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Securities Code: 6460

June 1, 2023

(Start date for electronic provision measures: May 30, 2023)

Haruki Satomi  
President, Representative Director  
**SEGA SAMMY HOLDINGS INC.**  
Sumitomo Fudosan Osaki Garden Tower,  
1-1-1 Nishi-Shinagawa, Shinagawa-ku,  
Tokyo, Japan

Dear Shareholders:

## **Notice of the 19th Ordinary General Meeting of Shareholders to be held on June 22, 2023**

We inform you that the 19th Ordinary General Meeting of Shareholders of SEGA SAMMY HOLDINGS INC. (the “Company”) will be held at the Head Office of SEGA SAMMY Group (LIGHTHOUSE Hall, 11F, GRAND HARBOR, Sumitomo Fudosan Osaki Garden Tower, 1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo, Japan) on Thursday, June 22, 2023 at 10:00 a.m. for the purposes listed below.

Regarding the convocation of this General Meeting of Shareholders, measures for electronic provision have been taken for the Reference Documents for the General Meeting of Shareholders, etc. (matters to be provided electronically), and the documents have been posted on the following websites on the Internet.

The Company’s website:

[https://www.segasammy.co.jp/en/ir/stock/general\\_meeting/](https://www.segasammy.co.jp/en/ir/stock/general_meeting/)

The Tokyo Stock Exchange (TSE) website (TSE Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please access the TSE website above, enter and search for the issue name (company name) or securities code, and select “Basic information” and “Documents for public inspection/PR information” to confirm.

*Net-de-Shoshu* (online convocation):

<https://s.srdb.jp/6460>

If you are unable to attend the meeting, you may exercise your voting rights via the Internet or by mail (in writing). Therefore, please review the Reference Documents for General Meeting of Shareholders listed in the matters to be provided electronically, and kindly exercise your voting rights before 6:00 p.m., Japan Standard Time, on Wednesday, June 21, 2023.

## Details of the Meeting

**1. Date and time:** Thursday, June 22, 2023 at 10:00 a.m. (Reception commences at 9:00 a.m.)

**2. Venue:** LIGHTHOUSE Hall, 11F, GRAND HARBOR,  
Head Office of SEGA SAMMY Group  
Sumitomo Fudosan Osaki Garden Tower,  
1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo, 141-0033, Japan

### 3. Agenda:

- Matters to be reported:**
1. The Business Report and the Consolidated Financial Statements for the 19th fiscal year (from April 1, 2022 to March 31, 2023) and results of audits by the Accounting Auditor the Audit and Supervisory Committee on the Consolidated Financial Statements
  2. Non-Consolidated Financial Statements for the 19th fiscal year (from April 1, 2022 to March 31, 2023)

#### **Matters to be resolved:**

**Proposal 1:** To amend certain parts of the Articles of Incorporation

**Proposal 2:** To elect eight (8) Directors (excluding Directors serving as Audit and Supervisory Committee Members)

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\* If you attend the meeting in person, please submit the enclosed voting form at the reception desk at the meeting location on the day of the meeting.

\* Please note that persons other than shareholders of the Company such as a proxy and an accompanying person cannot attend the meeting.

\* If you do not indicate approval or disapproval of the proposals on the voting form, it will be treated as an indication of approval.

\* If you exercise your voting rights both via the Internet and in writing, we will treat the voting rights exercised via the Internet as valid. If you exercise your voting rights multiple times via the Internet, we will treat the last vote made as valid.

\* Pursuant to the provisions of laws and regulations and Article 16 of the Company's Articles of Incorporation, the following matters are not included in the documents sent to shareholders who have requested delivery of documents. Accordingly, these documents are part of the documents audited by the Audit and Supervisory Committee and the Accounting Auditor when preparing the audit report.

- Business Report: III Company stock options, etc., V Accounting auditor, VI Overview of structures for ensuring the propriety of business operations and the state of their operation
- Consolidated Financial Statements: Consolidated statement of changes in shareholders' equity, Notes on the consolidated financial statements
- Non-Consolidated Financial Statements: Non-consolidated statement of changes in shareholders' equity, Notes on the non-consolidated financial statements

\* Should any change need to be made to the matters to be provided electronically, the notice and the matters before and after revision shall be posted on each website listed above.

\* For voting results, an extraordinary report shall be posted on the website of the Company in place of the Notice of Resolutions. Information in English will be posted on our English website.

\* We will take appropriate measures to prevent COVID-19 according to the circumstance on the day of the meeting.

Should any significant change need to be made to the operation of the meeting in response to circumstances, such changes shall be posted on the website of the Company. Please check the updated information on our English website.

([https://www.segasammy.co.jp/en/ir/stock/general\\_meeting/](https://www.segasammy.co.jp/en/ir/stock/general_meeting/)).

## **Information on Exercise of Voting Rights**

We recognize that the shareholders' voting right to be exercised in the General Meeting of Shareholders is an important right for our shareholders.

Please review the Reference Documents for General Meeting of Shareholders listed in the matters to be provided electronically, and we respectfully request that you exercise your voting rights.

The following three methods are available for exercising your voting rights.

### **Attending the meeting in person**

#### **Exercise of your voting rights on-site at the meeting**

Please submit the enclosed voting form at the reception desk of the venue.

**Date and time of the meeting: Thursday, June 22, 2023 at 10:00 a.m.**

### **Not attending the meeting in person**

#### **Exercise of your voting rights via the Internet**

Please enter "for" or "against" the proposals following the instructions listed in the matters to be provided electronically.

**Deadline: Wednesday, June 21, 2023 by 6:00 p.m.**

### **Exercise of your voting rights in writing**

Please indicate "for" or "against" the proposals on the enclosed voting form and return it by mail to the Company.

**Deadline: Wednesday, June 21, 2023, 6:00 p.m. (time of receipt)**

### **Guidelines on filling out the voting form**

Please indicate "for" or "against" for each of the proposals in the voting form.

#### **Proposal 1**

- To approve, circle "賛" mark.
- To disapprove, circle "否" mark.

#### **Proposal 2**

- To approve all nominees, circle "賛" mark.
- To disapprove all nominees, circle "否" mark.
- To disapprove part of nominees, circle "賛" mark and enter the number of nominees whom you are against.

**Information on Exercise of Voting Rights via the Internet, etc.**

Please read the following when you exercise your voting rights via the Internet.

**Deadline for Exercise of Voting Rights: Wednesday, June 21, 2023 by 6:00 p.m.**

\* Please exercise your voting rights as soon as possible.

<b>By scanning the QR code</b>
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Scan the “QR code for login” and you can log on to the voting website without entering the “voting rights exercise code” and “temporary password”.

**1. Scan the QR code.**

Use your smartphone and scan the “QR code for login” printed on the right-hand side of the enclosed voting form slip.

**2. Select the option of exercise of voting rights.**

The screen displays available options for exercise of voting rights. Select your preferred option for exercise of voting rights.

**3. Select “for” or “against” each proposal.**

Follow the on-screen instructions and select “賛成(for)” or “反対(against)” each proposal.

**Follow the on-screen instructions to complete your exercise of voting rights.**

**■Electronic proxy voting platform for institutional investors**

Institutional investors can use the electronic proxy voting platform that is operated by Investor Communications Japan, Inc., which is designed for institutional investors to exercise their voting rights electronically.

## FAQs for exercise of voting rights

Q: If the voting rights are exercised both via the Internet and in writing, which one is valid?

A: The Internet vote will be deemed as valid.

Q: If voting rights are exercised more than once via the Internet, are all of the votes valid?

A: If voting rights are exercised more than once, the last vote will be deemed as valid.

<b>By entering the “voting rights exercise code” and “temporary password”</b>
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### 1. Access the voting website.

#### Voting website

<https://evote.tr.mufg.jp/>

Click “次の画面へ(Proceed)”.

### 2. Enter the “voting rights exercise code” and “temporary password” printed on the right-hand side of the enclosed voting form slip.

Click “ログイン(Login)”.

### 3. Fill in the fields “New Password” and “New Password (for confirmation).”

Click “送信(Send)”.

Follow the on-line instructions and enter “for” or “against”.

#### Notes on use

#### Handling of the voting website

You can exercise your voting rights via the Internet by accessing the voting website (<https://evote.tr.mufg.jp/>) using your personal computer or smartphone (except from 2:00 a.m. to 5:00 a.m.).

#### About Internet access

1. You may be unable to use the voting website depending on your Internet configuration, your subscription service, or the device you use.
2. Please note that any costs incurred in using the designated voting website, such as Internet connection fees and communication charges, shall be borne by the shareholder.

#### Handling of passwords

To prevent unauthorized access or falsification of the content for exercising voting rights by a person other than a shareholder, shareholders who exercise voting rights via the Internet are kindly requested to change the “temporary password” on the voting website.

<b>For inquiries concerning operating procedures for the voting website:</b>
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Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation Toll-free line: 0120-173-027 (Domestic [Japan] call only) Hours: 9:00 a.m. - 9:00 p.m.
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### **Information on Live Stream via the Internet and Acceptance of Questions in Advance**

The General Meeting of Shareholders will be streamed live on a website exclusively for shareholders so that you may watch it at home, etc.

In addition, we accept questions from shareholders in advance regarding the agenda for the General Meeting of Shareholders on the website exclusively for shareholders.

1. Engagement Portal Site

<https://engagement-portal.tr.mufg.jp/>

\*Engagement Portal is a website exclusively for shareholders operated by Mitsubishi UFJ Trust and Banking Corporation.

2. Date and time of live stream

**Thursday, June 22, 2023 at 10:00 a.m.**

You may not participate in resolutions on the day of the General Meeting of Shareholders.

Please exercise your voting rights in advance via the Internet or by mail (in writing).

3. Period for acceptance of questions in advance

**From the arrival of the Notice of Convocation until Thursday, June 15, 2023 at 6:00 p.m.**

We plan to answer questions of particular interest to all shareholders on the day of the General Meeting of Shareholders.

\*Please note that we are unable to provide individual responses to questions received in advance.

Please refer to the enclosed leaflet for how to log in to the Engagement Portal, how to watch the live stream, how to ask questions in advance, and to view notes.

### **Information for Shareholders Attending the General Meeting of Shareholders**

In consideration of the privacy of shareholders, etc., the meeting will be filmed from the back of the venue during the live stream on the day of the event. However, please be forewarned that shareholders attending the meeting may unavoidably appear in the video.

## Reference Documents for General Meeting of Shareholders

### Proposals and reference information

#### Proposal 1: To amend certain parts of the Articles of Incorporation

##### 1. Reasons for the amendments

“The Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts” (Act No.70 of 2021) came into effect on June 16, 2021 and allows listed companies to hold general meetings of shareholders without specifying a location (so-called "virtual-only shareholders meetings") by stipulating it in their Articles of Incorporation.

The Company will amend Article 14 of its present Articles of Incorporation in order to enable virtual-only shareholders meetings if the Board of Directors determines that it is not appropriate in light of the interests of shareholders to hold a general meeting of shareholders at a specific location due to the spread of infectious diseases or the occurrence of natural and other large-scale disaster, etc.

On June 14, 2022, the Company received confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice that its virtual-only shareholders meetings would meet the requirements specified by their respective Ordinances as they would contribute to the enhancement of industrial competitiveness while taking into account shareholders' interests.

##### 2. Details of the proposed amendments

(The parts to be amended are underlined)

Present Articles of Incorporation	Proposed amendment
<p><b>Article 14 (Venue)</b> A general meetings of shareholders shall be convened in the area of head office, at a neighboring location or at a location in a ward of the Metropolis of Tokyo.</p> <p>(Newly established)</p>	<p><b>Article 14 (Venue)</b> 14.1 A general meetings of shareholders shall be convened in the area of head office, at a neighboring location or at a location in a ward of the Metropolis of Tokyo. <u>This provision shall not apply if the Company holds a general meeting of shareholders without specifying a location pursuant to the following paragraph.</u> 14.2 <u>The Company may hold a general meeting of shareholders without specifying a location if the Board of Directors determines that it is not appropriate in light of the interests of shareholders to hold the general meeting of shareholders at a specific location due to the spread of infectious diseases or the occurrence of natural and other large-scale disaster.</u></p>

**Proposal 2: To elect eight (8) Directors (excluding Directors serving as Audit and Supervisory Committee Members)**

The terms of office of all eight (8) Directors (excluding Directors serving as Audit and Supervisory Committee Members) will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we are seeking to elect eight (8) Directors (excluding Directors serving as Audit and Supervisory Committee Members).

As a result of deliberations by the Audit and Supervisory Committee, we have received the opinion that there are no particular opinions regarding this proposal.

The nominees for Directors (excluding Directors serving as Audit and Supervisory Committee Members) are as described below.

Nominee No.	Name	Gender	Age	No. of Years Served as Director	Position and Responsibilities at the Company	No. of Concurrent Positions at Other Listed Companies	Attendance at Board of Directors' Meetings
1	Hajime Satomi [Reappointment]	Male	81	18 years	Chairman, Representative Director	0	13/13 (100%)
2	Haruki Satomi [Reappointment]	Male	44	11 years	President and Group CEO, Representative Director in charge of Public Relations Office and Sustainability Division	0	13/13 (100%)
3	Koichi Fukazawa [Reappointment]	Male	57	8 years	Senior Executive Vice President and Group CFO, Director of the Board in charge of Gaming Business Division, Corporate Planning Division, Finance & Accounting Division, IT Solution Division and Human Resources Development Division	0	13/13 (100%)
4	Yukio Sugino [Reappointment]	Male	52	1 year	Senior Executive Vice President, Director of the Board in charge of Group Licensing Division	0	11/11 (100%)
5	Hideo Yoshizawa [Reappointment]	Male	58	4 years	Senior Vice President, Director of the Board in charge of General Corporate Administration Division, Legal & Intellectual Property Division and Global Corporate Governance Division	0	13/13 (100%)
6	Kohei Katsukawa [Reappointment] External Director Independent Director	Male	72	7 years	Director of the Board	0	13/13 (100%)
7	Melanie Brock [Reappointment] External Director Independent Director	Female	59	4 years	Director of the Board	1	12/13 (92%)
8	Fujiyo Ishiguro [Reappointment] External Director Independent Director	Female	65	2 years	Director of the Board	2	13/13 (100%)

Note: The age and the number of years served as Director of each nominee are as of the conclusion of this meeting.



[English Translation of Convocation Notice Originally Issued in the Japanese Language]

Nominee No.	Name (Date of Birth)	Brief Career Profile, Position and Responsibilities at the Company, and Important Concurrent Duties outside the Company
1	<p>[Reappointment]</p> <p><b>Hajime Satomi</b> (January 16, 1942) Age 81 Gender: Male</p> <p>Number of the Company's shares owned: 7,202,938 shares</p> <p>No. of years served as Director: 18 years</p> <p>Attendance at Board of Directors' meetings: 100% (13/13)</p>	<p>Mar. 1980 President, Representative Director of Sammy Industry Co., Ltd. (now Sammy Corporation)</p> <p>Feb. 2004 Chairman of the Board, Representative Director of SEGA CORPORATION</p> <p>Jun. 2004 Chairman and CEO, Representative Director of Sammy Corporation</p> <p>Jun. 2004 Chairman and CEO, Representative Director of SEGA CORPORATION</p> <p>Oct. 2004 Chairman, President and CEO, Representative Director of the Company</p> <p>Jun. 2007 President, CEO and COO, Representative Director of SEGA CORPORATION</p> <p>May 2008 Chairman and CEO, Representative Director of the above</p> <p>Apr. 2012 Chairman of the Board of Sammy Corporation</p> <p>May 2013 Chairman and CEO, Representative Director of the above</p> <p>Jun. 2015 Advisor to NDK (current position)</p> <p>Jun. 2016 Chairman, President, CEO and COO, Representative Director of the Company</p> <p>Apr. 2017 Chairman and CEO, Representative Director of the Company</p> <p>Apr. 2017 Chairman of the Board, Representative Director of Sammy Corporation (current position)</p> <p>Apr. 2017 Honorary Chairman of the Board of SEGA Holdings Co., Ltd. (now SEGA CORPORATION) (current position)</p> <p>Apr. 2018 Chairman and Group CEO, Representative Director of the Company</p> <p>Apr. 2021 Chairman, Representative Director of the Company (current position)</p> <p>Apr. 2022 Chief Advisor of PHOENIX RESORT CO., LTD. (current position)</p> <p>Jun. 2022 Honorary Advisor of Japan Amusement Industry Association (current position)</p>
<p>[Important concurrent duties outside the Company (No. of concurrent positions at other listed companies: 0)] Chairman of the Board, Representative Director of Sammy Corporation and Honorary Chairman of the Board of SEGA CORPORATION</p>		
<p>[Reason for nomination as candidate for Director] Mr. Hajime Satomi has served as a corporate manager of the Company and Group companies, demonstrated leadership over many years and contributed to the development of the Group. We seek appointment of Mr. Hajime Satomi as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such wealth of experience, career record and hard-earned insight, and contribute to improving the corporate value of the Company.</p> <p>Notes: 1. The Company conducts transactions relating to intermediary services for insurance, etc. with FSC Co., Ltd., of which Mr. Hajime Satomi and Mr. Haruki Satomi own a majority of voting rights. 2. The Company has concluded a directors and officers liability insurance contract with an insurance company with all of its Directors as insured persons. The Company has assumed the costs of insurance premiums in full for all of the insured parties with respect to the insurance policy, which covers statutory compensation for damages, litigation expenses and other such outlays that an insured party may incur. All candidates will be insured under the insurance contract, which is to be renewed during their terms of office.</p>		

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Nominee No.	Name (Date of Birth)	Brief Career Profile, Position and Responsibilities at the Company, and Important Concurrent Duties outside the Company
2	<p>[Reappointment]</p> <p>Haruki Satomi (January 11, 1979) Age 44 Gender: Male</p> <p>Number of the Company's shares owned: 3,905,461 shares</p> <p>No. of years served as Director: 11 years</p> <p>Attendance at Board of Directors' meetings: 100% (13/13)</p>	<p>Mar. 2004 Joined Sammy Corporation</p> <p>Jan. 2005 Joined SEGA CORPORATION</p> <p>Jun. 2012 Senior Vice President, Director of the Board of the Company</p> <p>Jun. 2012 Senior Vice President, Director of the Board of SEGA CORPORATION</p> <p>Apr. 2014 Senior Vice President, Director of the Board of Sammy Corporation</p> <p>Nov. 2014 Deputy COO, Representative Director of SEGA CORPORATION</p> <p>Nov. 2015 Deputy COO, Representative Director of Sammy Corporation</p> <p>Apr. 2016 President and COO, Representative Director of the above</p> <p>Jun. 2016 Executive Vice President, Director of the Board of the Company</p> <p>Apr. 2017 President and COO, Representative Director of the Company</p> <p>Apr. 2017 President and CEO, Representative Director of Sammy Corporation (current position)</p> <p>Apr. 2017 Chairman and CEO, Representative Director of SEGA Games Co., Ltd. (now SEGA CORPORATION) (current position)</p> <p>Apr. 2018 President and Group COO, Representative Director of the Company</p> <p>Apr. 2018 Chairman of the Board of PHOENIX RESORT CO., LTD. (current position)</p> <p>Apr. 2021 President and Group CEO, Representative Director of the Company (current position)</p> <p>Apr. 2021 Chairman of the Board of Sammy Networks Co., Ltd. (current position)</p> <p>Apr. 2021 Officer of NDK (current position)</p> <p>Apr. 2021 Officer of KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position)</p> <p>Apr. 2022 Chairman of the Board of TMS ENTERTAINMENT CO., LTD. (current position)</p> <p>Sep. 2022 Chairman of the Board of Sunrockers, Ltd. (current position)</p>
<p>[Important concurrent duties outside the Company (No. of concurrent positions at other listed companies: 0)] President and CEO, Representative Director of Sammy Corporation and Chairman and CEO, Representative Director of SEGA CORPORATION</p>		
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Haruki Satomi has served as a corporate manager of the Company and Group companies and contributed to the improvement of corporate earnings. He currently serves as President, Representative Director of the Company and demonstrates leadership as a Chief Executive Officer of the Group.</p> <p>We seek appointment of Mr. Haruki Satomi as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such experience, career record and leadership, and contribute to improving the corporate value of the Company.</p> <p>Notes: 1. The Company conducts transactions relating to intermediary services for insurance, etc. with FSC Co., Ltd., of which Mr. Hajime Satomi and Mr. Haruki Satomi own a majority of voting rights.</p> <p>2. The Company has concluded a directors and officers liability insurance contract with an insurance company with all of its Directors as insured persons. The Company has assumed the costs of insurance premiums in full for all of the insured parties with respect to the insurance policy, which covers statutory compensation for damages, litigation expenses and other such outlays that an insured party may incur. All candidates will be insured under the insurance contract, which is to be renewed during their terms of office.</p>		

