

# 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.

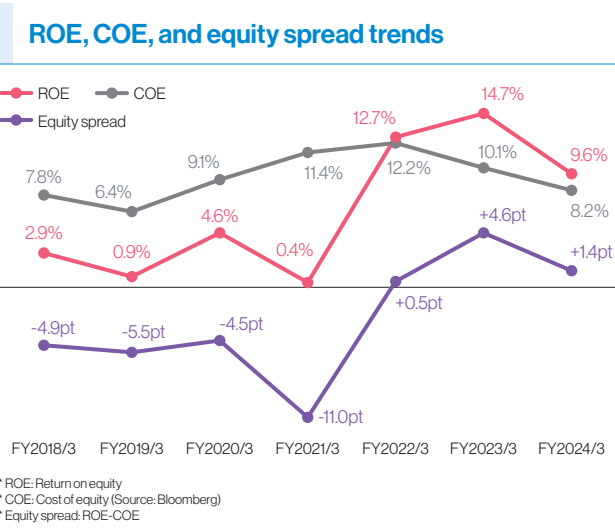
In the previous medium-term plan, we positioned the Consumer area of the Entertainment Contents Business and the gaming field as growth areas, establishing a policy of focused investment in these areas, while also promoting management that emphasizes capital efficiency.

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.

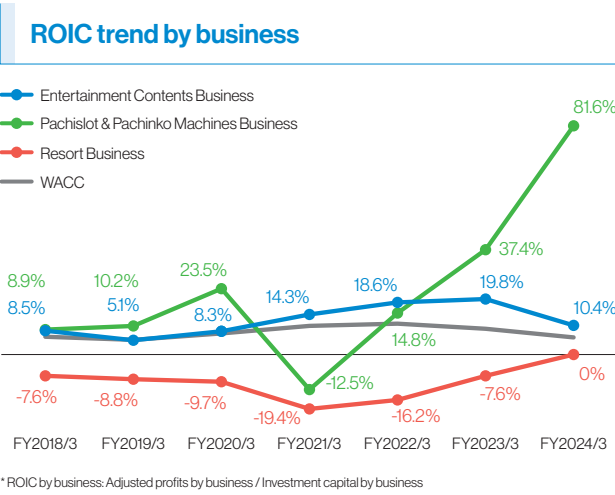
Over the past three years, the Consumer area has achieved steady earnings growth, and the Pachislot & Pachinko Machines Business has seen long-term efforts to improve profitability bear fruit. As a result, we met our final year target of ¥45.0 billion in ordinary income one year ahead of schedule, and 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.



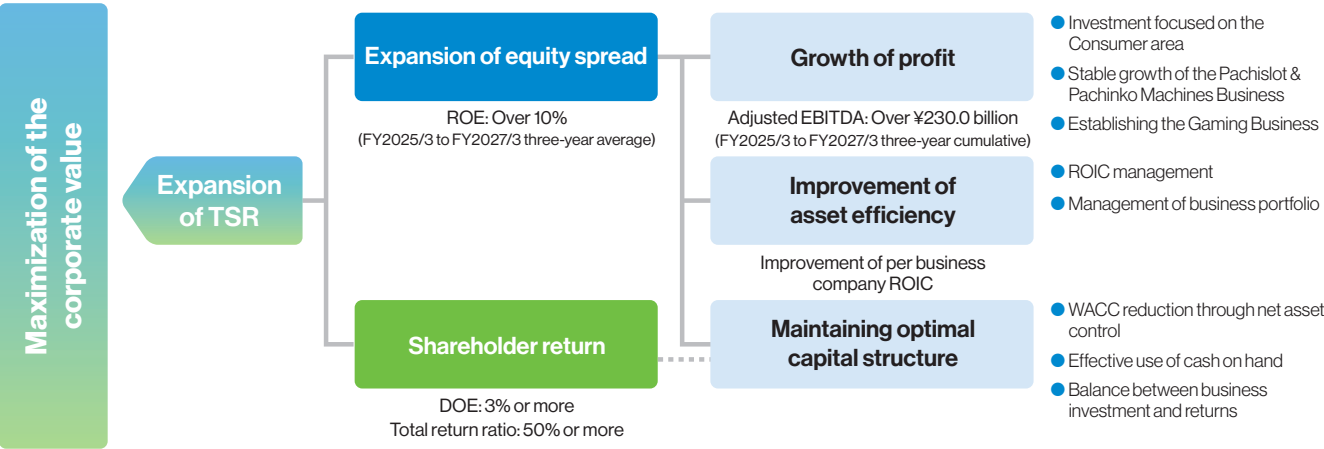
## Financial and capital strategies for the new medium-term plan

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

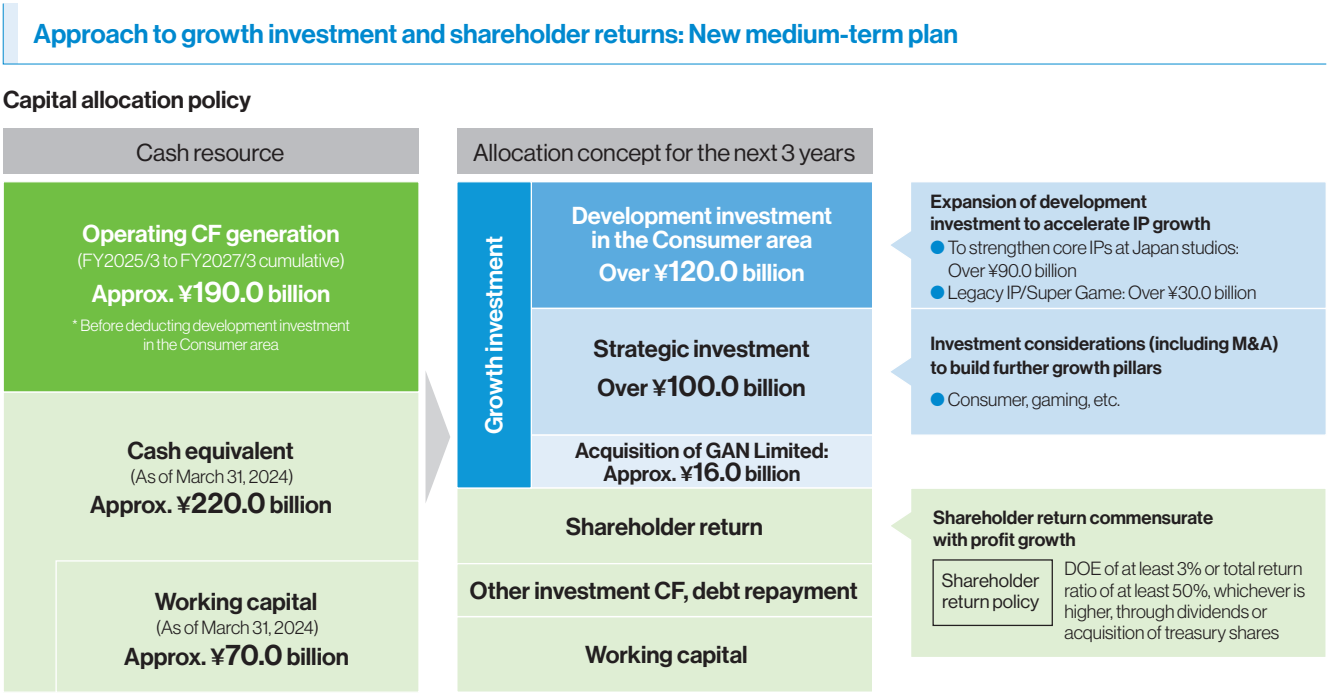


investment, generating stable revenue in the Pachislot & Pachinko Machines Business as a base business, and developing the Gaming Business as a pillar for medium- to long-term growth. We have also clarified our strategy to leverage our core competencies, such as expanding brand/IP value in the Consumer 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



