



WELCOME TO THE NEXT LEVEL!

SEGA SAMMY HOLDINGS INTEGRATED REPORT 2025

SEGASammy

Key Visual from *Sonic the Hedgehog 3* movie
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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.

► P. 12 Value

Group Mission/Purpose
Raison d'Être

Captivate the World

-Making Life More Colorful-

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.

Group Vision
Vision

Be a Game Changer

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.

For details, please visit our website.
<https://www.segasammy.co.jp/en/corp/mission/>

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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 its subsidiary, SEGA SAMMY CREATION INC., and Sega Sammy Creation USA Inc., GAN (UK) Limited, GAN Nevada, Inc., wholly owned subsidiaries of SEGA SAMMY CREATION INC. (collectively, the "Operating Subsidiaries"), that have been licensed as manufacturers and distributors of gaming devices and an operator of an information service 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 Gaming Statutes and Regulations can be found on the Company's corporate website: <https://www.segasammy.co.jp/en/stock/regulation/>

The Operating Subsidiaries have also been licensed as suppliers, vendors, data providers, manufacturers and distributors of gaming devices in multiple countries, states, and regions other than the State of Nevada (collectively, the "Other Regions"). In addition to the foregoing, the Company's shareholders may be subject to the same or similar restrictions as in the State of Nevada under the statutes of the Other Regions or the regulations of the gaming authorities of such Other Regions.

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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.

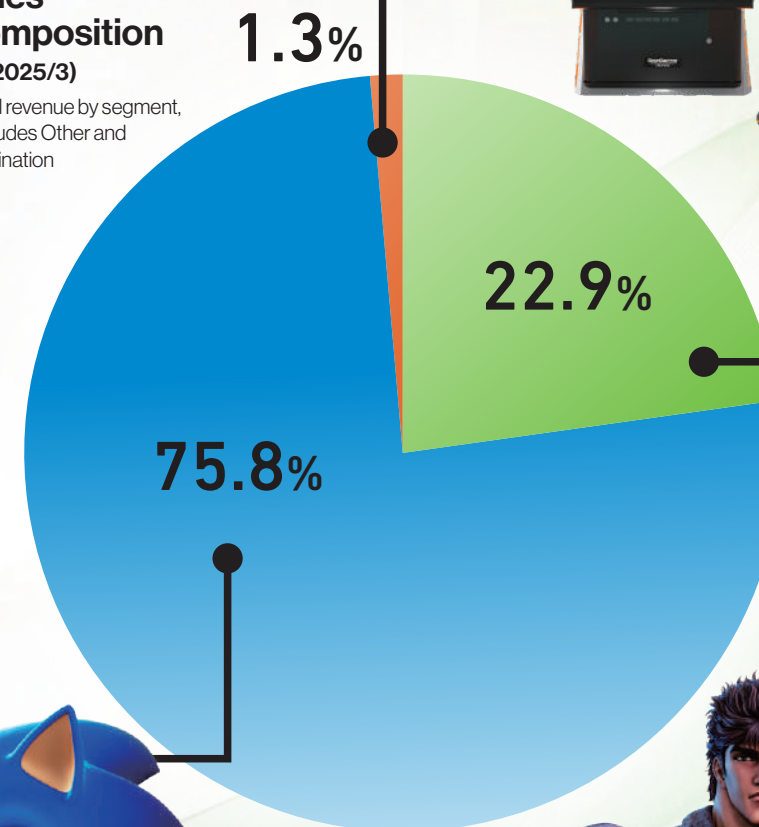
<https://www.segasammy.co.jp/en/sustainability/>

SEGA SAMMY Group Core Businesses

The SEGA SAMMY Group operates its business around three segments: the Entertainment Contents Business, Pachislot & Pachinko Machines Business, and the Gaming Business. Each business has established a unique position in its respective field, and by generating synergies as a Group, we continue to create new added value and deliver captivating experiences to people around the world.

Sales Composition (FY2025/3)

*Total revenue by segment,
excludes Other and
Elimination



Entertainment Contents Business

Surprise the World with Creativity

Offering a diversity of fun through consumer and arcade game content, animation and toys

The Entertainment Contents Business promotes three areas: Consumer, Animation, and AM (Amusement Machine) & TOY, offering a diverse range of entertainment-related content and services.

Gaming Business

Creating Extraordinary, Captivating Experiences

Creating a venue of electrifying and captivating experiences outside of everyday life through leveraging the Group assets

Drawing on the SEGA SAMMY Group's accumulated technology and extensive experience, we develop casino machines for the gaming market and operate integrated resort (IR) facilities. Furthermore, by entering the North American online gaming market, we aim to establish gaming as the Group's third core business.

Pachislot & Pachinko Machines Business

Changing the Industry through Innovation

Focused on pachislot & pachinko, striving to create in pursuit of "wonder and joy"

Let by Sammy Corporation, the Pachislot & Pachinko Machines Business has produced numerous industry-first machines and services that overturn conventional wisdom, under the motto "Sammy... the wellspring of new ideas as an innovator in the industry."

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 “Captivate the World -Making Life More Colorful-.”

SEGA SAMMY Group Mission Pyramid



Group Value (Mindset and DNA)

Creativity is Genesis × Always Proactive, Always Pioneering

P. 12-13 Value

**Material
Issues to Be
Addressed**

P. 56-57 Materiality Initiatives

Message from the CEO

Tireless reform to advance to the next level

Haruki Satomi

President and Group CEO, Representative Director



A responsibility to grow our market cap

As Group CEO, I approach my duties with the recognition that maximizing corporate value for the SEGA SAMMY Group is my greatest responsibility. But it is important for me to recognize that the definition of “corporate value” varies from person to person. For shareholders, corporate value is measured by criteria such as our stock price, market capitalization, and shareholder returns, while employees might say it should be the work environment and job satisfaction. For all our fans, it’s our ability to consistently deliver the entertaining content they love, while for business partners, it’s the win-win relationships we can build together. Stepping back to consider society in general, the positive impact we have on society must outweigh issues such as addiction, so we must work tirelessly to minimize negative outcomes to ensure people accept us as a productive member of society. In managing the company, I strive to maintain awareness that the corporate value I am working to improve is the sum of the myriad definitions of social and economic value held by all of our stakeholders. The

Group Mission Pyramid, a representation of the Group’s shared values, reflects these ideas. Our mission and purpose (raison d’être), “Captivate the World -Making Life More Colorful-,” expresses my hope for employees to continuously have a positive impact on society through the captivating experiences that entertainment creates, with pride.

Although I believe maximizing corporate value is about more than simply increasing stock price and market capitalization, I do have strong feeling about our stock price since it is the quantification of our corporate value and a straightforward assessment of our management. Our stock has recently outperformed TOPIX. In terms of valuation, though we exceed the average for our competitors in the pachislot & pachinko machines industry, we lag behind competitors in the video game industry, which is far from satisfactory. This shows that we have not gained trust in our ability to produce stable profit growth. I take this state of affairs very seriously and I feel we need to work together as a Group to overcome this situation. To ensure that everyone in management is committed to achieving our long-term

performance targets and increasing stock price, we have introduced a post-delivery stock-based compensation system. We have also introduced a special incentive scheme for employee stock ownership association so that employees will align with our vision and we can share the results of improved performance with them. Since introducing this system, participation in the stock ownership plan has risen from around 20% to over 80%, and I get the sense that employee awareness of stock price has also increased. I am aware of the great responsibility I bear, not only to shareholders but also to our employees, who expect great things from us, and will manage the company with the resolve to aim to surpass our highest market capitalization ever of ¥1.4 trillion, then achieve further growth beyond that.

To the next level

SEGA, a member of the SEGA SAMMY Group, has built its brand by constantly introducing cutting-edge technology and producing countless world firsts, embodying its corporate creed of “Creativity is Genesis.” Our slogan for the current medium-term plan, “Welcome to the Next Level!” is the catchphrase for the video game console *SEGA GENESIS* (the North American version of *Mega Drive*) that once swept through homes across North America. This represents my desire to increase the corporate value of the entire SEGA SAMMY Group globally to the next level, just as SEGA once did.

Starting with the Group’s first medium-term management plan, “Road to 2020” (for the fiscal years ended March 2018 to March 2020), and after the structural reforms in the fiscal year ended March 2021, our previous 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), adopted a policy of thoroughly improving capital efficiency and launched full-scale business portfolio reforms. We concentrated our management resources in the Entertainment Contents Business, which we positioned as a growth area, and promoted a transmedia strategy to maximize our IP value by expanding on our mainstay IPs and broadening the adaptation into movies, anime, merchandising, and more.

During this time, we also pursued the withdrawal from businesses that had been a factor of low profitability for the Group over the long term. One of these was the transfer of our Amusement Center Operation Business, one of SEGA’s core

businesses, which once had sales of over ¥100.0 billion. In addition, we have set aside personal feelings to make rational decisions based on capital efficiency, including divesting from businesses the Group had worked on for many years, such as the transfer of PHOENIX RESORT, which operates Phoenix Seagaia Resort. Even in the Entertainment Contents Business that is our growth area, we quickly implemented structural reforms in our European business that were suffering low profitability caused by the changes associated with the COVID-19 pandemic, including transferring studios and reducing the workforce to address concerning factors. At the same time, we also worked to strengthen our business foundation through M&A in growth areas. In mobile games, a sector with major growth potential, we acquired Rovio Entertainment Ltd. (hereinafter referred to as “Rovio”), while in gaming, which we expect to serve as our third pillar of business, we have completed the acquisition of Stakelogic B.V. (hereinafter referred to as “Stakelogic”) in the Netherlands and GAN Limited (hereinafter referred to as “GAN”) in the US.

Based on this solid footing, we are now taking it to the next level with our medium-term plan, “*Welcome to the Next Level!*” This plan sets quantitative targets of more than ¥230.0 billion in cumulative adjusted EBITDA and an average ROE above 10% over the three years from the fiscal year ended March 2025 through the fiscal year ending March 2027, while also striving for further improvement of capital efficiency. To achieve this, we are working to identify investment priorities and further optimize our business portfolio. Our Pachislot & Pachinko Machines Business will continue to serve as the foundation for revenue that will allow proactive investment and shareholder returns, while our Entertainment Contents Business will serve as our growth business, with management resources allocated accordingly. We also aim to make the Gaming Business, newly established in the fiscal year ended March 2025, the third pillar of our business.

Steady advances in business portfolio transformation

Sonic the Hedgehog 3, released in December 2024, achieved the highest box office revenue in the series’ history with worldwide earnings of over \$490 million. In the fiscal year ended March 2025, the first year of our medium-term plan “*Welcome to the Next Level!*,” we experienced true progress in expanding IP value through transmedia development of the *Sonic* IP, boosted by the

Message from the CEO

movie's success.

While overall revenue and ordinary income declined, primarily due to a reactionary drop of Pachislot & Pachinko Machines Business which were strong in previous fiscal year with a hit, our Entertainment Contents Business, positioned as a growth business, achieved its highest profit level ever. In video games, *SONIC X SHADOW GENERATIONS* and other mainstay new titles recorded strong sales, with *Metaphor: ReFantazio* by ATLUS receiving widespread critical acclaim for its quality and winning awards at The Game Awards 2024 in the US and other international awards. In addition to strong performance from new titles, licensing revenue increased by approximately 20%* over the previous fiscal year thanks to our transmedia strategy, bolstering our revenue. The *Sonic* IP in particular has been generating revenue across a wide range of areas and continues to expand, including video adoption, merchandising, and character licensing. We also made progress in applying the success model from *Sonic* to other IPs, with the *Like a Dragon* series and other IPs expanding into video adoption and other areas. We also completed structural reforms of our European business by transferring both Amplitude Studios (hereinafter referred to as "Amplitude") and Relic Entertainment, Inc. (hereinafter referred to as "Relic") through management buyouts, establishing a solid foundation for regrowth.

* Excludes revenue related to the *Sonic* cinematic releases

We also achieved significant results in the Gaming Business.

Railroad Riches, gaming machines sold in the US and Asia, became a major hit, resulting in SEGA SAMMY CREATION (hereinafter referred to as "SSC") achieving its first operating profit since its foundation in 2013. PARADISE CITY, our integrated resort facility in South Korea, also maintained high occupancy rates and room rates throughout the year, recording its highest net sales and operating income since its opening. This increased equity method earnings has contributed to profits as well, so our ordinary income is in the black. With those factors, the newly established Gaming Business is off to a good start.

In the SEGA SAMMY Group, Sammy's Pachislot & Pachinko Machines Business has generated the majority of profits and cash for much of the time since the management integration, serving as the driving force behind the Group growth. However, that market has continued to shrink, and shifting our business portfolio away from excessive dependence on this business was a huge challenge for management on our path to sustainable development. Today, the Group has achieved a revenue structure centered on the Entertainment Contents Business and a balanced profit structure through the various reforms we have undertaken, resolving this long-standing challenge. We are also continuing to build on our established foundation for stable profit growth, a key challenge for increasing our stock valuation. The fiscal year ending March 2026, the second year of our medium-term plan, is expected to fall short of our guidelines due to factors such as delays in new titles in the Entertainment Contents

Business that occurred in the first year of the plan, but we view this as a year to reinforce our revenue foundation, starting with the launch of these titles, then aim for major improvement in the third year. While achieving our medium-term plan targets will be no easy task, we have a strong lineup of major new titles for Full Game for the fiscal year ending March 2027, and with the accumulation of revenue through the contributions from new free-to-play (F2P) games in this fiscal year and the next as well as licensing revenue and repeat sales which are steadily growing, we believe we will achieve our targets.

Building a foundation for stable revenue and high profitability at SEGA

The main challenge facing the Entertainment Contents Business is its relatively low profitability compared to other companies in the industry due to having few major hit titles and instability in the development pipeline. By grasping the nature of this challenge, we have strengthened multiple business models and built a foundation that can generate stable revenue without depending solely on hits by layering different revenue streams like "mille-feuille." (Entertainment Contents Business "Target Revenue Structure": P.34)

The foundation of this layered revenue structure is the repeat sales of the numerous titles we have released, with licensing revenue including allocated revenue from video adaptations and revenue from merchandising through our transmedia strategy further bolstering this revenue base. Those business models can sustain high profitability while minimizing risk since they require no new production resources. F2P titles, while incurring operating expenses, can generate sustained long-term revenue once established. This high-margin and highly-stable revenue foundation and sustainable revenue model help to mitigate business volatility and increase risk tolerance for investing in new titles. This mitigates the potential impacts of postponement of new releases and creates a major upside if we create a hit. The Animation area, which plays a part in this business structure, has also evolved into a highly profitable business model. Our group has transformed the business model from simply receiving production fees as a subcontractor to investing in projects. Our group now acts as the primary contractor, engaging in upstream producing and licensing to generate revenue beyond production fees, and a system is starting to work well that allows us to reap the benefits of success fees on top of production costs when a project is a hit.

In the fiscal year ending March 2026, we plan to focus on bolstering the F2P layer through the launch of multiple major new titles. We are also highly confident in the quality of *Sonic Racing: CrossWorlds*, a new Full Game slated for launch, and hope it will provide upside for the next fiscal year.

In our European business, we plan to release a new title in the *Football Manager* series on November 9, 2025, with the previous title achieving a record high of 17 million cumulative players. We plan to restore European business to a growth trajectory through IPs with large fanbases, such as the *Football Manager* series and *Total War*.

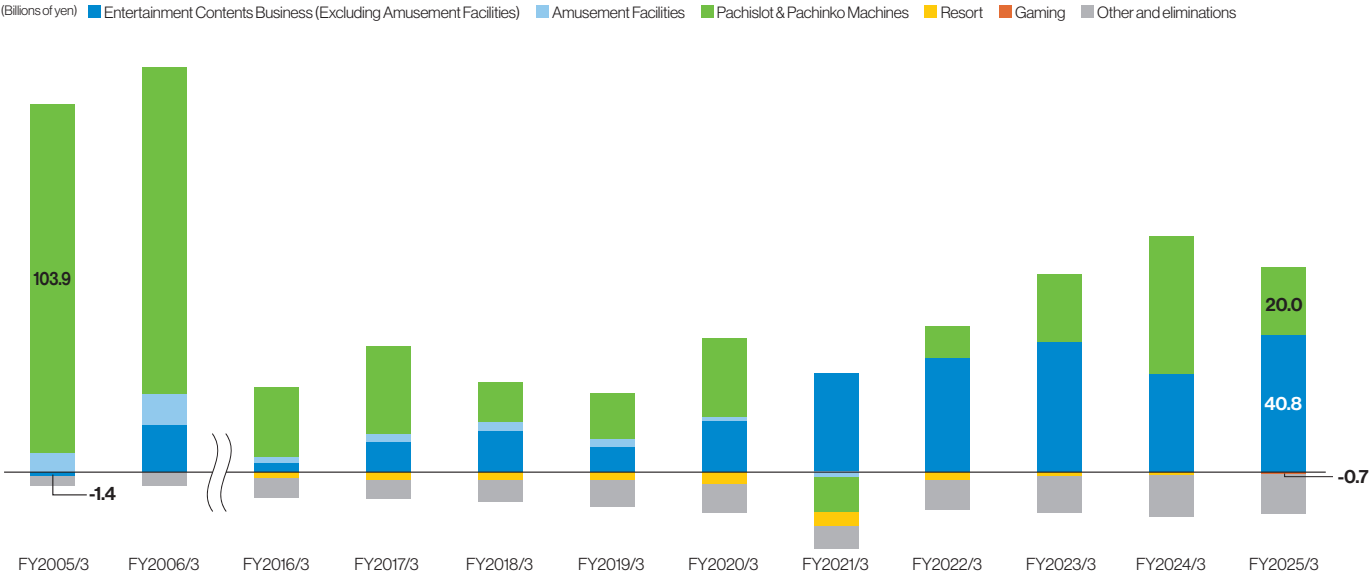
Sammy leading industry development while generating stable revenue

Sammy is celebrating its 50th anniversary in 2025. To ensure the Pachislot & Pachinko Machines Business continues generating stable cash flow and remains a strength of the Group's business portfolio, our medium-term plan for the Pachislot & Pachinko Machines Business aims for the top share of total utilization for pachislot and pachinko machines and more than ¥90.0 billion in three-year cumulative adjusted EBITDA. The fiscal year ended March 2025 witnessed a decline in our share of total utilization, one of our KPIs, but we have already identified the issues and are moving forward with efforts to address them.

Pachislot & pachinko machines must undergo verification to check that specifications meet regulations before they are launched to market. This means that the industry is heavily influenced by changes in trends caused by revisions in regulations. Sammy is committed to a product development and repeatedly refines products until we are confident in the results, and while this pursuit of quality gives us a competitive edge and earns us high praise, it can sometimes make us slow to respond to regulatory changes or shifting customer needs. In the fiscal year ended March 2025, our targeted share of total utilization decreased, due in part to a mismatch between market needs and the specifications of machines we launched, as well as our failure to create hits beyond the *Hokuto No Ken* series. Based on these challenges, we are restructuring our development system to respond better to changes in the market. We are also focusing on the vital task of developing IP series that can consistently generate hits. The importance of enhancing the value of existing IP series such as *Hokuto No Ken* goes without saying, but we must also create new flagship series through the use of new IPs.

In the fiscal year ending March 2026, we are launching an

Operating income (loss) trend by business



Message from the CEO

initiative that represent a major step toward strengthening and stabilizing our revenue foundation as well as revitalizing the pachislot & pachinko machine industry, the basic strategies in our medium-term plan.

The new pachislot machine cabinet we are launching this fiscal year may be what we need to break the vicious cycle of declining player population, soaring pachislot & pachinko machine prices, and increased management costs borne by pachinko halls that lead to worse user experiences, causing the market to shrink. Our new pachislot cabinet will allow pachinko halls to replace products by swapping out only the parts that control gameplay instead of replacing the entire cabinet. The sales price will rise slightly during the initial installment as our development and manufacturing costs increase. However, future replacements involve selling only the interchangeable parts, which will reduce capital investment costs and is designed to cut shipping cost and operation burden for machine replacement at pachinko halls. The longer cabinets remain in use, the greater the cost savings. If these savings are used to improve user experience, we believe it will help counteract the decline in player population. This will also allow us to maintain profit levels while reducing costs for pachinko

halls, and if other manufacturers adopt this cabinet, it will serve as a new source of revenue. This initiative is just one part of my vision for revitalizing the industry. I will continue proposing initiatives proactively that involve the entire industry and lead efforts toward long-term coexistence and mutual prosperity for all market participants in the future. (Policies for revitalizing the pachislot & pachinko machines industry: From P. 44)

Reproducible success in the Gaming Business

In the fiscal year ended March 2025, the Group established the Gaming Business as a new business segment, with preparations underway for a foray into the North American gaming business, including online gaming.

This business began when SEGA SAMMY decided to enter the integrated resort business in Japan. Initially, we aimed to develop an integrated resort business in Yokohama and undertook various preparations and initiatives to achieve this goal. SSC was established in 2013 as a crucial pillar in these efforts, leveraging management resources from SEGA's amusement machine business to enter the casino machine

development and sales business. We obtained gaming machine sales licenses in different locations starting with Macau, then in 2017 secured the Nevada state license, said to be the most stringent. This was also an important step in gaining credibility as an IR operator. SSC has steadily built relationships with customers while delivering consistent results. We also established the joint venture PARADISE SEGA SAMMY Co., Ltd. (hereinafter referred to as "PSS") with South Korea's PARADISE GROUP in 2012 and became involved in operating PARADISE CITY, one of Northeast Asia's largest integrated resort facilities, which opened in 2017. While we decided to halt our entry into the Japanese integrated resort business when Yokohama's bid was withdrawn, the human resources and technology we cultivated through these businesses as well as the management resources accumulated through persistent effort over more than a decade now serve as the foundation of our Gaming Business.

In the fiscal year ended March 2025, the new video slot machine cabinet *Genesis Atmos* developed by SSC and the compatible title *Railroad Riches* won awards in two categories at the 2025 EKG Slot Awards hosted by US gaming research company Eilers & Krejcik Gaming, LLC. This marks the first time a Japanese company has earned this award. This award-winning cabinet and title represent the culmination of the technical expertise of the SEGA SAMMY Group, which has built a reputation for quality and trust in amusement machines and pachislot & pachinko machines, and have been recognized for their outstanding performance. This success has strengthened the relationships SSC has built with its existing customers and created opportunities to connect with new ones. Performance remains strong at PARADISE CITY, where net sales from both the hotel and casino have reached record highs, and this business has also allowed us to build our expertise in casino operations.

The global casino market represents an enormous opportunity. In addition to physical casinos, online gaming is being legalized in many parts of the world, leading to a rapid expansion of markets such as online sports betting and iGaming. This is leading to increased demand for comprehensive solutions that integrate physical and online gaming. Integrating the management resources of our recent acquisitions Stakelogic and GAN with the existing businesses developed by the SEGA SAMMY Group allows us to offer our services to physical and online casino operators. Leveraging these strengths, we will strive to be a comprehensive casino solutions provider in the future and build a new foundation for business. (Strategies for the Gaming Business: From P. 49) Through these initiatives, we will continue

to establish this segment as SEGA SAMMY's third pillar of business.

Stoking the flames of passion

Even before the popularization of the term "human capital management," the Group has been working to increase engagement by creating better work environments, reinforcing our human capital, and other human resources strategies. These efforts are not merely a formal response to external pressure, but an integral part of our management strategy, something we consider essential for sustainable corporate value improvement. As one example of this, we define human capital that possesses global values aligned with our strategy of global business expansion as "culturally diverse human resources" and work to reinforce this human capital. Our engagement score, one of our KPIs, has improved dramatically across the Group from 50.1 points in the fiscal year ended March 2021 to 57.5 points, bringing us within reach of our target for the fiscal year ending March 2031, 58 points or higher. This is a result of a continuous cycle of measuring engagement and getting feedback from work sites, reflecting this feedback in improvements to its HR system and benefits, and then deploying successful models across our operating companies. We will continue to create an environment where our human capital, the force behind our ability to create captivating experiences, can work in comfort and with passion to drive our value creation process based on the cycle of strengths starting from our human capital to maximize corporate value.

In direct dialogues with employees, I always encourage employees to tend to the fires of passion in their own hearts, and share that passion with those around them. My dream is to one day make the SEGA SAMMY Group the top entertainment company in Japan and one of top five entertainment companies in the world. While this dream may still seem a lofty goal, if each and every employee works passionately to embody our Mission/Purpose and spreads that flame to those around them, we will generate an even greater force that will propel us toward this goal, one step at a time. With this grand vision of the future, I will strive to first focus on reaching the "next level," a major step forward in our journey. Please continue to expect great things from SEGA SAMMY Group.



SEGA SAMMY Group's Value (Mindset and DNA)

A Fusion of the DNA of Challenge and Creativity

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
*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

Upholding its corporate creed, “*Creativity is Genesis*,” SEGA has produced innovative game consoles and software ahead of their time, creating unprecedented experiences and continuously delivering new forms of “fun” to the world. These efforts have cultivated the globally recognized SEGA brand and generated numerous IPs that endure to this day.

SEGA 1000

The Company succeeded in developing the first domestically produced jukebox. It was a huge hit in Japan and became the forerunner of the SEGA brand.



©SEGA

Periscope

An arcade game that became a worldwide hit. Expanded the SEGA brand globally.



©SEGA



©SEGA

UFO CATCHER

A crane game machine that still enjoys strong popularity today

Hang-On

The world's first motion-controlled game cabinet



©SEGA



©SEGA

SEGA GENESIS (Mega Drive)

A home video game console that became a massive hit in Europe and the North America, making SEGA's name known worldwide. Gave rise to *Sonic*, SEGA's flagship IP.



Sonic the Hedgehog
©SEGA



©SEGA

Virtua Fighter

The world's first commercial 3D computer graphics (CG) fighting game

Dreamcast

The first home video game console that came standard with internet communication capabilities



©SEGA

1960

1966

1985

1988

1993

1998

1989

1995

2000

2003

2001

ALADDIN

The industry's first single-bonus hitter pachislot machine



©Sammy

Pachinko CR Kudamonobatake

Sammy's first hit product as a pachinko machine (67,000 units sold)



©Sammy

DISC UP

The first pachislot machine equipped with AR functions



©Sammy

GeGeGe No Kitaro pachislot machine

The first in the industry to feature a 5.5-inch LCD.



©Mizuki Pro ©SOFTGARAGE Inc.
©Sammy



©Sammy

Beast King

The pachislot machine that sparked assist time (AT) boom

Pachislot Hokuto No Ken

A record-setting pachislot machine that sold over 620,000 units, becoming the biggest megahit in pachislot history



©Burtonson & Tetsuo Hara/COAMIX 1983
©Sammy

Sammy
*Always
Proactive,
Always
Pioneering*

With thorough craftsmanship and a spirit of challenge, 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 manufacturing pachislot & pachinko machines, and through its thorough research and development, produced a number of hits. The attitude of thoroughly creating and releasing products to the world, such as by performing repeated test-shooting, has driven many hits, and that same thorough spirit is still maintained today.

Message from the Chairman

Championing new endeavors to succeed on a global scale

Hajime Satomi

Chairman,
Representative
Director



Passing down values

SEGA and Sammy share similar inherited values. Based on its corporate creed “*Creativity is Genesis*,” SEGA has a long history of creating entirely original entertainment. Meanwhile, Sammy has embodied its philosophy of “*Always Proactive, Always Pioneering*,” taking on new challenges within a set of rules to produce novel ideas and create various industry-first pachislot & pachinko machines.

The fusion of these values lies at the heart of SEGA SAMMY HOLDINGS, and ensuring that this permeates the Group and guides us is one of my most vital duties. While both companies have similar values, this unified Group value had not fully taken root when the companies first merged, often resulting in failure to achieve results. Recently, I have felt a significant shift. Through the Satomi Cram School, aimed at conveying the basis for decision-making and my experience to top management through direct dialogues, directors from each Group company have come together over nearly half a year to work on issues together. This has led to deeper ties among directors, some of whom are close enough now to consult one another on work even after they’ve returned to their duties, creating networks across the Group. This Group-wide networking and sharing of values has become a major driving force behind the SEGA SAMMY Group of today.

Now, how we put these shared values into practice is of the utmost importance. Risk is part of any creative endeavor; nothing new is created through fear of failure. Even if you try and fail, using what you learned for your next step is important, and I have encouraged taking on challenges by repeatedly telling employees, “fail well while you are young.”

At the same time, we must not waver in our commitment to quality. If we betray the expectations of stakeholders even once, rebuilding the faith placed in us will not be easy. Not just our customers, but our business partners, associated businesses, and even human capital who have an attachment to the Group’s products and services would leave, damaging our brand value, social value, and even long-term corporate value, leading to losses. While it goes without saying that achieving our performance targets for each fiscal year is important, our commitment to quality and releasing products and services only when they reach our own lofty standards are also vital.

Challenges from the long-term perspective

When SEGA and Sammy merged in 2004, the Board of Directors at SEGA tried to pass a resolution to stop development of a certain title. The project was unprecedented, with a world setting that truly embodied the spirit of “*Creativity is Genesis*,” but development costs had gone over the initial budget and it was far behind schedule. While there was no guarantee that the project would be a hit if we forged ahead and released it, I felt that discontinuing it would not only ensure that we had wasted all the time and money spent on it, but that it would have disheartened the creative spirit of the outstanding talent involved in development. I put my faith in the passion and resolve of the development team and approved the continuation of the project. That title was the first installment of *Like a Dragon* series which becomes one of SEGA’s most iconic IPs now. Supporting an endeavor that employees were strongly committed to led to the creation of a mainstay IP that has served as the driving force behind SEGA’s current profits.

In terms of business portfolio, which is broader perspective, the long-term challenges we have been engaging in have come to fruition. One of these is the Gaming Business, which we newly established in the fiscal year ended March 2025.

In the early 2010s, when amusement center market growth has slowed down, we were exploring ways to streamline operations in the Amusement Machine Sales Business, SEGA’s original business, as well as the potential for new businesses using those resources. From there, we established SEGA SAMMY CREATION (SSC) in 2013 to leverage management resources from this business to enter the Japanese IR (integrated resort) market, which we initially aimed at, and began developing casino machines. We have invested the expertise of outstanding human capital cultivated in amusement machines development and ceaselessly honed products over more than a decade since the company was founded. This led to the release of *Railroad Riches™* compatible for the *Genesis Atmos®* video slot machine in 2024 with tremendous success, recording top utilization in the US and winning prestigious industry awards. SSC’s exceptional product quality sets them apart from the competition, which is why I look forward to the future hits they will continue to produce. This success has also helped us forge stronger relationships with our casino operator customers which will serve as major momentum for our online gaming business going forward.

PARADISE CITY, which opened in 2017 as a joint venture with PARADISE GROUP and serves as another stepping stone for entering the Japanese IR market, also recorded its best

performance ever in the fiscal year ended March 2025. The expertise in running land-based casinos developed through this venture has helped us develop products that precisely meet the needs of casino operators and users. While we regrettably decided to withdraw from entering the Japanese IR market following Yokohama’s withdrawal from its IR project, all the technology, expertise, and talent we accumulated through this major endeavor now serve as the foundation for SEGA SAMMY’s new venture into the gaming business. To fill in the missing pieces needed for the online gaming business, we will welcome GAN and Stakelogic which have high technical capability into the Group for the fiscal year ending March 2026 and steadily build a foundation for our gaming business. I am confident that if we build a steady track record in the gaming market, a huge global market that we expect to see continued growth, we can make this business as another major pillar in our business for the future.

Someday

It has been 21 years since SEGA and Sammy merged in 2004. Currently, the SEGA SAMMY Group has grown into more than a manufacturer of pachislot & pachinko machines and game software to become a corporate group that has made entertainment its calling. To provide captivating experiences through entertainment that continuously increase corporate value, Sammy will keep working on the challenging problem of revitalizing the entire industry while SEGA strives to grow its business even more and produce huge hits that will serve as pillars of its business. The foundation for achieving these is our human capital. What underpins Group growth are all the human capital overflowing with creativity in the existing businesses, such as the Entertainment Contents Business and the Pachislot & Pachinko Machines Business, as well as all the human capital in the Gaming Business who have inherited the technology and knowledge from those businesses and accumulated new expertise.

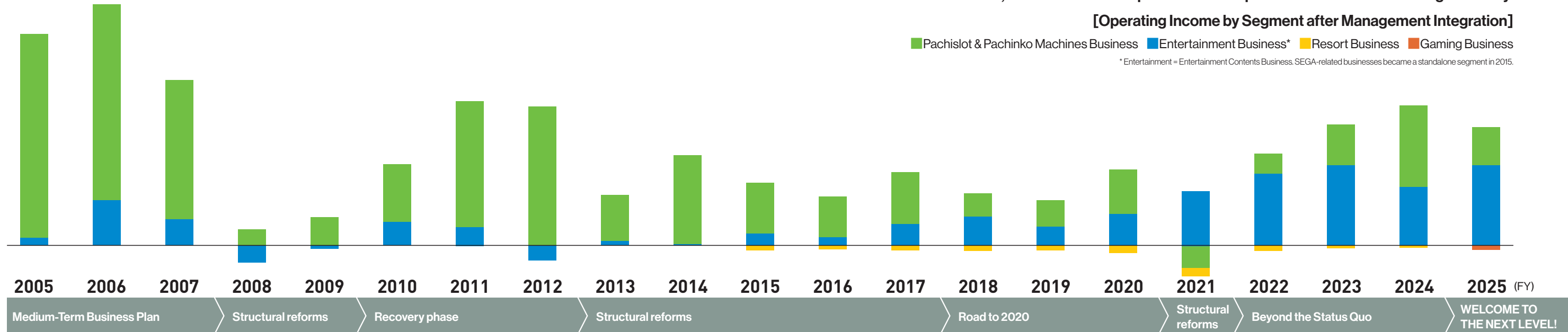
Enhancing our human capital requires us to embrace diverse values, hire and develop all kinds of talent, and identify individual aptitudes to help each employee reach their full potential. Most importantly, we must instill the shared values of the SEGA SAMMY Group — “*Creativity is Genesis x Always Proactive, Always Pioneering*” — in each and every employee and encourage them to put these values into practice. By doing so, I believe SEGA SAMMY will someday be counted among the world’s leading entertainment companies.

History of Innovation that Create Captivating Experiences

Management Integration

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. By leveraging the strengths and positioning of each business segment, and dynamically carrying out M&A and structural reforms, we aim to build an optimal business portfolio that reduces earnings volatility.

[Operating Income by Segment after Management Integration]



Company-wide strategy

- Business and organizational restructuring to strengthen growth foundations

- Strengthening pachinko development system and improving procurement costs (Pachislot & Pachinko Machines)
- Optimization of the number of amusement facility locations (Entertainment)
- Workforce optimization through voluntary retirement, narrowing down development titles (Entertainment)

2012 M&A

PHOENIX RESORT CO., LTD.

- Streamlining of the organization
- Reduction in the number of titles
- Inventory disposal
- Write-down of titles under development

- Clarification of core businesses
- Segment reorganization into three businesses: Pachislot & Pachinko Machines Business, Entertainment Business, and Resort Business
 - Streamlining of business portfolio

2018

- Relocation and consolidation of head office functions
- Concentration of management resources into growth areas
- Improvement of profit margins in core businesses

2021 Exit

Withdrawal from domestic IR business / withdrawal from amusement facilities business

- Review of business structure
- Reduction of fixed costs
- Review of the balance sheet

- Growth investments (CS area)
- Strengthening the revenue base (Pachislot & Pachinko Machines)

2024 Exit

Transfer of PHOENIX RESORT

- Segmentation of the Gaming Business

Entertainment Contents Business

2005

Launch of *Like a Dragon*

2005 M&A

The Creative Assembly Ltd.



2006 M&A

Sports Interactive Ltd.



2012

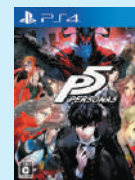
Launch of the service of *PHANTASY STAR ONLINE 2*

2013 M&A

ATLUS CO., LTD.

2016

Launch of *Persona 5*



Promotion of transmedia strategy

2020

Release of the first *Sonic* movie *Sonic the Hedgehog*



2024

Launch of *SONIC X SHADOW GENERATIONS* in conjunction with the movie



2023 M&A

Rovio Entertainment Corporation

Pachislot & Pachinko Machines Business

Up to 2007

Transition period for regulatory revisions (No. 5 model)



2008

Pachinko CR Hokuto No Ken Kenshiro/Raoh made a big hit

2009 M&A

GINZA Corporation

2011 M&A

Taiyo Elec Co., Ltd.

2012

Completed construction of Kawagoe Factory and Sammy Logistics Center

2016

Launch of *Pachinko CR Shin Hokuto Muso*



2016 New

ZEEG LLC.

2018 to 2022

Transition period for regulatory revisions (No. 6 model)

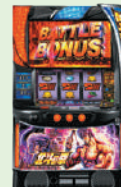


2022

Pachislot Kabaneri of the Iron Fortress made a big hit

2023

Smart Pachislot Hokuto No Ken made a big hit



Gaming Business

2012 New

PARADISE SEGASAMMY CO., Ltd.

2013 New

SEGA SAMMY CREATION INC.

2017

PARADISE CITY opens



2017

Acquisition of U.S. Nevada license

2019

Installation of *Genesis Star* begins in the United States



2024

Strong performance of *Railroad Riches*

2025 M&A

Stakelogic B.V. GAN Limited

M&A Main M&A

New Newly established

Exit Transfers, withdrawals, etc.

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Strengths of the SEGA SAMMY Group

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

[Number of Employees by Segment]

Entertainment Contents: **6,391**

Pachislot & Pachinko Machines: **1,127**

Gaming: **104**

[Employee Ratios]

Overseas Employees
25.8%

Development Employees
53.0%

* As of the end of March 2025

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



Value Maximization Cycle

Enhance the value provided

Ability to create
captivating
experiences

**Versatile Game
Changers
(human capital)**

Ability to develop
captivating
experiences (1)

**Unique business
portfolio/
financial base**

Common values (mindset and DNA) for value creation

» P. 12 - 13

Creativity is Genesis

**Always Proactive,
Always Pioneering**

Create new value

Maximize value

Source of captivating
experiences

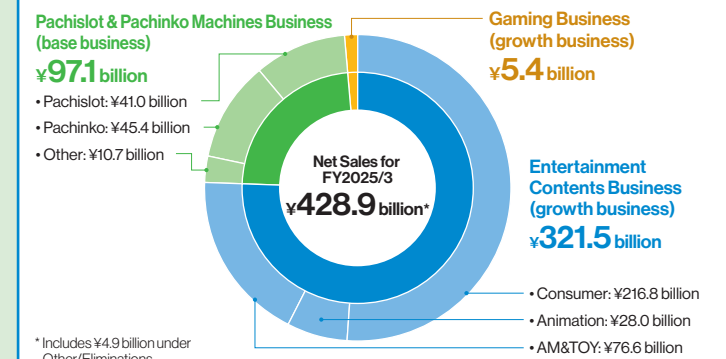
Brand/IP

Ability to develop
captivating
experiences (2)

**Multichannel/
Transmedia**

Accumulate capital

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



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



Value Creation Process

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

Further enhancing strengths through the value created

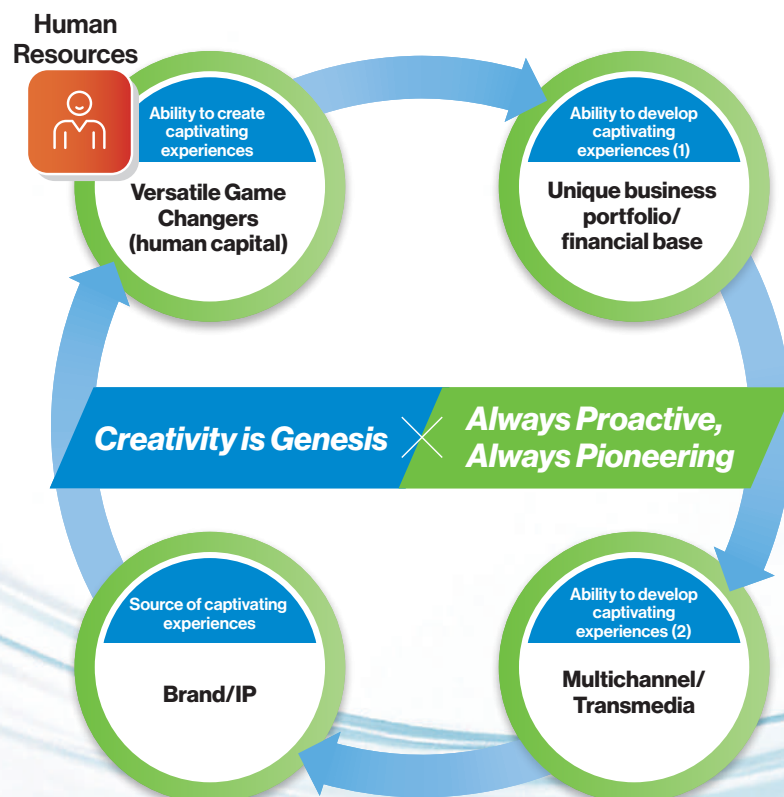
Input

Business

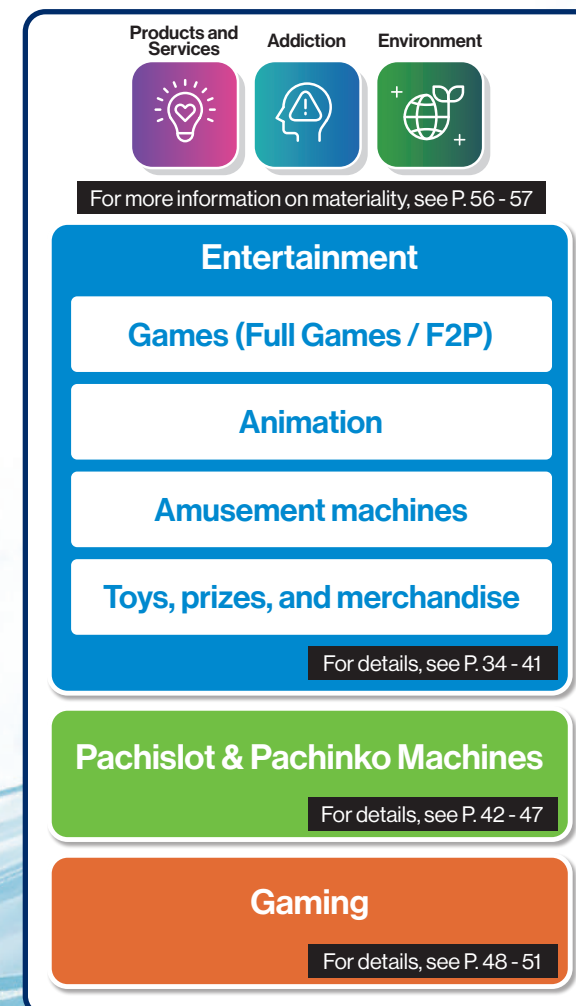
Output

Outcome

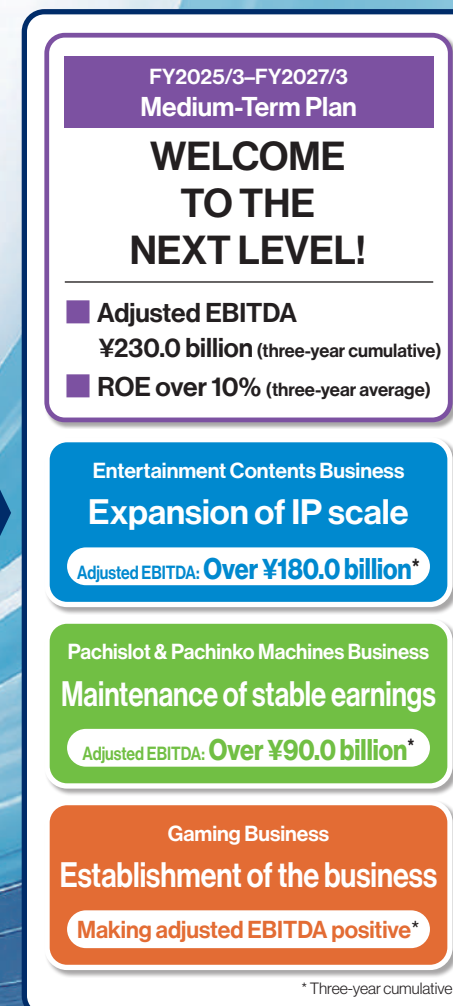
Strengths of SEGA SAMMY -Value Maximization Cycle-



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



Expansion of
business areas
and geographic
expansion



Enhancement of corporate value

Creation of Economic Value

Entertainment

Be a solid and influential global brand that reaches 3.0 billion gamers worldwide

Pachislot & Pachinko Machines

Establishment of No. 1 position in the pachislot & pachinko machine industry

Gaming

Establishment of business which can be the third pillar of the Group

Creation of Social Value

Creating captivating experiences through products and services adding color to the lives of people around the world

Captivate the World
-Making Life More Colorful-

Governance



External Environment

(Risks and Opportunities)

Market Environment

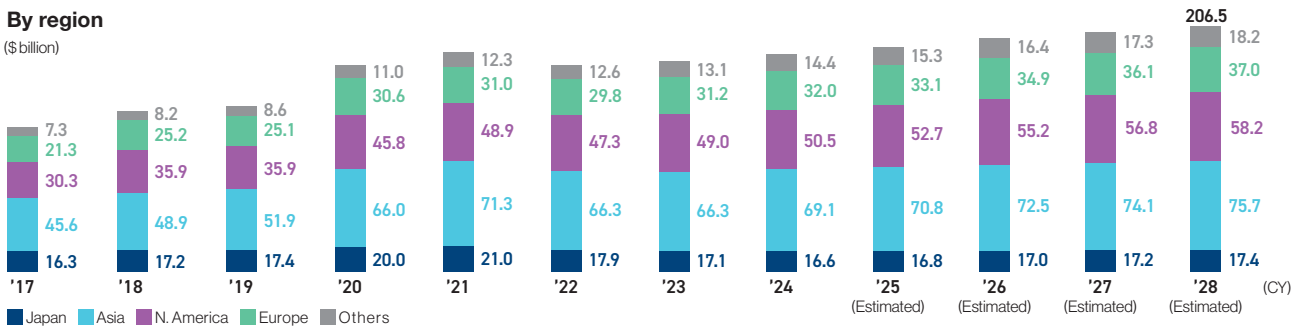
Entertainment Contents Business

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

● Video game contents market size

By region

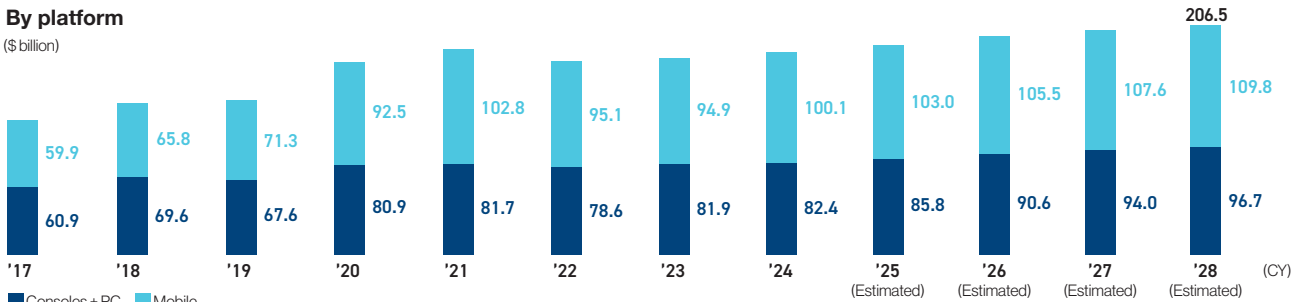
(\$ billion)



* In-house estimation based on Newzoo Global Games Market Data August 2025

By platform

(\$ billion)



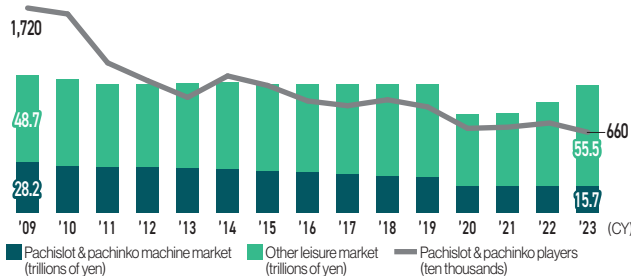
* In-house estimation based on Newzoo Global Games Market Data August 2025

Risks and Countermeasures	Risks	Countermeasures
	● Intensifying competitive environment due to the emergence of high-quality titles and titles using leading IP in the Consumer area ● Possible reduced willingness of facility operators to invest capital due to changes in personal consumption trends and needs in the field of Amusement Machine area ● Generation of surplus inventory in home video game software, etc., when new products cannot be launched during the sales season	● Optimizing the scale of new title launches and the number of titles under operation ● Enhancing IP value through Transmedia strategy ● Concentration of resources on prize machines with high investment efficiency ● Enhanced inventory management and digital sales
Opportunities and initiatives	Opportunities	Initiatives to maximize opportunities
	● Continued growth of the video game content market Diversification of forms of content provision and the emergence of markets through the growth of emerging economies will create an environment that will enable us to secure earnings over the long term.	● Further expansion of major IPs through Transmedia strategy ● Investments to strengthen development and product capabilities

Pachislot & Pachinko Machines Business

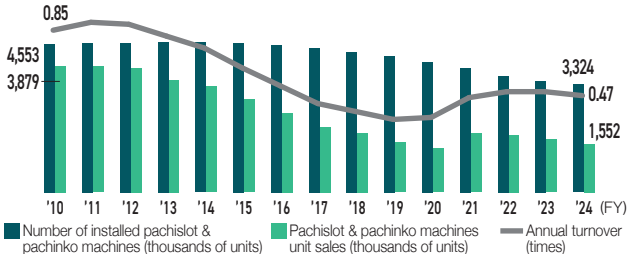
Along with the slow decline of the player population since 1995, there has been a long-term downtrend in the overall number of pachinko halls, as well as in the number of machines installed and in annual machine turnover. On the other hand, the number of machines installed per pachinko hall is on the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

● Market Sizes and Number of Pachislot & Pachinko Players



Source: White Paper on Leisure Industry 2024, Japan Productivity Center

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

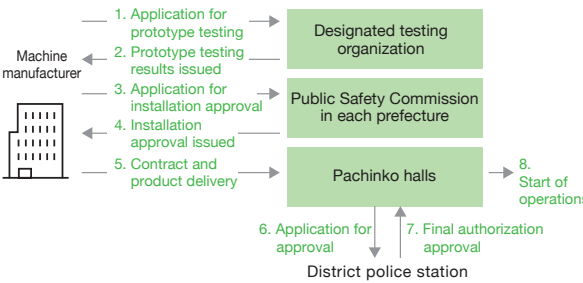


Sources: National Police Agency and Yano Research Institute Ltd. "Pachinko Manufacturer Trends 2024" (Research of Japanese Market)

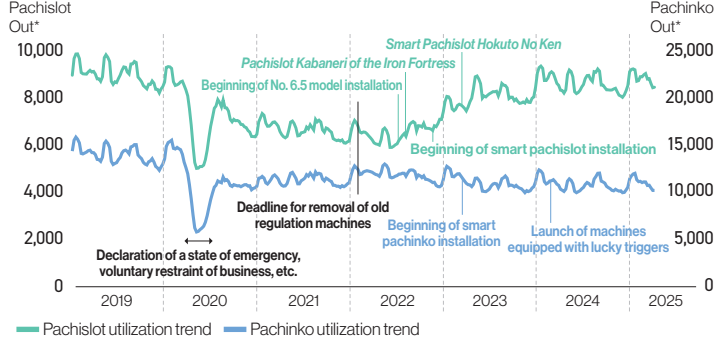
* 2024 sales volume is the Company's own estimate

● Pachislot & Pachinko Machines Approval Process

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



● Utilization Trends of the Whole Market (Pachislot & Pachinko)



* Out: Used as an indicator to represent the utilization of pachislot & pachinko machines (Pachislot: Average number of inserted medals in a day for each title; Pachinko: Average number of shot balls in a day for each title). When Daikoku Denki Co., Ltd. converts Out to utilization time, the conversion rate is 1 hour = 2,000 medals (pachislot) and 1 hour = 5,000 balls (pachinko). * 12-week moving average * In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd.