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Nominee No.	Name (Date of Birth)	Brief Career Profile, Position and Responsibilities at the Company, and Important Concurrent Duties outside the Company
3	<p>[Reappointment]</p> <p><b>Koichi Fukazawa</b> (November 2, 1965) Age 57 Gender: Male</p> <p>Number of the Company's shares owned: 63,500 shares</p> <p>No. of years served as Director: 8 years</p> <p>Attendance at Board of Directors' meetings: 100% (13/13)</p>	<p>Apr. 1990 Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.)</p> <p>Jul. 2003 Joined Sammy Corporation</p> <p>Aug. 2003 Vice President, Executive Officer and Managing Director of President's Office of the above</p> <p>Oct. 2004 Vice President, Executive Officer and Managing Director of President's Office of the Company</p> <p>Oct. 2004 Vice President, Executive Officer and Managing Director of Chairman's Office and President's Office of SEGA CORPORATION</p> <p>Jun. 2005 Senior Vice President, Director of the Board and Managing Director of Chairman's Office and President's Office of the above</p> <p>Jan. 2007 President, Representative Director of SEGA SAMMY ASSET MANAGEMENT INC. (now MARZA ANIMATION PLANET INC.)</p> <p>Aug. 2007 Senior Vice President, Executive Officer and in charge of the Corporate Strategy and External Affairs of the Company</p> <p>May 2008 Senior Vice President, Director of the Board and Managing Director of New Business Division of SEGA CORPORATION</p> <p>Apr. 2009 Officer of KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position)</p> <p>Jun. 2009 President, Representative Director of SEGASAMMY VISUAL ENTERTAINMENT INC. (now MARZA ANIMATION PLANET INC.)</p> <p>Apr. 2014 Senior Executive Vice President, Representative Director of SEGA TOYS CO., LTD.</p> <p>Jun. 2015 Senior Vice President, Director of the Board of the Company</p> <p>Jun. 2016 Executive Vice President and CFO, Director of the Board of the Company</p> <p>Apr. 2018 Executive Vice President and Group CFO, Director of the Board of the Company</p> <p>Jun. 2020 Senior Executive Vice President and Group CFO, Director of the Board of the Company (current position)</p> <p>Apr. 2021 Senior Vice President, Director of the Board of Sammy Corporation (current position)</p>
<p>[Important concurrent duties outside the Company (No. of concurrent positions at other listed companies: 0)] Senior Vice President, Director of the Board of Sammy Corporation</p>		
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Koichi Fukazawa has served as a corporate manager of the Company and Group companies in various fields including corporate planning, administration and new businesses. He currently serves as CFO of the Group and promotes the gaming business.</p> <p>We seek appointment of Mr. Koichi Fukazawa as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such wealth of experience and career record, and contribute to improving the corporate value of the Company.</p> <p>Notes: 1. There is no special interest between the Company and Mr. Koichi Fukazawa. 2. The Company has concluded a directors and officers liability insurance contract with an insurance company with all of its Directors as insured persons. The Company has assumed the costs of insurance premiums in full for all of the insured parties with respect to the insurance policy, which covers statutory compensation for damages, litigation expenses and other such outlays that an insured party may incur. All candidates will be insured under the insurance contract, which is to be renewed during their terms of office.</p>		

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Nominee No.	Name (Date of Birth)	Brief Career Profile, Position and Responsibilities at the Company, and Important Concurrent Duties outside the Company
4	<p>[Reappointment]</p> <p><b>Yukio Sugino</b> (June 25, 1970) Age 52 Gender: Male</p> <p>Number of the Company's shares owned: 20,000 shares</p> <p>No. of years served as Director: 1 year</p> <p>Attendance at Board of Directors' meetings: 100% (11/11)</p>	<p>Apr. 1993 Joined SEGA Enterprises, Ltd. (now SEGA CORPORATION)</p> <p>Jun. 2003 Vice President, Executive Officer and General Manager of Project Management Division of SEGA CORPORATION</p> <p>Jun. 2009 Senior Vice President, Director of the Board and General Manager of President's Office of the above</p> <p>Jul. 2010 Senior Vice President, Director of the Board and General Manager of Sega R&amp;D/Production of the above</p> <p>May 2012 Executive Vice President, Director of the Board and General Managing Director of Consumer Online Business Headquarters of the above</p> <p>Jun. 2012 Director &amp; Chairman of Sega of America, Inc.</p> <p>Jun. 2012 Director &amp; Chairman of Sega Europe Ltd.</p> <p>Apr. 2014 President, Representative Director of ATLUS. CO., LTD.</p> <p>Apr. 2015 Senior Vice President, Director of the Board of SEGA Holdings Co., Ltd. (now SEGA CORPORATION)</p> <p>Apr. 2015 President and CEO, Representative Director of SEGA Interactive Co., Ltd. (now SEGA CORPORATION)</p> <p>Apr. 2017 Senior Executive Vice President, Director of the Board of SEGA Holdings Co., Ltd. (now SEGA CORPORATION)</p> <p>Apr. 2020 President and COO, Representative Director of SEGA CORPORATION (current position)</p> <p>Apr. 2020 Deputy COO, Representative Director of SEGA GROUP CORPORATION (now SEGA CORPORATION)</p> <p>Jun. 2020 Executive Vice President, Executive Officer of the Company</p> <p>Aug. 2020 Chairman, Representative Director of ATLUS. CO., LTD. (current position)</p> <p>Apr. 2021 Senior Vice President, Director of the Board of SEGA TOYS CO., LTD. (current position)</p> <p>Jun. 2022 Senior Executive Vice President, Director of the Board of the Company (current position)</p> <p>Apr. 2023 Senior Vice President, Director of the Board of DARTSLIVE Co., Ltd. (current position)</p> <p>Apr. 2023 Chairman of the Board of MARZA ANIMATION PLANET INC. (current position)</p>
<p>[Important concurrent duties outside the Company (No. of concurrent positions at other listed companies: 0)] President and COO, Representative Director of SEGA CORPORATION</p>		
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Yukio Sugino has served as a corporate manager of the Group's entertainment contents business companies. He currently serves as President and Representative Director of SEGA CORPORATION and leads the business growth of the SEGA Group on a global stage.</p> <p>We seek appointment of Mr. Yukio Sugino as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such knowledge and experience, and contribute to improving the corporate value of the Company.</p> <p>Notes: 1. There is no special interest between the Company and Mr. Yukio Sugino. 2. The Company has concluded a directors and officers liability insurance contract with an insurance company with all of its Directors as insured persons. The Company has assumed the costs of insurance premiums in full for all of the insured parties with respect to the insurance policy, which covers statutory compensation for damages, litigation expenses and other such outlays that an insured party may incur. All candidates will be insured under the insurance contract, which is to be renewed during their terms of office.</p>		

[English Translation of Convocation Notice Originally Issued in the Japanese Language]

Nominee No.	Name (Date of Birth)	Brief Career Profile, Position and Responsibilities at the Company, and Important Concurrent Duties outside the Company
5	<p>[Reappointment]</p> <p><b>Hideo Yoshizawa</b> (August 27, 1964) Age 58 Gender: Male</p> <p>Number of the Company's shares owned: 28,500 shares</p> <p>No. of years served as Director: 4 years</p> <p>Attendance at Board of Directors' meetings: 100% (13/13)</p>	<p>Apr. 1987 Joined Japan Leasing Corporation (now Sumitomo Mitsui Finance and Leasing Co., Ltd.)</p> <p>Jun. 1999 Manager of Financial Planning Department of the above</p> <p>Jul. 2001 Joined Sammy Corporation</p> <p>Jun. 2002 Vice President, Executive Officer and Deputy Managing Director of President Office of the above</p> <p>Jun. 2004 Senior Vice President, Director of the Board and Managing Director of Administration Division of the above</p> <p>Oct. 2004 Senior Vice President, Director of the Board and Managing Director of Corporate Division and President Office of the above</p> <p>Aug. 2007 Senior Vice President, Executive Officer of the Company</p> <p>Mar. 2012 Senior Vice President, Director of the Board of PHOENIX RESORT CO., LTD.</p> <p>Apr. 2015 President, Representative Director of TAIYO ELEC Co., Ltd.</p> <p>Apr. 2016 Senior Vice President, Director of the Board of SEGA Holdings Co., Ltd. (now SEGA CORPORATION)</p> <p>Jun. 2016 Senior Vice President, Director of the Board and Managing Director of Corporate Division of the above</p> <p>Jun. 2016 Senior Vice President, Director of the Board of SEGA ENTERTAINMENT CO., LTD. (now GENDA GiGO Entertainment Inc.)</p> <p>Jun. 2016 Auditor of Sega Amusements Taiwan Ltd.</p> <p>Apr. 2017 Executive Vice President, Director of the Board and Managing Director of Corporate Division of SEGA Holdings Co., Ltd. (now SEGA CORPORATION)</p> <p>Jun. 2017 Audit &amp; Supervisory Board Member of SEGA Games Co., Ltd. (now SEGA CORPORATION)</p> <p>Oct. 2018 Senior Vice President, Executive Officer and Managing Director of Legal Division of the Company</p> <p>Jun. 2019 Senior Vice President, Director of the Board of the Company (current position)</p> <p>Jun. 2020 Senior Vice President, Director of the Board of SEGA CORPORATION (current position)</p>
<p>[Important concurrent duties outside the Company (No. of concurrent positions at other listed companies: 0)] Director of the Board of SEGA CORPORATION</p>		
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Hideo Yoshizawa has served as a corporate manager of the Company's and the Group's pachinko and pachislot machines business, entertainment contents business, and resort business companies, and has extensive knowledge and a wealth of experience in the Company's core business.</p> <p>We seek appointment of Mr. Hideo Yoshizawa as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such knowledge and experience, and contribute to improving the corporate value of the Company.</p> <p>Notes: 1. There is no special interest between the Company and Mr. Hideo Yoshizawa.</p> <p>2. The Company has concluded a directors and officers liability insurance contract with an insurance company with all of its Directors as insured persons. The Company has assumed the costs of insurance premiums in full for all of the insured parties with respect to the insurance policy, which covers statutory compensation for damages, litigation expenses and other such outlays that an insured party may incur. All candidates will be insured under the insurance contract, which is to be renewed during their terms of office.</p>		

[English Translation of Convocation Notice Originally Issued in the Japanese Language]

Nominee No.	Name (Date of Birth)	Brief Career Profile, Position and Responsibilities at the Company, and Important Concurrent Duties outside the Company	
6	<p>[Reappointment] [Nominee for External Director] [Independent Director]</p> <p><b>Kohei Katsukawa</b> (January 8, 1951) Age 72 Gender: Male</p> <p>Number of the Company's shares owned: 0</p> <p>No. of years served as Director: 7 years</p> <p>Attendance at Board of Directors' meetings: 100% (13/13)</p>	<p>Apr. 1974</p> <p>Apr. 2001</p> <p>Apr. 2005</p> <p>Jun. 2007</p> <p>Jul. 2010</p> <p>Apr. 2014</p> <p>Dec. 2014</p> <p>Jun. 2016</p> <p>Jun. 2016</p> <p>Jan. 2021</p> <p>Jun. 2022</p> <p>Jun. 2022</p> <p>Jun. 2022</p>	<p>Joined Sumitomo Bank (now Sumitomo Mitsui Banking Corporation)</p> <p>Executive Officer, Head of Osaka Corporate Banking Division II of Sumitomo Mitsui Banking Corporation</p> <p>Managing Executive Officer, Deputy Head of Whole sale Banking Unit (in charge of East Japan) of the above</p> <p>Executive Vice President and Representative Director of NIF SMBC Ventures Co., Ltd. (now SMBC Venture Capital Co., Ltd.)</p> <p>President and Representative Director of SMBC Venture Capital Co., Ltd.</p> <p>President and Representative Director of GINSEN Co., Ltd.</p> <p>Outside Director of Kyoto University Innovation Capital Co., Ltd. (current position)</p> <p>Director of the Board (External) of the Company (current position)</p> <p>Outside Director of ELECOM CO., LTD.</p> <p>Advisor of GINSEN Co., Ltd. (current position)</p> <p>Outside Director of DX Antenna Co., Ltd. (current position)</p> <p>Outside Director of HAGIWARA Solutions Co., Ltd. (current position)</p> <p>Outside Director of Logitech INA Solutions Co., Ltd. (current position)</p>
<p>[Important concurrent duties outside the Company (No. of concurrent positions at other listed companies: 0)] None</p>			
<p>[Reason for nomination as candidate for External Director and outline of expected roles] Mr. Kohei Katsukawa has appropriately fulfilled the roles of an External Director to determine important management matters and oversee the execution of business from a fair standpoint. We seek appointment of Mr. Kohei Katsukawa as External Director as we expect that he will continue to provide valuable opinions and suggestions on the management of the Company based on his wealth of experience and broad-ranging insight gained over many years as a corporate manager.</p> <p>Notes: 1. There is no special interest between the Company and Mr. Kohei Katsukawa. 2. Mr. Kohei Katsukawa is an External Director-nominee, and the Company has notified the Tokyo Stock Exchange (TSE) of his inauguration as Independent Director under the regulations of TSE. The Independence Criteria for Independent Directors of the Company is listed in page 19. 3. The Company has concluded a liability agreement with Mr. Kohei Katsukawa that limits his liability to the minimum liability amount stipulated in laws and regulations. If the reelection of Mr. Kohei Katsukawa is approved, the Company plans to continue the said limited liability agreement. 4. The Company has concluded a directors and officers liability insurance contract with an insurance company with all of its Directors as insured persons. The Company has assumed the costs of insurance premiums in full for all of the insured parties with respect to the insurance policy, which covers statutory compensation for damages, litigation expenses and other such outlays that an insured party may incur. All candidates will be insured under the insurance contract, which is to be renewed during their terms of office.</p>			

[English Translation of Convocation Notice Originally Issued in the Japanese Language]

Nominee No.	Name (Date of Birth)	Brief Career Profile, Position and Responsibilities at the Company, and Important Concurrent Duties outside the Company	
7	<p>[Reappointment] [Nominee for External Director] [Independent Director]</p> <p><b>Melanie Brock</b> (April 10, 1964) Age 59 Gender: Female</p> <p>Number of the Company's shares owned: 0</p> <p>No. of years served as Director: 4 years</p> <p>Attendance at Board of Directors' meetings: 92% (12/13)</p>	<p>Nov. 1987</p> <p>Nov. 1990</p> <p>Mar. 2003</p> <p>Mar. 2010</p> <p>Apr. 2010</p> <p>Apr. 2010</p> <p>Oct. 2010</p> <p>Dec. 2012</p> <p>Nov. 2016</p> <p>Jun. 2019</p> <p>Jul. 2019</p> <p>Oct. 2019</p> <p>Jun. 2022</p> <p>Jun. 2023</p>	<p>Earned Bachelor of School of Humanities at The University of Western Australia</p> <p>Earned Master of Arts in Japanese, Conference Interpreting and Translation at The University of Queensland</p> <p>CEO of AGENDA (now Melanie Brock Advisory Ltd.) (current position)</p> <p>Board Member of Australia-Japan Foundation</p> <p>Board Member of Australia Japan Business Co-operation Committee (current position)</p> <p>Chair of Australian and New Zealand Chamber of Commerce in Japan</p> <p>Regional Manager - Japan of Meat &amp; Livestock Australia</p> <p>Chair of Australian Business Asia</p> <p>Chair Emeritus of Australian and New Zealand Chamber of Commerce in Japan (current position)</p> <p>Director of the Board (External) of the Company (current position)</p> <p>Board Member of Australia-Japan Research Center (AJRC) (current position)</p> <p>Global Ambassador of Advance, an initiative supported by Australian Government funding (current position)</p> <p>Outside Director of Mitsubishi Estate Co., Ltd. (current position)</p> <p>Outside Director, Member of the Board of Kawasaki Heavy Industries, Ltd. (scheduled)</p>
<p>[Important concurrent duties outside the Company (No. of concurrent positions at other listed companies: 1)] CEO of Melanie Brock Advisory Ltd. and Outside Director of Mitsubishi Estate Co., Ltd.</p>			
<p>[Reason for nomination as candidate for External Director and outline of expected roles] Ms. Melanie Brock has appropriately fulfilled the roles of an External Director to determine important management matters and oversee the execution of business from a fair standpoint. We seek appointment of Ms. Melanie Brock as External Director as we expect that she will continue to strengthen the Company's corporate governance system and improve the quality of management decision making based on her diverse range of ideas and values, making use of her extensive experience and career record as an international business leader.</p> <p>Notes: 1. There is no special interest between the Company and Ms. Melanie Brock. 2. Ms. Melanie Brock is an External Director-nominee, and the Company has notified the Tokyo Stock Exchange (TSE) of her inauguration as Independent Director under the regulations of TSE. The Independence Criteria for Independent Directors of the Company is listed in page 19. 3. The Company has concluded a liability agreement with Ms. Melanie Brock that limits her liability to the minimum liability amount stipulated in laws and regulations. If the reelection of Ms. Melanie Brock is approved, the Company plans to continue the said limited liability agreement. 4. The Company has concluded a directors and officers liability insurance contract with an insurance company with all of its Directors as insured persons. The Company has assumed the costs of insurance premiums in full for all of the insured parties with respect to the insurance policy, which covers statutory compensation for damages, litigation expenses and other such outlays that an insured party may incur. All candidates will be insured under the insurance contract, which is to be renewed during their terms of office.</p>			

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Nominee No.	Name (Date of Birth)	Brief Career Profile, Position and Responsibilities at the Company, and Important Concurrent Duties outside the Company
8	<p>[Reappointment] [Nominee for External Director] [Independent Director]</p> <p>Fujiyo Ishiguro (February 1, 1958) Age 65 Gender: Female</p> <p>Number of the Company's shares owned: 0</p> <p>No. of years served as Director: 2 years</p> <p>Attendance at Board of Directors' meetings: 100% (13/13)</p>	<p>Jan. 1981 Joined BROTHER INDUSTRIES, LTD.</p> <p>Jan. 1988 Joined Swarovski Japan Ltd.</p> <p>Sep. 1994 President of Alphametries, Inc.</p> <p>Jan. 1999 Director of Netyear Group, Inc.</p> <p>Jul. 1999 Director of Netyear Group Corporation</p> <p>May 2000 President &amp; CEO of the above</p> <p>Jun. 2013 Outside Audit &amp; Supervisory Board Member of Sompo Japan Insurance Inc.</p> <p>Mar. 2014 Outside Director of Hottolink, Inc.</p> <p>Jun. 2014 Outside Director of Monex Group, Inc. (current position)</p> <p>Jun. 2015 Outside Director of Sompo Japan Nipponkoa Insurance Inc. (now Sompo Japan Insurance Inc.)</p> <p>May 2021 Outside Director of WingArc1st Inc.</p> <p>Jun. 2021 Director of Netyear Group Corporation (current position)</p> <p>Jun. 2021 Director of the Board (External) of the Company (current position)</p> <p>Jun. 2022 External Director of The Shoko Chukin Bank, Ltd. (current position)</p> <p>Jun. 2023 External Director of MITSUI &amp; CO., LTD (scheduled)</p>
<p>[Important concurrent duties outside the Company (No. of concurrent positions at other listed companies: 2)] Outside Director of Monex Group, Inc. and Director of Netyear Group Corporation</p>		
<p>[Reason for nomination as candidate for External Director and outline of expected roles] Ms. Fujiyo Ishiguro has appropriately fulfilled the roles of an External Director to determine important management matters and oversee the execution of business from a fair standpoint. We seek appointment of Ms. Fujiyo Ishiguro as External Director as we expect she will continue to provide valuable opinions and suggestions on the management of the Company based on her wealth of knowledge in corporate management and IT/DX fields as a founder of Netyear Group Corporation and experience as an Outside Director of other listed companies.</p> <p>Notes: 1. There is no special interest between the Company and Ms. Fujiyo Ishiguro. 2. Ms. Fujiyo Ishiguro is an External Director-nominee, and the Company has notified the Tokyo Stock Exchange (TSE) of her inauguration as Independent Director under the regulations of TSE. The Independence Criteria for Independent Directors of the Company is listed in page 19. 3. The Company has concluded a liability agreement with Ms. Fujiyo Ishiguro that limits her liability to the minimum liability amount stipulated in laws and regulations. If the reelection of Ms. Fujiyo Ishiguro is approved, the Company plans to continue the said limited liability agreement. 4. The Company has concluded a directors and officers liability insurance contract with an insurance company with all of its Directors as insured persons. The Company has assumed the costs of insurance premiums in full for all of the insured parties with respect to the insurance policy, which covers statutory compensation for damages, litigation expenses and other such outlays that an insured party may incur. All candidates will be insured under the insurance contract, which is to be renewed during their terms of office.</p>		



[Reference] Major skills matrix of the members of the Board of Directors

Expertise and experience possessed by the members of the Board of Directors will be as shown below, if Proposal 2 is approved.