## 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

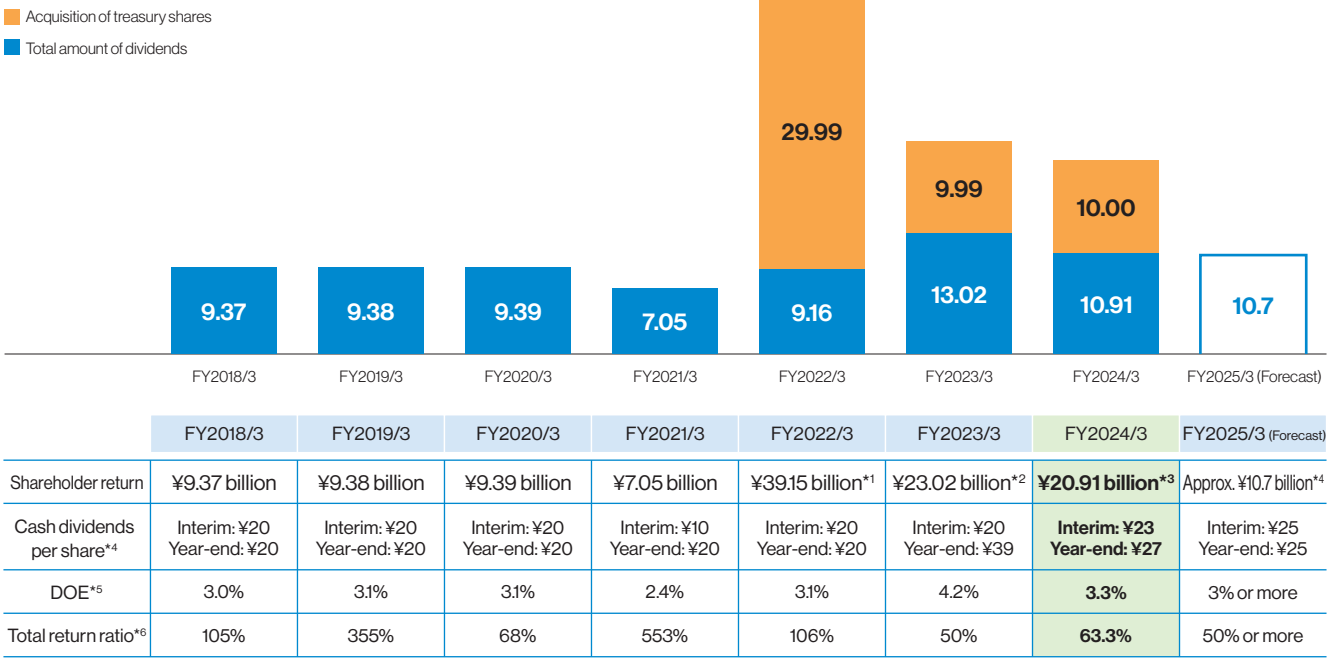
The responsibilities of the CFO extend beyond formulating management and financial strategies or managing the portfolio; they cover a wide range of areas that can affect corporate value. This includes non-financial factors. The Group has identified five material issues (materiality), set specific goals, 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



<sup>\*1</sup> The purchase period: Nov. 9, 2021 to Apr. 19, 2022  
<sup>\*2</sup> The purchase period: May 1, 2023 to Dec. 22, 2023  
<sup>\*3</sup> The purchase period: Scheduled from May 13, 2024 to Mar. 31, 2025  
<sup>\*4</sup> Beginning-of-term shareholder return and dividend forecast for FY2025/3 based on DOE of 3%  
<sup>\*5</sup> DOE (Dividend on equity ratio) = Dividends / Net assets  
<sup>\*6</sup> 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*

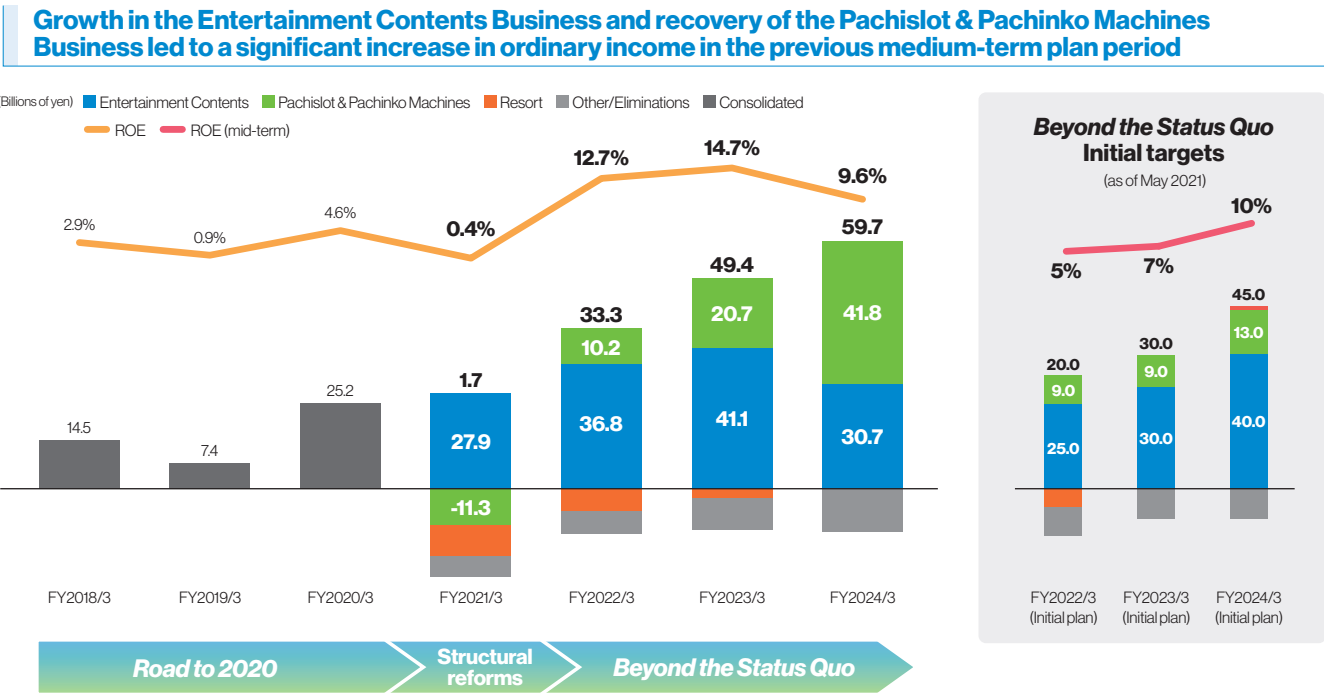
Goal

### 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.



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  
©2020 PARAMOUNT PICTURES AND SEGA OF AMERICA, INC. ALL RIGHTS RESERVED.

#### Sonic Frontiers

Sold over **3.2 million units worldwide**

Sonic Frontiers  
©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

Like a Dragon: Infinite Wealth  
©SEGA

#### Like a Dragon: Infinite Wealth

Fastest in the series to reach **1 million units sold worldwide**

#### Persona 3 Reload

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

Persona 3 Reload  
©ATLUS, ©SEGA

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 | + Extraordinary income on business<br>- Extraordinary losses on business (impairment, title write-downs, etc.) | - Profit attributable to non-controlling interests<br>+ Amortization of goodwill, trademark rights, etc. associated with M&A |

