk and Compliance Subcommittee

Purpose - To strengthen governance
- To strengthen sustainability management

FY2025/3

► Raised the Number of External Directors to a Majority

► Revised Compensation System for Directors

Purpose - To strengthen governance
- To introduce incentives to improve corporate value in the medium to long term

Basic Stance Regarding Corporate Governance

The SEGA SAMMY Group positions corporate governance as the most important foundation for facilitating good corporate behavior. The Group has the aim of “improving efficiency,” “securing soundness” and “enhancing transparency” of corporate management as its “basic policy for corporate governance”. Based on this, the Group has made decisions on important management issues, including the appointment of director candidates, determination of directors’ compensation, oversight of management, and determination of auditors’ compensation.

Improving efficiency

By establishing a rapid and appropriate decision-making process and improving the efficiency of corporate management, the Group aims to maximize its corporate value, thereby striving to provide appropriate returns to various stakeholders, including shareholders.

Securing soundness

Amid significant changes in the business environment, to maximize the Company’s corporate value, the Company and the Group will appropriately recognize and manage the various risks surrounding the Company and the Group. The Company and the Group will strive to secure sound management by establishing a system to ensure compliance not just with laws and regulations, but with ethical standards and societal norms (compliance system).

Enhancing transparency

With the growing importance of information disclosure for companies, the Group will fulfill its accountability to all stakeholders, including shareholders, and further improve disclosure through proactive engagement in IR activities, thereby cultivating highly transparent management. In addition, the Group proactively and voluntarily develops its CSR activities, seeing them as helping both the Group’s sustainable value creation and the sustainable development of stakeholders.

Ratio of independent external directors

Directors

46%

Independent external directors

54%

Ratio of female directors

Male

69%

Female

31%

Building a Corporate Governance System to Realize Our Raison d’Être

By accelerating growth strategies and business reforms through a transparent and sound governance system, we will realize our raison d’être, *Constantly Creating, Forever Captivating—Making Life More Colorful*, through our businesses.

To further promote productive discussions by the Board of Directors and to strengthen its oversight functions, the Company has chosen the structure of a company with an Audit and Supervisory Committee. This will allow it to delegate a considerable portion of important decisions on business execution to executive directors. In addition, by considering that directors with a wealth of knowledge and experience regarding the industry, market trends, products, merchandise, services, etc., can generate prompt and optimal management decisions, the Group companies have chosen the structure of a company with company auditors. The Company and the Group also appoint external directors and strengthen the executive officers and internal auditing systems, thereby improving corporate governance from the aspects of both oversight and execution.

Board of Directors

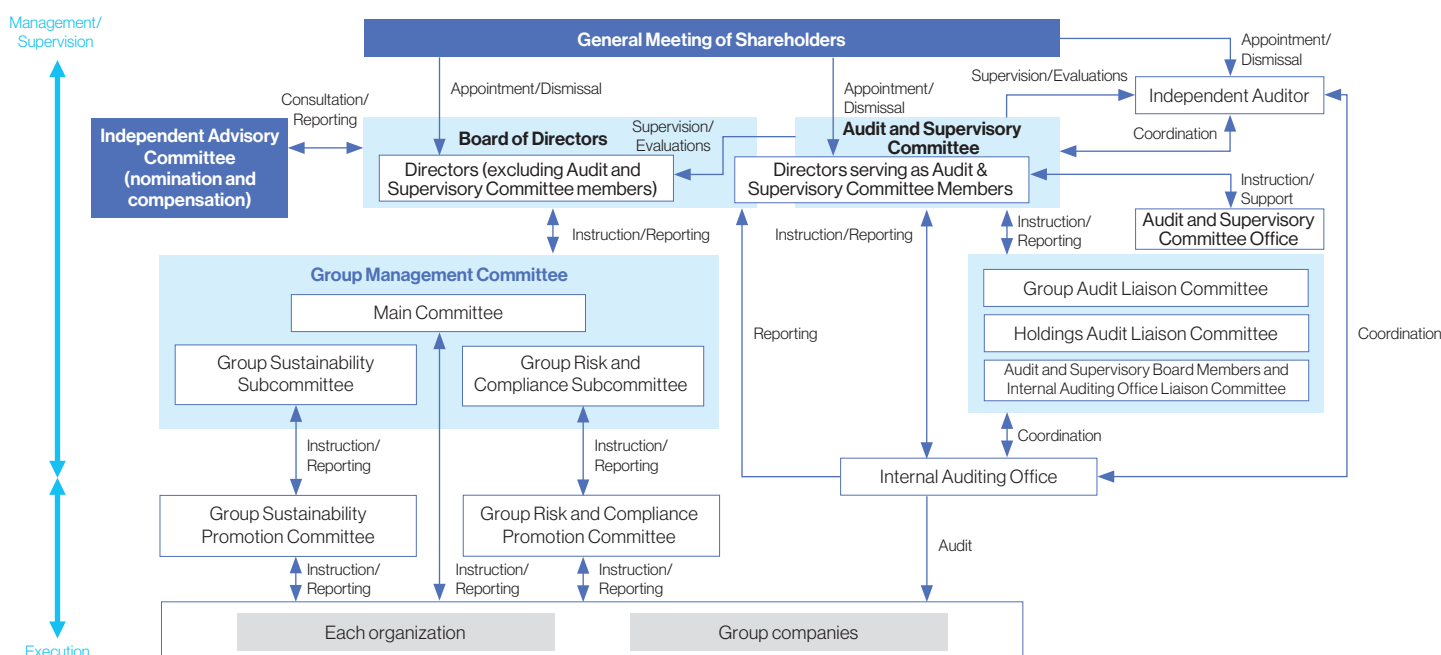
The Board of Directors aims to achieve flexible management through the current level of 13 directors. Certain important managerial matters at each business company are also resolved or reported at various bodies, including the Company’s Board of Directors.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four Audit and Supervisory Committee members. The committee assigns duties to respective Audit and Supervisory Committee members, and deliberates on key matters for consideration such as those involving the status of establishing and operating the Group’s corporate governance and internal control systems, and evaluations of the independent auditor.

Voluntary Committees

Voluntary Committees are the bodies that discuss and inspect the specified matters regarding the management of the Group which are specifically referred by the Board of Directors, and report and submit the results of such discussions and inspections to the Board of Directors. The following two Voluntary Committees are established: the Independent Advisory Committee and the Group Management Committee. In addition, the Group Sustainability Subcommittee and the Group Risk and Compliance Subcommittee are established as bodies that discuss and inspect further specialized matters.





Policy for Appointment of Directors

The SEGA SAMMY Group positions corporate governance as the most important foundation for facilitating good corporate behavior. The Group has the aim of “improving efficiency,” “securing soundness” and “enhancing transparency” of corporate management as its “basic policy for corporate governance”. Based on this, the Group has made decisions on important management issues, including the appointment of director candidates, determination of directors’ compensation, oversight of management, and determination of auditors’ compensation.

Reasons for appointment of independent directors

Name	Reasons for appointment
Kohei Katsukawa	We chose to appoint Mr. Kohei Katsukawa as External Director as we expect that he will continue to provide valuable opinions and suggestions on the management of the Company based on his wealth of experience and broad-ranging insight gained over many years as a corporate manager.
Melanie Brock	We chose to appoint Ms. Melanie Brock as External Director as we expect that she will continue to strengthen the Company’s corporate governance system and improve the quality of management decision-making based on her diverse range of ideas and values, making use of her extensive experience and career record as an international business leader.
Fujiyo Ishiguro	We chose to appoint Ms. Fujiyo Ishiguro as External Director as we expect she will continue to provide valuable opinions and suggestions on the management of the Company based on her wealth of knowledge in corporate management and digital fields as a founder of Netyear Group Corporation and experience as an Outside Director of other listed companies.
Ankur Sahu	Mr. Ankur Sahu was involved in numerous corporate investment projects at Goldman Sachs and has made significant contributions to the growth and turnaround of numerous companies. We newly chose to appoint Mr. Ankur Sahu as External Director as we expect that he will provide valuable opinions and suggestions for the future global development and management of the Company based on his high level of knowledge and experience in finance and his deep involvement in the operations of many international companies.
Kazutaka Okubo	Mr. Kazutaka Okubo has many years of experience in audit services as a certified public accountant, and deep insight about finance and accounting. We chose to appoint Mr. Kazutaka Okubo as External Director serving as Audit and Supervisory Committee Member as we expect that he will continue to appropriately guide and oversee the Company’s management from an objective standpoint based on a wealth of knowledge in governance which he gained through experience as an Outside Director.
Naoko Murasaki	Ms. Naoko Murasaki has a high degree of expertise in the field of the global risk and governance which she gained over many years in the National Police Agency, the Ministry of Foreign Affairs and risk consulting firms. We chose to appoint Ms. Naoko Murasaki as External Director serving as Audit and Supervisory Committee Member as we expect that she will continue to appropriately guide and oversee the Company’s management from an objective standpoint based on her wealth of knowledge in governance gained through her experience as an Outside Director.
Makiko Ushijima	Ms. Makiko Ushijima is a licensed attorney (Japan and New York) and a US Certified Public Accountant, and has extensive experience in M&A transactions and global corporate compliance, as well as a multifaceted perspective in the financial and legal fields. We newly chose to appoint Ms. Makiko Ushijima as External Director serving as Audit and Supervisory Committee Member as we expect that she will appropriately guide and oversee the Company’s management from an objective standpoint based on her wealth of knowledge in governance at the stage of global business expansion. Although she does not have experience in corporate management other than as an Outside Director, we judge that she will be able to appropriately perform her duties as an External Director for the reasons mentioned above.

The Company’s basic policy for the selection of director candidates is based on a comprehensive evaluation of whether the candidate possesses the skills outlined in the skill matrix, as well as their personality and other relevant factors. In order to ensure transparency of management and objectivity of supervision, the Company has established the following policy for the selection of candidates for external directors.

(i) The ratio of external directors to the total number of directors shall be 50% or more.

(ii) In principle, external directors shall hold office for a period of eight years (or up to ten years with the consent of all members of the Independent Advisory Committee, excluding the individual concerned).

(iii) In principle, the number of listed companies in which external directors concurrently hold positions is limited to five (or up to seven with the consent of all members of the Independent Advisory Committee, excluding the individual concerned), including the Company.

The Independent Advisory Committee, which is composed of independent external directors, shall review the proposed director candidates presented by the President and Representative Director, conduct interviews, etc. with such candidates, and submit its evaluation results as opinions to the President and Representative Director. The President and Representative Director shall use the results of such reviews to determine director candidates in accordance with the above policy, which shall be reviewed and approved by the Board of Directors. The same shall also apply when the Independent Advisory Committee recommends a director candidate to the President and Representative Director. The consent of the Audit and Supervisory Committee shall be obtained in advance for the appointment of directors who are Audit and Supervisory Committee members and substitute directors who are Audit and Supervisory Committee members.

Director Skill Matrix

Skill matrix

Name			Gender	Tenure of office	Expertise and experience						
					Corporate management	Entertainment business creation	Finance and accounting	Risk management and compliance	ICT/DX	Global	Sustainability
Directors	Hajime Satomi		Male	19 years	●	●					
	Haruki Satomi		Male	12 years	●	●				●	●
	Koichi Fukazawa		Male	9 years	●	●	●		●		
	Shuji Utsumi		Male	—	●	●				●	
	Ayumu Hoshino		Male	—	●	●					
	Kohei Katsukawa	External	Male	8 years	●		●	●			
	Melanie Brock	External	Female	5 years	●					●	●
	Fujiyo Ishiguro	External	Female	3 years	●				●	●	●
	Ankur Sahu	External	Male	—	●		●			●	
Audit and Supervisory Committee members	Hiroshi Ishikura		Male	—			●	●			●
	Kazutaka Okubo	External	Male	2 years	●		●	●			●
	Naoko Murasaki	External	Female	3 years	●			●		●	●
	Makiko Ushijima	External	Female	—				●		●	●

* The above table indicates up to four fields in which expertise and experience are particularly expected for each individual. The table is not an exhaustive list of all the insight and experience that each individual possesses.

* The definition of the skill matrix is provided on the next page.

* Tenure of office is as of June 2024.

Please refer to P.18 of the Governance Report for more information on Support System for External Directors.
<https://www.segasammy.co.jp/cms/wp-content/uploads/pdf/en/78c18ace1a707141381df21ad7c3fba4.pdf>

Skill Matrix Definition

The Company selected experience and knowledge required as a listed company, along with those that are required to achieve the long-term vision of the Company.

Item	Definition
Corporate management	Manager of a listed company or equivalent organization
Entertainment business creation	Experience as a business development manager or in starting a new business in the Group's business segments
Finance and accounting	Professional experience at financial institutions, auditing firms, etc., or experience as an officer in charge of a financial department at a major company
Risk management and compliance	Attorney, or other professional experience, or experience as an officer in charge of legal affairs, compliance or audit at a major company
ICT/DX	Experience at IT companies, vendors, consulting firms, and other professional services, or experience as an officer in charge of IT at a major company
Global	Experience of living abroad, experience at an overseas operating company, or equivalent experience
Sustainability	Individuals who have insight into Environment and Human Resources (Diversity), which are part of the Company's five material issues to be addressed (materiality)*, and are expected to play an active role in the promotion of sustainability by the Group * Human Resources, Products and Services, Environment, Addiction, and Governance

Compensation Amount for Directors and the Method for Calculating Such Compensation

The Company's compensation system for directors is designed to ensure transparency and provide greater incentive to increase corporate value. The compensation system for directors (excluding directors who are Audit and Supervisory Committee members and external directors) is determined based on the following basic policy.

- (1) The system must increase management's focus on shareholder interests and sharing value with shareholders.
- (2) The system must clarify the responsibilities of management in improving the corporate value of the Group.
- (3) The system must function as an incentive to support the sustainable growth of the Group.
- (4) The system must have compensation levels for ensuring and maintaining excellent human capital appropriate for executing the roles and responsibilities of directors of the Company.

Based on the basic policy, the compensation system for directors of the Company (excluding directors who are Audit and Supervisory Committee members and external directors) until the fiscal year ended March 2024 includes fixed compensation, and directors' bonuses and stock compensation with restriction of transfer as performance-based compensation.

Compensation for directors and Audit & Supervisory Board members for the fiscal year ended March 2024 is as follows.

Position	Number of Directors / Audit & Supervisory Board members	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)				
			Basic compensation	Bonuses	Performance-based shares with restriction on transfer	Continuous service-based shares with restriction on transfer	Of the items on the left, non-monetary compensation, etc.
Directors (excluding Audit and Supervisory Committee members and external directors)	5	1,364	612	565	79	107	187
Directors (Audit and Supervisory Committee members) (excluding external directors)	1	24	24	—	—	—	—
External directors	6	86	86	—	—	—	—

Notes: 1. The amounts of both bonuses and compensation of performance-based shares with restriction on transfer and continuous service-based shares with restriction on transfer in the table above are the amounts that were recorded as expenses in the current fiscal year.

2. Non-monetary compensation consists of performance-based shares with restriction on transfer and continuous service-based shares with restriction on transfer.

3. As of the end of the fiscal year ended March 2024, the number of directors (excluding Audit & Supervisory Committee members) was eight (including three external directors). The number of directors who are Audit & Supervisory Committee members was four (including three external directors).

4. In light of the status of implementation of structural reforms in Europe, part of directors offered to decline the receipt of a portion of directors' bonuses, and therefore, their bonuses were paid with a partial reduction.

Directors who received ¥100 million or more in total compensation for the fiscal year ended March 2024 are as follows.

Name	Position	Total compensation, etc. (Millions of yen)	Company	Total compensation, etc. by type (Millions of yen)				
				Basic compensation	Bonuses	Performance-based shares with restriction on transfer	Continuous service-based shares with restriction on transfer	Of the items on the left, non-monetary compensation, etc.
Hajime Satomi	Director	508	The Company	216	220	28	42	71
Haruki Satomi	Director	540	The Company	240	225	30	45	75
Koichi Fukazawa	Director	116	The Company	60	46	7	2	10
Yukio Sugino	Director	128	The Company	60	46	7	14	21

For details on the compensation system for directors, please refer to P.89 of the Annual Securities Report. (Japanese only) https://www.segasammy.co.jp/cms/wp-content/uploads/pdf/ja/ir/Annual_security_report_FY202403_ir.pdf

Please refer to P.2 and P.7 of the Governance Report for the policy on strategic shareholdings and constructive dialogue with shareholders. <https://www.segasammy.co.jp/cms/wp-content/uploads/pdf/en/78c18ace1a707141381df21ad7c3fba4.pdf>



Revision of the compensation system following the introduction of the compensation system for post-delivery stock-based compensation

With the aim of further aligning the long-term interests of the Company's directors with those of shareholders and providing incentives to enhance the Company's corporate value over the medium to long term, the Company has abolished the previous stock compensation system with restriction on transfer for directors (excluding directors who are members of the Audit and Supervisory Committee and external directors; hereinafter referred to as "eligible directors") effective from the fiscal year ending March 2025, and introduced a post-delivery type stock-based compensation system in which shares of common stock of the Company are allocated to eligible directors after a certain period of time.

Outline of the system

The system consists of performance share units (hereinafter referred to as "PSU") and restricted stock units (hereinafter referred to as "RSU"), each of which has the following contents:

- (1) PSU is a type of stock-based compensation which provides the Company's shares and cash in an amount calculated based on the achievement of performance targets for multiple fiscal years corresponding to the Company's medium-term plan ("performance evaluation period"), and based on the period of service to the first annual shareholders' meeting after the end of the performance evaluation period ("eligible period"), and will be delivered after the end of the eligible period.
The first performance evaluation period after the introduction of this system will be the period of three fiscal years from the fiscal year ending March 31, 2025, to the fiscal year ending March 31, 2027, which is the period of the current medium-term plan.
- (2) RSU is a type of stock-based compensation in which a pre-determined number of shares of the Company's stock and cash are delivered after a period (three years) determined by the Company's Board of Directors as compensation for the period of service.

With respect to PSU and RSU, in accordance with the policy during the period of this medium-term plan, the Company's shares will be delivered to the eligible directors either by contribution-in-kind or delivery without contribution after the end of the eligible period for PSU and after a period (three years) determined by the Board of Directors for RSU, respectively.

If an eligible director falls under the events of forfeiture of rights necessary to achieve the purpose of the stock compensation system (to be determined by the Company's Board of Directors), such as resignation from the position of director, executive officer, or employee of the Company without legitimate reasons and certain acts of misconduct, the monetary compensation will not be paid to the eligible director and no shares of the Company's stock will be delivered to the eligible director under the system.

Policies for the period of this medium-term plan

I. Policy for determining allocation

Within the limits of the monetary compensation receivables and the number of shares to be allocated as described below, the Company's Board of Directors will determine the ratio of fixed compensation, single-year performance-based bonus, and post-delivery stock-based compensation to be approximately 1:1:1 in the cumulative compensation over the three fiscal years if the medium-term plan is achieved. The proportion of PSU and RSU in the period of the medium-term plan is as follows:

(i) PSU (financial indicator)	(ii) PSU (future financial indicator)	(iii) RSU
60%	20%	20%

II. Upper limit of monetary compensation receivables and shares to be allocated

	Number of people		(i) and (ii) PSU ^{*3}	(iii) RSU
Eligible directors	3 ^{*1}	Monetary compensation receivables	¥3.6 billion or less	¥0.3 billion or less
		Number of shares to be allocated	900 thousand shares or less	75 thousand shares or less
Executive officers of the Company/ Executives of Group companies	62 ^{*2}	Monetary compensation receivables	¥7.2 billion or less	¥0.6 billion or less
		Number of shares to be allocated	1.8 million shares or less	150 thousand shares or less

^{*1} The number of people elected at the 20th Ordinary General Meeting of Shareholders held in June 2024. Those who concurrently serve as President and COO, Representative Director of SEGA CORPORATION or Sammy Corporation are not included in the eligible directors.

^{*2} The number of people as of May 1, 2024.

^{*3} The amount of monetary compensation receivables and the number of shares to be allocated for the PSU will be the total amount for the three fiscal years covered by this medium-term plan.

III. Formula for calculating the final number of shares to be delivered**4

Number of final shares to be delivered =

- (i) Base number of shares to be delivered (1) × 60% × Degree of achievement of performance targets (2: financial indicator) × Tenure ratio (3) × Position adjustment ratio (4)
 + (ii) Base number of shares to be delivered (1) × 20% × Degree of achievement of performance targets (2: future financial indicators) × Tenure ratio (3) × Position adjustment ratio (4)
 + (iii) Base number of shares to be delivered (1) × 20% × Tenure ratio (3) × Position adjustment ratio (4)

*4 A portion of the final number of shares to be delivered shall be paid in cash in consideration of the tax payment burden on eligible directors and the percentage of which shall be determined by the Board of Directors.

(1) Base number of shares to be delivered

The base number of shares to be delivered is calculated by the following formula:

$$\text{Base number of shares to be delivered} = \frac{\text{Base amount of stock compensation by position of eligible directors (a)}}{\text{Base stock price (b)}}$$

(a) Base amount of stock compensation by position of eligible directors

Regarding the base amount of stock compensation by position, the Company's Board of Directors shall determine a specific amount for each position.

(b) Base stock price

The base stock price shall be adjusted by a reasonable method determined by the Company's Board of Directors.

(2) Degree of achievement of performance targets

The degree of achievement of performance targets will be calculated using figures to be determined after the end of each performance evaluation period, and the payment rate will be calculated in a stepwise manner according to the ratio of performance achieved, ranging from 0% to 200%. For the purpose of evaluating the performance of the eligible directors during the period of this medium-term plan, adjusted EBITDA, which is the financial indicator, and the engagement score, culturally diverse human capital (MC human capital), and the percentage of female managers, which are the future financial indicators, will be used.

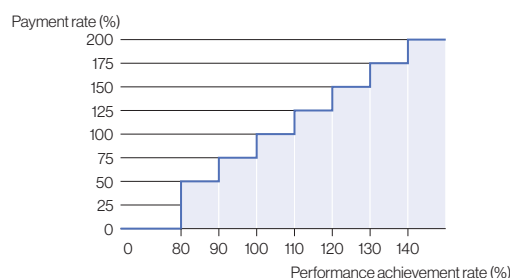
If the average of the Group's consolidated ROE for the three fiscal years of this medium-term plan is less than 8%, no monetary compensation for PSU will be paid and no shares of the Company's stock will be delivered to eligible directors and executive directors of the Company.

(Performance indicators and targets for the Company's eligible directors and executive officers)

		Payment rate of 0%	(Base) Payment rate of 100%	Payment rate of 200%	Weight
Financial indicator	Adjusted EBITDA (cumulative total for three fiscal years)	Less than ¥184.0 billion	¥230.0 billion or above	¥322.0 billion or above	100%
Future financial indicators	Engagement score (March 31, 2027)	Less than 52.0 (BB)	58.0 (A) or above	67.0 (AAA) or above	50%
	MC human capital (March 31, 2027)	Less than 720 people	900 people or above	1,260 people or above	30%
	Percentage of female managers (March 31, 2027)	Less than 6.4%	8.0% or above	11.2% or above	20%

* Performance indicators and targets for Group company directors, etc. are set separately based on the medium-term plans of each company. A base ROIC will be set for each eligible company, and if the ROIC falls below the base, no monetary compensation will be paid as PSUs to the directors and executive officers of the eligible company, nor will any shares of the Company be delivered.

(Design of payment rate in the financial indicators)



Performance achievement rate	Payment rate
Less than 80%	0%
80% or more	50%
90% or more	75%
100% or more	100%
110% or more	125%
120% or more	150%
130% or more	175%
140% or more	200%

(3) Tenure ratio

In order to prorate the number of shares to be delivered according to the tenure of office, the following formula is used to calculate the number of shares to be delivered. In the case of a new appointment or resignation in the middle of a month, the calculation is based on the assumption that the employee has been in office for the whole month.

$$\text{Tenure ratio} = \frac{\text{Total number of months in office during the eligible period}}{\text{Total number of months of the eligible period}}$$

(4) Position adjustment ratio

In case the position of eligible directors changed, in order to adjust the number of shares to be delivered to make them correspond to their new position, the number of shares to be delivered will be calculated using the following formula. In the event the change of position occurs in the middle of a month, the calculation will be based on the assumption that the new position is held for the whole month.

$$\text{Position adjustment ratio} = \frac{\begin{aligned} &\text{Base amount of stock compensation by position for initial position} \times \\ &\text{Number of months in office for initial position} + \\ &\text{Base amount of stock compensation by position for position after change} \times \\ &\text{Number of months in office for position after change} \end{aligned}}{\begin{aligned} &\text{Base amount of stock compensation by position for initial position} \times \\ &\text{Total number of months in office during the eligible period} \end{aligned}}$$



Evaluation of the Effectiveness of the Board of Directors

1. Purpose of evaluation

The Company performs analyses and evaluations of the effectiveness of the Board of Directors each year to ensure that the Board of Directors effectively fulfills its roles and responsibilities to “improve efficiency,” “secure soundness,” and “enhancing transparency” of the Company’s corporate management.