Explanation

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

Risks and Countermeasures

Risks

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

Countermeasures

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

Opportunities and Initiatives

Opportunities

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

Initiatives to maximize opportunities

- Expansion of the specification range
- Creation of new mainstay series through new utilization of popular IPs

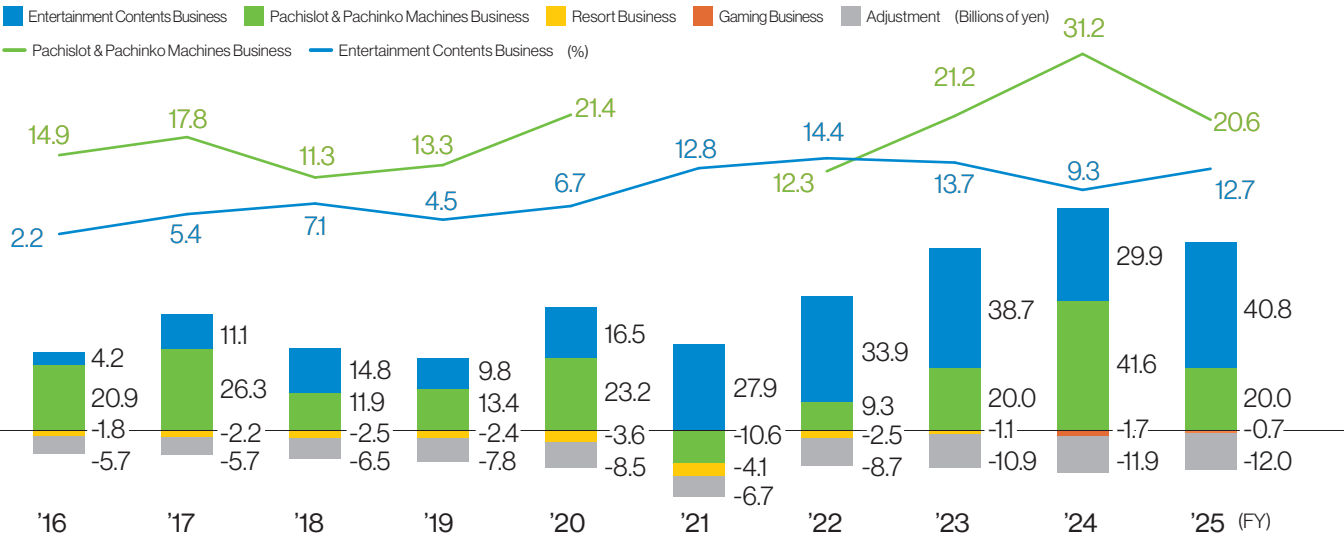
Internal Challenges

Strengthening the Business Portfolio

Profit structure issues in core businesses

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

● Operating Income (Loss) and Operating Income Margin by Segment



Investments to expand and strengthen the Group

In addition to the console and PC gaming segments of the Consumer area, the Group has recently executed M&As to expand its business, including global mobile games, and invested in Gaming Business M&As as well as in order to develop new future revenue bases.

In the Consumer area, we recognized that strengthening the management and operational structure of overseas studios, which was the cause of deteriorating profitability at our European studios, was a material issue. In addition to reviewing their product lineup, optimizing fixed costs, and improving investment efficiency, we also reviewed their development and sales structure and management system. We will continue to strengthen governance over our overseas studios, as well as strengthen hub human capital that connect Japan and overseas offices.

In the Gaming Business, as we move to fully launch B2B solutions offerings for the gaming market and establish this as a solid business, we view the steady execution of post-merger integration (PMI) for the recently acquired Stakelogic and GAN, along with the associated human capital development and hiring, as material issues. By sharing the knowledge gained from past PMI cases within the Group and accumulating further expertise through hands-on practice, we will continue developing human capital required for the advancement of our business.

Adaptability to Capture Changes and Needs

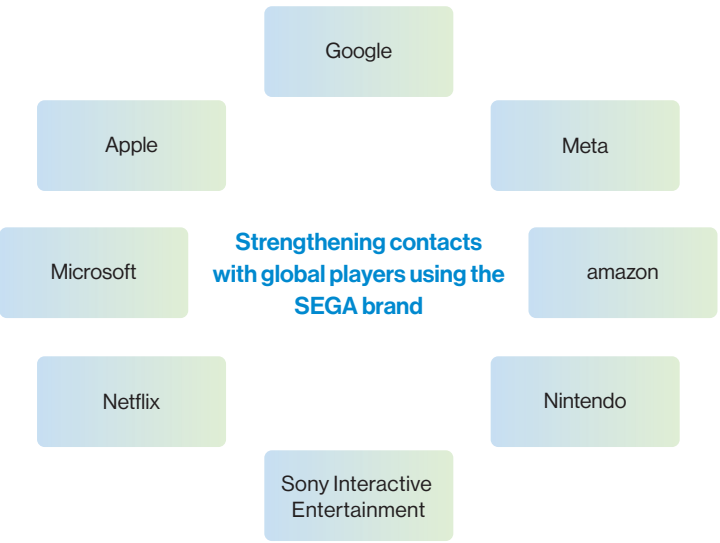
In these days of diversifying lifestyles and rapidly advancing technology, all of our businesses need to enhance their marketing and business-building capabilities to detect potential needs in order to create captivating experiences and meet the needs of various customers.

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

Strengthening Relationships with External Partners

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

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



Group-wide Human Resources Strategy

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

Message from the CFO



Gaining trust through constant alignment with capital markets and resolving challenges one by one

Koichi Fukazawa

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

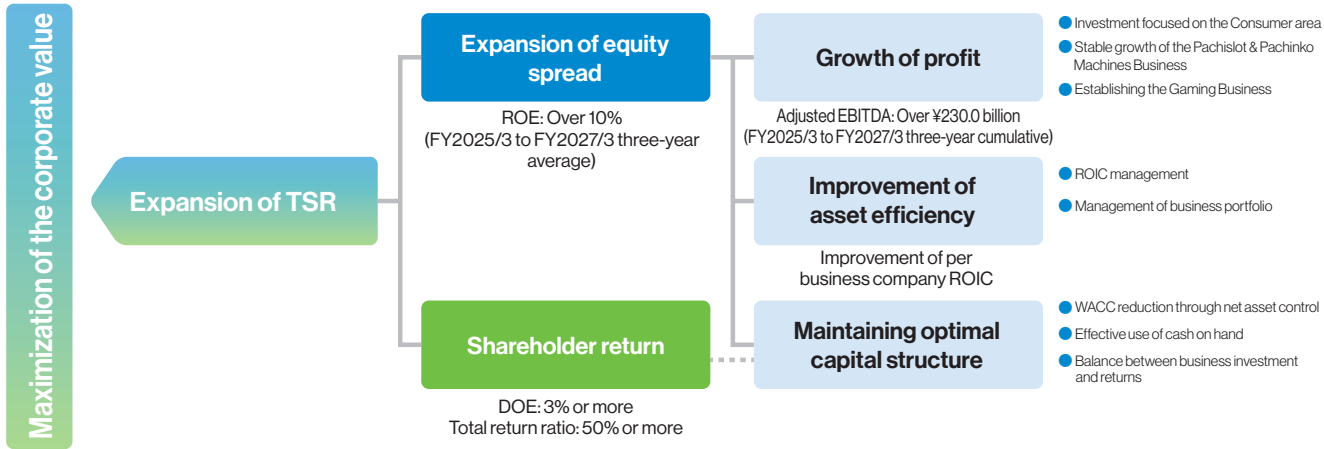
Financial and capital strategies for the medium-term plan

Since being appointed CFO in 2016, I have made it one of my primary missions to maintain the fundamental principle that business strategies and financial/capital strategies are two sides of the same coin and must be perfectly aligned. While there was a time when we primarily pursued sales and profits, in recent years the concept of capital efficiency has been instilled throughout the Group, and we have advanced a financial strategy focused capital efficiency since the fiscal year ended March 2022 that aims to maximize corporate value across the entire Group by improving the equity spread and providing appropriate shareholder returns.

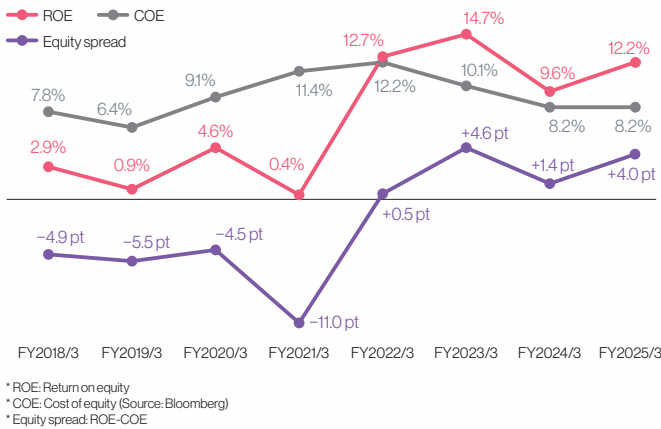
In our medium-term plan "Welcome to the Next Level!" (the fiscal

year ended March 2025 through the fiscal year ending March 2027), we adopted adjusted EBITDA as a quantitative target in line with our global expansion strategy, making it easier to compare ourselves with global companies and properly measure the Company's true cash-generating capacity. We aim for a three-year cumulative adjusted EBITDA of over ¥230.0 billion and a three-year average ROE of over 10%. We have also clarified our strategy to leverage the core competencies of each business, such as expanding brand/IP value in the Consumer area of the Entertainment Contents Business through a Transmedia strategy, and achieving the top share in total utilization of pachislot & pachinko machines in the Pachislot & Pachinko Machines Business, and are pursuing a variety of approaches from a financial perspective as well.

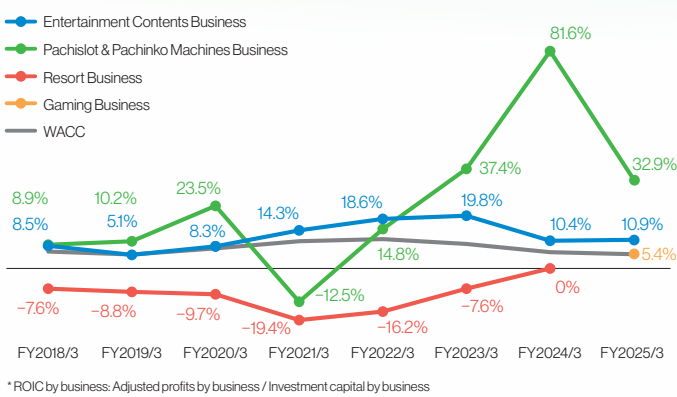
Management focusing on capital efficiency



ROE, COE, and equity spread trends



ROIC trend by business



Review of FY2025/3

The fiscal year ended March 2025, the first year of our medium-term plan, saw revenue and profit decline primarily due to a reactionary drop from the previous fiscal year, which was strong due to the hit of *Smart Pachislot Hokuto No Ken*, and reduced revenue resulting from the postponed launch of mainstay titles to improve product quality in the Pachislot & Pachinko Machines Business. However, the adjusted EBITDA reached ¥62.2 billion and ended up exceeding our guidelines. ROE reached 12.2%, surpassing our target of 10%, due to an increase in profit attributable to owners of parent and other factors.

ROIC (return on invested capital) is positioned as a key performance indicator in improving asset efficiency and is used as a standard for assessing each business as well as in making decisions on capital allocation and investment. While ROIC decreased in the Pachislot & Pachinko Machines Business in the fiscal year ended March 2025 due to a reactionary drop from the previous fiscal year, it remains at a high level. The Entertainment Contents Business remained roughly flat, while the Gaming Business turned positive.

The fiscal year ended March 2025 was also a year of steady progress in transforming our business portfolio. We transferred Phoenix Seagaia Resort, which posed challenges in terms of strategic fit, and Amplitude Studios, a European development studio, as part of our structural reforms in Europe. Meanwhile, we acquired GAN Limited and Stakelogic B.V. in an effort to strengthen our Gaming Business.

Alignment with strategy is of the utmost importance for our business portfolio. We believe that even if a business has certain level of profitability, we must choose to sell or withdraw from businesses that do not align with the Group's medium- to long-term

strategy. Given that business strategy changes with the management environment, it is important to constantly monitor whether businesses are in alignment with the current strategy and divest those that we determine no longer align, where we are not the best owner. Phoenix Seagaia Resort fell under this category. Another example is Amplitude, which we decided to transfer despite the fact that it was within a growth business based on financial considerations, such as its contribution to strategy execution and its future growth potential. Meanwhile, we are working to acquire and integrate strategically necessary businesses and assets, such as those in the Gaming Business. When transforming our business portfolio, we evaluate businesses along two axes—strategic and financial (profitability and capital efficiency)—and make comprehensive decisions based on both perspectives.

This transformation has helped clarify the positioning of our business portfolio, allowing us to establish a structure for profit growth, with the Entertainment Contents Business as our growth driver, the Pachislot & Pachinko Machines Business as a foundational business that generates stable resources for investment in growth businesses, and the Gaming Business as a newly established segment aiming to be a pillar for medium- to long-term Group growth.

In reducing capital costs, we have maintained an optimized capital structure since we increased debt utilization following the acquisition of Rovio, completed in the fiscal year ended March 2024. We will continue to suppress WACC while growing profits and improving ROIC by maintaining an optimal capital structure, aiming to increase our equity spread.

Capital allocation policy

To achieve optimal capital allocation, the Group has introduced a framework that determines investment priorities based on ROIC monitoring and growth strategy. Based on this framework, the policy concentrates cash on growth investments in the Entertainment Contents Business and Gaming Business, setting investment quotas for development investments to reinforce major IPs in the Consumer area to advance our Transmedia strategy and to strengthen the business foundation of the Gaming Business, pursuing profit growth through the execution of investments including M&A. The purpose behind the acquisition of GAN and Stakelogic completed in 2025 was to strengthen the Gaming Business.

In the fiscal year ended March 2025, operating cash flow was ¥50.6 billion before development investments in the Consumer area were deducted. Investment cash flow included ¥12.3 billion in cash inflows from subsidiary sales, including from PHOENIX RESORT.

In terms of actual cash allocation, we invested ¥29.8 billion from our growth investment quota on development investments in the Consumer area, focusing on strengthening mainstay IPs, while strategic investments saw investment of a total of ¥36.0 billion in Stakelogic and GAN out of our ¥116.0 billion quota.

For shareholder returns, we will continue our policy of selecting either the dividend on equity ratio (DOE) of 3% or more or a total return ratio of 50% or more, whichever is higher, and returning profits to shareholders through dividends or purchases of treasury stocks.

In the fiscal year ended March 2025, we paid a dividend of ¥52 per share and decided on and executed share repurchases with an upper limit of ¥12.0 billion based on that fiscal year's performance. As a result, DOE was 3.0% and our total payout ratio was 51.5%. We also executed the cancellation of 20.0 million treasury stocks.

While building and operating this framework represents a significant achievement, I recognize that challenges remain in terms of speed from the standpoint of Group-wide optimization.

Recognizing challenges in improving valuation

Relative stock valuation for the Group has become noticeably lower than other game companies, which CEO Satomi also recognizes as a critical issue. We believe that a major factor behind the low valuation of the Company's stock is high volatility in business performance. When calculating theoretical future stock prices, high uncertainty in business performance makes it difficult to reflect medium-term performance growth in stock prices from the standpoint of capital markets. Transforming our business so that stakeholders can feel confident in our performance not only in the current fiscal year but also for the following year or so is a vital theme for management.

Factors that increase uncertainty in business performance include major fluctuations in the Entertainment Contents Business performance, and we recognize that the cause of this lies in instability in the development pipeline. In this business, impairment losses on titles in relatively large amounts occur approximately once every few years. While it is true that there are cases where development delays are strategically necessary to improve quality, we have indicated to the capital markets a policy of aggressive investment and thus believe we must achieve development control that minimizes major cancellations to the extent possible to launch titles in a stable manner. The Entertainment Contents Business employs a transmedia strategy as its core approach. We believe that enhancing IP value through transmedia development will reinforce the commercial pipeline as well, and that titles generated from a stable development pipeline will be able to gain volume sustainably. This will in turn improve the visibility of business performance forecasts for this business from the standpoint of the capital markets, leading to multiple improvements.

While the new cabinet launched on the market by the Pachislot & Pachinko Machines Business is expected to contribute to industry revitalization and profitability improvement, we expect

that it will take some time for real results to appear from a financial perspective. This business also faces constant regulatory compliance risk. Selling pachislot & pachinko machines requires prototype testing to determine whether machines comply with rules and regulations, and sales may be significantly impacted if approval is not obtained as expected. Reducing this risk requires that we secure stable application quotas for prototype testing and optimize approval rates for each product line to launch products in a stable manner. However, we have not yet reached that stage and consider this an ongoing challenge to be addressed. Furthermore, the tendency toward shrinking sales volumes of mainstay titles other than *Hokuto No Ken* has become a critical issue, so we recognize the importance of boosting our development capabilities as well.

In the Gaming Business, we are currently working on PMI for the two companies we have acquired. Optimizing resource allocation and achieving an early major transformation into a business model where superior tech stacks contribute effectively to revenue based on the omnichannel strategy for the Gaming Business will allow us to nurture this as a future third pillar of our business, which will help reduce performance volatility across the Group and drive business growth.

As such, further improving control over development pipelines and resource allocation based on the strategy of each business will help us understand capital needs with greater precision, making cash allocation more effective than ever before and creating a virtuous cycle that leads to stable results. If we are able to provide stakeholders with confidence that performance will remain stable for several years ahead, we expect stock valuation of the Company to improve significantly. I want to share this recognition of our challenges based on alignment with capital markets across the entire management team and work to reflect this in business strategy. To accomplish this, we plan to enhance dialogue with shareholders and investors even further.

Progress on capital allocation policy as of FY2025/3

Capital available for allocation		Main cash allocation		Balance as of the end of FY2025/3
<Medium-term plan>	<FY2025/3 Results>	<Medium-term plan>	<FY2025/3 Results>	
Operating CF* generation (FY2025/3–FY2027/3 cumulative) Approx. ¥190.0 billion * Before deducting development investment in the CS area Cash & Deposit (As of March 31, 2024) Approx. ¥220.0 billion Working capital (As of March 31, 2024) Approx. ¥70.0 billion	Operating CF* ¥50.6 billion * Before deducting development investment in the CS area Sale of shares of subsidiary ¥12.3 billion (PHOENIX RESORT CO., LTD., etc.)	Growth investment Development investment in the CS area Over ¥120.0 billion Strategic investment Over ¥80.0 billion Determined to be invested ¥36.0 billion Shareholder return Other investment CF, Repayment of loan Working capital (As of March 31, 2024) Approx. ¥70.0 billion	• Development investment in the CS area: ¥29.8 billion Strengthening of mainstay Japanese IPs: ¥24.6 billion Legacy IPs/Super Game: ¥5.2 billion • Stakelogic: ¥20.0 billion • GAN: ¥16.0 billion • Shareholder return: ¥22.2 billion Dividends: ¥11.2 billion; Share buyback: ¥10.0 billion • Repayment of loan: ¥7.5 billion • Working capital: ¥80.0 billion	Cash & Deposit (As of March 31, 2025) Approx. ¥200.0 billion Working capital (As of March 31, 2025) Approx. ¥80.0 billion

Trend of shareholder return amounts

	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2025/3	FY2026/3 (Forecast)
Shareholder return amounts	¥9.37 billion	¥9.38 billion	¥9.39 billion	¥7.05 billion	¥39.15 billion	¥23.02 billion	¥20.91 billion	¥23.20 billion ^{*1}	Approx. ¥11.7 billion ^{*2}
Acquisition of treasury stocks	–	–	–	–	¥29.99 billion	¥9.99 billion	¥9.99 billion	¥11.99 billion	–
Total amount of dividends	¥9.37 billion	¥9.38 billion	¥9.39 billion	¥7.05 billion	¥9.16 billion	¥13.02 billion	¥10.91 billion	¥11.20 billion	–
Cash dividends per share (interim/year-end)	¥20/¥20	¥20/¥20	¥20/¥20	¥10/¥20	¥20/¥20	¥20/¥39	¥23/¥27	¥25/¥27	¥27/¥28
DOE ^{*3}	3.00%	3.10%	3.10%	2.40%	3.10%	4.20%	3.30%	3.00%	3% or more
Total return ratio ^{*4}	105%	355%	68%	553%	106%	50%	63.30%	51.50%	50% or more

^{*1} The shareholder return includes the amount paid for dividends for the officer remuneration BIP trust and the stock-granting ESOP trust. The DOE and total return ratio are calculated on the basis of this total amount of dividends.

^{*2} This is calculated temporarily with a standard DOE of 3%. The actual shareholder return amount and method may vary depending on the progress of performance and similar factors.

^{*3} DOE (Dividend on equity ratio) = Dividends / Net assets ^{*4} Total return ratio = (Total dividends paid + Total amount of treasury stocks acquired) / Profit attributable to owners of parent

Note: For details on acquisition of treasury stocks, please visit the following website. <https://www.segasammy.co.jp/en/ir/stock/repurchase/>

Pursuing transformation at even greater speeds

In the fiscal year ended March 2025, we conducted 384 IR meetings. Of these, one-quarter involved direct dialogues between shareholders and investors with CEO Satomi, myself, and other members of management, and through these we received extremely useful, constructive feedback. In recent years, we have been conducting dialogues with a broader range of shareholders and investors, and in these dialogues, we prepare to address different assessment logic for different investment styles and strive to carefully explain the story behind our strategy.

Strengthening our non-financial capital is also one of my responsibilities in increasing corporate value sustainably. One aspect of this is our approach to human capital, which is the same as our approach to financial capital, where refining our business

portfolio strategy and development pipeline controls as I discussed earlier will allow us to determine policies for acquiring, developing, and deploying the necessary human capital. For example, as we expand business globally, securing and allocating human capital with global values, which we define as “culturally diverse human resources” and for which we have set targets, will be crucial. We will further refine our approach for a constant awareness of this strategic alignment and to link human capital and other non-financial capital to strategy and financial value in a more compelling manner.

While we have steadily transformed the Group's business portfolio, many challenges remain. I will continue to fulfill my mission as CFO by resolving these challenges at even greater speeds and presenting clear evidence that will lead to performance results.

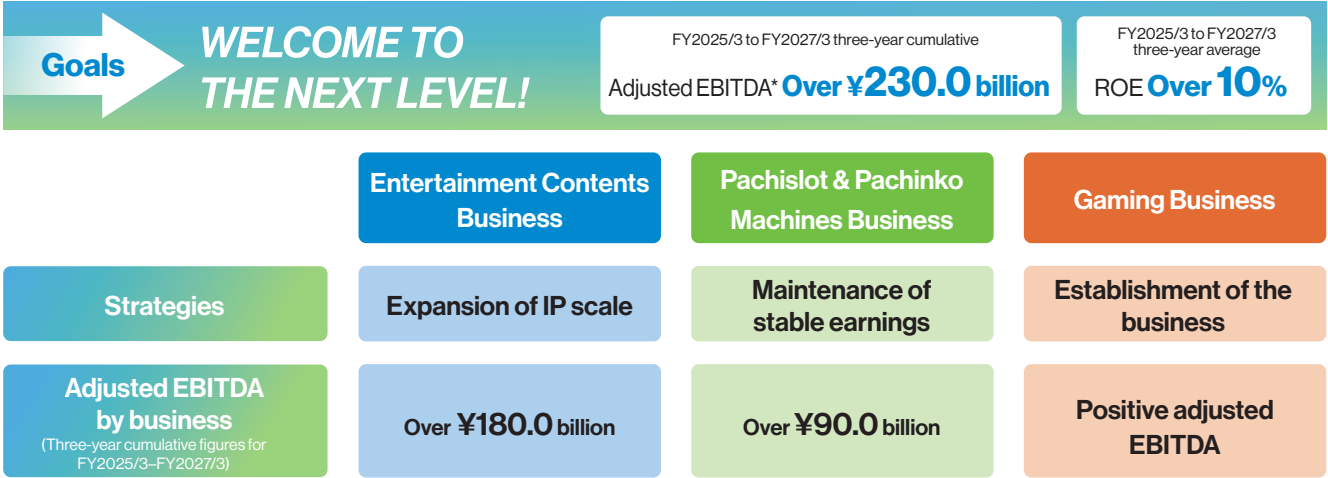
Medium-Term Plan (From FY2025/3 to FY2027/3)

Positioning and Targets of the Medium-term Plan, *Welcome to the Next Level!*

In the medium-term plan that started in the fiscal year ended March 2025, we had 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 this 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.

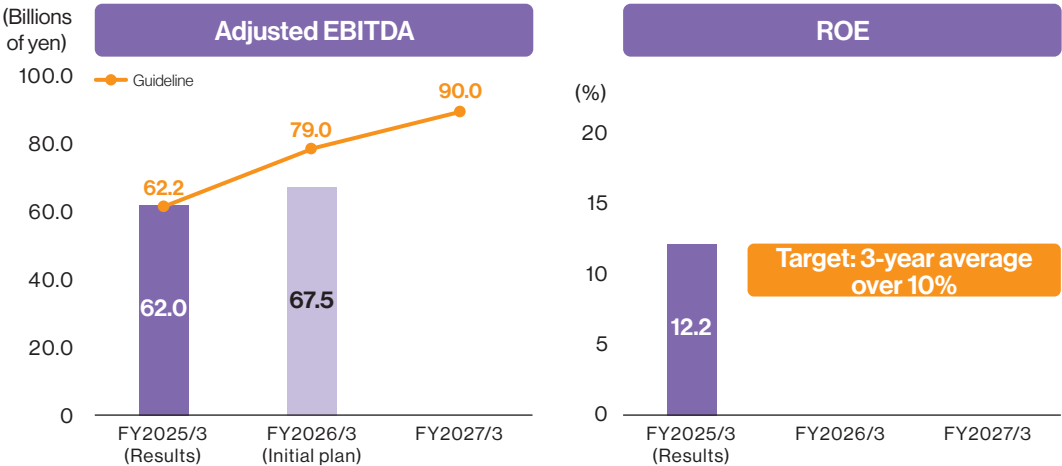
● For medium-term plans of each business, see P. 34 and onward



* Adjusted EBITDA: Ordinary income + Interest expense + Depreciation and amortization ± Adjustment items
Adjustment items: Special gains from business operations, special losses at business sites (impairment, title valuation losses, etc.), net income attributable to non-controlling interests, and amortization of goodwill/trademark rights related to M&A

Performance and Outlook of Key Indicators

The fiscal year ended March 2025, the first year of the medium-term plan, the Pachislot & Pachinko Machines Business was heavily impacted by a reactionary decline from the previous year's hit title *Smart Pachislot Hokuto No Ken*, resulting in lower revenue and lower ordinary income compared with the previous year. However, thanks to strong performance in the Consumer and Animation areas of the Entertainment Contents Business, adjusted EBITDA increased. In the fiscal year ending March 2026, mainly due to delays in launching new F2P titles, results are expected to fall short of the guidelines. However, in the final year, we aim to achieve the targets through full-year contributions from new F2P titles, major new Full Game releases, growth in licensing income, and accumulated repeat sales.



► Results for FY2025/3 and FY2026/3 Forecast

	Results (Achievements and Challenges)	FY2026/3 Forecast
Overall	- Optimized business portfolio (sale of PHOENIX RESORT) - Shareholder returns through share buybacks - Redefine the Company's strengths (value creation process)	Revenue and profit expected to increase compared with FY2025/3
Entertainment Contents Business	Consumer and Animation areas performed strongly, resulting in a significant increase in profit compared with FY2024/3 - Strong sales of major new Full Games and repeat titles in the Consumer area - Significant increase in Sonic-related movie revenues - Continued growth in licensing income - Loss recorded due to sale of Amplitude Studios - Cancellation of <i>Football Manager 25</i> development, delay in new F2P title development	Revenue expected to increase compared with FY2025/3; adjusted EBITDA expected to increase - In the Consumer area, new Full Games are expected to be on par with the fiscal year ended March 2025, with repeat sales increasing. In addition, major IP titles will be launched in F2P - In Animation areas, a reactionary decline is expected in allocated revenue from Sonic movies that performed strongly in the previous year - Strengthen overseas sales of prize items in AM&TOY
Pachislot & Pachinko Machines Business	Revenue and profit decreased compared with FY2024/3 35,000 units sold of <i>e Hokuto No Ken 10</i> - Sales of second-half titles remained sluggish - Postponed launch of certain titles to improve product competitiveness	Revenue and profit increased compared with FY2025/3 - Significant increase in unit sales expected through launch of multiple mainstay pachislot titles - Launch of new pachislot cabinet
Gaming Business	Revenue increased compared with FY2024/3, achieving profitability at the ordinary income level - Acquisition of Stakelogic announced following GAN - Create hit sales in video slot machines - Profit contribution from strong performance of PARADISE CITY	Revenue increased compared with FY2025/3, but profit decreased - Unit sales expected to increase, mainly led by <i>Railroad Riches</i> - Acquisition of Stakelogic and GAN completed, with related FA costs and other expenses expected to increase

► Progress of Medium-Term Plan (Adjusted EBITDA)

	FY2025/3			FY2026/3			FY2027/3
	Guideline	Results	Difference	Guideline	Forecast	Difference	Guideline
Company-wide	62.0	62.2	+0.2	79.0	67.5	-11.5	90.0
Entertainment Contents Business	50.0	48.1	-1.9	60.0	50.0	-10.0	70.0
Pachislot & Pachinko Machines	26.5	24.2	-2.3	31.0	33.0	+2.0	33.0
Gaming	-1.5	1.0	+2.5	1.0	-2.5	-3.5	1.5
Other/Eliminations	-13.0	-11.1	+1.9	-13.0	-13.0	+0	-14.5

Entertainment Contents Business

Medium-Term Plan: WELCOME TO THE NEXT LEVEL!

Under the medium-term plan, we aim to achieve an adjusted EBITDA of over ¥180.0 billion as a cumulative total for the three years leading to the fiscal year ending March 2027 by focusing on three key areas: further expansion of the major pillar* of the Consumer area, investments to strengthen game development and product capabilities, and regrowth of the European business that has already undergone structural reforms. Our “further expansion of the major pillars” will see us advancing our Transmedia strategy and expand global Game as a Service (GaaS). For “investments to strengthen development and product capabilities,” we will strengthen investment in major IPs as well as legacy IPs. In our “regrowth of the European business,” we aim for a recovery centered on the mainstay series *Football Manager* and *Total War*.

* Among SEGA's IPs, those with high potential

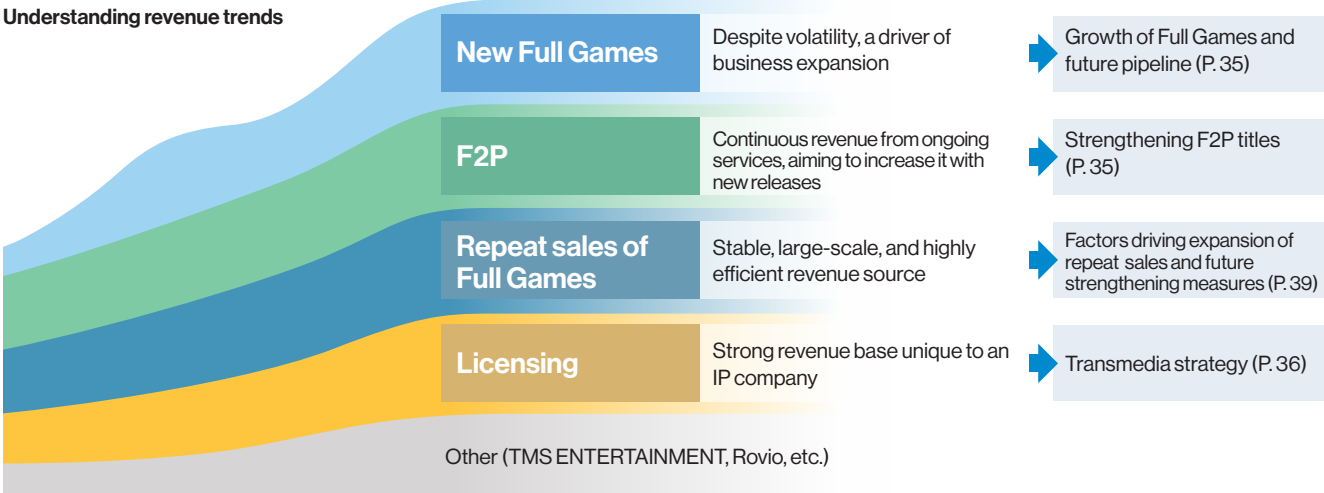
Quantitative target	● Adjusted EBITDA: Over ¥180.0 billion (cumulative total for three years)
Further expansion of the major pillars	● Transmedia ● Global GaaS (including Rovio)
Investments to strengthen development and product capabilities	● Major IPs ● Legacy IPs (medium- to long-term initiatives) ● Super Game (medium- to long-term initiatives) ● Animation IPs
Regrowth of the European business	● <i>Football Manager</i> ● <i>Total War</i>

Target revenue structure

In recent years, the game market has seen increasing diversification of revenue models. SEGA, the core of the Group's Entertainment Contents Business, has the strength of owning abundant IP assets that can maximize value across various revenue models. Leveraging this strength, it builds a revenue base by layering diverse revenue opportunities like “mille-feuille,” thereby expanding revenue stably without being overly dependent on the presence or absence of a new hit title.

The foundation of stable revenue comes from licensing out SEGA's strong IP to partner companies, which increases user touchpoints and generates high-margin licensing revenue, along with repeat sales of Full Games (consumer titles), which deliver long-term, high-margin revenue. In addition, free-to-play (F2P) can also serve as a stable, continuous revenue source by maintaining active users through steady ongoing operations. By generating stable revenue across multiple layers, we reduce volatility risk, which allows us to continue taking on new challenges with Full Games and F2P titles. Going forward, we will further strengthen this stable revenue portfolio, striving for revenue expansion and higher profit margins.

Understanding revenue trends



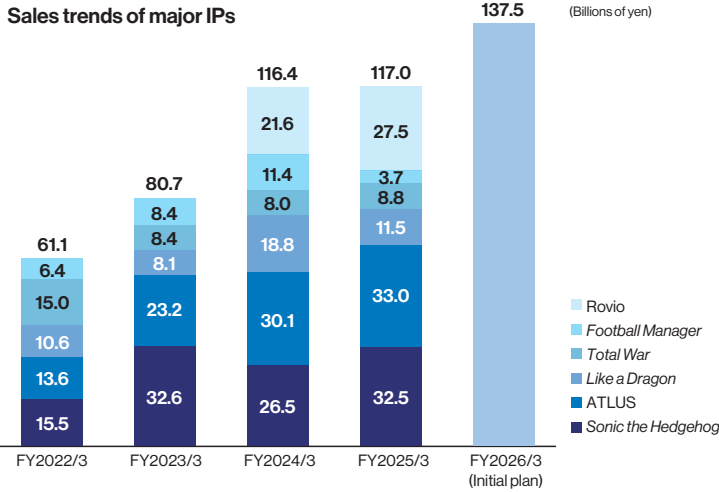
Strengthening the core game business

Growth of Full Games and future pipeline

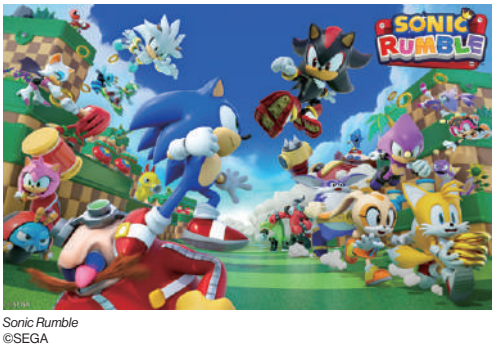
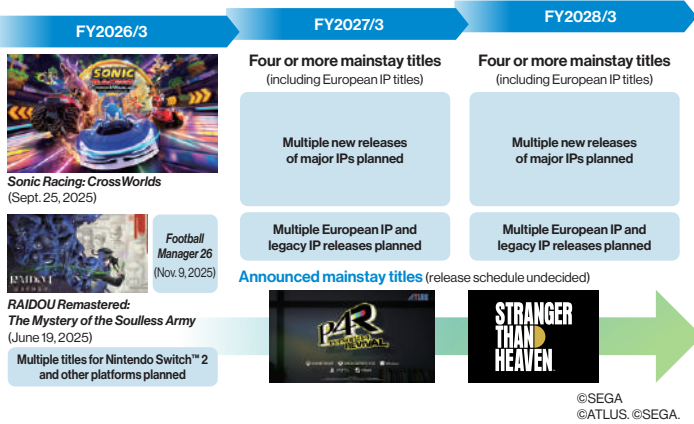
In the fiscal year ended March 2025, sales of major new release such as *SONIC X SHADOW GENERATIONS* and *Metaphor: ReFantazio* grew steadily. In repeat sales, *Persona 5 Royal* continued to contribute to earnings, while sales of past *Sonic* titles also saw strong performance.

In the fiscal year ending March 2026, we plan to launch new releases of major IPs including *Sonic Racing*: *CrossWorlds* and *Football Manager 26*. In the fiscal year ending March 2027 and March 2028, we plan to enrich our pipeline with at least four new mainstay titles each year, along with releases of legacy IP works. At the same time, we will expand revenue opportunities by strengthening repeat sales, broadening supported platforms, and offering subscription-based services.

Sales trends of major IPs



* ATLUS: Includes both the *Persona* and *Shin Megami Tensei* series, as well as *Metaphor: ReFantazio*
* *Like a Dragon*: Includes the *Judgment* series
* Rovio's earnings consolidation began in September of FY2024/3, with a contribution of seven months for that fiscal year



Strengthening F2P titles

F2P is a business model in which the base game is free to play, while additional content and certain functions are continuously offered as paid features to generate ongoing revenue. In the fiscal year ending March 2026, we are placing emphasis on strengthening this model and introducing global F2P titles. In June 2025, we launched official service for *Persona5: The Phantom X* in Japan and global markets. By expanding IP touchpoints globally, we aim to enhance IP value. Furthermore, with *Sonic Rumble*, scheduled for release in 2025, we aim for global market success through collaboration with Rovio.

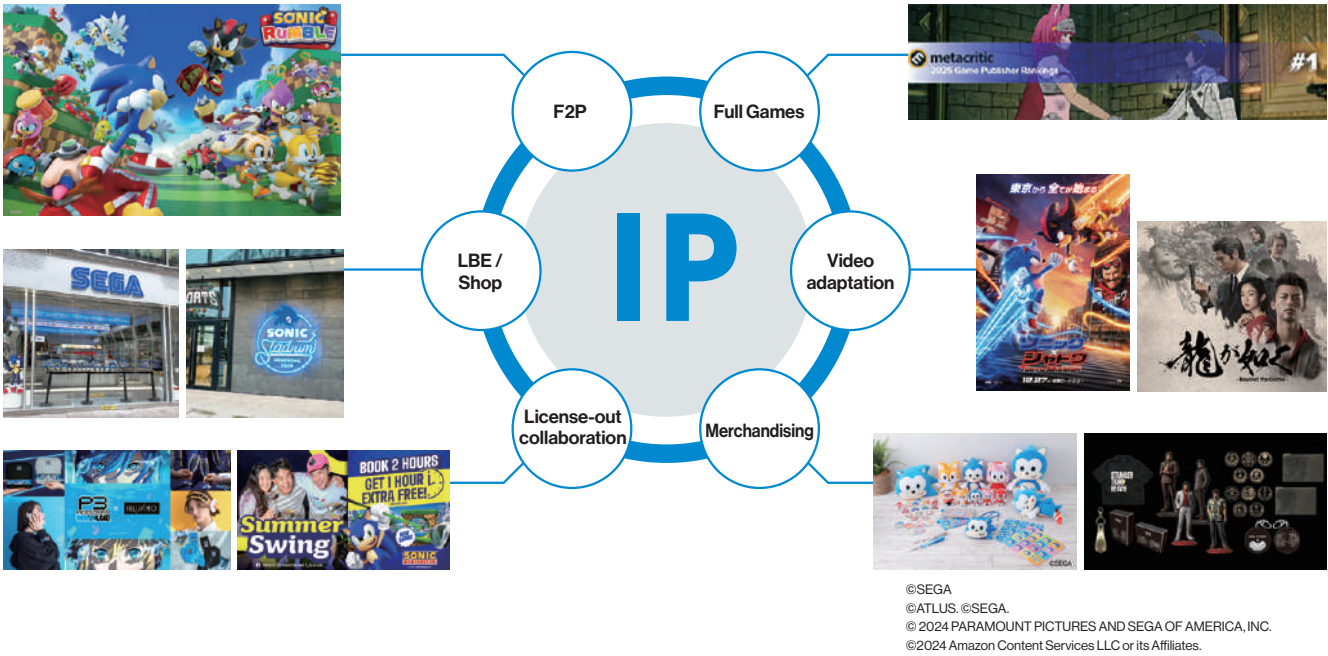
Initiatives at European studios

With structural reforms completed, the European business is now shifting toward renewed growth. The *Total War* series is showing signs of recovery, supported by measures such as the release of additional downloadable content. In addition, the *Football Manager* series, which has built a strong global fan base of over 17 million cumulative players with its previous title, will see its new release, *Football Manager 26*, launched in November 2025. By strengthening mechanisms for collaboration and knowledge sharing across global locations, and ensuring rigorous management of development progress and quality, we will return to a steady growth trajectory.

Entertainment Contents Business

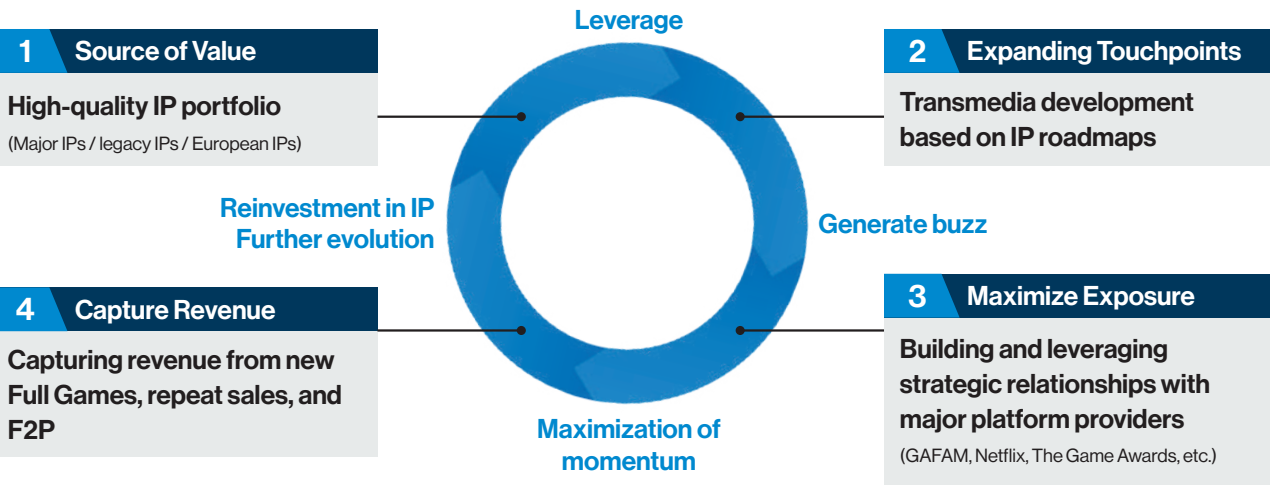
Transmedia strategy

SEGA is pursuing a Transmedia strategy, in which high-potential IPs are developed primarily through games while also expanding into movies, animation, merchandising, events, and other areas, thereby simultaneously increasing user touchpoints and revenue opportunities to grow the IPs. Going forward, in addition to *Sonic*, which has already achieved success, we will expand the Transmedia strategy to other IPs such as *Like a Dragon* and *Persona*.



Mechanism for Enhancing IP Value

Following roadmaps for each major IP, we will advance Transmedia development and broaden user touchpoints across diverse areas. Furthermore, by building strategic relationships with major platform providers, we will maximize global exposures for our IPs and link this to revenue opportunities through new Full Game release, repeat sales, F2P, and licensing development. Profits gained in this way are reinvested into further IP growth, creating a cycle of increasing IP value.



Initiatives in the Animation area

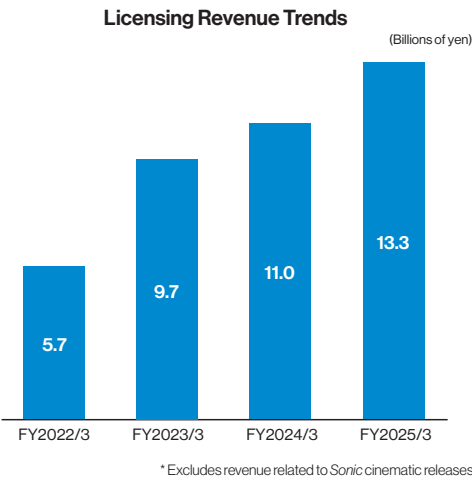
Sonic the Hedgehog 3, co-produced with Paramount Pictures Corporation in the U.S., became a major hit, recording worldwide box office revenue of USD 490 million, surpassing the previous film. This major success not only contributed through film revenue but also served as a powerful promotional effect, significantly boosting sales of new Full Games tied to the movie, repeat titles, and licensed merchandise, thereby establishing a successful model for enhancing IP value. In recent years, as movies based on games have been achieving success one after another, attention to game IP has been growing. In this environment, SEGA's strength lies in owning numerous competitive game IPs. In addition to *Sonic*, multiple IPs, including legacy IPs, are in the process of being adapted into video projects. Furthermore, TMS ENTERTAINMENT, the Group's core company in the Animation area, has successfully transformed its business model from a traditional contract-based model to a producer-driven model with greater initiative in production. As Japan-origin IPs gain global attention, SEGA will leverage its global expansion capabilities, game development expertise, and TMS ENTERTAINMENT's know-how in the animation business to strategically expand the Group's video adaptation business.



Sonic the Hedgehog 3
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Strengthening the license-out business

For *Sonic*, global business has expanded through allocated revenue from past films and merchandising, leading to a significant increase in licensing revenue. We will continue to further strengthen relationships with licensing partners, and enhance supervisory frameworks to drive continued growth in the licensing business. For major IPs other than *Sonic*, we will lay the groundwork for expanding licensing revenue by reinforcing Transmedia development. To further strengthen IP dissemination and expand touchpoints, in May 2025, SEGA opened its first-ever official store worldwide, SEGA STORE SHANGHAI in China, followed in July by SEGA STORE TOKYO in Shibuya. Through the rollout of these flagship stores, we will promote deeper penetration of SEGA's IPs.



SEGA STORE TOKYO

Entertainment Contents Business Executive Interview

Elevating our Transmedia strategy to the “Next Level” and further enhancing SEGA’s corporate value



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

What were the main achievements and challenges in the fiscal year ended March 2025?

The fiscal year ended March 2025 saw dramatic acceleration of our Transmedia strategy. The third *Sonic* movie, *Sonic the Hedgehog 3*, released in December 2024, became a major hit, surpassing the previous movie’s box office revenue. The console and PC title *SONIC X SHADOW GENERATIONS*, released in conjunction with the movie, also achieved strong sales. The movie’s success also boosted repeat sales of past *Sonic* titles and increased licensing revenue, giving us strong confidence in the expanding value of the IP. *Like a Dragon* was another success in Transmedia development, with the achievement of a live-action drama adaptation in addition to the release of the new Full Game, leading to steady sales of repeat titles. The high quality of our new titles was also recognized, and SEGA ranked first in Metacritic’s 2025 Game Publisher Rankings. Notably,

ATLUS’s new title *Metaphor: ReFantazio* received multiple awards at gaming events, marking the successful launch of a major new IP. In our European operations, we completed the structural reforms that have been a challenge for those few years by transferring shares of Amplitude and Relic through management buyouts (MBOs).

On the other hand, some challenges remain. We canceled the planned release of *Football Manager 25*, originally scheduled for the fiscal year ended March 2025, and postponed the launch of some F2P titles. While these were decisions made out of respect for fan expectations and our commitment to quality, we will continue addressing such challenges sincerely, while maintaining a careful balance with our performance targets for each fiscal year.

How do you evaluate the results of your IP value enhancement efforts so far?

SEGA possesses a wealth of valuable assets, including compelling IPs, many of which are not visible on the balance sheet. I like to refer to this as our “Treasure Island.” Since joining SEGA’s management in 2019, we have identified high-potential IPs as our pillars and have focused our investments on developing them into global brands. By emphasizing strategies such as multi-platform releases and simultaneous worldwide launches, total sales across our pillar IPs have steadily increased.

To further enhance IP value, we have focused on our Transmedia strategy. At the core of these efforts is the *Sonic* IP. Every movie in the series, from *Sonic The Hedgehog* in 2020 to the third installment, has become a global hit. In addition to boosting game sales, the success of these movies, combined with merchandising and other related business activities, has expanded licensing revenue from ¥5.7 billion in the fiscal year ended March 2022 to ¥13.3 billion in the fiscal year ended March 2025. (Licensing Revenue Trends: P.37)

In this way, SEGA is evolving from a game company to the “Next Level,” expanding its business across multiple domains by leveraging its IPs.

Transmedia strategy—Example using the Sonic IP



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Introduction

Value Creation Story

Growth Strategy

Strengthening of Non-Financial Capital

Governance

Other Data

What are SEGA’s future directions and priorities for enhancing IP value?

We will continue investing in development and product capabilities, focusing on new Full Game titles and enhancement of repeat sales. In addition, we plan to launch several new F2P titles to expand our global GaaS (game as a service) operations.

We also aim to elevate our Transmedia strategy to the “Next Level.” Led by the newly established Transmedia Business Unit in April 2024, we will continue to strengthen the global presence of SEGA’s IPs. In February 2025, we hosted a licensing showcase that invited numerous licensees to explore the appeal and future potential of SEGA IPs, and we also exhibited at the Licensing Expo in Las Vegas. Through these efforts, we felt we were able to build high expectations among our licensees for the future potential of SEGA’s IPs.

We opened official SEGA retail stores, SEGA STORE SHANGHAI (Shanghai, China) in May 2025 and SEGA STORE TOKYO (Shibuya, Japan) in July 2025, both of which have been very well received. Through these flagship stores, we aim to deliver new surprises and excitement, allowing people around the world to experience the rich worlds of SEGA’s diverse IPs firsthand.