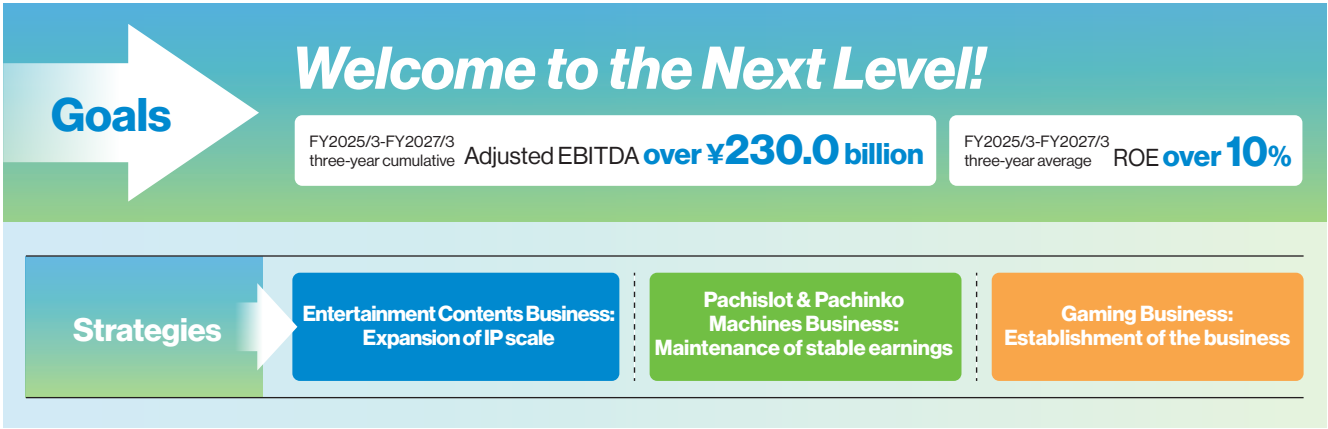
- Continuing to use ROE as an indicator

## Medium-Term Plan

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

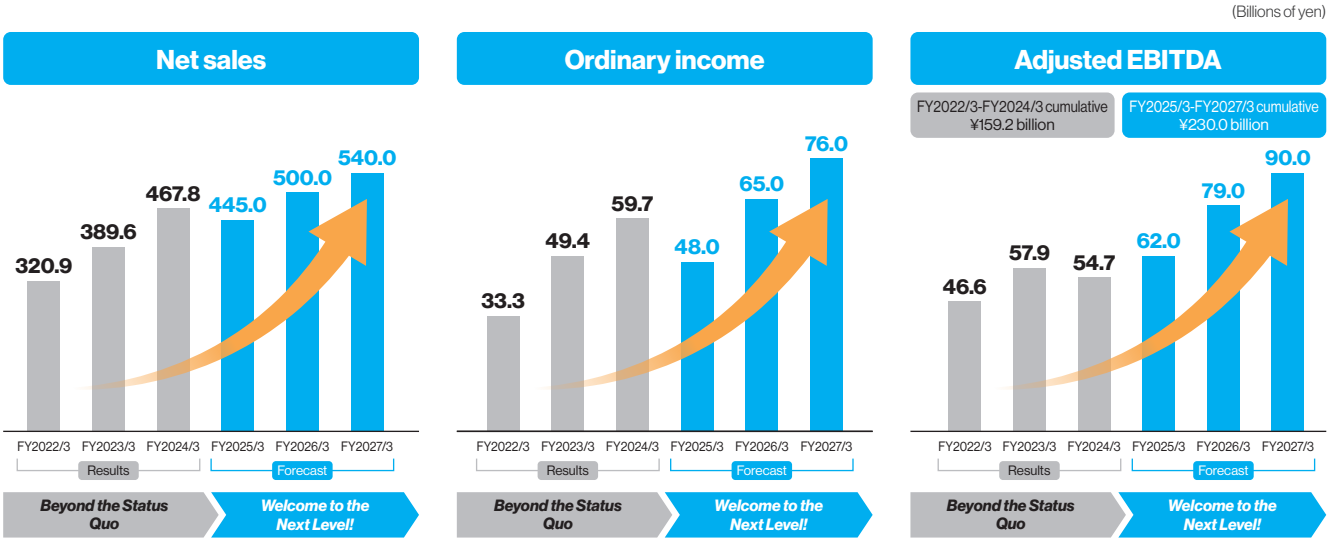
In the new medium-term plan, starting from the fiscal year ending March 31, 2025, we have adopted the slogan, *Welcome to the Next Level!* This slogan expresses the desire of the SEGA SAMMY Group, which broke out of the current situation in the previous medium-term plan, to evolve to the next level.

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.



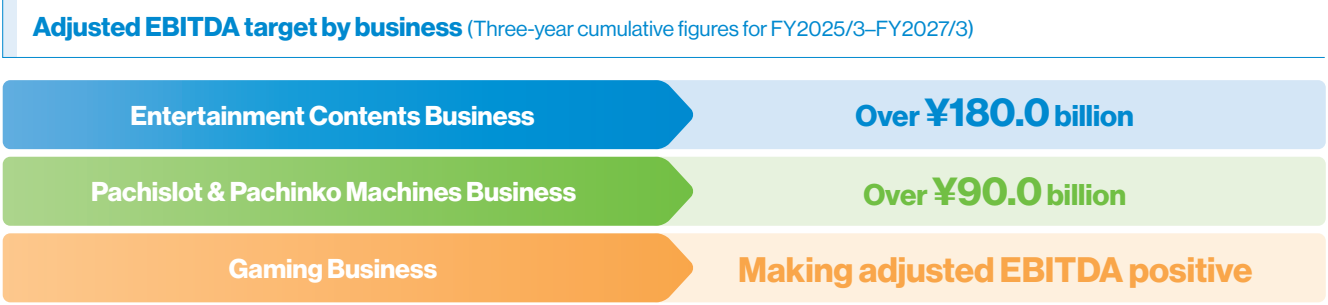
### Outlook for Key Indicators

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.



### 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.



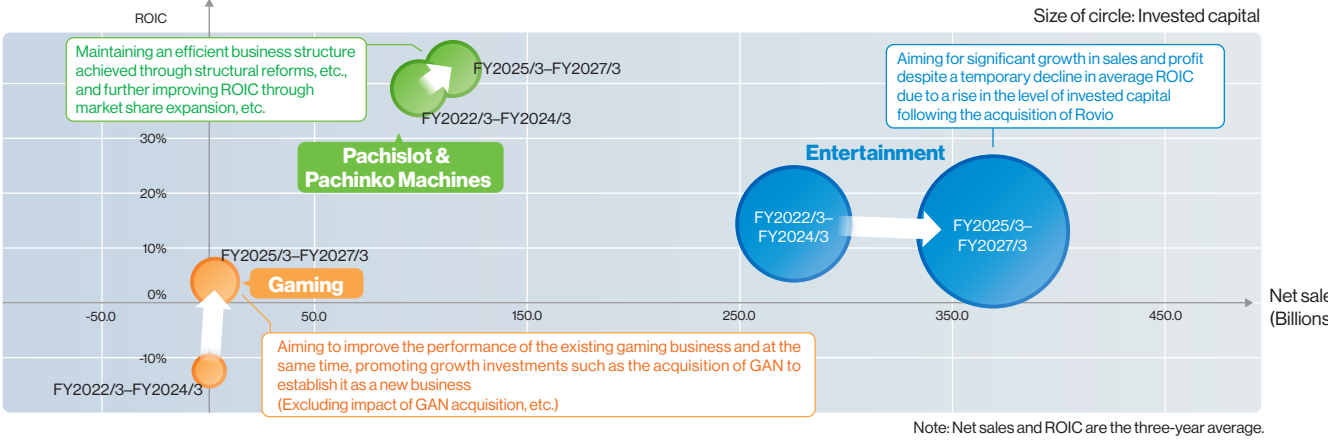
In addition, we will aggressively invest in the growth fields of the Consumer area and the Gaming Business.