It is our basic policy that the Company selects Director-nominees based on consideration of their conformity to the Skills Matrix, personalities, and other factors in a comprehensive manner.

Name	Category	Gender	Expertise and Experience						
			Corporate Management	Entertainment Business Creation	Finance / Accounting	Risk Management / Compliance	ICT / DX	Global	Sustainability
Hajime Satomi		Male	●	●					
Haruki Satomi		Male	●	●				●	●
Koichi Fukazawa		Male	●	●	●		●		
Yukio Sugino		Male	●	●				●	
Hideo Yoshizawa		Male	●		●	●			
Kohei Katsukawa	External Director Independent Director	Male	●		●	●			
Melanie Brock	External Director Independent Director	Female	●					●	●
Fujiyo Ishiguro	External Director Independent Director	Female	●				●	●	●
Yukito Sakaue	Audit and Supervisory Committee Member	Male			●	●		●	
Kazutaka Okubo	External Director Independent Director Audit and Supervisory Committee Member	Male	●		●	●			●
Shione Kinoshita	External Director Independent Director Audit and Supervisory Committee Member	Female				●			●
Naoko Murasaki	External Director Independent Director Audit and Supervisory Committee Member	Female	●			●		●	●

Note: A maximum of four elements particularly required of each person are presented. The above list does not indicate all the insight and experience possessed by them.

Details of expertise and experience

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

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 / 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 / Compliance	Attorney, or other professional experience, or experience as an officer in charge of legal affairs, compliance or audit at a major company
ICT / DX	Experience at IT companies, vendors, consulting firms, and other professional services, or experience as an officer in charge of IT at a major company
Global	Experience of living abroad, experience at an overseas operating company, or equivalent experience
Sustainability	Individuals who have insight into Environment and Human Resources (Diversity), which are part of the Company's five material issues (materiality)*, and are expected to play an active role in the promotion of sustainability by the Group *Environment, Addiction, Human Resources, Products and Services, and Governance

[Reference] Composition of the Board of Directors

If Proposal 2 is approved, the composition of the Board of Directors will be as follows.

The Ratio of Independent External Directors	The Ratio of Female Directors	The Ratio of Foreign Directors
Independent External Directors 6/12 Directors, 50%	Female Directors 4/12 Directors, 33.3%	Foreign Directors 1/12 Directors, 8.3%

[Reference]

### **Policy and procedures for selection of Director-nominees**

It is our basic policy that the Company selects Director-nominees based on consideration of their conformity to the Skills Matrix, personalities and other factors in a comprehensive manner. The Independent Advisory Committee comprising of Independent External Directors shall examine the draft of Director-nominees presented by the President, Representative Director, hold interviews with such nominees, and report the result of evaluation to the President, Representative Director as its opinion. The President, Representative Director shall determine the Director-nominees based on the evaluation result in accordance with the above policy, and the Board of Directors shall review and approve it. The same shall apply to a case where the Independent Advisory Committee makes recommendation of Director-nominees to the President, Representative Director. In the appointment of Directors serving as Audit and Supervisory Committee Members and Substitute Directors serving as Audit and Supervisory Committee Members, consent of the Audit and Supervisory Committee shall be obtained in advance.

[Reference]

### **The Independence Criteria for Independent Directors**

The “independence” criteria regarding Independent External Directors of the Company have been prepared, on the assumption that provisions stipulated in the Companies Act and the Tokyo Stock Exchange are complied with, to set forth rules. The Board of Directors shall select a person who meets the said criteria and who is expected to contribute to honest, active and constructive discussion at the Board of Directors. Outline of the rules regarding the independence is as follows.

(a) The Independence Criteria is based on qualifications for External Directors as stipulated in the Companies Act, and the independence standards stipulated by the Tokyo Stock Exchange, and wording of “major,” “a large amount of,” etc., are defined by the guideline developed by referring to published models of selection criteria for independent officers. The followings are its summaries.

\* A person shall not fall under any of the items below in order to be Independent External Director of the Company.

(1) A party whose major business partner is the Group or an executive person thereof

The “major” in this item is defined as that such party received payment from the Group in the amount equivalent to 2% of the total consolidated net sales of the said party or more for the most recent fiscal year.

(2) A party who is a major business partner of the Company or an executive person thereof

The “major” in this item is defined as that the Company received payment from such party in the amount equivalent to 2% of the total consolidated net sales of the Company or more for the most recent fiscal year.

(3) A major shareholder who holds 10 % or more of the total shares issued and outstanding of the Company or an executive person thereof.

(4) A party of which the Group holds 10% or more of the total shares issued and outstanding or an executive person thereof

(5) The said External Director who has received, directly from the Group, compensation as legal professional, accounting or taxation specialist, or consultant for an average of 10 million yen or more annually (excluding compensation paid for the position as Director of the Company) for the last three years.

(6) The amount of donation by the Group to non-profit organization for which the said External Director serves as an executive person was 10 million yen or more for the most recent fiscal year.

(7) A party who has fallen under any of the above 6 items in the past one year

(8) The said External Director whose spouse, relative within the second degree, or relative living together falls under any items from 1 to the preceding item, or serves as Executive Director, Executive Officer, Manager, or employee in an important position at the Group

The “important” in this item is defined as being in a position of manager level or above.

(b) With regard to minor criteria concerning attribute information to be stated in the Independent Director Designation Form, the Company deems “less than 100 million yen” as minor for “transactions,” and “less than 10 million yen” for “donation,” for the most recent fiscal year, and for the period starting from the beginning date of the current fiscal year to the submission date of the most recent designation form.

# Business Report

(From April 1, 2022 To March 31, 2023)

## I Present State of the Group

### 1. Business progress and results

Regarding the environment of the Entertainment Contents Business, in the consumer area, with the expansion and diversification of gaming platforms, game content and services are becoming increasingly digitalized. As a result, the market environment continues to change significantly with the appearance and growth of download content sales, free-to-play games (F2P), subscription services, etc., in addition to packaged products, as well as the diversifying revenue opportunities and prolonged sales period, etc. Although the market trends seem to have cooled down in reaction to global changes in consumer behavior caused by the spread of COVID-19, there still remains an expectation for the revitalization and growth of the game market on a global scale. As for amusement machines market, although the impacts of raw material price hikes caused by the depreciation of the Japanese yen have appeared, the prize category has been strongly performing and driving the overall market, and the overall performance was strong.

With regard to the pachislot and pachinko industry, for pachinko machines, the utilization continues centered on regular machines, while for pachislot machines, the utilization level is on an upward trend due to No. 6.5 models and smart pachislot, responding to the revision of regulation. Although the procurement of parts and materials continues to require close monitoring, there were signs of improvement in the procurement situation.

In the resort industry, in Japan, there were no restrictions on activities due to the implementation of priority measures to prevent the spread of COVID-19 during the fiscal year ended March 31, 2023, and nationwide travel support measures to stimulate tourism demand also contributed to a high recovery in travel demand. As for international visitors to Japan, some recovery was seen as the easing of border control measures for entry into Japan progressed.

In this business environment, net sales for the fiscal year ended March 31, 2023 amounted to ¥389,635 million, (an increase of 21.4% from the previous fiscal year). The Group posted an operating income of ¥46,789 million (an increase of 46.0% from the previous fiscal year), ordinary income of ¥49,473 million (an increase of 48.4% from the previous fiscal year), also, due to recording deferred tax assets for a subsidiary in U.S., decreasing taxable income from net loss carried forward, and decreasing income taxes from tax credit relevant to research and development for subsidiaries in U.K., profit attributable to owners of parent of ¥45,938 million (an increase of 24.1% from the previous fiscal year).

Result of each segment is as follows.

Net sales in each segment here do not include inter-segment sales between segments.

« **Entertainment Contents** »

In the consumer area, for Full Game, the Group released “Sonic Frontiers”, “Persona 5 Royal (Remaster)”, “Like a Dragon: Ishin!”, etc. as new titles, leading to sales of 10,090 thousand copies (8,770 thousand copies for the previous fiscal year). Meanwhile, sales of repeat titles were sluggish due to a cooling of market conditions, leading to sales of 17,790 thousand copies (18,430 thousand copies for the previous fiscal year). As a result, overall sales for Full Game totaled 27,890 thousand copies (27,200 thousand copies for the previous fiscal year). F2P was strongly performed, driven by “Project SEKAI COLORFUL STAGE! feat. Hatsune Miku”, and “ONE PIECE Bounty Rush” developed by SEGA CORPORATION and published by Bandai Namco Entertainment Inc.

In the amusement machine area, the Group mainly sold UFO Catcher® series and prizes, etc.

In the animation and toy area, for animation, the Group released “Detective Conan: The Bride of Halloween” and recorded animation production and distribution revenue, etc., and for toy, new products such as “With a front camera! Fun to change mouse covers! Sumikkogurashi Personal Computer Premium Design by yourself”, etc., and regular products were sold.

As a result, net sales in this segment were ¥282,881 million (an increase of 19.9% from the previous fiscal year) and ordinary income was ¥41,181 million (an increase of 11.7% from the previous fiscal year).

« **Pachislot and Pachinko Machines** »

For pachislot machines, the Group recorded overall sales of 94 thousand units (77 thousand units for the previous fiscal year) with strong performance of No. 6.5 models such as “Pachislot Kabaneri of the Iron Fortress” and “Pachislot Saga of Tanya the Evil”. In particular, “Pachislot Kabaneri of the Iron Fortress” released in July 2022, has remained a high level of utilization and the sales units significantly exceeded the business plan at the beginning of the fiscal year due to multiple additional sales. For pachinko machines, the Group sold “P Shin Hokuto Muso Chapter 4”, etc., leading to overall sales of 103 thousand units (97 thousand units for the previous fiscal year). In addition, the Group recorded the sales of partial units for titles releasing in the fiscal year ending March 31, 2024 due to pre-delivered within the fiscal year ended March 31, 2023.

As a result, net sales in this segment were ¥94,253 million (an increase of 24.2% from the previous fiscal year) and ordinary income was ¥20,713 million (an increase of 101.4% from the previous fiscal year).

« **Resort** »

In the resort business, “Phoenix Seagaia Resort” achieved the highest sales and first profitability since it joined the Group due to the contribution of the government and facility’s own measures to stimulate tourism demand, as well as the implementation of various measures and the enhancement of CRM focusing on individual customers.

Overseas, “PARADISE CITY”, operated by PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method), the gradual recovery of casino sales has been seen after June 2022 with the easing of travel restrictions, and the rapid recovery of the drop amount (purchased amount of chips by customers) by Japanese VIP has been seen after October 2022, it has surpassed the level before the spread of COVID-19.

\*PARADISE SEGASAMMY Co., Ltd. is posted 3 months delay due to the fiscal year ended in December.

As a result, net sales in this segment were ¥11,540 million (an increase of 33.2% from the previous fiscal year) and ordinary loss was ¥3,217 million (ordinary loss of ¥6,738 million for the previous fiscal year).

## 2. Issues to be addressed

Ongoing changes in the consumer market significantly affect the environment in which the Entertainment Contents Business operates. These changes include diversifying game distribution platforms, expanding opportunities to supply content and services globally based on the digital transformation of content and services, and sales opportunities broadening beyond limited timeframes. While growth in the game market has temporarily slowed as part of a global rebound from changes in consumer behavior wrought by COVID-19, expectations for market growth over the medium to long term remain high. The Group has positioned the consumer area as a growth area, on which it plans to focus management resources to promote business development globally. It considers as key management topics its efforts to enhance its development structure and to develop quality content by securing and developing outstanding human resources; to enrich its library by creating and deploying intellectual property (IP); and to bolster user engagement through the long-term deployment of products and services.

In the pachislot and pachinko industry, despite large-scale changes in regulatory and market environments, utilization rates have demonstrated a trend toward recovery since the introduction of the 6.5-series pachislot machines in June 2022. This was followed by the introduction of smart pachislot machines in November of the same year. Conditions remain favorable for rates of use of popular pachinko models. Given these conditions, in addition to striving to develop products that offer the gaming features that will meet market needs while adapting to regulations and other factors, the Group must work toward its long-term goals of maintaining and increasing its shares of utilization, installation, and sales by supplying products through the appropriate procurement of parts and materials in line with demand. Additionally, the Group must consider boosting profitability via cost improvements and more efficient development based on the reuse of resources, while advancing the standardization of pachislot and pachinko parts and materials as a key management topic.

In the Resort Business, tourism demand is recovering thanks to various factors, including easing COVID-19 restrictions and measures to stimulate sightseeing demand. In addition to continuing efforts to enhance individual attractions, the Group see as key management topics the need to build sustainable revenue structures by providing high-value-added services that deliver unique and moving experiences.

During the five-year period from the fiscal year ended March 31, 2022, through the fiscal year ending March 31, 2026, the Group plan to invest a total of ¥250 billion in growth, targeting the growth areas of the consumer area, in which the Group will invest ¥100 billion; the gaming area, in which it will invest ¥100 billion; and other areas, in which it will invest ¥50 billion. While the Group has already implemented growth investments in certain areas under study, it will continue to identify growth opportunities to achieve growth and strengthen corporate value.

The Group's mission is captured in the words Constantly Creating, Forever Captivating: Making Life More Colorful. The Group strive to achieve a sustainable society while strengthening corporate value. In October 2020, the Group identified the five materialities (key issues) listed below as priority topics, based on the external framework of the structural analysis of social behavior (SASB) model established to consider major issues concerning its businesses. In May 2022, the Group formulated its vision for sustainability: Sustainability helps keep life colorful. The Group continues to regard as a central management topic the realization of a sustainable society with regard to the environment, society, and governance (ESG).

- Human Resources: Developing people who can create captivating experiences
- Products and Services: Providing safe, dependable, and innovative products and services
- Environment: Strategic commitment to action on climate change
- Addiction: Prevention of addictions and disorders
- Governance: Strengthening sustainability governance

## 3. Fundraising and other topics

### (1) Fundraising

Seeking to create a Groupwide safety net by securing funds liquidity over the medium to long term, the Company has concluded agreements with its banks for lines of credit amounting to 113,000 million yen.

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In the current consolidated fiscal year, the Group raised 30,000 million yen in funding via existing lines of credit, including current account overdraft lines of credit, which the Group allocated to operating funds. These funds have been paid off; their balance stood at zero as of the end of March 2023.

The Group has adopted a cash management system to put Group internal funds to effective use. This system is used by 20 companies in total, including the Company, SEGA CORPORATION, and Sammy Corporation.

- (2) Capital investment  
The Group invested 11,896 million yen in capital investment in the current consolidated fiscal year. This consisted mainly of capital investments of 5,986 million yen in the Entertainment Contents Business, 4,266 million yen in the Pachislot and Pachinko Machines Business, and 1,258 million yen in the Resort Business.
- (3) Business transfer, absorption-type corporate split, or spinoff  
No noteworthy matters in this regard emerged during the current consolidated fiscal year.
- (4) Acquisition of businesses from other companies  
No noteworthy matters in this regard emerged during the current consolidated fiscal year.
- (5) Succession of rights or obligations related to the businesses of other corporations or other entities through absorption-type merger, absorption-type corporate split, etc.  
No noteworthy matters in this regard emerged during the current consolidated fiscal year.
- (6) Acquisition or disposal of stock or other equity, stock options, etc. in other companies  
No noteworthy matters in this regard emerged during the current consolidated fiscal year.

#### 4. Finances and profit/loss

Fiscal year		FY2020	FY2021	FY2022	FY2023
Category		April 1, 2019 – March 31, 2020	April 1, 2020 – March 31, 2021	April 1, 2021 – March 31, 2022	April 1, 2022 – March 31, 2023
Net sales	(millions of yen)	366,594	277,748	320,949	389,635
Ordinary income	(millions of yen)	25,296	1,715	33,344	49,473
Profit attributable to owners of parent	(millions of yen)	13,775	1,274	37,027	45,938
Net income per share	(yen)	58.65	5.42	158.85	208.07
Total assets	(millions of yen)	458,268	421,599	435,492	501,566
Net assets	(millions of yen)	296,858	291,256	292,637	331,347

Notes: 1. Figures presented in units of millions of yen are rounded down to the nearest million yen.  
2. Calculations of net income per share are based on the average number of shares during the period.

**5. The Group's main business segments**

The Group's businesses are the Entertainment Contents Business, the Pachislot and Pachinko Machines Business, and the Resort Business. Their main lines of business are shown below.

Segment	Main product and business
Entertainment Contents Business	Development and sales of consumer game software including Full Game, F2P, etc. and amusement machines, planning, production and sales of animated films, development, manufacture, and sales of toys
Pachislot and Pachinko Machines Business	Development, manufacture, and sales of pachislot and pachinko machines
Resort Business	Development and operation of hotels and golf courses, etc. in the integrated resorts business and other facilities businesses

**6. Main Group facilities, etc.**

(1) Company sites

Head office (Shinagawa Ward, Tokyo)

(2) Sites of main subsidiaries

• SEGA CORPORATION

Head office (Shinagawa Ward, Tokyo)

• Sammy Corporation

Head office (Shinagawa Ward, Tokyo)

Kawagoe Plant (Kawagoe, Saitama Prefecture)

Branch offices (8 branches)

(3) Employees

Number of employees (YOY change)

8,219 (up 459)

Note: Number of employees refers to the number currently employed in the Group, including seconded personnel. It does not include temporary employees.



**7. Material conditions concerning the parent company and subsidiaries**

(1) Parent company

Not applicable

(2) Subsidiaries

Company	Capital	Investment stake	Main lines of business
SEGA CORPORATION	100 million yen	100.0%	Planning, development, and sale of game content for mobile phones, PCs, smart devices, and home video game consoles; development and sale of amusement machines
Sammy Corporation	18,221 million yen	100.0%	Development, manufacture, and sale of pachislot and pachinko machines
ATLUS CO., LTD.	10 million yen	100.0%*	Development of video game software
Sega of America, Inc.	USD110,000,000	100.0%*	Development management and sale of video game software
Sega Europe Ltd.	GBP10,000,000	100.0%*	Development management and sale of video game software
Sega Publishing Europe Ltd.	GBP0 thousand	100.0%*	Development management and sale of video game software
Sega Logistics Service Co., Ltd.	100 million yen	100.0%*	Maintenance services, transportation, and warehouse services
DARTSLIVE Co., Ltd.	10 million yen	100.0%*	Planning, development, and sale of game equipment and game software
SEGA TOYS CO., LTD.	100 million yen	100.0%*	Development, manufacture, and sale of toys
TMS ENTERTAINMENT CO., LTD.	100 million yen	100.0%*	Planning, production, and sale of animated films
MARZA ANIMATION PLANET INC.	100 million yen	100.0%*	Production of computer graphics animation; planning and production of animated films; licensing business
RODEO Co., Ltd.	100 million yen	100.0%*	Development, manufacture, and sale of pachislot machines
TAIYO ELEC Co., Ltd.	100 million yen	100.0%*	Development, manufacture, and sale of pachislot and pachinko machines
Sammy Networks Co., Ltd.	100 million yen	100.0%*	Planning, production, and sale of game and music content through mobile phones, the Internet, and other channels
SEGA SAMMY CREATION INC.	10 million yen	100.0%	Development, manufacture, and sale of casino gaming machines
PHOENIX RESORT CO., LTD.	93 million yen	100.0%	Operation of resort facilities, including hotels, spas, golf courses, restaurants, and international conference centers

\* The investment stake includes indirect holdings.