2. Method of evaluation

In assessing the effectiveness of the Board of Directors for the fiscal year ended March 2024, we conducted a questionnaire survey and individual interviews with directors in order to understand each director’s expectations and challenges for the Board of Directors to contribute more effectively to the Company’s sustainable growth.

The questionnaire survey confirmed the matters considered important for the Company’s Board of Directors to effectively fulfill its roles and responsibilities (composition and operation of the Board of Directors, deliberations on strategy, etc.) and the effectiveness of efforts to address issues from the previous fiscal year. The interviews were conducted in depth, seeking the opinions of directors (excluding the Chairman and Representative Director) regarding their thoughts on the issues identified in the questionnaire and their expectations for further improving the effectiveness of the Board of Directors. In order to ensure objectivity in the evaluation, an external organization was contracted to design the questionnaire and interview items, and analyze and evaluate the responses.

In addition, the Independent Advisory Committee and the Board of Directors deliberated on the effectiveness of the Board of Directors during the fiscal year under review, where issues existed, measures to address such issues, and other matters, based on reports of the analysis results of the questionnaire and interviews prepared by the external organization.

3. Summary of evaluation results

As a result of these deliberations, the Board of Directors was judged to be functioning effectively based on the diversity of independent external directors and their contributions to constructive discussions. A summary is as follows:

Strengths		Relatively high independence and diversity are ensured.
		Free and vigorous discussions are held, including at the Group Management Committee.
Issues	1. Group-wide risk management system	Discussions regarding company-wide and potential risks are lacking. The Company has not yet reached the stage where its risk management measures are fully reported and discussed by the Board of Directors.
	2. Discussion of the Group’s overall resource allocation and business portfolio management	Further enhancement of discussions on the allocation of Group-wide management resources, and business portfolio management, particularly regarding the state of the Gaming Business, are required.
	3. Deliberations on M&A deals	Further enhancement of discussions with an awareness of business portfolio management, such as consistency between individual M&A deals and the Group’s overall strategic policy, are required.
	4. Information sharing at Board of Directors and Group Management Committee	Explanatory videos shared prior to Board of Directors and Group Management Committee may be lengthy. There is an information gap between external directors who are Audit and Supervisory Committee members and those who are not.
	5. Directors training	The menu for directors training needs to be reviewed.

4. Initiatives to address issues based on evaluation results (FY2025/3)

- Risk management: Reviewing the way of reporting to the Board of Directors through periodic updating of risk maps and analysis of potential risks.
- Portfolio management: Holding discussions on a regular basis on basic policies related to the Group’s overall business portfolio and allocation of management resources. Providing opportunities for intensive discussions in informal settings such as management camps.
- M&A deals: Discussing in advance the pros and cons of the acquisition and its consistency with the overall Group strategy at Board of Directors and the Group Management Committee.
- Information sharing: Establishing rules regarding explanatory videos based on the content and importance of the agenda. Providing opportunities for exchange of opinions among external directors only, and opportunities for external directors who are not Audit and Supervisory Committee members to attend Audit and Supervisory Committee meetings.
- Directors training: Providing opportunities for each director to provide input on the content of financial and management indicators and their significance, as well as training and study sessions.

Group Management Committee

The Group Management Committee, established under the Board of Directors, discusses and examines matters related to improving the profitability and efficiency of the Group's businesses and strategic investment projects. The Committee is composed of the Company's directors (excluding the Chairman and Representative Director) and Audit and Supervisory Committee members, and meets as appropriate. In the fiscal year ended March 2024, the Committee met 23 times and handled 43 cases.

Number of discussions and hours (FY2024/3)

23 meetings during the year Number of cases: **43** Discussion time: Approx. **40** hours

Item	Number of items	Main topics of discussion
Management plans	8	<ul style="list-style-type: none"> • Discussion of guidelines for formulating the medium-term plan • Discussion of the medium-term plan for the Group as a whole and for each business
Growth investment	24	<ul style="list-style-type: none"> • Discussion on investment for business growth in Japan and overseas (of which, the acquisition of GAN was discussed six times and approved by the Board of Directors)
Risk and compliance	2	<ul style="list-style-type: none"> • Organizing and identifying management risks • Discussion on risk assessment and risk mapping
Sustainability	2	<ul style="list-style-type: none"> • Review of sustainability policy • Evaluation, etc., of the efforts of each Group company
Others	7	<ul style="list-style-type: none"> • Discussion on structural reforms in Europe • Sharing of feedback from investors/shareholders and others

Discussion on formulation of the new medium-term plan

Katsukawa: Although the Road to 2020 medium-term plan was not achieved, as a result of the decisive implementation of structural reforms, the previous medium-term plan, *Beyond the Status Quo*, is expected to exceed the initial forecast. Furthermore, the plan through the fiscal year ending March 2027 aims to set high goals, and to achieve these goals, it is important to establish a third pillar of business. This will require risk-taking.

Haruki: In the Entertainment Contents Business, in light of the size of each market, not only consumer, but also animation, AM, and TOY, which business will we target and what will we aim for? An appropriate business portfolio and business plan should be developed to accommodate changes in the business structure.

Ishiguro: The consumer market is expanding, but the pachislot & pachinko machines market is shrinking. In such a market environment of pachislot & pachinko machines, we should show how we can take the benefit of the remaining players and how we can secure our position in the market. Furthermore, when considering new business, it is easier to demonstrate probability if there is a numerical basis for synergies, etc.

Sugino: I believe that SEGA's experience in dealing with amusement machines in the past can be utilized for cost structure reform, including new pachislot cabinets. We hope to create synergy as a group by sharing programs and know-how, and by holding meetings to exchange opinions among companies.

Kinoshita: The feasibility of the plan will become clearer if we can explain the human capital elements for advancing the new medium-term plan, such as what kind of human capital are needed and how to secure such human capital.

About human capital

Fukazawa: Human capital are necessary for business growth, but it is necessary to explain which departments and projects the increased human capital are assigned to and in what specific ways they contribute to business growth.

Yoshizawa: The continuity of how non-financial strategies are connected to financial strategies is being questioned, and it is necessary to provide a structured explanation to gain the understanding of investors and other stakeholders.

Okubo: I think it is necessary to discuss what the Company should be in 10 to 20 years, what kind of company it will be, and what kind of portfolio it will have. Such discussions will lead to human capital management.

Melanie: The target ratio of female managers is low by international standards, but it is important to consider how it will benefit the Company in the future, taking into account business characteristics and other factors.

Murasaki: I would like the Company to adopt more and more initiatives that are being taken by European Group companies, which are ahead of their Japanese counterparts in terms of sustainability and governance.

Sakaue: When streamlining operations or restructuring the organization, it is also necessary to consider ways to enable human capital to continue to work in other businesses or operations, including reskilling.

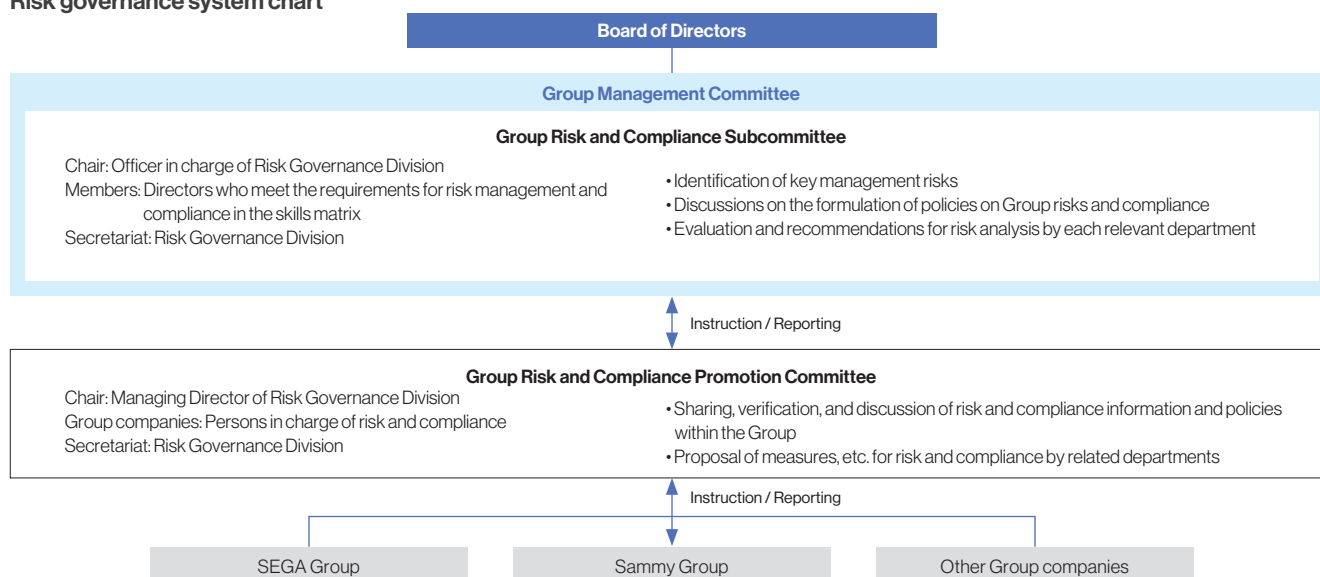


Risk Management

Risk governance system

The Group has established the Group Risk and Compliance Subcommittee within the Group Management Committee to address risks related to the execution of business operations in cooperation with the Risk Governance Division. The Risk Governance Division was newly established as an organization to centrally manage risks for the entire Group in order to build a stronger risk governance structure following SEGA SAMMY HOLDINGS' transition to the Prime Market in 2022. In addition to clarifying the risk management system, an internal audit section under the direct supervision of the Audit and Supervisory Committee audits the state of risk management by each section and periodically reports its findings to management decision-making bodies and management organizations involved in execution and oversight. Led by persons in charge of risk and compliance at Group companies, the Group Risk and Compliance Promotion Committee, established under this structure, discusses, verifies, and shares measures and information related to risk and compliance within the Group.

Risk governance system chart



Measures to promote risk literacy within the Company

In promoting risk management, we believe it is important to increase sensitivity to risk within the Group. SEGA SAMMY is striving to improve risk literacy through training programs for employees and officers at all levels.

For employees

Compliance awareness activities

- Training (e-learning, online group training)
- Distribution of e-mail newsletters on the Company intranet
- Setting a month to reinforce compliance awareness
- Distribution of videos on the intranet, poster displays, collaboration menus at the Company cafeteria, etc.

For officers

- Training by external lawyers
 - For new officers: Understanding and acquiring knowledge of the legal responsibilities expected of board officers
 - For existing officers: Updating compliance awareness
- Internal training, etc. by external directors, etc.

Column: Lecture by External Director Kinoshita (delivered on September 11, 2023)

The purpose of this program was to provide an opportunity for human resource managers of SEGA SAMMY Group companies to learn about the importance of labor management and the damage to the Group caused by regulation violations from cases that have occurred within the Group, and to work to prevent them with a sense of ownership. 79 people, including officers and managers in charge, attended the lecture, which covered labor laws, labor management, and whistleblowing.



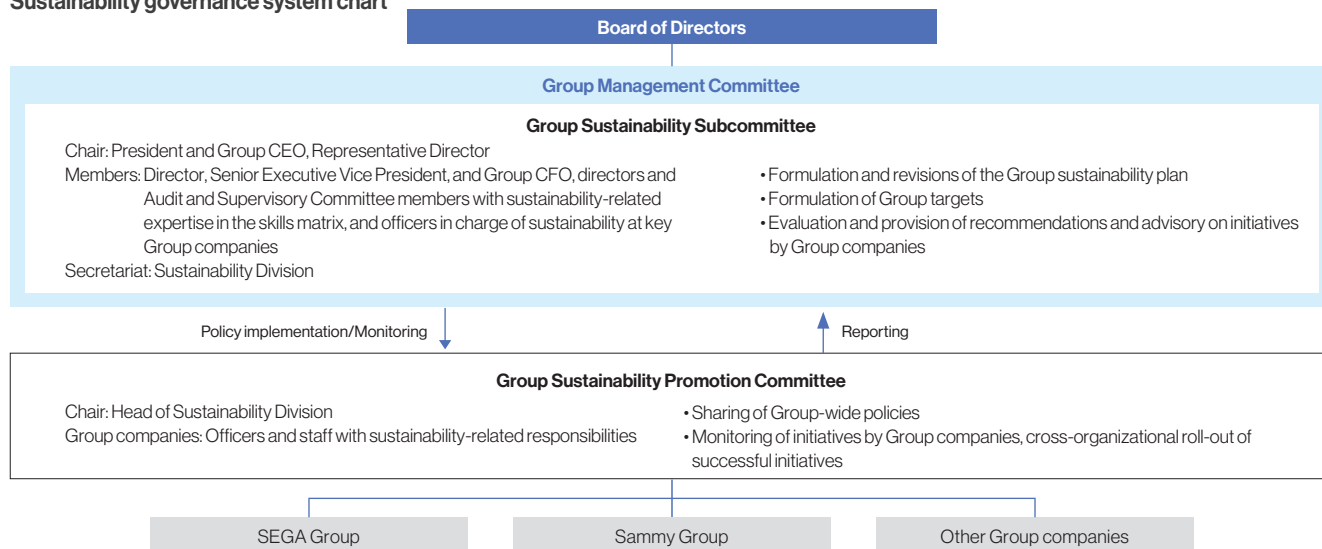
Sustainability Management

Sustainability governance system

The Group has established a Group Sustainability Subcommittee within the Group Management Committee to conduct management discussions on matters such as formulating Group policies and goals, reviewing the status of each company's efforts, and revising goals. Decisions on Group policies and goals are made by the SEGA SAMMY HOLDINGS Board of Directors.

The policies and goals that have been decided upon are shared with each Group company through the Group Sustainability Promotion Committee. In the course of their business, Group companies that have touchpoints with society take in various requests and feedback from customers and users. These are shared with other Group companies through the Group Sustainability Promotion Committee. Initiatives that should be incorporated into Group policies and goals are reported to the Group Sustainability Subcommittee, providing a framework for discussion.

Sustainability governance system chart



Formulation of Human Rights Policy

At the first half Group Sustainability Subcommittee meeting held in May 2024, the Group agreed to strengthen its human rights initiatives and decided to formulate a policy, and the Human Rights Policy was resolved at the Board of Directors meeting held in September 2024.

Commitment to respect human rights

The SEGA SAMMY Group provides entertainment with the Mission/Purpose of *Constantly Creating, Forever Captivating—Making Life More Colorful*. The SEGA SAMMY Group has established this Human Rights Policy and implements initiatives for respecting human rights in order to be a corporate group that is trusted, needed, and respected by society.

Our past efforts for human rights

2014	SEGA SAMMY Group Code of Conduct Formulation of SEGA SAMMY Group Management Policy (Human Capital Policy) Joined the UN Global Compact Prepared the Supply Chain CSR Deployment Guidebook
2016	Conducted training on prevention of forced labor and trafficking in persons for procurement department managers (and annually thereafter)
2018	Issued a statement on the UK Modern Slavery Act (and annually thereafter)
2021	Conducted supply chain training (and annually thereafter)
2024	Conducted business and human rights training, formulated Human Rights Policy

Future steps



* For details of the SEGA SAMMY Group's Human Rights Policy, please visit our website:
<https://www.segasammy.co.jp/en/sustainability/group-sustainability/>

Directors, Audit and Supervisory Committee Members, and Executive Officers

Directors

Hajime Satomi

Chairman
(Representative Director)



- 1980 President, Representative Director of Sammy Industry Co., Ltd. (now Sammy Corporation)
- 2004 Chairman of the Board, Representative Director of SEGA CORPORATION
Chairman and CEO, Representative Director of Sammy Corporation
Chairman and CEO, Representative Director of SEGA CORPORATION
Chairman, President and CEO, Representative Director of the Company
- 2007 President, CEO and COO, Representative Director of SEGA CORPORATION
- 2008 Chairman and CEO, Representative Director of the above
- 2012 Chairman of the Board of Sammy Corporation
- 2013 Chairman and CEO, Representative Director of the above
- 2015 Advisor to NDK (current position)
- 2016 Chairman, President, CEO and COO, Representative Director of the Company
- 2017 Chairman and CEO, Representative Director of the Company
Chairman of the Board, Representative Director of Sammy Corporation
Honorary Chairman of the Board of SEGA Holdings Co., Ltd. (now SEGA CORPORATION) (current position)
- 2018 Chairman and Group CEO, Representative Director of the Company
- 2021 Chairman, Representative Director of the Company (current position)
- 2022 Chief Advisor of PHOENIX RESORT CO., LTD. (current position)
Honorary Advisor of Japan Amusement Industry Association (current position)
- 2024 Honorary Chairman of the Board of Sammy Corporation (current position)

Haruki Satomi

President and Group CEO
(Representative Director)



- 2004 Joined Sammy Corporation
- 2005 Joined SEGA CORPORATION
- 2012 Senior Vice President, Director of the Board of the Company
Senior Vice President, Director of the Board of SEGA CORPORATION
- 2014 Senior Vice President, Director of the Board of Sammy Corporation
Deputy COO, Representative Director of SEGA CORPORATION
- 2015 Deputy COO, Representative Director of Sammy Corporation
- 2016 President and COO, Representative Director of the above
Executive Vice President, Director of the Board of the Company
- 2017 President and COO, Representative Director of the Company
President and CEO, Representative Director of Sammy Corporation
Chairman and CEO, Representative Director of SEGA Games Co., Ltd. (now SEGA CORPORATION) (current position)
- 2018 President and Group COO, Representative Director of the Company
Chairman of the Board of PHOENIX RESORT CO., LTD. (current position)
- 2021 President and Group CEO, Representative Director of the Company (current position)
Chairman of the Board of Sammy Networks Co., Ltd. (current position)
Officer of KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position)
- 2022 Chairman of the Board of Sunrockers, Ltd. (current position)
- 2023 Vice Chairman of NDK (current position)
- 2024 Chairman and CEO, Representative Director of Sammy Corporation (current position)
Senior Vice President, Director of the Board of TMS ENTERTAINMENT CO., LTD. (current position)

Koichi Fukazawa

Senior Executive Vice
President and Group CFO,
Director of the Board



- 1990 Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.)
- 2003 Joined Sammy Corporation
Vice President, Executive Officer and Managing Director of President's Office of the above
- 2004 Vice President, Executive Officer and Managing Director of President's Office of the Company
Vice President, Executive Officer and Managing Director of Chairman's Office and President's Office of SEGA CORPORATION
- 2005 Senior Vice President, Director of the Board and Managing Director of Chairman's Office and President's Office of the above
- 2007 President, Representative Director of SEGA SAMMY ASSET MANAGEMENT INC. (now MARZA ANIMATION PLANET INC.)
Senior Vice President, Executive Officer and in charge of the Corporate Strategy and External Affairs of the Company
- 2008 Senior Vice President, Director of the Board and Managing Director of New Business Division of SEGA CORPORATION
- 2009 Officer of KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position)
President, Representative Director of SEGASAMMY VISUAL ENTERTAINMENT INC. (now MARZA ANIMATION PLANET INC.)
- 2014 Senior Executive Vice President, Representative Director of SEGA TOYS CO., LTD. (now SEGA FAVE CORPORATION)
- 2015 Senior Vice President, Director of the Board of the Company
- 2016 Executive Vice President and CFO, Director of the Board of the Company
- 2018 Executive Vice President and Group CFO, Director of the Board of the Company
- 2020 Senior Executive Vice President and Group CFO, Director of the Board of the Company (current position)
- 2021 Director of the Board of Sammy Corporation (current position)
- 2022 Chairman of the Board of SEGA SAMMY CREATION INC. (current position)
- 2024 Director of the Board of SEGA CORPORATION (current position)

Shuji Utsumi

Director of the Board



- 1986 Joined Sony Corporation (now Sony Group Corporation)
- 1994 Vice President of Sony Computer Entertainment America Inc.
- 1996 Senior Vice President, Director of the Board of Sega of America, Inc.
- 2000 Head of Asia Pacific of Disney Interactive Asia
- 2014 President, Representative Director of Warner Music Japan Inc.
- 2016 President, Representative Director of CYBIRD Co., Ltd.
- 2019 Senior Vice President, Executive Officer of the Company
Senior Vice President, Executive Officer of SEGA Holdings Co., Ltd. (now SEGA CORPORATION)
- 2020 CSO (Chief Strategy Officer), Director of the Board of SEGA CORPORATION
- 2021 Co-COO, Director of the Board of the above
CEO of Sega of America, Inc. (current position)
Vice Chairman of the Board of ATLUS CO., LTD. (current position)
- 2022 Chairman of the Board of SEGA Sapporo Studio Co., Ltd.
- 2023 Co-COO, Representative Director of SEGA CORPORATION
Chair of the Board of Directors of Rovio Entertainment Ltd (current position)
- 2024 CEO of SEGA Europe Ltd. (current position)
President and COO, Representative Director of SEGA CORPORATION (current position)
Senior Vice President, Director of the Board of TMS ENTERTAINMENT CO., LTD. (current position)
Senior Vice President, Director of the Board of SEGA FAVE CORPORATION (current position)

Ayumu Hoshino

Director of the Board



- 1995 Joined Sammy Corporation
- 2006 Vice President, Creative Officer of the above
- 2011 Senior Vice President, Director of the Board of RODEO Co., Ltd.
- 2014 Senior Vice President, Executive Officer and Managing Director of Research & Development Division of Sammy Corporation
- Senior Vice President, Director of the Board and Managing Director of Research & Development Division of the above
- 2016 Executive Vice President, Representative Director and Managing Director of Research & Development Group Division, Technical Research & Development Division and Development Promotion Division of the above
- 2019 President and CEO of ZEEG Co., Ltd. (now ZEEG LLC.)
- 2020 Senior Vice President, Director of the Board of SEGA SAMMY CREATION INC.
- 2021 Vice Chairman of The Nikkoso Research Foundation for Safe Society (current position)
- 2022 Senior Executive Vice President and COO, Representative Director and in charge of Research & Development Group Division and Managing Director of Public Relations Division of Sammy Corporation
- 2024 President and COO, Representative Director and Managing Director of Public Relations Division of the above (current position)
- CEO of ZEEG LLC. (current position)

Kohei Katsukawa

Director of the Board (External)



- 1974 Joined Sumitomo Bank (now Sumitomo Mitsui Banking Corporation)
- 2001 Executive Officer, Head of Osaka Corporate Banking Division II of Sumitomo Mitsui Banking Corporation
- 2005 Managing Executive Officer, Deputy Head of Wholesale Banking Unit (in charge of East Japan) of the above
- 2007 Executive Vice President and Representative Director of NIF SMBC Ventures Co., Ltd. (now SMBC Venture Capital Co., Ltd.)
- 2010 President and Representative Director of SMBC Venture Capital Co., Ltd.
- 2014 President and Representative Director of GINSEN Co., Ltd.
- Outside Director of Kyoto University Innovation Capital Co., Ltd. (current position)
- 2016 Director of the Board (External) of the Company (current position)
- Outside Director of ELECOM CO., LTD.
- 2021 Advisor of GINSEN Co., Ltd. (current position)
- 2022 Outside Director of DX Antenna Co., Ltd. (current position)
- Outside Director of HAGIWARA Solutions Co., Ltd. (current position)
- Outside Director of Logitec INA Solutions Co., Ltd. (current position)
- 2023 Outside Director of Tescom Denki Co., Ltd. (current position)

Melanie Brock

Director of the Board (External)



- 1987 Earned Bachelor of School of Humanities at The University of Western Australia
- 1990 Earned Master of Arts in Japanese, Conference Interpreting and Translation at The University of Queensland
- 2003 CEO of AGENDA (now Melanie Brock Advisory Ltd.) (current position)
- 2010 Board Member of Australia-Japan Foundation
- Board Member of Australia Japan Business Co-operation Committee
- Chair of Australian and New Zealand Chamber of Commerce in Japan
- Regional Manager of Japan of Meat & Livestock Australia
- 2012 Chair of Australian Business Asia (ABA)
- 2016 Chair Emeritus of Australian and New Zealand Chamber of Commerce in Japan (current position)
- 2019 Director of the Board (External) of the Company (current position)
- Board Member of Australia-Japan Research Center (AJRC) (current position)
- Global Ambassador of Advance, an initiative supported by Australian Government funding (current position)
- 2022 Outside Director of Mitsubishi Estate Co., Ltd. (current position)
- 2023 Outside Director, Member of the Board of Kawasaki Heavy Industries, Ltd. (current position)
- Steering Committee Member of Japan Australia Business Co-operation Committee (current position)
- 2024 Outside Director of Asahi Group Holdings, Ltd. (current position)