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

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

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

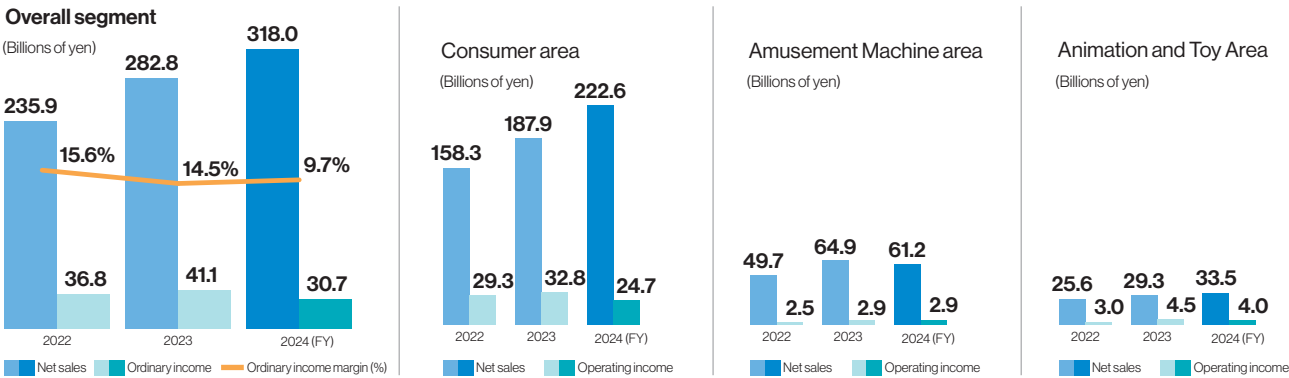


In the previous medium-term plan, we promoted the expansion of touchpoints, lengthening of product life cycles, and strengthening of user engagement, with the goal of turning the existing IPs into global brands. In order to grow high-potential IPs as global brands, we implemented multi-platform roll-out 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](https://www.segasammy.co.jp/cms/wp-content/uploads/pdf/en/ir/ir_2023_web_all_e.pdf)

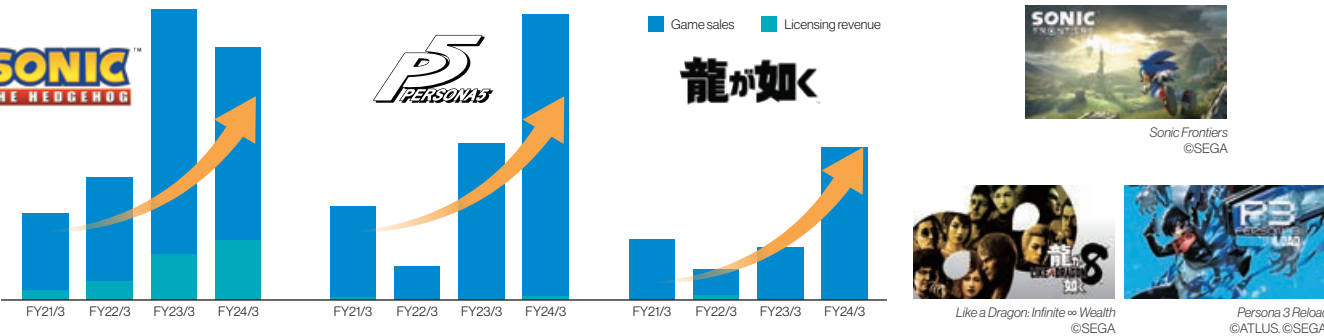
### Achievements in FY2024/3 and future initiatives

#### Entertainment Contents Business performance



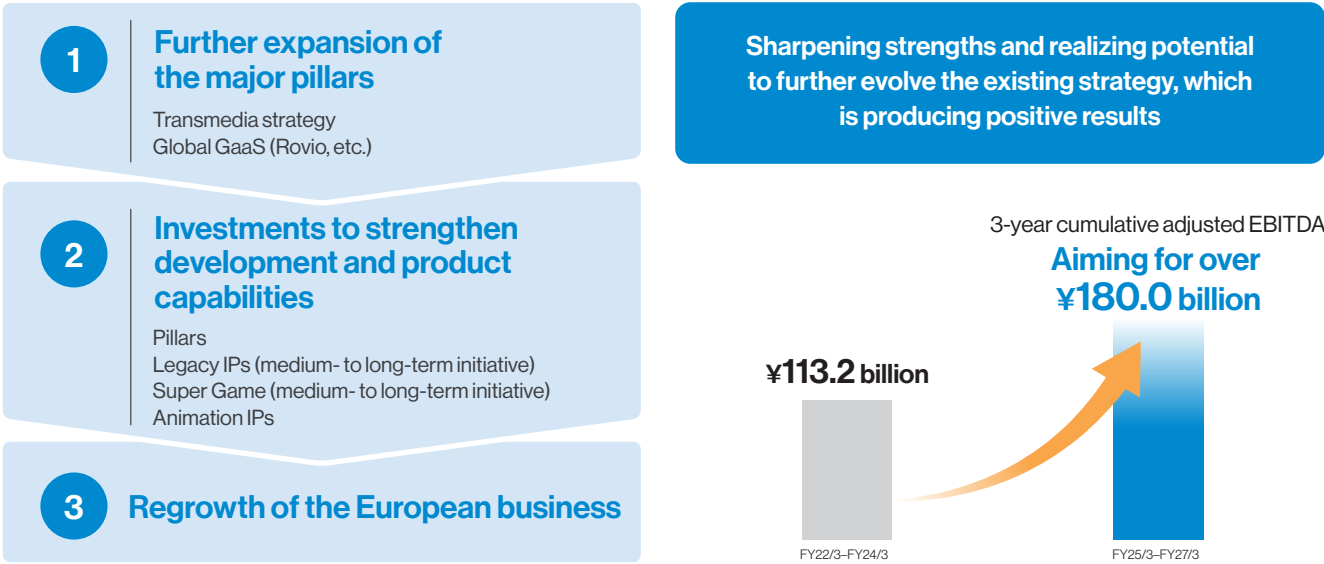
### Steady growth of the major IPs with establishment of a revenue base to support the brand

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.