As one of the key pillars of our Transmedia strategy, we will also actively pursue development of video adaptation. In the past, games based on movies often became hits. Recently, that trend has reversed, with movies and anime based on games achieving great success, reflecting growing global attention toward game IPs. SEGA is riding this momentum by advancing video adaptation projects based on titles such as *OutRun* and *SHINOBI*. TMS ENTERTAINMENT, known for its successful anime adaptations of popular properties such as *Detective Conan* and *Anpanman*, is evolving into a full-fledged production company by transforming its business model toward a producer-driven approach. As global interest in Japanese-origin IP continues to rise, the SEGA Group will work collectively to further strengthen its video adaptation business through a variety of initiatives.

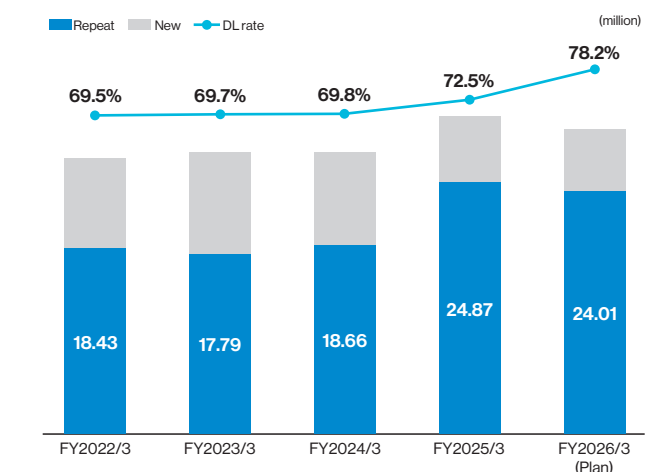
What factors have driven the growth in repeat sales, and how do you plan to further strengthen this area?

In recent years, games have tended to enjoy longer sales lifecycles, and with the growing share of digital downloads, sales of repeat titles have increased accordingly. For example, *Like a Dragon*, which once aimed to surpass one million units sold, has now become a series that can expect lifetime sales exceeding two million units per title. Likewise, *Persona 5 Royal*, released in 2019, grew from 1.03 million units sold in its first year to 7.25 million units cumulatively, bringing the *Persona 5* series, including the 2016 release, to a blockbuster status, recording over 10 million units sold in total. We believe that concentrated investment to enhance title quality, brand strength reinforced through our Transmedia strategy, and the worldwide reach of digital distribution have all contributed to the growth in repeat sales.

Going forward, we will continue to strengthen digital sales as a key driver of growth, focusing on expanding revenue through enhanced regional localization and catalog management. In terms of regional localization, we are working to add language support not only for China but also for emerging markets such as Latin America and Southeast Asia, while developing sales strategies tailored to each country and region. For catalog management, we will strategically run sales campaigns and bundle offerings centered on digital platforms to maximize

revenue. We will continue to strengthen our overall brand power while preserving the value of our IPs.

Trends for repeat sales of Full Games



Entertainment Contents Business - Executive Interview

Q Could you tell us about your approach and progress in expanding F2P titles?

Strengthening our global GaaS offerings through F2P titles is a highly important element of our strategy to expand our key pillars. In June 2025, we officially launched *Persona5: The Phantom X*, the latest entry in the *Persona* series both in Japan and around the world. This is the first mobile and PC title in the *Persona* series, which has surpassed 23.5 million total units sold worldwide. By expanding touchpoints worldwide, we expect further value enhancement of the *Persona* IP and a steady contribution to earnings. *Sonic Rumble*, scheduled for release in 2025, is a mobile game designed to further expand the global fan base that has grown through the *Sonic* movies and other media. We are currently conducting soft launch* in several countries to refine quality as we prepare for the official launch. As SEGA's first

full-scale global mobile title, development is taking longer than expected due to our emphasis on quality and user feedback. However, by combining SEGA's development and operations expertise with the global marketing capabilities of our subsidiary Rovio we are determined to make this project a success. For *SEGA FOOTBALL CLUB CHAMPIONS 2026*, we are also developing the game with a view to global expansion beyond the traditional Japan-focused model. By reinforcing the GaaS model in this way, we are aiming to further reinforce a multilayered revenue structure, like "mille-feuille," as a component that provides consistent, sustainable earnings.

* Soft launch: A limited pre-release in selected regions.

Q What is SEGA's medium- to long-term vision for the future?

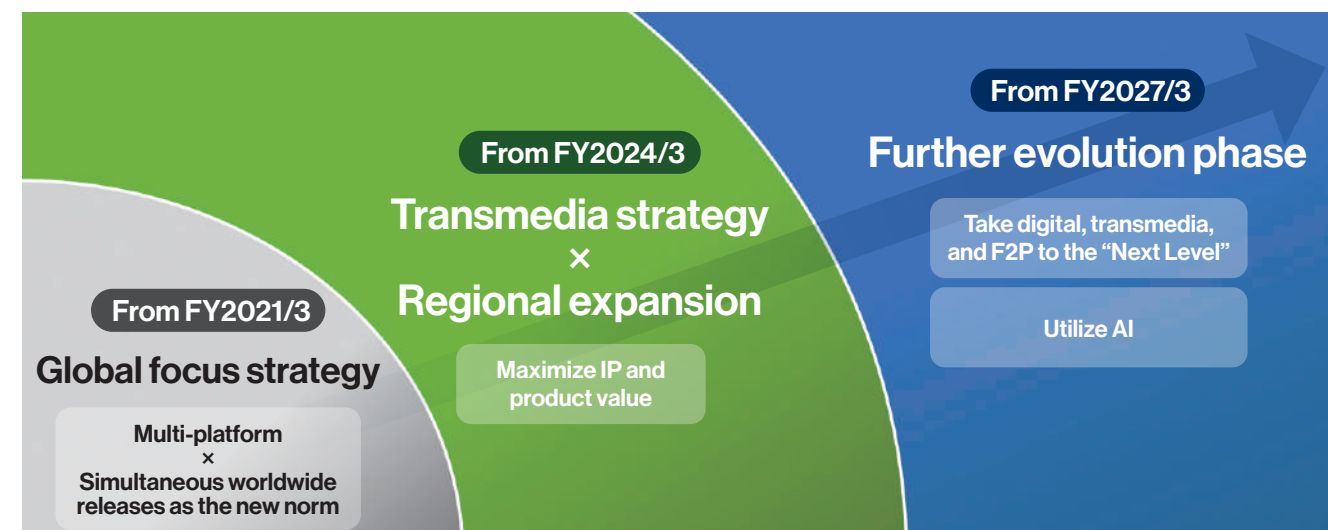
Up through the fiscal year ended March 2024, we worked to stabilize our earnings base by maximizing IP value through our Transmedia strategy and regional expansion and swiftly and steadily addressing challenges such as structural reforms of our European operations.

Under the current medium-term plan, we are entering a new phase of further evolution. We will further advance Transmedia development by strengthening game development capabilities, expanding digital sales strategies, globally launching GaaS titles, and enhancing our presence in the Animation area, while flexibly embracing new challenges in response to the changing times.

SEGA's mission is to "Empower the Gamers." The gaming

industry has evolved by flexibly embracing technological advancements and shifts in business models. Today, around three billion people worldwide engage with games in some form, making video games a global culture in their own right.

Throughout its history, SEGA has played a key role in shaping this video game culture and intends to continue doing so into the future. By evolving our Transmedia strategy to the "Next Level" and leveraging SEGA's rich portfolio of IPs to deliver new experiences and inspiration to people worldwide, we will help create a more fulfilling society through video games and further enhance SEGA SAMMY's corporate value.



Initiatives Based on Materiality



Providing safe, dependable, and innovative products and services

Quality Improvement

E Evaluation Team that Supports the Fun of Each Title

At SEGA, we undertake a variety of initiatives before releasing titles that allow us to deliver high-quality titles for our many customers around the world to enjoy.

For quality, the most important aspect of this, we have established an in-house evaluation team to verify the level of fun of our titles. The evaluation team objectively assesses the titles, comparing the final version against the concept created by the development department during game planning, then checks whether unique appeal has been achieved for the title and whether customers will be able to enjoy the game as originally intended. Title evaluations incorporate multiple perspectives, not only from the in-house evaluation team but also from customers in major markets and external game evaluation organizations. This evaluation process has been adopted for titles at all development locations, including those overseas, and evaluation teams have also been set up at our European locations.

The results of these evaluation are then utilized in internal review sessions held throughout the title development process. These review sessions include not only management and the development department but also the evaluation team, the localization department, and representatives from the sales department for each major market, who verify development status as well as the features and strengths of the title, then discuss challenges in the subsequent development process and in delivering the title to customers around the world.

These initiatives underpin the quality of SEGA titles that have earned the trust of customers worldwide, including our top spot in Metacritic's 2025 Game Publisher Rankings.

Safety and Security

E Initiatives of the Global Product Operations Division

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

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

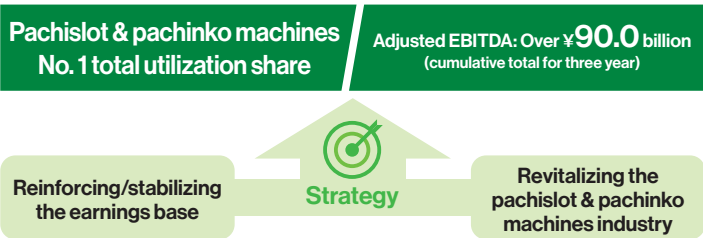
Once planning for an actual title starts, relevant departments get together with the development department to figure out things that require compliance based on the content of the plan, business model, and regions of expansion, especially any laws and regulations that require strict compliance, industry guidelines and ratings, and the standards for SEGA and other platforms. Then, once we check whether preparations for items requiring compliance are complete, titles are released.

These initiatives allow us to achieve simultaneous global multi-platform development of SEGA titles in an appropriate manner that lets customers enjoy our games with peace of mind.

Pachislot & Pachinko Machines Business

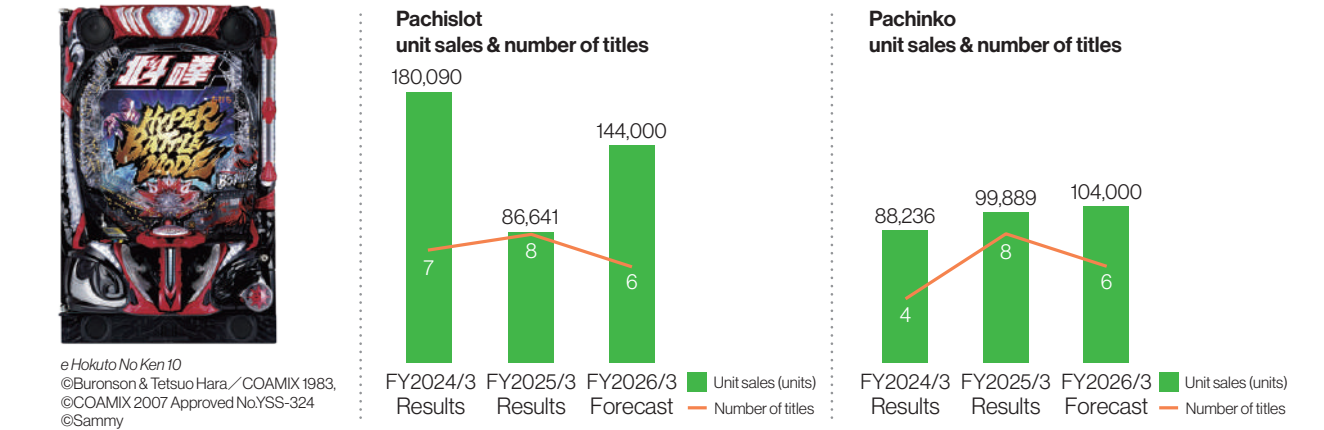
Medium-Term Plan: Welcome to the Next Level!

Under this medium-term plan, we have set a target of achieving the No. 1 total utilization share of pachislot & pachinko machines, as well as a cumulative adjusted EBITDA of more than ¥90.0 billion over three years. Our strategies to achieve these goals are focused on strengthening and stabilizing our earnings base and revitalizing the pachislot & pachinko machine industry.



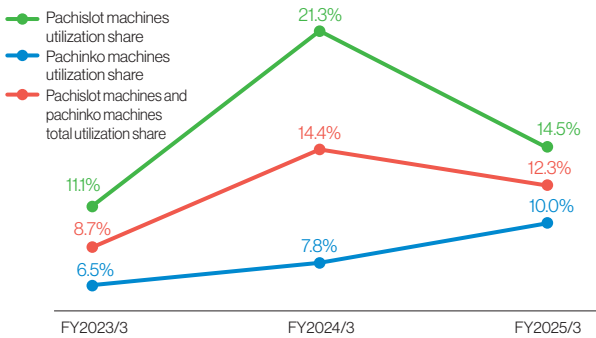
Achievements and Challenges in FY2025/3 and Future Initiatives

The smart pachinko title *e Hokuto No Ken 10*, released in August 2024, sold more than 35,000 units, recording the highest sales volume in the 2024 pachislot & pachinko machines market. However, sales of new titles released in the second half were sluggish, prompting us to postpone the release of some mainstay titles to improve the product competitiveness. As a result, coupled with a reactionary decline from the fiscal year ended March 2024, which saw strong results driven by the hit title *Smart Pachislot Hokuto No Ken*, both revenue and profit declined year on year. On the other hand, we plan to increase sales volume in the fiscal year ending March 2026, when several mainstay pachislot titles are scheduled for release.



Regarding the total utilization share differences between the specifications of our released titles and market needs caused our ranking to fall by one position from the fiscal year ended March 2024. We will continue working to enhance our total utilization share with the goal of reclaiming the No. 1 total utilization share in pachislot and pachinko.

Transition of the Group's utilization share



Ranking for total utilization share

	FY2023/3	FY2024/3	FY2025/3
Company S	18.4%	Company S 21.1%	Company S 19.4%
Company K	16.3%	Company K 15.2%	Company K 15.6%
Company S	13.9%	Sammy 14.4%	Company S 12.5%
Sammy	8.7%	Company S 12.8%	Sammy 12.3%

Source: In-house estimation based on DK-SIS data (Data for 4 yen pachinko and 20 yen pachislot) of Daikoku Denki Co., Ltd.

Reinforcing/Stabilizing the Earnings Base

Initiatives to Improve the Total Utilization Share

To improve the total utilization share we believe the most important factor is addressing market needs including the quick response to regulatory revisions. We have already launched *e Shin Hokuto Muso Chapter 5 Dodeka START* to meet users' growing demand for time efficiency, and it has performed strongly in both sales and operation. In July 2025, we introduced *e Tokyo Revengers*, featuring the new Lucky Trigger 3.0 Plus function for smart pachinko fastest in the market. The title also exceeded our initial plans and achieved excellent early utilization.



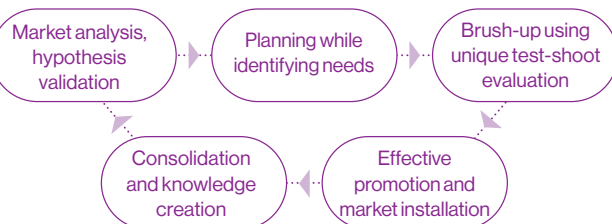
Launch of Mainstay Series Titles and Utilization of New IPs

To further enhance our total utilization share, we recognize that continued releases from multiple existing mainstay series and the use of new IP are essential. Beyond the *Hokuto No Ken* series, which boasts the highest pachislot sales in history, we aim to meet user expectations through the release of other established mainstay series. Furthermore, we view acquiring strong licenses for creating new titles that could become mainstay series following *Hokuto No Ken* as a key management priority, and we will continue working toward that goal.

Quality Improvement

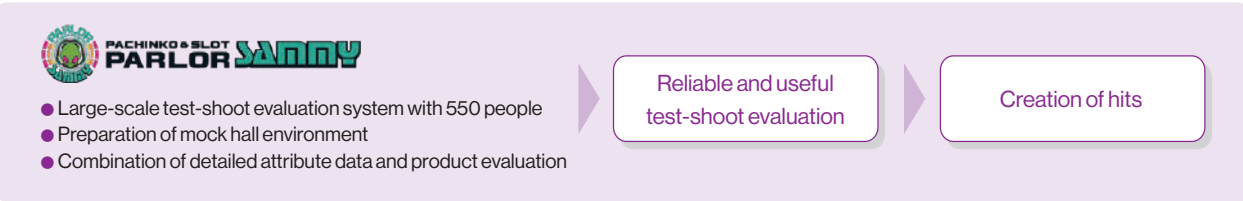
P User-Oriented Development Process

In the Pachislot & Pachinko Machines Business, we use data-based market analysis and hypothesis validation during planning to identify targets and needs. We have also put in place a system for enhancing the level of perfection with a unique test-shoot evaluation system that provides more user-oriented evaluations.



P Brush-Up Using Highly Unique Test-Shoot Evaluation

In pachislot & pachinko machine development, we are leveraging industry-leading human capital for development to deploy a massive 550-person scale test-shoot evaluation process. In addition, we have installed a mock hall (Parlor Sammy) that closely resembles the actual play environment, and we are working to refine our products. These efforts have led to the creation of hit titles such as *Pachislot Kabaneri of the Iron Fortress* and *Smart Pachislot Hokuto No Ken*.



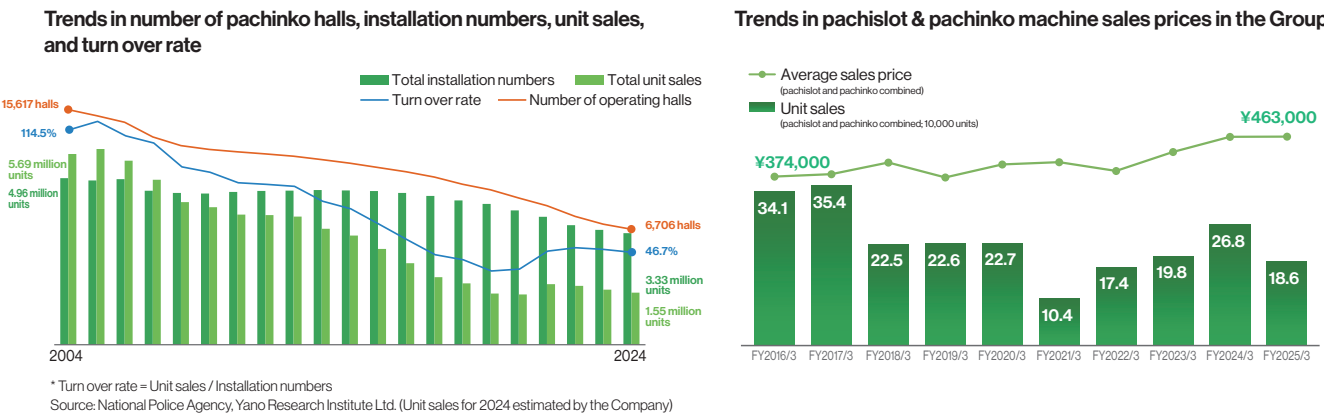
Revitalizing the Pachislot & Pachinko Machines Industry

Current State of the Pachislot & Pachinko Machines Industry

The pachislot & pachinko machines industry continues to face long-term contraction due to the declining number of players. As the market shrinks, unit sales are also decreasing, prompting manufacturers to focus on improving product quality to strengthen competitiveness. As a result, development and material costs have risen, leading to a long-term increase in pachislot & pachinko machine prices across the industry.

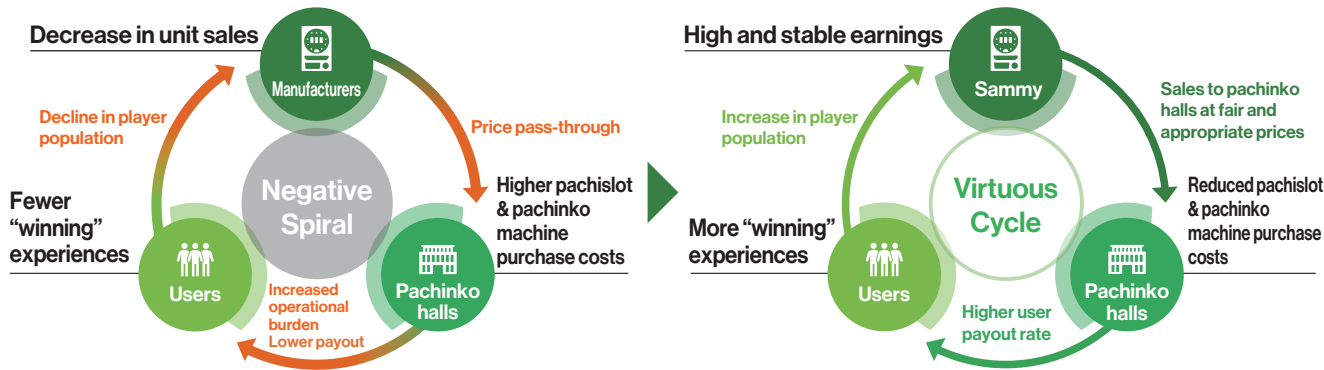
The rise in sales prices has increased the financial burden of pachislot & pachinko machine purchases for pachinko halls. To cover these costs, the opportunities for players to experience “winning” is declining. This has triggered a negative spiral in which fewer winning experiences drive users away, leading to further declines in player numbers.

Within our Group as well, while sales volumes have been decreasing, average unit prices continue to rise. We recognize that rising prices have contributed to this negative spiral and acknowledge our own share of responsibility in the situation.



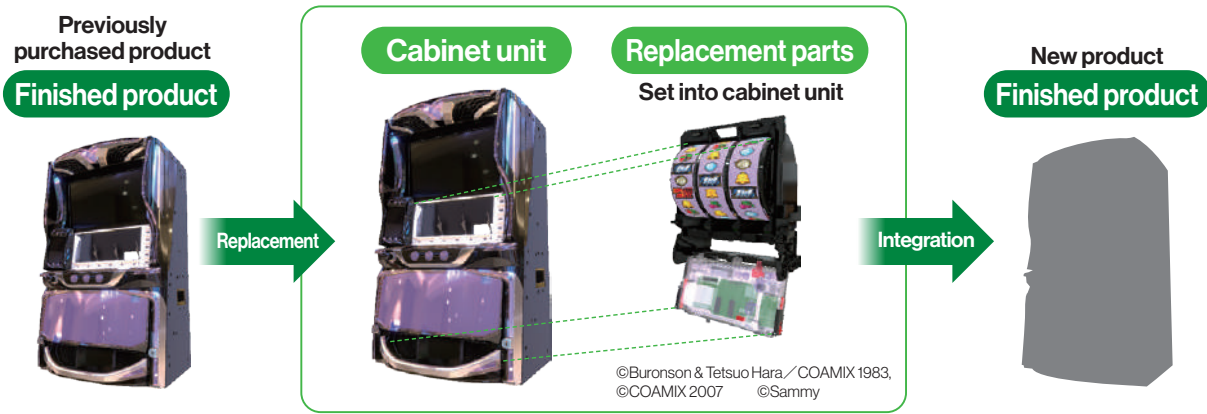
Creating a Virtuous Cycle in the Pachislot & Pachinko Machines Market

In our role as a driving force in the industry, we believe it is our responsibility to build a sustainable future where the pachislot & pachinko machines industry can coexist and prosper. To break the current negative spiral in the pachislot & pachinko machines industry, we will take the first step toward a “Triple Win” cycle: higher and more stable profitability for manufacturers, lower purchasing costs for pachinko halls, and more winning experiences for users. To achieve this, in the fiscal year ending March 2026, we will introduce a new pachislot cabinet that allows machine renewal by replacing only specific components.



A Crucial Step to Break the Negative Spiral: The New Pachislot Cabinet

This groundbreaking new pachislot cabinet adopts a structure that separates the reel unit and the main cabinet, enabling replacement with new models simply by swapping the reel unit. While a full cabinet purchase will be required for the initial introduction, subsequent updates will only require partial component replacement. This structure will reduce cost burdens on pachinko halls during replacements, while allowing manufacturers to maintain previous per-unit profit margins.



Whereas conventional cabinets weigh about 40 to 50 kilograms, the replaceable reel unit weighs only about 5 kilograms and, with a design focused on ease of replacement, reduces replacement time to roughly one-third of the current duration. This contributes not only to easing the workload at pachinko halls and reducing transportation costs but also to lowering CO₂ emissions during transport.

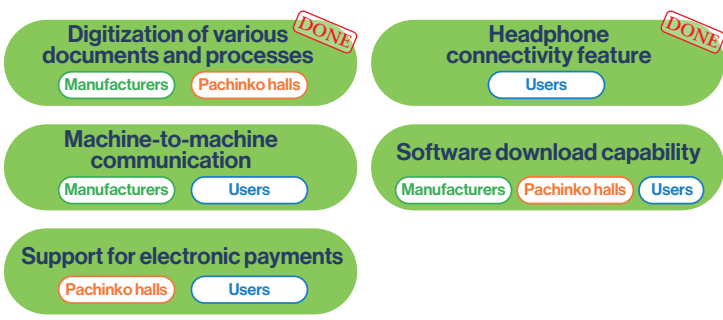
As the new cabinet must first be installed at the pachinko hall, it will take some time before the effects of this initiative become apparent. However, as adoption spreads, pachinko halls will be able to introduce new machines at lower costs. We expect that this initiative will help create a more accessible and player-friendly environment and, consequently, expand the player base and improve satisfaction among existing users.

We aim to promote this initiative not only among pachinko halls, but also with support from other manufacturers, thereby contributing to the revitalization of the pachislot & pachinko machine market as a whole.

	Current cabinet	New cabinet (At the time of product replacement)
Cabinet weight	Approx. 40 to 50 kg per unit	Approx. 5 kg per unit
Replacement time	Approx. 24 minutes per unit	Approx. 8 minutes per unit
Transport efficiency	70 units per truck	280 units per truck

Enhancing Convenience and Efficiency

In addition to the new cabinet, we are pursuing various initiatives in collaboration with the entire industry to revitalize the market. We have already implemented measures such as digitizing various documents and adding headphone connectivity features to machines to enhance user experience. Going forward, we will continue exploring new possibilities in cooperation with industry partners.



Pachislot & Pachinko Machines Business Executive Interview

We will continue taking on challenges to expand our total utilization share and revitalize the pachislot & pachinko machines industry.



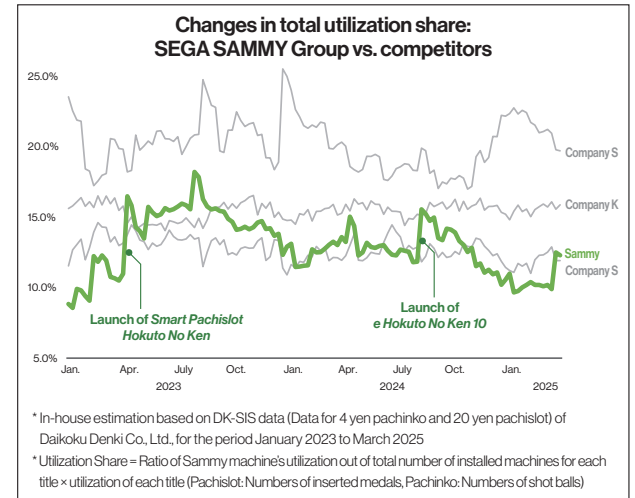
Ayumu Hoshino
Director, SEGA SAMMY HOLDINGS INC.
President and COO, Representative Director,
Sammy Corporation

Q What were the main reasons for missing your initial targets for the fiscal year ended March 2025 and for the decline in your total utilization share?

A. The main factor was our inability to produce hit titles that contribute to long utilization.

In the Pachislot & Pachinko Machines Business, manufacturers have to comply with various rules and regulations, and new machines can only be sold after completing multiple approval and certification processes. The upshot of this is that revisions to these rules and regulations tend to alter gameplay characteristics and significantly change market conditions. During the fiscal year ended March 2025, as regulatory revisions progressed, the industry-wide approval rate declined, and we were not spared from this difficulty in obtaining approvals. Some of the titles we launched under such conditions also had a mismatch between their specifications and market needs. We were unable to create hit titles that contribute to long utilization at pachinko halls other than the *Hokuto No Ken* series, and the

postponement of some releases to the fiscal year ending March 2026 to improve quality also caused the weaker performance and decline in total utilization share.



Q What improvement measures are planned for the fiscal year ending March 2026 and beyond, given these challenges?

A. We will introduce products that meet user needs and a diverse lineup of titles with optimal timing.

First, we will respond more swiftly to shifting market trends caused by factors such as regulatory changes to launch products that accurately capture user demand in a timely manner. We have already launched several models that respond to market needs, and they are performing well. In addition to responding to the expectations of pachinko halls and users by releasing new titles from existing mainstay series such as *Hokuto No Ken* and *Kabaneri of the Iron Fortress*, we plan to leverage popular IPs like *Tokyo Revengers* to create new mainstay series that will serve as future revenue drivers.

From a medium-term perspective, we are also revisiting combinations of titles and gambling aspect levels, particularly in

the mid-range category where we excel, while enhancing market analysis, marketing methods, and development pipelines from new angles.

When considering delays in approval, it is technically possible to obtain approvals more easily by compromising on specifications. However, based on past experience where prioritizing certification over quality led to low user support and weak performance, we are committed to pursuing quality without compromise. Through these initiatives, we will focus on building the systems and pipelines necessary to deliver products that meet user expectations at the right time and generate stable earnings.

Q How do you view the changes in market needs?

A. We believe we should aim for the market that offers a wider range of gameplay, not just titles with high gambling aspect levels.*

At present, titles with high gambling aspect levels tend to show strong sales and utilization. However, from the standpoint of long-term and sustainable industry growth, competition focused solely on products with high gambling aspect levels risks

* Titles with a high level of gambling aspects, within the scope allowed under current regulations

alienating users and is not an ideal direction. We plan to continue launching models with medium gambling aspect levels, which is an area of strength for Sammy, as well as models with low gambling aspect levels, while exploring systems that encourage continued player engagement. We also intend to collaborate with other manufacturers across the industry to build an environment that fosters diverse product development.

Q What is your approach to acquiring new IP licenses?

A. We aim to acquire strong new IPs by steadily building trust and relationships.

Competition to acquire popular IPs is intensifying within the industry. Sammy has long worked to build relationships with rights holders through its mainstay IPs such as *Hokuto No Ken*. We believe that maintaining strong, positive relationships with rights holders is the key to acquiring powerful IPs. By steadily accumulating achievements and trust, we believe we can create

a positive cycle that leads to new opportunities. To that end, we have dedicated staff members who maintain close daily communication with rights holders. In addition, we invest in anime production committees and other ventures to secure preferential negotiation rights, proactively working to acquire outstanding IPs before they are widely released. We hope you look forward to our future developments.

Q What are your expectations for the new pachislot cabinet?

A. We intend to expand its use across the entire industry and help revitalize the market.

This new cabinet was developed by ZEEG Co., Ltd., a joint venture between Sammy and Universal Entertainment Corporation. Sammy is starting an industry transformation with this new cabinet, which is designed to revitalize the market, hoping it will benefit pachinko halls, pachislot & pachinko machine manufacturers, and users alike, while fostering long-term coexistence and mutual prosperity among manufacturers. For details on the features and value of the new cabinet, please refer

to "A Crucial Step to Break the Negative Spiral: The New Pachislot Cabinet" on page 45. We have heard from many pachinko hall operators and managers, who have high expectations and hope this cabinet will become the new industry standard. We are currently promoting the cabinet to other manufacturers, with one company already signed and several others expressing interest. By encouraging as many manufacturers as possible to adopt the cabinet, we aim to help revitalize the entire industry.

Q What are your aspirations going forward?

A. We will drive the revitalization of the pachislot & pachinko machines industry and fulfill our role as a strong earnings foundation for the Group.

Sammy will celebrate its 50th anniversary on November 1, 2025, and embark on a new stage under the slogan "From Challenge to Adventure." Sammy's strength lies in its robust portfolio of proven series, led by *Pachislot Hokuto No Ken* in the *Hokuto No Ken* franchise, which achieved the highest pachislot sales in history. Moving forward, we will actively leverage new IPs to expand our library and create hit titles that resonate with both pachinko halls

and users, thereby increasing our total utilization share while aiming for the No. 1 position in the industry.

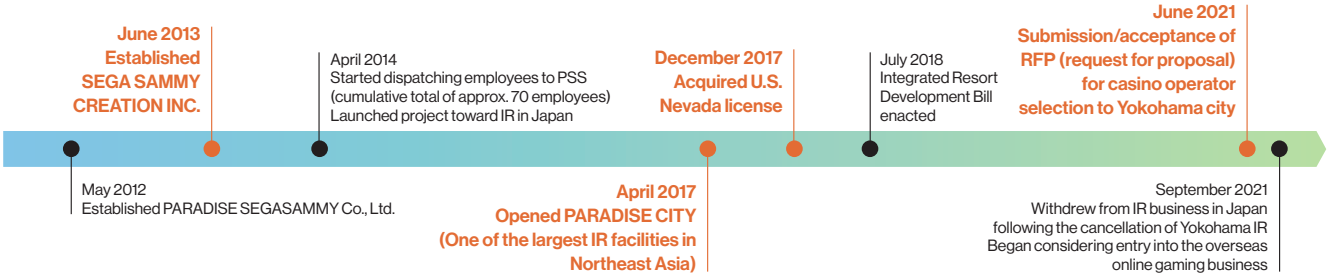
At the same time, revitalizing the pachislot & pachinko machines industry remains an urgent challenge that we will continue addressing. A shrinking market inevitably leads to lower earnings, not only for Sammy but for the Group as a whole. To overcome this situation, we will steadily advance various strategic initiatives, including the new pachislot cabinet, to contribute to the sustainable growth of the industry and reinforce our status as a strong earnings foundation that accelerates the Group's overall corporate value.

Gaming Business

Our Journey So Far

The Group has long pursued various initiatives aimed at entering the integrated resort (IR) business in Japan. In 2013, we established SEGA SAMMY CREATION INC. (SSC), which develops and sells gaming machines. In 2017, SSC obtained a license from the state of Nevada in the U.S., known as one of the most rigorous gaming licenses in the world. This license acquisition was a crucial milestone in establishing credibility for our entry into the IR business. Since then, SSC has steadily advanced its business, creating hit products and expanding its customer base among North American casino operators. In addition, we established PARADISE SEGASAMMY Co., Ltd. (PSS), a joint venture with PARADISE GROUP, and in 2017, opened PARADISE CITY, South Korea's first integrated resort. We dispatched approximately 70 Group employees to this facility, where we accumulated expertise and systems for meeting user needs through casino operations. Although we decided to withdraw from the IR business in Japan following the suspension of the Yokohama IR project, the knowledge and experience gained from our initiatives to enter the IR business in Japan have become the foundation of our current Gaming Business.

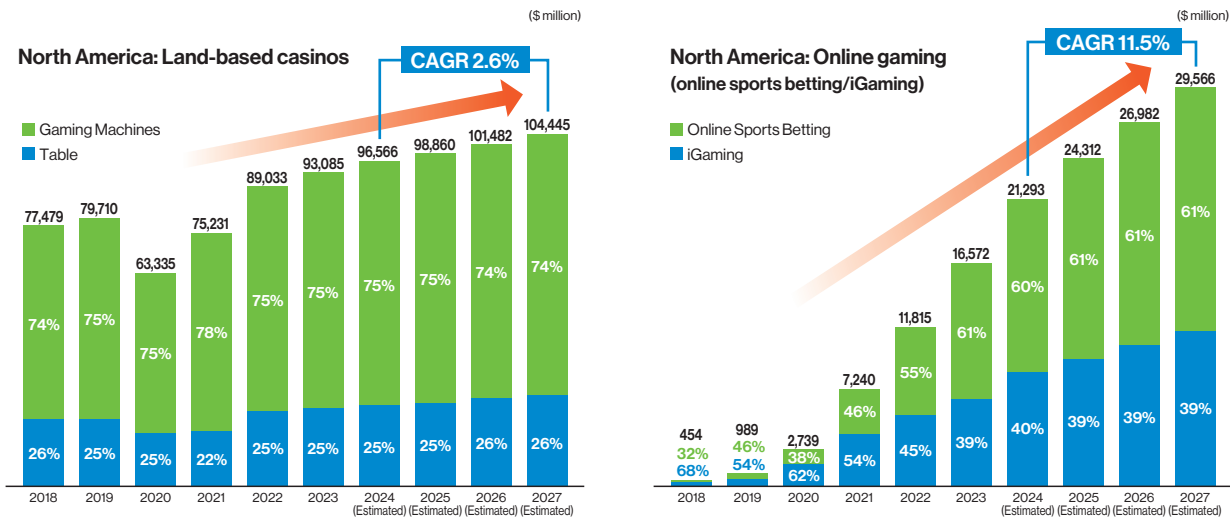
Mobilizing the Full Strength of the Group to Pursue Japan's First IR Project



Market Environment

Casinos take many forms worldwide, but in North America, the largest market, land-based casinos generate nearly \$100 billion, forming an exceptionally large market that is expected to continue growing steadily. Online gaming, which includes online sports betting and iGaming (internet-based gaming such as online casinos), has also shown rapid growth and is expected to expand even further. The market size, approximately \$16.5 billion in 2023, is projected to reach around \$29.5 billion by 2027. In North America, online sports betting has been legalized in 32 states in the U.S., with the top three companies accounting for roughly 80 to 85% of the market. Meanwhile, iGaming is legalized in only eight states*. Therefore, the iGaming market is expected to experience substantial future growth.

* Nevada permits only online poker.



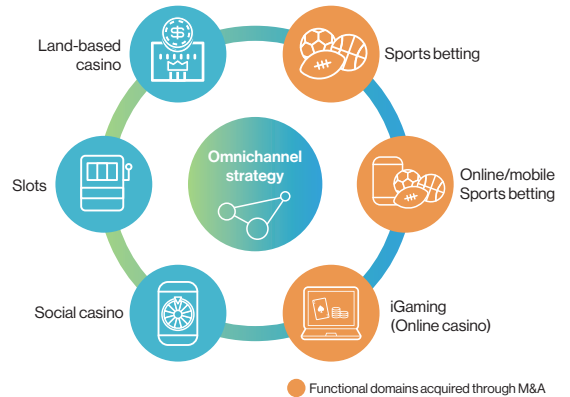
Source: H2 Gambling Capital

Omnichannel Strategy

In the North American market, many companies are beginning to adopt the omnichannel model, a system that integrates land-based casino and online gaming customers. For example, customers visiting land-based casinos are guided toward online gaming, and vice versa, attracting customers to both channels. This mutual flow has created strong demand for such integrated models.

In this market environment, we have decided to pursue a new business leveraging our accumulated expertise in the Gaming Business. We are promoting the omnichannel model that offers B2B solutions to the gaming market.

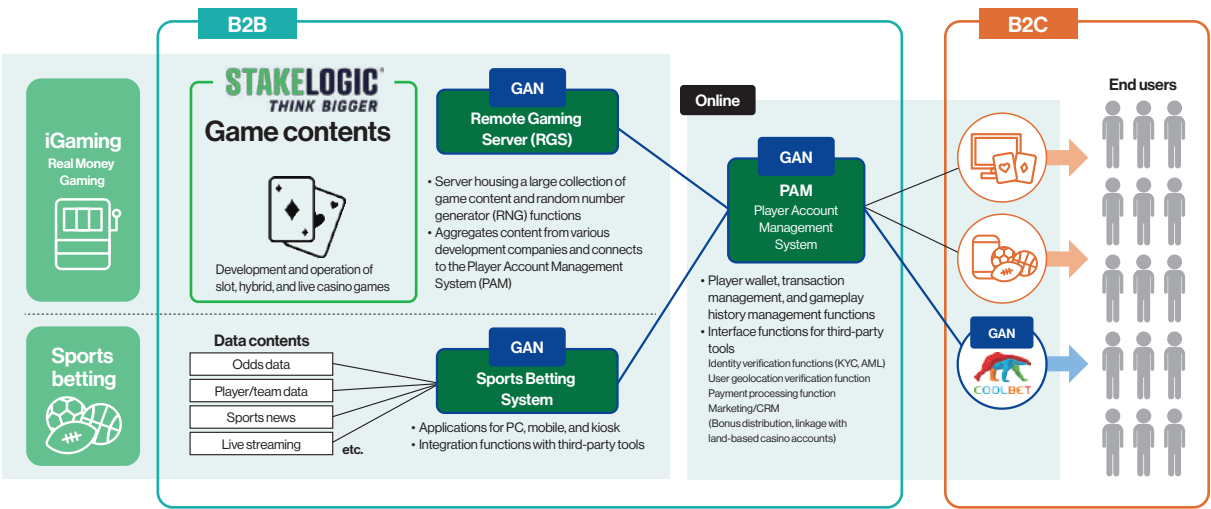
To strengthen our support structure in the online sector—the missing piece needed to promote our omnichannel strategy of providing comprehensive solutions across both land-based casinos and online gaming—we have welcomed Stakelogic and GAN, both of which have strong expertise in the online sector, into our Group.



Capabilities and Roadmap for Strategy Execution

GAN operates SaaS businesses for U.S. casino operators and B2C online gaming businesses in Europe and South America. In its B2B SaaS business, GAN possesses the tech stack (technical infrastructure) for sports betting and iGaming, providing an integrated system essential for casino operators to manage online businesses. Regarding the B2C online gaming business, the Coolbet brand within GAN is responsible for its development and operation. The Coolbet B2C platform has been highly evaluated in the industry and was awarded “Mobile Operator of the Year” and “Online Casino Operator of the Year” at the same time by the International Gaming Awards 2025, and is contributing to the improvement of the GAN B2B platform.

Stakelogic is a Netherlands-based B2B iGaming content provider. It develops and provides game content such as video slots and live casino. In particular, Stakelogic has differentiated itself through live-streamed table games by significantly reducing operating costs, enabling the company to offer services to casino operators at attractive prices. These game contents are also expected to be integrated into GAN's tech stack in the future.



With the acquisitions of Stakelogic and GAN completed in the first quarter of the fiscal year ending March 2026, we are now fully prepared to advance our omnichannel strategy. Going forward, we will leverage the collective strengths of our Group to deliver services that satisfy an even broader range of customers.

Gaming Business Message from Management

Becoming a Third Pillar Making Use of Our Capabilities



Railroad Riches
© SEGA SAMMY CREATION INC.

The Path Pioneered by SSC in Gaming Machine Development

SEGA SAMMY CREATION INC. ("SSC") was established in 2013.

Our founding members were primarily developers who had transferred from SEGA's AM1 studio at the time, known for creating hit arcade titles such as the *House of the Dead* series. Building on their advanced technical capabilities and expertise in hardware development, SSC has continued to take on the challenge of the new field of gaming machines.

In addition to planning and technical expertise in arcade machine development, SSC has conducted over a decade of exhaustive market research to create products that stay one step ahead of the market. This pursuit has culminated in the launch of the *Genesis Atmos* cabinet and its accompanying title, *Railroad Riches*, in 2024. These products received an enthusiastic response immediately upon release and earned high acclaim in the North American market. SSC also achieved the remarkable milestone of being the first Japanese company to win awards in two categories at the prestigious Eilers & Krejcik Gaming, LLC Awards in the U.S. gaming industry.



Naoki Kameda

SEGA SAMMY CREATION INC.
President and Executive Officer
COO, Representative Director

Strengths of SSC 1 High Performance, High Quality, and Competitive Pricing

SSC draws upon a deep well of knowledge and expertise in the Amusement Machine area, which has been further refined through ten years of gaming machine development and sales. All of this accumulated experience has been poured into *Genesis Atmos* and *Railroad Riches*.

On the hardware front, SSC pursued the ultimate in cabinet designs and sound systems that make players instinctively want to sit down and play, without sacrificing manufacturing cost efficiency, durability, or ease of maintenance. In software, SSC designs stress-free visual effects experiences and optimal game balance, incorporating numerous features that make players want to play again and again.

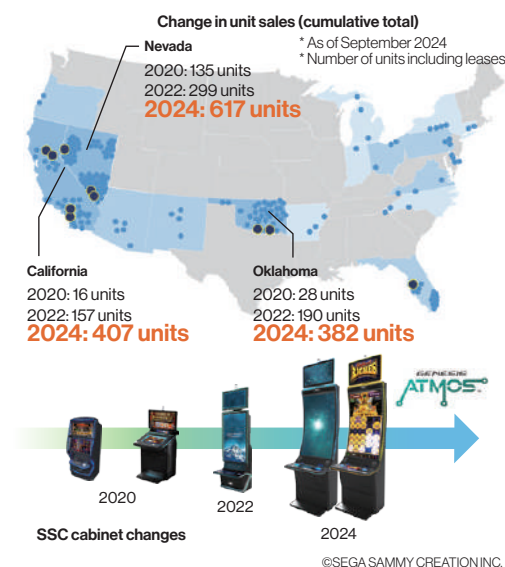
Providing such high-performance, high-quality products at competitive prices—the ability to strike this balance is SSC's greatest competitive strength.

Strengths of SSC 2 Expanding Customer Base and Growth Opportunities in the U.S. Market

Since obtaining its Nevada state license in 2017, SSC has steadily acquired licenses across the United States, expanding both its sales regions and customer base. We realize that the huge success of *Railroad Riches* has further strengthened and significantly expanded that customer base.

One of SSC's key customers is tribal casinos operated by Native American tribes. More than 520 tribal casino facilities are spread across the U.S., surpassing commercial casinos*, and are characterized by regulatory and tax structures that differ from commercial operations. In recent years, demand for entry into the online gaming business has been rising rapidly including among casino operators including tribal casino. This trend serves as a powerful tailwind for SSC in advancing its omnichannel strategy.

* Commercial casinos: Casinos operated by private businesses.



Introduction

Value Creation Story

Growth Strategy

Strengthening of
Non-Financial Capital

Governance

Other Data

Strengths of SSC 3 Leveraging Group Synergies to Understand Customer Needs

In addition, Group company PSS operates the integrated resort PARADISE CITY in Incheon, South Korea. Through this facility, the Group has steadily accumulated expertise and systems to meet player needs, including market research. The ability to apply these insights across the Group to SSC's business is a major advantage, allowing for accurate understanding of both player preferences and the needs of casino operators, who are SSC's direct customers.

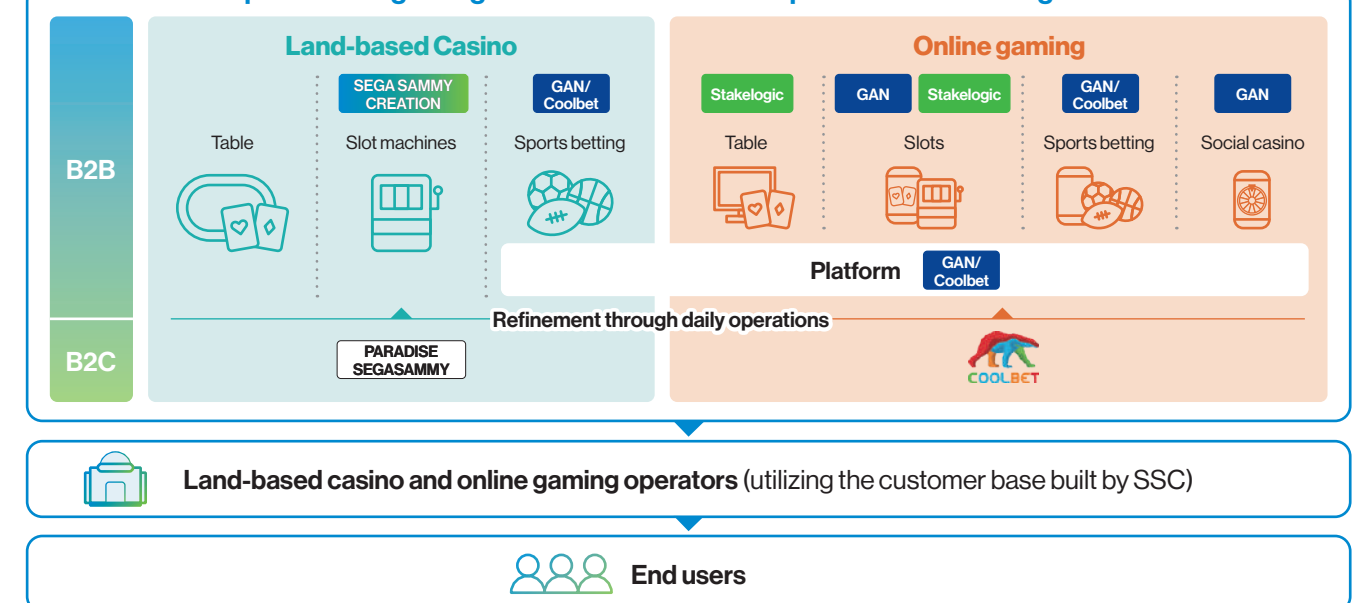
Future Growth Strategy Leveraging SSC's Strengths

SSC is leveraging its multiple strengths in product development capability, customer base, and customer insight to further expand its customer bases in the land-based casino field.

In addition, with the acquisitions of Stakelogic and GAN/Coolbet, SSC has established strong capabilities in the online gaming field. By combining the B2B platforms and content gained through these acquisitions with SSC's significantly expanded customer base from the success of *Railroad Riches*, SSC will deliver comprehensive gaming services to both land-based casino and online gaming operators.

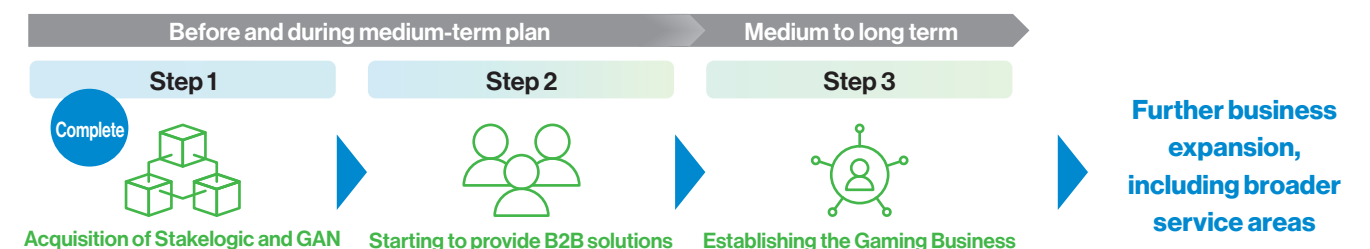
SSC aims to further enhance its competitiveness through these initiatives.

Comprehensive gaming services built on the acquisitions of Stakelogic and GAN



Medium- to Long-Term Vision

SSC's medium-term goal is to establish itself as a B2B omnichannel solution provider in the gaming market. With the acquisition of these two companies, the first stage (STEP 1) of this vision has been completed, and SSC is now transitioning into the phase of providing solutions directly to customers. We will first strengthen collaboration with these newly integrated Group companies to build a solid foundation for business expansion. Discussions on the legalization of iGaming are progressing across the U.S., and the number of states permitting it is expected to continue growing. Amidst these market changes, SSC will build a new business foundation by offering comprehensive, high-value-added services to operators seeking entry into the online gaming market. Ultimately, SSC aims to grow the Gaming Business into the third core pillar of the SEGA SAMMY Group.