(3) Specified wholly owned subsidiaries at the end of the current fiscal year

Specified wholly owned subsidiary	Address	Total book value
SEGA CORPORATION	1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo	117,666 million yen
Sammy Corporation	1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo	152,095 million yen

Note: The Company holds total assets of 410,155 million yen.

**8. Main lenders and amounts of borrowings**

Lender	Balance of borrowings
Sumitomo Mitsui Banking Corporation	17,500 million yen
MUFG Bank, Ltd.	7,000 million yen
Mizuho Bank, Ltd.	5,000 million yen
Resona Bank, Limited	4,200 million yen
Aozora Bank, Ltd.	4,000 million yen
The Bank of Yokohama, Ltd.	3,640 million yen
Sumitomo Mitsui Trust Bank, Limited	660 million yen
Total	42,000 million yen

**9. Policy on exercise of authority in cases in which the Articles of Incorporation provide for the Board of Directors to decide on matters such as the distribution of retained earnings**

Having positioned the return of profits to shareholders as a key management topic, the Company has established a basic policy on shareholder returns that call for maintaining a total payout ratio of 50% or higher while considering the optimal balance between investments to achieve business growth and efforts to optimize capital efficiency. Practical decisions on dividends are made in line with a dividend policy of maintaining a dividend on equity ratio (DOE) of 3% or higher as an indicator of stable dividends, based on a consideration of actual past dividends. The Company regards the acquisition of treasury stock as an effective means of providing returns to shareholders and make related decisions dynamically, based on a consideration of matters such as trends in business performance and stock markets.

Dividends of surplus for the fiscal year ended March 31, 2023, were 59 yen per share (including an interim dividend of 20 yen per share), based on the above basic policy on returns to shareholders.

**10. Other significant matters concerning the current state of the Group**

No noteworthy matters in this regard emerged during the current consolidated fiscal year.

## II Stock

1. **Number of shares authorized for issue** **800,000,000 shares**
2. **Total shares issued and outstanding** **241,229,476 shares**
3. **Number of shareholders** **60,659**
4. **Ten largest shareholders**

Name	Investment in SEGA SAMMY HOLDINGS	
	Shares held	Shareholding ratio (%)
HS Company	36,008,000	16.31
The Master Trust Bank of Japan, Ltd. (trust account)	27,345,000	12.38
FSC Co., Ltd.	13,682,840	6.19
Custody Bank of Japan, Ltd. (trust account)	13,173,200	5.96
Hajime Satomi	7,202,938	3.26
State Street Bank and Trust Company 505001	5,684,392	2.57
Korea Securities Depository-Samsung	5,649,300	2.55
Haruki Satomi	3,905,461	1.76
The Bank of New York Mellon 140044	2,888,091	1.30
BBH for UMB BK, Natl Association-Global Alpha Intl Small Cap Fund LP	2,775,955	1.25

Note: Calculations of shareholding ratios exclude treasury stock (20,476,041 shares).

### 5. Shares issued to Company officers in consideration of duties executed during the current fiscal year

	Number of shares (transfer-restricted shares)	Number of recipients
Directors (excluding Audit and Supervisory Board members and External Directors)	45,000 shares	4

Notes: 1. Details of the stock compensation are described under “IV Company Directors: 2. Executive Compensation.”

2. In addition to the above, the Company issued 33,200 shares to 49 individuals consisting of Company Effective Officers and certain Directors and Effective Officers of its subsidiaries.

### 6. Other important stock-related matters

#### (1) Retirement of treasury stock

The Company retired treasury stock under a resolution passed by the Board of Directors in its meeting held May 13, 2022. This retirement reduces the number of shares of treasury stock by 25,000,000 shares.

#### (2) Disposal of treasury stock

The Company disposed of treasury stock as transfer-restricted share-based compensation under a resolution passed by the Board of Directors in its meeting held July 21, 2022. This disposal reduces the number of shares of treasury stock by 78,200 shares.

**III Company stock options, etc.**

**1. Overview of details of stock options issued in consideration of duties executed held by Company officers on the ending date of the current fiscal year**

Not applicable

**2. Overview of details of issue of stock options in consideration of duties executed to Company employees and officers and employees of subsidiaries during the current fiscal year**

Not applicable

#### IV Company Directors

##### 1. Directors (as of March 31, 2023)

Name	Title and areas of responsibility	Important concurrent posts
Hajime Satomi	Chairman (Representative Director)	Honorary Chairman of the Board of SEGA CORPORATION Chairman of the Board (Representative Director) of Sammy Corporation
Haruki Satomi	President and Group CEO (Representative Director) in charge of Public Relations Office and Sustainability Promotion Division	Chairman and CEO (Representative Director) of SEGA CORPORATION President and CEO (Representative Director) of Sammy Corporation
Koichi Fukazawa	Senior Executive Vice President and Group CFO, Director of the Board in charge of Integrated Resort Business Division, Corporate Planning Division, Finance & Accounting Division, IT Solution Division, and Human Resources Development Division	Senior Vice President, Director of the Board of Sammy Corporation
Yukio Sugino	Senior Executive Vice President, Director of the Board in charge of Group Licensing Division	President and COO (Representative Director) of SEGA CORPORATION
Hideo Yoshizawa	Senior Vice President, Director of the Board in charge of General Corporate Administration Division, Legal & Intellectual Property Division, and Global Corporate Governance Division	Director of the Board of SEGA CORPORATION
Kohei Katsukawa	Director of the Board	
Melanie Brock	Director of the Board	CEO of Melanie Brock Advisory Ltd., Outside Director of Mitsubishi Estate Co., Ltd.
Fujiyo Ishiguro	Director of the Board	Director of Netyear Group Corporation Outside Director of Monex Group, Inc. Outside Director of WingArc 1st Inc.
Yukito Sakaue	Director (Standing Audit & Supervisory Committee Member)	Audit & Supervisory Board Member of SEGA CORPORATION Audit & Supervisory Board Member of Sammy Corporation

Name	Title and areas of responsibility	Important concurrent posts
Kazutaka Okubo	Director (Audit & Supervisory Committee Member)	President and Representative Director of Okubo Associates Inc. President and Representative Director of K.K. SS Dnaform Outside Director of Sun Frontier Fudousan Co., Ltd. Outside Director of LIFULL Co., Ltd. Outside Director of SALA Corporation Outside Director of Musashi Seimitsu Industry Co., Ltd. (Audit & Supervisory Committee Member) Outside Director of BrainPad Inc. (Audit & Supervisory Committee Member)
Shione Kinoshita	Director (Audit & Supervisory Committee Member)	Attorney-at-law of Daiichifuyo Law Office
Naoko Murasaki	Director (Audit & Supervisory Committee Member)	President and Representative Director of Nobligier Co., Ltd. Outside Director of Sansei Landic Co., Ltd.

- Notes:
1. The six Directors (Kohei Katsukawa, Melanie Brock, Fujiyo Ishiguro, Kazutaka Okubo, Shione Kinoshita, and Naoko Murasaki) are External Directors of the Board as stipulated in Article 2, Paragraph 15, of the Companies Act.
  2. The Company has appointed a Standing Audit & Supervisory Committee Member who chairs the Audit & Supervisory Committee and is responsible for auditing from the independent, objective perspective of an External Director and Audit & Supervisory Committee Member. The Standing Audit & Supervisory Committee Member is charged with reporting to the Audit & Supervisory Committee on the results of reviews of important documents and the state of business execution by Directors, executive officers, and employees, in cooperation with the Corporate Auditors and internal audit sections of Group companies.
  3. The Company has submitted to the Tokyo Stock Exchange notification of the six Directors (Kohei Katsukawa, Melanie Brock, Fujiyo Ishiguro, Kazutaka Okubo, Shione Kinoshita, and Naoko Murasaki) as Independent Directors.
  4. The Company has adopted an executive officer system to accelerate decision-making, strengthen oversight of business execution, and reinforce business execution functions. The Company has 12 executive officers, three of whom serve concurrently as Directors of the Board (Koichi Fukazawa, Yukio Sugino, and Hideo Yoshizawa) and nine of whom do not serve concurrently as Directors of the Board (Makoto Takahashi, Managing Director of the Corporate Planning Division and the Human Resources Development Division; Yoichi Owaki, Managing Director of the Finance & Accounting Division; Toru Nakahara, General Counsel; Takaharu Kato, Managing Director of the IT Solution Division; Hironobu Otsuka, Managing Director of the Public Relations Office; Koji Takeyama, Managing Director of the General Corporate Administration Division and Global Corporate Governance Division; Yuka Ichiki, Managing Director of the Sustainability Promotion Division; Yukio Kawasaki, Managing Director of the Internal Audit Division; and Natsue Ishida, Managing Director of the Legal & Intellectual Property Division).
  5. At the ordinary general meeting of shareholders held June 22, 2022, Hiroshi Ishikura was appointed a Substitute Audit & Supervisory Committee Member as stipulated in Article 329, Paragraph 3, of the Companies Act. The appointment accounts for the potential absence of a Director and Standing Audit & Supervisory Committee Member.

## 2. Executive compensation

### (1) Total amounts of executive compensation

Category	Payees	Total remuneration amount (millions of yen)	Total amounts by type of remuneration (millions of yen)			
			Base remuneration	Bonuses	Performance-linked transfer-restricted share-based remuneration	Seniority-based transfer-restricted share-based remuneration
Directors (excluding Audit & Supervisory Committee Members)	9	1,454	640	641	72	100
(of which, External Directors)	(4)	(46)	(46)	(—)	(—)	(—)
Directors (Audit & Supervisory Committee Members)	4	50	50	—	—	—
(of which, External Directors)	(3)	(32)	(32)	(—)	(—)	(—)
Corporate Auditors	3	10	10	—	—	—
(of which, External Corporate Auditors)	(2)	(6)	(6)	(—)	(—)	(—)

- Notes:
- Each of the amounts of bonuses, performance-linked transfer-restricted share-based remuneration, and seniority-based transfer-restricted share-based remuneration represents the amount posted as expenses in the current fiscal year.
  - Under a resolution to amend the Articles of Incorporation passed at the Regular General Meeting of Shareholders held June 22, 2022, the Company has migrated from the status of a company with an Audit & Supervisory Board to one with an Audit & Supervisory Committee. Amounts of remuneration paid to Corporate Auditors represent remuneration for the period before the change in status to a company with an Audit & Supervisory Committee. Amounts paid to Audit & Supervisory Committee members represent remuneration for the period following the change in status to a company with an Audit & Supervisory Committee.
  - As of the end of the current fiscal year, the number of Directors, excluding Audit & Supervisory Committee Members, was eight, including three External Directors. The number of Audit & Supervisory Committee Members, including three External Directors, was four. The details under “Payees” above do not agree perfectly with these numbers because they include remuneration for one External Director (excluding Audit & Supervisory Committee Members) for the period before the migration to the status as a company with an Audit & Supervisory Committee.

### (2) Policies on decisions related to details of remuneration for individual Directors

The system of remuneration for Directors (excluding Audit & Supervisory Committee Members and External Directors) is intended primarily to create incentive to strengthen the Group’s corporate value and achieve sustained growth. Its basic policy calls for a highly transparent and objective decision-making process.

The policy for decisions on Directors’ remuneration and other amounts calls for the Representative Director and President to provide the Independent Advisory Committee with information on matters such as the compensation system and the procedures applied to calculate each compensation type. The Independent Advisory Committee deliberates on and evaluates these details and submits its views to the Representative Director and President. Referring to these opinions, the Representative Director and President consults with the Board of Directors and makes a final decision on the policy for determining amounts of remuneration and other specifics.

Decisions concerning the specifics of Director remuneration are made by the Board of Directors in accordance with the recommendations based on results of deliberations and evaluations by the Independent Advisory Committee.

[English Translation of Convocation Notice Originally Issued in the Japanese Language]

Based on the basic policy, compensation for Company Directors (excluding Audit & Supervisory Committee Members and External Directors) consists of fixed remuneration, executive bonuses, and transfer-restricted share-based remuneration.

Of these, fixed remuneration is paid in fixed monthly amounts representing the total of basic remuneration and role-based remuneration, calculated based on the Company's remuneration table.

Remuneration of External Directors consists solely of fixed remuneration (basic remuneration only) in light of their roles, with the goal of assuring their independence. Amounts are determined by the Board of Directors.

Remuneration for Audit & Supervisory Committee Members consists of fixed remuneration (basic remuneration only) reflecting their duties and their responsibility to audit the execution of duties throughout the Group. Amounts are deliberated on and determined by the Audit & Supervisory Committee.

**(3) Policy on decisions on details and amounts or calculation of performance-linked remuneration, non-monetary remuneration, etc.**

Bonuses for Directors are paid as performance-linked remuneration. The amount of a Director's bonus is determined by multiplying fixed compensation by a coefficient determined based on a bonus table that specifies the number of months' pay on which Directors' bonuses are to be based, in light of three factors: ordinary income, degree to which business plans are achieved, and year-on-year growth.

\* No Directors' bonuses are paid if a loss attributable to owners of the parent is recorded.

The evaluation indicator applied to calculate Directors' bonuses is ordinary income, which represents income generated on a regular basis by the Group through its business activities, including gains and losses on equity method investments in its main businesses. In addition, the degree to which business plans are achieved and year-on-year growth are evaluated to determine accountability vis-a-vis announced plans and sustained growth.

Presented below are the targets and actual amounts of the indicators associated with performance-linked remuneration in the current fiscal year.

(Unit: billions of yen)

	FY2022	FY2023		YoY change	vs. business plan
	Actual	Business plans	Actual		
Net sales	320.9	375.0	389.6	+68.6	+14.6
Ordinary income	33.3	40.0	49.4	+16.1	+9.4

The transfer-restricted share-based remuneration program was adopted by the Ordinary General Meeting of Shareholders held June 21, 2019, to incentivize Company Directors (excluding External Directors) to achieve continuing growth in the Company's corporate value and to facilitate the sharing of value between shareholders and Directors.

At the Ordinary General Meeting of Shareholders held June 24, 2021, the Company revised the transfer-restricted share-based remuneration program to further align the long-term interests of Directors with those of shareholders and to link remuneration of Company Directors to the SEGA SAMMY Group Medium-Term Plan for the fiscal year ended March 31, 2022, through the fiscal year ending March 31, 2024 ("Mid-Term Plan" hereinafter) with a goal of increasing the Company's corporate value over the medium to long term. The transfer-restricted share-based remuneration program now consists of seniority-based transfer-restricted shares for which transfer restrictions are released in proportion to the length of continual service in the post of Director or similar post, and performance-linked transfer-restricted shares for which transfer restrictions are



released in proportion to both the period of continual service in the post of Director or similar post and achievement of the business performance targets of the Mid-Term Plan. In addition, along with the migration to the status of a company with an Audit & Supervisory Committee, the Regular General Meeting of Shareholders held June 22, 2022, passed resolutions limiting compensation under this program to no more than 300 million yen per year for Company Directors, excluding Audit & Supervisory Committee Members and External Directors, and limiting the total number of shares of Company common stock that may be issued to or disposed of by eligible Directors to no more than 300,000 shares. The rates at which the shares will be released from the restrictions on transfer according to the degree of achievement of business-performance targets in the Mid-Term Plan are shown below.

ROE as of the end of the fiscal year ending March 31, 2024	Rate of release
10% or more	100%
8% or more but less than 10%	50%
Less than 8%	0%

Specific details of payment and allocation will be decided by the Board of Directors, in a manner under which the ratio of fixed compensation for a single fiscal year, performance-based bonuses for the single fiscal year, and transfer-restricted share-based remuneration at the time of achievement of the Mid-Term Plan would be approximately 1:1:1. In addition, plans call for the ratio of seniority-based transfer-restricted shares to performance-based transfer-restricted shares under the current Mid-Term Plan to be approximately 1:3.

**(4) Resolutions of the General Meeting of Shareholders concerning remuneration of Directors**

Resolutions of the General Meeting of Shareholders concerning remuneration of Company Directors were made on the following dates:

- Remuneration of Directors (excluding Audit & Supervisory Committee Members) is limited to no more than 1,700 million yen (including 100 million yen for External Directors) under a resolution passed in the Ordinary General Meeting of Shareholders held June 22, 2022. At the time of this resolution, the Company had eight Directors (three of whom were External Directors; excluding Audit & Supervisory Committee Members).
- Remuneration of Audit & Supervisory Committee Members is limited to no more than 100 million yen under a resolution passed in the Ordinary General Meeting of Shareholders held June 22, 2022. At the time of this resolution, the Company had four Audit & Supervisory Committee Members.
- Separately from the above remuneration of Directors, the Ordinary General Meeting of Shareholders held June 21, 2019 passed a resolution on the introduction of a system of transfer-restricted share-based remuneration for Directors (excluding External Directors). In addition, the Ordinary General Meeting of Shareholders held June 24, 2021 revised this system into one consisting of seniority-based transfer-restricted shares, for which transfer restrictions are released in proportion to the length of continual service in the post of Director or similar, and performance-linked transfer-restricted shares, for which transfer restrictions are released in proportion to both the period of continual service in the post of Director or similar and achievement of the business performance targets of the Mid-Term Plan. In addition, along with the migration to the status of a company with an Audit & Supervisory Committee, the Regular General Meeting of Shareholders held June 22, 2022 passed resolutions limiting compensation under this program to no more than 300 million yen per year for Company Directors (excluding Audit & Supervisory Committee Members and External Directors), and limiting the total number of shares of Company common stock that may be issued to or disposed of by eligible Directors to no more than 300,000 shares. The Company had five eligible Directors at the time of these resolutions.

### 3. Liability limitation agreements

The Company Articles of Incorporation stipulate that the Company may enter into agreements with Directors, excluding executive Directors and similar parties, that limit their liability for damages.

Summarized below are the agreements on liability limitations concluded under the Articles of Incorporation by the Company with its Directors, excluding executive Directors and similar parties.

(Overview of Liability Limitation Agreement)

Liability to provide compensation for damages under Article 423, Paragraph 1, of the Companies Act is limited to the minimum liability provided by law, except in cases of malicious intent or gross negligence.

### 4. Executive liability insurance policy

The Company has concluded with an insurer an executive liability insurance policy naming Directors, Corporate Auditors, and managerial employees of the Company and its subsidiaries as the insured. The Company and its subsidiaries bear the cost of all premiums on this insurance policy for all insured persons.

(Overview of the executive liability insurance policy)

This policy covers compensation for damages and legal defense costs borne by the insured in cases such as litigation with third parties, shareholders' representatives, or other companies. However, the policy incorporates measures to avoid impediments to the proper performance of duties by executives by exempting from compensation damages due to malicious intent or gross negligence.

### 5. External Directors

#### (1) Relations between the Company and important concurrent posts of External Directors

No conflict of interests exist between the Company and the important concurrent posts of External Directors shown under "IV Company Directors: 1. Directors (as of March 31, 2023)."

#### (2) Main activities in the current fiscal year

Category	Name	Main activities
External Director	Kohei Katsukawa	Attended 13 of 13 Board of Directors meetings during the fiscal year (12 of 12 regular meetings); made recommendations to ensure the validity and fairness of decision-making by the Board by offering opinions based on his wealth of experience and broad-ranging insights based on a long career serving primarily as a manager.
External Director	Melanie Brock	Attended 12 of 13 Board of Directors meetings during the fiscal year (12 of 12 regular meetings); made recommendations to ensure the validity and fairness of decision-making by the Board by offering opinions based on her wide-ranging experience and extensive track record, primarily as an international business leader.
External Director	Fujiyo Ishiguro	Attended 13 of 13 Board of Directors meetings during the fiscal year (12 of 12 regular meetings); made recommendations to ensure the validity and fairness of decision-making by the Board in various ways, including offering opinions based on a wealth of knowledge of corporate management and IT/digital transformation (DX) fields.