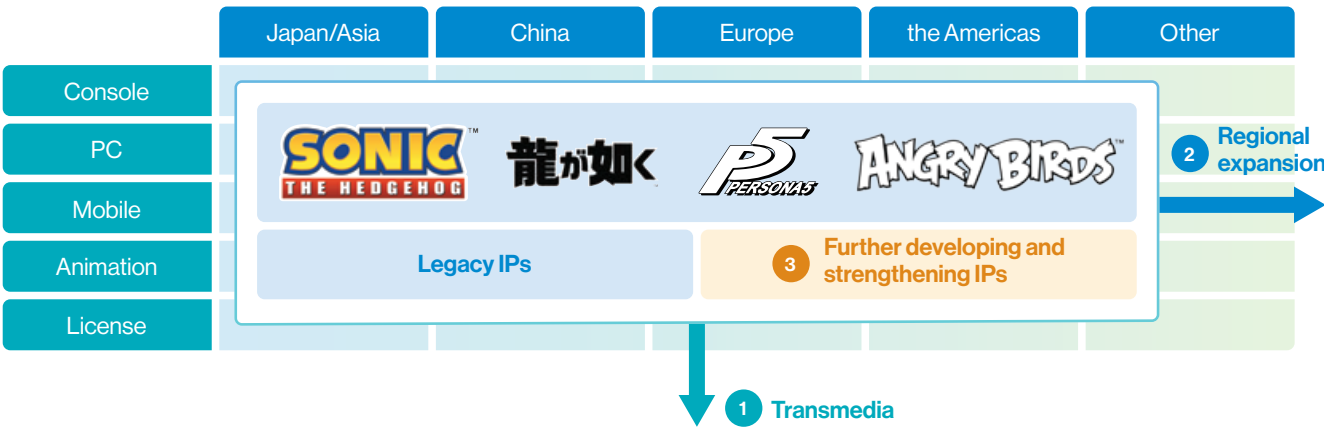


## Further Expansion of the Major Pillars

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

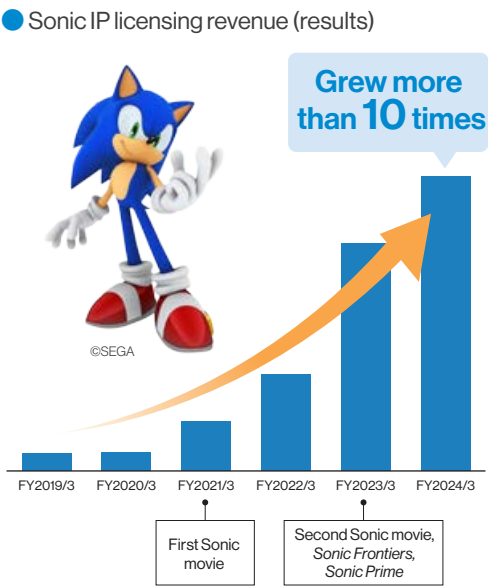




# Entertainment Contents Business

## Expansion of Sonic IP through Transmedia

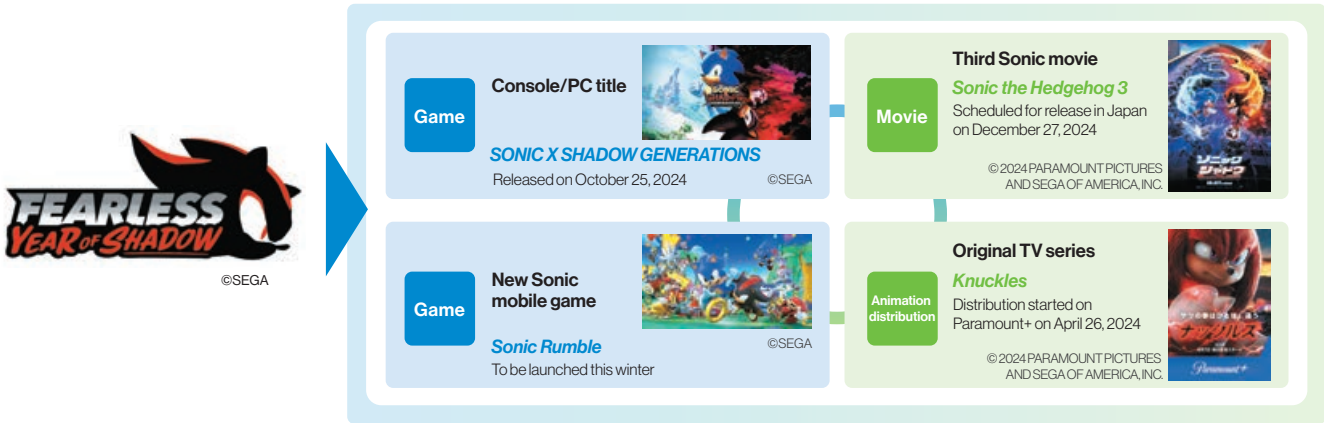
Through strategic transmedia development centered on games and movies, Sonic IP licensing revenue has grown dramatically. In addition, along with the growth of the IP, we have also built good relationships with business partners in various areas. By leveraging the business base we have developed through 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*.



## 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

|   |   |
|---|---|
| <p><b>New Sonic IP release</b><br/>Global × Mobile<br/><i>Sonic Rumble</i></p> <p>©SEGA</p>   | <p>A title that aims to reach <b>Sonic's fan base expanded worldwide through movies, etc.</b>, in a casual × mobile format</p> <p><b>Joint promotion project with Rovio</b>, which has strong expertise in the <b>global × mobile</b> area</p> <p><b>Scheduled to launch this winter</b><br/>(closed beta testing was conducted in North America in late May)</p> |
| <p><b>Latest in the Persona 5 series</b><br/><i>Persona5: The Phantom X</i></p> <p>©[2024] Perfect World Adapted from Persona5 ©ATLUS.<br/>©SEGA.</p> | <p>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</p> <p><b>Planned for release in Japan as well</b></p>   |

## 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.

| <p><b>Further upside Legacy IPs</b></p> <p>©SEGA</p>  | <p><b>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.</b></p> <table> <tr> <th>Leading J-IPs</th> <th>Transmedia</th> </tr> <tr> <td> <p>Strategically promoting acquisition of major rights while working on the production of well-known IPs, such as <i>Detective Conan</i></p> <p>Other major J-IPs in which TMS has been involved in production include <i>Baki Hanma</i>, <i>Sakamoto Days</i>, and <i>Blue Box</i></p> </td> <td> <p>Accelerating global secondary expansion through transmedia to increase IP value and earnings</p> <p>Actively leveraging SEGA's global expansion capabilities in games, animation, merchandising, etc.</p> </td> </tr> </table> | Leading J-IPs | Transmedia | <p>Strategically promoting acquisition of major rights while working on the production of well-known IPs, such as <i>Detective Conan</i></p> <p>Other major J-IPs in which TMS has been involved in production include <i>Baki Hanma</i>, <i>Sakamoto Days</i>, and <i>Blue Box</i></p> | <p>Accelerating global secondary expansion through transmedia to increase IP value and earnings</p> <p>Actively leveraging SEGA's global expansion capabilities in games, animation, merchandising, etc.</p> |
|---|--|---------------|------------|---|--|
| Leading J-IPs   | Transmedia   |               |            |   |  |
| <p>Strategically promoting acquisition of major rights while working on the production of well-known IPs, such as <i>Detective Conan</i></p> <p>Other major J-IPs in which TMS has been involved in production include <i>Baki Hanma</i>, <i>Sakamoto Days</i>, and <i>Blue Box</i></p> | <p>Accelerating global secondary expansion through transmedia to increase IP value and earnings</p> <p>Actively leveraging SEGA's global expansion capabilities in games, animation, merchandising, etc.</p>   |               |            |   |  |

# 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



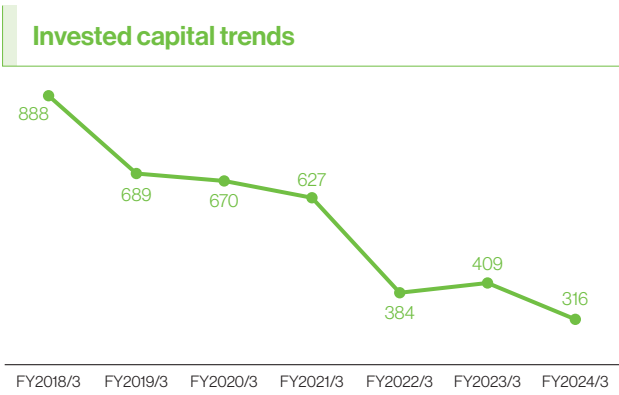
### Maintaining the spirit of our founding

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.

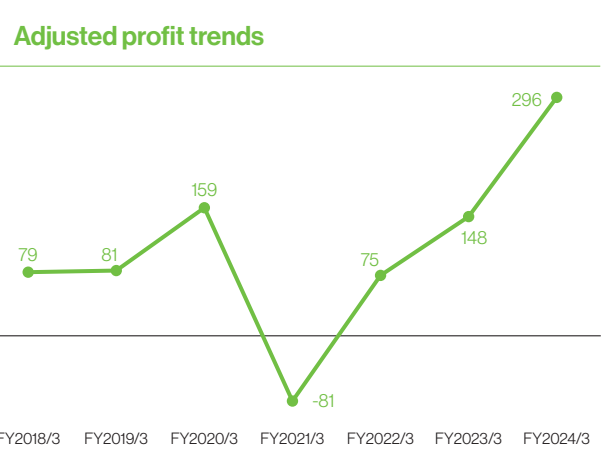
Of course, we need the support of even more people in order to keep steadily expanding earnings as a company. So, we are putting together a development strategy that is conscious of our product portfolio, and has a balanced approach to how we spread our pursuit of innovation to each area.

### 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 *P Hokuto No Ken Bokyosei* that went on sale in the fiscal year ended March 2024 and *P Hokuto No Ken Tomo LT* featuring a lucky trigger.



\* 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)



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

Utilization of *Smart Pachislot Hokuto No Ken* and *P Hokuto No Ken Bokyosei* 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.