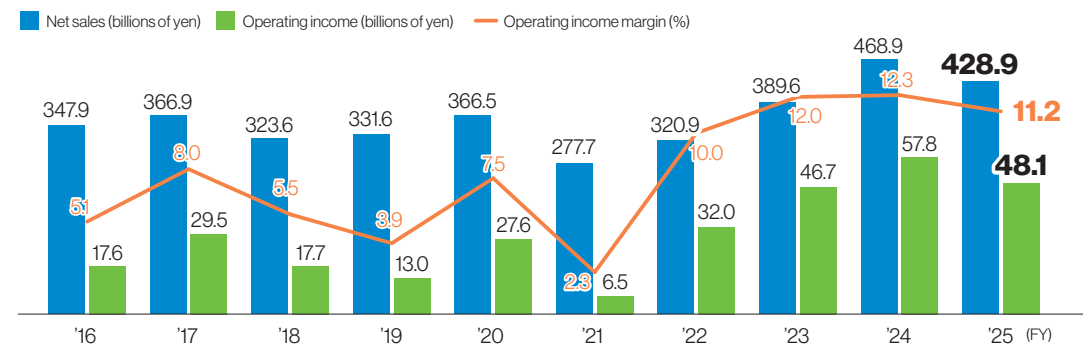


Financial Highlights

● Net Sales*^{1,*2} / Operating Income / Operating Income Margin*²

¥428.9 billion / ¥48.1 billion / 11.2%

Although the Consumer and Animation areas of the Entertainment Contents Business performed strongly, factors such as the cancellation of certain titles under development and the postponement of mainstay title launches in the Pachislot & Pachinko Machines Business resulted in net sales of ¥428.9 billion (down 8.5% year on year), operating income of ¥48.1 billion (down 16.8% year on year), and an operating income margin of 11.2%.

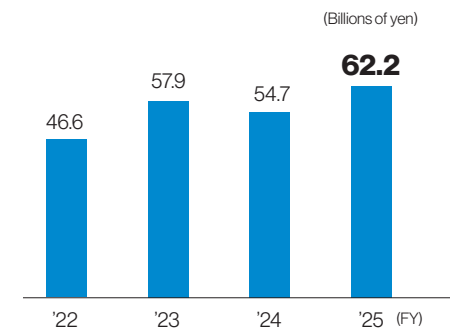


● Adjusted EBITDA*

¥62.2 billion

Special gains were recorded from the transfer of shares in PHOENIX RESORT, along with special losses such as business restructuring losses related to the transfer of a European studio, and amortization of goodwill and trademark rights associated with M&A. As a result, adjusted EBITDA was ¥62.2 billion (up 13.7% year on year).

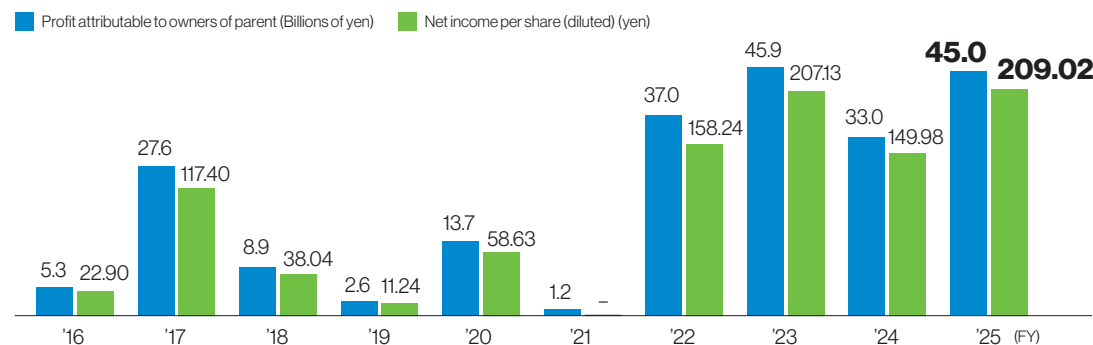
* Adjusted EBITDA: Ordinary income + Interest expense + Depreciation and amortization ± Adjustment items
Adjustment items: Special gains from business operations, special losses at business sites (impairment, title valuation losses, etc.), net income attributable to non-controlling interests, and amortization of goodwill/trademark rights related to M&A



● Profit (Loss) Attributable to Owners of Parent / Profit Per Share

¥45.0 billion / ¥209.02

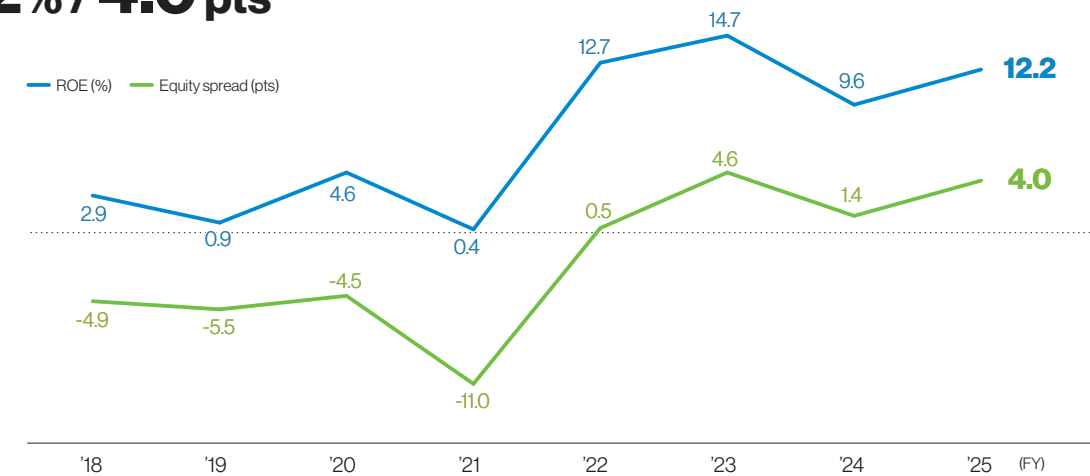
Special gains were recorded from the transfer of shares in PHOENIX RESORT, along with special losses such as business restructuring losses related to the transfer of a European studio. As a result, profit attributable to owners of parent was ¥45.0 billion (up 36.4% year on year). Net income per share (diluted) was ¥209.02.



● ROE / Equity Spread

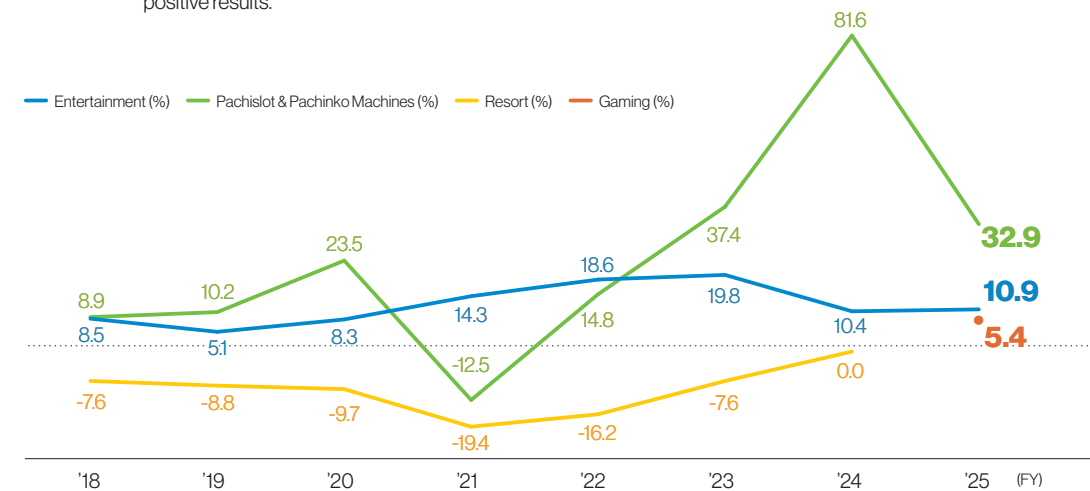
12.2% / 4.0 pts

With the increase in net income, ROE rose to 12.2% (up 2.6 pts year on year), and the equity spread improved to 4.0 pts, both showing progress compared with the previous fiscal year.



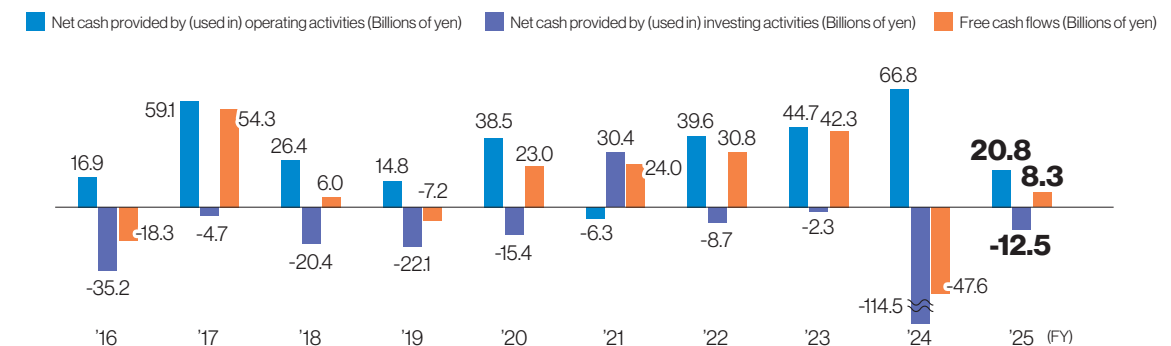
● ROIC by Business

In the Pachislot & Pachinko Machines Business, the recoil decline from the previous fiscal year resulted in a 48.7-pts drop to 32.9%, while in the Entertainment Contents Business, increased profits led to a 0.5-pts rise to 10.9%. The Gaming Business also delivered positive results.



● Cash Flows

Operating activities provided net cash of ¥20.8 billion for the fiscal year ended March 2025 (compared with an inflow of ¥66.8 billion in the previous fiscal year). Investing activities used net cash of ¥12.5 billion (compared with an outflow of ¥114.5 billion in the previous fiscal year).

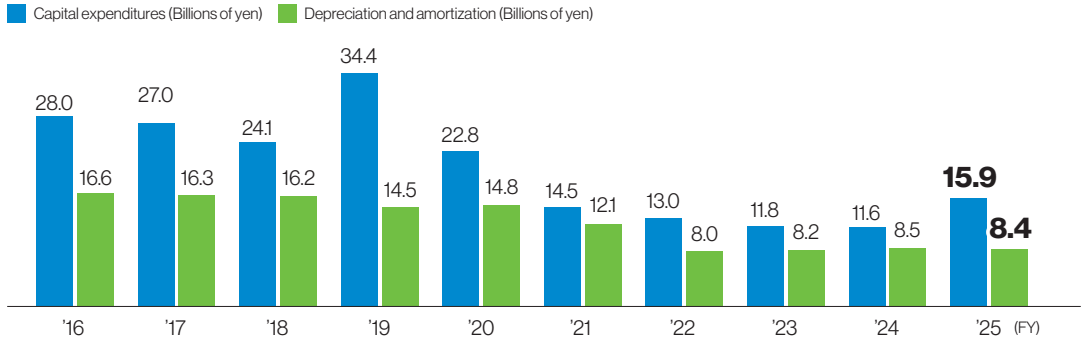


*1 As the recognition of net sales was changed (1) from a net bases to a gross basis and (2) from a shipment bases to a delivery basis in the fiscal year ended March 2016, figures for the fiscal year ended March 2015 reflect these changes retrospectively.

*2 Allocated revenue 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 the fiscal year ended March 2025. In accordance with this change, net sales and operating income for the fiscal year ended March 2024 were changed retrospectively.

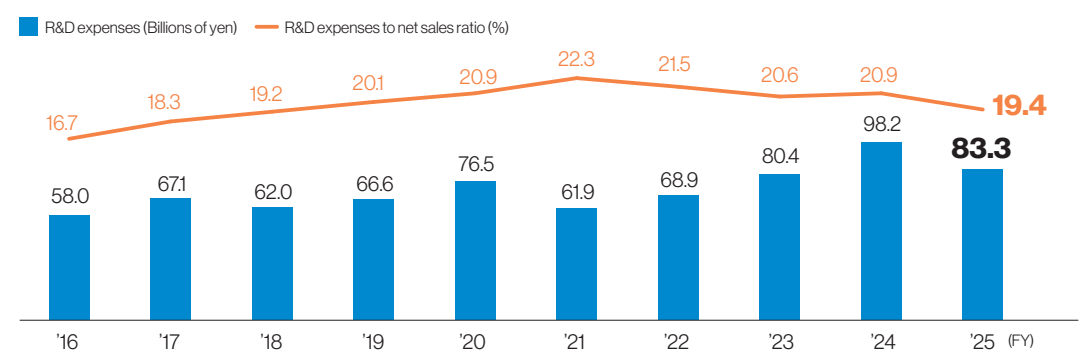
● Capital Expenditures / Depreciation and Amortization

¥15.9 billion / ¥8.4 billion
Capital expenditures were up 37.1% year on year to ¥15.9 billion.
Depreciation and amortization decreased 1.2% year on year to ¥8.4 billion.



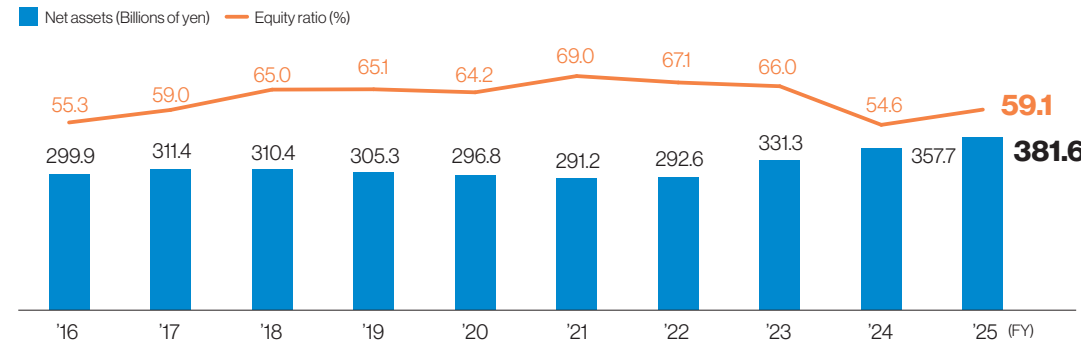
● R&D Expenses and Content Production Expenses / R&D Expenses to Net Sales Ratio

¥83.3 billion / 19.4%
R&D expenses and content production expenses went down 15.2% year on year to ¥83.3 billion.

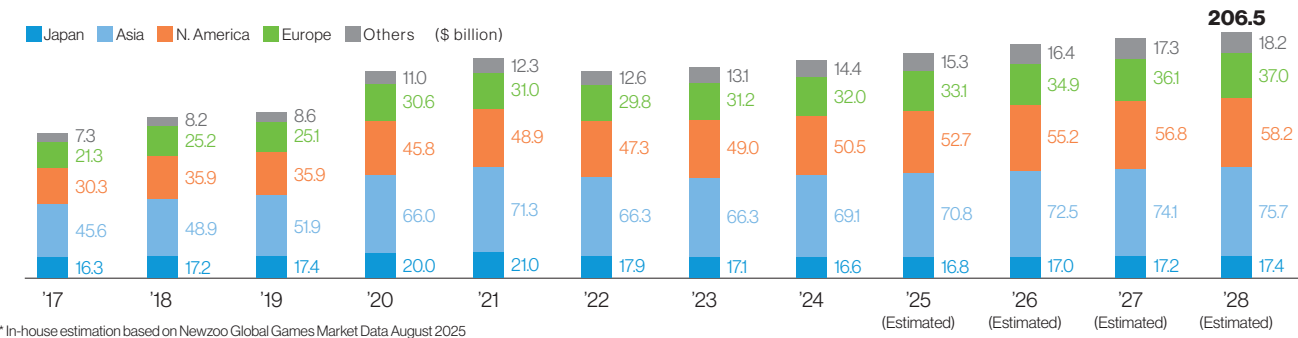


● Total Net Assets / Equity Ratio

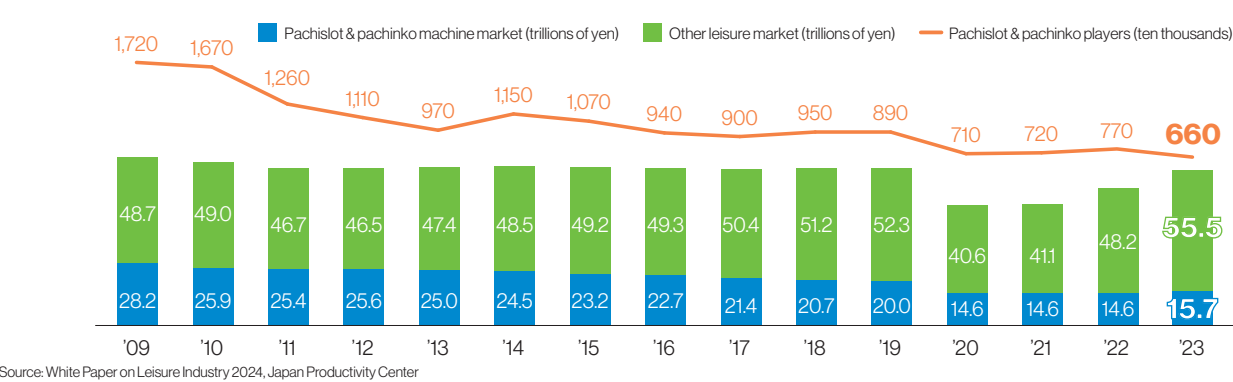
¥381.6 billion / 59.1%
Total net assets increased ¥23.9 billion from the end of the previous fiscal year to ¥381.6 billion.
The equity ratio increased 4.5 pts from the end of the previous fiscal year to 59.1%.



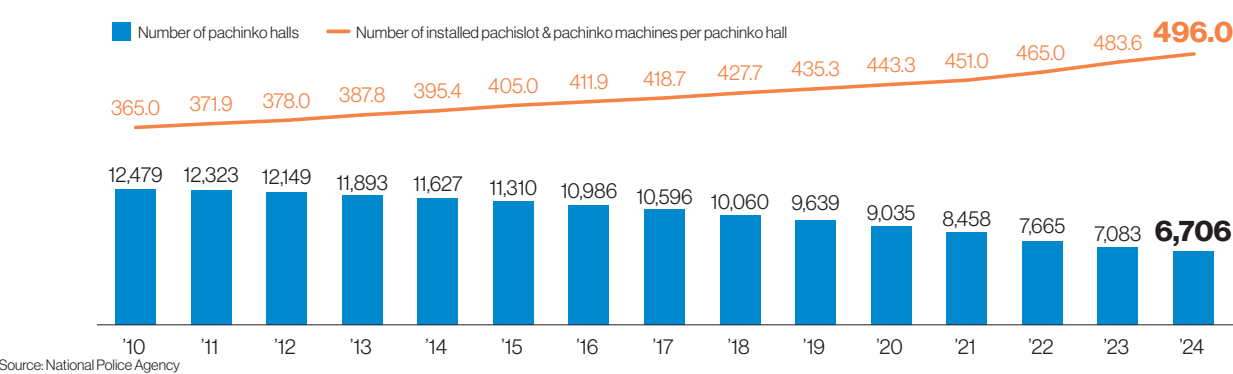
● Video Game Contents Market Size (By Region)



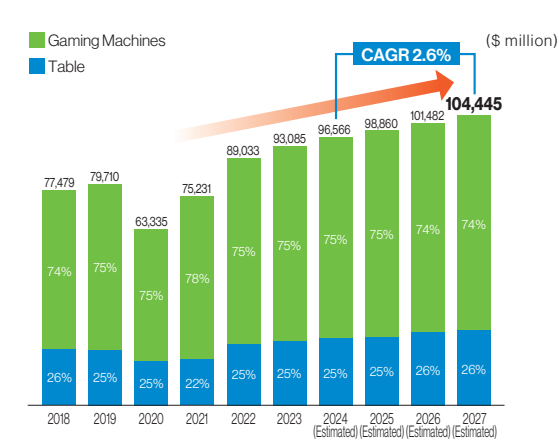
● Market sizes and number of pachislot & pachinko players



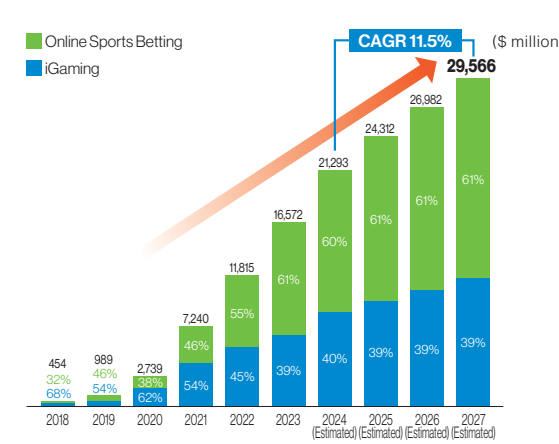
● Numbers of pachinko halls and installed pachislot & pachinko machines per pachinko hall



● North America: Land-based Casinos



● North America Online Gaming (Online Sports Betting/iGaming)



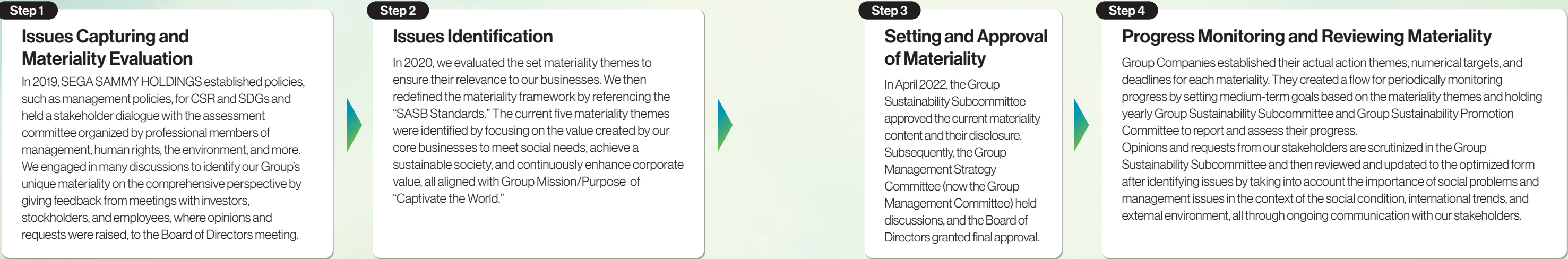
Materiality

SEGA SAMMY GROUP
SUSTAINABILITY VISION

Sustainability Helps Keep Life Colorful

We believe our determination to enhance life with a rich and colorful stream of captivating experiences should be reflected in our approach to sustainability. It is our responsibility to put sustainability at the heart of everything we do, in tandem with our people, society, and the environment. We will continue to pursue this synergy as a company dedicated to the shared experiences of a colorful world.

Materiality Identification Process



Targets and Main Initiatives by Materiality

Materiality		Targets	Main initiatives	Results for FY2025/3	Specific Details
 Human Resources	Cultural diversity	● Culturally diverse human capital: Approx. 900 people (approx. 21% or more)	● Promoting "game change" by increasing culturally diverse human capital	● 951 employees	● Human Resources Strategy P.58 - 63
	Career development for women	● Percentage of women in managerial positions: Approx. 8% or more (approx. 80 people or more)	● Creating a foundation where employees can thrive regardless of gender	● Approx. 8.0% (94 employees)	
	Training of core personnel	● Amount invested in education: ¥4.0 billion or more cumulatively	● Strategic development of human capital who can lead the next generation	● Approx. ¥480 million / year (Cumulative total: approx. ¥1,460 million)	
	Improvement of the work environment	● Engagement score: 58 or above/Rating A or above	● Maintaining and improving the engagement of human capital	● 57.5 (BBB)	
 Products and Services		● Enhancement of SEGA brand value (Entertainment Contents Business) ● Establishing No. 1 position in the industry (Pachislot & Pachinko Machines Business)	● Quality improvement and further promotion of safety and security		● Entertainment Contents Business P.34 - 41 ● Pachislot & Pachinko Machines Business P.42 - 47
 Environment	Scope 1, 2	● Reducing group-wide GHG emissions by around 50% (2030) ● Group-wide carbon neutrality (2050)	● Consideration and implementation of reduction measures	● Launched solar power supply at the Sammy Kawagoe Factory in December 2024	● Environment P.66 - 68
	Scope 3	● Reducing GHG emissions by 22.5% or more (2030)	● Strengthening supplier engagement	● Conducted supplier survey (50 companies) ● Conducted direct communication with suppliers (2 companies)	
 Addiction		● Compliance with laws, regulations, voluntary standards, etc. related to addiction ● Contributing to the sound development of the industry ● Implementation of industry-academia collaborative research on addiction	● Initiatives related to addressing and preventing addiction and gaming disorders in collaboration with various industry associations ● Continued commitment to addiction research		● Addiction P.64 - 65
 Governance		● Maintaining a highly transparent management approach and a corporate governance system that supports medium- to long-term enhancement of corporate value	● Maintaining a corporate governance system that contributes to medium- to long-term improvements in corporate value by ensuring continuous high transparency in management		● Governance P.70 - 85

Human Resources Strategy

Developing People Who Can Create Captivating Experiences

Message from the Head of Human Resources

Promoting Human Capital Management Based on the HCDGs

Makoto Takahashi

Executive Vice President, Executive Officer



A Two-Tier HR Strategy that Supports the Challenges of the Group and Each Company

The SEGA SAMMY Group upholds “Captivate the World -Making Life More Colorful-” as its Group Mission/Purpose Amid a rapidly changing environment, we see our raison d'être as creating a society overflowing with empathy through our products and services, and adding color to the lives of people worldwide.

Since consolidating the domestic headquarters offices of Group Company in Osaki in 2018, we have continuously engaged ahead of the curve in agendas that are now discussed in the context of human capital management, with the aim of fostering human capital, culture, and an environment that support realization of our Group Mission/Purpose. Under the current medium-term plan (fiscal year ended March 2025 to fiscal year ending March 2027), we have established the Group Human Resources Strategy, the Human Capital Development Goals (HCDGs), which set common themes and targets that each company is expected to pursue.

While advancing human capital development, cultural cultivation, and environmental building across the Group under the HCDGs, we are also promoting human resources strategies tailored to the specific characteristics of each business. For each business strategy, we structure gaps and issues related to human capital, corresponding measures and quantitative targets, and expected outcomes, which form the basis of each company's strategy.

We will continue to advance this two-tier human resources strategy while sharing its context and progress with stakeholders as appropriate.

Category	Results for FY2025/3	2030 Targets (Announced in May 2022)
Culturally diverse*1 human capital	951 people (25%)	Approx. 900 people or more (Approx. 21% or more)
Percentage of female managers	Approx. 8.0% (94 people*2)	Approx. 8% or more (Approx. 80 people or more)
Amount invested in education*3	Approx. ¥0.48 billion / year (Cumulative total: approx. ¥1.46 billion)	Average ¥0.45 billion / year (Cumulative total: ¥4 billion or more)
Engagement score*4	57.5 (Rating: BBB)	58 or above (Rating: A or above)

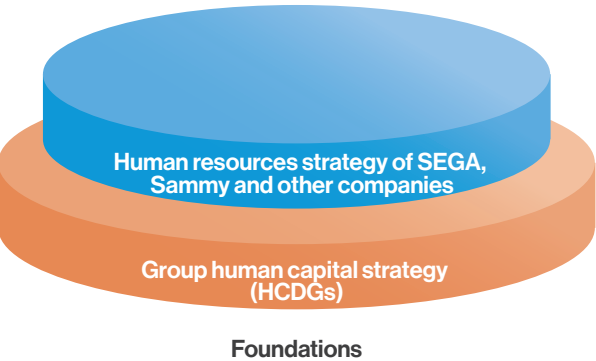
*1 Certified based on multiple criteria, such as being a foreign national, having lived abroad and experienced multiculturalism, and having certain skills of multiple languages such as English and Chinese. Human resources who are exposed to diverse cultures and can apply that experience to their work.

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

*3 Cumulative investment from FY2023/3 to FY2031/3

*4 Overall score based on the motivation cloud provided by Link and Motivation Inc.
 [Target Company] Culturally diverse human capital, Percentage of female managers, Amount invested in education: SEGA SAMMY HOLDINGS INC., SEGA CORPORATION, Sammy Corporation / Engagement Score: Major domestic Group Companies

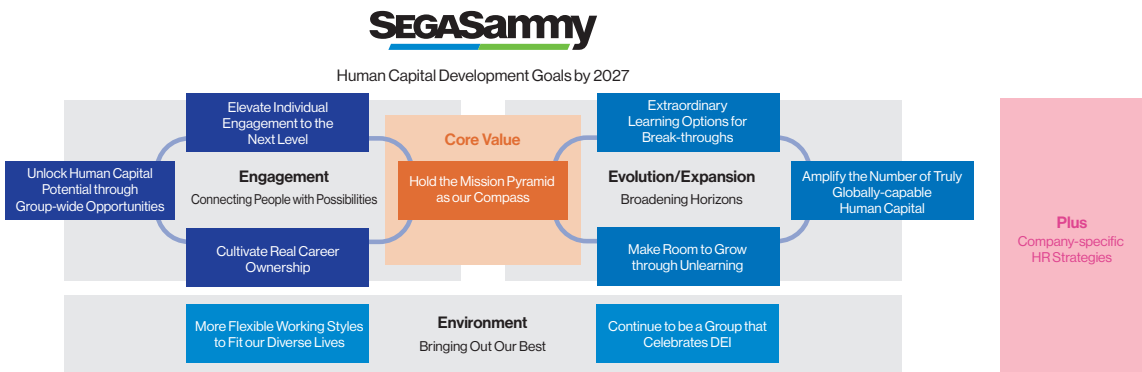
Uniqueness and Viability of Business Strategy



Structure of HCDGs

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

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

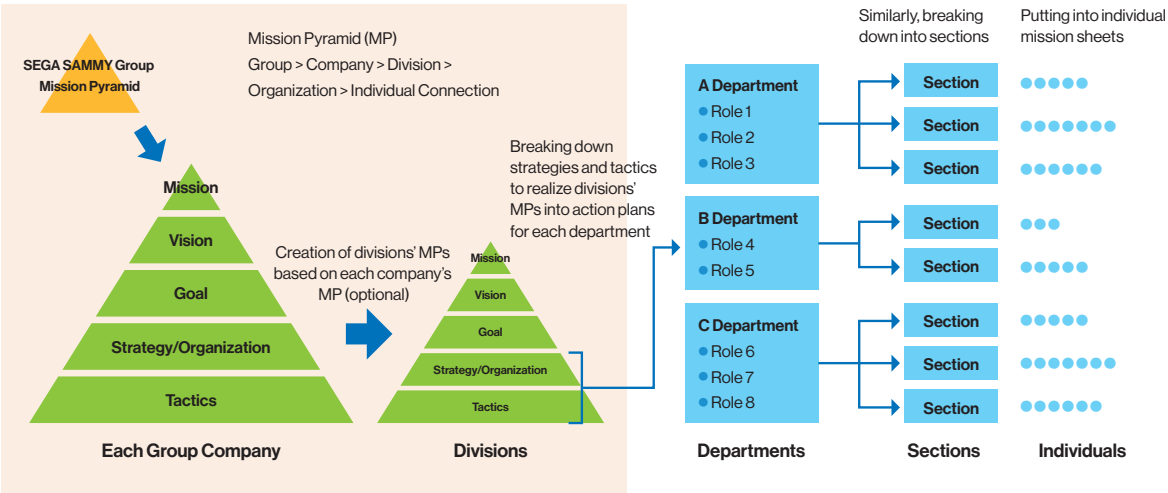


Core Value

Mission Pyramid as a common absolute axis

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

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





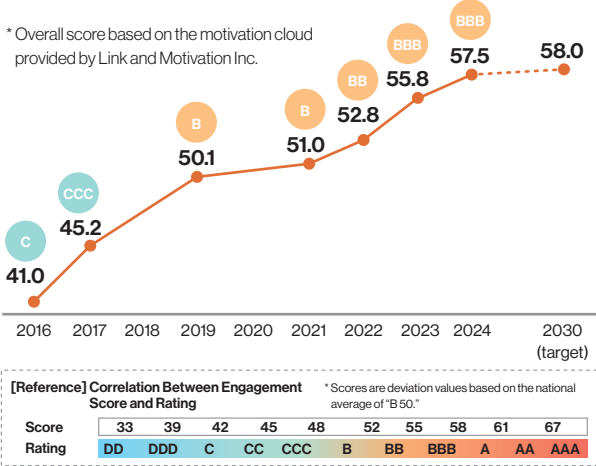
Human Resources Strategy

Engagement

Connecting People with Possibilities

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

The survey comprehensively visualizes the engagement factors related to companies, supervisors, and workplaces, and establishes issues and measures to bring each company closer to its ideal organizational state. As a result of ongoing efforts, the Group's engagement score* reached 57.5 pts (rating: BBB) as of 2024, approaching the 2030 target of 58.0 pts (rating: A). The current score indicates that an environment where employees can work with a sense of purpose has been established, and we now consider ourselves in a phase of moving toward unique organizational designs aligned with each company's medium- to long-term vision and strategy.

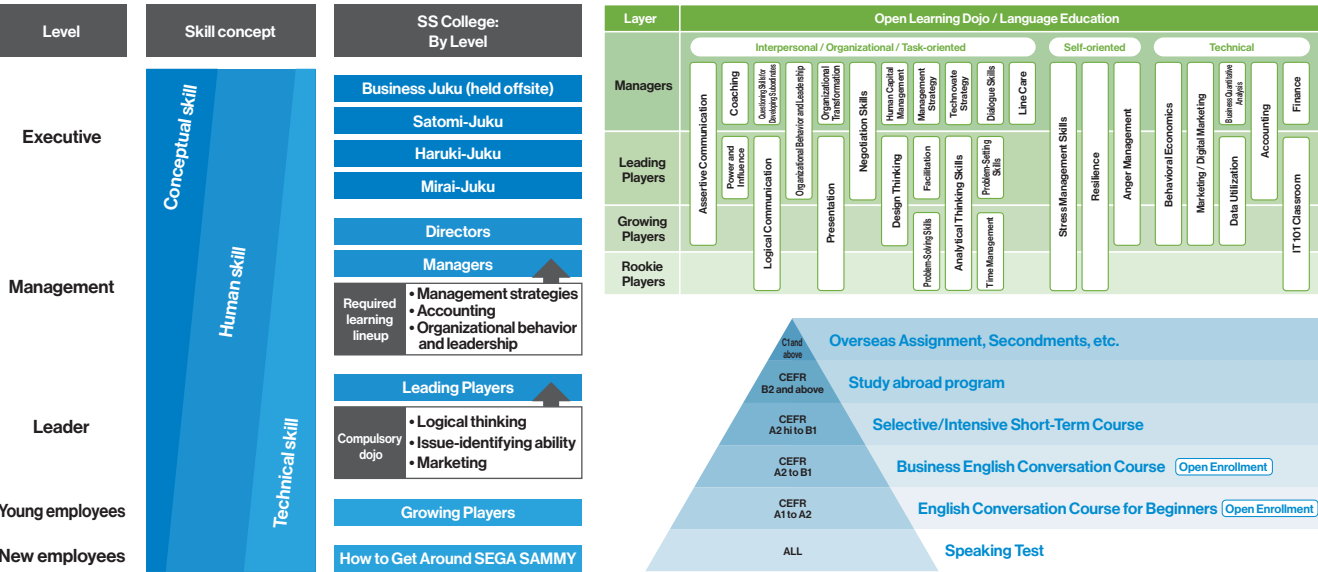


Evolution/Expansion

Broadening Horizons

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

We are expanding our programs to include a level-specific/selective program to develop SEGA SAMMY-like leaders, Open Learning Dojo (training hall) where employees can learn various skills according to their wishes, language education to develop globally competent culturally diverse human resources, and IT courses, including AI and data utilization, to develop human capital for DX. The target employees continue to expand through the digitization (online) and hybridization of training programs, with a cumulative total of about 61,000 participants by the end of March 2025. It will continue to evolve further as an in-house learning institution that nurtures creators and bearers of captivating experiences.



Environment

Bringing Out Our Best

In today's rapidly changing market environment, responding to diverse user preferences requires the Group to become a microcosm of global diversity, incorporating not only cultural diversity but also a wide range of attributes and cognitive diversity. Expanding the range of human capital who can thrive in the Group by accommodating more values and work-life styles is a critically important agenda for enhancing the feasibility and effectiveness of our strategies. The Group is building a working environment where diverse human capital can thrive.

Promoting Career Development for Women

- Unconscious bias training
- Support for women's career development (pregnancy, childbirth, and return-to-work support)
- Town hall meetings on career development for women
- Career workshops for young female employees

Childcare Support

- Extension of childcare leave / short working hours beyond legal requirements
- Childcare leave using accumulated annual leave
- Short-time flextime system
- Childbirth celebration bonus and childcare support allowances

Support for Balancing Work and Caregiving

- Financial support for caregiving leave / family visits
- Extended caregiving short working hours beyond legal requirements, and the option of multiple divisions of leave
- Short-time flextime system
- Promoting awareness through Vtuber videos

Providing Flexible Workstyles

- Flextime system
- Short working hours system
- Remote work and hybrid work systems
- Select-time and select-location systems

Support for Sexual Minorities

- Various systems for same-sex partners (e.g., ceremonial leave, welfare benefits)
- Work support related to gender reassignment surgery, hormone treatment, etc.

Employment of Persons with Disabilities

- Establishment of a special subsidiary, SEGA SAMMY BUSINESS SUPPORT INC.
- Experiential training to promote understanding of persons with disabilities
- Leave for medical appointments

S.S.FIVE: Common Mindset/Stance to Make the Most of Diversity

S.S.FIVE represent the common mindset and stance necessary for diverse human capital to cooperate with each other while demonstrating their individuality. Inspired by the "human qualities" that Hajime Satomi, Chairman and Representative of the Company, has long valued, we have established a shared set of competencies across the SEGA SAMMY Group. In addition to being incorporated directly or indirectly into the human capital requirements and evaluation criteria of each Group company, they are also important learning objectives in executive layer and level-specific training at SEGA SAMMY College, the Group's in-house learning institution and are part of our systematic efforts to cultivate human capital that is unique to SEGA SAMMY.

Key Themes and Initiatives Related to Diversity (Including Initiatives at some Group Companies)



- Our Core Qualities -

Drive

Proactively tackle new challenges.

Empathy

Actively build networks based on mutual trust.

Initiative

Keep your goals in mind and act accordingly.

Control

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

Resolve

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

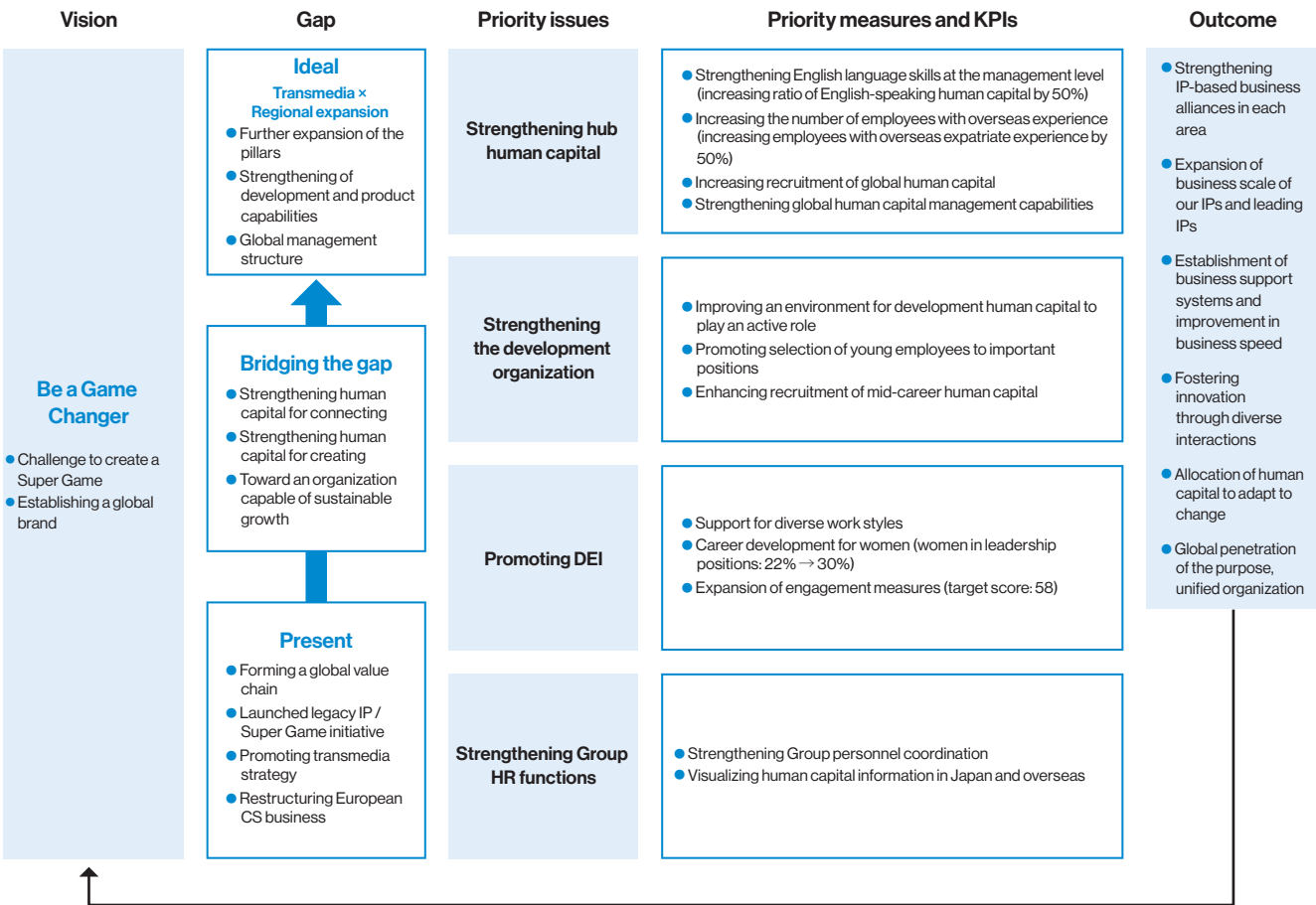
* For details on SEGA SAMMY Group initiatives related to human capital, please refer to our sustainability website. > <https://www.segasammy.co.jp/en/sustainability/esg/esgsociety/>



Business-specific Human Resources Strategies

SEGA

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



Entertainment Contents Business

Enhancing Hub Function to Connect Japan and Overseas

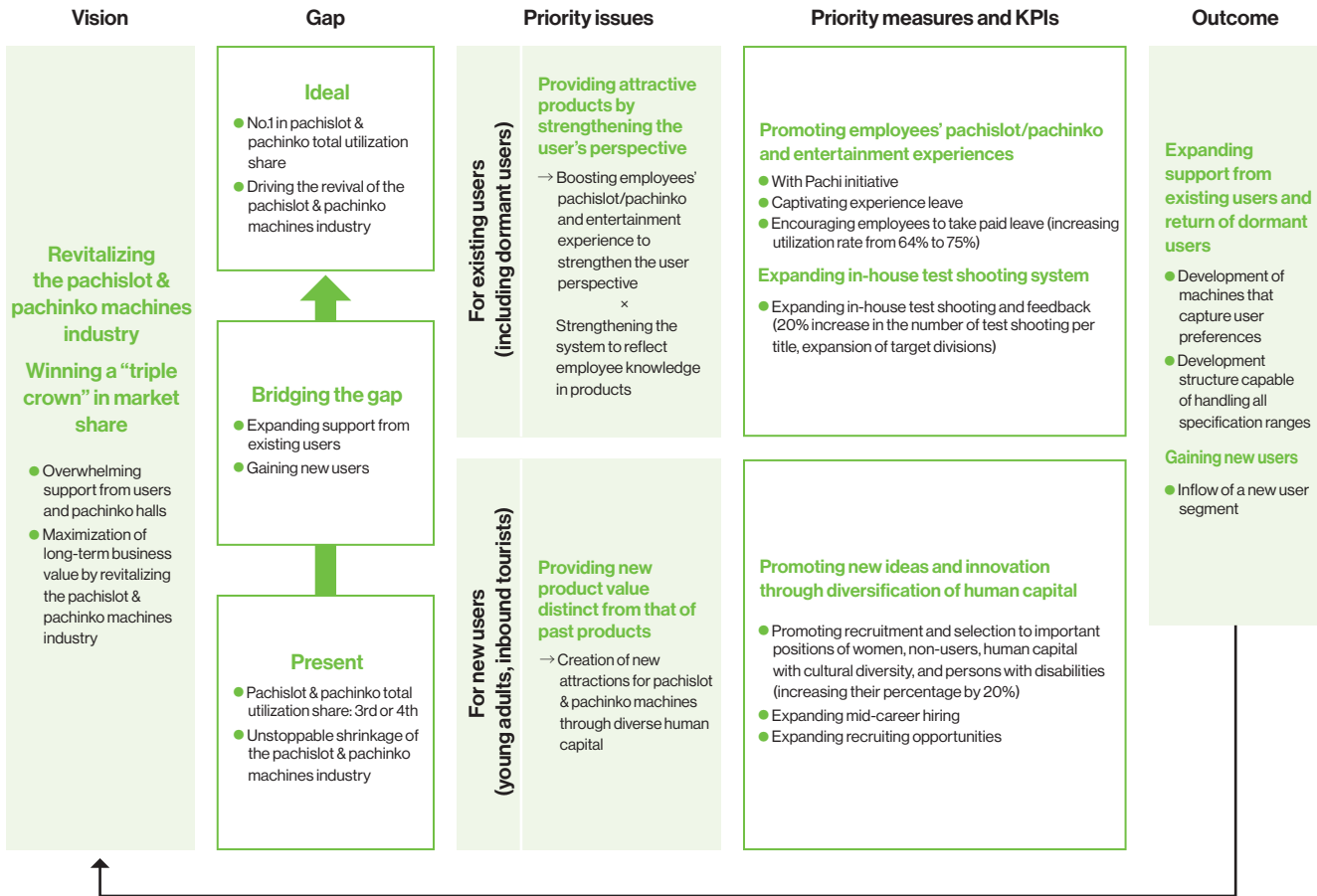
SEGA is pursuing a "transmedia strategy" that simultaneously promotes the expansion of IP development areas and regional expansion. At this critical juncture of our global shift, it is important to develop and strengthen hub human capital who can realize business collaboration with global players and cooperation between development studios and overseas operating companies. The roles of hub human capital are wide-ranging, including not only linguistic capabilities but also leadership in sharing of regulations and business practices, the resolution of cultural differences, and the optimization of work procedures to facilitate the global rollout of content from each studio. There are also members who drive global strategies by managing performance not only at the site level but also at the business unit level.

Currently, we have dispatched staff from Japan to six countries and regions. Going forward, by securing and developing human capital, we plan to — by the fiscal year ending March 2027 — increase the number of employees with overseas assignment experience to 150% of the level as of the fiscal year ended March 2024 to further advance our global management.



Sammy

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



Pachislot & Pachinko Machines Business

For Offering Attractive Products

Sammy sees offering products that are supported by users as a material issue in expanding its share of the pachislot & pachinko machines market, and is promoting manufacturing from the user perspective in order to meet the diverse needs of a wide range of users. Currently, 88.4% of Sammy employees play pachislot/pachinko machines, with an annual play frequency of 73.0 times, which is significantly higher than the general user participation rate, according to the *White Paper on Leisure Industry*. Sammy encourages employees to experience pachislot/pachinko and entertainment because we believe that having employees play and be users is a strength that leads to understanding user perspectives and providing attractive products. We have implemented various measures to increase the amount of time employees spend experiencing entertainment such as With Pachi, a program that provides support for two or more employees to play pachislot/pachinko together; holding events such as Company-wide Test Shooting Day for in-house products; and promoting the use of captivating experience leave, a special leave for experiencing entertainment. All of these measures are reflected in the development of our own products through in-house questionnaires and feedback. In addition, we have set up a mock hall called Parlor Sammy to create an environment where employees can freely try out products under development. We are promoting measures to reflect the frank opinions obtained there in our products for further refinement. We have increased the number of in-house test shooters by 450 from the previous fiscal year, aiming to further improve quality and strengthen our systems.





Addiction

Prevention of Addictions and Disorders

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

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

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

Compliance with laws, regulations, voluntary rules, etc.	Engagement in industry organization initiatives	Implementing SEGA SAMMY's own initiatives
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E Collaboration with Industry Groups

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

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

Addiction Countermeasures in the Pachislot & Pachinko Machines Business

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

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

P Activities during Pachislot & Pachinko Addiction Awareness Week

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

Addiction Countermeasures in the Pachislot & Pachinko Machines Industry

2003 Establishment of the Society for Research on Pachinko Addiction	2019 Formulation of Basic Guidelines for Addressing Pachinko Addiction
2006 Establishment of the Recovery Support Network (RSN)	Formulation of Basic Guidelines for the Pachinko and Pachislot Industry for Addressing Addiction
2017 Release of a statement on pachinko & pachislot addiction	2020 National Police Agency expresses expectations for promoting measures to address addiction and urges at a meeting of the Board of Directors of the Japan Federation of Gaming Business Associations
2018 Replacement of pachislot & pachinko machines with new models that comply with revised regulations	2022 Beginning of smart pachislot installation to the market
Establishment of the Advisory Council on Addiction Countermeasures in the Pachinko and Pachislot Industry (a committee of independent experts)	2023 Beginning of smart pachinko installation to the market

* Explanation of smart pachislot & pachinko machines are on p. 25

SS Industry-Academia Joint Research Project on Gambling Addiction

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

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

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

* This research project is being conducted from December 2017 to March 2028 at the Kokoro Research Center, Kyoto University

Toward Achieving Carbon Neutrality

SEGA SAMMY Colorful Carbon Zero^{*1}

Disclosure Based on TCFD Recommendations

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

Our Efforts for the Environment

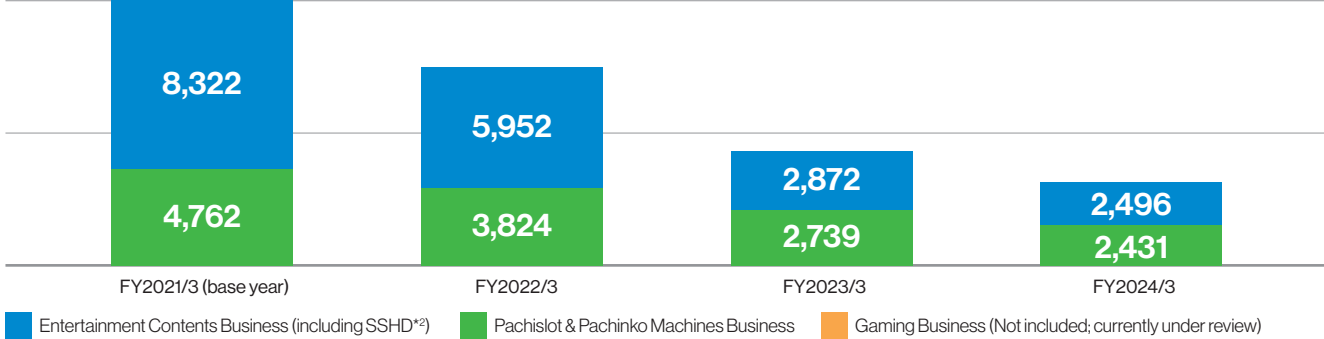
The SEGA SAMMY Group has been working on effectively using energy, reducing the environmental load from offices and production bases, and adopting environmentally conscious designs of products and services to protect global warming. In May 2022, we set a quantitative target for reducing greenhouse gas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

Materiality	Main initiatives		Targets
Environment	Scope 1, 2	Study and implementation of reduction measures	- Reducing group-wide GHG emissions by around 50% (2030) - Group-wide carbon neutrality (2050)
	Scope 3	- Strengthening supplier engagement - Consideration of supplier selection criteria - Consideration of expansion of companies subject to reduction targets and its timing	Reducing GHG emissions by 22.5% or more

Please see our website for details on initiatives to reduce CO₂.