Fujiyo Ishiguro

Director of the Board (External)



- 1981 Joined BROTHER INDUSTRIES, LTD.
- 1988 Joined Swarovski Japan Ltd.
- 1994 President of Alphametrics, Inc.
- 1999 Director of Netyear Group, Inc.
- Director of Netyear Group Corporation
- 2000 President & CEO of the above
- 2013 Outside Audit & Supervisory Board Member of Sompō Japan Insurance Inc.
- 2014 Outside Director of Hottolink, Inc.
- Outside Director of Monex Group, Inc. (current position)
- 2015 Outside Director of Sompō Japan Nipponkoa Insurance Inc. (now Sompō Japan Insurance Inc.)
- 2021 Outside Director of WingArc1st Inc.
- Director of Netyear Group Corporation (current position)
- Director of the Board (External) of the Company (current position)
- 2023 External Director of MITSUI & CO., LTD. (current position)

Directors, Audit and Supervisory Committee Members, and Executive Officers

Ankur Sahu

Director of the Board
(External)



- 1998 Partner Managing Director, Co-head Asia Pacific, Merchant Banking Division of The Goldman Sachs Group, Inc.
- 2005 Outside Director of USJ Co., Ltd. (now USJ LLC)
- 2006 Outside Director of SANYO Electric Co., Ltd.
- 2011 Outside Director of eAccess Ltd. (now SoftBank Corp.)
- Outside Director of Japan Renewable Energy Corporation (now ENEOS Renewable Energy Corporation)
- 2019 Representative Director of Kyoto Pacific Capital Inc.
- 2023 Outside Corporate Auditor of airweave inc. (current position)
- Representative Director of Kyoto Pacific Capital Inc. (current position)

Audit and Supervisory Committee Members

Hiroshi Ishikura

Director, Audit and Supervisory
Committee Member



- 1988 Joined Aoyama Audit Corporation (now PricewaterhouseCoopers Japan LLC)
- 1990 Certified Public Accountant registered
- 1995 Joined Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC)
- 1998 Joined Capital Management, INC
- 2003 Joined Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC)
- 2004 Partner of the above
- 2006 Joined Sammy Networks Co., Ltd., Director of Corporate Planning Office
- Executive Vice President, Director of the Board of the above
- 2012 Joined the Company, Deputy Managing Director of Group Internal Control Office, Group CSR Promotion Office and Internal Audit Office
- 2013 Certified Internal Auditor registered
- Vice President, Executive Officer and Managing Director of Group Internal Control Office, Group CSR Promotion Office and Internal Audit Office of the Company
- 2021 Audit & Supervisory Board Member of SEGA CORPORATION (current position)
- Audit & Supervisory Board Member of DARTSLIVE Co., Ltd. (current position)
- Audit & Supervisory Board Member of SEGA Logistics Service Co., Ltd. (current position)
- 2022 Audit & Supervisory Board Member of SEGA SAMMY GOLF ENTERTAINMENT INC. (current position)
- Audit & Supervisory Board Member of Sunrockers, Ltd. (current position)

Kazutaka Okubo

Director, Audit and Supervisory
Committee Member (External)



- 1995 Joined Century Audit Corporation (now Ernst & Young ShinNihon LLC)
- 2003 Director of Shinnihon Integrity Assurance, Inc.
- (now Ernst & Young Shinnihon Sustainability Co., Ltd.)
- 2005 Executive Vice President, Director of the Board of the above
- 2006 Partner of Ernst & Young ShinNihon (now Ernst & Young ShinNihon LLC)
- 2012 Senior Partner of Ernst & Young ShinNihon LLC
- 2016 Senior Executive Board Member of the above
- 2019 Audit & Supervisory Board Member (External) of the Company
- President and Representative Director of Okubo Associates Inc. (current position)
- Outside Director of Sun Frontier Fudousan Co., Ltd. (current position)
- Outside Audit & Supervisory Board Member of BrainPad Inc.
- Outside Director of LIFULL Co., Ltd. (current position)
- 2020 Outside Director of SALA Corporation (current position)
- Outside Director (Audit and Supervisory Committee Member) of Musashi Seimitsu Industry Co., Ltd. (current position)
- President and Representative Director of K.K. SS Dnaform (current position)
- 2021 Director (External/Member of the Audit and Supervisory Committee/Independent Director) of BrainPad Inc.
- 2022 External Director (Audit and Supervisory Committee Member) of the Company (current position)
- 2024 Director (External/Standing Member of the Audit and Supervisory Committee/Independent Director) of BrainPad Inc. (current position)

Naoko Murasaki

Director, Audit and Supervisory
Committee Member (External)



1995 Joined the National Police Agency
2001 Northeast Asia Division, Asian and Oceanian Affairs Bureau of Ministry of Foreign Affairs
2003 Chief of 2nd Criminal Investigation Division, Criminal Investigation Department of Shizuoka Prefectural Police Headquarters
2005 Chief of Foreign Affairs Division, Security Department of Hyogo Prefectural Police Headquarters
2007 Security Planning Division, Security Bureau of National Police Agency
2008 Bain & Company Japan Incorporated
2010 Kroll International Inc. (Japan Office)
2015 Head of Japan of the above
2018 President and Representative Director of Nobligier Co., Ltd. (current position)
Senior Advisor of Kroll International Inc. (Japan Office) (current position)
2021 Outside Director of Sansel Landic Co., Ltd. (current position)
Director of the Board (External) of the Company
2022 Outside Director (Audit and Supervisory Committee Member) of Riraku Co., Ltd. (current position)
External Director (Audit and Supervisory Committee Member) of the Company (current position)
2023 Outside Director (Audit and Supervisory Committee Member) of VISIONARY HOLDINGS CO., LTD.

Makiko Ushijima

Director, Audit and Supervisory
Committee Member (External)



1989 Joined the Defense Agency (now the Ministry of Defense)
1995 Registered as a New York lawyer
Joined Shearman & Sterling LLP
1998 Joined Orrick, Herrington & Sutcliffe LLP
2002 Executive Officer and Head of Legal Office of GE Fleet Services Corporation
2003 Joined Dorsey & Whitney LLP
2008 Registered as a US certified public accountant (Illinois)
Registered as a lawyer (Dai-Ichi Tokyo Bar Association)
Joined Nagashima Ohno & Tsunematsu
2011 Joined Sidley Austin Foreign Law Joint Enterprise
2017 Joined Jones Day Tokyo, Of Counsel (current position)
2019 Director (External/Independent Director) of BrainPad Inc.
2023 Director (External/Member of the Audit and Supervisory Committee/Independent Director) of the above (current position)

Executive Officers

Senior Executive Vice
President, Executive Officer

Yukio Sugino

Executive Vice President,
Executive Officer

Hideo Yoshizawa

Makoto Takahashi

Yoichi Owaki

Executive Officer

Takaharu Kato

Hironobu Otsuka

Koji Takeyama

Yukio Kawasaki

Natsue Ishida

Management's Discussion and Analysis

Consolidated Statements of Income and Comprehensive Income

Long-term trends

Both sales and profits are trending upward in the Entertainment Contents Business, supported by growth in the number of platformers and increasingly diverse business models. We forecast continued growth going forward.

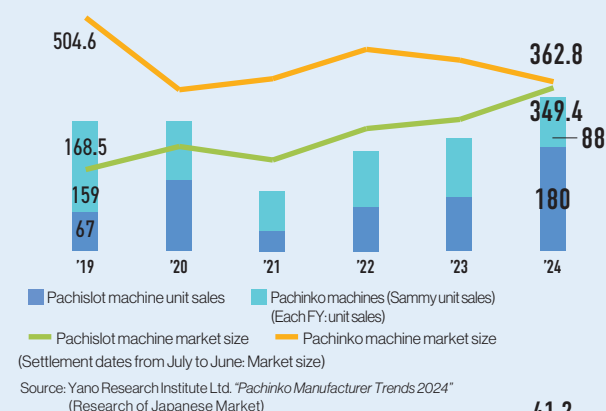
The Pachislot & Pachinko Machines Business is recovering in both sales and profits due to the market environment, which has improved with regulatory reviews, and also due to increased business efficiency driven mainly by cost reductions.

Main causes of the decline in earnings

Declining earnings within existing businesses amid market contraction

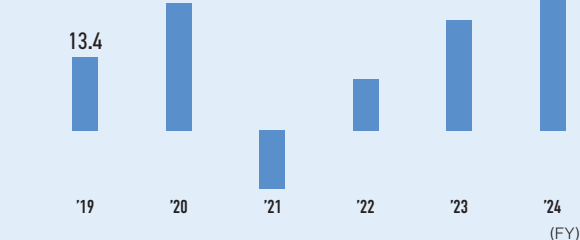
● Sammy unit sales / Pachislot & pachinko market size

Thousands of units / Billions of yen



● Pachislot & Pachinko Machines Business operating income

Billions of yen

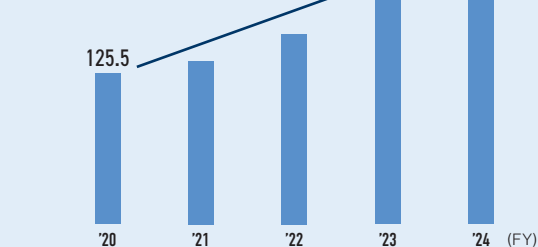


Improvement in profitability

Earning growth in Consumer area

● Consumer area net sales

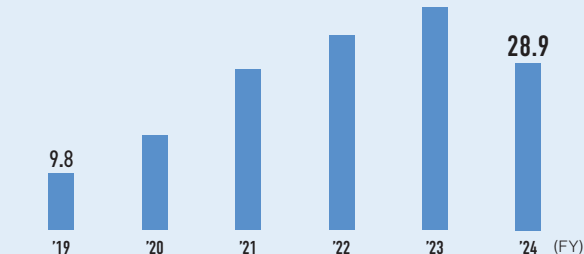
Billions of yen



Entertainment Contents Business profitability improvement

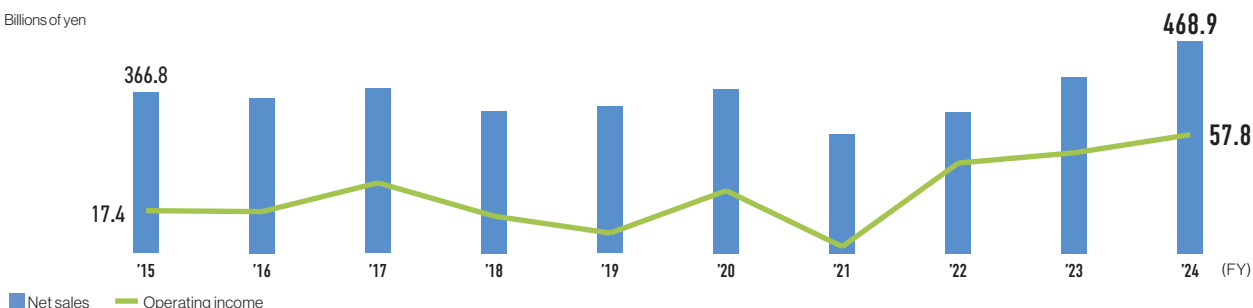
● Entertainment Contents Business operating income

Billions of yen



● Long-term trends in net sales and operating income

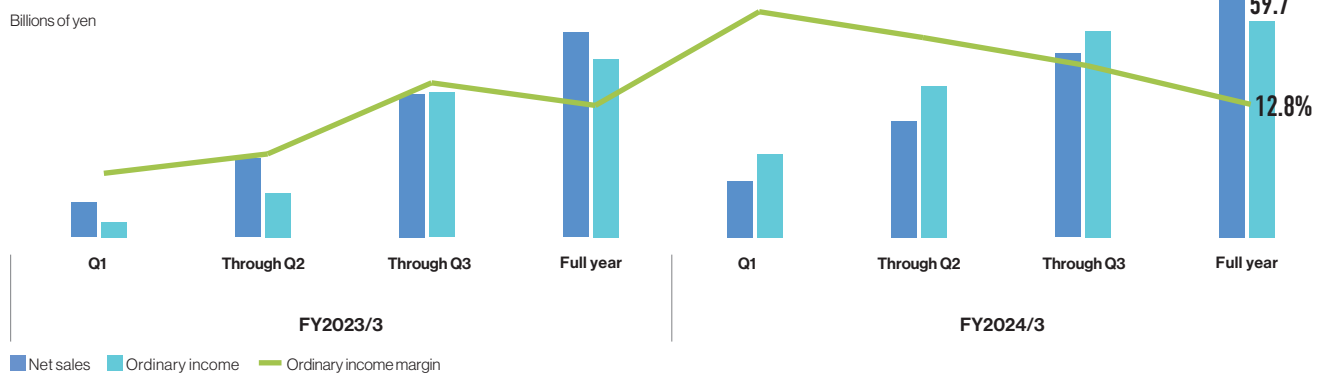
Billions of yen



Comparing FY2023/3 and FY2024/3

Net sales: ¥**467.8** billion Ordinary income: ¥**59.7** billion Ordinary income margin: **12.8%**

Billions of yen



Summary of consolidated financial statements

Billions of yen

	2023	2024	YoY change
Net sales	389.6	467.8	20.1%
Entertainment Contents Business	282.8	318.0	12.4%
Pachislot & Pachinko Machines Business	94.2	135.9	44.3%
Resort Business	11.5	12.3	7.0%
Other and eliminations	1.1	1.6	45.5%
Operating income	46.7	56.8	21.6%
Entertainment Contents Business	38.7	28.9	-25.3%
Pachislot & Pachinko Machines Business	20.0	41.2	106.0%
Resort Business	-1.1	-0.9	—
Other and eliminations	-10.9	-12.4	—
Non-operating income	4.9	6.8	38.8%
Non-operating expenses	2.2	3.9	77.3%
Ordinary income	49.4	59.7	20.9%
Entertainment Contents Business	41.1	30.7	-25.3%
Pachislot & Pachinko Machines Business	20.7	41.8	101.9%
Resort Business	-3.2	0	—
Other and eliminations	-9.2	-12.8	—
Ordinary income margin	12.7%	12.8%	0.1 pt
Extraordinary income	0	1.3	—
Extraordinary losses	2.4	19.2	700.0%
Income before income taxes	47.0	41.8	-11.1%
Income taxes	1.1	8.8	700.0%
Profit attributable to owners of parent	45.9	33.0	-28.1%
Cash dividends per share (Yen)	59	50	—
Net income per share (Yen)	208.07	150.75	—
Net assets per share (Yen)	1,498.75	1,652.29	—

Operating income (Entertainment Contents Business)

Sales increased thanks to strong performance in the domestic and Asian CS* area and Rovio's entry into the Group, but profit decreased mainly due to weak performance in the European CS area

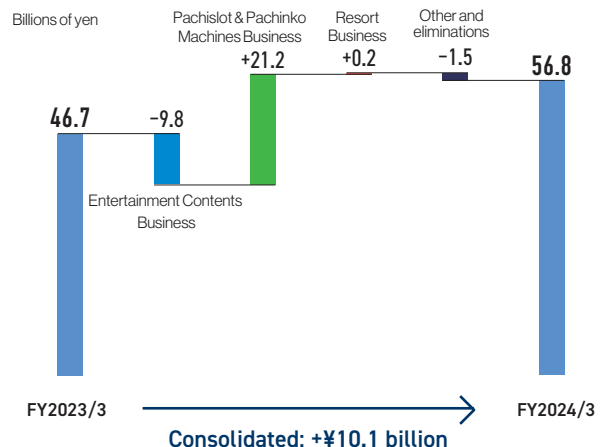
Operating income (Pachislot & Pachinko Machines Business)

Significant year-on-year increase in profit due to strong sales centered on pachislot machines

Extraordinary losses

Posted extraordinary losses mainly due to the decision to implement structural reforms in response to the deteriorating business environment in the CS area centered on European studios

Change in segment operating income



* CS: Consumer

*Figures for FY2024/3 are the figures before the retrospective adjustment due to the change in segment classification

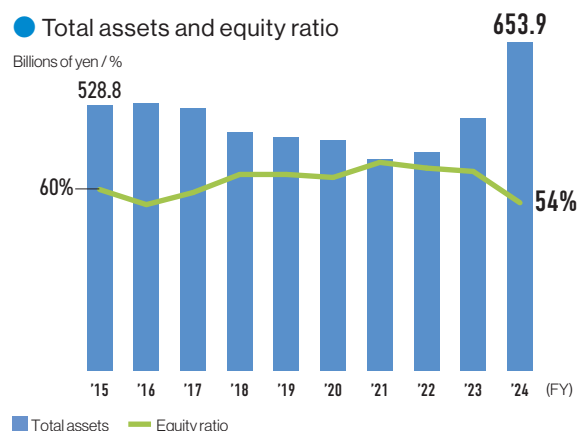
Management's Discussion and Analysis

Consolidated Financial Position

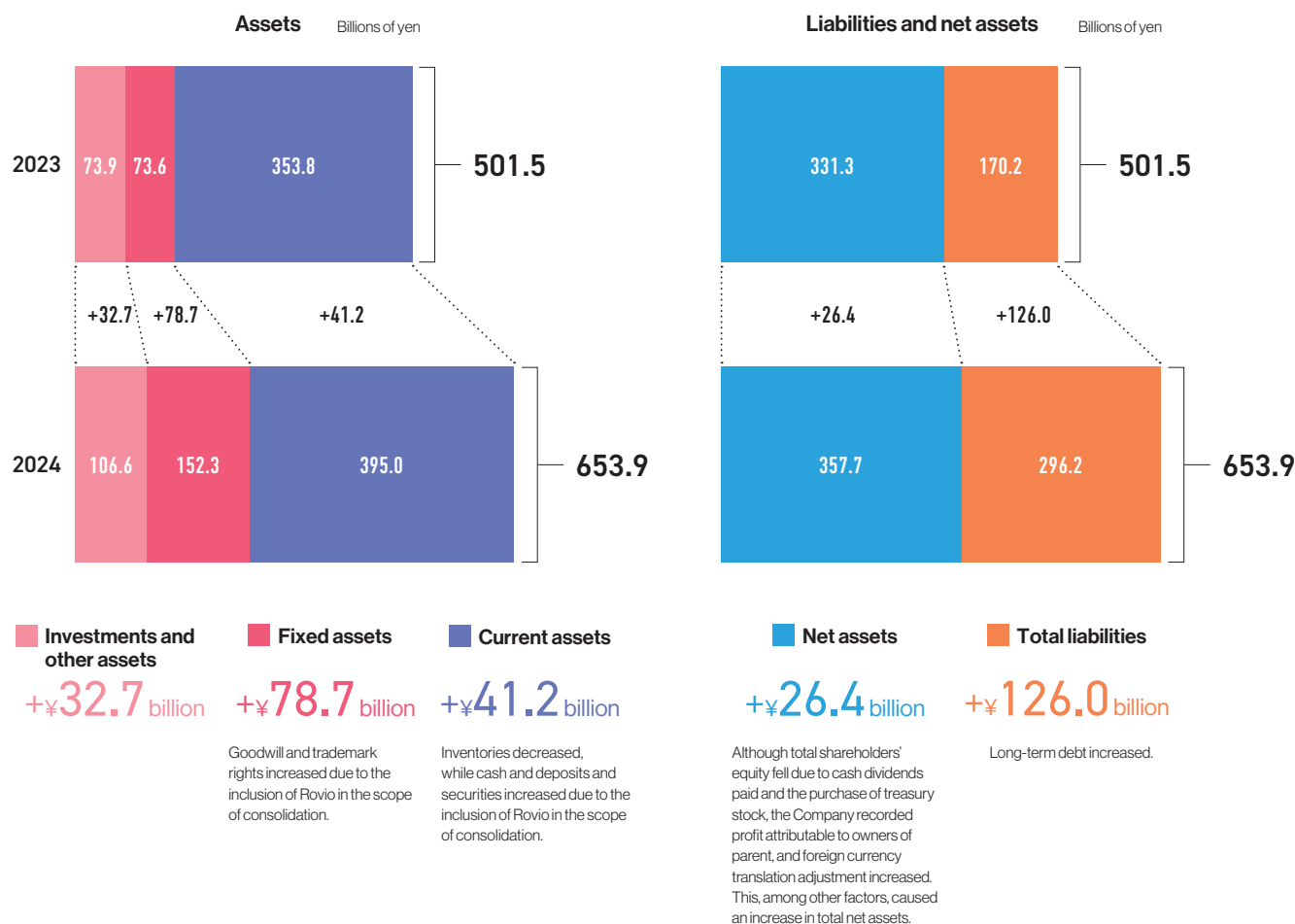
Long-term trends

From the fiscal year ended March 2015, total assets started trending upward due to an increase in goodwill accompanying acquisitions in the Entertainment Contents Business, the Group's initiatives in preparation for participation in the Integrated Resort (IR) business, and an increase in investment securities accompanying new investment in growth areas, etc. In recent years, however, total assets have again been trending downward, reflecting a decrease in cash and deposits accompanying relocation of the head office, a decrease in securities, and the redemption of bonds.

Despite earnings volatility stemming from the presence or absence of hit products, which is the nature of the Group's businesses, the equity ratio remained steady and the Group continued to invest in growth areas and pay stable dividends.



Comparing FY2023/3 and FY2024/3

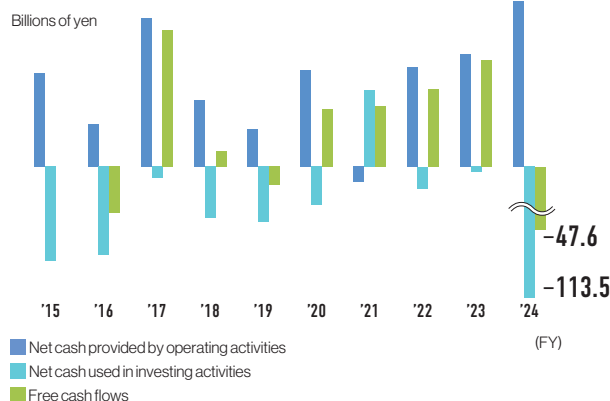


Consolidated Cash Flows

Long-term trends

With the exception of certain fiscal periods, the Group has continued to record net cash outflows in investing activities due to M&As in growth areas and strategic investments to raise production capacity. Since the fiscal year ended March 2013, the Group has been investing in organizational restructuring, including making three listed subsidiaries into wholly owned subsidiaries, as well as investing actively in growth areas such as the Consumer area. Through a cash management system, the Group uses internal capital efficiently. Also, the Group uses a range of methods to support liquidity and meet investment needs flexibly, including borrowings and bond issuances.

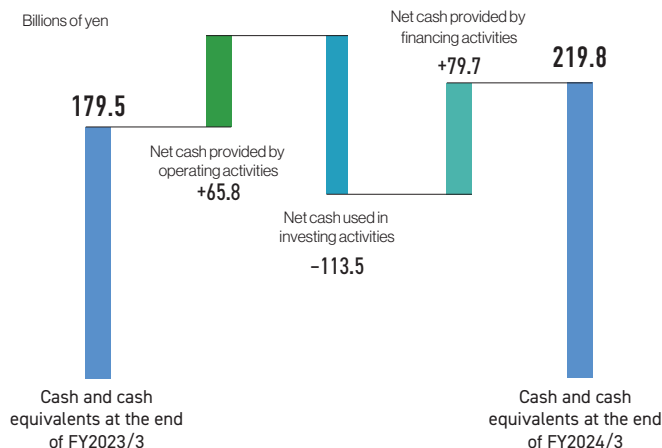
Cash flows



FY2024/3 cash flows

Cash and cash equivalents at the end of the fiscal year ended March 2024 were ¥219,810 million, up ¥40,301 million from the previous fiscal year-end.

Consolidated cash flows



Breakdown of cash flows

Billions of yen

Net cash provided by/used in operating activities	
Income before income taxes	41.8
Depreciation and amortization	13.5
Income taxes paid	-12.5
Others	23.0
Net cash provided by/used in investing activities	
Acquisition of subsidiary shares	-81.7
Payment of investments in capital	-12.9
Others	-18.9
Net cash provided by/used in financing activities	
Proceeds from long-term debt	122.0
Repayment of long-term loans	-17.0
Acquisition of treasury stocks	-10.0
Payment of dividends	-13.6
Others	-1.7

Net cash provided by operating activities

+¥65.8 billion

While income taxes paid totaled ¥12,505 million, and accounts payables and contract liabilities decreased by ¥8,238 million and ¥8,009 million, respectively, income before income tax of ¥41,831 million and depreciation and amortization of ¥13,514 million were recorded, resulting in net cash provided by operating activities of ¥65,833 million for the year ended March 2024 (¥44,704 million for the year ended March 2023).