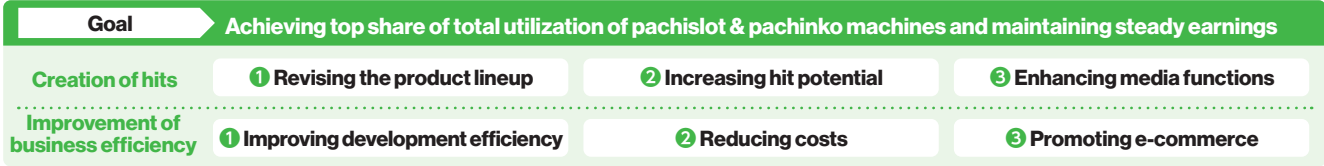
### Taking innovative manufacturing to the next level

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

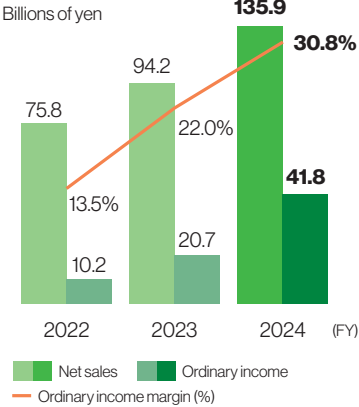


In the Pachislot & Pachinko Machines Business, we promoted measures to create new hits and improve business efficiency with the goal of achieving the top share of total utilization of pachislot & pachinko machines and maintaining stable earnings. As a result, the total utilization share increased, driven 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.

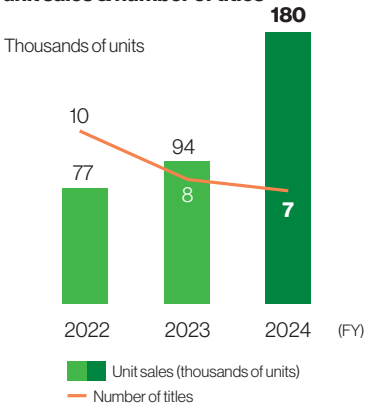
### Results of the previous medium-term plan

#### Pachislot & Pachinko Machines Business performance

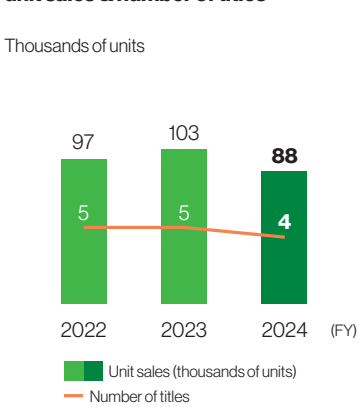
##### Overall segment



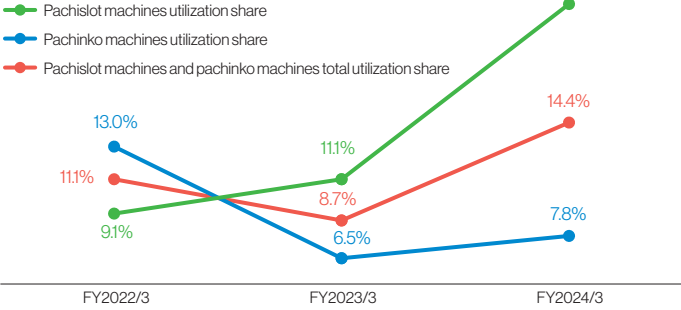
##### Pachislot unit sales & number of titles



##### Pachinko unit sales & number of titles



##### Trend of our utilization share



##### Ranking for total utilization share

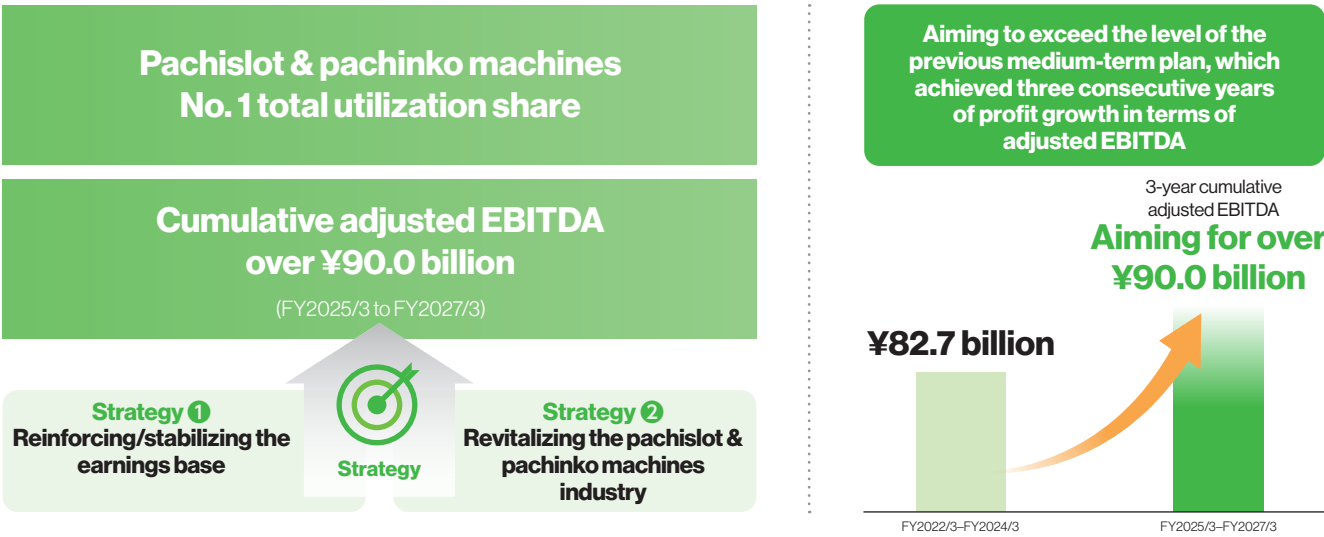
| FY2022/3         | FY2023/3         | FY2024/3         |
|------------------|------------------|------------------|
| Company K: 18.2% | Company S: 18.4% | Company S: 21.1% |
| Company S: 17.8% | Company K: 16.3% | Company K: 15.2% |
| Sammy: 11.1%     | Company S: 13.9% | Sammy: 14.4%     |
| Company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

\*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.

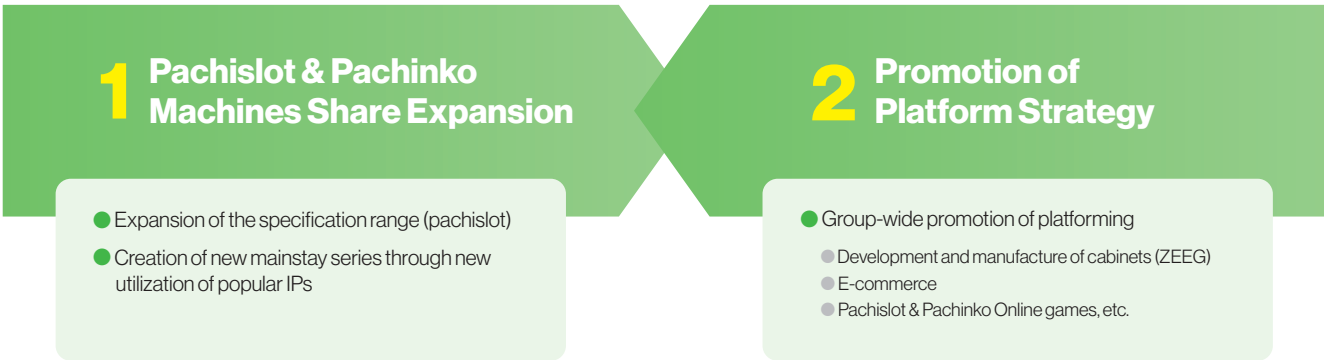
Under the new medium-term plan, we have formulated a strategy to strengthen and stabilize our earnings base and revitalize the pachislot & pachinko machines industry. As a specific target, we aim to achieve a cumulative adjusted EBITDA of more than ¥90.0 billion over three years, in addition to achieving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

