

(Translation)

**Summary of Questions and Answers
in the 19th Annual General Meeting of Shareholders (Held on June 22, 2023)**

<DISCLAIMER>

*This document is an excerpt and summary of the Q&A session at the Annual General Meeting of Shareholders, and some edits and modifications have been made to improve comprehensibility.

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(Preliminary questions 1)

Q. There are several smartphone titles which service continue to be terminated after a short period of time. Can you tell us whether there has been insufficient research into user needs?

(Answer: Chairman)

A. Unfortunately, as you have pointed out, some smartphone titles have terminated their service in a short period of time. The market has been increasingly competitive, and while existing very popular titles continue to be popular, many of the new hits are foreign-made. We take this situation seriously and intend to apply to future development. While taking advantage of having major hits such as *Project Sekai* and *ONE PIECE Bounty Rush* (Publisher: Bandai Namco Entertainment Inc), we will work hard on our future development, including overseas development, based on those reflections.

(Preliminary questions 2)

Q. I would like to know if you are considering making a movie or anime version of *Project Sekai*. I also would like you to consider a collaboration cafe with a karaoke chain that operates nationwide.

(Answer: Chairman)

A. We call it the "transmedia strategy" within the Company, and we are thinking of developing various businesses with our partners, not only through games but also through merchandising, making movies and animations, and licensing. If there is such a request from karaoke chains, we would like to continue to consider various business developments, as we have already done with Lawson, where we collaborated on a campaign in which the characters wore store uniforms, so please keep an eye on our

future plans.

(Preliminary questions 3)

Q. I would like to know as a manufacturer, are you considering lowering the price of pachinko machines or eliminating unnecessary gimmicks.

(Answer: Chairman)

A. I myself am constantly discussing with the development department the essential question of whether we can sell more machines or mark higher utilization if they are decorative. The industry group is also concerned that the weight of the machines is placing a heavy burden on pachinko hall staffs, and we are considering diligently to address such issue as well. In response to the cost increase caused by the difficulty in procuring parts due to the unstable economic situation, we are making efforts to lower prices by recycling and reusing parts, but the current situation is that we are not reaching the expectations of pachinko halls. On the other hand, the current situation is that some used machines are being traded in the market even though their used prices have soared high. As a manufacturer, we are constantly examining what is the essence of the problem and what users want the most.

(Speaker 1)

Q. For *Persona* series titles that are not scheduled to be remade, we would like you to lift the restriction on Internet streaming, as this would be a good opportunity for many people to become aware of the series.

(Answer: Chairman)

A. At one time, there were many negative comments within the Company about streaming games with a storyline, such as *Like a Dragon*, as it would spoil the story and prevent the game from selling well. However, we feel that the number of people who become want to play games themselves is increasing with VTuber game streaming as a trigger, so we will continue to consider what titles to stream and under what rules, taking into account the feedback.

(Speaker 2)

Q. I would like to know if you are planning to make a remake of an old classic machine like *Smart Pachislot Hokuto no Ken*.

(Answer: Chairman)

Even before the release of the *Smart Pachislot Hokuto no Ken*, in the form of the Sammy Classic Series, we have been recreating old models such as *Disc Up*, *Aladdin*, and *Hard Boiled* with the latest specifications for users to enjoy. On the other hand, there are some models that are similar to remakes, such as *Smart Pachislot Hokuto no Ken*, in which the gameplay is the same but the visual effects are

replaced with the latest version and additional contents are added. We would like to work on further development of these titles while taking the result of user survey into account.

(Speaker 3)

Q. Could you tell us if the AR functionality that was implemented in the PlayStation Vita version of *PSO2* in the past could be offered in a smartphone app in the future?

(Answer: Chairman)

A. *PSO2* has just undergone a major update in June, and there is also a campaign app for smartphone, etc. We will continue to seriously consider what can be realized with current technology to improve customer satisfaction, while considering this kind of feedback.

(Speaker 4)

Q. Could you tell us if you have a plan to release a robot game like *Border Break* in the future?

(Answer: Chairman)

A. We are very happy to hear that many fans have expressed their appreciation for the service we have provided, while they are also feeling sad to see the *Border Break* service come to an end. We cannot answer the question of whether we will release another robot game like this in the future at this time, but we value the feedback we have received from our customers and will continue to consider how we can improve customer satisfaction and provide the experiences that move the heart we are aiming for.

(Speaker 5)

Q. With the growing popularity of poker around the world, please tell us about the future development of Sammy's poker business.

(Answer: Chairman)

A. Poker was originally popular worldwide, but in recent years poker has become increasingly popular in Japan, especially among young people, and amusement casinos known as poker bars have spread widely throughout the country. We, too, operate poker bars and provide apps, and we are considering expanding our stores, including franchises, in the future. Drawing on our experience in creating the darts boom at SEGA in the past with the *Darts Live* machine and *Bee* stores, we are currently working to see if we can do the poker version of that at Sammy, and we will continue to put effort into this project.

(Speaker 6)

Q. I heard that *Code of Joker* has recently been registered as a trademark and I would like to know as much as possible about this.

(Answer: Director Sugino)

A. At the moment, we have nothing specific to tell you other than that we have filed an application to register the *Code of Joker* as a trademark. We are considering future developments based on user feedback.