Net cash used in investing activities

-¥113.5 billion

Net cash used in investing activities amounted to ¥113,509 million in the fiscal year ended March 2024 (¥2,351 million in the fiscal year ended March 2023) due to cash inflows of ¥9,795 million from distributions of investments in capital, cash outflows of ¥81,776 million for the acquisition of subsidiaries, ¥12,989 million for payments for investments in capital, and other factors.

Net cash provided by financing activities

+¥79.7 billion

While ¥17,018 million was used to repay long-term debt, ¥13,673 million was used to pay dividends, and ¥10,016 million was used to purchase treasury stock, proceeds from long-term debt totaled ¥122,000 million, resulting in net cash provided by financing activities in the fiscal year ended March 2024 of ¥79,786 million (¥15,358 million was used in the year ended March 2023).

Management's Discussion and Analysis

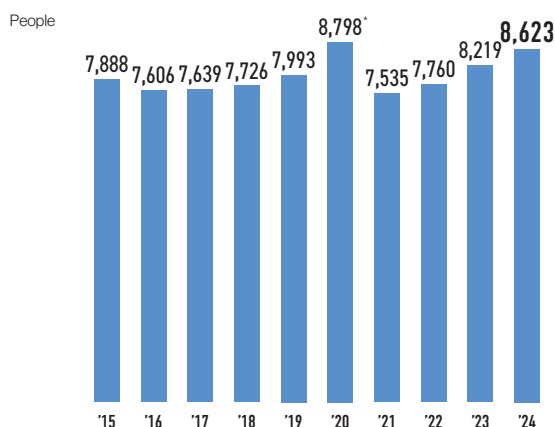
Non-Financial Assets

Human capital

Number of employees (Consolidated)

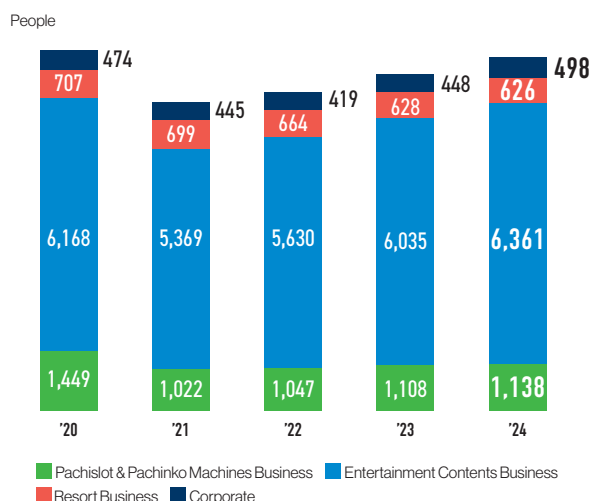
At the end of the fiscal year ended March 2024, the consolidated number of employees was 8,623, up 404 from the previous fiscal year-end, as the Company actively augmented development resources, mainly in the Consumer area of the Entertainment Contents Business.

Number of employees (Consolidated)



* Total employees in the Entertainment Contents Business increased due to the conversion of fixed-term to permanent labor contracts (about 440 people).

Number of employees by segment



Intellectual property

R&D expenses and content production expenses

We are actively investing in R&D and content production to reinforce and enhance intellectual property—the source of the Group's competitiveness. In recent years, we have stepped up our focus on investing in the Consumer area to expand the product and service lineup over the medium term. In the fiscal year ended March 2024, R&D and content production expenses were ¥98.2 billion, up ¥17.8 billion year on year.

Reference

Recognition of R&D Expenses and Content Production Expenses by Product and Service

Entertainment Contents Business (CS/Full Games)

Recorded as inventory assets or intangible fixed assets during development and as costs after launch. Amortized at 25% in the first month, following which the remaining amount is amortized on a straight-line basis over 23 months (total amortization period is 24 months).

Entertainment Contents Business (CS/F2P)

Amortized at a fixed rate for 24 months or 36 months from the launch month.

Entertainment Contents Business (AM)

Recorded as inventory assets during development and as costs after launch. Amortized on a straight-line basis at 15% for each of the first two months of the launch and at 7% for each of the following 10 months (total amortization period is 12 months).

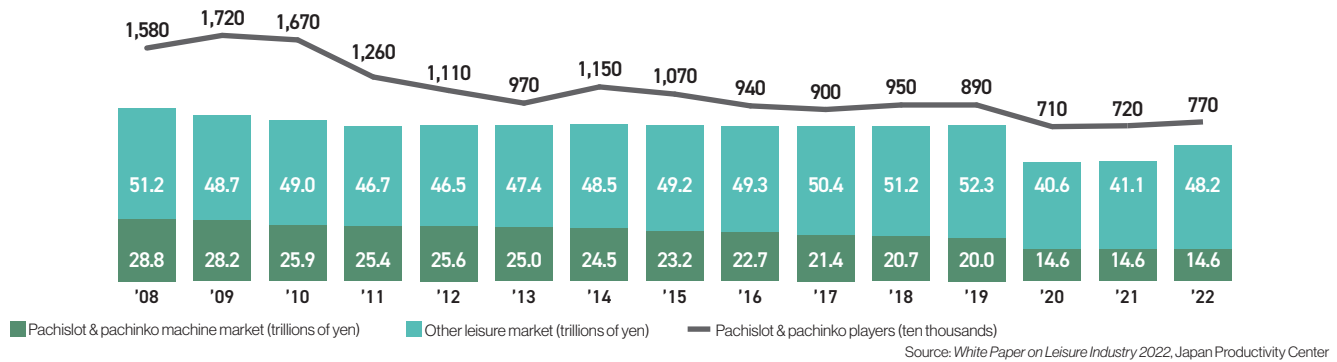
Pachislot & Pachinko Machines Business

Not recorded as assets but as costs on an accrual basis (outsourced processing costs are recorded at the time of receipt and inspection).

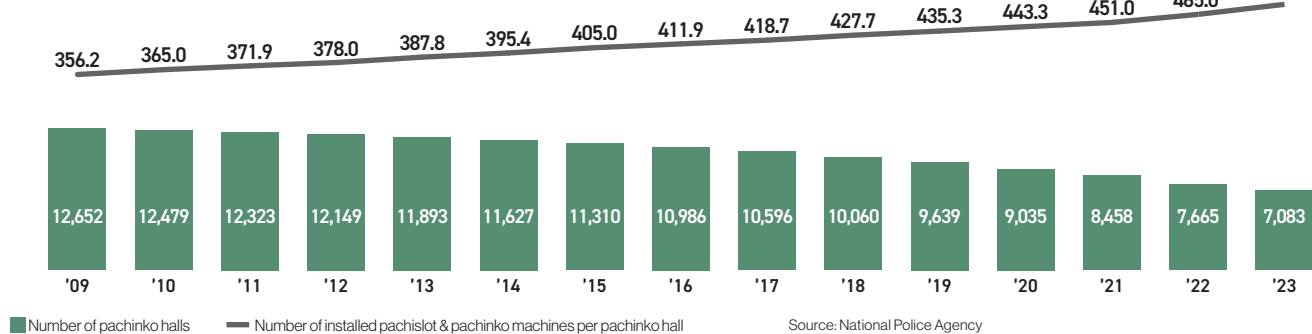
* Since CS/Full Games can be expected to be sold over a longer period of time compared to the past due to prolonged product lifecycles, the amortization rules have been revised to the above starting with new games released in the fiscal year ended March 2024.

Basic Data

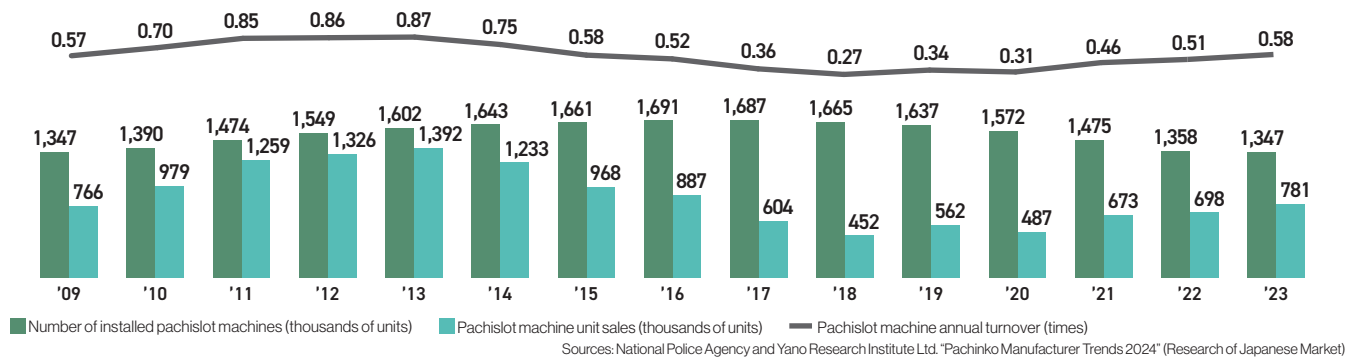
Market sizes and number of pachislot & pachinko players



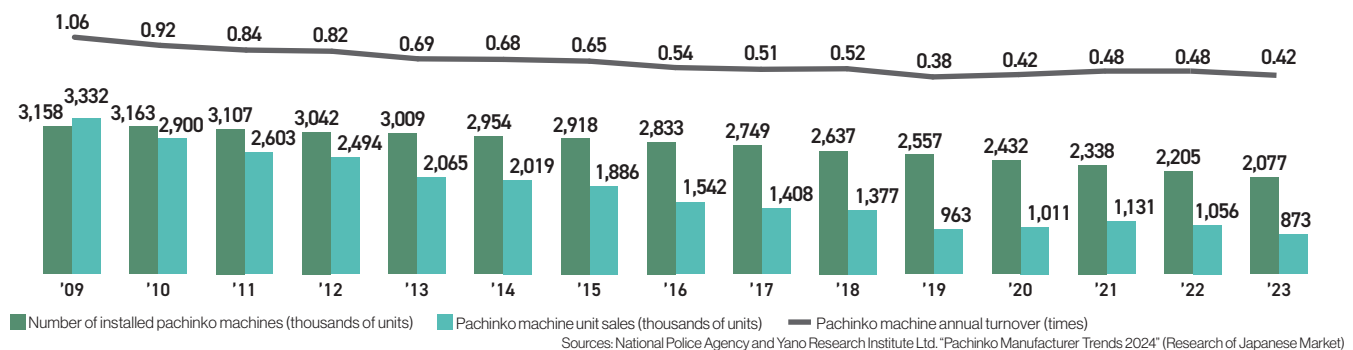
Numbers of pachinko halls and installed pachislot & pachinko machines per pachinko hall



Pachislot machines: Number of installed machines, unit sales, and annual turnover

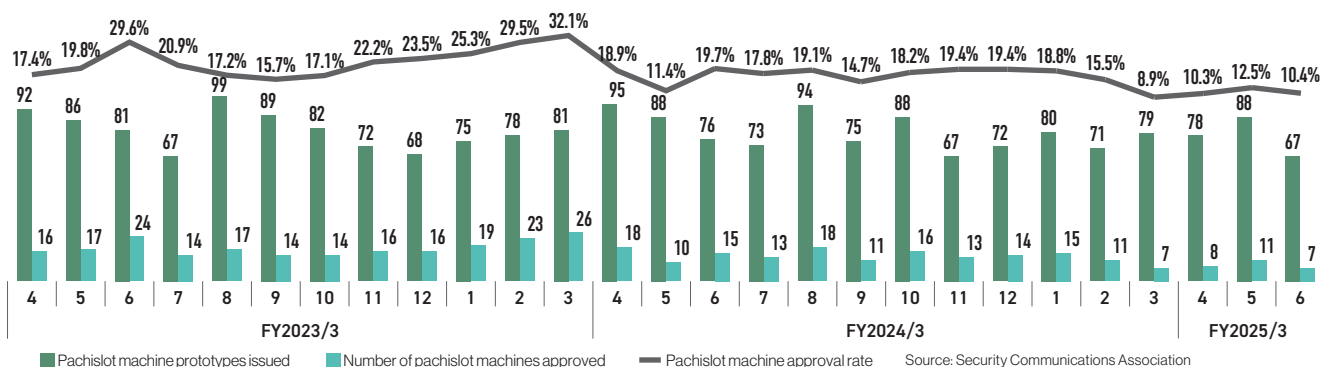


Pachinko machines: Number of installed machines, unit sales, and annual turnover

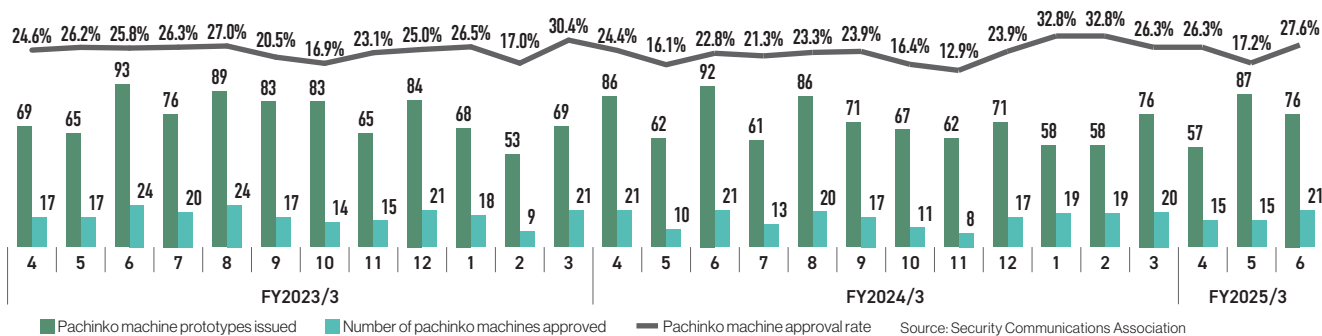


Management's Discussion and Analysis

Results of pachislot machine prototype testing



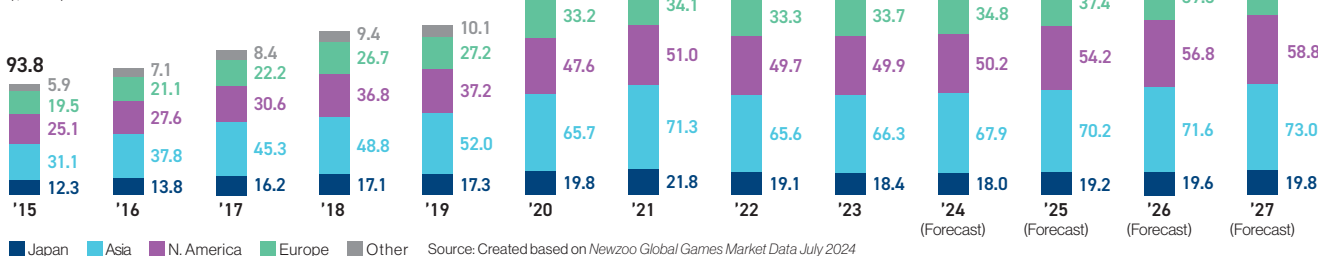
Results of pachinko machine prototype testing



Video game contents market size

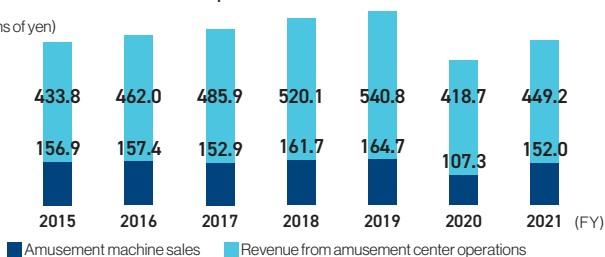
By region

(\$billion)



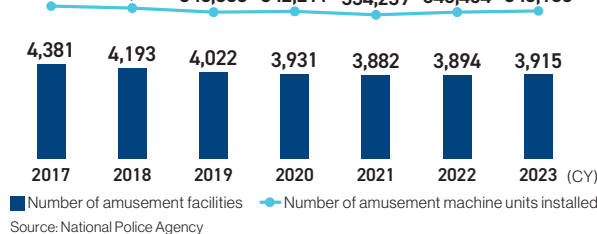
Domestic amusement machine sales and revenues from amusement facilities operations

(Billions of yen)



Number of amusement facilities and amusement machine units installed

(CY)



Company Profile / Stock Information

Company profile

Company name	SEGA SAMMY HOLDINGS INC.
Address	Sumitomo Fudosan Osaki Garden Tower, 1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo 141-0033, Japan
URL	https://www.segasammy.co.jp/en/
Established	October 1, 2004
Capital	¥29.9 billion (As of March 31, 2024)
Principal business	Management of SEGA SAMMY Group as the holding company

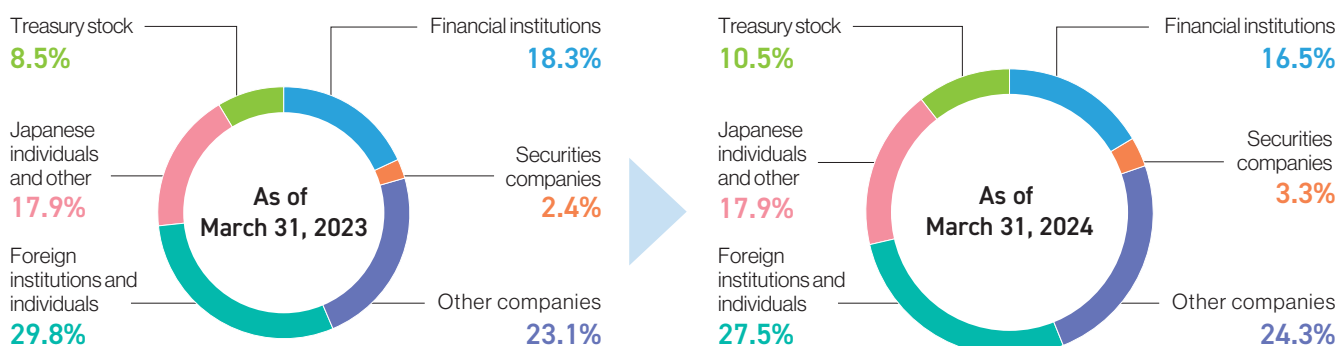
Stock information (As of March 31, 2024)

Number of shares authorized for issue	800,000,000
Total shares issued and outstanding	241,229,476
Number of shareholders	68,796

Major shareholders (As of March 31, 2024)

Name of shareholder	Shares held	Shares ratio
HS Company	36,008,000	16.17%
The Master Trust Bank of Japan, Ltd. (Trust account)	26,118,000	10.82%
SEGA SAMMY HOLDINGS INC.	25,214,788	10.45%
FSC Co., Ltd.	13,682,840	5.67%
Custody Bank of Japan, Ltd. (Trust account)	10,399,200	4.31%
STATE STREET BANK AND TRUST COMPANY 505001	6,024,476	2.49%
KOREA SECURITIES DEPOSITORY—SAMSUNG	5,648,300	2.34%
Hajime Satomi	4,217,238	1.74%
Haruki Satomi	3,920,661	1.62%
SSBTC CLIENT OMNIBUS ACCOUNT	3,397,051	1.40%
JPMorgan Securities Japan Co., Ltd.	3,138,935	1.30%

Breakdown of shareholders



Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
As of March 31, 2023 and 2024

	Millions of yen	
	2023	2024
Assets		
Current assets		
Cash and deposits	¥179,509	¥211,715
Notes, accounts receivable—trade, and contract assets (Note 6 (1)(6))	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 (Note 6 (4))	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 (Note 6 (2)(3))	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

See accompanying notes.

Millions of yen

	2023	2024
Liabilities		
Current liabilities		
Notes and accounts payable—trade (Note 6 (6))	¥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 (Note 7 (4))	(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

See accompanying notes.

Consolidated Statements of Income and Comprehensive Income

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2024

	Millions of yen	
	2023	2024
Net sales (Note 7 (1))	¥389,635	¥467,896
Cost of sales (Notes 7 (2) and (3))	231,568	271,159
Gross profit	158,067	196,737
Selling, general and administrative expenses	111,278	139,901
Operating income	46,789	56,836
Other income (expenses)		
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	—
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)
Gain on sales of noncurrent assets (Note 7 (4))	3	1
Gain on sales of investment securities	—	339
Gain on sale of business	—	155
Gain on reversal of contingent consideration	—	835
Loss on sales of noncurrent assets (Note 7 (5))	(0)	(22)
Impairment loss (Note 7 (6))	(446)	(351)
Loss on valuation of investment securities	(81)	(746)
Loss on business restructuring (Note 7 (7))	(1,783)	(17,804)
Other, net	191	511
Subtotal	279	(15,004)
Income (loss) 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 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 (Note 7 (8))	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

See accompanying notes.

Consolidated Statements of Changes in Net Assets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2024

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

Millions of yen

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balances as of April 1, 2022	¥29,953	¥117,689	¥224,684	¥(77,886)	¥294,440
Cumulative effects of changes in accounting policies					—
Restated balance	29,953	117,689	224,684	(77,886)	294,440
Changes in 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 in items other than shareholders' equity					
Total changes in items during the period	—	(45,475)	37,155	40,635	32,315
Balances as of March 31, 2023	¥29,953	¥ 72,213	¥261,840	¥(37,251)	¥326,755

Millions of yen

	Accumulated other comprehensive income					Total accumulated other comprehensive income
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	
Balances as of April 1, 2022	¥2,270	¥ (33)	¥(1,109)	¥ 41	¥(3,199)	¥(2,028)
Cumulative effects of changes in accounting policies						—
Restated balance	2,270	(33)	(1,109)	41	(3,199)	(2,028)
Changes in items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Cancellation of treasury stock						
Change in scope of consolidation						
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes in items other than shareholders' equity	356	415		3,688	1,667	6,128
Total changes in items during the period	356	415	—	3,688	1,667	6,128
Balances as of March 31, 2023	¥2,626	¥382	¥(1,109)	¥3,730	¥(1,531)	¥ 4,099

Millions of yen

	Share acquisition rights	Non-controlling interests	Total net assets
Balances as of April 1, 2022	¥176	¥ 49	¥292,637
Cumulative effects of changes in accounting policies			—
Restated balance	176	49	292,637
Changes in 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 in items other than shareholders' equity	292	(25)	6,395
Total changes in items during the period	292	(25)	38,710
Balances as of March 31, 2023	¥468	¥ 24	¥331,347

See accompanying notes.

Consolidated Statements of Changes in Net Assets

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

Millions of yen

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balances as of April 1, 2023	¥29,953	¥72,213	¥261,840	¥(37,251)	¥326,755
Changes in 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 in items other than shareholders' equity		(2,949)	19,367	(9,899)	6,518
Total changes in items during the period	—	(2,949)	19,367	(9,899)	6,518
Balances as of March 31, 2024	¥29,953	¥69,263	¥281,208	¥(47,151)	¥333,274

Millions of yen

	Accumulated other comprehensive income					Total accumulated other comprehensive income
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	
Balances as of April 1, 2023	¥2,626	¥ 382	¥(1,109)	¥ 3,730	¥(1,531)	¥ 4,099
Changes in items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Cancellation of treasury stock						
Change in scope of consolidation						
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes in items other than shareholders' equity	429	(613)	—	16,658	3,072	19,546
Total changes in items during the period	429	(613)	—	16,658	3,072	19,546
Balances as of March 31, 2024	¥3,056	¥(230)	¥(1,109)	¥20,388	¥ 1,540	¥23,645

Millions of yen

	Share acquisition rights	Non-controlling interests	Total net assets
Balances as of April 1, 2023	¥468	¥24	¥331,347
Changes in 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 in items other than shareholders' equity	283	6	19,836
Total changes in items during the period	283	6	26,354
Balances as of March 31, 2024	¥751	¥30	¥357,702

See accompanying notes.

Consolidated Statements of Cash Flows

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2024

	Millions of yen	
	2023	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	2,501
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	15,218
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

See accompanying notes.

Consolidated Statements of Cash Flows

	Millions of yen	
	2023	2024
Net cash provided by (used in) investing activities		
Proceeds from sales of trust beneficiary rights	¥ 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 (Note 9(2))	(448)	(81,776)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	31	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 9(3))	—	(1,716)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	6
Purchase of shares 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 start 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 (Note 9 (1))	¥179,509	¥219,810

See accompanying notes.

Notes to Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2024

1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, necessary adjustments are made upon consolidation for 2023 and 2024. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated

financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese-language consolidated financial statements is not presented in the accompanying consolidated financial statements. Each amount of the accompanying consolidated financial statements is rounded down to the nearest one million yen.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in order to present them in a form which is more familiar to readers outside of Japan. Certain reclassifications have been made to the 2023 consolidated financial statements to conform to the classifications used in 2024. These changes had no impact on previously reported results of operations or shareholders' equity.