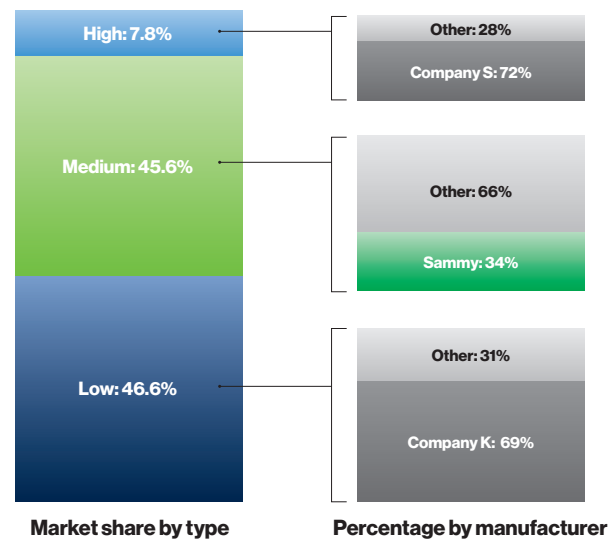


# Pachislot & Pachinko Machines Business

## 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



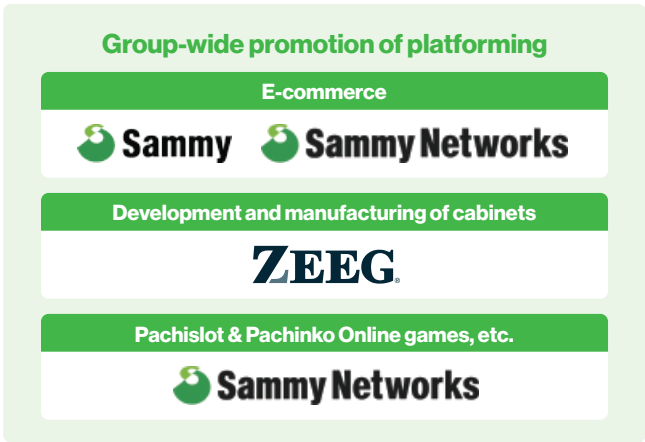
**Aiming to further increase market share by expanding the range of specifications for pachislot**

- 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.



**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.



## 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 & Krejcik 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



The diagram illustrates the Gaming Business structure. At the top, 'End users' are represented by three people icons. Below them, 'Land-based and online casino operators' (utilizing the customer base built by SSC) are shown with a building icon. The core of the business is 'Comprehensive gaming services built on the acquisitions of GAN and Stakelogic'. This is divided into two main categories: 'Land-based Casino' and 'Online Casino'. 'Land-based Casino' includes 'Table' (cards), 'Slot machines' (SEGA SAMMY CREATION), and 'Sports betting' (GAN). 'Online Casino' includes 'Table' (Stakelogic), 'Slot' (GAN, Stakelogic), 'Sports betting' (GAN), and 'Social casino' (GAN). These services are built on a 'Platform' (GAN, Coolbet) and are refined through 'Refinement through daily operations' (Coolbet). The services are categorized into 'B2B' and 'B2C'.

## 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



The diagram shows the B2B omni-channel solution provider strategy. It is divided into two main phases: 'Before and during new medium-term plan' and 'Medium to long term'. The strategy is divided into three steps: Step 1 (Acquiring GAN and Stakelogic), Step 2 (Starting to provide B2B solutions), and Step 3 (Establishing the Gaming Business). The final goal is 'Further business expansion, including broader service areas'.

- Step 1: Acquiring GAN and Stakelogic**
  - Securing a technology base and content centered on B2B platforms as a source of competitiveness in the online gaming market
- Step 2: Starting to provide B2B solutions**
  - Starting to offer comprehensive gaming services through SSC's channels, especially to land-based and online casino operators
  - Promoting planning and development of B2B solutions
- Step 3: Establishing the Gaming Business**
  - Establishing a third pillar of the SEGA SAMMY Group by developing a business earnings base

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SEGA SAMMY HOLDINGS

SEGA SAMMY HOLDINGS

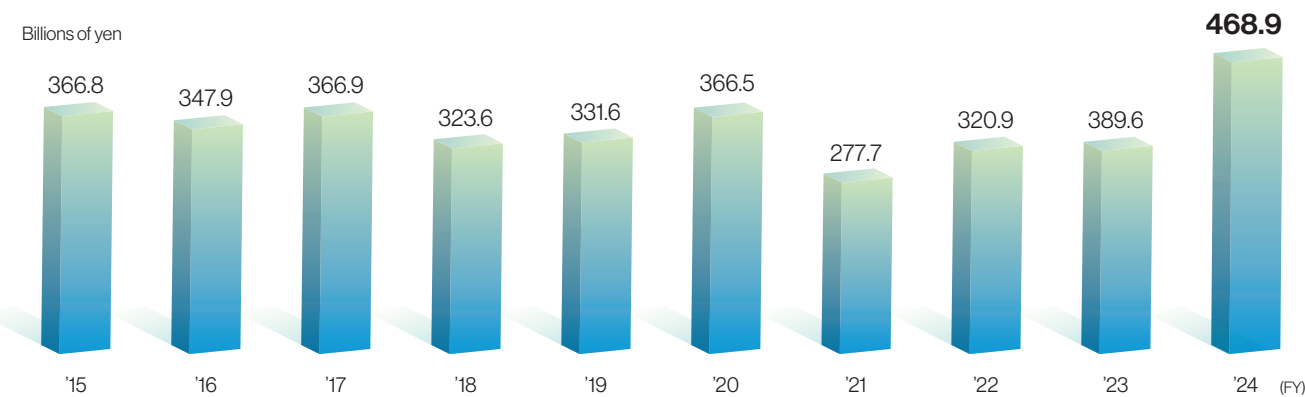
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# Financial Highlights

## Net Sales<sup>\*1,\*2</sup>

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.

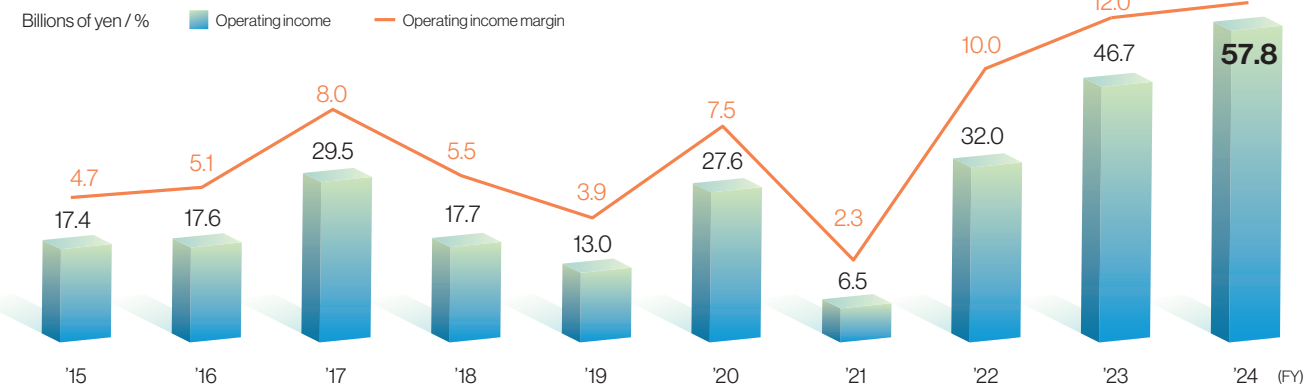
**¥468.9 billion**



## Operating Income / Operating Income Margin<sup>\*2</sup>

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.

