

Breaking out of the Current Situation 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

Welcome to the Next Level!

From FY2025/3 to FY2027/3



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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%
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* 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.

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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

Introduction	Value Creation Story	Growth Strategy	Strengthening of Non-Financial Capital	Governance	Financial Information
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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

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!

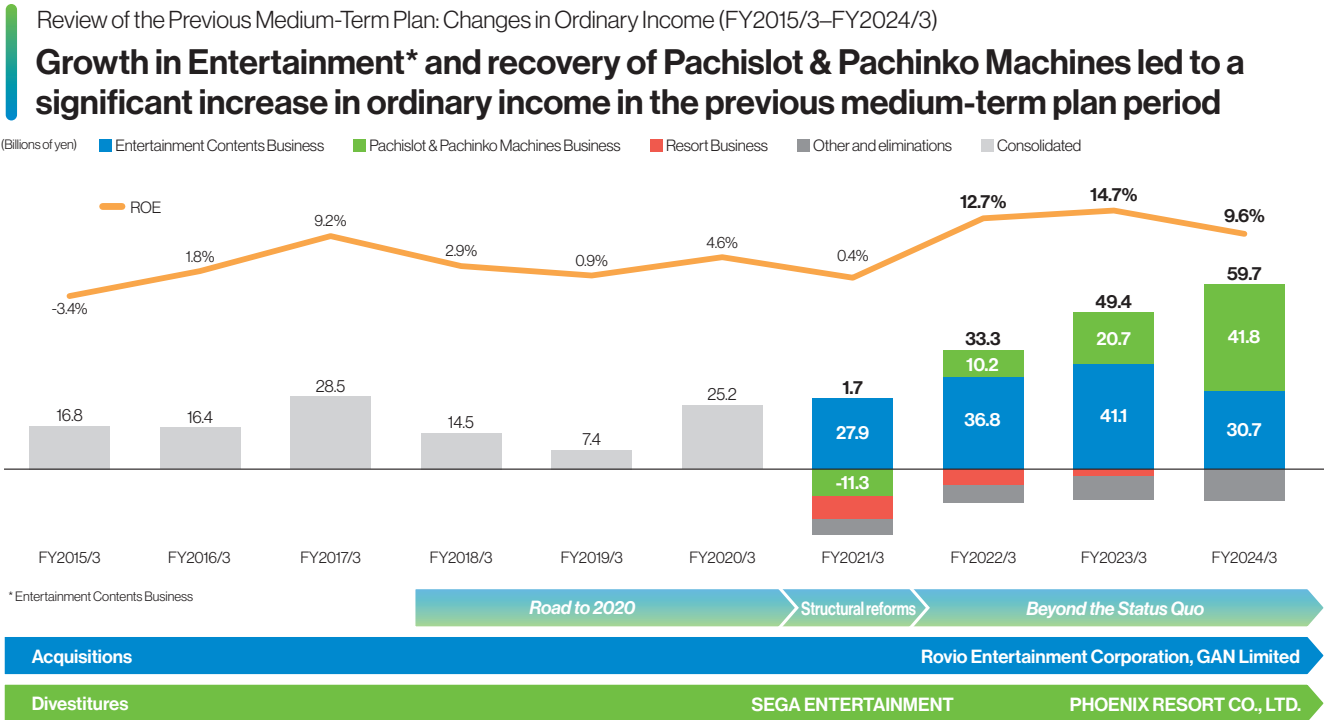
At The Game Awards 2023, the world's largest game event, held in December 2023, SEGA released a teaser video of a new title (▶ **P.41 Business strategy of the Entertainment Contents Business**) that is currently in development and uses a legacy IP, which was met with huge cheers as soon as it started 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 Group (Mindset and DNA)

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 the SEGA SAMMY Group.

We will continue to adapt to change based on our values of *Creativity is Genesis* and *Always Proactive, Always Pioneering*, and aim to *Be a Game Changer*, which is our ideal self.



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 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.



SEGA GENESIS
©SEGA



Sonic The Hedgehog
©SEGA



UFO CATCHER
©SEGA

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

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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- 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

Established
1960



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

Established
1975



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

2004 Management Integration



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.