(Speaker 7)

Q. *Smart Pachislot Hokuto no Ken* has been able to reproduce the taste at the time when it was a hit as No. 4 model, but what were the efforts made in its development?

(Answer: Chairman)

A. I think the biggest reason is that the regulation revision of No. 6.5 model has made it possible to reproduce the visual effects, gameplay comfortability, and feeling of that time. We also believe that the reason why the machine was so well received was that we conducted marketing and campaigns, etc. to appeal to fans who played with the machine back then, and that we developed the game with an awareness of reproducing the original visual effects as closely as possible so that fans of that time would not feel uncomfortable.

(Speaker 8)

Q. I expect the stock price to rise further and the market capitalization to increase in the future.

(Answer Chairman)

A. Although we recorded highest stock price in 16 years today, we are not at all satisfied with this. We believe that there is still room for improvement compared to other companies in our industry both in Japan and overseas, and we have no intention of resting on our laurels, so we would appreciate your continued support.

(Speaker 9)

Q. Please tell us about the future development of SEGA's retro games.

(Answer: Chairman)

A. SEGA has many IPs, and we are constantly considering what we can do while listening to the voices of our loyal fans. We are constantly examining what kind of games we can create by rearranging our old IPs in a modern style in what we call the Legendary Project internally, and we will continue to develop our business while listening to the opinions of our fans.

(Speaker 10)

Q. Please tell us about the utilization of generative AI and future business development with it.

(Answer: Chairman)

A. I also have a sense of urgency that there will be a big difference in three years between companies that utilize generative AI and those that do not. In our company, all employees have already been able to use chat GPT 3.5 Turbo on Microsoft Teams since June. I always tell my employees, "Don't be used by AI, but use AI to its fullest. Then we should do what only humans can do." Like this, we are in the process of actively utilizing AI right now.

(Speaker 11)

Q. Could you tell us about your plans for additional production of *Smart Pachislot Hokuto No Ken* along with your policy for panel development?

(Answer: Chairman)

A. As of April 28, 40,000 units have already been sold, and deliveries are being made progressively in May and June. We are planning to increase the number of units with *Ken-Oh* panels in August, and if we receive further orders and receive requests for other panels, we'd like to consider offering them. However, we would like to increase production sequentially due to issues of procurement of parts and production capacity, so we would like to refrain from giving a specific figure for the plan for additional production.

(Speaker 12)

Q. Please tell us your thoughts about SEGA's overseas business development, Sammy's thoughts on M&A, and the 250.0 billion yen investment for growth.

(Answer: Chairman)

A. Regarding SEGA's console video game business, overseas sales account for 90%, including game sales for PCs. On the other hand, with regard to smartphone, the overwhelming majority of sales are in Japan, with overseas sales accounting for only more than 20% and our wish to strengthen the overseas smartphone business led to the TOB for Rovio. As for Sammy, we don't have M&A plans and as we believe we have sufficient in-house development and production capacity at the same time, its priority is to further improve this capability. In other areas, we are considering investing in gaming businesses such as online casino and sports betting, as well as investing in startup companies through CVC and new businesses such as Webtoon, which was recently announced.

(Speaker 13)

Q. At ATLUS, images diverted from TV program without permission were disseminated on SNS. Since there have been cases of leakage such as acquisition of overseas company and information on new releases, please tell us how you plan to strengthen your information management system in the future.

(Answer: Chairman)

A. The leak of the new ATLUS title just prior to its announcement has caused a great deal of trouble for those who involved, and we took it very seriously. Depending on the situation, we may take strict action against SNS accounts which leaked the information, including requesting information disclosure and, in some cases, claiming compensation for damages. We think it is a challenge for us to ensure that internal information is managed thoroughly on a daily basis and to show that if it is leaked, severe penalties will be imposed.

[Addendum]

Regarding the use of the images, we didn't answer during the meeting, but after the close of the meeting, we have confirmed that permission had been received in advance.

(Speaker 14)

Q. Could you tell me if there is a possibility that SEGA will be involved in the next installment of *Shenmue* series?

(Answer: Chairman)

A. *Shenmue* is an IP which SEGA obtains the trademark. With respect to *Shenmue III*, it was developed by Mr. Yu Suzuki, the creator of *Shenmue*, through licensing out after he went independent. At present, we believe that it is difficult for SEGA to release a new *Shenmue* game, but if we receive a request for license from him in the future, we would like to consider.

(Speaker 15)

Q. Please tell us about the performance of your casino business in South Korea and your plan for the entry to a casino in Japan.

(Answer: Chairman)

A. PARADISE CITY, which is run by our joint venture with the PARADISE GROUP of South Korea, has already achieved a recovery close to the level before COVID-19. China and South Korea have not yet recovered to the level before COVID-19, but we've been having a great number of visitors from Japan and other countries, and we expect to achieve a significant recovery in business performance this fiscal year. As for Japanese IR, there is currently no plan to make entry to other cities after the suspension of participation in Yokohama.

(Speaker 16)

Q. Please tell us your plan of how to prop up Phoenix Resort in the Resort business.

(Answer: Chairman)

A. In the previous fiscal year, it returned to profitability for the first time since it joined the group, and we have declared that their revitalization phase was over. We are forecasting it will be profitable again this fiscal year, and if inbound visitors return in the future, we believe that we can expect further growth in the Resort business.

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