Category	Name	Main activities
External Director (Audit & Supervisory Committee Member)	Kazutaka Okubo	Attended 13 of 13 Board of Directors meetings during the fiscal year (12 of 12 regular meetings); made recommendations to ensure the validity and fairness of decision-making by the Board in various ways, including offering opinions based on his years of experience with audits as a certified public accountant, highly specialized knowledge of finance and accounting, and wealth of knowledge regarding governance. Attended three of three meetings of the Audit & Supervisory Board and 11 of 11 meetings of the Audit & Supervisory Committee during the fiscal year; engaged in various activities, including exchange of opinions on audit results and discussions of important matters related to audits.
External Director (Audit & Supervisory Committee Member)	Shione Kinoshita	Attended 13 of 13 Board of Directors meetings during the fiscal year (12 of 12 regular meetings); made recommendations and engaged in other activities to ensure the validity and fairness of decision-making by the Board, drawing primarily on her high level of specialized knowledge of labor law and wealth of insights on governance in addition to her experience as an attorney. Attended three of three meetings of the Audit & Supervisory Board and 11 of 11 meetings of the Audit & Supervisory Committee during the fiscal year; engaged in various activities, including exchange of opinions on audit results and discussions of important matters related to audits.
External Director (Audit & Supervisory Committee Member)	Naoko Murasaki	Attended 13 of 13 Board of Directors meetings during the fiscal year (12 of 12 regular meetings); engaged in various activities, including making recommendations to ensure the validity and fairness of decision-making by the Board in various ways, including offering opinions based on highly specialized capabilities in the fields of global risk and governance and an extensive knowledge of governance. Attended 11 of 11 meetings of the Audit & Supervisory Committee since her appointment as an Audit & Supervisory Committee Member; engaged in various activities, including exchanging opinions on audit results and engaging in discussions of important matters related to audits.

**(3) Total amount of remuneration of External Directors**

	Payees	Total amount of remuneration	Executive remuneration from subsidiaries included at left
Total amount of remuneration of External Directors	6	85 million yen	- million yen

## V Accounting auditor

### 1. Name

KPMG AZSA LLC

### 2. Contracts limiting the liability of the accounting auditor

In its second ordinary general meeting of shareholders held June 20, 2006, the Company amended the Articles of Incorporation to establish provisions regarding contracts limiting the liability of the accounting auditor. However, no contract limiting the liability of the accounting auditor KPMG AZSA LLC has been concluded.

### 3. Amounts of remuneration, etc.

	Amount paid
Amount of remuneration, etc. for the current fiscal year	137 million yen
Total amount of monetary and other financial gains payable by the Company and its subsidiaries to the accounting auditor	238 million yen

- Notes:
1. Company consolidated subsidiaries including Sega Europe Ltd. are audited by audit firms other than the Company's accounting auditor.
  2. The Company Audit & Supervisory Committee provides the consent stipulated in Article 399, Paragraph 1, of the Companies Act regarding remuneration, etc. of the accounting auditor, based on the reviews and consideration of matters such as the accounting auditor's audit plans and actual remuneration in the previous fiscal year.
  3. Details of non-audit activities for which the Company provides remuneration to auditing certified public accountants and others include the entrustment of business inspection operations other than the operations provided for in Article 2, Paragraph 1, of the Certified Public Accountants Act.

### 4. Policy on decisions on dismissal or non-reappointment

In addition to the dismissal of the accounting auditor as provided for in the subparagraphs to Article 340, Paragraph 1, of the Companies Act, the Company leaves decisions concerning the dismissal or non-reappointment of the accounting auditor in cases in which it deems the accounting auditor is unfit to render his or her duties appropriately to general meetings of shareholders.

## **VI Overview of structures for ensuring the propriety of business operations and the state of their operation**

### **(Structures for ensuring the propriety of business operations)**

Pursuant to the Companies Act, the Company has established the following basic policy on the maintenance of internal controls systems and strives to maintain such systems accordingly.

- (1) Structure for ensuring that the duties of Company Directors are discharged in accordance with laws, regulations, and the Articles of Incorporation

To ensure that compliance with laws, regulations, etc. is recognized thoroughly as a precondition of various business activities, the Company has established fundamental policies concerning the social responsibilities it must fulfill as a good corporate citizen. As the basis of the compliance structure, these policies are articulated in the Group CSR Charter, Group Code of Conduct, and Group Management Policy and Guidelines (referred to collectively as “Group policies and standards” hereinafter), all based on the Group Mission. The Representative Director and President repeatedly communicates to executives and employees the spirit of these Group policies and standards.

Furthermore, to ensure that Group business execution is undertaken properly and soundly and enhances corporate governance, the Board of Directors strives to establish structures to ensure legal and regulatory compliance and to build effective internal controls systems based on the Group Management Policy established to enable integrated Group wide management and Group Guidelines stipulating Groupwide management and operational standards.

In addition to auditing the efficacy and functions of these internal controls systems, the Audit & Supervisory Committee undertakes regular verification thereof. The internal audit section under the direct control of the Audit & Supervisory Committee strives to swiftly discover and rectify any issues through business audits of individual sections and to assess the efficacy of internal controls related to financial reporting.

To safeguard against the involvement of antisocial forces in management, the Group Code of Conduct clearly calls for the eradication of any and all ties to antisocial forces. The Group incorporates provisions on eliminating antisocial forces from contracts. Additionally, a system is in place to check whether transaction counterparties are considered antisocial forces. Structures are also in place to respond systematically and appropriately in cooperation with outside agencies, including law enforcement and attorneys, in the event of any contact with antisocial forces.

- (2) Systems related to the retaining and managing information concerning the execution of the duties of Company Directors

The Representative Director and President appoints a Director in charge of administration sections as the individual responsible for retaining and managing information concerning execution of the duties of Company Directors. This information is recorded on paper or electromagnetically in accordance with internal rules and other provisions and maintained and managed to allow ready retrieval and review by Directors.

To appropriately manage trade secrets and similar information, the Company has established policies on information management and IT security, as well as guidelines on IT security. The Company strives to ensure thorough understanding of and compliance with these policies.

- (3) Rules on managing the risk of losses to the Company and the structure thereof

Within the Group Management Strategy Committee, the Company has established a Group Risk and Compliance Subcommittee to address risks related to business execution. This Subcommittee identifies important management risks; deliberates on the formulation of Group risk and compliance policies; and assesses and makes recommendations regarding risk analysis by individual related sections, among other activities, in cooperation with the Group Governance Division. In this way, the risk management structure is defined clearly. In addition, the internal audit section under the direct control of the Audit & Supervisory Committee audits the state of risk management in each section and reports regularly on the results thereof to management

decision-making bodies and administrative organizations involved in business execution and supervision.

To identify and properly manage important potential internal management risks, including emergency response, the Company has established Group Management Policies, policies on risk management, and crisis management rules. In the event of circumstances expected to seriously affect the Group, the crisis response organizations of the Company and Group companies work together to discuss and determine and properly implement responses.

- (4) Structure for ensuring the efficiency of the performance of the duties of Company Directors  
To improve deliberations by and to strengthen the oversight functions of the Board of Directors, the Company has chosen the status of a company with an Audit & Supervisory Committee. This means a significant portion of important decisions on business execution can be entrusted to Directors in charge of business execution. The Company has adopted a structure whereby duties are performed appropriately and efficiently in accordance with provisions on job authority and decision-making under the rules for the Board of Directors and other rules and regulations.
- (5) Structure for ensuring that performance of the duties of Company employees complies with laws, regulations, and the Articles of Incorporation  
The Company promotes Group compliance measures intended to ensure that Company employees perform their duties in compliance with laws, regulations, the Articles of Incorporation, and other internal rules as well as social norms. These measures must be formulated based on Group philosophies and standards serving as codes of conduct.  
The Company has established an internal whistleblowing program under which employees can report violations of laws, regulations, the Articles of Incorporation, other internal norms, and social norms. The Company has also established a structure under which the individual responsible reports promptly to the Board of Directors and the Audit & Supervisory Committee regarding major violations.  
Confidential information concerning any whistleblower is protected. No whistleblowers will experience disadvantageous treatment due to their whistleblowing actions. As part of efforts to respond appropriately while maintaining transparency, the Company maintains whistleblowing contact points through outside attorneys and other parties, in addition to routine channels for reporting operational matters.
- (6) Systems to ensure the propriety of business operations of the Group (consisting of the Company, its parent company, and its subsidiaries), including the structures described below
  - (i) Structure for reporting to the Company on matters related to the performance of the duties of Directors, executive officers, employees tasked with business execution, and parties tasked with performance of the duties stipulated in Article 598, Paragraph 1, of the Companies Act (referred to collectively as “Directors” in (iii) and (iv)) at Company subsidiaries  
Information on Group companies is reported to and shared with the Company through Company executives and employees who serve concurrently as Directors and as Corporate Auditors of Group companies.  
In addition, a structure is in place whereby information is communicated, reported, and shared on important matters, information on whistleblowing reports is shared, and information on accounting improprieties or errors is reported and shared based on vertical chains of communication between the Company and Group companies under the affiliate management rules. The confidentiality of whistleblowers is protected. Whistleblowers are protected against disadvantageous treatment resulting from whistleblowing reports.  
The Company has also established a Group Risk and Compliance Promotion Committee, a Group Corporate Auditors Liaison Council, and other organizations to address controls related to various issues or major risks in the Group, and the internal audit section under the direct control of the Audit & Supervisory Committee carries out auditing based on the perspective of Groupwide interests. The Company seeks to share information and ensure appropriate business execution within the Group as much as possible.

- (ii) Structure for management of risks of losses to Company subsidiaries  
In addition to having Group companies tackle Groupwide priorities and measures identified by the Company, the Company has each subsidiary manage risks specific to each subsidiary based on company size, culture, business categories, and other factors.
  - (iii) Structure for ensuring the efficient performance of duties of Directors of Company subsidiaries  
As a structure for ensuring that the duties of Directors and other parties are carried out efficiently based on a consideration of company size, culture, business category, and other factors, Company subsidiaries employ a Corporate Auditory structure under which swift and appropriate decision making is carried out by their executives and duties are performed in accordance with the Board of Directors rules and other rules and regulations.
  - (iv) Structure for ensuring that performance of the duties of subsidiary directors and employees complies with laws, regulations, and the Articles of Incorporation  
As with the Company, the Boards of Directors of Group companies are required to maintain compliance structures to enable compliance with laws and regulations as well as Group philosophies and standards based on the importance of fundamental policies for fulfillment of social responsibility as good corporate citizens.
- (7) Matters concerning employees assigned to assist the Audit & Supervisory Committee in the performance of its duties, if so requested by the Audit & Supervisory Committee, the independence of such employees from Directors (other than Audit & Supervisory Committee members), and ensuring the efficacy of instruction from the Audit & Supervisory Committee to such employees  
The Company has established an internal audit section under the direct control of the Audit & Supervisory Committee. Employees of the internal audit section assist in the duties of the Audit & Supervisory Committee under that committee's command and control.  
In principle, employees assisting in the duties of the Audit & Supervisory Committee devote themselves to such assistance and are not subject to instruction or oversight by Directors who are not members of the Audit & Supervisory Committee. However, if unavoidable, they may be assigned to perform other duties concurrently. Special consideration is given to independence in cases in which such employees serve concurrently on both the auditing and execution sides. The prior consent of the Audit & Supervisory Committee is required in cases involving appointment, dismissal, transfer, job performance evaluations, disciplinary measures, or wage revisions for such employees.
- (8) Systems related to reporting to the Audit & Supervisory Committee of the Company, including the structures described below
- (i) Structure for reporting to the Audit & Supervisory Committee of the Company by Directors other than Audit & Supervisory Committee members, accounting consultants, and employees  
Company Directors other than Audit & Supervisory Committee members and other employees must promptly report to the Audit & Supervisory Committee any facts they have learned concerning serious violations of laws, regulations, or the Articles of Incorporation or misconduct during the performance of their duties or any events that could result in serious losses to the Company. The same applies to decisions or results of internal auditing that could seriously affect business or the organization.
  - (ii) Structure for reporting to the Audit & Supervisory Committee of the Company by Group company Directors, accounting consultants, Corporate Auditors, executive officers, employees tasked with business execution, parties tasked with performance of the duties stipulated in Article 598, Paragraph 1, of the Companies Act at Company subsidiaries, similar parties, or employees, or others who have received reports from such parties  
Group company Directors, Corporate Auditors, executive officers, employees, etc., and other parties who have received reports from such parties must promptly report to the Audit & Supervisory Committee of the Company any facts they have learned concerning serious

violations of laws, regulations, or the Articles of Incorporation or misconduct during the performance of their duties or any events that could result in serious losses to the Company. The same applies to decisions or results of internal auditing that could seriously affect business or the organization.

Based on the policy of the Group management, the Company shall strive to maintain a structure under which Group companies' Audit & Supervisory Committees or Corporate Auditors receive and serve as an intermediary for reports from the business execution side to be transmitted to the Audit & Supervisory Committee of the Company.

- (9) Structure for ensuring that parties who have made reports as described in the preceding paragraph do not suffer disadvantageous treatment as a result  
Parties who submit reports as described in the preceding paragraph are protected from disadvantageous treatment as a result. Any such disadvantageous treatment is subject to disciplinary action.
- (10) Procedures for prepayment or reimbursement of the costs of performance of the duties of the Audit & Supervisory Committee and other matters concerning policies related to processing of costs or obligations arising in connection with the performance of such duties  
If demanded by the Audit & Supervisory Committee or Standing Corporate Auditors Committee, the Company assumes the costs of performance of its duties, including the cost of outside advisors consulted or hired under Paragraph 11.
- (11) Other systems to ensure the efficacy of audits by the Audit & Supervisory Committee  
Apart from reports on business matters, the Representative Director meets regularly with members of the Audit & Supervisory Committee to exchange opinions on Company management and to ensure mutual understanding.  
The Board of Directors allows members of the Audit & Supervisory Committee to attend important meetings concerning business execution to ensure the propriety thereof.  
As necessary, the Audit & Supervisory Committee may independently seek advice from outside advisors such as attorneys and certified public accountants regarding Committee operations. The efficacy and independence of audits by the Audit & Supervisory Committee is ensured through such auditing being conducted by the internal auditing section under the command and control of the Audit & Supervisory Committee. The prior consent of the Audit & Supervisory Committee is required in cases involving appointment, dismissal, transfer, job performance evaluations, disciplinary measures, or wage revisions for such employees.

#### **Overview of the state of operation of structures intended to ensure operational propriety**

An overview of the state of operation regarding the above basic policies at the Company is provided below.

- (1) Compliance
- (i) Company and Group executives are provided with annual compliance training, in separate sessions for newly appointed and existing executives.
  - (ii) The Group Risk and Compliance Promotion Committee was established to share information on important topics related to compliance, risk management, and other aspects of internal controls and related measures.
  - (iii) Group training has been conducted to strengthen the compliance structure. In addition, continual activities to raise awareness of compliance are carried out to improve knowledge and culture of compliance among Group employees.
  - (iv) A system has been adopted Groupwide to determine whether transaction counterparties qualify as antisocial forces. The Company provides the support needed to make this system effective and to prevent ties to such forces.
  - (v) An internal whistleblowing system has been established to swiftly identify and prevent legal or regulatory violations and other improprieties. A corporate ethics hotline has been established as the contact point for whistleblowing reports. Efforts are underway to ensure that all employees become aware of this system.



- (vi) The Company internal auditing section carries out internal audits of the Company and Group companies.
- (2) Sustainability
- (i) The Company has established a Group Sustainability Vision and key performance indicators (KPIs) and monitor the state of their progress.
  - (ii) The Company posts comprehensive nonfinancial information in the Sustainability section of its website.
- (3) Risk management
- (i) Within the Group Management Strategy Committee, the Company has established a Group Risk and Compliance Subcommittee to identify important management risks; deliberate on the formulation of Group risk and compliance policies; and assess and make recommendations regarding risk analysis by individual related sections, among other activities, in cooperation with the Group Governance Division.
  - (ii) To identify and properly manage important potential internal risks affecting management, including emergency response, the Company has established Group Management Policies and policies on risk management as well as crisis management rules. In the event of a situation expected to seriously affect the Group, the crisis response organizations of the Company and Group companies work together to discuss and swiftly and properly implement responses.
- (4) Efficacy of the Audit & Supervisory Committee
- (i) To supplement efforts to enhance provision of information to the Audit & Supervisory Committee as part of internal controls, meetings are held of the Holding Company Audit To supplement efforts to enhance the information provided to the Audit & Supervisory Committee as part of internal controls, various bodies meet at regular intervals and when necessary. These bodies include the Holding Company Audit Liaison Council, whose membership includes Standing Audit & Supervisory Committee members and the accounting auditor; the Corporate Auditor / Management Audits Office Liaison Council, intended to monitor the progress of and to exchange information on audits by Group Standing Corporate Auditors and internal auditing sections; and the Group Corporate Auditor Liaison Council, whose membership consists of all Standing Audit & Supervisory Committee members and Group Corporate Auditors.
  - (ii) The Company appoints employees tasked exclusively with assisting the duties of the Audit & Supervisory Committee.

## Consolidated balance sheet

(Unit: millions of yen)

Item	FY2023 (April 1, 2022 - March 31, 2023)	Item	FY2023 (April 1, 2022 - March 31, 2023)
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>353,862</b>	<b>Current liabilities</b>	<b>120,332</b>
Cash and deposits	179,509	Notes and accounts payable - trade	30,556
Notes, accounts receivable - trade, and contract assets	53,370	Short-term borrowings	17,000
Merchandise and finished goods	18,503	Accrued expenses	19,865
Work in process	50,689	Income taxes payable	4,776
Raw materials and supplies	20,269	Contract liabilities	25,852
Income taxes receivable	15,620	Provision for bonuses	9,689
Other	16,205	Provision for directors' bonuses	1,187
Allowance for doubtful accounts	(304)	Provision for point card certificates	187
<b>Noncurrent assets</b>	<b>147,703</b>	Other	11,216
<b>Property, plant, and equipment</b>	<b>60,482</b>	<b>Noncurrent liabilities</b>	<b>49,886</b>
Buildings and structures	27,966	Bonds payable	10,000
Machinery, equipment, and vehicles	1,314	Long-term borrowings	25,000
Amusement machines and facilities	599	Lease obligations	5,352
Land	18,581	Net defined benefit liability	3,877
Construction in progress	534	Deferred tax liabilities	754
Other	11,485	Asset retirement obligations	2,607
<b>Intangible assets</b>	<b>13,247</b>	Provision for dismantling of fixed assets	420
Goodwill	2,592	Other	1,874
Other	10,654	<b>Total liabilities</b>	<b>170,218</b>
<b>Investments and other assets</b>	<b>73,973</b>	<b>Net assets</b>	
Investment securities	39,538	<b>Shareholders' equity</b>	326,755
Long-term loans receivable	247	Capital stock	29,953
Lease and guarantee deposits	6,924	Capital surplus	72,213
Net defined benefit assets	5,362	Retained earnings	261,840
Deferred tax assets	16,499	Treasury stock	(37,251)
Other	5,785	<b>Accumulated other comprehensive income</b>	<b>4,099</b>
Allowance for doubtful accounts	(383)	Valuation difference on available- for-sale securities	2,626
		Deferred gains or losses on hedges	382
		Revaluation reserve for land	(1,109)
		Foreign currency translation adjustment	3,730
		Remeasurements of defined benefit plans	(1,531)
		<b>Share acquisition rights</b>	<b>468</b>
		<b>Non-controlling interests</b>	<b>24</b>
<b>Total assets</b>	<b>501,566</b>	<b>Total net assets</b>	<b>331,347</b>
		<b>Total liabilities and net assets</b>	<b>501,566</b>

Note: Figures presented are rounded down to the nearest million yen.