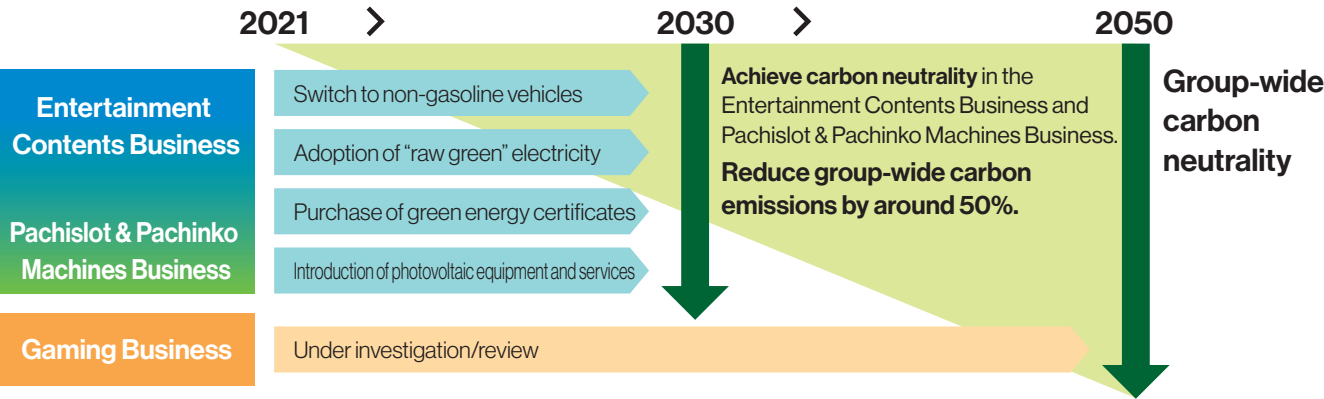
SEGA SAMMY Group Scope 1 and 2 Greenhouse Gas Emissions (Actual)

(t-CO₂)



^{*2} SEGA SAMMY HOLDINGS INC.

Roadmap to Carbon Neutrality



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

We have implemented climate-related financial disclosure in line with the TCFD framework since 2022.

In June 2022 the Group announced its endorsement of the key recommendations of the final report (TCFD Recommendations) of the Task Force on Climate-related Financial Disclosure (TCFD). TCFD Recommendation is a framework for climate-related information disclosure and is used as a guideline to verify the adequacy of the Group's climate change-related measures.

Governance

As an organization to discuss and deliberate on our fundamental policies and critical matters related to climate change, we established the Group Sustainability Subcommittee within the Group Management Committee, an optional committee, in April 2022. The Group Sustainability Subcommittee is composed of the President and Group CEO of the Company, as well as directors and members of the Board Audit Committee who are consistent with sustainability in the skills matrix of the Board of Directors and also includes the CFO of the Group from the perspective of disclosure based on TCFD. The Company's Corporate Planning Division is in charge of the secretariat.

The Board of Directors receives reports on the policies and plans discussed in the Group Sustainability Subcommittee, approves them as appropriate, receives semi-annual progress reports, and conducts oversight regarding the response to climate-related risks and opportunities. Further, the Board checks them from the sustainability perspective, including climate-related risks.

Strategy

To assess the risks and opportunities that future climate change may have on our business activities and financial impact, we have conducted an analysis using scenario analysis methods and the framework proposed by TCFD to predict changes in the external environment.

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

Scenario Analysis Results (Risks/Opportunities, Financial Impact)

Large Category	Middle Category	Risks / Opportunities Items	Timing	Impact on the Group (Risk Opportunity)	Impact level
Transition risk・Opportunity	Policies and regulatory requirements	Introduction of GHG emission regulations and carbon taxes	Medium/Long-term	The carbon tax burden will increase if governments adopt tighter climate change-related regulations and apply carbon taxes to greenhouse gas emissions.	Medium
			Medium/Long-term	If governments adopt tighter climate change-related regulations and apply carbon taxes to greenhouse gas emissions, manufacturers will pass on the resulting increase in the carbon tax burden, leading to higher procurement costs.	Large
	Resource efficiency	Reduction of parts, materials, and packaging through environment focused changes to marketing formats	Medium/Long-term	Parts and packaging will be reduced, along with costs, by shifting to environment-friendly marketing format for online sales for video game and sales of pachislot & pachinko machines.	Large

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

Risk Management

We identified climate change-related risks that are expected to have a significant impact on our group as follows:

Risks related to the "transition" to a low-carbon economy: Climate change policies, regulations, technological development, market trends, and market valuations, etc.

Risks related to "physical" changes caused by climate change: Acute or chronic damage caused by disasters brought about by climate change

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



Toward Achieving Carbon Neutrality
Disclosure Based on TCFD Recommendations
SEGA SAMMY Colorful Carbon Zero

Carbon Pricing

For carbon pricing, which can be quantitatively evaluated based on the third-party assurance of greenhouse gas emissions, we have calculated based on the following calculation basis.

In the future, we will continue to consider disclosing quantitative evaluations for items other than carbon pricing.

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

In 2030, it was found that the burden of the carbon tax would be ¥460 million in the 1.5 °C scenario and ¥180 million in the 4 °C scenario, and in 2050 it would be ¥820 million in the 1.5 °C scenario and ¥290 million in the 4 °C scenario. We will continue working towards reducing greenhouse gas emissions by nearly 50% by 2030 and achieving carbon neutrality by 2050 as a group-wide goal.

Scenario	2030	2050
1.5°C scenario	−¥460 million	−¥820 million
4 °C scenario	−¥180 million	−¥290 million

* Assumed carbon tax price: (1.5°C scenario) US\$140/t-CO₂ in 2030, US\$250/t-CO₂ in 2050, (4°C scenario) US\$56/t-CO₂ in 2030, US\$89/t-CO₂ in 2050 (quoted from IEA (World Energy Outlook 2024)), assuming an exchange rate of US \$1 = ¥152 (adopting the AR at the time of our second quarter results for the fiscal year ended March 2025)

* Assuming that Scope 1 and 2 are targeted, greenhouse gas emissions are the same as in the fiscal year ended March 2024.

Indicators and Targets

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

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

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

We have been working on calculating the greenhouse gas emissions of the entire group since the fiscal year ended March 2015.

For the fiscal year ended March 2024, we have obtained third-party assurance from SOCOTEC Certification Japan for Scope 1, 2, and 3 greenhouse gas emissions.

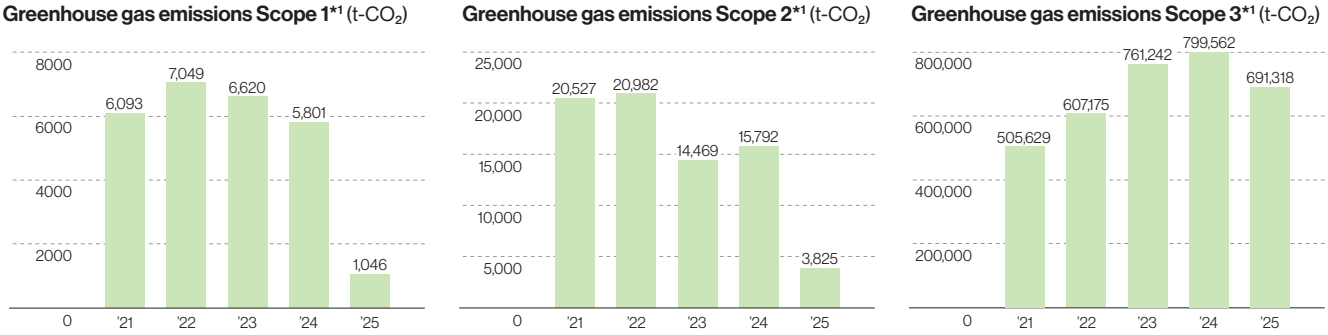
SEGA SAMMY Group Scope 1, 2, and 3 Greenhouse Gas Emissions Performance for FY2024/3

Category	Emissions (t-CO ₂) *1	Share (%)
Scope 1	5,801	0.7
Scope 2	15,792	1.9
Scope 3	799,562	97.4
Total of Scope 1, 2 and 3	821,155	100.0

*1 Third-party assurance obtained by SOCOTEC Certification Japan

Non-Financial Highlights

Environmental Data (FY)



	2021	2022	2023	2024	2025
Electricity Consumption*2 (MWh)	52,201	52,847	51,550	53,198	28,055
Industrial Waste Discharge*2 (t)	11,089	1,164	1,381	3,011	1,906
Water Intake*2 (m³)	603,287	711,227	768,821	733,742	86,425
Number of Violations of Environmental Laws and Regulations	0	0	0	0	0
Environmental Indicators at Sammy Kawagoe Factory					
Pachislot & pachinko machines recycle rate (total for pachislot & pachinko machines) (%)	98.6	96.4	98.3	89.8	92.2
Number of Companies Surveyed via Supplier Questionnaire (Companies)	—	24	41	59	50

Notes 1: Aggregate data includes estimated values calculated based on total floor area and other factors.
2: Coefficient for greenhouse gas emissions from purchased electricity: Adjusted emission coefficients for each electricity provider for the fiscal year prior to each reporting fiscal year
3: There are changes from the previous year's figures due to a review of the calculation method used when obtaining a third-party assurance.

*1 Third-party assurance is obtained for data for FY2021/3 to FY2024/3.
*1, 2 Data for FY2025/3 are figures before third-party assurance and are subject to change.

Scope of Data

● FY2020/3: 13 companies, FY2021/3: 19 companies, FY2022/3: 19 companies, FY2023/3: 19 companies, FY2024/3: 19 companies, FY2025/3: 23 companies (SEGA SAMMY HOLDINGS INC., SEGA CORPORATION, Sammy Corporation, ATLUS CO., LTD., Sammy NetWorks Co., Ltd., SEGA FAVE CORPORATION, SEGA Logistics Service Co., Ltd., DARTSLIVE Co., Ltd., TMS ENTERTAINMENT CO., LTD., Sega of America, Inc., Sega Europe Limited, Sega Black Sea EOOD, Sega Publishing Europe Ltd., Sports Interactive Ltd., The Creative Assembly Ltd., Two Point Studios Limited, Rovio Entertainment Ltd, Ruby Oyun ve Yazılım Danışmanlık Sanayi Ticaret Anonim Şirketi (Ruby Games), Rovio Toronto, Inc., Rovio Barcelona S.L.U., Rovio Sweden Ab, Rovio Copenhagen ApS, Rovio Interactive Entertainment Canada Ltd)

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

Human Capital Data (FY)

	2021	2022	2023	2024	2025
Number of Employees*1 (Employees)	7,535	7,760	8,219	8,623	8,147
Number/Ratio of Women in Managerial Positions (Employees / %)	101/8.0	113/8.2	136/8.9	161/9.7	139/8.7
Culturally Diverse Human Resources (Employees / %)	—	—	658/17	855/20.7	951/24.8
Investment in Education (Billion yen)	—	—	4.7	5.2	4.8
Engagement Score*2	—	51.0/B	52.8/BB	55.8/BBB	57.5/BBB
New Employee Turnover Rate*3 (%)	0.78	0.00	0.93	0.00	0.80
Average Overtime Hours Per Month (Hours)	24.3	22.3	21.5	20.9	26.9
Employees Taking Childcare Leave and Ratio of Employees Returning to Work after Childcare Leave (Employees / male % / female %)	119/100/92.9	114/100/94.4	86/100/100	113/93.9/100	95/100/100
Mid-Career Hires (Employees)	97	131	310	332	267
Hiring of Persons with Disabilities*4 (Employees)	98	129	135	147	156
Employees Taking Maternity Leave (Employees)	48	39	38	34	37
Gender Pay-Gap (All Employees) (%)*5	—	—	76.5	76.5	75.2

*1 Group consolidated figures
*2 Overall score based on the motivation cloud provided by Link and Motivation Inc.
*3 Companies in scope: 3 domestic companies (SEGA SAMMY HOLDINGS, SEGA, Sammy)
*4 Number of persons with disabilities employed by Group companies subject to the Employment Rate System for Persons with Disabilities
*5 The company in scope is SEGA SAMMY HOLDINGS INC. The calculation method used is average annual income of female employees divided by average annual income of male employees.

Scope of Data

● FY2020/3: 14 domestic companies, FY2021/3: 12 domestic companies, FY2022/3: 10 domestic companies, FY2023/3: 11 domestic companies, FY2024/3: 12 domestic companies, FY2025/3: 11 domestic companies (SEGA SAMMY HOLDINGS INC., SEGA CORPORATION, Sammy Corporation, ATLUS CO., LTD., Sammy NetWorks Co., Ltd., SEGA FAVE CORPORATION, SEGA Logistics Service Co., Ltd., DARTSLIVE Co., Ltd., TMS ENTERTAINMENT CO., LTD., SEGA SAMMY CREATION INC., MARZA ANIMATION PLANET INC.)

External Director Interview

I am fully committed to supporting global governance of SEGA SAMMY who strives to make life “more colorful” around the world



Makiko Ushijima Director, Audit and Supervisory Committee Member (External)

Q Based on your career, what perspective do you bring to your role as an External Director?

I am qualified as an attorney both in Japan and the United States, and I have been advising clients in cross-border M&A, finance, and international compliance matters for nearly 30 years. My specialty is investment funds, and I frequently advise overseas fund managers. I place particular importance on accountability to investors, including institutional investors such as pension funds and other asset owners. I also have experience representing major casino operators overseas, and I hope to help

strengthen the Company's international Gaming Business. As an Audit and Supervisory Committee member, I am responsible for monitoring the independence of the accounting audit and expressing opinions on its appropriateness, so I intend to carefully monitor financial indicators as well.

Q What is your overall assessment of SEGA SAMMY HOLDINGS' governance structure?

Our Board of Directors has a majority of External Directors, with a high percentage of women and several foreign nationals, yet there is no sense of focusing on differences in attributes. Instead, board diversity seems to have taken root naturally. It's a vibrant and colorful group, with each Director contributing to discussions based on their own abilities and convictions.

I also regard the governance structure itself as highly sophisticated. The governance framework consists of the Board of Directors, the Group Management Committee, and the Group Strategy Meeting, which is mainly attended by executives of Group companies. Directors, including External Directors, generally participate through the first two, which allows us to engage in management efficiently from both monitoring and management perspectives. In addition, recordings of important sessions of the Group Strategy Meeting are also shared with External Directors as prior reference materials for Board of Directors and Group Management

Committee meetings. Subcommittees that External Directors also participate in have been established to address key governance issues, such as group risk management, and the Independent Advisory Committee for nomination and compensation is composed entirely of External Directors. (→ For details of each body, see p. 73)

The Group business is steadily expanding globally, so Group governance is becoming synonymous with global governance. Overseas M&A has rapidly increased the number of employees abroad, making it a material issue of Group governance to manage human capital with both unifying force and respect for differences in legal systems and cultures at the global level. Unflinching willingness to try new things and learn from our mistakes has dramatically evolved our ability to address such challenges.

Q What is your assessment of the information provision system for External Directors, and what challenges do you see?

As corporate governance that contributes to "earning power" (i.e., the capability of an enterprise to generate profits) has become a subject widely discussed in the market, External Directors are also sometimes expected to state opinions or views that appropriately support risk-taking. For that purpose, it is essential that we obtain appropriate and sufficient information as a basis for our judgment. Since I do not have direct access to frontline information, I actively ask questions and request additional materials whenever uncertainties arise.

As we are a holding company, there is inevitably some distance between us and the Group companies that conduct business, as well as their acquisition targets. We need to first ensure that sufficient information is gathered in a timely manner at the holding entity level. To make this information-gathering more efficient, I proposed a system whereby the Audit and Supervisory Committee could directly request information

such as contracts and due diligence materials from the legal officers of each Group subsidiary. What we review is not necessarily the appropriateness of the contract clauses themselves, but rather the course of negotiations, the appropriateness of personnel allocation, and the feasibility of effective PMI.

The Audit and Supervisory Committee also conducts inspections at overseas sites. When we can directly discuss matters with local employees, we gain a sense of their enthusiasm and commitment, as well as a feel for the PMI status with the entities acquired, something that cannot be fully grasped from reports at our offices in Tokyo. When the Board of Directors deliberates on additional investments and other matters in the future, firsthand knowledge of the human resources who are engaged in practical operations overseas can serve as a valuable additional point of reference alongside written information.

Introduction

Value Creation Story

Growth Strategy

Strengthening of Non-Financial Capital

Governance

Other Data

Q What is your assessment of SEGA SAMMY's engagement with investors, and what aspects do you believe should be emphasized?

In recent years, expectations for engagement between Directors and institutional investors have risen, and we are seeing more requests for dialogue with External Directors, particularly from overseas investors who hold a significant portion of our shares.

Our management team, led by the CEO, is highly proactive in engaging with investors, creating various opportunities for dialogue, such as inviting major investors to the Group Management Committee for exchanges of opinions. While management-led dialogue is well established, it will become increasingly important for External Directors and Audit and Supervisory Committee members to fulfill their accountability to investors from a governance perspective. As an External Director of a global corporation, we need to strengthen our ability to engage in dialogue in English and provide explanations aligned with the legal frameworks of different jurisdictions.

In particular, with regard to the Gaming Business, which we are focusing on as our third business pillar, there is a perception that it is an unfamiliar and high-risk industry. Some investors lack sufficient knowledge and say they cannot assess the business potentials because they do not understand the industry, so further efforts are needed to ensure their understanding. It should be noted that the gaming industry is a highly regulated sector, requiring exceptionally strong compliance awareness. I also hope that investors will recognize that the External Directors are closely monitoring this business from a stringent governance perspective as it continues to be established.

Q Please share your assessment of SEGA SAMMY HOLDINGS' business portfolio management.

At first glance, the Group's business portfolio may appear to lack visible synergies among its businesses. In reality, the Pachislot & Pachinko Machines Business, which generates stable earnings, provides the source of funds for growth investments in other businesses and shareholder returns, creating a structure in which the businesses support each other through cash flow. In this context, it is noteworthy that in addition to stock-based compensation for officers, the domestic Group employee stock ownership association has a participation rate of over 80% (as of July 1, 2025), which is remarkably high. We must continue to strengthen this framework that allows all employees to share in the success of the Group as a whole. The process of resource allocation based on strategic investment criteria requires each business division to rigorously evaluate the risks of the others, which contributes to sound risk governance.

In the Consumer area, structural reforms of our European studios have finally reached a conclusion, and the European business is now entering a stage where it can generate full-fledged synergies between Rovio and SEGA. When I visited Sega Europe Limited last year, the local management seems stable and there was a strong sense of belonging to the Group. Our stance is shifting from respecting the policies of local management at overseas acquisition targets to directly controlling and integrating local operations and personnel. I also have the impression that they are gaining experience in securing local human capital, which is critical to the success of overseas operations.

Among the companies acquired in the Gaming Business, negotiations with Stakelogic faced difficult periods before closing. During that time, External Directors also raised tough questions, and several

extraordinary Group Management Committee meetings were convened for extensive discussion. Through this process, we were able to ensure sufficient examination of the acquisition terms and risk factors. However, Stakelogic is a non-listed company and its operations are spread across Europe, so strengthening governance will likely become an issue going forward. I see Stakelogic and GAN as a compelling combination for the omni-channel strategy, and I expect that the know-how accumulated as a land-based casino operator through PARADISE SEGASAMMY can also be leveraged in future business development.

At the same time, an important factor in establishing the Gaming Business is our approach to responsible gaming and measures against addiction. The Group holds licenses in more than 30 jurisdictions*, including Nevada in the United States, which has the strictest regulations in the world, and has accumulated compliance expertise across these jurisdictions. By leveraging this expertise and the know-how cultivated in the Pachislot & Pachinko Machines Business, I hope the Group can contribute to the establishment of unified regulations and measures against addiction that transcend national borders.

* As of June 2025

Q What are your expectations for SEGA SAMMY HOLDINGS going forward?

When traveling overseas, I am reminded of the popularity of the *Sonic* IP and the global recognition of the SEGA brand. Games today transcend borders and have become a form of entertainment that allows fans around the world to share captivating experiences. I believe the SEGA SAMMY Group has the potential to continue providing such captivating

experiences. In this context, I hope to firmly support the Group in advancing its global governance as a comprehensive global entertainment company, so that it can make our life "more colorful" around the world.



Governance

Maintaining a corporate governance system that contributes to medium- to long-term improvements in corporate value by ensuring continuous high transparency in management

Transition to a stronger governance system

FY2016/3

- ▶ Established Independent Advisory Committee
- ▶ Assessed the Effectiveness of the Board of Directors
- ▶ Disclosed Medium-Term Management Policies and Target Management Indicators

Purpose

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

FY2017/3

- ▶ Established the Position of CFO
- ▶ Increased External Directors to Three
- ▶ Disclosed Action Plan for Achieving Medium-Term Performance Targets

Purpose

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

FY2020/3

- ▶ Increased External Directors to Four
- ▶ Reviewed Compensation System for Directors
- ▶ Adopted Stock Compensation Program with Restriction on Transfer

Purpose

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

FY2023/3

- ▶ Transitioned to a Company with an Audit and Supervisory Committee
- ▶ Established Group Sustainability Subcommittee
- ▶ Established Group Risk and Compliance Subcommittee

Purpose

- To strengthen governance
- To strengthen sustainability management

FY2025/3

- ▶ Raised the Number of External Directors to a Majority
- ▶ Revised Compensation System for Directors

Purpose

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

Basic Stance Regarding Corporate Governance

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

Improving efficiency

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

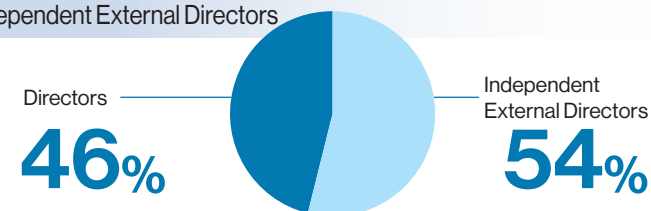
Securing soundness

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

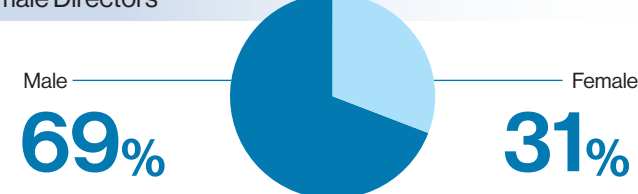
Enhancing transparency

With the growing importance of information disclosure for companies, the Group will fulfill its accountability to all stakeholders, including shareholders, and further improve disclosure through proactive engagement in IR activities, thereby cultivating highly transparent management.

Ratio of independent External Directors



Ratio of female Directors



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

By accelerating growth strategies and business reforms through a transparent and sound governance system, we will realize our raison d’être, Captivate the World -Making Life More Colorful-, through our businesses.

To further promote productive discussions by the Board of Directors and to strengthen its oversight functions, the Company has chosen the structure of a company with an Audit and Supervisory Committee. This will allow it to delegate a considerable portion of important business execution items to Executive Directors.

In addition, based on the belief that Directors with knowledge and experience regarding the industry, market trends, products, services, etc., can generate prompt and optimal management decisions, the Group companies have elected to choose the structure of a company with company auditors. The Company and the Group also appoint External Directors and strengthen the Executive Officers and internal auditing systems, allowing them to improve corporate governance from the aspects of both oversight and execution.

Board of Directors

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

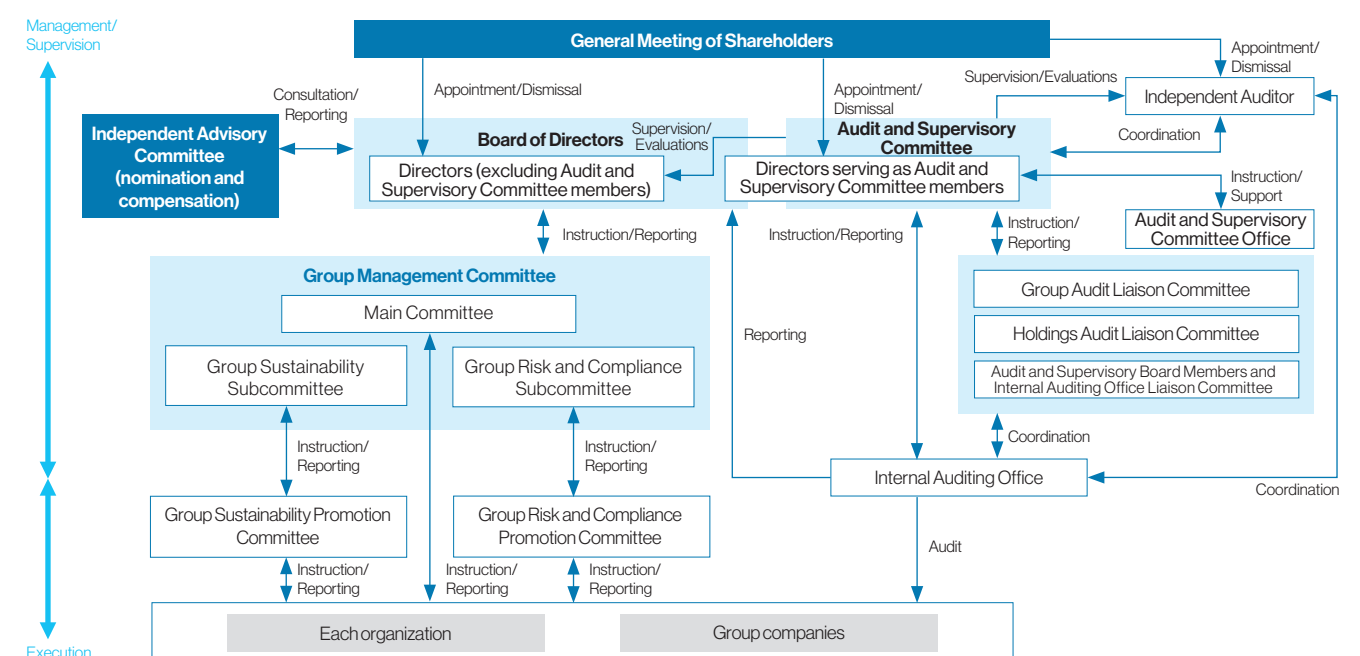
Audit and Supervisory Committee

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

Voluntary Committees

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

Independent Advisory Committee: P. 75, Group Management Committee: P. 76





Evaluation of the Effectiveness of the Board of Directors

1. Purpose of evaluation

The Company has performed analyses and evaluations of the effectiveness of the Board of Directors each year since 2016 to ensure that the Board of Directors effectively fulfills its roles and responsibilities to “improve efficiency,” “secure soundness,” and “enhance transparency” of the Company’s corporate management. The Company aims to further improve the effectiveness of the Board of Directors.

2. Method of evaluation

In assessing the effectiveness of the Board of Directors for the fiscal year ended March 2025, we conducted a questionnaire survey with all Directors (including Audit and Supervisory Committee members) in order to understand the expectations and challenges for the Board of Directors to contribute more effectively to the Company’s sustainable growth.

In this questionnaire survey, to ensure objective evaluation, we engaged an external organization for the design of the items and the analysis and assessment. We confirmed the matters considered important for the Company’s Board of Directors to effectively fulfill its roles and responsibilities (composition and operation of the Board of Directors, deliberations on strategy, etc.), as well as the effectiveness of efforts to address issues from the previous fiscal year. External Directors also evaluated their own individual performance.

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

3. Summary of evaluation results

As a result of these deliberations, the Board of Directors of the Company was judged to be functioning effectively with strengths identified as ensuring diversity among members, enabling independent External Directors to participate constructively in discussions from a medium- to long-term perspective, and fostering an open and lively debate from a Group-wide standpoint.

The issues identified in this evaluation and the initiatives toward resolving them are as follows.

Evaluation item	FY2025/3 Issues	FY2026/3 Initiatives
Discussion on Human Capital Strategy	• Further enhancement of discussions on the human capital strategy is required. • Given the rise in geopolitical risks in recent years, all companies are required to formulate strategies with greater accuracy, supported by deeper analysis and more agile responses. To this end, the Board of Directors needs reinforcement with international human capital who have global experience and expertise in consumer games and gaming.	• As part of Group and operating company Human Resources Strategies, consider succession plans for the development of future management, including training successors for key positions over the next five to ten years and monitoring their progress. • Review the Director skills matrix in line with current business content and strategies, and examine succession planning for Directors.
Group Monitoring	• While discussions on risk progress, oversight and training in overseas operations still require further development. Continued prompt responses are needed in this regard.	• Redefine the responsibilities and roles of headquarters within the Group. • Continue reviewing reporting lines and monitoring systems from a global perspective.
Discussion on Capital Efficiency	• Although discussions have been held on initiatives for realizing management that is conscious of capital efficiency, there is insufficient shared understanding of the basic policy. • There is a lack of shared understanding and insufficient discussion regarding the setting of business targets aimed at enhancing corporate value.	• To realize management that is conscious of capital efficiency, continue sharing major Group companies' business strategies and financial information at the Board of Directors and Group Management Committee. • Reinforce shared understanding of the intentions and background behind each business KPI target, and continue monitoring KPIs and discussing capital allocation.
Initiatives on Sustainability	• Considering Responsible Gaming and social impact is a must. Sufficient deliberation should also be given to how these will be addressed.	• Accurately identify the status of industry-wide initiatives in the gaming sector and compare them with those of our Group, then work with operating companies to develop future measures to address any gaps.

Effectiveness Evaluation of the Audit and Supervisory Committee

1. Purpose of evaluation

To enhance transparency of our governance structure and to continuously improve auditing functions, the Company introduced effectiveness evaluations of the Audit and Supervisory Committee, utilizing the PDCA cycle to improve effectiveness.

2. Method of evaluation

For the effectiveness evaluation, we conducted a qualitative assessment based on materials regarding the board of corporate auditors' effectiveness evaluation published by the Japan Audit & Supervisory Board Members Association. The main evaluation items were the appropriateness of the audit plan, the effectiveness of governance, internal control, operational audits, and Group audits, attendance at important meetings, selection of key audit matters (KAM), and collaboration with accounting auditors and the internal audit department. An Audit and Supervisory Committee member chaired the discussions, and opinions were exchanged on evaluations, issues, and potential improvements for each item. The results were reviewed by the Audit and Supervisory Committee, which deliberated on effectiveness, identified issues, and measures to address them.

3. Summary of evaluation results and report to the Board of Directors

We concluded that the effectiveness of the Audit and Supervisory Committee is sufficiently ensured to a certain degree. We identified further strengthening of “responses to new businesses,” “information sharing,” and “risk responses” as issues, and reported to the Board of Directors that we will work on improvements in cooperation with the Board of Directors and other bodies.

About the Independent Advisory Committee

The Independent Advisory Committee is composed of all the Company's independent External Directors and independent External Audit and Supervisory Committee members. It analyzes and evaluates the overall effectiveness of the Board of Directors in response to requests from the Board of Directors or the Representative Director, participates in the compensation decision-making process for Directors of the Company and Group companies, and confirms and advises independently on proposals for the appointment of Directors other than Audit and Supervisory Committee members. The Committee also functions as a body for information exchange in support of the Board of Directors' supervisory role.

Activities of the Independent Advisory Committee

FY2025/3: Three meetings held

Main activities

- Deliberated and responded to consultations regarding the Director compensation structure and revisions to the stock compensation system presented by the President and Representative Director.
- Reviewed the Director compensation decision-making process established by the Board of Directors and deliberated on the scale of the stock compensation program with restrictions on transfer for the fiscal year.
- Deliberated on proposals for Director appointments for the fiscal year and conducted interviews with new candidates.

Name	Attendance
Kohei Katsukawa	3/3 (100%)
Melanie Brock	3/3 (100%)
Fujiyo Ishiguro	3/3 (100%)
Ankur Sahu	1/2 (50%)
Kazutaka Okubo	3/3 (100%)
Naoko Murasaki	3/3 (100%)
Makiko Ushijima	2/2 (100%)

* Attendance records for Ankur Sahu and Makiko Ushijima reflect meetings held after their appointment as Directors on June 25, 2024.



Main Agenda and Discussion Topics of Management-Level Committees

Group Management Committee

The Group Management Committee, established under the Board of Directors, discusses and examines matters related to improving the profitability and efficiency of the Group's businesses and strategic investment projects. The Committee is composed of the Company's Directors (excluding the Chairman and Representative Director) and Audit and Supervisory Committee members, and meets as appropriate. In the fiscal year ended March 2025, it was convened 17 times (approximately 31 hours in total), during which 38 matters were discussed.

Number of Discussions / Hours

• FY2025/3 17 meetings / 38 matters / approx. 31 hours of discussion (FY2024/3: 23 meetings / 43 matters / approx. 40 hours of discussion)

Examples of discussion topics

Item	Number of items	Main topics of discussion
Business strategy	9	Formulation of material issues and response policies for the Group and operating companies, business plans, medium-term plans, etc.
Risk and compliance	3	Group Risk and Compliance Subcommittee, ERM, IT security, cybersecurity
Sustainability	2	Group Sustainability Subcommittee
Governance	6	Group risk governance framework, evaluation of the effectiveness of the Board of Directors, External Director nomination process, etc.
Growth investment	11	Project cases including M&A, etc.
Others	7	Feedback from investors and shareholders, AI utilization, etc.

Selected excerpts from discussions

Discussion on AI utilization (December 2024)

Haruki: The situation differs by country, but in Japan, employees themselves are taking the lead in adopting AI. However, if adoption comes as a directive from SEGA SAMMY HOLDINGS, there can be pushback, so caution is necessary. It is important not only to pursue efficiency in operations, but also to explore how AI can make game development more engaging.

Ishiguro: The key points in AI utilization are how effectively we can leverage data, but with OpenAI and others advancing at such a rapid pace, it is difficult to keep up. Even if we try to use AI internally, while leveraging in-house data is good, the challenge is how many external advances we can incorporate.

Murasaki: Fundamentally, the concept of AI is not unlike copying others' works, so when similar outputs are generated by combining various conditions, the scope of whether legal action can or will be taken is unclear, and that poses a risk. There may also be cases where a lawsuit would not even be viable.

Ushijima: It would be good to establish guidelines. For example, we could base them on global (or Group-wide) guidelines and then localize them according to each country's regulations.

Discussion on Feedback from Investors and Shareholders (February 2025)

Okubo: I have heard that investors are focused on shareholder returns, but are they demanding short-term returns?

Fukazawa: Because video game companies are highly volatile, there is a need to maintain a risk buffer. Our approach of leveraging capital investment is seen as unique, but with net cash falling below 50.0 billion yen, the key point in discussions with investors is how we balance investment and shareholder returns. If we pursue a large acquisition going forward, the situation will change.

Haruki: Our acquisition of Rovio is still viewed with some skepticism, but under our shareholder return policy, the better our performance, the more returns we provide to shareholders. So once Rovio and other acquired companies grow, those concerns should naturally be resolved.

Utsumi: I understand that the appeal of our IP library and our transmedia strategy are being correctly conveyed in recent communications, and that there is demand for further disclosure on our medium-term lineup.

Ishiguro: There is an impression that our initiatives on ESG have toned down, but it is important that we respond sensitively to investor opinions and demonstrate our stance. I would like to see continuous monitoring and reporting.

Haruki: My impression is that investors are not very concerned with our environmental aspects. While some investors exclude gambling-related stocks from their portfolios, the majority do not.

Okubo: ESG terminology may change with the times, but fundamentally, it comes down to how corporate risks are evaluated. Gambling addiction, if it becomes a social issue, is indeed a risk, but it is impossible to completely eliminate all risks. The same applies to environmental issues. It is important not to overreact but to understand the core issues correctly and proceed accordingly.

Management camp

In September 2024, SEGA SAMMY HOLDINGS held a management camp. The camp was conducted with the aim of unifying the management team's awareness by changing the setting and holding intensive discussions. The event was attended by internal and external Directors, Executive Officers, and executives of major Group Companies.



	Discussion topics
Day 1	Gaming Business (Market information input, etc.)
	Capital allocation (policy on utilizing growth investment capacity)
	Response to capital markets (sharing cases of activism and hostile takeovers, discussions based on investor feedback)
Day 2	Group governance (corporate structure, global HQ framework, role of C-level executives)
	Group Risk and Compliance Subcommittee (risk map discussion, Group cybersecurity measures, etc.)

Selected excerpts from discussions

Discussion on the approach, policy, and allocation of growth investment capacity (Day 1)

Okubo: For example, what image do you have of the Group ten years from now? What kind of society would we ideally like to see realized through our corporate philosophy? We need to think by backcasting from that vision, asking ourselves what actions are necessary now to achieve it. Before debating each investment project individually, we should first discuss the overall picture.

Fukazawa: While that perspective is important, from a practical standpoint, businesses are always in motion, and each unit brings forward its own proposed investments one after another. When overall investment capacity, allocation, and priorities are all variable factors, it becomes difficult to judge the viability of each investment, so we should first establish a shared understanding. After that, we can discuss individual investment targets either by backcasting from our future vision or on a case-by-case basis.

Haruki: We need a deeper shared understanding of the market environment, including its future outlook. Even for the video game market there is not enough shared understanding of which countries' market sizes are expanding. The same applies to the Pachislot & Pachinko market and gaming market. We also need to understand the mega-trends that cannot be resisted. For example, since Japan's population decline cannot be stopped, we cannot draw up business plans based on assumptions of population growth.

Sahu: From the market's perspective, on a sum-of-the-parts basis, the Entertainment Contents Business commands high multiples, while the Pachislot & Pachinko Machines Business is seen as shrinking and has low multiples, though the fact remains that it generates cash. The Gaming Business is still at an early stage, but considering these realities, we need to think not only about where to invest to generate profit and growth, but also about how those investments will be evaluated by the capital markets.

Hoshino: I fully understand Sammy's position within the Group. To continue generating cash, we need to revitalize the shrinking pachislot & pachinko machines market. The industry as a whole is working on measures to increase fans, such as successfully capturing inbound demand.

Fukazawa: From an external viewpoint, if we focus investment on the Consumer area and deliver results, that unit has the highest multiples and would greatly impact the stock price. When deciding where to allocate capital, we need to explain to the market not only why we concentrate investment in high-expectation areas like the Consumer area, but also why we are continuing to invest in gaming at all.

Haruki: There are companies, like ours, that also operate in multiple non-gaming sectors but are still valued at PER levels of 20 to 30 times. Those companies are valued mainly on their video game business, with deficits in other operations largely overlooked. The SEGA SAMMY Group's valuation, at only the low-teens in PER, is simply because its video game business is smaller. If SEGA's revenue and profit levels increase, its valuation will also rise.

Katsukawa: Since we have decided to prioritize investment in consumer and gaming, we should properly execute the necessary investments there, including in human capital. On the human capital side headcount alone does not make the cut. It is important to have people with the necessary knowledge and skills.

Discussion on risk map and cybersecurity measures (Day 2)

Okubo: Threats of acquisition, the response to the Gaming Business, and the relationship between C-level executives of Group Companies and the holdings company should also be included in the risk map for discussion. Also, we need to align the level of detail across Group Companies. SEGA seemed to be anticipating a broader range of risks, so I would like those written out as well. The remaining issue is prioritization.

Murasaki: It is said that cybersecurity should be discussed at the Board of Directors. We need to discuss not only how much we can defend, but also how we will respond in the event of an incident. Currently, post-incident responses tend to be delayed. Cybersecurity and information leaks are categorized separately, but in the case of cyberattacks, aside from system support, the measures that need to be taken are almost the same as for information leaks. It would be easier to recognize as a management issue if these were consolidated under information security.

Sahu: Have we consolidated our handling of reputational risk? It would be better to communicate that to Group Companies as well.



Compensation for Directors

Compensation Amount for Directors and the Method for Calculating Such Compensation

The Company's compensation system for Directors is designed to ensure transparency and provide greater incentives to increase corporate value. The compensation system for Directors (excluding Directors who are Audit and Supervisory Committee members and External Directors) is determined based on the basic policy outlined below.

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

Based on the basic policy, the compensation system for Directors of the Company (excluding Directors who are Audit and Supervisory Committee members and External Directors) includes fixed compensation, Directors' bonuses, and post-delivery stock-based compensation.

Fixed compensation

A compensation table shall be formulated to specify each component of the compensation, namely, basic compensation and role compensation. The Company shall provide the sum of these components of compensation as monthly fixed compensation.

Directors' bonuses

Directors' bonuses are paid as performance based compensation in the amount determined by multiplying the above fixed compensation by coefficients calculated based on a bonus table that defines the number of months of Directors' bonuses based on three elements: the level of the adjusted EBITDA; level of business plans achieved; and the year-on-year growth.

Stock-based compensation (post-delivery stock-based compensation)

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

Total amounts of compensation and the maximum number of shares for Eligible Directors under this system are determined separately for Performance Share Units (PSU) and post-delivery Restricted Stock Units (RSU), based on a comprehensive consideration of contributions and other factors relating to Eligible Directors.

The Board of Directors of the Company will determine the ratio of fixed compensation, single-year performance-based bonus, and post-delivery stock-based compensation to be approximately 1:1:1 in the cumulative compensation over the three fiscal years if the targets of the medium-term plan are achieved. The proportion of PSU and RSU in the period of the medium-term plan is as follows.

PSU (financial indicator)	PSU (future financial indicator)	RSU
60%	20%	20%

Note: PSU compensation is determined based on achievement of business performance targets during the period subject to business performance evaluations and tenure during the subject period. Achievement of business performance targets will be assessed based on the financial indicator of adjusted EBITDA, as well as the employee engagement score (EMS), figures related to culturally diverse human capital (MC human capital), and the ratio of women in managerial positions, all of which are future financial indicators.

For details on compensation for Directors, please refer to P. 98 of the Annual Securities Report. (Japanese only)
https://www.segasammy.co.jp/cms/wp-content/uploads/pdf/ja/ir/Annual_security_report_FY202503_ir.pdf

The compensation of Directors and Directors who are Audit and Supervisory Committee members for the fiscal year ended March 2025 is as follows.

Position	Number of Directors / Audit & Supervisory Board members	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)				
			Basic compensation	Bonuses	Post-delivery stock-based compensation		Of the items on the left, non-monetary compensation, etc.
					PSU	RSU	
Directors (excluding Audit and Supervisory Committee members and External Directors)	7	1,313	555	365	304	88	392
Directors (Audit and Supervisory Committee members) (excluding External Directors)	2	24	24	-	-	-	-
External Directors	8	97	97	-	-	-	-

Notes:

- 1. Both bonuses and compensation under the post-delivery stock-based compensation system are recorded as expenses in the fiscal year ended March 2025.
- 2. Non-monetary compensation, etc. consists of post-delivery stock-based compensation.
- 3. Directors as of the end of the fiscal year ended March 2025 include nine Directors (excluding Audit and Supervisory Committee members but including four External Directors) and four Directors that are Audit and Supervisory Committee members (including three External Directors).
- 4. The differences in numbers of payees above reflect the inclusion of two Directors (excluding Audit and Supervisory Committee members and including no External Directors) and two Directors that are Audit and Supervisory Committee members (including one External Director) who retired as of the end of the Ordinary General Meeting of Shareholders held June 25, 2024.

Directors who received ¥100 million or more in total compensation for the fiscal year ended March 2025 are as follows.

Name	Position	Total compensation, etc. (Millions of yen)	Company	Total compensation, etc. by type (Millions of yen)				
				Basic compensation	Bonuses	Post-delivery stock-based compensation		Of the items on the left, non-monetary compensation, etc.
						PSU	RSU	
Hajime Satomi	Director	530	The Company	216	153	127	34	161
Haruki Satomi	Director	589	The Company	240	170	141	38	179
Koichi Fukazawa	Director	153	The Company	60	42	35	15	50
Shuji Utsumi	Director	123	The Company	8	-	-	-	-
			SEGA CORPORATION	32	42	31	8	40

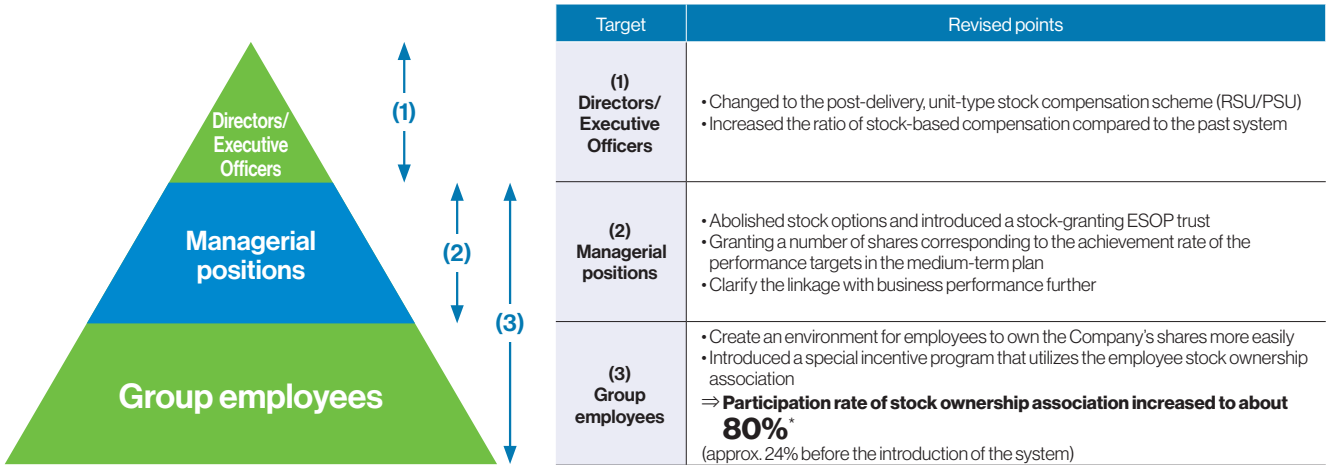
Stock Compensation System for Employees

Recently, we reviewed the stock compensation system across the entire Group and introduced measures to align the value shared by shareholders, Directors, and employees, while enhancing motivation to contribute toward medium-term corporate value creation.

Specifically, we established a post-delivery, unit-type stock compensation scheme for Directors and Executive Officers, and for managers, we replaced the previous stock option plan with a stock-granting ESOP trust. We have also introduced stock compensation systems for senior employees of overseas Group Companies. In addition, the most significant change was the introduction of a special incentive program, utilizing the employee stock ownership association, for domestic Group employees. Before implementation, the employee stock ownership association participation rate was around 24%, but after implementation, it rose to about 80%, significantly exceeding the average level of Tokyo Stock Exchange-listed companies.

■ Background and aims of the review of the stock compensation system

- To promote value sharing among shareholders, Directors, and employees
- To be aware of the stock price as an indicator and aim to improve corporate value by working together with the Group



* As of July 1, 2025



Policy and Procedure for Appointment of Directors

The Company has established a skills matrix based on the experience required of management at a listed company, as well as the knowledge and insight necessary to achieve our long-term vision. When selecting Directors, our basic policy is to make decisions comprehensively by assessing whether candidates align with this skills matrix and by evaluating their personal qualities.

The Independent Advisory Committee reviews the proposed candidates presented by the President and Representative Director, conducts interviews, and submits its evaluation results as an opinion to the President and Representative Director.

The President and Representative Director uses the results of such reviews to determine director candidates in accordance with the above policy, which shall be reviewed and approved by the Board of Directors. The same also applies when the Independent Advisory Committee recommends a director candidate to the President and Representative Director.

Skills Matrix Definition	The Company selected experience and knowledge required as a listed company, along with those that are required to achieve the long-term vision of the Company. ■ Directors, Audit and Supervisory Committee Members, and Executive Officers: P.82	
Item	Definition	
Corporate management	Manager of a listed company or equivalent organization	
Entertainment business creation	Experience as a business development manager or in starting a new business in the Group's business segments	
Finance and accounting	Professional experience at financial institutions, auditing firms, etc., or experience as an officer in charge of a financial department at a major company	
Risk management and compliance	Attorney, or other professional experience, or experience as an officer in charge of legal affairs, compliance, or audit at a major company	
ICT/DX	Experience at IT companies, vendors, consulting firms, and other professional services, or experience as an officer in charge of IT at a major company	
Global	Experience of living abroad, experience at an overseas operating company, or equivalent experience	
Sustainability	Individuals who have insight into Environment and Human Resources (Diversity), which are part of the Company's Five Materialities (Human Resources, Products and Services, Environment, Addiction, and Governance) to be addressed, and are expected to play an active role in the promotion of sustainability by the Group	

Support System for External Directors

To ensure that External Directors can thoroughly review agenda items prior to Board of Directors meetings, we have established an appropriate information-sharing system managed by the Secretariat.

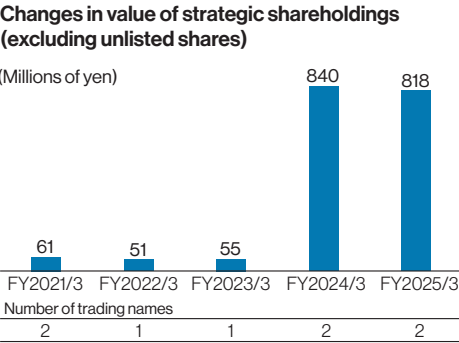
For newly appointed External Directors, the Secretariat conducts individual orientation sessions on the Group's business activities to support their understanding and facilitate active discussion at Board of Directors meetings. In addition to the above, External Directors who serve as Audit and Supervisory Committee members are supported by dedicated staff within the Audit and Supervisory Committee Office, which reports directly to the Committee. Appointment, transfer, and evaluation of these staff members require prior consent from the Audit and Supervisory Committee, ensuring their independence from Directors who are not Audit and Supervisory Committee members. Furthermore, for meetings attended by External Directors serving as Audit and Supervisory Committee members, appropriate information-sharing systems are in place through the relevant secretariats and the Audit and Supervisory Committee Office to allow sufficient prior review of agenda items.

Strategic Shareholdings Policy

The Company holds shares for purposes other than pure investment only when such holdings are expected to contribute to business partnerships, expand transactions, and enhance both the Company's corporate value and shareholder interests.

The Board of Directors periodically reviews the economic rationale and future outlook of these shareholdings to determine whether continued ownership is appropriate.

In principle, voting rights for such shares are exercised on all proposals, based on whether they contribute to the sustainable growth and medium- to long-term corporate value of both the Company and the investee.



Please refer to P.19 of the Corporate Governance Report for more information on the support system for External Directors. https://www.segasammy.co.jp/cms/wp-content/uploads/pdf/en/CGreport-en_25.pdf

Dialogue with Capital Markets

To promote constructive dialogue with shareholders and investors, the Company appoints an Executive Officer in charge of IR/SR and establishes dedicated IR/SR departments, carrying out the following initiatives as a basic policy.

In promoting constructive dialogue with shareholders and investors, we work closely with internal departments such as Corporate Planning, Finance & Accounting, Legal, and General Corporate Administration.

The President and Representative Director, along with the CFO, attend financial results briefings to engage in direct communication, while the Executive Officer in charge of IR/SR and staff conduct individual meetings and small conferences as appropriate.