2 Summary of Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 72

(2) Number of non-consolidated subsidiaries: 12

Non-consolidated subsidiaries are excluded from the scope of consolidation because the combined amount of each of assets, net sales and net income corresponding to the percentage of equity interest held by the Company, and the combined amount of retained earnings corresponding to the percentage of equity interest held by the Company, do not have a significant effect on the consolidated financial statements.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for under the equity method: —

(2) Number of affiliated companies accounted for under the equity method: 8

(3) Number of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method: 16

Some of the Company's non-consolidated subsidiaries and affiliates are not accounted for under the equity method because the combined amount of net income corresponding to the percentage of equity interest held by the Company, and the combined amount of retained earnings corresponding to the percentage of equity interest held by the Company do not have a significant effect on the consolidated financial statements even if they are excluded from the scope of the equity method and have no significance as a whole.

3. Accounting policies

(1) Valuation and accounting treatment for important assets

1) Held-to-maturity debt securities

Held-to-maturity debt securities are stated at the amortized cost method. (the straight-line method)

2) Available-for-sale securities

Those other than securities without available fair market value:

Fair value method (The difference between acquisition cost and fair value is accounted for as the valuation difference on available-for-sale securities in net assets, with cost of sales determined by the moving-average method.)

With respect to compound financial instruments whose fair value cannot be categorized and measured for each embedded derivative, the entire compound financial instrument is appraised by fair value. Unrealized gains or losses are reported as profit or loss for the current fiscal year.

Securities without available fair market value:

Securities without quoted market prices are carried at cost, which is determined by the moving-average method.

The net amount of equity included in the Company's financial statements (from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2-2 of the Financial Investment and Exchange Law of Japan) is calculated based on the relevant financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.

3) Derivatives

Derivatives are stated at fair market value.

Notes to Consolidated Financial Statements

4) Inventories

Inventories are stated at cost which is determined mainly by the gross-average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

Work in process is also stated at cost which is determined by the specific identification method (or at the NRV calculated by writing down the book value to reflect a decrease in the NRV).

(2) Depreciation and amortization for important assets

1) Property, plant and equipment (excluding lease assets and right-of-use assets)

Depreciation is calculated primarily using the straight-line method.

Range of useful life for the assets is as follows:

Buildings and structures: 2–50 years

Machinery, equipment and vehicles: 2–12 years

Amusement machines and facilities: 2–5 years

2) Intangible assets (excluding lease assets)

Trademark rights: 10–23 years

Amortization is calculated using the straight-line method. The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (within five years).

3) Lease assets

Finance leases which transfer ownership:

Depreciation method for such assets is the same as that which applies to property, plant and equipment owned by the Company.

Finance leases which do not transfer ownership: Depreciated by using the straight-line method assuming the useful life equals to the lease period with a residual value of zero.

4) Right-of-use assets

The lease period or the useful life of the asset, whichever is shorter, is used as the useful life, and the residual value is calculated as zero.

(3) Accounting for deferred assets

Bond issue cost: All expenses are expensed at full amount at the time of payment.

(4) Accounting for allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in the sufficient amount to cover possible losses based on a historical write-off of general receivables.

Receivables with default possibility and bankrupt receivables are calculated based on an individual assessment of the possibility of collection.

2) Provision for bonuses

The estimated amount of bonuses is recorded to meet the payment of employee bonuses, an amount corresponding to the current fiscal year.

3) Provision for directors' bonuses

The estimated amount of bonuses is recorded to meet the payment of Directors and Audit & Supervisory Board Members' bonuses, an amount corresponding to the current fiscal year.

4) Provision for point card certificates

To provide for use of points granted to customers, the estimated future

usage amount as of the end of the current fiscal year is recorded.

5) Provision for dismantling of fixed assets

To provide for expenses for dismantling unused decrepit buildings, estimated future expenses are recorded.

6) Provision for share-based compensation

To provide for issue of shares and compensation in similar form to officers and employees of some overseas subsidiaries, the estimated future amount of shares and compensation in similar form to be issued as of the end of the current fiscal year is recorded.

(5) Accounting method for retirement benefits

1) Attribution method for projected retirement benefits:

In calculating retirement benefits obligations, benefit-formula attribution is adopted for the purpose of attributing projected retirement benefits to the period up to the end of the fiscal year ended March 31, 2024.

2) Treatment of actuarial gains and losses and prior service costs: Prior service costs are amortized equally over a certain number of years (10 years in principle) within the average remaining years of service for the employees at the time of accrual, or are charged to income collectively at the time of accrual. Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 years in principle) within average remaining years of service for the employees at the time of accrual in each fiscal year, commencing from the following fiscal year after the accrual for each employee or are charged to income collectively in the following fiscal year after the accrual.

(6) Accounting for significant hedge

1) Hedge accounting

The Group adopts deferred hedge accounting. However, special treatment is used for qualifying interest rate swap transactions. Moreover, allocation hedge accounting is applied to qualifying currency swap transactions and forward exchange contracts.

2) Hedging instruments and hedged items

Hedging instrument: Currency swaps, interest rate swaps, and forward exchange contracts

Hedged item: Interest on borrowings, receivables and payables denominated in foreign currencies

3) Hedge policy

Derivative instruments are used to mitigate risks associated with foreign exchange and interest rate fluctuations.

As a rule, hedging is only used for items in which actual demand exists, and not for speculative purposes.

4) Evaluation of hedge effectiveness

Hedge effectiveness is evaluated through comparative analysis of the cumulative fluctuations in the market between the hedged item and the hedging instrument. Evaluation of hedge effectiveness at fiscal year-end is omitted for currency swap transactions, as material conditions for the notional principal of hedging instruments and those for hedged items are the same and these transactions are deemed to offset the market fluctuations.

Evaluation of hedge effectiveness at fiscal year-end is omitted also for interest rate swap transactions applied to special treatment.

(7) Accounting policy for recognition of significant revenues and expenses

Accounting policy for recognition of significant revenues is as follows. Compensation for individual performance obligations was received within roughly two months after their fulfillment and did not include significant financial elements.

1) Digital content

With regard to revenue from the granting of game distribution rights in the Entertainment Contents Business, the Group provides game content primarily to platform operators along with distribution rights, and the Group's performance obligation is to provide game content. The Group determines that the performance obligation is satisfied by the provision of game content to the platform operators, and if the contract is one in which usage fees are collected based upon the sales of the platform operator, the revenue is recognized when the sales of the platform operators are recorded, and in other cases, it is recognized when the game content is provided.

With regard to revenue from sales from game downloads in the Entertainment Contents Business, the Group's performance obligation is to provide game content to customers. The Group determines that the performance obligation is satisfied by the provision of the game content to the customer and recognizes the revenue when the game content is provided.

With regard to revenue from sales of F2P items in the Entertainment Contents Business, and Pachislot and Pachinko Machines Business, the Group's performance obligation is to provide the services specified for each item to the customer. Depending on the nature of the item, the Group determines that the performance obligation is satisfied when the item is used by the customer or over the course of the estimated usage period calculated based on past usage data for similar items, whereupon the revenue is recognized.

With regard to the annual update service for amusement machines in the Entertainment Contents Business, the Group's performance obligation is to consistently provide updates to content throughout the contract period. Therefore, the Group determines that the performance obligation is satisfied over the course of the contract period, with the revenue recognized over the period of the contract.

2) Sales of products and merchandise

Revenue from the sales of products and merchandise in the Entertainment Contents Business and Pachislot and Pachinko Machines Business is primarily from sales through manufacture or wholesale. The Group's performance obligation is to deliver finished products or merchandise in accordance with a sales contract or the like with the customer. The Group determines that the performance obligation is satisfied when it delivers the finished products or merchandise and the customer assumes control over finished products or merchandise, with the revenue recognized at the point of delivery. With regard to revenue from sales from consignment type sales of certain merchandise, if after the role (as the principal or agent) in the provision of goods or services is determined, the Group is involved in the sale of the merchandise as an agent, the revenue is recognized using the net amount after deducting the amount paid to the supplier from the amount received from the customer.

3) Resort facility sales

Revenues of resort facilities in the Resort Business is from the operation of hotels and golf courses, with the Group's performance obligation to provide accommodation, eating and drinking, and space to play on the golf course at each facility. The Group determines that the performance obligation is satisfied and the revenue is recognized upon the completion of the provision of the various services to the customers.

(8) Amortization method and period of goodwill

If the duration of the effect of goodwill can be rationally estimated, amortization is made over the estimated number of years by the straight-line method.

(9) Cash and cash equivalents in the consolidated statements of cash flows

Funds in the consolidated statements of cash flows (cash and cash equivalents) consist of cash on hand (cash reserves), demand deposits, and short-term investments with a maturity of three months or less from acquisition, which can easily be converted to cash and are subject to insignificant risk of change in value.

(10) Application of the group tax-sharing system

The Company applies the group tax-sharing system.

3 Significant Accounting Estimates

(1) Valuation for inventories, etc., in the Entertainment Contents Business

1) Carrying amounts in the consolidated financial statements in the current fiscal year

	Millions of yen	
	2023	2024
Work in process	¥47,043	¥42,698
"Other" under intangible assets	6,410	4,614

2) Calculation method of the carrying amount in the consolidated financial statements in the current fiscal year

Work in process and software, etc., amounts posted on account of production of game contents, etc., in the Entertainment Contents Business are stated at acquisition cost and are expensed or amortized systematically considering the forecasted sales volume and expected service period. However, if the future recoverable amount is less than the carrying amount of work in process and software, etc., the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recorded in the cost of sales for the current fiscal year.

3) Key assumptions used in the calculation of carrying amount in the consolidated financial statements in the current fiscal year

The future recoverable amount is estimated based on the forecasted sales for the following fiscal years.

4) Impact on the consolidated financial statements in the following fiscal year

In case of possible discrepancy between the forecasts and actual results due to the timing of release of new products from rival companies in the same market and the nature of hit businesses, there may be an impact on profit and loss.

(2) Valuation of raw materials in the Pachislot and Pachinko Machines Business

1) Carrying amount in the consolidated financial statements in the current fiscal year

	Millions of yen	
	2023	2024
Raw materials	¥16,136	¥17,353

2) Calculation method of the carrying amount in the consolidated financial statements in the current fiscal year

Raw materials are posted using the acquisition cost, but in the event that anticipated future raw material usage falls below stock, the surplus is posted to cost of sales.

3) Key assumptions used in the calculation of carrying amount in the consolidated financial statements in the current fiscal year

Raw material usage forecasts are estimated based on the projected volume of Pachinko and Pachislot machines sales for the following fiscal years.

4) Impact on the consolidated financial statements in the following fiscal year

In case of possible discrepancy between the forecasts and actual results due to the timing of release of new products from rival companies in the same market and the nature of hit businesses, there may be an impact on profit and loss.

(3) Valuation of shares of affiliates with regard to PARADISE SEGASAMMY Co., Ltd.

1) Carrying amount in the consolidated financial statements in the current fiscal year

	Millions of yen	
	2023	2024
Shares of subsidiaries and affiliates	¥17,867	¥24,619

2) Calculation method of the carrying amount in the consolidated financial statements in the current fiscal year

PARADISE SEGASAMMY Co., Ltd. (PSS) is an affiliate of the Company accounted for using the equity method. Investments into PSS are treated under equity method accounting.

PSS applies International Financial Reporting Standards (IFRS), and if there is any indication of impairment in its cash generating units, it performs an impairment test. For the cash generating units including goodwill, PSS performs an impairment test on an annual basis, in addition to when there is any indication of impairment. As a result of its impairment tests, in the event that the recoverable amount is less than its carrying amount in the PSS financial statements is reduced to the recoverable amount is less than its carrying amount, this exerts an impact on the amount of shares of affiliates of the Company through equity method accounting.

PSS has posted ¥131,418 million in noncurrent assets, including goodwill of ¥7,589 million.

3) Key assumptions used in the calculation of carrying amount in the consolidated financial statements in the current fiscal year

PSS performs an impairment test on its cash generating units including goodwill, and its cash generating units that show any indication of impairment, and makes calculations for recoverable amount based on value in use or on fair value less cost of disposal.

Key assumptions that utilize measurements of value in use are made based on the business plans, etc., which are fundamental to calculations of future cash flows, as well as growth rates and discount rates. Business plans, etc., have been made based on the number of casino visitors and the drop amount (the amount of chips purchased at tables), premised on demand recovering gradually through the following fiscal year.

When establishing growth rates for after the target period of the business plans, etc., figures that reflect consideration of business growth are used. In addition, the discount rate is calculated using weighted average cost of capital as a basis and by reflecting the risk associated with businesses, which is determined based on external and internal information.

Fair value less cost of disposal mainly uses the real estate appraisal

value (under depreciated replacement cost approach) of external experts who take into consideration the repurchase cost of the relevant asset and related depreciation factors.

4) Impact on the consolidated financial statements in the following fiscal year

Estimates of future cash flows are made based on best estimates from management. However, in the event of trends in the number of users which cause estimates to vary from actual results, there may be an impact on profit and loss.

(4) Allocation of acquisition costs related to the acquisition of stock in Rovio Entertainment Corporation

1) Amounts posted to consolidated financial statements in the current fiscal year

Shown below are the ending balances of the intangible assets (trademark rights and intangible assets related to technology) and goodwill recorded through the acquisition of an equity stake in Rovio Entertainment Corporation ("Rovio" hereinafter) during the consolidated fiscal year under review.

	Millions of yen
	2024
Intangible assets	¥53,007
Trademark rights	47,555
Intangible assets related to technology	5,451
Goodwill	28,640

2) Method for calculating amounts posted to consolidated financial statements in the current fiscal year

Amounts allocated of identifiable intangible assets are calculated

via the income approach, converting expected future cash flows generated by the intangible assets, based on business plans used in corporate valuations, to their current values.

Of these, trademark rights were valued using as the valuation model the multi-period excess earnings method included in the income approach. Intangible assets related to technology were valued using as the valuation model the with-and-without method, also included in the income approach.

In the valuation of goodwill, the difference between the purchase price and the amounts allocated to identifiable assets and liabilities on the merger date was used as expected excess earnings from future business activities.

Outside experts were employed in these calculations because the choice of input data used in calculation methods and discount rates requires special expertise.

3) Key assumptions made in calculating amounts posted to the consolidated financial statements in the current fiscal year

In calculating future cash flows related to trademark rights, net sales per major game title and their rates of decrease and game-business costs were set based on Rovio's business plans.

In calculating future cash flow related to intangible assets related to technology, net sales per major game title and their rates of decrease and projected increases in profitability attributable to the application of intangible assets related to technology were set based on Rovio's business plans.

4) Impact on consolidated financial statements in the following fiscal year

While future business plans are based on management's best estimates, profit and loss may be affected by differences between net sales per major game title and other figures and projections thereof.

4 Unapplied New Accounting Standards

The Company and its domestic consolidated subsidiaries

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These standards cover handling of categories for recording income taxes on other comprehensive income and tax effects related to sale of stock in subsidiaries and other instruments when applying group corporate income taxation.

(2) Scheduled date of application

The guidance will apply from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the accounting standard

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

5 Changes in Methods of Presentation

(1) Consolidated Balance Sheet

"Trademark right", which was included in "Other" under intangible 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 intangible 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".

(2) Consolidated Statement of 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, net".

6 Notes to Consolidated Balance Sheets

(1) Receivables from contracts with customers and contract assets

Of notes, accounts receivable - trade, and contract assets, the amount of receivables from contracts with customers and the amount of contract assets are provided in "[Notes] (Revenue recognition) 3. Information for understanding revenue amounts of the current fiscal year and the following fiscal years (1) Receivables from contracts with customers; the balances of contract assets and contract liabilities" of the consolidated financial statements.

(2) Assets pledged as collateral

Assets pledged as collateral are as follows:

Millions of yen		
	2023	2024
Shares of subsidiaries and affiliates	Note 1 ¥17,867	Note 2 ¥24,619
Total	17,867	24,619

Notes: 1. For a loan of ¥73,007 million (₩725,000 million) from financial institutions to the equity method affiliate PARADISE SEGASAMMY Co., Ltd. at the end of the previous fiscal year, the shares of this company are pledged as collateral.

2. For a loan of ¥58,905 million (₩525,000 million) from financial institutions to the equity method affiliate PARADISE SEGASAMMY Co., Ltd. at the end of the current fiscal year, the shares of this company are pledged as collateral.

(3) Investment securities to non-consolidated subsidiaries and affiliated companies

Millions of yen		
	2023	2024
Investment securities (Shares)	¥19,432	¥26,455
Investment securities (Capital Contributions)	824	726

(4) Revaluation reserve for land

Consolidated subsidiary SEGA CORPORATION has revalued land for business, pursuant to the Act on Revaluation of Land (Law No. 34, March 31, 1998) and Amendments to the Law Concerning Revaluation of Land (Law No. 19, March 31, 2001).

Accordingly, SEGA CORPORATION has recorded an item for the revaluation reserve for land under net assets.

Revaluation method

SEGA CORPORATION computed the value of land based on the methodology regarding rational adjustments to valuation of fixed assets stipulated in Article 2-3, and appraisals by licensed real estate appraisers prescribed in Article 2-5 of the Enforcement Ordinance No. 119 (March 31, 1998) pertaining to the Law Concerning Revaluation of Land.

Date of revaluation: March 31, 2002.

Difference between the fair value at the end of the fiscal year and the book value after revaluation of revalued land: ¥(386) million

(5) Overdraft account and commitment line contract

The Company and its consolidated subsidiaries entered into overdraft account contracts and commitment line contracts with banks for the purpose of efficient procurement of operating capital.

The balance of unexecuted borrowings based on these contracts are as follows.

	Millions of yen	
	2023	2024
Total amount of limit of overdraft account and commitment line contract	¥294,654	¥285,565
Balance of borrowings	—	—
Balance of unrealized borrowings	294,654	285,565

(6) Accounting for notes maturing as of the end date of the consolidated fiscal year under review

Notes maturing as of the end date of the consolidated fiscal year under review are settled as of their dates of exchange.

Since the end date of the consolidated fiscal year under review was a holiday for financial institutions, the following notes maturing as of the end date are included in ending balances:

	Millions of yen	
	2023	2024
Notes receivable	—	¥ 898
Notes payable	—	1,628

7 Notes to Consolidated Statements of Income and Comprehensive Income

(1) Revenue from contracts with customers

Net sales combine revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is provided in "Note 21 Revenue recognition 1. Disaggregation of revenue from contracts with customers" of the consolidated financial statements.

(2) The book value devaluation of inventories held for normal sales purpose based on decline in profitability

	Millions of yen	
	2023	2024
Cost of sales	¥9,871	¥19,697

(3) Research and development expenses included in selling, general and administrative expenses and manufacturing cost

	Millions of yen	
	2023	2024
	¥51,410	¥61,365

(4) Gain on sales of noncurrent assets

	Millions of yen	
	2023	2024
Machinery, equipment, and vehicles	¥3	¥1
Other property, plant, and equipment	0	0
Total	3	1

(5) Loss on sales of noncurrent assets

	Millions of yen	
	2023	2024
Buildings and structures	¥—	¥21
Amusement machines and facilities	0	—
Other property, plant, and equipment	0	1
Total	0	22

Notes to Consolidated Financial Statements

(6) Impairment loss

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

Use	Location	Type	Millions of yen
			Amount
Assets for business	State of Nevada in the U.S. and 2 other locations	Buildings and structures	¥141
		Amusement machines and facilities	2
		Other property, plant, and equipment	297
		Other intangible assets	5
		Total	446

Based on business segments, assets or asset groups whose cash flows can be estimated separately are grouped independently. Of these, the book values of assets or asset groups whose market values declined significantly or that are projected to consistently generate negative cash flows arising from operating activities are reduced to

their recoverable values. The amount of this reduction is recorded as an impairment loss under other expenses.

Recoverable values are calculated based on memorandum values, as no future cash flows are expected.

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

Use	Location	Type	Millions of yen
			Amount
Assets for business	West Sussex, UK and six others	Buildings and structures	¥290
		Amusement machines and facilities	21
		Other property, plant, and equipment	328
		Other intangible assets	187
Idle properties	Kamo-gun, Shizuoka Prefecture	Land	0
		Total	829

Based on business segments, assets or asset groups whose cash flows can be estimated separately are grouped independently. Of these, the book values of assets or asset groups whose market values declined significantly or that are projected to consistently generate negative cash flows arising from operating activities are reduced to

their recoverable values. The amount of this reduction is recorded as an impairment loss under other expenses.

Recoverable values are calculated based on memorandum values, as no future cash flows are expected.

The amount of ¥478 million is included in loss on business restructuring under other expenses.

(7) Loss on business restructuring

This loss represents costs associated with structural reform initiatives in response to the external business environment. A breakdown is provided below.

	Millions of yen	
	2023	2024
Loss associated with suspension of game content development, etc.	¥1,783	¥11,564
Increased benefits for early retirement	—	3,417
Loss on sale of stock in affiliates	—	2,159
Impairment loss	—	478
Other	—	184
Total	1,783	17,804

(8) Reclassification adjustments and the related tax effects concerning other comprehensive income

	Millions of yen	
	2023	2024
Valuation difference on available-for-sale securities		
The amount arising during the period	¥ 433	¥ 750
Reclassification adjustments	—	(90)
Before adjustments to tax effects	433	659
The amount of tax effects	(87)	(229)
Valuation difference on available-for-sale securities	345	430
Deferred gains or losses on hedges		
The amount arising during the period	—	(223)
Reclassification adjustments	—	—
Before adjustments to tax effects	—	(223)
The amount of tax effects	—	—
Deferred gains or losses on hedges	—	(223)
Foreign currency translation adjustment		
The amount arising during the period	2,873	15,531
Reclassification adjustments	—	(274)
Before adjustments to tax effects	2,873	15,256
The amount of tax effects	—	—
Foreign currency translation adjustment	2,873	15,256
Remeasurements of defined benefit plans, net of tax		
The amount arising during the period	1,760	3,558
Reclassification adjustments	(34)	(318)
Before adjustments to tax effects	1,726	3,240
The amount of tax effects	(49)	(37)
Remeasurements of defined benefit plans, net of tax	1,677	3,203
Share of other comprehensive income of entities accounted for using equity method		
The amount arising during the period	1,277	921
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	1,227	921
Total other comprehensive income	¥6,124	¥19,587

8 Notes to Consolidated Statements of Changes in Net Assets

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

1. Number of outstanding common stock

Type of stock	Shares			
	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common stock	266,229,476	—	25,000,000	241,229,476

(Outline of causes of change)

The causes of the decrease are as follows:

Decrease due to cancellation of treasury stock: 25,000,000 shares

2. Number of outstanding treasury stock

Class of shares	Shares			
	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common stock	43,307,930	2,246,395	25,078,284	20,476,041

(Outline of causes of change)

Increase

Increase due to market purchases pursuant to

Board of Directors resolutions: 2,240,700 shares

Increase due to purchase of odd-lot stock: 5,695 shares

Decrease

Decrease due to sales of odd-lot stock: 84 shares

Decrease due to stock compensation with restriction on transfer: 78,200 shares

Decrease due to cancellation of treasury stock 25,000,000 shares

3. Subscription rights to shares

Company name	Breakdown	Type of stock	Number of stocks (Shares)				Balance at March 31, 2023 Millions of yen
			As of April 1, 2022	Increase	Decrease	As of March 31, 2023	
The Company	Subscription rights to shares as stock options	—	—	—	—	—	¥468
Total			—	—	—	—	468

4. Dividends

(1) Dividends

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting held on May 13, 2022	Common stock	¥4,458	¥20	March 31, 2022	June 2, 2022
Board of Directors' Meeting held on October 31, 2022	Common stock	4,415	20	September 30, 2022	December 1, 2022

(2) Of the dividends in which the record date is in the fiscal year ended March 31, 2022 but the effective date is in the following fiscal year

Resolution	Class of shares	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting held on May 12, 2023	Common stock	Retained earnings	¥8,609	¥39	March 31, 2023	June 2, 2023

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

1. Number of outstanding common stock

Type of stock	Shares			
	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock	241,229,476	—	—	241,229,476

2. Number of outstanding treasury stock

Class of shares	Shares			
	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock	20,476,041	4,803,305	64,558	25,214,788

(Outline of causes of change)

Increase		Decrease	
Increase due to market purchases pursuant to Board of Directors resolutions:	4,782,700 shares	Decrease due to sales of odd-lot stock:	358 shares
Increase due to purchase of odd-lot stock:	6,505 shares	Decrease due to stock compensation with restriction on transfer:	64,200 shares
Increase due to free acquisition upon retirement of individuals subject to stock compensation with restriction on transfer:	14,100 shares		

3. Subscription rights to shares

Company name	Breakdown	Type of stock	Number of stocks (Shares)			Balance at March 31, 2024 Millions of yen
			As of April 1, 2023	Increase	Decrease	
The Company	Subscription rights to shares as stock options	—	—	—	—	¥751
Total			—	—	—	751

4. Dividends

(1) Dividends

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting held on May 12, 2023	Common stock	¥8,609	¥39	March 31, 2023	June 2, 2023
Board of Directors' Meeting held on November 8, 2023	Common stock	5,078	23	September 30, 2023	December 1, 2023

(2) Of the dividends in which the record date is in the fiscal year ended March 31, 2023 but the effective date is in the following fiscal year

Resolution	Class of shares	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting held on May 10, 2024	Common stock	Retained earnings	¥5,832	¥27	March 31, 2024	June 5, 2024

9 Notes to Consolidated Statements of Cash Flows

(1) Reconciliation of cash and cash equivalents at end of year and the amount recorded on the consolidated balance sheets

	Millions of yen	
	2023	2024
Cash and deposits	¥179,509	¥211,715
Securities	—	8,095
Total	179,509	219,810
Cash and cash equivalents	179,509	219,810

(2) Breakdown of major details of assets and liabilities of companies newly added to consolidated subsidiaries through acquisition of stock

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

Not applicable

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

Shown below is a breakdown of assets and liabilities as of the time of newly adding Rovio Entertainment Corporation to consolidation through acquisition of stock and the relationship between the stock acquisition price and (net) expenditures for the acquisition.