## Consolidated statements of income

(Unit: millions of yen)

Item	FY2023 (April 1, 2022 - March 31, 2023)	
<b>Net sales</b>		<b>389,635</b>
<b>Cost of sales</b>		<b>231,568</b>
<b>Gross profit</b>		<b>158,067</b>
<b>Selling, general, and administrative expenses</b>		<b>111,278</b>
<b>Operating income</b>		<b>46,789</b>
<b>Non-operating income</b>		
Interest income	433	
Dividends income	516	
Gain on investments in partnership	1,929	
Foreign exchange gains	1,354	
Other	734	4,968
<b>Non-operating expenses</b>		
Interest expenses	321	
Equity in affiliate losses	520	
Commission fee	146	
Loss on investments in partnership	563	
Loss on retirement of noncurrent assets	285	
Other	446	2,284
<b>Ordinary income</b>		<b>49,473</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	3	3
<b>Extraordinary losses</b>		
Loss on sales of noncurrent assets	0	
Impairment loss	446	
Loss on valuation of investment securities	81	
Structural reform expenses	1,783	
Other	96	2,408
<b>Income before income taxes</b>		<b>47,069</b>
Income taxes - current	4,137	
Income taxes - deferred	(3,000)	1,136
<b>Profit</b>		<b>45,932</b>
Loss attributable to non-controlling interests		6
<b>Profit attributable to owners of parent</b>		<b>45,938</b>

Note: Figures presented are rounded down to the nearest million yen.

## Consolidated statement of changes in shareholders' equity

FY2023 (April 1, 2022 - March 31, 2023)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2022	29,953	117,689	224,684	(77,886)	294,440
Changes in items during the period					
Dividends from surplus			(8,873)		(8,873)
Profit attributable to owners of parent			45,938		45,938
Effect of changes in accounting period of consolidated subsidiaries			90		90
Purchase of treasury stock				(4,987)	(4,987)
Disposal of treasury stock		31		142	174
Cancellation of treasury stock		(45,480)		45,480	–
Change in ownership interest of parent due to transactions with non-controlling interests		(27)			(27)
Total changes in items during the period	–	(45,475)	37,155	40,635	32,315
Balances as of March 31, 2023	29,953	72,213	261,840	(37,251)	326,755

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

(Unit: millions of yen)

	<b>Share acquisition rights</b>	<b>Non-controlling interests</b>	<b>Total net assets</b>
Balances as of April 1, 2022	176	49	292,637
Changes in items during the period			
Dividends from surplus			(8,873)
Profit attributable to owners of parent			45,938
Effect of changes in accounting period of consolidated subsidiaries			90
Purchase of treasury stock			(4,987)
Disposal of treasury stock			174
Cancellation of treasury stock			–
Change in ownership interest of parent due to transactions with non-controlling interests			(27)
Net changes of items other than shareholders' equity	292	(25)	6,395
Total changes in items during the period	292	(25)	38,710
Balances as of March 31, 2023	468	24	331,347

Note: Figures presented are rounded down to the nearest million yen.

## **Notes on the consolidated financial statements**

### **I Basis of presenting consolidated financial statements**

(1) Scope of Consolidation

Number of consolidated subsidiaries: 61

Major consolidated subsidiaries:

SEGA CORPORATION, Sammy Corporation, ATLUS CO., LTD., Sega of America, Inc., Sega Europe Ltd., Sega Publishing Europe Ltd., Sega Logistics Service Co., Ltd., DARTSLIVE Co., Ltd., SEGA TOYS CO., LTD., TMS ENTERTAINMENT CO., LTD., MARZA ANIMATION PLANET INC., RODEO Co., Ltd., TAIYO ELEC Co., Ltd., Sammy Networks Co., Ltd., SEGA SAMMY CREATION INC., PHOENIX RESORT CO., LTD., and 45 other companies

Number of non-consolidated subsidiaries: 11

Major non-consolidated subsidiaries:

SEGA (SHANGHAI) SOFTWARE CO., LTD., etc.

Non-consolidated subsidiaries are excluded from the scope of consolidation because the combined amount of each of assets, net sales, and profit 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 significantly affect the consolidated financial statements.

(2) Application of the Equity Method

Number of non-consolidated subsidiaries accounted for by the equity method: –

Number of affiliates accounted for by the equity method: 8

Major equity method affiliates:

PARADISE SEGASAMMY Co., Ltd., etc.

Number of non-consolidated subsidiaries and affiliates not accounted for by the equity method: 13

Major non-consolidated subsidiaries and affiliates not accounted for by the equity method: CHARA-WEB CO., LTD., etc.

Some of the Company's non-consolidated subsidiaries and affiliates are not accounted for by the equity method because the combined amount of profit 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 significantly affect the consolidated financial statements, even if they are excluded from the scope of the equity method, and have no significance as a whole.

(3) Fiscal Year for Consolidated Subsidiaries

Listed below is the consolidated subsidiary whose closing dates differ from the consolidated closing date.

Necessary consolidation adjustments have been made on material transactions that occurred between the closing date of these subsidiaries and the consolidated closing date.

During the current consolidated fiscal year, consolidated subsidiary Sega Taiwan Ltd., whose fiscal year had ended on December 31, changed to a fiscal year ending on March 31, to enable more appropriate disclosure on the consolidated financial statements. As a result, profit and loss during the three-month period from January 1 through March 31, 2022, has been adjusted as an increase/decrease in retained earnings.

<u>Name of consolidated subsidiary</u>	<u>Ending date of fiscal year</u>
Sega Black Sea Ltd.	December 31

(4) Accounting Policies

(i) Valuation standards and methods for important assets

Held-to-maturity debt securities

The amortized cost method (straight-line method) is applied.

Available-for-sale securities

Those other than securities without available fair market value:

The fair value method is applied based on market prices and other information as of the ending date of the fiscal year (processing the entire amount of revaluation gain/loss through direct entry to net assets, with cost of sales calculated 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:

The moving average cost method is applied.

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, Paragraph 2 of the Financial Instruments and Exchange Act, is calculated based on available and relevant financial statements for the partnership as of the reporting date stipulated in the partnership agreement.

Derivatives

The fair value method is applied.

Inventories

Primarily gross average cost method (method whereby the net realizable value (NRV) is calculated by writing down the book value to reflect a decrease in NRV)

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

(ii) Depreciation and amortization for important assets

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

The straight-line method is primarily applied.

Useful lives for the assets are as follows:

Buildings and structures	2 - 50 years
Machinery, equipment, and vehicles	2 - 12 years
Amusement machines and facilities	2 - 5 years

Intangible assets (excluding leased assets)

The straight-line method is applied.

Software used at the Company is amortized by the straight-line method based on useful lives within the Company (within five years).

Leased 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.

Right-of-use assets

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

- (iii) Accounting for significant deferred assets  
Bond issuance cost:  
All expenses are expensed at full amount at the time of payment.
- (iv) Accounting for significant allowances and provisions  
Allowance for doubtful accounts  
Allowance for doubtful accounts is provided based on the following to prepare for possible losses on doubtful accounts.  
General receivables:  
Allowance is provided based on the actual rate of losses from bad debts.  
Receivables associated with the potential for default and bankruptcy or reorganization claims, etc.:  
Receivables associated with the potential for default and bankruptcy or reorganization claims, etc. are calculated based on a case by case assessment of the collectability.  
Provision for bonuses  
The estimated amount of bonuses is recorded to meet the payment of employee bonuses during the current fiscal year.  
Provision for directors' bonuses  
The estimated amount of bonuses is recorded to meet the payment of bonuses for directors.  
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.  
Provision for dismantling of fixed assets  
To provide for expenses for dismantling unused decrepit buildings, estimated future expenses are recorded.
- (v) Accounting method for retirement benefits  
Attribution method for projected retirement benefits  
In calculating retirement benefit obligations, benefit formula attribution is adopted for the purpose of attributing projected retirement benefits to the period up to the end of the current fiscal year.  
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 recorded as expenses 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 the average remaining years of service for the employees at the time of accrual in each fiscal year, starting from the fiscal year following the year of accrual, or are recorded as expenses collectively in the fiscal year following the year of accrual.
- (vi) Accounting method for significant hedge  
Hedge accounting  
The Company adopts deferred hedge accounting. However, special treatment is applied to qualifying interest rate swap transactions.  
Moreover, allocation hedge accounting is applied to qualifying currency swap transactions and forward exchange contracts at the Company and some consolidated subsidiaries.  
Hedging instruments and subjects of hedging  
Hedging instruments: Currency swaps, interest rate swaps, and forward exchange contracts  
Subjects of hedging: Interest on borrowings, receivables and payables denominated in foreign currencies



#### Hedge policy

Use of derivative instruments is intended to mitigate risks associated with foreign exchange and interest rate fluctuation. As a rule, hedging is only used for items for which actual demand exists, not for speculative purposes.

#### Evaluation method of hedge effectiveness

Hedge effectiveness is evaluated by ratio analysis of cumulative fluctuations in the market between the hedged item and the hedging instrument. An evaluation of hedge effectiveness for currency swaps is omitted. This is because the material conditions for the notional principal of the hedging instrument and for the hedged item are the same and these transactions can offset market fluctuations. Also omitted is an evaluation of hedge effectiveness for interest rate swaps applied with special treatment.

#### (vii) Accounting policy for recognition of significant revenues and expenses

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

##### (a) 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 F2P items in the Entertainment Contents Business, and Pachislot and Pachinko Machines Business, the Group's performance obligation is to provide the services specified for each item to the customer. Depending on the nature of the item, the Group determines that the performance obligation is satisfied when the item is used by the customer or over the course of the estimated usage period as 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.

##### (b) Sales of products and merchandise

Revenue from sales of products and merchandise in the Entertainment Contents Business and Pachislot and Pachinko Machines Business is primarily from sales through manufacture or wholesale. The Group's performance obligation is to deliver finished products or merchandise in accordance with a sales contract or the like with the customer. The Group determines that the performance obligation is satisfied when it delivers the finished products or merchandise and the customer assumes control over said 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.

- (c) Resort facility sales  
Revenue of resort facilities in the Resort Business is from the operation of hotels and golf courses, with the Group's performance obligation to provide accommodation, eating and drinking, and space to play on the golf course at each facility. The Group determines that the performance obligation is satisfied and the revenue recognized upon the completion of the provision of the various services to the customers.
- (viii) Amortization method and period of goodwill  
Where the duration of the effect of goodwill can be estimated on rational grounds, it is amortized over the estimated period by the straight-line method.
- (ix) Application of the group tax-sharing system  
The Company and certain domestic consolidated subsidiaries apply the group tax-sharing system.
- (5) Supplementary information  
Accounting treatment of national and local income tax or related tax effect accounting  
The Company and some domestic consolidated subsidiaries have applied the group tax-sharing system beginning with this consolidated fiscal year. Accounting treatment and disclosure for national and local income tax or related tax-effect accounting are undertaken in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, August 12, 2021).

## II Notes concerning changes in accounting policies

- (1) Application of Implementation Guidance on Accounting Standard for Fair Value Measurement  
The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") since the start of the current consolidated fiscal year. The new accounting policies stipulated by the Fair Value Measurement Guidance are applied to current and future accounts in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This has had no impact on the consolidated financial statements for the current fiscal year.
- (2) Application of "Leases" (U.S. GAAP Topic 842)  
Subsidiaries that apply U.S. GAAP have applied "Leases" (U.S. GAAP Topic 842) since the start of the current consolidated fiscal year. This standard calls for the lessee to record all leases as assets and liabilities on the balance sheet, in principle. In accordance with the transitional treatment provided for in the application of U.S. GAAP Topic 842, the Company employs the method of recognizing the cumulative effect of the change in accounting policies on the starting date of its application. This has had only minor impact on the consolidated financial statements for the current fiscal year.

## III Notes concerning accounting estimates

- (1) Valuation of inventories, etc. in the Entertainment Contents Business
  - (i) Amounts posted to consolidated financial statements in the current fiscal year

Work in process	47,043 millions of yen
"Other" under intangible assets	6,410 millions of yen
  - (ii) Calculation method for amounts posted to consolidated financial statements in the current fiscal year  
Work in process and software, etc. amounts posted due to production of game contents, etc. in the Entertainment Contents Business are stated at acquisition cost. They are routinely treated as costs considering anticipated sales volumes or expected service periods. However, in the event that the future recoverable value falls below that of the book value of the work in process and software, etc., the amount of said difference is posted to cost of sales.
  - (iii) Key assumptions used in calculating amounts posted to consolidated financial statements in the current fiscal year  
Future recoverable value is an estimate based on sales forecasts for the following fiscal years.

- (iv) Impact on consolidated financial statements in the following fiscal year  
Discrepancies between forecasts and actual results arising from the timing of release of new products from rival companies within the same market and sales fluctuations due to the nature of hit-product business may affect profit and loss.
- (2) Valuation of raw materials in the Pachislot and Pachinko Machines Business
  - (i) Amount posted to consolidated financial statements in the current fiscal year  
Raw materials 16,136 millions of yen
  - (ii) Calculation method for amounts posted to consolidated financial statements in the current fiscal year  
Raw materials are posted at acquisition cost. If anticipated future raw material usage falls below stock, the surplus is posted to cost of sales.
  - (iii) Key assumptions used in calculating amounts posted to consolidated financial statements in the current fiscal year  
Raw material usage forecasts are estimated based on the projected volume of pachinko and pachislot machine sales for the following fiscal years.
  - (iv) Impact on consolidated financial statements in the following fiscal year  
Discrepancies between forecasts and actual results arising from the timing of release of new products from rival companies within the same market and sales fluctuations due to the nature of hit-product business may affect profit and loss.
- (3) Valuation of shares of affiliates with regard to PARADISE SEGASAMMY Co., Ltd.
  - (i) Amounts posted to consolidated financial statements in the current fiscal year  
Shares of subsidiaries and affiliates 17,867 million yen
  - (ii) Calculation method for amounts posted to consolidated financial statements in the current fiscal year  
PARADISE SEGASAMMY Co., Ltd. (“PSS” hereinafter) is a Company affiliate accounted for by the equity method. Investments in PSS are handled by equity method accounting. PSS applies International Financial Reporting Standards (IFRS) and conducts impairment tests if there is an indication of impairment in its cash generating units. For cash generating units including goodwill, PSS conducts impairment tests on an annual basis, in addition to instances associated with indication of impairment. If the results of these impairment tests show that recoverable value falls below book value, the book value in PSS financial statements is reduced to the recoverable value. This, along with recognition of impairment loss, exerts an impact on the amount of shares of Company affiliates by equity method accounting.  
PSS has posted ¥125,811 million in noncurrent assets, including goodwill of ¥7,771 million.
  - (iii) Key assumptions made in calculating amounts posted to the consolidated financial statements in the current fiscal year  
PSS conducts impairment tests on cash-generating units that include goodwill and cash-generating units that show any signs of impairment. It calculates recoverable value based on value in use or on fair value less cost of disposal.  
Key assumptions made in measurements of value in use are based on matters such as business plans fundamental to the calculation of future cash flows and rates of growth and discount rates. Business and other plans are formulated based on numbers of casino users and drop amounts (amounts of chips purchased at gaming tables) under the assumption of a market recovery and relaxation of international travel restrictions. Figures used for rates of growth after the period subject to business and other plans reflect consideration of business growth potential. The discount rate is calculated based on the weighted average cost of capital while reflecting risks associated with businesses, which are determined using external and internal information.

[English Translation of Convocation Notice Originally Issued in the Japanese Language]

Fair value less cost of disposal is determined using mainly real estate appraisal values (under the depreciated replacement cost approach) from outside experts, taking into consideration the repurchase price of the relevant asset and related depreciation factors.

- (iv) Impact on consolidated financial statements in the following fiscal year  
Estimates of future cash flows are based on best estimates by management. Discrepancies between forecasts and actual trends in areas such as numbers of users may affect profit and loss.

#### IV Notes on the consolidated balance sheet

- (1) Accumulated depreciation of property, plant and equipment  
101,345 million yen

- (2) Assets pledged as collateral  
Shares of subsidiaries and affiliates\* 17,867 million yen

\* Shares of the equity-method affiliate PARADISE SEGASAMMY Co., Ltd. are pledged as collateral for a loan of ¥73,007 million (KR₩725,000 million) from financial institutions to PARADISE SEGASAMMY Co., Ltd. in the current consolidated fiscal year.

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

##### Revaluation method

The value of the land was calculated by making reasonable adjustments to the assessed value of fixed assets for taxation purposes as stipulated in Article 2, Paragraph 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998) and appraisals by licensed real estate appraisers as stipulated in Paragraph 5 of that Article.

Date of revaluation: March 31, 2002

Difference between fair value at the end of the fiscal year and book value after revaluation of revalued land: ¥(425) million

- (4) Balance of unrealized borrowings based on current account overdraft agreements: ¥181,654 million  
Balance of unrealized borrowings based on commitment line contracts: ¥113,000 million

**V Notes on the consolidated statement of income**

- (1) Amount of inventory write-downs attributable to reduced profitability of inventories held for regular sale purposes is shown below.

Cost of sales ¥9,871 million

- (2) R&D expenses included in general and administrative expenses and manufacturing cost for the fiscal year under review

¥51,410 million

- (3) Breakdown of main items included in extraordinary losses

- (i) Breakdown of gain on sale of noncurrent assets:

Machinery, equipment, and vehicles	¥3 million
Other noncurrent assets	0
<b>Total</b>	<b>3</b>

- (ii) Breakdown of loss on sale of noncurrent assets:

Amusement machines and facilities	¥0 million
Other noncurrent assets	0
<b>Total</b>	<b>0</b>

- (iii) A breakdown of depreciation loss is provided below.

(Unit: millions of yen)

Use	Location	Type	Amount of depreciation loss recorded
Assets for business	State of Nevada, U.S.A., and two others	Buildings and structures	141
		Amusement machines and facilities	2
		Other property, plant, and equipment	297
		Other intangible assets	5
		<b>Total</b>	<b>446</b>

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 extraordinary losses.

- (4) Loss on business restructuring

This loss is primarily related to game content for which development was suspended in connection with restructuring of the European business.

## VI Notes on the consolidated statement of changes in shareholders' equity

### (1) Shares of stock issued and outstanding

(Unit: shares)

Class of shares	Start of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year
Common stock	266,229,476	–	25,000,000	241,229,476

(Overview of causes of change)

Cause of the decrease:

Decrease due to retirement of treasury stock: 25,000,000 shares

### (2) Treasury stock

(Unit: shares)

Class of shares	Start of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year
Common stock	43,307,930	2,246,395	25,078,284	20,476,041

(Overview of causes of change)

Causes of the increase:

Increase due to purchase on the market under Board of Directors resolution: 2,240,700 shares

Increase due to purchase of odd-lot stock: 5,695 shares

Causes of the decrease:

Decrease due to demands for sale of odd-lot stock: 84 shares

Decrease due to transfer-restricted share-based compensation: 78,200 shares

Decrease due to retirement of treasury stock: 25,000,000 shares

### (3) Dividends

#### (i) Cash dividends paid

Resolution	Class of shares	Total dividend (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors meeting held May 13, 2022	Common stock	4,458	20	March 31, 2022	June 2, 2022
Board of Directors meeting held October 31, 2022	Common stock	4,415	20	September 30, 2022	December 1, 2022

#### (ii) Dividends for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

Resolution (planned)	Class of shares	Source of dividends	Total dividend (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors meeting held May 12, 2023	Common stock	Retained earnings	8,609	39	March 31, 2023	June 2, 2023

### (4) Class and quantity of shares subject to share acquisition rights as of the ending date of the current fiscal year (excluding those for which the exercise period has not yet begun)

Not applicable

## VII Notes concerning financial instruments

### (1) Current state of financial instruments

The Group has concluded agreements with its financial institutions concerning commitment lines of credit to secure medium- to long-term funds liquidity for the Company as the 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 its financial plans, through bank borrowings or issuing bonds, while applying a cash management system to put Group funds to efficient use. Funds are invested primarily in low-risk high-liquidity financial assets; some funds are invested in compound financial instruments, such as bonds, to achieve more efficient funds management. Derivatives are not used for speculative purposes; rather they are used mainly to manage exposure to the risks described below.