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
©NSP2007 Approved No. SAE-307
©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

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
©Bandon & Tetsuo Hara/NSP 1983,
©NSP2007 Approved No. SAE-307
©Sammy

2016

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



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

2022

- Launched *Pachislot Kabaneri 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

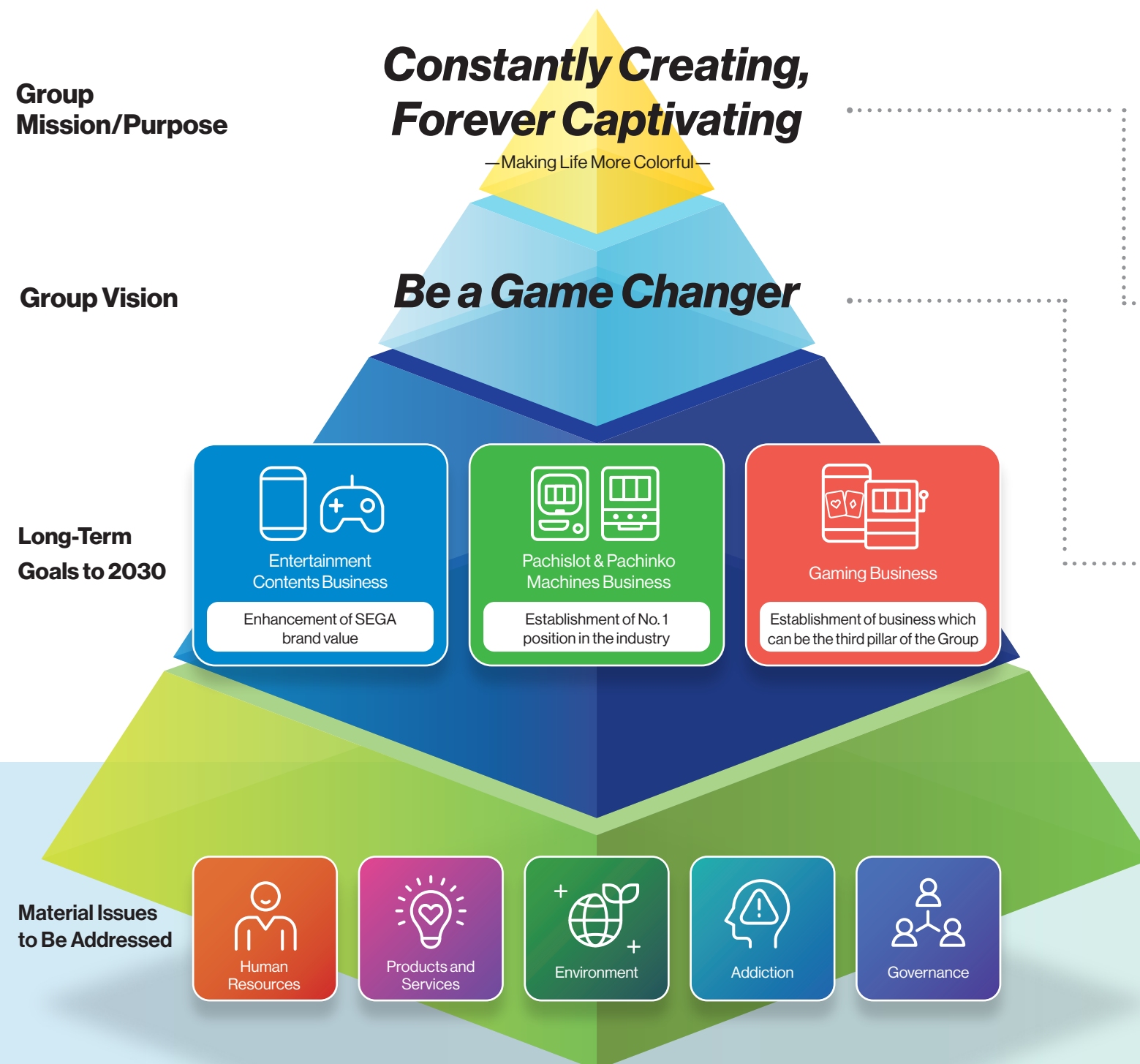


Smart Pachislot Hokuto No Ken
©Buronson & Tetsuo Hara/COAMIX 1983,
©COAMIX 2007 Approved No. YRA-114
©Sammy

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



©SEGA

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.