	Millions of yen
Current assets	¥ 30,896
Noncurrent assets	59,742
Goodwill	29,089
Current liabilities	(5,928)
Noncurrent liabilities	(12,063)
Other	3,138
Stock acquisition price	104,875
Cash and cash equivalents	(23,099)
Deducted: Expenditures for acquisition	(81,776)

Note: The stock acquisition price includes acquisition costs of ¥4,234 million for the second takeover bid and squeeze-out, in addition to ¥100,640 million for the first takeover bid.

(3) Breakdown of major details of assets and liabilities of companies removed from list of consolidated subsidiaries through sale of stock

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

Not applicable

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

Shown below is a breakdown of assets and liabilities as of the time at which shares in Relic Entertainment (hereinafter "Relic"), were sold and the removal of Relic from the list of consolidated subsidiaries and the relationship between the stock sale price and expenditures arising from the sale.

	Millions of yen
Current assets	¥ 2,166
Noncurrent assets	1,754
Current liabilities	(467)
Noncurrent liabilities	(884)
Loss on business restructuring	(2,159)
Foreign currency translation adjustment	(279)
Other	(129)
Stock sale price	0
Cash and cash equivalents	(1,716)
Deducted: Expenditures arising from sale	(1,716)

10 Information for Certain Leases

1. Finance leases that do not transfer ownership prior to the initial year of application of the Accounting Standard for Lease Transactions

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation, accumulated impairment loss and net book value for the years ended March 31, 2023 and 2024, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

Prior fiscal year (As of March 31, 2023)

	Millions of yen			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings	¥2,103	¥968	¥1,135	¥—
Total	2,103	968	1,135	—

Current fiscal year (As of March 31, 2024)

	Millions of yen			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings	¥2,103	¥968	¥1,135	¥—
Total	2,103	968	1,135	—

(2) Future lease payments and accumulated impairment loss on leased assets

Future lease payments as of March 31, 2023 and 2024

	Millions of yen	
	2023	2024
Due within one year	¥151	¥12
Due after one year	12	—
Total	164	12

Accumulated impairment loss on leased assets as of March 31, 2023 and 2024

	Millions of yen	
	2023	2024
Accumulated impairment loss on leased assets	¥120	¥9

Notes to Consolidated Financial Statements

(3) A summary of assumed amounts of lease payments, reversal of allowance for impairment loss on leased assets, depreciation, interest expenses and impairment loss for the years ended March 31, 2023 and 2024, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

	Millions of yen	
	2023	2024
Lease payments	¥151	¥151
Reversal of allowance for impairment loss on leased assets	113	111
Depreciation	124	124
Interest expenses	5	2

(4) Method of calculating depreciation equivalent

The straight-line method is applied under the assumptions that the useful life equals the lease period and the residual value is zero.

(5) Method of calculating interest expenses equivalent

Interest expenses equivalent are calculated as the difference between total lease charges and acquisition cost equivalent of leased items and are allocated to each fiscal year using the interest method.

2. Finance lease transactions

(1) Details of lease assets

Leased assets primarily consist of offices and other related facilities ("machinery, equipment, and vehicles"; "other property, plant, and equipment"; and "other intangible assets").

(2) The methods of depreciation for lease assets

- Leased assets in finance leases that transfer ownership:
Depreciated using the same method applied to property, plant, and equipment owned by the Company.
- Leased assets in finance leases that do not transfer ownership:
Depreciated using the straight-line method based on the assumption that useful life equals the lease period, with a residual value of zero.

3. Lease transactions under IFRS and U.S. GAAP

(1) Details of leased assets (right-of-use assets)

Leased assets (right-of-use assets) primarily consists of items related to leased offices of certain overseas consolidated subsidiaries.

(2) Depreciation method of right-of-use assets

The lease period or the useful life of the assets, whichever is shorter, is used as the useful life, and the residual value is calculated as zero.

4. Operating lease transactions

Future lease payments for operating lease transactions which cannot be canceled as of March 31, 2023 and 2024 are as follows:

	Millions of yen	
	2023	2024
Due within one year	¥ 3,992	¥4,095
Due after one year	6,468	4,117
Total	10,460	8,212

Notes: Major factors behind increases or decreases in operating lease transactions included the payment of lease payables for offices leased for the Group's headquarters.

11 Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group has signed an agreement concerning commitment lines with financial institutions to secure medium- to long-term funds liquidity with the Company as a holding company. This is intended to serve as a safety net for the entire Group. In addition, the Group raises necessary funds for each business based on the financial plan through bank borrowings or bond issues, while operating a Cash Management System for the purpose of making efficient use of Group funds. Most funds are invested primarily in low-risk and high-liquidity financial assets (some are invested in compound financial instruments) such as bonds, to further efficient funds management. Derivatives are not used for speculative purposes, but mainly used to manage exposure to financial risks as described below.

(2) Details of financial instruments and their risks

Notes and accounts receivable trade, which are operating receivables, are exposed to customer credit risks. Additionally, operating receivables denominated in foreign currencies are exposed to exchange rate fluctuation risks. Securities and investment securities are composed mainly of bonds and stocks related to business alliances with business partners. The latter are exposed to market price fluctuation risk.

Of notes and accounts payable—trade (which are operating payables) are denominated in foreign currencies and are exposed to exchange rate fluctuation risks. With respect to a portion thereof, the Group hedges risks using forward exchange contracts.

Borrowings and corporate bonds are secured to obtain working capital, make capital investments, and engage in M&A and other activities. For certain borrowings with variable interest rates, the Group uses interest rate swap transactions to hedge the risk of fluctuating interest rates. Derivative transactions are forward exchange contracts to hedge exchange rate fluctuation risk associated with operating payables denominated in foreign currencies, interest rate swap transactions to hedge interest rate fluctuation risk associated with borrowings of the Company, and forward exchange contracts to hedge exchange rate fluctuation risk associated with equity investments in overseas subsidiaries. Additionally, further information on hedge accounting (including hedging instruments and hedged items, hedge policy, and evaluation of hedge effectiveness) is provided in the aforementioned “(Significant matters forming the basis for preparing consolidated financial statements) 4. Accounting Policies (6) Accounting method for significant hedge”.

(3) Risk management system for financial instruments

1) Management of credit risk (risk related to contractual nonperformance by business partners)

For operating receivables, (in accordance with the credit management and other rules of each company that serve as the responsible

department) regularly monitors the status of major business partners, managing due dates, and balances for each business partner while working to detect in advance to mitigate any concerns about collection due to deteriorating financial positions and other factors.

As major debentures generally have high ratings, the credit risk is minimal. In principle, the Group enters into derivative transactions only with its financial institutions.

The maximum amount of credit risk as of the end of the current fiscal year is represented as the amounts recorded in the consolidated balance sheets for financial assets exposed to credit risks.

2) Management of market risk (risk of fluctuations in foreign exchange or interest rates)

For certain borrowings with variable interest rates for the Company, the Group uses interest rate swap transactions, etc. to control the risk of fluctuating interest rates on loans.

Fair value and the financial condition of issuers (business partners) of securities and investment securities are periodically ascertained and reported to the Board of Directors meetings of each company. The holding status of principal stocks held are reviewed on an ongoing basis, in consideration of the relationship with business partners. In regards to certain compound financial instruments, etc., the Group periodically ascertains their fair value and reviews the holding status on an ongoing basis.

Derivatives transactions are executed and managed mainly by the financial department or the accounting department upon obtaining internal approval in compliance with the derivative transactions management and other rules of each company. Furthermore, reports on the status of the derivative transactions is presented to the Board of Directors at each company as appropriate.

3) Management of liquidity risk related to fund procurement (risk of inability to make payments on due date)

Operating payables and borrowings are exposed to liquidity risk. At the Group, liquidity risk is managed by having each company set an adequate fund balance and update its financial plan monthly to maintain a fund balance exceeding the predetermined balance at each company and by having the Company confirm the cash management of each company.

(4) Supplementary remarks on the fair value, etc., of financial instruments

Since calculations of the fair value of financial instruments incorporate factors that vary, the fair value may vary depending on the assumptions made. Additionally, contract amounts concerning derivative transactions presented in the “(Derivatives)” section do not represent the market risk of the derivative transactions.

Notes to Consolidated Financial Statements

2. Matters related to market values, etc., of financial instruments

Consolidated balance sheet amounts, fair values, and their differences are as follows:

Prior fiscal year (As of March 31, 2023)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	¥52,673	¥52,673	¥ —
(2) Short-term investment securities and investment securities:			
1) Held-to-maturity debt securities	104	104	(0)
2) Available-for-sale securities	4,654	4,654	—
3) Stocks of affiliates	—	—	—
Total assets	57,432	57,432	(0)
(1) Notes and accounts payable—trade	30,556	30,556	—
(2) Short-term borrowings	17,000	17,000	—
(3) Long-term borrowings	25,000	24,915	84
(4) Bonds payable	10,000	9,814	185
Total liabilities	82,556	82,287	269
Derivative transactions			
1) Derivative transactions to which hedge accounting is not applied	—	—	—
2) Derivative transactions to which hedge accounting is applied	382	382	—
Total derivative transactions	382	382	—

Notes: 1. Notes are omitted for cash and deposits because they are settled over short timespans and their fair values approximate their book values.

2. Notes concerning securities are as described in the "Note 12 Investment Securities." Notes concerning derivatives are as described in the "Note 13 Derivative Transactions."

3. Securities without available fair market value

	Millions of yen
Category	2023
Investments in unlisted stocks, etc.	¥ 4,538
Investments in investment limited partnerships, etc.	9,984
Stocks of non-consolidated subsidiaries	846
Stocks of affiliates	18,586
Investments in capital of subsidiaries and affiliates	824

The above items are not included in "(2) Short-term investment securities and investment securities."

4. Statement of investments in partnerships and similar business organizations for which amounts corresponding to equity are recorded in net amounts on the Consolidated Balance Sheet is omitted. The amount of such investments recorded on the Consolidated Balance Sheet is ¥10,808 million.

Current fiscal year (As of March 31, 2024)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	¥ 54,269	¥ 54,269	¥ —
(2) Short-term investment securities and investment securities:			
1) Held-to-maturity debt securities	103	102	(0)
2) Available-for-sale securities	13,883	13,883	—
3) Stocks of affiliates	—	—	—
Total assets	68,256	68,256	(0)
(1) Notes and accounts payable—trade	26,085	26,085	—
(2) Short-term borrowings	22,507	22,507	—
(3) Long-term borrowings	124,500	124,259	240
(4) Bonds payable	10,000	9,776	223
Total liabilities	183,092	182,627	464
Derivative transactions			
1) Derivative transactions to which hedge accounting is not applied	—	—	—
2) Derivative transactions to which hedge accounting is applied	(230)	(230)	—
Total derivative transactions	(230)	(230)	—

Notes: 1. Notes are omitted for cash and deposits because they are settled over short timespans and their fair values approximate their book values.

2. Notes concerning securities are as described in the "Note 12 Investment Securities." Notes concerning derivatives are as described in the "Note 13 Derivative Transactions."

3. Securities without available fair market value

Category	Millions of yen
	2024
Investments in unlisted stocks, etc.	¥ 5,666
Investments in investment limited partnerships, etc.	11,118
Stocks of non-consolidated subsidiaries	1,059
Stocks of affiliates	25,395
Investments in capital of subsidiaries and affiliates	726

The above items are not included in "(2) Short-term investment securities and investment securities."

4. Investments in partnerships and similar business organizations for which amounts corresponding to equity are recorded in net amounts on the Consolidated Balance Sheet are not included under (2) Short-term Investment Securities and Investment Securities. The amount of such investments recorded on the Consolidated Balance Sheet is ¥11,844 million.

Note 1: Redemption schedule of monetary receivables and securities with maturity after the consolidated balance sheet date

Prior fiscal year (As of March 31, 2023)

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥179,509	¥ —	¥—	¥—
Notes and accounts receivable—trade	52,673	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Bonds)*	—	100	—	—
Available-for-sale securities with maturities (Foreign bonds)	—	—	—	—
Available-for-sale securities with maturities (Other)*	—	—	—	—
Total	232,182	100	—	—

* Receivables with early settlement provisions, etc., are presented in the scheduled redemption amount based on the assumption that they are held to maturity with early settlement provisions, etc., not applied.

Notes to Consolidated Financial Statements

Current fiscal year (As of March 31, 2024)

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥211,715	¥ —	¥—	¥—
Notes and accounts receivable—trade	54,269	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities (Bonds)*	—	100	—	—
Available-for-sale securities with maturities (Foreign bonds)	225	—	—	—
Available-for-sale securities with maturities (Other)*	—	100	—	—
Total	266,210	200	—	—

* Receivables with early settlement provisions, etc., are presented in the scheduled redemption amount based on the assumption that they are held to maturity with early settlement provisions, etc., not applied.

Note 2: Repayment amounts of bonds payable, long-term borrowings, lease obligations, and other interest-bearing debts after the consolidated balance sheet date

Prior fiscal year (As of March 31, 2023)

	Millions of yen					
Category	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥17,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	15,000	—	—	10,000	—
Bonds payable	—	—	—	—	—	10,000
Lease obligations	1,377	1,184	993	861	795	1,518
Other interest-bearing debt:						
Accounts payable—facilities	29	22	20	20	20	34

Current fiscal year (As of March 31, 2024)

	Millions of yen					
Category	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥22,507	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	7,500	7,500	17,500	24,500	67,500
Bonds payable	—	—	—	—	—	10,000
Lease obligations	1,866	1,384	1,023	856	804	768
Other interest-bearing debt:						
Accounts payable—facilities	24	22	22	22	21	13

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for the same assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using material unobservable inputs

If multiple inputs are used (that are material to the fair value measurement), the fair value is categorized in the lowest priority input level in the fair value measurement.

(1) Financial assets and financial liabilities measured at fair value

Prior fiscal year (As of March 31, 2023)

Category	Consolidated balance sheet amount	Millions of yen			
		Fair value			
		Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities					
Available-for-sale securities					
Stocks	¥4,082	¥4,082	¥ —	¥—	¥4,082
Debt securities	290	—	290	—	290
Other	280	—	280	—	280
Total assets	4,654	4,082	571	—	4,654
Derivative transaction*					
Currency-related	—	—	—	—	—
Interest rate-related	382	—	382	—	382
Total derivative transaction	382	—	382	—	382

* Net receivables and payables resulting from derivative transactions are presented on a net basis. Items for total net obligations are indicated in parentheses.

Current fiscal year (As of March 31, 2024)

Category	Consolidated balance sheet amount	Millions of yen			
		Fair value			
		Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities					
Available-for-sale securities					
Stocks	¥ 3,813	¥3,813	¥ —	¥ —	¥ 3,813
Debt securities	606	—	606	—	606
Other	9,463	93	9,021	347	9,463
Total assets	13,883	3,907	9,628	347	13,883
Derivative transaction*					
Currency-related	—	—	—	—	—
Interest rate-related	(230)	—	(230)	—	(230)
Total derivative transaction	(230)	—	(230)	—	(230)

* Net receivables and payables resulting from derivative transactions are presented on a net basis. Items for total net obligations are indicated in parentheses.

Notes to Consolidated Financial Statements

(2) Financial assets and financial liabilities not to be measured at fair value

Prior fiscal year (As of March 31, 2023)

Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	¥52,673	¥—	¥52,673	¥—	¥52,673
Short-term investment securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	104	—	104	—	104
Stocks of affiliates	—	—	—	—	—
Total assets	52,778	—	52,778	—	52,778
Notes and accounts payable—trade	30,556	—	30,556	—	30,556
Short-term borrowings	17,000	—	17,000	—	17,000
Long-term borrowings	25,000	—	24,915	—	24,915
Bonds payable	10,000	—	9,814	—	9,814
Total liabilities	82,556	—	82,287	—	82,287

Current fiscal year (As of March 31, 2024)

Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	¥ 54,269	¥—	¥ 54,269	¥—	¥ 54,269
Short-term investment securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	103	—	102	—	102
Stocks of affiliates	—	—	—	—	—
Total assets	54,372	—	54,372	—	54,372
Notes and accounts payable—trade	26,085	—	26,085	—	26,085
Short-term borrowings	22,507	—	22,507	—	22,507
Long-term borrowings	124,500	—	124,259	—	124,259
Bonds payable	10,000	—	9,776	—	9,776
Total liabilities	183,092	—	182,627	—	182,627

Note 1: A description of the valuation techniques and inputs used in fair value measurement

Short-term investment securities and investment securities:

Listed stocks, debt securities, and bonds receivable are valued based on quoted prices. Since listed stocks are traded in active markets, their fair value is assigned to Level 1. The fair value of debt securities and bonds receivable held by the Group is assigned to Level 2 because they are infrequently traded and are for that reason not deemed to have quoted prices on active markets. Other financial instruments include American depositary receipts, investment trusts, and simple agreements for future equity (SAFEs). Since American depositary receipts are traded in active markets, their fair value is assigned to Level 1. The fair value of investment trusts is assigned to Level 2 because they are infrequently traded and thereby deemed to lack quoted prices on active markets. SAFEs are assigned to Level 3 because the most recent fair values are estimated after accounting for factors that can affect the value of the financial instruments.

Derivative transactions:

The fair value of interest rate swaps and forward exchange contracts is measured using the present discounted value method based on observable inputs, such as interest rates and exchange rates, and is assigned to Level 2.

Notes and accounts receivable - trade:

The fair value of these items is measured using the present discounted value method based on the amount of receivables, time to maturity, and an interest rate reflecting credit risk, for each grouping of receivables in a specified period, and is assigned to Level 2.

Notes and accounts payable - trade:

The fair value of these items is measured using the present discounted value method based on future cash flows, time to maturity, and an interest rate reflecting credit risk, for each grouping of payables in a specified period, and is assigned to Level 2.

Short-term borrowings and long-term borrowings:

The fair values of short-term borrowings and long-term borrowings are measured using the present discounted value method based on the sum of principal and interest, time to maturity, and an interest rate reflecting credit risk, and are assigned to Level 2.

Bonds payable:

The fair value of bonds payable issued by the Company is measured using the present discounted value method based on the sum of principal and interest, time to maturity, and an interest rate reflecting credit risk, and is assigned to Level 2.

Note 2: Information on fair value under Level 3 used to record financial assets and liabilities measured at fair value on the consolidated balance sheet

(1) Adjustments from starting to ending balance and valuation gains/losses recognized during the period under review
Current year (From April 1, 2023 to March 31, 2024)

	Millions of yen	
	Securities and investment securities	Total
	Available-for-sale securities	
	Other	
Starting balance	¥ —	¥ —
Profit/loss or other comprehensive income during the period	—	—
Purchases, sale, issue, and settlement	—	—
Other	347	347
Ending balance	347	347

(2) Description of fair valuation process

The fair value of financial instruments assigned to Level 3 are calculated in accordance with the Accounting Standard for Fair Value Measurement and other applicable standards. Calculations of fair value consider the validity of fair value level assignments and fair valuation techniques employed in accordance with the nature and characteristics of and risks posed by the subject assets.

12 Investment Securities

1. Held-to-maturity debt securities

Prior fiscal year (As of March 31, 2023)

(1) Securities whose market value exceeds the consolidated balance sheet amount

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥—	¥—	¥—
2) Corporate bonds	—	—	—
3) Other	—	—	—
Total	—	—	—

(2) Securities whose market value is equal to or lower than the consolidated balance sheet amount

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥ —	¥ —	¥—
2) Corporate bonds	104	104	(0)
3) Other	—	—	—
Total	104	104	(0)

Current fiscal year (As of March 31, 2024)

(1) Securities whose market value exceeds the consolidated balance sheet amount

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥—	¥—	¥—
2) Corporate bonds	—	—	—
3) Other	—	—	—
Total	—	—	—

(2) Securities whose market value is equal to or lower than the consolidated balance sheet amount

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥ —	¥ —	¥—
2) Corporate bonds	103	102	(0)
3) Other	—	—	—
Total	103	102	(0)

2. Available-for-sale securities

Prior fiscal year (As of March 31, 2023)

(1) Securities whose consolidated balance sheet amount exceeds the acquisition cost

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥3,899	¥963	¥2,935
2) Debt securities	—	—	—
3) Other	—	—	—
Total	3,899	963	2,935

(2) Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥183	¥241	¥ (58)
2) Debt securities	290	339	(49)
3) Other	280	400	(119)
Total	755	982	(226)

Current fiscal year (As of March 31, 2024)

(1) Securities whose consolidated balance sheet amount exceeds the acquisition cost

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥ 2,871	¥ 941	¥1,930
2) Debt securities	506	452	54
3) Other	9,136	8,664	472
Total	12,515	10,057	2,457

(2) Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥ 941	¥1,098	¥(156)
2) Debt securities	100	105	(5)
3) Other	326	400	(73)
Total	1,368	1,603	(235)

3. Available-for-sale securities sold during the fiscal year

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

Category	Millions of yen		
	Amount of proceeds	Total gains on sales	Total losses on sales
1) Shares	¥1	¥—	¥—
2) Debt securities	—	—	—
3) Other	—	—	—
Total	1	—	—

Notes to Consolidated Financial Statements

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

Category	Millions of yen		
	Amount of proceeds	Total gains on sales	Total losses on sales
1) Shares	¥364	¥323	¥—
2) Debt securities	—	—	—
3) Other	40	16	—
Total	404	339	—

4. Impairment loss on securities

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

The Group recognized impairment loss on available-for-sale securities in the amount of ¥81 million.

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

The Group recognized impairment loss on available-for-sale securities in the amount of ¥746 million.

13 Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives

Prior fiscal year (As of March 31, 2023)

Not applicable

Current fiscal year (As of March 31, 2024)

Not applicable

(2) Compound financial instruments

With respect to compound financial instruments whose fair values cannot be categorized and measured for each embedded derivative, the certain compound financial instruments are appraised by fair value and are included in "2. Available-for-sale securities" in "Note 12 Investment Securities."

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

Prior fiscal year (As of March 31, 2023)

Not applicable

Current fiscal year (As of March 31, 2024)

Not applicable

(2) Interest rate-related derivatives

Prior fiscal year (As of March 31, 2023)

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swaps:				
	Floating rate into fixed rate	Long-term borrowings	¥31,720	¥—	¥382
Total			31,720	—	382

Note: Primary method represents interest rate swap transactions to long-term borrowings used by entities accounted for by the equity method. Contract amount and fair value are multiplied by the equity interest held by the Company.

Current fiscal year (As of March 31, 2024)

			Millions of yen		
Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swaps: Floating rate into fixed rate	Long-term borrowings	¥50,000	¥46,428	¥(230)
Total			50,000	46,428	(230)

Note: Primary method represents interest rate swap transactions to long-term borrowings used by the Company.

14 Retirement Benefits

1. Overview of retirement benefit plans

The Company and some of its consolidated subsidiaries have adopted a defined benefit corporate pension plan, a lump-sum retirement benefit plan, or a defined contribution pension plan to provide retirement benefits to the employees. In addition, the Company and certain consolidated subsidiaries have introduced selective defined contribution pension plans.

Under the lump-sum retirement benefit plan held by certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are determined using a simplified method.