Event	Number of times held in FY2025/3
General Meeting of Shareholders	1
Financial Results Briefings for Institutional Investors and Analysts	4
IR Meetings (Including ESG Meetings and Conferences)	98 (with 238 executives); 286 (with 606 IR/SR personnel)
SR Meetings	15
Individual Investor Briefings	2
Perception Study (Awareness Survey)	1

Main Dialogue Themes

Theme	Details
Business strategy	Key performance indicators (KPIs) used as management indicators Business portfolio strategy Measures to improve capital efficiency
Capital allocation	Approach to growth investment Shareholder return policy
Individual businesses	Entertainment Contents Business - Growth strategies such as Transmedia strategy and M&A initiatives - Structural reforms in the European region, etc. Pachislot & Pachinko Machines Business - Strategies for improving market share, efficiency, and profitability Gaming Business - Growth strategies through M&A and other initiatives
Business performance	Short-term results Progress on medium-term plan
Sustainability	Progress on human capital strategy Governance framework Other initiatives related to materialities, such as addiction

Dialogue session between shareholders and executives

We invited Mr. Kono from Marathon Asset Management to the Group Management Committee for an exchange of views with our executives.



Internal Feedback

The status of dialogues with shareholders and investors is regularly or promptly shared with the President and Representative Director, CFO, other Directors, External Directors, Executive Officers, and business heads as appropriate. This helps enhance management transparency and contributes to the Company's sustainable growth and medium- to long-term corporate value improvement.

	Results in FY2025/3	Overview
Feedback to Executives	Reports to the Group Management Committee: 5 times Individual reports to each officer: After each quarter	Reports include investor feedback, analyst evaluations, shareholder trends, and market developments gathered through IR activities.
Monthly IR/SR Report	Issued monthly	Market evaluation of the Company, investor feedback, market trends, and peer comparisons are shared internally via the intranet for Group employees.
Internal Briefings	6 sessions	Conducted to explain the objectives of IR activities and market evaluations to employees across the Group, including sessions for new employees and business unit staff, and financial results briefings.

Directors, Audit and Supervisory Committee Members, and Executive Officers

Directors

Hajime Satomi
Chairman
(Representative Director)



Tenure of office
20 years
Board of Directors
attendance
12/12 (100%)

Reasons for appointment

Mr. Hajime Satomi has served as an executive of the Company and Group companies, and currently also serves as Honorary Chairman of the Board of Sammy Corporation and SEGA CORPORATION. He possesses extensive experience and a proven track record.

Expertise and experience



Haruki Satomi
President and Group CEO
(Representative Director)



Tenure of office
13 years
Board of Directors
attendance
12/12 (100%)

Reasons for appointment

Mr. Haruki Satomi has held executive positions within the Company and Group companies, contributing to improved business performance. He continued to demonstrate leadership as the Group's Chief Executive Officer, contributing to the enhancement of the Company's corporate value.

Expertise and experience



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



Tenure of office
10 years
Board of Directors
attendance
12/12 (100%)

Reasons for appointment

Mr. Koichi Fukazawa has served as head of a wide range of fields, including corporate planning, administration, and new businesses, while also fulfilling roles as the Group's Chief Financial Officer and driving the Gaming Business.

Expertise and experience



Shuji Utsumi
Director of the Board



Tenure of office
1 year
Board of Directors
attendance
10/10 (100%)

Reasons for appointment

Mr. Shuji Utsumi has held executive positions at entertainment companies with global operations and currently serves as President and COO, Representative Director of SEGA CORPORATION. He drives business growth on a global scale.

Expertise and experience



Ayumu Hoshino
Director of the Board



Tenure of office
1 year
Board of Directors
attendance
10/10 (100%)

Reasons for appointment

Mr. Ayumu Hoshino has led the Pachislot & Pachinko Machines Business in the development department and currently serves as President and COO, Representative Director of Sammy Corporation, as well as Vice Chairman of The Nikkoso Research Foundation for Safe Society. He possesses extensive knowledge and experience in the Group's core businesses.

Expertise and experience



Kohei Katsukawa
Director of the Board
(External)



Tenure of office
9 years
Board of Directors
attendance
12/12 (100%)

Reasons for appointment

Mr. Kohei Katsukawa appropriately fulfills responsibilities such as participating in key management decisions and overseeing business execution from an objective and impartial standpoint. He brings extensive experience as a corporate manager and contributes to the Company's management through valuable insights and constructive advice.

Expertise and experience



Melanie Brock
Director of the Board
(External)



Tenure of office
6 years
Board of Directors
attendance
12/12 (100%)

Reasons for appointment

Ms. Melanie Brock draws on extensive experience and achievements as an international business leader to contribute to strengthening the Company's corporate governance system and enhancing the quality of management decision-making through diverse perspectives and values.

Expertise and experience



Fujiyo Ishiguro
Director of the Board
(External)



Tenure of office
4 years
Board of Directors
attendance
12/12 (100%)

Reasons for appointment

As the founder of Netyear Group Corporation, Ms. Fujiyo Ishiguro possesses expertise in corporate management and the IT/DX field. She contributes to the Company's management through valuable insights and constructive feedback.

Expertise and experience



Ankur Sahu
Director of the Board
(External)



Tenure of office
1 year
Board of Directors
attendance
9/10 (90%)

Reasons for appointment

Mr. Ankur Sahu has handled corporate investment projects at Goldman Sachs, contributing to the growth and revitalization of numerous global companies. He provides valuable perspectives and advice that support the Company's global business development.

Expertise and experience



Introduction

Value Creation Story

Growth Strategy

Strengthening of
Non-Financial Capital

Governance

Other Data

For details on each Director's career history, please see this link.
▶ <https://www.segasammy.co.jp/en/officer/>

* "Expertise and experience" lists up to four skills expected of each individual. It does not represent all of the knowledge or experience each individual possesses.

* For details on expertise and experience, please refer to P. 80.

* Tenure of office is as of June 2025.

Audit and Supervisory Committee Members

Hiroshi Ishikura Director, Audit and Supervisory Committee Member



Tenure of office
1 year
Board of Directors
attendance
12/12 (100%)
Audit and Supervisory
Committee attendance
9/9 (100%)

Expertise and experience



Reasons for appointment

Mr. Hiroshi Ishikura possesses expertise in management and financial accounting through experience as a certified public accountant and as an executive overseeing administrative divisions at operating companies. He has served as head of internal audit, internal control, and CSR departments within the Company, and currently serves as an Audit and Supervisory Board Member at a Group subsidiary. He possesses a broad understanding of the Group as a whole, along with extensive knowledge of accounting and governance.

Kazutaka Okubo Director, Audit and Supervisory Committee Member (External)



Tenure of office
3 years
Board of Directors
attendance
12/12 (100%)
Audit and Supervisory
Committee attendance
12/12 (100%)

Expertise and experience



Reasons for appointment

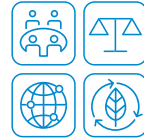
Mr. Kazutaka Okubo has experience in auditing as a certified public accountant, with strong expertise in finance and accounting. He brings extensive knowledge of governance from experience as an External Director, providing appropriate guidance and oversight of the Company's management from an objective standpoint.

Naoko Murasaki Director, Audit and Supervisory Committee Member (External)



Tenure of office
4 years
Board of Directors
attendance
12/12 (100%)
Audit and Supervisory
Committee attendance
12/12 (100%)

Expertise and experience



Reasons for appointment

Ms. Naoko Murasaki has extensive experience in global risk management and governance, based on experience at the National Police Agency, the Ministry of Foreign Affairs, and a risk consulting firm. She provides appropriate guidance and oversight of the Company's management from an objective standpoint.

Makiko Ushijima Director, Audit and Supervisory Committee Member (External)



Tenure of office
1 year
Board of Directors
attendance
10/10 (100%)
Audit and Supervisory
Committee attendance
9/9 (100%)

Expertise and experience



Reasons for appointment

Ms. Makiko Ushijima is a licensed attorney at law in Japan and the State of New York, and is certified as a U.S. certified public accountant. She brings experience in M&A deals and global corporate compliance, as well as a multifaceted perspective on finance, legal affairs, and governance, providing appropriate guidance and oversight for the Company's global business expansion.

* Board of Directors attendance is for the fiscal year ended March 2025.

Directors' skills list



Corporate management



Entertainment business
creation



Finance and accounting



Risk management and
compliance



ICT/DX



Global



Sustainability

Executive Officers

Senior Executive
Vice President,
Executive Officer

Yukio Sugino

Executive Vice
President, Executive
Officer

Hideo Yoshizawa

Makoto Takahashi

Yoichi Owaki

Senior Vice
President,
Executive Officer

Takaharu Kato

Vice President,
Executive Officer

Hironobu Otsuka

Koji Takeyama

Yukio Kawasaki

Natsue Ishida

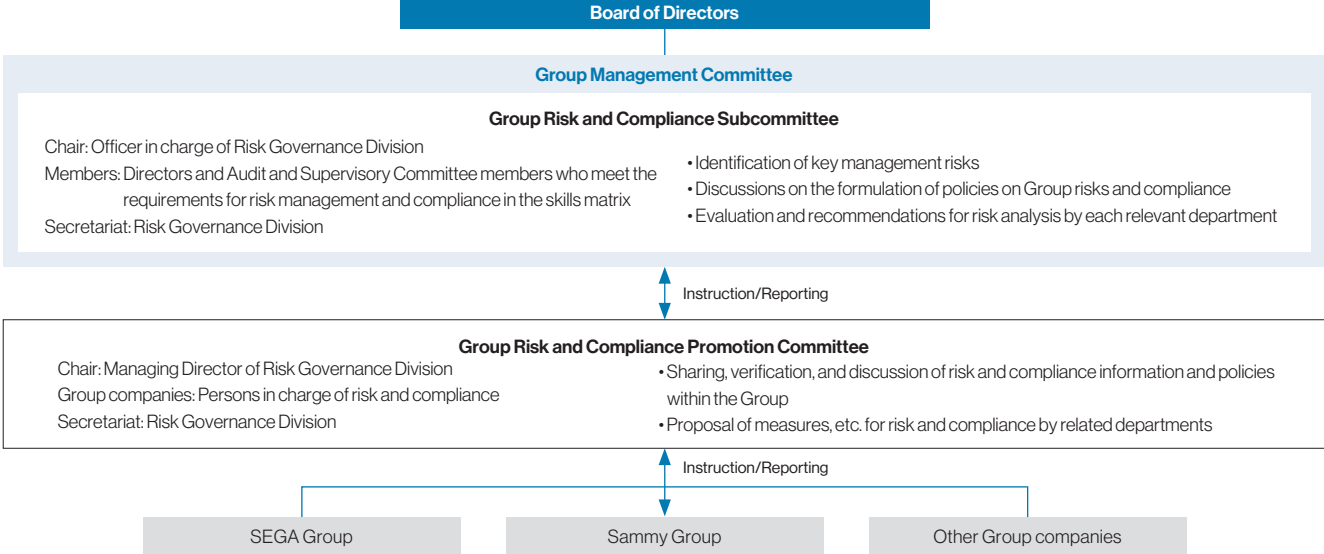


Risk Management

Risk governance system

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

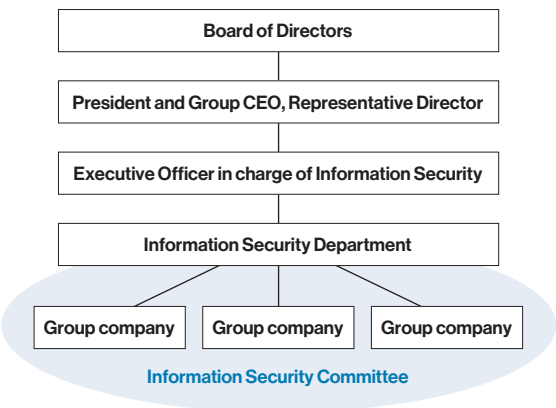
Risk governance system chart



Information security

In today's rapidly advancing information society, where highly networked information technology (IT) increasingly impacts corporate value, ensuring IT security and protecting information assets from various threats is not only a critical management issue but also a social responsibility for companies. Based on this policy, the SEGA SAMMY Group will continue to strengthen and advance its information security measures, striving to remain a company trusted by customers and all other stakeholders.

Information security promotion framework



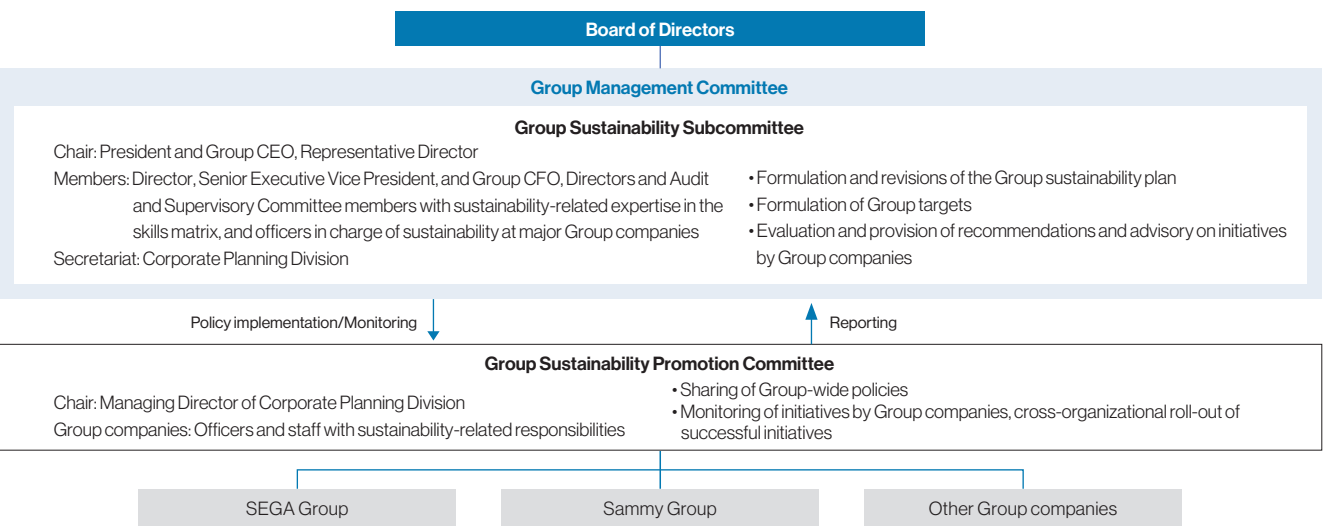
Please see our website for more information on our information security initiatives.
<https://www.segasammy.co.jp/en/corp/compliance/#007>

Sustainability Management

Sustainability governance system

The Group has established a Group Sustainability Subcommittee within the Group Management Committee to conduct management discussions on matters such as formulating Group policies and goals, reviewing the status of each company's efforts, and revising goals. Decisions on Group policies and goals are made by the SEGA SAMMY HOLDINGS Board of Directors. The policies and goals that have been decided upon are shared with each Group company through the Group Sustainability Promotion Committee. In the course of their business, Group companies that have touchpoints with society take in various requests and feedback from customers and users. These are shared with other Group companies through the Group Sustainability Promotion Committee. Initiatives that should be incorporated into Group policies and goals are reported to the Group Sustainability Subcommittee for further discussion.

Sustainability governance system chart



Initiatives to respect human rights

At the first-half Group Sustainability Subcommittee meeting held in May 2024, the decision was made to strengthen human rights initiatives. Subsequently, the SEGA SAMMY Group Human Rights Policy was formally approved at the Board of Directors meeting held in September 2024.

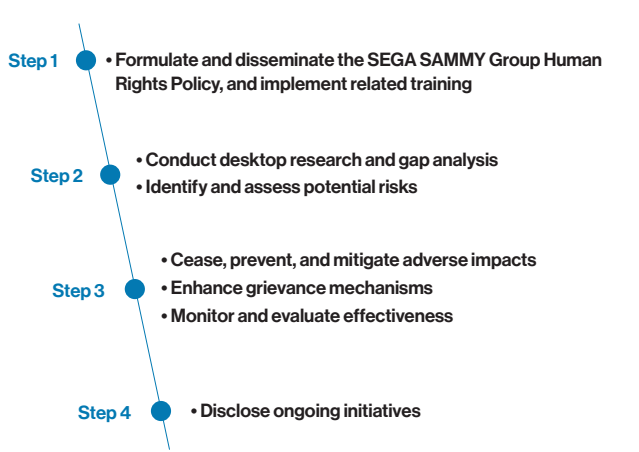
Commitment to respect human rights

The SEGA SAMMY Group provides entertainment with the Group Mission and Purpose of Captivate the World -Making Life More Colorful-. The Group will keep implementing initiatives for respecting human rights in order to be a corporate group that is trusted, needed, and respected by society.

Past initiatives

FY2006/3	Established the SEGA SAMMY Group Code of Conduct
	Signed the United Nations Global Compact
	Formulated the SEGA SAMMY Group Management Policy
FY2015/3	Formulated the SEGA SAMMY Group Supply Chain CSR Deployment Guidebook (Revised as the Sustainable Procurement Guidelines in FY2025/3)
FY2016/3	Began internal training on topics such as supply chain management and forced labor
FY2017/3	Initiated investigations into the use of conflict minerals
FY2018/3	Published a statement on the UK Modern Slavery Act
	Formulated the SEGA SAMMY Group Human Rights Policy
FY2025/3	Formulated the SEGA SAMMY Group Sustainable Procurement Guidelines

Steps for human rights response

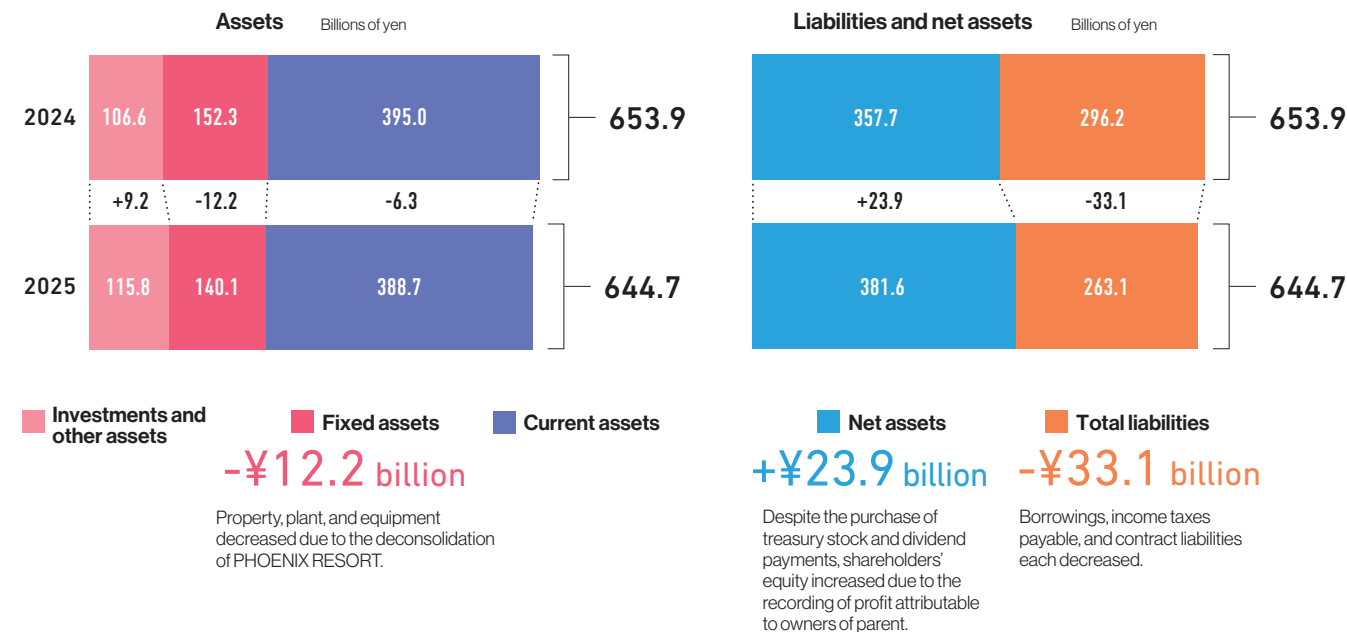


For details on the SEGA SAMMY Group Human Rights Policy, please visit our website.
https://www.segasammy.co.jp/en/sustainability/group-sustainability/humanrights_policy/

Management's Discussion and Analysis

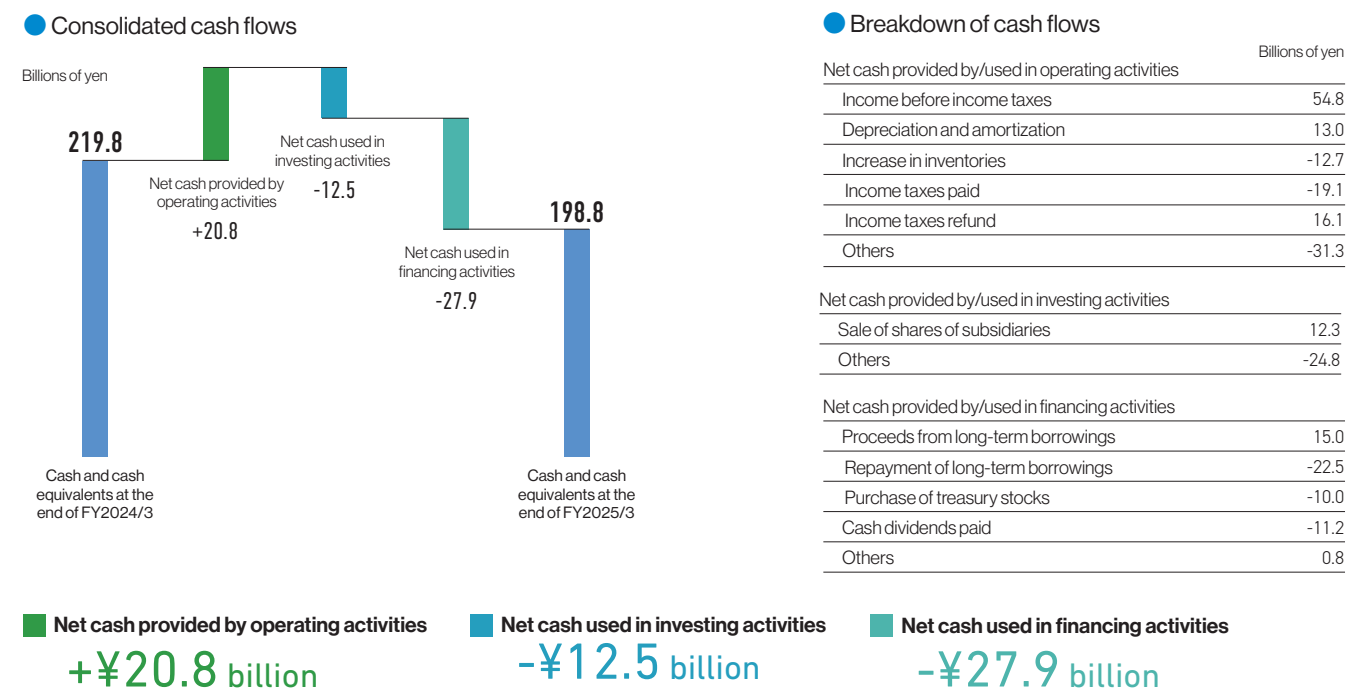
Consolidated Financial Position

Comparing FY2024/3 and FY2025/3



Consolidated Cash Flows

FY2025/3 cash flows



Please refer to P. 88 and following for more details on our financial information.

Company Profile / Stock Information

Company profile

Company name	SEGA SAMMY HOLDINGS INC.
Address	Sumitomo Fudosan Osaki Garden Tower, 1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo 141-0033, Japan
URL	https://www.segasammy.co.jp/en/
Established	October 1, 2004
Capital	¥29.9 billion (As of March 31, 2025)
Principal business	Management of SEGA SAMMY Group as the holding company

Stock information (As of March 31, 2025)

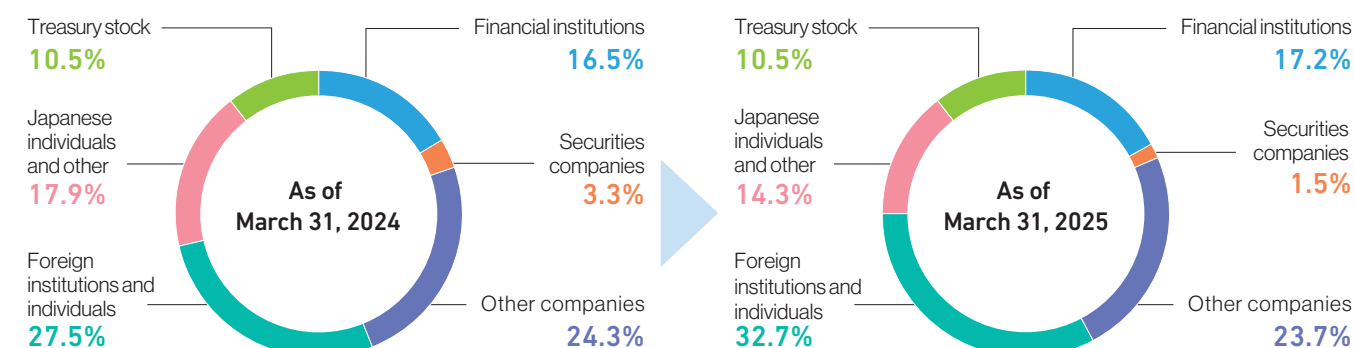
Number of shares authorized for issue	800,000,000
Total shares issued and outstanding	241,229,476
Number of shareholders	54,328

Major shareholders (As of March 31, 2025)

Name of shareholder	Shares held	Shares ratio
HS Company	39,008,000	16.17%
The Master Trust Bank of Japan, Ltd. (Trust account)	26,670,800	11.05%
SEGA SAMMY HOLDINGS INC.	25,420,837	10.53%
STATE STREET BANK AND TRUST COMPANY 505001	16,848,459	6.98%
FSC Co., Ltd.	13,682,840	5.67%
Custody Bank of Japan, Ltd. (Trust account)	9,421,050	3.90%
KOREA SECURITIES DEPOSITORY - SAMSUNG	5,644,600	2.33%
THE BANK OF NEW YORK MELLON 140044	4,456,727	1.84%
Hajime Satomi	4,178,638	1.73%
STATE STREET BANK AND TRUST COMPANY 505103	4,018,518	1.66%

* In addition to the above, 50,000 shares are held by the officer remuneration BIP trust and 1,948,042 shares are held by the stock-granting ESOP trust.

Breakdown of shareholders



Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
As of March 31, 2024 and 2025

	Millions of yen	
	2024	2025
Assets		
Current assets		
Cash and deposits	¥211,715	¥200,360
Notes, accounts receivable—trade, and contract assets (Note 8 (1)(6))	54,269	52,653
Securities	8,095	—
Merchandise and finished goods	14,371	10,958
Work in process	45,888	59,565
Raw materials and supplies	21,501	23,155
Income taxes receivable	20,441	7,660
Other	19,164	34,692
Allowance for doubtful accounts	(443)	(303)
Total current assets	395,003	388,744
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	78,253	42,828
Accumulated depreciation	(51,735)	(21,573)
Buildings and structures, net	26,517	21,255
Machinery, equipment, and vehicles	8,195	8,037
Accumulated depreciation	(6,900)	(5,947)
Machinery, equipment, and vehicles, net	1,294	2,089
Amusement machines and facilities	7,290	6,428
Accumulated depreciation	(6,768)	(5,714)
Amusement machines and facilities, net	522	713
Land (Note 8 (4))	18,647	13,691
Construction in progress	1,396	741
Other	54,057	46,359
Accumulated depreciation	(42,338)	(35,919)
Other, net	11,719	10,440
Total property, plant, and equipment	60,099	48,931
Intangible assets		
Goodwill	30,264	30,119
Trademark right	47,574	44,871
Other	14,442	16,251
Total intangible assets	92,281	91,241
Investments and other assets		
Investment securities (Note 8 (2)(3))	49,858	51,185
Long-term loans receivable	7,846	12,126
Lease and guarantee deposits	8,182	6,810
Net defined benefit assets	10,588	11,366
Deferred tax assets	18,317	16,874
Other	12,006	17,598
Allowance for doubtful accounts	(189)	(102)
Total investments and other assets	106,610	115,859
Total noncurrent assets	258,991	256,033
Total assets	¥653,994	¥644,777

See accompanying notes.

	Millions of yen	
	2024	2025
Liabilities		
Current liabilities		
Notes and accounts payable—trade (Note 8 (6))	¥26,085	¥23,560
Short-term borrowings	22,507	7,500
Accrued expenses	23,319	21,401
Income taxes payable	10,626	3,822
Contract liabilities	19,367	14,228
Provision for bonuses	12,084	11,984
Provision for directors' bonuses	1,094	1,071
Provision for point card certificates	219	78
Asset retirement obligations	1	—
Other	20,188	10,531
Total current liabilities	135,494	94,179
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	124,500	132,000
Lease obligations	4,837	4,639
Deferred tax liabilities	10,628	11,292
Provision for dismantling of fixed assets	420	—
Provision for stock compensation	10	2,149
Net defined benefit liability	5,666	4,616
Asset retirement obligations	2,659	2,329
Other	2,075	1,964
Total noncurrent liabilities	160,797	168,993
Total liabilities	296,292	263,173
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	69,263	69,740
Retained earnings	281,208	314,947
Treasury stock	(47,151)	(54,866)
Total shareholders' equity	333,274	359,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,056	3,441
Deferred gains or losses on hedges	(230)	641
Revaluation reserve for land (Note 8 (4))	(1,109)	(1,109)
Foreign currency translation adjustment	20,388	16,868
Remeasurements of defined benefit plans	1,540	1,548
Total accumulated other comprehensive income	23,645	21,391
Share acquisition rights	751	414
Non-controlling interests	30	24
Total net assets	357,702	381,604
Total liabilities and net assets	¥653,994	¥644,777

See accompanying notes.

Consolidated Statements of Income and Comprehensive Income

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2025

	Millions of yen	
	2024	2025
Net sales (Note 9 (1))	¥468,925	¥428,948
Cost of sales (Note 9 (2) and (3))	271,159	236,240
Gross profit	197,766	192,708
Selling, general and administrative expenses	139,901	144,584
Operating income	57,865	48,124
Other income (expenses)		
Interest income	1,938	3,446
Dividends income	109	157
Equity in earnings of affiliates	1,000	3,527
Gain on investments in partnership	1,494	1,053
Interest expenses	(766)	(1,822)
Commission fee	(1,217)	(146)
Loss on investments in partnership	(945)	(922)
Loss on retirement of noncurrent assets	(141)	(77)
Foreign exchange losses	(424)	(1,240)
Gain on sales of noncurrent assets (Note 9 (4))	1	19
Gain on sales of investment securities	339	230
Gain on sales of shares of subsidiaries and affiliates	—	9,282
Gain on sale of business	155	—
Gain on reversal of contingent consideration	835	—
Loss on sales of noncurrent assets (Note 9 (5))	(22)	(0)
Impairment loss (Note 9 (6))	(351)	(1,296)
Loss on valuation of investment securities	(746)	(763)
Loss on business restructuring (Note 9 (7))	(17,804)	(6,164)
Other, net	511	1,394
Subtotal	(16,033)	6,678
Income (loss) before income taxes	41,831	54,803
Income taxes—current	9,869	8,082
Income taxes—deferred	(1,169)	1,661
Total income taxes	8,699	9,744
Profit	33,132	45,058
(Breakdown)		
Profit attributable to owners of parent	33,055	45,051
Profit attributable to non-controlling interests	76	6
Other comprehensive income		
Valuation difference on available-for-sale securities	430	385
Deferred gains or losses on hedges	(223)	865
Foreign currency translation adjustment	15,256	(1,789)
Remeasurements of defined benefit plans, net of tax	3,203	143
Share of other comprehensive income of entities accounted for using equity method	921	(1,858)
Total other comprehensive income (Note 9 (8))	19,587	(2,254)
Comprehensive income	52,720	42,804
(Breakdown)		
Comprehensive income attributable to owners of parent	52,601	42,797
Comprehensive income attributable to non-controlling interests	¥ 118	¥ 6

See accompanying notes.

Consolidated Statements of Changes in Net Assets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2025

	Millions of yen						
	Shareholders' equity				Accumulated other comprehensive income		
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balances as of April 1, 2023	¥29,953	¥72,213	¥261,840	¥(37,251)	¥326,755	¥2,626	¥382
Changes in items during the period							
Dividends from surplus			(13,687)		(13,687)		
Profit attributable to owners of parent			33,055		33,055		
Purchase of treasury stock				(10,016)	(10,016)		
Disposal of treasury stock		75		117	192		
Purchase of treasury stock by stock ownership plan trust					—		
Disposal of treasury stock to stock ownership plan trust					—		
Disposal of treasury stock by stock ownership plan trust					—		
Change in scope of consolidation					—		
Purchase of shares of consolidated subsidiaries		(3,025)			(3,025)		
Net changes in items other than shareholders' equity						429	(613)
Total changes in items during the period	—	(2,949)	19,367	(9,899)	6,518	429	(613)
Balances as of March 31, 2024	¥29,953	¥69,263	¥281,208	¥(47,151)	¥333,274	¥3,056	¥(230)

	Millions of yen						
	Accumulated other comprehensive income						
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balances as of April 1, 2023	¥(1,109)	¥3,730	¥(1,531)	¥4,099	¥468	¥24	¥331,347
Changes in items during the period							
Dividends from surplus							(13,687)
Profit attributable to owners of parent							33,055
Purchase of treasury stock							(10,016)
Disposal of treasury stock							192
Purchase of treasury stock by stock ownership plan trust							—
Disposal of treasury stock to stock ownership plan trust							—
Disposal of treasury stock by stock ownership plan trust							—
Change in scope of consolidation							—
Purchase of shares of consolidated subsidiaries							(3,025)
Net changes in items other than shareholders' equity		16,658	3,072	19,546	283	6	19,836
Total changes in items during the period	—	16,658	3,072	19,546	283	6	26,354
Balances as of March 31, 2024	¥(1,109)	¥20,388	¥1,540	¥23,645	¥751	¥30	¥357,702

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Current fiscal year (From April 1, 2024 to March 31, 2025)Millions of yen

	Shareholders' equity				Accumulated other comprehensive income		
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balances as of April 1, 2024	¥29,953	¥69,263	¥281,208	¥(47,151)	¥333,274	¥3,056	¥(230)
Changes in items during the period							
Dividends from surplus			(11,213)		(11,213)		
Profit attributable to owners of parent			45,051		45,051		
Purchase of treasury stock				(10,013)	(10,013)		
Disposal of treasury stock		(171)		2,944	2,772		
Purchase of treasury stock by stock ownership plan trust				(4,362)	(4,362)		
Disposal of treasury stock to stock ownership plan trust		650		3,711	4,362		
Disposal of treasury stock by stock ownership plan trust				4	4		
Change in scope of consolidation			(98)		(98)		
Purchase of shares of consolidated subsidiaries		(2)			(2)		
Net changes in items other than shareholders' equity						385	872
Total changes in items during the period	—	476	33,739	(7,715)	26,500	385	872
Balances as of March 31, 2025	¥29,953	¥69,740	¥314,947	¥(54,866)	¥359,774	¥3,441	¥641

	Accumulated other comprehensive income						Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	
Balances as of April 1, 2024	¥(1,109)	¥20,388	¥1,540	¥23,645	¥751	¥30	¥357,702
Changes in items during the period							
Dividends from surplus							(11,213)
Profit attributable to owners of parent							45,051
Purchase of treasury stock							(10,013)
Disposal of treasury stock							2,772
Purchase of treasury stock by stock ownership plan trust							(4,362)
Disposal of treasury stock to stock ownership plan trust							4,362
Disposal of treasury stock by stock ownership plan trust							4
Change in scope of consolidation							(98)
Purchase of shares of consolidated subsidiaries							(2)
Net changes in items other than shareholders' equity		(3,520)	8	(2,254)	(337)	(6)	(2,598)
Total changes in items during the period	—	(3,520)	8	(2,254)	(337)	(6)	23,902
Balances as of March 31, 2025	¥(1,109)	¥16,868	¥1,548	¥21,391	¥414	¥24	¥381,604

See accompanying notes.

Consolidated Statements of Cash Flows

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2025

	2024	2025
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	¥41,831	¥54,803
Depreciation and amortization	13,514	13,046
Impairment loss	351	1,296
Loss (gain) on sales of noncurrent assets	21	(19)
Loss on retirement of noncurrent assets	141	77
Loss (gain) on sales of shares of subsidiaries and affiliates	49	(9,282)
Loss (gain) on liquidation of subsidiaries and affiliates	3	2
Loss (gain) on sales of investment securities	(339)	(209)
Loss (gain) on valuation of investment securities	746	763
Loss (gain) on investments in partnership	(548)	(130)
Amortization of goodwill	2,501	3,061
Increase (decrease) in allowance for doubtful accounts	(140)	(194)
Increase (decrease) in provision for directors' bonuses	(137)	(12)
Increase (decrease) in net defined benefit liability	760	631
Increase (decrease) in provision for bonuses	1,259	709
Interest and dividends income	(2,048)	(3,645)
Interest expenses	749	1,801
Foreign exchange losses (gains)	(122)	1,134
Equity in (earnings) losses of affiliates	(1,000)	(3,527)
Decrease (increase) in notes and accounts receivable - trade	7,880	742
Decrease (increase) in inventories	8,190	(12,793)
Increase (decrease) in notes and accounts payable - trade	(8,238)	(2,352)
Increase (decrease) in contract liabilities	(8,009)	(4,330)
Increase (decrease) in guarantee deposits received	16	(272)
Other, net	15,169	(17,925)
Subtotal	72,603	23,374
Interest and dividends income received	1,627	3,173
Interest expenses paid	(530)	(1,783)
Extra retirement payments	(2,275)	(935)
Income taxes paid	(12,505)	(19,153)
Income taxes refund	7,942	16,180
Net cash provided by (used in) operating activities	¥66,862	¥20,856

See accompanying notes.

Consolidated Statements of Cash Flows

	Millions of yen	
	2024	2025
Net cash provided by (used in) investing activities		
Payments into time deposits	¥ —	¥ (1,610)
Purchase of securities	—	(5,000)
Proceeds from redemption of securities	—	5,000
Purchase of property, plant, and equipment	(5,341)	(5,536)
Proceeds from sales of property, plant, and equipment	102	66
Purchase of intangible assets	(5,774)	(6,324)
Proceeds from sales of intangible assets	—	0
Purchase of investment securities	(1,457)	(390)
Proceeds from sales of investment securities	404	494
Proceeds from redemption of investment securities	—	36
Payments for investment in partnerships	(862)	(1,181)
Proceeds from distribution of investment in partnerships	1,054	1,356
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 11(2))	(81,776)	(2,584)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 11(3))	(1,716)	(2,164)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 11(3))	6	12,385
Purchase of shares of subsidiaries and affiliates	(5,379)	(1,881)
Payments for investments in capital	(12,989)	(5,960)
Proceeds from share of profits on investments in capital	8,766	16
Payments of loans receivable	(8,299)	(3,004)
Collection of loans receivable	62	173
Payments for lease deposits	(168)	(145)
Collection of lease deposits	223	181
Other, net	(1,393)	3,532
Net cash provided by (used in) investing activities	(114,538)	(12,543)
Net cash provided by (used in) financing activities		
Proceeds from long-term borrowings	122,000	15,000
Repayment of long-term borrowings	(17,018)	(22,507)
Purchase of treasury stock	(10,016)	(10,013)
Proceeds from exercise of stock options	—	2,310
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3)	(15)
Cash dividends paid	(13,673)	(11,227)
Other, net	(1,501)	(1,527)
Net cash provided by (used in) financing activities	79,786	(27,981)
Effect of exchange rate change on cash and cash equivalents	8,191	(1,729)
Net increase (decrease) in cash and cash equivalents	40,301	(21,398)
Cash and cash equivalents at start of period	179,509	219,810
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	453
Cash and cash equivalents at end of period (Note 11 (1))	¥219,810	¥198,865

See accompanying notes.

Notes to Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2025

1 Basis of Presenting Consolidated Financial Statements

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

The accounts of the Company’s overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, necessary adjustments are made upon consolidation for 2024 and 2025. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in order to present them in a form which is more familiar to readers outside of Japan. Certain reclassifications have been made to the 2024 consolidated financial statements to conform to the classifications used in 2025. These changes had no impact on previously reported results of operations or shareholders’ equity.

2 Summary of Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 71

(2) Number of non-consolidated subsidiaries: 9

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

2. Application of the equity method

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

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

(3) Number of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method: 15

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

3. Accounting policies

(1) Valuation and accounting treatment for important assets

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

2) Available-for-sale securities
Those other than securities without available fair market value: Fair value method (The difference between acquisition cost and fair value is accounted for as the valuation difference on available- for-sale securities in net assets, with cost of sales determined by the moving-average method.)

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

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

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

3) Derivatives
Derivatives are stated at fair market value.

Notes to Consolidated Financial Statements

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

(2) Depreciation and amortization for important assets

1) Property, plant and equipment (excluding lease assets and right-of-use assets)
Depreciation is calculated primarily using the straight-line method. Range of useful life for the assets is as follows:
Buildings and structures: 2–50 years
Machinery, equipment and vehicles: 2–12 years
Amusement machines and facilities: 2–5 years
2) Intangible assets (excluding lease assets)
Trademark rights: 10-23 years
Amortization is calculated using the straight-line method. The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (within five years).
3) Lease assets
Finance leases which transfer ownership:
Depreciation method for such assets is the same as that which applies to property, plant and equipment owned by the Company.
Finance leases which do not transfer ownership: Depreciated by using the straight-line method assuming the useful life equals to the lease period with a residual value of zero.
4) Right-of-use assets
The lease period or the useful life of the asset, whichever is shorter, is used as the useful life, and the residual value is calculated as zero.

(3) Accounting for deferred assets

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

(4) Accounting for allowances and provisions

1) Allowance for doubtful accounts
Allowance for doubtful accounts is provided in the sufficient amount to cover possible losses based on a historical write-off of general receivables.
Receivables with default possibility and bankrupt receivables are calculated based on an individual assessment of the possibility of collection.
2) Provision for bonuses
The estimated amount of bonuses is recorded to meet the payment of employee bonuses, an amount corresponding to the current fiscal year.
3) Provision for directors' bonuses
The estimated amount of bonuses is recorded to meet the payment of Directors and Audit & Supervisory Board Members' bonuses, an amount corresponding to the current fiscal year.

4) Provision for point card certificates
To provide for use of points granted to customers, the estimated future usage amount as of the end of the current fiscal year is recorded.
5) Provision for share-based compensation
To provide for issue of shares and compensation in similar form to officers and employees, the estimated future amount of shares and compensation in similar form to be issued as of the end of the current fiscal year is recorded.

(5) Accounting method for retirement benefits

1) Attribution method for projected retirement benefits:
In calculating retirement benefit obligations, the benefit-formula method is adopted to attribute projected retirement benefits to the periods ended March 31, 2024 and March 31, 2025, respectively.
2) Treatment of actuarial gains and losses and prior service costs: Prior service costs are amortized equally over a certain number of years (10 years in principle) within the average remaining years of service for the employees at the time of accrual, or are charged to income collectively at the time of accrual. Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 years in principle) within average remaining years of service for the employees at the time of accrual in each fiscal year, commencing from the following fiscal year after the accrual for each employee or are charged to income collectively in the following fiscal year after the accrual.

(6) Accounting for significant hedge

1) Hedge accounting
The Group adopts deferred hedge accounting. However, special treatment is used for qualifying interest rate swap transactions. Moreover, allocation hedge accounting is applied to qualifying currency swap transactions and forward exchange contracts.
2) Hedging instruments and hedged items
Hedging instrument: Currency swaps, interest rate swaps, and forward exchange contracts
Hedged item: Interest on borrowings, receivables and payables denominated in foreign currencies
3) Hedge policy
Derivative instruments are used to mitigate risks associated with foreign exchange and interest rate fluctuations.
As a rule, hedging is only used for items in which actual demand exists, and not for speculative purposes.
4) Evaluation of hedge effectiveness
Hedge effectiveness is evaluated through comparative analysis of the cumulative fluctuations in the market between the hedged item and the hedging instrument. Evaluation of hedge effectiveness at fiscal year-end is omitted for currency swap transactions, as material conditions for the notional principal of hedging instruments and those for hedged items are the same and these transactions are deemed to offset the market fluctuations.
Evaluation of hedge effectiveness at fiscal year-end is omitted also for interest rate swap transactions applied to special treatment.

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

The accounting policy for recognition of significant revenues is as follows. Compensation for individual performance obligations is received within roughly two months after their fulfillment (including cases of advance receipt based on contracts). However, where the period between the time of fulfillment and the time at which payment is made by customers is expected to be lengthy and the impact of financial elements is expected to be large due to relatively high related market interest rates, the obligations are considered to include important financial elements. These elements are adjusted for claims based on contracts established with the customers. The applicable interest rate is defined as the rate used to discount the estimated future cash receipts over the remaining period of the contract to the net book value of the claims.
1) Digital content
With regard to revenue from the granting of game distribution rights in the Entertainment Contents Business, the Group provides game content primarily to platform operators along with distribution rights, and the Group's performance obligation is to provide game content. The Group determines that the performance obligation is satisfied by the provision of game content to the platform operators, and if the contract is one in which usage fees are collected based upon the sales of the platform operator, the revenue is recognized when the sales of the platform operators are recorded, and in other cases, it is recognized when the game content is provided.
With regard to revenue from sales from game downloads in the Entertainment Contents Business, the Group's performance obligation is to provide game content to customers. The Group determines that the performance obligation is satisfied by the provision of the game content to the customer and recognizes the revenue when the game content is provided.
With regard to revenue from sales of F2P items in the Entertainment Contents Business, and Pachislot & Pachinko Machines Business, the Group's performance obligation is to provide the services specified for each item to the customer. Depending on the nature of the item, the Group determines that the performance obligation is satisfied when the item is used by the customer or over the course of the estimated usage period calculated based on past usage data for similar items, whereupon the revenue is recognized.
With regard to the annual update service for amusement machines in the Entertainment Contents Business, the Group's performance obligation is to consistently provide updates to content throughout the contract period. Therefore, the Group determines that the performance obligation is satisfied over the course of the contract period, with the revenue recognized over the period of the contract.

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

(8) Amortization method and period of goodwill

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

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

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

(10) Application of the group tax-sharing system

The Company applies the group tax-sharing system.

3 Significant Accounting Estimates

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

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

	Millions of yen	
	2024	2025
Work in process	¥42,698	¥55,334
“Other” under intangible assets	4,614	6,462

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

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

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

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

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

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

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

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

	Millions of yen	
	2024	2025
Raw materials	¥17,353	¥18,884

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

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

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

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

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

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

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

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

	Millions of yen	
	2024	2025
Shares of subsidiaries and affiliates	¥24,619	¥25,993

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

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

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

PSS has posted ¥120,880 million in noncurrent assets, including goodwill of ¥6,384 million at the end of the current fiscal year.

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

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

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

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

Fair value less cost of disposal mainly uses the real estate appraisal value (under depreciated replacement cost approach) of external

experts who take into consideration the repurchase cost of the relevant asset and related depreciation factors.

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

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

(4) Valuation of goodwill and intangible assets of Rovio Entertainment Corporation

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

	Millions of yen	
	2024	2025
Goodwill	¥28,640	¥26,317
Intangible assets	53,007	49,671
Trademark rights	47,555	44,860
Intangible assets related to technology	5,451	4,810

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

Since Sega Europe Ltd. owns Rovio stock directly, it applies

International Financial Reporting Standards (IFRS) to the valuation of goodwill and intangible assets. For cash generating units for which consideration of goodwill and intangible assets is required, it conducts impairment testing if there is any indication of impairment of goodwill and intangible assets. At minimum, goodwill impairment testing is performed on an annual basis. If the results of this testing show that the recoverable value of these assets falls below their book value, it recognizes impairment losses by reducing the book value to the recoverable value.

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

3) Key assumptions made in calculating amounts posted to the consolidated financial statements in the current fiscal year
Rovio measures use value as the recoverable value in impairment testing. In calculations of future cash flows based on this measurement, net sales, cost of sales, and advertising expenses of each major game title are identified based on Rovio's business plans.

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

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

4 Changes in Accounting Policies

(Application of the Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc. have been adopted from the beginning of the current fiscal year ended March 31, 2025.

The amendment to the accounting categorization of current income taxes (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the current fiscal year ended March 31, 2025. This change in accounting policies was applied retrospectively. Hence, the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the consolidated financial statements for the prior fiscal year.

5 Unapplied New Accounting Standards

The Company and its domestic consolidated subsidiaries

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)
- Other relevant revised ASBJ statements, guidances, practical solutions, and transferred guidances

(1) Overview

These standards address the handling of various matters, including the recording of all lessee leases as assets and liabilities, largely in accordance with the International Financial Reporting Standards.

(2) Scheduled date of application

The guidance will apply from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the accounting standard

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

6 Changes in Methods of Presentation

(1) Consolidated statements of income and comprehensive income

Distribution income related to investments in film production in the U.S. has been recorded as “net sales” since the current fiscal year although it was posted in “equity in earnings of affiliates” under “other income”. This change is due to the increased monetary importance of distribution income related to investments in film production, as well as the increased importance of the business in the Medium-term Plan, including the strengthening of the transmedia strategy and further expansion of pillars. To reflect this change in presentation, the consolidated financial statements for the prior fiscal year have been reclassified. As a result, ¥1,029 million recorded in “equity in earnings of affiliates” under “other income” in the consolidated statements of income and comprehensive income for the prior fiscal year has been reclassified as “net sales”.

(2) Consolidated statements of cash flows

Due to the “Consolidated statements of income and comprehensive income” described in (1) above, the reclassified figures for the consolidated statement of cash flows for the prior fiscal year have been retroactively applied. As a result, ¥(2,029) million recorded in “equity in earnings of affiliates” under net cash used in operating activities, and ¥9,795 million recorded in “proceeds from share of profits on investments in capital” under net cash provided by investing activities in the consolidated statement of cash flows for the prior fiscal year, have been reclassified as ¥(1,000) million recorded in “equity in earnings of affiliates” and ¥8,766 million recorded in “proceeds from share of profits on investments in capital”.

7 Additional Information

(Officer remuneration BIP trust and stock-granting ESOP trust)

A resolution passed at the Board of Directors meeting held on May 10, 2024 has led to the introduction of a stock-granting employee stock ownership plan (ESOP) trust (“plan” hereinafter) as a program to incentivize the Company’s employees (“employees” hereinafter).

(1) Overview of transaction

The plan has been introduced to increase employee motivation and drive to contribute to business results and increase awareness of management participation, thereby strengthening corporate value over the medium to long term. In addition, as similar incentive plans for officers, certain Group companies have introduced not just share-allocation ESOP trusts for employees, but officer BIP trusts for directors of Group companies.

(2) Company shares remaining in trust

The Company’s shares remaining in the trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses) in the trust. At the end of the consolidated fiscal year under review, the book value and number of the Company’s shares remaining in the ESOP and BIP trusts were ¥4,357 million and 1,998,042 shares, respectively.

8 Notes to Consolidated Balance Sheets

(1) Receivables from contracts with customers and contract assets

Of notes, accounts receivable - trade, and contract assets, the amount of receivables from contracts with customers and the amount of contract assets are provided in “Note 23 Revenue recognition 3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts; information on revenue amounts expected to be recognized in the following fiscal years as the result of contracts with customers as of the end of the current fiscal year and the timing of such recognition: (1) Receivables from contracts with customers; the balances of contract assets and contract liabilities” of the consolidated financial statements.