The Group endeavors to reduce customer credit risks on notes and accounts receivable - trade in accordance with Group company rules on claims management and other rules and regulations.

Securities consist mainly of bonds. Since bonds are secured through transactions solely with highly rated financial institutions, in accordance with Group company rules on funds management and other rules and resolution, they entail only minor credit risk. Investment securities consist mainly of stock. Information on topics such as their current market values and the financial standings of their issuers (business partners) is ascertained at regular intervals and reported to the Board of Directors or other relevant body within each company. Decisions on whether to continue to hold such securities is reviewed based on a consideration of relationships with the business partners that issued them. While some component financial instruments are exposed to risks of market price fluctuations such as those of stock-market fluctuations, their current market values are ascertained at regular intervals.

Borrowings and corporate bonds are secured to obtain working capital, make capital investments, and diversify fundraising sources. The Group manages liquidity risk in various ways, including having each Group company prepare monthly reports on fundraising results and forecasts for confirmation by the Company.

Derivative transactions consist of forward foreign exchange contracts intended to hedge against exchange rate fluctuation risks associated with certain operating payables denominated in foreign currency and interest-rate swap transactions intended to hedge against interest-rate fluctuation risks associated with certain borrowings with variable interest rates. These are handled mainly by the finance or accounting sections of individual Group companies, allowing internal approval based on the Group company rules on derivatives management and other rules and regulations. Status reports are submitted to each company's Board of Directors as appropriate.

### (2) Fair values, etc., of financial instruments

Shown below are consolidated balance sheet amounts, fair values, and the differences between them as of the end of the current consolidated fiscal year. Information on stocks and other financial instruments with no market value is provided under Note 3 and is not included in the following table. Notes on cash and deposits are omitted because they are settled quickly and their fair value approximates their book value.

(Unit: millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Notes and accounts receivable - trade	52,673	52,673	-
(2) Short-term investment securities and investment securities			
(i) Held-to-maturity debt securities	104	104	(0)
(ii) Available-for-sale securities *1	4,654	4,654	-
(3) Notes and accounts payable - trade	30,556	30,556	-
(4) Short-term borrowings	17,000	17,000	-
(5) Long-term borrowings	25,000	24,915	84
(6) Bonds payable	10,000	9,814	185
(7) Derivative transactions*2			
(i) Transactions outside the scope of hedge accounting	-	-	-
(ii) Transactions subject to hedge accounting	382	382	-

\*1. Excludes investments in business for which the amount corresponding to equity is recorded on the consolidated balance sheet as a net amount and similar businesses. The amount of such investments recorded on the consolidated balance sheet was 10,808 million yen.

\*2. Net claims and obligations arising from derivatives are presented in net amounts. Totals that are net obligations are indicated in parentheses.

\*3. Stock and other financial instruments with no market value

Category	Consolidated balance sheet amount (millions of yen)
Investments in unlisted stocks, etc.	4,538
Investments in investment limited partnerships, etc.	9,984
Stock of non-consolidated subsidiaries	846
Stock of affiliates	18,586
Investments in capital of subsidiaries and affiliates	824

(3) Breakdown of fair value information on financial instruments by level

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

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

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

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

When using multiple inputs that are material to the fair value measurement, fair value is categorized in the lowest priority input level in the fair value measurement.

(i) Financial assets and liabilities recorded on the consolidated balance sheet at fair value

(Unit: millions of yen)

Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities					
Available-for-sale securities					
Stocks	4,082	4,082	–	–	4,082
Debt securities	290	–	290	–	290
Other	280	–	280	–	280
Total assets	4,654	4,082	571	–	4,654
Derivative transactions*					
Currency-related	–	–	–	–	–
Interest rate-related	382	–	382	–	382
Total derivative transactions	382	–	382	–	382

\* Net claims and obligations arising from derivatives are presented as net amounts. Totals that are net obligations are indicated in parentheses.

(ii) Financial assets and liabilities not recorded on the consolidated balance sheet at fair value

(Unit: millions of yen)

Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade	52,673	–	52,673	–	52,673
Short-term investment securities and investment securities					
Held-to-maturity debt securities					
Bonds receivable	104	–	104	–	104
Total assets	52,778	–	52,778	–	52,778



Category	Consolidated balance sheet amount	Fair value			
		Level 1	Level 2	Level 3	Total
Notes and accounts payable - trade	30,556	–	30,556	–	30,556
Short-term borrowings	17,000	–	17,000	–	17,000
Long-term borrowings	25,000	–	24,915	–	24,915
Bonds payable	10,000	–	9,814	–	9,814
Total liabilities	82,556	–	82,287	–	82,287

Note: Description of the valuation techniques and inputs used in fair value measurement

Short-term investment securities and investment securities:

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

Derivative transactions:

Fair values of interest rate swaps and forward foreign exchange contracts are measured by the discounted present value method based on observable inputs, such as interest rates and exchange rates, and assigned to Level 2.

Notes and accounts receivable - trade:

The fair value of these items is measured by the discounted present value method based on the amounts of receivables, times to maturity, and interest rates reflecting credit risks for each grouping of receivables in a specified period and assigned to Level 2.

Notes and accounts payable - trade:

The fair value of these items is measured by the discounted present value method based on future cash flows, times to maturity, and interest rates reflecting credit risks for each grouping of payables in a specified period and assigned to Level 2.

Short-term borrowings and long-term borrowings:

The fair value of short-term borrowings and long-term borrowings is measured by the discounted present value method based on sums of principal and interest, times to maturity, and interest rates reflecting credit risks and assigned to Level 2.

Bonds payable:

The fair value of bonds payable issued by the Company is measured by the discounted present value method based on sums of principal and interest, times to maturity, and interest rates reflecting credit risks and assigned to Level 2.

## VIII Notes on revenue recognition

### (1) Disaggregation of revenue from contracts with customers

The Group engages in the Entertainment Contents Business, the Pachislot and Pachinko Machines Business, and the Resort Business. The main goods or services handled by these businesses are digital content, products and merchandise, and resort facilities. Sales of goods or services by each business are shown below.

(Unit: millions of yen)

	Reporting segment				Other	Total
	Entertainment Contents	Pachislot Pachinko Machines	Resort	Subtotal		
Digital content sales	145,132	4,153	–	149,285	–	149,285
Product and merchandise sales	95,320	87,254	–	182,575	–	182,575
Resort facility sales	–	–	11,540	11,540	–	11,540
Other sales	42,428	2,845	–	45,274	960	46,234
Revenue from contracts with customers	282,881	94,253	11,540	388,675	960	389,635
Sales to external customers	282,881	94,253	11,540	388,675	960	389,635

### (2) Basic information for grasping revenue from contracts with customers

#### (i) Information on contracts, performance obligations, and when performance obligations are satisfied

Information on contracts, performance obligations, and when performance obligations are satisfied is as described under “I Basis of presenting consolidated financial statements: (4) Accounting Policies: (vii) Accounting policy for recognition of significant revenues and expenses.”

#### (ii) Information on calculations of amounts allocated to performance obligations

When selling multiple items of game content in sets as part of activities that grant game distribution rights or in association with download sales in the Entertainment Contents Business, the provision of each item of content is deemed to satisfy the corresponding performance obligation. Performance obligations are allocated separately. In sales by the Entertainment Contents Business of sets of amusement machines and bundled annual content update services, sales of amusement machines and annual content update services are deemed to involve separate performance obligations that are also separately allocated.

In such cases, the stand-alone selling prices as of the transaction dates in the contracts for individual goods or services that serve as the bases for each performance obligation are calculated and transaction prices are allocated based on the percentages corresponding to those stand-alone selling prices.

### (3) Information for grasping revenue amounts for the current fiscal year and for the following fiscal years

#### (i) Receivables from contracts with customers, balances of contract assets and liabilities, etc.

Shown below is a breakdown of receivables from contracts with customers, contract assets, and contract liabilities.

(Unit: millions of yen)

	Current consolidated fiscal year	
	Starting balance	Ending balance
Receivables from contracts with customers		
Notes and accounts receivable - trade	34,958	52,673
Contract assets	3,993	696
Contract liabilities	10,257	25,852

Contract assets refer to unbilled claims related to revenues recognized based on measurement of progress, mainly for development projects under contract. Contract assets are transferred to accounts receivable - trade at the point in time at which claims on payment become unconditional. Contract liabilities refer mainly to balances of prepayments received from customers before delivery of products or provision of services and points awarded to customers for which performance obligations remain unfulfilled as of the end of the period. Contract liabilities are cancelled upon recognition of revenue.

Of the revenue recognized in the current fiscal year, the amount included in the balance of contract liabilities at the beginning of the period was ¥9,368 million. The main cause of the increase in contract liabilities was an increase in prepayments received before delivery of products.

(ii) Transaction prices allocated to remaining performance obligations

Shown below are the total price of transactions allocated to remaining performance obligations and the time frames in which the Company expects to recognize the revenue amounts.

(Unit: millions of yen)

	Current consolidated fiscal year
Within one year	24,227
More than one year but within two years	1,047
More than two years	577
Total	25,852

#### IX Notes on rental property and other real estate

Notes on the status and fair value of rental property and other real estate

This information is omitted due to the immateriality of the total amount of rental property and other real estate.

#### X Notes on per-share information

Net assets per share	1,498.75 yen
Profit per share	208.07 yen

## XI Notes on significant subsequent events

### (1) Tender offer to acquire shares of Rovio Entertainment Oyj

At Board of Directors meeting held on April 17, 2023, the Company and SEGA CORPORATION ("SEGA"), a subsidiary of the Company, resolved to implement a tender offer (tender offer under the Finnish Law, the "Tender Offer") to acquire Rovio Entertainment Oyj ("Rovio"), a mobile game company headquartered in Finland, through SEGA's wholly-owned UK subsidiary SEGA Europe Limited.

#### (i) Purpose of the acquisition and the tender offer

##### (a) Positioning of the consumer business for the Company

The Company positions the consumer area of its Entertainment Contents Business as a growth area under its medium-term plan (from FY2022 to FY2024), and has accelerated its efforts to strengthen the business through initiatives such as converting existing IPs into global brands, strengthening user engagement through multi-platform support and enhanced media mix, etc.

As a part of its growth strategy to invest up to ¥250 billion during the five-year period ending FY2026/3, the Company has been exploring investment opportunities in the consumer area to strengthen its development capabilities as well as to create new ecosystems.

##### (b) Background of the acquisition

The size of the global gaming market is projected to reach US\$263.3 billion by 2026, growing at a CAGR of 3.5% from 2022 to 2026. The mobile gaming market in particular, is set to grow at a CAGR of 5.0% to represent 56% of the global gaming market overall, an increase from 53% in 2022. (Source: IDG Report (dated October 2022))

The Company firmly believes that it is imperative to continue investing in its game development and operating capabilities, in order to further strengthen its position in this fast-growing mobile and global gaming market, which therefore led to the decision to acquire Rovio.

Through the Acquisition, the Company aims to take-in Rovio's live-operated mobile game development capabilities and expertise in mobile game operation, to accelerate the development of mobile-compatible and multi-platform-supported version of SEGA's existing game IPs, thereby strengthening and further accelerating global expansion of SEGA's game portfolio.

##### (c) Purpose of the acquisition

Rovio is a global mobile-first, games company that creates, develops, and publishes mobile games, which have been downloaded over 5 billion times. Rovio is best known for the global Angry Birds brand, which started as a popular mobile game in 2009, and has since evolved from games to various entertainment, anime, and consumer products through brand licensing.

SEGA aims to accelerate its growth in the global gaming market and increase its corporate value by generating synergies between SEGA's existing businesses and Rovio's strengths, including its global IPs and live-operated mobile game development capabilities.

#### (ii) Overview of the Tender Offer

##### (a) Tender Offer (The offeror)

SEGA Europe Limited

##### (b) Target of the Tender Offer

(1) Trade Name	Rovio Entertainment Oyj
(2) Location of head office	Keilaranta 7 02150, Espoo, Uusimaa Finland
(3) Name/title of the representative	Alexandre Pelletier-Normand / CEO
(4) Business overview	Planning, development, management, and distribution of mobile games, as well as licensing of Angry Birds IP
(5) Capital	EUR 0.7 million (as of December 31, 2022)

##### (c) Tender Offer period (tentative)

Scheduled to begin on May 8, 2023, and end on July 3, 2023

The Company plans to commence the Tender Offer as soon as the offering document related to the Tender Offer (Tender Offer document to be published to the shareholders of Rovio) is approved by the Finnish Financial Supervisory Authority, the regulatory authority of Finland's financial markets.

(d) Tender Offer price

EUR 9.25 per share

The Tender Offer price represents approximately a 63.1% premium to the closing price on January 19, 2023, approximately a 55.2% premium to the 3M VWAP ended January 19, 2023, approximately a 19.0% premium to the closing price of Rovio's shares on April 14, 2023, the last day of trading before the announcement of the Tender Offer, and approximately a 17.5% premium to the 3M VWAP ended April 14, 2023.

(e) Funds required for the Tender Offer

EUR 706 million in total (c. ¥103,680 million)

The Company plans to use cash on hand to fund the Tender Offer.

(The Company may draw loans as appropriate based on its capital policy, in a way that does not affect the capability and willingness to fund the offer).

(f) Minimum Number of Shares to be Purchased

The Company has set the minimum acceptance level of at least 90% of all shares and voting rights in Rovio (on a fully diluted basis) for the Tender Offer, which can be waived by the Company, to successfully complete.

(iii) Number of shares to be acquired, acquisition price, and ownership of shares before and after the Acquisition\*

(1) Ownership of shares before the acquisition	0 shares (Number of voting rights: 0 shares) (Ratio of voting rights: 0%)
(2) Number of shares to be acquired	76,179,063 shares, 742,300 options (as of April 17, 2023) (Number of voting rights: 76,179,063 votes)
(3) Acquisition price	Acquisition Price: c. EUR 706 million (c.¥103,680 million) Advisory Fee: c. EUR 9 million (c.¥1,300 million)
(4) Intended Ownership of shares after the Acquisition	76,179,063 shares, 742,300 options (Number of voting rights: 76,179,063) (Ratio of voting rights: 100%)

\* Acquisition price represents the amount of payment for purchasing shares and stock options.

Ownership of shares after the Acquisition provided above assumes that the Company successfully completes the Tender Offer and acquires the entirety of Rovio's shares outstanding after the full exercise of options. If the Company successfully acquires more than 90% of all shares and voting rights in Rovio, the Company intends to implement a squeeze-out procedure set forth in the Finnish Companies Act to acquire the remaining untendered shares and to make Rovio its wholly owned subsidiary.

(2) Acquisition of treasury stock

At Board of Directors meeting held on April 28, 2023, the Company has resolved the matter related to the acquisition of treasury stock, pursuant to the provisions of Article 156 of the Companies Act of Japan as applied by replacing the provisions stipulated in Article 165 Paragraph 3 of the same law.

(i) Reasons for the acquisition of treasury stock

The Group aims to maximize corporate value through the management focusing on capital efficiency in its medium - term financial strategy until the fiscal year ending March 31, 2026 and while promoting aggressive investment for growth, the Company will also provide appropriate shareholder returns. As a result of considering regarding shareholder returns including acquisition of treasury stock based on the return policy of adopting higher of DOE 3% or more, or total return ratio of 50% or more, the Company decided to acquire treasury stock.

- (ii) Details of the acquisition of treasury stock
  - (a) Type of shares to be acquired  
Common stock
  - (b) Total number of shares to be acquired  
8,000,000 shares (upper limit)  
Ratio to total number of shares outstanding (excluding treasury stock): 3.62%
  - (c) Total cost of acquisition  
10.0 billion yen (upper limit)
  - (d) Acquisition period  
From May 1, 2023 to September 29, 2023
  - (e) Acquisition method  
Market purchase on the Tokyo Stock Exchange

## Non-consolidated balance sheet

(Unit: millions of yen)

Item	Current year (as of March 31, 2023)	Item	Current year (as of March 31, 2023)
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	66,694	<b>Current liabilities</b>	103,777
Cash and deposits	48,839	Current portion of long-term borrowings	17,000
Accounts receivable - trade	1,140	Accounts payable - other	1,733
Prepaid expenses	735	Accrued expenses	805
Short-term loans receivable from subsidiaries and affiliates	12,687	Income taxes payable	140
Accounts receivable - other	1,783	Deposits received	82,202
Other	1,508	Provision for bonuses	979
<b>Noncurrent assets</b>	343,460	Provision for directors' bonuses	641
<b>Property, plant, and equipment</b>	8,804	Other	275
Buildings	4,137	<b>Noncurrent liabilities</b>	56,886
Structures	558	Bonds payable	10,000
Machinery and equipment	22	Long-term borrowings	25,000
Vehicles	60	Asset retirement obligations	593
Tools, furniture and fixtures	2,231	Provision for retirement benefits	502
Land	1,794	Long-term deposits received	20,000
<b>Intangible assets</b>	778	Deferred tax liabilities	510
Software	665	Other	279
Other	113	<b>Total liabilities</b>	<b>160,664</b>
<b>Investments and other assets</b>	333,877	<b>Net assets</b>	
Investment securities	11,061	<b>Shareholders' equity</b>	248,412
Shares of subsidiaries and affiliates	309,785	Capital stock	29,953
Investments in capital of subsidiaries and affiliates	794	Capital surplus	146,486
Long-term loans receivable from subsidiaries and affiliates	16,360	Legal capital surplus	29,945
Long-term loans receivable	43	Other capital surplus	116,540
Long-term prepaid expenses	30	Retained earnings	109,348
Other	5,753	Other retained earnings	109,348
Total noncurrent assets	(9,951)	Retained earnings brought forward	109,348
		Treasury stock	(37,375)
		<b>Valuation and translation adjustments</b>	610
		Valuation difference on available-for-sale securities	610
		<b>Share acquisition rights</b>	468
		<b>Total net assets</b>	<b>249,491</b>
<b>Total assets</b>	<b>410,155</b>	<b>Total liabilities and net assets</b>	<b>410,155</b>

Note: Figures shown in millions of yen have been rounded down to the nearest million.

## Non-consolidated statement of income

(Unit: millions of yen)

Item	Current year (from April 1, 2022 to March 31, 2023)	
<b>Operating revenue</b>		
Consulting fee income	9,363	
Shared service income	4,038	
Dividends income	4,451	17,853
<b>Operating expenses</b>		
Selling, general, and administrative expenses	16,669	16,669
<b>Operating income</b>		<b>1,184</b>
<b>Non-operating income</b>		
Interest income	418	
Interest on securities	15	
Dividends income	29	
Gain on investments in partnership	1,510	
Foreign exchange gains	805	
Other	316	3,096
<b>Non-operating expenses</b>		
Interest expenses	540	
Interest on bonds	37	
Commission fee	145	
Loss on investments in partnership	542	
Provision of allowance for doubtful accounts	196	
Other	303	1,765
<b>Ordinary income</b>		<b>2,514</b>
<b>Extraordinary income</b>		
Extraordinary losses	2	
Gain on sales of stocks of subsidiaries and affiliates	423	426
<b>Income before income taxes</b>		
Loss on valuation of investment securities	59	59
<b>Income taxes - current</b>		<b>2,880</b>
Income taxes - deferred	(273)	
Total income taxes	57	(216)
<b>Net income</b>		<b>3,097</b>

Note: Figures shown in millions of yen have been rounded down to the nearest million.