Notes to Consolidated Financial Statements

2. Defined benefit pension plan

(1) Reconciliation of the difference between the amounts of projected benefit obligations (excluding pension plan using the simplified method)

	Millions of yen	
	2023	2024
Projected benefit obligations at the beginning of the period	¥33,552	¥32,418
Service costs—benefits earned during the year	2,149	1,623
Interest cost on projected benefit obligations	174	180
Actuarial differences accrued	(5,479)	(1,281)
Retirement benefit paid	(460)	(703)
Prior service costs accrued	2,359	(159)
Other	121	(3,316)
Projected benefit obligations at the end of the period	32,418	28,761

(2) Reconciliation of the difference between the amounts of plan assets

	Millions of yen	
	2023	2024
Plan assets at the beginning of the period	¥32,947	¥34,766
Expected return on plan assets	658	515
Actuarial differences accrued	(1,358)	2,117
Contribution of employer	2,893	941
Retirement benefit paid	(375)	(589)
Other	—	(3,319)
Plan assets at the end of the period	34,766	34,612

(3) Reconciliation of the difference between the amounts of net defined benefit liability under pension plans using the simplified method

	Millions of yen	
	2023	2024
Net defined benefit liability at the beginning of the period	¥806	¥862
Retirement benefit expenses	102	109
Retirement benefit paid	(48)	(51)
Other	2	8
Net defined benefit liability at the end of the period	862	928

(4) Reconciliation of the difference between the amount of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen	
	2023	2024
Funded projected benefit obligations	¥ 30,355	¥ 26,677
Plan assets	(34,766)	(34,612)
	(4,411)	(7,934)
Unfunded projected benefit obligations	2,926	3,012
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,485)	(4,922)
Net defined benefit liability	3,877	5,666
Net defined benefit asset	(5,362)	(10,588)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,485)	(4,922)

Note: Retirement benefit scheme applying the simplified method is included.

(5) Breakdown of retirement benefit expenses

	Millions of yen	
	2023	2024
Service costs—benefits earned during the year	¥2,149	¥1,623
Interest cost on projected benefit obligations	174	180
Expected return on plan assets	(658)	(515)
Amortization of actuarial difference	(34)	(554)
Amortization of prior service cost	—	235
Retirement benefit expenses using the simplified method	102	109
Other	2	—
Retirement benefit expenses of defined benefit pension plan	1,735	1,079

(6) Remeasurements of defined benefit plans, net of tax

Items included in the remeasurements of defined benefit plans are as follows (before tax effect deduction).

	Millions of yen	
	2023	2024
Prior service costs	¥(2,359)	¥ 395
Actuarial difference	4,086	2,844
Total	1,726	3,240

(7) Remeasurements of defined benefit plans

Items included in the remeasurements of defined benefit plans are as follows (before tax effect deduction).

	Millions of yen	
	2023	2024
Unrecognized prior service costs	¥(2,359)	¥(1,964)
Unrecognized actuarial difference	775	3,773
Total	(1,584)	1,808

(8) Matters concerning plan assets

1) Breakdown of plan assets

Ratio of main classes of plan assets

	Millions of yen	
	2023	2024
Debt securities	27%	38%
Share of stock	17	28
Cash and deposits	44	18
General account	7	7
Other	3	9
Total	100	100

2) Long-term expected rate of return on plan assets

In determining the long-term expected rate of return on pension assets, the Company and its consolidated subsidiaries consider the current and projected pension asset allocations as well as current and future long-term rate on returns for the various assets that make up the pension assets.

Notes to Consolidated Financial Statements

(9) Matters concerning basis for the actuarial calculation

Basis for the actuarial calculation

	2023	2024
Discount rate	0.2–0.9%	0.6–1.8%
Long-term expected rate of return on plan assets	2.0%	2.0%
Salary increase ratio (Note)	Principally, salary increase index by ages as of March 31, 2021 is used.	Principally, salary increase index by ages as of March 31, 2021 is used.

Note: Some consolidated subsidiaries do not use the salary increase ratio for the calculation of retirement benefits obligations.

3. Defined contribution pension plans

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,432 million in the prior fiscal year and ¥1,937 million in the current fiscal year.

15 Stock Option Plan

1. Account title and the amount of stock options recorded as expenses

	Millions of yen	
	2023	2024
Selling, general, and administrative expenses—other	¥292	¥283

2. Contents, scale and movement of stock options

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

(1) The following table summarizes the contents of stock options.

Company name	The Company
Date of the resolution	August 2, 2021
Position and number of grantees (persons)	Company employees: 168 Subsidiary directors: 12 Subsidiary executive officers: 25 Subsidiary employees: 1,411
Class and number of stock (shares)	Common stock 2,844,500
Date of issue	September 1, 2021
Condition of settlement of rights	Continue to work from September 1, 2021 to June 30, 2024
Period in which grantees provide service in return for stock options	September 1, 2021 to June 30, 2024
Period subscription rights are to be exercised	July 1, 2024 to June 30, 2026

(2) The following table summarizes the scale and movement of stock options.

Shares

Company name	The Company
Date of the resolution	August 2, 2021
Not exercisable stock options	
Stock options outstanding at April 1, 2022	2,852,000
Stock options granted	—
Forfeitures	56,500
Conversion to exercisable stock options	—
Stock options outstanding at March 31, 2023	2,795,500
Exercisable stock options	
Stock options outstanding at April 1, 2022	—
Conversion from not exercisable stock options	—
Stock options exercised	—
Forfeitures	—
Stock options outstanding at March 31, 2023	—

The following table summarizes the price information of stock options.

Yen

Company name	The Company
Date of the resolution	August 2, 2021
Exercise price	¥1,500
Average market price of the stock at the time of exercise	—
Fair value of the stock option at the date of grant	300

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

(1) The following table summarizes the contents of stock options.

Company name	The Company
Date of the resolution	August 2, 2021
Position and number of grantees (persons)	Company employees: 168 Subsidiary directors: 12 Subsidiary executive officers: 25 Subsidiary employees: 1,411
Class and number of stock (shares)	Common stock 2,884,500
Date of issue	September 1, 2021
Condition of settlement of rights	Continue to work from September 1, 2021 to June 30, 2024
Period in which grantees provide service in return for stock options	September 1, 2021 to June 30, 2024
Period subscription rights are to be exercised	July 1, 2024 to June 30, 2026

Notes to Consolidated Financial Statements

(2) The following table summarizes the scale and movement of stock options.

Shares

Company name	The Company
Date of the resolution	August 2, 2021
Not exercisable stock options	
Stock options outstanding at April 1, 2023	2,795,500
Stock options granted	—
Forfeitures	47,500
Conversion to exercisable stock options	—
Stock options outstanding at March 31, 2024	2,748,000
Exercisable stock options	
Stock options outstanding at April 1, 2023	—
Conversion from not exercisable stock options	—
Stock options exercised	—
Forfeitures	—
Stock options outstanding at March 31, 2024	—

The following table summarizes the price information of stock options.

Yen

Company name	The Company
Date of the resolution	August 2, 2021
Exercise price	¥1,500
Average market price of the stock at the time of exercise	—
Fair value of the stock option at the date of grant	300

3. Estimation of fair value of the stock options

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

Not applicable

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

Not applicable

4. Estimation of number of exercisable stock options

As it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, the number here reflects only stock options that have actually been forfeited.

16 Stock Compensation with Restriction on Transfer

1. Details of stock compensation with restriction on transfer

	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Categories and number of grantees (persons)	Company directors — Company executive officers — Subsidiary directors 15 Subsidiary executive officers 14	Company directors 4 Company executive officers 9 Subsidiary directors 18 Subsidiary executive officers 22
Class and number of shares granted (shares)	Common stock: 28,500	Common stock: 78,200
Grant date	August 5, 2021	August 19, 2022
Conditions for canceling restriction on transfer	(Notes) 1, 2	(Notes) 1, 2
Period of restriction on transfer	From August 5, 2021 to August 4, 2024	From August 19, 2022 to August 18, 2025

	Continuous service-based shares with restriction on transfer in 2023
Categories and number of grantees (persons)	Company directors 5 Company executive officers 8 Subsidiary directors 16 Subsidiary executive officers 24
Class and number of shares granted (shares)	Common stock: 64,200
Grant date	August 10, 2023
Conditions for canceling restriction on transfer	(Notes) 1, 2
Period of restriction on transfer	From August 10, 2023 to August 9, 2026

	Performance-based shares with restriction on transfer in 2021
Categories and number of grantees (persons)	Company directors 4 Company executive officers 8 Subsidiary directors 19 Subsidiary executive officers 21
Class and number of shares granted (shares)	Common stock: 384,800
Grant date	August 5, 2021
Conditions for canceling restriction on transfer	(Notes) 1, 3
Period of restriction on transfer	From August 5, 2021, until the closure of the Company's first Ordinary General Meeting of Shareholders to arrive after the end date of the medium-term plan

- Notes: 1. If grantees resign as directors and executive officers of the Company or Company subsidiaries (limited to those in which the Company holds at least 50% of all shares; such subsidiaries and the Company shall hereinafter be referred to as "Group companies") on or before the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., on or before the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer). The Company shall acquire, by right, the allotted shares gratis (except in cases in which the reasons for such resignation are deemed valid by the Company Board of Directors, such as the expiration of term of office - except for "performance-based shares with restriction on transfer"), the attainment of the mandatory retirement age and death. The Company shall also acquire, by right, the allotted shares gratis for which the restriction on transfer is not canceled under the provisions of 2 and 3 below as of the expiration of the period of restriction on transfer.
2. Subject to the condition that grantees including Group company officers continue to serve as Group company directors or executive officers until the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., until the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer), as of the expiration of the period of restriction on transfer, the restriction will be canceled for all allotted shares. However, should such directors resign as directors and executive officers of Group companies before the expiration of the period of restriction on transfer for reasons deemed valid by the Company Board of Directors (for example, expiration of term of office, attainment of mandatory retirement age or death), the number of allotted shares for which the restriction on transfer is canceled and the timing of such cancellation are to be reasonably adjusted on an as-needed basis.
3. Subject to the condition that grantees continue to serve as Group company directors or executive officers until the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., until the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer), the number of shares for which the restriction on transfer will be canceled and the timing of such cancellation are to be reasonably adjusted on an as-needed basis in accordance with the length of their service in such roles during the medium-term plan period (at the restriction cancellation rate) which is linked to performance goal achievements in the medium-term plan. However, should such directors resign as directors and executive officers of Group companies before the expiration of the period of restriction on transfer for reasons deemed valid by the Company Board of Directors (for example, attaining mandatory retirement age and death or reassignment to other positions during the medium-term plan period), the number of shares for which the restriction on transfer is canceled shall be reasonably adjusted within the performance condition.

Notes to Consolidated Financial Statements

2. Volume and changes in stock compensation with restriction on transfer

1) Expensed amount and account title

Millions of yen

	2023	2024
Selling, general, and administrative expenses—other	¥393	¥394

2) Number of shares

Shares

	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Before cancellation of restriction		
At end of prior period	26,800	78,200
Granted	—	—
Acquired for free	—	—
Restriction canceled	—	—
Restriction valid	26,800	78,200

	Continuous service-based shares with restriction on transfer in 2023
Before cancellation of restriction	
At end of prior period	—
Granted	64,200
Acquired for free	—
Restriction canceled	—
Restriction valid	64,200

	Performance-based shares with restriction on transfer in 2021
Before cancellation of restriction	
At end of prior period	360,500
Granted	—
Acquired for free	9,000
Restriction canceled	—
Restriction valid	351,500

3) Per share price

Yen

	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Fair value per share at grant date	¥1,502	¥2,228

	Continuous service-based shares with restriction on transfer in 2023
Fair value per share at grant date	¥2,989

	Performance-based shares with restriction on transfer in 2021
Fair value per share at grant date	¥1,502

Note: To prevent arbitrary price decisions, we use the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately before the date of the Board of Directors resolution regarding the granting of shares with restriction on transfer.

17 Income Taxes

1. Significant components of deferred tax assets and liabilities

	Millions of yen	
	2023	2024
Deferred tax assets:		
Exclusion of provision of allowance for doubtful accounts from deductible expenses	¥ 263	¥ 177
Exclusion of loss on valuation of inventories from deductible expenses	2,564	2,436
Exclusion of provision for bonuses from deductible expenses	3,039	3,560
Net defined benefit liability	1,692	1,963
Exclusion of provision for bonuses from deductible expenses	19,019	21,601
Exclusion of loss on valuation of investment securities from deductible expenses	329	325
Impairment loss	493	380
Other	20,712	32,164
Loss carried forward	26,866	23,745
Subtotal deferred tax assets	74,981	86,356
Valuation allowance for tax loss carried forward (Note 2)	(20,307)	(12,736)
Valuation allowance for deductible temporary difference	(23,015)	(31,668)
Subtotal valuation allowance (Note 1)	(43,322)	(44,404)
Offset to deferred tax liabilities	(15,159)	(23,633)
Total deferred tax assets	16,499	18,317
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,530)	(1,507)
Other	(14,383)	(32,754)
Subtotal deferred tax liabilities	(15,913)	(34,262)
Offset to deferred tax assets	15,159	23,633
Total deferred tax liabilities	(754)	(10,628)
Net deferred tax assets	15,745	7,689

Notes: 1. The valuation allowance rose by ¥1,018 million. The major factors for this increase were a decrease in valuation allowance of ¥7,571 million for tax loss carryforwards and an increase in valuation allowance for a deductible temporary difference of ¥8,652 million.

2. Amount of tax loss carried forward and their deferred tax assets by carryforward period are as follows.

Prior fiscal year (As of March 31, 2023)

	Millions of yen						
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carried forward (a)	¥2,369	¥ 1,718	¥ 1,143	¥ 747	—	¥ 20,887	¥ 26,866
Valuation allowance	(886)	(1,441)	(1,058)	(722)	—	(16,197)	(20,307)
Deferred tax assets	1,483	276	85	24	—	4,689	(b) 6,559

(a) The amount of tax loss carried forward is the amount under the normal effective statutory tax rate.

(b) Regarding the amount of tax loss carried forward of ¥26,866 million (the amount under the normal effective statutory tax rate), deferred tax assets of ¥6,559 million were recorded. The Company deemed that a partial amount of tax loss carried forward can be recovered mainly in the following fiscal year based on estimates of taxable income.

Notes to Consolidated Financial Statements

Current fiscal year (As of March 31, 2024)

	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Tax loss carried forward (a)	¥1,183	¥ 990	¥ 556	—	¥1,006	¥20,009
Valuation allowance	(644)	(826)	(555)	—	(722)	(9,987)
Deferred tax assets	539	163	1	—	284	10,022
						(b) 11,009

(a) The amount of tax loss carried forward is the amount under the normal effective statutory tax rate.

(b) Regarding the amount of tax loss carried forward of ¥23,745million (the amount under the normal effective statutory tax rate), deferred tax assets of ¥11,009million were recorded. The Company deemed that a partial amount of tax loss carried forward can be recovered mainly in the following fiscal year based on estimates of taxable income.

2. Breakdown of major causes of the significant difference between the statutory tax rate and the effective tax rate for financial statement purposes, if any, by item, for the fiscal years ended March 31, 2023 and 2024

	2023	2024
Normal effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Changes in valuation allowance	(21.3)	2.6
Permanently non-deductible expenses including entertainment expenses	1.2	3.8
Amortization of goodwill	0.7	1.7
Tax rate difference between the Company and consolidated subsidiaries	(0.4)	(3.3)
Tax credit for experimental and research expenses	(11.8)	(15.9)
Tax loss carried forward	7.9	5.6
Impact of consolidation adjustments	(2.6)	(3.9)
Other	(1.9)	(0.4)
Effective tax rate after tax effect accounting	2.4	20.8

3. Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and some domestic consolidated subsidiaries have applied the Group Tax Sharing System. Accounting treatment of national and local income tax or accounting treatment of and disclosure of related tax-effect accounting are conducted in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan [ASBJ] Practical Solution No. 42; August 12, 2021).

18 Business Combination

(Acquisition of stock in Rovio Entertainment Corporation)

In the Board of Directors meeting held April 17, 2023, the Company and SEGA CORPORATION ("SEGA"), a consolidated Company subsidiary, resolved to implement a tender offer (tender offer under Finnish Law; "Tender Offer" hereinafter) to acquire Rovio Entertainment Corporation ("Rovio"), a mobile game company headquartered in Finland, through SEGA Europe Ltd., SEGA's wholly-owned subsidiary. Rovio has been made a wholly-owned subsidiary through the first and second Tender Offers and a squeeze-out merger.

(1) Overview of merger

- 1) Name and lines of business of acquisition
Name of acquired entity: Rovio Entertainment Corporation
Lines of business: Mobile game development and operations, brand licensing
- 2) Main reasons for merger
To boost the Group's presence in global markets, including the rapidly growing mobile game market, by acquiring the mobile game development capabilities and operating expertise of Rovio Entertainment Corporation.
- 3) Date of merger
August 17, 2023 (date of stock acquisition)
- 4) Legal form of merger
Stock acquisition paid in cash
- 5) Company name after merger
Unchanged
- 6) Percentage of voting rights acquired

August 17, 2023	96.3%
September 6, 2023	1.3%
January 22, 2024	2.4%
Percentage of voting rights acquired	100.0%
- 7) Key reasons for decision on acquiring company
Acquisition of all shares of stock for cash by the Company's consolidated subsidiary SEGA Europe Ltd.

(2) Period of financial results of the acquired company included on the consolidated financial statements

September 1, 2023 through March 31, 2024

(3) Cost of acquisition and breakdown thereof by type

Acquisition price	Cash	¥100,640 million
Cost of acquisition		¥100,640 million

(4) Details and amounts of main costs associated with acquisition

Advisory costs, etc.: ¥1,790 million

(5) Amount, causes, depreciation method, and depreciation period of goodwill incurred

- 1) Amount of goodwill incurred
¥29,089 million
- 2) Causes
This goodwill was incurred chiefly from future surplus revenues expected through future business development.
- 3) Depreciation method and depreciation period of goodwill incurred
Straight-line depreciation over 15 years

(6) Changes in Company equity due to transactions with non-controlling interests

- 1) Major causes of changes in capital surplus
Additional acquisition of shares of subsidiaries
- 2) Amount of decrease in capital surplus due to transactions with non-controlling interests
¥3,025 million

(7) Amounts of assets received and liabilities undertaken on date of merger and main details thereof

Current assets	¥30,896 million
Noncurrent assets	¥59,742 million
Total assets	¥90,639 million
Current liabilities	¥5,928 million
Noncurrent liabilities	¥12,063 million
Total liabilities	¥17,991 million

(8) Amounts allocated to intangible assets other than goodwill and main breakdown thereof and weighted average depreciation period by type

- 1) Amounts allocated to intangible assets
¥53,281 million
- 2) Main breakdown and depreciation periods

Trademark rights:	¥47,630 million	Depreciation period: 23 years
Intangible assets related to technology:	¥5,651 million	Depreciation period: 10 years

(9) Estimates of the effects on the consolidated statements of income if the merger had been completed on the start date of the fiscal year under review and calculation methods thereof

Net sales: ¥18,556 million
Operating income: ¥(1,079) million

(Calculation methods for estimates)

Rough estimates of effects were calculated as the difference between net sales and profit/loss information based on the working assumption that the merger had been completed on the start date of the fiscal year under review and net sales and profit/loss information provided on the Company's consolidated statements of income. In addition, depreciation amounts for goodwill, etc. recognized at the time of the merger were adjusted based on the assumption that they were incurred on the start date of the fiscal year under review.

These notes have not been subjected to audit certification.

Notes to Consolidated Financial Statements

(Sale of stock in Relic Entertainment)

In a Board of Directors meeting held March 28, 2024, the Company resolved to sell all shares of stock held by its consolidated subsidiary SEGA Europe Ltd. in Relic Entertainment, Inc. The stock was sold effective March 28, 2024. As a result, Relic Entertainment, Inc. is no longer included in the Company's scope of consolidation of accounts.

(1) Overview of spinoff

- 1) Name of acquiring company
Emona Capital LLP
- 2) Line of business spun off
Consumer software development
- 3) Main reasons for spinoff
Due to the negative rebound from demand related to stay-at-home consumers during the COVID-19 pandemic and other factors including inflation, the consumer area is changing rapidly, particularly in Europe. This has resulted in lower profitability. In response, the Group chose to implement structural reforms in its European operations with the goal of improving earnings through rapid adaptation. Various measures targeting its European operations have been examined, including medium-term lineup revisions, normalizing fixed costs, improvements in investment efficiency, and revisions of its development, sales, and management structures. Against this backdrop, the Company chose to sell all shares of stock held in Relic Entertainment, Inc., a consolidated Company subsidiary.
- 4) Date of spinoff
March 28, 2024
- 5) Other matters related to the transaction summary, including legal structure
Sale of stock in exchange for receipt of cash and other assets only

(2) Overview of accounting treatment

- 1) Gains/losses on transfer
Loss on business restructuring: ¥2,159 million
- 2) Appropriate book value of assets and liabilities related to the business transferred, and main breakdown thereof

Current assets	¥2,166 million
Noncurrent assets	¥1,754 million
Total assets	¥3,920 million
Current liabilities	¥467 million
Noncurrent liabilities	¥884 million
Total liabilities	¥1,352 million
- 3) Accounting treatment
The difference between the consolidated book value and transfer price of the shares sold was recorded as Other expenses.

(3) Reporting segment that included the spun-off business

Entertainment Contents Business

(4) Summary of profit/loss related to the spun-off business recorded on the consolidated statements of income during the period under review

Net sales:	¥4,341 million
Operating income:	¥344 million

19 Asset Retirement Obligations

Prior fiscal year (As of March 31, 2023)

The information is omitted due to the immateriality of the total amount of the asset retirement obligations.

Current fiscal year (As of March 31, 2024)

The information is omitted due to the immateriality of the total amount of the asset retirement obligations.

20 Rental Property and Other Real Estate

Prior fiscal year (As of March 31, 2023)

The information is omitted due to the immateriality of the total amount of the rental property and other real estate.

Current fiscal year (As of March 31, 2024)

The information is omitted due to the immateriality of the total amount of the rental property and other real estate.

21 Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The Group operates an Entertainment Contents Business, Pachislot and Pachinko Machines Business, and a Resort Business. Main goods or services primarily handled by these businesses are digital content, products and merchandise, and resort facilities. Shown below are the sales of goods or services by each business:

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

	Reporting segment					
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Other	Total
Digital content sales	¥145,132	¥ 4,153	¥ —	¥149,285	¥ —	¥149,285
Product and merchandise sales	95,320	87,254	—	182,575	—	182,575
Resort facility sales	—	—	11,540	11,540	—	11,540
Other sales	42,428	2,845	—	45,274	960	46,234
Revenue from contracts with customers	282,881	94,253	11,540	388,675	960	389,635
Sales to external customers	282,881	94,253	11,540	388,675	960	389,635

Millions of yen

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

	Reporting segment					
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Other	Total
Digital content sales	¥175,377	¥ 4,764	¥ —	¥180,142	¥ —	¥180,142
Product and merchandise sales	90,661	127,348	—	218,009	—	218,009
Resort facility sales	—	—	12,356	12,356	—	12,356
Other sales	50,711	3,856	—	54,568	1,564	56,133
Revenue from contracts with customers	316,750	135,969	12,356	465,076	1,564	466,641
Other revenues (Note)	1,254	—	—	1,254	—	1,254
Sales to external customers	318,005	135,969	12,356	466,331	1,564	467,896

Millions of yen

Note: Other revenues in the Entertainment Contents Business consist of revenues related to the Video Games Expenditure Credit (VGEC) in the UK.

Notes to Consolidated Financial Statements

2. Basic information for understanding revenue from contracts with customers

(1) Information on contracts, performance obligations, and when performance obligations are satisfied

Information on contracts, performance obligations, and when performance obligations are satisfied is as presented in “Note2 Summary of Significant Accounting Policies 3. Accounting Policies (7) Accounting policy for recognition of significant revenues and expenses.”

(2) Information on calculating allocation amounts for performance obligations

When selling sets of multiple pieces of game content as part of granting

game distribution rights or download sales in the Entertainment Contents Business, the provision of each piece of content is identified as a separate performance obligation, and the transaction price is allocated to each performance obligation. For bundled sales within the Entertainment Contents Business of amusement machines and annual content update services, the amusement machine sales and annual content update services are identified as separate performance obligations and the transaction prices are allocated to each performance obligation.

In cases such as these, stand-alone selling prices on the transaction day (in the contract of the individual goods or services that serve as the basis for each performance obligation are calculated) the transaction prices are allocated based on the ratio of said stand-alone selling prices.

3. Information for understanding revenue amounts of the current fiscal year and the following fiscal years

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

(1) Receivables from contracts with customers; the balances of contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets, and contract liabilities is as follows:

	Millions of yen	
	Beginning balance for the prior year	Ending balance for the prior year
Receivables from contracts with customers		
Notes and accounts receivable—trade	¥34,958	¥52,673
Contract assets	3,993	696
Contract liabilities	10,257	25,852

Note: Contract assets consist mainly of rights not yet claimed on revenues recognized as such, based on measurement of progress for development under contract. Contract assets are transferred to accounts receivable - trade when rights to payment become unconditional.

Contract liabilities consist mainly of prepayments received from customers before the delivery of products or provision of services and balances of points awarded to customers for which performance obligations have not yet been fulfilled as of the end of the period. Contract liabilities are cancelled upon recognition of revenues.