(2) Assets pledged as collateral

Assets pledged as collateral are as follows:

Millions of yen		
	2024	2025
Shares of subsidiaries and affiliates	Note 1 ¥24,619	Note 2 ¥25,993
Total	24,619	25,993

Notes: 1. For a loan of ¥58,905 million (KRW525,000 million) from financial institutions to the equity method affiliate PARADISE SEGASAMMY Co., Ltd. at the end of the prior fiscal year, the shares of this company are pledged as collateral.
2. For a loan of ¥52,169 million (KRW515,000 million) from financial institutions to the equity method affiliate PARADISE SEGASAMMY Co., Ltd. at the end of the current fiscal year, the shares of this company are pledged as collateral.

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

Millions of yen		
	2024	2025
Investment securities (Shares)	¥26,455	¥27,311
Investment securities (Capital Contributions)	726	2,387

(4) Revaluation reserve for land

Consolidated subsidiary SEGA CORPORATION has revalued land for business, pursuant to the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act for Partial Amendment of the Act on Revaluation of Land (Act No. 19, March 31, 2001). Accordingly, SEGA FAVE CORPORATION has recorded the valuation difference as “revaluation reserve for land” under net assets.

Revaluation method
SEGA CORPORATION computed the value of land based on the methodology of making rational adjustments to the assessed value of fixed assets for taxation purposes as stipulated in Article 2, Item 3 of, and appraisals by licensed real estate appraisers as stipulated in Article 2, Item 5 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998).
Date of revaluation: March 31, 2002.
Difference between the fair value at the end of the fiscal year and the book value after revaluation of revalued land: ¥(324) million

(5) Overdraft account and commitment line contract

The Company and its consolidated subsidiaries concluded overdraft account contracts and commitment line contracts with banks for purposes of efficient procurement of operating capital. The balance of unrealized borrowings based on these contracts is as follows:

Millions of yen		
	2024	2025
Total amount of limit of overdraft account and commitment line contract	¥285,565	¥285,475
Balance of borrowings	—	—
Balance of unrealized borrowings	285,565	285,475

Notes to Consolidated Financial Statements

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

Notes maturing as of the end date of the consolidated fiscal year under review are settled as of their dates of exchange. Since the end date of the prior consolidated fiscal year was a holiday for financial institutions, the following notes maturing as of the end date are included in ending balances:

	Millions of yen	
	2024	2025
Notes receivable	¥898	¥—
Notes payable	1,628	—

9 Notes to Consolidated Statements of Income and Comprehensive Income

(1) Revenue from contracts with customers

Net sales combine revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is provided in “Note 23 Revenue recognition 1. Disaggregation of revenue from contracts with customers” of the consolidated financial statements.

(2) The amount of ending inventory is determined after book value devaluation due to declines in profitability, and the following inventory write-down is included in the cost of sales

	Millions of yen	
	2024	2025
Cost of sales	¥19,697	¥7,303

(3) Total R&D expenses included in general and administrative expenses and the manufacturing cost are as follows:

	Millions of yen	
	2024	2025
	¥61,365	¥60,722

(4) Breakdown of gain on sales of noncurrent assets

	Millions of yen	
	2024	2025
Buildings and structures	¥—	¥13
Machinery, equipment, and vehicles	1	—
Land	—	4
Other property, plant, and equipment	0	1
Total	1	19

(5) Breakdown of loss on sales of noncurrent assets

	Millions of yen	
	2024	2025
Buildings and structures	¥21	¥—
Other property, plant, and equipment	1	0
Total	22	0

(6) Breakdown of impairment loss

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

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

The Group independently assesses assets or asset groups whose cash flows can be estimated separately based on business segments. The book values of assets or asset groups whose market values declined significantly or that are projected consistently to generate negative cash flows from operating activities are reduced to their recoverable values. The amount of this reduction is recorded as an

impairment loss under other expenses. Recoverable values are calculated based on memorandum values, as no future cash flows are expected. The amount of ¥478 million is included in structural reform expenses under other expenses.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Use	Location	Type	Millions of yen
			Amount
Assets for business	Nevada, USA and five others	Buildings and structures	¥88
		Other property, plant, and equipment	1,359
		Other intangible assets	3
		Total	1,451

The Group independently assesses assets or asset groups whose cash flows can be estimated separately based on business segments. The book values of assets or asset groups whose market values declined significantly or that are projected consistently to generate negative cash flows from operating activities are reduced to their

recoverable values. The amount of this reduction is recorded as an impairment loss under other expenses. Recoverable values are calculated based on memorandum values, as no future cash flows are expected. The amount of ¥155 million is included in structural reform expenses under other expenses.

(7) Breakdown of loss on business restructuring

This loss represents costs associated with structural reform initiatives in response to the external business environment. A breakdown is provided below.

	Millions of yen	
	2024	2025
Loss associated with suspension of game content development, etc.	¥11,564	¥3,406
Increased benefits for early retirement	3,417	72
Loss on sale of stock in affiliates	2,159	2,530
Impairment loss	478	155
Other	184	—
Total	17,804	6,164

Notes to Consolidated Financial Statements

(8) Reclassification adjustments, income taxes, and tax effects concerning other comprehensive income

Millions of yen		
	2024	2025
Valuation difference on available-for-sale securities		
The amount arising during the period	¥750	¥634
Reclassification adjustments	(90)	(70)
Before adjustments for income tax and tax effects	659	564
The amount of income tax and tax effects	(229)	(179)
Valuation difference on available-for-sale securities	430	385
Deferred gains or losses on hedges		
The amount arising during the period	(223)	1,331
Reclassification adjustments	—	(171)
Before adjustments for income tax and tax effects	(223)	1,160
The amount of income tax and tax effects	—	(294)
Deferred gains or losses on hedges	(223)	865
Foreign currency translation adjustment		
The amount arising during the period	15,531	(1,833)
Reclassification adjustments	(274)	43
Before adjustments for income tax and tax effects	15,256	(1,789)
The amount of income tax and tax effects	—	—
Foreign currency translation adjustment	15,256	(1,789)
Remeasurements of defined benefit plans, net of tax		
The amount arising during the period	3,558	796
Reclassification adjustments	(318)	(849)
Before adjustments for income tax and tax effects	3,240	(52)
The amount of income tax and tax effects	(37)	196
Remeasurements of defined benefit plans, net of tax	3,203	143
Share of other comprehensive income of entities accounted for using equity method		
The amount arising during the period	921	(1,858)
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	921	(1,858)
Total other comprehensive income	¥19,587	¥(2,254)

10 Notes to Consolidated Statements of Changes in Net Assets

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

1. Number of outstanding common stock

Shares				
Type of stock	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock	241,229,476	—	—	241,229,476

2. Number of outstanding treasury stock

Shares				
Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock	20,476,041	4,803,305	64,558	25,214,788

(Outline of causes of change)				
Increase			Decrease	
Increase due to market purchases pursuant to Board of Directors resolutions:	4,782,700 shares		Decrease due to sales of odd-lot stock:	358 shares
Increase due to purchase of odd-lot stock:	6,505 shares		Decrease due to stock compensation with restriction on transfer:	64,200 shares
Increase due to free acquisition upon retirement of individuals subject to stock compensation with restriction on transfer:	14,100 shares			

3. Subscription rights to shares

Company name	Breakdown	Type of stock	Number of stocks (Shares)			Balance at March 31, 2024 Millions of yen
			As of April 1, 2023	Increase	Decrease	
The Company	Subscription rights to shares as stock options	—	—	—	—	¥751
Total			—	—	—	751

4. Dividends

(1) Dividends

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting held on May 12, 2023	Common stock	¥8,609	¥39	March 31, 2023	June 2, 2023
Board of Directors Meeting held on November 8, 2023	Common stock	5,078	23	September 30, 2023	December 1, 2023

(2) Of the dividends in which the record date is in the fiscal year ended March 31, 2024 but the effective date is in the following fiscal year

Resolution	Class of shares	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting held on May 10, 2024	Common stock	Retained earnings	¥5,832	¥27	March 31, 2024	June 5, 2024

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

1. Number of outstanding common stock

Type of stock	Shares			
	As of April 1, 2024	Increase	Decrease	As of March 31, 2025
Common stock	241,229,476	—	—	241,229,476

2. Number of outstanding treasury stock

Class of shares	Shares			
	As of April 1, 2024	Increase	Decrease	As of March 31, 2025
Common stock	25,214,788	5,746,353	3,542,262	27,418,879

Note: The number of treasury shares of common stock includes Company shares held by the officer remuneration BIP trust (50,000 shares as of March 31, 2025) and Company shares held by the stock-granting ESOP trust (1,948,042 shares as of March 31, 2025).

(Outline of causes of change)

Increase		Decrease	
Increase due to market purchases pursuant to Board of Directors resolutions:	3,549,800 shares	Decrease due to sales of odd-lot stock:	104 shares
Increase due to purchase of odd-lot stock:	5,353 shares	Decrease due to exercise of stock options:	1,540,200 shares
Increase due to free acquisition upon retirement of individuals subject to stock compensation with restriction on transfer:	191,200 shares	Decrease due to contributions to officer remuneration BIP trust accounts and stock-granting ESOP trust accounts:	2,000,000 shares
Increase due to contributions to officer remuneration BIP trust accounts and stock-granting ESOP trust accounts:	2,000,000 shares	Decrease due to issue of shares based on the stock-granting ESOP trust system:	1,958 shares

3. Subscription rights to shares

Company name	Breakdown	Type of stock	Number of stocks (Shares)			Balance at March 31, 2025 Millions of yen
			As of April 1, 2024	Increase	Decrease	
The Company	Subscription rights to shares as stock options	—	—	—	—	¥345
Consolidated subsidiaries	—	—	—	—	—	69
Total			—	—	—	414

4. Dividends

(1) Dividends

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting held on May 10, 2024	Common stock	¥5,832	¥27	March 31, 2024	June 5, 2024
Board of Directors Meeting held on November 8, 2024	Common stock	5,381	25	September 30, 2024	December 3, 2024

Note: The total dividend under the November 8, 2024 resolution of the Board of Directors includes ¥50 million in cash dividends paid on Company shares held by the officer remuneration BIP trust and the stock-granting ESOP trust.

(2) Of the dividends in which the record date is in the fiscal year ended March 31, 2025 but the effective date is in the following fiscal year

Resolution	Class of shares	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting held on May 12, 2025	Common stock	Retained earnings	¥5,826	¥27	March 31, 2025	June 4, 2025

Note: The total dividend under the May 12, 2025 resolution of the Board of Directors includes ¥53 million in dividends paid on Company shares held by the officer remuneration BIP trust and the stock-granting ESOP trust.

11 Notes to Consolidated Statements of Cash Flows

(1) Reconciliation of cash and cash equivalents at end of year and the amount recorded on the consolidated balance sheets

	Millions of yen	
	2024	2025
Cash and deposits	¥211,715	¥200,360
Securities	8,095	—
Total	219,810	200,360
Time deposits, etc. held for more than three months	—	(1,495)
Cash and cash equivalents	219,810	198,865

(2) Breakdown of major details of assets and liabilities of companies newly added to consolidated subsidiaries through acquisition of stock

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

Shown below is a breakdown of assets and liabilities as of the time of newly adding Rovio Entertainment Corporation to consolidation through acquisition of stock and the relationship between the stock acquisition price and (net) expenditures for the acquisition.

	Millions of yen
Current assets	¥ 30,896
Noncurrent assets	59,742
Goodwill	29,089
Current liabilities	(5,928)
Noncurrent liabilities	(12,063)
Other	3,138
Stock acquisition price	104,875
Cash and cash equivalents	(23,099)
Deducted: Expenditures for acquisition	(81,776)

Note: The stock acquisition price includes acquisition costs of ¥4,234 million for the second takeover bid and squeeze-out, in addition to ¥100,640 million for the first takeover bid.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable

(3) Breakdown of major details of assets and liabilities of companies removed from list of consolidated subsidiaries through sale of stock

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

Shown below is a breakdown of assets and liabilities as of the time at which shares in Relic Entertainment, Inc. were sold and the removal of Relic Entertainment, Inc. from the list of consolidated subsidiaries and the relationship between the stock sale price and expenditures arising from the sale.

	Millions of yen
Current assets	¥2,166
Noncurrent assets	1,754
Current liabilities	(467)
Noncurrent liabilities	(884)
Loss on business restructuring	(2,159)
Foreign currency translation adjustment	(279)
Other	(129)
Stock sale price	0
Cash and cash equivalents	(1,716)
Deducted: Expenditures arising from sale	(1,716)

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)
Shown below is a breakdown of assets and liabilities as of the time at which shares in PHOENIX RESORT CO., LTD. were sold and the removal of PHOENIX RESORT CO., LTD. from the list of consolidated subsidiaries and the relationship between the stock sale price and proceeds arising from the sale.

	Millions of yen
Current assets	¥ 1,444
Noncurrent assets	10,385
Current liabilities	(4,816)
Noncurrent liabilities	(2,552)
Gain on sales of shares of subsidiaries and affiliates	8,499
Stock sale price	12,960
Cash and cash equivalents	(574)
Deducted: Proceeds from sale	12,385

12 Information for Certain Leases

1. Finance leases that do not transfer ownership prior to the initial year of application of the Accounting Standard for Lease Transactions
- (1) A summary of assumed amounts of acquisition cost, accumulated depreciation, accumulated impairment loss and net book value for the years ended March 31, 2024 and 2025, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

Prior fiscal year (As of March 31, 2024)

	Millions of yen			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings	¥2,103	¥968	¥1,135	¥—
Total	2,103	968	1,135	—

Current fiscal year (As of March 31, 2025)
Not applicable

(2) Future lease payments and accumulated impairment loss on leased assets

Future lease payments as of March 31, 2024 and 2025

	Millions of yen	
	2024	2025
Due within one year	¥12	¥—
Due after one year	—	—
Total	12	—

Accumulated impairment loss on leased assets as of March 31, 2024 and 2025

	Millions of yen	
	2024	2025
Accumulated impairment loss on leased assets	¥9	¥—

- (3) A summary of assumed amounts of lease payments, reversal of allowance for impairment loss on leased assets, depreciation, interest expenses and impairment loss for the years ended March 31, 2024 and 2025, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

	Millions of yen	
	2024	2025
Lease payments	¥151	¥12
Reversal of allowance for impairment loss on leased assets	111	9
Depreciation	124	10
Interest expenses	2	0

- (4) Method of calculating depreciation equivalent
- The straight-line method is applied under the assumptions that the useful life equals the lease period and the residual value is zero.
- (5) Method of calculating interest expenses equivalent
- Interest expenses equivalent are calculated as the difference between total lease charges and acquisition cost equivalent of leased items and are allocated to each fiscal year using the interest method.

2. Finance lease transactions

- (1) Details of lease assets
- Leased assets primarily consist of offices and other related facilities ("machinery, equipment, and vehicles"; "other property, plant, and equipment"; and "other intangible assets").
- (2) The methods of depreciation for lease assets
- Leased assets in finance leases that transfer ownership: Depreciated using the same method applied to property, plant, and equipment owned by the Company.
 - Leased assets in finance leases that do not transfer ownership: Depreciated using the straight-line method based on the assumption that useful life equals the lease period, with a residual value of zero.

3. Lease transactions under IFRS and U.S. GAAP

- (1) Details of leased assets (right-of-use assets)
- Leased assets (right-of-use assets) primarily consists of items related to leased offices of certain overseas consolidated subsidiaries.
- (2) Depreciation method of right-of-use assets
- The lease period or the useful life of the assets, whichever is shorter, is used as the useful life, and the residual value is calculated as zero.

4. Operating lease transactions

Future lease payments for operating lease transactions which cannot be canceled as of March 31, 2024 and 2025 are as follows:

	Millions of yen	
	2024	2025
Due within one year	¥ 4,095	¥3,772
Due after one year	4,117	1,348
Total	8,212	5,121

Notes: Major factors behind increases or decreases in operating lease transactions included the payment of lease payables for offices leased for the Group's headquarters.

13 Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group has signed an agreement concerning commitment lines with financial institutions to secure medium- to long-term funds liquidity with the Company as a holding company. This is intended to serve as a safety net for the entire Group. In addition, the Group raises necessary funds for each business based on the financial plan through bank borrowings or bond issues, while operating a Cash Management System for the purpose of making efficient use of Group funds. Most funds are invested primarily in low-risk and high-liquidity financial assets (some are invested in compound financial instruments) such as bonds, to further efficient funds management. Derivatives are not used for speculative purposes, but mainly used to manage exposure to financial risks as described below.

(2) Details of financial instruments and their risks

Notes and accounts receivable trade, which are operating receivables, are exposed to customer credit risks. Additionally, operating receivables denominated in foreign currencies are exposed to exchange rate fluctuation risks. Securities and investment securities are composed mainly of monetary trust, bonds, and stocks related to business alliances with business partners, and are exposed to market price fluctuation risk.

Of notes and accounts payable—trade (which are operating payables) are denominated in foreign currencies and are exposed to exchange rate fluctuation risks. With respect to a portion thereof, the Group hedges risks using forward exchange contracts.

Borrowings and corporate bonds are secured to obtain working capital, make capital investments, and engage in M&A and other activities. For certain borrowings with variable interest rates, the Group uses interest rate swap transactions to hedge the risk of fluctuating interest rates. Derivative transactions are forward exchange contracts to hedge exchange rate fluctuation risk associated with operating payables denominated in foreign currencies, interest rate swap transactions to hedge interest rate fluctuation risk associated with borrowings of the Company, and forward exchange contracts to hedge exchange rate fluctuation risk associated with equity investments in overseas subsidiaries. Additionally, further information on hedge accounting (including hedging instruments and hedged items, hedge policy, and evaluation of hedge effectiveness) is provided in the aforementioned “2 Summary of Significant Accounting Policies 3. Accounting policies (6) Accounting for significant hedge”.

(3) Risk management system for financial instruments

1) Management of credit risk (risk related to contractual nonperformance by business partners)
For operating receivables, (in accordance with the credit management and other rules of each company that serve as the responsible

department) regularly monitors the status of major business partners, managing due dates, and balances for each business partner while working to detect in advance to mitigate any concerns about collection due to deteriorating financial positions and other factors. As major debentures generally have high ratings, the credit risk is minimal. In principle, the Group enters into derivative transactions only with its financial institutions.

The maximum amount of credit risk as of the end of the current fiscal year is represented as the amounts recorded in the consolidated balance sheets for financial assets exposed to credit risks.
2) Management of market risk (risk of fluctuations in foreign exchange or interest rates)
For certain borrowings with variable interest rates for the Company, the Group uses interest rate swap transactions, etc. to control the risk of fluctuating interest rates on loans.

Fair value and the financial condition of issuers (business partners) of securities and investment securities are periodically ascertained and reported to the Board of Directors meetings of each company. The holding status of principal stocks held are reviewed on an ongoing basis, in consideration of the relationship with business partners. In regards to certain compound financial instruments, etc., the Group periodically ascertains their fair value and reviews the holding status on an ongoing basis.

Derivatives transactions are executed and managed mainly by the financial department or the accounting department upon obtaining internal approval in compliance with the derivative transactions management and other rules of each company. Furthermore, reports on the status of the derivative transactions is presented to the Board of Directors at each company as appropriate.

3) Management of liquidity risk related to fund procurement (risk of inability to make payments on due date)
Operating payables and borrowings are exposed to liquidity risk. At the Group, liquidity risk is managed by having each company set an adequate fund balance and update its financial plan monthly to maintain a fund balance exceeding the predetermined balance at each company and by having the Company confirm the cash management of each company.

(4) Supplementary remarks on the fair value, etc., of financial instruments

Since calculations of the fair value of financial instruments incorporate factors that vary, the fair value may vary depending on the assumptions made. Additionally, contract amounts concerning derivative transactions presented in the “(Derivatives)” section do not represent the market risk of the derivative transactions.

2. Matters related to market values, etc., of financial instruments

Consolidated balance sheet amounts, fair values, and their differences are as follows:

Prior fiscal year (As of March 31, 2024)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	¥54,269	¥54,269	¥ —
(2) Securities and investment securities			
1) Held-to-maturity debt securities	103	102	(0)
2) Available-for-sale securities	13,883	13,883	—
3) Stocks of affiliates	—	—	—
Total assets	68,256	68,256	(0)
(1) Long-term borrowings	124,500	124,259	240
(2) Bonds payable	10,000	9,776	223
Total liabilities	134,500	134,035	464
Derivative transactions			
1) Derivative transactions to which hedge accounting is not applied	—	—	—
2) Derivative transactions to which hedge accounting is applied	(230)	(230)	—
Total derivative transactions	(230)	(230)	—

Notes: 1. Notes are omitted for cash and deposits, notes and accounts payable - trade, and short-tern borrowings because they are settled over short time spans and their fair values approximate their book values.
2. Notes concerning securities are as described in the “Note 14 Investment Securities.” Notes concerning derivatives are as described in the “Note 15 Derivative Transactions.”
3. Securities without available fair market value

Category	Millions of yen
	2024
Investments in unlisted stocks, etc.	¥ 5,666
Investments in investment limited partnerships, etc.	11,118
Stocks of non-consolidated subsidiaries	1,059
Stocks of affiliates	25,395
Investments in capital of subsidiaries and affiliates	726

The above items are not included in “(2) Securities and investment securities.”
4. Investments in partnerships and similar business organizations for which amounts corresponding to equity are recorded in net amounts on the Consolidated Balance Sheet are not included under (2) Securities and investment securities. The amount of such investments recorded on the Consolidated Balance Sheet is ¥11,844 million.

Notes to Consolidated Financial Statements

Current fiscal year (As of March 31, 2025)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Notes and accounts receivable—trade	¥ 52,653	¥ 52,653	¥ —
(2) Securities and investment securities			
1) Held-to-maturity debt securities	101	101	(0)
2) Available-for-sale securities	7,614	7,614	—
3) Stocks of affiliates	—	—	—
Total assets	60,369	60,368	(0)
(1) Long-term borrowings	132,000	129,118	2,881
(2) Bonds payable	10,000	9,491	508
Total liabilities	142,000	138,610	3,389
Derivative transactions			
1) Derivative transactions to which hedge accounting is not applied	—	—	—
2) Derivative transactions to which hedge accounting is applied	641	641	—
Total derivative transactions	641	641	—

Notes: 1. Notes are omitted for cash and deposits, notes and accounts payable - trade, and short-tern borrowings because they are settled over short time spans and their fair values approximate their book values.
2. Notes concerning securities are as described in the "Note 14 Investment Securities." Notes concerning derivatives are as described in the "Note 15 Derivative Transactions."
3. Securities without available fair market value

Category	Millions of yen
	2025
Investments in unlisted stocks, etc.	¥ 3,676
Investments in investment limited partnerships, etc.	10,094
Stocks of non-consolidated subsidiaries	723
Stocks of affiliates	26,588
Investments in capital of subsidiaries and affiliates	2,387

The above items are not included in "(2) Securities and investment securities."
4. Investments in partnerships and similar business organizations for which amounts corresponding to equity are recorded in net amounts on the Consolidated Balance Sheet are not included under (2) Securities and investment securities. The amount of such investments recorded on the Consolidated Balance Sheet is ¥12,481 million.

Note 1: Redemption schedule of monetary receivables and securities with maturity after the consolidated balance sheet date

Prior fiscal year (As of March 31, 2024)

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥211,715	¥ —	¥—	¥—
Notes and accounts receivable—trade	54,269	—	—	—
Securities and investment securities				
Held-to-maturity debt securities (Bonds)*	—	100	—	—
Available-for-sale securities with maturities (Foreign bonds)	225	—	—	—
Available-for-sale securities with maturities (Other)	—	100	—	—
Total	266,210	200	—	—

* Receivables with early settlement provisions, etc., are presented in the scheduled redemption amount based on the assumption that they are held to maturity with early settlement provisions, etc., not applied.

Current fiscal year (As of March 31, 2025)

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥200,360	¥ —	¥—	¥—
Notes and accounts receivable—trade	50,921	1,732	—	—
Securities and investment securities				
Held-to-maturity debt securities (Bonds)*	—	100	—	—
Available-for-sale securities with maturities (Foreign bonds)	—	—	—	—
Available-for-sale securities with maturities (Other)	—	100	—	—
Total	251,282	1,932	—	—

* Receivables with early settlement provisions, etc., are presented in the scheduled redemption amount based on the assumption that they are held to maturity with early settlement provisions, etc., not applied.

Note 2: Repayment amounts of bonds payable, long-term borrowings, lease obligations, and other interest-bearing debts after the consolidated balance sheet date

Prior fiscal year (As of March 31, 2024)

Category	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥22,507	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	7,500	7,500	17,500	24,500	67,500
Bonds payable	—	—	—	—	—	10,000
Lease obligations	1,886	1,384	1,023	856	804	768
Other interest-bearing debt:						
Accounts payable—facilities	24	22	22	22	21	13

Current fiscal year (As of March 31, 2025)

Category	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥7,500	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	15,000	17,500	21,800	22,500	55,200
Bonds payable	—	—	—	—	10,000	—
Lease obligations	1,445	1,341	1,017	894	455	930
Other interest-bearing debt:						
Accounts payable—facilities	24	24	24	24	16	5

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for the same assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using material unobservable inputs

If multiple inputs are used (that are material to the fair value measurement), the fair value is categorized in the lowest priority input level in the fair value measurement.

Notes to Consolidated Financial Statements

(1) Financial assets and financial liabilities measured at fair value

Prior fiscal year (As of March 31, 2024)

Category	Millions of yen				
	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Securities and investment securities					
Available-for-sale securities					
Stocks	¥3,813	¥3,813	¥ —	¥—	¥3,813
Debt securities	606	—	606	—	606
Other	9,463	93	9,021	347	9,463
Total assets	13,883	3,907	9,628	347	13,883
Derivative transaction*					
Currency-related	—	—	—	—	—
Interest rate-related	(230)	—	(230)	—	(230)
Total derivative transaction	(230)	—	(230)	—	(230)

* Net receivables and payables resulting from derivative transactions are presented on a net basis. Items for total net obligations are indicated in parentheses.

Current fiscal year (As of March 31, 2025)

Category	Millions of yen				
	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Securities and investment securities					
Available-for-sale securities					
Stocks	¥ 6,137	¥6,137	¥ —	¥ —	¥ 6,137
Debt securities	100	—	100	—	100
Other	1,376	—	1,032	343	1,376
Total assets	7,614	6,137	1,132	343	7,614
Derivative transaction*					
Currency-related	—	—	—	—	—
Interest rate-related	641	—	641	—	641
Total derivative transaction	641	—	641	—	641

* Net receivables and payables resulting from derivative transactions are presented on a net basis. Items for total net obligations are indicated in parentheses.

(2) Financial assets and financial liabilities not to be measured at fair value

Prior fiscal year (As of March 31, 2024)

Category	Millions of yen				
	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	¥54,269	¥—	¥54,269	¥—	¥54,269
Securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	103	—	102	—	102
Stocks of affiliates	—	—	—	—	—
Total assets	54,372	—	54,372	—	54,372
Long-term borrowings	124,500	—	124,259	—	124,259
Bonds payable	10,000	—	9,776	—	9,776
Total liabilities	134,500	—	134,035	—	134,035

Current fiscal year (As of March 31, 2025)

Category	Millions of yen				
	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade	¥ 52,653	¥—	¥ 52,653	¥—	¥ 52,653
Securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	101	—	101	—	101
Stocks of affiliates	—	—	—	—	—
Total assets	52,755	—	52,754	—	52,754
Long-term borrowings	132,000	—	129,118	—	129,118
Bonds payable	10,000	—	9,491	—	9,491
Total liabilities	142,000	—	138,610	—	138,610

Note 1: A description of the valuation techniques and inputs used in fair value measurement

Securities and investment securities:

Listed stocks are valued based on quoted prices. Since listed stocks are traded in active markets, their fair value is assigned to Level 1. The fair value of debt securities and bonds receivable held by the Group is assigned to Level 2 because they are infrequently traded and are for that reason not deemed to have quoted prices on active markets.

Other financial instruments include investment trusts and simple agreements for future equity (SAFEs). The fair value of investment trusts is assigned to Level 2 because they are infrequently traded and thereby deemed to lack quoted prices on active markets. SAFEs are assigned to Level 3 because the most recent fair values are estimated after accounting for factors that can affect the value of the financial instruments.

Derivative transactions:

The fair value of interest rate swaps and forward exchange contracts is measured using the present discounted value method based on observable inputs, such as interest rates and exchange rates, and is assigned to Level 2.

Notes and accounts receivable - trade:

The fair value of these items is measured using the present discounted value method based on the amount of receivables, time to maturity, and an interest rate reflecting credit risk, for each grouping of receivables in a specified period, and is assigned to Level 2.

Long-term borrowings:

The fair values of long-term borrowings are measured using the present discounted value method based on the sum of principal and interest, time to maturity, and an interest rate reflecting credit risk, and are assigned to Level 2.

Bonds payable:

The fair value of bonds payable issued by the Company is measured using the present discounted value method based on the sum of principal and interest, time to maturity, and an interest rate reflecting credit risk, and is assigned to Level 2.

Note 2: Information on fair value under Level 3 used to record financial assets and liabilities measured at fair value on the consolidated balance sheet

(1) Adjustments from starting to ending balance and valuation gains/losses recognized during the period under review

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

	Millions of yen	
	Securities and investment securities	Total
	Available-for-sale securities	
	Other	
Starting balance	¥ —	¥ —
Profit/loss or other comprehensive income during the period	—	—
Purchases, sale, issue, and settlement	—	—
Other	347	347
Ending balance	347	347

Current year (From April 1, 2024 to March 31, 2025)

	Millions of yen	
	Securities and investment securities	Total
	Available-for-sale securities	
	Other	
Starting balance	¥347	¥347
Profit/loss or other comprehensive income during the period	(4)	(4)
Purchases, sale, issue, and settlement	—	—
Other	—	—
Ending balance	343	343

(2) Description of fair valuation process

The fair value of financial instruments assigned to Level 3 are calculated in accordance with the Accounting Standard for Fair Value Measurement and other applicable standards. Calculations of fair value consider the validity of fair value level assignments and fair valuation techniques employed in accordance with the nature and characteristics of and risks posed by the subject assets.

14 Investment Securities

1. Held-to-maturity debt securities

Prior fiscal year (As of March 31, 2024)

(1) Securities whose market value exceeds the consolidated balance sheet amount

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥—	¥—	¥—
2) Corporate bonds	—	—	—
3) Other	—	—	—
Total	—	—	—

(2) Securities whose market value is equal to or lower than the consolidated balance sheet amount

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥ —	¥ —	¥—
2) Corporate bonds	103	102	(0)
3) Other	—	—	—
Total	103	102	(0)

Current fiscal year (As of March 31, 2025)

(1) Securities whose market value exceeds the consolidated balance sheet amount

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥—	¥—	¥—
2) Corporate bonds	—	—	—
3) Other	—	—	—
Total	—	—	—

(2) Securities whose market value is equal to or lower than the consolidated balance sheet amount

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
1) Government / municipal bonds	¥ —	¥ —	¥—
2) Corporate bonds	101	101	(0)
3) Other	—	—	—
Total	101	101	(0)

2. Available-for-sale securities

Prior fiscal year (As of March 31, 2024)

(1) Securities whose consolidated balance sheet amount exceeds the acquisition cost

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥2,871	¥941	¥3,418
2) Debt securities	506	452	54
3) Other	9,136	8,664	472
Total	12,515	10,057	2,457

(2) Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥941	¥1,098	¥ (156)
2) Debt securities	100	105	(5)
3) Other	326	400	(73)
Total	1,368	1,603	(235)

Current fiscal year (As of March 31, 2025)

(1) Securities whose consolidated balance sheet amount exceeds the acquisition cost

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥ 5,320	¥ 1,901	¥3,418
2) Debt securities	—	—	—
3) Other	1,021	584	436
Total	6,341	2,485	3,855

(2) Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
1) Shares	¥ 816	¥870	¥(53)
2) Debt securities	100	105	(5)
3) Other	355	410	(55)
Total	1,272	1,386	(113)

3. Available-for-sale securities sold during the fiscal year

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

Category	Millions of yen		
	Amount of proceeds	Total gains on sales	Total losses on sales
1) Shares	¥364	¥323	¥—
2) Debt securities	—	—	—
3) Other	40	16	—
Total	404	339	—

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

Category	Millions of yen		
	Amount of proceeds	Total gains on sales	Total losses on sales
1) Shares	¥195	¥166	¥20
2) Debt securities	296	61	—
3) Other	3	1	—
Total	494	230	20

4. Impairment loss on securities

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

The Group recognized impairment loss on available-for-sale securities in the amount of ¥746 million.

Current fiscal year (From April 1, 2024 to March 31, 2025)

The Group recognized impairment loss on available-for-sale securities in the amount of ¥763 million.

15 Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives

Prior fiscal year (As of March 31, 2024)

Not applicable

Current fiscal year (As of March 31, 2025)

Not applicable

(2) Compound financial instruments

With respect to compound financial instruments whose fair values cannot be categorized and measured for each embedded derivative, the certain compound financial instruments are appraised by fair value and are included in “2. Available-for-sale securities” in “Note 14 Investment Securities.”

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

Prior fiscal year (As of March 31, 2024)

Not applicable

Current fiscal year (As of March 31, 2025)

Not applicable

(2) Interest rate-related derivatives

Prior fiscal year (As of March 31, 2024)

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swaps:				
	Floating rate into fixed rate	Long-term borrowings	¥50,000	¥46,428	¥(230)
Total			50,000	46,428	(230)

Note: Primary method represents interest rate swap transactions to long-term borrowings used the Company.

Current fiscal year (As of March 31, 2025)

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			Contract value	Contract value due after one year	Fair value
Primary method (Note)	Interest rate swaps:				
	Floating rate into fixed rate	Long-term borrowings	¥46,428	¥42,857	¥641
Total			46,428	42,857	641

Note: Primary method represents interest rate swap transactions to long-term borrowings used by the Company.

16 Retirement Benefits

1. Overview of retirement benefit plans

The Company and some of its consolidated subsidiaries have adopted a defined benefit corporate pension plan, a lump-sum retirement benefit plan, or a defined contribution pension plan to provide retirement benefits to the employees. In addition, the Company and certain consolidated subsidiaries have introduced selective defined contribution pension plans.

Under the lump-sum retirement benefit plan held by certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are determined using a simplified method.

Notes to Consolidated Financial Statements

2. Defined benefit pension plan

(1) Reconciliation of the difference between the amounts of projected benefit obligations (excluding pension plan using the simplified method)

	Millions of yen	
	2024	2025
Projected benefit obligations at the beginning of the period	¥32,418	¥28,761
Service costs—benefits earned during the year	1,623	1,452
Interest cost on projected benefit obligations	180	311
Actuarial differences accrued	(1,281)	(1,801)
Retirement benefit paid	(703)	(683)
Prior service costs accrued	(159)	—
Other	(3,316)	(2,077)
Projected benefit obligations at the end of the period	28,761	25,962

(2) Reconciliation of the difference between the amounts of plan assets

	Millions of yen	
	2024	2025
Plan assets at the beginning of the period	¥34,766	¥34,612
Expected return on plan assets	515	692
Actuarial differences accrued	2,117	(1,005)
Contribution of employer	941	28
Retirement benefit paid	(589)	(622)
Other	(3,139)	3
Plan assets at the end of the period	34,612	33,708

(3) Reconciliation of the difference between the amounts of net defined benefit liability under pension plans using the simplified method

	Millions of yen	
	2024	2025
Net defined benefit liability at the beginning of the period	¥862	¥928
Retirement benefit expenses	109	147
Retirement benefit paid	(51)	(73)
Other	8	(5)
Net defined benefit liability at the end of the period	928	997

(4) Reconciliation of the difference between the amount of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen	
	2024	2025
Funded projected benefit obligations	¥ 26,677	¥ 25,962
Plan assets	(34,612)	(33,708)
	(7,934)	(7,746)
Unfunded projected benefit obligations	3,012	997
Net amount of liabilities and assets recorded in the consolidated balance sheet	(4,922)	(6,749)
Net defined benefit liability	5,666	4,616
Net defined benefit asset	(10,588)	(11,366)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(4,922)	(6,749)

Note: Retirement benefit scheme applying the simplified method is included.

(5) Breakdown of retirement benefit expenses

	Millions of yen	
	2024	2025
Service costs—benefits earned during the year	¥1,623	¥1,452
Interest cost on projected benefit obligations	180	311
Expected return on plan assets	(515)	(692)
Amortization of actuarial difference	(554)	(1,104)
Amortization of prior service cost	235	220
Retirement benefit expenses using the simplified method	109	147
Other	—	0
Retirement benefit expenses of defined benefit pension plan	1,079	334

(6) Remeasurements of defined benefit plans, net of tax

Items included in the remeasurements of defined benefit plans are as follows (before tax effect deduction).

	Millions of yen	
	2024	2025
Prior service costs	¥395	¥ 220
Actuarial difference	2,844	(272)
Total	3,240	(52)

(7) Remeasurements of defined benefit plans

Items included in the remeasurements of defined benefit plans are as follows (before tax effect deduction).

	Millions of yen	
	2024	2025
Unrecognized prior service costs	¥(1,964)	¥(1,744)
Unrecognized actuarial difference	3,773	3,500
Total	1,808	1,755

(8) Matters concerning plan assets

1) Breakdown of plan assets

Ratio of main classes of plan assets

	2024	2025
Debt securities	38%	44%
Share of stock	28	19
Cash and deposits	18	21
General account	7	7
Other	9	9
Total	100	100

2) Long-term expected rate of return on plan assets

In determining the long-term expected rate of return on pension assets, the Company and its consolidated subsidiaries consider the current and projected pension asset allocations as well as current and future long-term rate on returns for the various assets that make up the pension assets.

Notes to Consolidated Financial Statements

(9) Matters concerning basis for the actuarial calculation

Basis for the actuarial calculation

	2024	2025
Discount rate	0.6–1.8%	1.7–2.4%
Long-term expected rate of return on plan assets	2.0%	2.0%
Salary increase ratio	Principally, salary increase index by ages as of March 31, 2021 is used. Some consolidated subsidiaries do not use the salary increase ratio for the calculation of retirement benefits obligation.	Salary increase index is not used to calculate retirement benefits obligations.

3. Defined contribution pension plans

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,937 million in the prior fiscal year and ¥1,449 million in the current fiscal year.

17 Stock Option Plan

1. Account title and the amount of stock options recorded as expenses

	Millions of yen	
	2024	2025
Selling, general, and administrative expenses—other	¥283	¥56

2. Amount recorded as profit due to invalidation as a result of non-exercise of rights

	Millions of yen	
	2024	2025
Other income	¥—	¥0

3. Contents, scale and movement of stock options

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

(1) The following table summarizes the contents of stock options.

Company name	The Company
Date of the resolution	August 2, 2021
Position and number of grantees (persons)	Company employees: 168 Subsidiary directors: 12 Subsidiary executive officers: 25 Subsidiary employees: 1,411
Class and number of stock (shares)	Common stock 2,884,500
Date of issue	September 1, 2021
Condition of settlement of rights	Continue to work from September 1, 2021 to June 30, 2024
Period in which grantees provide service in return for stock options	September 1, 2021 to June 30, 2024
Period subscription rights are to be exercised	July 1, 2024 to June 30, 2026

(2) The following table summarizes the scale and movement of stock options.

	Shares
Company name	The Company
Date of the resolution	August 2, 2021
Not exercisable stock options	
Stock options outstanding at April 1, 2023	2,795,500
Stock options granted	—
Forfeitures	47,500
Conversion to exercisable stock options	—
Stock options outstanding at March 31, 2024	2,748,000
Exercisable stock options	
Stock options outstanding at April 1, 2023	—
Conversion from not exercisable stock options	—
Stock options exercised	—
Forfeitures	—
Stock options outstanding at March 31, 2024	—

The following table summarizes the price information of stock options.

	Yen
Company name	The Company
Date of the resolution	August 2, 2021
Exercise price	¥1,500
Average market price of the stock at the time of exercise	—
Fair value of the stock option at the date of grant	300

Current fiscal year (From April 1, 2024 to March 31, 2025)

(1) The following table summarizes the contents of stock options.

Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of the resolution	August 2, 2021	June 21, 2024
Position and number of grantees (persons)	Company employees: 168 Subsidiary directors: 12 Subsidiary executive officers: 25 Subsidiary employees: 1,411	Former shareholders of RAISE ENTERTAINMENT Co., Ltd.: 3
Class and number of stock (shares)	Common stock 2,884,500	Common stock: 33
Date of issue	September 1, 2021	June 21, 2024
Condition of settlement of rights	Continue to work from September 1, 2021 to June 30, 2024	Total operating income in the three-year period from the year ended October 2024 through the year ending October 2026 must be ¥1,208 million or more.
Period in which grantees provide service in return for stock options	September 1, 2021 to June 30, 2024	—
Period subscription rights are to be exercised	July 1, 2024 to June 30, 2026	From April 1, 2027 to April 30, 2027

Notes to Consolidated Financial Statements

(2) The following table summarizes the scale and movement of stock options.

Shares		
Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of the resolution	August 2, 2021	June 21, 2024
Not exercisable stock options		
Stock options outstanding at April 1, 2024	2,748,000	—
Stock options granted	—	33
Forfeitures	54,000	—
Conversion to exercisable stock options	—	—
Stock options outstanding at March 31, 2025	2,694,000	33
Exercisable stock options		
Stock options outstanding at April 1, 2024	—	—
Conversion from not exercisable stock options	2,694,000	—
Stock options exercised	1,540,200	—
Forfeitures	2,500	—
Stock options outstanding at March 31, 2025	1,151,300	—

The following table summarizes the price information of stock options.

Yen		
Company name	The Company	Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.
Date of the resolution	August 2, 2021	June 21, 2024
Exercise price	¥1,500	¥15,997,784
Average market price of the stock at the time of exercise	2,682	—
Fair value of the stock option at the date of grant	300	—

4. Estimation of fair value of the stock options

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

Not applicable

Current fiscal year (From April 1, 2024 to March 31, 2025)

(1) The Company

Not applicable

(2) Consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd.

Since shares of stock in the consolidated subsidiary RAISE ENTERTAINMENT Co., Ltd. are not listed, the fair value per share of stock options on such shares is estimated based on the original value per unit. Prices estimated by the discounted cash flow method are used to value stock serving as the basis of calculations of the original value per unit.

Since estimates indicated that the original value per unit at the time they were granted was zero, no fair value per share is presented.

5. Estimation of number of exercisable stock options

As it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, the number here reflects only stock options that have actually been forfeited.

18 Stock Compensation with Restriction on Transfer

1. Details of stock compensation with restriction on transfer

	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Categories and number of grantees (persons)	Company directors —	Company directors 4
	Company executive officers —	Company executive officers 9
	Subsidiary directors 15	Subsidiary directors 18
	Subsidiary executive officers 14	Subsidiary executive officers 22
Class and number of shares granted (shares)	Common stock: 28,500	Common stock: 78,200
Grant date	August 5, 2021	August 19, 2022
Conditions for canceling restriction on transfer	(Notes) 1, 2	(Notes) 1, 2
Period of restriction on transfer	From August 5, 2021 to August 4, 2024	From August 19, 2022 to August 18, 2025

	Continuous service-based shares with restriction on transfer in 2023
Categories and number of grantees (persons)	Company directors 5
	Company executive officers 8
	Subsidiary directors 16
	Subsidiary executive officers 24
Class and number of shares granted (shares)	Common stock: 64,200
Grant date	August 10, 2023
Conditions for canceling restriction on transfer	(Notes) 1, 2
Period of restriction on transfer	From August 10, 2023 to August 9, 2026

	Performance-based shares with restriction on transfer in 2021
Categories and number of grantees (persons)	Company directors 4
	Company executive officers 8
	Subsidiary directors 19
	Subsidiary executive officers 21
Class and number of shares granted (shares)	Common stock: 384,800
Grant date	August 5, 2021
Conditions for canceling restriction on transfer	(Notes) 1, 3
Period of restriction on transfer	From August 5, 2021, until the closure of the Company's first Ordinary General Meeting of Shareholders to arrive after the end date of the medium-term plan

Notes: 1. If grantees resign as directors and executive officers of the Company or Company subsidiaries (limited to those in which the Group holds at least 50% of all shares; such subsidiaries and the Company shall hereinafter be referred to as "Group companies") on or before the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., on or before the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer). The Company shall acquire, by right, the allotted shares gratis, except in cases in which the reasons for such resignation are deemed valid by the Company Board of Directors, such as the expiration of term of office (except for "performance-based shares with restriction on transfer"), the attainment of the mandatory retirement age and death. The Company shall also acquire, by right, the allotted shares gratis for which the restriction on transfer is not canceled under the provisions of 2 and 3 below as of the expiration of the period of restriction on transfer.

2. Subject to the condition that grantees including Group company officers continue to serve as Group company directors or executive officers until the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., until the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer), as of the expiration of the period of restriction on transfer, the restriction will be canceled for all allotted shares. However, should such directors resign as directors and executive officers of Group companies before the expiration of the period of restriction on transfer for reasons deemed valid by the Company Board of Directors (for example, expiration of term of office, attainment of mandatory retirement age, or death), the number of allotted shares for which the restriction on transfer is canceled and the timing of such cancellation are to be reasonably adjusted on an as-needed basis.

3. Subject to the condition that grantees continue to serve as Group company directors or executive officers until the day preceding the day of the Company's first Ordinary General Meeting of Shareholders arriving after the start of the period of restriction on transfer (or, if the grantees are Company executive officers or Group company officers, etc., until the day preceding the Company's first fiscal year-end date arriving after the start of the period of restriction on transfer), the number of shares for which the restriction on transfer will be canceled and the timing of such cancellation are to be reasonably adjusted on an as-needed basis in accordance with the length of their service in such roles during the medium-term plan period (at the restriction cancellation rate) which is linked to performance goal achievements in the medium- term plan. However, should such directors resign as directors and executive officers of Group companies before the expiration of the period of restriction on transfer for reasons deemed valid by the Company Board of Directors (for example, attaining mandatory retirement age and death or reassignment to other positions during the medium-term plan period), the number of shares for which the restriction on transfer is canceled shall be reasonably adjusted within the performance condition.

Notes to Consolidated Financial Statements

2. Volume and changes in stock compensation with restriction on transfer

1) Expensed amount and account title

Millions of yen		
	2024	2025
Selling, general, and administrative expenses—other	¥394	¥ —

2) Number of shares

Shares		
	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Before cancellation of restriction		
At end of prior period	26,800	78,200
Granted	—	—
Acquired for free	—	—
Restriction canceled	26,800	—
Restriction valid	—	78,200

	Continuous service-based shares with restriction on transfer in 2023
Before cancellation of restriction	
At end of prior period	—
Granted	64,200
Acquired for free	—
Restriction canceled	—
Restriction valid	64,200

	Performance-based shares with restriction on transfer in 2021
Before cancellation of restriction	
At end of prior period	351,500
Granted	—
Acquired for free	191,200
Restriction canceled	—
Restriction valid	160,300

3) Per share price

Yen		
	Continuous service-based shares with restriction on transfer in 2021	Continuous service-based shares with restriction on transfer in 2022
Fair value per share at grant date	¥1,502	¥2,228

	Continuous service-based shares with restriction on transfer in 2023
Fair value per share at grant date	¥2,989

	Performance-based shares with restriction on transfer in 2021
Fair value per share at grant date	¥1,502

Note: To prevent arbitrary price decisions, we use the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately before the date of the Board of Directors resolution regarding the granting of shares with restriction on transfer.

19 Income Taxes

1. Significant components of deferred tax assets and liabilities

Millions of yen		
	2024	2025
Deferred tax assets:		
Exclusion of provision of allowance for doubtful accounts from deductible expenses	¥ 177	¥ 314
Exclusion of loss on valuation of inventories from deductible expenses	2,436	2,034
Exclusion of provision for bonuses from deductible expenses	3,560	3,684
Net defined benefit liability	1,963	1,688
Excess of maximum depreciation and amortization	21,601	16,114
Exclusion of loss on valuation of investment securities from deductible expenses	325	362
Impairment loss	380	312
Other	15,322	10,861
Loss carried forward	23,745	17,728
Subtotal deferred tax assets	69,514	53,100
Valuation allowance for tax loss carried forward (Note 2)	(12,736)	(8,110)
Valuation allowance for deductible temporary difference	(31,668)	(21,402)
Subtotal valuation allowance (Note 1)	(44,404)	(29,512)
Offset to deferred tax liabilities	(6,791)	(6,712)
Total deferred tax assets	18,317	16,874
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,507)	(2,027)
Intangible assets recognized through business combination	(10,601)	(9,934)
Other	(5,310)	(6,043)
Subtotal deferred tax liabilities	(17,420)	(18,005)
Offset to deferred tax assets	6,791	6,712
Total deferred tax liabilities	(10,628)	(11,292)
Net deferred tax assets	7,689	5,582

Notes: 1. The valuation allowance declined by ¥14,891 million. The major factors for this decline were a decrease in valuation allowance of ¥4,625 million for tax loss carryforwards and a decrease in valuation allowance for a deductible temporary difference of ¥10,265 million.
2.Amount of tax loss carried forward and their deferred tax assets by carryforward period are as follows.

Prior fiscal year (As of March 31, 2024)

Millions of yen							
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carried forward (a)	¥ 1,183	¥ 990	¥ 556	¥ —	¥ 1,006	¥ 20,009	¥ 23,745
Valuation allowance	(644)	(826)	(555)	—	(722)	(9,987)	(12,736)
Deferred tax assets	539	163	1	—	284	10,022	(b) 11,009

(a) The amount of tax loss carried forward is the amount under the normal effective statutory tax rate.
(b) Regarding the amount of tax loss carried forward of ¥23,745 million (the amount under the normal effective statutory tax rate), deferred tax assets of ¥11,009 million were recorded. The Company deemed that a partial amount of tax loss carried forward can be recovered mainly in the following fiscal year based on estimates of taxable income.

Notes to Consolidated Financial Statements

Current fiscal year (As of March 31, 2025)

Millions of yen							
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carried forward (a)	¥678	¥484	¥ —	¥943	¥834	¥14,788	¥17,728
Valuation allowance	(403)	(419)	—	(545)	(383)	(6,358)	(8,110)
Deferred tax assets	274	65	—	398	451	8,429	(b) 9,618

(a) The amount of tax loss carried forward is the amount under the normal effective statutory tax rate.
(b) Regarding the amount of tax loss carried forward of ¥17,728million (the amount under the normal effective statutory tax rate), deferred tax assets of ¥9,618million were recorded. The Company deemed that a partial amount of tax loss carried forward can be recovered mainly in the following fiscal year based on estimates of taxable income.

2. Breakdown of major causes of the significant difference between the statutory tax rate and the effective tax rate for financial statement purposes, if any, by item, for the fiscal years ended March 31, 2024 and 2025

	2024	2025
Normal effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Changes in valuation allowance	2.6	(17.4)
Permanently non-deductible expenses including entertainment expenses	3.8	2.1
Amortization of goodwill	1.7	1.8
Tax rate difference between the Company and consolidated subsidiaries	(3.3)	1.2
Tax credit for experimental and research expenses	(15.9)	(2.7)
Tax loss carried forward	5.6	2.9
Other	(4.3)	(0.7)
Effective tax rate after tax effect accounting	20.8	17.8

3. Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and some domestic consolidated subsidiaries have applied the Group Tax Sharing System. Accounting treatment of national and local income tax or accounting treatment of and disclosure of related tax-effect accounting are conducted in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan [ASBJ] Practical Solution No. 42; August 12, 2021).