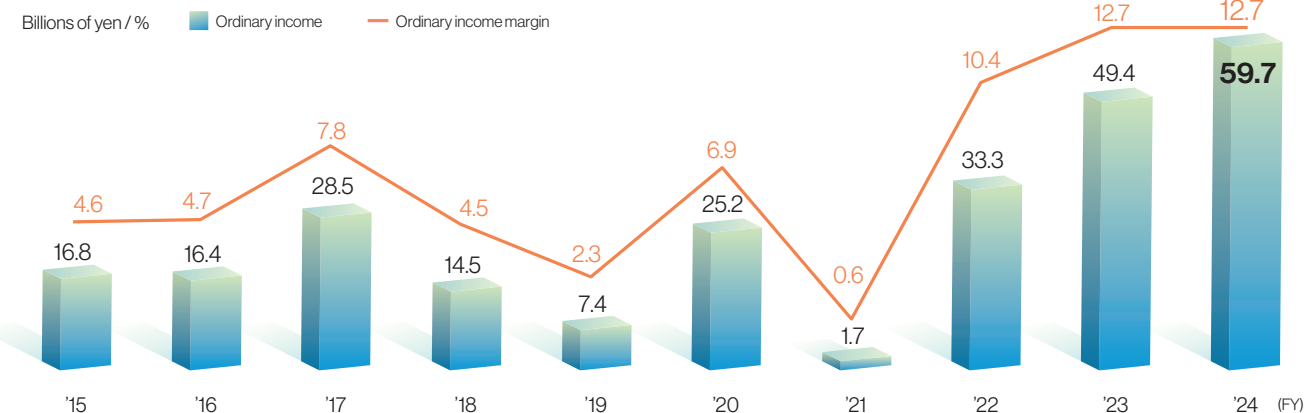
**¥57.8 billion / 12.3%**



## 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.

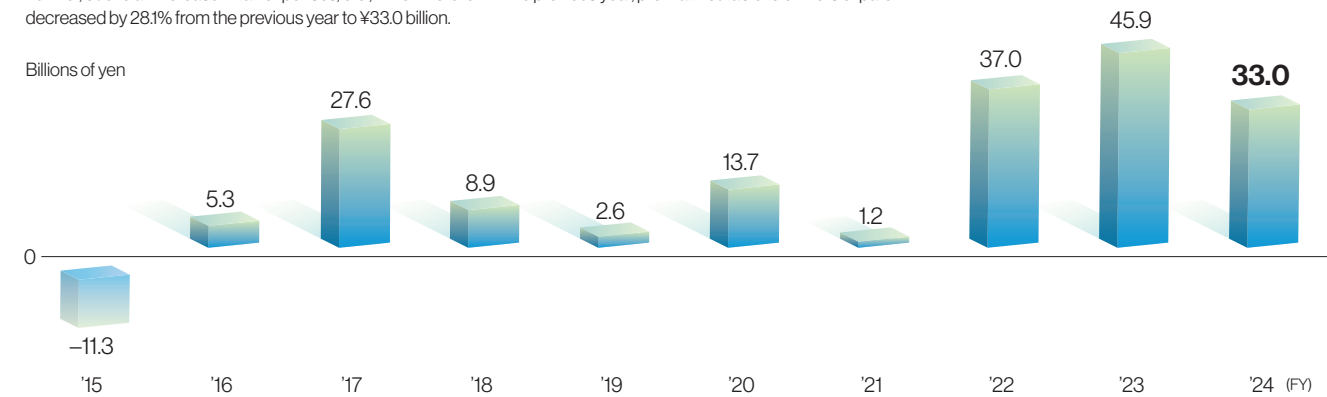
**¥59.7 billion / 12.7%**



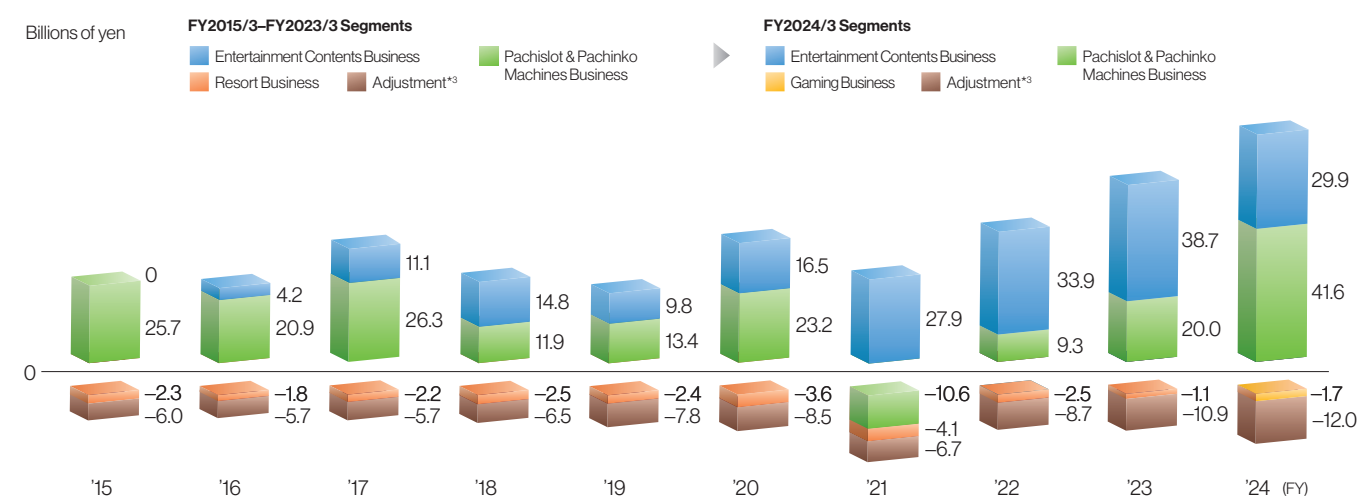
## Profit (Loss) Attributable to Owners of Parent

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.

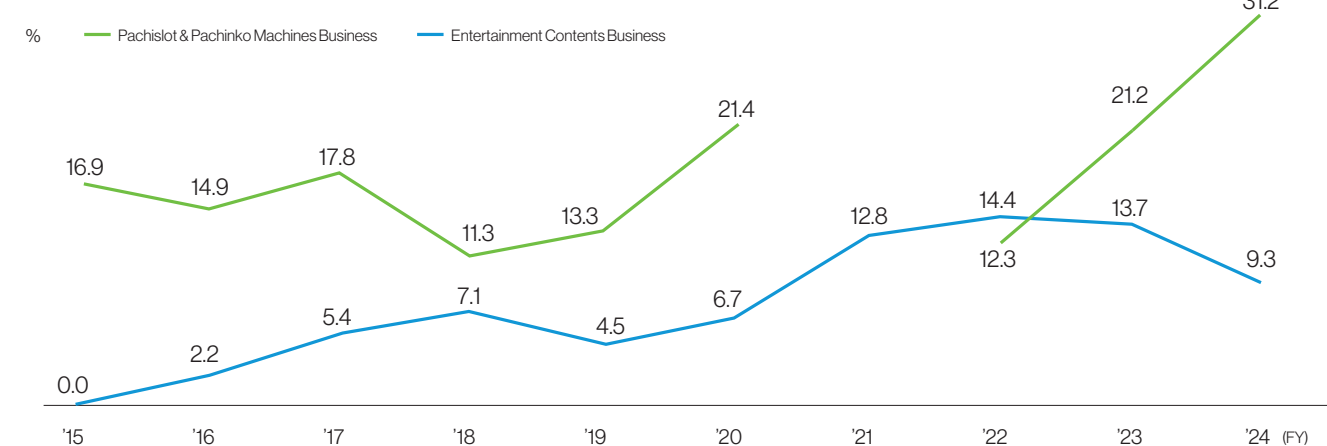
**¥33.0 billion**



## Operating Income (Loss) by Segment<sup>\*2,\*4</sup>



## Operating Income Margin by Segment<sup>\*2,\*4</sup>



<sup>\*1</sup>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.

<sup>\*2</sup>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.

<sup>\*3</sup>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).

<sup>\*4</sup>Due to the change in segment classifications for FY2025/3, results for FY2024/3 were retrospectively adjusted (unaudited).



# Financial Highlights