## Non-consolidated statement of changes in shareholders' equity

FY2023 (April 1, 2022 - March 31, 2023)

(Unit: millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balances as of April 1, 2022	29,953	29,945	162,140	192,085
Changes in items during the period				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			31	31
Cancellation of treasury stock			(45,631)	(45,631)
Total changes in items during the period			(45,599)	(45,599)
Balances as of March 31, 2023	29,953	29,945	116,540	146,486

  

	Shareholders' equity			
	Retained earnings		Treasury stock	Total shareholders' equity
	Other capital surplus	Total capital surplus		
	Retained earnings carried forward			
Balances as of April 1, 2022	115,124	115,124	(78,161)	259,001
Changes in items during the period				
Dividends from surplus	(8,873)	(8,873)		(8,873)
Net income	3,097	3,097		3,097
Purchase of treasury stock			(4,987)	(4,987)
Disposal of treasury stock			142	174
Cancellation of treasury stock			45,631	-
Total changes in items during the period	(5,775)	(5,775)	40,786	(10,589)
Balances as of March 31, 2023	109,348	109,348	(37,375)	248,412

  

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balances as of April 1, 2022	383	383	176	259,560
Changes in items during the period				
Dividends from surplus				(8,873)
Net income				3,097
Purchase of treasury stock				(4,987)
Disposal of treasury stock				174
Cancellation of treasury stock				-
Net changes in items other than shareholders' equity	227	227	292	519
Total changes in items during the period	227	227	292	(10,069)
Balances as of March 31, 2023	610	610	468	249,491

Note: Figures shown in millions of yen have been rounded down to the nearest million.

## **Notes on the non-consolidated financial statements**

### **I Notes on important accounting policies**

- (1) Asset valuation standards and methods
  - (i) Valuation standards and methods for securities
    - Shares in subsidiaries and affiliates
      - The method applied is the moving average cost method.
    - Available-for-sale securities
      - Those other than securities without available fair market value:
        - The fair value method is applied on market prices and other information as of the ending date of the fiscal year (processing the entire amount of revaluation gain/loss through direct entry to net assets, with cost of sales calculated 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:
        - The method applied is the moving average cost 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, Paragraph 2 of the Financial Instruments and Exchange Act, is calculated based on available and relevant financial statements for the partnership as of the reporting date stipulated in the partnership agreement.
    - (ii) Derivatives: The fair value method is applied.
- (2) Methods for depreciating noncurrent assets
  - (i) Property, plant, and equipment: The straight line method is applied.
    - Useful lives for main assets are shown below:

Buildings:	2 – 50 years
Structures:	2 – 47 years
Tools, furniture, and fixtures:	2 – 15 years
  - (ii) Intangible assets: The straight line method is applied.
    - Software used by the Company is amortized by the straight line method based on the useful life within the Company (up to five years).
- (3) Accounting for significant deferred assets
  - Bond issuance cost: All expenses are expensed at the full amount at the time of payment.
- (4) Accounting standards for allowances and provisions
  - (i) Allowance for doubtful accounts: This is recorded in the necessary amount based on a consideration of the recoverability of individual claims for doubtful and other claims to prepare for possible losses on doubtful accounts at the end of the fiscal year.
  - (ii) Provision for bonuses: The estimated amount of bonuses is recorded to meet the payment of employee bonuses during the current fiscal year.
  - (iii) Provision for directors' bonuses: The estimated amount of bonuses is recorded to meet the payment of bonuses for directors.
  - (iv) Provision for retirement benefits
    - Method for allocating estimated retirement benefits to fiscal periods

In calculating retirement benefit obligations, benefit formula attribution is adopted for the purpose of attributing projected retirement benefits to the period up to the end of the current fiscal year. Treatment of actuarial gains and losses and prior service costs  
Actuarial differences are recorded as expenses in one lump sum in the following fiscal year. Prior service expenses are recorded as expenses in one lump sum when they arise.

(5) Hedge accounting methods

(i) Hedge accounting

The Company applies deferred hedge accounting to currency swap transactions that meet the requirements for deferred hedge accounting and special treatment to interest rate swap transactions that meet the requirements for special treatment.

(ii) Hedging instruments and subjects of hedging

Hedging instruments: Currency swaps and interest rate swaps

Subjects of hedging: Borrowings denominated in foreign currency and interest on borrowings

(iii) Hedging policy

Use of derivative instruments is intended to mitigate risks associated with foreign exchange and interest rate fluctuation. As a rule, hedging is only used for items for which actual demand exists, not for speculative purposes.

(iv) Method for evaluating the effectiveness of hedging

An evaluation of hedge effectiveness for currency swaps is omitted. This is because the material conditions for the notional principal of the hedging instrument and for the hedged item are the same and these transactions can offset market fluctuations. Also omitted is an evaluation of hedge effectiveness for interest rate swaps applied with special treatment.

(6) Accounting standards for recognition of significant revenues and expenses

Revenues from management guidance are derived from the Company's provision of guidance on management, planning, and other activities to subsidiaries. The Company is obligated, under contracts with its subsidiaries, to provide management guidance over the terms of such contracts. Such obligations are deemed fulfilled over the full term of the contract; thus, revenues are recognized over the contractual terms.

Revenues from shared services are derived from the Company's provision to subsidiaries of general affairs, legal, human resource, accounting, and other services. The Company is obligated under contracts with its subsidiaries to provide these services over the terms of such contracts. Such obligations are deemed fulfilled over the full term of the contract; thus, revenues are recognized over the contractual terms.

Revenues from dividends received are recognized as of the effective date of the dividends.

(7) Other important matters serving as the bases for the preparation of the financial statements

Application of the group tax-sharing system

The Company applies the group tax-sharing system, with the Company as the parent organization for tax sharing.

## II Notes concerning changes in accounting policies

### Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") since the start of the current fiscal year. The new accounting policies stipulated by the Fair Value Measurement Guidance are applied to current and future accounts in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This has had no impact on the financial statements for the current fiscal year.

### III Notes on accounting estimates

Valuation of shares of subsidiaries and affiliates related to PARADISE SEGASAMMY Co., Ltd.

- (1) Amount recorded to the financial statements for the current fiscal year  
Shares of subsidiaries and affiliates: 34,872 million yen
- (2) Method for calculating amount recorded to the financial statements for the current fiscal year  
PARADISE SEGASAMMY Co., Ltd. (“PSS” hereinafter) is a Company affiliate recorded at its value on the balance sheet based on the acquisition cost, as stock with no market value.  
In valuations of the shares of subsidiaries and affiliates, unless there are sufficient grounds for recognizing the decrease to be recoverable, a marked decrease in the effective price due to PSS’s worsening financial standing based on a comparison of the acquisition cost and effective price reflecting the excess revenue-generating capability would affect valuations of the Company’s shares of subsidiaries and affiliates. This is because they are recorded as losses in the current period through an appropriate reduction in value.
- (3) Key assumptions made in calculating amounts posted to the financial statements in the current fiscal year  
PSS conducts impairment tests on cash-generating units that include goodwill and cash-generating units that show any signs of impairment. It calculates recoverable value based on value in use or on fair value less cost of disposal.  
Key assumptions made in measurement of value in use are based on matters such as business plans fundamental to calculations of future cash flows and rates of growth and discount rates. Business and other plans are formulated based on numbers of casino users and drop amounts (amounts of chips purchased at gaming tables) under the assumption of a market recovery and relaxation of international travel restrictions. Figures used for rates of growth after the period subject to business and other plans reflect consideration of business growth potential. The discount rate is calculated based on the weighted average cost of capital while reflecting risks associated with businesses, which are determined using external and internal information. Fair value less cost of disposal is determined using mainly real estate appraisal values (under the depreciated replacement cost approach) from outside experts, taking into consideration the repurchase price of the relevant asset and related depreciation factors.
- (4) Impact on financial statements in the following fiscal year  
Estimates of future cash flows are based on best estimates by management. Discrepancies between forecasts and actual trends in areas such as numbers of users may affect profit and loss.

### IV Notes on the balance sheet

- (1) Accumulated depreciation of property, plant and equipment  
5,060 million yen
- (2) Assets pledged as collateral  
Shares of subsidiaries and affiliates\* 34,872 million yen  
\* Shares of the equity method affiliate PARADISE SEGASAMMY Co., Ltd. are pledged as collateral for a loan of ¥73,007 million (KR₩725,000 million) from financial institutions to PARADISE SEGASAMMY Co., Ltd. at the end of the current fiscal year.
- (3) Monetary claims and obligations with subsidiaries and affiliates  
Short-term monetary claims 3,421 million yen  
Short-term monetary obligations 83,856 million yen  
Long-term monetary obligations 20,000 million yen

## V Notes on the income statement

Transactions with subsidiaries and affiliates	
Management guidance fees	9,363 million yen
Shared service fees	4,037 million yen
Dividends received (operating revenues)	4,451 million yen
Selling, general, and administrative expenses	1,621 million yen
Transactions other than operating transactions	654 million yen

## VI Notes on the statement of changes in shareholders' equity

Class and quantity of treasury stock at the end of the current fiscal year	
Common stock	20,476,041 shares

## VII Notes on tax effect accounting

### (1) Significant components of deferred tax assets and deferred tax liabilities

Deferred tax assets	
Losses carried forward	805 million yen
Exclusion of provision for bonuses from deductible expenses	303
Exclusion of provision of allowance for doubtful accounts from deductible expenses	2,987
Exclusion of loss on valuation of shares of subsidiaries and affiliates from deductible expenses	7,346
Valuation difference on available-for-sale securities	63
Other	1,260
Subtotal deferred tax assets	12,768
Valuation allowance for tax loss carried forward	(805)
Valuation allowance for deductible temporary difference	(11,450)
Subtotal valuation allowance	(12,256)
Offset to deferred tax liabilities	(512)
Total deferred tax assets	—
Deferred tax liabilities	
Valuation difference on available-for-sale securities	361 million yen
Gain (loss) on valuation of investment partnerships	504
Asset retirement obligations	151
Income taxes receivable	5
Subtotal deferred tax liabilities	1,023
Offset to deferred tax assets	(512)
Total deferred tax liabilities	510
Deferred tax liabilities, net	(510)

### (2) Breakdown by major causes of significant differences between the statutory tax rate and the effective tax rate after application of tax effect accounting, if any

Effective statutory tax rate	30.6 %
Permanently non-deductible expenses, including entertainment expenses	2.8 %
R&D tax credit	(0.4) %
Increase/decrease in valuation reserves	8.2 %
Amount of dividends received, etc. not included in profit	(47.4) %
Other	(1.2) %
Effective tax rate after tax effect accounting	(7.5) %

### (3) Accounting treatment of national and local income tax or related tax effect accounting

The Company has applied the group tax-sharing system starting this fiscal year. The Company carries out accounting treatment and disclosure for national and local income tax or related tax-effect accounting in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, August 12, 2021).

**VIII Notes on transactions with related parties**

(1) Subsidiaries, affiliates, etc.

(Unit: millions of yen)

Type	Name of company, etc.	Percentage of voting rights held by (or in) the Company	Relationship to related party	Details of transactions	Transaction amount*1	Account	Ending balance
Subsidiary	Sammy Corporation	100% held directly by the Company	Management guidance Concurrent posting of executives	Management guidance fees*2	3,183	Accounts receivable - trade	291
				Shared service fees*3	968	Accounts receivable - trade	59
				Amount of tax-sharing effects under the group tax-sharing system	–	Accounts payable - other	608
				Deposits received/paid*4	–	Deposits received	7,807
				Interest paid*5	130	Long-term deposits received	15,000
						Other current liabilities	29
Subsidiary	RODEO Co., Ltd.	100% held indirectly by the Company	–	Deposits received/paid*4	–	Deposits received	4,880
Subsidiary	TAIYO ELEC Co., Ltd.	100% held indirectly by the Company	–	Deposits received/paid*4	–	Deposits received	10,256
Subsidiary	SEGA CORPORATION	100% held directly by the Company	Management guidance Concurrent posting of executives	Management guidance fees*2	6,179	Accounts receivable - trade	566
				Shared service fees*3	2,846	Accounts receivable - trade	203
				Amount of tax-sharing effects under the group tax-sharing system	–	Accounts receivable - other	381
				Deposits received/paid*4	–	Deposits received	36,613
				Interest paid*5	144	–	–
				Collection of loans	1,000	Short-term loans to subsidiaries and affiliates	10,047
						–	–
						Interest received*5	39

Type	Name of company, etc.	Percentage of voting rights held by (or in) the Company	Relationship to related party	Details of transactions	Transaction amount*1	Account	Ending balance
Subsidiary	SEGA SAMMY CREATION INC.	100% held directly by the Company	Concurrent posting of executives	Lending of funds	1,250	Long-term loans to subsidiaries and affiliates*6	14,350
				Interest received*5	89	Accounts receivable - other	0
Subsidiary	PHOENIX RESORT CO., LTD.	100% held directly by the Company	Concurrent posting of executives	Amount of tax-sharing effects under the group tax-sharing system Deposits received/paid*4	-	Accounts payable - other	152
				Collection of loans	800	Deposits received Short-term loans to subsidiaries and affiliates	335
				Lending of assets	920	Long-term loans to subsidiaries and affiliates	2,600
				Interest received*5	29	Accounts receivable - other	1,970
Subsidiary	Sammy Networks Co., Ltd.	100% held indirectly by the Company	Concurrent posting of executives	Shared service fees*3	45	Accounts receivable - trade	4
				Amount of tax-sharing effects under the group tax-sharing system Deposits received/paid*4	-	Accounts receivable - other	56
				Interest paid*5	12	Deposits received Other current liabilities	8,118
							5
Subsidiary	TMS ENTERTAINMENT CO., LTD.	100% held indirectly by the Company	Concurrent posting of executives	Amount of tax-sharing effects under the group tax-sharing system Deposits received/paid*4	-	Accounts receivable - other	444
				Interest paid*5	13	Deposits received Long-term deposits received Other current liabilities	5,186
							5,000
Affiliate	PARADISE SEGASAMMY Co., Ltd.	45.0% held directly by the Company	-	Provision of collateral *7	34,872	-	-

\*1. Transaction amounts exclude consumption tax.

\*2. Amounts of management guidance fees are determined based on the expenses required of the Company to manage Group company businesses.

\*3. Amounts of shared service fees are determined based on the expenses required to perform the relevant operations.

[English Translation of Convocation Notice Originally Issued in the Japanese Language]

- \*4. This transaction was conducted under the cash management system intended to integrate fund raising and investment in the Group and put funds to effective use. Transaction amounts are not indicated because lending of funds among Group companies takes place repeatedly.
- \*5. Interest is determined with reference to market interest rates.
- \*6. Long-term loans to subsidiaries and affiliates to SEGA SAMMY CREATION INC. were recorded in the amount of 9,905 million yen during current fiscal year. In addition, 196 million yen was transferred to allowances for doubtful accounts during the current fiscal year.
- \*7. Shares of stock in PARADISE SEGASAMMY Co., Ltd. have been pledged as collateral for certain borrowings by that company from financial institutions.

(2) Executives, individual shareholders, etc.

(Unit: millions of yen)

Type	Name of company, etc.	Percentage of voting rights held by (or in) the Company	Relationship to related party	Details of transactions	Transaction amount <sup>*1</sup>	Account	Ending balance
Company, etc. in which an executive, or a relative thereof, holds a majority of voting rights	FSC Co., Ltd. <sup>*3</sup>	6.19% held in the Company directly	Insurance agent	Payment of insurance premiums <sup>*2</sup>	6	Prepaid expenses	1
						Long-term prepaid expenses	2

\*1. Transaction amounts exclude consumption tax.

\*2. Transaction amounts are determined in accordance with general transaction conditions, with market prices serving as references.

\*3. Company Chairman (Representative Director) Hajime Satomi and President and Group CEO (Representative Director) Haruki Satomi own a majority of shares in FSC Co., Ltd.

## IX Notes on per-share information

Net assets per share	1,128.06 yen
Net income per share	14.03 yen

## X Notes on significant subsequent events

### Acquisition of treasury stock

Notes on this acquisition of treasury stock are omitted here because the same information is provided under “XI Notes on significant subsequent events: (2) Acquisition of treasury stock” in the Notes on the consolidated financial statements.



**Independent Auditor's Report**

May 11, 2023

To the Board of Directors of SEGA SAMMY HOLDINGS INC.:

KPMG AZSA LLC  
Tokyo Office, Japan

Hidetoshi Fukuda  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Danya Sekiguchi  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoichi Ueno  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

**Opinion**

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SEGA SAMMY HOLDINGS INC. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, 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.

**Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The audit and supervisory

committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

**Independent Auditor's Report**

May 11, 2023

To the Board of Directors of SEGA SAMMY HOLDINGS INC.:

KPMG AZSA LLC  
Tokyo Office, Japan

Partner  
Hidetoshi Fukuda  
Designated Limited Liability  
Engagement Partner  
Certified Public Accountant

Partner  
Danya Sekiguchi  
Designated Limited Liability  
Engagement Partner  
Certified Public Accountant

Partner  
Yoichi Ueno  
Designated Limited Liability  
Engagement Partner  
Certified Public Accountant

**Opinion**

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules (“the financial statements and the accompanying supplementary schedules”) of SEGA SAMMY HOLDINGS INC. (“the Company”) as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, 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 Financial Statements and the Accompanying Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

## **Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules 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 Financial Statements and the Accompanying Supplementary Schedules**

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company'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.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules**

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules 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 financial statements and the accompanying supplementary schedules.

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 financial statements and the accompanying supplementary schedules, 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 Company'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 Company'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 financial statements and the accompanying supplementary schedules 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 Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

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, related safeguards.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan .

### **Notes to the Reader of Independent Auditor's Report:**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

## **Audit & Supervisory Committee's Audit Report**

The Audit & Supervisory Committee has audited the performance of the duties of Directors during the fiscal year from April 1, 2022, through March 31, 2023. The method and results of this audit are reported below.

### 1. Audit methods and details

In addition to receiving periodic reports on the details of Board of Directors resolutions concerning the matters stipulated in Article 399-13, Paragraph 1, item 1, b and c of the Companies Act, and reports on the structure and operational status of systems developed based on such resolutions (internal controls systems) from Directors, employees, and others, as well as requesting explanations and offering opinions, as necessary, the Audit & Supervisory Committee used the following methods to carry out its audit:

- (i) In cooperation with the Company's internal controls sections, we attended important meetings, received reports from Directors, employees, and others concerning the performance of their duties; solicited explanations, as necessary, and viewed important decision-making documents and other materials in order to assess the status of operations and finances at the head office and important business sites in accordance with the audit policies, division of responsibilities, and other provisions established by the Audit & Supervisory Committee. At subsidiaries, we worked to achieve shared understanding and exchanged information with Directors, Corporate Auditors, and other subsidiary personnel and reviewed business reports from subsidiaries as necessary.
- (ii) In addition to monitoring and verifying the independent status of and appropriate discharge of the audit responsibilities of the accounting auditor, we received reports from the accounting auditor on the state of the undertaking of its duties, and solicited explanations, as necessary. We also received from the accounting auditor notification that systems for ensuring the appropriate performance of duties (concerning the items enumerated in the paragraphs under Article 131 of the Corporate Accounting Rules) were maintained in accordance with the Standards for Quality Control of Audits (Business Accounting Council, October 28, 2005) and solicited explanations as necessary.

We reviewed the business report and its annexed details; the financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, and notes on the financial statements) and their annexed details; and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity, and notes on the consolidated financial statements) for the current fiscal year based on the above methods.

### 2. Audit findings

#### (1) Findings of the audit of the business report, etc.

- (i) We believe the business report and its annexed details accurately describe the state of the Company in accordance with laws, regulations, and the Articles of Incorporation.
- (ii) We have identified no improper actions or material violations of laws, regulations, or the Articles of Incorporation with regard to the performance of duties of Directors.
- (iii) We believe the resolutions of the Board of Directors concerning the internal controls system to be appropriate. We found no items worthy of note regarding the business report or the performance of the duties of Directors concerning the internal controls system.

#### (2) Findings of audit of the financial statements and their annexed details

We consider the methods and findings of the audit by KPMG AZSA LLC, the accounting auditor, to be appropriate.

#### (3) Findings of audit of consolidated financial statements

We consider the methods and findings of the audit by KPMG AZSA LLC, the accounting auditor, to be appropriate.

May 12, 2023

Yukito Sakaue

Standing Audit & Supervisory Committee Member

Kazutaka Okubo

External Audit & Supervisory Committee Member

Shione Kinoshita

External Audit & Supervisory Committee Member

Naoko Murasaki

External Audit & Supervisory Committee Member

Audit & Supervisory Committee, SEGA SAMMY

HOLDINGS INC.