4. Revisions to deferred tax assets and deferred tax liabilities due to revision of tax rates on income and other taxes

The Act for Partial Amendment of the Income Tax Act etc. (Act No. 13 of 2025) was passed by the National Diet on March 31, 2025. The assessment of a special defense tax will begin from the consolidated fiscal year starting April 1, 2026.
Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in consolidated fiscal years starting on or after April 1, 2026, are calculated based on a statutory effective tax rate revised from 30.6% to 31.5%.
As a result of this change, the amount of deferred tax assets in the current consolidated fiscal year (after deductions of deferred tax liabilities) has decreased by ¥185 million, the amount of income tax adjustments has increased by ¥127 million, and the amount of the valuation difference on available-for-sale securities has decreased by ¥57 million.

20 Business Combination

Prior fiscal year (From April 1, 2023 to March 31, 2024)
(Acquisition of stock in Rovio Entertainment Corporation)

In the Board of Directors meeting held April 17, 2023, the Company and SEGA CORPORATION (“SEGA”), a consolidated Company subsidiary, resolved to implement a tender offer (tender offer under Finnish Law; “Tender Offer” hereinafter) to acquire Rovio Entertainment Corporation (“Rovio”), a mobile game company headquartered in Finland, through SEGA Europe Ltd., SEGA’s wholly-owned subsidiary. Rovio has been made a wholly-owned subsidiary through the first and second Tender Offers and a squeeze-out merger.

(1) Overview of merger

- (i) Name and lines of business of acquisition
Name of acquired entity: Rovio Entertainment Corporation
Lines of business: Mobile game development and operations, brand licensing
- (ii) Main reasons for merger
To boost the Group’s presence in global markets, including the rapidly growing mobile game market, by acquiring the mobile game development capabilities and operating expertise of Rovio Entertainment Corporation.
- (iii) Date of merger
August 17, 2023 (date of stock acquisition)
- (iv) Legal form of merger
Stock acquisition paid in cash
- (v) Company name after merger
Unchanged
- (vi) Percentage of voting rights acquired
August 17, 2023 96.3%
September 6, 2023 1.3%
January 22, 2024 2.4%
Percentage of voting rights acquired 100.0%
- (vii) Key reasons for decision on acquiring company
Acquisition of all shares of stock for cash by the Company’s consolidated subsidiary SEGA Europe Ltd.

(2) Period of financial results of the acquired company included on the consolidated financial statements

September 1, 2023 through March 31, 2024

(3) Cost of acquisition and breakdown thereof by type

Acquisition price	Cash	¥100,640 million
Cost of acquisition		¥100,640 million

(4) Details and amounts of main costs associated with acquisition

Advisory costs, etc.: ¥1,790 million

(5) Amount, causes, depreciation method, and depreciation period of goodwill incurred

- (i) Amount of goodwill incurred
¥29,089 million
- (ii) Causes
This goodwill was incurred chiefly from future surplus revenues expected through future business development.
- (iii) Depreciation method and depreciation period of goodwill incurred
Straight-line depreciation over 15 years

(6) Changes in Company equity due to transactions with non-controlling interests

- (i) Major causes of changes in capital surplus
 - Additional acquisition of shares of subsidiaries
- (ii) Amount of decrease in capital surplus due to transactions with non-controlling interests
 - ¥3,025 million

(7) Amounts of assets received and liabilities undertaken on date of merger and main details thereof

Current assets	¥30,896 million
Noncurrent assets	¥59,742 million
Total assets	¥90,639 million
Current liabilities	¥5,928 million
Noncurrent liabilities	¥12,063 million
Total liabilities	¥17,991 million

(8) Amounts allocated to intangible assets other than goodwill and main breakdown thereof and weighted average depreciation period by type

- (i) Amounts allocated to intangible assets
 - ¥53,281 million
- (ii) Main breakdown and depreciation periods
 - Trademark rights: ¥47,630 million Depreciation period: 23 years
 - Intangible assets related to technology: ¥5,651 million Depreciation period: 10 years

(9) Estimates of the effects on the consolidated statements of income if the merger had been completed on the start date of the fiscal year under review and calculation methods thereof

Net sales: ¥18,556 million
Operating income: ¥(1,079) million
(Calculation methods for estimates)

Rough estimates of effects were calculated as the difference between net sales and profit/loss information based on the working assumption that the merger had been completed on the start date of the fiscal year under review and net sales and profit/loss information provided on the Company’s consolidated statements of income. In addition, depreciation amounts for goodwill, etc. recognized at the time of the merger were adjusted based on the assumption that they were incurred on the start date of the fiscal year under review.

These notes have not been subjected to audit certification.

(Sale of stock in Relic Entertainment)

In a Board of Directors meeting held March 28, 2024, the Company resolved to sell all shares of stock held by its consolidated subsidiary SEGA Europe Ltd. in Relic Entertainment, Inc. The stock was sold effective March 28, 2024. As a result, Relic Entertainment, Inc. is no longer included in the Company’s scope of consolidation of accounts.

(1) Overview of spinoff

- (i) Name of acquiring company
 - Emona Capital LLP
- (ii) Line of business spun off
 - Consumer software development
- (iii) Main reasons for spinoff
 - Due to the negative rebound from demand related to stay-at-home consumers during the COVID-19 pandemic and other factors including inflation, the consumer area is changing rapidly, particularly in Europe. This has resulted in lower profitability. In response, the Group chose to implement structural reforms in its European operations with the goal of improving earnings through rapid adaptation. Various measures targeting its European operations have been examined, including medium-term lineup revisions, normalizing fixed costs, improvements in investment efficiency, and revisions of its development, sales, and management structures. Against this backdrop, the Company chose to sell all shares of stock held in Relic Entertainment, Inc., a consolidated Company subsidiary.
- (iv) Date of spinoff
 - March 28, 2024
- (v) Other matters related to the transaction summary, including legal structure
 - Sale of stock in exchange for receipt of cash and other assets only

(2) Overview of accounting treatment

- (i) Gains/losses on transfer
 - Loss on business restructuring: ¥2,159 million
- (ii) Appropriate book value of assets and liabilities related to the business transferred, and main breakdown thereof

Current assets	¥2,166 million
Noncurrent assets	¥1,754 million
Total assets	¥3,920 million
Current liabilities	¥467 million
Noncurrent liabilities	¥884 million
Total liabilities	¥1,352 million
- (iii) Accounting treatment
 - The difference between the consolidated book value and transfer price of the shares sold was recorded as Other expenses.

(3) Reporting segment that included the spun-off business

Entertainment Contents Business

(4) Summary of profit/loss related to the spun-off business recorded on the consolidated statements of income during the period under review

Net sales: ¥4,341 million
Operating income: ¥344 million

Current fiscal year (From April 1, 2024 to March 31, 2025)
(Transactions under common control)

(1) Purpose of this absorption-type of demerger

The Group has established its Medium-term Management Plan, “Beyond the Status Quo - Breaking the Current Situation and Becoming a Sustainable Company-”, which positions the fiscal year ended March 2024 as the final year, and has been working to expand its corporate value. In the Entertainment Contents Business, mainly in the consumer area, the Group promoted the Pillar Strategy, which focuses on multi-platform rollout and simultaneous global launch of major titles such as the Sonic series, Persona series, Like a Dragon series, and others, and the Group has steadily implemented that strategy. The Medium-term Plan “WELCOME TO THE NEXT LEVEL!” is intended to enhance transmedia deployment, thereby building on the pillar strategy and advancing it to the next stage. This is one of the main strategies for the Entertainment Contents Business.

The Group has resolved to transfer Amusement Machine Business of SEGA CORPORATION, a consolidated subsidiary of the Company, to SEGA TOYS CO., LTD., also a consolidated subsidiary of the Company, through an absorption-type demerger and to change the trade name of the successor company in absorption-type demerger (SEGA TOYS CO., LTD.) at its Board of Directors meeting held on January 9, 2024, to establish a new business unit by integrating the Amusement Machine Business and Toy Business as part of the promotion of the transmedia strategy, and the absorption-type demerger and the change of trade name of the successor company in absorption-type demerger were implemented effective April 1, 2024.

(2) Overview of this absorption-type demerger

- (i) Detail of business to be demerged
SEGA CORPORATION: Amusement Machine Business
- (ii) Legal form of business combination
An absorption-type demerger, with SEGA CORPORATION as the demerged company and SEGA TOYS CO., LTD. as the successor company in absorption-type demerger.
- (iii) Overview of the company concerned in this absorption-type demerger (as of March 31, 2024)

	Demerged company in absorption-type demerger	Successor company in absorption-type demerger
Name	SEGA CORPORATION	SEGA TOYS CO., LTD.
Details of business	Planning, development, and sales of game-related contents for mobile phones, PCs, smart devices, and home video game consoles, and development and sales of Amusement Machines	Development, manufacturing, and sales of toys
Location	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo
Capital Stock	¥100 million	¥100 million
Major shareholders and share ratio	SEGA SAMMY HOLDINGS INC. 100%	SEGA CORPORATION 100%

Note: SEGA TOYS, CO., LTD. changed its trade name to SEGA FAVE CORPORATION as of April 1, 2024.

(3) Overview of accounting treatment adoption

The merger was treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019), and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

(Spinoff of business)

At the meeting of the Board of Directors held on May 10, 2024, the Company resolved to transfer the shares of consolidated subsidiary PHOENIX RESORT CO., LTD. (“PHOENIX” hereinafter) to Yugao GK, an affiliate of Fortress Investment Group LLC (Fortress Investment Group LLC and its affiliates are collectively referred to as “Fortress” hereinafter). The transfer was completed on May 31, 2024. This share transfer removes PHOENIX from the list of consolidated subsidiaries.

(1) Overview of spinoff

- (i) Name of acquiring company
Yugao GK
- (ii) Line of business spun off
Development and operation of Phoenix Seagaia Resort, a resort complex that includes a hotel, golf course, spa, leisure facilities, and hot springs
- (iii) Main reasons for spinoff
In 2012, the Company made PHOENIX a wholly-owned subsidiary for the purpose of incorporating its expertise on operating large-scale facilities. This expertise was to be applied in operating and developing integrated resort facilities, a business that the Company was seeking to enter at the time. Since making it a subsidiary, the Company has worked closely with PHOENIX to increase its corporate value. These efforts have restored PHOENIX’s profitability and established it as one of Japan’s leading operators of integrated resort facilities. As a Group member, PHOENIX recorded record sales in two consecutive years starting with the year ended March 31, 2023. The Company considered various measures to increase PHOENIX’s corporate value still further after it regained profitability. During this process, it determined that the best option for maximizing PHOENIX’s corporate value would be to welcome Fortress as a strategic partner, based on its experience and expertise in the hotel and resort business, and to transfer its holdings of shares of PHOENIX stock to Fortress, which would then assume the lead role in guiding PHOENIX’s business operations.
- (iv) Date of spinoff
May 31, 2024
- (v) Other matters related to the summary of the transaction, including its legal structure
Sale of stock in exchange for receipt of cash and other assets only

(2) Overview of accounting treatment

- (i) Gains/losses on transfer
Gain on sales of shares of subsidiaries and affiliates: ¥8,499 million
- (ii) Appropriate book value of assets and liabilities related to the business transferred and main breakdown thereof

Current assets	¥1,444 million
Noncurrent assets	¥10,385 million
Total assets	¥11,829 million
Current liabilities	¥4,816 million
Noncurrent liabilities	¥2,552 million
Total liabilities	¥7,369 million
- (iii) Accounting treatment
The difference between the consolidated book value and transfer price of the shares sold was recorded as other income under gain on sales of shares of subsidiaries and associates.

(3) Reporting segment in which the spin off business was included

The business spunoff was not assigned to a reporting segment.

(4) Estimates of profit/loss related to the business spunoff recorded to the Consolidated Statement of Income

Net sales	¥1,741 million
Loss before income taxes	¥12 million

21 Asset Retirement Obligations

Prior fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
The information is omitted due to the immateriality of the total amount of the asset retirement obligations.	The information is omitted due to the immateriality of the total amount of the asset retirement obligations.

22 Rental Property and Other Real Estate

Prior fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
The information is omitted due to the immateriality of the total amount of the rental property and other real estate.	The information is omitted due to the immateriality of the total amount of the rental property and other real estate.

23 Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The Group operates an Entertainment Contents Business, Pachislot & Pachinko Machines Business, and a Gaming Business. Main goods or services primarily handled by these businesses are digital content, products and merchandise, and resort facilities. Shown below are the sales of goods or services by each business:

As noted in “Note 24 Segment Information: 1. Overview of reporting segments (Changes in reporting segments),” reporting segments have changed starting with the consolidated fiscal year under review.

Starting with the consolidated fiscal year under review, due to their diminishing importance, resort facility sales, indicated separately in the prior consolidated fiscal year, are included under Other.

Breakdown information on receivables from contracts with customers in the prior consolidated fiscal year has been restated using segment methods, etc. after the above change.

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

	Millions of yen					
	Reporting segment					Total
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Other	
Digital content sales	¥175,377	¥ 4,764	¥ —	¥180,142	¥ —	¥180,142
Product and merchandise sales	90,661	125,675	1,672	218,009	—	218,009
Other sales	51,491	2,808	268	54,568	13,921	68,490
Revenue from contracts with customers	317,530	133,248	1,941	452,720	13,921	466,641
Other revenues (Note)	2,283	—	—	2,283	—	2,283
Sales to external customers	319,813	133,248	1,941	455,004	13,921	468,925

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Millions of yen					
	Reporting segment					Total
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Other	
Digital content sales	¥169,623	¥ 4,901	¥ —	¥174,524	¥ —	¥174,524
Product and merchandise sales	86,209	88,234	4,595	179,039	—	179,039
Other sales	55,010	3,968	855	59,835	4,816	64,652
Revenue from contracts with customers	310,843	97,105	5,451	413,400	4,816	418,217
Other revenues (Note)	10,731	—	—	10,731	—	10,731
Sales to external customers	321,575	97,105	5,451	424,132	4,816	428,948

Notes: 1. Other revenues in the Entertainment Contents Business consist of distribution income related to investments in film production in the U.S. and revenues related to the Video Games Expenditure Credit (VGEC) in the UK.

2. As noted in “Note 6 Changes in Methods of Presentation,” distributed income related to investments in film production in the U.S., which was previously posted in “equity in earnings of affiliates” under “other income,” is reclassified in “net sales” since the current fiscal year. To reflect this change in presentation, segment information for the prior fiscal year has been reclassified. As a result, “net sales” of “Entertainment Contents Business” increased ¥1,029 million for the prior fiscal year.

2. Basic information for understanding revenue from contracts with customers

(1) Information on contracts, performance obligations, and when performance obligations are satisfied

Information on contracts, performance obligations, and when performance obligations are satisfied is as presented in “Note2 Summary of Significant Accounting Policies3. Accounting Policies (7) Accounting policy for recognition of significant revenues and expenses.”

(2) Information on calculating allocation amounts for performance obligations

When selling sets of multiple pieces of game content as part of granting game distribution rights or download sales in the Entertainment Contents Business, the provision of each piece of content is identified as a separate performance obligation, and the transaction price is allocated to each performance obligation. For bundled sales within the Entertainment Contents Business of amusement machines and annual content update services, the amusement machine sales and annual content update services are identified as separate performance obligations and the transaction prices are allocated to each performance obligation.

In cases such as these, stand-alone selling prices on the transaction day (in the contract of the individual goods or services that serve as the basis for each performance obligation are calculated) the transaction prices are allocated based on the ratio of said stand-alone selling prices.

3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts; information on revenue amounts expected to be recognized in the following fiscal years as the result of contracts with customers as of the end of the current fiscal year and the timing of such recognition

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

(1) Receivables from contracts with customers; the balances of contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets, and contract liabilities is as follows:

	Millions of yen	
	Beginning balance for the prior year	Ending balance for the prior year
Receivables from contracts with customers		
Notes and accounts receivable—trade	¥52,673	¥54,269
Contract assets	696	—
Contract liabilities	25,852	19,367

Contract assets consist mainly of rights not yet claimed on revenues recognized as such, based on measurement of progress for development under contract. Contract assets are transferred to accounts receivable - trade when rights to payment become unconditional.

Contract liabilities consist mainly of prepayments received from customers before the delivery of products or provision of services and balances of points awarded to customers for which performance obligations have not yet been fulfilled as of the end of the period. Contract liabilities are cancelled upon recognition of revenues.

Of the revenue recognized in the current fiscal year, the amount included in the contract liability balance at the beginning of the period is ¥23,762 million. The primary reason for the decrease in contract liabilities is a decrease in prepayments received before delivery of products.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame in which the Company expects to recognize the amount as revenue are as follows:

	Millions of yen
Within one year	¥15,367
Over 1 year but within 2 years	1,322
Over 2 year but within 3 years	277
Over 3 year but within 4 years	2,257
Over 4 years	143
Total	19,367

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

(1) Receivables from contracts with customers; the balances of contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets, and contract liabilities is as follows:

	Millions of yen	
	Beginning balance for the current year	Ending balance for the current year
Receivables from contracts with customers		
Notes and accounts receivable—trade	¥54,269	¥52,653
Contract assets	—	—
Contract liabilities	19,367	14,228

Contract assets consist mainly of rights not yet claimed on revenues recognized as such, based on measurement of progress for development under contract. Contract assets are transferred to accounts receivable - trade when rights to payment become unconditional.

Contract liabilities consist mainly of prepayments received from customers before the delivery of products or provision of services and balances of points awarded to customers for which performance obligations have not yet been fulfilled as of the end of the period. Contract liabilities are cancelled upon recognition of revenues.

Of the revenue recognized in the current fiscal year, the amount included in the contract liability balance at the beginning of the period is ¥14,416 million. The primary reason for the decrease in contract liabilities is a decrease in prepayments received before delivery of products.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame in which the Company expects to recognize the amount as revenue are as follows:

	Millions of yen
Within one year	¥10,714
Over 1 year but within 2 years	1,060
Over 2 years but within 3 years	2,365
Over 3 years but within 4 years	64
Over 4 years	22
Total	14,228

24 Segment Information

1. Overview of reporting segments

The Group's reporting segments are organizational units for which separate financial information is available. On this basis, the Board of Directors makes decisions on allocating management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service are carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the businesses run by each Group company, in which Entertainment Contents Business, Pachislot & Pachinko Machines Business, and Gaming Business are the reporting segments.

The lines of business for each reporting segment are as follows:

Segment	Main product and business
Entertainment Contents Business	Development and sales of consumer game software including Full Game, F2P, etc., and amusement machines, planning, production and sales of animated films, development, manufacture and sales of toys, etc.
Pachislot & Pachinko Machines Business	Development, manufacture and sales of pachislot and pachinko machines
Gaming Business	Overseas online gaming-related business, operation of integrated resorts, and development and manufacture of casino machines

(Changes in reporting segments)

At the start of the Medium-term Plan “WELCOME TO THE NEXT LEVEL!”, the Group implemented the abolition of the “Resort Business” and creation of a new “Gaming Business”. This was implemented from the perspective of the strategies and business portfolio of the Medium-term Plan. The newly established “Gaming Business” consolidates overseas online gaming-related businesses, operation of existing integrated resorts, and development and manufacture of casino machines. As a result, “Entertainment Contents Business”, “Pachislot & Pachinko Machines Business”, and “Gaming Business” will become reportable segments.

Segment information for the prior fiscal year is presented based on the reclassified method after the change.

2. Method for calculating net sales, income or loss, assets and other items by each reporting segment

The accounting methods applied to reporting segments are generally the same as those described in “Note 2 Summary of Significant Accounting Policies.”

3. Information on the amounts of net sales, income or loss, assets, and other items by each reporting segment

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

	Millions of yen				
	Reporting segment				Amount in Consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment (Note)
Net sales:					
Net sales to external customers	¥319,813	¥133,248	¥1,941	¥455,004	¥ 13,921
Inter-segment sales and transfers	605	168	66	839	(839)
Total	320,418	133,417	2,007	455,843	13,081
Segment income (loss)	30,823	41,943	(421)	72,345	(12,567)
Segment assets	355,031	164,468	27,277	546,776	107,217
Other items:					
Depreciation	8,532	3,506	—	12,038	1,475
Interest income	1,301	259	0	1,560	377
Interest expenses	790	0	147	938	(171)
Equity in earnings (losses) of affiliates	3	5	991	1,000	—
Investments in affiliates accounted for by the equity method	39	726	24,619	25,384	—
Increases in property, plant and equipment and intangible assets	5,650	3,923	402	9,975	1,693

Notes: 1. The adjustment to net sales to external customers of ¥13,921 million corresponds to net sales not belonging to reporting segments.
2. The adjustment to segment income (loss) of ¥(12,567) million includes losses of ¥(708) million on non-related reporting segments, elimination of inter-segment transactions of ¥69 million, and general corporate expenses of ¥(11,928) million not allocated to each reporting segment. General corporate expenses consist mainly of Group management expenses incurred by the Company.
3. Adjustments to segment assets of ¥107,217 million includes the elimination of inter-segment transaction of ¥(114,137) million and general corporate assets of ¥221,355 million not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.
4. Adjustments to depreciation consist mainly of depreciation associated with the Company.
5. Adjustment to interest income of ¥377 million includes the elimination of inter-segment transactions of ¥(1,622) million and interest income of the Company of ¥2,000 million.
6. Adjustment to interest expenses of ¥(171) million includes the elimination of inter-segment transactions of ¥(1,622) million and interest expenses of the Company of ¥1,451 million.
7. Adjustments to increases in property, plant, and equipment and intangible assets consist mainly of the purchase amount of noncurrent assets related to the Company.
8. Adjustments have been made to segment income (loss) and income (loss) before income taxes in the consolidated statements of income and comprehensive income.

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Millions of yen					
	Reporting segment				Adjustment (Note)	Amount in Consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal		
Net sales:						
Net sales to external customers	¥321,575	¥97,105	¥5,451	¥424,132	¥ 4,816	¥428,948
Inter-segment sales and transfers	569	121	20	711	(711)	—
Total	322,145	97,226	5,471	424,843	4,105	428,948
Segment income (loss)	41,886	20,977	2,186	65,050	(11,935)	53,114
Segment assets	352,031	127,443	30,549	510,024	134,752	644,777
Other items:						
Depreciation	8,778	3,246	—	12,024	1,021	13,046
Interest income	2,233	317	0	2,550	896	3,446
Interest expenses	1,732	0	125	1,858	(36)	1,822
Equity in earnings (losses) of affiliates	7	287	3,233	3,527	—	3,527
Investments in affiliates accounted for by the equity method	1,223	568	25,993	27,785	—	27,785
Increases in property, plant and equipment and intangible assets	7,642	4,949	2,163	14,755	1,171	15,927

Notes: 1. The adjustment to net sales to external customers of ¥4,816 million corresponds to net sales not belonging to reporting segments.
2. The adjustment to segment income (loss) of ¥(11,935) million includes losses of ¥(1,248) million on non-related reporting segments, elimination of inter-segment transactions of ¥1 million, and general corporate expenses of ¥(10,688) million not allocated to each reporting segment. General corporate expenses consist mainly of Group management expenses incurred by the Company.
3. Adjustment to segment assets of ¥134,752 million includes the elimination of inter-segment transactions of ¥(121,735) million and general corporate assets of ¥256,488 million not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.
4. Adjustments to depreciation consist mainly of depreciation associated with the Company.
5. Adjustment to interest income of ¥896 million includes the elimination of inter-segment transactions of ¥(2,845) million and interest income of the Company of ¥3,742 million.
6. Adjustment to interest expenses of ¥(36) million includes the elimination of inter-segment transactions of ¥(2,845) million and interest expenses of the Company of ¥2,809 million.
7. Adjustments to increases in property, plant, and equipment and intangible assets consist mainly of the purchase amount of noncurrent assets related to the Company.
8. Adjustments have been made to segment income (loss) and income (loss) before income taxes in the consolidated statements of income and comprehensive income.
9. As noted in "[Notes] (Changes in method of presentation) (1) Consolidated statements of income and comprehensive income" in the consolidated financial statements, distributed income related to investments in film production in the U.S., which was previously posted in "equity in earnings of affiliates" under "other income," is reclassified in "net sales" since the current fiscal year. To reflect this change in presentation, segment information for the prior fiscal year has been reclassified. As a result, "net sales" of "Entertainment Contents Business" increased ¥1,029 million for the prior fiscal year; this does not affect segment income.

[Related information]

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

1. Information by product and service

This information has been omitted because it is disclosed in Segment information.

2. Information by geographical area

(1) Net sales

Millions of yen				
Japan	US	Europe	Other	Total
¥295,644	¥115,896	¥31,070	¥26,313	¥468,925

Note: Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

Millions of yen				
Japan	North America	UK	Other	Total
¥48,990	¥1,687	¥6,885	¥2,536	¥60,099

3. Information by each major customer

No description is provided here since no external customer exists to whom sales are 10% or more of the net sales recorded in the consolidated statements of income or comprehensive income.

Current fiscal year (From April 1, 2024 to March 31, 2025)

1. Information by product and service

This information has been omitted because it is disclosed in Segment information.

2. Information by geographical area

(1) Net sales

Millions of yen				
Japan	US	Europe	Other	Total
¥256,650	¥104,618	¥38,867	¥28,812	¥428,948

Note: Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

Millions of yen				
Japan	North America	UK	Other	Total
¥40,233	¥1,297	¥6,365	¥1,035	¥48,931

3. Information by each major customer

No description is provided here since no external customer exists to whom sales are 10% or more of the net sales recorded in the consolidated statements of income or comprehensive income.

[Information on impairment loss on noncurrent assets by reporting segment]

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

	Millions of yen					
	Reporting segment				Adjustment	Amount in consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal		
Impairment loss	¥487	¥136	¥205	¥829	¥—	¥829

Note: Adjustment is related to the assets of the reporting company that are not allocated to each segment.

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Millions of yen					
	Reporting segment				Adjustment	Amount in consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal		
Impairment loss	¥156	¥5	¥1,288	¥1,451	¥—	¥1,451

Notes to Consolidated Financial Statements

[Information on amortization and unamortized balance of goodwill by reporting segment]
Prior fiscal year (From April 1, 2023 to March 31, 2024)

	Millions of yen					
	Reporting segment					Amount in consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment	
Amortization during current period	¥2,439	¥61	¥—	¥2,501	¥—	¥2,501
Balance as of March 31, 2024	29,806	457	—	30,264	—	30,264

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Millions of yen					
	Reporting segment					Amount in consolidated financial statements
	Entertainment Contents	Pachislot & Pachinko Machines	Gaming	Subtotal	Adjustment	
Amortization during current period	¥ 2,579	¥ 482	¥—	¥ 3,061	¥—	¥ 3,061
Balance as of March 31, 2025	26,933	3,185	—	30,119	—	30,119

[Information on gain on negative goodwill by reporting segment]
Prior fiscal year (From April 1, 2023 to March 31, 2024)
Not applicable
Current fiscal year (From April 1, 2024 to March 31, 2025)
Not applicable

25 Related-Party Transactions

1. Transactions with related parties

(1) Transactions between the Company submitting consolidated financial statements and related parties

1) Non-consolidated subsidiaries and affiliated companies of the Company submitting consolidated financial statements
Prior fiscal year (From April 1, 2023 to March 31, 2024)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
PARADISE SEGASAMMY Co., Ltd.	Resort business	Provision of collateral ^(Note)	¥24,619	—	¥—

Note: For a portion of the loans from financial institutions to PARADISE SEGASAMMY Co., Ltd., the shares of the company are pledged as collateral.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
PARADISE SEGASAMMY Co., Ltd.	Resort business	Provision of collateral ^(Note)	¥25,993	—	¥—

Note: For a portion of the loans from financial institutions to PARADISE SEGASAMMY Co., Ltd., the shares of the company are pledged as collateral.

2) Directors and major shareholders (limited to individuals) of the Company submitting consolidated financial statements
Prior fiscal year (From April 1, 2023 to March 31, 2024)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
FSC Co., Ltd. ^(Note 2)	Non-life insurance agent	Payment of insurance premium ^(Note 1)	¥2	Prepaid expenses	¥0
				Long-term prepaid expenses	2

Notes: 1. Transaction prices are determined in the same way as for general transactions, referring to market prices.
2. Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC Co., Ltd.
3. Transaction amounts exclude consumption tax.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
FSC LLC. ^(Note 2)	Non-life insurance agent	Payment of insurance premium ^(Note 1)	¥3	Prepaid expenses	¥1
				Long-term prepaid expenses	0

Notes: 1. Transaction prices are determined in the same way as general transactions, referring to market prices.
2. Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC LLC.
3. Transaction amounts exclude consumption tax.

(2) Transactions between consolidated subsidiaries of the Company submitting consolidated financial statements and related parties.

1) Non-consolidated subsidiaries and affiliates of the Company submitting consolidated financial statements
Prior fiscal year (From April 1, 2023 to March 31, 2024)

Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Millions of yen	
				Accounts	End of period account balance
ZEEG Co., Ltd.	Pachislot & Pachinko Machines Business	Purchase of pachislot and pachinko machine parts ^(Note 1)	¥18,748	Accounts payable—trade	¥ 686
		Loan of funds ^(Note 2)	2,600	Short-term loans receivable	3,963
		Interest income ^(Note 2)	56	Long-term loans receivable	3,633
				Current assets, etc	57

Notes: 1. Transaction prices are determined in the same way as general transactions, referring to market prices.
2. The interest rate on loans is determined by taking market interest rates into consideration. The repayment terms are one to five years, with the principal to be repaid in lump sum on the due date and interest to be repaid in annual installments. No collateral is accepted.

Notes to Consolidated Financial Statements

Current fiscal year (From April 1, 2024 to March 31, 2025)

Millions of yen					
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
ZEEG LLC.	Pachislot & Pachinko Machines Business	Purchase of pachislot and pachinko machine parts ^(Note 1)	¥7,171	Accounts payable-trade	¥ 102
		Loan of funds ^(Note 2)	2,850	Short-term loans receivable	3,763
		Interest income ^(Note 2)	94	Long-term loans receivable	6,683
				Current assets, etc.	30

Notes: 1. Transaction prices are determined in the same way as for general transactions, referring to market prices.
2. The interest rate on loans is determined by taking market interest rates into consideration. The repayment terms are one to five years, with the principal to be repaid in a lump sum on the due date and interest to be repaid in annual installments. No collateral is accepted.

2) Directors and major shareholders (limited to individuals) of the Company submitting consolidated financial statements

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

Millions of yen					
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
Haruki Satomi	Chairman of SEGA SAMMY ARTS FOUNDATION	Payment of donation ^(Note 1)	¥91	—	¥—
FSC Co., Ltd. ^(Note 3)	Non-life insurance agent	Payment of insurance premium ^(Note 2)	12	Prepaid expenses	¥ 1

Notes: 1. The amount donated to the Foundation is determined with the approval of the Board of Directors.
2.Transaction prices are determined in the same way as for general transactions, referring to market prices.
3.Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC Co., Ltd.
4.Transaction amounts exclude consumption tax.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Millions of yen					
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transaction amount	Accounts	End of period account balance
Haruki Satomi	Chairman of SEGA SAMMY ARTS FOUNDATION	Payment of donation ^(Note 1)	¥100	—	¥—
FSC LLC. ^(Note 3)	Non-life insurance agent	Payment of insurance premium ^(Note 2)	3	Prepaid expenses	¥ 0

Notes: 1. The amount donated to the Foundation is determined with the approval of the Board of Directors.
2.Transaction prices are determined in the same way as for general transactions, referring to market prices.
3.Hajime Satomi, Chairman, Representative Director, and Haruki Satomi, President and Group CEO, Representative Director, directly hold a majority of the shares of FSC LLC.
4.Transaction amounts exclude consumption tax.

2. Notes on the parent company or significant affiliates

(1) Information on the parent company

Not applicable

(2) Summarized financial information of significant affiliates

PARADISE SEGASAMMY Co., Ltd. is a significant affiliate in the current fiscal year and its summarized financial statements are as follows.

Millions of yen		
	2024	2025
Total current assets	¥ 18,529	¥ 22,637
Total noncurrent assets	134,707	126,894
Total current liabilities	17,099	19,182
Total noncurrent liabilities	81,428	76,586
Total net assets	54,709	57,764
Net sales	48,282	59,704
Income (loss) before income taxes	2,366	4,325
Net Income (loss)	2,204	7,184

26 Per Share Information

Item	Yen	
	2024 (From April 1, 2023 to March 31, 2024)	2025 (From April 1, 2024 to March 31, 2025)
Net assets per share	¥1,652.29	¥1,782.73
Profit per share	150.75	209.79
Profit per share (diluted)	149.98	209.02

Notes: 1. The calculation basis for net assets per share is as follows.

Items	2024 (As of March 31, 2024)	2025 (As of March 31, 2025)
Total of net assets in the consolidated balance sheets (Millions of yen)	¥357,702	¥381,604
Amounts deducted from net assets in the consolidated balance sheets (Millions of yen)	782	438
(Subscription rights to shares) (Millions of yen)	751	414
(Non-controlling interests) (Millions of yen)	30	24
Net assets pertaining to common stock (Millions of yen)	356,919	381,165
Number of common shares used to calculate net assets per share (Thousands of shares)	216,014	213,810

Notes: 2. The calculation basis for profit per share and profit per share (diluted) are as follows.

Item	2024 (From April 1, 2023 to March 31, 2024)	2025 (From April 1, 2024 to March 31, 2025)
Net income (loss) per share:		
Profit attributable to owners of parent (Millions of yen)	¥33,055	¥ 45,051
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Millions of yen)	33,055	45,051
Average number of common shares during the period (Thousands of shares)	219,274	214,750
Profit per share (diluted):		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in common stock (Thousands of shares)	1,125	789
(Subscription rights to shares) (Thousands of shares)	1,125	789
Overview of dilutive shares not included in calculation of profit per share (diluted) because of no dilutive effect	—	—

Notes: 3. The treasury shares of the Company held by the BIP trust account and stock-granting ESOP trust account in shareholder’s equity are included in the number of treasury shares which is subject to be excluded used in calculations of net income per share by the average number of shares during the period. Average treasury shares during the period excluded for the purpose of calculating net income per share: 1,172,281 shares.

27 Significant Subsequent Events

1. Business Combination through Acquisition

At the meeting of the Board of Directors held on July 26, 2024, the Company resolved to acquire Stakelogic B.V. (“Stakelogic”), headquartered in the Netherlands, through the Company’s consolidated subsidiary SEGA SAMMY CREATION INC. (“SSC”). The acquisition was completed on April 28, 2025, and Stakelogic became a consolidated subsidiary.

(1) Overviews of the business combination

- (i) Name of the acquired company and its business

Name of the acquired company Stakelogic B.V.
Content of business iGaming content supplier business
- (ii) Rationale for the business combination

In the Medium-term Plan announced in May 2024, the Company set a goal to establish a gaming business. In the Gaming business, the Company has been developing and operating integrated resorts (IR) through Paradise City, a joint venture with the Paradise Group in South Korea, and developing gaming devices and content through SSC. In November 2023, the Company announced the acquisition of GAN Limited (“GAN”), which operates a SaaS business (provision of B2B platform) mainly for casino operators in the U.S., and a B2C online gaming business for Europe and South America, with the aim of entering the online gaming market, particularly the iGaming market in the U.S., which is expected to grow in the future.
Stakelogic’s strength lies in the development of iGaming content in the market the Group is targeting, and the Company believes to further enhance the competitiveness of GAN’s B2B platform and contribute to the expansion of the Group’s gaming business through acquisition of Stakelogic.
- (iii) Date of business combination

April 28, 2025
- (iv) Legal form of business combination

Acquisition of shares for cash consideration
- (v) Name of company subsequent to the business combination

No change
- (vi) Percentage of voting rights acquired

100%
- (vii) Rationale for determining the acquiring company

SEGA SAMMY CREATION INC., a consolidated subsidiary of the Company, acquired the shares for cash consideration.

(2) Acquisition cost for the acquired company and breakdown by each type of consideration

The consideration for the acquisition (Note)	Cash	€ 89 million (Approximately ¥14,539 million)
Acquisition cost		€ 89 million (Approximately ¥14,539 million)

Note: In addition to the acquisition cost, the Group provided a loan amounted to € 125 million (approximately ¥20,280 million) to Stakelogic.

(3) Content and amount of main acquisition-related costs

Advisory fee, etc. Approximately ¥650 million

(4) Amount of goodwill, reason for occurrence, and amortization method and period

Not determined as the allocation of acquisition cost has not been completed at this time.

(5) Amount of assets acquired and liabilities assumed on the date of business combination and their major breakdown

Not determined at this time

2. Acquisition and retirement of treasury stock

At the meeting of the Board of Directors held on May 12, 2025, the Company resolved on matters pertaining to the acquisition of treasury stock conducted pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act. The Company also resolved to retire treasury stock in accordance with Article 178 of the Companies Act.

(1) Rationale for the acquisition and retirement of treasury stock

Taking into account the Company’s future business growth and the current level of the Company’s stock price comprehensively, the Company has decided to pay dividends from retained earnings and acquire its treasury stock as a part of shareholder returns under the dividend policy. The Company also resolved to retire in part of its own treasury stock held excluding the necessary portion for the future stock compensation.

(2) Details of acquisition of treasury stock

- (i) Type of shares to be acquired Common stock
- (ii) Total number of shares to be acquired
6,000,000 shares (maximum)
(2.81% of total outstanding shares (excluding treasury stock))
- (iii) Total acquisition cost
12,000 million (maximum)
- (iv) Period of share acquisition
From May 13, 2025 to December 31, 2025
- (v) Method of acquisition
Purchase on the Tokyo Stock Exchange

(3) Details of retirement of treasury stock

- (i) Type of shares to be retired
Common stock
- (ii) Total number of shares to be retired
20,000,000 shares
(8.29% of total number of outstanding shares (including treasury stock) before retirement)
- (iii) Date of retirement
May 23, 2025

3. Business combination through acquisition

At the meeting of the Board of Directors held on November 8, 2023, the Company resolved to acquire GAN Limited (“GAN” hereinafter) through a special-purpose company established in the British Overseas Territory of Bermuda by SEGA SAMMY CREATION INC. (“SSC” hereinafter), one of the Company’s consolidated subsidiaries. The acquisition of stock in GAN was completed on May 27, 2025, making GAN a consolidated subsidiary.

(1) Overviews of the business combination

- (i) Name of the acquired company and its business
Name of the acquired company
GAN Limited
Content of business
SaaS business for U.S. casino operators and online gaming business for Europe and South America
- (ii) Rationale for the business combination
GAN’s businesses have expanded in the U.S. based on the development of its B2B products and services, centered on a player account management (PAM) system, allowing the integrated management of end-user data, and a remote gaming server (RGS), serving as the core of iGaming operations. In 2021, it acquired Vincent Group p.l.c., which develops and operates the Coolbet B2C online gaming platform in Europe and South America, as well as Silverback Gaming, the Bulgarian online casino game development studio. It has become an integrated online gaming platform provider with in-house development and operational capabilities for iGaming, online and retail sports betting, social casino gaming, and content development. The Company considers the iGaming market to be a particularly promising area of the U.S. online gaming market, in which future growth is expected. As growing numbers of U.S. states have legalized iGaming, new entrants can be expected to join existing players in the online market. GAN’s turnkey solutions are considered a fast and competitive avenue for such new entrants to gain a foothold in this market. The Company believes the combination of these outstanding technologies with the customer base and content development capabilities of SSC, which provides gaming devices and content to local casino operators in North America, offers potential synergies that can contribute significantly to the growth of the Group gaming business.
- (iii) Date of business combination
May 27, 2025
- (iv) Legal form of business combination
Acquisition of shares for cash consideration
- (v) Name of company subsequent to the business combination
No change
- (vi) Percentage of voting rights acquired
100%
- (vii) Rationale for determining the acquiring company
SEGA SAMMY CREATION INC., a consolidated subsidiary of the Company, acquired the shares for cash consideration.

(2) Acquisition cost for the acquired company and breakdown by each type of consideration

The consideration for the acquisition (Note)	Cash	US\$ 96.0 million (Approximately ¥13,854 million)
Acquisition cost		US\$ 96.0 million (Approximately ¥13,854 million)

Note: Furthermore, the consideration for the acquisition does not include contingent consideration. Contingent consideration is an agreement under which additional consideration is paid based on performance of the acquired company over a certain period of time in the future. This has not been finalized at this time.

(3) Content and amount of main acquisition-related costs

Advisory fee, etc. Approximately ¥1,280 million

(4) Amount of goodwill, reason for occurrence, and amortization method and period

Not determined as the allocation of acquisition cost has not been completed at this time.

(5) Amount of assets acquired and liabilities assumed on the date of business combination and their major breakdown

Not determined at this time

Notes to Consolidated Financial Statements

4. Transactions under common control, etc.

At the meeting of Board of Directors held on February 7, 2025, the Company resolved to have the Company's wholly-owned subsidiary SEGA SAMMY CREATION INC. (SSC) succeed to the Company's Gaming Business via an absorption-type demerger.

(1) Purpose of this demerger/absorption-type merger

Announced in May 2024, the Company's Medium-term Plan identifies the goal of establishing the Gaming Business, in which the Group has established a customer base by developing and supplying gaming devices and content produced by SSC and accumulating expertise in casino operations that can also be applied to online gaming based on direct contact points established with customers through PARADISE CITY, a joint venture with the Paradise Group of South Korea. In addition, to gain entry into the online gaming market, centered on the iGaming market in the U.S., where growth is anticipated, the Company completed the procedures necessary to acquire Netherlands-based Stakelogic B.V., a B2B iGaming content supplier, on April 28, 2025, and the procedures necessary to acquire GAN Limited, which operates a B2B platform mainly for casino operators in the U.S., on May 27, 2025.

The Company has resolved to reorganize the Company and Group companies to move to a structure whereby SSC serves as the core company, based on the sound management of Gaming Business strategies, financial status, risks, and other matters, the establishment of governance systems that allow rapid decision-making in response to the changing business environment.

(2) Overview of this demerger

- (i) Details of business to be demerged

Head office functions (administrative operations) of the Company’s Gaming Business section
- (ii) Date of business combination

June 1, 2025
- (iii) Legal form of business combination

Absorption-type demerger, with SEGA SAMMY HOLDINGS INC. as the demerged company and SEGA SAMMY CREATION INC. as the successor company
- (iv) Overview of the companies involved in this absorption-type demerger (as of May 31, 2025)

	Successor company in absorption-type demerger	Demerged company in absorption-type demerger
Name	SEGA SAMMY CREATION INC.	SEGA SAMMY HOLDINGS INC.
Details of businesses	Development, manufacture, and sale of commercial casino devices and software (including online and social games)	Group business administration and associated operations as the holding company of a comprehensive entertainment Group
Headquarters	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo
Capital stock	¥10 million	¥29,953 million

- (v) Name of company subsequent to the business combination

No change

(3) Overview of accounting treatment adoption

This transaction was treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

28 Supplemental Information

[Annexed consolidated detailed schedule of bonds]

Company name	Security titles	Issuance date	Balances as of April 1, 2024 (Millions of yen)	Balances as of March 31, 2025 (Millions of yen)	Interest rate (%)	Type	Date of maturity
The Company	5th Series of Unsecured Straight Bonds (Publicly offered bonds)	October 10, 2019	¥10,000	¥10,000	0.38	Unsecured	October 10, 2029
Total			10,000	10,000 (—)			

Notes: 1. Figure in parentheses under “Balance as of March 31, 2025” is the current portion of the amount of redemption.
2. The scheduled amount of redemption after the consolidated closing date is as follows:

Millions of yen					
Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
¥—	¥—	¥—	¥—	¥10,000	¥—

[Annexed consolidated detailed schedule of borrowings]

Category	Balances as of April 1, 2024 (Millions of yen)	Balances as of March 31, 2025 (Millions of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	¥ —	¥ —	—	—
Current portion of long-term l borrowings	22,507	7,500	1.3	—
Current portion of lease obligations	1,886	1,445	3.8	—
Long-term borrowings (Excluding current portion)	124,500	132,000	1.2	From 2026 to 2031
Lease obligations (Excluding current portion)	4,837	4,639	4.9	From 2026 to 2034
Other interest-bearing debts:				
Accounts payable—facilities	24	24	1.5	—
Accounts payable—facilities (Excluding current portion)	103	94	1.6	From 2026 to 2032
Total	153,859	145,703	—	—

Notes: 1. “Average interest rate” represents the weighted average rate applicable to the balance of borrowings at end of period.
2. Some lease obligations stated in the consolidated balance sheets represent the amounts with interest equivalents not deducted from the total lease payments. Accordingly, said lease obligations are not included when calculating the “Average interest rate.”
3. The scheduled amounts of long-term borrowings, lease obligations, and other interest-bearing debts (excluding current portion) to be repaid after the consolidated closing date are as follows:

	Millions of yen				
	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Long-term borrowings	¥15,000	¥17,500	¥21,800	¥22,500	¥55,200
Lease obligations	1,341	1,017	894	455	930
Other interest-bearing debt:					
Accounts payable—facilities	24	24	24	16	5

Schedule of asset retirement obligations

No description is provided here, since the amount of asset retirement obligations as of the beginning and end of the current fiscal year was less than 1/100 of the total amount of liabilities and net assets, respectively, as of the beginning and end of the current fiscal year.

29 Other

First half information for the current fiscal year

(Cumulative period)	First six months	Current fiscal year
Net sales (Millions of yen)	¥211,663	¥428,948
Income before income taxes (Millions of yen)	35,313	54,803
Earnings attributable to owners of parent (Millions of yen)	30,385	45,051
Earnings per share (Yen)	140.75	209.79

30 Audit fees, etc.

a. Audit fees paid to certified public accountants

Category	Millions of yen			
	2024		2025	
	Fees based on audit and attestation services	Fees based on non-audit services	Fees based on audit and attestation services	Fees based on non-audit services
Reporting company	¥162	¥15	¥185	¥0
Consolidated subsidiaries	98	—	100	—
Total	260	15	286	0

(Non-audit services to reporting company)

Prior fiscal year

The Company paid ¥15 million to certified public accountants as remuneration for support for the Company’s Task Force on Climate-Related Financial Disclosures (TCFD) disclosure efforts and costs of studying compliance with the European Union’s Corporate Sustainability Due Diligence Directive (CSDDD).

Current fiscal year

The Company paid ¥0 million as remuneration for support for the Company’s Task Force on Climate-Related Financial Disclosures (TCFD) disclosure efforts.

b. Audit fees paid to companies in the same networks as certified public accountants (excluding a.)

Category	Millions of yen			
	2024		2025	
	Fees based on audit and attestation services	Fees based on non-audit services	Fees based on audit and attestation services	Fees based on non-audit services
Reporting company	¥ —	¥382	¥ —	¥239
Consolidated subsidiaries	146	221	163	173
Total	146	603	163	412

Prior fiscal year

The Company paid a ¥366 million fee to KPMG FAS Co., Ltd., which is part of the same network as the certified public accountants, as payment for non-audit services, including due diligence research.

Sega Europe Ltd., a consolidated subsidiary of the Company, paid a ¥154 million fee to KPMG LLP (UK), which belongs to the same network as certified public accountants contracted on the Company’s behalf, based on audit and attestation services and non-audit services (e.g., tax consulting).

Current fiscal year

The Company paid a ¥199 million fee to KPMG FAS Co., Ltd., which is part of the same network as the certified public accountants, as payment for non-audit services, including due diligence research.

Sega Europe Ltd., a consolidated subsidiary of the Company, paid a ¥136 million fee to KPMG LLP (UK), which belongs to the same network as certified public accountants contracted on the Company’s behalf, based on audit and attestation services and non-audit services (e.g., tax consulting).

c. Other important fees based on audit and attestation services

Not applicable

To the Board of Directors of SEGA SAMMY HOLDINGS INC.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

- We draw attention to Note 27, “Significant subsequent events” to the consolidated financial statements. At the meeting of the Board of Directors held on July 26, 2024, the Company resolved to acquire Stakelogic B.V. (“Stakelogic”), headquartered in the Netherlands, through the Company’s consolidated subsidiary SEGA SAMMY CREATION INC. (“SSC”). The Company acquired Stakelogic’s shares on April 28, 2025.
- We draw attention to Note 27, “Significant subsequent events” to the consolidated financial statements. At the meeting of the Board of Directors held on November 8, 2023, the Company resolved to acquire GAN Limited (“GAN”) through a special-purpose company established in the British Overseas Territory of Bermuda by SSC, one of the Company’s consolidated subsidiaries. The Company acquired GAN’s shares on May 27, 2025.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company’s judgment as to whether an impairment loss should be recognized on goodwill and intangible assets allocated to Rovio Entertainment Corporation

The key audit matter

As described in Note 3, "Significant Accounting Estimates" to the consolidated financial statements, as a result of the acquisition of an equity interest in Rovio Entertainment Corporation ("Rovio"), the Company recognized goodwill of ¥26,317 million, trademark rights of ¥44,860 million and intangible assets related to technology of ¥4,810 million in the consolidated balance sheet, representing in aggregate approximately 12% of total assets in the consolidated financial statements.

The Company applies International Financial Reporting Standards to determine whether an impairment loss should be recognized for Rovio since it acquired Rovio's shares through Sega Europe Ltd. For the cash-generating unit (CGU) that includes goodwill and intangible assets, whereas goodwill is tested for impairment when any indication of impairment exists or at least annually, intangible assets are tested for impairment when any indication of impairment exists. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the reduction in carrying amount is recognized as an impairment loss.

In the current fiscal year, Rovio used the value in use as the recoverable amount in the impairment testing. The future cash flows used for measuring the value in use were estimated based on Rovio's business plan. The estimates of net sales, cost of sales and advertising expenses for each major game title included in the business plan involved management's subjective judgment and a high degree of uncertainty.

In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use required a high degree of expertise in valuation.

We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill and intangible assets allocated to Rovio was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

How the matter was addressed in our audit

The primary procedures we performed to assess the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill and intangible assets allocated to Rovio included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to measuring the value in use used for the impairment testing on the CGU including goodwill and intangible assets.

In this assessment, we focused our testing on controls over the development of the business plan that served as the basis for estimating future cash flows.

(2) Assessment of the reasonableness of the assumptions used to estimate the discounted present value of future cash flows

We assessed the reasonableness of key assumptions embedded in the business plan and the relevant supporting materials, as well as the calculation results, by performing the following procedures, among others:

- assessed the consistency of the future growth rate of net sales by comparing it with market data published by external organizations;
- obtained an understanding of the conditions underlying the assumptions of net sales for each major game title through inquiry of management, and assessed the reasonableness of these assumptions by comparing them with past net sales; and
- assessed the reasonableness of the estimated cost of sales and advertising expenses by comparing their ratios against net sales with past actual results.

In addition, we involved valuation specialists within our domestic network firms to assist in our assessment of the following, among others:

- appropriateness of the model used for estimating the discount rate based on subject matters relevant to valuation and the requirements of the accounting standards; and
- appropriateness of the input data by comparing the input data used for calculating the discount rate with data published by external organizations.

Other Information

The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Note 30, "Audit fees, etc." of the Integrated Report.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Danya Sekiguchi Designated Engagement Partner
Certified Public Accountant

Tomoaki Murakami Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
October 31, 2025



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