Of the revenue recognized in the current fiscal year, the amount included in the contract liability balance at the beginning of the period is ¥9,368 million. The primary reason for the increase in contract liabilities is an increase in prepayments received before delivery of products.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame in which the Company expects to recognize the amount as revenue are as follows:

	Millions of yen
Within one year	¥24,227
Over 1 year but within 2 years	1,047
Over 2 years	577
Total	25,852

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

(1) Receivables from contracts with customers; the balances of contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets, and contract liabilities is as follows:

	Millions of yen	
	Beginning balance for the current year	Ending balance for the current year
Receivables from contracts with customers		
Notes and accounts receivable—trade	¥52,673	¥54,269
Contract assets	696	—
Contract liabilities	25,852	19,367

Contract assets consist mainly of rights not yet claimed on revenues recognized as such, based on measurement of progress for development under contract. Contract assets are transferred to accounts receivable - trade when rights to payment become unconditional.

Contract liabilities consist mainly of prepayments received from customers before the delivery of products or provision of services and balances of points awarded to customers for which performance

obligations have not yet been fulfilled as of the end of the period.

Contract liabilities are cancelled upon recognition of revenues.

Of the revenue recognized in the current fiscal year, the amount included in the contract liability balance at the beginning of the period is ¥23,762 million. The primary reason for the increase in contract liabilities is an increase in prepayments received before delivery of products.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame in which the Company expects to recognize the amount as revenue are as follows:

	Millions of yen
Within one year	¥15,367
Over 1 year but within 2 years	1,322
Over 2 years but within 3 years	277
Over 3 years but within 4 years	2,257
Over 4 years	143
Total	19,367

22 Segment Information

1. Overview of reporting segments

The Group's reporting segments are organizational units for which separate financial information is available. On this basis, the Board of Directors makes decisions on allocating 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 are 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 businesses run by each Group company, in which Entertainment Contents Business, Pachislot and Pachinko Machines Business, and Resort Business are the reporting segments.

The lines of business for each reporting segment are 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	Integrated resorts business and development and operation of hotels and golf courses, etc., in other facilities businesses

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

The accounting methods applied to reporting segments are generally the same as those described in "Significant matters forming the basis for preparing consolidated financial statements."

Notes to Consolidated Financial Statements

3. Information on the amounts of net sales, income or loss, assets, and other items by each reporting segment

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

	Reporting segment				Millions of yen	
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment (Note)	Amount in Consolidated financial statements
Net sales:						
Net sales to external customers	¥282,881	¥94,253	¥11,540	¥388,675	¥ 960	¥389,635
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 by the 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. The adjustment to net sales to external customers of ¥960 million corresponds to net sales of businesses not belonging to reporting segments.

2. The adjustment to segment income (loss) of ¥(9,202) million includes losses of ¥(497) million on businesses not belonging to reporting segments, elimination of inter-segment transactions of ¥198 million, and general corporate expenses of ¥(8,904) million not allocated to reporting segments. General corporate expenses consist mainly of Group management expenses incurred by the Company.

3. Adjustments to segment assets of ¥175,086 million includes the elimination of inter-segment transaction of ¥(17,551) million and general corporate assets of ¥192,637 million 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 consist mainly of depreciation associated with the Company.

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

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

7. Adjustments to increases in property, plant, and equipment and intangible assets consist mainly of the purchase amount of noncurrent assets related to the Company.

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

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

	Reporting segment				Millions of yen	
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment (Note)	Amount in Consolidated financial statements
Net sales:						
Net sales to external customers	¥318,005	¥135,969	¥12,356	¥466,331	¥ 1,564	¥467,896
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 by the 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. The adjustment to net sales to external customers of ¥1,564 million corresponds to net sales of businesses not belonging to reporting segments.
2. The adjustment to segment income (loss) of ¥(12,899) million includes losses of ¥(1,160) million on businesses not belonging to reporting segments, elimination of inter-segment transactions of ¥2 million, and general corporate expenses of ¥(11,741) million not allocated to reporting segments. General corporate expenses consist mainly of Group management expenses incurred by the Company.
3. Adjustment to segment assets of ¥93,935 million includes the elimination of inter-segment transactions of ¥(117,165) million and general corporate assets of ¥211,100 million 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 consist mainly of depreciation associated with the Company.
5. Adjustment to interest income of ¥377 million includes the elimination of inter-segment transactions of ¥(1,643) million and interest income of the Company of ¥2,020 million.
6. Adjustment to interest expenses of ¥(191) million includes the elimination of inter-segment transactions of ¥(1,643) million and interest expenses of the Company of ¥1,451 million.
7. Adjustments to increases in property, plant, and equipment and intangible assets consist mainly of the purchase amount of noncurrent assets related to the Company.
8. Adjustments have been made to segment income (loss) and ordinary income in the consolidated statements of income and comprehensive income.

[Related information]

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

1. Information by product and service

This information has been omitted because it is disclosed in Segment information.

2. Information by geographical area

(1) Net sales

				Millions of yen	
Japan	US	Europe	Other	Total	
¥255,935	¥96,256	¥18,565	¥18,878	¥389,635	

Note: Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

				Millions of yen	
Japan	North America	UK	Other	Total	
¥49,264	¥2,822	¥6,685	¥1,711	¥60,482	

Notes to Consolidated Financial Statements

3. Information by each major customer

No description is provided here since no external customer exists to whom sales are 10% or more of the net sales recorded in the consolidated statements of income or comprehensive income.

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

1. Information by product and service

This information has been omitted because it is disclosed in Segment information.

2. Information by geographical area

(1) Net sales

Millions of yen				
Japan	US	Europe	Other	Total
¥295,644	¥113,178	¥31,070	¥28,002	¥467,896

Note: Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

Millions of yen				
Japan	North America	UK	Other	Total
¥48,990	¥1,687	¥6,885	¥2,536	¥60,099

3. Information by each major customer

No description is provided here since no external customer exists to whom sales are 10% or more of the net sales recorded in the consolidated statements of income or comprehensive income.

[Information on impairment loss on noncurrent assets by each reporting segment]

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

Millions of yen					
	Reporting segment				Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	
Impairment loss	¥142	¥304	¥—	¥446	¥446

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

Millions of yen					
	Reporting segment				Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	
Impairment loss	¥487	¥342	¥—	¥829	¥829

[Information on amortization and unamortized balance of goodwill by reporting segment]

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

	Reporting segment					Millions of yen
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment	Amount in consolidated financial statements
Amortization during current period	¥2,124	¥36	¥—	¥2,178	¥—	¥2,178
Balance as of March 31, 2023	2,072	519	—	2,592	—	2,592

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

	Reporting segment					Millions of yen
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal	Adjustment	Amount in consolidated financial statements
Amortization during current period	¥ 2,439	¥ 61	¥—	¥ 2,501	¥—	¥ 2,501
Balance as of March 31, 2024	29,806	457	—	30,264	—	30,264

[Information on gain on negative goodwill by each reporting segment]

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

Not applicable

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

Not applicable

23 Related-Party Transactions

1. Transactions with related parties

(1) Transactions between the Company submitting consolidated financial statements and related parties

1) Non-consolidated subsidiaries and affiliated companies of the Company submitting consolidated financial statements

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

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
PARADISE SEGASAMMY Co., Ltd.	Resort business	Provision of collateral ^(Note)	¥17,867	—	—

Notes: For a portion of the loans from financial institutions to PARADISE SEGASAMMY Co., Ltd., the shares of the company are pledged as collateral.

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

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
PARADISE SEGASAMMY Co., Ltd.	Resort business	Provision of collateral ^(Note)	¥24,619	—	—

Note: For a portion of the loans from financial institutions to PARADISE SEGASAMMY Co., Ltd., the shares of the company are pledged as collateral.

Notes to Consolidated Financial Statements

2) Directors and major shareholders (limited to individuals) of the Company submitting consolidated financial statements

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

				Millions of yen	
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
FSC Co., Ltd. ^(Note 2)	Non-life insurance agent	Payment of insurance premium ^(Note 1)	¥6	Prepaid expenses	¥1
				Long-term prepaid expenses	2

Notes: 1. Transaction prices are determined in the same way as for general transactions, referring to market prices.

2. Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC Co., Ltd.

3. Transaction amounts exclude consumption tax.

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

				Millions of yen	
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
FSC Co., Ltd. ^(Note 2)	Non-life insurance agent	Payment of insurance premium ^(Note 1)	¥2	Prepaid expenses	¥0
				Long-term prepaid expenses	2

Notes: 1. Transaction prices are determined in the same way as general transactions, referring to market prices.

2. Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC Co., Ltd.

3. Transaction amounts exclude consumption tax.

(2) Transactions between consolidated subsidiaries of the Company submitting consolidated financial statements and related parties.

1) Non-consolidated subsidiaries and affiliates of the Company

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

				Millions of yen	
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
ZEEG Co., Ltd.	Pachislot and Pachinko Machines Business	Purchase of pachislot and pachinko machine parts ^(Note 1)	¥12,270	Accounts payable-trade	¥ 439
		Loan of funds ^(Note 2)	1,500	Short-term loans receivable	2,500
		Collection of loans ^(Note 2)	2,155	Long-term loans receivable	2,497
		Interest income ^(Note 2)	79		

Notes: 1. Transaction prices are determined in the same way as general transactions, referring to market prices.

2. The interest rate on loans is determined by taking market interest rates into consideration. The repayment terms are one to five years, with the principal to be repaid in lump sum on the due date and interest to be repaid in annual installments. No collateral is accepted.

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

				Millions of yen	
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
ZEEG Co., Ltd.	Pachislot and Pachinko Machines Business	Purchase of pachislot and pachinko machine parts ^(Note 1)	¥18,748	Accounts payable-trade	¥ 686
		Loan of funds ^(Note 2)	2,600	Short-term loans receivable	3,963
		Interest income ^(Note 2)	56	Long-term loans receivable	3,633
				Current assets, etc.	57

Notes: 1. Transaction prices are determined in the same way as for general transactions, referring to market prices.

2. The interest rate on loans is determined by taking market interest rates into consideration. The repayment terms are one to five years, with the principal to be repaid in a lump sum on the due date and interest to be repaid in annual installments. No collateral is accepted.

2) Directors and major shareholders (limited to individuals) of the Company

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

				Millions of yen	
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
Haruki Satomi	Chairman of SEGA SAMMY ARTS FOUNDATION	Payment of donation ^(Note 1)	¥91	—	—
FSC Co., Ltd. ^(Note 3)	Non-life insurance agent	Payment of insurance premium ^(Note 2)	8	Prepaid expenses	¥5

Notes: 1. The amount donated to the Foundation is determined with the approval of the Board of Directors.

2. Transaction prices are determined in the same way as for general transactions, referring to market prices.

3. Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC Co., Ltd.

4. Transaction amounts exclude consumption tax.

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

				Millions of yen	
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
Haruki Satomi	Chairman of SEGA SAMMY ARTS FOUNDATION	Payment of donation ^(Note 1)	¥91	—	—
FSC Co., Ltd. ^(Note 3)	Non-life insurance agent	Payment of insurance premium ^(Note 2)	12	Prepaid expenses	¥1

Notes: 1. The amount donated to the Foundation is determined with the approval of the Board of Directors.

2. Transaction prices are determined in the same way as for general transactions, referring to market prices.

3. Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC Co., Ltd.

4. Transaction amounts exclude consumption tax.

Notes to Consolidated Financial Statements

2. Notes on the parent company or significant affiliates

(1) Information on the parent company

Not applicable

(2) Summarized financial information of significant affiliates

PARADISE SEGASAMMY Co., Ltd. is a significant affiliate in the current fiscal year and its summarized financial statements are as follows.

	Millions of yen	
	2023	2024
Total current assets	¥ 20,558	¥ 18,529
Total noncurrent assets	126,893	134,707
Total current liabilities	82,798	17,099
Total noncurrent liabilities	24,949	81,428
Total net assets	39,704	54,709
Net sales	27,410	48,282
Income (loss) before income taxes	(4,208)	2,366
Net Income (loss)	(4,208)	2,204

24 Per Share Information

Item	Yen	
	2023 (From April 1, 2022 to March 31, 2023)	2024 (From April 1, 2023 to March 31, 2024)
Net assets per share	¥1,498.75	¥1,652.29
Profit per share	208.07	150.75
Profit per share (diluted)	207.13	149.98

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

Items	2023 (As of March 31, 2023)	2024 (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 pertaining to common stock (Millions of yen)	330,854	356,919
Number of common shares used to calculate net assets per share (Thousands of shares)	220,753	216,014

2. The calculation basis for profit per share and profit per share (diluted) are as follows.

Item	2023 (From April 1, 2022 to March 31, 2023)	2024 (From April 1, 2023 to March 31, 2024)
Net income (loss) per share:		
Profit attributable to owners of parent (Millions of yen)	¥ 45,938	¥ 33,055
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Millions of yen)	45,938	33,055
Average number of common shares during the period (Thousands of shares)	220,790	219,274
Profit per share (diluted):		
Adjustment to 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
Overview of dilutive shares not included in calculation of profit per share (diluted) because of no dilutive effect	—	—

25 Significant Subsequent Events

1. Transactions under common control

(1) Purpose of absorption-type demerger

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 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 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 companies 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
Head office 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%

Note: 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).

2. Acquisition of treasury stock

At the Board of Directors meeting 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 Plan "WELCOME TO THE NEXT LEVEL!", the Company has decided to acquire treasury stock, taking into consideration of overall factors including the future business growth on the premise of the new Medium-term 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

3. Changes in reporting 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 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".

Net sales, profit or loss, assets, and other accounts and breakdown information on revenues for each reporting segment in the consolidated fiscal year under review after this change in reporting segments are currently being compiled and calculated.

4. Transfer of shares in a consolidated subsidiary

At the Board of Directors meeting 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. The transfer was completed on May 31, 2024. This share transfer removes PHOENIX RESORT CO., LTD. from the list of consolidated subsidiaries.

(1) Reasons for transfer of shares

In 2012, the Company made PHOENIX a wholly owned subsidiary for the purpose of incorporating its expertise on operating large-scale facilities. This expertise will be applied in operating and developing integrated resort facilities, a business the Company was seeking to enter at the time. Since making it a subsidiary, the Company has worked closely with PHOENIX to increase its corporate value. These efforts have restored profitability and established PHOENIX as one of Japan's leading operators of integrated resort facilities. As a member of the Group, PHOENIX has set record sales for two consecutive years since the year ended March 31, 2023.

The Company considered various measures to increase PHOENIX's corporate value even after it regained profitability. During this process, the Company determined that the best option for maximizing PHOENIX's corporate value would be to welcome Fortress as a strategic partner based on its experience and expertise with the hotel and resort business and to transfer its holdings of shares of PHOENIX stock to the Fortress Group, which would then play the leading role in guiding PHOENIX's business operations.

(2) Name of counterparty in transfer of shares

Yugao G.K.

(3) Date of transfer of shares

May 31, 2024

(4) Summary of consolidated subsidiary to be transferred

1) Name:	PHOENIX RESORT CO., LTD.
2) Lines of business:	Development and operation of Phoenix Seagaia Resort, a resort complex including a hotel, golf course, spa, leisure facilities, hot springs, etc.

(5) Number of shares transferred, transfer price, and shareholdings before and after transfer

1) Shareholdings before transfer:	316,555 shares (100% of voting rights)
2) Number of shares transferred:	316,555 shares
3) Shareholdings after transfer:	0 shares (0% of voting rights)*

* The Company has acquired 20% of classified stock newly issued by PHOENIX following the completion of the transfer of common stock.

(6) Transfer timetable

1) Date of Board of Directors resolution:	May 10, 2024
2) Date of conclusion of agreement on transfer of shares:	May 10, 2024
3) Date of execution of transfer of shares:	May 31, 2024
4) Date of conclusion of agreement on receipt of transfer of classified stock:	May 31, 2024
5) Date of execution of receipt of transfer of classified stock:	June 1, 2024

(7) Effect on profit/loss

The Company expects to record approximately 8.5 billion yen in gain on sales of stocks of subsidiaries and affiliates as Other income in the period ending March 31, 2025.

Notes to Consolidated Financial Statements

26 Supplemental Information

[Annexed consolidated detailed schedule of bonds]

Company name	Security titles	Issuance date	Balances as of April 1, 2023 (Millions of yen)	Balances as of March 31, 2024 (Millions of yen)	Interest rate (%)	Type	Date of maturity
The Company	5th Series of Unsecured Straight Bonds (Publicly offered bonds)	October 10, 2019	¥10,000	¥10,000	0.38	Unsecured	October 10, 2029
Total			10,000	10,000 (—)			

Notes: 1. Figure in parentheses under "Balance as of March 31, 2024" is the current portion of the amount of redemption.

2. The scheduled amount of redemption after the consolidated closing date is as follows:

Millions of yen					
Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
¥—	¥—	¥—	¥—	¥—	¥10,000

[Annexed consolidated detailed schedule of borrowings]

Category	Balances as of April 1, 2023 (Millions of yen)	Balances as of March 31, 2024 (Millions of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	¥ —	¥ —	—	—
Current portion of long-term l borrowings	17,000	22,507	0.6	—
Current portion of lease obligations	1,377	1,886	2.6	—
Long-term borrowings (Excluding current portion)	25,000	124,500	0.8	From 2025 to 2031
Lease obligations (Excluding current portion)	5,352	4,837	2.5	From 2025 to 2032
Other interest-bearing debts:				
Accounts payable—facilities	29	24	1.4	—
Accounts payable—facilities (Excluding current portion)	119	103	1.5	From 2025 to 2030
Total	48,879	153,859	—	—

Notes: 1. "Average interest rate" represents the weighted average rate applicable to the balance of borrowings at end of period.

2. Some lease obligations stated in the consolidated balance sheets represent the amounts with interest equivalents not deducted from the total lease payments. Accordingly, said lease obligations are not included when calculating the "Average interest rate."

3. The scheduled amounts of long-term borrowings, lease obligations, and other interest-bearing debts (excluding current portion) to be repaid after the consolidated closing date are as follows:

Millions of yen					
	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Long-term borrowings	¥7,500	¥7,500	¥17,500	¥24,500	¥67,500
Lease obligations	1,384	1,023	856	804	768
Other interest-bearing debt:					
Accounts payable—facilities	22	22	22	21	13

Schedule of asset retirement obligations

No description is provided here, since the amount of asset retirement obligations as of the beginning and end of the current fiscal year was less than 1/100 of the total amount of liabilities and net assets, respectively, as of the beginning and end of the current fiscal year.

27 Other

Quarterly information for the current fiscal year

(Cumulative period)	First three months	First six months	First nine months	Current fiscal year
Net sales (Millions of yen)	¥108,050	¥221,158	¥349,924	¥467,896
Income before income taxes (Millions of yen)	22,512	32,516	46,051	41,831
Profit attributable to owners of parent (Millions of yen)	17,259	23,117	35,327	33,055
Profit per share (Yen)	78.19	104.72	160.32	150.75
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share (Yen)	¥78.19	¥26.53	¥55.62	¥(10.52)

28 Audit fees, etc.

a. Audit fees paid to certified public accountants

Category	2023		2024	
	Fees based on audit and attestation services	Fees based on non-audit services	Fees based on audit and attestation services	Fees based on non-audit services
Reporting company	¥137	¥ —	¥162	¥15
Consolidated subsidiaries	101	—	98	—
Total	238	—	260	15

(Non-audit services to reporting company)

Prior fiscal year

Not applicable

Current fiscal year

The Company paid ¥15 million to certified public accountants as remuneration for support for the Company's Task Force on Climate-Related Financial Disclosures (TCFD) disclosure efforts and costs of studying compliance with the European Union's Corporate Sustainability Due Diligence Directive (CSDDD).

b. Audit fees paid to companies in the same networks as certified public accountants (excluding a.)

Category	2023		2024	
	Fees based on audit and attestation services	Fees based on non-audit services	Fees based on audit and attestation services	Fees based on non-audit services
Reporting company	¥ —	¥176	¥ —	¥382
Consolidated subsidiaries	122	66	146	221
Total	122	243	146	603

Prior fiscal year

Sega Europe Ltd., a consolidated subsidiary of the Company, paid a ¥71 million fee to KPMG LLP (UK), which belongs to the same network as certified public accountants contracted on the Company's behalf, based on audit and attestation services and non-audit services (e.g., tax consulting).

Current fiscal year

Sega Europe Ltd., a consolidated subsidiary of the Company, paid a ¥154 million fee to KPMG LLP (UK), which belongs to the same network as certified public accountants contracted on the Company's behalf, based on audit and attestation services and non-audit services (e.g., tax consulting).

c. Other important fees based on audit and attestation services

Not applicable

Independent Auditor's Report

To the Board of Directors of SEGA SAMMY HOLDINGS INC.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 25 "Significant Subsequent Events" to the consolidated financial statements.

At the Board of Directors meeting held on May 10, 2024, the Company resolved the matter related to transferring the shares of consolidated subsidiary, Phoenix Resort Co., Ltd., to Yugao GK, an affiliate of Fortress Investment Group LLC. The transfer was completed on May 31, 2024. This matter does not affect our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We determined that a relative risk of "Appropriateness of management's judgment as to whether an impairment loss should be recognized on non-financial assets including goodwill at the equity-method affiliate", which was a key audit matter in our audit of the consolidated financial statements for the previous fiscal year, had decreased. We, therefore, determined that the risk did not give rise to a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

Reasonableness of the measurement of intangible assets recognized in connection with the acquisition of the shares of Rovio Entertainment Corporation	
The key audit matter	How the matter was addressed in our audit
<p>As described in Notes 3, "Significant Accounting Estimates" and 18, "Business Combination" to the consolidated financial statements, SEGA SAMMY HOLDINGS INC. (hereinafter, referred to as the "Company") acquired the shares of Rovio Entertainment Corporation on August 17, 2023. Under this business combination, the Company recognized the acquired assets of 90,639 million yen, including identifiable intangible assets of 53,281 million yen consisting of trademark rights of 47,630 million yen and intangible assets related to technology of 5,651 million yen.</p> <p>The fair value of the identifiable assets acquired through the business combination was measured at the discounted present value of future cash flows on the acquisition date, and the future cash flows were estimated based on the business plan of Rovio Entertainment Corporation.</p> <p>The business plan included assumptions related to the estimated sales and their rates of decrease of each major game title as well as the estimated game-business costs, which were used in the measurement of the trademark rights. The intangible assets related to technology were measured based on the improved profit margin that was expected from utilizing those assets, in addition to the estimated sales and their rates of decrease of each major game title described above. Accordingly, there was a high degree of estimation uncertainty because these assumptions involved management's subjective judgments.</p> <p>In addition, the measurement of trademark rights and intangible assets related to technology required a high level of expertise in selecting the appropriate valuation models and the input data used to calculate the discount rate.</p> <p>We, therefore, determined that our assessment of the reasonableness of the measurement of intangible assets recognized in connection with the acquisition of the shares of Rovio Entertainment Corporation was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the measurement of intangible assets recognized in connection with the acquisition of the shares of Rovio Entertainment Corporation included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of the fair value of intangible assets.</p> <p>In the assessment, we focused our testing on controls relevant to the use of external experts by management including the selection of external valuation experts, materials provided to them and the evaluation of their work product.</p> <p>(2) Assessment of the appropriateness of the assumptions used to estimate the discounted present value of future cash flows</p> <p>In order to assess whether key assumptions included in the business plan and their supporting materials, which formed the basis for estimating the future cash flows arising from intangible assets, as well as the results of the calculation were appropriate, we primarily performed the following procedures:</p> <ul style="list-style-type: none"> ● assessed the reasonableness of assumptions related to the estimated sales of each major game title by comparing their consistency with the past sales and with the trend of the video game contents market size published by external organizations; ● assessed the reasonableness of the sales decrease rates of each major title by comparing them with the past sales decrease rates of each main game title; and ● assessed the reasonableness of the estimated game-business costs by comparing it with the past cost-to-sales ratio. <p>We also involved valuation specialists within our domestic network firms who assisted in our assessment of the following, among others:</p>

	<ul style="list-style-type: none"> ● appropriateness of the valuation model used for the fair value measurement based on subject matters relevant to valuation and the requirements of accounting standards; ● reasonableness of the input data by comparing the input data used to calculate the discount rate with data published by external organizations; and ● reasonableness of the improved profit margin adopted, which was expected from utilizing the intangible assets related to technology, by inspecting the relevant supporting materials.
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Other Information

The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Note 28 "Audit fees, etc." of the Integrated Report.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hidetoshi Fukuda Designated Engagement Partner
Certified Public Accountant

Danya Sekiguchi Designated Engagement Partner
Certified Public Accountant

Yoichi Ueno Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
Nov 28, 2024

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.



SEGA SAMMY HOLDINGS INC.

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